Rotorua Regional Airport Ltd

Statement of Intent

For the period 1 July 2020 to 30 June 2023

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1. INTRODUCTION

1.1 Statement of Intent

This Statement of Intent (SOI) is presented by Rotorua Regional Airport Ltd (RRAL) in accordance with the requirements of Section 64(1) of the Local Government Act 2002. It represents the objectives, nature and scope of activities to be undertaken and performance targets by which RRAL will be measured. It covers the three (3) years of operations from 1 July 2020 to 30 June 2023 and supersedes the previous SOI. This SOI will also have primacy over any conflicts between RRAL's constitution and the SOI unless a clause of the SOI breaches the Companies Act.

Analysis of the community benefits of the Airport support Rotorua Lakes Council (RLC) contributing to the Airport operations due to its importance of supporting the economic development, Tourism sector and Rotorua air travellers. A separate Service Funding Agreement has been established to assist with the ongoing Airport capital development, infrastructure maintenance and operations. This was agreed as part of the Council's 2015 Long Term Plan process and sits alongside and in support of this SOI.

1.2 COVID-19

The potential impact of Coronavirus (Covid-19) on aircraft movements, passenger movements, car parking and lease concession revenues will be significant from late FY20 into FY21 and beyond. Whilst RRAL benefits from both domestic and international tourist movements supplementing domestic business travel the recovery of these market is forecast to take in excess of twelve (12) months, subject to the reopening of New Zealand's international borders. RAL's key SOI assumptions have been reforecast to address any direct and indirect impacts of this event over 2021. Should the extent of COVID span past July 2021 a further mid-term update of this SOI will be required. On this basis we have considered options in relation to the deferral on non-essential capital works and the removal or deferral of non-essential operating expenses.

In addition the signalled withdrawal of Air Traffic Control services from Rotorua could significantly impact RRAL's forecast revenues and costs. On this basis a provision has been included to address any legal and or service continuity costs relating to this decision.

2. ROTORUA REGIONAL AIRPORT LTD

2.1 The Organisation

RRAL is 100% owned by RLC and operates as a Council Controlled Organisation (CCO). RRAL has an independent skills-based Board of four Directors including a Chairperson and employs its own Chief Executive and staff.

RRAL operates under an SOI agreed to by its Directors and RLC. A Service Funding Agreement is also in place between RRAL and RLC with the funding agreement being part of the Councils annual planning process.

RRAL's prime purpose is to maintain a safe and efficient Airport operation whilst optimising the use of its assets and facilitating, and growing, tourism and trade, other commercial activity and Airport profitability. RRAL is responsible for the ongoing capital development and maintenance of the Airport assets and ownership of the core infrastructure.

The Airport is viewed as an essential infrastructure asset for Rotorua and has a key role to play in the economic performance, growth and development of Region. This includes being an enabler to help RLC deliver on its 2030 goals.

2.2 The Directors

The RRAL directors are:

Mr Peter Stubbs (Chairman)
Ms Danielle Auld (Director)
Mr John Fenwick (Director)
Mrs Mere George (Director)
Mr Tony Marks (Director)

3. KEY PRIORITIES AND OBJECTIVES

RRAL's vision is **"to be a uniquely Rotorua hub our community can be proud of"** and the board and management have identified five key priorities for the airport:

- Be a safe airport
- Help Council achieve its growth aspirations
- Manage & maintain assets to a high standard
- Be financially sustainable
- Be environmentally conscious

The delivery of these priorities will be supported by the following key objectives over the following three (3) year period:

- 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
- Develop a commercial network that best meets the needs of the residents and businesses in the Region
- Continue the terminal development, taking the opportunity to showcase the best of what Rotorua has to offer, and the fire station
- Engage the community and staff by being welcoming and ensuring the airport is an asset they can be proud of
- Manage and maintain business-critical infrastructure, services and facilities for all users of the Airport
- 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
- 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.

- Develop a funding model to facilitate building non-aviation revenue and optimise existing assets
- Develop the airport precincts in line with the agreed master plan to further unlock the unused airport land
- Be advocates for achieving wider wellbeing outcomes (Social, Cultural, Economic) through planned economic investment, and incorporating procurement practices, aligned with any changes in Councils procurement policy when completed.

4. GOVERNANCE

The Board has adopted the following governance objectives:

- Approve corporate strategy and direction, laying down solid foundations for management and oversight
- Employ a Chief Executive who monitors the organisations performance against pre-established Board criteria and has overall responsibility for implementing the company's strategic direction
- Ensure the organisation complies with all internal and externally imposed compliance requirements and policies
- Identify and monitor the management of organisation and operational risks
- Utilise the expertise of Directors to add value and regularly review the Directors skill base to ensure it can support RRAL's strategy
- Promote ethical and responsible decision-making
- Safeguard the integrity of its financial reporting and make timely and balanced disclosure
- Respect the rights, and recognise the legitimate interests of its Shareholder and stakeholders and ensure that RRAL and RLC work together on a 'no surprise' basis
- Actively engage with other key stakeholders in the Region in particular, Rotorua Economic Development and the Bay of Plenty Regional Council

4.1 Responsibilities of Directors

Meeting legal requirements

The Board's first duty is to the legal entity. In meeting this duty the Board must ensure that all legal requirements under the relevant Acts are met and that the entity is protected from harmful situations and circumstances in the interests of current and future stakeholders. The Board also has a responsibility to its stakeholders to ensure that the available resources are used to deliver the right outcomes to the right people in the right way.

In particular Directors have the following obligations:

- To act in good faith in the interests of all stakeholders of RRAL
- To exercise their powers for a proper purpose
- To avoid actual or perceived conflicts of interest
- To act honestly
- To act with reasonable care and diligence
- To not make improper use of their position or of information gained while in that role
- To ensure that RRAL does not trade while insolvent

Board members, either individually or collectively, are potentially liable if they act illegally or negligently.

Governance philosophy and approach

The Board will govern RRAL with an emphasis on:

- A clear distinction between Board and Chief Executive roles
- Remaining up-to-date in terms of key stakeholders' concerns, needs and aspirations
- Developing a future focus rather than being preoccupied with the present or past (outward vision rather than inward concern)
- Providing leadership in the exploration of strategic issues rather than becoming distracted by administrative detail
- Behaving proactively rather than reacting to events and others' initiatives
- Bringing a diversity of opinions and views to bear on its decisions
- Developing and expressing collective responsibility for all aspects of the Board's performance
- Continuing improvement in Board and individual Board member effectiveness and the interest of RRAL as a whole

The Board will:

- Cultivate a sense of group responsibility and achieve a high level of governance excellence
- Govern RRAL through careful design and review of written policies that reflect the Board's values
- Not allow any officer, individual or committee of the Board to hinder or be an excuse for not fulfilling Board commitments.
- Establish an internal audit and risk committee to assist in the establishment of effective risk management and governance control processes.

Board internships – providing governance experience to young business owners

The Board will continue an annual Board Internship programme for up to two (2) young business owners. The roles commence in December and conclude after the Annual General Meeting, held in November each year.

Direction of executive performance

The Board will:

- Select, monitor and if necessary replace the Chief Executive
- Provide the Chief Executive clear expectations of his/her performance. Provide regular, honest and rigorous performance feedback to the Chief Executive on the achievement of such expectations

Public statements

In all contact with the media the Chief Executive shall be the sole spokesperson on all operating matters relating to RRAL. The Chairperson shall represent RRAL on all governance matters. The Chairperson may delegate aspects of this responsibility.

Other

The Board will perform such other functions as are prescribed by law or assigned to the Board under RRAL governing documents as they relate to being a Council Controlled Organisation (CCO).

4.2 Expectations of Board members

To execute these governance responsibilities Directors must, as far as practicable, possess certain characteristics, abilities and understandings.

Fiduciary duty
Directors must act in RRAL's best interest at all times regardless of personal position, circumstances or affiliation. They should be familiar with the constitutional arrangements and fulfil the statutory and fiduciary responsibilities of a Director.

Strategic orientation
Directors should be future oriented, demonstrating vision and foresight. Their focus should be on strategic goals and policy implications rather than operational detail.

Integrity and accountability
Board members must demonstrate high ethical standards and integrity in their personal and professional dealings and be willing to act on all Board decisions and remain collectively accountable for them even if these are unpopular or if individual Directors disagree with them. Directors must be committed to speaking with one voice on all policy and directional matters.

Informed and independent judgement
Each Director must have the ability to provide wise, thoughtful counsel on a broad range of issues. He or she must have or develop a sufficient depth of knowledge about RRAL to understand and question the assumptions, underlying strategic and business plans and important proposals and be able to form an independent judgement on the probability that such plans can be achieved or proposals successfully implemented. Each Director must be willing to risk rapport with fellow Directors in taking a reasoned, independent position.

Financial literacy
Directors must be financially literate. They should be able to read financial statements and understand the use of financial ratios and other indices used for evaluating RRAL's performance.

Industry and sector knowledge
Each Director is expected to bring a level of industry and sector knowledge sufficient to contribute to the Board's deliberations and considerations on behalf of the organisation.

Participation
Each Director is expected to enhance the Board's deliberations by actively offering questions and comments that add value to the discussion. Each should participate in a constructive manner that acknowledges and respects the contribution of others at the table, including the executive team.

4.3 Governance process policies

- Policies are to be clear, unambiguous and provide continuity and a consistent point of accountability
- RRAL acknowledges Maori as tangata whenua, accepts Te Tiriti/The Treaty as a founding document of the nation and acknowledges its responsibility to ensure Maori needs are met in culturally appropriate ways

An essential element in the Board's leadership role is its responsibility to set the strategic direction for RRAL, identify organisation priorities and monitor progress against the strategic goals and objectives

- The Board has a core duty to ensure the financial integrity and viability of RRAL and to ensure the organisation's funds are used for the purposes for which they have allocated. This requires oversight of financial performance and annually approving the financial budget
- The Board will identify and evaluate the principal risks faced by RRAL and ensure that systems are in place to avoid or mitigate the risks including the protection of intellectual capital
- The Board may establish standing committees and working parties to support it in its governance work, provided they do not conflict with the Chief Executive's delegated responsibilities
- The majority of Board business will be conducted in Board meetings
- The Chairperson provides leadership to the Board, consistent with its policies and represents the Board and the organisation to outside parties. It is expected that the Chairperson will promote a culture of stewardship, collaboration and co-operation, modelling and promulgating behaviours that define sound Board membership
- The Board delegates to the Chief Executive responsibility for implementation of its strategic direction/strategic plan while complying with the Chief Executive delegation policies

5. RESPONSIBILITY TO SHAREHOLDER

5.1 Statement of Intent

In accordance with the Local Government Act 2002, the company submits its SOI for the coming financial year to the Shareholder – Rotorua Lakes Council. The SOI sets out the company's overall objectives, intentions and financial and performance targets for the following three years.

5.2 Information flows and reporting

The Board aims to ensure that the Shareholder is informed of all major developments affecting the company's state of affairs, while at the same time recognising that commercial sensitivity may preclude certain information from being made public. Within this constraint, information is communicated to the Shareholder through the following:

- Quarterly reporting against SOI's performance measures and financial forecasts. Reporting to be provided within five weeks of the end of the quarter
- Delivery of a half year report (draft by mid-February) and an annual report (draft by mid-September to the RLC's Chief Financial Officer
- RRAL Chief Executive and senior Council executives to meet on a regular basis
- RRAL Chair and Chief Executive to meet with the Mayor and Council Chief Executive a minimum of twice per year
- Other ad-hoc reports and occasional briefings

In addition, RRAL will proactively develop positive relationships with other local key stakeholders to ensure effective communication of the initiatives being pursued through the implementation of the respective strategic plans.

5.3 Acquisition and or Disposal of Shares or Other Investments.

RAL is not in the business of purchasing or otherwise acquiring shares in another company or organisation.

Should RAL proceed to acquire or dispose of shares shall not proceed without an ordinary resolution first being confirmed by RLC.

6. CAPITAL EXPENDITURE PROPOSALS

RLC transferred all of the Airport assets to RRAL in February 2016. A programme of capital improvements has been established and has commenced with the re-development of the original terminal and fire station.

The capital improvements programme is updated on an annual basis, this reflects the nature of RAL's business as an owner of significant infrastructural assets that must be maintained to meet its obligations under for example the Airport Authorities Act 1996, the Civil Aviation Act 1990, the Civil Defence and Emergency Act 2002.

In this three (3) year SOI period, RRAL will complete the following major capital works;

- Complete redevelopment of the original terminal (including significant seismic upgrading)
- Continue with the planned cyclical runway and airside pavements maintenance programme
- Upgrade two (2) residential dwellings purchased as part of the RESA acquisition to ensure they meet regulatory standards
- Continue to replace operational equipment to ensure it meets requisite Civil Aviation operating standards, including airside maintenance vehicles and mowers
- Complete the upgrade airport wide security systems
- Commence reconfiguration of the carpark and forecourt to provide incremental capacity and enhanced customer payment facilities
- Progress the design and business case preparation towards expanded facilities for a number of existing and new lease prospects.

A total CAPEX budget for the three (3) year period of **$940,000** has been allowed in financial forecasts. We would note this excludes development funding for the establishment of non-aeronautical income streams.

Capital Works 2021 - 2023			
Period	**Item**	**Allowance**	**Annual Total**
2021	Residential Dwelling Upgrades	$ 40,000	
	Infrastructure Renewals and Replacements	$ 200,000	
	Terminal Upgrade (retentions)	$ 150,000	
	Operational Asset Replacement Items	$ 100,000	**$ 490,000**
2022	Infrastructure Renewals and Replacements	$ 100,000	
	Operational Asset Replacement Items	$ 100,000	**$ 200,000**
2023	Infrastructure Renewals and Replacements	$ 150,000	
	Operational Asset Replacement Items	$ 100,000	**$ 250,000**
			$ 940,000

- In accordance with RLC's requirement under the FY21 Letter of Expectation that RAL "**Develop the airport precincts in line with the agreed master plan to further unlock the unused airport land**" RAL has been successful in advancing applications with **Crown Infrastructure Partners (CIP)** around part funding these projects. The projects will require further funding support which would be subject of a separate funding agreement which is consistent with RLC's further requirement that RAL "**Develop a funding model to facilitate building non-aviation revenue and optimise existing assets**".

- No allowance has been made for these costs under the above Capital Works Forecast. It is anticipated that all costs associated with these projects would be capitalised from FY21.
- RAL's cash reserves and CARL (BNZ overdraft) facilities will be utilised to fund the Capital Works programme.

7. PERFORMANCE MEASURES

The following table outlines RRAL's anticipated 'business as usual' financial performance for the three (3) year period ending 30 June 2023, and the performance measures it will be assessed against. These measures and forecasted performance are based on the following key assumptions:

- Current and known future commercial network changes based on discussions with Air New Zealand
- No further material external or internal economic shocks impacting business and aviation resulting from COVID-19 or any other un-forecast significant event.
- New Zealand GDP tracks to the current consensus of economic forecasts
- The continuation of the RLC and BNZ Loan Facilities and provision of a new short term RLC facility to address liquidity issues resulting from COVID-19 on RRAL's operations.
- No material movement in the fair value assessment of the airport land and buildings
- The suspension of the Service Funding Agreement with RLC (SFA) and the adoption of funding assumptions made by RLC in its most recent Long Term Plan (**Note 1**)

	2021	2022	2023
a. *Aircraft*			
Aircraft movements	***Ref Note 6.***	*7,051*	*7,280*
b. *Passengers*			
Domestic	***Ref Note 6.***	*275,759*	*284,721*
c. Financial			
Total Revenue	*$2,780,071*	*$5,736,654*	*$5,727,073*
Total Expenses	*$6,055,654*	*$5,634,158*	*$5,618,494*
Net Surplus (Loss) (before tax) (note 2) (note 5)	*($3,275,583)*	*$102,496*	*$108,579*
Capital expenditure	$490,000	$200,000	$250,000
Shareholders' funds to total assets (note 3)	71%	72%	74%
d. Customer			
Customer service and facility rating	8.0 out of 10	8.0 out of 10	8.0 out of 10
e. Operational			
Number of controllable safety incidents	0	0	0
f. Team			
Number of employee injuries (days off work)	1	1	1
g. Project Performance (note 4) Build non-aviation revenue and optimise existing assets, including unlocking the potential of the unused airport land	Precinct B design and consenting, funding agreed	Precinct B works underway. Precinct A funding agreed	Precinct A & B works underway.

Note 1: Statement of Intent – FY21-23
A requirement of clause 3(b) of schedule 8 of the Local Government Act 2002 is that the board must deliver the completed statement of intent to the shareholder on or before 30 June each year. RAL and RLC are presently engaged in a review of the existing Service Funding Agreement whereby the parties are endeavouring to agree on a revised funding model that may achieve a reduced net cost to the ratepayer in running the operations of the Airport. Accordingly, the parties have agreed to suspend RRAL's rights under the SFA pending the outcome of discussions for a new funding mechanism to replace the current SFA.

In respect to **Note 1** RAL has adopted RLC's Long term Plan (LTP) funding assumptions for the period of this SOI, noting again that RAL reserves its position and rights under the SFA pending the outcome of discussions for a new funding mechanism to replace the current SFA

Note 2: Due to the availability of a group loss offset from RLC, the provision for taxation has been excluded in the financial forecast.

Note 3: Total assets represent the RRAL's total assets, both intangible and tangible. Shareholders' funds represent net equity of the shareholder. This includes issued share capital, capital reserves and retained earnings. There is currently no intention to distribute any of these funds to the shareholder.

Note 4: RAL has commissioned SPM to prepare an Asset Management Plan and thirty (30) year forecast to align itself with RLC's practice of having thirty (30) year plans for each major infrastructure. In addition a long term runway and airside pavement programme has been completed with the intention of implementation. RAL intends to incorporate optimised depreciation allocation and long term airside pavements cost projections within the new funding model and referred to under **Note 1.** The objective is to extend the operational life of core airport airside infrastructure through a planned and structured approach towards opex and capex expenditure utilising best practice pavement management methodologies.

In addition to support progression of RRAL's CIP applications RAL will complete in 2020 a proposed Development Funding Strategy to a debt funding line to be established to move into development of Precincts A & B. This is a requirement of RAL' s Key Priorities and Objectives as established by RLC, i.e.:

- Develop a funding model to facilitate building non-aviation revenue and optimise existing assets; and
- Develop the airport precincts in line with the agreed master plan to further unlock the unused airport land

It is intended that funding generated from these projects will provide coverage on debt costs and will be directed towards lowering the ratepayer Service Funding Payment to RAL over time.

Note 5: The potential impact of Coronavirus (Covid-19) on aircraft movements, passenger movements, car parking and lease concession revenues could be significant from late FY20 into FY21. RAL's key SOI assumptions have been reforecast to reflect any direct and indirect impacts of this event. Materially though RAL's revenues will be impacted. On this basis we have considered options in relation to the deferral on non-essential capital works and the removal or deferral of non-essential operating expenses.

With respect to operating legislation RAL must observe and meet its obligations under the Airport Authorities Act which requires it to operate "commercially". From a Civil Aviation perspective this requirement ensures airports meet and maintain a profitable operating position to ensure they can fund necessary operating and safety costs associated with our Aerodrome Operators Certification (CAA Pt 139) and pending Safety Management System (SMS) Certification.

As a result of the material impact of COVID-19 on RAL's profitability RAL will defer for a period of twelve (12) months the RLC debt repayment programme to ensure required profitability and operational compliance of the Airport is maintained. Additionally RLC will provide a further $1M debt facility to maintain RAL liquidity against opex and capex forecasts, if required.

The following forecast payments have been provisioned (pre any adjustment for the impacts of Covid-19) over the ensuing three (3) year period:

Current RLC Debt Balance 30.06.20 **$14.4M**

- FY21 forecast payment - $0
- FY22 forecast payment - $2M
- FY23 forecast payment - $2M

Forecast RLC PR Debt balance 30.06 2023 **$11.4M (incl $1M RLC short term debt drawdown)**

In addition the signalled withdrawal of Air Traffic Control (ATC) services from Rotorua could significantly impact RRAL's forecast revenues and costs. On this basis a provision has been included to address any legal and or service continuity costs relating to this decision. Provisions for any commitments beyond FY2021 will be made once a decision on the retention of ATC is determined.

Note 6: Given the dynamic nature of COVID-19 on Passenger and flight movements the forecasts for FY21 have been removed. Actuals will instead be provided with the financial forecasts being regularly updated on a rolling monthly basis.

8. COMPANY VALUATION

8.1 Valuation

The book value of Shareholders' funds as at **30 June 2019** was:

***Shares*:**

Rotorua District Council (100%)	28,645,000 shares
Total Book Value of Shares	**$28,645,000**
Capital Reserve and Retained Earnings:	**$22,322,821**
Ratio of Shareholders' Funds to Total Assets	**76%**

The value of the company's non-current assets at 30th of June 2019 was:

Asset Type	***$***	***Basis***
Property, Plant & Equipment	$65,780,458	
Intangible Assets	$ 3,993	
TOTAL NON-CURRENT ASSETS	**$65,784,451**	**Book value**

NOTE: The non-current assets carrying amount of **$65,784,451** has been pledged as security for loans under a general security agreement with Rotorua Lakes Council

The Company is not intending to pay dividends for the next few years as any surplus funds will be used to repay debt and to fund capital projects.

Reporting against Financial Forecast set out in the SOI as at **30 June 2019** was:

	FY19 Actual	**FY19 Budget**
Revenue from airport operations	$2,930,409	$2,754,073
Service funding agreement	$2,563,020	$2,563,020
Total income	$5,493,429	$5,317,093
Direct expenses	$1,202,338	$1,071,714
Depreciation & debt interest	$2,734,860	$2,888,933
Other expenses	$1,273,320	$1,147,709
Total expenses	$5,210,518	$5,108,356
Surplus (deficit) after tax	$282,911	$208,737
Rotorua Lakes Council Debt	$14,400,000	$14,400,000
BNZ CARL (Cash Facility)	$722	$1,972,245

8.2 Commercial Value of Shareholder's Investment

The commercial value of the shareholder's investment in the Company is considered by the Board of Directors to be not less than the Shareholder's Equity as disclosed in the Statement of Financial Position published in the last Annual Report.

The Board estimates the commercial value of the shareholder's investment in the Company as follows:

	2021	**2022**	**2023**
Commercial value of shareholder's investment	47,666,389	47,768,885	47,877,463

The commercial value is made up by way of subscribed share capital, retained earnings and asset revaluation reserve.

9. COMPENSATION AND ACCOUNTING POLICIES

9.1 Compensation

In February 2016 RLC transferred the Airport's assets from RLC to RRAL for greater efficiency, certainty and transparency. RRAL is now responsible for the ongoing capital development and maintenance of the Airport assets and core infrastructure as well as airport operations. RLC still retains ownership of the Airport company and is the sole Shareholder.

In conjunction with the asset transfer a Service Funding Agreement was put in place which recognises the strategic importance of the Airport to the wider community.

Except for the Service Funding Agreement with RLC mentioned above, the Board is not proposing any activities for which it would seek compensation from any local authority in the current planning period.

9.2 Accounting policies

Accounting policies will be consistent with legal requirements in the Companies Act and generally accepted accounting standards as promulgated by the External Reporting Board modified as necessary for the circumstances of the company.

10. STATEMENT OF ACCOUNTING POLICIES

10.1 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 for financial reporting purposes.

10.2 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.

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 ≤ $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.

10.3 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.

Revenue

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

Revenue from exchange transactions

Operating revenue 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.

Revenue from non-exchange transactions
Service funding from Rotorua Lakes Council is recognised as revenue when it becomes receivable.

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

Borrowings
Borrowings are initially recognised at their fair value, net of transaction costs incurred. 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.

Trade debtors and other receivables
Trade debtors and other receivables are recognised at cost less provision for doubtful debts.

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

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.

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.

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.

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.

Income Tax
Income tax expense includes current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable surplus for the current year, plus any adjustments to revenue tax payable in respect of prior years. Current tax is calculated using tax rates (and tax laws) enacted or substantially enacted at 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) enacted or substantially enacted at balance date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the group 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 tax 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 or directly in equity.

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.

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.

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	10-80 years
Motor Vehicles	5-10 years
Furniture & Office Equipment	10 years
Computer Equipment	4 years
Plant & Equipment	4-10 years

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. The recoverable amount is the higher of an asset's fair value less costs to sell, and value in use.

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 income.

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.

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 income.

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

Computer Software	4 years	25%SL

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.

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 infrastructural 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, 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 and well as the expected future cash inflows.

10.4 Auditors

Section 70 of the Local Government Act 2002 requires that Council Controlled Organisations be audited by the Auditor General.

10.5 Public notification

The Act requires that any completed Statement of Intent and each modification adopted must be made available to the public within one month after the date on which it is delivered to the Shareholder or adopted, as the case may be.

11. Additional Notes

11.1 Contingent liabilities

There are no known contingent liabilities as at balance date (30 June 2019).

12. Signatories

Chair – Rotorua Regional Airport Ltd		Chief Executive – Rotorua Regional Airport Ltd	
Peter Stubbs	....	**Mark Gibb**	....
Date	30/6/20	**Date**	30th day of June 2020.