

Airport Authority

Annual report

For the year ended 30 June 2024

Report contents

| | |
|---|-------|
| Directors' declaration | 2 |
| Directory | 3 |
| Audit report | 4-6 |
| Statement of service performance | 7-9 |
| Financial statements | |
| Statement of Financial Position | 10 |
| Statement of Comprehensive Revenue and Expenses | 11 |
| Statement of Changes in Equity | 12 |
| Statement of Cashflows | 13 |
| Notes to the Financial Statements | 14-26 |

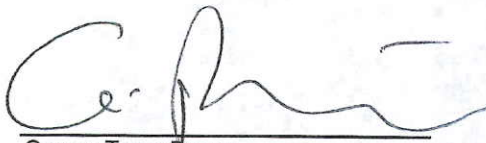
Directors' declaration

In the opinion of the Directors of Airport Authority ('the Authority') the financial statements and notes, on pages 7 to 26:

- comply with New Zealand generally accepted accounting practice, specifically Tier 1 PBE Accounting Standards (PBE IPSAS) and give a true and fair view of the financial position of the Authority as at 30 June 2024 and the results of operations for the year ended on that date;
- have been prepared using the appropriate accounting policies, which have been consistently applied and supported by reasonable judgements and estimates.

The Directors consider that they have taken adequate steps to safeguard the assets of the Authority, and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide reasonable assurance as to the integrity and reliability of the financial statements.

The Directors are pleased to present the annual report including the financial statements of Airport Authority for the year ended 30 June 2024.



George Taoro Brown
Director

Date: 17/10/2024



Edward Terei Herman
Director

Date: 17/10/24

Directory

| | |
|---------------------------|--|
| Nature of business | Operate the airports of Rarotonga and Aitutaki |
| Registered Office | Nikao, Rarotonga |
| Directors | George Taoro Brown (appointed 19/09/18) Nancy Miriam Matapuku (appointed 18/05/20) Edward Terei Herman (appointed 01/11/21) Shona Victoria Mary Lynch (appointed 01/06/21) Ngapare Tatira (appointed 15/12/21) |
| Shareholder | Cook Islands Investment Corporation |
| Auditor | KPMG |



Independent Auditor's Report

To the shareholder of Airport Authority

Report on the audit of the financial report

Opinion

In our opinion, the financial statements of Airport Authority (the 'Authority') on pages 7 to 26 presents fairly, in all material respects:

- i. the Authority's financial position as at 30 June 2024 and its financial performance and cash flows for the year ended on that date; and
- ii. the service performance for the year ended 30 June 2024 in accordance with the Authority's service performance criteria;

in accordance with Public Benefit Entity Standards (Public Sector) issued by the New Zealand Accounting Standards Board.

We have audited the accompanying financial statements which comprises:

- the statement of financial position as at 30 June 2024;
- the statements of comprehensive revenue and expenses, changes in equity and cash flows for the year then ended;
- notes, including a summary of significant accounting policies; and
- the statement of service performance for the year ended 30 June 2024.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'), and the audit of the statement of service performance, in accordance with the New Zealand Auditing Standard 1 *The Audit of Service Performance Information* ('NZ AS 1'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Authority in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (Including International Independence Standards)* (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) and NZ AS 1 are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

Our firm has also provided other services to the Authority in relation to taxation services. Subject to certain restrictions, partners and employees of our firm may also deal with the Authority on normal terms within the ordinary course of trading activities of the business of the Authority. These matters have not impaired our independence as auditor of the Authority. The firm has no other relationship with, or interest in, the Authority.

Other information

The Directors, on behalf of the Authority, are responsible for the other information included in the entity's Annual Report. Our opinion on the financial report does not cover any other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears materially misstated. If, based on the work we have performed, 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.

Use of this independent auditor's report

This independent auditor's report is made solely to the shareholder as a body. Our audit work has been undertaken so that we might state to the shareholder those matters we are required to state to them in the independent auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the shareholder as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.

Responsibilities of the Directors for the financial report

The Directors, on behalf of the Authority, are responsible for:

- the preparation and fair presentation of the financial report in accordance with generally accepted accounting practice in New Zealand (being Public Benefit Entity Standards (Public Sector)) issued by the New Zealand Accounting Standards Board;
- implementing necessary internal control to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error;
- service performance criteria that are suitable in order to prepare service performance information in accordance with generally accepted accounting practice in New Zealand (being Public Benefit Entity Standards (Public Sector)); and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole and the statement of service performance is free from material misstatement, whether due to fraud or error; and
- to issue an independent auditor's report that includes our opinion.



Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs NZ and NZ AS 1 will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate and collectively, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with ISAs (NZ) and NZ AS 1, the auditor exercises professional judgement and maintains professional scepticism throughout the audit. The auditor also:

- Identifies and assesses the risks of material misstatement of the financial statements and the service performance information, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for the auditor's opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains 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 entity's internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Obtains an understanding of the process applied by the entity to select what and how to report its service performance.
- Evaluates whether the service performance criteria are suitable so as to result in service performance information that is in accordance with the applicable financial reporting framework.
- Concludes on the appropriateness of the use of the going concern basis of accounting by those charged with governance and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If the auditor concludes that a material uncertainty exists, the auditor is required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. The auditor's conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluates the overall presentation, structure and content of the financial statements and service performance information, including the disclosures, and whether the financial statements and service performance information represent the underlying transactions and events in a manner that achieves fair presentation.

The auditor communicates with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

This description forms part of our independent auditor's report.

KPMG

Rarotonga

18 October 2024

Airport Authority Cook Islands (the Authority) Statement of Service Performance for the year ended 30th June 2024

The Authority's Purpose

The Airport Authority Cook Islands ("the Authority") is a body corporate mandated under the Airport Authority Act 1985. The principal activity of the Authority is to establish, improve, maintain, operate and manage airport services and facilities in accordance with its purpose to provide the safe and efficient movement of aircraft and people through our airports. This purpose is established under with Part II (10) and (11) of the Airport Authority Act.

To carry out its purpose, the Authority therefore focuses on attaining the highest standards in three key areas namely:

- Safety;
- Security; and
- Efficiency

for aircraft and passenger movement through the Authority's two airports in Rarotonga and Aitutaki.

The Authority's Performance

The Authority has established the following performance measures to report its effectiveness in carrying out its purpose.

Safety

| Activity | Measure | 2024 | 2023 | Ref |
|--|---|--|---|-----|
| Civil Aviation compliance | Civil Aviation Part 139, 140, 171 and 172 | Rarotonga: Part 139, 140, 171 & 172 Aitutaki: Part 139 | Rarotonga: Part 139, 140, 171 & 172 Aitutaki: Part 139 | (1) |
| Runway incidents | Number of take-off/landing incidents | Rarotonga: High: 0 Rarotonga: Low: 26 | Rarotonga: High: 0 Rarotonga: Low: 24 | (2) |
| Aitutaki Runway Strip land reclaim | First Phase | Aitutaki: Completed | Aitutaki: 57% completed | (3) |
| Rarotonga Runway Slab replacement (Safety of the Runway) | Number of Slabs replaced | Rarotonga: 0 out of the 45 identified. Funding has been requested for 19 old slabs to be replaced. | Rarotonga: 0 out of 45 identified | (4) |
| Rarotonga Runway End Safety Area (RESA) | Update Detail Design | Rarotonga: Completed | Rarotonga: In progress | (5) |

(1) The Airport Authority's certification audit under Civil Aviation Rules Part 139 Aerodrome Certificate, Part 140 Aviation Security Service, Part 171 Aeronautical Telecommunication Service and Part 172 Air Traffic Services Certificate is carried out on an annual basis. In 2024 Part 139, 140, 171 and 172 were carried out and all remain certified. Overall, there have been no significant findings nor significant security concerns from these reports.

(2) A runway incident is an event or breach that has the potential to impact aircraft take offs or landings. Judgement is used in determining whether Runway Incidents are rated as high or low in their risk nature. The Authority has established high risk criteria based on whether such incidents cause the suspension of aircraft landing or take off. In 2024 though the number of incidents (which include wildlife and foreign objects) have increased from the previous year, these runway events are categorized as low as these incidents did not cause the aircraft to suspend landing or take-off.

(3) The Aitutaki Runway strip land reclaim has commenced with phase one of this project involving the acquisition of material (sand) being carted from the Aitutaki Ports Authority to the Aitutaki Airport. The acquisition of rock boulders was also part of phase 1. Phase two was commenced and completed during the financial year that included the construction of the seawall to avoid further erosion.

(4) The project to replace cracked runway slabs was put on hold in 2023 resulting in no replacements compared with 22 in 2022. The unreplaced slabs did not generate any safety concerns for taking off and landing. However, during the year, a report was submitted to Ministry of Finance



and Economic Management (MFEM) via the Tarai Vaka Process (TVP) requesting for funding to replace 19 old slabs. The TVP system was created for planning, controlling and evaluating projects and activities which is managed by MFEM.

(5) During 2023 the Authority has invested in the design of Runway End Safety Area (RESA) capital project to support Airport safety. This project is to ensure compliance with Civil Aviation regulations (at present this has not prevented current certification). The updated concept design process began in 2023 and now completed in 2024. The detailed design project was submitted via the Tarai Vaka Process requesting for funds to complete the construction. Construction is yet to commence.

Security

| Security | | | | |
|-----------------------|---|--|--|-----|
| Activity | Measure | 2024 | 2023 | Ref |
| Security incidents | Number of security incidents related to passenger, premises and aircraft security | Rarotonga: High: 0 Rarotonga: Low: 13 | Rarotonga: High: 0 Rarotonga: Low: 9 | (6) |
| Fire safety incidents | Number of fire incidents at the airport | Rarotonga: 0 Aitutaki: 0 | Rarotonga: 1 Aitutaki: 0 | (7) |
| Security personnel | Number of Airport security staff | Rarotonga: 19 full-time and 5 part-time Aitutaki: 0 | Rarotonga: 24 full-time and 3 part-time Aitutaki: 0 | |
| Security training | Number of hours for security training completed | Rarotonga: 258 Aitutaki: 0 | Rarotonga: 229 Aitutaki: 0 | |

(6) A security incident relates to an event that threatens the security of passengers, airport premises, and aircraft. Judgement is used in determining whether security incidents are rated as high or low in their risk nature. The Authority has established high risk criteria based on whether such incidents caused damage or harm to aircraft or passengers. In 2024 there has been a slight increase of number of security incidents however these events are all are considered low, as none of these events resulted in damage to aircraft or harm to people.

(7) In 2024, there have been no fire incident at the airport.

Efficiency

| Efficiency | | | | |
|--|--|-----------------------------------|-----------------------------------|------|
| Activity | Measure | 2024 | 2023 | Ref |
| Rarotonga Processing of Arrival Passengers | Average time to process international arrival passengers | Rarotonga: 32 minutes | Rarotonga: 35 minutes | (8) |
| Landing of flights | Number of flights unable to land due to congestion | Rarotonga: None Aitutaki: None | Rarotonga: None Aitutaki: None | (9) |
| Rarotonga Terminal Expansion | Terminal Expansion - Preliminary design | Rarotonga: Completed | Rarotonga: Completed | (10) |
| Rarotonga Apron Expansion | Apron Expansion - Detailed Design | Rarotonga: Completed | Rarotonga: Completed | (11) |

(8) The processing of arrival passengers is one measure for operational efficiency. In 2023, the average processing of arrival passengers was 35 minutes whereas in 2024 this has improved to 32 minutes.

(9) For the period July 2023 to June 2024, there were no flights that were unable to take-off or land due to any deficiency in Airport Authority's operations (i.e. not including natural disasters or weather events). There were 2500 (2023: 2032) international flights (scheduled and non-scheduled flights) resulting in 355,898 (2023: 276,417) passengers transitioning (passenger throughput) through the airport.

(10) To improve passenger movement and efficiency the Rarotonga Terminal expansion preliminary design was completed in the 2023 Financial year. The terminal expansion design also includes the plan to increase the future number of vehicle parking available as well as the increase in retail shops and/or commercial tenants. This is part of the Authority's long-term infrastructure enhancement objective to alleviate congestion to



meet increased demand. In 2024, AACI submitted the Activity Planning Document for the Terminal Expansion via the Tarai Vaka Process for funding to progress this project from Preliminary to Detailed Design.

(11) To improve aircraft movement and reduce aircraft congestion on the apron, the 2023 financial year 2023 reported the completion of the detailed design of the Apron expansion which is funded by the Cook Islands Government. It is currently under review by consultants.

(12) Airport Authority is still in the process of creating a system to capture customer satisfaction measures to help improve the Airports performance as a whole.

The Authority's disclosure of Judgement

The Authority has used judgement in identifying indicators that have the most significant effect on the selection, measurement, and presentation of the service performance information. This includes measures under the three key service areas of safety, security, and efficiency. The Authority's decision to determining key service performance information provided by these measures aligns to the Authority's purpose. Included in the service criteria reported, is judgement in determining whether Runway incidents and Security incidents are rated as high or low in their risk nature. Overall, the service performance indicators and measures selected and presented focus on the Authority's performance against its purpose that is to facilitate a safe and efficient movement of aircraft and people through the Authority's airports.



Statement of Financial Position As at 30 June 2024

| | Note | 2024 \$ | 2023 \$ |
|--|-------|-------------------|-------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 10(a) | 1,280,187 | 886,196 |
| Term deposits | 10(b) | 2,355,549 | 2,725,633 |
| Trade receivables | 7 | 1,677,631 | 1,097,775 |
| Investments | 16 | 364 | 364 |
| Prepayments | | 63,712 | 194,529 |
| Future Income Tax benefit | 6 | 8,638 | 247,945 |
| Inventories | 9 | 349,508 | 401,417 |
| Total current assets | | 5,735,589 | 5,553,859 |
| Non current assets | | | |
| Property, plant and equipment | 11 | 65,112,574 | 64,356,483 |
| Investment properties | 12 | 4,672,774 | 3,795,937 |
| Intangible assets | 13 | 1,667 | 2,067 |
| Deferred taxation | 6 | 97,993 | 86,736 |
| Total non-current assets | | 69,885,008 | 68,241,223 |
| Total assets | | 75,620,597 | 73,795,082 |
| Liabilities | | | |
| Current liabilities | | | |
| Payables | 14 | 1,665,559 | 974,667 |
| Borrowings | 17 | 309,312 | 134,624 |
| Employee entitlements | 4 | 207,751 | 160,211 |
| Total current liabilities | | 2,182,622 | 1,269,502 |
| Non current liabilities | | | |
| Borrowings | 17 | 1,032,869 | - |
| Total non current liabilities | | 1,032,869 | - |
| Total liabilities | | 3,215,491 | 1,269,502 |
| Net Assets | | 72,405,106 | 72,525,580 |
| Equity | | | |
| Contributed capital | 18 | 7,170,066 | 6,497,219 |
| Accumulated comprehensive revenue and expenses | | 65,235,040 | 66,028,361 |
| Total equity | | 72,405,106 | 72,525,580 |

The accompanying notes form part of these financial statements.

Statement of Comprehensive Revenue and Expenses For the year ended 30 June 2024

| Revenue | Note | 2024 | 2023 |
|---|-------------|-------------------|-------------------|
| | | \$ | \$ |
| Crown Funding | 2 | 1,612,169 | 2,791,653 |
| Interest revenue | | 70,399 | 39,645 |
| Trading revenue | 2 | 9,715,344 | 7,613,963 |
| Other revenue | 2 | 429,805 | 330,938 |
| Total revenue | | 11,827,717 | 10,776,199 |
| Expenditure | | | |
| Depreciation | 11,12,13 | 3,078,192 | 2,998,256 |
| Finance costs | 5 | 60,942 | 9,617 |
| Personnel costs | 4 | 4,964,327 | 4,288,000 |
| Other expenses | 3 | 4,289,527 | 3,815,197 |
| Total expenditure | | 12,392,988 | 11,111,070 |
| Profit before income tax | | (565,271) | (334,871) |
| Income tax expense | 6 | 228,050 | 242,060 |
| Profit/(Loss) for the year | | (793,321) | (576,931) |
| Other comprehensive revenue and expenses for the year, net of income tax | | - | - |
| Total comprehensive revenue and expenses for the year | | (793,321) | (576,931) |

The accompanying notes form part of these financial statements.



Statement of Changes in Equity For the year ended 30 June 2024

| | Note | Accumulated comprehensive revenue and expenses | Contributed capital | Total |
|---|-----------|---|------------------------|-------------------|
| | | \$ | \$ | \$ |
| Balance at 1 July 2022 | | 66,605,292 | 6,497,219 | 73,102,511 |
| Total comprehensive revenue and expenses for the year | | (576,931) | - | (576,931) |
| Capital Injections | 18 | - | - | - |
| Balance at 30 June 2023 | | 66,028,361 | 6,497,219 | 72,525,580 |
| Total comprehensive revenue and expenses for the year | | (793,321) | - | (793,321) |
| Capital Injections | 18 | - | 672,847 | 672,847 |
| Balance at 30 June 2024 | | 65,235,040 | 7,170,066 | 72,405,106 |

The accompanying notes form part of these financial statements.



Statement of Cashflows

For the year ended 30 June 2024

| | Note | 2024 \$ | 2023 \$ |
|--|---------------|--------------------|--------------------|
| Cash flows from operating activities | | | |
| Receipts from the Crown Appropriation | | 1,500,000 | 2,047,994 |
| Receipts from Crown CAPEX Funding | | - | - |
| Interest received | | 70,399 | 39,645 |
| Receipts from other revenue | | 9,482,316 | 7,897,413 |
| Payments to suppliers | | (2,909,472) | (2,667,949) |
| Payments to employees | | (4,997,889) | (4,372,941) |
| Taxes refunds/(payments) | | - | - |
| Interest paid | | (60,942) | (9,617) |
| Aid Expenses | | (48,664) | - |
| Net cash from operating activities | 19 | 3,035,748 | 2,934,545 |
| Cash flows from investing activities | | | |
| Net increase in term deposits | | 370,084 | (800,705) |
| Purchase of property, plant and equipment, and intangible assets | | (4,892,245) | (1,851,128) |
| Acquisition / (disposal) of investments | | - | - |
| Net cash from investing activities | | (4,522,161) | (2,651,833) |
| Cash flows from financing activities | | | |
| Capital contributions | | 672,847 | - |
| Drawdown / (repayment) of loans | | 1,207,557 | 180,121 |
| Net cash from financing activities | | 1,880,404 | 180,121 |
| Net (decrease)/increase in cash and cash equivalents | | 393,991 | 102,591 |
| Cash and cash equivalents at the beginning of the year | | 886,196 | 783,605 |
| Cash and cash equivalents at the end of the year | 10 (a) | 1,280,187 | 886,196 |
| Made up of: | | | |
| Bank balances and on-call deposits | | 1,280,187 | 886,196 |
| Total cash and cash equivalents | | 1,280,187 | 886,196 |



Notes to the financial statements

1 Statement of Accounting policies

REPORTING ENTITY

Airport Authority ("the Authority") is a body corporate incorporated under the Airport Authority Act 1985 (the "Act").

The Authority's primary objective is to operate the airports on Rarotonga and Aitutaki in accordance with this Act along side the Cook Islands Civil Aviation Act 2002, the Aviation Security Act 2008 and other relevant legislation.

The authority has designated itself a public benefit entity (PBE) for financial reporting purposes. The financial statements of the Authority are for the year ended 30 June 2024 and were approved by the Directors on the date specified on page 2.

BASIS OF PREPARATION

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

The Director's have performed an assessment of the Authority's ability to continue as a going concern covering twelve months from the date of this declaration. The Director's consider that based on committed Government support through the approved Ministerial Budget 2024/2025 and Letter of Support from the Cook Islands Government (ultimate parent) confirming that it will provide financial assistance to the Authority where necessary to continue its operations as a going concern and will continue to do so for at least 12 months from the date of issuance for these financial statements, the Authority is a going concern basis.

Statement of compliance

The financial statements of Airport Authority have been prepared in accordance with the requirements of the Airport Authority Act 1985 and comply with generally accepted accounting practice in New Zealand (NZ GAAP) in accordance with Public Benefit Entity Standards (public sector).

Presentation currency and rounding

The financial statements are presented in New Zealand Dollars and all values are rounded to the nearest dollar.



Notes to the financial statements (continued)

| 2 Revenue | 2024 | 2023 |
|---|------------------|------------------|
| <u>Crown Funding</u> | \$ | \$ |
| Crown Appropriation | 1,500,000 | 2,047,994 |
| CAPEX Income-Hangar Refurbishments | - | - |
| CAPEX Income-Runway Slab Replacement project | 112,169 | 69,487 |
| CAPEX Income-Rarotonga Airport Upgrade Design | - | 674,173 |
| | 1,612,169 | 2,791,653 |
| <u>Trading revenue</u> | | |
| International Terminal Charges | 2,494,086 | 1,962,321 |
| Landing fees- Rarotonga | 4,644,617 | 3,356,460 |
| Landing fees- Aitutaki | 302,905 | 257,205 |
| Alternate Aerodrome Charges | 1,500 | 1,800 |
| Rental revenue and concessions | 2,272,236 | 2,036,177 |
| | 9,715,344 | 7,613,963 |
| <u>Other Revenue</u> | | |
| Gain on sale of assets | 483 | 217 |
| Donated assets | - | - |
| Sundry income | 429,322 | 330,720 |
| | 429,805 | 330,938 |

Revenue

The specific accounting policies for significant revenue items are explained below:

Revenue is measured at fair value of consideration received or receivable for the sale of goods or services provided in the ordinary course of business. Revenue is stated exclusive of Value added tax and is recognised when a product is sold or service is provided.

Crown Appropriation

Airport Authority receive funding from the Crown. There are no conditions attached to the funding and it is recognised at the point of entitlement. The fair value of revenue from the Crown has been determined to be the equivalent to the amounts due in the funding arrangements.

CAPEX Income

Airport Authority receive funding from the Crown for specific capital projects. When related costs are expense in nature, the associated funding is recognised as CAPEX Income in the Statement of Comprehensive Revenue and Expenses. When related costs are capital in nature (i.e. resulting in Property, Plant and Equipment additions), these are recognised as Capital Injections in the Statement of Changes in Equity. Refer to Note 18 for details. CAPEX funding from Crown can include amounts donated by various overseas donors. The fair value of revenue from the Crown has been determined to be the equivalent to the amounts due in the funding arrangements.

Donated assets

Where a physical asset is gifted to or acquired by the Authority for nil consideration or at a subsidised cost, the asset is recognised at fair value and the difference between the consideration provided and fair value of the asset is recognised as revenue. The fair value of donated assets is determined as follows:

- For new assets, fair value is usually determined by reference to the retail price of the same or similar assets at the time the asset was received.
- For used assets, fair value is usually determined by reference to market inflation for assets of a similar type, condition and age.

Interest revenue

Interest revenue is recognised as it accrues, using the effective interest method.

Rental revenue

Lease receipts in an operating sublease are recognised as revenue on a straight line basis over the lease term.



Notes to the financial statements (continued)

| 3 Operating expenses | 2024 | 2023 |
|--|------------------|------------------|
| Other Expenses | \$ | \$ |
| Bad and doubtful debts | 82,494 | 7,747 |
| Expensed Projects - Hangar Refurbishments | - | - |
| Expensed Projects - Runway Slab Replacement Project | 160,833 | 69,487 |
| Expensed Projects - Rarotonga Airport Upgrade Design | - | 674,173 |
| Communication | 66,696 | 60,486 |
| Consultancy legal and professional fees | 346,621 | 189,378 |
| Courses and conferences | 159,107 | 233,555 |
| Directors fees and expenses | 81,101 | 77,502 |
| Electricity | 495,548 | 490,582 |
| Fees paid to auditor - audit services | 45,240 | 43,500 |
| Fees paid to auditor - non audit services | 5,280 | 5,280 |
| Hire of equipment | 221,958 | 226,839 |
| Insurance | 366,959 | 347,244 |
| Motor vehicle expenses | 123,511 | 188,157 |
| Rental and operating lease costs | 149,159 | 79,230 |
| Repairs & maintenance | 996,475 | 832,097 |
| Write off and disposal of assets | 2,008 | 3,712 |
| Other Runway Slab Replacement Costs | - | - |
| Impairment Expense | 180,000 | - |
| Other operating expenses | 806,536 | 286,250 |
| Total Other expenses | 4,289,527 | 3,815,197 |

Non-audit services relate to tax compliance services.

| 4 Personnel Costs | 2024 | 2023 |
|--|------------------|------------------|
| | \$ | \$ |
| Salaries & wages | 4,609,162 | 3,941,733 |
| Defined contribution plan employer contributions | 235,631 | 189,836 |
| Retirement/Longservice & Service Award Payments | 119,534 | 156,431 |
| Total personnel costs | 4,964,327 | 4,288,000 |
| Employee entitlements | \$ | \$ |
| Accrued salaries and wages | 104,670 | 101,658 |
| Annual leave | 67,131 | 58,563 |
| Other allowances | 35,950 | - |
| Total employee entitlements | 207,751 | 160,211 |

Accounting policy:

Short term benefits :

Short-term employee benefit that are due to be settled within 12 months after the end of the period in which the employee renders the related service are measured based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned but not yet taken at balance date.

On resignation, employees are entitled to a pro-rata apportionment of annual leave and as such an accrual is recognised in line with the period of service. A liability and an expense are recognised for bonuses where there is a contractual obligation or where there is a past practice that has created a constructive obligation and a reliable estimate of the obligation can be made.

Superannuation Schemes

The Authority contributes to the Cook Islands National Superannuation Fund. This fund is a State defined contribution fund. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are accounted for as defined contribution superannuation schemes and are recognised as an expense as incurred.



Notes to the financial statements (continued)

| | | 2024 | 2023 |
|----------------------------|--|---------------|--------------|
| | | \$ | \$ |
| 5 Finance costs | | | |
| Interest on secured loans | | 60,942 | 9,617 |
| Total finance costs | | <u>60,942</u> | <u>9,617</u> |

Accounting Policy:

Finance costs comprise interest expense on borrowings and are recognised as an expense in the financial year in which they are incurred, using the effective interest method.

| | | 2024 | 2023 |
|---|--|-----------------|-----------------|
| | | \$ | \$ |
| 6 Income tax expense | | | |
| Tax recognised in profit or loss | | | |
| Current tax expense | | | |
| Current period | | 239,307 | 270,461 |
| Total current tax expense | | <u>239,307</u> | <u>270,461</u> |
| Deferred tax expense | | | |
| Origination and reversal of temporary differences | | (11,257) | (28,401) |
| Total deferred tax expense | | <u>(11,257)</u> | <u>(28,401)</u> |
| Total income tax (expense)/credit | | <u>228,050</u> | <u>242,060</u> |

Reconciliation of effective tax rate

| | | |
|---|----------------|----------------|
| Profit/(Loss) before tax | (565,271) | (334,871) |
| Income tax using the Authority's domestic tax rate of 20% | (113,054) | (66,974) |
| Tax effect of temporary differences | 284,683 | 269,125 |
| Tax effect of non-taxable income | 67,678 | 68,311 |
| | <u>239,307</u> | <u>270,461</u> |

Future income tax benefit

| | | |
|-------------------------------------|--------------|----------------|
| Opening balance | 247,945 | 518,406 |
| Losses utilised in the current year | (239,307) | (270,461) |
| Current year tax benefits | - | - |
| | <u>8,638</u> | <u>247,945</u> |

Recognised deferred tax assets / (liabilities)

The Authority has deferred tax assets attributable to the following

| | | |
|--|---------------|---------------|
| Opening Deferred Tax (Asset) / Liability | 86,736 | 58,335 |
| - Provision for doubtful debts | 16,499 | 2,939 |
| - Property, plant and equipment | (5,242) | 25,462 |
| Total deferred tax | <u>97,993</u> | <u>86,736</u> |

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax also includes any tax benefits arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

A future income tax benefit is recognised for unused tax losses to the extent that it is profitable that future taxable profits will be available against which they can be utilised. Future income tax benefits are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Judgements

In determining the amount of current and deferred tax the Authority takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Authority believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Authority to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.



Notes to the financial statements (continued)

| | | |
|--------------------------------|------------------|------------------|
| 7 Trade receivables | 2024 | 2023 |
| | \$ | \$ |
| Trade receivables | 1,820,905 | 1,158,555 |
| Less: Provision for impairment | (143,274) | (60,780) |
| Total | 1,677,631 | 1,097,775 |

The aging profile of receivables at year end is detailed below:

| | | |
|---------------------|------------------|------------------|
| | 2024 | 2023 |
| | \$ | \$ |
| Not past due | 1,049,132 | 879,571 |
| Past due 1-30 days | 295,180 | 103,247 |
| Past due 31-60 days | 379,707 | 143,179 |
| Past due 61+ days | 96,886 | 32,558 |
| Total | 1,820,905 | 1,158,555 |

All receivables greater than 30 days in age are considered to be past due
All receivables are from exchange transactions.

Accounting Policy:

Receivables

Short term receivables are recorded at their face value, less any provisions for impairment. A receivable is considered impaired when there is evidence that the Authority will not be able to collect the amount due. The amount of the impairment is the difference between the carrying amount of the receivable and the present value of the amounts expected to be collected. Impairment assessment is performed on an individual basis based on the expected future cashflows given repayment history and specific circumstances.

8 Financial Instruments

(i) Financial assets

Financial assets comprise Cash and cash equivalents, term deposits, trade and other receivables. These are all classified as amortised costs as they are:

- held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest (if applicable).

These assets are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost

(ii) Financial liabilities

Financial liabilities comprises trade and other payables. These are measured at amortised cost.

The Authority derecognises a financial liability when its contractual obligation are discharged, cancelled or expire.

Impairment

The Authority considers impairment using the expected credit loss (ECL) model for the following financial assets that are not measured at FVTPL:

- Cash and Cash equivalents
- Term Deposits
- Trade and other receivables



Notes to the financial statements (continued)

8 Financial Instruments (continued) Measurement of Expected Credit Loss

Expected Credit Loss (ECL) is calculated based on a function of the probability of default, loss given default exposure at default.

The Authority applies ECL model separately for each financial asset category measured at amortised cost.

ECL is calculated based on the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Authority expects to receive). ECL for Cash and cash equivalents and Term deposits is calculated based on industry standard Probability of default and loss given default based on the credit rating each financial institution where funds are held.

As trade and other receivables are normally paid within 30 days and do not have significant financing component the Authority has applied the simplified approach in PBE IPSAS 41 and therefore only recognising lifetime ECL. The Authority has developed a provision matrix to determine ECL.

As the Authority operates in only one geographic segment the matrix is based on customer type (Airline and Non Airline customers) and debt age (no. days) taking into account historical loss experience for each segment adjusted for forward looking estimates.

| | 2024 | 2023 |
|--|---------------------|------------------|
| | \$ | \$ |
| Significant concentrations of credit risk | | |
| ANZ Banking Group, Cook Islands | AA- 1,205,997 | 1,449,688 |
| Bank of South Pacific, Cook Islands | B 323,302 | 231,278 |
| Bank of the Cook Islands | Non rated 2,106,437 | 1,928,288 |
| Trade receivables | N/A 1,820,905 | 1,158,555 |
| | 5,456,641 | 4,767,809 |

9 Inventories

Inventories held for the use in the provision of goods and services

| | 2024 | 2023 |
|--------------------------|----------------|----------------|
| | \$ | \$ |
| Spare parts | 33,227 | 33,711 |
| Runway Epoxy stock | 220,402 | 244,891 |
| Croda Foam | 33,467 | 31,952 |
| Fuel | 32,148 | 51,593 |
| Stationery | 1,963 | 2,128 |
| ID Cards | 4,244 | 2,825 |
| Carpark tickets | 18,749 | 27,180 |
| Airport Café Stock | 5,309 | 7,138 |
| Total Inventories | 349,508 | 401,417 |

Accounting Policy:

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is determined on a weighted average basis, which is determined using the first-in first-out principle. The cost of inventories includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

The carrying amounts of the Authority's inventories are reviewed at each balance date to determine whether the cost of the inventories are recoverable.

An impairment loss is recognised whenever the carrying amount of inventories exceeds its net realisable value. Impairment losses directly reduce the carrying amount of inventories and are recognised in profit or loss.

10 (a) Cash and cash equivalents

| | 2024 | 2023 |
|--|------------------|----------------|
| | \$ | \$ |
| Cash at bank | 1,277,137 | 883,621 |
| Cash on hand | 3,050 | 2,575 |
| Total cash and cash equivalents | 1,280,187 | 886,196 |

Accounting Policy:

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

The carrying amounts of short term deposits approximate their fair value.

(b) Term Deposits

| | 2024 | 2023 |
|----------------------------|------------------|------------------|
| | \$ | \$ |
| Term Deposits | 2,355,549 | 2,725,633 |
| Total term deposits | 2,355,549 | 2,725,633 |

Accounting Policy:

Term Deposits are initially measured at the amount invested. After initial recognition, the term deposits are measured at amortised cost using the effective interest method.



Notes to the financial statements (continued)

11 Property, plant and equipment

| | Furniture & Fittings | Land | Buildings | Plant & Equipment | Runway | Vehicles | Total |
|---|----------------------|------------|------------|-------------------|------------|-----------|-------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Cost | | | | | | | |
| Balance at 1 Jul 2022 | 410,611 | 10,985,024 | 10,062,213 | 11,950,535 | 57,155,065 | 6,394,374 | 96,957,822 |
| Additions | 4,016 | - | 19,326 | 363,730 | 39,620 | 96,949 | 523,641 |
| Disposals | - | - | - | (22,186) | - | (33,426) | (55,612) |
| Transfer from WIP | - | - | 26,513 | 173,863 | - | - | 200,376 |
| Balance at 30 June 2023 | 414,627 | 10,985,024 | 10,108,052 | 12,465,942 | 57,194,685 | 6,457,897 | 97,626,227 |
| Balance at 1 July 2023 | 414,627 | 10,985,024 | 10,108,052 | 12,465,942 | 57,194,685 | 6,457,897 | 97,626,227 |
| Additions | 33,405 | - | - | 158,036 | 1,241,807 | 48,069 | 1,481,317 |
| Disposals | (10,225) | - | - | (50,227) | - | (146,549) | (207,001) |
| Transfer from WIP | - | - | - | 29,445 | 524,471 | - | 553,916 |
| Balance at 30 June 2024 | 437,807 | 10,985,024 | 10,108,052 | 12,603,198 | 58,960,963 | 6,359,417 | 99,454,459 |
| Accumulated Depreciation and impairment losses | | | | | | | |
| Balance at 1 July 2022 | 386,624 | - | 3,066,478 | 7,434,657 | 16,140,233 | 4,886,601 | 31,914,593 |
| Depreciation for the year | 6,870 | - | 283,002 | 884,101 | 1,412,631 | 280,352 | 2,866,956 |
| Elimination of Disposals/Transfer | - | - | (744,792) | (242,543) | (524,471) | - | (1,511,806) |
| Balance at 30 June 2023 | 393,494 | - | 2,604,688 | 8,076,215 | 17,028,393 | 5,166,953 | 33,269,743 |
| Balance at 1 July 2023 | 393,494 | - | 2,604,688 | 8,076,215 | 17,028,393 | 5,166,953 | 33,269,743 |
| Depreciation for the year | 9,601 | - | 270,761 | 908,852 | 1,470,423 | 279,198 | 2,938,835 |
| Write Down of Impaired Asset | - | - | - | - | 180,000 | - | 180,000 |
| Elimination of Disposals/Transfer | (8,473) | - | 744,792 | 176,337 | 523,986 | (179,489) | 1,257,153 |
| Balance at 30 June 2024 | 394,622 | - | 3,620,241 | 9,161,404 | 19,202,802 | 5,266,662 | 37,645,731 |
| Carrying amount | | | | | | | |
| At 1 July 2022 | 23,987 | 10,985,024 | 6,995,735 | 4,515,878 | 41,014,832 | 1,507,773 | 65,043,229 |
| At 30 June and 1 Jul 2023 | 21,133 | 10,985,024 | 7,503,364 | 4,389,727 | 40,166,292 | 1,290,944 | 64,356,484 |
| Work in Progress | - | - | 1,979,602 | 331,784 | 992,460 | - | 3,303,846 |
| At 30 June 2024 | 43,185 | 10,985,024 | 8,467,413 | 3,773,576 | 40,750,621 | 1,092,755 | 65,112,574 |



Notes to the financial statements (continued)

11 Property, plant and equipment (continued)

Accounting Policy:

(i) Recognition and measurement

Items of plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset and includes the following:

- the cost of materials and direct labour;
 - any other costs directly attributable to bringing the assets to a working condition for their intended use;
- Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

(ii) Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Authority. Ongoing repairs and maintenance is expensed as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in the Statement of Comprehensive Revenue and Expense on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Authority will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as

| | | | |
|----------------------|------------|----------------------|------------|
| Runways- Rarotonga | 5-99 years | Equipment | 5-10 years |
| Runways- Aitutaki | 5-31 years | Furniture & fittings | 4-5 years |
| Buildings- Rarotonga | 5-49 years | Motor vehicles | 4-5 years |
| Buildings- Aitutaki | 5-34 years | Rescue fire vehicles | 3-20 years |

When calculating recoverable value, the fair value of buildings, plant, equipment, fixtures and fittings is based on the cost approach using the depreciated replacement cost approach. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.

The carrying amounts of the Authority's property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

12 Investment properties

| | 2024 | 2023 |
|---------------------------|------------------|------------------|
| | \$ | \$ |
| Balance at 1 July | 3,795,937 | 3,798,827 |
| Additions | 769,269 | 125,768 |
| Transfer | 246,525 | - |
| Depreciation | (138,957) | (128,658) |
| Balance at 30 June | <u>4,672,774</u> | <u>3,795,937</u> |

Accounting Policy:

Investment property is measured at cost less accumulated depreciation and accumulated impairment losses. Depreciation is recognised on a straight line basis over the period of the lease.



Notes to the financial statements (continued)

| | |
|---|---------------|
| 13 Intangible assets | \$ |
| Cost | |
| Balance at 1 Jul 2022 | 67,255 |
| Additions | - |
| Disposals | - |
| Transfer | - |
| Balance at 30 June 2023 | <u>67,255</u> |
| Balance at 1 July 2023 | 67,255 |
| Additions | - |
| Transfer | - |
| Balance at 30 June 2024 | <u>67,255</u> |
| | |
| Accumulated Depreciation and impairment losses | \$ |
| Balance at 1 Jul 2022 | 62,546 |
| Depreciation for the year | 2,642 |
| Elimination of Disposals | - |
| Transfer | - |
| Balance at 30 June 2023 | <u>65,188</u> |
| Balance at 1 July 2023 | 65,188 |
| Depreciation for the year | 400 |
| Elimination of Disposals | - |
| Balance at 30 June 2024 | <u>65,588</u> |
| | |
| Carrying amount | |
| At 1 Jul 2022 | <u>4,709</u> |
| Work in Progress | - |
| At 30 June and 1 Jul 2023 | <u>2,067</u> |
| Work in Progress | - |
| At 30 June 2024 | <u>1,667</u> |

Accounting Policy:

Intangible assets are made up of software and navigation intellectual property. The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date the asset is derecognised. The amortisation charge for each financial year is recognised in the surplus or deficit.

| | | |
|---|------------------|----------------|
| 14 Trade and other payables | 2024 | 2023 |
| | \$ | \$ |
| Payables under exchange contracts | | |
| Trade payables | 1,531,376 | 896,836 |
| Accrued expenses -Other Payables | 10,078 | 48,540 |
| Income received in advance | 30,829 | (512) |
| Other | 96,115 | 8,333 |
| Total payables under exchange transactions | 1,668,398 | 953,197 |
| | | |
| Payables under non exchange contracts | | |
| Value added tax payable | (2,840) | 21,470 |
| Total payables under non exchange transactions | (2,840) | 21,470 |
| | | |
| Total trade and other payables | 1,665,559 | 974,667 |

Accounting Policy:

Trade and other payables are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. These are short-term liabilities and therefore the carrying amounts materially equate to fair value.

Included in Other Payables is \$96,115 owing to Related Party Te Aponga Uira.



Notes to the financial statements (continued)

15 Project Funding Liability

| | Note | Total | Runway Slab Replacement Project | Karotonga Airport Upgrade Design |
|---|------|-----------|---------------------------------|----------------------------------|
| Opening balance as at 1 July 2023 | | - | - | - |
| Plus: Total funding received during the year | | - | - | - |
| Less expensed costs | | (160,833) | (160,833) | - |
| Less capitalised stock | | - | - | - |
| Less capitalised runway slabs | | - | - | - |
| Less capitalised runway project related costs | | (672,847) | (672,847) | - |
| Less capitalised runway project related costs (cover by AACI) | | (319,611) | (319,611) | - |
| Total Project Funding Liability | | | | |

Project Funding liability relates to CAPEX funding received but unspent at year end. Refer to Note 2 for details of CAPEX funding.

In the current year, the funding liability of \$850,000 for the Runway Slab project was fully spent.

The Authority directly received \$785,018.00 during the year from the Government whilst the earlier portion of \$69,487 was administered by MFEM for the Rarotonga Airport Refurbishment project (Runway Slab Replacement Project-Phase 2). Of this funding, the Authority recognised capital costs of \$672,849 (+ AACI funds of \$319,611) relating to capital project related costs. The balance of \$160,833 was recognised as project related expenses.

As the funds were received through the Cook Islands Government, the capital costs for the current year have been recognised as capital injections in the Statement of Changes in Equity. Refer Note 18.

| 16 Investments | 2024 | 2023 |
|-----------------------------|------------|------------|
| | \$ | \$ |
| Shares in Hawaiian Airlines | 364 | 364 |
| Total Investments | 364 | 364 |

Investments are measured at fair value with fair value determined by reference to published bid price quotations in an active market.

| 17 Borrowings | 2024 | 2023 |
|----------------------------------|------------------|----------------|
| | \$ | \$ |
| Current Portion | | |
| Secured loans | 309,312 | 134,624 |
| Total current portion | 309,312 | 134,624 |
| Non Current portion | | |
| Secured loans | 1,032,869 | - |
| Total non current portion | 1,032,869 | - |
| Total borrowings | 1,342,181 | 134,624 |

Secured loans

Secured loans are issued at floating rates of interest and as such the carrying amount approximates the fair value. The loan was effective on 22 January 2018 with interest rate of 5.25%. (2021:5.25%)

Security

The loan is secured by a first charge current account debenture over all assets and undertakings of the Authority.



Notes to the financial statements (continued)

18 Contributed Capital

| | 2024 | 2023 |
|--|------------------|------------------|
| | \$ | \$ |
| Balance at 1 July | 6,497,219 | 6,497,219 |
| Audit adjust (Jun22) journal confirmed & posted but not updated on FS note | - | - |
| Capital injections | 672,847 | - |
| Balance at 30 June | 7,170,066 | 6,497,219 |

At 1 July 2020, capital injections comprised the original capital contribution by the Government of the Cook Islands (made up of net assets taken over by the Airport Authority) and capital contributions from prior years to fund capital projects.

During the 30 June 24 financial year, the Airport Authority received CAPEX funding for the runway replacement project. Costs that are capital in nature (i.e. resulting in Property, Plant and Equipment additions), have been recognised as Capital injections.

| | 2024 | 2023 |
|--|------------------|------------------|
| | \$ | \$ |
| 19 Reconciliation of net surplus/(deficit) to net cash flow from operating activities | | |
| Net Surplus/ (deficit) | (793,321) | (576,931) |
| Add/(less) non cash items | | |
| Donated Assets | - | - |
| Impairment Expense | 180,000 | - |
| Depreciation expense | 3,078,192 | 2,998,256 |
| Total non-cash items | 3,258,192 | 2,998,256 |
| Add/(less) items classified as investing or financing activities | | |
| Capital Injections | - | - |
| (Gains)/losses on disposal of property, plant and equipment | 1,525 | 3,712 |
| Total items classified as investing or financing activities | 1,525 | 3,712 |
| Add/(less) movements in statement of financial position items | | |
| (Increase)/ Decrease in receivables | (579,856) | (39,740) |
| (Increase)/ Decrease in tax receivables | - | - |
| (Increase)/ Decrease in future income tax benefits | 239,307 | 270,461 |
| (Increase)/ Decrease in prepayments | 130,817 | (153,458) |
| (Increase)/ Decrease in inventories | 51,909 | (50,698) |
| Increase/ (Decrease) in payables | 690,892 | 518,785 |
| Increase/ (Decrease) in aid payables | - | - |
| Increase/ (Decrease) in deferred tax | (11,257) | (28,401) |
| Increase/ (Decrease) in employee entitlements | 47,540 | (7,439) |
| Net movement in working capital items | 569,352 | 509,510 |
| Net cash flow from operating activities | 3,035,748 | 2,934,547 |



Notes to the financial statements (continued)

20 Capital commitments and operating leases

At balance date, the Authority had commitments related to the following projects:

| Significant Work in Progress Projects | 2024 | 2023 |
|--|------------------|------------------|
| | \$ | \$ |
| Runway Slab Replacement project funded by MFEM -Expensed costs | 160,833 | 69,487 |
| Runway Slab Replacement project funded by MFEM -capitalised costs | 992,460 | - |
| Multipurpose Buildings 1 - Total Contract \$1.4m reset to \$3m@Land Holdings Ltd | 1,852,466 | 376,823 |
| Multipurpose Buildings 2 - Total Contract \$1m@Land Holdings Ltd completed May24 | 1,015,794 | 246,525 |
| Aitutaki Runway Rejuvenate Project \$1.5m@Total Pavement Maintenance Sys completed Nov23 | 1,500,122 | 524,471 |
| | 5,521,675 | 1,217,306 |

Operating leases as lessee

The future aggregate minimum payments to be paid under non-cancellable operating leases are as follows:

| | 2024 | 2023 |
|---|----------------|----------------|
| | \$ | \$ |
| Not later than one year | 70,724 | 70,724 |
| Later than one year and not later than five years | 274,814 | 282,895 |
| Later than five years | 257,778 | 320,420 |
| Total non cancellable operating leases | 603,316 | 674,039 |

Accounting Policy:

The Authority leases land that is utilised for Airport operations including accommodating office premises and rental properties.

The HBS Xray machine on lease from Smiths Detection has reached expiry term in 2022. Initial proposal was to return but decision was not confirmed by top management to date.

21 Contingencies

There are no contingent liabilities at balance date (30 June 2024: nil).



Notes to the financial statements (continued)

22 Related parties

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 (CIIC).

Related parties include Government ministries, agencies, and state owned enterprises by way of common owner. Included in expenses are amounts paid to Te Aponga Uira, Vodafone and Bank of Cook Islands. These transactions were conducted at market rates.

These are fellow subsidiaries of CIIC.

(i) Related Party Balances

| | 2024 | 2023 |
|--|------------------|----------------|
| | \$ | \$ |
| Borrowings with Bank of Cook Islands | 1,342,181 | 134,624 |
| Te Aponga - Electricity payable | 36,181 | 40,250 |
| Vodafone - Telephone payable | 9,982 | 6,009 |
| | 1,388,344 | 180,883 |
| | | |
| (ii) Electricity expense paid to Te Aponga | 459,367 | 490,562 |
| Project cost paid to CIIC | - | 300,000 |
| Communication expense paid to Vodafone | 56,714 | 60,486 |
| Interest paid to Bank of Cook Islands | 60,942 | 9,617 |
| | 577,023 | 860,665 |

23 Key management personnel compensation

| | 2024 | 2023 |
|---------------------------------|---------|---------|
| | \$ | \$ |
| Board members remuneration | 81,101 | 77,502 |
| Number of directors | 5 | 5 |
| Senior management remuneration | 539,279 | 474,871 |
| Full time equivalent members | 6 | 4 |
| Runway Slab Replacement Project | - | - |
| Number of Board of Directors | - | - |

24 Impairment

The Authority performed an assessment to determine if the current market conditions indicates that impairment exists in accordance with PBE IPSAS 21. Impairment of Non-Cash Generating Assets, which would warrant a valuation to support carrying value of the Authority's Plant, Property and Equipment, and Investment Property. This assessment included judgement over whether the level of assets held is in excess of what is required, and whether the useful life of the assets have reduced as a result of market conditions.

Given the opening of the Cook Islands borders, the assets held by the Authority are being utilised with no changes to the useful life of the assets, and the requirement and necessity for the assets has not changed. Being the sole gateway into the Cook Islands, the Airport is considered essential requirement for the country. It is considered the level of assets held by the Authority to provide aviation services are necessary in order to meet the minimum aviation safety requirements. The Authority have considered there is no excess capacity or over design in the level of assets held to meet its minimum operating requirements and therefore consider no indication of impairment exists due to current market conditions.

During the year an impairment expense of \$180,000 has been raised for 3 newly replaced slabs which have cracking issues and have been identified for replacement.

25 Events after balance date

Other than the above, there has not arisen in the interval between the end of financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Authority, to affect significantly the operations of the Authority, the results of those operations, or the state of affairs of the Authority, in future financial years.