# WHAKATĀNE AIRPORT AUTHORITY

## Statement of Intent for 2013/2014

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# STATEMENT OF INTENT FOR THE PERIOD 1 JULY 2013 TO 30 JUNE 2014

The Whakatane Airport is seen as a valued community asset, which contributes to the quality of life enjoyed by the residents of the district, and is considered crucial to the economic well-being of the district.

This statement is submitted by the partners of the Whakatane Airport Authority in accordance with section 64 of the Local Government Act 2002. It sets the overall intentions and objectives of the Joint Venture for the period 1 July 2013 to 30 June 2014.

The airport is operated under a Joint Venture agreement between the Whakatane District Council and the New Zealand Government established under the Airport Authorities Act (1966). The Joint Venture is a deemed company under the Income Tax Act (2004).

## 1 DEFINITIONS

"JV" means Joint Venture between the Crown and Council.

"CCO" means the Whakatane Airport Authority, being a Council Controlled Organisation.

"Council" means the Whakatane District Council.

"Crown" means the New Zealand Government.

## 2 OBJECTIVES

**2.1 The JV's primary objectives are to:**

2.1.1 Provide high quality facilities and service commensurate with existing levels of aviation activity and in accordance with all the appropriate Acts, Regulations and Rules pertaining to airport and aviation operations in line with the size of Whakatane Airport.

2.1.2 Operate the airport in a sound and business like manner.

2.1.3 Ensure that the airport is administered efficiently, effectively and safely to the benefit of scheduled flight operations, commercial operators and recreational users.

2.1.4 Improve the long term value and financial performance of the airport while improving the economic value of the airport to Whakatane.

2.1.5 To promote a safe, accessible, affordable and reliable air transport system for the benefit of the economic and social development of the Eastern Bay of Plenty region

## 3 GOVERNANCE

**3.2 The JV partners have delegated governance and statutory management responsibilities to the Whakatane District Council.**

## 4 NATURE AND SCOPE OF ACTIVITIES

**4.1 The airport is maintained as a non-certificated aerodrome in accordance with the Civil Aviation Authority Aerodrome design for aircraft at or below 5700 kg MCTOW. Air New Zealand Link provides return services to Auckland.**

**4.2 It also provides a base for commercial, training and recreational aviation activity.**

**4.3 The ongoing development of aviation and associated service and infrastructure is subsequently intended to support activity, business and employment.**

## 5 RATIO OF JOINT VENTURE PARTNERS FUNDS TO TOTAL ASSETS

**5.1 For the year ended 30 June 2010, consolidated shareholders funds as a ratio to total assets was 87%. Per the JV's Annual Report 2010, Consolidated funds was $0.998M and total assets $1.147M.**

**5.2 The consolidated funds include: Capital, Reserve Funds and Current Accounts.**

**5.3 The minimum equity ratio to total assets shall not be less than 0.5 therefore ensuring the airport authority remains financially viable, unless with agreement by the JV partners and Council.**

## 6 ACCOUNTING POLICIES

**6.1 The Statement of accounting policies for the half year ended 31 December 2012 is attached in Appendix 1.**

## 7 PERFORMANCE TARGETS

**7.1 The forecast performance targets are:**

7.1.1 Cost Performance

| OPERATIONAL BUDGET *(excluding corporate overheads and depreciation)* | 2012/13 (SOI) | 2012/13 (LTP) | 2013/14 |
|---|---|---|---|
| **Income** | 204,000 | 204,000 | 217,000 |
| **Expenditure** | 251,778 | 242,240 | 281,275 |
| **Surplus (Deficit)** | (47,778) | (38,240) | (37,275) |

| CAPITAL EXPENDITURE BUDGET | 2012/13 (SOI) | 2012/13 (LTP) | 2013/14 |
|---|---|---|---|
| Pavement Resurfacing | - | - | 100,000 |
| Airport Security – Perimeter Fence Upgrade | - | - | - |
| Airport Expansion | 15,000 | 15,000 | - |
| Runway Lighting and Navigational Aids | 8,000 | 8,000 | 8,000 |
| Airport Fire Fighting Water Supply | 35,000 | 35,000 | - |
| Whakatane Airport Terminal | 42,750 | 42,750 | 4,580 |
| Parking facility at airport - feasibility study, 2 ticket machines, barrier arm, fencing | - | - | 55,000 |
| Landing fees collection software | - | - | 5,000 |
| New Advertising Hoardings to be rented out | - | - | 10,000 |

7.1.2 Function Performance
The function of the airport as a non-certificated aerodrome is in accordance with Civil Authority Aerodrome design for aircraft at or below 5700 kg MCTOW

7.1.3 Delivery of a business development plan and subsequent achievement of the individual targets outlined within that plan.

## 8 DISTRIBUTIONS TO JOINT VENTURE PARTNERS

**8.1 Appropriations will be made annually to reserves to provide for future renewals and upgrading of facilities. Annual surpluses or deficits will be transferred to a current account. The current account will have an appropriate minimum amount specified to cover short-term operating deficits. If the current account balance exceeds the amount necessary to cover short to medium term operating deficits the joint partners will consider whether a distribution of some of the surplus is warranted. Any distribution to the joint venture partners would be in proportion to the respective equity holdings.**

## 9 INFORMATION TO BE SUPPLIED

**9.1 The following reports will be supplied to the joint venture partners within two months after the end of the first half of each financial year and within three months of the end of each financial year:**

9.1.1 Statement of Financial Performance

9.1.2 Statement of Financial Position

9.1.3 Statement of Performance Compared to Targets

9.1.4 Other statements as may be required by legislation or to comply with Generally Accepted Accounting Practice (GAAP)

## 10 PROCEDURE FOR ACQUISITION OR SALE OF SHARES AND PROPERTY

10.1 Before the JV subscribes for, purchases or acquires shares in any other company, or acquires any interest in any business or property whatsoever the JV shall give at least 21 days notice to Council and in turn the Crown of such proposals prior to the JV deciding whether or not to proceed.

**10.2 The JV shall not proceed to purchase without an ordinary resolution first being completed by Whakatane District Council.**

## 11 COMPENSATION

**11.1 Other than normal business transactions provided to Whakatane District Council there are no activities for which the JV will be seeking compensation from any local authority.**

## 12 COMMERCIAL VALUE

**12.1 SPM Consultants and Darroch Ltd completed a Fair Market valuation for the Whakatane Airport Land and Buildings as at 1 July 2010. The valuation complies with The NZ Reporting Standard 3, Accounting for Property, Plant and Equipment (FRS3) and NZ Equivalent to International Accounting Standard 16 and NZIAS 16.**

**12.2 The Total Rateable and Non Rateable Value for the Whakatane Airport Land, Buildings and Improvements as at 1 July 2010 is reported as:**

| | |
|---|---|
| Land | $4,004,000 |
| Buildings | $ 797,622 |
| | $4,801,622 |

## 13 OTHER MATTERS

**13.1 The JV operates in accordance with the Joint Venture agreement at all times.**

**13.2 A Master Plan has been developed to be used as a reference guide for long term strategic planning purposes by the JV partners.**

**13.3 A 10 year Business Plan for the period 2012-22 has been approved by the Council.**

## APPENDIX 1

Statement of accounting policies

For the period ended 31 December 2012

## REPORTING ENTITY

The Whakatane Airport is a joint venture operation between the New Zealand Government and Whakatane District Council and is a Council Controlled Trading Organisation (CCTO) under Section 6 of the Local Government Act 2002.

The primary objective of the Airport is to provide goods or services for the community or social benefit rather than making a financial return. Accordingly, the Airport has designated itself as a public benefit entity for the purposes of New Zealand equivalents to International Financial Reporting Standard (NZ IFRS).

The financial statements have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

The financial statements for the year ended 30 June 2007 were the first financial statements to be prepared in accordance with NZ IFRS.

## MEASUREMENT BASES

The measurement base is that of historical cost. Reliance is placed on the fact that the Airport is a going concern.

## ACCOUNTING POLICIES

**(a) Whakatane District Council and the Crown are 50% Joint Venture partners of Whakatane Airport.**

**(b) Property, Plant and Equipment**

Property, Plant and Equipment are recorded at cost less depreciation and impairment costs. Cost includes expenditure that is directly attributable to the acquisition of the items. Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives. Depreciation commences when the asset is available for use.

The expected lives, in years, of major classes of fixed assets are as follows:

| | YEARS |
|---|---|
| Airport Runways, Taxiways and Apron | 50 |
| Building | 40-100 |
| Water Supply | 75-100 |
| Plant and Equipment | 2-5 |
| Furniture and Fittings | 10 |
| Vehicle | 5 |
| Fence | 10-20 |

The Airport land is vested in Council under the Reserve Act 1977 for use as an Airport. The Airport holds the land “in substance” and is therefore shown at cost in the Property, Plant and Equipment.

**(c) Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within the Whakatane District Council account in current liabilities on the balance sheet.

**(d) Accounts receivable**

Receivables are recognized initially at fair value and subsequently measured amortised cost, less provision for doubtful debts.

**(e) Taxation**

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the notional income tax adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probably that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

**(f) Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight line basis over the period of the lease.

**(g) Goods and Services tax**

All items in the financial statements are stated exclusive of GST.

**(h) Trade and other payables**

These amounts represent liabilities for goods and services provided to the Airport prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(i) Differential Reporting

The Airport is able to apply differential reporting exemptions as it meets the criteria of a differential reporting entity because:

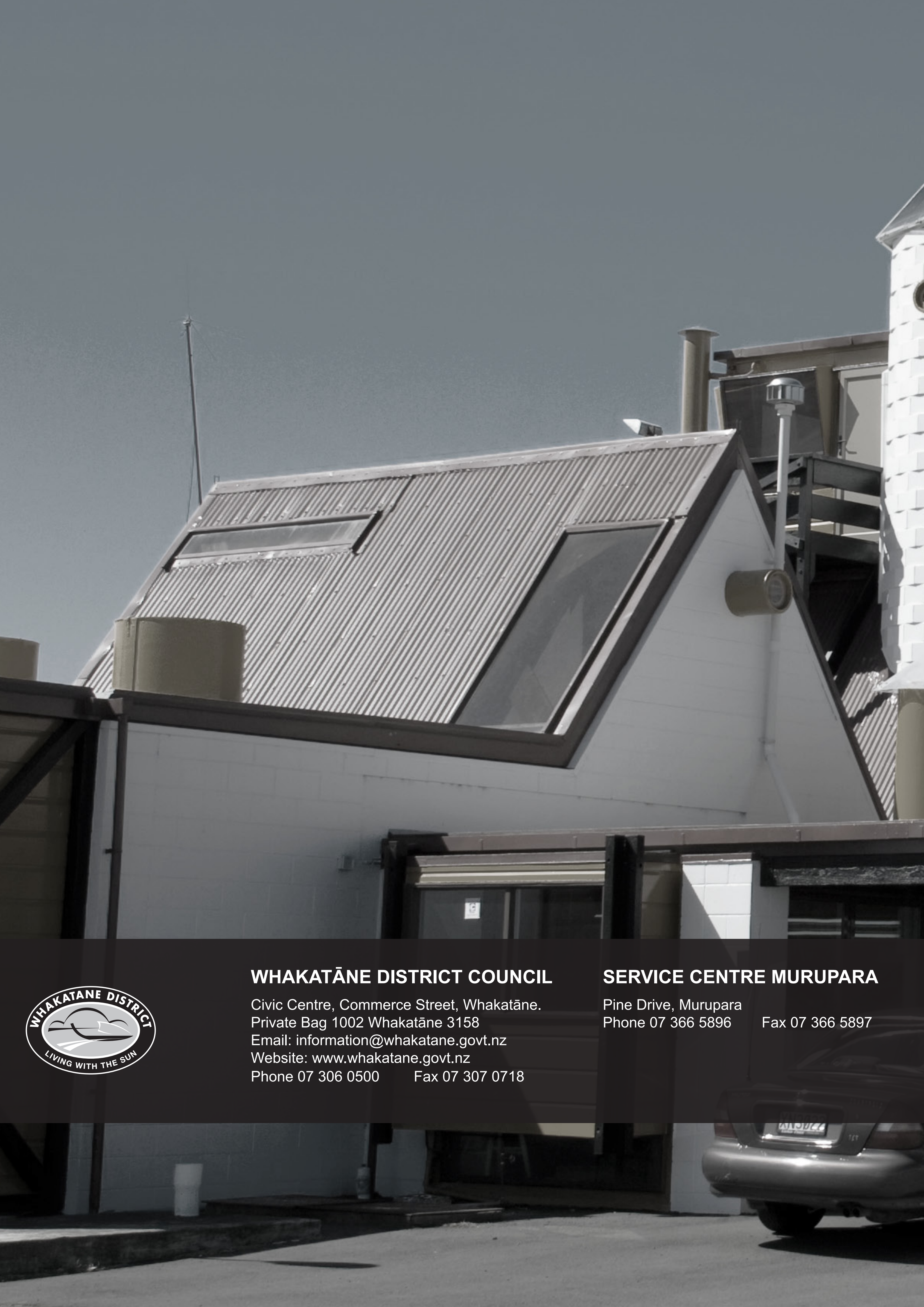
(i) The Airport is not publicly accountable;

(ii) The Airport is not large.

All differential reporting exemptions have been taken advantage of.

## CHANGES IN ACCOUNTING POLICIES

The accounting policies set out have been applied consistently to all periods presented in the statement of intent.




**WHAKATĀNE DISTRICT COUNCIL**

Civic Centre, Commerce Street, Whakatāne.
Private Bag 1002 Whakatāne 3158
Email: information@whakatane.govt.nz
Website: www.whakatane.govt.nz
Phone 07 306 0500  Fax 07 307 0718

**SERVICE CENTRE MURUPARA**

Pine Drive, Murupara
Phone 07 366 5896  Fax 07 366 5897