

## Independent Auditor's Report

### To the readers of Taupō Airport Authority's financial statements for the year ended 30 June 2021

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:

- 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 2021, the statement of financial performance 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.
- 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 2021; 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.
- 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 2021.

#### ***Our audit was completed late***

Our audit was completed on 8 August 2022. This is the date at which our opinion is expressed. We acknowledge that our audit was completed later than required by Section 67(1)(a) of the Local Government Act 2002. This was due to an auditor shortage in New Zealand and the consequential effects of Covid-19, including lockdowns.

The basis for our opinion is explained below. 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 the other information, and we explain our independence.

## **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 the 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 the 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.

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 risk 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 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 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, 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 during our audit.

Our responsibilities arise from the Public Audit Act 2001.

## **Other information**

The Board of Directors are responsible for the other information. The other information comprises the information included on page 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 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 in our capacity as auditor, we have no relationship with, or interests in, the Airport.

A handwritten signature in blue ink, appearing to read 'L. Pieterse', is positioned above the printed name.

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

# 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) Andrew Hintz (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

af

# CONTENTS

CONTENTS.....	2
STATEMENT OF PERFORMANCE: PERFORMANCE TARGETS AND RESULTS ACHIEVED TO DATE .....	3
SUMMARY OF AIRCRAFT MOVEMENTS.....	3
STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE.....	5
STATEMENT OF CHANGES IN NET ASSETS/EQUITY .....	5
STATEMENT OF FINANCIAL POSITION .....	6
STATEMENT OF CASHFLOWS .....	7



**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 (2020: 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 (2020: 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 (2020: Achieved)
The TAA will be self-funding in terms of its own cash flow.	Not Achieved	Operating cash flow for the year is \$-31k (2020: \$-37k, Not Achieved)

**Financial performance:**

Consolidated shareholder funds to total assets 93.73% (2020: 91.63%) against a projected 86.0%.

**SUMMARY OF AIRCRAFT MOVEMENTS**

*For the year ended 30 June 2021*

	<i>Year to 30 June 2021</i>	<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>
Scheduled airlines	2,016	2,278	3,012	2,992	2,914
Private operation	12,110	9,656	11,922	11,104	10,184
Parachuting	2,840	5,612	7,648	6,272	7,016
Military operations	16	12	52	24	30
Helicopters	4,875	4,642	5,626	5,316	5,100
	<b>21,857</b>	<b>22,200</b>	<b>28,260</b>	<b>25,708</b>	<b>25,244</b>

## CHAIRMAN'S REPORT -TAUPŌ AIRPORT AUTHORITY

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

From lockdown to the gradual reopening of New Zealand, Taupo airport has had to remain fully operational even with uncertainty of if or when an outbreak of Covid would affect business. This has taken a collective approach from all involved to keep this important part of our connectivity open.

After starting weeks before New Zealand headed into lockdown, the year for our general manager Rhys Frearson has been challenging. Supported by Kim Gard, operations manager, and Steve Pederson, safety manager, they have kept the airport operational through the constantly changing schedules the airlines and New Zealand have had to operate under.

I find it difficult to portray the varying emotions the Taupo Airport, staff and board have gone through in the last year, but am pleased to say, despite the interruption COVID has brought to our operation, the direction set by the board towards future sustainability and betterment of the Taupo Airport has continued. A major credit for this must go to Rhys and Kim for not losing sight of the big picture whilst facing the daily challenges of the past year.

Following on from becoming SMS certified Rhys restructured how the safety committee operated and reported to the TAA. It became a safety group resulting in an increase in incident reporting, with regular and thorough risk reviews. The user group was also modified so there was a better representation of the airport's tenants reporting any concerns on the operation of the airport to the manger.

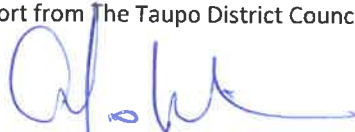
An exciting piece of work was started on the Masterplan. This work was to identify both the aeronautical use of the various parcels of the aerodrome along with the business opportunities of the non-airside land. A draft plan was tabled to both the board and our joint venture partners at the Ministry of Transport. Our relationship with the MOT remains strong via good communication and relationship developed by Rhys.

Rhys also pushed ahead with the start of an aeronautical study on the Taupo Airport and airspace. This is a very large piece of work involving many hours from all involved in the Taupo Airport and will again allow the Taupo Aerodrome to remain safe and compliant well into the future.

For the day to day business Rhys and Kim continued to work on all aspects to reduce costs however the reality of reduced flights and therefore income has impacted on the financial position of the airport. Thank you to the accounts team at TDC for the difficult task in providing forecasts and analysis in an ever changing business.

The major project of replacing the existing terminal has continued. The building built in 1979 had asbestos and earthquake issues and was not serving the requirements of its users. These constraints had been identified years earlier and the funding had been secured with \$3.367M in the TDC Long Term Plan 2018-2028 and the remaining \$5.87M from the PDU. A new airport terminal, enlarged apron and new carpark will make up the scope of this project. Completion date to be December 2022.

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





**Statement of Comprehensive Revenue and Expense**  
For the year ended 30 June 2021

	Note	Actual 2021 \$	Airport SOI 2021 \$	Actual 2020 \$
<b>Revenue</b>				
Revenue from services provided	4	438,555	383,137	809,009
Subsidies and grants	5	1,834	-	12,225
Finance revenue	6	2,330	1,450	425
<b>Total revenue</b>		<u>442,719</u>	<u>384,587</u>	<u>821,659</u>
<b>Expenditure</b>				
Employee benefit expenses	7	197,648	202,713	157,100
Depreciation and amortisation expense	12,7,13	230,132	246,421	247,164
Building impairment	12	359,559	-	-
Other expenses	7	299,462	194,164	552,600
<b>Total operating expenditure</b>		<u>1,086,801</u>	<u>643,298</u>	<u>956,864</u>
<b>Deficit before tax</b>		<u>(644,082)</u>	<u>(258,711)</u>	<u>(135,205)</u>
Income tax (expense)/credit	8	185,866	-	30,804
<b>Deficit after tax</b>		<u>(458,216)</u>	<u>(258,711)</u>	<u>(104,401)</u>
<b>Other comprehensive income</b>				
Property, plant & equipment revaluations	9	(150,453)	-	395,980
Deferred tax on revaluation		42,127	-	(110,874)
<b>Total other comprehensive income</b>		<u>(108,326)</u>	<u>-</u>	<u>285,106</u>
<b>Total comprehensive income</b>		<u>(566,542)</u>	<u>(258,711)</u>	<u>180,705</u>
<b>Net deficit after taxation is attributable to:</b>				
TDC and The Crown		<u>(458,216)</u>	<u>(258,711)</u>	<u>(104,401)</u>
<b>Total comprehensive revenue and expenses attributable to:</b>				
TDC and The Crown		<u>(566,542)</u>	<u>(258,711)</u>	<u>180,705</u>
		<u>(566,542)</u>	<u>(258,711)</u>	<u>180,705</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 2021

	Note	Actual 2021 \$	Airport SOI 2021 \$	Actual 2020 \$
<b>Equity at start of the year</b>	9	13,120,621	-	10,199,914
Total comprehensive revenue and expenses previously reported		(566,542)	-	180,705
Equity injections by Crown		-	-	870,000
Equity injections by Taupo District Council		2,500,000	-	1,870,000
<b>Total comprehensive revenue and expenses as restated</b>		<u>1,933,458</u>	<u>-</u>	<u>2,920,705</u>
<b>Equity as at 30 June 2021</b>	9	<u>15,054,078</u>	<u>-</u>	<u>13,120,621</u>
<b>Total recognised revenue and expenses are attributable to:</b>				
Taupo District Council		(283,271)	(129,356)	90,353
The Crown		(283,271)	(129,356)	90,352
<b>Total comprehensive revenue and expenses</b>		<u>(566,542)</u>	<u>(258,712)</u>	<u>180,705</u>

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

**Statement of Financial Position**  
As at 30 June 2021

	Note	Actual 2021 \$	Airport SOI 2021 \$	Actual 2020 \$
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	10	4,621,744	-	2,844,533
Trade and other receivables	11	92,041	-	74,930
Prepayments		5,572	-	5,781
<b>Total current assets</b>		<b>4,719,357</b>	<b>-</b>	<b>2,925,244</b>
<b>Non-current assets</b>				
Intangible assets	13	1,220	-	866
Property, plant and equipment	12	11,339,854	-	11,386,497
<b>Total non-current assets</b>		<b>11,341,074</b>	<b>-</b>	<b>11,387,363</b>
<b>Total assets</b>		<b>16,060,431</b>	<b>-</b>	<b>14,312,607</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables	14	146,476	-	98,903
Employee benefit liabilities	15	33,715	-	35,200
Provisions	17	3,729	-	3,729
<b>Total current liabilities</b>		<b>183,920</b>	<b>-</b>	<b>137,832</b>
<b>Non-current liabilities</b>				
Provisions	18	16,781	-	20,510
Deferred tax liabilities	8	805,652	-	1,033,644
<b>Total non-current liabilities</b>		<b>822,433</b>	<b>-</b>	<b>1,054,154</b>
<b>Total liabilities</b>		<b>1,006,353</b>	<b>-</b>	<b>1,191,986</b>
<b>Net assets (assets minus liabilities)</b>		<b>15,054,078</b>	<b>-</b>	<b>13,120,621</b>
<b>EQUITY</b>				
Equity interest of joint venture partners	9	9,311,585	-	6,811,585
Appropriation accounts	9	1,981,169	-	1,911,498
Asset revaluation reserves	9	3,761,324	-	4,397,538
<b>Total equity</b>		<b>15,054,078</b>	<b>-</b>	<b>13,120,621</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 21. The financial statements were authorised for issue by the Airport Committee on 8 August 2022.

**Statement of cashflows**  
For the year ended 30 June 2021

	Actual 2021 \$	Airport SOI 2021 \$	Actual 2020 \$
<b>Cash flows from operating activities</b>			
Receipts from customers	422,575	-	441,666
Finance revenue	2,330	-	425
Other revenue	-	-	12,225
Net GST	1,557	-	4,834
Payments to suppliers	(258,383)	-	(365,831)
Payments to employees	(199,133)	-	(130,744)
<b>Net cash flow from operating activities</b>	<u>(31,054)</u>	-	<u>(37,425)</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>2,500,000</u>	-	<u>2,740,000</u>
Purchase of property, plant and equipment	<u>(691,735)</u>	-	<u>(53,411)</u>
<b>Net cash flow from investing activities</b>	<u>1,808,265</u>	-	<u>2,691,590</u>
<b>Net increase (decrease) in cash and cash equivalents held</b>	<b>1,777,211</b>	-	2,654,165
Add cash and cash equivalents at the beginning of the year	<u>2,844,533</u>	-	<u>190,364</u>
<b>Cash, cash equivalents, and bank overdrafts at the end of the year</b>	<b>10</b> <u>4,621,744</u>	-	<u>2,844,529</u>

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 2021**

### **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 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 2021. The financial statements were authorised for issue by the Airport Committee on 8 August 2022.

## **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. 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	6 - 64 Years	1.56% - 16.67%
Furniture and Fittings	4 - 15 Years	6.67% - 25.2%
Office Equipment and Plant and Equipment	4 - 50 Years	2% - 25%
Motor vehicles	5 Years	20%
Infrastructural assets		
Runways	3 - Indefinite Years	
Rooding 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 rooding 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 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 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.

During the 2021 financial year there has been a change in accounting estimate, the useful life of the terminal building has been reduced to end in November 2022 as this is when the new terminal building is planned to be completed and the existing building will then be demolished. After reflecting the impairment loss in the book value, the annual depreciation is increased by \$6,730 for the current and future years.



#### 4 Revenue from services provided

	Airport	
	Actual 2021 \$	Actual 2020 \$
Landing fees	126,590	149,126
Terminal passenger fees	66,453	75,084
Lease revenue	204,480	196,363
Other services	41,032	35,390
Other revenue	-	215
Gain on first time recognition of fixed asset	-	352,831
<b>Total revenue from services provided</b>	<b><u>438,555</u></b>	<b><u>809,009</u></b>

#### 5 Subsidies and Grants

	Airport	
	Actual 2021 \$	Actual 2020 \$
<b>Operational subsidies and grants</b>		
COVID-19 Wage Subsidy	<u>1,834</u>	<u>12,225</u>
<b>Total subsidies and grants</b>	<b><u>1,834</u></b>	<b><u>12,225</u></b>

#### Government Grants

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

#### 6 Finance revenue

	Airport	
	Actual 2021 \$	Actual 2020 \$
Interest revenue	<u>2,330</u>	<u>425</u>
<b>Total finance revenue</b>	<b><u>2,330</u></b>	<b><u>425</u></b>

## 7 Operating expenditure

### Employee benefit expenses

Salaries and wages	193,326	136,924
Increase/(decrease) in employee entitlements/liabilities	(1,485)	16,145
Defined contribution plan employer contributions	5,807	4,031
<b>Total employee benefit expenses</b>	<b>197,648</b>	<b>157,100</b>

Depreciation	229,185	246,124
Amortisation	947	1,040
<b>Total depreciation and amortisation</b>	<b>230,132</b>	<b>247,164</b>

### Other expenses

Audit fees for financial statements audit	13,715	13,236
Ground maintenance	17,118	15,012
Runway & pavement maintenance	10,114	18,996
Terminal maintenance	3,395	4,724
Other maintenance	5,621	9,340
Airfield contractors	27,245	78,416
Electricity and gas	18,176	15,057
Materials and supplies	3,299	6,260
Professional services fees/legal fees	52,983	58,596
Accountancy & business services (TDC)	12,500	12,500
Vehicle running costs	12,487	3,960
Insurance	11,461	8,959
Committee expenses	630	540
Cleaning	21,926	17,476
Rental fees	20,463	2,087
Equipment hire	1,622	18,855
Software licenses	14,121	12,410
Provision for bad debts	-	520
Loss on disposal of property, plant & equipment	-	173,525
Other expenses	-	82,131
<b>Total other expenses</b>	<b>299,462</b>	<b>552,600</b>



## 8 Income tax

	Airport	
	Actual 2021 \$	Actual 2020 \$
<b>Components of tax expense/(credit)</b>		
Current tax	-	-
Deferred tax	<u>(185,866)</u>	<u>(30,804)</u>
<b>Tax expense/(credit)</b>	<u>(185,866)</u>	<u>(30,804)</u>
<b>Relationship between tax expense and accounting profit:</b>		
Net deficit	<u>(644,082)</u>	<u>(135,205)</u>
<b>Net deficit</b>	<u>(644,082)</u>	<u>(135,205)</u>
Tax calculated at 28%	<u>(180,343)</u>	<u>(37,857)</u>
<i>Plus (Less) tax effect of:</i>		
Deferred tax adjustment	<u>(5,523)</u>	<u>105,846</u>
Non-taxable income	<u>-</u>	<u>(98,793)</u>
<b>Tax expense/(credit)</b>	<u>(185,866)</u>	<u>(30,804)</u>

### Deferred tax liability

	Property, plant and equipment \$	Non- deductible provisions \$	Tax losses \$	Other \$	Total \$
<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	<u>(110,874)</u>	-	-	-	<u>(110,874)</u>
<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>

	Property, plant and equipment \$	Non- deductible provisions \$	Tax losses \$	Other \$	Total \$
<b>Balance at 1 July 2020</b>	(1,620,800)	8,472	578,683	-	(1,033,645)
Charged to surplus or deficit	143,258	(1,292)	43,900	-	185,866
Charged to other comprehensive income	<u>42,127</u>	-	-	-	<u>42,127</u>
<b>Balance at 30 June 2021</b>	<u>(1,435,415)</u>	<u>7,180</u>	<u>622,583</u>	<u>-</u>	<u>(805,652)</u>

## 9 Net assets/equity

	Actual 2021 \$	Airport Actual 2020 \$
<b>(a) Equity Interest of Joint Venture Partners</b>		
<b>(i) Taupo District Council</b>		
Opening balance	3,873,902	2,003,902
Capital injections	<u>2,500,000</u>	<u>1,870,000</u>
<b>Closing balance</b>	<b><u>6,373,902</u></b>	<b><u>3,873,902</u></b>
<b>(ii) The Crown</b>		
Opening balance	2,937,683	2,067,683
Capital injections	-	870,000
<b>Closing balance</b>	<b><u>2,937,683</u></b>	<b><u>2,937,683</u></b>
<b>Total closing balance of equity accounts</b>	<b><u>9,311,585</u></b>	<b><u>6,811,585</u></b>
<b>(b) Appropriation Accounts</b>		
<b>(i) Taupo District Council</b>		
Opening balance	2,280,379	2,242,826
Transfer from reserves for disposed/impaired assets	122,150	89,754
Transfer from reserves for deferred tax on revaluation	141,794	-
Share of net surplus (deficit)	<u>(229,108)</u>	<u>(52,201)</u>
<b>Closing balance</b>	<b><u>2,315,215</u></b>	<b><u>2,280,379</u></b>
<b>(ii) The Crown</b>		
Opening balance	(368,881)	(406,435)
Transfer from reserves for disposed/impaired assets	122,150	89,754
Transfer from reserves for deferred tax on revaluation	141,793	-
Share of net surplus (deficit)	<u>(229,108)</u>	<u>(52,200)</u>
<b>Closing balance</b>	<b><u>(334,046)</u></b>	<b><u>(368,881)</u></b>
<b>Total closing balance of appropriation accounts</b>	<b><u>1,981,169</u></b>	<b><u>1,911,498</u></b>

## 9 Net assets/equity

### (c) Asset Revaluation Reserve

The breakdown of asset revaluation reserves are disclosed as follows:

	Airport	
	Actual 2021 \$	Actual 2020 \$
<b>Property, plant and equipment revaluation reserve</b>		
<b>Balance at 1 July</b>	<b>4,397,534</b>	4,291,936
Revaluation gains/(losses)	(150,453)	395,980
Deferred tax on revaluation	42,127	(110,874)
Transfers out of reserves on disposal/impairment of property	(244,300)	(179,508)
Deferred tax on transfers out of reserves	68,404	-
Historic correction of deferred tax on revaluation reserves	(351,991)	-
<b>Balance at 30 June</b>	<b><u>3,761,321</u></b>	<b><u>4,397,534</u></b>
<b>Operational assets:</b>		
Land	1,302,835	1,165,800
Buildings	48,034	228,732
Fencing	54,811	59,664
Land improvements	-	130,967
<b>Infrastructure assets:</b>		
Roading & streetlighting	143,710	95,538
Stormwater	67,010	192,645
Runways	2,144,921	2,524,197
<b>Total asset revaluation reserves</b>	<b><u>3,761,321</u></b>	<b><u>4,397,534</u></b>



## 10 Cash and cash equivalents

	Airport	
	Actual 2021 \$	Actual 2020 \$
Cash at bank and in hand	17,419	10,722
Call deposits	<u>4,604,325</u>	<u>2,833,811</u>
<b>Total cash and cash equivalents used in statement of cashflows</b>	<b><u>4,621,744</u></b>	<b><u>2,844,533</u></b>

Included in call deposits is the project fund for the redevelopment project of \$4,544,230 (2020: \$2,728,762).

## 11 Trade and other receivables

	Airport	
	Actual 2021 \$	Actual 2020 \$
Trade receivables	<u>83,481</u>	<u>74,930</u>
Receivables from related parties	<u>4,956</u>	<u>-</u>
Other	<u>3,604</u>	<u>-</u>
<b>Total current net trade and other receivables</b>	<b><u>92,041</u></b>	<b><u>74,930</u></b>
Receivables from exchange transactions	<u>92,041</u>	<u>74,034</u>
Receivables from non-exchange transactions	<u>-</u>	<u>896</u>
<b>Total current net trade and other receivables</b>	<b><u>92,041</u></b>	<b><u>74,930</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 \$Nil (2020: \$520) in respect of bad and doubtful trade receivables during the year ended 30 June 2021. 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 2021 are detailed below:

	Airport	
	Actual 2021 \$	Actual 2020 \$
Current	68,260	55,104
Past due 1-30 days	8,654	6,557
Past due 31-60 days	142	4,581
Past due 61+ days	<u>14,985</u>	<u>8,688</u>
<b>Total trade receivables</b>	<b><u>92,041</u></b>	<b><u>74,930</u></b>

## 12 Property, plant and equipment

June 2021	Cost / revaluation 1 Jul 2020 \$	Accumulated depreciation 1 Jul 2020 \$	Carrying amount 1 Jul 2020 \$	Current year additions (+ gains) \$	Current year impairment charges \$	Current year depreciation \$	Revaluation surplus \$	Cost / revaluation 30 June 2021 \$	Accumulated depreciation 30 Jun 2021 \$	Carrying amount 30 June 2021 \$
<b>Operating assets At cost &amp; valuation</b>										
Buildings	614,300	(25,492)	588,808	-	(359,559)	(32,221)	-	254,741	(57,713)	197,028
Office furniture and fittings	122,581	(81,055)	41,526	3,785	-	(17,012)	-	126,365	(98,066)	28,299
Motor Vehicles	63,998	(35,635)	28,363	-	-	(8,329)	-	63,998	(43,964)	20,034
Capital work in progress - Airport redevelopment	24,467	-	24,467	688,769	-	-	-	713,236	-	713,236
<b>Total operating assets</b>	<b>825,346</b>	<b>(142,182)</b>	<b>683,164</b>	<b>692,554</b>	<b>(359,559)</b>	<b>(57,562)</b>	<b>-</b>	<b>1,158,340</b>	<b>(199,743)</b>	<b>958,597</b>
<b>Infrastructural assets At cost &amp; valuation</b>										
Roading	1,427,449	-	1,427,449	-	-	(15,988)	-	1,427,450	(15,989)	1,411,461
Stormwater	375,200	(34,670)	340,530	-	-	(4,690)	(150,453)	185,387	-	185,387
Runways	4,899,354	-	4,899,354	-	-	(150,945)	-	4,899,354	(150,945)	4,748,409
<b>Total infrastructural assets</b>	<b>6,702,003</b>	<b>(34,670)</b>	<b>6,667,333</b>	<b>-</b>	<b>-</b>	<b>(171,623)</b>	<b>(150,453)</b>	<b>6,512,191</b>	<b>(166,934)</b>	<b>6,345,257</b>
<b>Restricted assets At cost &amp; valuation</b>										
Land	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>4,036,000</b>	<b>-</b>	<b>4,036,000</b>
<b>Total</b>	<b>11,563,349</b>	<b>(176,852)</b>	<b>11,386,497</b>	<b>692,554</b>	<b>(359,559)</b>	<b>(229,185)</b>	<b>(150,453)</b>	<b>11,706,531</b>	<b>(366,677)</b>	<b>11,339,854</b>



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 depreciation \$	Revaluation surplus \$	Cost / revaluation 30 Jun 2020 \$	Accumulated depreciation 30 Jun 2020 \$	Carrying amount 30 Jun 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
Capital work in progress - operating assets	-	-	-	-	-	-	-	24,467	-	24,467
<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>(50,267)</b>	<b>-</b>	<b>825,346</b>	<b>(142,182)</b>	<b>683,164</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
Capital work in progress - Airport redevelopment	-	-	-	24,467	-	-	-	-	-	-
Runways	4,899,194	(351,280)	4,547,914	-	-	(176,552)	527,992	4,899,354	-	4,899,354
<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>(195,858)</b>	<b>395,980</b>	<b>6,702,003</b>	<b>(34,670)</b>	<b>6,667,333</b>
<b>Restricted assets At cost &amp; valuation</b>										
Land	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>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>(246,125)</b>	<b>395,980</b>	<b>11,563,349</b>	<b>(176,852)</b>	<b>11,386,497</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 stormwater infrastructural assets was performed by WPS New Zealand Limited, and the valuation is effective as at 30 June 2021.

#### **Impairment**

An impairment loss of \$359,559 (2020: \$Nil) has been recognised for the terminal building that is to be replaced in November 2022 and then demolished. The recoverable amount of the building was based on value in use using the depreciated replacement cost approach. The impairment loss has been recognised in the statement of comprehensive revenue and expense in the line item "Other expenses" (note 7). The revaluation reserve has been decreased by \$244,300 and this has been transferred to the appropriation accounts in line item "Transfer from reserves for disposed/impaired assets" (note 9).

#### **Leasing**

The Airport has no plant and equipment held under finance leases (2020 \$Nil).



## 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 2019</b>	
Cost	10,681
Accumulated amortisation and impairment	<u>(8,775)</u>
<b>Net book amount</b>	<u>1,906</u>
<b>Year ended 30 June 2020</b>	
Opening net book amount	1,906
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>
 \$	
<b>Year ended 30 June 2021</b>	
Opening net book amount	866
Additions	1,301
Amortisation charge	<u>(947)</u>
<b>Closing net book amount</b>	<u>1,220</u>
<b>As at 30 June 2021</b>	
Cost	11,982
Accumulated amortisation and impairment	<u>(10,762)</u>
<b>Net book amount</b>	<u>1,220</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

	Airport	
	Actual 2021 \$	Actual 2020 \$
Trade payables	52,476	15,608
Accrued expenses	40,374	27,739
Revenue in advance	53,626	55,556
<b>Total creditors and other payables</b>	<u>146,476</u>	<u>98,903</u>
Total creditors and other payables from exchange transactions	<u>141,771</u>	<u>96,594</u>
Total creditors and other payables from non-exchange transactions	<u>4,705</u>	<u>2,309</u>
<b>Total current creditors and other payables from exchange and non-exchange transactions</b>	<u>146,476</u>	<u>98,903</u>

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

	Airport	
	Actual 2021 \$	Actual 2020 \$
<b>Current portion</b>		
Accrued pay	2,141	1,447
Annual leave	28,499	28,190
Lieu leave	730	873
Long service leave	2,345	4,690
<b>Total current portion</b>	<u>33,715</u>	<u>35,200</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 0.22% (2020 1.23%) and an inflation factor of 2% (2020 2%) were used.

## 16 Explanation of major variances against budget

	Actual 2021 \$	Airport SOI 2021 \$
Total revenue	442,719	384,587
Total expenditure	<u>(1,086,801)</u>	<u>(643,298)</u>
	<u>(644,082)</u>	<u>(258,711)</u>

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

	Actual 2021 \$	SOI 2020 \$
<b>Main variances in revenue against budget</b>		
Landing fees		
Higher than expected general aviation traffic after Covid-19 recovery	126,590	101,168
Lease revenue		
Some leases have been revalued and increased	204,480	186,360
Other	<u>111,649</u>	<u>97,059</u>
	<u>442,719</u>	<u>384,587</u>

### Main variances in expense against budget

Employee benefit expenses		
Salaries and wages lower than budget	193,326	202,713
Defined contribution plan employer contributions lower than budget	5,807	20,166
Professional services fees/legal fees		
Obstacle limitation survey and Civil Aviation Authority audit unbudgeted, regulatory 5 yearly	23,630	-
Valuation fees unbudgeted	12,357	-
Other professional fees higher than budget	12,752	5,000
Legal fees for contract advice unbudgeted and lease agreement renewal advice on-charged and included in 'other services'	4,244	-
Contractors		
Safety manager unbudgeted	15,237	-
Increased aerodrome inspections to meet Civil Aviation Rule 139 safety requirements	12,008	3,876
Ground maintenance		
Landside - mowing, vegetation control, and rubbish removal contractors higher than budget	17,118	2,477
Fringe benefit tax (FBT included in other expenses)		
FBT associated with new general managers vehicle unbudgeted	5,587	-
Vehicle running costs		
Increased vehicle costs incurred by new general manager	12,487	6,525
Cleaning		
More frequent cleaning due to Covid-19	21,926	16,800
Building impairment		
Impairment recognised to reflect reduced expected life of terminal building	359,559	-
Depreciation	230,132	246,421
Other expenses	<u>160,631</u>	<u>139,320</u>
	<u>1,086,801</u>	<u>643,298</u>

## 17 Current liabilities - Provisions

	Airport	
	Actual 2021 \$	Actual 2020 \$
Other provisions	3,729	3,729
<b>Total current portion</b>	<u>3,729</u>	<u>3,729</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

	Airport	
	Actual 2021 \$	Actual 2020 \$
<b>Non-current portion</b>		
Other provisions	16,781	20,510
<b>Total non-current portion</b>	<u>16,781</u>	<u>20,510</u>

### Movement in other provisions is as follows:

Balance at 1 July	24,239	-
Amounts used	(3,729)	-
Additional provisions made during the year	-	24,239
Balance at 30 June	<u>20,510</u>	<u>24,239</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.

## 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.

An equity injections of \$2,500,000 was made by the Taupo District Council during the financial year (2020: \$1,870,000 and \$870,000 from The Crown). In the 2020 financial year 690 meters of Anzac Memorial Drive was sold to Taupo District Council for \$1, this did not include the land under the road.

*Key management personnel*

	<b>Airport</b>	
	<b>Actual</b>	<b>Actual</b>
	<b>2021</b>	<b>2020</b>
<b>Committee members</b>		
Full-time equivalent members (Committee Members)	<u>5</u>	<u>3</u>
<b>Total full-time equivalent personnel</b>	<u>5</u>	<u>3</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 2021 the Airport has the following capital commitments; Taupo District Council has been approved \$5m of funding from the Provincial Growth Fund to contribute, as an equity injection, to the \$9.24m redevelopment of Taupo Airport. The funding is received as the project milestones are reached and as at 30 June 2021 \$1m has been received. The remaining \$4.24m of the project cost has been received as an equity injection from both joint venture partners. As at 30 June 2021 the outstanding project spend is \$8.52m and outstanding contractual commitments is \$333,188. Since 30 June 2021 Taupo District Council has entered into construction contracts on behalf of Taupo Airport Authority for \$7,142,407.

As at 30 June 2021 the Airport had no operational commitments or operating leases as lessee (2020: \$Nil).

### 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:

	<b>Airport</b>	
	<b>Actual</b>	<b>Actual</b>
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Not later than one year	<b>204,120</b>	203,266
Later than one year and not later than five years	<b>698,558</b>	714,035
Later than five years	<u>129,556</u>	<u>297,498</u>
<b>Total non-cancellable operating leases</b>	<u><b>1,032,234</b></u>	<u>1,214,799</u>

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

## 21 Contingencies

As at 30 June 2021 the Airport had no contingent assets and a contingent liability for the following (2020: \$Nil).

In April 2021, damage was caused to an aircraft's propeller following a single aircraft incident on the runway at Taupo Airport. An independent safety investigation was undertaken shortly after the incident which indicated pilot error. In April 2022 Taupo Airport Authority received a demand to reimburse the pilot the costs incurred to repair the aircraft. At this point, Taupo Airport Authority cannot reliably estimate the exposure, but as this will be covered by insurance, the exposure to Taupo Airport Authority will be minimal.

## 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 2021</b>					
Cash and cash equivalent	-	-	4,621,744	-	4,621,744
Receivables and prepayments	-	-	92,041	-	92,041
<b>Total assets</b>	<b>-</b>	<b>-</b>	<b>4,713,785</b>	<b>-</b>	<b>4,713,785</b>
<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>
Liabilities			Held for trading \$	Measured at amortised cost \$	Total \$
<b>30 June 2021</b>					
Payables and accruals			-	92,851	92,851
<b>Total liabilities</b>			<b>-</b>	<b>92,851</b>	<b>92,851</b>
<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>



### **23 Events after balance date**

In August 2021 New Zealand entered another nationwide lockdown due to covid-19. This meant a further reduction in TAA revenue with both the Auckland and Wellington flights not operating. Wellington flights resumed in September, but on a reduced schedule, and Auckland flights didn't resume again until December.

TAA requested a loan facility from Taupo District Council of \$300,000. This was approved by Council on 31 May 2022 and is in the process of being put in place.

### **24 Breach of statutory deadline**

The Taupo Airport Authority was required under section 67(5) of the Local Government Act 2002 to complete its audited financial statements and service performance information by 30 November 2021.

This timeframe was not met because Audit New Zealand was unable to complete the audit within this timeframe due to an auditor shortage and the consequential effects of Covid-19, including lockdowns.

### **25 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.

Sounds Air and Air New Zealand resumed flights with a much reduced schedule, this has led to a reduction in income from landing fees and passenger terminal charges for the period compared to the same period prior to Covid-19.

