

# DIRECTORY

<b>Governing Body</b>	<b>Taupō Airport Authority Committee</b> Mayor David Trewavas Councillor Kathy Guy (Council Representative) Councillor Christine Rankin (Council Representative) Chris Johnston (Business Representative)
<b>Airport General Manager</b>	Rhys Frearson
<b>Bankers</b>	Bank of New Zealand, Taupō – transactional banking
<b>Auditors</b>	Audit New Zealand on behalf of The Controller & Auditor General
<b>Solicitors / Legal Advisors</b>	Le Pine & Co, Taupō
<b>Insurance Brokers</b>	Aon New Zealand Limited
<b>Joint Venture Partners</b>	Taupō District Council                      50% The Crown (Ministry of Transport)       50%
<b>Address</b>	Anzac Memorial Drive, TAUPŌ RD 2, TAUPŌ
<b>Telephone</b>	Airport Manager                      [07] 378-7771 Facsimile                                [07] 377-7776 email                                        airport@Taupōairport.co.nz website                                    www.Taupōairport.co.nz

Handwritten signature and initials in blue ink, located in the bottom right corner of the page. The signature appears to be 'D. Trewavas' and the initials are 'RT'.

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**STATEMENT OF PERFORMANCE: PERFORMANCE TARGETS AND RESULTS ACHIEVED TO DATE**

**Non-financial performance:**

<b>Taupō Airport</b>		
<b>Objective:</b>		
To operate a successful commercially viable business providing land and infrastructure for the safe, appropriate and efficient air transport needs of the Taupō district.		
<b>Performance targets</b>	<b>Results</b>	<b>Achievement</b>
To maintain facilities so as to avoid any diversion or cancellation of scheduled flights other than for weather or airline problems.	Achieved	No diversions or cancellations due to facility maintenance (2019: Achieved)
The airport will be operated in such a way as to continue to hold CAA Part 139 certification.	Achieved	The Airport is CAA Part 139 certified (2019: Achieved)
The airport will manage health and safety risks and provide a safe and healthy environment for everyone affected by the activities of TAA including employees, customers, tenants, contractors and visitors.	Achieved	Rule Part 139 Compliant Rule Part 100 Compliant (2019: Achieved)
The TAA will be self-funding in terms of its own cash flow.	Not Achieved	Operating cash flow for the year is \$-37k (June 2019: \$-67k) (2019: Not Achieved)

**Financial performance:**

Consolidated shareholder funds to total assets 91.63% (June 2019: 90.49%) against a projected 88.0%.

**SUMMARY OF AIRCRAFT MOVEMENTS**

*For the year ended 30 June 2020*

	<i>Year to 30 June 2020</i>	<i>Year to 30 June 2019</i>	<i>Year to 30 June 2018</i>	<i>Year to 30 June 2017</i>	<i>Year to 30 June 2016</i>
Scheduled airlines	2,278	3,012	2,992	2,914	3,334
Private operation	9,566	11,860	11,024	10,114	10,317
Parachuting	5,612	7,648	6,272	7,016	8,636
Charters	90	62	80	70	90
Military operations	12	52	24	30	16
Helicopters	4,642	5,626	5,316	5,100	4,948
	<b>22,200</b>	<b>28,260</b>	<b>25,708</b>	<b>25,244</b>	<b>27,341</b>

## CHAIRMAN'S REPORT -TAUPŌ AIRPORT AUTHORITY

Taupo Airport Authority operates a small regional airport in the centre of the North Island. We are one of five joint venture airports in a partnership with the Ministry of Transport.

This year has been one of many contrasts from exciting positive development news to the ongoing legacy of Covid 19.

After the resignation of our airport manager in May 2019, Kim Gard, the operations manager stepped in as temporary general manager, while we went through the process of looking for a replacement. In February 2020 Rhys Frearson was appointed to the position, Rhys brought huge airport knowledge, coming from the operations manager at Rotorua Airport.

The existing terminal was built in 1979, it has asbestos and earthquake issues and was not serving the requirements of its users. These constraints had been identified years earlier and work was started to secure funding to enable this project to proceed. The capital works for developing and upgrading the terminal and surrounding infrastructure using the model developed with key stakeholders is estimated to cost \$9.237M of which \$3.367M has been set aside as co-funding in the TDC Long Term Plan 2018-2028. The project sought and received PDU funding of \$5.87M which was announced by Minister Jones late February at a gathering at the airport. A new airport terminal, enlarged apron and new carpark will make up the scope of this project.

And then on the 23<sup>rd</sup> March the world as we knew it in New Zealand changed dramatically. Covid19 altered the way in which we could operate within NZ.

For the Taupo Airport it instantly impacted on the current business model, effectively halving our income, with no flights we received no landing fees. As an essential infrastructure provider we had to remain open, which put huge pressure on the existing staff to maintain an operational airfield with limited resources. Alongside the lead from TDC we also helped with some rent relief for some of the business's on the airport land who were 100% affected by the lockdown.

This crisis forced our manager to analyse all aspects of the business to reduce costs and streamline the operation to enable survival. Whilst financially the Taupo Airport has suffered we have survived independently and can continue to operate effectively and safely. The TAA passed its recertification of our SMS system in June.

Once the levels changed and air travel was able to resume it was pleasing to see our two providers, Air New Zealand and Sounds Air return with albeit a reduced schedule, more pleasing is seeing both airlines continuing to improve the schedule as time goes on.

Whilst much discussion has been had over the short term disruption Covid19 has had, our long term vision has always had the redevelopment of the terminal. Throughout lockdown work continued on the process to engage the necessary architecture, engineering, project management and quantity surveying personnel required to start the project. This was completed late June and we are confident the construction can commence early 2021.

The TAA board would like to acknowledge the huge efforts put in by the staff at the airport along with the ongoing support from The Taupo District Council.

Chris Johnston

Chairman



## Independent Auditor's Report

### To the readers of Taupō Airport Authority's financial statements and performance information for the year ended 30 June 2020

The Auditor-General is the auditor of Taupō Airport Authority (the Airport). 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 Airport on his behalf.

#### Opinion

We have audited:

- the financial statements of the Airport on pages 5 to 29, that comprise the statement of financial position as at 30 June 2020, the statement of comprehensive revenue and expense, statement of changes in net assets/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 Airport on page 3.

In our opinion:

- the financial statements of the Airport on pages 5 to 29:
  - 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 Reporting Standards Reduced Disclosure Regime; and
- the performance information of the Airport on pages 3 presents fairly, in all material respects, the Airport's actual performance compared against the performance targets and other measures by which performance was judged in relation to the Airport's objectives, for the year ended 30 June 2020.

Our audit was completed on 27 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 Airport. 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 Airport as set out in note 24 to the financial statements.

## **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 Committee for the financial statements and the performance information**

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

The Committee 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 Committee is responsible on behalf of the Airport for assessing the Airport's ability to continue as a going concern. The Committee 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 Airport or to cease operations, or there is no realistic alternative but to do so.

The Committee's 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 Airport'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 Airport'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 Airport'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 Airport 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 2 and 4, 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 Airport 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.

Other than the audit, we have no relationship with, or interests in, the Airport.



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



**Statement of Comprehensive Revenue and Expense**  
For the year ended 30 June 2020

	Note	Actual 2020 \$	Airport SOI 2020 \$	Actual 2019 \$
<b>Revenue</b>				
Subsidies and grants	5	12,225	-	-
Revenue from services provided	4	809,009	514,553	520,487
Finance revenue	6	425	264	248
<b>Total revenue</b>		<u>821,659</u>	<u>514,817</u>	<u>520,735</u>
<b>Expenditure</b>				
Employee benefit expenses	7	157,100	175,000	173,596
Depreciation and amortisation expense	12,13	247,164	245,376	270,882
Other expenses	7	552,600	286,175	383,167
<b>Total operating expenditure</b>		<u>956,864</u>	<u>706,551</u>	<u>827,645</u>
<b>Surplus/(deficit) before tax</b>		(135,205)	(191,734)	(306,910)
Income tax (expense)/credit	8	30,804	-	85,662
<b>Surplus/(deficit) after tax</b>		<u>(104,401)</u>	<u>(191,734)</u>	<u>(221,248)</u>
<b>Other comprehensive revenue</b>				
Property, plant & equipment revaluations	9	395,980	-	(125,076)
Deferred tax on revaluation		(110,874)	-	(15,155)
<b>Total other comprehensive income</b>		<u>285,106</u>	<u>-</u>	<u>(140,231)</u>
<b>Total comprehensive income</b>		<u>180,705</u>	<u>(191,734)</u>	<u>(361,479)</u>
<b>Net surplus/(deficit) after taxation is attributable to:</b>				
TDC and The Crown		<u>(104,401)</u>	<u>(191,734)</u>	<u>(221,248)</u>
<b>Total comprehensive revenue and expenses attributable to:</b>				
TDC and The Crown		<u>180,705</u>	<u>(191,734)</u>	<u>(361,479)</u>
		<u>180,705</u>	<u>(191,734)</u>	<u>(361,479)</u>

Explanations of major variances against budget are provided in note 16.

**Statement of Changes in Net Assets/Equity**  
For the year ended 30 June 2020

	Note	Actual 2020 \$	Airport SOI 2020 \$	Actual 2019 \$
<b>Equity at start of the year</b>	9	10,199,914	-	10,561,387
Total comprehensive revenue and expenses previously reported		180,705	-	(361,479)
Equity injections by Crown		870,000	-	-
Equity injections by Taupo District Council		1,870,000	-	-
<b>Total comprehensive revenue and expenses as restated</b>		<u>2,920,705</u>	<u>-</u>	<u>(361,479)</u>
<b>Equity as at 30 June 2020</b>	9	<u>13,120,621</u>	<u>-</u>	<u>10,199,914</u>
<b>Total recognised revenue and expenses are attributable to:</b>				
Taupo District Council		90,353	(95,867)	(180,740)
The Crown		90,352	(95,867)	(180,739)
<b>Total comprehensive revenue and expenses</b>		<u>180,705</u>	<u>(191,734)</u>	<u>(361,479)</u>

Summary of significant accounting policies and the accompanying notes form part of these financial statements.

**Statement of Financial Position**  
As at 30 June 2020

	Note	Actual 2020 \$	Airport SOI 2020 \$	Actual 2019 \$
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	10	2,844,533	-	190,364
Trade and other receivables	11	74,930	-	66,867
Prepayments		5,781	-	4,164
<b>Total current assets</b>		<b>2,925,244</b>	<b>-</b>	<b>261,395</b>
<b>Non-current assets</b>				
Intangible assets	13	866	-	1,906
Property, plant and equipment	12	11,386,497	-	11,008,712
<b>Total non-current assets</b>		<b>11,387,363</b>	<b>-</b>	<b>11,010,618</b>
<b>Total assets</b>		<b>14,312,607</b>	<b>-</b>	<b>11,272,013</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables	14	98,903	-	101,790
Employee benefit liabilities	15	34,327	-	14,974
Provisions	17	3,729	-	-
<b>Total current liabilities</b>		<b>136,959</b>	<b>-</b>	<b>116,764</b>
<b>Non-current liabilities</b>				
Employee benefits liabilities	15	873	-	1,761
Provisions	18	20,510	-	-
Deferred tax liabilities	8	1,033,644	-	953,574
<b>Total non-current liabilities</b>		<b>1,055,027</b>	<b>-</b>	<b>955,335</b>
<b>Total liabilities</b>		<b>1,191,986</b>	<b>-</b>	<b>1,072,099</b>
<b>Net assets (assets minus liabilities)</b>		<b>13,120,621</b>	<b>-</b>	<b>10,199,914</b>
<b>EQUITY</b>				
Equity interest of joint venture partners	9	6,811,585	-	4,071,585
Appropriation accounts	9	1,911,498	-	1,836,391
Asset revaluation reserves	9	4,397,538	-	4,291,938
<b>Total equity</b>		<b>13,120,621</b>	<b>-</b>	<b>10,199,914</b>

Explanations of major variances against budget are provided in note 16.

Summary of significant accounting policies and the accompanying notes form part of these financial statements.

The financial statements of the Taupo Airport Authority are for the year ended 30 June 20. The financial statements were authorised for issue by the Airport Committee on 27 November 2020.

**Statement of cashflows**  
For the year ended 30 June 2020

	Actual 2020 \$	Airport SOI 2020 \$	Actual 2019 \$
<b>Cash flows from operating activities</b>			
Receipts from customers	441,666	-	524,856
Finance revenue	425	-	248
Other revenue	12,225	-	-
Net GST	4,834	-	(322)
Payments to suppliers	(365,831)	-	(391,503)
Payments to employees	(130,744)	-	(200,202)
<b>Net cash flow from operating activities</b>	<u>(37,425)</u>	<u>-</u>	<u>(66,923)</u>
<b>Cash flows from investing activities</b>			
Cash was provided from:	-	-	-
Proceeds from sale of property, plant and equipment	5,001	-	-
Equity injections	<u>2,740,000</u>	<u>-</u>	<u>-</u>
Purchase of property, plant and equipment	<u>(53,411)</u>	<u>-</u>	<u>(9,142)</u>
<b>Net cash flow from investing activities</b>	<u>2,691,590</u>	<u>-</u>	<u>(9,142)</u>
<b>Net increase (decrease) in cash and cash equivalents held</b>	<b>2,654,165</b>	<b>-</b>	<b>(76,065)</b>
Add cash and cash equivalents at the beginning of the year	<u>190,364</u>	<u>-</u>	<u>266,429</u>
<b>Cash, cash equivalents, and bank overdrafts at the end of the year</b>	<b>2,844,529</b>	<b>-</b>	<b>190,364</b>
	10		

Summary of significant accounting policies and the accompanying notes from part of these financial statements.

# 1 Statement of accounting policies for the year ended 30 June 2020

## 1.1 Reporting entity

The Taupo Airport Authority is a joint venture between Taupo District Council and the Crown with both parties having a 50% interest. Taupo District Council has responsibility for the management of the Airport. Governance is provided by a Committee of Council

The primary objective of the Airport is to operate a successful commercially viable business providing land and infrastructure for the safe, appropriate, and efficient air transport needs of the Taupo district, rather than making a financial return. Accordingly, the Airport has designated itself a public benefit entity for the purposes of New Zealand equivalents to International Public Sector Accounting Standards (PBE IPSAS).

The financial statements of Taupo Airport Authority are for the year ended 30 June 2020. The financial statements were authorised for issue by the Airport Committee on 27 November 2020.

## 2 Summary of significant accounting policies

### 2.1 Statement of Compliance and Basis of Preparation

The financial statements have been prepared on the going concern basis and in accordance with the Civil Aviation Act 1990, the Airport Authorities Act 1966, and the Local Government Act 2002, which includes the requirement to comply with generally accepted accounting practice (GAAP) in New Zealand. The financial statements have been prepared in accordance with Tier 2 RDR standards as total expenses are less than \$2m. These financial statements comply with Public Sector Public Benefit Entity (PS PBE) standards.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The financial statements are prepared using the historical cost basis except for certain classes of assets and liabilities which are recorded at fair value. These are detailed in the specific policies below.

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

#### Changes in accounting policies

There are no changes in accounting policies.

### 2.2 GST

The financial statements have been prepared exclusive of GST with the exception of receivables and payables that have been shown inclusive of GST. Where GST is not recoverable as an input tax it is recognised as part of the related asset or expense.

Commitments and contingencies are disclosed exclusive of GST.

### 2.3 Revenue

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

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer.

Revenue from any services rendered (except as described above) is recognised in proportion to the stage of completion of the transaction at the balance date. The stage of completion is assessed by reference to surveys of work performed.

Landing revenue is recognised on a straight-line basis over the term of the payments.

Rental revenue from investment property is recognised on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental revenue.

Interest revenue is recognised as it accrues, using the effective interest method.

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Revenue is measured at fair value of consideration received.



## 2 Summary of significant accounting policies

The main sources of revenue for the Airport are airfield landing charges and lease revenue from leasehold sites at the airport. Revenue is recognised in the period to which it relates. Payment is by cash, cheque, credit card, EFTPOS, automatic payment or direct debit.

### 2.4 Leases

#### (i) Finance leases

Leases in which substantially all of the risks and rewards of ownership transfer to the lessee are classified as finance leases. At inception, finance leases are recognised as assets and liabilities on the Statement of Financial Position at the lower of the fair value of the leased property and the present value of the minimum lease payments. Any additional direct costs of the lease are added to the amount recognised as an asset. Subsequently, assets leased under a finance lease are depreciated as if the assets are owned.

#### (ii) Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset.

Payments made under operating leases are recognised in the surplus or deficit on a straight-line basis over the term of the lease. Lease incentives received are recognised in the Statement of Comprehensive Revenue and Expense as an integral part of the total lease expense.

#### (iii) Finance leases

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term, so as to produce a constant periodic rate of interest on the remaining balance of the liability.

#### (iv) Financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, foreign exchange losses, and losses on hedging instruments that are recognised in the Statement of Comprehensive Revenue and Expense using the effective interest rate method.

### 2.5 Equity

- Accumulated funds
- Revaluation Reserves

Equity is the community's interest in the Airport and is measured as the difference between total assets and total liabilities.

### 2.6 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits, and other short term highly liquid investments with maturities of three months or less.

### 2.7 Financial assets

Taupo Airport classifies its investments as loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments, which are not quoted in an active market. After initial recognition they are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or derecognised are recognised in the Statement of Comprehensive Revenue and Expense.

### 2.8 Trade and other receivables

Trade and other receivables are recognised at their cost less impairment losses

A provision for impairment of receivables is established when there is objective evidence that the Airport will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the present value of the estimated recovery of the debt.



## 2 Summary of significant accounting policies

### 2.9 Property, plant and equipment

Property, plant, and equipment consist of operational assets, which include office equipment, furniture and fittings, computer equipment, and a vehicle.

These assets are shown at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. 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 Airport and the cost of the item can be reliably measured.

#### Valuation methodologies

Those asset classes that are revalued, are revalued on a three yearly valuation cycle. All other asset classes are carried at depreciated historical cost. The carrying values of all assets not revalued in any year are reviewed at each balance date to ensure that those values are not materially different to fair value.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

Increases in the carrying amounts arising on revaluation of an asset class are credited to revaluation reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in the surplus or deficit, the increase is first recognised in the surplus or deficit. Decreases that reverse previous increases of the same asset class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the class; all other decreases are charged to the surplus or deficit.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Airport and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the surplus or deficit during the financial period in which they are incurred.

#### Additions

Additions between valuations are shown at cost.

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 Airport and the cost of the item can be measured reliably.

#### Disposals

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit. When revalued assets are sold, the amounts included in other reserves in respect of those assets are transferred to retained earnings.

When the use of a property changes from owner-occupied to investment property, the property is reclassified to investment property at its fair value at the date of the transfer.

#### Subsequent measurement

Property, plant, and equipment, and intangible assets subsequently measured at cost that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written-down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit. The reversal of an impairment loss is recognised in the surplus or deficit.



## 2 Summary of significant accounting policies

### Depreciation

Land is not depreciated. Depreciation has been provided on a straight-line basis on all property, plant, and equipment, except for motor vehicles which is provided on a diminishing value basis. Depreciation is provided at rates that will write-off the cost (or valuation) 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:

Class of PP&E	Estimated useful life	Depreciation rates
Buildings	5 - 57 Years	1.75% - 20%
Furniture and Fittings	4 - 10 Years	10% - 25.2%
Office Equipment and Plant and Equipment	4 - 50 Years	2% - 25%
Motor vehicles	5 Years	20%
Infrastructural assets		
Runways	3 - Indefinite Years	
Roading Network	3 - 52 Years	
Stormwater	50 - 80 Years	
Footpaths	80 Years	
Kerbs	50 Years	
Fencing	10 Years	
Streetlights	15 Years	

The depreciation rates are applied at a component level and are dependent on the expected remaining useful life of each component.

### Details of valuations by asset class

#### Valuation of land and buildings

Airport land was initially valued at fair value by independent valuer Quotable Value New Zealand as at 1 July 2005, which was considered deemed cost. The land and buildings were revalued to fair value on the same basis by independent valuer, Quotable Value New Zealand at 30 June 2019. Land is not depreciated.

#### Valuation of infrastructural assets

Infrastructure assets are the utility systems that provide a continuing service to the Airport and are not generally regarded as tradeable. They include the runways, roads, and stormwater systems together with other improvements of an infrastructural nature. The runway and roading assets were valued at fair value by WSP New Zealand Limited (formerly Opus Consultants Limited) at 30 June 2020.

#### Assets under construction/work in progress.

Assets under construction are not depreciated. The total cost of a project is transferred to the relevant asset class on its completion and then depreciated. Assets under construction are recognised at cost less impairment. The current carrying amount of items under construction is separately disclosed.

All the Airport's assets are classed as non-generating, that is they are not held with the primary objective of generating a commercial return.

### 2.10 Intangible assets

#### Website

The website has been capitalised on the basis of costs incurred to acquire and bring to use the website. This has been valued at cost, and will be amortised on a straight line basis over the expected useful life of the website.

Class of intangible asset	Estimated useful life	Amortisation rates
Website	4 years	25%

## 2 Summary of significant accounting policies

Costs associated with maintaining computer software are recognised as an expense when incurred.

### 2.11 Investment property

Properties leased to third parties under operating leases and properties held for capital appreciation are classified as investment property unless the property is held to meet service delivery objectives, rather than to earn rentals or for capital appreciation.

Investment property is measured initially at its cost, including transaction costs.

After initial recognition, Taupo Airport Authority measures all investment property at fair value as determined annually by an independent valuer.

Gains or losses arising from a change in the fair value of investment property are recognised in the statement of comprehensive revenue and expense.

All investment properties have been disposed.

### 2.12 Financial Liabilities

Short term creditors and other payables are recorded at their face value.

### 2.13 Employee entitlements

#### Short-term employee entitlements

Provision is made in respect of the Airport's liability for salaries and wages accrued up to balance date, annual leave, long service leave, and lieu leave.

Long service leave, where there is already actual entitlement, is accrued at actual entitlement using current rates of pay. In addition, there is an actuarial assessment of value for which entitlement has not yet been reached. This assessment uses current rates of pay taking into account years of service, years to entitlement and the likelihood staff will reach the point of entitlement. These estimated amounts are discounted to their present value.

Liabilities for annual leave and lieu day leave are accrued on an actual entitlement basis, using current rates of pay.

#### Long-term employee entitlements

Employee benefits that are due to be settled beyond 12 months after the end of the period in which the employee renders the related service, such as long service leave, have been calculated on an actuarial basis. The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement, and contractual entitlement information; and
- the present value of the estimated future cash flows.

#### Superannuation schemes

Obligations for contributions to defined contribution superannuation schemes are recognised as an expense in the surplus or deficit when incurred.

### 2.14 Income tax

Income tax on the surplus or deficit for the year comprises current and deferred tax.

Current tax is the amount of income tax payable based on the taxable surplus for the current year, plus any adjustments to 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 at balance date.

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, using tax rates that have been enacted or substantively enacted by balance date.





## **2 Summary of significant accounting policies**

Current tax and deferred tax is charged or credited to the statement of comprehensive revenue and expense, except when it relates to items charged or credited directly to equity, in which case the tax is dealt with in equity.

### **2.15 Budget figures**

The budget figures are those approved by the Committee in the Statement of Intent and in complying with sections 64, 66, and 67 of the Local Government Act 2002.

### **2.16 Going Concern**

The Taupo Airport Authority consider that the continued adoption of the going concern assumption for the preparation of this financial report is appropriate. This conclusion has been reached having regard to assurances from the Taupo District Council that financial support and / or funding will be made available to ensure that the Airport can continue its current operations.

## **3 Critical accounting estimates and judgements**

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

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#### 4 Revenue from services provided

	Airport	
	Actual 2020	Actual 2019
	\$	\$
Landing fees	149,126	189,878
Terminal passenger fees	75,084	97,178
Lease revenue	196,363	194,785
Other services	35,390	38,641
Other revenue	215	5
Gain on first time recognition of fixed asset	352,831	-
<b>Total revenue from services provided</b>	<u><b>809,009</b></u>	<u><b>520,487</b></u>

#### 5 Subsidies and Grants

	Airport	
	Actual 2020	Actual 2019
	\$	\$
<b>Operational subsidies and grants</b>		
COVID-19 Wage Subsidy	<u>12,225</u>	<u>-</u>
<b>Total subsidies and grants</b>	<u><b>12,225</b></u>	<u><b>-</b></u>

#### Government Grants

There are no unfulfilled conditions or other contingencies attached to any recognised government grants.

#### 6 Finance revenue

	Airport	
	Actual 2020	Actual 2019
	\$	\$
Interest revenue	<u>425</u>	<u>248</u>
<b>Total finance revenue</b>	<u><b>425</b></u>	<u><b>248</b></u>

## 7 Operating expenditure

### Employee benefit expenses

Salaries and wages	136,924	194,323
Increase/(decrease) in employee entitlements/liabilities	16,145	(26,806)
Defined contribution plan employer contributions	4,031	5,879
<b>Total employee benefit expenses</b>	<b>157,100</b>	<b>173,596</b>

### Depreciation by asset class:

Total depreciation	246,124	269,842
Total amortisation	1,040	1,040
<b>Total depreciation and amortisation</b>	<b>247,164</b>	<b>270,882</b>

### Other expenses

Audit fees for financial statements audit	13,236	12,845
Maintenance	21,750	29,644
Ground maintenance	15,012	17,202
Runway & pavement maintenance	18,996	12,388
Terminal maintenance	4,724	3,898
Airfield contractors	78,416	41,290
Electricity and gas	15,057	12,793
Materials and supplies	6,260	4,970
Professional services fees/legal fees	58,596	132,613
Accountancy & business services TDC	12,500	12,500
Vehicle running costs	3,960	2,202
Insurance	8,959	8,296
Committee expenses	540	-
Cleaning	17,476	18,545
Equipment hire	18,855	19,041
Provision for Bad Debts	520	-
Other grants	-	500
Loss on disposal of property, plant & equipment	173,525	16
Other expenses	84,218	54,424
<b>Total other expenses</b>	<b>552,600</b>	<b>383,167</b>



## 8 Income tax

	Actual 2020 \$	Airport Actual 2019 \$
<b>Components of tax expense</b>		
Current tax	-	-
Deferred tax	(30,804)	(85,662)
<b>Tax expense</b>	<u>(30,804)</u>	<u>(85,662)</u>
<b>Relationship between tax expense and accounting profit:</b>		
Net surplus/(deficit)	(135,205)	(306,910)
<b>Net Surplus/(deficit)</b>	<u>(135,205)</u>	<u>(306,910)</u>
Tax calculated at 28%	(37,857)	(85,935)
<i>Plus (Less) tax effect of:</i>		
Deferred tax adjustment	105,846	273
Non-taxable income	(98,793)	-
<b>Tax expense</b>	<u>(30,804)</u>	<u>(85,662)</u>

### Deferred tax asset (liability)

	Property, plant and equipment \$	Non- deductible provisions \$	Tax losses \$	Other \$	Total \$
<b>Balance at 1 July 2018</b>	(1,513,794)	12,135	477,577	-	(1,024,082)
Charged to surplus or deficit	42,810	(7,449)	50,608	(307)	85,662
Charged directly to equity	(15,155)	-	-	-	(15,155)
Charged directly to equity	-	-	-	-	-
<b>Balance at 30 June 2019</b>	<u>(1,486,139)</u>	<u>4,686</u>	<u>528,185</u>	<u>(307)</u>	<u>(953,575)</u>
<b>Balance at 1 July 2019</b>	(1,486,139)	4,686	528,185	(307)	(953,575)
Charged to surplus or deficit	(23,787)	3,786	50,498	307	30,804
Charged to other comprehensive income	(110,874)	-	-	-	(110,874)
Charged directly to equity	-	-	-	-	-
<b>Balance at 30 June 2020</b>	<u>(1,620,800)</u>	<u>8,472</u>	<u>578,683</u>	<u>-</u>	<u>(1,033,645)</u>

## 9 Net assets/equity

	Airport	
	Actual 2020 \$	Actual 2019 \$
<b>(a) Equity Interest of Joint Venture Partners</b>		
<b>(i) Taupo District Council</b>		
Opening balance	2,003,902	2,003,902
Capital injections	1,870,000	-
<b>Closing balance</b>	<b><u>3,873,902</u></b>	<b><u>2,003,902</u></b>
<b>(ii) The Crown</b>		
Opening balance	2,067,683	2,067,683
Capital injections	870,000	-
<b>Closing balance</b>	<b><u>2,937,683</u></b>	<b><u>2,067,683</u></b>
<b>Total closing balance of equity accounts</b>	<b><u>6,811,585</u></b>	<b><u>4,071,585</u></b>
<b>(b) Appropriation Accounts</b>		
<b>(i) Taupo District Council</b>		
Opening balance	2,242,826	2,353,450
Transfer from reserves for disposed assets	89,754	-
Share of net surplus (deficit)	(52,201)	(110,624)
<b>Closing balance</b>	<b><u>2,280,379</u></b>	<b><u>2,242,826</u></b>
<b>(ii) The Crown</b>		
Opening balance	(406,435)	(295,811)
Transfer from reserves for disposed assets	89,754	-
Share of net surplus (deficit)	(52,200)	(110,624)
<b>Closing balance</b>	<b><u>(368,881)</u></b>	<b><u>(406,435)</u></b>
<b>Total closing balance of appropriation accounts</b>	<b><u>1,911,498</u></b>	<b><u>1,836,391</u></b>

## 9 Net assets/equity

### (c) Asset Revaluation Reserve

The breakdown of asset revaluation reserves are disclosed as follows:

#### Property, plant and equipment revaluation reserve

<b>Balance at 1 July</b>	<b>4,291,936</b>	4,432,167
Revaluation gains/(losses)	<b>395,980</b>	(125,076)
Deferred tax on revaluation	<b>(110,874)</b>	(15,155)
Transfer to accumulated funds	-	-
Less minority interest share in change in asset value	-	-
Transfers out of Reserves on disposal of property	<b>(179,508)</b>	-
<b>Balance at 30 June</b>	<b><u>4,397,534</u></b>	<u>4,291,936</u>

#### Operational assets:

Land	<b>1,165,800</b>	1,165,800
Buildings	<b>228,723</b>	228,723
Fencing	<b>59,664</b>	59,664
Land improvements	<b>130,967</b>	130,967
<b>Infrastructure assets</b>		
Roading & streetlighting	<b>95,538</b>	370,095
Stormwater	<b>192,645</b>	192,645
Runways	<b>2,524,197</b>	2,144,042
<b>Total asset revaluation reserves</b>	<b><u>4,397,534</u></b>	<u>4,291,936</u>



## 10 Cash and cash equivalents

	Airport	
	Actual 2020 \$	Actual 2019 \$
Cash at bank and in hand	10,722	10,698
Call deposits	<u>2,833,811</u>	<u>179,666</u>
<b>Total cash and cash equivalents used in statement of cashflows</b>	<b><u>2,844,533</u></b>	<b><u>190,364</u></b>

The carrying value of short-term deposits with maturity dates of three months or less approximates their fair value.

## 11 Trade and other receivables

	Airport	
	Actual 2020 \$	Actual 2019 \$
Trade receivables	74,930	65,377
Provision for doubtful receivables	-	-
Other	-	<u>1,490</u>
<b>Total current net trade and other receivables</b>	<b><u>74,930</u></b>	<b><u>66,867</u></b>
Receivables from exchange transactions	<u>74,034</u>	<u>66,867</u>
Receivables from non-exchange transactions	<u>896</u>	-
<b>Total current net trade and other receivables</b>	<b><u>74,930</u></b>	<b><u>66,867</u></b>

Debtors and other receivables are non-interest bearing and receipt is normally on 30 day terms, therefore the carrying value of debtors and other receivables approximates their fair value.

### Bad and doubtful trade receivables

The Airport has recognised a loss of \$520 (2019: \$0) in respect of bad and doubtful trade receivables during the year ended 30 June 2020. The loss has been included in 'other expenses' in the surplus and deficit component of the statements of comprehensive income.

The status of receivables as at 30 June 2020 are detailed below:

	Airport	
	Actual 2020 \$	Actual 2019 \$
Current	55,104	53,484
Past due 1-30 days	6,557	9,518
Past due 31-60 days	4,581	236
Past due 61+ days	<u>8,688</u>	<u>2,139</u>
<b>Total trade receivables</b>	<b><u>74,930</u></b>	<b><u>65,377</u></b>

## 12 Property, plant and equipment

June 2020	Cost / revaluation 1 Jul 2019 \$	Accumulated depreciation 1 Jul 2019 \$	Carrying amount 1 Jul 2019 \$	Current year additions (+ gains) \$	Current year disposals (+ losses) \$	Current year impairment charges \$	Current year depreciation \$	Transfers \$	Revaluation surplus \$	Cost / revaluation 30 June 2020 \$	Accumulated depreciation 30 Jun 2020 \$	Carrying amount 30 June 2020 \$
<b>Operating assets At cost &amp; valuation</b>												
Buildings	614,300	-	614,300	-	-	-	(25,492)	-	-	614,300	(25,492)	588,808
Office furniture and fittings	124,592	(66,085)	58,507	989	(3,000)	-	(14,970)	-	-	122,581	(81,055)	41,526
Plant and equipment	7,665	(2,826)	4,839	-	(1,973)	-	(2,866)	-	-	-	-	-
Motor Vehicles	36,043	(28,696)	7,347	27,955	-	-	(6,939)	-	-	63,998	(35,635)	28,363
Street Lighting	-	-	-	-	-	-	-	-	-	-	-	-
Fencing	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total operating assets</b>	<b>782,600</b>	<b>(97,607)</b>	<b>684,993</b>	<b>28,944</b>	<b>(4,973)</b>	<b>-</b>	<b>(50,267)</b>	<b>-</b>	<b>-</b>	<b>800,879</b>	<b>(142,182)</b>	<b>658,697</b>
<b>Infrastructural assets At cost &amp; valuation</b>												
Roading	1,424,200	(29,616)	1,394,584	352,831	(173,339)	-	(14,615)	-	(132,012)	1,427,449	-	1,427,449
Stormwater	375,200	(29,979)	345,221	-	-	-	(4,691)	-	-	375,200	(34,670)	340,530
Runways	4,899,194	(351,280)	4,547,914	-	-	-	(176,552)	-	527,992	4,899,354	-	4,899,354
Capital work in progress - Airport redevelopment	-	-	-	24,467	-	-	-	-	-	24,467	-	24,467
<b>Total infrastructural assets</b>	<b>6,698,594</b>	<b>(410,875)</b>	<b>6,287,719</b>	<b>377,298</b>	<b>(173,339)</b>	<b>-</b>	<b>(195,858)</b>	<b>-</b>	<b>395,980</b>	<b>6,726,470</b>	<b>(34,670)</b>	<b>6,691,800</b>
<b>Restricted assets At cost &amp; valuation</b>												
Land	-	-	-	-	-	-	-	-	-	-	-	-
Land Improvements	4,036,000	-	4,036,000	-	-	-	-	-	-	4,036,000	-	4,036,000
<b>Total restricted assets</b>	<b>4,036,000</b>	<b>-</b>	<b>4,036,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,036,000</b>	<b>-</b>	<b>4,036,000</b>
<b>Total</b>	<b>11,517,194</b>	<b>(508,482)</b>	<b>11,008,712</b>	<b>406,242</b>	<b>(178,312)</b>	<b>-</b>	<b>(246,125)</b>	<b>-</b>	<b>395,980</b>	<b>11,563,349</b>	<b>(176,852)</b>	<b>11,386,497</b>



June 2019	Cost / revaluation 1 Jul 2018 \$	Accumulated depreciation 1 Jul 2018 \$	Carrying amount 1 Jul 2018 \$	Current year additions (+ gains) \$	Current year disposals (+ losses) \$	Current year depreciation \$	Transfers \$	Revaluation surplus \$	Cost / revaluation 30 Jun 2019 \$	Accumulated depreciation 30 Jun 2019 \$	Carrying amount 30 Jun 2019 \$
<b>Operating assets At cost &amp; valuation</b>											
Buildings	655,692	(53,375)	602,317	-	-	(42,141)	-	54,124	614,300	-	614,300
Office furniture and fittings	116,143	(47,902)	68,241	9,142	(16)	(18,860)	-	-	124,592	(66,085)	58,507
Plant and equipment	7,665	(2,174)	5,491	-	-	(652)	-	-	7,665	(2,826)	4,839
Motor Vehicles	36,043	(26,859)	9,184	-	-	(1,837)	-	-	36,043	(28,696)	7,347
Capital work in progress - buildings	-	-	-	-	-	-	-	-	-	-	-
Land Improvements	-	-	-	-	-	-	-	-	-	-	-
Street Lighting	-	-	-	-	-	-	-	-	-	-	-
<b>Total operating assets</b>	<b>815,543</b>	<b>(130,310)</b>	<b>685,233</b>	<b>9,142</b>	<b>(16)</b>	<b>(63,490)</b>	<b>-</b>	<b>54,124</b>	<b>782,600</b>	<b>(97,607)</b>	<b>684,993</b>
<b>Infrastructural assets At cost &amp; valuation</b>											
Roading	1,424,200	(14,808)	1,409,392	-	-	(14,808)	-	-	1,424,200	(29,616)	1,394,584
Stormwater	375,200	(14,990)	360,210	-	-	(14,989)	-	-	375,200	(29,979)	345,221
Runways	4,899,194	(174,729)	4,724,465	-	-	(176,551)	-	-	4,899,194	(351,280)	4,547,914
<b>Total infrastructural assets</b>	<b>6,698,594</b>	<b>(204,527)</b>	<b>6,494,067</b>	<b>-</b>	<b>-</b>	<b>(206,348)</b>	<b>-</b>	<b>-</b>	<b>6,698,594</b>	<b>(410,875)</b>	<b>6,287,719</b>
<b>Restricted assets At cost &amp; valuation</b>											
Land	-	-	-	-	-	-	-	-	-	-	-
Land Improvements	4,215,200	-	4,215,200	-	-	-	-	(179,200)	4,036,000	-	4,036,000
<b>Total restricted assets</b>	<b>4,215,200</b>	<b>-</b>	<b>4,215,200</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(179,200)</b>	<b>4,036,000</b>	<b>-</b>	<b>4,036,000</b>
<b>Total</b>	<b>11,729,337</b>	<b>(334,837)</b>	<b>11,394,500</b>	<b>9,142</b>	<b>(16)</b>	<b>(269,838)</b>	<b>-</b>	<b>(125,076)</b>	<b>11,517,194</b>	<b>(508,482)</b>	<b>11,008,712</b>

#### *Land (operational, restricted, and infrastructural)*

Land is valued at fair value using market-based evidence based on its highest and best use with reference to comparable land values. Adjustments have been made to the "unencumbered" land value where there is a designation against the land or the use of the land is restricted because of reserve or endowment status. These adjustments are intended to reflect the negative effect on the value of the land where an owner is unable to use the land more intensely.

#### *Buildings (operational and restricted)*

Specialised buildings are valued at fair value using depreciated replacement cost because no reliable market data is available for such buildings. The Airport has no such buildings

Depreciated replacement cost is determined using a number of significant assumptions. Significant assumptions include:

- The replacement asset is based on the replacement with modern equivalent assets with adjustments where appropriate for obsolescence due to over-design or surplus capacity.
- The replacement cost is derived from recent construction contracts of similar assets and Property Institute of New Zealand cost information.
- The remaining useful life of assets is estimated.
- Straight-line depreciation has been applied in determining the depreciated replacement cost value of the asset.

Non-specialised buildings (for example, residential buildings) are valued at fair value using market-based evidence. Market rents and capitalisation rates were applied to reflect market value.

In November 2018 an earthquake risk assessment was undertaken on the Airport terminal by DBCON Consulting Engineers and the building was assessed as 35% to New Building Standard, Importance Level 3. Based on this assessment no adjustments have been made for any estimated building strengthening costs or associated lost rental due to building strengthening work.

#### *Infrastructural asset classes: roading, stormwater and runways*

Roading, stormwater and runway infrastructural assets are valued using the depreciated replacement cost method. There are a number of estimates and assumptions exercised when valuing infrastructural assets using the depreciated replacement cost method. These include:

- Estimating any obsolescence or surplus capacity of the asset.
- Estimating the replacement cost of the asset. The replacement cost is derived from recent construction contracts in the region for similar assets.
- Estimates of the remaining useful life over which the asset will be depreciated. These estimates can be affected by the local conditions. For example, weather patterns and traffic growth. If useful lives do not reflect the actual consumption of the benefits of the asset, then the Airport could be over-or under-estimating the annual depreciation charge recognised as an expense in the statement of comprehensive revenue and expense. To minimise this risk, infrastructural asset useful lives have been determined with reference to the NZ Infrastructural Asset Valuation and Depreciation Guidelines published by the National Asset Management Steering Group, and have been adjusted for local conditions based on past experience.

The most recent valuation of the roading and runway infrastructural assets was performed by WPS New Zealand Limited, and the valuation is effective as at 30 June 2020.

#### **Impairment**

No impairment losses have been recognised for plant and equipment during the year.

#### **Leasing**

The Airport has no plant and equipment held under finance leases (2019 \$0).

#### **Restrictions**

The Airport has land in the "restricted Asset" category. Land in the 'Restricted Asset' category are subject to either restrictions on use, or disposal, or both. This includes restrictions from legislation (such as land declared as a reserves under the Reserves Act 1977), or other restrictions (such as land under a bequest or donation that restricts the purpose for which the assets can be used). There are no buildings in this category.

### 13 Intangible assets

Movements in the carrying value for each class of intangible asset are as follows:

	<b>Computer software \$</b>
<b>At 1 July 2018</b>	
Cost	10,681
Accumulated amortisation and impairment	<u>(7,735)</u>
<b>Net book amount</b>	<u>2,946</u>
<b>Year ended 30 June 2019</b>	
Opening net book amount	2,946
Additions	-
Subsidiary sold	-
Amortisation charge **	<u>(1,040)</u>
<b>Closing net book amount</b>	<u>1,906</u>
<b>As at 30 June 2019 / 1 July 2019</b>	
Cost	10,681
Accumulated amortisation and impairment	<u>(8,775)</u>
<b>Net book amount</b>	<u>1,906</u>
	<b>\$</b>
<b>Year ended 30 June 2020</b>	
Opening net book amount	1,906
Additions	-
Disposals	-
Amortisation charge	<u>(1,040)</u>
<b>Closing net book amount</b>	<u>866</u>
<b>As at 30 June 2020</b>	
Cost	10,681
Accumulated amortisation and impairment	<u>(9,815)</u>
<b>Net book amount</b>	<u>866</u>

There are no restrictions over the title of intangible assets. No intangible assets are pledged as security for liabilities.

#### Impairment

No impairment losses have been recognised for any intangible asset.

### 14 Trade and other payables

	<b>Actual 2020 \$</b>	<b>Airport Actual 2019 \$</b>
Trade payables	15,608	23,558
Accrued expenses	27,739	24,853
Revenue in advance	<u>55,556</u>	<u>53,379</u>
<b>Total creditors and other payables</b>	<u>98,903</u>	<u>101,790</u>
Total creditors and other payables from exchange transactions	<u>96,594</u>	<u>94,372</u>
Total creditors and other payables from non-exchange transactions	<u>2,309</u>	<u>7,418</u>

## 14 Trade and other payables

Total current creditors and other payables from exchange and non-exchange transactions

98,903      101,790

Trade payables are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of trade payables approximates their fair value.

## 15 Employee benefit liabilities

	Actual 2020 \$	Airport Actual 2019 \$
<b>Current portion</b>		
Accrued pay	1,447	-
Annual leave	28,190	14,974
Long service leave	4,690	-
<b>Total current portion</b>	<u>34,327</u>	<u>14,974</u>
<b>Non-current portion</b>		
Long service leave	873	1,761
<b>Total non-current portion</b>	<u>873</u>	<u>1,761</u>
<b>Total employee entitlements</b>	<u>35,200</u>	<u>16,735</u>

The present value of long service leave obligations depend on a number of factors that are determined on an actuarial basis. Two key assumptions used in calculating this liability include the discount rate and the salary inflation figure. Any changes in these assumptions will affect the carrying amount of the liability.

A discount factor of 1.23% (2019 1.23%) and an inflation factor of 2% (2019 2%) were used.

## 16 Explanation of major variances against budget

	Airport	
	Actual 2020 \$	SOI 2020 \$
Total revenue	821,659	514,817
Total expenditure	<u>(956,864)</u>	<u>(706,551)</u>
	<u>(135,205)</u>	<u>(191,734)</u>

### Explanations for major variations from the Statement of Intent

	Actual 2020 \$	SOI 2020 \$
<b>Main variances in revenue against budget</b>	-	-
Landing charges		
General Aviation	149,126	184,000
Passenger Terminal charges	75,084	97,700
Lower than expected general aviation traffic & passenger terminal charges due to Covid 19	-	-
Fuel commission	715	5,200
Changes to charging for throughput now included as part of lease	-	-
First time recognition of assets	352,831	-
First time recognition of part of Anzac Memorial Drive	-	-
Leases	196,363	188,400
Increase in Fuel site leases due to no longer charging for fuel throughput	-	-
Other services	47,540	39,517
Wages subsidy received for first lockdown period	-	-
<b>Main variances in expense against budget</b>	-	-
Employee benefit expenses	157,100	178,000
Airport Managers position vacant for 6 months	-	-
Professional services & legal fees	58,596	53,500
OLS survey not forecast	-	-
Contractors	71,650	30,000
Contract staff used to cover staff vacancy	-	-
Loss on disposal of fixed asset	173,525	-
Loss on disposal of part of Anzac Memorial Drive to Taupo District Council	-	-
Settlement	33,235	-
Settlement costs for lease dispute	-	-
Depreciation	247,164	244,956
Addition of vehicle for Airport Manager not forecast	-	-
Other expenses	215,594	200,095
Increase in Runway inspections & wildlife control costs	-	-
	<u>956,864</u>	<u>706,551</u>

## 17 Current liabilities - Provisions

	Actual 2020 \$	Airport Actual 2019 \$
Other provisions	3,729	-
<b>Total current portion</b>	<u>3,729</u>	<u>-</u>

This amount represents the current portion of a provision for a claim brought against the Airport Authority in relation to a boundary dispute. The Airport Authority is not disclosing any further information with regards to the nature of the obligation or the timing of the liability to avoid any prejudice to the position of the Authority.

## 18 Non-current liabilities - Provisions

	Actual 2020 \$	Airport Actual 2019 \$
<b>Non-current portion</b>		
Other provisions	20,510	-
<b>Total non-current portion</b>	<u>20,510</u>	<u>-</u>

### Movements in provisions:

Opening balance	-	-
Additional provisions made during the year	24,239	-
Movements for each class of provision are as follows:	<u>24,239</u>	<u>-</u>

Movement in current provisions	Other provisions	Total
<b>Airport</b>		
<b>2019</b>		
Balance at 1 July 2018	-	-
Additional provisions made	-	-
Amounts used	<u>-</u>	<u>-</u>

Movement in current provisions	Other provisions \$	Total \$
--------------------------------	------------------------	-------------

<b>Airport</b>		
<b>2020</b>		
Balance at 1 July 2019	-	-
Additional provisions	5,593	5,593
Amounts used	<u>(1,864)</u>	<u>(1,864)</u>
<b>Discount unwinding</b>	<u>3,729</u>	<u>3,729</u>

This amount represents the non current portion of a provision for a claim brought against the Airport Authority in relation to a boundary dispute. The Airport Authority is not disclosing any further information with regards to the nature of the obligation or the timing of the liability to avoid any prejudice to the position of the Authority.

The management of the landfill will influence the timing of recognition of some liabilities, for example, the current landfill consists of a series of new cells being progressively opened as old ones are completed. Each of these requires additional capital expenditure and the recalculation of the landfill aftercare provision.

## 19 Related party transactions

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that it is reasonable to expect the Airport would have adopted in dealing with the party at arm's length in the same circumstances.

Related party disclosures have also not been made for transactions with the Crown and with entities within the Taupo District Council Group (such as funding and financing flows), where the transactions are consistent with the normal operating relationships between the entities and are on normal terms and conditions for such Group transactions.

Equity injections of \$1,870,000 and \$870,000 were made by Taupo District Council and The Crown respectively during the financial year. 690 meters of Anzac Memorial Drive were sold to Taupo District Council for \$1, this did not include the land under the road.

*Key management personnel*

	Airport	
	Actual 2020	Actual 2019
<b>Council members</b>		
Full-time equivalent members (Committee Members)	3	5
<b>Total full-time equivalent personnel</b>	<u>3</u>	<u>5</u>

Due to the difficulty in determining the full-time equivalent for Committee Members, the fulltime equivalent figure is taken as the number of Committee Members.

## 20 Capital & operational commitments and operating leases

As at 30 June 2020 the Airport had no operational commitments or operating leases as lessee (2019: \$0).

### Operating leases as lessor

Airport land is leased under operating leases. The majority of these leases have non-cancellable terms. The future aggregate minimum lease payments to be collected under non-cancellable operating leases are as follows:

	Airport	
	Actual 2020 \$	Actual 2019 \$
Not later than one year	203,266	195,569
Later than one year and not later than five years	714,035	673,827
Later than five years	297,498	400,050
<b>Total non-cancellable operating leases</b>	<u>1,214,799</u>	<u>1,269,446</u>

No contingent rents have been recognised in the statement of financial performance during the period.

## 21 Contingencies

As at 30 June 2020 the Airport had no contingent liabilities or assets (2019: \$0).

### Contingent assets

There are no contingent assets at 30 June 2020 (June 2019 \$0).

## 22 Financial instruments

### Financial instrument categories

Assets	Assets at fair value				Total \$
	Held for trading \$	through surplus or deficit \$	Loans and receivables \$	Available for sale \$	
<b>30 June 2020</b>					
Cash and cash equivalent	-	-	2,844,533	-	2,844,533
Receivables and prepayments	-	-	74,930	-	74,930
<b>Total assets</b>	<b>-</b>	<b>-</b>	<b>2,919,463</b>	<b>-</b>	<b>2,919,463</b>

<b>30 June 2019</b>					
Cash and cash equivalent	-	-	190,364	-	190,364
Receivables and prepayments	-	-	66,867	-	66,867
<b>Total assets</b>	<b>-</b>	<b>-</b>	<b>257,231</b>	<b>-</b>	<b>257,231</b>

Liabilities	Measured at		Total \$
	Held for trading \$	amortised cost \$	
<b>30 June 2020</b>			
Payables and accruals	-	43,347	43,347
<b>Total liabilities</b>	<b>-</b>	<b>43,347</b>	<b>43,347</b>
<b>30 June 2019</b>			
Payables and accruals	-	48,411	48,411
<b>Total liabilities</b>	<b>-</b>	<b>48,411</b>	<b>48,411</b>

## 23 Events after balance date

There were no subsequent events after 30 June 2020.



## 24 Covid 19

The impact on the financial statements of Covid-19 has most noticeably been seen in the revenue from landing fees and passenger terminal charges. Although the Airport was open through lockdown as an essential service, both our main operators Air New Zealand and Sounds Air were not flying, nor were many of our smaller users.

Sounds Air resume flights in mid May however Air New Zealand did not resume flights until June, and then with a much reduced schedule. This has led to a reduction in income from landing fees and passenger terminal charges of \$37k and \$21k respectively for the period March to June 2020 compared to the same period last year.

In order to reduce expenses during this time management made the decision to bring some services such as pest control, runway inspections, and terminal opening, in house.

The Airport has remained fully functional both during lockdown, and afterwards, and all assets are in working order and good condition. As all assets are required for the Airport operations, no asset impairments are necessary.

Handwritten signature in blue ink, consisting of a large, stylized 'A' followed by a smaller signature.