

**Rotorua Regional Airport Limited**  
**Financial Statements**  
**For the Year Ended 30 June 2020**

*all P. M. C.*

**Rotorua Regional Airport Limited**  
**Financial Statements Index**  
**For the Year Ended 30 June 2020**

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**Rotorua Regional Airport Limited**  
**Company Directory**  
**As at 30 June 2020**

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

*Handwritten signatures:*  
P. Stubbs  
MKA  
ALC

# Rotorua Regional Airport Limited

## Annual Report

### For the Year Ended 30 June 2020

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The Directors hereby present their Annual Report including Financial Statements of the company for the year ended 30 June 2020.

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 \$28,200.

#### Directors Holding Office During the Year

The following Directors held office as at 30 June 2020:

	Date of Appointment
Peter Stubbs (Chairman)	21/05/2014
John Amarama Fenwick	01/10/2017
Anthony John Marks	01/07/2016
Danielle Louise Auld	05/03/2020
Mere Kerena George	05/03/2020

Stuart Alan Crosby resigned as a director on 12 March 2020 following his appointment as an adviser to the Board.

#### Directors' Remuneration

Directors' remuneration paid was as follows:

	2020	2019
Peter Stubbs (Chairman)	24,167	20,000
Stuart Alan Crosby	7,157	10,000
John Amarama Fenwick	12,083	10,000
Anthony John Marks	12,083	10,000
Danielle Louise Auld	4,860	-
Mere Kerena George	4,839	-
	<u>65,189</u>	<u>50,000</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 2020**

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**Employee's Remuneration**

The following numbers of employees, who were not directors, received remuneration and benefits which exceeded \$100,000 in value for the 2020 financial year:

\$210,000 - \$219,999	1
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**Directors' Disclosures**

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

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

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

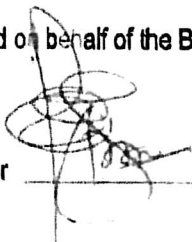
The Company paid all of the premiums on contracts insuring directors in respect of liability and costs permitted to be insured against in accordance with Section 162(5) of the Companies Act 1993.

**Donations**

No donations were made by the company during the year.

For and on behalf of the Board of Directors,

Director



Director



Dated this 13<sup>th</sup> day of November 2020.



## Independent Auditor's Report

### To the readers of Rotorua Regional Airport Limited's financial statements and performance information for the year ended 30 June 2020

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

#### Opinion

We have audited:

- the financial statements of the company on pages 15 to 37, that comprise the statement of financial position as at 30 June 2020, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the company on pages 8 to 14.

In our opinion:

- the financial statements of the company on pages 15 to 37:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2020; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards Reduced Disclosure Regime; and
- the performance information of the company on pages 8 to 14 presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company's objectives, for the year ended 30 June 2020.

Our audit was completed on 13 November 2020. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw attention to the impact of Covid-19 on the company. In addition, we outline the responsibilities of the Board of Directors and our

responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

### **Emphasis of matter – Impact of Covid-19**

Without modifying our opinion, we draw attention to the disclosures about the impact of Covid-19 on the company as set out in on page 14 and note 24 of the annual report.

### **Basis for our opinion**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

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

Our responsibilities arise from the Public Audit Act 2001.

### **Other Information**

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


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

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

### **Independence**

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

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



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

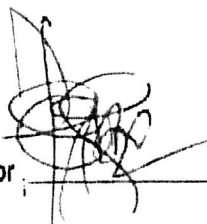

**Rotorua Regional Airport Limited**  
**Statement of Management Responsibility**  
**For the Year Ended 30 June 2020**

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

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

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

Director  Director 

Dated this 13<sup>th</sup> day of November 2020.



**Rotorua Regional Airport Limited**  
**Statement of Service Performance**  
**For the Year Ended 30 June 2020**

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 2020.

**Performance Information**

<b>Non-financial measures</b>	<b>2020 Target</b>	<b>2020 Actual</b>	<b>Performance</b>	<b>2019 Actual</b>
Aircraft movements	6,614	5,842		7,498
Passenger numbers	258,672	205,143		265,443
Customer service & facility rating <sup>(1)</sup>	Suspend	Suspend		Suspend
Number of controllable safety incidents <sup>(2)</sup>	0.0	0.0		0.0
Number of employee injuries (days off work) <sup>(3)</sup>	1.0	0.0		0.0
Project Performance <sup>(4)</sup>	Precinct B	Complete		Complete

**Key**

Met

Needs improvement

The impact of COVID-19 on RRAL Financial and Non-financial indicators has been significant. In mid-March 2020 the direct impacts of COVID-19 on passenger (pax) movements recorded actual movements of 15,998 pax against a budget of 26,809. By April 2020 all pax services had been withdrawn, pax movements being recorded at 4 verses a budget of 24,790. Over May and June, a slight rebound against budget occurred at 6,559 pax verses a budget of 38,164. As at February 2020 we were projecting to have our most significant year in movements since 2012. The impact of COVID though through April to June only saw a total of 6,563 movements against budget of 62,954 passengers.

The gross negative impact of the reduced movements over 2020 resulting from the impact of COVID-19 was circa 67,000 pax.

Positively though through the period of COVID-19 RRAL responded to the opportunity presented by Crown Infrastructure Partners (CIP) for development funding on Precinct's A&B, whilst the applications were subsequently declined that process enabled advancement of the feasibility studies and business cases for both precincts. RRAL remains on track to advance both precincts towards stage 1 funding applications in FY21.

**Note (1)** Customer Service and Facility Rating to be reinstated upon completion of the terminal upgrade works at the commencement of FY21.

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

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

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

*Handwritten signature and initials: MKG*

**Rotorua Regional Airport Limited**  
**Statement of Service Performance**  
**For the Year Ended 30 June 2020**

**RRAL Masterplan**



Financial measures	2020 Target	2020 Actual	Performance	2019 Actual
Total Revenue	5,677,782	5,067,141		5,493,429
Total Expenses	5,437,828	5,492,733		5,273,739
Net Surplus (deficit) after tax	239,954	(321,173)		282,911
Capital expenditure	3,810,000	6,808,976		3,781,335
Shareholders's funds to total assets	75%	72%		76%

**Key**

Met

Needs improvement

**Note (1)** Given that the financial targets in the Statement of Intent are individual targets, total revenue less total expenses do not necessarily equate net surplus (deficit) after tax.

*Handwritten signatures: MKG*

# **Rotorua Regional Airport Limited**

## **Statement of Service Performance**

### **For the Year Ended 30 June 2020**

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Explanation for major variances from the Company's budgeted figures in the 30 June 2020 Statement of Intent (SOI) are as follows:

#### **Total Revenue**

Total revenue for the year was directly impacted by the effect of COVID-19 on air travel. As a result performance across airport landing charges, lease rental and carparking revenue was down by approximately 11% against budget.

#### **Total Expenses**

Covid-19 placed additional costs on RRAL over the period. These costs together with all expenses were though managed in line with budget.

#### **Capital Expenditure**

Capital Expenditure costs exceeded budget due to expenditure timing. Major expenditure over the period related to:

Terminal works. Due to the impacts of COVID-19, seismic upgrading, demolition and asbestos removal created programme slippage occurred and capital expenditure timing issues were encountered. The building was fully completed in July 2020 in line with the approved budget.

- Stage 1 Final Cost \$2,996,259
- Stage 2 Final Cost \$2,322,028
- Total Project Cost \$5,318,287

#### **Terminal Departures Hall**



# **Rotorua Regional Airport Limited**

## **Statement of Service Performance**

### **For the Year Ended 30 June 2020**

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**Land Purchase.** In February 2020 RRAL settled the purchase of an area of land comprising 4ha including 2 dwellings at a cost of \$989,000 for the purposes of a Runway Safety End Area (RESA).

**Airport Rescue Fire Appliance Purchase.** A competitive tender process was undertaken over the period for a replacement Airport Rescue Fire Fighting Vehicle. The contract was awarded to Rosenbauer with delivery made in October 2019 at a cost of \$1,150,000. This purchase was advanced from FY20 given reliability issues with the existing 20 year old airport fire appliances.



#### **KEY OBJECTIVES**

Below is an update on each of the Company's Key Objectives for 2020 as set out in the SOI:

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

In May 2020 RRAL achieved from the Civil Aviation Authority full certification of its Safety Management Systems (SMS). This is a mandated operating requirement of the Civil Aviation Authority (CAA).

RRAL's Business Continuity Plan (BCP) was fully tested across the period of COVID-19. The company and staff performed exceptionally well maintaining full operating continuity facilitating a number of key medical, military and essential worker relocation flights.

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

# **Rotorua Regional Airport Limited**

## **Statement of Service Performance**

### **For the Year Ended 30 June 2020**

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

Rotorua's key passenger sectors (Auckland, Wellington and Christchurch) all showed positive growth over FY20. As at February 2020 we had facilitated 182,580 passenger movements against a budget of 170,900 movements.

The impact of COVID-19 though slowed this growth significantly, with only a further 22,500 movements occurring, a shortfall against budget of 67,000 passengers.

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

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

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

The new terminal has been designed to provide a safe and efficient facility for travellers and businesses operating across the building. It will showcase Rotorua and provide a place our community can be proud of. A new food and beverage offering and Business Hub underpin the new customer offerings.

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

The upgrade works have delivered a building that is designed and built to 100% of the new building code and further to IL3 standard, commensurate for an airport terminal.

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

A significantly enhanced digital presence has provided RRAL with a stronger connection to our customers and community.



# **Rotorua Regional Airport Limited**

## **Statement of Service Performance**

### **For the Year Ended 30 June 2020**

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

RRAL obtained Pt 139 Aerodrome Operators Certification in July 2019. This certification is issued by CAA and is required for RRAL to continue to operate Rotorua Airport.

In May 2020 RRAL achieved from the Civil Aviation Authority full certification of its Safety Management Systems (SMS). This is a mandated operating requirement of the Civil Aviation Authority (CAA).

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

Further works have been undertaken within the airport to ensure protection of key apron, taxiway and runway surfaces against significant weather events. In June 7800 lineal meters of runway crack / joint sealing works were completed.

Under a confidentiality agreement RAL and Airways agreed to enter into a process of undertaking an aeronautical study to determine the future requirements for air traffic control and management services across the airport, lakefront and hospital heliports. The aeronautical study is currently underway and will be submitted to CAA in early 2021 for consideration. Dependent on the outcome RAL's revenue recovery approach for the provision of air traffic services may be reviewed in early 2021.

Through the course of the Alert Level 3 and 4 lockdown a majority of the 2020 landside annual works programme completed – via essential RAL airport staff.

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

RRAL has completed significant works over the course of the last twelve months in finalising the broader airport masterplan;

#### Precinct A

General Airport Business and Heliport Precinct concept design completed, advancement to completion of feasibility progressed.

#### Precinct B

General Aviation Hangar Precinct feasibility and Preliminary Business Case completed based on a design, build and own approach.

The successful completion of this development will enable RRAL to move towards a position of self-funding through generation of revenue streams from its strategic land holdings. An agreement on an appropriate mechanism to deliver this outcome is a key strategic priority for RRAL in FY21.



# **Rotorua Regional Airport Limited**

## **Statement of Service Performance**

### **For the Year Ended 30 June 2020**

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- **Ensure airport optimisation plans support the development of the north-eastern city gateway (new Airport Entrance and roundabout) and support access and the wider plan change for the area surrounding the Rotorua Regional Airport, alongside other key stakeholders to achieve the changes proposed in the Rotorua Spatial Plan. It is noted however that RAL will not be able to optimise the land encompassing Precinct A without a roundabout off SHW 30, a decision over which it has little influence**

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

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

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

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

#### **COVID-19 Disclosure**

Covid-19 has had a significant impact on the operations and financial performance of RRAL. As a Lifeline Utility and of key local and regional infrastructural significance Rotorua Airport has maintained full operational capability throughout the COVID event and across alert level escalation and de-escalation. The following specific disclosures are made:

- Throughout the COVID-19 event and across alert lever escalation and de-escalation Rotorua Airport has maintained full operational continuity;
- RRAL fully adapted to the challenges of COVID-19 on its people and business. Where required staff adapted to working under the constraints and restrictions of our Business Continuity Plan (BCP);
- RRAL met and embraced Ministry of Health and Ministry of Transport guidance and mandatory requirements around operations and staff and passenger safety;
- RRAL maintained its full organisational structure (12.4 full time employees). Where required split shifts, staff isolation and revised ways of working were adopted to ensure we maintained a safe working environment preserving airport operational continuity; and
- All performance indicators as noted under RRAL's SOI were maintained and reported against through the event.

**Rotorua Regional Airport Limited**  
**Statement of Comprehensive Revenue & Expense**  
**For the Year Ended 30 June 2020**

	Note	2020	2019
<b>REVENUE</b>			
Operating revenue	3	5,064,157	5,443,288
Other revenue	4	2,984	50,141
<b>TOTAL REVENUE</b>		5,067,141	5,493,429
<b>EXPENSES</b>			
Operating expenses	5	1,125,283	1,202,338
Depreciation, amortisation & impairment charges	11,12	2,351,581	2,219,904
Directors' fees		65,189	50,000
Finance expense		565,990	514,956
Other expenses	6	1,384,690	1,286,541
<b>TOTAL EXPENSES</b>		5,492,733	5,273,739
<b>SURPLUS (DEFICIT) BEFORE TAX</b>		(425,592)	219,690
Income tax expense	10	(104,419)	(63,221)
<b>SURPLUS (DEFICIT) AFTER TAX</b>		(321,173)	282,911
<b>OTHER COMPREHENSIVE REVENUE &amp; EXPENSE</b>			
<i>Items that will not be reclassified to surplus (deficit)</i>			
Gain on revaluation of property, plant & equipment	16c,11	-	2,586,328
<b>TOTAL COMPREHENSIVE REVENUE &amp; EXPENSE</b>		(321,173)	2,869,239

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 2020**

	Note	2020	2019
<b>EQUITY AT START OF YEAR</b>		50,967,821	48,098,582
Total comprehensive revenue & expense for the year		(321,173)	2,869,239
<b>EQUITY AT END OF YEAR</b>		50,646,648	50,967,821

*The accompanying notes form part of these financial statements.*

 MKS  
all

**Rotorua Regional Airport Limited**  
**Statement of Financial Position**  
**As at 30 June 2020**

	Note	2020	2019
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	9	115,218	1,088,090
Receivables from exchange transactions	17	52,371	234,164
Other receivables	17	42,860	264,966
Prepayments		58,298	68,943
<b>TOTAL CURRENT ASSETS</b>		<b>268,747</b>	<b>1,656,163</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant & equipment	11	70,164,117	65,780,458
Intangible assets	12	5,520	3,993
<b>TOTAL NON-CURRENT ASSETS</b>		<b>70,169,637</b>	<b>65,784,451</b>
<b>TOTAL ASSETS</b>		<b>70,438,384</b>	<b>67,440,614</b>
<b>CURRENT LIABILITIES</b>			
Payables under exchange transactions	18	592,737	912,934
Other payables	18	66,317	95,402
Income and rent in advance		34,002	13,022
Borrowings	22	-	722
Employee entitlements	19	56,763	54,377
<b>TOTAL CURRENT LIABILITIES</b>		<b>749,819</b>	<b>1,076,457</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	22	18,150,000	14,400,000
Deferred tax liabilities	10	891,917	996,336
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>19,041,917</b>	<b>15,396,336</b>
<b>TOTAL LIABILITIES</b>		<b>19,791,736</b>	<b>16,472,793</b>
<b>NET ASSETS</b>		<b>50,646,648</b>	<b>50,967,821</b>
<b>EQUITY</b>			
Share capital	16(a)	28,645,000	28,645,000
Retained earnings	16(b)	2,363,705	2,684,878
Asset revaluation reserve	16(c)	19,637,943	19,637,943
<b>TOTAL EQUITY</b>		<b>50,646,648</b>	<b>50,967,821</b>

The Board of Directors of Rotorua Regional Airport Limited authorised these financial statements for issue on \_\_\_ November 2020.

*The accompanying notes form part of these financial statements.*

**Rotorua Regional Airport Limited**  
**Statement of Cashflows**  
**For the Year Ended 30 June 2020**

	Note	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash was received from:			
Receipts from customers		5,243,219	5,419,029
Interest received		2,984	50,141
Income tax refund		23,642	-
Goods and services tax (net)		165,556	-
		5,435,401	5,469,170
Cash was paid to:			
Payments to suppliers and employees		2,409,644	2,404,186
Goods and services tax (net)		-	129,898
Income tax payment		-	12,353
Interest paid		555,363	557,005
		2,965,007	3,103,442
<b>Net cash flow from operating activities</b>	8	2,470,394	2,365,728
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Cash was received from:			
Proceeds from sale of property, plant and equipment		870	-
		870	-
Cash was paid to:			
Purchase of property, plant and equipment		7,193,414	3,616,709
		7,193,414	3,616,709
<b>Net cash flow from investing activities</b>		(7,192,544)	(3,616,709)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Cash was received from:			
Proceeds from borrowings		3,750,000	-
		3,750,000	-
Cash was paid to:			
Repayment of borrowings		722	600,000
		722	600,000
<b>Net cash flow from financing activities</b>		3,749,278	(600,000)
<b>Net increase (decrease) in cash and cash equivalents</b>		(972,872)	(1,850,981)
Cash and cash equivalents at the beginning of the year		1,088,090	2,939,071
<b>Cash and cash equivalents at the end of year</b>	9	115,218	1,088,090

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.

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*The accompanying notes form part of these financial statements.*

# **Rotorua Regional Airport Limited**

## **Notes to the Financial Statements**

### **For the Year Ended 30 June 2020**

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#### **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 2020. The financial statements were authorised for issue by the directors on \_\_\_\_ November 2020.

##### **2. BASIS OF PREPARATION**

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

##### **Statement of compliance**

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

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

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

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# **Rotorua Regional Airport Limited**

## **Notes to the Financial Statements**

### **For the Year Ended 30 June 2020**

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#### **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 2020**

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#### **(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 2020

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(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 2020

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#### **Accounting for Revaluations**

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

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

#### **Additions**

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

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

#### **Disposal**

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

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

#### **Subsequent costs**

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

#### **Depreciation**

Depreciation is provided on a straight-line basis on all property, plant and equipment at rates that will write-off the cost of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

##### **Infrastructure assets**

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

##### **Operational assets**

Buildings and Fit-out	3-80 years
Motor Vehicles	5-25 years
Furniture & Office Equipment	10 years
Computer Equipment	4 years
Plant & Equipment	4-10 years



**Rotorua Regional Airport Limited**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2020**

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**(k) Impairment**

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

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

***Value in use for non-cash generating assets***

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

***Value in use for cash generating assets***

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

**(l) Intangible assets**

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

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

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

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

Computer Software	4 years	25%SL
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**(m) Critical accounting estimates and assumptions**

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

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# **Rotorua Regional Airport Limited**

## **Notes to the Financial Statements**

### **For the Year Ended 30 June 2020**

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

#### ***Useful lives of property, plant and equipment***

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

#### ***Impairment of property, plant and equipment and intangible assets***

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

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

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

#### ***Estimating the fair value of land and buildings and infrastructure assets***

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

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

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

**Rotorua Regional Airport Limited**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2020**

**3. OPERATING REVENUE**

	2020	2019
<b>Exchange revenue</b>		
Landing Charges	1,314,929	1,655,696
Lease Rental	298,273	406,233
Parking Revenue	589,178	633,096
Ground Handling Revenue	-	28,758
Other Operating Revenue	122,625	156,485
<b>Non-exchange revenue</b>		
Rotorua Lakes Council Service Funding	2,663,580	2,563,020
MSD Covid19 Wage Subsidy	75,572	-
<b>Total Operating Revenue</b>	<b>5,064,157</b>	<b>5,443,288</b>

**4. OTHER REVENUE**

	2020	2019
Interest Received	2,984	50,141
<b>Total Other Revenue</b>	<b>2,984</b>	<b>50,141</b>

**5. OPERATING EXPENSES**

	2020	2019
Customs & MAF Services	298	-
Rental Property Expenses	23,770	87,456
Runway/Taxiway/Apron Expenses	696,784	686,611
Surrounds Expenses	162,233	155,836
Terminal Expenses	242,198	272,435
<b>Total Operating Expenses</b>	<b>1,125,283</b>	<b>1,202,338</b>

Personnel costs of \$537,802 (2019: \$561,243) are included in the above operating expenses.

**6. OTHER EXPENSES**

	2020	2019
Audit NZ Fees – for audit of financial statements	28,200	25,865
Audit NZ Fees – for other services	5,460	-
Land Rates	93,907	87,861
Other Expenses	1,257,123	1,172,815
<b>Total Other Expenses</b>	<b>1,384,690</b>	<b>1,286,541</b>

Personnel costs of \$433,108 (2019: \$303,124) are included in the above other expenses.

**Rotorua Regional Airport Limited**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2020**

**7. CATEGORIES OF FINANCIAL INSTRUMENTS**

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

	2020	2019
<b>Loans and receivables</b>		
Cash and cash equivalents	115,218	1,088,090
Trade and other receivables (excluding taxes receivable)	52,371	234,164
<b>Total Loans and Receivables</b>	<b>167,589</b>	<b>1,322,254</b>
<b>Financial liabilities at amortised cost</b>		
Trade and other payables (excluding taxes payable)	634,522	985,754
Borrowings	18,150,000	14,400,722
<b>Total Financial Liabilities at Amortised Cost</b>	<b>18,784,522</b>	<b>15,386,476</b>

Trade and other receivables of \$52,371 have been pledged as security for loans under a general security agreement with Rotorua Lakes Council (2019: \$234,164). The first ranking security interest over trade and other receivables takes effect as a transfer to Rotorua Lakes Council in the events of default by the Company.

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

	2020	2019
Net operating surplus (deficit)	(321,173)	282,911
<b>Add non-cash items</b>		
Depreciation, amortisation & impairment losses	2,351,581	2,219,904
Deferred tax	(104,419)	(63,221)
	1,925,989	2,439,594
<b>Add (less) movements in working capital items</b>		
Employee entitlements	2,386	996
Trade and other receivables	216,080	(54,615)
Trade and other payables	254,601	(20,247)
	473,067	(73,866)
<b>Add (less) items classified as investing or financing activities</b>		
(Gains)/losses on the disposal of property, plant and equipment	71,338	-
<b>Net cash flows from operating activities</b>	<b>2,470,394</b>	<b>2,365,728</b>

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 \$384,438. (2019: \$(164,626))

*R. M. M. K.*  
*AKL*

**Rotorua Regional Airport Limited**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2020**

**9. CASH & CASH EQUIVALENTS**

	2020	2019
Cash at bank	112,432	1,083,451
Cash on hand	2,786	4,639
<b>Net cash &amp; cash equivalents</b>	<b>115,218</b>	<b>1,088,090</b>

**10. INCOME TAX**

	2020	2019
<b>Components of tax expense</b>		
Current tax expense	-	-
Deferred tax expense	(104,419)	(63,221)
<b>Tax expense</b>	<b>(104,419)</b>	<b>(63,221)</b>

**Relationship between tax expense and accounting profit**

Surplus (deficit) before tax	(425,592)	219,690
Tax at 28% (2019: 28%)	(119,166)	61,513
Non-deductible expenditure	6,093	65,281
Group loss offset	(91,342)	(285,953)
Deferred tax adjustment	99,996	95,937
<b>Tax expense</b>	<b>(104,419)</b>	<b>(63,221)</b>

**Deferred tax asset (liability)**

	Property, plant and equipment	Employee entitlements	Other Provisions	Total
Balance at 30 June 2018	(825,804)	14,947	14,316	(796,541)
Charged to surplus or deficit	61,924	279	1,018	63,221
Charged to other comprehensive income	(263,016)	-	-	(263,016)
Balance at 30 June 2019	(1,026,896)	15,226	15,334	(996,336)
Charged to surplus or deficit	99,627	668	4,124	104,419
Charged to other comprehensive income	-	-	-	-
<b>Balance at 30 June 2020</b>	<b>(927,269)</b>	<b>15,894</b>	<b>19,458</b>	<b>(891,917)</b>

*R. N. K. E. 1*  
*AK*

**Rotorua Regional Airport Limited**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2020**

**11. PROPERTY, PLANT & EQUIPMENT**

	Plant and Equipment	Motor Vehicles	Furniture and Office Equipment	Computer Equipment	Land	Buildings & Fit-out	Infrastructure Assets	Total
<b>Cost</b>								
Balance at 1 July 2018	1,191,118	459,226	136,089	75,568	22,095,000	12,967,954	30,545,086	67,470,041
Revaluation	-	-	-	-	1,910,000	79,904	859,440	2,849,344
Elimination on Revaluation	-	-	-	-	-	(358,062)	(5,972,430)	(6,330,492)
Additions	40,559	251,829	17,353	8,652	-	3,296,324	162,604	3,777,321
Disposals	-	-	-	-	-	(135,939)	-	(135,939)
<b>Balance at 30 June 2019</b>	<b>1,231,677</b>	<b>711,055</b>	<b>153,442</b>	<b>84,220</b>	<b>24,005,000</b>	<b>15,850,181</b>	<b>25,594,700</b>	<b>67,630,275</b>
Balance 1 July 2019	1,231,677	711,055	153,442	84,220	24,005,000	15,850,181	25,594,700	67,630,275
Elimination on Revaluation	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-
Additions	87,636	987,464	111,850	4,645	730,336	4,866,399	17,812	6,806,142
Disposals	(30,287)	(696)	(20,307)	-	-	(394,172)	-	(445,462)
<b>Balance 30 June 2020</b>	<b>1,289,026</b>	<b>1,697,823</b>	<b>244,985</b>	<b>88,865</b>	<b>24,735,336</b>	<b>20,322,408</b>	<b>25,612,512</b>	<b>73,990,955</b>
<b>Accumulated Depreciation and Impairment Losses</b>								
Balance at 1 July 2018	860,793	347,304	129,193	67,773	-	471,942	4,219,886	6,096,891
Elimination on Revaluation	-	-	-	-	-	(358,062)	(5,972,430)	(6,330,492)
Depreciation Expense	76,504	25,135	2,995	4,117	-	358,062	1,752,544	2,219,357
Impairment Losses	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	(135,939)	-	(135,939)
<b>Balance at 30 June 2019</b>	<b>937,297</b>	<b>372,439</b>	<b>132,188</b>	<b>71,890</b>	<b>-</b>	<b>336,003</b>	<b>-</b>	<b>1,849,817</b>
Balance at 1 July 2019	937,297	372,439	132,188	71,890	-	336,003	-	1,849,817
Elimination on Revaluation	-	-	-	-	-	-	-	-
Depreciation Expense	68,384	62,178	5,617	5,637	-	384,177	1,824,282	2,350,275
Impairment Losses	-	-	-	-	-	-	-	-
Disposals	(18,217)	(426)	(18,608)	-	-	(336,003)	-	(373,254)
<b>Balance at 30 June 2020</b>	<b>987,464</b>	<b>434,191</b>	<b>119,197</b>	<b>77,527</b>	<b>-</b>	<b>384,177</b>	<b>1,824,282</b>	<b>3,826,838</b>
<b>Carrying Amounts</b>								
At 1 July 2018	330,325	111,922	6,896	7,795	22,095,000	12,496,012	26,325,200	61,373,150
At 30 June and 1 July 2019	294,380	338,616	21,254	12,330	24,005,000	15,514,178	25,594,700	65,780,458
At 30 June 2020	301,562	1,263,632	125,778	11,338	24,735,336	19,938,231	23,788,230	70,164,117

The carrying amount of property, plant and equipment of \$70,164,117 has been pledged as security for loans under a general security agreement with Rotorua Lakes Council.

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**Rotorua Regional Airport Limited**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2020**

**12. INTANGIBLE ASSETS**

	Acquired Software	Total
<b>Cost</b>		
Balance at 1 July 2018	97,463	97,463
Additions	4,015	4,015
Disposals		
<b>Balance at 30 June 2019</b>	<b>101,478</b>	<b>101,478</b>
Balance 1 July 2019	101,478	101,478
Additions	2,833	2,833
Disposals	(5,098)	(5,098)
<b>Balance 30 June 2020</b>	<b>99,213</b>	<b>99,213</b>
<b>Accumulated Amortisation and Impairment Losses</b>		
Balance at 1 July 2018	96,938	96,938
Amortisation Expense	547	547
Impairment Losses	-	-
Disposals	-	-
<b>Balance at 30 June 2019</b>	<b>97,485</b>	<b>97,485</b>
Balance at 1 July 2019	97,485	97,485
Amortisation Expense	1,306	1,306
Impairment Losses	-	-
Disposals	(5,098)	(5,098)
<b>Balance at 30 June 2020</b>	<b>93,693</b>	<b>93,693</b>
<b>Carrying Amounts</b>		
At 1 July 2018	525	525
At 30 June and 1 July 2019	3,993	3,993
At 30 June 2020	5,520	5,520

**13. CAPITAL EXPENDITURE COMMITMENTS**

	2020	2019
<b>Capital commitments</b>		
Property, Plant & Equipment	9,149	2,048,087
<b>Total Capital Commitments</b>	<b>9,149</b>	<b>2,048,087</b>

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 2019: nil).

**(b) Contingent Liabilities**

The Company has no contingent liabilities (30 June 2019: nil).

**Rotorua Regional Airport Limited**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2020**

**15. OPERATING LEASE COMMITMENTS**

**(a) Operating lease as lessee**

**Height protection lease commitment**

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

	2020	2019
Less than 1 year	60,000	60,000
Between 1 and 5 years	30,000	90,000
Over 5 years	-	-

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

**(b) Operating lease as lessor**

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

Contingent rents of \$22,546 have been recognised during the year. (2019: \$95,400)

**16. SHAREHOLDERS' EQUITY**

**(a) Share Capital**

	2020		2019	
	# of shares	Carrying value	# of shares	Carrying value
<b>Issued Ordinary shares</b>				
Opening balance	28,645,000	28,645,000	28,645,000	28,645,000
Ordinary shares issued in the year	-	-	-	-
<b>Closing balance</b>	<b>28,645,000</b>	<b>28,645,000</b>	<b>28,645,000</b>	<b>28,645,000</b>

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.

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**Rotorua Regional Airport Limited**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2020**

**(b) Retained Earnings**

	2020	2019
Retained Earnings opening balance	2,684,878	2,401,967
Net Surplus (Deficit) after tax	(321,173)	282,911
<b>Retained Earnings Closing Balance</b>	<b>2,363,705</b>	<b>2,684,878</b>

**(c) Asset revaluation reserve**

	2020	2019
Opening balance	19,637,943	17,051,615
Revaluation gain (loss)	-	2,849,344
Deferred tax on movement	-	(263,016)
<b>Closing balance</b>	<b>19,637,943</b>	<b>19,637,943</b>

**Asset revaluation reserve consists of:**

	2020	2019
Land	16,850,182	16,850,182
Buildings and fitouts	2,168,964	2,168,964
Infrastructure assets	618,797	618,797
<b>Closing balance</b>	<b>19,637,943</b>	<b>19,637,943</b>

**17. TRADE AND OTHER RECEIVABLES**

	2020	2019
<b>Receivables from exchange transactions</b>		
Trade debtors	52,371	234,164
	52,371	234,164
<b>Other receivables</b>		
Income tax refund due	29,571	53,212
GST refund due	13,289	211,754
	42,860	264,966
<b>Total Trade and Other Receivables</b>	<b>95,231</b>	<b>499,130</b>

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

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**Rotorua Regional Airport Limited**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2020**

**18. TRADE AND OTHER PAYABLES**

	2020	2019
<b>Payables from exchange transactions</b>		
Trade creditors	523,244	858,169
Year-end accruals	69,493	54,765
	592,737	912,934
<b>Other payables</b>		
Related party payables	41,785	72,822
FBT payable	1,348	1,348
PAYE payable	23,184	21,232
	66,317	95,402
<b>Total Trade and Other Payables</b>	<b>659,054</b>	<b>1,008,336</b>

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

**19. EMPLOYEE ENTITLEMENTS**

	2020	2019
Annual leave	47,825	49,939
Alternative leave	8,938	4,438
<b>Total Employee Entitlements</b>	<b>56,763</b>	<b>54,377</b>

**20. SIGNIFICANT EVENTS AFTER BALANCE DATE**

There were no significant events after balance date.

**21. REPORTING AGAINST FINANCIAL FORECAST AS SET OUT IN SOI**

	<b>2020 Target</b>	<b>2020 Actual</b>	<b>Variance</b>
Total revenue	5,677,782	5,067,141	(610,641)
Total expenses	5,437,828	5,492,733	(54,905)
Net surplus (deficit) after tax	239,954	(321,173)	(561,127)

**Explanation of major variances against financial forecast**

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

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

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

**22. BORROWINGS**

	2020	2019
<b>Current portion</b>		
Borrowing – Bank of New Zealand	-	722
<b>Non-current portion</b>		
Borrowing – Rotorua Lakes Council	14,400,000	14,400,000
Borrowing – Bank of New Zealand	3,750,000	-
<b>Total Borrowings</b>	<b>18,150,000</b>	<b>14,400,722</b>

The loan from Rotorua Lakes Council is secured by a General Security Agreement. The average interest rate on the loan at balance date was 3.24% plus a margin of 25 basis points (bps).

The Company has a Customised Average Rate Loan (CARL) from BNZ Bank of up to \$4,400,000 that matures on 16 August 2023. This facility is unsecured with a floating interest rate based on a margin of 2.20% above the Bank Bill Reference Rate (BKBM). The interest rate on this facility at 30 June 2020 was 2.50%.

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.

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**Rotorua Regional Airport Limited**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2020**

**23. RELATED PARTIES**

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

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

a) Transactions with Rotorua Lakes Council

	<b>2020</b>	<b>2019</b>
<b>Purchases of goods &amp; services</b>		
Land and water rates	100,212	96,565
Building and resource consent fees	7,967	11,652
Land covenant payments	-	11,646
	<u>108,179</u>	<u>119,863</u>
<b>Sales of goods &amp; services</b>		
Service funding received under a service level agreement	2,663,580	2,563,020
	<u>2,663,580</u>	<u>2,563,020</u>
<b>Loan</b>		
Loan received during the year	-	-
Loan paid during the year	-	600,000
Loan from Rotorua Lakes Council as at balance date	14,400,000	14,400,000
<b>Other</b>		
Interest paid on loan	506,805	514,956
	<u>506,805</u>	<u>514,956</u>
Balance receivable from Rotorua Lakes Council	32	48,945
Balance payable to Rotorua Lakes Council	41,785	72,822

**Loss offset**

The company is expecting to eliminate its taxable income for the year with tax losses of \$326,222 transferred from Rotorua Lakes Council by loss offset. No payment has been accrued in relation to the expected loss transfer.

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**Rotorua Regional Airport Limited**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2020**

b) Transactions with Rotorua Economic Development (RED)

	2020	2019
<b>Sale of goods &amp; services</b>		
Advertising income from RED*	-	6,678
	-	6,678

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

c) Board members remuneration

	2020	2019
Peter Stubbs	24,167	20,000
Stuart Alan Crosby	7,157	10,000
John Amarama Fenwick	12,083	10,000
Anthony John Marks	12,083	10,000
Danielle Louise Auld	4,860	-
Mere Kerena George	4,839	-
	65,189	50,000

d) Employee remuneration

	2020	2019
<b>Total remuneration paid</b>		
210,000 to 219,999	1	-

The key management personnel include the Board of Directors and the CEO. Total key management personnel compensation for the financial year ending 30 June 2020 was \$281,460 (2019: \$255,693). This includes total full-time equivalent personnel of 7 in the financial year ending 30 June 2020. (2019: 5)

Stuart Alan Crosby resigned as a director on 12 March 2020 following his appointment as an adviser to the Board and was paid an adviser fee of \$4,366. (2019: Nil)

No related party debts have been written off or forgiven during the year. (2019: Nil)

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# **Rotorua Regional Airport Limited**

## **Notes to the Financial Statements**

### **For the Year Ended 30 June 2020**

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#### **24. COVID-19 DISCLOSURES**

During March 2020 the World Health Organization declared a global pandemic in relation to COVID-19. The New Zealand Government responded to COVID-19 by closing the international border for non-residents and introducing an alert level system with restrictions on business activity and societal interaction.

The effect of Covid-19 on the overall results was significant in the last quarter of FY20. Passenger numbers were down 89% in the last quarter of FY20 compared to forecasted numbers due to domestic travel restrictions, significantly impacting both the aeronautical and non-aeronautical business activities of the company.

With regards to these financial statements, COVID-19 has specifically impacted certain areas of the financial statements. The impacts on the financial statements were as follows:

- Recognition of rent rebate of \$30,862 under lease rental revenue
- Overall reduction in revenue for FY20, down by 7% compared to FY19
- Overall reduction in passenger numbers, down by 22% compared to FY19

Notwithstanding the impact of COVID-19, the directors are of the view that the Company's business fundamentals remain strong. The Company has taken steps to reduce its cost structure, including the reduction of operating expenditure and rationalizing operations to reflect the new operating environment. In addition, discretionary capital expenditure has been reduced with a focus on maintaining critical services. These measures, along with current liquidity facility in place and a letter of financial support from Rotorua Lakes Council, the directors are confident the Company is well placed to continue operating as a going concern until more usual levels of trading conditions return.



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