

WHAKATANE AIRPORT JOINT VENTURE ANNUAL REPORT

For the period 1 July 2006
to 30 June 2007



Photo courtesy of Beacon



Whakatane District Council

**WHAKATANE AIRPORT JOINT VENTURE
ANNUAL REPORT 2006/07****CONTENTS****INTRODUCTION**

Significant policies and objectives of the Whakatane Airport	1
Nature and scope of activities provided by Whakatane Airport	1

FINANCIAL STATEMENTS

Income statement for year ended 30 June 2007	2
Statement of changes in equity for year ended 30 June 2007	3
Balance sheet as at 30 June 2007	4
Statement of cashflows for year ended 30 June 2007	5

NOTES TO FINANCIAL STATEMENTS

Note 1 – Reconciliation for International Accounting Standards and explanation of transition	6
Note 2 – Performance	7
Note 3 – Other revenue	7
Note 4 – Expenses	8
Note 5 – Taxation	8
Note 6 – Cash and cash equivalents	9
Note 7 – Trade and other receivables	9
Note 8 – Plant, property and equipment	10
Note 9 – Trade and other payables	14
Note 10 – Equity	15
Note 11 – Reconciliation of net surplus/(deficit) after tax to net cash from operating activities	17
Note 12 – Capital commitments	18
Note 13 – Contingencies	18
Note 14 – Related party transactions	18
Note 15 – Events after balance sheet date	19
Note 16 – Financials instruments	19
Note 17 – Statement of Intent	20

STATEMENT OF ACCOUNTING POLICIES	21
---	----

AUDIT OPINION	26
----------------------	----

INTRODUCTION

This Annual Report provides the financial statements for the Whakatane Airport for the financial year ended 30 June 2007.

The Whakatane Airport is a 50/50 joint equity venture between the Council and the Ministry of Transport. The Airport is seen to be a valued community asset that contributes to the wellbeing of residents, and is crucial to the economy of the Whakatane District.

The Whakatane Airport is also deemed to be a Council-Controlled Organisation (CCO) under the Local Government Act 2002. A CCO is a company or organisation in which a Council or Councils hold 50% or more of the voting rights or can appoint 50% or more of the trustees, directors or managers.

SIGNIFICANT POLICIES AND OBJECTIVES OF THE WHAKATANE AIRPORT

- To promote a safe, accessible, affordable and reliable air transport system for the benefit of the economic and social development of the Eastern Bay of Plenty Region.
- To ensure the present level of facility is maintained and increased wherever practicable and economic.
- To ensure that the airport is administered efficiently and effectively, to the benefit of scheduled flight operations.

NATURE AND SCOPE OF ACTIVITIES PROVIDED BY WHAKATANE AIRPORT

- The Airport is maintained as a non-certified aerodrome in accordance with the Civil Aviation Authority Aerodrome design for aircraft at or below 5,700 kg Maximum Combined Take-off Weight. Air New Zealand Link provides daily return services to Auckland.
- Land surplus to the Airport's present requirements is leased for grazing. Areas of the terminal building are leased for activities compatible with the operation of the Airport. Lease of Airport land is also available to commercial operators and associated industry.

FINANCIAL STATEMENTS

INCOME STATEMENT FOR YEAR ENDED 30 JUNE 2007

		Actual 2007 \$	Actual 2006 \$
REVENUE			
Airport Dues		88,743	76,851
Other Revenue	Note 3	108,190	114,374
Total Income		<u>196,933</u>	<u>191,225</u>
EXPENDITURE			
Expenses	Note 4	230,608	153,594
Total Operating Expenditure		<u>230,608</u>	<u>153,594</u>
Net Surplus (Deficit)		<u>(33,675)</u>	<u>37,631</u>
Income Tax Expense	Note 5	0	0
Net Surplus (Deficit)	Note 1, 2	<u>(33,675)</u>	<u>37,631</u>

The Notes and the Statement of Accounting Policies on pages 6 to 25 form part of the Financial Statements.

STATEMENT OF CHANGES IN EQUITY

FOR YEAR ENDED 30 JUNE 2007

	Actual 2007 \$	Actual 2006 \$
Balance as at 1 July	778,530	740,899
Net Surplus (Deficit)	<u>(33,675)</u>	<u>37,631</u>
Total recognised income (expenditure)	<u>(33,675)</u>	<u>37,631</u>
Balance as at 30 June	<u><u>744,855</u></u>	<u><u>778,530</u></u>

The Notes and the Statement of Accounting Policies on pages 6 to 25 form part of the Financial Statements.

BALANCE SHEET AS AT 30 JUNE 2007

		Actual 2007 \$	Actual 2006 \$
EQUITY			
Capital			
Whakatane District Council	Note 10	154,681	154,681
Crown	Note 10	157,522	157,522
		<u>312,203</u>	<u>312,203</u>
Reserve Funds			
Runway Sealing Fund	Note 10	4,203	2,000
Terminal Depreciation Fund	Note 10	24,265	20,794
		<u>28,468</u>	<u>22,794</u>
Partners Current Accounts			
Whakatane District Council	Note 10	204,490	224,165
Crown	Note 10	199,694	219,368
		<u>404,184</u>	<u>443,533</u>
TOTAL EQUITY		<u><u>744,855</u></u>	<u><u>778,530</u></u>
ASSETS			
Current Assets			
Whakatane District Council Current Account	Note 6	156,109	250,925
Sundry Receivables	Note 7	27,528	4,206
Prepayments	Note 7	1,200	4,931
Tax Receivable	Note 7	0	7,200
Total Current Assets		<u><u>184,837</u></u>	<u><u>267,262</u></u>
Non-Current Assets			
Property, Plant and Equipment	Note 8	601,383	557,895
Intangible Asset		260	0
Total Non-Current Assets		<u>601,643</u>	<u>557,895</u>
TOTAL ASSETS		<u><u>786,480</u></u>	<u><u>825,157</u></u>
LIABILITIES			
Current Liabilities			
Trade and Other Payables	Note 9	9,974	10,112
Income In Advance	Note 9	31,651	36,515
Total Current Liabilities		<u>41,625</u>	<u>46,627</u>
TOTAL LIABILITIES		<u>41,625</u>	<u>46,627</u>
NET ASSETS		<u><u>744,855</u></u>	<u><u>778,530</u></u>

The Notes and the Statement of Accounting Policies on pages 6 to 25 form part of the Financial Statements. For and on behalf of the Whakatane District Council and the Crown, which authorised the issue of the financial report on 28 September 2007.



 Colin Holmes, MAYOR



 Diane Turner, CHIEF EXECUTIVE

STATEMENT OF CASHFLOWS
For year ended 30 June 2007

		Actual 2007 \$	Actual 2006 \$
CASH FLOWS FROM OPERATIONS			
Airport Dues		65,421	77,601
Lease of Buildings		11,482	13,577
Commercial Leases		10,455	7,714
Grazing Leases		64,909	68,594
Sundry		3,927	6,306
Interest on Reserve Funds		1,674	2,568
General Interest		10,879	15,615
TOTAL OPERATING CASH PROVIDED		<u>168,747</u>	<u>191,975</u>
General Activity		87,533	42,232
Runway Maintenance		24,151	23,958
Building Maintenance		31,735	9,106
Taxation		(7,200)	0
Administration Costs		59,478	48,559
Grazing Lease		5,774	4,124
TOTAL OPERATING CASH APPLIED		<u>201,471</u>	<u>127,979</u>
Net Cash Flows from Operating Activities	Note 11	<u>(32,724)</u>	<u>63,996</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale of Investments		0	13,897
Total Investing Cash Provided		<u>0</u>	<u>13,897</u>
Purchase of Assets		61,702	72,827
Purchase of Intangible Assets		390	0
TOTAL INVESTING CASH APPLIED		<u>62,092</u>	<u>72,827</u>
Net Cash Flows from Investing Activities		<u>(62,092)</u>	<u>(58,930)</u>
Net Increase / (Decrease) In Cash Held		(94,816)	5,066
Add Opening Cash Brought Forward		250,925	245,859
CLOSING CASH BALANCE		<u>156,109</u>	<u>250,925</u>
Made up of:			
Balance with District Fund Account		156,109	250,925
CLOSING BANK / INVESTMENTS	Note 6	<u>156,109</u>	<u>250,925</u>

The Notes and the Statement of Accounting Policies on pages 6 to 25 form part of the Financial Statements.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

**NOTE 1 – RECONCILIATION FOR INTERNATIONAL ACCOUNTING STANDARDS AND
EXPLANATION OF TRANSITION**

Profit per 2006 Statement of Financial Income	37,631
Profit per 2006 After adjustments for International Accounting Standards	37,631
	<u>0</u>
Equity per 2006 Actual Financial Position	778,530
Equity per 2006 After adjustments for International Accounting Standards	778,530
Net Impact	<u>0</u>

ONLY CHANGE OF NOTE WAS A RECLASSIFICATION OF THE FOLLOWING CATEGORIES

	Actual 2006 \$	Adjustments \$	Restated 2006 \$
Cash and Cash Equivalents	228,131	22,794	250,925
Investments	22,794	(22,794)	0

Whakatane Airport's financial statements for the year ended 30 June 2007 are the first financial statements that comply with NZ IFRS.

Whakatane Airport has applied NZ IFRS1 in preparing these financial statements.

Whakatane Airport's transition date is 1 July 2005. Whakatane District Council prepared its opening NZ IFRS balance sheet at that date.

The reporting date of these financial statements is 30 June 2007. The Whakatane Airport's adoption date is 1 July 2006.

In preparing these financial statements in accordance with NZ IFRS 1, Whakatane Airport has applied the mandatory exemptions and no optional exemptions from full retrospective application of NZ IFRS.

NOTE 2 – PERFORMANCE

	Statement of Intent 2005 Budget 2007 \$	LTCCP Budget 2007 \$	Actual \$	Comment
Operate and maintain the airports assets within an operational budget (excluding corporate overheads and depreciation)	92,000	89,175	145,053	Strategic review during the year and painting work increased costs above budget
Renew sealed surfaces in accordance with the Whakatane airport asset management plan	14,200	51,200	54,716	Achieved
Improvement of carpark/roading stormwater drainage.	0	30,128	3,006	Work commenced

Refer Note 17, the budget the airport managed to is the budget in Whakatane District Council's latest Long Term Council Community Plan (LTCCP) 2006-16.

NOTE 3 – OTHER REVENUE

	Actual 2007 \$	Actual 2006 \$
Lease of Buildings	13,371	13,577
Commercial Leases	8,805	7,714
Grazing Leases	69,534	68,594
Interest on Reserve Funds	1,674	2,568
Sundry Income	3,927	6,306
General Interest	10,879	15,615
	<u>108,190</u>	<u>114,374</u>

NOTE 4 – EXPENSES

		Actual 2007 \$	Actual 2006 \$
DEPRECIATION AND AMORTISATION			
Depreciation	Note 8	18,214	14,913
Amortisation	Note 8	130	0
Total Depreciation and Amortisation		<u>18,344</u>	<u>14,913</u>
OTHER EXPENSES			
Audit Fees		7,000	5,700
Audit other services		1,500	0
Other Operating Expenses		<u>203,764</u>	<u>132,981</u>
Total Other Expenses		<u>212,264</u>	<u>138,681</u>
Total Expenses		<u>230,608</u>	<u>153,594</u>

NOTE 5 – TAXATION

	Actual 2007 \$	Actual 2006 \$
INCOME TAX EXPENSE		
Current tax	0	0
Deferred tax	<u>0</u>	<u>0</u>
	0	0
Profit before tax	(33,675)	37,631
Tax calculated at applicable tax rate 33% (2006:33%)	(11,113)	12,418
Timing Differences	11,113	(12,418)
Expenses not deductible for tax purposes		
Utilisation of previously unrecognised tax losses		
Tax losses for which no deferred income tax asset was recognised		
Tax Expense/(Benefit)	<u>0</u>	<u>0</u>
Opening Balance Taxation Account	7,200	7,200
Provisional Tax Paid (Refunded)	(7,200)	0
Total Tax (To Pay)/Refund Due	<u>0</u>	<u>7,200</u>

A deferred tax asset has not been recognised in relation to deductible temporary differences of \$58,222.

A deferred tax asset has not been recognised in relation to unused tax losses of \$45,541

NOTE 6 – CASH AND CASH EQUIVALENTS

	Actual 2007 \$	Actual 2006 \$
Current Account: - Whakatane District Council	156,109	250,925
	<u>156,109</u>	<u>250,925</u>

NOTE 7 – TRADE AND OTHER RECEIVABLES

	Actual 2007 \$	Actual 2006 \$
Other Receivables	27,528	4,206
Prepayments	1,200	4,931
Tax Debtor	0	7,200
	<u>28,728</u>	<u>16,337</u>

NOTE 8 – PLANT, PROPERTY AND EQUIPMENT

2006	COST/ REVALUATION 1 JULY 2005 \$	ACCUMULATED DEPRECIATION & IMPAIRMENT 1 JULY 2005 \$	NET BOOK VALUE 1 JULY 2005 \$	ADDITIONS CURRENT YEAR \$	DISPOSALS CURRENT YEAR \$	IMPAIRMENT CURRENT YEAR \$	DEPRECIATION CURRENT YEAR \$	REVALUATION CURRENT YEAR \$	COST/ REVALUATION 30 JUNE 2006 \$	ACCUMULATED DEPRECIATION & IMPAIRMENT 30 JUNE 2006 \$	NET BOOK 30 JUNE 2006 \$
LAND											
Land	12,246	0	12,246	0	0	0	0	0	12,246	0	12,246
AIRPORT											
Runways & Taxiways	290,209	131,160	159,049	40,392	0	0	5,804	0	330,601	136,964	193,637
Fencing	1,985	0	1,985	0	0	0	0	0	1,985	0	1,985
Fencing	10,390	6,076	4,314	12,562	0	0	492	0	22,952	6,568	16,384
Water Supply	59,612	6,944	52,668	0	0	0	596	0	59,612	7,540	52,072
Aprons	24,195	14,070	10,125	0	0	0	484	0	24,195	14,554	9,641
Water Supply Improvement	4,586	31	4,555	0	0	0	46	0	4,586	77	4,509
Grassing	30,133	0	30,133	0	0	0	0	0	30,133	0	30,133
Roading	15,568	0	15,568	0	0	0	0	0	15,568	0	15,568
	436,678	158,281	278,397	52,954	0	0	7,422	0	489,632	165,703	323,929

NOTE 8 – PLANT, PROPERTY AND EQUIPMENT

2006	COST/ REVALUATION 1 JULY 2005 \$	ACCUMULATED DEPRECIATION & IMPAIRMENT 1 JULY 2005 \$	NET BOOK VALUE 1 JULY 2005 \$	ADDITIONS CURRENT YEAR \$	DISPOSALS CURRENT YEAR \$	IMPAIRMENT CURRENT YEAR \$	DEPRECIATION CURRENT YEAR \$	REVALUATION CURRENT YEAR \$	REVALUATION 30 JUNE 2006 \$	ACCUMULATED DEPRECIATION & IMPAIRMENT 30 JUNE 2006 \$	NET BOOK 30 JUNE 2006 \$
TERMINAL											
Paths & Parking Area	12,206	0	12,206	0	0	0	0	0	12,206	0	12,206
Building	223,342	104,613	118,729	8,354	0	0	4,467	0	231,696	109,080	122,616
Floodlighting	10,874	2,214	8,660	0	0	0	866	0	10,874	3,080	7,794
Terminal Site Development	54,077	0	54,077	11,518	0	0	0	0	65,595	0	65,595
Automatic Sliding Doors	11,515	875	10,640	0	0	0	1,213	0	11,515	2,088	9,427
	312,014	107,702	204,312	19,872	0	0	6,546	0	331,886	114,248	217,638
WORK SERVICES											
Plant & Equipment	2,800	2,202	598	0	0	0	60	0	2,800	2,262	538
Furniture & Fittings	13,995	9,567	4,428	0	0	0	886	0	13,995	10,453	3,542
	16,795	11,769	5,026	0	0	0	946	0	16,795	12,715	4,080

NOTE 8 – PLANT, PROPERTY AND EQUIPMENT

2007	Cost/ Revaluation 1 July 2006 \$	Accumulated Depreciation and Impairment 1 July 2006 \$	Net Book Value 1 July 2006 \$	Additions Current Year \$	Disposals Current Year \$	Impairment Current Year \$	Depreciation Current Year \$	Revaluation Current Year \$	Cost/ Revaluation 30 June 2007 \$	Accumulated Depreciation and Impairment 30 June 2007 \$	Net Book Value 30 June 2007 \$
LAND											
Land	12,246	0	12,246	0	0	0	0	0	12,246	0	12,246
AIRPORT											
Runways & Taxiways	330,601	136,964	193,637	54,717	0	0	7,160	0	385,318	144,124	241,194
Fencing	1,985	0	1,985	0	0	0	0	0	1,985	0	1,985
Fencing	22,952	6,568	16,384	0	0	0	1,868	0	22,952	8,436	14,516
Water Supply	59,612	7,540	52,072	0	0	0	596	0	59,612	8,136	51,476
Aprons	24,195	14,554	9,641	0	0	0	484	0	24,195	15,038	9,157
Water Supply Improvement	4,586	77	4,509	3,006	0	0	61	0	7,592	138	7,454
Radio Transmitter	0	0	0	941	0	0	188	0	941	188	753
Airport Signage	0	0	0	3,040	0	0	608	0	3,040	608	2,432
Grassing	30,133	0	30,133	0	0	0	0	0	30,133	0	30,133
Roading	15,568	0	15,568	0	0	0	0	0	15,568	0	15,568
	489,632	165,703	323,929	61,704	0	0	10,965	0	551,336	176,668	374,668

NOTE 8 – PLANT, PROPERTY AND EQUIPMENT

2007	Cost/ Revaluation 1 July 2006	Accumulated Depreciation and Impairment 1 July 2006	Net Book Value 1 July 2006	Additions		Disposals		Impairment		Depreciation		Revaluation		Cost/ Revaluation 30 June 2007	Accumulated Depreciation and Impairment 30 June 2007	Net Book Value 30 June 2007
				Current Year	Year	Current Year	Year	Current Year	Year	Current Year	Year	Current Year	Year			
TERMINAL																
Paths & Parking Area	12,206	0	12,206	0	0	0	0	0	0	0	0	0	0	12,206	4,634	7,572
Building	231,696	109,080	122,616	0	0	0	0	0	4633.92	0	0	0	231,696	109,859	121,837	
Floodlighting	10,874	3,080	7,794	0	0	0	0	0	779.4	0	0	0	10,874	3,080	7,794	
Terminal Site Development	65,595	0	65,595	0	0	0	0	0	0	0	0	0	65,595	1,075	64,520	
Automatic Sliding Doors	11,515	2,088	9,427	0	0	0	0	0	1,075	0	0	0	11,515	2,088	9,427	
	331,886	114,248	217,638	0	0	0	0	0	6,488	0	0	0	331,886	120,736	211,150	
WORK SERVICES																
Plant & Equipment	2,800	2,262	538	0	0	0	0	0	54	0	0	0	2,800	2,316	484	
Furniture & Fittings	13,995	10,453	3,542	0	0	0	0	0	707	0	0	0	13,995	11,160	2,835	
	16,795	12,715	4,080	0	0	0	0	0	761	0	0	0	16,795	13,476	3,319	
	850,559	292,666	557,893	61,704	0	0	0	0	18,214	0	0	0	912,263	310,880	601,383	
INTANGIBLE ASSET																
Software	0	0	0	390	0	0	0	0	130	0	0	0	390	130	260	

Lease rentals amounting to \$91,710 (2006: \$89,885) relating to the lease of building space and grazing leases are included in the income statement (Note 5). The Airport Land is vested in Council under the Reserves Act 1977 for use as an Airport. The Airport holds the land "in substance" and is shown at the value at the date of vesting. No assets are pledged as security.

NOTE 9 – TRADE AND OTHER PAYABLES

	Actual 2007 \$	Actual 2006 \$
Trade Payables	9,974	10,112
Income Received in Advance	31,651	36,515
	<u>41,625</u>	<u>46,627</u>

NOTE 10 – EQUITY

	Actual 2007 \$	Actual 2006 \$
EQUITY		
Capital		
Whakatane District Council	154,681	154,681
Crown	157,522	157,522
	<u>312,203</u>	<u>312,203</u>
Reserve Funds		
Runway Sealing Fund	4,203	2,000
Terminal Depreciation Fund	24,265	20,794
	<u>28,468</u>	<u>22,794</u>
Partners Current Accounts		
Whakatane District Council	204,490	224,165
Crown	199,694	219,368
	<u>404,184</u>	<u>443,533</u>
Total Closing Public Equity	<u>744,855</u>	<u>778,530</u>
Partners Current Accounts		
Net Surplus/(Deficit) after tax	(33,675)	37,631
Transfer from Runway Sealing Fund	0	12,111
Transfer from Terminal Depreciation Fund	0	8,353
Less reserve interest	(1,674)	(2,568)
Runway reserve	(2,000)	(2,000)
Terminal depreciation reserve	(2,000)	(2,000)
	<u>(39,349)</u>	<u>51,527</u>
PARTNER SHARE	<u>(19,674)</u>	<u>25,764</u>
Whakatane District Council		
Opening Balance	224,165	198,401
Movement for the period	(19,675)	25,764
	<u>204,490</u>	<u>224,165</u>
Crown		
Opening Balance	219,368	193,604
Movement for the period	(19,674)	25,764
	<u>99,694</u>	<u>219,368</u>

NOTE 10 – EQUITY

	Actual 2007 \$	Actual 2006 \$
CAPITAL		
Whakatane District Council		
Opening Balance	154,681	154,681
Movement	0	0
Balance	<u>154,681</u>	<u>154,681</u>
Crown		
Opening Balance	157,522	157,522
Movement	0	0
Balance	<u>157,522</u>	<u>157,522</u>
RESERVE FUNDS		
Runway Sealing Fund		
Opening Balance	2,000	11,320
Interest	203	792
Utilised	0	(12,112)
Contribution	2,000	2,000
Balance	<u>4,203</u>	<u>2,000</u>
Terminal Depreciation Fund		
Opening Balance	20,794	25,371
Interest	1,471	1,777
Utilised	0	(8,354)
Contribution	2,000	2,000
Balance	<u>24,265</u>	<u>20,794</u>

These funds represent investments held for the specific purpose of the Whakatane Airport runway and terminal costs. An annual contribution by the Whakatane District ratepayers of \$2,000 is made to each reserve and any reduction in the reserves must have prior approval of both joint venture partners.

NOTE 11 – RECONCILIATION OF NET SURPLUS/(DEFICIT) AFTER TAX TO NET CASH FROM OPERATING ACTIVITIES

	Actual 2007 \$	Actual 2006 \$
Net Surplus/(Deficit)	(33,675)	37,631
Plus (Less) Non Cash Items		
Depreciation	18,214	14,913
Amortisation	130	0
Total Non Cash Items	<u>18,344</u>	<u>14,913</u>
ADD (LESS) MOVEMENTS IN OTHER WORKING CAPITAL ITEMS		
Decrease (Increase) in Debtors	(23,322)	2,648
Decrease (Increase) Prepayments	3,731	(1,898)
Increase (Decrease) in Creditors	(138)	(2,487)
Increase (Decrease) in Receipts in Advance	(4,864)	13,189
Decrease in Tax Asset/Liability	7,200	0
Total Movements in other Working Capital	<u>(17,393)</u>	<u>11,452</u>
LESS CASH INFLOW FROM INVESTING ACTIVITIES		
Less Movement in Regional Council rates	0	0
Less Movement in creditors classified as investing	0	0
Total Cash Inflow from Investing Activities	<u>0</u>	<u>0</u>
Net Cash from Operations	<u><u>(32,724)</u></u>	<u><u>63,996</u></u>

NOTE 12 – CAPITAL COMMITMENTS

Whakatane Airport has no capital commitments as at 30 June 2007 (2006: nil).

NOTE 13 – CONTINGENCIES

Whakatane Airport has no contingent assets or liabilities as at 30 June 2007 (2006: nil).

NOTE 14 – RELATED PARTY TRANSACTIONS

Whakatane Airport is a 50/50 joint equity venture with the Ministry of Transport and Whakatane District Council, and both entities are considered to be related parties.

The following transactions were carried out with related parties:

	Actual 2007	Actual 2006
	\$	\$
Whakatane District Council		
Administrative Services	59,478	48,559
Other Services	2,784	0
Runway Maintenance	0	6,710
Building Maintenance Services	0	0
Sewage and Water Supply	0	305
Roads & Garden Services	2,039	1,006
Rates	2,910	2,857
Total	<u>67,212</u>	<u>59,437</u>

Outstanding balances at year end

All cash transactions occur through the Whakatane District Council bank accounts.

The balance in the District Fund at 30 June is \$156,109 (\$250,925).

Key management personnel

An administration fee is charged by Whakatane District Council for day-to-day management.

NOTE 15 – EVENTS AFTER BALANCE SHEET DATE

Discussions have taken place between the Joint Venture Partners over the future of the Whakatane Airport. As at 30 June 2007, no formal agreement in regard to ownership has been reached.

NOTE 16 – FINANCIALS INSTRUMENTS

Whakatane Airport has a series of policies to manage the risks associated with financial instruments. Whakatane Airport is risk averse and seeks to minimise exposure from its treasury activities.

Whakatane Airport uses Council approved Liability Management and Investment policies. These policies do not allow any transactions to be entered into that are speculative in nature.

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. Whakatane Airport does not hold and is therefore not exposed to equity securities price risk on its investments.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Whakatane Airport is not exposed to currency risk, as it does not enter into foreign currency transactions.

Interest rate risk

There is no interest rate risk. The airport banks funds directly into Whakatane District Council bank account.

Credit risk

Cash and bank, debtors, investments, current liabilities, term liabilities and guarantees are financial instruments. The maximum credit risk exposure is disclosed in the Statement of Financial Position and Statement of Commitments and Contingencies. There is no collateral security held in respect of financial instruments. Cash and bank, debtors and short term investments are the main credit risks. The bank and short term investment risk is reduced by spreading short term investments over high credit quality financial institutions.

Fair values

Financial instruments in the Statement of Financial Position are shown at carrying amounts which are equivalent to their fair values.

Currency risk

Whakatane Airport has no currency risk. All financial instruments are dealt with in New Zealand dollars.

NOTE 17 – STATEMENT OF INTENT

The Airport is a Council-Controlled Organisation. For the current reporting period the Airport did not comply with section 64 of the Local Government Act 2002, which requires that the Airport prepare a Statement of Intent that complies with Clause 9 of Schedule 8 of that Act. The Airport is therefore not able to meet the requirements of Section 68 of the Local Government Act 2002, which requires the Annual Report of a Council-Controlled Organisation to compare the organisation's actual performance with the planned performance as contained in its Statement of Intent, and explain any variances between the reported performance and the Statement of Intent.

The Airport did not prepare a Statement of Intent in 2006 as we believed the 2005 Statement of Intent which covered three years to 2007 and the consultation process through Councils Long-term Council Community Plan meant we were compliant. While the Airport did not formally adopt a Statement of Intent as required by the Local Government Act 2002, the Airport has reported a statement of service performance in note 2 to the financial statements. The Airport's reported performance measures have been derived from the 2006-2016 Long-term Council Community Plan of its parent, the Whakatane District Council. The Airport considers the performance measures contained and reported on in the statement of service performance are the same as those measures that would have been agreed upon and approved if a 2006/07 Statement of Intent had been prepared under the Act.

The Airport did not comply with section 64 and clause 3 of Schedule 8 of the Local Government Act 2002, which requires the Airport's Statement of Intent for the period commencing 1 July 2007 to be completed by 30 June 2007. A draft Statement of Intent had been prepared prior to 30 June 2007 and was awaiting approval from the Ministry of Transport at the time.

STATEMENT OF ACCOUNTING POLICIES

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. The financial report consists of the financial statements of Whakatane Airport, which is a 50/50 joint equity venture between the Council and the Crown.

ENTITIES REPORTING

The financial statements are for Whakatane Airport, which is a 50/50 joint equity venture between the Council and the Ministry of Transport.

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

The financial statements of Whakatane Airport are for the year ended 30 June 2007

The financial statements were authorised for issue by Council on 19 September 2007.

BASIS OF PREPARATION

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

Application of NZ IFRS 1 First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards

These financial statements are the first financial statements to be prepared in accordance with NZ IFRS. NZ IFRS 1 *First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards* has been applied in preparing these financial statements.

Financial statements of Whakatane Airport until 30 June 2006 were prepared in accordance with previous New Zealand Financial Reporting Standards (NZ FRS). NZ FRS differs in certain respects from NZ IFRS. When preparing the Whakatane Airport 2007 financial statements, management has amended certain accounting, valuation applied in the NZ FRS financial statements to comply with NZ IFRS. Whakatane Airport has taken advantage of certain exemptions available under NZ IFRS 1 – refer to note 1 for a description of the exemptions taken.

Reconciliations and descriptions of the effect of transition from previous NZ FRS to NZ IFRS on Whakatane Airport's equity and its net income are given in note 1.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing an opening NZ IFRS statement of financial position as at 1 July 2005 for the purposes of transition to NZ IFRS.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar. The functional currency of Whakatane Airport is New Zealand dollars.

STATUTORY BASE

Whakatane Airport is a council controlled organisation authority registered under the Local Government Act 2002. This Act requires compliance with New Zealand generally accepted accounting practice. The financial statements have been prepared in accordance with the requirements of the Local Government Act 2002.

DIFFERENTIAL REPORTING

The Whakatane Airport is a qualifying entity within the Framework of Differential Reporting. The Airport is able to apply differential reporting exemptions as it meets the criteria of a differential entity because:

- A) the Airport is not publicly accountable;
- B) the Airport is not large

All differential reporting exemptions have been taken advantage of, except for NZ IAS 7 Cash Flows which has been fully complied with.

HISTORICAL COST CONVENTION

These financial statements have been prepared under the historical cost convention.

The Whakatane District Council will continue to provide the necessary support to enable the Whakatane Airport Joint Venture to pay its liabilities as they fall due, including providing funds through the District Fund Account.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying Whakatane Airport's accounting policies.

No material estimates were required this accounting period.

REVENUE RECOGNITION

Revenue comprises the fair value for the sale of goods and services, net of rebates and discounts. All revenue is recognised when earned.

RENTAL REVENUE

Rental revenue is recognised in the period that it relates to.

INTEREST INCOME

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, Whakatane Airport reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

INCOME TAX

The Income Tax expense charged to the Statement of Financial Performance is calculated using the taxes payable method and is determined using tax rules.

Under the taxes payable method, income tax expense in respect of the current period is equal to the income tax payable for the same period.

GOODS AND SERVICES TAX (GST)

All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from, the Inland Revenue Department, 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.

LEASES

(i) Whakatane Airport is the lessee

Leases of property, plant and equipment where Whakatane Airport has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long term payables. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

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

(ii) Whakatane Airport is the lessor

When assets are leased out under a finance lease, the present value of the minimum lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

Assets leased to third parties under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight line basis over the lease term.

IMPAIRMENT OF ASSETS

Items of property, plant and equipment and intangible assets with finite useful lives are reviewed at each balance sheet date to determine whether there is any indication that the asset might be impaired. Where such an indication exists, the asset is tested for impairment by comparing its carrying value to its recoverable amount. Intangible assets with indefinite useful lives, intangible assets not yet available for use and goodwill are tested for impairment annually. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. Where the future economic benefits of the asset are not primarily dependent on its ability to generate net cash inflows, and where Whakatane Airport would, if deprived of the asset, replace its remaining future economic benefits, value in use is determined as the depreciated replacement cost of the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

CASH AND CASH EQUIVALENTS

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

Investments held are recorded at cost price. The bank account is held by Whakatane District Council as part of its General Funds.

RECEIVABLES

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

Collectibility of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that Whakatane Airport will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

INVESTMENTS AND OTHER FINANCIAL ASSETS

(i) Financial assets at fair value through profit or loss

This category has two sub categories: financial assets held for trading, and those designated at fair value through profit or loss on initial recognition. 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. The policy of management is to designate a financial asset if there exists the possibility it will be sold in the short term and the asset is subject to frequent changes in fair value. 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.

(ii) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when Whakatane Airport provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non current assets.

(iii) Held-to-maturity investments

Held-to-maturity investments are non derivative financial assets with fixed or determinable payments and fixed maturities that Whakatane Airport's management has the positive intention and ability to hold to maturity.

(iv) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of:

Operational assets, which include land, buildings, plant & equipment and furniture & fittings.

Items of property, plant and equipment are initially recognised at cost, which includes purchase price plus directly attributable costs of bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Where a physical asset is acquired for nil or nominal consideration the fair value of the asset received is recognised as revenue.

All property, plant and equipment is shown at cost less depreciation and impairment costs. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Whakatane Airport and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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

Operational assets:	Years:	
Airport Runways, Taxiways and Apron	50	Straight Line
Building	50	Straight Line
Water Supply	100	Straight Line
Plant & Equipment	10	Diminishing Value
Furniture & Fittings	5	Diminishing Value
Fence	5 – 10	Diminishing Value

The Airport land is vested in the Council under the Reserves Act 1997 for use as an Airport. The Airport holds the land “in substance” and is shown at the value at the date of vesting. Land is not depreciated.

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Assets under construction are not depreciated. The total cost of a project is transferred to the relevant asset class on its completion and then depreciated.

An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

INTANGIBLE ASSETS

Acquired computer software and software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 3 to 10 years.

TRADE AND OTHER PAYABLES

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

AUDIT OPINION**AUDIT NEW ZEALAND**
Mana Arotake Aotearoa**AUDIT REPORT****TO THE READERS OF
WHAKATANE AIRPORT'S AUTHORITY'S
FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION
FOR THE YEAR ENDED 30 JUNE 2007**

The Auditor-General is the auditor of Whakatane Airport Authority (the Airport). The Auditor-General has appointed me, M G Taris, using the staff and resources of Audit New Zealand to carry out the audit of the financial statements and performance information of the Airport, on his behalf, for the year ended 30 June 2007.

Unqualified Opinion

In our opinion:

- The financial statements of the Airport on pages 2 to 25:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect:
 - the Airport's financial position as at 30 June 2007; and
 - the results of its operations and cash flows for the year ended on that date.
- The performance information of the Airport on page 7 fairly reflects the achievements measured against the performance targets adopted for the year ended 30 June 2007.

Reporting Performance Information

In forming our unqualified opinion, we note that the Airport did not adopt a Statement of Intent for the year ended 30 June 2007 as required by Section 64 of the Local Government Act 2002. Note 17 of the financial statements on page 20 outlines how the Airport reported performance information in the financial statements.

The audit was completed on 28 September 2007, and is the date at which our opinion is expressed.

The basis of the opinion, which refers to the failure to prepare a Statement of Intent for the period commencing 1 July 2007, is explained below. In addition, we outline the responsibilities of the Authority and the Auditor, and explain our independence.

Basis of opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which

We planned and performed our audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements and performance information did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and performance information. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements and performance information. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Authority;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all required disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and performance information.

We evaluated the overall adequacy of the presentation of information in the financial statements and performance information. We obtained all the information and explanations we required to support our opinion above.

Failure to prepare the Statement of Intent for the period commencing 1 July 2007

We draw attention to note 17 on page 20 of the financial statements explaining that the Airport did not prepare a statement of intent for the period commencing 1 July 2007.

Responsibilities of the Authority and the Auditor

The Authority is responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. Those financial statements must fairly reflect the financial position of the Airport as at 30 June 2007. They must also fairly reflect the results of its operations and cash flows for the year ended on that date. The Authority is also responsible for preparing performance information that fairly reflects service performance achievements for the year ended 30 June 2007. The Authority's responsibilities arise from the Local Government Act 2002.

We are responsible for expressing an independent opinion on the financial statements and performance information and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 69 of the Local Government Act 2002.

Independence

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

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



M G Taris
Audit New Zealand
On behalf of the Auditor-General
Tauranga, New Zealand

Matters relating to the electronic presentation of the audited financial statements

This audit report relates to the financial statements of Whakatane District Council for the year ended 30 June 2007 included on Whakatane District Council's web site. The Whakatane District Council is responsible for the maintenance and integrity of the Whakatane District Council's web site. We have not been engaged to report on the integrity of the Whakatane District Council's web site. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 31 October 2007 to confirm the information included in the audited financial statements presented on this web site.

Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.