

ROTORUA REGIONAL AIRPORT LIMITED
Financial Statements
For the Year Ended 30 June 2022

Rotorua Regional Airport Limited
Financial Statements Index
For the Year Ended 30 June 2022

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Rotorua Regional Airport Limited

Company Directory

As at 30 June 2022

| | | | |
|------------------------------|--|------------|-----------------|
| Date of Incorporation | 6 April 1990 | | |
| Company Number | 386483 | | |
| IRD Number | 051-834-720 | | |
| Nature of Business | Provision of Safe & Efficient Airport Services for Airline and Aircraft Operators and the Travelling Public | | |
| Business Location | Rotorua Airport Terminal Rotorua Airport, SH30, Rotokawa, Rotorua | | |
| Registered Office | Rotorua Airport Terminal Rotorua Airport, SH30, Rotokawa, Rotorua | | |
| Directors | Peter Stubbs (Chairman) John Amarama Fenwick Danielle Louise Auld Mere Kerena George Grant Raymond Lilly | | |
| Auditors | Audit New Zealand on behalf of the Auditor-General | | |
| Accountants | BWTL Advisory Limited, Rotorua | | |
| Bankers | ASB Bank & Bank of New Zealand, Rotorua | | |
| Solicitors | Holland Beckett, Rotorua | | |
| Shareholders | Rotorua Lakes Council | 28,645,000 | Ordinary Shares |

Rotorua Regional Airport Limited

Annual Report

For the Year Ended 30 June 2022

The Directors hereby present their Annual Report including Financial Statements of the company for the year ended 30 June 2022.

Section 211 of the Companies Act 1993 requires the following disclosures:

Principal Activities

The business of the company is the provision of safe and efficient airport services for airlines and aircraft operators and the travelling public. The nature of the company's business has not changed during the year.

Auditors

The Auditor General is appointed under Section 15 of the Public Audit Act 2001. Audit New Zealand has been appointed to provide these services. Provision for audit fee for the year was \$31,000.

Directors Holding Office During the Year

The following Directors held office as at 30 June 2022:

| | Date of Appointment |
|-------------------------|---------------------|
| Peter Stubbs (Chairman) | 21/05/2014 |
| John Amarama Fenwick | 01/10/2017 |
| Danielle Louise Auld | 05/03/2020 |
| Mere Kerena George | 05/03/2020 |
| Grant Raymond Lilly | 26/08/2021 |

Directors' Remuneration

Directors' remuneration paid was as follows:

| | 2022 | 2021 |
|-------------------------|--------|--------|
| Peter Stubbs (Chairman) | 30,000 | 30,000 |
| John Amarama Fenwick | 17,500 | 15,000 |
| Anthony John Marks | - | 15,000 |
| Danielle Louise Auld | 20,000 | 15,000 |
| Mere Kerena George | 15,000 | 15,000 |
| Grant Raymond Lilly | 12,750 | - |
| | 95,250 | 90,000 |

No other benefits have been provided by the Company to a Director for services as a Director or in any other capacity. No loans have been made by the Company to a Director nor has the Company guaranteed any debts incurred by a Director.

Rotorua Regional Airport Limited

Annual Report

For the Year Ended 30 June 2022

Employee's Remuneration

The following numbers of employees, who were not directors, received remuneration and benefits which exceeded \$100,000 in value for the 2022 financial year:

| | |
|-----------------------|---|
| \$100,001 - \$159,999 | 3 |
|-----------------------|---|

Directors' Disclosures

There were entries recorded in the Register of Interests. See Note 23 of the financial statements.

No Director acquired or disposed of any interest in shares in the company.

The Board of Directors received no notices from Directors wishing to use company information received in their capacity as Directors which would not have ordinarily been available.

The Company paid all of the premiums on contracts insuring directors in respect of liability and costs permitted to be insured against in accordance with Section 162(5) of the Companies Act 1993.

Donations

No donations were made by the company during the year.

For and on behalf of the Board of Directors,

Director _____ Director _____

Dated this 20th day of October 2022.

Rotorua Regional Airport Limited
Statement of Management Responsibility
For the Year Ended 30 June 2022

The Directors of Rotorua Regional Airport Limited accepts responsibility for the preparation of the annual financial statements and Statement of Service Performance and the judgements used in these statements.

The Directors accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the company's financial and non-financial reporting.

In the opinion of the Directors, the annual financial statements and Statement of Service Performance for the financial year fairly reflect the financial position, operations and cash flows of the company.

Director _____ Director _____

Dated this 20th day of October 2022.

Rotorua Regional Airport Limited

Statement of Service Performance

For the Year Ended 30 June 2022

The following is a Statement of Service Performance relating to the financial and non-financial performance measures and key objectives outlined in the Company's Statement of Intent (SOI) for the year ended 30 June 2022.

Performance Information- Non Financial

| Non-financial measures | FY22 Target | FY22 Actual | Performance | FY21 Actual |
|---|---|--------------|-------------|-------------|
| Aircraft movements ⁽¹⁾ | 6,100 | 4,056 | | 4,935 |
| Passenger numbers ⁽²⁾ | 160,000 | 155,459 | | 179,500 |
| Build non-aviation revenue and optimise existing assets, including unlocking the potential of the unused airport land, including development of airport precincts in line with the agreed masterplan ⁽³⁾ | Deliver portfolio of strategic projects | Refer Note 3 | | New Measure |
| Number of controllable safety incidents | 0.0 | 0.0 | | 0.0 |
| Number of employee injuries (days off work) | 0.0 | 0.0 | | 1.0 |
| Customer Service Rating ⁽⁴⁾ | 8.0 out of 10 | Refer Note 4 | | Suspend |

Key

Met
 Not achieved
 In Progress

Note ⁽¹⁾ Aircraft movements were down significantly against forecast as a result of a decline in general aviation (including flight school traffic), the cessation of AKL-ROT during Auckland lockdowns and the continuing impact of COVID-19, in particular the red traffic light setting, on commercial traffic.

Note ⁽²⁾ Passenger numbers were strongly impacted by the Auckland lockdown in late 2021 and the Omicron outbreak in February/March/April 2022. Passenger numbers in May/June showed good signs of recovery which resulted in Actual passenger numbers being close to Target.

Note ⁽³⁾ Project Performance – A change in Chief Executives and COVID-19 disruptions has slowed progress on the identified strategic projects however work continues in this area. Further details provided under Key Objectives.

Note ⁽⁴⁾ Customer service rating – the comments box to measure customer service rating was removed as a result of COVID-19 operating constraints within the terminal. The customer service rating has moved to a face to face survey system from FY23.

Rotorua Regional Airport Limited

Statement of Service Performance

For the Year Ended 30 June 2022

Performance Information - Financial

| Financial measures | FY22 Target | FY22 Actual | Performance | FY21 Actual |
|--|----------------|----------------|-------------|----------------|
| Total revenue ⁽¹⁾ | 5,234,670 | 5,845,709 | | 4,903,363 |
| Total expenses before depreciation ⁽²⁾ | 3,452,149 | 3,496,769 | | 3,591,694 |
| Net surplus (deficit) before depreciation ⁽³⁾ | 1,782,521 | 2,348,940 | | 1,311,669 |
| Net Surplus (deficit) after depreciation & before tax ⁽⁴⁾ | (695,263) | 727,140 | | (1,188,960) |
| Capital expenditure ⁽⁵⁾ | 3,912,500 | 1,091,021 | | 406,639 |
| Shareholders' funds to total assets ⁽⁶⁾ | 67% | 76% | | 75% |

Key

*Met**Not achieved*

Note ⁽¹⁾ Total revenue was 12% ahead of SOI target due to the recognition of donated hangar as revenue at the fair value of \$900,000.

Note ⁽²⁾ Total expenditure before depreciation of \$3.50 million was 1.3% more than SOI target of \$3.45 million, and 2.6% below the previous financial year. The increase in current year expenditure was primarily due to extra costs incurred in the recruitment of CEO and rescue fire team.

Note ⁽³⁾ Net surplus (deficit) before depreciation was 31.8% ahead of SOI target mainly due to the positive revenue variance as mentioned in Note ⁽¹⁾ above.

Note ⁽⁴⁾ Net surplus (deficit) after depreciation & before tax was \$1.42 million ahead of SOI target. The comprehensive revaluation on infrastructure assets completed by Beca Projects in the previous year resulted in lower current year depreciation expense due to changes to remaining useful lives of existing infrastructure assets and component split of assets to account for differing useful lives.

Note ⁽⁵⁾ Capital expenditure costs were lower than target as the Strategic Projects were not completed as originally planned due to Covid-19 related delays and a change in Chief Executives.

Note ⁽⁶⁾ As a result of achieving a current year surplus after tax of \$486,786 instead of SOI deficit after tax of \$695,263 and following the revaluation gain of FY21, the net equity of the company grew to \$59 million, resulting in shareholders' funds to total assets ahead of SOI target by 13%.



Rotorua Regional Airport Limited

Statement of Service Performance

For the Year Ended 30 June 2022

KEY OBJECTIVES

Below is an update on each of the Company's Key Objectives for FY22 as set out in the SOI:

- **Manage health and safety risks and provide a safe environment for everyone affected by the activities of the airport including employees, customers, tenants, contractors and visitors**

Rotorua Regional Airport Limited (RRA) has maintained full operational compliance of its mandated Pt 139 Certification and Safety Management Systems (SMS). This is an operating requirement of the Civil Aviation Authority (CAA). RRA reviewed aspects of its SMS in FY22 and submitted to the CAA for review.

RRA's COVID-19 Management Handbook was continually updated and provided guidance through the COVID-19 challenges of FY22. The company and staff performed exceptionally well maintaining full operating continuity and continually adapting to best practice and changing government guidelines. RRA's Fire & Operations team became, and still is, a vaccine mandated workforce.

RRA continues to work with the community to manage its Obstacle Limitation Surface (OLS) to ensure a safe operating environment for all airport users. The airport also takes health and safety seriously and will follow through appropriately if there are any issues.

The RRA Board adopted a new Sustainable Development Framework in FY22. This framework will be followed up by a Sustainable Development Action plan in FY23. The framework identifies four key pillars, which will be continued in the action plan:

- Our Environment
- Our Business Community
- Our Infrastructure
- Our People

- **Develop a commercial network that best meets the needs of the residents and businesses in the region**

Rotorua's key passenger sectors (Auckland, Wellington and Christchurch) continued throughout FY22 with only AKL-ROT taking a respite during the Auckland lockdowns. Passenger numbers were affected by the nationwide red traffic light setting in early 2022, however showed good improvement when the country moved to the orange setting. As at 30th June 2022, we had facilitated 155,459 passenger movements for the preceding twelve months.

As we re-emerge from the challenges of COVID our focus remains on supporting growth across these networks and growing services over time to cater for the Rotorua community, business and tourism sectors and in doing so further positioning Rotorua as the key Central North Island Airport Hub.

- **Continue the terminal development, taking the opportunity to showcase the best of what Rotorua has to offer**

The majority of work on the RRA terminal was completed in FY21, however RRA seeks to make continual improvements, including:

- Building of the terminal office
- Completion of the Rotorua Airport history wall

Rotorua Regional Airport Limited

Statement of Service Performance

For the Year Ended 30 June 2022

- **Engage the community and staff by being welcoming and ensuring the airport is an asset that they can be proud of**

Due to COVID-19 restrictions, community engagement activities, such as Ride the Runway, were unable to take place in FY22. RRA's focus for the period was to support the community by providing a safe and operational airport, ensuring a clean and well-presented terminal with no COVID-19 related flight interruptions. Now that COVID-19 restrictions have eased, RRA is pleased to be able to re-engage with the community in FY23.

- **Manage and maintain business-critical infrastructure, services and facilities for all users of the Airport**

Annual noise monitoring was completed in FY22. RRA will proactively continue to work with Rotorua Lakes Council (RLC) and the broader community to ensure airport operations are undertaken within agreed legislative requirements.

- **Support the wider plan change for the area surrounding the Rotorua Regional Airport, which is intended to support the new 'liveable communities' priority, alongside other key stakeholders.**

RRA continues to engage with RLC and support initiatives in the surrounding area. This includes:

- Input into RLCs Rotorua Housing Plan Change and Future Development Strategy
- Work with RLC and Rotorua Economic Development (RED) to optimise the opportunities around the future development potential of the area.

- **Support Rotorua Lakes Council partnership with Te Arawa by working with the broader Te Arawa stakeholders, especially mana whenua from within the Rotorua Regional Airport area. The redevelopment of the terminal is a key opportunity to include bilingual signage and to represent Te Arawa stories and values.**

RRA has taken advantage of the opportunity presented to it through terminal redevelopment to convey our manaakitanga to our community and customers. Te Reo signage has been adopted across the building as well as the Emergency Operations Centre.

- **Develop a funding model to facilitate building non-aviation revenue and optimise existing assets**

RRA continues to explore opportunities to build non-aviation revenue and optimise existing assets. In FY22 RRA undertook a full review to optimise lease revenue, while at the same working with airport tenants and recognising the challenging operating environment.

Rotorua Regional Airport Limited

Statement of Service Performance

For the Year Ended 30 June 2022

- **Develop the airport precincts in line with the agreed master plan to further unlock the unused airport land**

RRA commenced work with RLC and Waka Kotahi to progress the roundabout on Te Ngae Road which will unlock the unused airport land. RRA commenced work to refine the master plan to provide further detail on the airport land development and ensure aviation growth is supported in the future.

- **Be advocates for achieving wider wellbeing outcomes (Social, Cultural, Economic) through planned economic investment, and incorporating procurement practices, aligned with any changes in Council's procurement policy when completed**

RRA continues work to update policies and practices to align with RLC where appropriate.

- **Additional priorities**

Through Council's recent work to support economic recovery and accelerate long term economic development in our regions, additional funding was identified (by way of authorisation for additional borrowing) to support a number of key strategic initiatives from the airport master plan if finalised businesses cases are signed off by the Board. These were:

- Hangar & Facility Development for flight school and general aviation services (Precinct B)
- Ground / Aviation Services training facility
- Private Jet Fixed Base Operations (FBO) facilities
- Heliport and Rotary Aircraft Maintenance facilities
- Enhanced Terminal Services offering (retail + activation space)

RRA will progress the above initiatives over the course of FY22-23.

A change in Chief Executives and the impacts of COVID-19 impacted progress on these key projects in FY22:

Hangar & Facility Development for flight school and general aviation services (Precinct B)

- Layout reviewed as part of airport master plan update
- Geotech and soil testing underway
- Advertising underway to seek anchor tenants



Rotorua Regional Airport Limited

Statement of Service Performance

For the Year Ended 30 June 2022

Ground / Aviation Services training facility

- On hold due to staff changes. This could be reintroduced at a later date as resource allows.

Private Jet Fixed Base Operations (FBO) facilities

- RRA is working with established Fixed Base Operators to grow the private jet market to Rotorua using existing infrastructure.

Heliport and Rotary Aircraft Maintenance facilities

- This project has been expanded to include all available land to the south of the terminal (Precinct A)
- Master plan has been refined to ascertain the optimum use of Precinct A land, including for aviation and commercial
- Discussions with Volcanic Air regarding ideal hangar specifications and location
- RLC, with input from RRA, commissioned Stantec to do an initial design of the Eastgate/Airport roundabout
- RRA, RLC and RotoruaNZ have aligned goals to unlock commercial land and are therefore working closely together on Precinct A

The successful completion of these developments will enable RRA to move towards a position of self-funding through generation of revenue streams from its strategic land holdings.



Rotorua Regional Airport Limited

Statement of Service Performance

For the Year Ended 30 June 2022

COVID-19 Disclosure

Covid-19 has had a significant impact on the operations and financial performance of RRA. As a Lifeline Utility and of key local and regional infrastructural significance, Rotorua Airport has maintained full operational capability throughout the COVID-19 event and across alert level escalation and de-escalation.

The following specific disclosures are made:

- Throughout the COVID-19 event and across alert level escalation and de-escalation, Rotorua Airport has maintained full operational continuity;
- RRA fully adapted to the challenges of COVID-19 on its people and business. Where required staff adapted to working under the constraints and restrictions of our COVID-19 Management Handbook;
- RRA met and embraced Ministry of Health and Ministry of Transport guidance and mandatory requirements around operations and staff and passenger safety;
- RRA maintained its full organisational structure (16 full time employees). Where required split shifts, staff isolation and revised ways of working were adopted to ensure we maintained a safe working environment preserving airport operational continuity; and
- All performance indicators as noted under RRA's SOI were maintained and reported against through the event.



Rotorua Regional Airport Limited
Statement of Comprehensive Revenue & Expense
For the Year Ended 30 June 2022

| | Note | 2022 | 2021 |
|---|--------|-----------|-------------|
| REVENUE | | | |
| Operating revenue | 3 | 5,844,975 | 4,903,281 |
| Other revenue | 4 | 734 | 82 |
| TOTAL REVENUE | | 5,845,709 | 4,903,363 |
| EXPENSES | | | |
| Operating expenses | 5 | 1,297,745 | 1,579,864 |
| Depreciation, amortisation & impairment charges | 11,12 | 1,621,800 | 2,500,629 |
| Directors' fees | | 95,250 | 90,000 |
| Finance expense | | 517,251 | 588,132 |
| Other expenses | 6 | 1,586,523 | 1,333,698 |
| TOTAL EXPENSES | | 5,118,569 | 6,092,323 |
| SURPLUS (DEFICIT) BEFORE TAX | | 727,140 | (1,188,960) |
| Income tax expense | 10 | 240,664 | (480,769) |
| SURPLUS (DEFICIT) AFTER TAX | | 486,476 | (708,191) |
| OTHER COMPREHENSIVE REVENUE & EXPENSE | | | |
| <i>Items that will not be reclassified to surplus (deficit)</i> | | | |
| Gain on revaluation of property, plant & equipment | 16c,11 | - | 9,532,005 |
| Income tax relating to gain on revaluation | 16c,11 | - | (926,055) |
| TOTAL COMPREHENSIVE REVENUE & EXPENSE | | 486,476 | 7,897,759 |

The accompanying notes form part of these financial statements.

Rotorua Regional Airport Limited
Statement of Changes in Equity
For the Year Ended 30 June 2022

| | Note | 2022 | 2021 |
|--|------|------------|------------|
| EQUITY AT START OF YEAR | | 58,544,407 | 50,646,648 |
| Total comprehensive revenue & expense for the year | | 486,476 | 7,897,759 |
| EQUITY AT END OF YEAR | | 59,030,883 | 58,544,407 |

The accompanying notes form part of these financial statements.

Rotorua Regional Airport Limited
Statement of Financial Position
As at 30 June 2022

| | Note | 2022 | 2021 |
|--|-------|-------------------|-------------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 9 | 119,269 | 188,053 |
| Receivables from exchange transactions | 17 | 218,202 | 162,483 |
| Other receivables | 17 | 26,155 | 29,594 |
| Prepayments | | 77,963 | 73,962 |
| TOTAL CURRENT ASSETS | | 441,589 | 454,092 |
| NON-CURRENT ASSETS | | | |
| Property, plant & equipment | 11 | 77,039,741 | 77,595,511 |
| Intangible assets | 12 | 7,864 | 12,141 |
| TOTAL NON-CURRENT ASSETS | | 77,047,605 | 77,607,652 |
| TOTAL ASSETS | | 77,489,194 | 78,061,744 |
| CURRENT LIABILITIES | | | |
| Payables under exchange transactions | 18 | 253,247 | 745,592 |
| Other payables | 18 | 126,406 | 133,982 |
| Borrowings | 22 | 1,000,000 | - |
| Income and rent in advance | | 14,102 | 13,990 |
| Employee entitlements | 19 | 107,689 | 61,570 |
| TOTAL CURRENT LIABILITIES | | 1,501,444 | 955,134 |
| NON-CURRENT LIABILITIES | | | |
| Borrowings | 22 | 15,379,000 | 17,225,000 |
| Deferred tax liabilities | 10 | 1,577,867 | 1,337,203 |
| TOTAL NON-CURRENT LIABILITIES | | 16,956,867 | 18,562,203 |
| TOTAL LIABILITIES | | 18,458,311 | 19,517,337 |
| NET ASSETS | | 59,030,883 | 58,544,407 |
| EQUITY | | | |
| Share capital | 16(a) | 28,645,000 | 28,645,000 |
| Retained earnings | 16(b) | 2,141,990 | 1,655,514 |
| Asset revaluation reserve | 16(c) | 28,243,893 | 28,243,893 |
| TOTAL EQUITY | | 59,030,883 | 58,544,407 |

The Board of Directors of Rotorua Regional Airport Limited authorised these financial statements for issue on 20 October 2022.

The accompanying notes form part of these financial statements.

Rotorua Regional Airport Limited

Statement of Cashflows

For the Year Ended 30 June 2022

| | Note | 2022 | 2021 |
|---|------|-----------|-----------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash was received from: | | | |
| Receipts from customers | | 4,896,637 | 4,787,519 |
| Interest received | | 734 | 82 |
| Income tax refund | | 3,439 | - |
| Goods and services tax (net) | | - | 71,731 |
| | | 4,900,810 | 4,859,332 |
| Cash was paid to: | | | |
| Payments to suppliers and employees | | 3,372,321 | 2,852,976 |
| Goods and services tax (net) | | 38,420 | - |
| Income tax payment | | - | 23 |
| Interest paid | | 517,407 | 552,859 |
| | | 3,928,148 | 3,405,858 |
| Net cash flow from operating activities | 8 | 972,662 | 1,453,474 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Cash was received from: | | | |
| Proceeds from sale of property, plant and equipment | | 17,872 | - |
| | | 17,872 | - |
| Cash was paid to: | | | |
| Purchase of property, plant and equipment | | 213,318 | 455,639 |
| | | 213,318 | 455,639 |
| Net cash flow from investing activities | | (195,446) | (455,639) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Cash was received from: | | | |
| Proceeds from borrowings | | 1,000,000 | - |
| | | 1,000,000 | - |
| Cash was paid to: | | | |
| Repayment of borrowings | | 1,846,000 | 925,000 |
| | | 1,846,000 | 925,000 |
| Net cash flow from financing activities | | (846,000) | (925,000) |
| Net increase (decrease) in cash and cash equivalents | | (68,784) | 72,835 |
| Cash and cash equivalents at the beginning of the year | | 188,053 | 115,218 |
| Cash and cash equivalents at the end of year | 9 | 119,269 | 188,053 |

The GST (net) component of the operating activities reflects the net GST paid to and received from the Inland Revenue Department.

The GST (net) component has been presented on a net basis as the gross amounts do not provide meaningful information for financial statement purposes and to be consistent with the presentation basis of other primary financial statements.

The accompanying notes form part of these financial statements.

Rotorua Regional Airport Limited

Notes to the Financial Statements

For the Year Ended 30 June 2022

STATEMENT OF ACCOUNTING POLICIES

1. REPORTING ENTITY

Rotorua Regional Airport Limited ('the Company') is a limited liability company incorporated in New Zealand under the Companies Act 1993 and is domiciled in New Zealand. The Company is fully owned by the Rotorua Lakes Council and is a Council Controlled Organisation as defined under section 6 of the Local Government Act 2002.

The Company has designated itself as a public benefit entity (PBE) for financial reporting purposes.

The financial statements of the Company are for the year ended 30 June 2022. The financial statements were authorised for issue by the directors on 20 October 2022.

2. BASIS OF PREPARATION

The financial statements have been prepared on the going concern basis.

Statement of compliance

The Company is a reporting entity for the purposes of the Financial Reporting Act 1993. These financial statements comply with the Financial Reporting Act 1993, the Companies Act 1993, and Section 69 of the Local Government Act 2002, which include the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

These financial statements have been prepared in accordance with Tier 2 PBE accounting standards.

The entity is eligible and has elected to report in accordance with Tier 2 PBE Standards RDR on the basis that the entity has no public accountability and has expenses $> \$2m$ and $\leq \$30m$.

These financial statements comply with PBE standards.

Measurement base

The financial statements have been prepared on a historical cost basis, modified by the revaluation of land and buildings, and infrastructure assets.

Functional and presentation currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar. The functional currency of the Company is New Zealand dollars.

Changes in accounting policies

There have been no changes in the Company's accounting policies since the date of the last audited financial statements.

Rotorua Regional Airport Limited

Notes to the Financial Statements

For the Year Ended 30 June 2022

SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies which materially affect the measurement of financial results and financial position have been adopted in the preparation of the financial statements.

(a) Revenue

Revenue is measured at the fair value of the consideration received or receivable.

Revenue from non-exchange transactions

Service funding from Rotorua Lakes Council is recognised as revenue when it becomes receivable.

For donated asset received for no or nominal consideration, the asset is only recognised at its fair value and the fair value of the asset is only recognised as revenue, where both it is probable that the associated future economic benefit or service potential will flow to the entity, and fair value is reliably measured.

Revenue from exchange transactions

Operating revenue is recognised when earned.

Lease income is recognised on an accrual basis with reference to the leases and rental agreements in force at balance date, with adjustment for rent paid in advance.

Interest income is recognised using the effective interest method.

(b) Borrowings & borrowing costs

Borrowings are initially recognised at their fair value plus transaction costs. After initial recognition, all borrowings are measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

Borrowing costs are recognised as an expense in the period in which they are incurred.

(c) Trade debtors and other receivables

Trade debtors and other receivables are recognised at their face value less any provision for doubtful debts.

Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off.

(d) Trade creditors and other payables

Trade creditors and other payables are stated at cost which is the fair value of the consideration to be paid in the future for goods or services received, whether or not billed.

(e) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and call deposits. Bank overdrafts that are repayable on demand and form part of the Company's cash management are included for the purposes of the statement of cash flows.

(f) Employee Entitlements

Liabilities for accumulating short-term entitlements are measured at nominal value based on unused entitlement accumulated at current rate of pay at balance date.

Rotorua Regional Airport Limited

Notes to the Financial Statements

For the Year Ended 30 June 2022

(g) Goods & Services Tax

All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the Inland Revenue Department, including GST relating to the investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

(h) Income Tax

Income tax expense includes components relating to both current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted by balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax is measured at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities are generally recognised for all taxable temporary differences.

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.

Current and deferred tax is recognised against the surplus or deficit for the period, except to the extent that it relates to a business combination, or to transactions recognised in other comprehensive revenue and expense or directly in equity.

Rotorua Regional Airport Limited

Notes to the Financial Statements

For the Year Ended 30 June 2022

(i) **Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, the sacrifice of economic benefits is probable and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at balance date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(j) **Property, Plant & Equipment**

Property Plant and Equipment consists of:

Operational Assets

These assets include land, buildings & fit-out, furniture and office equipment, computer equipment, motor vehicles and various plant and equipment.

The Company owns a number of residential properties as a land bank to cover possible future expansion of the runway and safety areas. The receipt of market-based rental from these properties is incidental to this purpose. The properties are held for service delivery objectives as part of the Airport's overall operating strategy. The properties are therefore accounted for as property, plant, and equipment rather than investment property.

Infrastructure Assets

These assets include runways, aprons, taxiways, surround security fences, other paved areas (pavements, car parks & roads) and underground reticulated systems.

Measurement

Property plant and equipment are measured at cost less accumulated depreciation and impairment losses with the following exception:

- Land is measured at fair value
- Buildings and infrastructure assets are measured at fair value less accumulated depreciation and impairment losses.

Revaluations

Land, buildings and infrastructure assets are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value and are revalued at least every five years. The carrying values of revalued items are reviewed at each balance date to ensure that those values are not materially different to fair value. If there is a material difference, then the off-cycle asset classes are revalued.

Rotorua Regional Airport Limited

Notes to the Financial Statements

For the Year Ended 30 June 2022

Accounting for Revaluations

The Company accounts for revaluations on a class of assets basis.

The net revaluation results are credited or debited to other comprehensive revenue and expense and are accumulated to an asset revaluation reserve in equity for that class-of-asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive revenue and expense but is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive revenue and expense.

Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Company and the cost of the item can be measured reliably.

Work in progress is recognised at cost less impairment and is not depreciated.

Disposal

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are recognised in the statement of comprehensive revenue and expense.

When revalued assets are sold, the amount included in revaluation reserve in respect to those assets is transferred to retained earnings.

Subsequent costs

Costs incurred subsequent to initial recognition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Company and the cost of the item can be measured reliably.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment at rates that will write-off the cost of the assets to their estimated residual values over their useful lives. Components of infrastructure assets with infinite useful lives are not depreciated. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Infrastructure assets

| | |
|--------------------------|-------------|
| Runway, Taxiways, Aprons | 5-42 years |
| Other Paved Areas | 10-42 years |
| Surround Security Fences | 10 years |

Operational assets

| | |
|------------------------------|------------|
| Buildings and Fit-out | 1-80 years |
| Motor Vehicles | 5-25 years |
| Furniture & Office Equipment | 10 years |
| Computer Equipment | 4 years |
| Plant & Equipment | 5-10 years |

Rotorua Regional Airport Limited

Notes to the Financial Statements

For the Year Ended 30 June 2022

(k) Impairment

At each reporting date, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and an impairment loss is recognised in the statement of comprehensive revenue and expense. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use for non-cash generating assets

Non-cash generating assets are those assets that are not held with the primary objective of generating a commercial return. For non-cash generating assets, value in use is determined using an approach based on either a depreciated replacement cost approach, restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

Value in use for cash generating assets

Cash generating assets are those assets that are held with the primary objective of generating a commercial return. The value in use for cash generating assets and cash generating units is the present value of expected future cash flows.

(l) Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment losses.

The carrying amount of an intangible asset with a finite life is amortised on a straight-line basis over its useful life.

Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the statement of comprehensive revenue and expense.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

| | | |
|-------------------|---------|-------|
| Computer Software | 4 years | 25%SL |
|-------------------|---------|-------|

(m) Critical accounting estimates and assumptions

In preparing these financial statements the company has made estimates and assumptions concerning the future. These estimates and assumptions may differ from subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances.

Rotorua Regional Airport Limited

Notes to the Financial Statements

For the Year Ended 30 June 2022

The estimates and assumptions that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Useful lives of property, plant and equipment

At balance date, the Company reviews the useful life of its buildings and infrastructure assets. Assessing the appropriateness of useful life and residual value estimates requires the Company to consider a number of factors, such as the physical condition of the assets, expected period of use of the assets by the Company, and expected disposal proceeds from the future sale of the assets. An incorrect estimate of the useful life will impact on the depreciation expense recognised in the profit and loss, and the carrying amount of the assets in the statement of financial position. The Company will minimise the risk of this estimation uncertainty by physical inspections of assets, and asset replacement of programmes in line with useful life expectations.

Impairment of property, plant and equipment and intangible assets

The Company performs impairment testing with respect to its property, plant and equipment and intangible assets. In determining whether impairment exists, there is no impairment if the carrying value of an asset exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use.

The fair value less cost of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset.

The value in use calculation for cash generating assets is based on a discounted cash flow model. The cash flows are derived from the forecasted cashflows. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows.

Estimating the fair value of land and buildings and infrastructure assets

Land, being airport land and other land, has been assessed based upon potential use, location, size and services provided. Fair values of land are based upon the highest and best use principle which may not be necessarily the existing use. Highest and best use in relation to the valuation is the most probable use of the land which is physically possible, appropriately justified, legally permissible, financially feasible and which results in the highest value of the asset being valued. To establish an appropriate market value for the airport land, comparable sales evidence has been analysed to establish current market buying price for the land in its highest and best alternative use. Having established base land value rates, adjustments have been made to reflect location, scale, designation and resource management issues. Other land has been assessed at fair value using fair market, highest and best use basis determined from prevailing land sales with adjustments made for future potential as industrial.

Aeronautical specialised buildings and infrastructure assets have been assessed at fair value using Optimised Depreciated Replacement Cost approach (ODRC). The ODRC approach uses the minimum cost of replacing or replicating the service potential embodied in the assets with modern equivalent assets in the most efficient way practical given the service requirements, the age and condition of the existing assets and replacement in the normal course of business. Non-aeronautical buildings have been assessed at fair value using both ODRC approach and Direct Capitalisation approach. The Direct Capitalisation approach is based on market derived cash flows for the buildings and an applied investment yield. For any non-aeronautical buildings that cannot be legally or physically separated from the main airport campus, reliance has been placed on the ODRC approach to determine its fair value.

Residential buildings have been assessed at fair value using fair market, highest and best use basis determined from prevailing land sales with adjustments made for future potential as industrial.

Rotorua Regional Airport Limited
Notes to the Financial Statements
For the Year Ended 30 June 2022

3. OPERATING REVENUE

| | 2022 | 2021 |
|--|------------------|------------------|
| Exchange revenue | | |
| Landing Charges | 1,267,242 | 1,178,268 |
| Lease Rental | 379,665 | 318,642 |
| Parking Revenue | 656,351 | 691,593 |
| Other Operating Revenue | 188,393 | 143,632 |
| Non-exchange revenue | | |
| Rotorua Lakes Council Service Funding | 2,430,406 | 2,535,202 |
| Donated Assets Received ⁽¹⁾ | 900,000 | - |
| MSD Covid19 Wage Subsidy | 22,918 | 35,944 |
| Total Operating Revenue | 5,844,975 | 4,903,281 |

⁽¹⁾ The fair value of the donated hangar was from an independent valuation performed by Telfer Young.

4. OTHER REVENUE

| | 2022 | 2021 |
|----------------------------|-------------|-------------|
| Interest Received | 734 | 82 |
| Total Other Revenue | 734 | 82 |

5. OPERATING EXPENSES

| | 2022 | 2021 |
|---------------------------------|------------------|------------------|
| Customs & MAF Services | 298 | - |
| Rental Property Expenses | 26,209 | 29,622 |
| Runway/Taxiway/Apron Expenses | 776,931 | 983,647 |
| Surrounds Expenses | 181,849 | 257,642 |
| Terminal Expenses | 312,458 | 308,953 |
| Total Operating Expenses | 1,297,745 | 1,579,864 |

Personnel costs of \$769,425 (2021: \$584,651) are included in the above operating expenses.

6. OTHER EXPENSES

| | 2022 | 2021 |
|---|------------------|------------------|
| Audit NZ Fees – for audit of financial statements | 31,000 | 29,600 |
| Land Rates | 101,677 | 98,511 |
| Other Expenses | 1,453,846 | 1,205,587 |
| Total Other Expenses | 1,586,523 | 1,333,698 |

Personnel costs of \$584,700 (2021: \$456,275) are included in the above other expenses.

Rotorua Regional Airport Limited

Notes to the Financial Statements

For the Year Ended 30 June 2022

7. CATEGORIES OF FINANCIAL INSTRUMENTS

The carrying amounts of financial instruments in each of the financial instrument categories are as follows:

| | 2022 | 2021 |
|--|-------------------|-------------------|
| Loans and receivables | | |
| Cash and cash equivalents | 119,269 | 188,053 |
| Trade and other receivables (excluding taxes receivable) | 218,202 | 162,484 |
| Total Loans and Receivables | 337,471 | 350,537 |
| Financial liabilities at amortised cost | | |
| Trade and other payables (excluding taxes payable) | 294,114 | 782,579 |
| Borrowings | 16,379,000 | 17,225,000 |
| Total Financial Liabilities at Amortised Cost | 16,673,114 | 18,007,579 |

Trade and other receivables of \$218,202 have been pledged as security for loans under a general security agreement with Rotorua Lakes Council (2021: \$162,484). The first ranking security interest over trade and other receivables takes effect as a transfer to Rotorua Lakes Council in the events of default by the Company.

8. RECONCILIATION OF NET SURPLUS/(DEFICIT) TO NET CASH FLOW FROM OPERATING ACTIVITIES

| | 2022 | 2021 |
|---|----------------|------------------|
| Net operating surplus (deficit) | 486,476 | (708,191) |
| Add (less) non-cash items | | |
| Depreciation, amortisation & impairment losses | 1,621,800 | 2,500,629 |
| Deferred tax | 240,664 | (480,769) |
| Donated assets | (900,000) | - |
| | 962,464 | 2,019,860 |
| Add (less) movements in working capital items | | |
| Employee entitlements | 46,119 | 4,807 |
| Trade and other receivables | (56,280) | (125,800) |
| Trade and other payables | (477,509) | 262,798 |
| | (487,670) | 141,805 |
| Add (less) items classified as investing or financing activities | | |
| (Gains)/losses on the disposal of property, plant and equipment | 11,392 | - |
| Net cash flows from operating activities | 972,662 | 1,453,474 |

The trade creditors and other payables movement does not agree with the face of the statement of financial position due to the exclusion of this year's fixed asset payable of \$22,297. (2021: \$49,000)

Rotorua Regional Airport Limited

Notes to the Financial Statements

For the Year Ended 30 June 2022

9. CASH & CASH EQUIVALENTS

| | 2022 | 2021 |
|--|----------------|----------------|
| Cash at bank | 113,149 | 185,193 |
| Cash on hand | 6,120 | 2,860 |
| Net cash & cash equivalents | 119,269 | 188,053 |

10. INCOME TAX

| | 2022 | 2021 |
|----------------------------------|----------------|------------------|
| Components of tax expense | | |
| Current tax expense | - | - |
| Deferred tax expense | 240,664 | (480,769) |
| Tax expense | 240,664 | (480,769) |

Relationship between tax expense and accounting profit

| | | |
|------------------------------|----------------|------------------|
| Surplus (deficit) before tax | 727,140 | (1,188,960) |
| Tax at 28% (2021: 28%) | 203,599 | (332,908) |
| Non-deductible expenditure | 11,497 | 7,764 |
| Non-taxable income | (252,000) | - |
| Deferred tax adjustment | 277,568 | (155,625) |
| Tax expense | 240,664 | (480,769) |

Deferred tax asset (liability)

| | Property, plant and equipment | Employee entitlements | Other provisions | Tax losses | Total |
|--|----------------------------------|--------------------------|---------------------|----------------|--------------------|
| Balance at 30 June 2020 | (927,269) | 15,894 | 19,458 | - | (891,917) |
| Charged to surplus or deficit | 284,777 | 6,946 | 13,884 | 175,162 | 480,769 |
| Charged to other comprehensive income | (926,055) | - | - | - | (926,055) |
| Balance at 30 June 2021 | (1,568,547) | 22,840 | 33,342 | 175,162 | (1,337,203) |
| Charged to surplus or deficit | (363,925) | (4,371) | (4,506) | 132,138 | (240,664) |
| Charged to other comprehensive income | - | - | - | - | - |
| Balance at 30 June 2022 | (1,932,472) | 18,469 | 28,836 | 307,300 | (1,577,867) |

Rotorua Regional Airport Limited
Notes to the Financial Statements
For the Year Ended 30 June 2022

11. PROPERTY, PLANT & EQUIPMENT

| | Plant and Equipment | Motor Vehicles | Furniture and Office Equipment | Computer Equipment | Land | Buildings & Fit-out | Infrastructure Assets | Total |
|---|------------------------|-------------------|---|-----------------------|-------------------|------------------------|--------------------------|-------------------|
| Cost | | | | | | | | |
| Balance 1 July 2020 | 1,289,026 | 1,697,823 | 244,985 | 88,865 | 24,735,336 | 20,322,408 | 25,612,512 | 73,990,955 |
| Elimination on Revaluation | - | - | - | - | - | (894,567) | (3,649,010) | (4,543,577) |
| Revaluation | - | - | - | - | 6,224,664 | (2,449,443) | 5,756,784 | 9,532,005 |
| Additions | 105,076 | - | 4,313 | 10,265 | - | 254,037 | 22,948 | 396,639 |
| Disposals | - | - | - | - | - | - | - | - |
| Balance 30 June 2021 | 1,394,102 | 1,697,823 | 249,298 | 99,130 | 30,960,000 | 17,232,435 | 27,743,234 | 79,376,022 |
| Balance 1 July 2021 | 1,394,102 | 1,697,823 | 249,298 | 99,130 | 30,960,000 | 17,232,435 | 27,743,234 | 79,376,022 |
| Elimination on Revaluation | - | - | - | - | - | - | - | - |
| Revaluation | - | - | - | - | - | - | - | - |
| Additions | 48,462 | - | 12,560 | 29,924 | - | 985,612 | 14,463 | 1,091,021 |
| Disposals | (80,506) | (37,644) | (13,420) | (47,879) | - | - | - | (179,449) |
| Balance 30 June 2022 | 1,362,058 | 1,660,179 | 248,438 | 81,175 | 30,960,000 | 18,218,047 | 27,757,697 | 80,287,594 |
| Accumulated Depreciation and Impairment Losses | | | | | | | | |
| Balance at 1 July 2020 | 987,464 | 434,191 | 119,197 | 77,527 | - | 384,177 | 1,824,282 | 3,826,838 |
| Elimination on Revaluation | - | - | - | - | - | (894,567) | (3,649,010) | (4,543,577) |
| Depreciation Expense | 67,483 | 73,856 | 13,751 | 7,042 | - | 510,390 | 1,824,728 | 2,497,250 |
| Impairment Losses | - | - | - | - | - | - | - | - |
| Disposals | - | - | - | - | - | - | - | - |
| Balance at 30 June 2021 | 1,054,947 | 508,047 | 132,948 | 84,569 | - | - | - | 1,780,511 |
| Balance at 1 July 2021 | 1,054,947 | 508,047 | 132,948 | 84,569 | - | - | - | 1,780,511 |
| Elimination on Revaluation | - | - | - | - | - | - | - | - |
| Depreciation Expense | 64,712 | 60,564 | 14,594 | 9,590 | - | 492,510 | 975,705 | 1,617,675 |
| Impairment Losses | - | - | - | - | - | - | - | - |
| Disposals | (77,671) | (15,059) | (12,989) | (44,614) | - | - | - | (150,333) |
| Balance at 30 June 2022 | 1,041,988 | 553,552 | 134,553 | 49,545 | - | 492,510 | 975,705 | 3,247,853 |
| Carrying Amounts | | | | | | | | |
| At 1 July 2020 | 301,562 | 1,263,632 | 125,778 | 11,338 | 24,735,336 | 19,938,231 | 23,788,230 | 70,164,117 |
| At 30 June and 1 July 2021 | 339,155 | 1,189,776 | 116,350 | 14,561 | 30,960,000 | 17,232,435 | 27,743,234 | 77,595,511 |
| At 30 June 2022 | 320,070 | 1,106,627 | 113,885 | 31,630 | 30,960,000 | 17,725,537 | 26,781,992 | 77,039,741 |

The carrying amount of property, plant and equipment of \$77,039,741 has been pledged as security for loans under a general security agreement with Rotorua Lakes Council.

Rotorua Regional Airport Limited
Notes to the Financial Statements
For the Year Ended 30 June 2022

12. INTANGIBLE ASSETS

| | Acquired Software | Total |
|---|-------------------|----------------|
| Cost | | |
| Balance 1 July 2020 | 99,213 | 99,213 |
| Additions | 10,000 | 10,000 |
| Disposals | - | - |
| Balance 30 June 2021 | 109,213 | 109,213 |
| Balance 1 July 2021 | 109,213 | 109,213 |
| Additions | - | - |
| Disposals | (16,145) | (16,145) |
| Balance 30 June 2022 | 93,068 | 93,068 |
| Accumulated Amortisation and Impairment Losses | | |
| Balance at 1 July 2020 | 93,693 | 93,693 |
| Amortisation Expense | 3,379 | 3,379 |
| Impairment Losses | - | - |
| Disposals | - | - |
| Balance at 30 June 2021 | 97,072 | 97,072 |
| Balance at 1 July 2021 | 97,072 | 97,072 |
| Amortisation Expense | 4,125 | 4,125 |
| Impairment Losses | - | - |
| Disposals | (15,993) | (15,993) |
| Balance at 30 June 2022 | 85,204 | 85,204 |
| Carrying Amounts | | |
| At 1 July 2020 | 5,520 | 5,520 |
| At 30 June and 1 July 2021 | 12,141 | 12,141 |
| At 30 June 2022 | 7,864 | 7,864 |

13. CAPITAL EXPENDITURE COMMITMENTS

| | 2022 | 2021 |
|----------------------------------|----------|---------------|
| Capital commitments | | |
| Property, Plant & Equipment | - | 78,837 |
| Total Capital Commitments | - | 78,837 |

Capital commitments represent capital expenditure contracted for at balance date but not yet incurred.

14. CONTINGENT ASSETS & LIABILITIES

(a) Contingent Assets

The Company has no contingent assets (30 June 2021: nil).

(b) Contingent Liabilities

The Company has no contingent liabilities (30 June 2021: nil).

Rotorua Regional Airport Limited
Notes to the Financial Statements
For the Year Ended 30 June 2022

15. OPERATING LEASE COMMITMENTS

(a) Operating lease as lessee

Height protection lease commitment

Kahikatea trees to the north of the runway threaten compliance with the Civil Aviation Act, therefore a lease payment is paid to Ngati Rangiteaorere Kahikatea Trust to ensure the trees are maintained to the required height protection level ensuring the Airport complies with the Civil Aviation Act. Future minimum lease payments are as follows:

| | 2022 | 2021 |
|-----------------------|-------------|-------------|
| Less than 1 year | - | 30,000 |
| Between 1 and 5 years | - | - |
| Over 5 years | - | - |

(b) Operating lease as lessor

The Company has operating lease agreements with lessees of the terminal and other land and buildings of the airport with expiry dates ranging from 1 to 32 years including options to further extend terms under the individual lease agreements. Market rent reviews are carried out annually and are based on annual increases in the Consumer Price Index (All Group). The lessees do not have option to purchase the properties at the expiry of the lease period.

Contingent rents of \$41,174 have been recognised during the year. (2021: \$9,394)

16. SHAREHOLDERS' EQUITY

(a) Share Capital

| | 2022 | | 2021 | |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|
| | # of shares | Carrying value | # of shares | Carrying value |
| Issued Ordinary shares | | | | |
| Opening balance | 28,645,000 | 28,645,000 | 28,645,000 | 28,645,000 |
| Ordinary shares issued in the year | - | - | - | - |
| Closing balance | 28,645,000 | 28,645,000 | 28,645,000 | 28,645,000 |

The number of shares authorised at balance date were 28,645,000 shares. All issued ordinary shares are fully paid and have a par value of \$1 per share. Fully paid ordinary shares have full voting rights and participate fully in all dividends and proceeds upon winding up of the Company.

Rotorua Regional Airport Limited
Notes to the Financial Statements
For the Year Ended 30 June 2022

(b) Retained Earnings

| | 2022 | 2021 |
|--|------------------|------------------|
| Retained Earnings opening balance | 1,655,514 | 2,363,705 |
| Net Surplus (Deficit) after tax | 486,476 | (708,191) |
| Retained Earnings Closing Balance | 2,141,990 | 1,655,514 |

(c) Asset revaluation reserve

| | 2022 | 2021 |
|--------------------------|-------------------|-------------------|
| Opening balance | 28,243,893 | 19,637,943 |
| Revaluation gain (loss) | - | 9,532,005 |
| Deferred tax on movement | - | (926,055) |
| Closing balance | 28,243,893 | 28,243,893 |

Asset revaluation reserve consists of:

| | 2022 | 2021 |
|------------------------|-------------------|-------------------|
| Land | 23,074,846 | 23,074,846 |
| Buildings and fitouts | 405,365 | 405,365 |
| Infrastructure assets | 4,763,682 | 4,763,682 |
| Closing balance | 28,243,893 | 28,243,893 |

17. TRADE AND OTHER RECEIVABLES

| | 2022 | 2021 |
|---|----------------|----------------|
| Receivables from exchange transactions | | |
| Trade debtors | 218,202 | 162,483 |
| | 218,202 | 162,483 |
| Other receivables | | |
| Income tax refund due | 26,155 | 29,594 |
| | 26,155 | 29,594 |
| Total Trade and Other Receivables | 244,357 | 192,077 |

Receivables are generally short-term and non-interest bearing. Therefore, the carrying value of receivables approximates their fair value.

Rotorua Regional Airport Limited
Notes to the Financial Statements
For the Year Ended 30 June 2022

18. TRADE AND OTHER PAYABLES

| | 2022 | 2021 |
|--|----------------|----------------|
| Payables from exchange transactions | | |
| Trade creditors | 150,262 | 623,645 |
| Year-end accruals | 102,985 | 121,947 |
| | 253,247 | 745,592 |
| Other payables | | |
| Related party payables | 40,868 | 36,988 |
| FBT payable | - | 1,348 |
| GST payable | 52,419 | 68,723 |
| PAYE payable | 33,119 | 26,923 |
| | 126,406 | 133,982 |
| Total Trade and Other Payables | 379,653 | 879,574 |

Creditors and other payables are non-interest bearing and are normally settled on 30-day terms. Therefore, the carrying values of creditors and other payables approximate their fair value.

19. EMPLOYEE ENTITLEMENTS

| | 2022 | 2021 |
|------------------------------------|----------------|---------------|
| Annual leave | 57,044 | 51,616 |
| Alternative leave | 8,916 | 9,954 |
| Accrued wages | 41,729 | - |
| Total Employee Entitlements | 107,689 | 61,570 |

20. SIGNIFICANT EVENTS AFTER BALANCE DATE

There were no significant events after balance date.

Rotorua Regional Airport Limited
Notes to the Financial Statements
For the Year Ended 30 June 2022

21. REPORTING AGAINST FINANCIAL FORECAST AS SET OUT IN SOI

| | 2022 Target | 2022 Actual | Variance |
|---|--------------------|--------------------|-----------------|
| Total revenue | 5,234,670 | 5,845,709 | (611,039) |
| Total expenses before depreciation | 3,452,149 | 3,496,769 | (44,620) |
| Net surplus (deficit) before depreciation | 1,782,521 | 2,348,940 | (566,419) |
| Net surplus (deficit) after depreciation & before tax | (695,263) | 727,140 | (1,422,403) |

Explanation of major variances against financial forecast

- 1) Refer to pages 8 & 9 of the Statement of Service Performance for explanation of variances against financial forecast for the following profit or loss items:

Total Revenue & Total Expenses before depreciation
 Net surplus (deficit) before depreciation
 Net surplus (deficit) after depreciation & before tax

22. BORROWINGS

| | 2022 | 2021 |
|-----------------------------------|-------------------|-------------------|
| Current portion | | |
| Borrowing – Rotorua Lakes Council | 1,000,000 | - |
| Non-current portion | | |
| Borrowing – Rotorua Lakes Council | 13,550,000 | 14,400,000 |
| Borrowing – Bank of New Zealand | 1,829,000 | 2,825,000 |
| Total non-current portion | 15,379,000 | 17,225,000 |
| Total Borrowings | 16,379,000 | 17,225,000 |

The short-term loan of \$1,000,000 from Rotorua Lakes Council is unsecured. The interest rate on the loan at balance date was 2.07%.

The term loan of \$13,550,000 from Rotorua Lakes Council is secured by a General Security Agreement. The average interest rate on the loan at balance date was 2.95% plus a margin of 25 basis points (bps).

The Company has a Customised Average Rate Loan (CARL) from BNZ Bank of up to \$4,400,000 that matures on 16 August 2023. This facility is unsecured with a floating interest rate based on a margin of 2.20% above the Bank Bill Reference Rate (BKBM). The interest rate on this facility at 30 June 2022 was 4.37%.

The Company's portfolio of debt is structured with a view to minimising interest rate risk and maximising certainty of the Company's debt servicing costs in the current financial year.

Rotorua Regional Airport Limited
Notes to the Financial Statements
For the Year Ended 30 June 2022

23. RELATED PARTIES

The controlling party of the Company is Rotorua Lakes Council. The following transactions are the disclosures of transactions between the Company and its shareholders and directors:

The following transactions were carried out with related parties on normal commercial terms. The transactions between the Company and Rotorua Lakes Council, and with companies in which directors have an interest are not required to be disclosed by PBE IPSAS 20 Related Party Disclosures. The disclosures made are for information purposes only.

a) Transactions with Rotorua Lakes Council

| | 2022 | 2021 |
|--|-------------------|-------------------|
| Purchases of goods & services | | |
| Land and water rates | 107,200 | 103,950 |
| Building and resource consent fees | 484 | 3,987 |
| Land covenant payments | - | 47,366 |
| | 107,684 | 155,303 |
| Sales of goods & services | | |
| Service funding received under a service level agreement | 2,430,406 | 2,535,202 |
| Carpark charges | 215 | - |
| | 2,430,621 | 2,535,202 |
| Loan | | |
| Opening balance | 14,400,000 | 14,400,000 |
| Loan received during the year | 1,000,000 | - |
| Loan paid during the year | (850,000) | - |
| Loan from Rotorua Lakes Council as at balance date | 14,550,000 | 14,400,000 |
| Other | | |
| Interest paid on loan | 445,488 | 505,890 |
| | 445,488 | 505,890 |
| Balance receivable from Rotorua Lakes Council | 44 | 32 |
| Balance payable to Rotorua Lakes Council | 40,868 | 36,988 |

Rotorua Regional Airport Limited
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b) Transactions with InfraCore

| | 2022 | 2021 |
|---|-------------|-------------|
| Purchase of goods & services | | |
| Maintenance | 2,986 | 4,797 |
| | 2,986 | 4,797 |

* InfraCore is a Council Controlled Entity.

c) Board members remuneration

| | 2022 | 2021 |
|----------------------|-------------|-------------|
| Peter Stubbs | 30,000 | 30,000 |
| Grant Raymond Lilly | 12,750 | - |
| John Amarama Fenwick | 17,500 | 15,000 |
| Anthony John Marks | - | 15,000 |
| Danielle Louise Auld | 20,000 | 15,000 |
| Mere Kerena George | 15,000 | 15,000 |
| | 95,250 | 90,000 |

d) Key employee remuneration

| | 2022 | 2021 |
|--------------------------------|-------------|-------------|
| Total remuneration paid | | |
| <100,000 | 1 | - |
| 100,000 to 219,999 | 2 | - |
| 220,000 to 229,999 | - | 1 |

The key management personnel include the Board of Directors, Acting CEO and the CEOs. Total key management personnel compensation for the financial year ending 30 June 2022 was \$451,520 (2021: \$311,471). This includes total full-time equivalent personnel of 8 in the financial year ending 30 June 2022. (2021: 6)

No related party debts have been written off or forgiven during the year. (2021: Nil)