TAUPŌ AIRPORT | TE TAUNGA WAKA RERERANGI O TAUPŌ

Taupō Airport Authority

Statement of Intent
for the period 1 July 2023 to 30 June 2026

Taupō Airport
929 Anzac Memorial Drive
RD 2
TAUPŌ
Website: www. Taupōairport.co.nz

1. INTRODUCTION

This Statement of Intent (SOI) is presented by Taupō Airport Authority (TAA) in accordance with the requirements of Section 64(1) of the Local Government Act 2002. It represents the objectives, nature and scope of activities to be undertaken and performance targets by which TAA will be measured.

It covers the three years of operations from 1 July 2023 to 30 June 2026 and supersedes the previous SOI.

1.1 The Local Government Act

The Local Government Act 2002 requires Council Controlled Organisations to:

- Review their SOI prior to the commencement of each financial year
- Have a financial year ending 30 June each year

Schedule 8 of the Local Government Act 2002 states that the purpose of an SOI is to:

- State publicly the activities and intentions of the Council Controlled Organisation (CCO) for the year and objectives to which those activities will contribute
- Provide an opportunity for the shareholders to influence the direction of the organisation
- Provide a basis for accountability of the CCO governing body for the performance of the organisation

1.2 Responsibilities

The Aerodrome certification, operation and use are governed by the New Zealand Civil Aviation Authority (CAA) and TAA is currently the Aerodrome Operator Certificate (AOC) holder. TAA will manage the Taupō Airport operations, will be responsible for the ongoing capital development and will be responsible for the maintenance of the Airport assets and core infrastructure, ensuring full compliance with CAA Rule Part 139.

TAA's primary goal is to operate the Airport on a sustainable commercial basis, to optimise the use of its assets and to ensure the ongoing safe and successful operation of the Airport.

1.3 Contact details

Chair	Chris Johnston
Acting General Manager	Wayne Wootton
Address:	Taupō Airport Authority 929 Anzac Memorial Drive RD 2 TAUPŌ

2. TAUPŌ AIRPORT AUTHORITY (TAA)

2.1 Establishment of TAA

TAA is the name given to the Joint Venture (JV) relationship between Taupō District Council (TDC) and the Ministry of Transport (MoT), representing the New Zealand Government, under a Deed drafted in 1973. Each partner has a 50% share in the JV and TAA manage the Airport operations on behalf of the JV partners.

TAA is a Council Controlled Organisation (CCO) as defined under the Local Government Act 2002 and was established to manage the full operations of Taupō Airport. The Airport General Manager reports to the TDC General Manager (Operations and Delivery) rather than the Chair of the TAA governing body.

2.2 The Organisation / Objectives

TAA is governed by a Standing Committee of TDC with powers delegated by the Council to the Committee as necessary to operate the Airport.

The Committee is a mix of TDC and independent skills-based local representatives. The Council, as co-owner of TAA, elects the Chair and TAA operates under this SOI as agreed to by the Standing Committee members and TDC.

All Airport operations and assets are managed by the TAA General Manager who has overall responsibility for implementing the strategic direction and reports to the TAA Committee members and TDC through regular Committee meetings.

The passenger terminal, airside infrastructure, car parking areas, roading and underground utilities form the assets within TAA's financial accounts. These facilities are sited on land owned by TDC that is designated for Airport use.

The Airport provides services to allow the safe and efficient facilitation of travellers and freight and, ancillary to this, it leases terminal space and land at the Airport.

TAA's prime objectives are to:

- operate the Airport in full compliance with the regulations set down by the New Zealand Civil Aviation Authority
- ensure that the business is run on a sustainable commercial basis
- optimise the use of its assets and generate a reasonable rate of return on investment

The key to this is to ensure the ongoing safe and successful operation of the Airport, whilst also facilitating the growth of tourism and trade by working collaboratively with key stakeholders to sustainably increase passenger numbers.

In the management of the Airport operations, TAA can set the following charges at the Airport subject to the approval of the TAA Committee, TDC and the MoT (in the case of landing charges):

- all fees and associated charges in respect to vehicle parking
- all landing and parking charges from regular passenger transport services
- all landing and parking charges from general aviation aircraft
- all revenue from tenant's leases and rents, licences, concession-based contracts and lessees outgoings

The Airport is viewed as an essential infrastructure asset for Taupō and the wider region and has a key role to play in the economic performance, growth and development of the area. TAA will work collaboratively with TDC, Destination Great Lake Taupō (Taupō tourism), Amplify (Taupō economic development agency), Taupō Town Centre, the Taupō Chamber of Commerce and other key stakeholders, ensuring a combined approach to achieve the region's desired strategic goals.

3. TAUPŌ AIRPORT

Taupō Airport was originally constructed in 1963 and provides a complimentary mix of aviation and commercial activities. This includes scheduled regular passenger transport services, general aviation, skydiving adventure operations, scenic flights, agricultural aviation operations as well as non-aviation commercial and retail offerings.

Since the relaxing of the air travel restrictions following the COVID-19 pandemic, Taupō Airport is also beginning to see an increase in the number of jet charters bringing high value customers to the region, particularly international passengers.

In 2017, the Airport was identified as a critical piece of transport infrastructure, requiring urgent investment through the District Economic Strengthening Strategy (produced by Taupo District Council) and the Bay of Plenty Visitor Economy Strategy (produced by the Bay of Connections and partially funded by MBIE).

Subsequently, finance was successfully attained through the Government's Provincial Growth Fund scheme and, with the aid of both MoT and TDC funding as JV partners, a new terminal and associated infrastructure project was completed in early 2022.

The opening of the new terminal and much needed upgrade of infrastructure provides an incredible asset for the region and a community experience that is authentic, safe and efficient. It will ensure a great experience not only for the travelling public but is also a destination in its own right.

4. GOVERNANCE

Governance sits with the Committee members of TAA and the Committee is responsible for the strategic and overall direction of the Airport, laying down solid foundations for management and oversight.

TDC employs an Airport General Manager who monitors the organisation's performance against pre-established criteria and has overall responsibility for implementing the Airport's strategic direction.

The Committee members are appointed by TDC and meet regularly with Airport Management to review the Airport's performance and provide quarterly, half yearly and annual business performance reports.

The TAA Committee members are:

- Chris Johnston (Chair) (Business representative)
- David Trewavas (Mayor)
- Duncan Campbell (Councillor)
- Yvonne Westerman (Councillor)
- Chris Grace (Business representative)

5. MANAGEMENT

Management of the Airport is the responsibility of the General Manager with the assistance of a small team comprising of a full-time Operations Manager and a part-time Safety Manager.

For economic efficiency, Airport management also utilises the Air New Zealand and Sounds Air ground handling operator to assist with the day-to-day running of the Airport. This is through an Airport Operations Contract which also includes terminal cleaning, car park management and basic security.

Grounds and general maintenance of the Airport is split into two contracts:

- The airside bulk mowing is carried out by TDC's Parks and Reserves team with supervision by TAA management for aircraft movement compliance.
- The remainder of the airside grounds maintenance and all landside work is through a Grounds and General Maintenance Contract with a local company which includes maintenance of the terminal precinct, car parking areas, landscaping, fencing and gates.

The General Manager is accountable to the TAA Committee members and TDC for implementing the Airport's strategic direction, business development, stakeholder relations and to ensure the ongoing safe and successful operation of the Airport in full compliance with CAA Rule Part 139 and the Health and Safety at Work Act 2015.

6. RESPONSIBILITY TO THE SHAREHOLDERS

6.1 Statement of Intent

In accordance with the Local Government Act 2002, TAA will submit a Statement of Intent (SOI) for the coming financial year to TDC. The SOI sets out the Company's overall objectives, intentions, financial and performance targets for the following three years.

The draft SOI is required to be submitted to the JV partners for comment by 1 March, following which the final SOI is to be provided to the JV partners by the 31 May for adoption in June, prior to the start of the SOI period.

6.2 General information flows and reporting

TAA Committee aims to ensure that the JV owners are informed of all major developments affecting the Airport's state of affairs, while at the same time recognising that commercial sensitivity may preclude certain information from being made public

Whilst noting that TAA may operate in a different market to Council, the Airport is aware that it operates in a public environment and, as such, TAA will exercise due care and attention in accordance with Council's policies and procedures, including sensitive expenditure.

Within these constraints, information will be communicated as follows:

- Quarterly reporting against the SOI's performance measures and financial forecasts to be provided within 60 days of the end of the quarter.
- Delivery of a half-year report within 90 days of the end of the first six months of the financial year.
- Delivery of a Committee-approved annual report with an unqualified Audit Opinion within 90 days of the financial year end.
- Regular meetings between TAA General Manager and TDC senior executives to ensure strong communications and alignment between the Council and TAA.
- Meetings as required between TAA, TDC and the MoT
- Other ad-hoc reports and briefings to inform well in advance of any material for significant events, transactions or other issues that would be considered contentious or attract wide public interest – operating a *no surprises policy.*

6.3 Strategic focus

a) TDC / TAA support services

Historically, TDC has provided services to TAA to ensure the Airport operations, in consideration of the small Airport management team, are managed effectively from a cost perspective. These support services include:

- Financial
- IT
- Legal
- Communications
- Grounds maintenance (large scale airside mowing)
- Facilities compliance (building warrant of fitness etc.)

TDC invoice TAA on a monthly basis for some of the support services but there is no formal agreement in place.

The intention during the early part of this SOI is for TAA and TDC to enter into discussions to formulate a Service Level Agreement between the two entities for the support which will detail the services to be provided and associated costs.

b) Governance structure review

TAA is a Council Controlled Organisation (CCO) as defined under the Local Government Act 2002 but, due to the historic size and scale of the airport, TAA has been essentially run as an activity of Council. This limits the ability to effectively manage the Airport as a standalone business.

In 2019 TDC engaged a consultant to carry out an independent review on the Governance structure of TAA which resulted in feedback and advice to move TAA from a Standing Committee of Council to a full Council Controlled Organisation structure, including the development of an independent Board of Directors tasked with providing high level governance over the Airport Company.

This would give the opportunity for the Airport to be managed on a more commercial footing and operate at industry best practice level whilst still providing stakeholders with the ability to provide valued input on strategic direction.

The process of forming a fully functioning CCO will initially require TAA to be registered as a business, the development of a company constitution and various agreements between TDC and TAA to be established, all with the full involvement of the MoT as the JV partner.

c) New Zealand Civil Aviation Authority (CAA) requirements

As holder of the Aerodrome Operator Certificate (AOC), TAA is responsible for meeting all aviation operations and health and safety obligations under CAA Rule Part 139 including the ongoing management of an Airport Safety Management System (SMS).

TAA's General Manager is designated on the AOC as the Aerodrome Chief Executive, having direct accountability to the CAA.

TAA will keep Council officers and the CAA informed at all times of any changes in the status of these obligations or any other matters relating to CAA Rule Part 139.

The current AOC is due to expire on the 28 July 2023 and TAA management will submit an application to the CAA for a five-year renewal of the certificate during this SOI period. This will entail a complete review of the Aerodrome Exposition consisting of the following manuals, followed by a comprehensive audit to be undertaken by the CAA:

- Operations
- Safety Management System
- Emergency Response

d) Airport Master Plan

In 2020 Airport management, in collaboration with local Architects, worked on the development of an Airport Master Plan and produced high level pictorial imagery of a proposal to segregate the Airport land into seven zones or precincts. Each zone considered various development opportunities, both aviation and non-aviation, and also included the acquisition of a parcel of land to the north west of the Airport.

At the current time TDC owns all of the Airport land with an Airport boundary in place which basically covers the operational areas. To fully develop the intent of the Airport Master Plan, it will be necessary for TDC and TAA to investigate options for the land surrounding the Airport and the possibility of redefining the boundaries to allow and expansion of Airport designated land.

e) Airport Asset Management Plan

Following the completion of the terminal and associated infrastructure redevelopment project, this has given the opportunity to take stock of all of the Airport assets:

- Buildings
- Fixtures and fittings
- Landside infrastructure – roading, paving, landscaping, underground services
- Airside infrastructure – runways, taxiways, apron, drainage
- Airport land

Currently, these assets are generally under TDC ownership, although they are included in TAA's statement of financial position.

TAA will work with TDC during this SOI period to formulate a detailed Airport Asset Management plan. This will require some definition as to asset ownership, a detailed asset register to be developed and who will be responsible for maintaining the Asset Management Plan moving forward.

f) Stakeholder relations

To effectively grow passenger traffic through the Airport and be of benefit for the region, a concerted effort has to be made by all interested parties for a common goal:

- Airport
- Airlines
- Council
- Tourism
- Economic development

Whilst there has been some coordination in the past between certain entities, this now has to take a much stronger direction, especially as the recovery continues from the devastating impacts of the COVID-19 pandemic.

During the SOI period, TAA will support this process by participating in regular forums with representatives from the key stakeholders and work towards the overall objective of making Taupō and the region the place to live, work, play and visit.

7. Capital Expenditure Proposals

During the period of this SOI the following capital expenditure projects are being proposed subject to feasibility studies and sound business cases being presented by TAA management to the TAA Committee, TDC and the MoT for approval:

a) Airside apron extension

The Airport has recently completed a major redevelopment with the construction of a new terminal and associated infrastructure which was co-funded between the Crown (Provisional Growth funding and MoT) and TDC.

An apron extension to accommodate the growth in aircraft movements, particularly jet charters, was included in the terminal redevelopment project and this was due to be completed by the end of June 2024 to meet the requirements of the Government funding.

The apron extension project was originally estimated in 2020 and a budget of $800k was proposed, however, considering inflation pressures since the estimate was carried out, the project has been reviewed and a new estimate produced. The revised estimate has now risen to $1.5m

TDC and TAA have been in consultation with MBIE over the terminal redevelopment project funding and an agreement has been reached, whereby, the apron extension project is now to be constructed separately but needs to be completed by January 2025 at the latest to enable TDC to receive the final tranche of the shovel ready project funding for the terminal.

Therefore, the apron extension project has been deferred until FY2025 and TDC has included an item in the LTP during the same financial year.

The Ministry of Transport has been contacted with a view to seeking a contribution towards to cost of the apron extension with construction to be completed by January 2025.

b) Airside security fencing

As part of the terminal redevelopment the old terminal building will be demolished leaving an open area to the airside apron. Fencing will be necessary to prevent unauthorised access to the apron and TAA will take the opportunity to install 2.44m high security fencing in accordance with the Civil Aviation Authority (CAA) regulations.

The requirement for security fencing for 300m either side of the terminal was introduced at Tier 2 airports in 2017/18 but at that time Tier 3 airports were excluded from the rule. However, with the high number of jet charters at Taupō, the increasing number of regular passenger transport activity and the fact that the CAA may extend the rule to Tier 3 airports such as Taupō in the future, it has been decided that the appropriate security fencing is to be installed.

The MoT as JV partners have been approached for co-funding of this project and have agreed a 50% contribution.

c) Surface treatment works to the main sealed runway

In November 2022 management engaged an aviation consultant to carry out a runway condition survey.

The runway was last resurfaced with a 50mm asphaltic overlay in 2010 and such surfacing generally lasts between 15 to 20 years. A longer surface life of up to 30 years can be achieved with the appropriate use of a bitumen surface treatment.

To maintain the integrity of the surface and extend the life of the runway, the consultant has recommended that a proprietary surface treatment be applied during this SOI period for which a specialist contractor will be engaged to design and carry out the operation.

The consultant has anticipated that the cost of the treatment works will be circa $600k.

In addition to the key projects above, further capital works are proposed over the three-year period of this SOI including:

- Resurfacing of the refuelling area to the north of the apron
- Rehabilitation works to the sealed taxiways
- Underground services
- Internal roading

Forecasted capital expenditure

	2023/24 $000	2024/25 $000	2025/26 $000
Apron extension	-	1,500	-
Airside security fence	60	-	-
Runway surface treatment	-		600
Other capital works	60	200	300
Total	**120**	**1,700**	**900**

As part of the development of an asset management plan, a rolling programme of maintenance and capital improvements will be developed.

If any capital works are required in the future that cannot be funded from Airport operations, TDC and the MoT as JV owners, will be approached with regards contributions for the works.

8. OPERATIONS

The Airport is an essential infrastructure transport hub for Taupō and the surrounding area and provides facilities that are safe, efficient and welcoming to all users.

It is essential that TAA positions the Airport for future aviation growth by close collaboration with the airlines and key stakeholders to facilitate the expansion of tourism, trade and domestic air travel and to play a key role in the economic performance and development of the region.

The operational performance of TAA will be judged against the following measures:

8.1 Operational performance

1) Maintain the Airport facilities to avoid any disruption of scheduled commercial flights other than for weather or airline related problems.

2) Meet all the operating, maintenance and interest costs from Airport revenue.

3) Manage Taupō Airport in full compliance with the approved operating procedures of Civil Aviation Authority Rule Part 139.

4) Complete the Airport apron extension project before June 2024.

8.2 Passenger numbers

	2023/24	**2024/25**	**2025/26**
Forecasted passenger numbers	71,720	73,872	76,088

9. FINANCIALS

9.1 Ratio of TAA's capital to total assets

For the next three years, the ratio of total capital to total tangible assets is expected to range from 0.94:1 to 0.97:1. TAA's capital includes:

- Retained earnings
- Capital account

Total tangible assets include:

- Current assets
- Property, plant and equipment

9.2 Accounting policies

The accounting policies will be consistent with:

- The Financial Reporting Act 1993
- New Zealand Generally Accepted Accounting Principles (NZGAAP)
- Accounting Standards Review Board pronouncements

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 Authority. 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 as a tier two public benefit entity for the for the purposes of New Zealand equivalents to International Public Sector Accounting Standards (PBE IPSAS).

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 in New Zealand (NZGAAP).

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 Authority is New Zealand dollars.

ACCOUNTING POLICIES

The following accounting policies, which materially affect the measurement of results and financial position, have been applied.

1. Goods & Services Tax

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.

2. Revenue recognition

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 the fair value of consideration received.

The main sources of revenue 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 received by credit card, EFTPOS, automatic payment or direct debit.

3. 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

4. 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.

5. Financial Assets

Taupo Airport Authority 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.

6. Trade Receivables

Trade receivables are recognised at their cost less impairment losses.

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

7. Property, Plant and Equipment

Property, plant, and equipment consist of Land, operating assets, and infrastructural assets. 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 Authority 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 or 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 Authority and the cost of the item can be measured reliably.

Disposals

Gains and losses on disposal are determined by comparing proceeds with carrying amount. These are included 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.

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.

Depreciation

Land is not depreciated. Depreciation has been provided on a straight-line basis on all property, plant and equipment. Depreciation is provided at rates calculated to allocate the asset cost over the estimated useful life. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Infrastructural assets

Runways	3 Years - Indefinite
Roading network	3 - 52 Years
Kerbs	50 Years
Footpaths	80 Years
Stormwater	50 – 80 Years
Fencing	10 Years
Street Lighting	15 Years

Operational Assets

Buildings	2.5 - 64 Years	(1.6% – 40.4%)
Furniture and Fittings	4 - 15 Years	(6.7% - 25.2%)
Motor Vehicles	5 Years	(20%)
Office Equipment and Plant and Equipment	4 - 50 Years	(2%-25%)

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

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 2022.

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. The stormwater system assets were valued at fair value by independent valuer AECOM New Zealand Limited at 30 June 2021.

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 recognized at cost less impairment. The current carrying amount of items under construction is separately disclosed.

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

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 over the expected useful life of the website. This is estimated as 4 years (25%).

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

8. 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 upon lease renewal, or other contractual basis 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 income.

All investment properties have currently been disposed.

9. Financial Liabilities

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

10. 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 and retirement gratuities, 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.

11. Income Tax

Income tax on the surplus or deficit for the period comprises 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 to prior years. Current tax is calculated using rates 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 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 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.

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.

12. 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 Authority can continue its current operations.

Acquisition of new investments

Approval of the joint venture partners is required before the joint venture can subscribe for, purchase or otherwise acquire shares in any company or other organisation.

Local Authority Compensation

The joint venture seeks funding up to $1,000,000 from Taupo District Council for the completion of the redevelopment project prior to December 2023.

Commercial value of the investment

The joint venture partner's estimate of the commercial value of the joint venture partner's investment in the TAA is equal to the net assets of the airport authority. Some asset classes will be revalued. Where an asset class is revalued, the revaluations will be carried out at least every three years.

Distribution of profits/reserves to joint venture partners

Any distribution of profits is allocated 50/50 between the joint venture partners. There is currently no intention to distribute accumulated profits to the joint venture partners, but for the foreseeable future, any capital reserves shall be used to fund Capital Expenditure.

Information to be provided to shareholders

The committee will provide the following statements to shareholders

- A draft Statement of Intent will be delivered to shareholders on or before the 1st of March in the year preceding the financial year to which the draft relates setting out its recommendations as per Schedule 8 Part 2 of the Local Government Act 2002.

- A half-yearly report will be delivered within two months after the end of the first half of each financial year. Each report will include the information required by the Statement of Intent.

- Within three months of the end of the financial year the Committee will provide a complete report on the organisations operations during the year including information required by the Statement of Intent, as well as Part 5 Sections 68 and 69 of the Local Government Act 2002.

9.3 Financial performance

The following outlines TAA's anticipated financial performance for the three-year period ending 30 June 2026 assuming forecasted passenger growth, current and known future aircraft type and size, and other proposed commercial activity within the Airport confines:

Financial performance

	2023/24 $000	**2024/25 $000**	**2025/26 $000**
Operating revenue	1,191	1,437	1,478
Operating expenditure	994	911	942
EBITDA	197	525	536
Depreciation, Interest & Tax	493	592	655
Net profit	(296)	(67)	(119)

9.4 Forecast statement of financial position

	2023/24 $000	2024/25 $000	2025/26 $000
Assets			
Current assets	233	573	707
Property, plant and equipment	20,666	21,773	21,419
Total assets	20,899	22,469	22,126
Liabilities			
Current liabilities	328	179	181
Non-Current borrowings	679	557	420
Total liabilities	1,007	736	601
Net assets/liabilities	19,892	21,610	21,524
Total equity	**19,892**	**21,610**	**21,524**

9.5 Commercial value of TAA

In keeping with the spirit of the Act, the value of the investment is the capital. This rationale is based on the fact that TAA is a going concern and that the total assets are carried at fair value and assessed for impairment annually. This estimate will be re-assessed in the same manner on an annual basis.

	2022 $000	2021 $000	Movement $000
Land	5,217	4,036	1,181
Infrastructure and buildings (landside assets)	7,187	2,528	4,659
Runway, taxiways and apron (airside assets)	4,607	4,748	(141)
Furniture and fittings	22	28	(6)
Total	17,033	11,340	5,693

9.6 TDC loan to TAA

With the focus to be more commercially sound, profitability from the Airport operations is expected to improve over the coming years.

In 2020 TDC agreed a loan facility to TAA and, whilst interest payments on the outstanding debt will be maintained, provisions will be made by TAA to repay the capital portion of the loan based on surplus funds once revenue received from Airport operations has met operational requirements.

9.7 Information to be provided

TAA will make the following available to JV partners if there are any material changes:

- Details of any new developments which would involve a significant movement away from the current activities of the business.
- Information and details on any new developments which have not been covered in the Statement of Intent.

9.8 Accounting designation

TAA is designated as a Public Benefit Entity for accounting purposes.