

Rotorua Regional Airport Limited
Financial Statements
For the Year Ended 30 June 2019

Rotorua Regional Airport Limited
Financial Statements Index
For the Year Ended 30 June 2019

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Rotorua Regional Airport Limited

Company Directory

As at 30 June 2019

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) Stuart Alan Crosby John Amarama Fenwick Anthony John Marks		
Auditors	Audit New Zealand on behalf of the Auditor-General		
Accountants	Bright Wild Thomas & Lee 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 2019

The Directors hereby present their Annual Report including Financial Statements of the company for the year ended 30 June 2019.

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 \$25,865.

Directors Holding Office During the Year

The following Directors held office as at 30 June 2019:

	Date of Appointment
Peter Stubbs (Chairman)	21/05/2014
Stuart Alan Crosby	22/12/2010
John Amarama Fenwick	01/10/2017
Anthony John Marks	01/07/2016

Directors' Remuneration

Directors' remuneration paid was as follows:

	2019	2018
Peter Stubbs (Chairman)	20,000	20,000
Wiremu Atetini Kingi	-	5,000
Stuart Alan Crosby	10,000	10,000
John Amarama Fenwick	10,000	7,500
Anthony John Marks	10,000	10,000
	<u>50,000</u>	<u>52,500</u>

Wiremu Atetini Kingi ceased as a director on 31 December 2017.

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 2019

Employee's Remuneration

The following numbers of employees, who were not directors, received remuneration and benefits which exceeded \$100,000 in value for the 2019 financial year:

\$200,000 - \$209,999	1
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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.

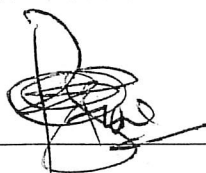
The Board of Directors received no notices from Directors wishing to use company information received in their capacity as Directors which would not have ordinarily been available.

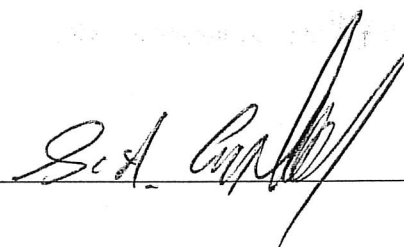
The Company paid all of the premiums on contracts insuring directors in respect of liability and costs permitted to be insured against in accordance with Section 162(5) of the Companies Act 1993.

Donations

No donations were made by the company during the year.

For and on behalf of the Board of Directors,

Director 

Director 

Dated this 27th day of September 2019.

Independent Auditor's Report

To the readers of Rotorua Regional Airport Limited's financial statements and performance information for the year ended 30 June 2019

The Auditor-General is the auditor of Rotorua Regional Airport Limited (the company). The Auditor-General has appointed me, Leon Pieterse, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and performance information of the company on his behalf.

Opinion

We have audited:

- the financial statements of the company on pages 13 to 34, that comprise the statement of financial position as at 30 June 2019, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the company on pages 8 to 12.

In our opinion:

- the financial statements of the company on pages 13 to 34:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2019; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards Reduced Disclosure Regime; and
- the performance information of the company on pages 13 to 34 presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company's objectives for the year ended 30 June 2019.

Our audit was completed on 27 September 2019. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors for the financial statements and the performance information

The Board of Directors is responsible on behalf of the company for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Board of Directors is also responsible for preparing the performance information for the company.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the company for assessing the company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Local Government Act 2002.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the company's statement of intent.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We evaluate the appropriateness of the reported performance information within the company's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 1 to 7, but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the company in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1(Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

In addition to our audit of the audited information, we performed a review of the process to procure a food and beverage concession which are compatible with those independence requirements. Other than these engagements, we have no relationship with, or interests in, the company.



Leon Pieterse
Audit New Zealand
On behalf of the Auditor-General
Tauranga, New Zealand

Rotorua Regional Airport Limited
Statement of Management Responsibility
For the Year Ended 30 June 2019

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.

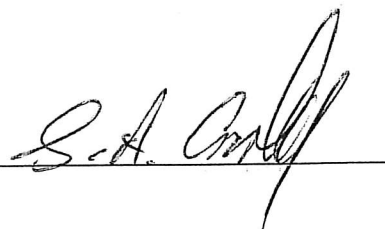
The Directors accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the company's financial and non-financial reporting.

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 27TH day of September 2019.

Rotorua Regional Airport Limited

Statement of Service Performance

For the Year Ended 30 June 2019

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 2019.

Performance Information

Non-financial measures	2019 Target	2019 Actual	Performance	2018 Actual
Aircraft movements	6,406	7,498		7,246
Passenger numbers	250,530	265,443		246,486
Customer service & facility rating ⁽¹⁾	Suspend	Suspend		7.3
Number of controllable safety incidents ⁽²⁾	0.0	0.0		0.0
Number of employee injuries (days off work) ⁽³⁾	1.0	0.0		1.0
Project Performance ⁽⁴⁾	Final Master Plan	Complete		n/a

Key

Met

Needs improvement

Performance across all non-financial indicators was positive across all airport operations. Our "Safety First" approach has delivered an optimum environment for aviation operations across passenger and general aviation sectors. Positive growth in passenger numbers was a highlight as was the whole year driven through improved on time performance and growth across all sectors, the standout being the Christchurch route with a 15.3% growth rate against the previous twelve-month period.

Note ⁽¹⁾ Customer Service and Facility Rating to be reinstated upon completion of the terminal upgrade works, forecast for early 2020.

Note ⁽²⁾ A controllable safety incident is an undesired event that adversely affects normal airport operations.

Note ⁽³⁾ A lost-time injury is something that results in a fatality, permanent disability or time lost from work.

Note ⁽⁴⁾ The Airport Masterplan provides a vision for development of the airports land holdings. This will provide for incremental and broader revenue generation opportunities across the Company's operations.

Financial measures	2019 Target	2019 Actual	Performance	2018 Actual
Total Revenue	5,317,093	5,493,429		5,291,904
Total Expenses	5,108,356	5,273,739		4,830,463
Net Surplus (deficit) after tax	208,737	282,911		469,520
Capital expenditure	5,100,000	3,781,335		1,078,338

Key

Met

Needs improvement

Given that the financial targets in the Statement of Intent are individual targets, total revenue less total expenses do not necessarily equate net surplus (deficit) after tax.

Rotorua Regional Airport Limited

Statement of Service Performance

For the Year Ended 30 June 2019

Explanation for major variances from the Company's budgeted figures in the 30 June 2019 Statement of Intent (SOI) are as follows:

Total Revenue

Total revenue for the year was over budget due to better than forecast performance across airport landing charges, lease rental and carparking revenue.

Total Expenses

Total expenses for the year were ahead of budget due to non-capital works being undertaken in the terminal as part of the comprehensive building upgrade together with an advancement of consultancy works in relation to the Airport Masterplan, Design of the General Aviation precinct, digital survey of the Airport Obstacle Limitation surfaces (Flight paths) and advancement ahead of programme of design and delivery of the airports Safety Management System (SMS).

Capital Expenditure

Delays in the progress of terminal works due to seismic upgrading combined with demolition and asbestos removal created programme slippage and capital expenditure timing issues. The works programme has been reset with all works to be completed in FY20.

RRAL advanced maintenance works across a number of aeronautical and non-aeronautical infrastructure assets over the period. The deployment of a comprehensive Assets and Facilities Management tool will assist in optimising workflows and expenditure into the future.

A competitive tender process was undertaken over the period for a replacement Airport Rescue Fire Fighting Vehicle. The contract was awarded to Rosenbauer with delivery due in October 2019.

KEY OBJECTIVES

Below is an update on each of the Company's Key Objectives for 2019 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 (RRAL) has undertaken a full rebuild of our policy and operating framework. This will be further enhanced by the appointment of a dedicated Manager – Safety Management Systems (SMS) to complete design and delivery of RRAL's SMS being a mandated operating requirement of the Civil Aviation Authority (CAA).

RRAL's Emergency capability was fully tested in November 2018 with a full multi agency aircraft crash simulation. This provided a valuable learning experience and baseline to further development our people and systems capability.

RRAL has a strong Safety First focus in everything we do and we will look to develop this in our people and across the broader airport community through the evolution of our SMS.

Rotorua Regional Airport Limited

Statement of Service Performance

For the Year Ended 30 June 2019

- **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) all showed positive growth over FY19. Positive on time performance ensured a high level of service for customers using Rotorua Airport. Our focus remains on enhancing 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.

- **Redevelop the original terminal, taking the opportunity to showcase the best of what Rotorua has to offer**

The original terminal was constructed in the mid 1960's. Investigations have concluded that building requires a significant upgrade to meet current legislative standards around seismic rating and capacity for departures and arrivals areas occupied in times of peak traveller demand.

The new terminal is designed to provide a safe and efficient facility for travellers and businesses operating across the building. It will showcase Rotorua and provide a place our community can be proud of.

Design, documentation, and Stage 1 works tendering were completed. Works commenced on the Arrivals building with a forecast completion date of 23rd August 2019. Stage 2 works will comprise demolition of the original 1960's structure, the creation of a new link walkway and the seismic upgrade of the departures hall.

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

Works on the seismic and building upgrade of the terminal commenced in early 2019. The upgrade works will deliver a building that is designed and built to 100% of the new building code and further to IL3 standard, commensurate for an airport terminal.

The terminal design will enhance the customer experience significantly and create a safer more efficient space for the public and key businesses operating from the airport.

Over the coming months, a separate "quiet working space" for business travellers will be provided as will further options to enhance the food and beverage offering at Rotorua Airport.

An upgraded website, community newsletter and more customer facing terminal staff will provided a stronger connection and our customers and community.



Rotorua Regional Airport Limited

Statement of Service Performance

For the Year Ended 30 June 2019

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

RRAL is due for its five yearly Pt 139 Aerodrome Operators Certification in July 2019. This certification is issued by CAA and is required for RRAL to continue to operate Rotorua Airport. Significant preparatory work has been completed prior to year-end and we believe this will successfully deliver renewal of our operator's certification.

Annual noise monitoring and a detailed survey of the airport's flight paths has been successfully completed over the course of last year. RRAL will proactively continue to work with Rotorua Lakes Council (RLC) and the broader community to ensure airport operations are undertaken within agreed legislator requirements.

Significant works have been undertaken within the airport to ensure protection of key apron, taxiway and runway surfaces against significant weather events.

- **Build non-aviation revenue and optimise existing assets, including unlocking the potential of the unused airport land**

RRAL has completed significant works over the course of the last twelve months in finalising the broader airport masterplan, completing a detailed feasibility study for a new General Aviation Precinct and further moving to document a Business Case and commercial approach towards undertaking this development.

The successful completion of this development will enable RRAL to move towards a position of self-funding through generation of revenue streams from its strategic land holdings. An agreement on an appropriate mechanism to deliver this outcome is a key strategic priority for RRAL in 2019/20.

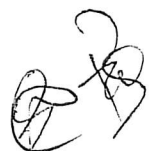
The construction of a new entrance roundabout to the airport is a key safety and growth priority. Development of the roundabout will not only benefit the airport but also adjoining owners, developers and the broader community through safer and more efficient roading network. The ability to provide enhanced public transport, cycling and pedestrian linkages to the airport underline the importance of this project to the airport, Rotorua City and region.

- **Support the wider plan change for the area surrounding Rotorua Regional Airport, alongside other key stakeholders to achieve the changes proposed in the Rotorua Spatial Plan**

RRAL has proactively supported growth initiatives across our region that will positively impact on growth and generate positive outcomes for the airport.

A strong focus will be placed on working with RLC and local development entities to deliver changes and improvements towards local roading and services infrastructure.

A new airport entrance is a priority driven by concerns over safety and capacity issues. We continue to work proactively with the NZTA and RLC to deliver this project.



Rotorua Regional Airport Limited

Statement of Service Performance

For the Year Ended 30 June 2019

- **Support Rotorua Reorua (Bilingual Rotorua) alongside Te Tatau O Te Arawa and other key stakeholders.**

This includes engaging phase two of the business plan for Rotorua Reorua and identifying ways in which Rotorua Regional Airport can support the implementation of Rotorua Reorua across our operations and community.

RRAL sees the opportunity presented to it through terminal redevelopment as an opportunity to convey our manaakitanga to our community and customers. Through the course of 2019/20 Te Reo signage will be adopted across the airport as will the opportunity to work more closely with Iwi in around the identification and delivery of a number of key initiatives across the airport to acknowledge the importance of partnership and historic significance of the airport land (whenua).



Rotorua Regional Airport Limited
Statement of Comprehensive Revenue & Expense
For the Year Ended 30 June 2019

	Note	2019	2018
REVENUE			
Operating revenue	3	5,443,288	5,225,727
Other revenue	4	50,141	66,177
TOTAL REVENUE		5,493,429	5,291,904
EXPENSES			
Operating expenses	5	1,202,338	1,139,335
Depreciation, amortisation & impairment charges	11,12	2,219,904	2,287,089
Directors' fees		50,000	52,500
Finance expense		514,956	501,261
Other expenses	6	1,286,541	850,278
TOTAL EXPENSES		5,273,739	4,830,463
SURPLUS (DEFICIT) BEFORE TAX		219,690	461,441
Income tax expense	10	(63,221)	(8,079)
SURPLUS (DEFICIT) AFTER TAX		282,911	469,520
OTHER COMPREHENSIVE REVENUE & EXPENSE			
<i>Items that will not be reclassified to surplus (deficit)</i>			
Gain on revaluation of property, plant & equipment	16c,11	2,586,328	17,051,615
TOTAL COMPREHENSIVE REVENUE & EXPENSE		2,869,239	17,521,135

The accompanying notes form part of these financial statements.



Rotorua Regional Airport Limited
Statement of Changes in Equity
For the Year Ended 30 June 2019

	Note	2019	2018
EQUITY AT START OF YEAR		48,098,582	30,577,447
Total comprehensive revenue & expense for the year		2,869,239	17,521,135
EQUITY AT END OF YEAR		50,967,821	48,098,582

The accompanying notes form part of these financial statements.



Rotorua Regional Airport Limited
Statement of Financial Position
As at 30 June 2019

	Note	2019	2018
CURRENT ASSETS			
Cash and cash equivalents	9	1,088,090	2,939,071
Receivables from exchange transactions	17	234,164	205,022
Other receivables	17	264,966	106,541
Prepayments		68,943	55,823
TOTAL CURRENT ASSETS		1,656,163	3,306,457
NON-CURRENT ASSETS			
Property, plant & equipment	11	65,780,458	61,373,150
Intangible assets	12	3,993	525
TOTAL NON-CURRENT ASSETS		65,784,451	61,373,675
TOTAL ASSETS		67,440,614	64,680,132
CURRENT LIABILITIES			
Payables under exchange transactions	18	912,934	634,800
Other payables	18	95,402	84,166
Income and rent in advance		13,022	11,940
Borrowings	22	722	722
Employee entitlements	19	54,377	53,381
TOTAL CURRENT LIABILITIES		1,076,457	785,009
NON-CURRENT LIABILITIES			
Borrowings	22	14,400,000	15,000,000
Deferred tax liabilities	10	996,336	796,541
TOTAL NON-CURRENT LIABILITIES		15,396,336	15,796,541
TOTAL LIABILITIES		16,472,793	16,581,550
NET ASSETS		50,967,821	48,098,582
EQUITY			
Share capital	16(a)	28,645,000	28,645,000
Retained earnings	16(b)	2,684,878	2,401,967
Asset revaluation reserve	16(c)	19,637,943	17,051,615
TOTAL EQUITY		50,967,821	48,098,582

The Board of Directors of Rotorua Regional Airport Limited authorised these financial statements for issue on 13 September 2019.

The accompanying notes form part of these financial statements.

Rotorua Regional Airport Limited
Statement of Cashflows
For the Year Ended 30 June 2019

	Note	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was received from:			
Receipts from customers		5,419,029	5,190,369
Interest received		50,141	43,896
		5,469,170	5,234,265
Cash was paid to:			
Payments to suppliers and employees		2,404,186	2,017,914
Goods and services tax (net)		129,898	48,988
Income tax payment		12,353	12,292
Interest paid		557,005	500,226
		3,103,442	2,579,420
Net cash flow from operating activities	8	2,365,728	2,654,845
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was received from:			
Proceeds from sale of property, plant and equipment		-	26,221
		-	26,221
Cash was paid to:			
Purchase of property, plant and equipment		3,616,709	819,993
		3,616,709	819,993
Net cash flow from investing activities		(3,616,709)	(793,772)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was received from:			
Proceeds from borrowings		-	-
		-	-
Cash was paid to:			
Repayment of borrowings		600,000	-
		600,000	-
Net cash flow from financing activities		(600,000)	-
Net increase (decrease) in cash and cash equivalents		(1,850,981)	1,861,073
Cash and cash equivalents at the beginning of the year		2,939,071	1,077,998
Cash and cash equivalents at the end of year	9	1,088,090	2,939,071

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.

Rotorua Regional Airport Limited

Notes to the Financial Statements

For the Year Ended 30 June 2019

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 Trading 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 2019. The financial statements were authorised for issue by the directors on 13 September 2019.

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 2019

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.

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 2019

(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 2019

(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 2019

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

Infrastructure assets

Runway, Taxiways, Aprons	10-80 years
Other Paved Areas	13 years
Surround Security Fences	10 years

Operational assets

Buildings and Fit-out	3-80 years
Motor Vehicles	5-10 years
Furniture & Office Equipment	10 years
Computer Equipment	4 years
Plant & Equipment	4-10 years

Rotorua Regional Airport Limited
Notes to the Financial Statements
For the Year Ended 30 June 2019

(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
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(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 2019

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 2019

3. OPERATING REVENUE

	2019	2018
Exchange revenue		
Landing Charges	1,655,696	1,510,651
Lease Rental	406,233	365,607
Parking Revenue	633,096	573,599
Ground Handling Revenue	28,758	34,510
Other Operating Revenue	156,485	198,860
Non-exchange revenue		
Rotorua Lakes Council Service Funding	2,563,020	2,542,500
Total Operating Revenue	5,443,288	5,225,727

4. OTHER REVENUE

	2019	2018
Interest Received	50,141	43,896
Gain on the disposal of property, plant & equipment	-	22,281
Total Other Revenue	50,141	66,177

5. OPERATING EXPENSES

	2019	2018
Rental Property Expenses	87,456	15,444
Runway/Taxiway/Apron Expenses	686,611	778,303
Surrounds Expenses	155,836	129,260
Terminal Expenses	272,435	216,328
Total Operating Expenses	1,202,338	1,139,335

Personnel costs of \$561,243 (2018: \$528,009) are included in the above operating expenses.

6. OTHER EXPENSES

	2019	2018
Audit Fees – audit of financial statements	25,865	25,628
Land Rates	87,861	91,365
Other Expenses	1,172,815	733,285
Total Other Expenses	1,286,541	850,278

Personnel costs of \$303,124 (2018: \$229,944) are included in the above other expenses.

Rotorua Regional Airport Limited
Notes to the Financial Statements
For the Year Ended 30 June 2019

7. CATEGORIES OF FINANCIAL INSTRUMENTS

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

	2019	2018
Loans and receivables		
Cash and cash equivalents	1,088,090	2,939,071
Trade and other receivables (excluding taxes receivable)	234,164	205,022
Total Loans and Receivables	1,322,254	3,144,093
Financial liabilities at amortised cost		
Trade and other payables (excluding taxes payable)	985,754	698,585
Borrowings	14,400,722	15,000,722
Total Financial Liabilities at Amortised Cost	15,386,476	15,699,307

Trade and other receivables of \$234,164 have been pledged as security for loans under a general security agreement with Rotorua Lakes Council (2018: \$205,022). 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

	2019	2018
Net operating surplus (deficit)	282,911	469,520
Add non-cash items		
Depreciation, amortisation & impairment losses	2,219,904	2,287,089
Deferred tax	(63,221)	(24,572)
	2,439,594	2,732,037
Add (less) movements in working capital items		
Employee entitlements	996	9,260
Trade and other receivables	(54,615)	(50,028)
Trade and other payables	(20,247)	(19,018)
	(73,866)	(59,786)
Add (less) items classified as investing or financing activities		
(Gains)/losses on the disposal of property, plant and equipment	-	(17,406)
Net cash flows from operating activities	2,365,728	2,654,845

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 \$(164,626). (2018: \$(258,345))

Rotorua Regional Airport Limited
Notes to the Financial Statements
For the Year Ended 30 June 2019

9. CASH & CASH EQUIVALENTS

	2019	2018
Cash at bank	1,083,451	2,935,529
Cash on hand	4,639	3,542
Net cash & cash equivalents	1,088,090	2,939,071

10. INCOME TAX

	2019	2018
Components of tax expense		
Current tax expense	-	16,493
Deferred tax expense	(63,221)	(24,572)
Tax expense	(63,221)	(8,079)

Relationship between tax expense and accounting profit

Surplus (deficit) before tax	219,690	461,441
Tax at 28% (2018: 28%)	61,513	129,203
Non-deductible expenditure	65,281	6,295
Group loss offset	(285,953)	-
Deferred tax adjustment	95,937	(143,577)
Tax expense	(63,221)	(8,079)

Deferred tax asset (liability)

	Property, plant and equipment	Employee entitlements	Other Provisions	Total
Balance at 30 June 2017	-	-	-	-
Charged to surplus or deficit	(4,691)	14,947	14,316	24,572
Charged to other comprehensive income	(821,113)	-	-	(821,113)
Balance at 30 June 2018	(825,804)	14,947	14,316	(796,541)
Charged to surplus or deficit	61,924	279	1,018	63,221
Charged to other comprehensive income	(263,016)	-	-	(263,016)
Balance at 30 June 2019	(1,026,896)	15,226	15,334	(996,336)

Rotorua Regional Airport Limited
Notes to the Financial Statements
For the Year Ended 30 June 2019

11. PROPERTY, PLANT & EQUIPMENT

	Plant and Equipment	Motor Vehicles	Furniture and Office Equipment	Computer Equipment	Land	Buildings & Fit-out	Infrastructure Assets	Total
Cost								
Balance at 1 July 2017	1,154,621	490,472	146,955	72,092	7,154,818	9,908,288	30,535,231	49,462,477
Revaluation	-	-	-	-	14,940,182	2,932,546	-	17,872,728
Elimination on Revaluation	-	-	-	-	-	(709,675)	-	(709,675)
Additions	49,736	37,644	-	3,876	-	977,227	9,855	1,078,338
Disposals	(13,239)	(68,890)	(10,866)	(400)	-	(140,432)	-	(233,827)
Balance at 30 June 2018	1,191,118	459,226	136,089	75,568	22,095,000	12,967,954	30,545,086	67,470,041
Balance 1 July 2018	1,191,118	459,226	136,089	75,568	22,095,000	12,967,954	30,545,086	67,470,041
Elimination on Revaluation	-	-	-	-	-	(358,062)	(5,972,430)	(6,330,492)
Revaluation	-	-	-	-	1,910,000	79,904	859,440	2,849,344
Additions	40,559	251,829	17,353	8,652	-	3,296,324	162,604	3,777,321
Disposals	-	-	-	-	-	(135,939)	-	(135,939)
Balance 30 June 2019	1,231,677	711,055	153,442	84,220	24,005,000	15,850,181	25,594,700	67,630,275
Accumulated Depreciation and Impairment Losses								
Balance at 1 July 2017	790,597	366,241	137,422	63,702	-	913,955	2,473,556	4,745,473
Elimination on Revaluation	-	-	-	-	-	(709,675)	-	(709,675)
Depreciation Expense	81,913	46,013	2,369	4,471	-	269,073	1,746,330	2,150,169
Impairment Losses	-	-	-	-	-	135,939	-	135,939
Disposals	(11,717)	(64,950)	(10,598)	(400)	-	(137,350)	-	(225,015)
Balance at 30 June 2018	860,793	347,304	129,193	67,773	-	471,942	4,219,886	6,096,891
Balance at 1 July 2018	860,793	347,304	129,193	67,773	-	471,942	4,219,886	6,096,891
Elimination on Revaluation	-	-	-	-	-	(358,062)	(5,972,430)	(6,330,492)
Depreciation Expense	76,504	25,135	2,995	4,117	-	358,062	1,752,544	2,219,357
Impairment Losses	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	(135,939)	-	(135,939)
Balance at 30 June 2019	937,297	372,439	132,188	71,890	-	336,003	-	1,849,817
Carrying Amounts								
At 1 July 2017	364,024	124,231	9,533	8,390	7,154,818	8,994,333	28,061,675	44,717,004
At 30 June and 1 July 2018	330,325	111,922	6,896	7,795	22,095,000	12,496,012	26,325,200	61,373,150
At 30 June 2019	294,380	338,616	21,254	12,330	24,005,000	15,514,178	25,594,700	65,780,458

The carrying amount of property, plant and equipment of \$65,780,458 has been pledged as security for loans under a general security agreement with Rotorua Lakes Council.

An independent valuation of the Company's land and buildings was performed by Telfer Young, Registered Valuer, and valuation of infrastructure assets was performed by Beca Projects NZ Limited to determine the fair value of the assets. The effective date of the valuation was 30 June 2019. The revaluation surplus net of deferred tax of \$2,586,328 has been credited to other comprehensive income.

Rotorua Regional Airport Limited
Notes to the Financial Statements
For the Year Ended 30 June 2019

12. INTANGIBLE ASSETS

	Acquired Software	Total
Cost		
Balance at 1 July 2017	97,463	97,463
Additions		
Disposals		
Balance at 30 June 2018	97,463	97,463
Balance 1 July 2018	97,463	97,463
Additions	4,015	4,015
Disposals	-	-
Balance 30 June 2019	101,478	101,478
Accumulated Amortisation and Impairment Losses		
Balance at 1 July 2017	95,957	95,957
Amortisation Expense	981	981
Impairment Losses	-	-
Disposals	-	-
Balance at 30 June 2018	96,938	96,938
Balance at 1 July 2018	96,938	96,938
Amortisation Expense	547	547
Impairment Losses	-	-
Disposals	-	-
Balance at 30 June 2019	97,485	97,485
Carrying Amounts		
At 1 July 2017	1,506	1,506
At 30 June and 1 July 2018	525	525
At 30 June 2019	3,993	3,993

13. CAPITAL EXPENDITURE COMMITMENTS

	2019	2018
Capital commitments		
Property, Plant & Equipment	2,048,087	820,736
Total Capital Commitments	2,048,087	820,736

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 2018: nil).

(b) Contingent Liabilities

The Company has no contingent liabilities (30 June 2018: nil).

Rotorua Regional Airport Limited
Notes to the Financial Statements
For the Year Ended 30 June 2019

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:

	2019	2018
Less than 1 year	60,000	60,000
Between 1 and 5 years	90,000	150,000
Over 5 years	-	-

There is a lease payment contingent clause under the lease agreement whereby the Company must pay to Ngati Rangiteaorere Kahikatea Trust the difference between 6% of the gross landing charges and the annual lease payment of \$60,000 if the amount equal to 6% of the gross landing charges exceeds the annual lease payment of \$60,000.

(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 \$95,400 have been recognised during the year. (2018: \$90,330)

16. SHAREHOLDERS' EQUITY

(a) Share Capital

	2019		2018	
	# 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 2019

(b) **Retained Earnings**

	2019	2018
Retained Earnings opening balance	2,401,967	1,932,447
Net Surplus (Deficit) after tax	282,911	469,520
Retained Earnings Closing Balance	2,684,878	2,401,967

(c) **Asset revaluation reserve**

	2019	2018
Opening balance	17,051,615	-
Revaluation gain (loss)	2,849,344	17,872,728
Deferred tax on movement	(263,016)	(821,113)
Closing balance	19,637,943	17,051,615

Asset revaluation reserve consists of:

	2019	2018
Land	16,850,182	14,940,182
Buildings and fitouts	2,168,964	2,111,433
Infrastructure assets	618,797	-
Closing balance	19,637,943	17,051,615

17. TRADE AND OTHER RECEIVABLES

	2019	2018
Receivables from exchange transactions		
Trade debtors	234,164	205,022
	234,164	205,022
Other receivables		
Income tax refund due	53,212	40,860
GST refund due	211,754	65,681
	264,966	106,541
Total Trade and Other Receivables	499,130	311,563

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 2019

18. TRADE AND OTHER PAYABLES

	2019	2018
Payables from exchange transactions		
Trade creditors	858,169	583,672
Year-end accruals	54,765	51,128
	912,934	634,800
Other payables		
Related party payables	72,822	63,785
GST payment due	-	-
FBT payable	1,348	1,348
PAYE payable	21,232	19,033
	95,402	84,166
Total Trade and Other Payables	1,008,336	718,966

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

	2019	2018
Annual leave	49,939	42,449
Alternative leave	4,438	10,932
Total Employee Entitlements	54,377	53,381

20. SIGNIFICANT EVENTS AFTER BALANCE DATE

There were no significant events after balance date.

21. REPORTING AGAINST FINANCIAL FORECAST AS SET OUT IN SOI

	<i>2019 Target</i>	<i>2019 Actual</i>	<i>Variance</i>
Total revenue	5,317,093	5,493,429	176,336
Total expenses	5,108,356	5,273,739	165,383
Net surplus (deficit) after tax	208,737	282,911	74,174

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
 Net surplus (deficit) after tax

Rotorua Regional Airport Limited
Notes to the Financial Statements
For the Year Ended 30 June 2019

22. BORROWINGS

	2019	2018
Current portion		
Borrowing – Bank of New Zealand	722	722
Non-current portion		
Borrowing – Rotorua Lakes Council	14,400,000	15,000,000
Total Borrowings	14,400,722	15,000,722

The loan from Rotorua Lakes Council is secured by a General Security Agreement. The average interest rate on the loan at balance date was 3.12% plus a margin of 25 basis points (bps).

The Company has a Customised Average Rate Loan (CARL) from BNZ Bank of up to \$3,400,000 that matures on 16 August 2019. This facility is unsecured with a floating interest rate based on a margin of 1.20% above the Bank Bill Reference Rate (BKBM). The interest rate on this facility at 30 June 2019 was 2.88%.

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 2019

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

	2019	2018
<i>Purchases of goods & services</i>		
Land and water rates	96,565	97,427
Building and resource consent fees	11,652	8,802
Land covenant payments	11,646	59,951
	<u>119,863</u>	<u>166,180</u>
<i>Sales of goods & services</i>		
Service funding received under a service level agreement	2,563,020	2,542,500
	<u>2,563,020</u>	<u>2,542,500</u>
<i>Loan</i>		
Loan received during the year	-	-
Loan paid during the year	600,000	-
Loan from Rotorua Lakes Council as at balance date	14,400,000	15,000,000
<i>Other</i>		
Interest paid on loan	514,956	501,261
	<u>514,956</u>	<u>501,261</u>
<i>Receivable & payable</i>		
Balance receivable from Rotorua Lakes Council	48,945	48,885
Balance payable to Rotorua Lakes Council	72,822	63,785

Loss offset

The company is expecting to eliminate its taxable income for the year with tax losses of \$1,021,260 transferred from Rotorua Lakes Council by loss offset. No payment has been accrued in relation to the expected loss transfer.

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b) Transactions with Rotorua Economic Development (RED)

	2019	2018
<i>Sale of goods & services</i>		
Advertising income from RED*	6,678	30,000
	6,678	30,000

* Rotorua Economic Development was previously part of Rotorua Lakes Council. The income relates to the I-site.

c) Board members remuneration

	2019	2018
Peter Stubbs	20,000	20,000
Wiremu Atetini Kingi	-	5,000
Stuart Alan Crosby	10,000	10,000
John Amarama Fenwick	10,000	7,500
Anthony John Marks	10,000	10,000
	50,000	52,500

d) Employee remuneration

	2019	2018
<i>Total remuneration paid</i>		
200,000 to 209,999	1	-

The key management personnel include the Board of Directors and the CEO. Total key management personnel compensation for the financial year ending 30 June 2019 was \$255,693 (2018: \$222,755). This includes total full-time equivalent personnel of 5 in the financial year ending 30 June 2019. (2018: 6)

No related party debts have been written off or forgiven during the year. (2018: Nil)

