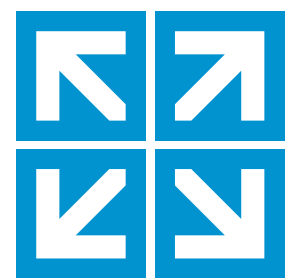




WAIKATO REGIONAL AIRPORT GROUP



ANNUAL REPORT
- 2017 -

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HAMILTON





CHAIR'S REPORT

The Board of Directors has pleasure in presenting the annual report of Waikato Regional Airport Limited Group and its subsidiaries ('the Group'), incorporating the financial statements and the auditors' report, for the year ended 30 June 2017. Hamilton & Waikato Tourism Limited (HWT) and Titanium Park Limited (TPL) are fully owned subsidiaries.

The Board of Directors of Waikato Regional Airport Limited authorised these financial statements presented on pages 10 to 43 for issue on 7 September 2017.

For and on behalf of the Board.

JOHN SPENCER
CNZM, Chair

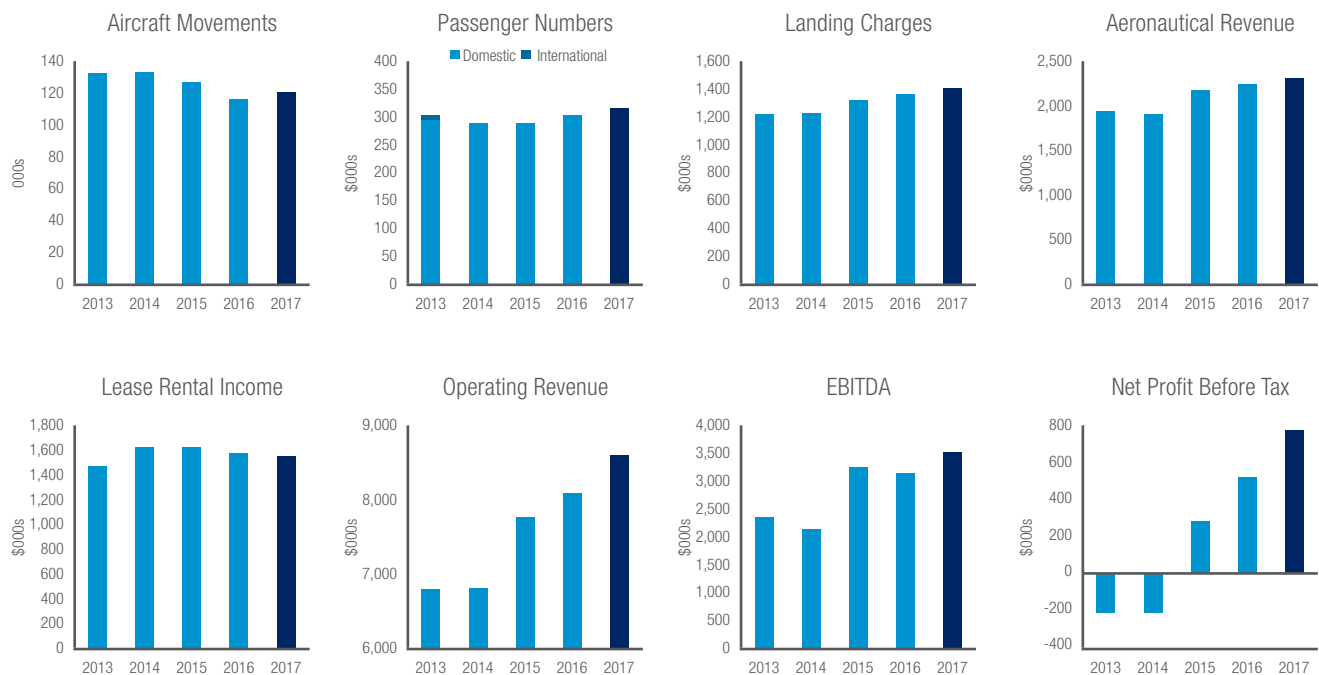
7 September 2017



2017 RESULTS AT A GLANCE

KEY FACTS

- Operating Revenue \$8.6m*; up \$0.6m
- EBITDA \$3.4m*; up \$0.2m
- Operating Profit before Tax \$0.8m*; up \$0.3m
- Land Sales Net Income \$1.0m, up \$0.4m
- Investment Property \$15.3m; up \$11.6m (\$8.3m farm purchase, \$3.3m valuations)
- 317,000 passengers; up 14,000
- 124,000 aircraft movements; up 8,000



* normalised to exclude investment property valuations



CHAIR AND CHIEF EXECUTIVES' 2017 ANNUAL REPORT

The Board and Management of Waikato Regional Airport Limited (WRAL) are pleased to report a solid operational performance for the 2016/2017 financial year. The Group's operating surplus before tax was \$4.1m, due mostly to the increased value in Hamilton Airport's property investment portfolio. Assisting the solid performance was the sale of seven hectares of non-aeronautical land that contributed \$1.0m to the Group's operating surplus.

At year end, the Group undertook a comprehensive valuation of land holdings with a resulting uplift of \$13.9m on the aeronautical land, \$3.3m on the investment property and a further \$1.8m on WRAL's 100% wholly owned subsidiary, Titanium Park Limited's (TPL) land resulting in a \$19m uplift for the Group. This significant movement has been in part due to the strength of the regional economy combined with a strong level of land sale activity in the area surrounding the airport.

During the year, strong emphasis was placed on providing an improved passenger experience with the introduction of the highly regarded Mavis Café brand, the expansion of conferencing facilities and general enhancements to the terminal ambience. A comprehensive customer survey was commissioned to understand our customer profile and to gain a greater awareness of the expectations of our customers. Other key areas of focus included operational efficiency and the development of the Group's property strategy.

A comprehensive 10 year property development strategy was undertaken by the TPL Board. The plan seeks to generate \$1m annual earnings before tax from a design and build property portfolio and to maximise the Group's lease and concession income from existing leases and concessions with the continued focus to deliver

maximum benefit from the Group's land holdings. The year has seen a substantial increase in property activity in and around the airport.

Land activity within the Group included WRAL's purchase of an adjoining 98 hectare farm located to the north west of the Airport. As part of the transaction, TPL sold 6.7 hectares of land on the western side of the airport and in doing so discharged their commitments for future western precinct infrastructure costs, estimated to be \$1.2m, as per the Titanium Park Joint Venture Terminal Agreement.

Hamilton & Waikato Tourism Limited (HWT), WRAL's 100% wholly owned subsidiary, has had another successful year of operation. Strong and enduring relationships have continued with HWT's seven partner Councils and tourism operators resulting in a combined investment of \$1.7m for tourism, marketing and development activities. Tourism numbers and resulting economic contribution to the region continues to grow and HWT finished the year in a sound financial position.

The Board and Management continue to maintain a strong focus on health, safety and wellbeing which included an independent audit during the year of the Group's Health and Safety policies and procedures.

GROUP PERFORMANCE

The Group's operating revenue for the 2016/2017 financial year, excluding investment property valuations, was \$8.6m, up on the prior year by \$0.6m. This was primarily driven by land sales, growth in commercial landing charges from increased flight traffic, increased passenger numbers, car park revenue and tourism funding.

Group operating expenditure (including depreciation but excluding the cost of land sales) of \$7.9m, was \$0.3m higher than the prior year due to increased expenditure relating to overhead costs, increased professional services to support a much stronger focus on lease renewals, and depreciation and amortisation expenses.

Group operating profit before tax of \$0.8m was \$0.3m higher than prior year.

The net cash flow from operating activities is a positive \$5.2m offset by the negative net cash flow from investing activities of \$9.3m mainly due to the 98 hectare farm purchase. The airport's current core debt position of \$11.1m increased from the prior year by \$3.7m due to the farm purchase less land sales transacted throughout the year.

The WRAL Group Balance Sheet remains strong and shows Shareholders' Equity of \$82.0m, up \$17.6m on the prior year, primarily as a result of a valuation-based increase in the value of the Group's land holdings.

WRAL prepares an annual Statement of Intent which is approved by their Shareholders and incorporates financial and performance measures for the year. This year's achievement of financial and non-financial targets is shown in note 30 Performance Targets and Results.

	2017 \$000	2016 \$000	Variance \$000
Operating and Other Revenue*	8,632	8,056	576
Direct Expenses	5,199	4,835	(364)
EBITDA	3,433	3,221	212
Depreciation	2,370	2,278	(93)
Interest Costs	299	455	157
Disposals of Assets	–	2	(2)
Operating Profit before Taxation	764	490	274
Net Cash Flow from Operating Activities	5,247	2,769	2,478
Net Cash Flow from Investment Activities	(9,292)	20	(9,312)
Net Cash Flow from Operating & Investment Activities	(4,045)	2,789	(6,834)

* excludes investment property valuation increase of \$3.3m



AIRPORT OPERATIONS

The core purpose and key objective for the 2016/2017 year has been to operate the airport in an efficient and compliant manner whilst maintaining a viable aeronautical business.

Operating revenue of \$6.0m was up on prior year by \$0.3m driven by a growth in commercial landing charges from increased flight traffic, increased passenger numbers and car park revenue.

Operating expenditure (including depreciation) of \$6.1m was up on prior year by \$0.2m due to increased professional services to support a much stronger focus on lease renewals, and depreciation and amortisation expenses.

	2017 \$000	2016 \$000	Variance \$000
Operating and Other Revenue*	6,011	5,695	316
Direct Expenses	3,423	3,178	(245)
EBITDA	2,588	2,517	71
Depreciation	2,336	2,257	(79)
Interest Costs	300	452	152
Operating Profit before Taxation	(47)	(192)	145
Net Cash Flow from Operating Activities	2,077	3,414	(1,337)
Net Cash Flow from Investment Activities	(6,036)	(772)	(5,264)
Net Cash Flow from Operating & Investment Activities	(3,959)	2,642	(6,601)

*excludes investment property valuation increase of \$3.3m

Hamilton Airport continues to meet Civil Aviation Authority of New Zealand's (CAA) certification obligations regarding safety and security. It also remains New Zealand's second busiest Civil Aviation Part 139 certified airport in terms of aircraft movements. This is primarily driven by high levels of aircraft movements from pilot training school L3 CTS Airline Academy (NZ), formerly CTC Aviation Training. Total aircraft movements for the 2016/2017 financial year were 124,000, up 6.7% on the previous year. The influencing factor in CTS's increased aircraft movements is a strengthening in worldwide demand for commercial pilot training.

A key operational capex project for the 2016/2017 financial year was the upgrade to selected surface areas of the western taxiway

to ensure that the ongoing pavement integrity remains safe and secure. This project had a cost of \$600k and was aligned to WRAL's 10 year airfield asset plan. The works comprised of a terminal apron upgrade with an estimated area of 9,830m² that was milled and filled with 50mm of replacement asphalt. These works were undertaken due to forecast aging and surface deterioration as a result of the impacts of weathering and operational use. To avoid disruption and to ensure there was minimal impact to airport operations, these works were undertaken at night. We are pleased to report that the project was completed on time, under budget and there were no health and safety incidents.

AIRLINE AND PASSENGER NUMBERS

Hamilton Airport Management continued to foster strong and positive relationships with Air New Zealand and other airline partners across operational, marketing and strategic levels.

Air New Zealand, as the primary airline operator, has increased seat capacity on its Hamilton routes with increased demand underpinned by the positive regional and national economic conditions. The up gauging of aircraft resulted in increased seat availability and led to a 4.7% year on year growth in volume to 317,000 passengers, up 14,000 on the prior year. This is primarily due to significant growth on the Christchurch and Palmerston North sectors and solid growth on the Wellington service.

TITANIUM PARK

Titanium Park Limited's focus is to maximise property income from existing leases and concessions and to deliver maximum benefit from the Group's land holdings.

A key objective during the year was the completion of a comprehensive Property Business Plan that sets out the Group's property strategy for the next 10 years. The strategic objective is the maximisation of non-aeronautical revenue whilst ensuring that the airport is future proofed through the retention of key aeronautical land holdings.

A key attraction for businesses of Titanium Park, is that the area provides a gateway to regional markets via its position adjacent to Hamilton Airport. Within the region, Titanium Park is well positioned to optimise the growth in the surrounding areas of Te Awamutu, Cambridge and Hamilton. At a regional level, Waikato links the key import/export regions of Auckland and the Bay of Plenty. The completion of the Waikato Expressway, five kilometres from the airport, will further enhance the strategic location of Titanium Park.

Following a period of what can only be described as stagnant industrial growth, the last twelve months has seen a surge of property activity. The strength of the regional economy combined

with a clear property focus have been the main contributors to this heightened level of activity.

During the year, TPL sold 6.7 hectares of land on the western precinct and in doing so discharged its commitments for future western precinct infrastructure costs, estimated to be \$1.2m, as per the Titanium Park Joint Venture Termination Agreement. In addition, TPL sold several sections totalling just under 1 hectare of land on the central precinct, with construction underway.

A Property Manager was employed to further enhance the Group's property skills base and maximise the opportunities which are ahead of Titanium Park.

HAMILTON & WAIKATO TOURISM

Hamilton & Waikato Tourism (HWT) has had another successful year of operation and positioning the Waikato region as a business and leisure visitor destination. In August 2016, Jason Dawson was appointed as the new Chief Executive. Mr Dawson has led the implementation of the region's Tourism Opportunities Plan which provides a clear direction to realise the visitor potential of the region in partnership with key stakeholders and agencies.

New Zealand's tourism sector is experiencing exceptional growth with international visitor arrivals and expenditure at its highest level ever. This growth is forecast to continue and estimated to reach four million international arrivals in the next four years. Commercial guest nights for the region increased 7.8% to more than \$1.4m for the year ending May 2017. This is stronger than the national commercial accommodation growth rate of 4%.

Visitor expenditure for the region is estimated to have climbed to \$1.4b for the 12 months ended May 2017. Domestic visitors were the largest contributor at \$1.1b, with international at \$355m. The Hamilton and Waikato region remains the fifth largest for visitor expenditure behind Auckland, Wellington, Christchurch and Queenstown.

HWT will continue to work with local government and industry by providing compelling "reasons to visit" within key markets with a focus on overnight stays, minimising seasonality, and encouraging regional dispersal to enable the benefits of tourism to be shared more broadly.

HEALTH & SAFETY

WRAL places high importance on the proactive focus and management of health and safety across the Group and leasehold interests. This includes increasing the awareness of risk and ensuring the development

of sound policies and procedures. Annually, an independent Health & Safety Audit is undertaken and these audits reinforced that WRAL has a compliant and proactive framework in place. In addition, a Safety Committee comprising WRAL staff and an independent safety consultant meets regularly. WRAL is pleased to note that there have been no notifiable events for the 2016/2017 financial year.

COMMUNITY ENGAGEMENT

During the year, Hamilton Airport hosted preschool and school groups providing guided tours of the airport and its operations.

As a requirement of the District Plan, the airport maintains a structured Noise Management Plan (NMP) with the Airport Community Liaison Group continuing to meet regularly throughout the year with the objective of addressing any aircraft noise issues raised by the community.

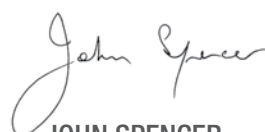
BOARD

The WRAL and TPL Boards were unchanged during the year however there have been several changes to the HWT's Board. Former Chair, Graeme Osborne, retired in October and Annabel Cotton, a WRAL Director, was appointed as Board Chair. In addition, two Board vacancies were filled in January 2017 by Karleen Turner-Puriri and Malcolm Phillipps.

CONCLUSION

The WRAL Board would like to thank our five Shareholders and acknowledges the support from the wider councils who participate in the support of the regional tourism organisation. Thanks is also extended to staff across the WRAL Group for their contribution.

The focus for the Group continues to lie in its key objectives of operating an efficient and compliant airport, while maximising revenue diversification through its aeronautical and non-aeronautical property strategy and enhancing tourism growth within the region.



JOHN SPENCER
Chair



MARK MORGAN
Chief Executive



STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the Year Ended 30 June 2017

	Note	ACTUAL 2017 \$000	ACTUAL 2016 \$000
REVENUE			
Operating Revenue	4	7,635	7,428
Land sales	2	4,177	1,071
Finance revenue		–	13
Other gains/(losses)	5	3,306	(3)
Total Revenue		15,118	8,509
EXPENSES			
Cost of land sales	2	3,187	453
Employee benefit expenses		2,135	1,904
Depreciation and amortisation expense	15,28	2,371	2,278
Operating expenses		2,765	2,680
Directors' fees	6	210	170
Bad debts written off		–	2
Audit fees	7	89	98
Finance costs		298	434
Total Expenses		11,055	8,019
SURPLUS BEFORE TAX		4,063	490
Income tax expense	21	293	154
SURPLUS AFTER TAX		3,770	336
OTHER COMPREHENSIVE REVENUE			
Gain on property revaluation	17	13,856	4,400
Total Other Comprehensive Revenue and Expense		13,856	4,400
TOTAL COMPREHENSIVE REVENUE AND EXPENSE		17,626	4,736

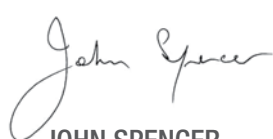
The attached Statement of Accounting Policies and Notes forms part of, and is to be read in conjunction with the Financial Statements.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Note	ACTUAL 2017 \$000	ACTUAL 2016 \$000		Note	ACTUAL 2017 \$000	ACTUAL 2016 \$000
ASSETS				LIABILITIES			
Current Assets				Current Liabilities			
Cash and cash equivalents	13	58	433	Payables and accruals	9	1,503	1,791
Receivables	10	431	606	Employee benefits liabilities	24	298	252
Inventories		91	83	Current tax liabilities		195	250
Prepayments		75	19	Interest bearing liabilities		91	85
Development property	14	8,494	11,446	Revenue in advance		79	85
Total Current Assets		9,149	12,587	Total Current Liabilities		2,166	2,463
Non current Assets				Non-Current Liabilities			
Property, plant and equipment	15	77,349	64,658	Interest bearing liabilities		10,962	7,298
Intangible assets	28	1,062	1,227	Deferred tax liabilities	22	7,781	8,138
Investment property	27	15,307	3,750	Total Non Current Liabilities		18,743	15,436
Other non current assets	23	74	83				
Total Non Current Assets		93,792	69,718				
TOTAL ASSETS		102,941	82,305	TOTAL LIABILITIES		20,909	17,899
				NET ASSETS		82,032	64,406
				EQUITY			
				Share capital	17	14,860	14,860
				Retained earnings	17	20,238	16,468
				Other reserves	17	46,934	33,078
				TOTAL EQUITY		82,032	64,406

The attached Statement of Accounting Policies and Notes forms part of, and is to be read in conjunction with the Financial Statements.



JOHN SPENCER
Chair
7 September 2017



ANNABEL COTTON
Director
7 September 2017



STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2017

	Note	ACTUAL 2017 \$000	ACTUAL 2016 \$000
Balance at 1 July		64,406	59,669
Total comprehensive revenue and expense for the year		17,626	4,736
Balance at 30 June	17	82,032	64,406
TOTAL COMPREHENSIVE REVENUE AND EXPENSE ATTRIBUTABLE TO			
Equity holders of the parent		17,626	4,736
TOTAL COMPREHENSIVE REVENUE AND EXPENSE		17,626	4,736

The attached Statement of Accounting Policies and Notes form part of, and are to be read in conjunction with the Financial Statements.

STATEMENT OF CASH FLOWS

For the Year Ended 30 June 2017

	Note	ACTUAL 2017 \$000	ACTUAL 2016 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating Revenue		12,064	7,830
Interest received		–	13
Payments to suppliers and employees		(5,185)	(4,245)
Interest paid		(298)	(434)
Income tax paid		(705)	(504)
GST (net)		(51)	43
Cost of development property		(578)	66
Net cash flow from operating activities		5,247	2,769
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipts from sale of property, plant and equipment		24	10
Sale of shares (Paper Plus)		–	25
Purchase of property, plant and equipment		(1,059)	(302)
Funds placed on deposit		–	287
Purchase of investment property		(8,257)	–
Net Cash Flow from Investing Activities		(9,292)	20
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		3,756	–
Repayment of borrowings		(86)	(2,871)
Net Cash Flow from Financing Activities		3,670	(2,871)
Net decrease in cash and cash equivalents		(375)	(82)
Cash and cash equivalents at the beginning of the year		433	515
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	13	58	433

The attached Statement of Accounting Policies and Notes forms part of, and is to be read in conjunction with the Financial Statements.



1. STATEMENT OF ACCOUNTING POLICIES

1.1 Reporting entity

The Waikato Regional Airport Limited Group consists of the Waikato Regional Airport Limited, Titanium Park Limited (100% owned) and Hamilton & Waikato Tourism Limited (100% owned). The Waikato Regional Airport Limited Group has designated itself as a public benefit entity (PBE) for financial reporting purposes. The financial statements of Waikato Regional Airport Limited (the Company) and Group are for the year ended 30 June 2017. The financial statements were authorised for issue by the Board of Directors on 7 September 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The Company and Group have prepared the Consolidated Financial Statements in accordance with the Companies Act 1993, the Local Government Act 2002 and the Airport Authorities Act 1966.

These financial statements have been prepared on the going concern basis and are 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) and authoritative notices that are applicable to entities that apply PBE Standards.

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 A1.

Presentation currency and rounding

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000).

2.2 Basis of consolidation

The purchase method is used to prepare the consolidated financial statements, which involves adding together like items of assets, liabilities, equity, revenue and expenses of entities in the group on a line by line basis. All significant intragroup balances, transactions, revenues and expenses are eliminated on consolidation.

2.3 Inventory

Stock on hand has been valued at the lower of cost and net realisable value on a weighted average cost basis, after due allowance for damaged and obsolete stock. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.4 Goods and services tax

All items in the financial statements are stated exclusive of goods and services tax (GST), except for receivables and payables, which are presented on a GST inclusive basis. Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the Statement of Financial Position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

2.5 Investments

Investments in bank deposits are initially measured at fair value plus transaction costs.

After initial recognition, investments in bank deposits are measured at amortised cost using the effective interest method less any provision for impairment.

2.6 Statement of cash flows

Operating activities include cash received from all income sources of the Company and record the cash payments made for the supply of goods and services.

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

Financing activities comprise the change in equity and debt capital structure of the Company.

The GST (net) component of operating activities reflects the net GST paid and received with the Inland Revenue Department. The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.

2.7 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed.

2.8 Impairment of non financial assets

Non financial assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets 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 an asset's fair value less costs to sell and value in use.

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the assets ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits or service potential.

The value in use for cash generating assets is the present value of expected future cash flows.

If an asset's carrying amount exceeds its recoverable amount the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets the impairment loss is

recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the surplus/(deficit).

For assets not carried at a revalued amount, the total impairment loss is recognised in the surplus/(deficit).

The reversal of an impairment loss on a revalued asset is credited to the revaluation reserve. However, to the extent that an impairment loss for that class of asset was previously recognised in the surplus/loss, a reversal of the impairment loss is also recognised in the surplus/(deficit).

For assets not carried at a revalued amount the reversal of an impairment loss is recognised in the surplus/deficit.

2.9 Non current assets held for sale

An asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than continuing use. On classification as 'Held for Sale', non current assets and disposal groups are recognised at the lower of carrying amount and fair value less costs to sell. Impairment losses on initial classification as 'Held for Sale' are included in the surplus/(deficit).

2.10 Cost of land sales

When development property is sold, the carrying amount of the development property is recognised as an expense in the period in which the related income is recognised. The purchase price of the land is recognised as an expense based on the actual cost of the land and the proportion of the land area sold. This expense also includes a proportion of the capitalised interest which is based on the costs incurred for the development properties. Costs of conversion are recognised as an expense based on the proportion of land area sold. Further work on the property that has already been delivered to the buyer is recognised as a liability and an expense.

2.11 Land sales

Income from the sale of property is recognised where the sale contract is unconditional and the significant risks and rewards of ownership have been transferred to the buyer.

2.12 Changes in accounting policies

There have been no changes to accounting policies during the year.



3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Critical accounting estimates and assumptions

In preparing these financial statements Directors and Management have made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Property, plant and equipment useful lives and residual values

At each balance date the Directors and Management review the useful lives and residual values of its property, plant and equipment. Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment requires Directors and Management to consider a number of factors such as the physical condition of the asset, expected period of use of the asset by the Directors and Management, and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will impact on the depreciable amount of an asset, therefore impacting on the depreciation expense recognised in the Statement of Comprehensive Revenue and Expense, and carrying amount of the asset in the Statement of Financial Position. Directors and Management minimise the risk of this estimation uncertainty by:

- physical inspection of assets;
- asset replacement programmes;
- review of second hand market prices for similar assets; and
- analysis of prior asset sales.

No significant changes have been made to assumptions concerning useful lives and residual values. The carrying amounts of land, property, plant and equipment (including those assets that were revalued this year) are disclosed in note 15.

The net realisable value of development property is evaluated after forecasting future sales and development expenses. All known factors are included in the evaluation.

(b) Critical judgements in applying accounting policies

Management has exercised the following critical judgements in applying accounting policies for the year ended 30 June 2017:

- Classification of investment property, see note 27.

4. OPERATING REVENUE

Accounting policy

Revenue is measured at fair value.

Revenue from exchange transactions

Operating revenue

Operating revenue is recognised when earned.

Interest revenue

Interest revenue is recognised using the effective interest method.

Rental revenue

Rental revenue arising on property owned by the Company is accounted for on a straight line basis over the lease term.

Revenue from non exchange transactions

Council funding

Hamilton & Waikato Tourism Limited receives council funding and it is recognised as revenue when it becomes receivable unless there is an obligation to return the funds if conditions of the grant are not met. If there is such an obligation, the funding is initially recorded as revenue received in advance and recognised as revenue when conditions of the funding are satisfied.

	ACTUAL 2017 \$000	ACTUAL 2016 \$000
EXCHANGE		
Car park	1,718	1,591
Landing charges and departure charges	2,367	2,258
Rentals and concessions	1,574	1,566
Shop trading and other	352	363
Total exchange	6,011	5,778
NON EXCHANGE		
Other	1,626	1,650
Service income	(2)	–
Total non exchange	1,624	1,650
TOTAL EXCHANGE AND NON EXCHANGE	7,635	7,428



5. OTHER GAINS/(LOSSES)

	Note	ACTUAL 2017 \$000	ACTUAL 2016 \$000
OTHER GAINS			
Gain on revaluation of investment property	27	3,300	20
Gain/(loss) on sale of property, plant and equipment		6	(2)
		3,306	18
OTHER LOSSES			
Loss on fair value adjustment interest rate swaps	25	–	(21)
TOTAL OTHER GAINS (LOSSES)		3,306	(3)

6. DIRECTORS' FEES

	ACTUAL 2017 \$000	ACTUAL 2016 \$000
Waikato Regional Airport Limited Board of Directors	108	104
Hamilton & Waikato Tourism Limited Board of Directors	48	30
Titanium Park Limited Board of Directors	54	36
TOTAL DIRECTORS' FEES	210	170



7. AUDIT FEES

The Company's audit fees per the Audit Proposal Letter is \$62,996 (2016: \$62,126).

Hamilton & Waikato Tourism Limited's audit fees per the Audit Proposal letter is \$11,187 (2016: \$10,710).

Titanium Park Limited's audit fee per the Audit Proposal letter is \$15,235 (2016: \$14,922).

8. DONATIONS

During the year the Company made donations to charities totaling \$857 (2016: \$261).

9. PAYABLES AND ACCRUALS

Accounting policy

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

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

	ACTUAL 2017 \$000	ACTUAL 2016 \$000
Payables	659	604
Accrued expenses	844	1,187
TOTAL PAYABLES AND ACCRUALS	1,503	1,791

10. RECEIVABLES

Accounting policy

Receivables are generally short term and non interest bearing. Therefore, the carrying value of the receivables approximates their fair value.

A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of sale of the receivable.

	ACTUAL 2017 \$000	ACTUAL 2016 \$000
Receivables	431	606
GROSS RECEIVABLES	431	606

The carrying amount of receivables that are past due date, but not impaired, whose terms have been renegotiated is nil (2016: nil).

At balance date, all overdue receivables have been assessed for impairment and no provisions are required. As at 30 June 2017, the Company has identified no debtors that are insolvent.

11. COMMITMENTS

Accounting policy

Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset.

There are no non cancellable operating leases.

Capital commitments

The Group had no capital commitments as at 30 June 2017 (2016: \$1.8m).

12. CONTINGENT LIABILITIES

The Group has two contingent liabilities at 30 June 2017.

Firstly, in respect of the Water Supply Upgrade Agreement between Waipa District Council, Waikato Regional Airport Limited, Titanium Park Limited and Titanium Park Development Limited that provides for the parties to upgrade the current water supply. The cost of the upgrade is \$845k with 59.4% payable jointly by Waikato Regional Airport Limited and Titanium Park Limited, and 40.6% payable by Titanium Park Development Limited. The Board of Directors cannot reasonably estimate the timing of the water upgrade as this is contingent on future land development.

Secondly, in respect of the Memorandum of Agreement between New Zealand Transport Agency, Waikato Regional Airport Limited, Titanium Park Limited and Titanium Park Development Limited for the construction of a roundabout and an intersection upgrade on the adjacent State Highway 21 that is triggered by traffic volumes. Should the liability be triggered TPL would be liable for a proportionate share of the cost. The Board of Directors cannot reasonably estimate the cost and timing of the liability due to New Zealand Transport Agency's long term planning for developing and managing its State Highway network and the contingent timing and traffic volumes associated with the liability.

13. CASH AND CASH EQUIVALENTS

Accounting policy

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position.

	ACTUAL 2017 \$000	ACTUAL 2016 \$000
Cash on hand	9	8
Cash at bank	49	425
TOTAL CASH AND CASH EQUIVALENTS	58	433

14. DEVELOPMENT PROPERTY

Accounting policy

Development property is stated at the lower of cost and net realisable value. Development property comprises land, infrastructure and other costs incurred that are directly related to the development activity. Net realisable value is the discounted value of forecast sales less estimated costs of completion and the estimated selling expenses. Development property is not depreciated. Holding costs (e.g. interest) are capitalised against the carrying value of the development property as incurred or accrued. Marketing and administration expenses related to development property are expensed when incurred.

	ACTUAL 2017 \$000	ACTUAL 2016 \$000
Development property	8,494	11,446
TOTAL DEVELOPMENT PROPERTY	8,494	11,446

Waikato Regional Airport Limited's subsidiary Titanium Park Limited has 29.8 hectares of land (2016: 37.2 hectares). This was valued at 30 June 2017 by Telfer Young (Waikato) Limited.



15. PROPERTY, PLANT AND EQUIPMENT

Accounting policy

Property, plant and equipment consists of:

- Operational Assets - these include land, buildings, security fences, furniture and fittings, computer equipment, motor vehicles and plant and equipment.
- Infrastructure Assets - these include runways, aprons and taxiways, other paved areas and underground reticulated systems.

(i) Additions

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 Company and Group and the cost of the item can be measured reliably.

Work in progress is recognised at cost less impairment and is not depreciated.

In most instances, an item of property, plant, and equipment is initially recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

(ii) Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the surplus/(deficit).

When revalued assets are sold, the amounts included in the asset revaluation reserves in respect of those assets are transferred to retained earnings.

(iii) Subsequent Costs

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

The costs of day to day servicing of property, plant, and equipment are recognised in the surplus or deficit as they are incurred.

(iv) Depreciation

Depreciation is provided on a straight line basis on all property, plant and equipment at rates that will write off the cost of the assets over their estimated useful lives. The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

The estimated useful lives of the major classes of assets are:

Class of asset depreciated	Estimated useful life
Buildings	5 – 59 years
Runways, aprons and taxiways	5 – 74 years
Other paved areas	9 – 14 years
Motor vehicles	5 – 15 years
Furniture and fittings	3 – 50 years
Plant and equipment	2 – 50 years
Computer equipment	2 – 6 years
Fencing	10 – 47 years
Reticulated systems	4 – 74 years

(v) Revaluation

Valuations are performed when there has been a material difference in carrying amount in fair value, which is assessed and determined on an annual basis. Valuations take account of observable prices in active markets. Where estimates are made, they are made on the basis of appropriate valuation techniques.

(vi) Operational Land and Buildings

The valuation is fair value determined from market based evidence. All valuations are undertaken or reviewed by an independent registered valuer and are performed when there is a material difference in carrying amount.

Land was revalued at 30 June 2017.

(vii) Infrastructure Assets

At fair value determined on a depreciated replacement cost basis by an independent registered valuer and performed when there is a material difference in carrying amount.

ASSET CLASS	VALUATION APPROACH	VALUER	FAIR VALUE
Land	Fair market, highest and best use basis determined from prevailing market based evidence and conditions	Telfer Young Ltd	36,670
Buildings and security fencing	Fair market or, where appropriate, depreciated replacement cost	Beca Valuations Ltd	18,949
Runways, taxiways, aprons and other paved areas	Optimised depreciated replacement cost	Beca Valuations Ltd	20,412
Reticulated systems	Optimised depreciated replacement cost	Beca Valuations Ltd	1,217
Plant and equipment	Cost less depreciation		
Furniture and fittings	Cost less depreciation		
Motor vehicles	Cost less depreciation	Not applicable these assets are not valued	
Computer equipment	Cost less depreciation		

The effective date of buildings and security fencing, runways, taxiways, aprons and other paved areas and reticulated systems valuations (excluding land) is 30 June 2016.

All land was revalued with an effective date of 30 June 2017 (\$36,670,000).

Neither valuer has an interest or relationship with any party that would impair its objectivity or independence.



2017	LAND \$000	BUILDINGS \$000	RUNWAYS, APRONS & TAXIWAYS \$000	PLANT & EQUIPMENT \$000	FURNITURE & FITTINGS \$000	MOTOR VEHICLES \$000	OTHER PAVED AREAS \$000	FENCING \$000	RETICULATED SYSTEMS \$000	COMPUTER EQUIPMENT \$000	WIP \$000	TOTAL \$000
COST / VALUATION												
Balance as at 1 July 2016	22,814	18,751	18,586	1,586	1,261	1,190	1,826	198	1,217	249	67	67,745
Year ended 30 June 2017												
Additions	-	35	648	199	32	107	4	-	-	64	(30)	1,059
Disposals	-	-	-	-	-	(55)	-	-	-	(67)	(1)	(123)
Revaluation	13,856	-	-	-	-	-	-	-	-	-	-	13,856
Transfers	-	-	(97)	-	-	-	97	-	-	-	-	-
Balance as at 30 June 2017	36,670	18,786	19,137	1,785	1,293	1,242	1,927	198	1,217	246	36	82,537
2016												
COST / VALUATION												
Balance as at 1 July 2015	22,817	19,886	18,734	1,586	1,218	1,215	2,307	566	1,229	235	1,529	71,322
Year ended 30 June 2016												
Revaluation surplus	-	(1,118)	(360)	-	-	-	(504)	(367)	(56)	-	-	(2,405)
Additions	-	5	212	-	43	-	23	-	21	70	(183)	191
Disposals	(3)	-	-	-	-	(25)	-	-	-	(57)	-	(85)
Transfers	-	(22)	-	-	-	-	-	(1)	23	1	-	1
Transfers to intangibles	-	-	-	-	-	-	-	-	-	-	(1,279)	(1,279)
Balance as at 30 June 2016	22,814	18,751	18,586	1,586	1,261	1,190	1,826	198	1,217	249	67	67,745

	LAND \$000	BUILDINGS \$000	RUNWAYS, APRONS & TAXIWAYS \$000	PLANT & EQUIPMENT \$000	FURNITURE & FITTINGS \$000	MOTOR VEHICLES \$000	OTHER PAVED AREAS \$000	FENCING \$000	RETICULATED SYSTEMS \$000	COMPUTER EQUIPMENT \$000	WIP \$000	TOTAL \$000
ACCUMULATED DEPRECIATION												
Balance as at 1 July 2016	-	-	-	(1,272)	(1,014)	(624)	-	-	-	(177)	-	(3,087)
Year ended 30 June 2017												
Disposals	-	-	-	-	-	42	-	-	-	63	-	105
Depreciation charge	-	(393)	(1,132)	(95)	(100)	(86)	(280)	(34)	(45)	(39)	-	(2,204)
Balance as at 30 June 2017	-	(393)	(1,132)	(1,367)	(1,114)	(668)	(280)	(34)	(45)	(153)	-	(5,186)
2016												
ACCUMULATED DEPRECIATION												
Balance as at 1 July 2015	-	(2,221)	(3,458)	(1,198)	(951)	(549)	(748)	(169)	(126)	(197)	-	(9,617)
Year ended 30 June 2016												
Revaluation surplus	-	2,793	4,421	-	-	-	937	201	163	-	-	8,515
Disposals	-	-	-	27	27	14	-	1	-	58	-	127
Depreciation charge	-	(572)	(963)	(101)	(90)	(89)	(189)	(33)	(37)	(38)	-	(2,112)
Balance as at 30 June 2016	-	-	-	(1,272)	(1,014)	(624)	-	-	-	(177)	-	(3,087)
NET BOOK VALUE												
Balance as at 30 June 2017	36,670	18,393	18,003	419	179	573	1,647	164	1,172	93	36	77,349
Balance as at 30 June 2016	22,814	18,751	18,586	314	247	566	1,826	198	1,217	72	67	64,658

*In the Buildings asset class, \$1.7m for buildings on Boyd Road are pledged as security for liabilities (refer note 16).





16. INTEREST BEARING TERM LIABILITIES

Accounting policy

Borrowings are initially recognised at their fair value. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

BNZ bank loan Facilities

At 30 June 2017, the Company had the following facilities with the BNZ Bank:

- (i) An overdraft facility of \$1,000,000 repayable on demand (2016: \$500,000). The interest rate on this facility is the BNZ Bank's market connect overdraft base rate plus a margin.
- (ii) A Customised Average Rate Loan (CARL) of up to \$10,000,000 that matures on 30 November 2020. The amount outstanding on this facility at 30 June 2017 was \$8,060,000 (2016: \$6,043,000).
- (iii) A second Customised Average Rate Loan (CARL) of \$1,253,425 that matures on 30 November 2020. The amount outstanding on this facility at 30 June 2017 was \$1,253,425 (2016: \$1,339,840).
- (iv) A third Customised Average Rate Loan (CARL) of up to \$1,739,100 matures on 17 May 2022. The amount outstanding on this facility at 30 June 2017 was \$1,739,100 (2016: \$0).

The \$1.3m CARL facility is secured over buildings at Boyd Road, Hamilton.

17. EQUITY

Accounting policy

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

	ACTUAL 2017 No. 000's	ACTUAL 2016 No. 000's	ACTUAL 2017 \$000	ACTUAL 2016 \$000		ACTUAL 2017 \$000	ACTUAL 2016 \$000
ORDINARY SHARES ISSUED					RETAINED EARNINGS		
Balance of shares as at 1 July	4,974	4,035	14,860	14,860	Balance at 1 July	16,468	16,132
Repurchase uncalled capital	—	939	—	—	Surplus for the year	3,770	336
Issued paid shares at 30 June	4,974	4,974	14,860	14,860	Balance 30 June	20,238	16,468
					ASSET REVALUATION RESERVE		
					Balance at 1 July	33,078	28,677
					Revaluation gains	13,856	6,112
					Deferred tax on movement	—	(1,711)
					Balance 30 June	46,934	33,078

During the prior year, the Company repurchased all 939,334 shares of uncalled capital.

All ordinary shares carry equal voting rights and the right to share in any surplus on winding up. None of the shares carry fixed dividend rights. The shares have no par value.

The shareholding of the Company as at 30 June 2017 is as follows:

SHAREHOLDER	NUMBER OF SHARES	PERCENTAGE
Hamilton City Council	2,486,752	50.0%
Waipa District Council	777,110	15.6%
Matamata Piako District Council	777,110	15.6%
Waikato District Council	777,110	15.6%
Otorohanga District Council	155,422	3.2%
	4,973,504	100.0%

ASSET REVALUATION RESERVES FOR EACH ASSET CLASS CONSIST OF:

Land	28,284	14,428
Buildings	4,092	4,092
Fencing	232	232
Reticulated systems	777	777
Runways, aprons and taxiways	12,388	12,388
Other paved areas	1,161	1,161
Total	46,934	33,078



18. 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 are reasonable to expect that the Company and Group 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 entities within the Group (such as funding financial flows) where the transactions are consistent with normal operating relationships between the entities and are on normal terms and conditions for such group transactions.

The following transactions carried out with related parties were not on normal commercial terms:

- Titanium Park Limited was not charged interest during the year on the \$2.953m advance provided to it by the Company.
- Titanium Park Limited was not charged rent on four property lots that it leased from the Company during the year.

Due to the difficulty in determining the full time equivalent for Directors, the full time equivalent figure is taken as the number of Directors.

Key management personnel comprises Directors and the Group's management team.

	ACTUAL 2017 \$000	ACTUAL 2016 \$000
KEY MANAGEMENT PERSONNEL REMUNERATION		
Directors		
Remuneration	210	170
Full time equivalent members	13	12
Senior management		
Remuneration	766	628
Full time equivalent members	4	3
TOTAL KEY MANAGEMENT PERSONNEL REMUNERATION	976	798
TOTAL FULL TIME EQUIVALENT PERSONNEL	17	15

19. EVENTS AFTER THE BALANCE DATE

There were no events after the balance date that would require disclosure in, or adjustment to, the financial statements.

20. FINANCIAL INSTRUMENTS

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The financial risks relate to the following financial instruments: receivables, cash and cash equivalents, payables and borrowings.

Risk management is carried out by the Company's Board of Directors. The Board identifies and evaluates financial risks and provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and investing excess liquidity.

	ACTUAL 2017 \$000	ACTUAL 2016 \$000
LOANS AND RECEIVABLES		
Cash and cash equivalents	58	433
Receivables	431	606
	489	1,039
FINANCIAL LIABILITIES MEASURED AT AMORTISED COST		
Payables	1,503	1,791
Interest bearing liabilities	11,053	7,383
	12,556	9,174

21. INCOME TAX

Accounting policy

Income tax expense in relation to the surplus or deficit for the period comprises current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using rates that have been enacted or substantively enacted by balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, using tax rates that have been enacted or substantively enacted by balance date.

Current tax and deferred tax is charged or credited to the statement of comprehensive revenue and expense, except when it relates to transactions recognised in other comprehensive revenue and expense or directly in equity.

		ACTUAL 2017 \$000		ACTUAL 2016 \$000
COMPONENTS OF TAX EXPENSE				
Current year		650		398
Movement in temporary differences		(357)		(244)
Total Tax Expense		293		154
	%	2017 \$000	%	2016 \$000
RECONCILIATION OF EFFECTIVE TAX RATE				
Surplus for the period excluding income tax		4,062		490
Prima facie income tax based on domestic tax rate	28.00%	1,138	28.00%	137
Effect of non deductible expenses	1.99%	79	3.42%	17
Effect of tax exempt income	(22.74)%	(924)	—%	—
	7.25%	293	31.42%	154





22. DEFERRED TAX LIABILITIES

Recognised deferred tax liabilities

Deferred tax liabilities are attributable to the following:

\$'000	PROPERTY, PLANT AND EQUIPMENT	FINANCIAL ASSETS	EMPLOYEE ENTITLEMENTS	OTHER	TOTAL
Balance as at 1 July 2015	6,959	(171)	(23)	(94)	6,671
Charged to surplus and deficit	(496)	171	(2)	77	(250)
Tax loss recognised	-	-	-	6	6
Charged to equity	1,711	-	-	-	1,711
Balance as at 30 June 2016	8,174	-	(25)	(11)	8,138
Balance as at 1 July 2016	8,174	-	(25)	(11)	8,138
Charged to surplus and deficit	(360)	-	(1)	4	(357)
Tax loss recognised	-	-	-	-	-
Charged to equity	-	-	-	-	-
Balance as at 30 June 2017	7,814	-	(26)	(7)	7,781



23. OTHER ASSETS

	ACTUAL 2017 \$000	ACTUAL 2016 \$000
L3 CTS apron costs (amortise over lease period)	74	83
TOTAL OTHER ASSETS	74	83

Operating lease incentive

During the year ended 30 June 2005 the Company leased land to CTC Aviation Training (NZ) Limited for the purpose of establishing a flight training school. As an incentive to attract CTC to enter the lease, the Company agreed to pay 50% of the costs of constructing an apron.

During the year, CTC Aviation Training (NZ) Limited changed its name to L3 CTS Airline Academy (NZ) Limited.

As this payment is considered to be an operating lease incentive, the cost to the Company has been separately identified and will be amortised over the period of the 20 year lease as a reduction in lease income.

24. EMPLOYEE BENEFITS LIABILITIES

Accounting policy

Short term employee entitlements

Employee benefits expected to be settled within 12 months after the end of the period in which the employee renders the related service are measured 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.

The Company recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

	ACTUAL 2017 \$000	ACTUAL 2016 \$000
Annual leave	105	102
Accrued salary and wages	193	150
TOTAL EMPLOYEE BENEFITS LIABILITIES	298	252





25. DERIVATIVE FINANCIAL INSTRUMENTS

Accounting policy

The Company uses derivative financial instruments to manage exposure to interest rate risks arising from financial activities.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re measured at their fair value at each balance date.

The gain or loss from re measuring derivatives at fair value is recognised in the surplus/deficit.

The Company is party to financial instruments with off balance sheet risk to meet financing needs. These financial instruments include a bank overdraft facility.

Revenues and expenses in relation to all financial instruments are recognised in the surplus/deficit and are shown in the Statement of Financial Position at their estimated fair value.

	ACTUAL 2017 \$000	ACTUAL 2016 \$000
Fair value interest rate swaps – 1 July	–	(611)
Loss during the year	–	(21)
Swap closed out during the year	–	632
FAIR VALUE OF INTEREST RATE SWAP	–	–

There were no derivative financial instruments in place during the year.

26. OTHER FINANCIAL ASSETS

Accounting policy

The Company classifies its financial assets into the following four categories:

- fair value through surplus or deficit;
- loans and receivables;
- held to maturity investments; and
- financial assets at fair value through other comprehensive revenue and expense.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re evaluates this designation at every reporting date.

Financial assets are initially measured at fair value plus transaction costs unless they are carried at fair value through surplus or deficit in which case the transaction costs are recognised in the surplus/deficit.

Purchases and sales of investments are recognised on trade date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Financial assets at fair value through surplus or deficit

This category has two sub categories: financial assets held for trading and those designated at fair value through surplus or deficit at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

After initial recognition they are measured at their fair values. Gains or losses on re measurement are recognised in the surplus/deficit.

Loans and receivables

These are non derivative financial assets with fixed or determinable payments that 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 surplus/deficit. Loans and receivables are classified as "Receivables" in the Statement of Financial Position.

Held to maturity

Held to maturity investments are non derivative financial assets with fixed or determinable payments and fixed maturities that the Company has the intention and ability to hold to maturity. After initial recognition they are measured at amortised cost, using the effective interest method, less impairment. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit.

Fair value through other comprehensive revenue and expense

These investments are measured at their fair value, with gains and losses recognised in other comprehensive revenue and expense, except for impairment losses, which are recognised in the surplus or deficit. On derecognition, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is reclassified from equity to the surplus or deficit.

(i) Impairment of financial assets

At each balance sheet date, the Company assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. Any impairment losses are recognised in the surplus/deficit.

	ACTUAL 2017 \$000	ACTUAL 2016 \$000
Shares - Paper Plus 1 July	—	25
Shares - Paper Plus sold	—	(25)
TOTAL OTHER FINANCIAL ASSETS	—	—

There were no impairment provisions for other financial assets.





27. INVESTMENT PROPERTY

Accounting policy

Properties leased to third parties under operating leases are classified as investment property unless the property is held to meet service delivery objectives, rather than to earn rentals or for capital appreciation.

Investment property is measured initially at its cost, including transaction costs.

After initial recognition, all investment property is measured at fair value at each reporting date.

Gains or losses arising from a change in the fair value of investment property are recognised in the surplus/(deficit).

The Company's investment properties are valued annually at fair value effective 30 June. All investment properties were valued on open market evidence and conditions that prevailed as at 30 June 2017. The valuation was performed by Doug Saunders, Registered Valuer, BCom (VPM), FNZIV, FPINZ, an independent valuer from Telfer Young Limited. Telfer Young Limited is an experienced valuer with extensive market knowledge in the types of investment properties owned by the Company.

There were no contractual obligations for capital and operating expenditure on the investment property.

	ACTUAL 2017 \$000	ACTUAL 2016 \$000
Opening balance	3,750	3,730
Fair value gain on valuation	3,300	20
Additions during the year	8,257	–
TOTAL INVESTMENT PROPERTY	15,307	3,750

28. INTANGIBLE ASSETS

Accounting policy

Computer acquisition

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

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

Costs associated with the development and maintenance of the Company's website are recognised as an expense when incurred.

Other Intangible Assets

Other Intangible Assets include Designation Assets.

The Light Designation asset has a carrying value of \$201k at 30 June 2017 (2016: \$268k) with a remaining amortisation period of three years (2016: four years). The Runway Designation asset has a carrying value of \$857k at 30 June 2017 (2016: \$952k) with a remaining amortisation period of nine years (2016: ten years).

Amortisation

Computer software licences are amortised on a straight line basis over their estimated useful life of three years. The Light Designation asset is amortised on a straight line basis over its estimated useful life of five years. The Runway Designation asset is amortised on a straight line basis over its estimated useful life of 15 years. Amortisation begins when the asset is available for use and ceases at the date that the asset is disposed of. The amortisation charge for each period is recognised in the surplus/(deficit).

	ACQUIRED ASSETS \$000	TOTAL \$000
YEAR ENDED 30 JUNE 2016		
Opening net book value	107	107
Additions	111	111
Disposals	(107)	(107)
Amortisation charge	(170)	(170)
Transfers from property, plant and equipment	1,286	1,286
Closing net book value	1,227	1,227
AT 30 JUNE 2016		
Cost	1,394	1,394
Accumulated amortisation and impairment	(167)	(167)
Net book value	1,227	1,227
YEAR ENDED 30 JUNE 2017		
Opening net book value	1,227	1,227
Additions	–	–
Disposals	–	–
Amortisation charge	(165)	(165)
Closing net book value	1,062	1,062
AT 30 JUNE 2017		
Cost	1,394	1,394
Accumulated amortisation and impairment	(332)	(332)
Net book value	1,062	1,062



29. ASSET IMPAIRMENT

There has been no impairment of assets recognised in 2017 (2016: nil).

30. PERFORMANCE TARGETS AND RESULTS

The Company, TPL and HWT each prepare an annual Statement of Intent, which is approved by Shareholders and incorporates financial and performance measures for the ensuing year.

A comparison of the Group's actual results for the year are shown below against forecast. These results exclude gains on investment property valuations and also excludes TPL land sales and tax associated with those land sales.

The Group has achieved most of the financial performance targets for 2017 and all of the non-financial performance targets (2016: achieved all of the financial performance targets and most of the non financial performance targets).



FINANCIAL PERFORMANCE TARGETS AND RESULTS FOR GROUP	ACTUAL	TARGET	MET	COMMENT	ACTUAL	TARGET
	2017 \$000	STATEMENT OF INTENT \$000			2016 \$000	STATEMENT OF INTENT \$000
Net surplus / (deficit) after tax	(\$305)	(\$366)	Y	Result is better than planned due to higher than forecast passenger activity.	(\$282)	(\$421)
Net surplus/(deficit) after tax to average shareholder funds	(0.42%)	(1.00%)	Y	Result is better than planned due to higher than forecast passenger activity.	0.54%	(1.00%)
Net surplus/(deficit) after tax to total assets	(0.30%)	0.00%	N	Slightly worse than planned.	0.41%	(1.00%)
Earnings before interest, taxation and depreciation and amortisation (EBITDA)	\$2,443	\$2,279	Y	Result is better than planned due to higher than forecast passenger activity.	\$2,585	\$2,061
Net Operating cash flow	\$5,247	\$1,594	Y	Result is better than planned due to higher than forecast passenger activity.	New target in 2017	
Net Investing cash flow	(\$9,292)	(\$1,540)	N	The result reflects the 98 hectare farm purchase.	New target in 2017	
Funding Titanium Park Limited	\$3,161	(\$505)	Y	Result is better than expected due to TPL reducing their loan advance to WRAL.	New target in 2017	
Net cash flow (operating & investing)	(\$884)	(\$451)	N	The result reflects the 98 hectare farm purchase.	\$2,789	(\$632)
Net Debt	\$10,994	\$8,287	N	The result reflects the 98 hectare farm purchase.	New target in 2017	
Total liabilities/shareholders' funds (debt/equity ratio)	20:80	26:74	Y	The ratio is better than planned due to increased land valuations.	21:79	25:75
PARENT COMPANY OPERATIONS ONLY						
Percentage of non landing charges revenue	81%	76%	Y	Result is better than planned due to higher than forecast passenger activity.	81%	64%
Interest cover	8.63	6.56	Y	Result is better than planned due to higher than forecast passenger activity.	5.81	2.86
Net profit before tax, interest, re-valuations to total assets	0.25%	NEW				
Net profit before tax, interest, re-valuations to shareholder funds	0.30%	NEW				
Net profit after tax and re-valuations to total assets	3.15%	NEW				
Net profit after tax and re-valuations to shareholder funds	3.79%	NEW				



Non Financial Performance targets and results (Group)

2017 TARGET	COMMENT	MET	2016 TARGET	COMMENT	MET
Facilitate Health & Safety meetings every 2 months with representatives from each company department.	Health and Safety meetings are undertaken on monthly basis.	Y	Facilitate Health & Safety meetings every 2 months with representatives from each company department.	Health and Safety meetings are undertaken on monthly basis.	Y
Zero Work Safe notifiable accidents/injuries.	There were no notifiable incidents.	Y	Zero Work Safe notifiable accidents/injuries	There was one notifiable incident.	N
Independently review and implement the company's Health & Safety framework to align with the requirements of the Health and Safety at Work Act 2015.	An independent audit was undertaken in September 2016. Enhancements to the existing procedures in relation to notifiable incidents and company responsibly were implemented. All existing H&S frameworks have been undertaken to include the provisions of the Health and Safety at Work Act 2015 requirements.	Y	Commission independent review of the company's Health & Safety framework. Implement recommendations from the independent review to ensure best practice compliance.	An independent review was undertaken and recommendations completed. Enhancing of existing tenant and contractors H&S control procedures were implemented. All existing H&S frameworks have been updated to include the provisions of the Health and Safety at Work Act 2015 requirements.	Y
To achieve the Airport Certification Standards as required by the Civil Aviation Authority and as evidenced by Civil Aviation Authority audit reports	The airport continues to meet the Airport Certification Standards.	Y	To achieve the Airport Certification Standards as required by the Civil Aviation Authority	Two audits were undertaken by the Civil Aviation Authority of New Zealand (CAA) during the year and the airport continues to meet the Airport Certification Standards.	Y
Ensure airport is operationally available for all scheduled passenger services (except for uncontrollable events)	There have no incidences of scheduled flights being operationally impacted by controllable events.	Y	Ensure airport is operationally available for all scheduled passenger services (except for uncontrollable events)	There have no incidences of scheduled flights being operationally impacted by controllable events	Y
Facilitate noise management meetings each 4 months in accordance with the Noise Management Plan	Meetings have been facilitated every 4 months.	Y	Facilitate noise management meetings each 4 months in accordance with the Noise Management Plan	Meetings have been facilitated every 4 months.	Y
Collect, document and act (where viable) on customer feedback forms to continuously monitor and improve the customer experience. Maintain a database to ensure recurring negative feedback is promptly acted upon.	There were 43 customer feedback cards collected during the period 1 July 2016 to 30 June 2017. All items are considered by the management team and addressed where appropriate. Personal complaints are responded to.	Y	Collect, document and act (where viable) on customer feedback forms to continuously monitor and improve the customer experience. Maintain a database to ensure recurring negative feedback is promptly acted upon.	During the period 1 July 2015 to 30 June 2016, customer feedback cards were positioned in the terminal with 19 cards collected and documented. All items are considered by the management team and addressed where appropriate. Personal complaints are responded to.	Y

TPL's financial and non financial targets

TPL's performance measures were mostly met against their Statement of Intent targets for the year ended 30 June 2017. TPL had three objectives for the 2016/2017 year, with the first objective being to conclude all outstanding conditions relating to the Joint Venture Termination Agreement (JVTA). This objective was met with some of the major work being a new water supply agreement, discharging the payment liability to New Zealand Transport Authority for contribution to the intersection roundabout of State Highway 3 and State Highway 21, and a technical review of the waste water infrastructure and treatment plant for the eastern side of the Airport. During the year, TPL sold 7.3479 hectares of land comprising of two land sales on the Central Precinct totaling 0.6621 hectares and a further 6.6858 hectares on the Western Precinct. The sale of the Western Precinct land discharged the remaining infrastructure commitment costs from the JVTA that had an estimated liability of \$1.2m.

The second key objective was to complete a comprehensive business plan. This was achieved with the key intent of the business plan providing a 10 year Group property strategy. The plan seeks over the ten year period to generate \$1m annual earnings before tax from a design and build property portfolio and maximising group lease and concession income. This plan initially sees TPL selling land to enable the further development of land and infrastructure which will generate equity to fund the property portfolio. This strategy will in the longer term support the aeronautical group income. The execution of the Business Plan is on track as demonstrated by \$4.2m of land sales in the current financial year.

The remaining key objective for the 2016/2017 financial year was to maximise revenue from the current lease portfolio. When comparing the current lease income to the prior year, TPL did not increase their lease income primarily as a result of the reduced lease income from the land settled under the JVTA.

TPL's Shareholders' Funds to Total Assets is 47% (2016: 34%).

HWT's financial and non financial targets

HWT's performance measures were mostly met against their Statement of Intent targets for the year ended 30 June 2017.

HWT had three objectives for the 2016/2017 year which included growing website traffic by 20%, receiving Industry Partnership contributions of \$400k and maintaining a positive cashflow.

The website traffic increased by 8.3% (2016: 26.9%) on last financial year with 600,161 visits this year compared to 554,250 in 2016, resulting in an increase of 45,911 visits. The contributions received from Industry Partnerships totalled \$453,338 (2016: 455,299) and exceeded the target of \$400,000 with the year being on par with 2016. The cash flow target surplus was achieved with a final bank and cash in hand value of \$183,785 (2016: \$298,037).

HWT's Shareholders' Funds to Total Assets is 35% (2016: 31%).

PERFORMANCE TARGETS TO 30 JUNE 2017	TARGET STATEMENT OF INTENT	ACTUAL 2017	ACHIEVED 2017	ACHIEVED 2016
Growth in website traffic (total visits)	20%	8.3%	Not achieved	Not achieved
Industry partnership contributions	\$400,000	\$453,338	Achieved	Achieved
Cash flow	To ensure the company has sufficient cash to fund activity for the year without recourse to the shareholder	Surplus	Achieved	Achieved



31. OTHER INFORMATION

Directors' interests

The following directors have made a general disclosure of interest with respect to any transaction or proposed transaction that may be entered into with other entities on the basis of that person being a director, shareholder, partner, trustee or officer of those entities.

DIRECTOR	ENTITY	INTEREST
J Spencer CNZM	Advisory Board for Iron Duke Limited	Chair
	Derby Street Limited	Director
	Mitre 10 (New Zealand) Limited	Director
	Mitre 10 Holdings Limited	Director
	Mitre 10 Imports Limited	Director
	Mitre 10 Retail Limited	Director
	Raukawa Iwi Development Limited	Chair
	Taupo Mega Limited	Director
	Te Awamutu Mega Limited	Director
	Tertiary Education Commission	Chair
	Waikato Regional Airport Limited	Director
	Wellington Mega Limited	Director
	A Cotton	Access IR Group Limited
Anamallai Tea Estates & Ropeway Company Limited		Shareholder
Anamallai Tea Kettle Limited		Director, Shareholder
Donny Trust		Trustee
Enigma Nominees Limited		Shareholder
Farmy McFarm Limited		Director, Shareholder
Hamilton and Waikato Tourism Limited		Chair
Merlin Consulting Limited		Director, Shareholder
Merlin Group Limited		Director, Shareholder
RAW 2014 Limited		Director
Trust Investments Management Limited		Director
Waikato Regional Airport Limited		Director
C da Silva	Andrew Johnson Business Trust	Trustee
	Certus Group Limited	Director, Shareholder
	Columbus Financial Services Limited	Director
	Consumer Finance Limited	Director
	Consumer Insurance Services Limited	Director
	Coromandel Trust	Trustee
	Da Silva Advisory Limited	Director, Shareholder
	Da Silva Children's Trust	Trustee

DIRECTOR**ENTITY****INTEREST**

Fisher & Paykel Finance Limited	Chair
Flexi Cards Limited	Director
Flexi Financial Services Limited	Director
Gardon Limited	Director
Guarda Trust	Trustee
Homeopathic Trust	Trustee
IT Partners Group Limited	Director, Shareholder
IT Partners Limited	Director
Jarvis Trading Limited	Director
Larsen Family Trust	Trustee
Lightwire Limited	Director
Ocean Sands Trust	Trustee
Retail Financial Services Limited	Director
Seguro Trust	Trustee
Te Maunga Trust	Trustee
Titanium Park Limited	Director
Trelise Cooper Group Limited	Director
Trelise Cooper Properties Limited	Director
Waikato Regional Airport Limited	Director
Waikato Rental Trust	Trustee

M Devlin

Auckland City Water	Director
City Care Limited	Director
Harrison Grierson Consultants Limited	Chair
Harrison Grierson Holdings Limited	Director, Shareholder
Indepen NZ Limited	Director, Shareholder
Institute of Directors New Zealand Incorporated	Chartered Fellow
Institute of Directors Waikato Branch	Committee Member
IT Partners Group Limited	Director
Meteorological Services of New Zealand Limited	Director
National Infrastructure Advisory Board	Member
Titanium Park Limited	Chair
Waikato District Council Audit & Risk Committee	Chair
Waikato Electricity Limited	Director



DIRECTOR	ENTITY	INTEREST
	Waikato Networks Limited	Director
	Waikato Plan Joint Committee	Chair
	Waikato Regional Airport Limited	Director
	Waikato University Risk Management Committee	Member
	Watercare Services Limited	Chair
	WEL Electricity Limited	Director
	WEL Energy Group	Director
	WEL Generation Limited	Director
	WEL Networks Limited	Chair
	WEL Power Limited	Director
	WEL Services Limited	Chair
	WINTEC	Councillor
	Women in Infrastructure Network	Chair
G Dwyer	427 Port Road Limited	Director
	789 Heaphy Limited	Director
	ACE Training Limited	Director
	Acorn Holdings Limited	Director
	Acorn Trust	Trustee
	Agenda Waikato	Member
	Conor Jaspers Trust	Trustee
	Hughes Jaspers Trust	Trustee
	Joel Limited	Director
	LCP Alpha Limited	Director
	Realty Plus Waikato Limited	Director
	Titanium Park Limited	Director
	Waikato Federated Farmers Charitable Society	Trustee
D Scarlet	Hamilton and Waikato Tourism Limited	Director
	Lower Waikato River Enhancement Society	Advisory Trustee
	Maungatautari Ecological Island Trust	Trustee
	Mercury NZ Limited	Key Relationships Manager
	National Wetland Trust	Secretary
	PD & DW Scarlet Family Trust	Trustee
	PD Scarlet Medical Services Limited	Director, Shareholder
	Waikato Catchment Ecological Enhancement Trust	Trustee
	Waikato Means Business Steering Group	Member

DIRECTOR	ENTITY	INTEREST
G Osborne (retired Oct 2016)	Destination Coromandel	Director
	Hamilton and Waikato Tourism Limited	Director
	The New Zealand Company Limited	Director
	Manukau Institute of Technology Facility of Business	Associate Dean
	Museum of Transport and Technology	Director
	Mangere Mountain Education Trust	Chair
	Osborne Family Trust	Trustee
	Te Pere Limited	Director
K Turner Puriri (appointed Jan 2017)	Envision Projects Limited	Director, Shareholder
	Hamilton and Waikato Tourism Limited	Director
	Tainui Honey Limited	Director, Shareholder
M Phillipps (appointed Jan 2017)	Hamilton and Waikato Tourism Limited	Director
	Phillipps Consulting 2015 Limited	Director, Shareholder
	Pure Vinyl Limited	Director, Shareholder
	Electric Kiwi Limited	Director
M Morgan	Hamilton and Waikato Tourism Limited	Director
	KASM Property Limited	Director, Shareholder
	Morgan Inheritance Trust	Trustee
	Patuone Property Limited	Director, Shareholder
S Douglas	Hamilton and Waikato Tourism Limited	Director
	The New Zealand Automobile Association Limited	Policy Manager
	SADD Aotearoa Students Against Driving Drunk Charitable Trust	Secretary



Use of Company Information

No notices were received from Directors requesting use of Company information received in their capacity as Directors that would not have been otherwise available to them.

Share Dealing

No Director holds shares in the Company nor acquired or disposed of any interest in shares in the Company during the year.

Directors' Remuneration

Director remuneration paid during the year was as follows:

		2017 \$000
J Spencer	WRAL Chair	35
M Devlin	WRAL Director, TPL Chair	41
A Cotton	WRAL Director and Audit and Risk Chair, HWT Chair	40
C da Silva	WRAL Director, TPL Director	41
G Dwyer	TPL Director	18
D Scarlet	HWT Director	10
K Turner Puriri (appointed Jan 2017)	HWT Director	6
M Phillipps (appointed Jan 2017)	HWT Director	6
S Douglas	HWT Director	10
G Osborne (retired Oct 2016)	HWT Director	3
		210

An additional remuneration payment of \$2,000 was made to G Dwyer for chairing the Property Subcommittee of Titanium Park Limited in June 2017 whilst he was a Director of Titanium Park Limited.

Insurance

Directors' and Officers' liability insurance is with Vero Liability Insurance Ltd, with the policy for the parent Company extending to the Group.

Remuneration of Employees

		EMPLOYEES
\$280,000	\$289,999	1
\$190,000	\$199,999	1
\$160,000	\$169,999	1
\$110,000	\$119,999	1

Remuneration includes salary, performance bonuses and motor vehicle allowances received in their capacity as employees.

32. FIVE YEAR REVIEW

	2017 \$000	2016 \$000	2015 \$000	2014 \$000	2013 \$000
Revenue*	8,632	8,056	7,765	7,022	7,225
Increase/(Decrease)	7%	4%	11%	(3)%	(10)%
Expenditure	7,868	7,565	7,476	7,274	7,475
Increase/(Decrease)	4%	1%	3%	(3)%	-%
Operating Surplus before Taxation*	764	494	273	(245)	(245)
Increase/(Decrease)	55%	81%	(211)%	-%	(171)%
PERFORMANCE INDICATORS					
Net Surplus (after abnormal item & taxation) to Average Shareholder's Equity	0%	1%	0%	0%	0%
Percentage of Non Landing Charges Revenue to Total Revenue	81%	85%	81%	82%	81%
Total Equity	82,032	64,405	59,669	59,500	59,732
Total Liabilities	20,909	17,899	18,874	20,937	19,967
Total Assets	102,941	82,304	78,543	80,437	79,699
Net Asset Backing per Share (\$)	16.49	15.96	14.79	14.75	14.80
Shareholders' Equity Ratio	80%	78%	76%	74%	75%
PASSENGERS					
Domestic	317	303	291	294	295
International	—	—	—	—	11
	317	303	291	294	306

*Includes TPL land sales (incorporating the cost of land sales) but excludes investment property revaluation movements



AUDIT REPORT

For the Year Ended 30 June 2017

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of Waikato Regional Airport Limited Group's financial statements and performance information for the year ended 30 June 2017

The Auditor-General is the auditor of Waikato Regional Airport Limited Group (the Group). The Auditor-General has appointed me, Clarence Susan, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the performance information of the Group, on his behalf.

Opinion

We have audited:

- the financial statements of the Group on pages 10 to 34 and 38 to 42, that comprise the statement of financial position as at 30 June 2017, 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 Group on pages 34 to 37.

In our opinion:

- the financial statements of the Group on pages 10 to 34 and 38 to 42:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2017; 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 the Financial Reporting Act 2013, Local Government Act 2002 and Companies Act 1993.
- the performance information of the Group on pages 34 to 37 presents fairly, in all material respects, the Group's actual performance compared against the performance targets and other measures by which performance was judged in relation to the Group's objectives for the year ended 30 June 2017.

Our audit was completed on 7 September 2017. This is the date at which our opinion is expressed.

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 other information, and we explain our independence.

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

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 Group for assessing the

AUDIT REPORT

For the Year Ended 30 June 2017

Group'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 Group 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.

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 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 Group'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 Group's framework for reporting its 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 Group'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 Group 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 obtain sufficient appropriate audit evidence regarding the financial statements and the performance information of the entities or business activities within the Group to express an opinion on the consolidated financial statements and the consolidated performance information. We are responsible solely for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.



AUDIT REPORT

For the Year Ended 30 June 2017

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 1 to 9, 43 and 47, but does not include the financial statements and the 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 the fact. We have nothing to report in this regard.

Independence

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

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



Clarence Susan
Audit New Zealand
On behalf of the Auditor-General
Tauranga, New Zealand

CORPORATE DIRECTORY

Directors	John Spencer CNZM (Chair) Annabel Cotton Carlos da Silva Margaret Devlin
Chief Executive	Mark Morgan
General Manager Operations	Simon Hollinger
Finance Manager	Nikki Orange
Registered office	Hamilton Airport Terminal Building, Hamilton Airport, Airport Road, RD 2, Hamilton 3282
Telephone	07 848 9027
E mail	wral@hamiltonairport.co.nz
Auditor	Audit New Zealand, Tauranga on behalf of the Controller and Auditor-General
Solicitors	Ellice Tanner Hart, Hamilton
Bankers	Bank of New Zealand
Website address	www.hamiltonairport.co.nz





