



**2017 -18**

**STATEMENT OF  
PERFORMANCE  
EXPECTATIONS**

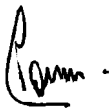


## BOARD STATEMENT

The Authority certifies that the information contained in this Statement of Performance Expectations (SoPE) reflects the operations and prospective financial statements including the appropriateness of the underlying assumptions of the Civil Aviation Authority for the period 1 July 2017 to 30 June 2018.

In signing this statement, we acknowledge our responsibility for the prospective financial statements contained in this SoPE.

Signed on: 26 April 2017



**Nigel Gould**  
Chairman of the Authority



**Peter Griffiths**  
Deputy Chairman

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## SECTION 1

# STATEMENT OF PERFORMANCE EXPECTATIONS

## OUR OPERATING CONTEXT

The coming year will be an exceptionally challenging one for the Authority. Growth in the number of international visitors is driving both an increase in the demand for security services and domestic civil aviation activity. While it may be obvious that a significant increase in the number of international and domestic airline passengers demands a corresponding increase in the capacity of security screening services provided by the Authority, it is less obvious, but nevertheless true, that it also increases the demand on its regulatory functions in order to keep risks at an acceptable level. In the past two years the number of international visitors taking scenic flights has increased by approximately 85,000. In the same period an additional 48,000 overseas visitors took part in some form of commercial adventure aviation activity. Additionally, and as expected, we continue to see very significant growth in the number and complexity of operations by certificated operators of Remotely Piloted Aircraft Systems (RPAS). In this area we have the challenge of balancing an enabling approach to the introduction of new technology while at the same time adequately managing risk. This requires a mix of engineering, aviation and regulatory skills of the highest order.

Given the above context we will promote the safety and security of New Zealand's aviation system through regulatory oversight and security services, with the aim of enabling a thriving economy.

Within the overall strategic direction of the transport sector, and the expectations set by the Minister of Transport, we will:

- focus on improving safety on parts of the sector with poor safety performance,
- support economic growth and productivity,
- balance being an effective regulator while providing an enabling environment for the New Zealand aviation sector, and
- demonstrate value for money.

The Authority's 2016-2026 Statement of Intent establishes the strategic framework in which we will deliver on this while the Safety and Security Focus Area Work Programme targets the medium term issues that are emerging in relation to the safety and security performance of the civil aviation system.





The current eight focus areas are:

1. Loss of control in flight
2. Runway excursions
3. Airborne conflicts
4. The helicopter sector
5. Queenstown operations
6. Security threat levels and responses
7. International air cargo security; and
8. Smart security.

The 2017-2020 work programme is available online at ([www.caa.govt.nz](http://www.caa.govt.nz)).

One of the focus areas of increasing concern to the Authority is '4. The helicopter sector' which is presenting an unacceptably high accident rate among commercial helicopter operators. The purpose of this focus area is to ensure safety risks are managed effectively by aviation participants with strong leadership, co-ordination and oversight by the Authority, and that accident rates are lowered so they align with, or are better than, international comparisons. In addition to the focus area work programme placing emphasis on the helicopter sector, the Authority will also utilise surveillance and investigation activities under Output Class 4 to target this sector and understand the drivers behind the evident risks.

2017/18 will also see significant effort go into the Authority's Regulatory Craft Programme aimed at enhancing its regulatory effectiveness and equipping it to work in a performance-based regulatory environment.

## Changes to the Regulatory Environment

Increased government funding in 2016 has allowed the Authority to significantly increase the amount of work it does under its designation to enforce the Health and Safety at Work Act 2015 for aircraft in operation. There are considerable synergies between this work and that currently underway to apply Safety Management System (SMS) requirements recently introduced in Rule Part 100.

The certification of Operator's Safety Management Systems is currently underway and the continuation of this work will be a focus in the coming year. The SMS Rule introduces performance-based regulatory requirements that will be exceptionally challenging for large parts of the aviation sector to adapt to. They will also severely test the skill sets within the regulator. This activity is captured through Output Class 3 Certification & Licensing.

The 2017-18 Statement of Performance Expectations sets out the outputs (goods and services) the Authority is funded to provide and the standards against which we will assess our service delivery performance. These are described under the following five output classes:

### OUTPUT CLASS 1

**POLICY & REGULATORY STRATEGY**

### OUTPUT CLASS 2

**OUTREACH**

### OUTPUT CLASS 3

**CERTIFICATION & LICENSING**

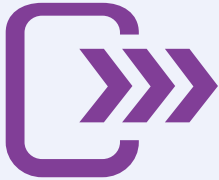
### OUTPUT CLASS 4

**SURVEILLANCE & INVESTIGATION**

### OUTPUT CLASS 5

**SECURITY SERVICE DELIVERY**

# OUR OUTPUTS AND PERFORMANCE EXPECTATIONS



## OUTPUT CLASS 1 POLICY & REGULATORY STRATEGY

### What we do Under this output class the Authority:

- // Develops options and solutions for specific issues within the aviation regulatory system;
- // Proactively identifies emerging issues for aviation;
- // Delivers major policy and regulatory projects;
- // Strategically coordinates Authority engagement in the international aviation system;
- // Delivers Ministerial services – e.g. Parliamentary questions, briefings, responses to agencies Ministerials; and
- // Develops and maintains linkages internally, across government, internationally and within industry.



### 1.1 INTERNATIONAL RELATIONS AND INTERNATIONAL CIVIL AVIATION ORGANIZATION OBLIGATIONS

The Authority administers New Zealand’s international civil aviation obligations and interests as delegated by the Minister of Transport. For example, coordinating New Zealand input into international conferences and meetings, managing the flow of incoming International Civil Aviation Organization state letters and coordination of technical aviation agreements with other countries.

#### What is intended to be achieved

This category is intended to achieve administration of New Zealand’s international civil aviation obligations and interests within the delegations of the Minister of Transport.

#### How does this contribute to our objectives?<sup>1</sup>

Our positive reputation for safety and security reflected through ICAO ratings; technical agreements and international compliance directly contributes to our objectives “*Improved sector safety performance*” and “*A vibrant aviation system*”. This contributes to reducing trade and market barriers.

#### HOW WILL WE ASSESS OUR SERVICE DELIVERY PERFORMANCE?

#### 2017 ESTIMATED ACTUAL

#### 2018 ESTIMATE

##### Quality:

International engagement is undertaken that meets New Zealand’s role and obligations as a member state of the International Civil Aviation Organization, by participation on ICAO regional and global fora and initiatives and with demonstrated contribution to outcomes of those fora.

Achieved

Achieved

International engagement is undertaken to contribute to the achievement of the Authority’s statutory functions and objectives, with demonstrated contribution to the achievement of the Authority’s objectives.

Achieved

Achieved

#### INTERNATIONAL CIVIL AVIATION ORGANIZATION (ICAO) COMPLIANCE:

##### Timeliness:

Respond to incoming ICAO State letters by due date as set by ICAO.

100%

100%

Maintain the currency of the Annex compliance checklists in accordance with ICAO timeframe.

100%

100%

##### Quality:

Facilitate the completion of planned safety audit of New Zealand by ICAO for the 2017 year resulting in compliance for New Zealand to at least the average of OECD countries or better.

Audit results not available until late 2017.

The ICAO safety audit results in compliance for New Zealand to at least the average of OECD countries or better.

1 as described in the strategic framework of the Authority on Page 16-17 of the 2016-2026 Statement of Intent.

**HOW WILL WE ASSESS OUR SERVICE DELIVERY PERFORMANCE?**

	2017 ESTIMATED ACTUAL	2018 ESTIMATE
Significant Safety Concerns raised by ICAO.	nil	nil
ICAO coordinated validation mission (ICVM) carried out as a result of a Significant Safety Concern.	nil	nil



## 1.2 MINISTERIAL SERVICING – CIVIL AVIATION

**What is intended to be achieved**

This category is intended to achieve the effective delivery of support to executive government and parliamentary processes.

**How does this contribute to our objectives?<sup>1</sup>**

The effective and efficient delivery of Ministerial servicing provides the Government with support and confidence that the Authority is fulfilling its functions and meeting statutory obligations. This directly contributes to all three objectives in our strategic framework.

**HOW WILL WE ASSESS OUR SERVICE DELIVERY PERFORMANCE?**

	2017 ESTIMATED ACTUAL	2018 ESTIMATE
<b>Quality:</b> Reports, correspondence and Parliamentary questions acceptable to the Minister (assessed by biannual survey) based on a scale of “exceeded expectations”, “met expectations” or “requires improvement”.	Met expectations	Met or exceeded expectations
<b>Quality and Timeliness:</b> Percentage of reports and responses that are delivered in accordance with prescribed standards and timeframes established by the Ministry of Transport in their correspondence tracking system.	95%	100%



## 1.3 POLICY ADVICE – CIVIL AVIATION

**What is intended to be achieved**

This category is intended to achieve a high level of safety and security standards within the New Zealand civil aviation system.

**How does this contribute to our objectives?<sup>1</sup>**

Through robust analysis and decision making, this output directly contributes to our objectives of “*Improved sector safety performance*” and “*A vibrant aviation system*”.

**HOW WILL WE ASSESS OUR SERVICE DELIVERY PERFORMANCE?**

	2017 ESTIMATED ACTUAL	2018 ESTIMATE
<b>Quality:</b> Percentage of policy advice provided to other government departments and agencies that is consistent with the scope guidance set out in section 3.2 of “Reorganisation of Appropriations for Policy Advice – Guide for Departments (Treasury 2011)”.	100%	100%
<b>Timeliness:</b> All policy advice provided to other government departments and agencies is delivered within the timeframes requested by those departments and agencies.	100%	100%

## 1.4 SYSTEM LEVEL DESIGN AND INTERVENTION

### What is intended to be achieved

This category is intended to achieve an effective and efficient civil aviation system that is safe and secure while enabling innovation and market access.

### How does this contribute to our objectives? <sup>1</sup>

The proactive identification of emerging issues within the civil aviation environment allows us to develop minimum safety and security standards for aviation participants that directly contribute to all three of the objectives defined in the Authority's strategic framework.

### HOW WILL WE ASSESS OUR SERVICE DELIVERY PERFORMANCE?

#### 2017 ESTIMATED ACTUAL

#### 2018 ESTIMATE

#### Quality

Proactive identification of emerging issues within the aviation environment – internationally, within the business environment, from the public arena and cross-government.

Significant emerging issues that directly impact the civil aviation environment are proactively briefed to the Minister of Transport inclusive of mitigating strategies

Significant emerging issues that directly impact the civil aviation environment are proactively briefed to the Minister of Transport inclusive of mitigating strategies

All new issue assessments that impact the aviation regulatory system completed according to the Authority's issue assessment procedures.

100%

100%

## 1.5 RULES AND STANDARDS DEVELOPMENT

### What is intended to be achieved

This category is intended to achieve timely implementation of rules and standards that are fit for purpose in the New Zealand civil aviation environment and, where applicable, compliant with ICAO standards.

### How does this contribute to our objectives?

A robust and fit for purpose regulatory structure directly contributes to all three of the objectives defined in the Authority's strategic framework.

### HOW WILL WE ASSESS OUR SERVICE DELIVERY PERFORMANCE?

#### 2017 ESTIMATED ACTUAL

#### 2018 ESTIMATE

#### Quantity:

Number of rules under development agreed between the Authority and the Ministry of Transport.

7-10

6-10

Number of rules completed agreed between the Authority and the Ministry of Transport.

3-5

3-5

#### Quality and Timeliness:

Documentation provided to the Ministry of Transport that is assessed by the Ministry as meeting timeliness and quality standards established in the Transport Regulatory Plan (the Plan) and Regulatory Development and Rule Production Handbook (the Handbook).

100%

100%



## 1.6 PACIFIC SUPPORT

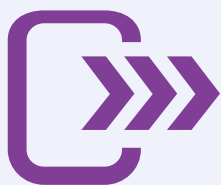
<b>What is intended to be achieved</b>	This category is intended to provide support for our Pacific region neighbours to improve regional air safety and security.
<b>How does this contribute to our objectives? <sup>1</sup></b>	Our objectives of “ <i>improved sector safety performance</i> ” and “ <i>a vibrant aviation system</i> ” are demonstrated through our role as a regional leader and safety promoter to the Pacific States.

### HOW WILL WE ASSESS OUR SERVICE DELIVERY PERFORMANCE?

	2017 ESTIMATED ACTUAL	2018 ESTIMATE
<b>Quality:</b>		
The provision of regulatory assistance and advice to eight Pacific Island Countries (PICs) to further develop and enhance aviation regulatory safety and security requirements across the South West Pacific region delivered in accordance with the objectives of the “Principal Aviation Regulatory Advisor (Pacific Islands)” project <sup>2</sup> (1 July 2016 – 30 June 2019).	New measure	100%
<ul style="list-style-type: none"> <li>Percentage of Evaluation Reports provided to the Pacific Security Coordination Committee that meet the project objectives and deliverables.</li> </ul>		
The provision of assistance to PICs in improving aviation security requirements where they will be in a position to achieve and maintain appropriate levels of compliance with national and international standards and recommended practices in accordance with the objectives of the “Pacific Island Aviation Security Coordination” project <sup>2</sup> (1 July 2015 – 30 June 2018).	New measure	100%
<ul style="list-style-type: none"> <li>Percentage of Evaluation Reports provided to the Pacific Security Coordination Committee that meet the project objectives and deliverables.</li> </ul>		

	2017 ESTIMATED ACTUAL \$000	2018 BUDGET \$000
<b>COST TO DELIVER OUTPUT CLASS 1: POLICY &amp; REGULATORY STRATEGY</b>		
Crown Funding (Vote Transport: Policy Advice)	1,785	1,780
Ministry Contract Revenue (Rules Development & Pacific)	2,140	2,098
Levies	1,471	2,054
Fees and charges	69	-
Other Revenue	-	-
<b>Total Output Revenue</b>	5,465	5,932
<b>Total Output Expenditure</b>	(5,465)	(5,932)
<b>NET SURPLUS/(DEFICIT)</b>	-	-

2. Project funded through the Pacific Security fund maintained by MFAT.



## OUTPUT CLASS 2 OUTREACH

### What we do Under this output class the Authority:

- // Fosters and promotes safety and security across the civil aviation sector;
- // Fosters and promotes health and safety at work within the bounds of the Authority designation; and
- // Raises public awareness on transport of dangerous goods by air.

### 2.1 OUTREACH

#### What is intended to be achieved

This category is intended to achieve increased understanding and knowledge of aviation safety amongst participants and the public.

#### How does this contribute to our objectives?

People have confidence and trust in the Authority's expertise and learn from the delivery of outreach programmes on risk identification and management. This directly contributes to all three of our objectives defined in our strategic framework.

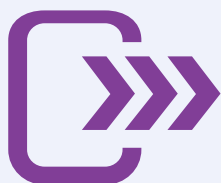
HOW WILL WE ASSESS OUR SERVICE DELIVERY PERFORMANCE?	2017 ESTIMATED ACTUAL	2018 ESTIMATE
<b>REPORTS AND PUBLICATIONS</b>		
<b>Quantity:</b> Number of regular publications released including quarterly safety summary data reports, six-monthly aviation safety reports, and bi-monthly Vector magazines.	12	12
Number of other targeted publications.	2–8	2–8
<b>Timeliness:</b> Percentage of reports and publications that are produced in accordance with the Authority's procedures <sup>3</sup> .	100%	100%
<b>EDUCATION</b>		
<b>Quantity:</b> Number of educational units (seminars, workshops and courses) delivered to 30 June 2018.	37	20–30
<b>Quality:</b> Percentage of educational units that are rated by participants as a 3 or higher <sup>4</sup> in their overall rating of the seminar and the benefit provided.	100%	100%

<sup>3</sup> Aviation Safety Summary Report: 28-49-79 Aviation Safety Summary Report.

Aviation Safety Report: 28-48-080 Aviation Safety Summary Report – Producing the six-monthly Aviation Safety Report Vector magazine: Authority Internal Procedure  
Other publications in accordance with agreed process for delivery.

<sup>4</sup> Based on a post-seminar assessment of the following two questions with a rating scale of 1 to 5: How have you benefited from the seminar?  
How would you rate the seminar overall?

COST TO DELIVER OUTPUT CLASS 2: OUTREACH	2017 ESTIMATED ACTUAL \$000	2018 BUDGET \$000
Levies	5,278	4,988
Fees and charges	-	-
Other Revenue	112	46
<b>Total Output Revenue</b>	5,390	5,034
<b>Total Output Expenditure</b>	(5,266)	(5,301)
<b>NET SURPLUS/(DEFICIT)</b>	124	(267)



## OUTPUT CLASS 3 CERTIFICATION & LICENSING

### What we do Under this output class the Authority:

// Exercises control over the entry into New Zealand's civil aviation system through the issuance or amendment of aviation documents and approvals to organisations, individuals and products; and

// Exercises control over the exit from New Zealand's civil aviation system through the suspension and revocation of documents.

### 3.1 CERTIFICATION & LICENSING

#### What is intended to be achieved

This category is intended to achieve robust assessment of participants and products as safe and fit to participate in the New Zealand civil aviation system.

#### How does this contribute to our objectives?<sup>1</sup>

The robust assessment and certification of participants in the civil aviation system ensures we meet our objective of *"improved sector safety performance"*.

#### HOW WILL WE ASSESS OUR SERVICE DELIVERY PERFORMANCE?

##### Quantity:

Number of certifications tasks carried out (demand driven volumes provided for contextual information):

- Organisation
- Aircraft
- Service providers.

Number of licensing procedures carried out.

#### 2017 ESTIMATED ACTUAL

#### 2018 ESTIMATE

1,100	1,200 – 1,600
930	930 – 1,130
50	35 – 45
6,000	5,000 – 7,000

##### Quality and Effectiveness:

Demonstration of continuous improvement of the regulatory function using the assessment of the Regulatory Oversight Review (ROR) programme with a focus on strengths/weaknesses and opportunities for improvement (based on a quarterly assessment of progress against the Regulatory Operating Review Policy<sup>5</sup>).

Demonstrated continuous improvement through the application of strengths/weaknesses and opportunities identified.

Demonstrated continuous improvement through the application of strengths/weaknesses and opportunities identified.

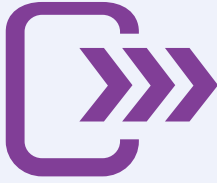
<sup>5</sup> The Regulatory Operating Review Policy includes three components of assessment, PDCA (plan, do, check, act reviews), Internal Assurance and Intervention effectiveness and cross functional teaming. One, all, or a combination of the three components will be utilised each quarter to assess progress.

#### COST TO DELIVER OUTPUT CLASS 3: CERTIFICATION AND LICENSING

#### 2017 ESTIMATED ACTUAL \$000

#### 2018 BUDGET \$000

Levies	14,448	15,037
Fees and charges	6,651	5,594
Other Revenue	450	191
<b>Total Output Revenue</b>	21,549	20,822
<b>Total Output Expenditure</b>	(21,150)	(21,924)
<b>NET SURPLUS/(DEFICIT)</b>	399	(1,102)



## OUTPUT CLASS 4 SURVEILLANCE & INVESTIGATION

### What we do Under this output class the Authority:

- // Monitors the adherence to safety and security standards by participants in the civil aviation system, including audits, inspections and investigations;
- // Conducts inspections, audits and investigations under the Health and Safety at Work Act 2015;
- // Assesses safety data and information to identify safety and security risks in order to inform and influence the management of risk; and
- // Takes appropriate regulatory action in the public interest to enforce the provisions of the Act and Rules and to address safety risk.

### 4.1 SURVEILLANCE & INVESTIGATION

#### What is intended to be achieved

This category is intended to achieve continued assurance that the civil aviation system in New Zealand is safe and secure.

#### How does this contribute to our objectives?<sup>1</sup>

People have confidence in the safety and security of air transport as a result of the active monitoring, surveillance and investigations undertaken that address issues and risks that could result in a major occurrence. This ensures we meet our objectives of “*improved sector safety performance*” and “*effective and efficient security services*”.

#### HOW WILL WE ASSESS OUR SERVICE DELIVERY PERFORMANCE?

#### 2017 ESTIMATED ACTUAL

#### 2018 ESTIMATE

#### HEALTH AND SAFETY AT WORK ACT 2015

##### Quantity:

Number of health and safety in employment investigations, audits, and inspections.

15

30-55

Number of aviation-specific good practice guides and guidance material developed and maintained in total.

New measure

2-5

##### Quality and Effectiveness:

Demonstration of continuous improvement of the regulatory function using the assessment of the Regulatory Oversight Review (ROR) programme with a focus on strengths/weaknesses and opportunities for improvement (based on a quarterly assessment of progress against the Regulatory Operating Review Policy<sup>5</sup>).

Demonstrated continuous improvement through the application of strengths/weaknesses and opportunities identified.

Demonstrated continuous improvement through the application of strengths/weaknesses and opportunities identified.

##### Timeliness:

Percentage of health and safety at work types<sup>6</sup> completed<sup>7</sup> within 6 months.

New measure

60%

Percentage of health and safety at work types<sup>6</sup> completed<sup>7</sup> within 12 months.

New measure

100%

<sup>6</sup> All work types includes assessment and audits as well as investigations.

<sup>7</sup> A completed work type is when the recommendations/findings are made.

**HOW WILL WE ASSESS OUR SERVICE DELIVERY PERFORMANCE?****2017 ESTIMATED ACTUAL****2018 ESTIMATE****CIVIL AVIATION ACT 1990****Quantity:**

Number of audits, inspections and spot checks.	700	500-600
Number of safety and regulatory investigations:		
• Safety Investigations (demand driven)	350	300-390
• Enforcement Investigations (demand driven)	30	20-40
• Aviation Related Concerns (ARC) Investigations.	300	300-360
Percentage of total occurrences <sup>8</sup> investigated or reviewed (based on historical averages of occurrences investigated). The aim of the Safety Investigation team is investigate all critical and major occurrences and minor where benefit would be derived from investigation.	>50% classified as Minor >35% classified as Major >15% classified as Critical	>50% classified as Minor >35% classified as Major >15% classified as Critical
Number of Section 15A of the Civil Aviation Act 1990 Investigations (Power of Director to investigate holder of aviation document).	4-7	5-10
Number of hours spent on targeted safety analysis reporting by sector:		
• Airline sector	1,500	1,200
• Helicopter and agricultural	1,200	1,200
• Other	1,500	1,200

**Quality and Effectiveness**

Demonstration of continuous improvement of the regulatory function using the assessment of the Regulatory Oversight Review (ROR) programme with a focus on strengths/weaknesses and opportunities for improvement.(based on a quarterly assessment of progress against the Regulatory Operating Review Policy <sup>8</sup> ).	Demonstrated continuous improvement through the application of strengths/weaknesses and opportunities identified	Demonstrated continuous improvement through the application of strengths/weaknesses and opportunities identified
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**Quality and Timeliness:**

Percentage of safety and regulatory investigations that are delivered to agreed standards and timelines:	100%	100%
Percentage of regulatory investigations independently assessed by a third party to ensure they are completed within 12 months and the recommendations made are reasonable in the circumstances having regard to the Regulatory Operating Model.	100%	100%

8 An occurrence is an incident or accident.

**COST TO DELIVER OUTPUT CLASS 4: SURVEILLANCE AND INVESTIGATION****2017 ESTIMATED ACTUAL \$000****2018 BUDGET \$000**

Crown Funding (Vote Transport: Health and Safety at Work)	1,602	1,275
Levies	8,725	10,605
Fees and charges	1,375	73
Other Revenue	258	403
<b>Total Output Revenue</b>	<b>11,960</b>	<b>12,356</b>
<b>Total Output Expenditure</b>	<b>(11,685)</b>	<b>(13,009)</b>
<b>NET SURPLUS/(DEFICIT)</b>	<b>275</b>	<b>(653)</b>



## OUTPUT CLASS 5 SECURITY SERVICE DELIVERY

### What we do Under this output class the Authority:

- // Screens all passengers and their carry-on baggage at security designated airports;
- // Screens all hold baggage on departing international flights and domestic flights of over 90 seats;
- // Screens airport workers with access to enhanced security areas at international airports;
- // Manages the issue of airport identity cards;
- // Conducts perimeter patrols at security designated aerodromes and navigation facilities; and
- // Maintains preparedness to provide a maritime security response role to a high level threat situation at the Port of Auckland affecting cruise ships or their passengers.

### 5.1 SCREENING ACTIVITY

#### What is intended to be achieved

This category is intended to achieve keeping passengers and people on the ground safe from a security threat.

#### How does this contribute to our objectives?<sup>1</sup>

By meeting our objective of “*effective and efficient security services*” we ensure that threats and risks don’t materialise, or are resolved as quickly and unobtrusively as possible. Effective screening processes reduce the risk of aviation security incidents and ensure that international and domestic aviation security standards and regulatory requirements are met to the highest possible degree.

#### HOW WILL WE ASSESS OUR SERVICE DELIVERY PERFORMANCE?

	2017 ESTIMATED ACTUAL	2018 ESTIMATE
<b>Quality and Timeliness:</b>		
Number of flight delays attributable to screening activities (due to security system failure <sup>9</sup> ).	Nil <sup>10</sup>	Nil <sup>10</sup>
Average passenger wait times at international departure screening points for operational efficiency and customer satisfaction.	≤ 3 mins	≤ 3 mins
Average passenger wait times at domestic departure screening points for operational efficiency and customer satisfaction.	≤ 3 mins	≤ 3 mins
Number of verified unauthorised or prohibited items discovered post screening points (due to security system failure <sup>9</sup> ).	< 3.4 items per million screened	3.4 items per million screened
Number of verified dangerous goods discovered post screening points (due to security system failure <sup>9</sup> ).	< 3.4 items per million screened	< 3.4 items per million screened
Number of substantiated complaints against security officers involved in the screening function.	No more than 1 per 250,000 passengers screened	No more than 1 per 250,000 passengers screened
Time for Explosives Detection Dog teams to respond to reactive calls <sup>11</sup> on or in the vicinity of the Tier 1 airport environs <sup>12</sup> .	New measure	≤5 minutes
<b>Quantity:</b>		
Percentage of passengers screened against an optimum screening capability of 270 persons per hour, per screening lane:		
• Metro-domestic airports (Auckland, Wellington, Christchurch)	>67.5%	>67.5%
• Metro international airports (Auckland, Wellington, Christchurch)	>64.0%	>64.0%
• Regional combined (domestic and international) airports (Queenstown and Dunedin).	>57.5%	>57.5%
Unproductive productivity percentage for staff undertaking rostered duties (rostering surplus <sup>13</sup> )	<12%	<12%

9 Systems failures on the part of the Authority include failure to detect a security threat item, equipment failure/malfunction which has the potential to compromise the security or safety of civil aviation.

10 A nil target for security impacts to the timely departure of aircraft is maintained to highlight these incidents as they occur and to reflect the commitment by the Aviation Security Service to the maintenance of a secure environment for passengers.

11 Reactive calls are where Explosive Detection Dog teams are requested to attend, e.g. unattended bags, unattended vehicles, etc.

12 Excluding Dunedin.

13 Rostering surplus is the percentage of time that operational staff is deemed to be unproductive as a result of not being required to work on specific operational duties due to fluctuating peaks in demand. When the rostering system indicates <12% rostering surplus, this is a good indication that all staff are assigned to a duty and are linked to a flight schedule to inform resourcing decisions

Explosive Detection Dog teams undertake proactive patrols<sup>14</sup> in and around the Tier 1 airports within which they operate.

New measure

50,000-70,000



## 5.2 AUDIT PERFORMANCE; ACCESS CONTROL; MARITIME SECURITY SERVICES

### What is intended to be achieved

This category is intended to achieve compliance of security screening to the standards required for airside and maritime security.

### How does this contribute to our objectives?<sup>1</sup>

High standards maintained in the delivery of security services directly contributes to our objective of "effective and efficient security services".

### HOW WILL WE ASSESS OUR SERVICE DELIVERY PERFORMANCE?

#### 2017 ESTIMATED ACTUAL

#### 2018 ESTIMATE

#### Quality:

Audit Performance: Percentage of any audit findings cleared within the specified timeframes.

100%

100%

Audit Performance: Number of corrective action requests issued pertaining to screening functions issued by the Regulator during any programmed audit.

Nil

Nil

Access Control: Number of corrective action requests pertaining to access control issued by the Regulator.

Nil

Nil

Maritime Security Services: Number of major findings from annual audit review of the readiness/provision of Maritime Security Support.

Nil

Nil

Customer Complaints: Percentage of any customer complaints cleared within 28 days.

New measure

100%

### COST TO DELIVER OUTPUT CLASS 5: SECURITY SERVICE DELIVERY

#### 2017 ESTIMATED ACTUAL \$000

#### 2018 BUDGET \$000

Contracted services<sup>15</sup>

4,821

4,649

Passenger security charges

85,915

94,067

Crown funding – Maritime Security Services

145

145

Other Revenue

2,010

975

**Total Output Revenue**

92,891

99,836

**Total Output Expenditure**

(92,460)

(98,465)

**NET SURPLUS/(DEFICIT)**

431

1,371

<sup>14</sup> Proactive patrols are foot patrols conducted around the airport, both airside and landside, and includes, car parks, check in areas, food court, baggage makeup areas, duty free areas, airline lounges, gate lounges, pier areas, walkways, storage areas etc.

<sup>15</sup> Third party contracted services include 'Cargo' and 'Gatehouse'.



**SECTION 2**

# PROSPECTIVE FINANCIAL STATEMENTS



## PROSPECTIVE FINANCIAL INDICATORS

For the year ended 30 June

	2017 ESTIMATED ACTUAL \$'000	2018 BUDGET \$'000
<b>Regulatory Function</b>		
Revenue	44,364	44,142
Output Expenditure	43,566	46,165
Net surplus/(deficit)	<b>798</b>	<b>(2,023)</b>
Bank and Investment balances	9,819	8,526
Net assets	12,180	10,157
Capital Expenditure	706	848
<b>Security Services Function</b>		
Revenue	92,891	99,836
Output Expense	92,460	98,465
Net surplus/(deficit)	<b>431</b>	<b>1,371</b>
Bank and Investment balances	24,690	24,077
Net assets	28,932	30,302
Capital Expenditure	6,817	6,567
<b>Civil Aviation Authority<sup>16</sup></b>		
Revenue	136,983	143,717
Output Expense	135,754	144,369
Net surplus/(deficit)	<b>1,229</b>	<b>(652)</b>
Bank and Investment balances	34,509	32,602
Net assets	41,112	40,459
Capital Expenditure	7,524	7,415

*The accompanying statement of accounting policies forms part of these prospective financial statements.*

## PROSPECTIVE STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the years ending 30 June

	2017 ESTIMATED ACTUAL \$000	2018 BUDGET \$000
<b>Revenue</b>		
Levies revenue	29,922	32,682
Passenger security charges	85,915	94,067
Revenue from other services	12,871	10,282
Crown funding revenue	3,532	3,200
Ministry contract revenue	2,153	2,098
Interest and other revenue	2,590	1,388
<b>Total revenue</b>	<b>136,983</b>	<b>143,717</b>
<b>Expense</b>		
Personnel costs	105,540	111,816
Other costs of services	25,959	26,830
Audit fees for financial statements	115	119
Finance costs	143	140
Depreciation and amortisation expense	3,849	5,316
Authority member costs	148	148
<b>Total expense</b>	<b>135,754</b>	<b>144,369</b>
<b>Net Surplus/(Deficit)</b>	<b>1,229</b>	<b>(652)</b>
<b>Total other comprehensive revenue and expense</b>	<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE REVENUE AND EXPENSE</b>	<b>1,229</b>	<b>(652)</b>

The accompanying statement of accounting policies forms part of these prospective financial statements.

## PROSPECTIVE STATEMENT OF CHANGES IN EQUITY

For the years ended 30 June

	2017 ESTIMATED ACTUAL \$000	2018 BUDGET \$000
<b>Equity</b>		
<b>Opening balance of equity at 1 July</b>		
General funds	22,219	26,117
Property, plant and equipment revaluation reserve	746	746
Passenger security charges and other fees and charges reserves	14,218	14,249
<b>Total opening balance of equity at 1 July</b>	<b>37,183</b>	<b>41,112</b>
Total comprehensive revenue for the year	1,229	(652)
Transfers to/(from) passenger security charges and other fees and charges reserves	31	971
Transfers to/(from) general funds	(31)	(971)
Capital contributions from the Crown	2,700	-
<b>Total changes in equity during the year</b>	<b>3,929</b>	<b>(652)</b>
<b>Closing balance of equity at 30 June</b>		
General funds	26,117	24,494
Property, plant and equipment revaluation reserve	746	746
Passenger security charges and other fees and charges reserves	14,249	15,219
<b>Total closing balance of equity at 30 June</b>	<b>41,112</b>	<b>40,459</b>

The accompanying statement of accounting policies forms part of these prospective financial statements.

## PROSPECTIVE STATEMENT OF FINANCIAL POSITION

As at 30 June

	2017 ESTIMATED ACTUAL \$000	2018 BUDGET \$000
<b>Current Assets</b>		
Cash and cash equivalents	6,009	5,103
Debtors and other receivables	13,110	15,124
Services work in progress	462	462
Investments – term deposits	28,500	27,500
<b>Total Current Assets</b>	<b>48,081</b>	<b>48,189</b>
<b>Non-Current Assets</b>		
Property, plant and equipment	15,145	16,956
Intangible assets	774	1,063
Investment Property	153	23
<b>Total Non-Current Assets</b>	<b>16,072</b>	<b>18,042</b>
<b>TOTAL ASSETS</b>	<b>64,153</b>	<b>66,231</b>
<b>Current Liabilities</b>		
Creditors and other payables	4,501	5,786
Employee entitlements	10,385	11,947
Provisions	146	146
<b>Total Current Liabilities</b>	<b>15,032</b>	<b>17,879</b>
<b>Non-Current Liabilities</b>		
Employee entitlements	6,973	6,973
Provisions	1,036	920
<b>Total Non-Current Liabilities</b>	<b>8,009</b>	<b>7,893</b>
<b>Total Liabilities</b>	<b>23,041</b>	<b>25,772</b>
<b>NET ASSETS</b>	<b>41,112</b>	<b>40,459</b>
<b>Equity</b>		
General funds	26,117	24,494
Property, plant and equipment revaluation reserve	746	746
Passenger security charges and other fees and charges reserves	14,249	15,219
<b>Total Equity</b>	<b>41,112</b>	<b>40,459</b>

The accompanying statement of accounting policies forms part of these prospective financial statements.

## PROSPECTIVE STATEMENT OF CASH FLOWS

For the years ended 30 June

	2017 ESTIMATED ACTUAL \$'000	2018 BUDGET \$'000
<b>Cash Flows From Operating Activities</b>		
<b>Cash was provided from:</b>		
Receipts from levies	30,177	32,790
Receipts from Passenger security charges and other services	98,582	102,521
Receipts from Crown funding and Ministry contracts	5,640	5,264
Interest received	780	906
Receipts from other revenue	2,218	934
<b>Total</b>	<b>137,397</b>	<b>142,415</b>
<b>Cash was applied to:</b>		
Payments to employees	(98,913)	(105,286)
Payments to suppliers	(33,792)	(30,922)
Goods and Services Tax (net)	44	(698)
<b>Total</b>	<b>(132,661)</b>	<b>(136,906)</b>
<b>Net Cash Flows from Operating Activities</b>	<b>4,736</b>	<b>5,509</b>
<b>Cash Flows From Investing Activities</b>		
<b>Cash was provided from:</b>		
Maturity of investments	2,500	1,000
<b>Total</b>	<b>2,500</b>	<b>1,000</b>
<b>Cash was applied to:</b>		
Purchase of property, plant and equipment	(7,133)	(6,803)
Purchase of intangible assets	(390)	(612)
<b>Total</b>	<b>(7,523)</b>	<b>(7,415)</b>
<b>Net Cash Flows from Investing Activities</b>	<b>(5,023)</b>	<b>(6,415)</b>
<b>Cash Flows From Financing Activities</b>		
<b>Cash was provided from:</b>		
Capital contributions from the Crown	2,700	-
<b>Total</b>	<b>2,700</b>	<b>-</b>
<b>Cash was applied to:</b>		
<b>Net Cash Flows from Financing Activities</b>	<b>2,700</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>2,413</b>	<b>(906)</b>
<b>OPENING CASH AND CASH EQUIVALENTS AT 1 JULY</b>	<b>3,596</b>	<b>6,009</b>
<b>CLOSING CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	<b>6,009</b>	<b>5,103</b>

The accompanying statement of accounting policies forms part of these prospective financial statements.

**SECTION 3**

**NOTES TO THE  
PROSPECTIVE  
FINANCIAL  
STATEMENTS**

## STATEMENT OF SIGNIFICANT UNDERLYING ASSUMPTIONS

The prospective financial statements have been prepared in accordance with the Crown Entities Act 2004. They comprise:

- // the combined prospective financial statements for both the Regulatory Function and the Security Service Function of the Civil Aviation Authority (the Authority); and
- // separate prospective financial statements for each of the Regulatory Function and the Security Service Function of the Authority.

This is in accordance with the Civil Aviation Act 1990 and the Civil Aviation Charges Amendment Regulations 2002, which require the Authority to maintain separate accounting records for each of the Regulatory Function and the Security Service Function of the Authority.

A number of decisions made and events that occurred in the 2016/17 financial year have a significant impact on these prospective financial statements. For the Regulatory Function this includes:

- // Regulatory Triennial Funding Review – on 7 April 2017 the outcomes of the Regulatory Function’s Triennial Funding Review were announced publically and will come into effect from 1 July 2017. The budgeted revenues in the 2017/18 financial year reflect the changes announced, including the 50% reduction applied in the first year (i.e. 2017/18) to new operator safety levies being introduced. The impact of this one-off reduction is \$0.8 million of foregone revenue, which is a contributory factor to the budgeted deficit in the Regulatory Function in 2017/18.
- // Business System Replacement – following the successful implementation of the Authority’s new Electronic Content Management System (ECMS) in the 2016/17 financial year, a \$1.0 million provision has been made by the Regulatory Function for investment in the replacement of its key business system- the Aviation Safety Management Systems (ASMS). This has been budgeted as an operating cost, since the replacement is expected to be delivered as a ‘software as a service’ solution rather than as a capital investment. This budget provision is a further major cause of the budgeted deficit in 2017/18 in the Regulatory Function. The final investment decision is subject to the Board’s approval of a business case.

For the Security Service Function this includes:

- // Increased domestic screening activities and related changes to both the international and domestic passenger security charge that came into effect on 6 December 2016. The prospective financial statements for the Security Service for 2017/18 represent the full year impact of these changes.

Consistent with the legislative framework, the following significant assumptions have been applied in preparing the prospective financial statements for the Authority.

### PASSENGER VOLUMES

Forecasting revenue from safety levies and security charges based on domestic and international passenger volumes remains problematic. This is due to the competitiveness and commercial confidentiality surrounding airlines planned activity and projected passenger numbers, and the impacts external factors such as economic events and natural disasters can have, in terms of market responses by operators and consumer behaviour.

	2016/17 ESTIMATED ACTUAL '000	2017/18 BUDGET '000
<b>PASSENGER NUMBERS</b>		
Safety levies: Domestic	12,614	13,057
Security charges: Domestic	7,043	7,242
Safety levy and Security charges: International	6,288	6,581

### Projected Passenger Numbers

A 1% movement in domestic and international passenger volumes would have an estimated impact on projected revenues depicted in the table below.

	2016/17 ESTIMATED ACTUAL '000	2017/18 BUDGET '000
<b>REVENUE</b>		
Domestic Passenger Safety levy charges <sup>a</sup>	212	216
Domestic Passenger Security charges	356	366
International Passenger Safety levy charges	82	110
International Passenger Security charges	547	573

<sup>a</sup> Assuming 1% variance at budgeted ANZA non-ANZA proportions

Aviation Security Function domestic passenger security charges are based upon departing passengers carried on jet aircraft with 90 or more passengers on each domestic sector. The Regulatory Function passenger safety levy is based upon departing passengers carried on each domestic sector by all airlines carrying greater than 20,000 passengers per annum.

Revenues have been estimated based on the following projections of passenger volumes:

- // Volumes of passengers departing on international flights are predicted to increase by 5.7% over the 2016/17 estimated actual to 6.6 million in 2017/18, reflecting strong volume increases in Auckland and strong percentage growth in Queenstown.
- // Aviation Security screened domestic passenger volumes are forecast to increase by 2.8% over the 2016/17 estimated actual to 7.2 million in 2017/18. This is reflective of strong growth in volumes in Auckland and strong percentage growth in Queenstown.
- // The total number of passengers departing on domestic flights is forecast to increase by 2.8% over the 2016/17 estimated actual to 13.0 million in 2017/18.

Other assumptions for the 2017/18 Statement of Performance Expectations are:

- // No new large airline will enter or exit the New Zealand market
- // There will be no additional airports requiring the introduction of security screening services. Security screening operations will be provided at Auckland, Wellington, Christchurch, Dunedin and Queenstown.

## REGULATORY FUNCTION

### LEVY REVENUE

Revenue from safety levies are collected on the total number of passengers departing on domestic and international flights and have been estimated based on the projections in the tables on page 21.

The 2017/18 budget has been set based on expected adjustments to the current Civil Aviation (Safety) Levies Order 2002 arising from the Triennial Funding Review, which will see the international and domestic passenger safety levies both set at \$1.60 (GST exclusive). Airlines operating domestically under Australia-New Zealand Aviation (ANZA) privileges will pay a domestic passenger levy of \$1.57 (GST exclusive).

In addition, new operator safety levies will be introduced from 1 July that apply to commercial aviation operations i.e. agricultural, adventure, freight-only and those that carry fewer than 20,000 passengers per annum. The new levies will be phased in over two years, being calculated on 50% of the rate for each activity in the 2017/18 year and with the full rate being applied in the next and subsequent years.

### FEES AND CHARGES REVENUE

The revenue for fees and charges are based on the changes being drafted to the existing Civil Aviation Charges Regulations (No2) 1991 Amendment Regulation 2012 arising from the Triennial Funding Review, with the pricing structure reflecting the size of the industry and the income recoverable from regulatory interventions. The changes include the removal of hourly charges from all routine inspections and monitoring of participants, and reductions in the standard medical certification fees (but with the introduction of an hourly charge for Accredited Medical Conclusions for all hours in excess of the first two).

### CROWN FUNDING REVENUE

The revenue appropriated by the Crown includes \$1.3

million in 2017/18 and outyears for administering the Civil Aviation Authority's designation under the new Health and Safety at Work Act 2015.

### PERSONNEL COSTS

The 2017/18 budget has been prepared on a Regulatory Function staff establishment of 262.5 full-time equivalent positions.

The budgeted personnel costs include provision for performance related increases and to assist with attracting and retaining key staff

### OPERATING SURPLUSES/DEFICITS

It is intended that the projected deficit in 2017/18 shown in the Prospective Statement of Comprehensive Revenue and Expense on page 29 will be incurred to fund capability projects and will reduce accumulated reserves.

### EQUITY

The Board's policy is to maintain a minimum cash reserve of \$4 million to manage the risk of external shocks.

## SECURITY SERVICE FUNCTION

### PASSENGER SECURITY CHARGES

Passenger security charges have been estimated based on the projections of security screened domestic and international passenger volumes stated in the tables on page 21.

The 2017/18 budget has been set using the regulated passenger security charges set in December 2016. Effective 6 December 2016, the domestic passenger levy increased to \$5.05 (GST exclusive) and the international security charge reduced to \$8.70 (GST exclusive).

These revised passenger security charges were set at a level that reflected the Security Service Function's normal operating costs and anticipated efficiency gains

### CONTRACTED SERVICES REVENUE

The Security Service Function receives revenue from security services work provided to third parties. The revenue level is assumed to be lower than 2016/17 activity levels due to reduced demand for 'Last Point of Departure' screening for USA bound international departures.

### PERSONNEL COSTS

The 2017/18 budget has been prepared on a Security Service Function average establishment of 913 full-time equivalent positions.

### OPERATING SURPLUSES/DEFICITS

It is intended that the projected surpluses in 2016/17 and 2017/18 shown in the Prospective Statement of Comprehensive Revenue and Expense on page 29 will increase accumulated reserves.

### EQUITY

The Board's policy is to maintain a \$10 million reserve. The purpose and targeted level of this reserve was reviewed as part of the Security Service Function's review of passenger charges approved by Cabinet in 2013. The level of reserves will continue to be closely monitored ahead of the Security Service Function's next scheduled funding review.



# STATEMENT OF ACCOUNTING POLICIES

## REPORTING ENTITY

The Authority is government-owned and was established in New Zealand under the Civil Aviation Act 1990 as a Crown Entity on 10 August 1992, and is domiciled in New Zealand. As a Crown Entity, the Authority is also subject to the provisions of the Crown Entities Act 2004. The Authority has a responsibility to work towards the development and delivery of achieving an integrated, safe, responsive and sustainable civil aviation system.

To fulfil these statutory responsibilities, the Authority comprises the Regulatory and Security Services Functions.

As the Authority's primary objective is to provide services for social benefit rather than for the purpose of making a financial return, the Authority has designated itself as a public benefit entity for financial reporting under New Zealand equivalents to International Public Sector Accounting Standards.

## BASIS OF PREPARATION

The prospective financial statements have been prepared in accordance with the requirements of the Crown Entities Act 2004 and the Civil Aviation Act 1990, which includes the requirement to comply with the New Zealand Generally Accepted Accounting Practice (NZ GAAP).

The prospective financial statements comply with NZ FRS 42 and Public Benefit Entity (PBE) accounting standards.

The prospective financial statements will not be further updated subsequent to publication.

The prospective financial statements contain information that may not be appropriate for purposes other than those described in the Board Statement on page 2.

## MEASUREMENT BASIS

The prospective financial statements have been prepared on an historical cost basis, except where modified by the revaluation of certain items of property, plant and equipment, and the measurement of any derivative financial instruments at fair value.

With the exception of cash flow information which has been prepared on a cash basis, the prospective financial statements have been prepared on the basis of accrual accounting.

## FUNCTIONAL AND PRESENTATION CURRENCY

The functional and presentation currency is New Zealand dollars. All values are rounded to the nearest thousand dollars (\$000).

## CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies.

## SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies, which materially affect the measurement of financial performance and financial position, have been applied:

### REVENUE

The Authority earns revenue from:

- // Regulated levies and charges on airlines based on departing international passenger volumes and domestic sectors travelled by passengers;
- // Fees and charges for regulatory and aviation safety functions and security activities;
- // Interest revenue;
- // Crown funding through Vote Transport; and
- // Ministry contracts (Ministry of Transport for aviation rules development and Ministry of Foreign Affairs and Trade for Pacific Security Fund activity)..

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

Section 72 of the Civil Aviation Act 1990, prevents the Authority from applying revenue from levies, fees and charges made by one part of the entity to the activities of the other part of the entity.

### PROVISION OF FEE-BASED SERVICES

Revenue derived from the Authority's provision of safety and regulatory services is recognised in the Prospective Statement of Comprehensive Revenue and Expense in the period that the services have been rendered, in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to the time spent on the work to date and the estimated time to completion.

### INTEREST

Interest revenue is recognised using the effective interest method.

## CROWN FUNDING AND MINISTRY CONTRACTS

Revenue provided by the Crown and revenue earned under Ministry contracts is recognised in the Prospective Statement of Comprehensive Revenue and Expense in the period in which the Authority provides the funded programmes..

## GOODS AND SERVICES TAX

All items in the prospective financial statements are presented exclusive of Goods and Services Tax (GST), except receivables and payables, which are presented on a GST inclusive basis. Where GST is not recoverable, it is recognised as part of the related asset or expense.

Net GST receivable or payable at balance date is included in receivables or payables in the Prospective Statement of Financial Position as appropriate. Commitments and contingencies are disclosed exclusive of GST.

The net GST paid, or received, including the GST relating to investing and financing activities, is classified as an operating cash flow in the Prospective Statement of Cash Flows.

## INCOME TAX

The Authority is a Public Authority in terms of the Income Tax Act 2004 and is consequently exempt from the payment of income tax. Accordingly, no charge for income tax has been provided for.

## PAYMENT OF ANY SURPLUS TO THE CROWN

Section 165 of the Crown Entities Act 2004 provides the Minister of Finance with discretion to require Crown Entities to return annual and accumulated operating surpluses to the Crown, unless exempted in Schedule 1. The Authority is so exempted. However, section 72CA of the Civil Aviation Act 1990 specifically provides that the Aviation Security Service surplus funds are subject to a similar requirement by the Minister of Finance.

## DERIVATIVE FINANCIAL INSTRUMENTS AND FOREIGN CURRENCY TRANSACTIONS

Financial instruments measured at fair value through profit or loss – comprising forward exchange contract derivatives

Financial instruments in this category comprise those either held for trading or designated at fair value through profit or loss at inception. Under New Zealand equivalents to International Public Sector Accounting Standards, those derivatives not designated as hedge accounting instruments are classified as held for trading instruments irrespective of the purpose for which they have been entered into. The Authority enters into forward exchange contract derivatives from time to time solely to mitigate currency risks associated with its operational activities.

Forward exchange contract derivatives are recognised in the Prospective Statement of Financial Position at their fair value. Realised and unrealised gains and losses arising from changes in fair value or upon settlement are recognised in the Prospective Statement of Comprehensive Revenue and Expense in the period in which they arise.

## FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions are translated into New Zealand dollars using the exchange rates prevailing at the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of foreign currency monetary assets and liabilities, are recognised in the Prospective Statement of Comprehensive Revenue and Expense.

## OTHER FINANCIAL ASSETS

Financial assets are initially recognised at fair value. Financial assets are de-recognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Authority has transferred substantially all the risks and rewards of ownership.

### Loans and receivables financial assets – comprising cash and cash equivalents, debtors and other receivables

Loans and receivables financial assets are non-derivative financial assets with fixed or determinable payments that are not traded in an active market. After initial recognition, loans and receivables financial assets are carried at amortised cost using the effective interest method.

### Financial liabilities measured at amortised cost – comprising creditors and other payables, finance lease liabilities

After initial recognition, financial liabilities measured at amortised cost are carried at amortised cost using the effective interest method..

## IMPAIRMENT OF FINANCIAL ASSETS

Financial instruments are regularly reviewed for objective evidence of impairment. Both provisioned and non-provisioned bad debts are written-off when recovery actions have been unsuccessful and when the likelihood of recovery is considered remote.

## LEASES

### Operating leases

The Authority leases office premises and office equipment. As substantially all the risks and rewards incidental to ownership of the asset are retained by the lessor, these leases are classified as operating leases. Operating lease payments are recognised in the Prospective Statement of Comprehensive Revenue and Expense as an expense on a straight-line basis over the lease term.

### Cash and cash equivalents

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

## SERVICE'S WORK IN PROGRESS

The Authority carries services work in progress that includes costs incurred in the partial completion of certification and audit engagements.

The Authority's services work in progress is measured at the lower of the costs incurred to date for the specific work being undertaken, and net realisable value. The estimated net realisable value is based on the contracted service price.

Any write-down from cost to net realisable value for services work in progress in the provision of services is recognised in the Prospective Statement of Comprehensive Revenue and Expense when the write-down occurs.

## INVESTMENTS

At each balance date the Authority assesses whether there is any objective evidence that an investment is impaired.

## BANK DEPOSITS

Investments in bank deposits are initially measured at fair value plus transaction costs. After initial recognition, investments are measured at amortised cost using the effective interest method. For bank deposits, impairment is established when there is objective evidence that the Authority will not be able to collect amounts due according to the original terms of the deposit. Significant financial difficulties of the bank, probability that the bank will enter into bankruptcy, and default in payments are considered factors that the deposit is impaired.

## PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment assets are carried at cost or fair value less any accumulated depreciation and impairment losses.

## ACCOUNTING FOR REVALUATIONS

The Authority accounts for the revaluation of property, plant and equipment on a class of assets basis. The results of revaluation are recorded in the appropriate asset revaluation reserve for that class of asset. Where this results in a debit balance in the asset revaluation reserve, this balance is expensed in the Prospective Statement of Comprehensive Revenue and Expense. Any subsequent increase in the revaluation that offsets a previous decrease in value recognised in the Prospective Statement of Comprehensive Revenue and Expense will be recognised first in the Prospective Statement of Comprehensive Revenue and Expense up to the amount previously expensed, and then credited to the revaluation reserve for the asset class.

## ADDITIONS

The cost of an item of property, plant and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. The minimum cost value for a purchase to be classified as a property, plant and equipment asset is \$2,000.

## DISPOSALS

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset and are included in the Prospective Statement of Comprehensive Revenue and Expense. When re-valued assets are sold, the amounts included in revaluation reserves in respect of these assets are transferred to general funds.

## SUBSEQUENT COSTS

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. The costs of day-to-day servicing of property, plant and equipment are recognised in the Prospective Statement of Comprehensive Revenue and Expense as they are incurred.

## DEPRECIATION

Depreciation is provided for on a straight-line basis on all property, plant and equipment at rates that will write off the cost of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Buildings (including components)	10-24 years	10%-4%
Leasehold improvements	Remaining life of lease	
Furniture and fittings	10 years	10%
Plant and equipment	5-10 years	20%-10%
Office equipment	5 years	20%
Motor vehicles	4-5 years	25%-20%
Computer equipment	3-4 years	33%-25%

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year-end.

## INTANGIBLE ASSETS

### Software acquisition and development

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

Costs incurred by the Authority for the development of software for internal use, other than for the development of software associated with websites, are recognised as an intangible asset where the asset meets the criteria for recognition. Costs recognised include the software development, employee costs and any other directly attributable costs.

Staff training costs are recognised as an expense when incurred.

Costs associated with maintaining computer software, staff training, and with the development and maintenance of websites, are expensed when incurred.

## Amortisation

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 that the asset is de-recognised. The amortisation charge for each period is recognised in the Prospective Statement of Comprehensive Revenue and Expense.

The useful lives and associated amortisation rates of major classes of intangible asset have been estimated as follows:

Acquired computer software	3-5 years	33%-20%
Developed computer software	3-5 years	33%-20%

## Impairment of property, plant and equipment and intangibles

The Authority does not hold any cash-generating assets. Assets are considered cash-generating where their primary objective is to generate a commercial return.

## NON-CASH GENERATING ASSETS

Property, plant and equipment and intangible assets that have a finite useful life are reviewed for indicators of impairment at each financial reporting date and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable service amount. The recoverable service amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is determined using an approach based on either a depreciated replacement cost approach, restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

If an asset is impaired, its carrying amount is written down to the recoverable amount. For assets carried at historical cost the total impairment loss and any subsequent reversals of impairment are recognised in the Prospective Statement of Comprehensive Revenue and Expense.

## INVESTMENT PROPERTY

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

Investment property is measured initially at its cost, including transaction costs. After initial recognition, investment property is measured at fair value as determined annually by an independent valuer.

Gains or losses arising from a change in fair value of investment property are recognised in the Prospective Statement of Comprehensive Revenue and Expense..

## BORROWINGS

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

Borrowings are classified as current liabilities unless the Authority has an unconditional right to defer settlement of the liability for at least 12 months after the balance date, or if the borrowings are expected to be settled within 12 months of the balance date.

Borrowing costs are recognised as an expense in the financial year in which they are incurred.

## EMPLOYEE ENTITLEMENTS

### Short-term employee entitlements

Employee entitlements that the Authority expects to be settled within 12 months of balance date are measured at undiscounted nominal values based on accrued entitlements at current rates of pay.

The Authority recognises a liability and an expense for bonuses where it is contractually obliged to pay them, or where there is a past practice that has created a constructive obligation.

### Long-term employee entitlements

Entitlements that are payable beyond 12 months are calculated on an actuarial basis by independent consulting actuaries. The calculations are based on:

- // likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information; and
- // the present value of the estimated future cash flows.

The discount rate is based on the weighted average of interest rates for Government stock with terms to maturity similar to those of the relevant liabilities. The inflation factor is based on the expected long-term increase in remuneration for employees.

### Post-employment entitlements

Superannuation schemes: Obligations for the Authority's contributions to KiwiSaver, Government Superannuation Fund, and National Provident Fund are accounted for as contributions to a defined-contribution superannuation scheme and are recognised as an expense in the Prospective Statement of Comprehensive Revenue and Expense.

## PROVISIONS

The Authority recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditures will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money, and the risks specific to the obligation.

## EQUITY

Equity is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified in to the following components:

- // General Funds
- // Property plant and equipment revaluation reserve
- // Passenger security charges and other fees and charges reserves
- // Passenger safety reserves

## PROPERTY REVALUATION RESERVE

This reserve relates to the revaluation of property, plant and equipment to fair value.

## PASSENGER SECURITY RESERVE

This reserve relates to the accumulated surpluses/deficits arising from the recovery of costs relating to passenger security activities.

## PASSENGER SAFETY RESERVE

This reserve relates to the accumulated surpluses/deficits arising from the different funding sources relating to safety and regulatory activities.

## OUTPUT COSTING

### Criteria for direct and indirect costs

Direct costs are those costs directly attributable to an output. Indirect costs are those costs that cannot be identified with a specific output in an economically feasible manner.

Indirect costs for the Aviation Safety and Regulatory Function, including indirect depreciation, are charged on the basis of full time equivalent staff members attributable to an output.

Indirect personnel, property, occupancy and certain other indirect costs for the Aviation Security Service are charged on the basis of budgeted staff hours attributable to an output. Depreciation and capital charges are charged on the basis of asset utilisation.

The allocation of indirect costs to activities funded by way of a non-regulated charge will depend on the commercial basis on which the services are priced.

## CRITERIA FOR APPORTIONING SUPPORT SERVICES COSTS

The delivery of shared support services for both the Aviation Safety and Regulatory Function and the Aviation Security Service was established from 7 November 2011. The costs arising in each shared services group (Business Development and Services, and Legal Services) are apportioned to the two operational arms by applying an allocation methodology which reflects the underlying key business drivers. These business drivers are reviewed on a regular basis to ensure that both Aviation Safety and Regulatory Function and Aviation Security Service bear an equitable share of the costs of providing shared services.

## CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS

In preparing the prospective financial statements the Authority has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors including expectations of future events, rather than actually occurring events or transactions, which are believed to be reasonable under the circumstances.

There are no critical accounting estimates and assumptions that will cause material adjustments to the carrying amounts of assets and liabilities within the financial year.

SECTION 4

**ADDITIONAL  
PROSPECTIVE  
FINANCIAL  
INFORMATION**

## PROSPECTIVE STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the years ended 30 June

	REGULATORY FUNCTION		SECURITY SERVICE FUNCTION		CIVIL AVIATION AUTHORITY <sup>17</sup>	
	2017 ESTIMATED ACTUAL \$000	2018 BUDGET \$000	2017 ESTIMATED ACTUAL \$000	2018 BUDGET \$000	2017 ESTIMATED ACTUAL \$000	2018 BUDGET \$000
<b>Revenue</b>						
Levies revenue	29,922	32,682	-	-	29,922	32,682
Passenger security charges	-	-	85,915	94,067	85,915	94,067
Revenue from other services	8,095	5,667	4,821	4,649	12,871	10,282
Crown funding revenue	3,387	3,055	145	145	3,532	3,200
Ministry contract revenue	2,140	2,098	13	-	2,153	2,098
Interest and other revenue	820	640	1,997	975	2,590	1,388
<b>Total Revenue</b>	<b>44,364</b>	<b>44,142</b>	<b>92,891</b>	<b>99,836</b>	<b>136,983</b>	<b>143,717</b>
<b>Expense</b>						
Personnel costs	33,636	35,839	71,904	75,977	105,540	111,816
Other costs of services	8,790	9,338	17,441	17,753	25,959	26,830
Audit fees for financial statements	115	119	-	-	115	119
Finance costs	-	-	143	140	143	140
Depreciation and amortisation expense	877	721	2,972	4,595	3,849	5,316
Authority member costs	148	148	-	-	148	148
<b>Total Expenses</b>	<b>43,566</b>	<b>46,166</b>	<b>92,460</b>	<b>98,465</b>	<b>135,754</b>	<b>144,369</b>
<b>Net Surplus/(Deficit)</b>	<b>798</b>	<b>(2,023)</b>	<b>431</b>	<b>1,371</b>	<b>1,229</b>	<b>(652)</b>
<b>Total other comprehensive revenue and expense</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE REVENUE AND EXPENSE</b>	<b>798</b>	<b>(2,023)</b>	<b>431</b>	<b>1,371</b>	<b>1,229</b>	<b>(652)</b>

<sup>17</sup> The consolidation is net of the elimination of the cost of CAA compliance audit of Avsec under part 140 and 141 of the Civil Aviation Act 1990.

The accompanying statement of accounting policies forms part of these prospective financial statements.

## PROSPECTIVE STATEMENT OF CHANGES IN EQUITY

For the years ended 30 June

	REGULATORY FUNCTION		SECURITY SERVICE FUNCTION		CIVIL AVIATION AUTHORITY	
	2017 ESTIMATED ACTUAL \$000	2018 BUDGET \$000	2017 ESTIMATED ACTUAL \$000	2018 BUDGET \$000	2017 ESTIMATED ACTUAL \$000	2018 BUDGET \$000
<b>Equity</b>						
<b>Opening Balance of Equity at 1 July</b>						
General funds	11,382	12,180	10,837	13,937	22,218	26,116
Property, plant and equipment revaluation reserve	-	-	746	746	746	746
Passenger security charges and other fees and charges reserves	-	-	14,218	14,249	14,218	14,249
<b>Total opening balance of equity at 1 July</b>	<b>11,382</b>	<b>12,180</b>	<b>25,801</b>	<b>28,932</b>	<b>37,183</b>	<b>41,112</b>
Total comprehensive revenue and expense	798	(2,023)	431	1,371	1,229	(653)
Transfers to passenger security charges and other fees and charges reserves	-	-	31	971	31	971
Transfer from general funds	-	-	(31)	(971)	(31)	(971)
Capital contribution from Crown	-	-	2,700	-	2,700	-
<b>Total changes in equity during the year</b>	<b>798</b>	<b>(2,023)</b>	<b>3,131</b>	<b>1,371</b>	<b>3,929</b>	<b>(653)</b>
<b>Closing balance of taxpayers' equity at 30 June</b>						
General funds	12,180	10,157	13,937	14,337	26,116	24,493
Property, plant and equipment revaluation reserve	-	-	746	746	746	746
Passenger security charges and other fees and charges reserves	-	-	14,249	15,219	14,249	15,219
<b>Total closing balance of taxpayers' equity at 30 June</b>	<b>12,180</b>	<b>10,157</b>	<b>28,932</b>	<b>30,302</b>	<b>41,112</b>	<b>40,459</b>

The accompanying statement of accounting policies forms part of these prospective financial statements.



## PROSPECTIVE STATEMENT OF FINANCIAL POSITION

As at 30 June

	REGULATORY FUNCTION		SECURITY SERVICE FUNCTION		CIVIL AVIATION AUTHORITY	
	2017 ESTIMATED ACTUAL \$000	2018 BUDGET \$000	2017 ESTIMATED ACTUAL \$000	2018 BUDGET \$000	2017 ESTIMATED ACTUAL \$000	2018 BUDGET \$000
<b>Current Assets</b>						
Cash and cash equivalents	2,319	2,026	3,690	3,077	6,010	5,102
Debtors and other receivables	3,723	3,643	9,973	12,234	13,110	15,124
Services work in progress	462	462	-	-	462	462
Investments – term deposits	7,500	6,500	21,000	21,000	28,500	27,500
<b>Total Current Assets</b>	<b>14,004</b>	<b>12,631</b>	<b>34,663</b>	<b>36,311</b>	<b>48,081</b>	<b>48,189</b>
<b>Non-Current Assets</b>						
Property, plant and equipment	2,677	2,437	12,468	14,519	15,145	16,956
Intangible assets	164	532	610	531	774	1,063
Investment Property	-	-	153	23	153	23
<b>Total Non-Current Assets</b>	<b>2,841</b>	<b>2,969</b>	<b>13,231</b>	<b>15,073</b>	<b>16,072</b>	<b>18,042</b>
<b>TOTAL ASSETS</b>	<b>16,845</b>	<b>15,600</b>	<b>47,894</b>	<b>51,384</b>	<b>64,153</b>	<b>66,230</b>
<b>Current Liabilities</b>						
Creditors and other payables	1,895	2,456	3,192	4,083	4,502	5,786
Employee entitlements	2,369	2,586	8,016	9,361	10,385	11,946
Provisions	-	-	146	146	146	146
<b>Total Current Liabilities</b>	<b>4,264</b>	<b>5,042</b>	<b>11,354</b>	<b>13,590</b>	<b>15,032</b>	<b>17,878</b>
<b>Non-Current Liabilities</b>						
Employee entitlements	322	322	6,651	6,651	6,973	6,973
Provisions	79	79	957	841	1,036	920
<b>Total Non-Current Liabilities</b>	<b>401</b>	<b>401</b>	<b>7,608</b>	<b>7,492</b>	<b>8,009</b>	<b>7,893</b>
<b>Total Liabilities</b>	<b>4,665</b>	<b>5,442</b>	<b>18,963</b>	<b>21,082</b>	<b>23,042</b>	<b>25,771</b>
<b>NET ASSETS</b>	<b>12,180</b>	<b>10,157</b>	<b>28,931</b>	<b>30,302</b>	<b>41,112</b>	<b>40,459</b>
<b>Equity</b>						
General funds	12,180	10,157	13,937	14,337	26,116	24,493
Property, plant and equipment revaluation reserve	-	-	746	746	746	746
Passenger security charges and other fees and charges reserves	-	-	14,249	15,219	14,249	15,219
<b>Total Equity</b>	<b>12,180</b>	<b>10,157</b>	<b>28,932</b>	<b>30,302</b>	<b>41,112</b>	<b>40,459</b>

The accompanying statement of accounting policies forms part of these prospective financial statements.

## PROSPECTIVE STATEMENT OF CASH FLOWS

For the years ended 30 June

	REGULATORY FUNCTION		SECURITY SERVICE FUNCTION		CIVIL AVIATION AUTHORITY	
	2017 ESTIMATED ACTUAL \$000	2018 BUDGET \$000	2017 ESTIMATED ACTUAL \$000	2018 BUDGET \$000	2017 ESTIMATED ACTUAL \$000	2018 BUDGET \$000
<b>Cash Flows From Operating Activities</b>						
<b>Cash was provided from:</b>						
Receipts from Levies	30,177	32,790	-	-	30,177	32,790
Receipts from Passenger security charges and other services	7,269	5,128	91,313	97,393	98,582	102,521
Receipts from Crown funding and Ministry contracts	5,527	5,153	158	145	5,640	5,264
Interest received	306	300	474	606	780	906
Receipts from other income	514	340	1,931	821	2,218	934
<b>Total</b>	<b>43,793</b>	<b>43,711</b>	<b>93,876</b>	<b>98,965</b>	<b>137,397</b>	<b>142,415</b>
<b>Cash was applied to:</b>						
Payments to employees	(30,597)	(33,506)	(68,316)	(71,780)	(98,913)	(105,286)
Payments to suppliers	(12,343)	(10,769)	(21,721)	(20,414)	(33,792)	(30,922)
Goods and Services Tax (net)	12	119	32	(817)	44	(698)
<b>Total</b>	<b>(42,928)</b>	<b>(44,156)</b>	<b>(90,005)</b>	<b>(93,011)</b>	<b>(132,661)</b>	<b>(136,906)</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>865</b>	<b>(445)</b>	<b>3,871</b>	<b>5,954</b>	<b>4,736</b>	<b>5,509</b>
<b>Cash Flows From Investing Activities</b>						
<b>Cash Was Provided From:</b>						
Maturity of investments	1,500	1,000	1,000	-	2,500	1,000
<b>Total</b>	<b>1,500</b>	<b>1,000</b>	<b>1,000</b>	<b>-</b>	<b>2,500</b>	<b>1,000</b>
<b>Cash was applied to:</b>						
Purchase of property plant and equipment	(612)	(406)	(6,521)	(6,397)	(7,133)	(6,803)
Purchase of intangible assets	(94)	(442)	(296)	(170)	(390)	(612)
<b>Total</b>	<b>(706)</b>	<b>(848)</b>	<b>(6,817)</b>	<b>(6,567)</b>	<b>(7,523)</b>	<b>(7,415)</b>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>794</b>	<b>152</b>	<b>(5,817)</b>	<b>(6,567)</b>	<b>(5,023)</b>	<b>(6,415)</b>

	REGULATORY FUNCTION		SECURITY SERVICE FUNCTION		CIVIL AVIATION AUTHORITY	
	2017 ESTIMATED ACTUAL \$000	2018 BUDGET \$000	2017 ESTIMATED ACTUAL \$000	2018 BUDGET \$000	2017 ESTIMATED ACTUAL \$000	2018 BUDGET \$000
<b>Cash Flows From Financing Activities</b>						
<b>Cash Was Provided From:</b>						
Capital contributions from the Crown	-	-	2,700	-	2,700	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>2,700</b>	<b>-</b>	<b>2,700</b>	<b>-</b>
<b>Cash was applied to:</b>						
Net Cash Flows from Financing Activities	-	-	2,700	-	2,700	-
Net increase/decrease in cash and cash equivalents	1,659	(293)	754	(613)	2,413	(906)
<b>OPENING CASH AND CASH EQUIVALENTS AT 1 JULY</b>	<b>660</b>	<b>2,319</b>	<b>2,936</b>	<b>3,690</b>	<b>3,596</b>	<b>6,009</b>
<b>CLOSING CASH &amp; CASH EQUIVALENTS AT 30 JUNE</b>	<b>2,319</b>	<b>2,026</b>	<b>3,690</b>	<b>3,077</b>	<b>6,009</b>	<b>5,103</b>

The accompanying statement of accounting policies forms part of these prospective financial statements.

## PROSPECTIVE RECONCILIATION OF EQUITY: REGULATORY FUNCTION

For the years ended 30 June

2018 BUDGET \$000	FIXED FEE	HOURLY CHARGES	OTHER (VOTE TRANSPORT & MOT CONTRACT)	GENERAL FUNDS (INCLUDING LEVIES)
Revenue	1,836	3,831	5,153	33,323
Expense	(4,648)	(7,971)	(7,313)	(26,235)
<b>Net surplus/(deficit)</b>	<b>(2,812)</b>	<b>(4,140)</b>	<b>(2,160)</b>	<b>7,088</b>
Opening balance at 1 July	-	-	-	12,180
Transfer (from) to other reserves	2,812	4,140	2,160	(9,112)
<b>CLOSING BALANCE AT 30 JUNE</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,157</b>

2017 ESTIMATED ACTUAL \$000	FIXED FEE	HOURLY CHARGES	OTHER (VOTE TRANSPORT & MOT CONTRACT)	GENERAL FUNDS (INCLUDING LEVIES)
Revenue	2,956	5,140	5,535	30,733
Expense	(4,322)	(11,239)	(6,769)	(21,236)
<b>Net surplus/(deficit)</b>	<b>(1,366)</b>	<b>(6,099)</b>	<b>(1,234)</b>	<b>9,496</b>
Opening balance at 1 July	-	-	-	11,382
Transfer (from) to other reserves	1,366	6,099	1,234	(8,698)
<b>CLOSING BALANCE AT 30 JUNE</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,180</b>

## PROSPECTIVE RECONCILIATION OF EQUITY: SECURITY SERVICE FUNCTION

For the years ended 30 June

2018 BUDGET \$000	INTERNATIONAL PASSENGER SECURITY CHARGES	DOMESTIC PASSENGER SECURITY CHARGES	TOTAL PASSENGER SECURITY CHARGES	OTHER FEES/ CHARGES	TOTAL SPECIFIC RESERVES	PROPERTY, PLANT AND EQUIPMENT REVALUATION RESERVE	GENERAL FUNDS
Revenue	57,255	36,811	94,066	4,794	98,860	-	-
Expense	(57,472)	(35,224)	(92,696)	(4,793)	(97,489)	-	-
<b>Net surplus/(deficit)</b>	<b>(217)</b>	<b>1,587</b>	<b>1,370</b>	<b>1</b>	<b>1,371</b>	<b>-</b>	<b>-</b>
Opening balance at 1 July	13,016	720	13,736	513	14,249	746	13,937
Transfer (from) to specific reserves	(280)	(120)	(400)	-	(400)	-	400
<b>CLOSING BALANCE AT 30 JUNE</b>	<b>12,519</b>	<b>2,187</b>	<b>14,706</b>	<b>514</b>	<b>15,219</b>	<b>746</b>	<b>14,336</b>

2017 ESTIMATED ACTUAL \$000	INTERNATIONAL PASSENGER SECURITY CHARGES	DOMESTIC PASSENGER SECURITY CHARGES	TOTAL PASSENGER SECURITY CHARGES	OTHER FEES/ CHARGES	TOTAL SPECIFIC RESERVES	PROPERTY, PLANT AND EQUIPMENT REVALUATION RESERVE	GENERAL FUNDS
Revenue	56,720	30,242	86,962	4,996	91,959	-	-
Expense	(55,453)	(31,591)	(87,045)	(4,483)	(91,528)	-	-
<b>Net surplus/(deficit)</b>	<b>1,267</b>	<b>(1,349)</b>	<b>(82)</b>	<b>513</b>	<b>431</b>	<b>-</b>	<b>-</b>
Opening balance at 1 July	12,029	2,189	14,218	-	14,218	746	10,837
Transfer (from) to specific reserves	(280)	(120)	(400)	-	(400)	-	400
<b>CLOSING BALANCE AT 30 JUNE</b>	<b>13,016</b>	<b>720</b>	<b>13,736</b>	<b>513</b>	<b>14,249</b>	<b>746</b>	<b>13,936</b>

## PROSPECTIVE CAPITAL EXPENDITURE

For the years ending 30 June

	REGULATORY FUNCTION \$000		SECURITY SERVICE FUNCTION \$000	
	ESTIMATED ACTUAL 2017	BUDGET 2018	ESTIMATED ACTUAL 2017	BUDGET 2018
Computer hardware	463	236	237	-
Computer software	104	442	296	170
Plant & equipment	14	-	5,930	5,571
Furniture & fittings	14	50	18	14
Motor vehicles	41	90	188	605
Leasehold Improvements	70	30	148	207
<b>TOTAL</b>	<b>706</b>	<b>848</b>	<b>6,817</b>	<b>6,567</b>





## Aviation Security Service

— *Kaiwhakamaru Rererangi* —