

**AIRPORT AUTHORITY**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2010**



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**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2010**

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# AIRPORT AUTHORITY

## DIRECTORY

### Directors

Kato Tama (*Chairman*)  
Ngametua Arakua  
Archer Hosking

Aukino Tairea  
Alan Maki

### Chief Executive Officer

Joseph Ngamata

### Address

Level 1 and 2  
Airport Authority Administration Building  
Rarotonga International Airport  
P.O. Box 90  
Panama  
Rarotonga  
Cook Islands

Phone: (00682) 25 890

Fax: (00682) 21 890 / 21 892

### Auditors

Cook Islands Audit Office

### Bankers

Australia and New Zealand Banking Group Limited  
Westpac Banking Corporation  
Bank of the Cook Islands

### Solicitors

Browne Harvey and Associates P.C.  
Gibsons Law P.C.



# AIRPORT AUTHORITY

## DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2010

The directors present their report for the year ended 30 June 2010.

### Activities

The principal activity of the Airport Authority is to operate the airports on Rarotonga and Aitutaki in accordance with the Airport Authority Act 1985, the Airports Security Act 1986 and other relevant legislation and in compliance with the standards and recommended practices of the International Civil Aviation Organisation.

The Airport Authority is owned by the Government of the Cook Islands but is controlled and managed by Cook Islands Investment Corporation (in accordance with the Cook Islands Investment Corporation Act 1998). The Authority is considered to be a subsidiary of Cook Islands Investment Corporation.

### Results

	2010	2009
Net profit / (loss) after tax	(\$276,498)	(\$426,299)
Total assets	\$65,879,139	\$61,924,273
Taxpayers' funds	<del>\$58,362,186</del> \$6,315,420	\$58,591,918

The Airport Authority's revenues have increased by \$119,792 during the year. This was mainly due to the increase in rental and concessions by \$119,513. The upgrade of the terminal created more shops which contributed to the increase in revenue. Rarotonga and Aitutaki landing revenues have increased by \$48,114 and \$29,072 respectively. International terminal fees increased by \$12,551 while hire and labour fees increased by \$9,425 this year.

Interest received from our investments on the other hand decreased by \$93,697. Part of the investment was drawn to assist in the financing of our terminal upgrade project this year.

The Airport Authority's costs have decreased by \$97,181 this year. Insurance payments decreased by \$60,236 due to the instability of the US dollar. Electricity expenses have decreased by \$54,001 while courses and conferences costs decreased by \$33,683 during the year.





# COOK ISLANDS AUDIT OFFICE

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## AUDIT REPORT

### TO THE READERS OF THE FINANCIAL STATEMENTS OF THE AIRPORT AUTHORITY FOR THE YEAR ENDED 30 JUNE 2010

We have audited the financial statements on pages 8 to 23. The financial statements provide information about the past financial performance of the Airport Authority and its financial position as at 30 June 2010. This information is stated in accordance with the accounting policies set out on pages 14 to 16.

#### Director's Responsibility

The Directors are responsible for the preparation the financial statements which fairly present the financial position, borrowings and commitments of the Airport Authority as at 30 June 2010, and the results of its operations and cash flows for the year ended 30 June 2010.

#### Auditor's Responsibilities

Section 28(4) of the Ministry of Finance and Economic Management Act 1995-96 requires the Cook Islands Audit Office to audit the financial statements presented by the Airport Authority. It is the responsibility of the Cook Islands Audit Office to express an independent opinion on the financial statements and report its opinion to you.

#### Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgments made by the Directors in the preparation of the financial statements; and
- whether the accounting policies are appropriate to the Airport Authority's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditor, we have no relationship with or interests in the Airport Authority.



## Basis for qualification

### Land, Buildings and Runways

The Airport Authority applies the revaluation model to its Land, Buildings and Runways assets. These assets were last revalued in 2004. FRS3:Accounting for Property, Plant and Equipment requires revaluations to be performed with sufficient regularity that no item within a class of asset is included at a valuation that is materially different from its fair value. At a minimum FRS3 requires revaluation every five years. Consequently the Airport Authority did not comply with FRS3.

Management did not perform an assessment to ascertain whether these assets were included at values which are materially different from their fair value. We are therefore unable to conclude whether Land of \$10,059,454, Buildings of \$11,811,864 and Runways of \$39,649,942 are reflected at fair value in the statement of financial position.

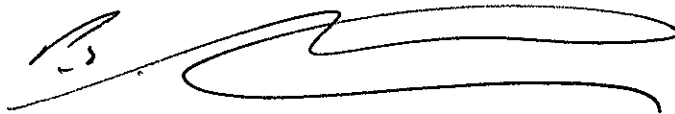
### Qualified Opinion

Except as noted above, we have obtained all the information and explanations we have required.

In our opinion:

- Proper accounting records have been kept by the Airport Authority as far as appears from our examination of those records; and
- Except as noted above, the financial statements of the Airport Authority:
  - Comply with generally accepted accounting practice in New Zealand; and
  - Fairly presents the Airport Authority's operations and cash flows for the year ended 30 June 2010, and its financial position, borrowings and commitments at that date.

Our audit was completed on 30 September 2010 and our qualified opinion is expressed as at that date.



Paul R S Allsworth  
Director of Audit  
Cook Islands Audit Office  
Rarotonga, Cook Islands.



## AIRPORT AUTHORITY

### STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010

In New Zealand Dollars \$	2010	2009
<b>Income</b>		
Crown appropriation	2,047,997 <i>cr</i>	2,047,997 <i>cr</i>
Gain on sale of assets	-	-
Hire and labour fees	19,229 <i>h</i>	9,804 <i>OI</i>
Identification badges	5,849 <i>h</i>	9,146 <i>OI</i>
Interest received	44,818 <i>x</i>	138,515 <i>I</i>
International terminal charges	903,957 <i>-</i>	891,406 <i>ALF</i>
Landing fees - Rarotonga	2,301,946 <i>-</i>	2,253,832 <i>ALF</i>
Landing fees - Aitutaki	223,344 <i>-</i>	194,272 <i>ALF</i>
Rental and concessions	1,128,755 <i>✓</i>	1,009,242 <i>RJ</i>
Sale of fuel	5,282 <i>h</i>	4,834 <i>OI</i>
Sundry	8,073 <i>s</i>	10,410 <i>s</i>
Total Income	6,689,250	6,569,458
<b>Expenses</b>		
Audit fees	10,000 <i>✓</i>	10,000
Bad debts	- <i>✓</i>	11,721
Consultancy, legal and professional fees	130,316 <i>✓</i>	155,275
Courses and conferences	73,066 <i>✓</i>	106,929
Depreciation	1,995,917 <i>x</i>	1,943,890
Directors fees	29,458 <i>✓</i>	32,250
Early retirement bonus / long service leave	5,413 <i>WAS</i>	-
Electricity	353,027 <i>→</i>	407,028 <i>OOE</i>
Insurance	237,142 <i>✓</i>	297,378
Interest expense	327,004 <i>✓</i>	17,572
Leases	60,262 <i>✓</i>	45,443
Motor vehicle expenses	101,413 <i>✓</i>	126,596
Communication	80,721 <i>✓</i>	77,376
Hire of Equipment	196,820 <i>-</i>	261,449 <i>ODE</i>

These accounts should be read in conjunction with the Notes to the Financial Statements  
on pages 14 to 23 and the Audit Report on pages 6 and 7



**AIRPORT AUTHORITY**

**STATEMENT OF FINANCIAL PERFORMANCE (continued)  
FOR THE YEAR ENDED 30 JUNE 2010**

In New Zealand Dollars \$	Notes	2010	2009
<b>Expenses</b>			
Repairs and maintenance		221,764 ✓	349,059
Wages and salaries	7	2,558,909	2,684,813 w+s
Write off and Transfer of assets		116,132	-
Write off of inventories		-	3,643 00€
Other operating expenses	8	290,789 —	354,912 00€
Total Operating Expenses		<u>6,788,153</u>	<u>6,885,334</u>
<b>NET PROFIT / (LOSS) BEFORE TAX</b>		<u>(98,903)</u>	<u>(315,876)</u>
Income tax expense	1	177,595	110,423
<b>NET PROFIT / (LOSS) AFTER TAX</b>		<u><u>(\$276,498)</u></u>	<u><u>(\$426,299)</u></u>

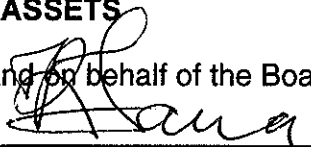
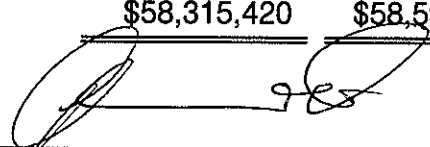
These accounts should be read in conjunction with the Notes to the Financial Statements on pages 14 to 23 and the Audit Report on pages 6 and 7





**AIRPORT AUTHORITY**

**STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2010**

In New Zealand Dollars \$	Notes	2010	2009
<b>TAXPAYERS' FUNDS</b>		<u>\$58,315,420</u>	<u>\$58,591,918</u>
<b>Represented By:</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalent	3	1,460,305 -	1,439,798
Accounts receivable		471,675 -	389,170
Prepayments		11,563 -	55,454 <i>PR + Dollars</i>
Value Added Tax receivable		32,048 ✓	251,923
Annual leave taken in advance		1,253 -	1,229 <i>PR + D</i>
Inventories	4	74,961 ✓	76,645
Taxes receivable		- ✓	200,670
		<u>2,051,805</u>	<u>2,414,889</u>
<b>FIXED ASSETS</b>	2	63,826,970	59,509,020
<b>INVESTMENTS</b>	3	364	364
<b>TOTAL ASSETS</b>		<u>65,879,139</u>	<u>61,924,273</u>
<b>CURRENT LIABILITIES</b>			
Trade creditors		260,512 ^	204,198
Sundry creditors and accruals	5	133,535 ^	395,342
Value Added Tax payable		44,898 ^	-
Taxes payable		134,940	-
Current portion of bank loan	6	313,517	45,010
		<u>887,402</u>	<u>644,550</u>
<b>NON CURRENT LIABILITIES</b>			
Bank loan	6	5,737,612 ^	1,660,917
Deferred taxation		938,705	1,026,888
		<u>6,676,317</u>	<u>2,687,805</u>
<b>TOTAL LIABILITIES</b>		<u>7,563,719</u>	<u>3,332,355</u>
<b>NET ASSETS</b>		<u>\$58,315,420</u>	<u>\$58,591,918</u>
For and on behalf of the Board			
			
Chairman		Chief Executive Officer	
30 September 2010		30 September 2010	
Date		Date	

These accounts should be read in conjunction with the Notes to the Financial Statements on pages 14 to 23 and the Audit Report on pages 6 and 7



**AIRPORT AUTHORITY**

**STATEMENT OF MOVEMENTS IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2010**

in New Zealand Dollars \$	2010	2009
<b>EQUITY AT 1 JULY 2010</b>	58,591,918	59,168,217
Net profit / (loss) after taxation	(276,498)	(426,299)
Dividends declared	-	(150,000)
<b>EQUITY AT 30 JUNE 2010</b>	<u><u>\$58,315,420</u></u>	<u><u>\$58,591,918</u></u>

These accounts should be read in conjunction with the Notes to the Financial Statements on pages 14 to 23 and the Audit Report on pages 6 and 7



## AIRPORT AUTHORITY

### STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2010

in New Zealand Dollars \$	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash was provided from:		
Receipts from customers	4,513,930	4,370,157
Interest received	44,818	138,515
Crown appropriation received	1,812,737	2,283,257
	6,371,485	6,791,929
Cash was applied to:		
Payments to suppliers and employees	4,009,009	5,152,903
Interest paid	327,004	17,572
Taxes paid	(69,832)	663,016
	4,266,181	5,833,491
Net cash flows from operating activities	1 2,105,304	958,438
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash was provided from:		
Sale of fixed assets	-	-
Reclassification of term deposits as cash held	-	2,806,935
	-	2,806,935
Cash was applied to:		
Purchase of fixed assets	6,429,999	4,173,907
Net investments into term deposits <i>See page 19. 1,152,913 was 1,108,096</i>	44,817-	-
	6,429,999	4,173,907
Net cash flows from investing activities	(6,429,999)	(1,366,972)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash was provided from:		
Net proceeds from term loans	4,471,322	1,304,056
Cash was applied to:		
Repayment of term loan	126,120	-
Dividends paid	-	150,000
	126,120	150,000
Net cash flows from financing activities	4,345,202	1,154,056
Net Increase in Cash Held	20,507	745,522
Opening Cash Balance	1,439,798	694,276
<b>CLOSING CASH BALANCE</b>	<b>\$1,460,305</b>	<b>\$1,439,798</b>

These accounts should be read in conjunction with the Notes to the Financial Statements on pages 14 to 23 and the Audit Report on pages 6 and 7



**AIRPORT AUTHORITY**

**STATEMENT OF CASH FLOWS (continued)  
FOR THE YEAR ENDED 30 JUNE 2010**

In New Zealand Dollars \$	2010	2009
<b>Cash Comprises Of:</b>		
Cash and bank	307,392	331,702
Current term deposits	1,152,913	1,108,096
	\$1,460,305	\$1,439,798

**RECONCILIATION OF NET LOSS TO CASH FLOWS FROM OPERATING ACTIVITIES**

Reported loss	(276,498)	(426,299)
<b>Add / (less): Non cash items</b>		
Depreciation	1,995,917	1,943,890
Add: Increase / (decrease) in deferred taxation	(88,183)	(20,415)
	1,907,734	1,923,475
<b>Add / (less): Items classified as investing activities</b>		
Gain on sale of assets	-	-
Write off and transfer of fixed assets	116,132	-
	116,132	-
<b>Add / (less): Movements in working capital items</b>		
(Increase) / decrease in accounts receivable	(82,505) —	(1,068)
(Increase) / decrease in inventories	1,684 —	(2,775)
(Increase) / decrease in prepayments	43,891 —	(36,787)
(Increase) / decrease in annual leave taken in advance	(24) <i>pay</i>	2,331 <i>payable</i>
(Increase) / decrease in Value Added Tax receivable	219,875 <i>acc</i>	(251,923)
(Increase) / decrease in taxes receivable	200,670 —	(200,670)
Increase / (decrease) in trade creditors	56,314	29,236 <i>payable</i>
Increase / (decrease) in sundry creditors	(261,807)	287,010 <i>payable</i>
Increase / (decrease) in Value Added Tax payable	44,898	(32,584) <i>payable</i>
Increase / (decrease) in taxes payable	134,940 —	(331,508)
	357,936	(538,738)
<b>Add / (less): Movements in working capital items relating to investing activities</b>		
(Increase) / decrease in sundry creditors	-	-
<b>Net cash flows from operating activities</b>	<b>\$2,105,304</b>	<b>\$958,438</b>

These accounts should be read in conjunction with the Notes to the Financial Statements on pages 14 to 23 and the Audit Report on pages 6 and 7



## **AIRPORT AUTHORITY**

### **STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2010**

These financial statements are presented and prepared in accordance with the Airport Authority Act 1985 and with generally accepted accounting practice in New Zealand. Where no financial reporting standards exist in New Zealand in relation to a particular issue, the accounting policies and disclosures adopted have been determined with regard to other forms of authoritative support. The Airport Authority is a body corporate incorporated under the Airport Authority Act 1985.

#### **GENERAL ACCOUNTING POLICIES**

The general accounting policies recognised as appropriate for the measurement and reporting of results, cash flows and financial position under the historical cost method, as modified by the revaluation of certain assets, have been followed in the preparation of these financial statements. The financial statements have been prepared using the accrual basis of accounting.

#### **PARTICULAR ACCOUNTING POLICIES**

The following particular accounting policies, which significantly affect the measurement of financial performance, financial position and cash flows, have been applied;

##### **Cash and cash equivalents**

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

Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

##### **Revenue**

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

##### **Sales of goods**

Revenue from the sales of goods is recognized when a product is sold to the customer.

##### **Interest and dividends**

Interest income is recognized using the effective interest method.

Dividends are recognised when the right to receive payment has been established.

##### **Debtors and Receivables**

Debtors and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.



### **Inventories**

Inventories are stated at the lower of cost and net realisable value, determined on a first in first out basis and where applicable, the weighted average cost is applied.

### **Provision for Employment Entitlement**

Employee benefits expected to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date.

### **Fixed Assets**

Fixed assets are recorded at cost with the exception of land, buildings and the runways valued at optimised depreciated replacement cost (ORDC) as an estimate of the fair value of these assets based on an independent valuation performed in June 2004.

### **Additions**

The cost of an item of property, plant, and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Airport Authority and the cost of the item can be measured reliably.

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

Property, plant and equipment are recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

### **Disposals**

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount of the asset. Gains and losses and disposals are reported net in the statement of financial performance. When revalued assets are sold, the amount included in asset revaluation reserves in respect of those assets are transferred to taxpayers funds.

### **Depreciation**

Depreciation is charged on a straight line basis for all assets. The estimated useful lives are as follows:

Runways - Rarotonga	5 - 69 years	Equipment	5 - 10 years
Runways - Aitutaki	5 - 34 years	Furniture and fittings	4 - 5 years
Buildings - Aitutaki	5 - 37 years	Motor vehicles	4 - 5 years
Buildings - Rarotonga	5 - 56 years	Rescue fire vehicles	3 - 20 years

For land, buildings, and runways depreciation of assets is estimated on a straight line basis by applying a factor to the optimised replacement costs to reflect the loss of value due to the age and physical condition of the asset.

## AIRPORT AUTHORITY

### STATEMENT OF ACCOUNTING POLICIES (continued) FOR THE YEAR ENDED 30 JUNE 2010

#### PARTICULAR ACCOUNTING POLICIES

##### **Taxation**

Income tax expense is the aggregate of current period movements in relation to both current and deferred tax.

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

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

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

Deferred tax assets are recognized to the extent that taxable surpluses will be available against which the deductible temporary differences or tax losses can be utilized.

##### **Leased Assets**

Operating lease payments are representative of the pattern of benefits derived from the leased assets and accordingly are charged to the Statement of Financial Performance in the periods in which they are incurred.

##### **Creditors and other payables**

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

##### **Foreign Currencies**

Foreign currency transactions are recorded at the exchange rates in effect at the date of the transaction. Monetary assets and liabilities arising from trading transactions are translated at closing rates. Gains and losses due to currency fluctuations on these items are included in the Statement of Financial Performance.



## AIRPORT AUTHORITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

#### CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies from those used in previous years.

	2010	2009
<b>1. TAXATION</b>		
<b><u>The Income Tax Expense has been calculated as follows:</u></b>		
Net Profit / (loss) before tax	(98,903)	(315,879)
Plus: Non-deductible items		
Write off and transfer of fixed assets	116,132	-
Depreciation	1,311,662	1,120,071
	1,328,891	1,120,071
Less: Dividends paid	-	(150,000)
	1,328,891	654,192
Assessable Income before Tax Losses Carried forward		
Utilisation of Tax losses carried forward	-	-
	1,328,891	654,192
Assessable Tax Income		
<i>Current Tax Expense (at 20%)</i>	265,778	130,838
Plus/(Less)		
Utilisation of tax losses carried forward	-	-
Timing difference on Depreciation	(88,183)	(20,416)
	(88,183)	(20,416)
<i>Deferred Tax Expense</i>		
Total Income Tax Expense	\$177,595	\$110,423
<b>The Income Tax Expense is represented by:</b>		
Current tax	265,778	130,839
Deferred tax	(88,183)	(20,416)
	\$177,595	\$110,423





## AIRPORT AUTHORITY

### NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2010

#### 2. FIXED ASSETS

<u>30 June 2010</u>	Cost / Valuation	Accum Depn	Net Book Value
Freehold land	10,059,454	-	10,059,454
Buildings	14,661,620	2,849,756	11,811,864
Runways	46,242,150	6,592,208	39,649,942
Equipment	2,579,723	1,466,769	1,112,955
Furniture and fittings	266,579	118,574	148,005
Motor vehicles	3,637,782	2,599,829	1,037,953
Tools	41,964	34,407 + 757	7,557 - 760
	<u>\$77,489,272</u>	<u>\$13,662,300</u>	<u>\$63,826,970</u>
<u>30 June 2009</u>			
Freehold land	10,059,454	-	10,059,454
Buildings	6,195,485	2,501,634	3,693,851
Runways	46,225,129	5,461,530	40,763,599
Equipment	2,302,037	1,396,031	906,006
Furniture and fittings	134,220	113,868	20,352
Motor vehicles	3,632,782	2,412,405	1,220,377
Tools	41,964	34,407	7,557
Work in progress	2,837,824	-	2,837,824
	<u>\$71,428,895</u>	<u>\$11,919,875</u>	<u>\$59,509,020</u>

1,130,678  
(35 more yrs  
= 2045)

The Airport Authority revalued its land, buildings and the runways for both the Aitutaki and Rarotonga Airports in June 2004. The valuation was completed by Mr Dougal Smith (ANZIV), an independent valuer from The Property Advisory Group (TPAG), Christchurch, New Zealand.

The valuation was prepared in accordance with New Zealand Financial Reporting Standard No. 3 (FRS 3), Accounting for Property, Plant and Equipment and New Zealand Property Institute (NZPI), Valuation Standard No 3.

The identified assets have been valued at "fair value", in their highest and best use. Optimised depreciated replacement cost has been used as an estimate of the fair value of the assets, where the estimate of the fair value cannot be reliably determined using market based evidence.



# AIRPORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2010

### 2. FIXED ASSETS (continued)

The replacement costs have been assessed on the basis of the modern equivalent asset (MEA) that would most efficiently reproduce the utility provided by the existing asset.

Replacement cost estimates have included:

- material and labour costs associated with construction
- plus allowances for,
- contingencies, site establishment, professional fees and insurance, and
- holding costs during construction.

Optimisation of specialised assets has two main steps: adjustments for over-capacity in surplus or redundant assets, and adjustments for technical obsolescence. For the valuation purposes, Airport Authority assets have been separated into two distinct categories, namely specialised and non specialised assets.

### 3. CASH, CASH EQUIVALENT AND INVESTMENT

	2010	2009
Cash and bank	307,392	331,702
Term deposits (3 months)	1,152,913	1,108,096
	\$1,460,305	\$1,439,798
<b>INVESTMENTS</b>		
Shares in Hawaiian airlines	364	364
	\$364	\$364

*Handwritten notes:*  
 - Above Cash and bank: "This is line used for opening balances" (with arrow pointing to 2009 value)  
 - Above Term deposits: "44817" (with arrow pointing to 2010 value)  
 - To the right of Term deposits: "Closing Bal" and "Cash flow" (with arrow pointing to 2009 value)  
 - To the right of Term deposits: "Term term Deposits need to be part of Cash flow" (with arrow pointing to 2009 value)

The 3 month term deposits are held for the following purposes:

Self insurance fund	1,152,913	1,108,096
	\$1,152,913	\$1,108,096

### 4. INVENTORIES

Spare parts	13,678	17,321
Croda Foam	56,367	53,831
Other	4,916	5,493
	\$74,961	\$76,645



## AIRPORT AUTHORITY

### NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2010

	2010	2009
<b>5. SUNDRY CREDITORS AND ACCRUALS</b>		
Provision for annual leave	72,900	83,274
Payroll accruals	48,735	37,749
Crown appropriation accrued for repayment	- x	235,260
Other	11,901	39,059
	<u>\$133,536</u>	<u>\$395,342</u>
<b>6. BANK LOAN</b>		
Westpac Banking Corporation	\$6,051,129	\$1,705,927
	<u>\$6,051,129</u>	<u>\$1,705,927</u>
Current	313,517	45,010
One to two years	337,856	282,164
Two to three years	364,085	304,069
Three to five years	846,549	709,040
More than 5 years	4,189,122	365,644
	<u>\$6,051,129</u>	<u>\$1,705,927</u>

The Aitutaki Runway loan with Westpac Bank was paid in full in November 2008. The Rarotonga Terminal Upgrade loan with Westpac Bank for \$6.5 million was signed in January 2009 and was not fully drawdown at balance date. The term is for 15 years and a variable interest rate is applicable at 7.5% per annum.

#### 7. WAGES AND SALARIES

Included in wages and salaries are overtime and allowances. Accrued annual leaves and accrued salaries and wages have been taken into account to determine the actual wages and salaries for the current period.

Total Wages and salaries at 30 June 2010 is \$2,258,909 (2009:\$2,684,313).



## AIRPORT AUTHORITY

### NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2010

#### 8. OTHER OPERATING EXPENSES

All other expenses not included above have been included in other operating expenses. Some that have significant amounts are Aitutaki travel \$30,253, cleaning amenities \$15,137, passenger entertainment \$29,943, printing and stationery \$21,397, superannuation \$128,875 and uniforms \$18,629.

#### 9. RELATED PARTIES

Included in revenue and expenses and both debtors and creditors are various balances with related parties including: Revenue Management Division, Te Aponga Uira, various ministries and the Cook Islands Government.

Value Added Tax payable at 30 June 2010 is \$44,898 and value added tax receivable at 30 June 2010 is \$32,058 (2009: Value Added Tax receivable balance was \$251,923).

There are no other material amounts outstanding and all other transactions with related parties have been provided in accordance with normal commercial terms.

#### 10. PARENT ENTITY

The Authority is a wholly owned entity of the Government of the Cook Islands.

Under the Cook Islands Investment Corporation Act 1998, the Authority is controlled and managed by the Corporation and is considered to be a subsidiary of Cook Islands Investment Corporation.

#### 11. SEGMENT INFORMATION

The Airport Authority operates in the aviation industry within the Cook Islands.



## AIRPORT AUTHORITY

### NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2010

	2010	2009
<b>12. FINANCIAL COMMITMENTS</b>		
A) Lease commitments:		
Within one year	43,899	43,899
One to two years	43,899	43,899
Two to five years	131,697	131,697
Beyond five years	787,833	831,732
	<u>\$1,007,328</u>	<u>\$1,051,227</u>
B) Capital Commitments	<u>\$600,000</u>	<u>\$5,604,304</u>

There is still ongoing work for the terminal upgrade for \$350,000 and \$250,000 has been held as retention fee.

There were no other financial commitments at balance date (2009: nil).

### 13. CONTINGENT LIABILITIES

There were no contingent liabilities at balance date (2009: nil).



# AIRPORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2010

### 14. FINANCIAL INSTRUMENTS

#### (a) Currency, Interest Rate and Credit Risks

##### (i) Currency

The Authority undertakes transactions denominated in foreign currencies from time to time and resulting from these activities, exposures in foreign currency arise.

##### (ii) Interest Rate

The Authority is exposed to interest rate risk due to the term loan which has a variable interest rate.

##### (iii) Concentrations of Credit Risk

In the normal course of business, the Authority incurs credit risk from trade debtors and transactions with financial institutions. The Authority has a credit policy which is used to manage this risk. As part of this policy, limits on exposures with counterparties have been set and approved by the Board of Directors and are monitored on a regular basis.

The Authority has no significant concentrations of credit risk. The Authority does not require any collateral or security to support financial instruments due to the quality of financial institutions and trade debtors dealt with.

#### (b) Fair Values

The carrying values of all financial assets and liabilities are considered to be the equivalent of their fair values.