Waikato Regional Airport Limited

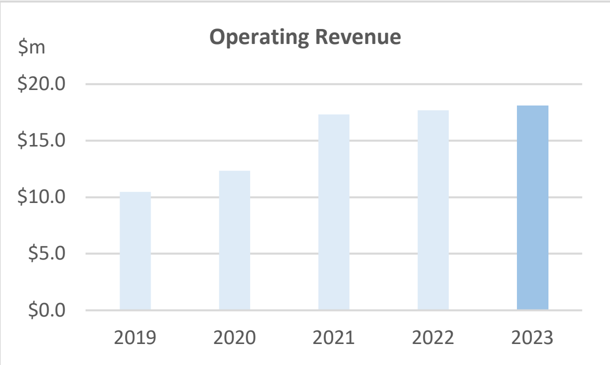
Annual Report & Consolidated Financial Statements

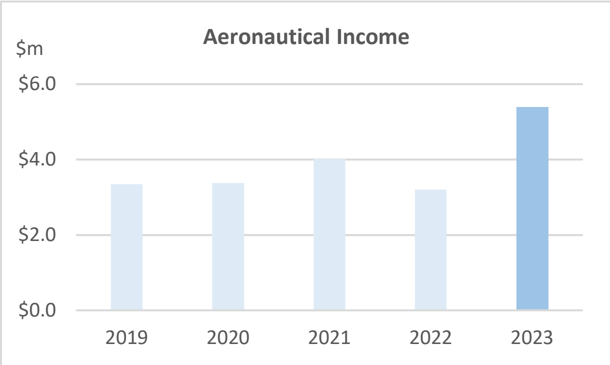
For the year ended 30 June 2023

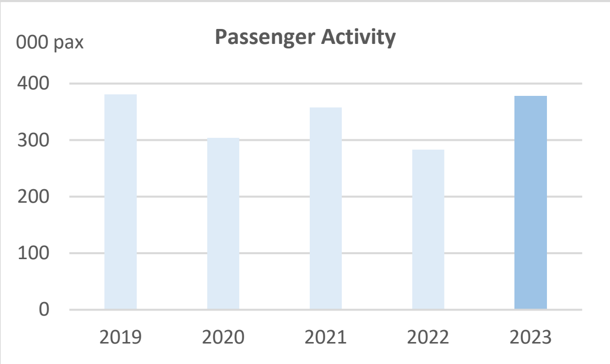
Waikato Regional Airport Limited

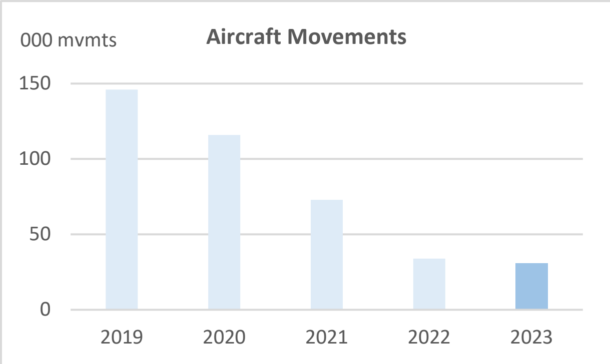
Results at a Glance

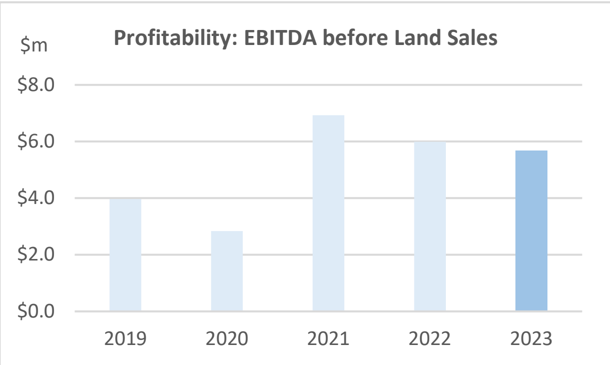
For the year ended 30 June 2023

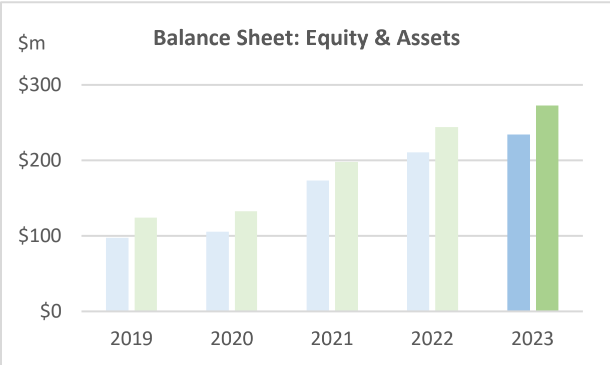












Five Year Summary	**2019**	**2020**	**2021**	**2022**	**2023**
(all amounts in '000)					
Aeronautical income	$3,350	$3,379	$4,015	$3,200	$5,398
Operating revenue	$10,484	$12,355	$17,324	$17,686	$18,090
EBITDA excluding Land sales	$3,964	$2,838	$6,931	$5,996	$5,674
Net profit before tax	$3,021	$5,780	$37,141	$25,129	$18,581
Passenger Activity	381	304	358	283	378
Aircraft movements	146	116	73	34	31
Total Assets	$124,220	$132,576	$197,801	$243,990	$272,767
Shareholder Funds	$97,285	$105,734	$173,192	$210,725	$233,932
Shareholder Funds Ratio	78%	81%	88%	86%	86%
Net Asset Backing per Share	$19.56	$21.55	$34.82	$42.37	$47.04

In contrast to the past three annual reports, which were dominated by the impact of COVID-19 disruptions, the year 2023 marks a return to the Group to a more normalised operating environment. The lingering effects of COVID-19 on our country were mostly overcome during the first quarter, leading to the removal of final restrictive and public health measures and the complete reopening of New Zealand's borders.

During the first half of the financial year, the aeronautical business experienced robust performance, the Group further benefiting from the successful reintegration of our hotel business into public trading. After serving as a Managed Isolation & Quarantine Facility (MIQ) for two years, the hotel underwent substantial upgrade works, which had been postponed during its MIQ operation. Initially, there was a cautious outlook for the year with modest expectations for the hotel's performance. However, the hotel made a remarkably positive return to the market, surpassing trading expectations.

The Group's diversification strategy has proven highly effective, as evident from its consistent profitability and surpassing of annual earnings targets. Notably, the Group has invested over $40 million in long-term assets and property development, resulting in a remarkable doubling of its asset holdings' value. These achievements were accomplished with a modest net increase in debt, totalling just over $3 million in the last three years.

The year will be remembered by many for the completion of the terminal resilience project; the result of which was the unveiling of a seismically strengthened, resilient, and contemporary domestic terminal in late 2022. Notably, the project was accomplished within budget, despite the challenges faced over the previous 24 months.

The new terminal boasts modern architecture, deeply influenced by the region's rich and unique cultural heritage as the home of Kiingitanga. Five significant taonga artworks now grace the terminal, commanding a strong presence and celebrating the area's cultural legacy. Moreover, the Group took this opportunity to revitalise its overall brand identity and corporate values. Bilingual signage, incorporating Te Ao Maaori values, was introduced, further reinforcing the Group's commitment to embracing and honouring Maaori culture.

Concurrent with the brand and values transformation, every entity within the Group has been actively embarking on a sustainability journey. For the first time, carbon reduction targets were outlined in our Statement of Intent, and we are proud to report that both electricity and water reduction targets were successfully met, with impressive 5% reductions achieved. Furthermore, the Group's commitment to sustainability led to the completion of a 5000m2 solar farm by the end of the year. The commissioning of this solar farm is scheduled for early in the upcoming financial year, pending the finalisation of electricity network connections. Anticipated outcomes are incredibly promising, as this initiative is projected to yield upwards of 25% in annual electricity savings for the Airport.

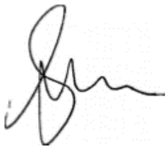
It is pleasing to note that since the unrestricted opening of our international borders a little over twelve months ago, there has been credible inquiries for the revival of an international pilot academy. WRAL remains confident of a bright future for the facility. The current global shortage of pilots and the future growth ambitions of the airlines are expected to contribute significantly to the restoration of the 70% loss in air traffic movements at our airport. Bolstered by this positive outlook, the Group moved forward with the acquisition of the flight training centre buildings from the former operator during the year, one of three strategic acquisitions of specialist aeronautical assets.

One of the other aeronautical acquisitions involved the purchase of the former Air New Zealand regional engineering base. This facility has now been leased to a globally recognised aircraft maintenance and engineering firm, with airline jets now frequenting our airport for their maintenance needs.

As projected, the financial year turned out to be a record year for Titanium Park, with the successful completion of the highly anticipated fifth and final stage of the Central Precinct. First settlements from this stage resulted in an impressive gross margin of $10 million generated from land sales during the current year, and an additional $2 million achieved after year-end. These substantial returns played a crucial role in enabling the Group to continue investment across all facets of the Airport precinct, through very challenging times.

As we conclude development in the Central, Southern, and Raynes Precincts on the Eastern side of the airport, this signifies the end of an era for Titanium Park. During the year, final obligations related to existing precinct developments have been accounted for and reflected in the balance sheet, leading to a one-off expense of $2.9 million in the current year. Titanium Park to date has delivered strong returns, proving invaluable to the WRAL Group, especially during recent times. However, the 40 hectares developed so far is only a fraction of the opportunities that await in the 100-hectare Northern Precinct to be developed over the next decade.

During the last week of the financial year, Titanium Park received notice that the Private Plan Change application, aimed at rezoning nearly 100 hectares of land adjacent to the Airport, was officially accepted by Waipa District Council's Independent Commissioners. This development holds a value exceeding $100 million and offers tremendous potential for the Group, creating a robust legacy income stream through leasing and land sale opportunities. The acceptance of this application marks a pivotal step forward and ensures the continuity of our successful 10-year diversification strategy. As detailed further in the annual report, an appeal was subsequently lodged against this decision shortly after year end, so a focus of the new financial year will be working with appellants to agree a way forward that balances meeting our aspirations with any new obligations or conditions that may arise.



Barry Harris
Chair

Waikato Regional Airport Limited

Consolidated Statement of Comprehensive Revenue and Expense

Year ended 30 June 2023

		2023	2022
		$ '000	$ '000
Revenue			
Operating revenue	2A	18,090	17,686
Land sales		14,723	2,020
Other gains	2B	10,861	22,762
		43,674	42,468
Expenses			
Operating expenses		(7,337)	(7,002)
Cost of land sales		(4,633)	(1,633)
Employee benefits expense		(5,079)	(4,688)
Depreciation & amortisation	3A, 3B	(4,419)	(3,420)
Other losses	2B	(3,043)	(143)
Finance costs		(582)	(453)
		(25,093)	(17,339)
Net surplus/(deficit) before tax		**18,581**	**25,129**
Tax (expense)/credit	4A	(122)	(681)
Net surplus/(deficit) after tax		**18,459**	**24,448**
Other comprehensive revenue & expense			
Revaluation of property, plant & equipment	3A	6,919	14,734
Tax (expense)/credit	4A	(1,671)	(1,649)
Total other comprehensive revenue & expense		**5,248**	**13,085**
Total comprehensive revenue & expense		**23,707**	**37,533**

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Waikato Regional Airport Limited

Consolidated Statement of Changes in Equity

Year ended 30 June 2023

	Share Capital $ '000	Retained Earnings $ '000	Revaluation Reserves $ '000	Total $ '000
Opening Balance - 1 July 2021	14,860	72,189	86,143	173,192
Net profit/(loss) after tax	-	24,448	-	24,448
Other comprehensive income	-	-	13,085	13,085
Total comprehensive income	-	24,448	13,085	37,533
Dividends paid to shareholder	-	-	-	-
Closing Balance - 30 June 2022	**14,860**	**96,637**	**99,228**	**210,725**
Opening Balance - 1 July 2022	**14,860**	**96,637**	**99,228**	**210,725**
Net profit/(loss) after tax	-	18,459	-	18,459
Other comprehensive income	-	-	5,248	5,248
Total comprehensive income	-	18,459	5,248	23,707
Dividends paid to shareholder	-	(500)	-	(500)
Closing Balance - 30 June 2023	**14,860**	**114,596**	**104,476**	**233,932**

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Waikato Regional Airport Limited

Consolidated Statement of Financial Position

As at 30 June 2023

	Note	2023 $ '000	2022 $ '000
Current Assets			
Cash and cash equivalents	5B	672	412
Trade and other receivables		2,679	3,665
Inventories		39	99
Development property	3C	13,833	11,831
		17,223	**16,007**
Non Current Assets			
Property, plant and equipment	3A	161,942	142,767
Investment property	3D	92,620	84,450
Intangible & other non-current assets	3B	982	766
		255,544	**227,983**
Total Assets		**272,767**	**243,990**
Current Liabilities			
Trade and other payables	4B	6,864	6,973
Employee entitlements		595	609
Provisions	4C	556	807
Borrowings	5B	20,220	-
		28,235	**8,389**
Non Current Liabilities			
Provisions	4C	5,078	844
Borrowings	5B	-	16,995
Deferred tax liability	4A	5,522	7,037
		10,600	**24,876**
Total Liabilities		**38,835**	**33,265**
Net Assets		**233,932**	**210,725**
Equity			
Share capital		14,860	14,860
Retained earnings		114,596	96,637
Revaluation reserves	5A	104,476	99,228
Total Equity		**233,932**	**210,725**

Authorised for issue by the Board of Directors on 13 September 2023

Chairperson

Audit & Risk Committee Chairperson

Waikato Regional Airport Limited

Consolidated Statement of Cash Flows

Year ended 30 June 2023

		2023	2022
		$ '000	**$ '000**
Operating activities			
Receipts from operations		17,374	17,561
Receipts from land sales		14,574	2,020
Payments to suppliers and employees		(12,584)	(10,711)
Payments for construction of development property		(5,994)	(4,794)
Payment of interest		(864)	(384)
Payment of income taxes		(1,270)	(1,995)
Net cash from/(used in) operations		**11,236**	**1,697**
Investing activities			
Receipts from sale of property, plant and equipment		13	500
Purchases of property, plant & equipment		(13,669)	(6,747)
Purchases of investment properties		(49)	(107)
Purchases of intangible & other assets		(406)	(87)
Net cash from/(used in) investment activities		**(14,111)**	**(6,441)**
Financing activities			
Receipts from/(repayments of) borrowings		3,225	5,000
Payments of dividends		(500)	-
Net cash from/(used in) financing activities		**2,725**	**5,000**
Net change in cash for the period		**(150)**	**256**
Add opening cash and cash equivalents balance		221	(35)
Closing cash and cash equivalents attributable to the Group	5B	**71**	**221**

Closing cash and cash equivalents attributable to the Group		71	221
Cash and bank balances held in capacity as agent		601	191
Total cash and cash equivalents	5B	**672**	**412**

Section One: About our annual report

This section of notes explains how we have prepared the financial statements and the general accounting policies we have applied. More specific policies and judgements we have made are explained in sections 2-4.

1A Reporting entity

Waikato Regional Airport Limited owns and operates Hamilton Airport. Its consolidated financial statements include the results of the Company and its wholly owned subsidiaries:

- Titanium Park Limited (TPL) conducts commercial and industrial property development around the airport precinct.
- Hamilton & Waikato Tourism Limited (HWT) is the Waikato region's official Regional Tourism Organisation and promotes the region as a business and leisure tourism destination both nationally and internationally.
- Waikato Regional Airport Hotel Limited (WRAHL) trading as the Jet Park Hamilton Airport Hotel & Conference Centre.

1B Basis of preparation

These consolidated financial statements have been prepared to comply with:

- Companies Act 1993
- Local Government Act 2002
- Airport Authorities Act 1966

The financial statements are prepared in accordance with Generally Accepted Accounting Practice, which in the case of the Group, is the Public Benefit Entity standards for Public Sector organisations that have less than $30 million annual expenditure ("Tier 2 PBE Standards"). The Group is eligible to apply Tier 2 PBE Standards, including the Reduced Disclosure Regime as it is not publicly accountable or large.

The financial statements are presented in New Zealand Dollars and rounded to the nearest thousand dollars unless otherwise stated. The Group does not routinely enter into material transactions denominated in foreign currencies. Except as disclosed in the Notes to the Financial statements, all amounts have been recorded using the historical cost measurement basis, on the assumption the Group is a going concern. All amounts presented are shown exclusive of GST, except for amounts owing or receivable where the balance is inclusive of GST.

In preparing the consolidated financial statements, transactions including revenues, expenses and loans occurring between entities and balances owing/receivable between entities at year end in the Group have been eliminated. Individual entity financial statements are adjusted, if necessary, to comply with the Group's accounting policies upon consolidation.

During the year ended 30 June 2021, Hamilton & Waikato Tourism was appointed the lead entity for the Thermal Explorer Regional Events Fund, a central government-funded tourism initiative to boost domestic tourism. HWT acts only as an agent for the fund which represents 8 Central North Island RTOs and Local Authorities, therefore revenues and expenses of the fund's trading activity are excluded from the consolidated results of the Group. Any assets and liabilities held by HWT on behalf of the fund in its capacity as an agent are separately identified in the Notes accompanying these financial statements.

Critical estimates and judgements

In preparing financial statements that comply with Tier 2 PBE Standards, the Company has made certain estimates and judgements which have a material impact on the amounts reported, in particular the valuation of Property, Plant & Equipment (Note 3A), carrying value of Intangible Assets (Note 3B); cost of Development Property (Note 3C); valuation of investment Property (Note 3D); and provisions and contingencies in respect of Infrastructure Development (Note 4C).

The carrying value of Buildings included within Property, Plant & Equipment (Note 3A) at 30 June 2023 is based on materially revised assumptions around the remaining useful lives of certain buildings than those applied in previous periods. There have been no other material change in estimate methodologies adopted in the current year.

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1C Specific Accounting Policies
Accounting policies adopted by the Group and critical estimates and judgements made in preparing these financial statements are detailed further in the accompanying notes, in addition to those outlined below.

All accounting policies have been applied consistently to both the current reported period balances and the comparative amounts, and there have been no changes in accounting policies in the current or previous year. Certain amounts have been restated from previous periods to comply with current year presentation. These changes in presentation have not had any material impact on the amounts previously reported in prior periods. Additionally, there have been no material changes arising from the adoption of newly effective accounting standards.

(i) Land Sales
Revenue from sale of development property is recognised when the significant risks and rewards of ownership have passed to the purchaser. This ordinarily coincides with settlement by the purchaser. Upon recognising the sale of development property, the cost of that property and any transaction costs are expensed to net surplus/(deficit).

(ii) Employee benefit expense & Employee entitlements
Employee benefit expense includes all salaries, wages, any performance bonuses paid to staff and contributions to post-employment benefit schemes (e.g. Kiwi Saver). The Group's expense also includes PAYE income tax and other deductions made by the Group. Amounts owing to staff, and any deductions collected but not yet paid, are recognised within the Employee entitlements liability. All Employee entitlements including performance bonus schemes are expected to be settled in the next twelve months, so no discounting adjustment is made.

(iii) Finance Costs
Finance costs include interest incurred on borrowings and other similar charges. Finance costs are expensed except to the extend they relate to borrowings specifically incurred to finance construction of qualifying assets, in which case the finance costs are capitalised as part of the asset's cost. Qualifying assets typically take more than 6 months to construct. Upon completion of the asset construction, capitalisation of further finance costs ceases. During the year ended 30 June 2023, $204,000 of interest costs were capitalised to property, plant & equipment (2022: $73,000).

(iv) Trade and other receivables
Trade and other receivables are recorded at their expected realisable value, net of an allowance for balances where collection appears doubtful. Balances receivable by the Group are subject to a provision where there is material uncertainty around collection. No provision was made at 30 June 2023 (2022: none).

(v) Inventory
Inventories include consumables for use in the Group's operations which are recorded at cost, and goods for re-sale in the Group's retail outlets which are recorded at lower of cost or net realisable value when it is identified the selling price will be less than their cost. There have been no material write downs of inventory in the current or previous period.

(vii) Impairment of non-financial assets
All assets not already recorded at fair value are reviewed for indicators of impairment when there are indicators that asset's value may not be recoverable. An impairment loss is recognised when an asset's recoverable value is less than its current carrying value. Impairment losses are recognised in net surplus/(deficit) except to the extent a loss relates to a reduction in the fair value of an asset previously revalued through the Asset Revaluation Reserve, in which case the revaluation reserve is reduced. The recoverable value of an asset is the greater of its disposal value or value in use, being its depreciated replacement cost.

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Section Two: About our performance for the year

This section provides information about how we performed for the year including how we derived our revenue and earnings, and how we performed against our Statement of Intent.

2A Operating Revenue

Operating revenue from exchange transactions is recognised when the underlying goods or services have been provided to the customer. Rental income from property leased to customers by the Group is recognised on a straight line basis over the lease term. Amounts received from customers in advance of the underlying goods or services being delivered are deferred initially and recognised within the revenue in advance liability in Note 4B.

Revenue from non-exchange transactions arise when there is no obligation to deliver goods or services directly in return to the funding provider. Revenue is only deferred if there are other substantive performance obligations yet to be met or conditions to return unspent amounts to the funding provider. Included in non-exchange income is government grant revenues recognised for the COVID19 employer wage subsidy. Grant monies received for periods covering July and August 2020, then August to November 2021. These amounts were initially as liabilities when received, then as income as the underlying payroll costs were incurred.

	2023 **$ '000**	**2022** **$ '000**
Aeronautical, landing and passenger charges	5,398	3,200
Leases, rentals and concessions	3,621	3,270
Carparking & retail	3,175	2,108
Hotel trading	3,344	6,558
Other	231	330
Total exchange revenue	**15,769**	**15,466**
Regional Tourism Organisation funding	2,321	1,974
Government grants	-	246
Total non-exchange revenue	**2,321**	**2,220**
Total operating revenue	**18,090**	**17,686**

2A Operating Revenue (continued)

In addition to its own operating revenue, the Group also receives revenues and incurs expenses in an agency capacity on behalf of other parties. Amounts received in the capacity as an agent, and expenditures incurred in the same capacity, are excluded from the amounts reported in the Consolidated Statement of Comprehensive Revenue and Expense. The Group entered into the following major agency relationships:

▪ The Group, via its subsidiary Hamilton & Waikato Tourism Limited, was appointed as the lead entity for the Thermal Explorer Regional Event Fund, a fund administered by HWT on behalf of four Central North Island regional tourism organisations. HWT received funding from the Ministry of Business, Innovation & Employment on behalf of the Fund.

▪ The Group, in connection with its Hotel operation that traded as a Managed Isolation & Quarantine (MIQ) Facility incurred expenditure on behalf of, and received monies from, the Ministry of Health in connection with providing specialist health and security services to guests during the period of its MIQ contract, in addition to regular hotel accommodation and food and beverage services.

Agency Revenue	**2023**	**2022**
	$ '000	**$ '000**
Thermal Explorer Regional Event Fund	1,052	645
Hotel Managed Isolation & Quarantine Contract	95	385
Total agency revenue not recognised	**1,147**	**1,030**

2B Other gains and (losses)

		2023	**2022**
		$ '000	**$ '000**
Other gains			
Gain on revaluation of investment property	3D	8,121	22,332
Gain on acquisition of property, plant & equipment	3A	2,740	-
Gain on disposal of property, plant and equipment		-	430
		10,861	**22,762**
Other losses			
Change in provision estimate for infrastructure obligations	4C	(2,888)	-
Impairment expense		(109)	(143)
Loss on disposal of property, plant and equipment		(46)	-
		(3,043)	**(143)**

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2C Our performance against our financial targets set in our Statement of Intent (Our Statement of Service Performance)

	2023			2022		
	Actual $ '000	**Target $ '000**	**Met**	**Actual $ '000**	**Target $ '000**	**Met**
Earnings performance targets						
Net surplus/(deficit) before tax *no less than*	10,763	6,000	✓	2,123	1,200	✓
Earnings before tax, interest, depreciation & amortisation (EBITDA) excl Land Sales *of at least*	5,674	4,300	✓	5,996	5,200	✓
Earnings before tax, interest, depreciation & amortisation (EBITDA) incl Land Sales *of at least*	15,764	11,100	✓	6,383	5,700	✓
Percentage of non-landing charges to total revenue *of at least*	70%	60%	✓	82%	60%	✓
Land Sales *of at least*	14,723	14,000	✓	2,020	2,000	✓
Interest coverage ratio *of at least*	9.7	4.0	✓	13.2	4.0	✓
Cash flow and funding performance targets						
Net operating cash flow excl Land sales *of at least*	2,656	3,500	✗	4,471	3,600	✓
Net debt *a maximum of*	20,149	30,000	✓	16,774	29,000	✓
Shareholder value performance targets						
Shareholder funds to total assets *of at least*	86%	75%	✓	85%	75%	✓

All earnings and profitability financial performance targets exclude the effect of other gains and losses recognised in net surplus/(deficit) unless otherwise stated. The 2022 net profit before tax metric was set excluding the effect of land sales activity.

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2C Our performance against our non-financial targets set in our Statement of Intent (Our Statement of Service Performance)

Performance Target	Comment	Met 2023	Met 2022
Zero WorkSafe notifiable accidents/injuries.	There were no notifiable incidents in either 2022 or 2023.	✓	✓
Independently review and audit the health and safety system each year.	An independent audit of the Group's health and safety framework was undertaken and all recommendations were implemented.	✓	✓
To achieve airport certification standards required by the Civil Aviation Authority (CAA) as evidenced by CAA audit reports.	The airport continues to meet all relevant CAA certification standards	✓	✓
Ensure airport is operationally available for all scheduled passenger services (except for uncontrollable events).	There have been no incidences of scheduled flights being operationally impacted by controllable events	✓	✓
Facilitate noise management meetings every 4 months in accordance with the noise management plan.	Regular meetings were facilitated every 4 months however have reduced frequency to 6 months during the 2022 year due to reduced air movements. The target was not set for 2023.	n/a	✗
Facilitate health & safety meetings every 2 months with representatives from each company department.	Health & Safety committee meetings were undertaken on a monthly basis in 2022. The target was not set for 2023.	n/a	✓

2C Our performance against our non-financial targets set in our Statement of Intent (Our Statement of Service Performance)

Performance Target	Comment	Met 2023	Met 2022
Titanium Park Limited			
Complete construction of airport infrastructure to support private aeronautical property development and land sales	Settlement of land sales were completed however purchasers did not require aeronautical infrastructure to be completed in the 2023 year.	✗	n/a
Complete construction of the 5th Stage of Titanium Park's Central Precinct.	Plans were finalised and construction had commenced during the 2022 year however it was not completed by year end due to COVID19-related construction delays. The target was not set for 2023.	n/a	✗
Develop a masterplan for Titanium Park's Northern Precinct and prepare a private plan change submission to Waipa District Council	The masterplan was completed in 2021, and the plan change submitted during 2022. The target was not set for 2023.	n/a	✓
Jet Park Hotel Hamilton Airport (Waikato Regional Airport Hotel Limited)			
Implement a recovery plan to enable a steady return to pre-COVID key metrics such as occupancy, room rates and customer satisfaction in line with the expectations underlying the achievement of a Qualmark 4 Star rating.	The hotel resumed trading to the public in the 2023 financial year after two years as a MIQ Hotel. The Hotel maintained its Qualmark 4 Star rating and exceeded trading budget.	✓	✗
Hamilton & Waikato Tourism Limited			
Successfully Deliver the first year of the $3.75m Regional Events Fund for Waikato, Rotorua, Ruapehu and Taupo	Due to COVID19 travel and event restrictions a number of events did not take place during the 2022 year (cancelled or postponed) meaning the investment plan was not fully delivered. The target was not set in 2023.	n/a	✗
Climate Change Response			
Reduce Group electricity consumption by 3% on 2022 levels (measured in kWh used) and maintain water consumption level on 2022 levels (measured in Litres used).	Reductions in water and electricity of greater than 3% in each were achieved in 2023. There was no target set for 2022.	✓	n/a

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Section Three: About our assets

This section provides information about the assets we own, how much they are worth and how we value and report them on an ongoing basis.

3A Property, Plant and Equipment

Classes of Asset

Property plant and equipment comprises the following classes of assets:
▪ Land owned by the Group for use in its own operations or retained for strategic purposes
▪ Buildings owned by the Group for use in its own operations or retained for strategic purposes
▪ Airport infrastructure, including runways, taxiways, apron areas, reticulated systems, solar generation assets, internal roading and carparking
▪ Other plant and equipment, including motor vehicles, general plant and equipment, computer & IT equipment and furnishings

Initial recognition

Items of property, plant and equipment are recognised initially at cost. Assets under construction (work in progress) are recognised at cost and are not depreciated until available for use.

Subsequent measurement

▪ Land is revalued to fair value determined from market based evidence of similar land.
▪ Buildings and Airport infrastructure are revalued to fair value. Fair value is determined with reference to market valuations where comparable market data exists for the type of asset being valued. If no market information exists, fair value is estimated using an Optimised Depreciated Cost basis.

Valuations are undertaken when the Group estimates there has been a material change in fair value, or at least every 5 years. All valuations are undertaken by independent, professional valuers with experience in the types of assets the Group owns. CBRE Telfer Young undertake land valuations (last full valuation: 2023), Beca Valuations Limited undertake building and airport infrastructure (last full valuations: buildings 2023, infrastructure 2023), except for the Airport Hotel Buildings which are valued by Jones Lange LaSalle (last valuation: 2023) and other Buildings than can be valued with reference to an active market, which are valued by CBRE Telfer Young (last full valuation 2023).

In applying the optimised depreciated replacement cost basis for determining fair value of buildings, assets in relation to Hamilton Airport's former handling of international air services have been optimised to nil fair value as the Group has no plans or ability to realise the economic benefits and service potential of these assets in the foreseeable future.

Changes in fair value including impairment losses are recognised within Other comprehensive revenue & expense except where a revaluation results in a carrying value below the asset's cost, in which case decreases below cost are recognised in net surplus/(deficit) for the period.

Depreciation

Except for land, the cost or valuation of all items of property, plant and equipment are depreciated over their estimated useful lives on a straight line basis
▪ Buildings - 4-60 years
▪ Airport infrastructure - 5-100 years
▪ Other plant and equipment - 3-50 years

Disposals

Upon disposal of an asset, any gain or loss arising between the disposal proceeds and carrying value is recognised in net surplus/(deficit). Any revaluation reserve attributable to the asset is transferred directly to retained earnings.

3A Property, Plant and Equipment (continued)

	Land	Buildings	Airport Infrastructure	Other Plant & Equipment	Total
	$ '000	$ '000	$ '000	$ '000	$ '000
Cost/Valuation					
Cost/Valuation at 1 July 2021	72,421	26,041	24,040	7,240	129,742
Additions	-	6,997	151	514	7,662
Disposals	(14)	(223)	-	(1,610)	(1,847)
Revaluation	8,846	2,605	243	-	11,694
Cost/Valuation at 30 June 2022	81,253	35,420	24,434	6,144	147,251
Cost/Valuation at 1 July 2022	81,253	35,420	24,434	6,144	147,251
Additions	323	13,200	1,622	1,473	16,618
Disposals	-	-	-	(712)	(712)
Revaluation	617	5,846	1,380	-	7,843
Cost/Valuation at 30 June 2023	82,193	54,466	27,436	6,905	171,000
Accumulated Depreciation & Impairment					
Accumulated Depreciation 1 July 2021	-	(1,661)	-	(4,448)	(6,109)
Depreciation Expense	-	(830)	(1,745)	(572)	(3,147)
Disposals	-	223	-	1,547	1,770
Revaluation	-	1,295	1,745	-	3,040
Impairment	-	(38)	-	-	(38)
Accumulated Depreciation 30 June 2022	-	(1,011)	-	(3,473)	(4,484)
Accumulated Depreciation 1 July 2022	-	(1,011)	-	(3,473)	(4,484)
Depreciation Expense	-	(1,494)	(2,101)	(634)	(4,229)
Disposals	-	-	-	579	579
Revaluation	-	(3,025)	2,101	-	(924)
Impairment	-	-	-	-	-
Accumulated Depreciation 30 June 2023	-	(5,530)	-	(3,528)	(9,058)
Carrying Value					
30 June 2022	81,253	34,409	24,434	2,671	142,767
30 June 2023	**82,193**	**48,936**	**27,436**	**3,377**	**161,942**

At 30 June 2023, airport infrastructure of $1,769,000 and other plant & equipment of $66,000 remained under construction and were not in use or depreciated. (2022: buildings, $8,132,000; aeronautical infrastructure $149,000 and other plant and equipment $284,000).

Included in additions to buildings year ended 30 June 2023 were assets acquired in a non-exchange transaction for consideration of $360,000. These were recognised initially at their fair value upon acquistion of $3,100,000, with the corresponding revenue included within Other Gains (2022: none).

3B Intangible and other non-current assets

Intangible and other non-current assets comprise:

▪ Aeronautical designations are consents issued by local authorities that provide regulatory protection for the Group to undertake activities such as extend the airport runway and install approach lighting on neighbouring properties. Assets are recognised initially at the cost obtaining consent from the local authorities, and amortised on a straight line basis over the period of the consents which are between 10 and 15 years (up to 3 years remaining). These assets have been designated as being held in non-cash generating units as the principal purpose is to protect and enhance the future service potential of the airport, over and above generating an economic return.

▪ Other intangibles have arisen primarily from the acquisition of other business around the airport. They reflect the benefit to the Group of acquiring these businesses with standing contracts and customers and are amortised on a straight line basis over the length of the remaining lives of the contracts which are normally up to 3-6 years. These assets are designated as being held in cash generating units as these businesses were acquired for the primary purpose of generating a profit, rather than to enhance the service potential of the aeronautical business.

▪ Other assets are recognised initially at the cost of acquisition and amortised on a straight line basis over the expected life of the underlying asset if they have a finite life. Other assets also include investments in other entities where the Group has neither control nor significant influence. Investments are revalued to fair value through other comprehensive revenue and expense where material changes in valuation exist, and the valuation can be reliably estimated. Included in other assets is a 1.40% shareholding acquired during 2023 by the Group in Pyper Vision Limited, a company researching and developing unmanned aerial vehicle (UAV/Drone) and fog dispersal technologies.

3B Intangible and other non-current assets (continued)

	Aeronautical Designations $ '000	Other Intangibles $ '000	Other Assets $ '000	Total $ '000
Cost				
Cost at 1 July 2021	1,059	1,118	184	2,361
Additions	107	-	-	107
Disposals	-	-	-	-
Cost at 30 June 2022	1,166	1,118	184	2,468
Cost at 1 July 2022	1,166	1,118	184	2,468
Additions	180	-	250	430
Disposals	-	-	(184)	(184)
Cost at 30 June 2023	1,346	1,118	250	2,714
Amortisation				
Accumulated Amortisation 1 July 2021	(583)	(699)	(147)	(1,429)
Amortisation Expense	(95)	(168)	(10)	(273)
Disposals	-	-	-	-
Accumulated Amortisation 30 June 2022	(678)	(867)	(157)	(1,702)
Accumulated Amortisation 1 July 2022	(678)	(867)	(157)	(1,702)
Amortisation Expense	(95)	(92)	(3)	(190)
Disposals	-	-	160	160
Accumulated Amortisation 30 June 2023	(773)	(959)	-	(1,732)
Carrying Value				
30 June 2022	488	251	27	766
30 June 2023	**573**	**159**	**250**	**982**

Included in Aeronautical Designations are costs capitalised toward future and in-progress consent applications of $287,000 (2022: $107,000). These costs are not amortised until such time as consents take effect. The Group considers there is low risk of these consents not being granted and therefore no impairment loss is recognised at 30 June 2023 (2022: none).

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3C Development Property

The Group, through its subsidiary Titanium Park Limited, undertakes the development of commercial and industrial property for sale. Land held by the Group for development is recognised initially at cost, or carrying value on the date it is designated for development if previously held as Investment property, or Property, plant and equipment. The balance of Development Property includes the costs of land plus costs such as roading and utilities infrastructure as well as consents from regulatory authorities needed to develop subdivisions and interest capitalised on borrowings used to finance development.

Development property is carried at the lower of its cost or its fair value less cost to sell. Fair value less cost to sell is determined by the Group based on contracted future sales prices, and estimates of market value of land not committed to future sale, taking into account sales activity of comparable properties and typical costs incurred in completing sales.

		2023 $ '000	2022 $ '000
Opening balance		11,831	7,256
Development costs capitalised		6,322	4,452
Reclassification (to)/from investment property	3D	-	1,464
Less cost of development property sold		(4,320)	(1,341)
		13,833	**11,831**

At 30 June 2023, the Group has 8.1 hectares (2022: 13.8 hectares) available for development and sale.

3D Investment property

Investment properties are land and buildings owned by the Group and held for capital appreciation, or primarily for earning rental income under operating leases. Investment properties are recognised initially at cost then subsequently measured to fair value annually, with changes recognised in net surplus/(deficit).

Fair value is determined by independent, professional valuers Telfer Young Waikato who have experience in the type of Investment properties owned by the Group. Valuations are derived from comparable market data for similar properties.

Included within the Group's portfolio are properties that have been valued based on proposed future subdivision developments. These valuations require a significant degree of judgement and estimate to be made about future events in the process of determining a fair value. Such factors requiring estimate and judgment include assumptions in relation to the following key inputs:
▪ future private plan change (re-zoning) applications and similar resource consent applications being successful
▪ future costs of subdivision and development and future market sales prices
▪ timelines to develop and sell and market rates of return on property development

The outcome of these valuations can be materially sensitive to changes in one or more the key inputs and assumptions, which are reviewed annually by the Group's independent valuer.

		2023	2022
		$ '000	$ '000
Opening balance		84,450	63,580
Acquisitions & additions		49	107
Reclassification from/(to) development property		-	(1,464)
Impairment of investment property		-	(105)
Changes in fair value	2B	8,121	22,332
		92,620	**84,450**

During the year ended 30 June 2022, investment property with a fair value of $1,464,000 was reclassified as development property as the Group committed it for future development and sale by Titanium Park Limited. (2023: none).

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Section Four: About our obligations and commitments

This section details the future liabilities and commitments we have, and how we have measured and calculated them.

4A Income Tax

Income tax is recognised in net profit/(deficit) except to the extent it relates to items recognised in equity. Income tax expense for the period comprises current tax and deferred tax. Current tax is the estimated income tax payable based on the current period taxable income, plus any adjustments to income tax payable in respect to prior periods.

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 losses 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 it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Reconciliation of effective tax rate		**2023**		**2022**
		$ '000		**$ '000**
Net surplus/(deficit) before tax		18,581		25,129
Income tax at Group's tax rate	28.0%	(5,203)	28.0%	(7,036)
Effect of tax exempt income	(20.5%)	3,812	(26.7%)	6,718
Effect of expenditure non-deductible for tax	1.9%	(354)	1.8%	(455)
Change in recoverable depreciation of building assets	(9.1%)	1,695	0.0%	0
Adjustments in respect of prior periods	0.4%	(72)	(0.4%)	92
Total tax expense/(credit)	0.7%	**(122)**	2.7%	**(681)**

Tax Expense Composition	**2023**	**2022**
	$ '000	**$ '000**
Current tax	(3,308)	(1,057)
Deferred taxes	3,186	376
Total tax expense/(credit)	**(122)**	**(681)**

Movement in Deferred Tax Assets/(Liabilities)	**1 July 2021**	**Recognised in Surplus**	**Recognised in OCRE**	**30 June 2022**
Property, plant and equipment	(5,898)	398	(1,649)	(7,149)
Provisions	(100)	42	-	(58)
Employee entitlements	82	29	-	111
Other	152	(93)	-	59
	(5,764)	**376**	**(1,649)**	**(7,037)**

	1 July 2022	**Recognised in Surplus**	**Recognised in OCRE**	**30 June 2023**
Property, plant and equipment	(7,149)	2,206	(1,671)	(6,614)
Provisions	(58)	1,148	-	1,090
Employee entitlements	111	(8)	-	103
Other	59	(160)	-	(101)
	(7,037)	**3,186**	**(1,671)**	**(5,522)**

4B Trade and other payables

Trade and other payables are recorded initially at their fair value. All amounts are interest free, and expected to be settled in the next accounting period.

	2023	2022
	$ '000	$ '000
Trade payables and accrued expenses	2,948	3,378
Revenue received in advance	1,601	3,026
Thermal Explorer Regional Events Fund Agency Liability	305	308
Income tax payable	2,010	261
	6,864	**6,973**

4C Provision for Infrastructure Development

Due to the nature of property development undertaken by the Group in connection with the Titanium Park commercial and industrial business park, the Group has a number of actual and potential future obligations to construct (or contribute to the construction of) water supply and reticulation, waste water facilities and roading infrastructure around the Hamilton Airport precinct.

Provisions are recognised at the Group's best estimate of future costs in relation to commitments where a present obligation has arisen, discounted for the expected timing of the construction or contribution being made. The initial cost of a provision is capitalised as part of the asset to which it relates with subsequent changes in the provision due to discounting reflected in net surplus/(deficit).

	2023	2022
	$ '000	$ '000
Opening balance	1,651	1,482
Additional obligations and commitments capitalised	5,196	227
Provision utilised	(910)	(111)
Other changes recognised in net surplus/(deficit)	(303)	53
	5,634	**1,651**
Presentation in Financial Statements		
Current Liability	556	807
Non Current Liability	5,078	844
	5,634	**1,651**

The total movement in provisions recognised in net surplus/(deficit) for the year ended 30 June 2023 was an expense of $2,888,000 (2022: $261,000).

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4C Infrastructure Development (continued)

Contingent liabilities are recognised where there is less certainty about the timing, amount or likelihood of a future commitment, and when no present obligation exists. The Group's best estimate of the potential future commitment is disclosed where practicable, but not included within its balance sheet.

Contingent liabilities	**2023** **$ '000**	**2022** **$ '000**
Waipa District Council - water supply upgrade contribution	1,264	1,163
Waka Kotahi State Highway 21 - intersection upgrade contribution	unknown	unknown

The potential costs in relation to the Waka Kotahi State Highway 21 Intersection cannot be reliably estimated as the eventual intersection design is dependent on future traffic flow and generation which are outside the control of the Group.

During the year ended 30 June 2022, the Group (via subsidiary Titanium Park Limited) has entered into joint development agreements with adjacent properties that may result in additional infrastructure obligations for water and roading totalling between $6 and $10 million being incurred in the future. The actual amount of the infrastructure obligations, if any, are dependent on the outcome and conditions of a final private plan change application expected to be notified after the 30 June 2023 balance date.

4D Commitments

At 30 June 2023, the Group had contractual commitments for capital expenditure of $1,033,000 (2022: $6,099,000).

4E Events subsequent to balance date

As noted in 4C, Titanium Park had lodged a private plan change application to re-zone further land adjacent to Hamilton Airport to permit future development. While this plan change had been granted by year end, an appeal was lodged to the Environment Court subsequent to year end. A hearing is expected in the second half of the 2024 finanical year, with a final outcome expected to be known by 30 June 2024. At the time of issuing the financial statements it was not possible to quantify the potenital impact of this appeal, including its impact on amounts reported or disclosed as at 30 June 2023.

Section Five: About how we are funded and our shareholder value

This section gives information about our shareholders including their shareholdings and how their interest in the Group has grown in value.

5A Equity

Share Capital

The shareholding of Waikato Regional Airport Limited at 30 June 2023 was:

	Ordinary Shares	Percentage
Hamilton City Council	2,486,752	50.0%
Waipa District Council	777,110	15.6%
Waikato District Council	777,110	15.6%
Matamata Piako District Council	777,110	15.6%
Otorohanga District Council	155,422	3.2%
	4,973,504	**100.0%**

There were no changes in shareholding during the year (2022: none). All shares are fully paid and carry equal rights to vote and share the net assets of the Company. The shares have no par value, nor any fixed dividend rights.

Asset Revaluation Reserve

The accumulated, unrealised gains in asset revaluation are accumulated in the Asset revaluation reserve and are attributable the following asset classes:

	2023 $ '000	2022 $ '000
Land	70,273	69,656
Buildings	10,474	8,353
Airport Infrastructure	23,729	21,219
	104,476	**99,228**

5B Cash and Borrowings

Cash and cash equivalents comprise cash on hand and bank accounts held with reputable retail banks in New Zealand. This balance also includes overdraft facilities used for working capital purposes and set off facilities between account balances among Group entities.

Borrowings are longer term debt facilities held with retail banks in New Zealand used to finance capital and investment requirements.

Borrowings	**2023**	**2022**
	$ '000	**$ '000**
Current portion - due within 12 months	20,220	-
Non-current portion - due between 12 and 24 months	-	16,995
Non-current portion - due between 24 and 36 months	-	-
Total drawn borrowing facilities	**20,220**	**16,995**
Undrawn bank overdraft facilities	731	76
Undrawn term borrowing facilities	8,780	12,005
Total unutilised borrowing and overdraft facilities	**9,511**	**12,081**

The weighted average interest rate on borrowings at year end was 5.84% (2022: 3.37%). All borrowings and overdraft facilities are held with the Bank of New Zealand and are secured by way of a general security agreement and mortgages over certain land, buildings, and investment properties. The facilities have a maturity date of 30 November 2023.

Cash and cash equivalents	**2023**	**2022**
	$ '000	**$ '000**
Cash and bank/(bank overdraft) balances held by the Group	71	221
Cash and bank balances held in capacity as agent	601	191
Total cash and cash equivalents	**672**	**412**

The Group, via its subsidiary Hamilton & Waikato Tourism, held cash of $601,000 at 30 June 2023 (2022: $191,000) in an agency capacity on behalf of the Thermal Explorer Regional Events Fund. The corresponding liability is recognised as a component of trade and other payables in Note 4B.

Section Six: Corporate Governance and Management

Section Six provides details about remuneration provided to the Group's Directors and Key Management Personnel, as well as details of transactions that took place with related parties

6A Related parties

The following transactions took place with entities and individuals related to the Group

	2023 $ '000	2022 $ '000
Remuneration		
Directors	242	212
Number of directors	9	9
Key management personnel	967	1,193
Number of personnel (full time equivalent)	4	6
Other		
Transactions in which directors declared an interest	267	240

Transactions carried out between the Group and its related parties arise from interests declared by directors. These transactions were for purchases of IT-related goods and services (2023: $262,000, 2022: $212,000) and utility infrastructure (2023: $5,000, 2022: $28,000) in the normal course of the Group's business on normal commercial terms.

6B Directors Holding Office

	Director Fees	
	2023	**2022**
	$ '000	**$ '000**
Waikato Regional Airport Limited		
Barry Harris (Chair)	60	50
Margaret Devlin	33	30
Gerard Gilmore (appointed December 2021)	33	18
Kate Searancke (appointed November 2020)	33	30
Renae Smart (appointed December 2021)	33	18
Annabel Cotton (retired December 2021)	-	15
Hamilton & Waikato Tourism Limited		
Richard Leggat (appointed Chair December 2021)	22	16
Steven Gow	14	12
Gus Gilmore (appointed October 2022)	10	-
Margaret Devlin (appointed December 2021, retired October 2022)	4	7
Annabel Cotton - Chair (retired December 2021)	-	8
Mark Morgan	-	-

The Directors of the Parent Company (WRAL) are also the Directors of subsidiaries Titanium Park Limited and Waikato Regional Airport Hotel Limited under a common Board of Directors. The Directors receive no separate remuneration from these subsidiaries.

In addition to Director Fees paid, Margaret Devlin received $5,500 for Chairing the Group's Audit & Risk Committee in 2023 (2022: $3,000 for part year). Annabel Cotton received an additional $3,000 in the same capacity until her retirement during 2022.

6C Employee Remuneration

The numbers of employees outlined below received remuneration including salaries and performance bonuses exceeding $100,000:

	2023	2022
$390,000-$399,999	1	-
$370,000-$379,999	-	1
$360,000-$369,999	-	-
$240,000-$249,999	-	1
$220,000-$229,000	1	-
$200,000-$209,999	1	-
$190,000-$199,999	-	1
$180,000-$189,999	-	-
$170,000-$179,999	-	-
$140,000-$149,999	2	1
$130,000-$139,999	-	-
$120,000-$130,000	1	-
$110,000-$119,999	2	2
$100,000-$109,999	2	3

6D Auditor

Pursuant to the Local Government Act 2002, KPMG is the auditor of the Group on behalf of the Auditor General. KPMG were paid $211,000 for the audit of the Group and subsidiary financial statements (2022: Audit New Zealand, $178,000).

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF WAIKATO REGIONAL AIRPORT LIMITED'S GROUP FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2023

The Auditor-General is the auditor of Waikato Regional Airport Group (the Group). The Auditor-General has appointed me, Glenn Keaney, using the staff and resources of KPMG, 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 5 to 12 and 16 to 29, that comprise the consolidated statement of financial position as at 30 June 2023, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated 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 13 to 15.

In our opinion:

- the financial statements of the Group on pages 5 to 12 and 16 to 29:
    - present fairly, in all material respects:
        - its financial position as at 30 June 2023; 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 Public Benefit Entity Reporting Standards applying the Reduced Disclosure Regime; and
- the performance information of the Group on pages 13 to 15 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 2023.

Our audit was completed on 13 September 2023. 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 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 audit 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 and performance information that are fairly presented and that comply with generally accepted accounting practice in New Zealand.

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 there is an intention to liquidate the Group or to cease operations, or there is 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 it 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 decision of readers taken on the basis of these financial statements and the performance information.

For the budget information reported in the performance information, our procedures were limited to checking that the information agreed to the Group'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 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 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 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 for the direction, supervision and the 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.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 2 to 4 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 that 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: *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 Group.

LG Keaney

Glenn Keaney
KPMG

On behalf of the Auditor-General
Tauranga, New Zealand