

Rotorua Regional Airport Limited
Financial Statements
For the Year Ended 30 June 2016

Rotorua Regional Airport Limited
Financial Statements Index
For the Year Ended 30 June 2016

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Rotorua Regional Airport Limited
Company Directory
As at 30 June 2016

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) Wiremu Atetini Kingi Stuart Alan Crosby Dave Foster (Council Representative)		
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 2016

The Directors hereby present their Annual Report including Financial Statements of the company for the year ended 30 June 2016.

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 \$23,239.

Directors Holding Office During the Year

The following Directors held office as at 30 June 2016:

	Date of Appointment
Peter Stubbs (Chairman)	21/05/2014
Wiremu Atetini Kingi	10/12/2002
Stuart Alan Crosby	22/12/2010
Dave Foster	12/12/2014

Directors' Remuneration

Directors' remuneration paid was as follows:

	2016	2015
Peter Stubbs (Chairman)	20,000	13,750
Wiremu Atetini Kingi	10,000	7,916
Stuart Alan Crosby	10,000	7,916
Raymond Noel Cook	-	2,568
	<u>40,000</u>	<u>32,150</u>

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 2016

Employee's Remuneration

The following numbers of employees, who were not directors, received remuneration and benefits which exceeded \$100,000 in value for the 2016 financial year:

\$100,001 - \$130,000	1
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Directors' Disclosures

There were entries recorded in the Register of Interests. See Note 24 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.

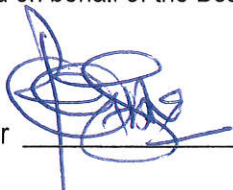
The Company paid all of the premiums on contracts insuring directors in respect of liability and costs permitted to be insured against in accordance with Section 162(5) of the Companies Act 1993.

Donations

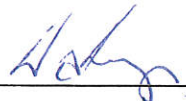
No donations were made by the company during the year.

For and on behalf of the Board of Directors,

Director



Director



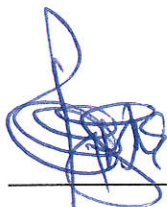
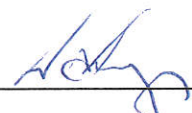
Dated this 8th day of September 2016.

Rotorua Regional Airport Limited
Statement of Management Responsibility
For the Year Ended 30 June 2016

The Directors of Rotorua Regional Airport Limited accepts responsibility for the preparation of the annual financial statements 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 for the financial year fairly reflect the financial position, operations and cash flows of the company.

Director  Director 

Dated this 8th day of September 2016.

Rotorua Regional Airport Limited

Statement of Service Performance

For the Year Ended 30 June 2016

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 2016.

Performance Information

Non-financial measures	2016 Target	2016 Actual	Performance	2015 Actual
Aircraft movements	7,400	6,808		7,177
Passenger numbers	215,000	222,983		222,226
Customer service & facility rating	7.2 out of 10	8.0		7.7 out of 10
Number of controllable safety incidents	1.5	0.0		1.0
Number of employee injuries (days off work)	7.5	0.0		0.0

Key

Met

Needs improvement

The airport performed well in all non-financial performance measures except for the number of aircraft movements. These were below target due to:

- Air New Zealand reducing frequency when the 50 seat Q300 aircraft replaced the 19 seat B1900D aircraft on the Auckland-Rotorua sector
- An overall softness in general aviation within New Zealand

The majority of the Company's landing fee revenue is based on passenger numbers as opposed to aircraft movements so passenger numbers are the more critical measure. Importantly passenger numbers were up 3.7% against target.

Key

Met

Needs improvement

Explanations for major variations from the Company's budgeted figures in the 30 June 2016

Financial measures	2016 Target	2016 Actual	Performance	2015 Actual
Total Revenue	4,793,352	3,376,756		2,321,523
Total Expenses	4,744,167	3,353,178		2,271,497
Surplus (deficit) after tax	49,185	23,578		50,026
Capital expenditure	930,000	47,172,218		96,036

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Rotorua Regional Airport Limited

Statement of Service Performance

For the Year Ended 30 June 2016

Explanation for major variances from the Company's budgeted figures in the 30 June 2016 Statement of Intent (SOI) are as follows:

Total Revenue

Total revenue for the year was -29.6% below budget due to the service funding from Rotorua Lakes Council not commencing until February 2016 instead of 30 June 2015 as budgeted. This was due to the delay of the asset transfer which also did not take place until February 2016.

If Service Funding is excluded then revenue from airport operations was actually right on budget (up 0.2%).

Total Expenses

Total expenses for the year were -29.3% below the SOI budget. Again, because of the delayed asset transfer, the asset related costs (interest, depreciation and rental property maintenance) did not commence until February 2016 instead of 30 June 2015 as budgeted.

If the asset related expenses (interest, depreciation and rental property maintenance) are excluded then the expenses for airport operations were very close to budget (-1.5% below budget).

Capital Expenditure

The SOI assumed that the transfer of the airport assets from Rotorua Lakes Council would happen in 30 June 2015 and therefore the Company only budgeted \$930,000 of capital expenditure. The \$930,000 had not been spent as at 30 June 2016 and will be brought into the next financial year.

Total Assets (net current liabilities)/Total Shareholders Funds

The ratio between Total Assets and Total Shareholder Funds was 150% (2015: 100%).

Key Objectives

Below is an update on each of the Company's Key Objectives for 2016 as set out in the SOI:

- **Establish a detailed asset management plan of all Airport assets that have been transferred to the Company from Rotorua Lakes Council and develop a rolling programme of maintenance and capital improvements**

Due to the delay of the asset transfer until February 2016 this project is in its infancy. The Company started working with Rotorua Lakes Council to establish a detailed asset management plan and inventory for the airport's assets.

- **Drive a high performing team with a safety embedded culture**

The staff structure at the Company has been reviewed and a number of changes, resulting in an overall increase in full time equivalent, have been made. These changes and new staff appointments have resulted in an overall lift in team morale and performance. This work continues. Safety continues to be an important part of the airport performance and this is evidenced by no controllable safety incidents and no days off work due to injury in 2016.

- **Work with Rotorua Lakes Council to align with other Council entities**

The Company has a close working relationship with Rotorua Economic Development Ltd (formerly Destination Rotorua and Grow Rotorua). This is reinforced by the recent appointment of Peter Stubbs, the Company's Chairman, to position of Chairman of Rotorua Economic Development Limited.

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Rotorua Regional Airport Limited

Statement of Service Performance

For the Year Ended 30 June 2016

- **Position the Airport for future aviation growth**

The Company established a Rotorua-Queenstown Development Plan in conjunction with Air New Zealand and is working with Destination Rotorua to achieve the goals set out in the plan.

- **Establish long-term sustainable relationships with local Hapu**

Regular meetings and communication have been set up with representatives from Ngati Uenokukopako.

- **Work with Rotorua Lakes Council and the Ngati Rangiteaorere Kahikatea Trust to develop a durable Kahikatea solution**

The Company and the Ngati Rangiteaorere Kahikatea Trust have been working together closely to successfully balance the operational needs of the airport while maintaining and managing tree health.

- **Unlock the Airport's land development potential and commercial opportunities**

This project is in the investigation stage with the Company undertaking several studies to understand the viability of developing the unused airport land. In parallel the Company is working closely with Rotorua Lakes Council on the proposed Airport/Eastgate roundabout which is a key factor in unlocking development potential.

- **Develop sustainable Airport partnerships**

The Company instigated the Bay of Plenty and Waikato Airports Group whereby management from airports in the two regions regularly meet to share knowledge.



Rotorua Regional Airport Limited
Statement of Comprehensive Revenue & Expense
For the Year Ended 30 June 2016

	Note	2016	2015
REVENUE			
Operating Revenue	3	3,340,785	2,302,996
Other Revenue	4	35,971	18,527
TOTAL REVENUE		3,376,756	2,321,523
EXPENSES			
Operating Expenses	5	807,635	854,851
Depreciation, Amortisation & Impairment Charges		1,462,509	194,019
Development Levy Pass-On		-	382,767
Directors' Fees		40,000	32,150
Finance Expense		265,229	-
Other Expenses	6	777,805	807,710
TOTAL EXPENSES		3,353,178	2,271,497
SURPLUS (DEFICIT) BEFORE TAX		23,578	50,026
Income tax expense	10	-	-
SURPLUS (DEFICIT) AFTER TAX		23,578	50,026
Other Comprehensive Revenue & Expense		-	-
TOTAL COMPREHENSIVE REVENUE & EXPENSE		23,578	50,026

The accompanying notes form part of these financial statements.

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Rotorua Regional Airport Limited
Statement of Changes in Equity
For the Year Ended 30 June 2016

	Note	2016	2015
EQUITY AT START OF YEAR		1,740,083	1,690,057
Total comprehensive revenue & expense for the year		23,578	50,026
<i>Owners transactions</i>			
Issue of ordinary shares	16(a)	28,644,000	-
Payment of dividends	16(b)	(442,689)	-
EQUITY AT END OF YEAR		29,964,972	1,740,083

The accompanying notes form part of these financial statements.

Rotorua Regional Airport Limited
Statement of Financial Position
As at 30 June 2016

	Note	2016	2015
CURRENT ASSETS			
Cash and cash equivalents	9	107,690	1,497,069
Receivables from exchange transactions	17	136,245	133,238
Other receivables	17	49,931	479,087
Prepayments		42,215	5,069
TOTAL CURRENT ASSETS		336,081	2,114,463
NON-CURRENT ASSETS			
Property, plant & equipment	11	46,535,733	849,059
Intangible assets	12	2,492	5,169
TOTAL NON-CURRENT ASSETS		46,538,225	854,228
TOTAL ASSETS		46,874,306	2,968,691
CURRENT LIABILITIES			
Payables under exchange transactions	18	175,307	1,098,429
Other payables	18	169,178	85,058
Income and rent in advance		15,308	10,462
Borrowings	22	1,503,722	-
Employee entitlements	19	45,819	34,659
TOTAL CURRENT LIABILITIES		1,909,334	1,228,608
NON-CURRENT LIABILITIES			
Borrowings	22	15,000,000	-
TOTAL NON-CURRENT LIABILITIES		15,000,000	-
TOTAL LIABILITIES		16,909,334	1,228,608
NET ASSETS		29,964,972	1,740,083
EQUITY			
Share capital	16(a)	28,645,000	1,000
Retained earnings	16(b)	1,319,972	1,739,083
TOTAL EQUITY		29,964,972	1,740,083

The Board of Directors of Rotorua Regional Airport Limited authorised these financial statements for issue on _____ September 2016.

The accompanying notes form part of these financial statements.

Rotorua Regional Airport Limited
Statement of Cashflows
For the Year Ended 30 June 2016

	Note	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was received from:			
Receipts from customers		3,665,850	2,401,731
Interest received		14,796	18,527
Income tax refund		-	2,471
Goods and services tax (net)		59,405	9,894
		3,740,051	2,432,623
Cash was paid to:			
Payments to suppliers and employees		2,515,924	1,234,144
Interest paid		220,877	-
Income tax payment		706	-
		2,737,507	1,234,144
Net cash flow from operating activities	8	1,002,544	1,198,479
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was received from:			
Proceeds from sale of property, plant and equipment		45,217	-
		45,217	-
Cash was paid to:			
Purchase of property, plant and equipment		47,142,173	165,610
		47,142,173	165,610
Net cash flow from investing activities		(47,096,956)	(165,610)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was received from:			
Proceeds from borrowings		21,800,000	-
Proceeds from issue of ordinary shares		28,644,000	-
		50,444,000	-
Cash was paid to:			
Payment of dividends		442,689	-
Repayment of borrowings		5,296,278	-
		5,738,967	-
Net cash flow from financing activities		44,705,033	-
Net increase (decrease) in cash and cash equivalents		(1,389,379)	1,032,869
Cash and cash equivalents at the beginning of the year		1,497,069	464,200
Cash and cash equivalents at the end of year	9	107,690	1,497,069

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

The accompanying notes form part of these financial statements.

Rotorua Regional Airport Limited

Notes to the Financial Statements

For the Year Ended 30 June 2016

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 2016. The financial statements were authorised for issue by the directors on 8th September 2016.

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. These financial statements are the first financial statements presented in accordance with the new PBE accounting standards. The Company has previously reported in accordance with NZ IFRS (Differential Reporting).

Details of material changes arising on transition to the new PBE accounting standards are described in note 23.

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

The accounting policies adopted in these financial statements are consistent with those of the previous year, except for instances when the accounting or reporting requirements of a PBE standard are different to the requirements under the previous reporting standards. All changes in accounting policies have arisen purely due to initial application of PBE standards.

Rotorua Regional Airport Limited

Notes to the Financial Statements

For the Year Ended 30 June 2016

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 2016

(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 2016

(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 2016

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	11-80 years
Other Paved Areas	13 years
Surround Security Fences	10 years

Operational assets

Buildings and Fit-out	10-46 years
Motor Vehicles	5-10 years
Furniture & Office Equipment	10 years
Computer Equipment	4 years
Plant & Equipment	10 years

Rotorua Regional Airport Limited

Notes to the Financial Statements

For the Year Ended 30 June 2016

(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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Rotorua Regional Airport Limited

Notes to the Financial Statements

For the Year Ended 30 June 2016

(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.

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 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.

Rotorua Regional Airport Limited
Notes to the Financial Statements
For the Year Ended 30 June 2016

3. OPERATING REVENUE

	2016	2015
Exchange revenue		
Landing Charges	1,291,889	1,035,152
Lease Rental	389,317	419,914
Parking Revenue	458,888	449,483
Ground Handling Revenue	34,456	33,764
Other Operating Revenue	124,235	87,919
Non-exchange revenue		
Rotorua Lakes Council Service Funding	1,042,000	-
Development Levy Revenue	-	276,764
Total Operating Revenue	3,340,785	2,302,996

4. OTHER REVENUE

	2016	2015
Interest Received	14,796	18,527
Gain on the disposal of property, plant & equipment	21,175	-
Total Other Revenue	35,971	18,527

5. OPERATING EXPENSES

	2016	2015
Customs Service/MAF Expenses	298	671
Development Levy Expenses	-	81,889
Rental Property Expenses	4,406	-
Runway/Taxiway/Apron Expenses	522,703	511,344
Surrounds Expenses	70,586	57,972
Terminal Expenses	209,642	202,975
Total Operating Expenses	807,635	854,851

Personnel costs of \$660,945 (2015: \$829,446) are included in the above operating expenses.

6. OTHER EXPENSES

	2016	2015
Audit Fees – audit of financial statements	23,239	22,765
Land Rates	94,672	74,935
Other Expenses	659,894	710,010
Total Other Expenses	777,805	807,710

Rotorua Regional Airport Limited
Notes to the Financial Statements
For the Year Ended 30 June 2016

7. CATEGORIES OF FINANCIAL INSTRUMENTS

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

	2016	2015
Loans and receivables		
Cash and cash equivalents	107,690	1,497,069
Trade and other receivables (excluding taxes receivable)	136,245	505,483
Total Loans and Receivables	243,935	2,002,552
Financial liabilities at amortised cost		
Trade and other payables (excluding taxes payable)	247,912	1,156,062
Borrowings	16,503,722	-
Total Financial Liabilities at Amortised Cost	16,751,634	1,156,062

Trade and other receivables of \$136,245 have been pledged as security for loans under a general security agreement with Rotorua Lakes Council.

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

	2016	2015
Net Operating Surplus (Deficit)	23,578	50,026
Add non-cash items		
Depreciation, Amortisation & Impairment Losses	1,462,509	194,019
	1,486,087	244,045
Add (less) movements in working capital items		
Employee entitlements	11,160	(16,067)
Trade and other receivables	389,003	2,157
Trade and other payables	(864,199)	963,180
	(464,036)	949,270
Add (less) items classified as investing or financing activities		
(Gains)/losses on the disposal of property, plant and equipment	(19,507)	5,164
Net cash flows from operating activities	1,002,544	1,198,479

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 \$(30,043). (2015: \$65,654)

Rotorua Regional Airport Limited
Notes to the Financial Statements
For the Year Ended 30 June 2016

9. CASH & CASH EQUIVALENTS

	2016	2015
Cash at bank	104,267	98,361
Cash on hand	3,423	2,533
Call deposits	-	1,396,175
Net cash & cash equivalents	107,690	1,497,069

10. INCOME TAX

	2016	2015
Components of tax expense		
Current tax expense	-	-
Deferred tax expense	-	-
Tax expense	-	-

Relationship between tax expense and accounting profit

Surplus (deficit) before tax	23,578	50,026
Tax at 28% (2015: 28%)	6,602	14,007
Non-deductible expenditure	12,689	416
Tax losses recognised	(19,291)	(14,423)
Tax expense	-	-

A deferred tax asset has not been recognised in relation to tax losses of \$1,998,666 (2015: \$2,670,629) and temporary differences of \$46,538 (2015: \$61,098).

Rotorua Regional Airport Limited
Notes to the Financial Statements
For the Year Ended 30 June 2016

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 2014	1,093,933	495,586	153,689	77,032	-	178,542	-	1,998,782
Additions	31,005	-	-	7,621	-	57,410	-	96,036
Disposals	(12,139)	-	(830)	(8,890)	-	-	-	(21,859)
Balance at 30 June 2015	1,112,799	495,586	152,859	75,763	-	235,952	-	2,072,959
Balance 1 July 2015	1,112,799	495,586	152,859	75,763	-	235,952	-	2,072,959
Additions	39,920	39,959	1,395	695	7,154,818	9,401,550	30,533,881	47,172,218
Disposals	(24,421)	(106,667)	(9,080)	(10,174)	-	-	-	(150,342)
Balance 30 June 2016	1,128,298	428,878	145,174	66,284	7,154,818	9,637,502	30,533,881	49,094,835
Accumulated Depreciation and Impairment Losses								
Balance at 1 July 2014	540,215	314,378	122,858	66,187	-	23,216	-	1,066,854
Depreciation Expense	94,826	48,761	9,641	9,686	-	10,858	-	173,772
Impairment Losses	-	-	-	-	-	-	-	-
Disposals	(7,539)	-	(664)	(8,523)	-	-	-	(16,726)
Balance at 30 June 2015	627,502	363,139	131,835	67,350	-	34,074	-	1,223,900
Balance at 1 July 2015	627,502	363,139	131,835	67,350	-	34,074	-	1,223,900
Depreciation Expense	91,937	43,204	7,301	3,448	-	113,413	727,484	986,787
Impairment Losses	-	-	-	-	-	473,045	-	473,045
Disposals	(23,278)	(82,676)	(8,501)	(10,175)	-	-	-	(124,630)
Balance at 30 June 2016	696,161	323,667	130,635	60,623	-	620,532	727,484	2,559,102
Carrying Amounts								
At 1 July 2014	553,718	181,208	30,831	10,845	-	155,326	-	931,928
At 30 June and 1 July 2015	485,297	132,447	21,024	8,413	-	201,878	-	849,059
At 30 June 2016	432,137	105,211	14,539	5,661	7,154,818	9,016,970	29,806,397	46,535,733

The carrying amount of property, plant and equipment of \$46,535,733 has been pledged as security for loans under a general security agreement with Rotorua Lakes Council.

Rotorua Regional Airport Limited
Notes to the Financial Statements
For the Year Ended 30 June 2016

12. INTANGIBLE ASSETS

	Acquired Software	Total
Cost		
Balance at 1 July 2014	100,703	100,703
Additions	3,920	3,920
Disposals	(7,160)	(7,160)
Balance at 30 June 2015	97,463	97,463
Balance 1 July 2015	97,463	97,463
Additions	-	-
Disposals	-	-
Balance 30 June 2016	97,463	97,463
Accumulated Amortisation and Impairment Losses		
Balance at 1 July 2014	79,175	79,175
Amortisation Expense	20,247	20,247
Impairment Losses	-	-
Disposals	(7,128)	(7,128)
Balance at 30 June 2015	92,294	92,294
Balance at 1 July 2015	92,294	92,294
Amortisation Expense	2,677	2,677
Impairment Losses	-	-
Disposals	-	-
Balance at 30 June 2016	94,971	94,971
Carrying Amounts		
At 1 July 2014	21,528	21,528
At 30 June and 1 July 2015	5,169	5,169
At 30 June 2016	2,492	2,492

13. CAPITAL EXPENDITURE COMMITMENTS

	2016	2015
Capital commitments		
Property, Plant & Equipment	-	47,044,000
Total Capital Commitments	-	47,044,000

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 2015: \$121,000).

(b) Contingent Liabilities

The Company has no contingent liabilities (30 June 2015: \$121,000).

Rotorua Regional Airport Limited
Notes to the Financial Statements
For the Year Ended 30 June 2016

15. LEASE COMMITMENTS

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:

	2016	2015
Less than 1 year	60,000	60,000
Between 1 and 5 years	270,000	270,000
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.

16. SHAREHOLDERS' EQUITY

(a) Share Capital

	2016		2015	
	# of shares	Carrying value	# of shares	Carrying value
Issued Ordinary shares				
Opening balance	1,000	1,000	1,000	1,000
Ordinary shares issued in the year	28,644,000	28,644,000	-	-
Closing balance	28,645,000	28,645,000	1,000	1,000

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.

(b) Retained Earnings

	2016	2015
Retained Earnings opening balance	1,739,083	1,689,057
Net Surplus (Deficit) after tax	23,578	50,026
Payment of dividends	(442,689)	-
Retained Earnings Closing Balance	1,319,972	1,739,083

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Rotorua Regional Airport Limited

Notes to the Financial Statements

For the Year Ended 30 June 2016

17. TRADE AND OTHER RECEIVABLES

	2016	2015
Receivables from exchange transactions		
Trade debtors	136,245	133,238
	136,245	133,238
Other receivables		
Related party receivables	-	2,290
Related party network funding receivable	-	369,955
Income tax refund due	49,931	49,225
GST refund due	-	57,617
	49,931	479,087
Total Trade and Other Receivables	186,176	612,325

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

18. TRADE AND OTHER PAYABLES

	2016	2015
Payables from exchange transactions		
Trade creditors	142,068	1,067,864
Year end accruals	33,239	30,565
	175,307	1,098,429
Other payables		
Related party payables	72,605	57,633
GST payment due	82,800	-
FBT payable	1,210	1,210
PAYE payable	12,563	26,215
	169,178	85,058
Total Trade and Other Payables	344,485	1,183,487

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 approximates their fair value.

Rotorua Regional Airport Limited
Notes to the Financial Statements
For the Year Ended 30 June 2016

19. EMPLOYEE ENTITLEMENTS

	2016	2015
Annual leave	35,816	31,266
Alternative leave	10,003	3,393
Total Employee Entitlements	45,819	34,659

20. SIGNIFICANT EVENTS AFTER BALANCE DATE

There were no significant events after balance date.

21. REPORTING AGAINST FINANCIAL FORECAST AS SET OUT IN SOI

	2016 Target	2016 Actual	Variance
Revenue from airport operations	2,293,352	2,334,756	41,404
Service funding agreement	2,500,000	1,042,000	(1,458,000)
Total income	4,793,352	3,376,756	(1,416,596)
Expenses	1,644,700	1,516,410	128,290
Depreciation, maintenance & debt interest	3,099,467	1,836,768	1,262,699
Total expenses	4,744,167	3,353,178	1,390,989
Surplus (deficit) before tax	49,185	23,578	(25,607)
Provision for tax	-	-	-
Surplus (deficit) after tax	49,185	23,578	(25,607)
Term debt	18,400,000	15,000,000	3,400,000
Term assets	46,000,000	46,538,225	538,225
Total shareholders' funds	27,600,000	29,964,972	2,364,972

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:

Revenue from airport operations & Service funding agreement
 Total income & Total Expenses
 Expenses
 Depreciation, maintenance & debt interest
 Surplus (deficit) after tax

- 2) Term debt was lower than forecasted as during the year the Company repaid \$3.4million of loan principal by reducing funds held in short term deposits and increasing short term borrowing which resulted in lower interest expense.
- 3) Term assets were more than forecasted by \$538k, mainly due to additional residential properties been included in the transfer of infrastructure assets from Rotorua Lakes Council than originally forecasted.
- 4) Total shareholders' funds were more than forecasted by \$2.4million, largely due to higher share issue than forecasted in the SOI.

Rotorua Regional Airport Limited
Notes to the Financial Statements
For the Year Ended 30 June 2016

22. BORROWINGS

	2016	2015
Current portion		
Borrowing – Bank of New Zealand	1,503,722	-
Non-current portion		
Borrowing – Rotorua Lakes Council	15,000,000	-
Total Borrowings	16,503,722	-

The loan from Rotorua Lakes Council is secured by a General Security Agreement. The average interest rate on the loan at balance date was 2.96% 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 15 June 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 2016 was 3.54%.

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 2016

23. EFFECTS OF TRANSITION TO PBE ACCOUNTING STANDARDS

The material changes arising on transition to the new PBE accounting standards are as follows:

Presentation of financial statements

In the financial statements of the previous financial year, revenue was presented as a single total in note 3 Operating Revenue. However, PBE IPSAS 1 requires revenue from non-exchange transactions and revenue from exchange transactions to be presented separately. The effect of this is the reclassification of previous year development levy revenue of \$276,764 as non-exchange revenue.

In the financial statements of the previous financial year income tax receivable of \$49,225 and GST refund due of \$57,617 were presented separately. This year these have been reclassified as other receivables under note 17 as has income tax of \$49,931 receivable for the current year.

Audit fees and land rates are not presented on a separate line and are instead grouped together with other expenses under note 6. Except for the reclassification this had no impact on the financial statements.

Receivables from exchange transactions of \$136,245 have been separately disclosed in the statement of financial position and under Note 17.

Payables from exchange transactions of \$175,307 have been separately disclosed in the statement of financial position and under Note 18.

Land, buildings and infrastructure assets

The Company has adopted the revaluation model instead of the cost model to value land, buildings and infrastructure assets. The adoption of the revaluation model has no impact on the current year's financial statements as land, buildings and infrastructure assets were only acquired during the current year and its acquisition costs fairly reflect fair value at balance date.

Deferred tax

Under the previous NZ IFRS (Differential Reporting), the Company calculated income tax expense using the taxes payable method. As a result no allowance was made for deferred tax. However, PBE IAS 12 Income Taxes requires the recognition of deferred tax. There is no impact from the change on the financial statements due to the company not recognising the deferred tax asset as a result of the probable test.

Rotorua Regional Airport Limited
Notes to the Financial Statements
For the Year Ended 30 June 2016

24. 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

	2016	2015
<i>Purchases of goods & services</i>		
Land and water rates	99,249	79,355
Trade waste administration fees	-	80
Resource consent fees	1,384	-
Development levy pass-on	-	382,767
"Bike the Runway" sponsorship	2,000	-
Maintenance charge	216	-
	102,849	462,202
<i>Sales of goods & services</i>		
Service funding received under a service level agreement	1,042,000	-
Advertising income from I-Site	30,000	30,000
	1,072,000	30,000
<i>Loan</i>		
Loan received during the year	18,400,000	-
Loan paid during the year	(3,400,000)	-
Loan from Rotorua Lakes Council as at balance date	15,000,000	-
<i>Other</i>		
Purchase of infrastructure assets	47,044,000	-
Interest paid on loan	261,892	-
Payment of dividend	442,689	-
Proceeds from issue of new ordinary shares	(28,644,000)	-
	19,104,581	-

Rotorua Regional Airport Limited

Notes to the Financial Statements

For the Year Ended 30 June 2016

	2016	2015
Balance receivable from Rotorua Lakes Council	17,250	380,870
Balance payable to Rotorua Lakes Council	72,605	57,633

b) Transactions with companies in which directors have an interest

	2016	2015
Purchases of goods & services		
Amount billed from Simpson Grierson for legal services (and paid)	5,894	1,093
	5,894	1,093

Simpson Grierson, a firm in which Mr Peter Stubbs, a director of the Company, is a partner of. There were no amounts outstanding at year end.

c) Board members remuneration

	2016	2015
Peter Stubbs	20,000	13,750
Wiremu Atetini Kingi	10,000	7,916
Stuart Alan Crosby	10,000	7,916
Raymond Noel Cook	-	2,568
	40,000	32,150

d) Employee remuneration

	2016	2015
Total remuneration paid		
100,000 to 120,000	-	1
121,000 to 130,000	1	-

Total key management personnel compensation for the financial year ending 30 June 2016 is \$192,229 (2015: \$210,435). This includes 6 personnel in the financial year ending 30 June 2016 (2015: 6)

No related party debts have been written off or forgiven during the year.