Financial Statements

Papa Rererangi i Puketapu Limited
For the year ended 30 June 2020

Prepared by Tandem Group Limited

Contents

3 Directory

4 Approval of Financial Report

5 Statutory Information

7 Statement of Service Performance

10 Statement of Comprehensive Revenue and Expense

11 Statement of Financial Position

12 Statement of Changes in Equity

13 Statement of Cash Flows

15 Notes to the Financial Statements

Directory

Papa Rererangi i Puketapu Limited
For the year ended 30 June 2020

Company Number

6315607

Companies Act

The Company is registered under the Companies Act 1993.

Registered Office

New Plymouth District Council
84 Liardet Street
NEW PLYMOUTH

Shareholders

New Plymouth District Council	45,000,000 Ordinary

Directors

Philip Cory-Wright (Chairman)
Rachel Farrant
Shelley Kopu
Christopher Myers

Auditors

Audit New Zealand on behalf of the Auditor-General

Bankers

Westpac Bank
NEW PLYMOUTH

Solicitors

Auld Brewer Mazengarb & McEwen
NEW PLYMOUTH

Chartered Accountant

Brent Abbott
Tandem Group
NEW PLYMOUTH

Approval of Financial Report

Papa Rererangi i Puketapu Limited
For the year ended 30 June 2020

The Directors are pleased to authorise the approved financial report including the historical financial statements of Papa Rererangi i Puketapu Limited for year ended 30 June 2020.

APPROVED

For and on behalf of the Board of Directors.

Philip Cory-Wright

Date 27.11.20

Rachel Farrant

Date 27 November 2020

Statutory Information

Papa Rererangi i Puketapu Limited
For the year ended 30 June 2020

Legal Name of Entity

Papa Rererangi i Puketapu Limited

Philip Cory Wright

Chairman	Papa Rererangi i Puketapu Limited
Director	South Port NZ Limited
Director	New Zealand Local Government Funding Agency Limited
Director	Matariki Forests Group
Director	Powerco Limited
Director	Powerco Transmission Services Limited
Director	Base Power Limited
Director	Powerco NZ Holdings Limited
Director	The Gas Hub Limited

Shelley Kopu

Director	Papa Rererangi i Puketapu Limited
Trustee	Te Kotahianga o Te Atiawa
Director	Tui Ora Limited
Board Member	St Marys College
Director	Kopu & Associates Limited
Employee	EY Law New Zealand
Board member	Youthline

Rachel Farrant

Director	Papa Rererangi i Puketapu Limited
Director & Shareholder via Trust	BDO Wellington Limited
Director & Shareholder via Trust	Fulton Hogan Limited
Director	Fairway Resolutions Limited
Trustee	Experience Wellington
Director	The Property Group Limited

Chris Myers

Director	Papa Rererangi i Puketapu Limited
Shareholder	Chris & Karen Myers Limited
Employee	Contact Energy

Wayne Wootton

Chief Executive	Papa Rererangi i Puketapu Limited
Director	New Zealand Airports Association

Richard Buttimore

Operations Manager	Papa Rererangi i Puketapu Limited

Statement of Service Performance

Papa Rererangi i Puketapu Limited
For the year ended 30 June 2020

Nature of Business

Papa Rererangi i Puketapu Limited (PRIP) is a Council Controlled Organisation whose prime purpose is to operate the New Plymouth Airport on a sustainable commercial basis, and to ensure the ongoing safe and successful operation of the Airport. PRIP owns passenger terminals, aircraft hangars, airside Infrastructure (car parking areas, roading and underground utilities). These facilities are sited on land occupied under lease from the New Plymouth District Council (NPDC).

Ownership

PRIP's sole shareholder is the New Plymouth District Council.

Performance Targets

	ACTUAL 2018/19	ACTUAL 2019/20	BUDGET 2019/20
1. Financial Performance			
Operating Profit			
Operating Revenue	4,983,687	4,694,055	6,620,000
Other Income	-	-	-
Operating Expenditure	(2,870,876)	(3,436,314)	(3,440,000)
Depreciation and Interest	(1,797,906)	(2,382,152)	(3,050,000)
Net Profit before Tax	**314,905**	**(1,124,411)**	**130,000**
Taxation			
Taxation	(285,144)	136,484	-
Total Taxation	**(285,144)**	**136,484**	**-**
Net Profit After Tax	29,761	(987,927)	130,000

Assessment 2019/20: PRIP have had an interrupted operating year with Jetstar ceasing domestic flights within NZ as at November 2019; as a result vacating the New Plymouth Airport premise. This impacted on passengers through the airport, landing charges and car parking revenue. In addition New Zealand was sent into a Level 4 lockdown due to Covid-19, late March 2020. This lockdown was effective immediately resulting in minimal income for PRIP between late March and mid May. Other income (loss) is due to PRIP completing the new terminal project during 2020 which also saw the disposal of the old terminal and PPE associated.

	ACTUAL 2018/19	ACTUAL 2019/20	BUDGET 2019/20
2. Passenger Numbers			
Passenger Numbers	456,766	324,214	471,000
Total Passenger Numbers	**456,766**	**324,214**	**471,000**

Covid 19 Impact:

Passenger numbers were severely impacted by Covid-19 and the Level 4 nationwide shutdown. Effective from midnight 26 March 2020 the NZ government issued a nationwide shutdown limiting travel to essential workers only. From the lock down announcement until the end of March 2020 only 186 passengers came through New Plymouth airport compared to the 6,121 for the same period March 2019.

Actual passenger numbers were also down on budget due to Jetstar withdrawing services from November 2019. This announcement was made on 25 September 2019 after budgets were completed.

	ACTUAL 2018/19	ACTUAL 2019/20	BUDGET 2019/20
3. Forecast Statement of Financial Position			
Assets			
Current Assets	1,537,403	1,205,489	7,145,000
Deferred Tax as Set	60,504	-	-
Property, Plant & Equipment and Other	47,661,388	62,431,049	56,791,000
Loans Provided	-	212,429	-
Total Assets	**49,259,295**	**63,848,967**	**63,936,000**
Liabilities			
Current Liabilities	6,552,067	1,400,715	4,341,000
Current Borrowings	-	3,045,927	-
Non-Current Borrowings	13,495,927	7,500,000	32,250,000
Deferred Tax Liability	-	336,116	-
Total Liabilities	**20,047,994**	**12,282,758**	**36,591,000**
Net Assets	29,211,301	51,566,209	27,345,000

4. Operational Performance

To operate an essential infrastructure transport hub for New Plymouth and the Taranaki region and to provide facilities that are safe, efficient and welcoming

Target	Actual 2019/2020
• Maintain the Airport facilities to avoid any disruption of scheduled commercial flights other than for weather or airline problems.	The existing Airport facilities have been well maintained throughout the year and there has been no diversion of regular passenger transport services resulting from Airport operations. The new terminal opened 17 March 2020 with a smooth changeover from the old terminal and no disruptions to Airport operations.
• Meeting all operating, maintenance, capital expenditure and interest costs from Airport revenue.	All operating costs associated with the day to day operations of the Airport have been met from Airport revenue. Loans have been made available from NPDC to assist with capital expenditure, with repayments and interest also being fully being serviced from Airport revenue. Due to the Worldwide pandemic (COVID-19),revenue was severely impacted for the fourth quarter of FY2020. Operational expenditure was cut and NPDC extended the loan facility to cater for the shortfall. This enabled PRIP to continue trading and to meet all operational costs, ongoing capital expenditure and loan interest payments.
• Manage New Plymouth Airport in full compliance with the approved operating procedures of the Civil Aviation Authority Rule Part 139.	Under an agreement with the Civil Aviation Authority (CAA), PRIP manages the Airport on behalf of the Aerodrome Operator Certificate holder, NPDC. During the year PRIP submitted an application to the CAA for the renewal of the Part 139 Aerodrome Operator Certificate. The CAA carried out a full re-certification audit in September 2019 and PRIP was successful with the application. The new Certificate is valid until 30 April 2024.
• Complete the Airport terminal redevelopment project and have the new building operational in January 2020.	The new terminal was completed three months later than planned and opened on 17 March. However, due to the COVID-19 pandemic, the new terminal closed on 4 April and reopened again for air services on 14 May. The old terminal was demolished during June and is being replaced by new internal roading, a taxi pick-up area and car park.

Statement of Comprehensive Revenue and Expense

Papa Rererangi i Puketapu Limited
For the year ended 30 June 2020

	NOTES	2020	2019
Non-Exchange Revenue			
Grant Revenue - NPDC		4,900	-
Grant Revenue - PGF		56,762	-
Wages Subsidy		68,678	-
Total Non-Exchange Revenue		**130,340**	**-**
Exchange Revenue			
Landing Charges Revenue		3,154,510	3,217,018
Parking Fees		863,337	1,096,873
Rental Revenue		499,942	516,599
Other Revenue		42,476	149,898
Finance Revenue		222	3,299
Investment Revenue		3,228	-
Total Exchange Revenue		**4,563,715**	**4,983,687**
Expenses			
Terminal Building Operations		395,182	327,936
Personnel Costs		648,379	612,979
General & Operational Expenditure	4	1,980,034	1,929,961
Loss on Disposal of Assets		412,719	-
Total Expenses		**3,436,314**	**2,870,876**
Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)		**1,257,741**	**2,112,811**
Non Operating Expenses			
Interest Costs to Related Parties	4	1,049,422	485,721
Depreciation & Amortisation Expense		1,332,731	1,312,185
Total Non Operating Expenses		**2,382,152**	**1,797,906**
Surplus before Taxation		**(1,124,411)**	**314,905**
Taxation and Adjustments			
Income Tax Expense	5	(136,484)	285,144
Total Taxation and Adjustments		**(136,484)**	**285,144**
Surplus (Deficit) after Taxation		**(987,927)**	**29,761**
Other Comprehensive Revenue and Expense			
Gain on Property, Plant & Equipment Revaluation		1,865,049	2,069,394
Movement in Deferred Tax at Revaluation	5	(522,214)	-
Total Other Comprehensive Revenue and Expense		**1,342,835**	**2,069,394**
Total Comprehensive Revenue and Expense		**354,908**	**2,099,155**

The accompanying notes form part of these financial statements.

Statement of Financial Position

Papa Rererangi i Puketapu Limited
As at 30 June 2020

	NOTES	30 JUN 2020	30 JUN 2019
Assets			
Current Assets			
Cash and Cash Equivalents	6	730,259	600,712
Trade and Other Receivables	7	227,351	465,427
GST Receivable		72,804	448,922
Income Tax Receivable		175,075	22,342
Total Current Assets		**1,205,489**	**1,537,403**
Non-Current Assets			
Deferred Tax	5	-	60,504
Loan Receivables	8	212,428	-
Property, Plant & Equipment, Capital Works & Work in Progress	10	62,431,049	47,661,388
Total Non-Current Assets		**62,643,478**	**47,721,892**
Total Assets		**63,848,967**	**49,259,295**
Liabilities			
Current Liabilities			
Trade and Other Payables	9	1,283,981	2,867,276
Revenue in Advance - Wages Subsidy		38,504	-
Employee Entitlements	12	78,230	34,791
Borrowings	11	3,045,927	3,650,000
Total Current Liabilities		**4,446,642**	**6,552,067**
Non-Current Liabilities			
Borrowings	11	7,500,000	13,495,927
Deferred Tax	5	336,116	-
Total Non-Current Liabilities		**7,836,116**	**13,495,927**
Total Liabilities		**12,282,758**	**20,047,994**
Net Assets		**51,566,209**	**29,211,301**
Equity			
Share Capital			
NPDC Current Equity	14	49,138,485	27,138,485
Total Share Capital		**49,138,485**	**27,138,485**
Retained Earnings		(984,505)	3,422
Revaluation Reserve		3,412,229	2,069,394
Total Equity		**51,566,209**	**29,211,301**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

Papa Rererangi i Puketapu Limited
For the year ended 30 June 2020

	2020	2019
Equity		
Opening Balance	29,211,301	27,112,146
Increases		
Share capital issued to New Plymouth District Council	22,000,000	-
Total Comprehensive Revenue & Expense for the year	354,908	2,099,155
Total Increases	**22,354,908**	**2,099,155**
Total Equity	**51,566,209**	**29,211,301**

These accompanying notes form part of these financial statements.

Statement of Cash Flows

Papa Rererangi i Puketapu Limited
For the year ended 30 June 2020

	2020	2019
1. Operating Activities		
Cash was provided from:		
Receipts from customers	4,756,121	4,890,520
Interest received	1,023	3,299
Grants received	61,662	-
Wage subsidy	107,182	-
Total Cash was provided from:	**4,925,988**	**4,893,819**
Cash was applied to:		
Payments to suppliers and employees	2,937,407	3,290,765
Interest paid	888,901	407,293
Tax payments	141,842	103,548
Net GST	(174,523)	642,469
Total Cash was applied to:	**3,793,627**	**4,444,075**
Net Cash Flows from Operating Activities	1,132,361	449,744

	2020	2019
2. Investing Activities		
Cash was provided from:		
Other cash items from investing activities	-	-
Total Cash was provided from:	-	-
Cash was applied to:		
Loans to tenants	210,000	-
Payment for property, plant and equipment	16,192,814	9,949,687
Total Cash was applied to:	**16,402,814**	**9,949,687**
Net Cash Flows from Investing Activities	(16,402,814)	(9,949,687)

	2020	2019
3. Financing Activities		
Cash was provided from:		
Proceeds from New Plymouth District Council Loans	15,400,000	9,850,000
Total Cash was provided from:	**15,400,000**	**9,850,000**
Cash was applied to:		
Other cash items	-	-
Total Cash was applied to:	-	-
Net Cash Flows from Financing Activities	15,400,000	9,850,000

	2020	2019
4. Cash & Cash Equivalents		
New Increase/ (Decrease) in Cash & Cash Equivalents Held	129,547	350,057
Opening Cash & Cash Equivalents Brought Forward	600,712	250,655
Total Cash & Cash Equivalents	**730,259**	**600,712**

Notes to the Financial Statements

Papa Rererangi i Puketapu Limited
For the year ended 30 June 2020

1. Reporting Entity

Papa Rererangi i Puketapu Limited (PRIP) was established on 3 July 2017. It is a public benefit entity (PBE) Company, incorporated and domiciled in New Zealand. PRIP is a reporting entity for the purposes of the Financial Reporting Act 2013 and its Financial Statements comply with that Act and the Companies Act 1993.

PRIP is a wholly owned subsidiary of the New Plymouth District Council (the Council) and is a Council Controlled Trading Organisation as defined in Section 6 of the Local Government Act 2002.

2. Statement of Accounting Policies

The Financial Statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with Public Benefit Entity Standards Reduced Disclosure Regime (PBE Standards RDR). The Company is eligible and has elected to report in accordance with Tier 2 PBE Standards RDR on the basis that the Company has no public accountability and is not large as defined in XRB A 1.

The financial statements for the Airport are for the year ended 30 June 2020.

The financial statements were authorised for issue by the Board on 30th November 2020

Basis of Preparation

These financial statements are presented in New Zealand (NZ) dollars ($), which is also the Company's functional currency.

These financial statements have been prepared on a going concern basis and the accounting policies have been applied consistently throughout the period.

These financial statements have been prepared exclusive of GST, except receivables and payables, which are GST inclusive. Where GST is not recoverable as an input tax, it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to the IRD is included as part of the Receivables or Payables in the Statement of Financial Position.

Application of new and revised accounting standards, interpretations and amendments.

There have been no new or revised accounting standards, Interpretations and amendments effective during the period which have a material impact on the Company's accounting policies or disclosures.

Significant Accounting Policies

In 2020, the Company did not adopt any new standards early.

PBE IPSAS 34-38

PRIP evaluated new standards PBE IPSAS 34-38 for relevancy to PRIP's reporting entity nature. At this time PRIP does not meet the requirements and conditions of these introduced standards. As such PRIP has not adopted these standards as at 30 June 2020. PRIP acknowledges that the above standards may become applicable in future periods and will review whether or not adoption is required at that point.

Changes in Accounting Policies

There have been no changes in accounting policy.

Impairment Policies

At the end of each reporting period PRIP reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, PRIP estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the greater of market value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount.

For non-revalued assets, impairment losses are recognised as an expense immediately. For revalued assets, the impairment loss is treated as a revaluation decrease to the extent it reverses previous accumulated revaluation increments for that asset.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, subject to the restriction that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years.

A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase to the extent that any impairment losses on the same asset had been previously charged to equity.

Statement of Cash Flow Policies

Operating Activities include cash received from all PRIP's income sources and record the cash payments for the supply of goods and services.

Investing Activities are those activities relating to the acquisition and disposal of non-current assets.

Financial Activities comprise of activities that change PRIP's equity and debt capital structure.

Accounting Estimates and Judgements

In preparing these financial statements, the Airport has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the actual results.

Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed reasonable under the circumstances. In the future, actual experience may differ from those estimates and assumptions.

Significant judgements, estimates and assumptions regarding the value of property, plant and equipment (refer Note 10), have been made by management in preparing these Financial Statements.

Specific Accounting Policies

Specific accounting policies are contained within the relevant notes.

g

3. Revenue

Accounting Policy

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

Exchange Revenue

Landing fees are fees charged to the users of the Airport's aeronautical facilities. Revenue from landing fees is recognised upon use of the runway. Lease receipts under an operating sub-lease are recognised as revenue on a straight-line basis over the lease term. Interest income is recognised using the effective interest method. Parking revenue is recognised when the parking ticket is paid.

Non-Exchange Revenue

Non-exchange revenue consists of grants and subsidies. The grant revenue is recognised when the conditions attached to the grant have been complied with. Where there are unfulfilled conditions attached to the grant, the amounts relating to the unfulfilled conditions are recognised as liabilities and released to revenue as the conditions are fulfilled.

	NOTES	2020	2019
4. Expenses			
General and Operational Expenditure			
Rescue Fire Service Operations		784,617	697,987
Lease Property Maintenance		76,691	77,605
Carpark & Access		-	117,974
Directors Fees		167,534	165,548
Overhead Charges (New Plymouth District Council)		77,274	135,730
Audit Fees - Audit New Zealand - Prior Year		1,671	-
Audit Fees - Audit New Zealand		36,925	33,409
Bank Fees		861	2,801
Directors Expenses		12,908	10,800
Other Expenses		821,553	688,105
Total General and Operational Expenditure		**1,980,034**	**1,929,961**
Interest Costs			
Interest Costs to Related Parties		1,049,422	485,721
Total Interest Costs		**1,049,422**	**485,721**

Accounting Policy

All borrowing costs are recognised as an expense in the financial year in which they are incurred.

Interest expenses are accrued on a time basis using the effective interest method. During the year PRIP's, interest rates ranged between 4.11% and 3.69%. (2019: 3.83% and 4.85%)

	NOTES	2020	2019
5. Income Tax Expense			
Surplus before tax		(1,124,411)	314,905
Income & Deferred Tax			
Tax at 28%		(314,835)	88,173
Permanent Differences		184,306	196,971
Prior Period Adjustment		(5,955)	-
Total Tax Expense		(136,484)	285,144
Components of Taxation Expenses			
Current Tax		(10,891)	313,649
Deferred Taxation		(125,593)	(28,505)
Total Components of Taxation Expenses		**(136,484)**	**285,144**

	NOTES	2020	2019
Deferred Taxation			
Balance comprises temporary differences attributable to:			
Property, plant and equipment		(424,690)	50,763
Employee provisions		17,474	9,741
Other provisions		71,098	-
Total Deferred Taxation		**(336,117)**	**60,504**
Movements			
Opening Balance		60,504	27,633
Charged to Profit or Loss		125,593	32,871
Charged to Equity		(552,214)	-
Closing Balance		**(366,117)**	**60,504**

Accounting Policy

Income tax expense is the aggregate of current period movements, in relation to 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. The 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 relation to 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 surplus.

Deferred tax is measured at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the group expects to recover or settle the carrying amount of its assets and liabilities.

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.

Current tax and deferred tax is recognised against the surplus or deficit for the period, except to the extent that it relates to transactions recognised in other comprehensive income or directly in equity.

	NOTES	2020	2019
6. Cash and Cash Equivalents			
Cash at Bank		730,259	597,672
Carpark Machine Float		-	3,040
Total Cash and Cash Equivalents		**730,259**	**600,712**

Accounting Policy

Cash and cash equivalents comprise of cash on hand and demand deposits, and other short-term highly liquid investments, that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. The carrying value of cash at bank and the carrying value of term deposits with maturities less than three months, approximates their fair value.

	NOTES	2020	2019
7. Trade and Other Receivables			
Exchange Receivables			
Accounts Receivables		216,601	465,427
Accrued Revenue		-	-
Other Receivables		-	-
Prepayments		10,750	-
Total Debtors and Other Receivables		**227,351**	**465,427**

	NOTES	2020	2019
The ageing profile of receivables at year end is detailed below:			
Not Past Due		156,804	380,571
Past Due 1 - 30 Days		37,287	62,209
Past Due 31 - 60 Days		9,159	4,427
Past Due > 60 Days		13,351	18,220
Total Accounts Receivables		**216,601**	**465,427**

Accounting Policy

Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method.

An allowance for doubtful debts is made for estimated irrecoverable amounts when there is objective evidence that the asset will be impaired. Any movement in the allowance is recognised in comprehensive income and expense, and measured as the difference between the asset's carrying and expected recoverable amount.

	NOTES	2020	2019
8. Loan Receivables			
Loan - Collab Hospitality		60,186	-
Loan - Airspresso		152,242	-
Total Loan Receivables		**212,428**	-

Accounting Policy

Loans are included in current assets, except for maturities greater than 12 months after the balance date, which are included in non-current assets. Loans are initially recognised at cost, being fair value of the consideration received. Due to the length of the loans they are annually reviewed for impairment against the borrowers ability to service the loan and current market interest rates. If impairment is established it is recognised in other comprehensive revenue and expense statement.

Income earned from the borrowings is recognised as interest within the comprehensive statement of revenue and expenses as it is earned, not paid.

Terms of Loans

Airspresso

Term: 9 years

Amount: $150,000

Interest Rate: 2.55%

Scheduled repayments: $1,555.56, monthly starting January 2021

Collab

Term: 6 years

Amount: $60,000

Interest Rate: 3.27%

Scheduled repayments: $800, monthly starting July 2021

	NOTES	2020	2019
9. Trade and Other Payables			
Exchange Payables			
Trade Creditors		638,905	2,417,694
Contract Retentions		201,431	201,431
Accruals		100,900	28,470
Credit Cards		1,525	2,867
Income in Advance		-	20,515
Amounts Due to Related Parties		18,333	33,933
Interest Payable to NPDC		322,887	162,366
Total Trade and Other Payables		**1,283,981**	**2,867,276**

Accounting Policy

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method.

10. Property, Plant and Equipment Note

Papa Rererangi i Puketapu Limited
For the year ended 30 June 2020

	OPENING COST	ADDITIONS	DISPOSALS	REVALUATION GAIN/(LOSS) (EXCLUDING DEPRECIATION REVERSED)	TRANSFERS FROM WORK IN PROGRESS/ CAPITALISED	CLOSING COST	OPENING ACCUMULATED DEPRECIATION	DEPRECIATION	ACCELERATED DEPRECIATION	ACCUMULATED DEPRECIATION ON DISPOSAL	ACCUMULATED DEPRECIATION REVERSED ON REVALUATION	CLOSING ACCUMULATED DEPRECIATION	NET BOOK VALUE
Property Plant and Equipment 2020													
Artwork	-	-	-	(115)	421,115	421,000	-	-	-	-	-	-	421,000
Land	16,207,879	-	-	-	-	16,207,879	-	-	-	-	-	-	16,207,879
Runway, Taxiways & Aprons	8,811,698	-	-	176,760	-	8,988,458	713,753	341,285	-	-	(1,055,038)	-	8,988,459
Buildings	3,170,559	57,518	(2,012,755)	20,957	27,607,287	28,843,566	1,355,000	232,572	429,640	(1,767,073)	(250,138)	-	28,843,565
General Infrastructure	3,701,142	34,826	(121,447)	(408,142)	3,233,797	6,440,176	333,527	242,184	-	(51,231)	(524,480)	-	6,440,177
Furniture and Fittings	470,260	7,676	(244,750)	156,689	1,085,463	1,475,338	157,133	85,024	2,026	(145,554)	(89,242)	9,386	1,465,952
Work In Progress	17,859,263	14,552,417	-	-	(32,347,662)	64,018	-	-	-	-	-	-	64,017
Total Property Plant and Equipment 2020	**50,220,801**	**14,652,437**	**(2,378,952)**	**(53,851)**	**-**	**62,440,435**	**2,559,413**	**901,065**	**431,666**	**(1,963,858)**	**(1,918,898)**	**9,386**	**62,431,049**

	OPENING COST	ADDITIONS	DISPOSALS	REVALUATION GAIN/(LOSS) (EXCLUDING DEPRECIATION REVERSED)	TRANSFERS FROM WORK IN PROGRESS/ CAPITALISED	CLOSING COST	OPENING ACCUMULATED DEPRECIATION	DEPRECIATION	ACCELERATED DEPRECIATION	ACCUMULATED DEPRECIATION ON DISPOSAL	ACCUMULATED DEPRECIATION REVERSED ON REVALUATION	CLOSING ACCUMULATED DEPRECIATION	NET BOOK VALUE
Property Plant and Equipment 2019													
Artwork	-	-	-	-	-	-	-	-	-	-	-	-	-
Land	14,138,485	-	-	2,069,394	-	16,207,879	-	-	-	-	-	-	16,207,879
Runway, Taxiways & Aprons	8,796,529	15,169	-	-	-	8,811,698	364,436	349,317	-	-	-	713,753	8,097,945
Buildings	2,772,281	398,278	-	-	-	3,170,559	656,836	94,030	604,134	-	-	1,355,000	1,815,559
General Infrastructure	3,559,926	141,216	-	-	-	3,701,142	161,772	171,755	-	-	-	333,527	3,367,615
Furniture and Fittings	317,859	152,401	-	-	-	470,260	64,183	9,423	83,527	-	-	157,133	313,127
Work In Progress	6,704,193	11,265,661	-	-	(110,591)	17,859,263	-	-	-	-	-	-	17,859,263
Total Property Plant and Equipment 2019	**36,289,273**	**11,972,725**	**-**	**2,069,394**	**(110,591)**	**50,220,801**	**1,247,227**	**624,525**	**687,661**	**-**	**-**	**2,559,413**	**47,661,388**

Accounting Policy

PRIP has the following classes of property, plant and equipment (PPE):

- Land;
- Runway, Taxiway and Aprons;
- Buildings;
- General Infrastructure;
- Furniture and Fittings; and
- Work in Progress

Land; Runway; Taxiway and Aprons; Buildings; General Infrastructure are measured at fair value less any subsequent accumulated depreciation and impairment losses (if any).

PPE will be valued with sufficient regularity to ensure their carrying amount does not differ materially from fair value and at least every three years. Revaluations of PPE will be accounted for on a class-of-asset basis. The carrying values of revalued assets will be assessed annually to ensure they do not differ materially from the asset fair values. If there is a material difference, then the off-cycle asset classes will be revalued.

Additions between valuations will be recorded at cost. Cost represents the fair value of the consideration given to acquire the assets, and the value of other directly attributable costs that have been incurred in bringing the assets to the location and condition necessary for their intended service.

Revaluation increments are credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense in comprehensive revenue and expense, in which case, the increase is credited to comprehensive income and expense to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation is charged as an expense in comprehensive income and expense to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset. On disposal, the attributable revaluation surplus remaining in the revaluation reserve, net of any related deferred taxes, is transferred directly to retained earnings.

Accelerated Depreciation

Accelerated depreciation reflects the decision of the Board in June 2018 to construct a new terminal. This has resulted in the economic life of the existing terminal being shortened to January 2020, the expected date that the new terminal will be operational. Given that this decision was made before balance date, the accelerated depreciation has been applied from 1 July 2017. The new terminal was completed in the later part of 2020 and has been capitalised. The old terminal has been physically disposed off during 2020 and has been written off the PPE ledger of PRIP as at 30 April 2020.

Revaluation

PRIP engaged independent valuer Mike Drew, Director (BBS (VPM) ANZIV, MPINZ), Telfer Young Limited (registered valuers), to undertake a valuation of the following asset categories as at 30 June 2020.

- Buildings
- Runway Infrastructure
- Equipment and Furniture
- General Infrastructure
- Land

The valuation process was undertaken on a depreciated replacement cost basis. The depreciation model reflects the assets future economic benefits or services potential expected to be consumed by PRIP. Adjustments to the assets have been considered in various types of obsolescence; physical, functional and external obsolescence.

Valuation Process and assumptions on Buildings:

- The majority of PRIP buildings are specialised buildings where there is no alternative or active market for the buildings.
- Whether there is local availability of replacement construction resources, materials, labour.
- Information from recent similar assets, published construction cost data and QV Costbuilder information

Valuation Process and assumptions of all asset categories, including buildings:

- Asset useful life was obtained by speaking with airport staff, alongside economic life.
- To calculate fair value componentisation was used, which acknowledges that assets maybe made up of several components and that the economic life of material components within should be evaluated.
- Estimates on remaining useful life can be affected by local conditions, i.e weather patterns, air traffic growth

Impact of Covid-19

PRIP have recognised the need to seek an independent valuation of PPE held, based on the current global impact of Covid-19. The independent valuer has provided PRIP valuations based on fair value as defined in International Valuation Standards 2020. PRIP has accepted the valuations of fair value and recorded a revaluation against each asset class.

The valuer has indicated greater degree of uncertainty due to market disruption and lack of data as a result of Covid-19 on the land asset valuation. There is limited impact expected on DRC values.

Additions

The cost of an item of PPE 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 PRIP, and the cost of the item can be measured reliably. In most instances PPE will be recognised at cost. Where an asset is acquired at no cost, or for a nominal cost, it will be recognised at fair value as at the acquisition date.

Subsequent Costs

Costs incurred subsequent to initial acquisition are capitalised if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to PRIP, and the cost of the item can be measured reliably.

Depreciation and Amortisation

Depreciation commences when the asset is ready for use, and is charged to comprehensive income and expense on all PPE other than work in progress (WIP) over their estimated useful lives, using the straight-line method (SL). The useful lives and estimated residual values are reviewed at each balance date and amended if necessary. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset, and is recognised in comprehensive income and expense.

The useful lives and associated depreciation rates for each class of assets are as follows:

Runway Sub-base	Non-Depreciable	
Runway, Taxiway & Aprons	2 - 75 years	1.33% to 50%
Buildings	1.1 - 80 years	1.25% to 90%
General Infrastructure	1.5 - 100 years	1.00% to 67%
Furniture & Fittings	1.5 - 50 years	2.00% to 67%

The residual value and the useful life of an asset are reviewed, and adjusted if applicable, at the end of each financial year.

When property, PPE is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset. The net amount is restated to reflect the revaluation.

Estimates and Assumptions Applied In Determining The Value of PPE

8

Construction costs used for the calculations have been taken from reference to actual recent construction/maintenance contracts carried out at the Airport.

Asset lives have been determined based on their expected economic value and vary depending upon the nature and style of the asset involved. An asset's total life is the asset's age to date, plus its future economic life estimated.

Generally, depreciation has been undertaken on a straight line approach, utilising the remaining life of the asset over its total estimated life. With componentisation, different useful lives have been placed on the various components found at the property, and this process also allows for refurbishment and upgrading that has been undertaken to the various components. Componentisation takes into account the varying economic lives that each component of an asset may have.

Estimates and Assumptions Regarding Finance Leased Assets

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred.

The Airport leases land which is owned by the Council. In accordance with paragraph 28 of IPSAS 13, at the commencement of the lease term, the Airport recognises the land as an asset in the statement of financial position at fair value with a corresponding credit to equity, as the transaction is effectively an in-substance equity contribution.

The lease term is the non-cancellable period for which the lessee has contracted to lease the asset (see Note 14), together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option.

The land is owned by the Council, the Crown retains a 50% beneficial interest in the land and any proceeds if it were to be sold in the future. The land cannot be disposed of without prior consent from the Crown.

Papa Rererangi i Puketapu Limited has a renewable 99 year lease over this land at a peppercom rental of $1 per year. The leasehold interest in the land was last valued as at 30 June 2020 by TelferYoung (Taranaki) Limited in accordance with 2020 International Valuation Standards (fair value $16,207,879; 2019: $16,207,879).

	NOTES	2020	2019
Capital Expenditure Commitments			
No longer than 1 year		-	10,500,009
Longer than 1 year and not longer than 5 years		-	-
Longer than 5 years		-	-
Total Capital Expenditure Commitments		**-**	**10,500,009**

PRIP had no capital expenditure commitments

	NOTES	2020	2019
11. Borrowings			
Secured Loans from New Plymouth District Council at Amortised Cost Classified as:			
Current		3,045,927	3,650,000
Non-Current		7,500,000	13,495,927
Total Secured Loans from New Plymouth District Council at Amortised Cost		**10,545,927**	**17,145,927**
Total Borrowings		**10,545,927**	**17,145,927**

Accounting Policy

Borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs (if any) associated with the borrowing and subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated taking into account any issue costs and any discount or premium on drawdown.

All borrowing costs are recognised in comprehensive income and expense in the period in which they are incurred.

At inception of the Company, the Council made available to it a non-current loan facility and current loan facility. An initial non-current loan was advanced to PRIP in order to cover the transfer price of the assets purchased from the Council (refer Note 14). Current loan advances have been made during the year for the terminal redevelopment project.

The interest rate on the non-current loan has been set at the Council's cost of funds plus 0.25 % per annum, currently 3.69% (2019: 4.33%) per annum. The interest rate on the current loan has been set at the Council's cost of funds plus 0.75 % per annum. The interest for the year ranged from 3.69% to 4.33%. (2019: 3.83% to 4.85%)

Impact of Covid-19

Such is the effective of Covid-19 on PRIP's ability to generate income from 26 March 2020, to ensure it's ability to repay the borrowings from New Plymouth District Council, New Plymouth District Council voted on 30 June 2020 in favour of converting $22,000,000 of borrowings into shares. New Plymouth District Council was issued 22,000,000 ordinary shares at $1 per share.

	NOTES	2020	2019
12. Employee Benefit Expenses			
Salaries and Wages Accrued		(15,821)	-
Provision for Annual Leave		(62,408)	(34,791)
Total Employee Entitlements		**(78,230)**	**(34,791)**

Accounting Policy

Employee benefits expected to be settled within 12 months of balance date are measured at nominal values, based on accrued entitlements, at current rates of pay. These include salaries and wages accrued up to balance date and annual leave earned to, but not yet taken, at balance date.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including the Board of Directors, Chief Executive Officer and Airport Operations Manager. The total amount for salaries and other short-term benefits paid to key management personnel in the year was $408,420. (2019: $446,248).

One non-director employee received remuneration and benefits over $100,000 during the year.

Impact of Covid-19

From 30 March 2020 PRIP staff either agreed to a 20% reduction in salary/wages or a 20% reduction in rostered hours effective until 1 June 2020. PRIP also successfully applied for the governments wage subsidy; receiving $63,177.60 on 27 March 2020. In addition PRIP applied for the wage subsidy extension and was granted $44,004.80 on 24 June 2020. The initial wage subsidy has all been recorded as Other Income.

13. Related Parties

As the sole shareholder of PRIP, the Council is deemed to be a related party of the Airport.

On 3 July 2017, the Airport entered into an agreement with the Council to transfer its interest in the assets of the New Plymouth Airport to the Company. The agreed transfer price was $15,312,000. The Airport satisfied the transfer price by:

- Issue of 13,000,000 Ordinary Shares at $1 each for $13,000,000
- A secured loan from New Plymouth District Council $2,312,000

In addition to the assets, the Council also leased the Airport land to PRIP under a lease agreement for 99 years at a nominal consideration of $1 per year and with no rights of renewal.

No debts between the parties were written off or forgiven and no transactions between the parties took place at nil or nominal value.

	NOTES	2020	2019
Transactions Occurred Between the Council and PRIP for the Year Ending 30 June 2020			
Charges to PRIP by the Council			
Goods & Services provided by the Council		434,507	589,550
Advance Provided by the Council		3,048,618	9,850,000
Interest Paid to the Council		1,049,421	485,722
Total Charges to PRIP by the Council		**4,532,546**	**10,925,272**
Charges by PRIP to the Council			
Services Paid During the year		4,900	-
Car Parking		8,004	8,004
Total Charges by PRIP to the Council		**12,904**	**8,004**
Balances Remained Payable to the Council 30 June 2020			
Borrowings		10,545,927	17,145,927
Interest Payable		322,887	162,366
Outstanding Invoices		18,333	33,933
Total Balances Remained Payable to the Council 30 June 2020		**10,887,147**	**17,342,226**

Other Related Party Disclosures

Directors are considered to be related parties of PRIP as they have a considerable amount of control over the governance of the entity.

Rachel Farrant is a Director of PRIP, a Director of Fulton Hogan Limited and a Director and Shareholder of BDO Wellington Limited. During the year, Fulton Hogan Limited and BDO Wellington provided services to PRIP. All transactions were within a normal supplier or client/recipient relationship, and on terms and conditions no more or less favourable than those it is reasonable to expect the Company would have adopted in dealing with either party at arm's length in the same circumstances.

14. Share Capital

Share capital for the year of $49,138,485 (2019: $27,138,485) comprises 13,000,000 fully paid ordinary shares issued in 2017, plus the 22,000,000 ordinary shares issued in 2020 and $14,138,485 relating to the financial lease of the land. Fully paid ordinary shares carry one vote per share and carry the right to dividends.

	NOTES	2020	2019
15. Operating Lease Commitments - PRIP as Lessor			
Non-cancellable Operating Lease Receivables			
No longer than 1 year		702,027	244,577
Longer than 1 year and not longer than 5 years		2,505,678	804,663
Longer than 5 years		6,651,918	2,538,624
Total Operating Lease Commitments		**9,859,623**	**3,587,864**

Accounting Policy

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Lease Arrangements

Operating commitments as a lessor includes leases that the Airport has with lessee's. These commitments cannot be cancelled until the end of the lease. However, if the lessee wishes to sell their lease they can do so to a third party, but PRIP must approve of the transaction.

Impact of Covid-19

PRIP provided rent relief which has been recognised in the financial statements through credit notes issued. PRIP has been in touch with tenants to ensure they are able and willing to continue their leases with PRIP; to date no leases have been cancelled.

16. Remuneration

	NOTES	2020	2019
Key Management Personnel Compensation			
Salaries and Other Short-term Employee Benefits		297,607	282,758
Post-employment Benefits		-	2,856
Other Long-term Benefits		-	-
Termination Benefits		-	-
Total Key Management Personnel Compensation		**297,607**	**285,614**

Key management personnel include the Chief Executive Officer and Airport Operations Manager.
At balance date, the Airport employed 6.3 full-time equivalent (FTE) employees (2019: 6.9).

Directors' Fees

	NOTES	2020	2019
Philip Cory-Wright		67,166	63,290
Rachel Farrant		33,382	34,086
Shelley Kopu		33,600	34,086
Chris Myers		33,385	34,086
Total Directors' Fees		**167,533**	**165,548**

Due to the difficulty in determining the full-time equivalents for Directors, the full-time equivalent figure is taken as the number of Directors, which at year end is four.

Impact of Covid-19

From 30 March 2020 PRIP directors agreed to a 20% reduction in directors fee effective until end June 2020.

17. Financial Instruments - Assets/Liabilities

	NOTES	2020	2019
Loans and Receivables			
Cash and Cash Equivalents	6	730,259	600,712
Trade Debtors and Other Receivables	7	227,351	465,427
Total Loans and Receivables		**957,610**	**1,066,139**

	NOTES	2020	2019
Financial Liabilities at Amortised Costs			
Trade Creditors and Other Payables	9	(1,283,981)	(2,867,276)
Related Party Loans	11	(10,545,927)	(17,145,927)
Total Financial Liabilities at Amortised Costs		**(11,829,908)**	**(20,013,203)**
Balance at 30 June 2020		(10,872,298)	(18,947,064)

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

Valuation Techniques

The fair values and net fair values of financial assets and financial liabilities are determined as follows:

- financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and
- derivative financial instruments are calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments.

Impact of Covid-19

PRIP have evaluated the fair value of the financial instruments given the impact of Covid-19. During this evaluation PRIP applied to NPDC for loan relief resulting in the issue of shares in exchange for debt. PRIP considers that financial instruments are recorded at fair value and are recoverable.

18. Contingent Assets and Contingent Liabilities

PRIP had no contingent assets or liabilities at 30 June 2020 (2019 - Nil)

19. Events After the Balance Sheet Date

In June 2020 PRiP were notified by Taranaki Regional Council that an investigation into alleged illegal dumping of asbestos materials by a sub-contractor to the main terminal redvelopment contractor was underway. As at balance date no legal fees, fines or other associated costs had been incurred by PRiP. At the time of signing these financial statements, there was no indication that PRiP was responsible for the alleged sub-contractors actions, and as such no indication of fines or penalties that may be incurred.

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of Papa Rererangi i Puketapu Limited's financial statements and performance information for the year ended 30 June 2020

The Auditor-General is the auditor of Papa Rererangi i Puketapu Limited (the company). The Auditor-General has appointed me, Debbie Perera, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the performance information of the company on his behalf.

Opinion

We have audited:

- the financial statements of the company on pages 10 to 28, that comprise the statement of financial position as at 30 June 2020, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the company on pages 7 to 9.

In our opinion:

- the financial statements of the company on pages 10 to 28:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2020; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards Reduced Disclosure Regime; and
- the performance information of the company on pages 7 to 9 presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company's objectives, for the year ended 30 June 2020.

Our audit was completed on 30 November 2020. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw attention to the impact of Covid-19 on the company. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Emphasis of matter – Impact of Covid-19

Without modifying our opinion, we draw attention to the disclosures about the impact of Covid-19 on the company as set out in notes 10, 11, 12, 15, 16 and 17 to the financial statements and page 7 to 9 of the performance information. We draw specific attention to the following matter due to the significant level of uncertainty caused by Covid-19: Land fair value - Note 10 describes the significant uncertainties communicated by the valuer, related to estimating the fair values of the Company's land.

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 Board of Directors for the financial statements and the performance information

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

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the company for assessing the company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Local Government Act 2002.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements and the performance information.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the company's statement of intent.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of the internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- We evaluate the appropriateness of the reported performance information within the company's framework for reporting performance.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company'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 company to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify in our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 3 to 6, but does not include the financial statements and performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the company in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

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

Debbie Perera
Audit New Zealand
On behalf of the Auditor-General
Palmerston North, New Zealand