TAUPO AIRPORT AUTHORITY

LAKE TAUPO • NEW ZEALAND

Statement of Intent For The Year Ended 2013

STATEMENT OF INTENT
For the year ended 30 June 2013

1. INTRODUCTION

The Taupo District Council and the Crown - represented by the Ministry of Transport, own the Taupo Airport Authority (TAA) equally.
TAA is managed, under agreement with the Crown, by the Taupo District Council. Management is represented by the Chief Executive Officer of the Airport, who reports to the Chief Executive Officer of the Taupo District Council

Auditors - Audit New Zealand
Bankers - Bank of New Zealand
Solicitors - Le Pine & Co, Taupo

OBJECTIVE OF TAUPO AIRPORT AUTHORITY

To operate a successful commercially viable business providing land and infrastructure for the safe, appropriate and efficient air transport needs of the Taupo district.

2. NATURE AND SCOPE OF ACTIVITIES

TAA is engaged in a number of activities which contribute towards the air transport needs of the District.

ACTIVITIES PROVIDED:

(1) THE PROVISION OF AN AIRPORT INFRASTRUCTURE

1.1 TAA provides two runways: a sealed runway and a grass runway.
1.2 Terminal and handling facilities are provided for scheduled commercial flights.
1.3 TAA maintains buildings, plant and infrastructure appropriate to their use.
1.4 TAA makes appropriate financial provision for long term major maintenance and replacement.

Contribution to Overall Objective of TAA

The existence of an airport infrastructure enables scheduled and chartered air services to be provided for the Taupo district. It also provides for general aviation usage.

(2) THE PROVISION OF LEASEHOLD LAND FOR AIRPORT and NON AIRPORT RELATED DEVELOPMENT.

TAA shall provide and develop land for lease to current and prospective aviation businesses. In order to be commercially prudent however, land unsuitable for aviation related businesses may be developed and leased to non aviation related businesses, provided they do not interfere with the operations of the airport.

Performance targets

(a) The sealed runway will be open for air traffic 365 days of the year unless prevented by adverse weather or unexpected events.
(b) The grass runway will be open for air traffic 365 days of the year unless prevented by adverse weather or unexpected events, or when the sealed runway is in use.
(c) The airport will be Part 139 certified
(d) A positive financial return on Equity to be achieved annually.
(e) The TAA be self funding in terms of its own cash flow requirements as soon as possible.

TAA shall continue to review its performance targets to reflect the future growth and development of its services and operations.

3. FINANCIAL DISCLOSURES

The projected ratio's of consolidated shareholders funds to total assets are as follows:

2012/13	92.3%
2013/14	94.0%
2014/15	96.0%

ACCOUNTING POLICIES

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.

STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

These Financial Statements have been prepared for the Taupo Airport Authority in accordance with the Civil Aviation Act 1990, the Airport Authorities Act 1966 and the Local Government Act 2002 and therefore also comply with International Financial Reporting Standards. The primary objective of the Authority 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 Authority has designated itself as a public benefit entity for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

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 asset and liability 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.

The Authority is a qualifying entity for differential reporting purposes as it has no public accountability and is not considered large. The financial statements have been prepared so as to take advantage of all available differential reporting concessions, except that a Cash Flow Statement has been prepared. The reporting concession in relation to IAS 12 has also not been applied.

ACCOUNTING POLICIES

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

1 Property, Plant and Equipment

1.1 Valuation of Land and Buildings

Airport land was initially valued at fair value by Quotable Value New Zealand as at 1 July 2005 which was deemed cost. The land and buildings have been revalued to fair value by Darroch Valuations as at 30 June 2010. Land is not depreciated.

1.2 Valuation of Infrastructural Assets

These are the utility systems that provide a continuing service to the airport and are not generally regarded as tradable. They include the runways, roads and stormwater systems together with other improvements of an infrastructural nature.

These assets were valued at depreciated replacement cost by Beca Valuations Limited effective 30 June 2008.

1.3 Operational Assets

This includes furniture and fittings, motor vehicles, office equipment and plant and equipment. Operational assets are stated at cost less depreciation.

1.4 Depreciation

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

Formation	Indefinite	Pavement	60 Years
Top Surface	15 Years	Kerb	50 Years
Footpaths	80 Years	Stormwater	50 – 80 Years
Fencing	10 Years	Street Lighting	15 Years

Operational Assets

Buildings	40 Years	(2.5%)
Furniture and Fittings	10 Years	(10%)
Motor Vehicles	5 Years	(20%)
Office Equipment and Plant and Equipment	4 to 5 Years	(20%-25%)

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

2 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%).

3 Investment Property

Properties leased to third parties under operating leases 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 income.

These properties were revalued to fair value by Veitch Morrison as at 30 June 2009. Subsequently all investment properties have been disposed.

4 Income Taxation

Income tax expense in relation to 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 income, except when it relates to items charged or credited directly to equity, in which case the tax is dealt with in equity.

5 Goods & Services Tax

The financial statements have been prepared on a goods and services tax (GST) exclusive basis, except for trade and other receivable and trade and other payable.

6 Employee Entitlements

Provision is made in respect of the Airport's liability for annual leave. Annual leave has been calculated on an actual entitlement at current rates of pay.

7 Financial Liabilities

Financial liabilities (trade payables, income in advance, loans, bonds and deposits) are initially recognised at fair value. These are subsequently recognised at amortised cost.

8 Operating Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items are classified as operating leases. Payments under these leases are recognised as expenses in the periods in which they are incurred.

9 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.

10 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 Authority 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 asset's carrying amount and the present value of estimated future cash flows, discounted using the effective interest method.

11 Financial Assets

Taupo Airport classifies its investments in the following categories:

(a) Financial assets or financial liabilities at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term, or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date. After initial recognition they are measured at their fair values. Gains or losses on re-measurement are recognised in the statement of comprehensive income.

(b) 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 income.

(c) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities, that management has the positive intention and ability to hold to maturity. 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 income.

(d) Available-for-sale financial assets
Available-for-sale financial assets are non-derivatives that are either designated in this category, or not classified in any of the other categories.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition, and re-evaluates this designation at every reporting date. After initial recognition these investments are measured at their fair value. Gains and losses are recognised directly in equity except for impairment losses, which are recognised in the statement of comprehensive income. In the event of impairment, any cumulative losses previously recognised in equity will be removed from equity and recognised in the statement of comprehensive income even though the asset has not been derecognised. On derecognition the cumulative gain or loss previously recognised in equity is recognised in the statement of comprehensive income.

12 Revenue
Revenue is measured at the fair value of consideration received.

The main sources of income for the Authority are Airfield Landing Charges and Lease Income from leasehold sites at the airport. Income is recognised in the period to which it relates. Payment is received by cash, cheque, automatic payment or direct debit.

13 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 does not currently seek compensation from any local authority for any activities.

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 five 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.

Setting of Fees and Charges
A single till approach shall be taken in setting fees and charges.

Forecast Financial Statements (Summary)

Cost of Service Statement

For the year ended 30 June	2013 ($,000)	2014 ($,000)	2015 ($,000)
Landing Fees	184	184	184
Terminal Rents	19	19	20
Lease Income	221	240	260
Other Income	12	15	17
Operating Income	436	458	481
Operating Expenditure	560	567	533
Net Cost (Surplus) of Operations	124	109	52
Net Cost (Surplus) of Operations (excluding depreciation)	(120)	(132)	(152)

A half yearly financial report will be provided to both TDC and the Crown.

Capital Expenditure Forecast

No capital expenditure is forecast for this period.

4. GOVERNANCE STATEMENTS

Structure, Function and Obligations

Council determined that a new Governance structure be established following the completion of the fees and charges review. That structure is in the form of a Committee of Council.

The TAA Committee has a key role in providing for the safe, appropriate and efficient air transport needs of the Taupo district. It will do this through identifying and addressing issues which are both strategic and which have a long term positive bearing on the provision of those air transport needs.

The TAA Committee will prepare a Statement of Intent each year setting out its intended activities and objectives. It will also prepare a half yearly and annual report, the key element of which is the reporting of performance against the accountabilities outlined in the Statement of Intent.

Guidance and resources

The TAA will conduct itself in accordance with its annual Statement of Intent agreed with its shareholders, and the provisions of the Local Government Act 2002.

Significant policies in place for accountability

Apart from the setting of a Statement of Intent each year, and the half yearly and annual reporting, the TAA Committee interacts with its owners through:

- Providing, as manager of TAA, copies of all meeting agendas and minutes of those meetings to the Taupo District Council
- Arranging special briefings with the Taupo District Council, and separately with the Crown, on an 'as required' basis.