

RUAPEHU ALPINE LIFTS LTD

2018 ANNUAL REPORT



OUR MISSION STATEMENT

REAL FUN. UNREAL PLACE

2017/18 ACHIEVEMENTS

- **Tūroa Licence** – we signed a new Department of Conservation (DOC) Licence to operate Tūroa for up to 60 years. The licence includes a relationship agreement with Ngāti Rangī and Ngāti Uenuku linking cultural, social and environmental best practice to the extensions of our licence term. This innovative component is in keeping with the importance of the relationship and the values that drive our business.
- **Reliability** – we've historically been late to open the ski areas due to late snow. We addressed this by investing in a major upgrade of our snowmaking system including New Zealand's first Snow Factory. We commissioned the new snowmaking system in April 2017 and opened the Whakapapa ski area on the 2nd of June with zero natural snowfall enabling us to increase the length of 'winter' by 5 weeks. We built a new quad chairlift on the upper mountain at Whakapapa to replace an old T-Bar with a more reliable lift in a very sheltered location. This has provided visitors with upper mountain skiing when traditionally we may have had to close the upper mountain due to weather. We tracked on time performance and opened both ski areas whenever conditions allowed.
- **Visitor Experience** – 2017 saw an increase in visitor numbers and customer satisfaction results at both ski areas. We focused on a number of items that drove this positive impact. Transport and congestion were a huge detractor for both ski areas so launching a free bus service was transformational to this. Products such as First Tracks and Night Ski extended the length of our operational day and also spread out our customer flow. We refreshed our website improving both navigation and our branding – the new sites are fresh, optimised for screen sizes and the new e-commerce engine provides a much improved visitor payment process.

2018 PRIORITIES

- **Consistency** – as we run two ski areas, multiple business units and have a number of different channels in which we engage with our customers we've set a goal of consistency for winter 2018. Our customers have high expectations and we want to meet them through providing consistent service levels, excellent communication and products.
- **Sales Mindset** – during 2017 we saw an increase in our visitor numbers and as a result an increase in revenue. What we want to focus on this year is continuing to grow our visitor numbers while also increasing spend per visitor. Not only does our visitor spend help us to achieve our business goals and reinvest into the mountain, it also drives economic growth for our surrounding regions.
- **Capital Raising** – our capital investment plan of \$100m in 10 years is well under way. There are some significant projects on the horizon that require external funds to ensure we can deliver on them. The Whakapapa Gondola is the first of these projects, and, all going well, will be operational by June 2019. As we publish this report we can confirm we have secured the \$25m of capital required for this project.

2017/18 HIGHLIGHTS



60 years

RAL signed a licence with DOC to operate Tūroa for up to 60 years



85,000

Passengers used our public transport service to access the ski areas



\$22m

Of investment has been made into the redevelopment of Whakapapa to date



84%

Reduction in waste found in a 1000 square meter transect vs 2016/17



Gondola

Design, consent and works approval are complete and approved for the Whakapapa Gondola



23%

Increase in total visitation vs 2016/17 for our Whakapapa and Tūroa Ski Areas



\$750k

Of collaborative marketing funds went towards a campaign to promote North Island winter touring with RAL's contribution being \$100k



17%

Growth in revenue vs 2016/17



5 week

Increase to Whakapapa's season due to the investment into snowmaking resulting in a earlier opening



250%

Increase in Whakapapa Customer satisfaction vs 2016/17

100%

Increase in Tūroa customer satisfaction vs 2016/17



18%

Increase in operating expenditure vs 2016/17 with the majority of the increase in marketing and employee costs



WHAKAPAPA



Tūroa

New Brands

The Whakapapa and Tūroa renewed brands and brand stories were launched

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RAL PURPOSE & REPORT INTRODUCTION

Ruapehu Alpine Lifts Limited (RAL) is a limited-purpose public benefit entity regulated under the Companies Act 1993 and our Constitution. What that means is that our 4,000 shareholders are philanthropic in that they do not receive any form of benefit. While we're not a taxpayer, we must invest our profits into the provision, promotion and development of amateur alpine sports for the public within the Tongariro National Park. We're the operators of the Whakapapa and Tūroa ski areas on Mt Ruapehu and are the largest employer in the Ruapehu region. We're also the largest business operating within the Tongariro National Park (a UNESCO Dual World Heritage Area).

We recognise we've a responsibility to our stakeholders to ensure sustainable business principles are at the heart of what we do. For us, it is important that we remain commercially viable while mitigating potential cultural, spiritual and environmental impacts on the sacred place in which we operate.

Our privileged position of guardianship within the National Park affirms our commitment to improve transparency for all of our RAL whānau. The presentation of this 2018 report uses the internationally recognised Global Reporting Initiative (GRI) G4 guidelines. GRI is a non-financial reporting framework, used to make the report more relevant all our stakeholders including: customers, shareholders, employees, suppliers, lenders, investors and kaitiaki of Mt Ruapehu.

On behalf of the board and leadership team we have the pleasure of presenting to all RAL stakeholders the Annual Report for the year ended 30 April 2018.

This report is dated 2nd September 2018 and has been approved on behalf of the board of RAL:

Murray Gribben, Chair

Geoff Taylor, Director

OUR VALUES

Our values are what drive us and guide everything we do:

BE EXCELLENT

We incorporate professionalism in everything we do; we turn up on time, respect each other, take pride in our work and bring our 'A' game.

GOTCHA BACK

Safety is a priority for our customers and staff. We achieve this through looking out for each other, listening eagerly, planning ahead, pulling our weight and setting each other up for success.

LOVE THE CUSTOMER

Everything we do should benefit the customer in some way. We need to delight them, surprise them, smile, be friendly and laugh with them. Without them we wouldn't exist.

HAVE A CRACK

We want our team to be confident in trying stuff, be innovative, get creative, speak up and take responsibility for their own learnings and career.

CHAIR & CEO REVIEW

RAL reached a significant turning point in 2017 arresting seven consecutive years of declining visitor numbers with a 22% increase on the prior year. Of all the metrics we track, this is the most important for the health and longevity of our business.

The performance of the Whakapapa lower mountain underpinned the result with the ski area recording its highest total number of visitors since 2009. This was particularly pleasing given the extremely challenging weather and snow conditions experienced again in 2017 (11th warmest winter on record for New Zealand and considerably wetter). Barely a single flake of natural snow adorned the ski areas until a big storm rolled through in mid-July allowing Tūroa to open, albeit 18 days behind schedule. The upper mountain at Whakapapa took even longer with temperatures too warm to make snow and frequent rain events washing away much of what had been made earlier.

The snowmaking and lower mountain lift and facility upgrades at Whakapapa were specifically designed to de-couple visitation from our two traditional drivers: snow and weather conditions. We successfully opened the lifts in Happy Valley (the first to do so in Australasia) on Queens Birthday weekend thanks to the game-changing Snow Factory technology. Happy Valley is now truly a world-class beginner facility with new lifts, snowmaking, PB100 snow groomer, upgraded restaurant and its own ski and snowboard rental facility.

The fleet of new Techno Alpine snowguns on the lower mountain at Whakapapa also proved their worth immediately paying their way by allowing us to open the Rockgarden on 100% snowmaking in mid-June. This proved critical for the business in the July school holidays when it was all we had. It is sobering to consider the impact on our financial performance had we not had this new snowmaking equipment.

The growth in visitation saw revenues climb, but alongside this was a significant increase in operating cost and labour. The board agreed that a step-change in our labour resourcing was required to bolster frontline staffing levels and to build the business. This investment was positively reflected in our Net Promoter Score lifting across the board and allowing us to deliver substantive internal marketing and IT projects.

It wasn't just labour costs that increased in 2017; the P&L continues to suffer under the weight of unsustainable electrical network fees, strong growth in concession fees and heavy increases in the cost of doing business in our

unique part of the world. We also made some decisions to accelerate the investment in renewal of assets across all aspects of the business from the construction of six new lifts to the procurement of extensive new snowmobile and snow grooming fleet. We also accelerated our R&M expenditure and continue to work through a cycle of major overhauls including all three T-Bars at Whakapapa this year receiving major investment.

Leading up to the renewal of the ski area licences major upgrades and discretionary maintenance costs were halted pending the outcome of the negotiations – this has created a backlog of work that we are rapidly progressing through, but it's clear to see the impact this is having on the P&L and capital expenditure.

The weakening of the New Zealand dollar against the Euro from 68c in January to 58c in late 2017 was of significant concern to RAL as the majority of our lift, snowmaking, grooming and associated equipment comes from Europe. There is no doubt this weakening, which looks to be continuing, will put further pressure on the P&L with the cost of parts and equipment escalating substantially compared with the post-GFC strength of the Kiwi. The silver lining in this is our relatively improved competitiveness for international visitors, and 2017 marked the renewal of substantive efforts to attract international visitors through both the winter and summer periods.

Summer held big promise with new technology at our disposal and a new 'summer sledding' concept launched in time for the Christmas holidays. While a technical success, the loss of the Waterfall Express chairlift sooner than planned, due to a required haul-rope replacement, de-railed the momentum and summer results from then on were predictably disappointing without our flagship Knoll Ridge Café on offer. For 2018/19 summer operations will cease altogether to allow construction of the Gondola.

Our unrelenting focus on asset renewal meant significant capital works projects were undertaken over summer. The aged Far West T-Bar received a 95% replacement with only the drive and return equipment remaining. The new Delta Quad unload position didn't function well last winter so work was done to allow passengers to unload at the bull-wheel – this has proved a huge success in 2018 with the Delta instantly becoming one of our most popular lifts. New 3D modelling and GPS technology was installed at Whakapapa and the snowmaking system at Tūroa received an upgrade to link the top of the Giant to the existing snowmaking system. Other major projects over the summer included deployment of two new websites, and significant progress on our new e-commerce platform that is progressively being deployed to production over the next 12 months.

The financial result for 2017 was another operating loss, which on the face of it is disappointing, but in many respects it demonstrates a board and management team aligned to follow through with the execution of our strategy in spite of the poor snow season, putting our trust in the investments we are making and enhancing the visitor experience. The substantial visitor experience investments have included the 22% increase in labour expenditure, and the \$850k we invested to provide free shuttle bus services. While these have not helped our result in the short term, cost of these decisions will be paid for many times over going forward.

With a long licence term ahead of us, and a largely domestic skiing population, it's important that we don't drop the ball on customer expectations, especially in lean snow years.

Capital raising has been a feature for the board and management during the 2017 period and we are very grateful to the investment partners and Government for helping us secure the required \$25m funding for the Whakapapa Gondola project. Our company structure limits our access to a number of traditional equity-finance opportunities so demonstrating our ability to raise significant investment capital is certainly a highlight of 2017.

We welcomed three high calibre senior leaders to the team in 2017 with Jono Dean taking the helm at Whakapapa supported by new Commercial Manager Cesar Piotto. The Tūroa crew welcomed Lyndsey Jackman as Operations Manager – a very timely appointment with the forthcoming asset renewal plans at Tūroa. We would like to acknowledge the 36 years of dedicated service given by Steve McGill during his tenure at Whakapapa; he continues to be a welcome presence around the mountain assisting with the delivery of our significant civil works programme. At Governance level we say farewell to Phil Royal who made an extensive and sustained contribution to RAL over the past 11.5 years. Phil is replaced by the vastly experienced and very well known Mike O'Donnell who has made an immediate and timely contribution to our technology development work and communications strategy.

Winter 2018 kicked off very well with strong numbers through the school holidays and excellent early season snowfall. Visitor numbers were up 15% on 2017 and staff have been delivering exceptionally well in spite of the visitor numbers exposing a number of new pressure points for us to solve. Things were progressing very well until two major incidents struck our Tūroa team in quick succession. A fatal road accident involving an RAL bus shook all our staff and management. Our sympathies are first and foremost with the family and friends of Hannah Francis who tragically died. We have met with Hannah's family, and we are working with all parties involved in the investigation which is ongoing. The second incident followed shortly after, when an avalanche caused substantial damage to the High Noon Express chairlift and the destruction of a snow groomer.

These incidents have highlighted and reaffirmed the importance of the historic \$100m asset renewal programme we commenced in 2015. The completion of the Whakapapa Gondola in June 2019 will mark the halfway (\$50m) marker on that huge journey and it is clearer than ever before that the unique challenges of our operating environment demand the most modern, well-equipped asset base we can provide. It has also reminded us of the fragility of life and the importance of our role as a company in managing public and environmental safety right across our diverse business. We're the largest employer and host to more visitors than any other in the Ruapehu district. Our operations traverse nearly every possible operational risk there is from volcanic lahars to explosives, biohazards and deep fryers – we have it all. We operate within one of the most revered locations in New Zealand, and we are acutely aware of our role as kaitiaki and manaaki: the care of both the people and the place.

Finally, we would like to acknowledge the herculean efforts of RAL staff over the 2017/18 financial year. They delivered an immense capital works programme on top of their 'day jobs' and adapted incredibly well to the huge operational and commercial changes within the business. They are incredibly passionate about the place and we're immensely proud of the mahi (work) and graft they put in every day to have the lifts spinning and the coffee hot. Our staff are their own harshest critics and we all share a common vision for this incredible place. If you get the chance to say ka pai to one of our team next time you're on the maunga (mountain), please do.

Ross Copland
Murray Gribben



SUSTAINABILITY REPORT

As a business operating within a UNESCO Dual World Heritage Area, we recognise that we have a responsibility to our stakeholders to ensure sustainable business principles are at the heart of what we do. For us, it is important that our two commercial ski areas on Mt Ruapehu remain commercially viable while mitigating potential cultural, spiritual and environmental impacts on the sacred place where we operate.

WHY HAS RAL ADOPTED 'NON-FINANCIAL REPORTING'?

We started our non-financial reporting journey in 2016 when we presented our results using Triple Bottom Line reporting. Since then we have gathered feedback and are looking to further improve our disclosures using the internationally-recognised sustainability reporting standard Global Reporting Initiative (GRI) G4 reporting guidelines as a guide to ensure we are reporting on the material factors for our industry.

We've taken significant steps to improve disclosures in this year's report and believe it's important to present a balanced view, highlighting items that we've had success in, as well as addressing those in which we haven't.

HOW DID WE DECIDE WHAT TO REPORT ON?

In determining what to include in our sustainability report we have identified three critical success factors that are material to RAL's business and stakeholders. We have reported our performance in each of these areas and will remain accountable to our stakeholders by integrating these into our daily approach to business. The following explains and illustrates our three critical success factors and why we believe them to be critical to us delivering *real fun* in the *unreal place* that is Mt Ruapehu.

Kaitiakitanga – for the place

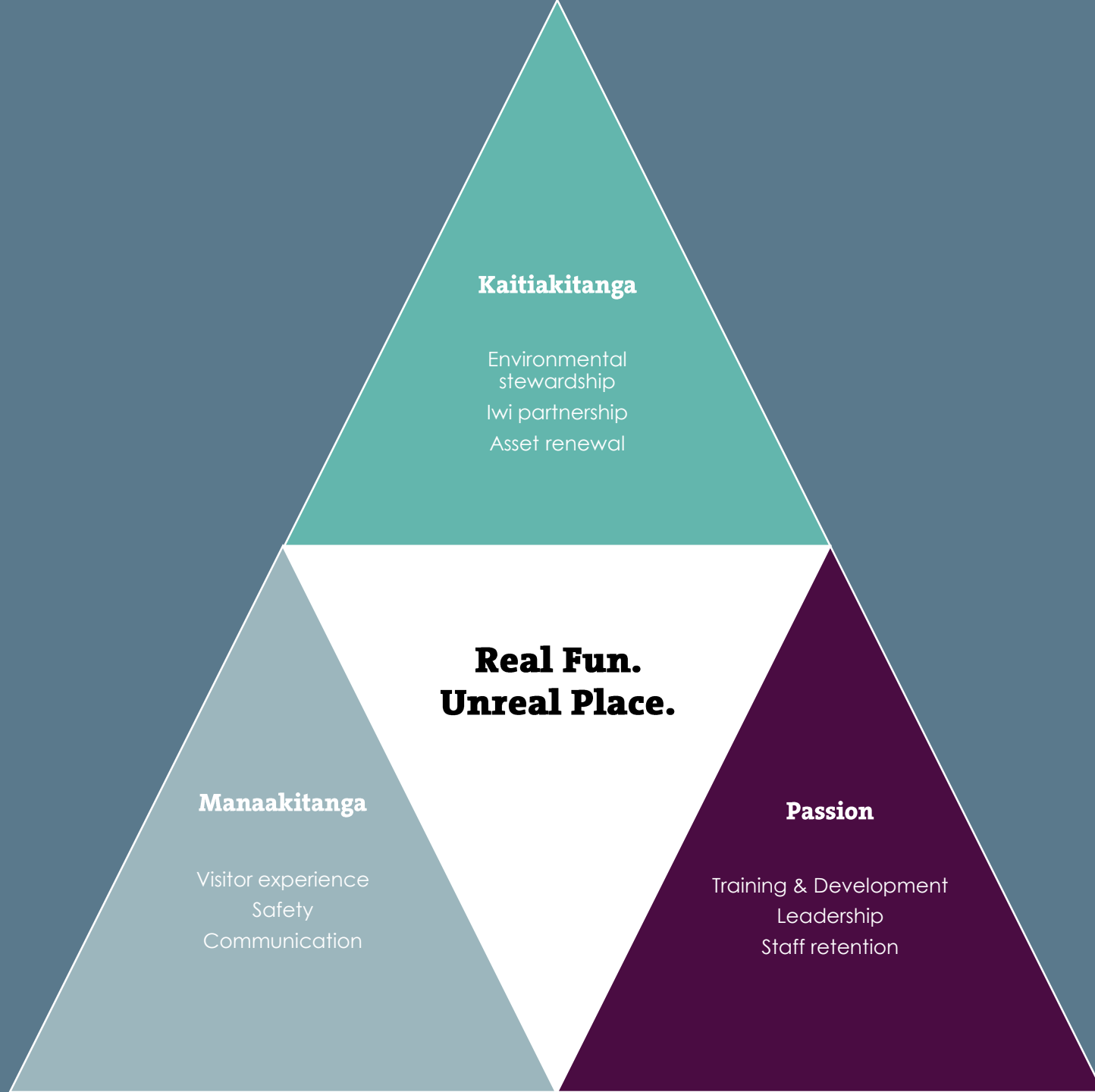
We have a responsibility to be an environmental guardian, steward and trustee for the place in which we operate.

Manaakitanga – for the people

We have a responsibility to be hospitable, kind, respectful, generous, caring, supportive and to communicate effectively with all stakeholders (both internal and external).

Passion – for the love of it

We have a responsibility to share our passion for this place. We want our people and stakeholders to be engaged, courageous, innovative and passionate about the place.



KAITIAKITANGA

TŪROA LICENCE

One of our greatest achievements in the last financial year was the renewal of the Tūroa licence. In September 2017, we were granted a new licence to operate the Tūroa ski area with an initial term of 25 years plus seven five-year extensions totalling 60 years. We're absolutely thrilled to have reached this historic agreement together with Ngāti Rangī, Uenuku and the Department of Conservation. Years of hard work, collaboration and determination went into achieving this milestone and the licence respects the longevity of our relationships with iwi and the wider community. We would like to thank and acknowledge all of those involved.

CAPITAL INVESTMENT

In our 2017 Annual Report we provided an overview of the capital upgrades that were underway for 2017 winter. It was these projects paired with increased marketing effort that drove growth in our visitor numbers and revenue at Whakapapa for winter 2017. We are now \$23m into our \$100m in 10-year strategic plan with most of this investment being at Whakapapa:

- All weather snowmaking system – allowing us to extend the length of our season and be the first ski area to open and last to close in NZ
- Happy Valley carpet lifts – enhancing the learner experience through ease of loading and providing additional capacity and reducing queue times in Happy Valley
- Happy Valley access elevators – transformed access to Happy Valley providing a safe and easy transition from the plaza to the snow
- Happy Valley Bistro reconfiguration – transformed the food experience in Happy Valley with a grab and go styled menu well suited for our customers spending time there
- Rockgarden and Tenants Valley Snowmaking – mitigating risk to secure the lower mountain in low snow years as was the case in winter 2017
- Delta Quad installation – replaced the Waterfall T-Bar with a fixed grip quad chair lift to enhance the beginner/intermediate product on the upper mountain at Whakapapa
- Schuss Haus refurbishment – Turning the Schuss Haus into an 18+ Corona bar with Mexican themed menu has heightened the customer experience at Whakapapa adding more variety to the food offerings available.

Summer 2018 had us focus on the rebuild of the Far West T-Bar. This asset was at the end of its useful life and we chose to rebuild it to ensure it remains a reliable and safe lift as it services incredible terrain at Whakapapa.

With the Far West T-bar, we are now \$23m into our \$100m in 10-year strategy with the next project being the Whakapapa Gondola. As we write the content for this Annual Report we have confirmed funding for the Whakapapa Gondola and have placed the order with our supplier. The Whakapapa Gondola is a nationally significant tourism asset with the potential to disrupt the traditional tourist flows in the North Island, drawing more to the Central Plateau with material benefits to our surrounding communities. The Gondola will be the largest of its kind in New Zealand, traversing 1800m and rising 400m from the top of the Bruce Road to the Knoll Ridge Café, 2020m above sea level. We are extremely excited to get this project underway and to see the impact that it will have on our business and the region.

Following on from the installation of the Whakapapa Gondola we have plans for Tūroa. We're investing heavily in developing updated plans for new lift infrastructure to replace

our more senior lifts; the Parklane, and Giant both turned 40 this year while the Movenpick isn't far behind. We're also looking at lift infrastructure that will increase the capacity out of the base area, with a view to easing congestion on busy days and ensuring our loyal shareholders, season and life pass holders are rewarded with maximum vertical and minimal queues. Our aim would also be to reduce the number of tower structures on the mountain in line with our continual progress toward reducing the impact of our operations on the mountain.

In order to deploy capital at the rapid rate we are it is critical that we have access to external sources of funding. We have raised capital through life pass campaigns and our Bank have supported us in allowing us to take on additional bank debt. Tūroa plans are underway and capital raising is an element of these.

IWI RELATIONSHIPS

We are unique among concessionaires on Conservation land in that we have established a model of co-governance with local iwi for both Whakapapa and Tūroa. Te Pae Maunga is the name of the group which oversees Whakapapa. It is chaired by Sir Michael Cullen and includes membership from the RAL Board and Ngāti Tuwharetoa leadership, ensuring that we genuinely give effect to the principles of the Treaty. We are in the process of forming governance support for the Tūroa ski area under the new licence. This oversight and governance support allows us to have the ongoing necessary and appropriate respect for the cultural, environmental and community values associated with the Maunga, and ensure this is applied to all aspects of our operations at the Whakapapa and Tūroa ski areas.

In early 2018 we mourned the passing of Taina Tahi. Taina was a member of our Te Pae Maunga governance group and we want to send our condolences to his whānau and acknowledge his support and mahi with the Whakapapa ski area.

SAFETY & ENVIRONMENTAL MANAGEMENT SYSTEMS

Operating in a UNESCO Dual World Heritage Area with spiritual, environmental and historical significance means that we must operate as true stewards of the place and minimise the impact of our operations on our environment.

Our Safety and Environmental Risk Management system covers all the various identifiable aspects and risks of our operations. At RAL these are wide ranging due to the nature of the business and the location we operate in. We have the obvious ski area related activities such as snowmaking, ski and board rentals, transport, and food & beverage. In addition to that, we also supply our own drinking water, manage our own sewage, transport fuels, use explosives for avalanche control and operate urgent care clinics to name a few. Since introducing the system in early 2014 it has grown and evolved in many ways and will continue to do so into the future. There has been a shift towards a simpler system using icons and overviews to explain the plan to stakeholders and staff. This is a long way from the complex and overly document heavy plans that existed in the past. Using the 'cog' icons, it is easy to explain that each component of the system needs to turn to allow the system to work effectively.

The system covers all aspects of our business meaning the effects ripple out to our suppliers as well. Buy-in from staff is achieved by ensuring that all new staff are inducted effectively and are given a clear introduction on what the system does and how it works. Our visitors/customers come to recreate in the unique and pristine Tongariro National Park and the Environmental Risk Management System we have put in place ensures that the place we call 'home' is left in a better state than when we found it. Our customer base is very

motivated by good environmental practices and it is therefore directly related to our visitor experience.

The development of this programme has been a collaborative approach with the whole leadership team and wider company. This approach has the benefit of ensuring that we all 'own it' and the changes we make are more likely to continue in a sustainable manner. In 2016 we were successfully certified to ISO 14001 (Environmental Risk Management). To our knowledge, we were the first ski area company in New Zealand to achieve this.

Consultation with key stakeholders is a key element of the ISO system and we have spent time and effort working with key stakeholders such as Iwi, DOC and regional and district councils and many others to ensure that our system meets their expectations. The entire system works on a rolling 12-month system with an annual plan clearly defined and accessible. Continual improvement is maintained as a key principle of the system through regular management reviews, effective version control and real-time updates as they are needed.

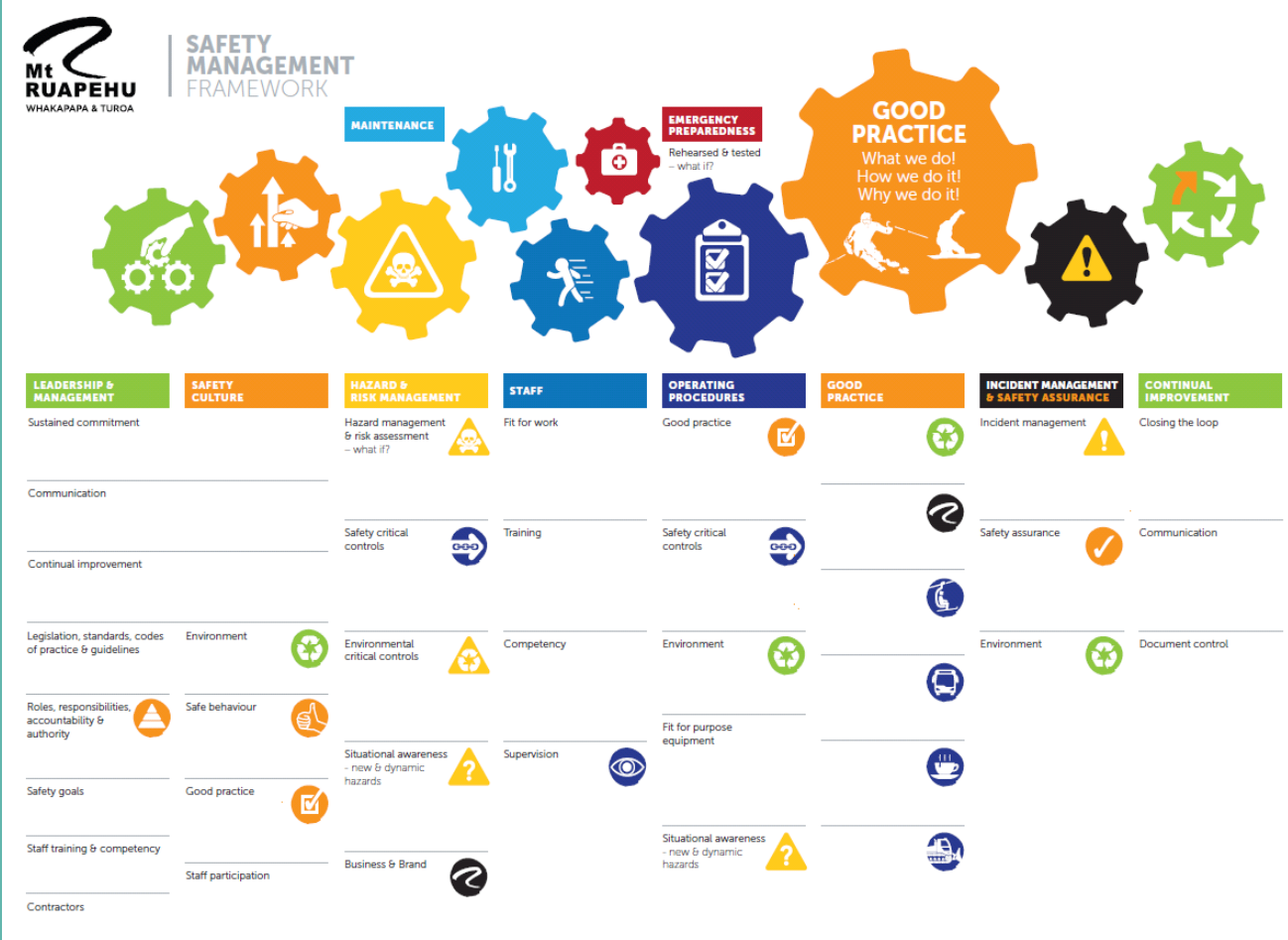
This programme has directly led to a large and varied list of benefits. Environmentally, the effects have been that we approach our environmental risks in a more structured and methodical way. All risks are identified, assessed and appropriate controls put in place to manage/mitigate these risks. This approach has led to more accurate recording of incidents, more effective management of these incidents when they occur, and a drop in the significance of the incidents in general.

Socially, our stakeholders have gained more confidence in our ability to manage the responsibility we have of operating in such a special place in a competent, honest and trustworthy manner. Financial impacts from this programme are largely seen in the reduction of lost time to clean ups, repairs and/or re-ordering supplies etc. A secondary financial impact comes from the fact that as mentioned above, our customer base is increasingly focused on environmental stewardship and companies that don't buy into that will suffer in the short and long terms.

Our refuse recovery programme is an area where we've seen superior results. This programme is all about removing rubbish from the environment and it has demonstrated a significant reduction in residual waste in the ski areas after winter. We use a consistent methodology for measuring and tracking the types of waste that we pick up so that we can more accurately focus on the sources of consumer waste in the ski areas. The table below illustrates that in 2015, 845g of waste was found in a 1000 square meter transect. This was reduced to 84g in 2017 representing an 84% reduction.

2015	2016	2017
845g	530g	84g

The benefits of this programme have exceeded our expectations in many ways. Our staff are passionate about looking after the environment and, as we write this annual report, we are well into the 2018 season with both ski areas designated 'smokefree'. This is a great step towards ensuring the place is in good shape for future generations.



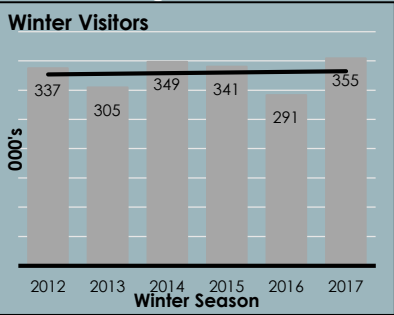
MANAAKITANGA

CUSTOMER EXPERIENCE AND WINTER VISITATION

A key initiative for winter 2017 was to grow our visitor numbers and improve the customer experience. The investment in Happy Valley and additional snowmaking at Whakapapa not only helped us to deliver on these initiatives, but also anchored our early-season revenue. Tūroa opened the Alpine Meadow as planned, with conventional snowmaking, but there was no upper mountain product going into the July school holidays at either of the ski areas. The snow storm in mid-July that cut off the central North Island from the rest of the country delivered significant snowfall at Tūroa allowing us to open with top to bottom skiing just one day after it passed. That same storm, although producing significant snowfall at Whakapapa, came with extreme winds which meant the snow didn't settle. Unfortunately, our Whakapapa upper mountain product was not available until we received further snow. We opened the Waterfall Express for skiing in late July. Other upper mountain facilities opened as conditions allowed and the Far West T-Bar was opened in late August.

Tūroa continued to provide an excellent product for the remainder of July and into August, and then a wet and warm September had a material impact. Of the 30 days in September we had some form of precipitation on 23 of those days. Weather analysis indicated that it was a wetter and warmer than average September and the results of both ski areas were impacted by this.

Our investment into lower mountain snowmaking in Happy Valley and Whakapapa anchored the business in FY2017/18. The graph below illustrates that we have shifted what was a declining trend in our total winter visitor numbers:



However, the poor weather in September meant Tūroa visitor numbers were similar to those of winter 2016. The growth in visitor numbers was attributed to the focused investment in our beginner and lower mountain offering at Whakapapa.

In addition to focusing our efforts on providing lower mountain skiing and snowboarding at Whakapapa, we offered new services that allowed us to extend our operational day. At Whakapapa, we offered First Tracks every day that the Rangitira Express was open for skiing and offered Night Ski during

the July school holidays, and on Friday and Saturday nights as weather allowed.

As a goal to reduce congestion on the roads we offered free transport for the first time in winter 2017. The benefits achieved with the free transport were substantial and we're now investigating how we can reduce the total cost to RAL through funding opportunities, outsourcing or charging a nominal fee to allow us to continue to offer a safe and reliable transport service going forward.

With the increase in visitors at Whakapapa, and refined delivery and focus on the customer experience, we grew total revenue and yields in our business units - food and beverage, rentals, ski and ride school and retail at both ski areas compared to previous

years. When assessing our customer satisfaction we saw a significant improvement at both ski areas compared to prior years:

	11/12	12/13	13/14	14/15	15/16	16/17	17/18
Whakapapa	46	35	33	NA	45	8	28
Tūroa	44	29	43	NA	49	19	38

We assess the Net Promoter Score (NPS) for both ski areas. This is a measure of the likelihood of a customer recommend coming to one of our ski areas. In addition to an increase in our NPS score, we also saw an increase in our score around the likelihood to return. Our record breaking season pass campaign for winter 2018 also illustrated the confidence that our customers had in our offering.

Below we've summarised three key themes that were apparent from our 2017 NPS surveys and what we've done to address them:

- Delta offload – a common theme from the complaints last year was around the steep and dangerous Delta offload. Over the summer we completed minor earthworks to improve this experience and have had positive feedback to date
- Ticketing queues and queue control on busy days - we have changed how we sell products and are pushing more products online into our e-commerce store. In addition, we have taken a consolidated approach to sales on both sides of the mountain where customers can get all of their passes from one location rather than queuing in multiple locations. We've seen some positive improvements here but note there is still plenty of room for improvement
- Consistency and honesty in snow reports – As part of the revamp of our website more information has been included on facilities allowing the customer to get a true picture of the conditions on the mountain

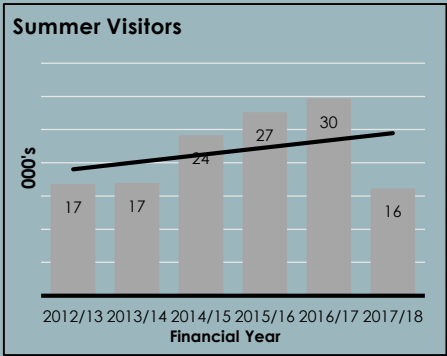
In addition to items that we're working to improve, we were applauded for:

- Changes to Happy Valley
- Refit of the Schuss Haus
- Lift queue management at Tūroa



WHAKAPAPA UNLIMITED

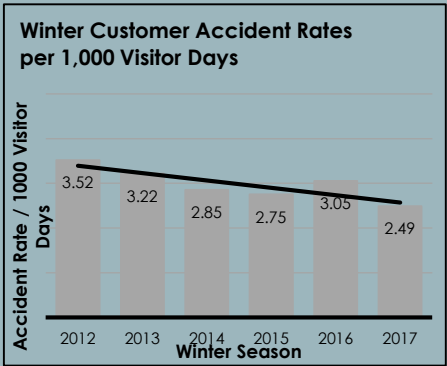
We commenced our Whakapapa Unlimited summer offering in early December; Customers were able to take a scenic chairlift ride to the Knoll Ridge Café 2020m above sea level and embark on some short volcanic freedom walks. This offering changed substantially when we had to bring forward our scheduled haul-rope replacement for the Waterfall Express, taking it out of service through the peak summer period. The closing of the Waterfall Express and Knoll Ridge Café meant that customers could only ride the Rangatira to Hutt Flat and visit the newly refurbished Schuss Haus Corona Bar. Due to the reduced offering our summer visitor numbers halved compared to the same period in 2016/17:



The summer months allowed us to test our Snow Factory and its ability to make snow in all weather conditions. We offered a snow sledding zone at the top of the Bruce Plaza from early December until Waitangi Day. We'd like to thank everyone who came up and enjoyed a taste of winter in summer. The summer sledding offering illustrated the ability of the technology and provided further confidence to the market around meeting our winter 2018 opening dates.

CUSTOMER SAFETY

We operate in a high risk environment, but customer accident rates at both Whakapapa and Tūroa continue to trend downwards. We want our customers to enjoy their experiences on Mt Ruapehu, but most of all we want them to go home having had a safe day. Our ski patrol teams continue to improve the safety of visits through analysis of key information recorded on all accidents. This analysis is an effective tool which enables us to achieve continuous improvement in safety of the ski areas. The graph below illustrates winter customer accident rates per 1,000 visitor days from winter 2011 – winter 2017.



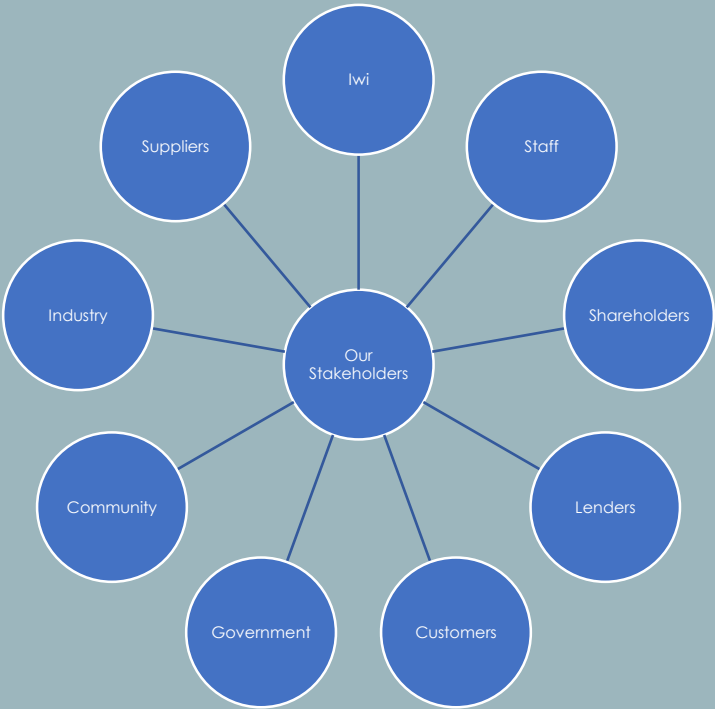
In the unfortunate event that visitors are injured on the mountain they are able to access professional care at either of our Urgent Care Clinics (UCCs) at the Whakapapa and Tūroa Ski Areas. Our UCCs are unique among the clinics offered in other ski areas throughout New Zealand. RAL's clinics are the most advanced, offering a high level of care including x-ray facilities onsite. Our UCCs provide a crucial support function for our local communities. Our clinics act as a gateway to other local health care providers, and provide initial, and in most cases, final treatment on mountain.

The success of our UCCs isn't measured by increasing patient throughput, as this highlights other concerns around incidents and accidents on mountain. Instead our aim is to maintain our UCC contract and associated funding with ACC. This funding reflects our role as a gateway to providing a crucial service for the Central North Island.



STAKEHOLDER ENGAGEMENT

We operate in a UNESCO Dual World Heritage Area with environmental, historical and cultural significance. We are a complex business in that we have multiple product offerings and services on mountain. In every aspect of our business, there are multiple stakeholders.



Our stakeholders are the groups and entities that we encounter and/or are accountable to. The table to the right summarises stakeholder engagement across the entire company.

The RAL CEO forum has been up and running for over a year. This group met quarterly during 2017/18. There are approximately 70 individuals in this group that represent a number of our different stakeholder groups. Those in the group hold voluntary positions, not governance positions. The mandate of the group is to be actively involved in the conversations around RAL's future and how we can play our part as a valued member of the Ruapehu region. This group helps RAL to ensure we are meeting the needs of key stakeholder groups with whom we don't have an existing, structured engagement process, such as our relationships with iwi under the DOC licences. In addition to the formal meetings the group has regular engagement through a closed Facebook group.

Stakeholder group engaged in FY18	Frequency		Key topics
	Light touch	Deep touch	
Shareholders	Quarterly	Annually	<ul style="list-style-type: none">Financial PerformanceSustainable businessOperating responsiblyDelivery on commitmentHealth & SafetyFuture plans
Staff	Continuous	Monthly	<ul style="list-style-type: none">CommunicationOperating responsiblyCustomer ExperienceHealth & SafetyFuture plans
Lenders	Monthly	Quarterly	<ul style="list-style-type: none">Financial PerformanceSustainable BusinessOperating ResponsiblyDelivery on CommitmentHealth & SafetyFuture plans
Iwi	Continuous	Quarterly	<ul style="list-style-type: none">Environmental ManagementHealth & SafetySustainable BusinessOperating ProceduresDelivery on CommitmentFuture plans
Suppliers	Continuous	Annually	<ul style="list-style-type: none">Sustainable BusinessOperating ResponsiblyDelivery on CommitmentHealth & Safety
Industry	Continuous	Annually	<ul style="list-style-type: none">Financial PerformanceSustainable BusinessOperating ResponsiblyDelivery on CommitmentHealth & SafetyFuture plans
Community	Monthly	Quarterly	<ul style="list-style-type: none">Environmental ManagementSafetyInvestmentFuture PlansOperating ResponsiblySustainable Business
Government	Monthly	Annually	<ul style="list-style-type: none">Environment ManagementHealth & SafetyInvestmentFuture plansOperating ResponsiblySustainable Business
Customers	Continuous	Fortnightly	<ul style="list-style-type: none">Product & ServicesDeals & CampaignsCustomer SafetyEnvironmental ManagementMountain and weather conditions

MARKETING EFFORT

It appears that skiing in the North Island has been a well-kept secret. We are looking to change that and create awareness of what Mt Ruapehu has to offer. In 2017/18 we more than doubled our marketing spend and resources. With that came some great results.

Our focus has been on creating awareness amongst New Zealanders and Australians, and we had particular success with a marketing campaign to promote the Central North Island to Australians that went live early in 2018. For the \$750k campaign, RAL collaborated with Taupo and Ruapehu District Councils, Auckland International Airport Limited, Destination Rotorua and Tourism New Zealand. RAL's investment amounted to \$100k.

Air New Zealand also backed us with a \$200k direct-to-consumer campaign in the Australian market for winter 2018. For the first time in many years, Mt Ruapehu features strongly as part of the 'Ski New Zealand' message Tourism New Zealand is pushing out to our close international markets. Going forward, our Marketing team have secured very favourable arrangements with our international wholesale partners for 2018.

During the year we've revamped our website, looked at further improvements in our e-commerce experience and have created additional channels for our customers to engage with us in person; To this end, we have opened three new sales and information offices, two in Taupo and one in Ohakune. We continue to invest in our marketing and development teams, and with projects like the Gondola around the corner, such investment is more important than ever.

In addition to the partnerships, wholesale campaigns and direct-to-consumer work that our marketing team has done, there has been a rebrand of the Whakapapa and Tūroa ski areas. The new brands and brand stories are provided for your information. They highlight the importance of the place in which we do business. It's these stories aligning with our critical success factors and values that help us deliver on a product that creates *real fun in the unreal place* that is Mt Ruapehu.



Whakapapa – Brand Story

Whakapapa's mountain landscape design acknowledges three sacred peaks of Mt Ruapehu: Tahurangi, Te Heuheu and Paretaitonga. These peaks are sacred to local iwi in remembrance of their ancestors. The 'W' of the logo connects 'Whakapapa' with its ancestry. The 'W' is also acknowledgement to the value placed on whānau (family). The highest point represents the top of New Zealand's North Island. This highest point also symbolises the first landmark which came out of the ocean when Māui Tikiti-O-Taranga fished up the North Island, as Māori legend explains.

The three triangles in the middle of the logo represent the physical space of Whakapapa. When looking at Whakapapa from a distance it can be split into three iconic sections. To the left is 'The Valley' including 'The Pinnacles', down the centre is the 'Knoll Ridge' including 'Waterfall' and 'Rock Garden' terrain and to the right is the 'West Ridge' and 'Far West' terrain. All sections are arguably large enough to be their own ski areas, however they're all part of Whakapapa. The nation's largest ski area embodies the spirit of skiing and snowboarding in New Zealand.

The design is also a nod to Whakapapa's old 'Magic Mountain' logo. The team at Whakapapa hold where they come from and the ski area's long history in high regard. It is a more refined and polished version to represent the willingness to constantly improve service and to achieve excellence.



Tūroa – Brand Story

The three points of the triangle acknowledge the three peaks of Mt Ruapehu that are visible from Tūroa (the south side of Koro Ruapehu), which are Tahurangi, Paretaitonga and Peretini. The points also symbolise Tūroa's brand values: We are Wild, We are Playful and We are Mighty. No clear mountain landscape features in the logo to signify that everyone finds Tūroa special in their own way... everyone plays on the playground differently. Its general simplicity celebrates that everyone skis, rides or just simply views Tūroa differently and we encourage our guests to discover what this special, majestic place means to them.

The Tūroa 'T' is a nod to the original Tūroa logo from the 70's. It represents where Tūroa has come from, to where it is now and symbolises the brand slogan 'We are Tūroa'. Being a sharper, more defined take on the old Tūroa 'T', it characterises the improvement in service Tūroa strives to achieve.

PASSION

Happy, healthy and passionate staff are pivotal to the delivery of a quality experience for our visitors. It's our staff that leave a lasting impression that can make or break a customer's day. There are many challenges that come with being a seasonal employer. We on-board hundreds of staff every year for a period of employment that ranges from 4-6 months. Therefore, we look for staff who are passionate about, and love, the ski industry or alternatively want to experience the industry with the hope that they find their passion, and some to love it as much as the rest of us.

STAFF ENGAGEMENT

One of our core values is to love the customer and with that means we need to love our staff. Staff engagement is just as crucial to our success as engaged customers. Each year we conduct an engagement survey to measure how staff are feeling, identify key themes, and enable us to address areas of concern:

Year	Responses	Response Rate	Engaged	Ambivalent	Disengaged
2017	515	71.5%	172	229	114
2016	379	58.3%	94	146	139
2015	433	69.8%	122	190	121

We've summarised three key themes that were apparent from our 2017 survey and what we've done to address them:

- Poor or lack of communication – addressed through: the refinement of our previously created staff Facebook pages where regular updates are posted; CEO and GM updates; staff appreciation events – BBQs and staff night ski; upskilling the leadership team through specific training sessions and resources; and also promoting better communications through training sessions to ensure effective messages are making their way through to the team and better enable leaders to have difficult conversations.
- Hours and Pay – the environment in which we do business with closed days and fluctuating business levels does mean our employees' pay packets can vary week to week. We've addressed this through up front communication during recruitment, and being open about the roles, pay and expected hours. Analysis has been performed to look into the appropriate staffing mix and as a result we have hired more part-time staff as opposed to committing to full-time staff. We have also undertaken a review and comparison of rates with the SAANZ (Ski Area Association of New Zealand) survey to evaluate industry standard.
- Uniform – we provide uniforms to our staff to ensure our professionalism comes across in not only how we deal with customers, but also in how we look. Feedback last year was received around whether the ski and ride school's uniform was fit for purpose. As a result, we are conducting an overall review of the uniform strategy looking at alternative suppliers to ensure our staff have the appropriate gear to be able to do their jobs.

STAFF HEALTH AND WELLBEING

Staff Safety

'Gotcha back' is a key mantra for all of us here at RAL and we continue to focus on how we can keep each other safe in this incredible but risky environment.

Over the last three years we've made considerable ground in reducing accidents to our team and although injury rates alone don't tell the whole story, we know that we are making a difference and moving in the right direction. We have set stretch targets for ourselves to reach over the next three years and believe we will achieve them.

Looking after each other is a well-entrenched part of the staff culture at RAL along with looking after our visitors and the place where we work.

Staff Clinics

Our location and the local towns of Ohakune and National Park have no General Practitioner services that can cater for the influx of our staff. We provide staff clinics as part of our Urgent Care Clinics on the mountain where our staff are able to be seen without having to travel to a GP.

Our staff clinics are a drop in service held in the mornings. Staff can see doctors and nurses for medical advice and treatment. They have access to a wide range of services such as work accident cover, x-ray, free condoms, sexual health advice, Nicotine Replacement Therapy, and onward referrals such as Orthopaedics and Physiotherapy. We have a programme that currently includes free flu shots, and Hepatitis A&B vaccinations.

These clinics are valuable in assisting staff to remain at work, by getting them to a doctor in a timely manner, assisting with alternative duties, and resisting time off.

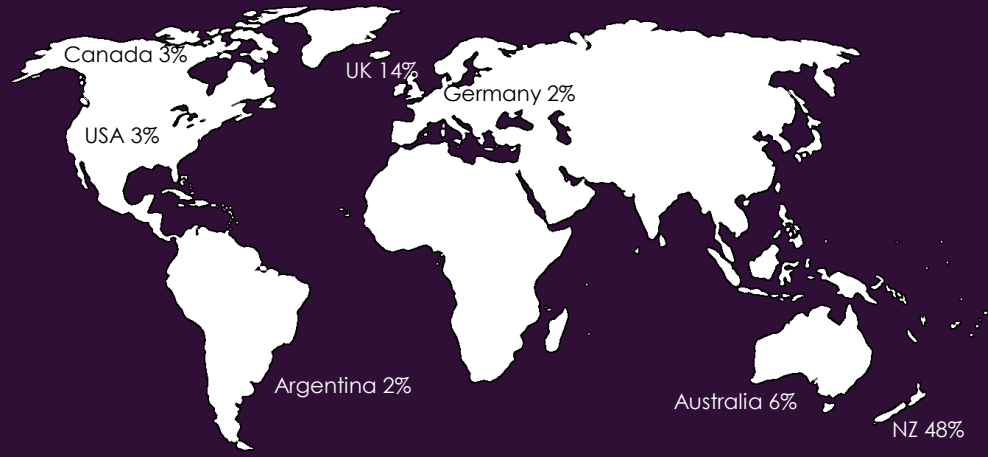
Reward and Recognition

2017 saw the introduction of the 'Shout Out' and 'Most Valuable Player' (MVP) programmes across the ski areas. Staff are encouraged to nominate their peers for shout outs for being awesome team members. Winners are announced fortnightly and recognised in our electronic newsletters and Facebook pages. MVP nominations are sought for staff who portray the company values in their work. These are drawn monthly and winners in each value category are selected by the ski area management team. The programme has been well received by staff and has continued in 2018.

Leadership awards, in recognition of leadership aligned with company values, were presented at the end of season leadership event in November 2017. Winners of the 2017 Takurua (Whakapapa, Tūroa and RAL) awards were presented with vouchers to contribute towards learning and development and health and wellness.

DIVERSITY

Our staff come from many different backgrounds and cultures. During winter 2017 we had 33 countries represented on staff. The below map represents the top 6 countries where our 2017 staff came from:



As a seasonal business our staff numbers do fluctuate throughout the year. The below employment breakdown represents headcount as at September 2017:



TRAINING & OPPORTUNITIES

At RAL each year we on-board hundreds of staff and train them in a multitude of complex and technical roles. We are continuing to look to improve and systemise our training practices to ensure we produce world class ski industry professionals. We are only part way along this journey and are continuing to make measurable improvements.

The Ruapehu region has some of the highest unemployment rates in New Zealand, therefore, as a key employer in the area, we understand the need to provide our staff with opportunities for further development. We do this through a number of ways such as in-house skill training, adult apprenticeships, external courses and programmes such as The Mt Ruapehu Cadetship programme.

Mt Ruapehu Cadetship Programme

The Mt Ruapehu Cadetship programme was set up in the winter of 2014 with the aim of providing employment opportunities to young adults in the region. This can be a three-year programme for successful applicants.

- Year One leads to a Level Three National Certificate in Sport and Recreation, as well as an additional Unit Standard in Employment Skills.
- In Year Two graduates can apply to join the accelerator programme which provides individualised coaching and support to become a skilled attendant in one of the departments to which they were exposed in Year One. The completion of Year Two gives participants a Level Three National Certificate in their chosen field.
- Year Three participants are Year Two graduates, and study may include an apprenticeship with the opportunity to achieve a Level Four National Certificate.

The programme is now in its fifth year and we are continuing to succeed in achieving the overall aim of the programme that is to connect local workers with local jobs. In 2017/18, there were 17 cadets of whom 70% graduated from the programme. Some past graduates still work for RAL and others are working with other local employers, or furthering their studies with tertiary education.

Apprenticeships

RAL has incorporated apprenticeships into the opportunities for career growth and development. In 2017/2018 there were five employees enrolled in apprenticeships, two in Electrical Engineering and three in Mechanical Engineering. 2018 saw all three of the Mechanical Engineering apprentices complete their qualification and the electrical engineers are in their final year.

CELEBRATING SUCCESS

As previously mentioned happy, healthy and passionate staff are key to the success of RAL. During 2017/18 we have had some staff achieve significant milestones in relation to tenure. We've had some long serving senior staff move on and more recently we have welcomed some new individuals into leadership roles at RAL:

Long serving staff

In late September 2018 we are holding an event for staff who have achieved significant tenure at RAL. Approximately 52 staff are being recognised for tenures of 10 plus years. 13 of them are being recognised for tenure of 20 plus years. These individuals live and breathe our values and critical success factors and we'd like to thank them for their hard work and contribution during their long service.

Staff moving on

Steve McGill – Whakapapa General Manager

After 36 years of service to Whakapapa and RAL, Steve McGill made the decision to pursue a career in civil contracting, finishing with RAL in late 2017. Steve made a big contribution to the company and rose to the position of general manager after starting in lift operations. On behalf of the board, we wish Steve all the very best in the next stage of his career and thank him for the significant contribution to RAL.

Phil Neal – Whakapapa Commercial Manager

After 14 years of service to RAL Phil Neal made the decision to explore a new opportunity and take on a senior management position with the Salvation Army in February 2018. Phil was a great example of what can be achieved when you put your mind to it moving through the business to the position of commercial manager overseeing rentals, retail, food & beverage, ski and ride school (then snowsports) and customer relations. We also want to wish Phil all the best and thank him for his efforts during his time at RAL.

New appointments

Although not appointed in the 2017/18 financial year we thought it was important to welcome those new to leadership positions at the Whakapapa and Tūroa Ski Areas:

Jonathan Dean – GM Whakapapa

After an extensive search in New Zealand and international markets we welcomed Jonathan (Jono) Dean to the team in June 2018. Jono brings a wealth of experience in hospitality and tourism having spent the past 10 years managing large resorts and hotels for Accor Group across New Zealand and Australia. Prior to starting this role, he was the general manager at Ibis and Novotel in Christchurch. He has worked in the hospitality and tourism sector since his first job on the front line for Rydges Hotels in 2002. As a long-time Whakapapa skier, (he learned to ski at Happy Valley as a child!), Jono is passionate about the place and excited about being part of its future. He has a sharp focus on customer service and proven business development experience - a critical ingredient heading into the next phase of developing our summer business to support the outstanding winter offering. Further information on Jono's skill set can be found in his profile on page 23.

Cesar Piotto – Commercial Manager Whakapapa

Prior to taking up this role in June 2018 Cesar has most recently worked for Pacific Travel Planners in Queenstown, focusing on South American tours to New Zealand, driving growth in sales and redesigning business systems to increase efficiencies. He comes to Whakapapa with extensive ski industry experience in New Zealand, Australia, the US and China. Cesar was resort deputy general manager at Thaiwoo Ski Resort in China for their opening in 2015 and responsible for establishing winter and summer operations for the area. Prior to this, he worked as general manager of snowsports at NZSki and the ski and ride school at Aspen in the US. Cesar has a strong focus on service delivery and providing exceptional customer service at each point of the customer's journey. He brings a passion for the industry and experience across various resort areas internationally – this will be pivotal to our success as we transform the Whakapapa business over the next five years to a genuine 12 month operation.

Lyndsey Jackman – Operations Manager Turoa

Lyndsey is commercially astute with proven experience in ski resorts with strategy and operations skills honed at Mt Buller and the Mt Stirling ski areas in Australia. His experience includes property development and leasing, infrastructure planning, GIS mapping, mountain operations and emergency management planning. Lyndsey took up this role in mid-May 2018. We're excited about bringing additional horsepower into the management team to help us leverage the opportunities that exist in this area of the business at Tūroa. The team will find Lyndsey a bright and approachable outdoorsman who is focussed on supporting them to deliver exceptional operations for our customers. He is excited about working with our operations team to build on the great work that has made Tūroa what it is today.





FINANCIAL SNAPSHOT

CHANGE IN BALANCE DATE

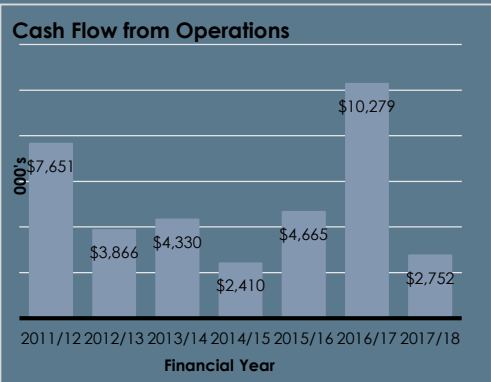
As noted in last year's Annual Report we're working to change our financial year to 30 November which will align with our core winter operational season.

Our current financial year close is 30 April and we run a capital and maintenance program that falls either side of this. By moving to a 30 November balance date we will close our results at the completion of our core operational period. This enables us to confidently assess what capital projects will be in the pipeline for delivery the following winter.

The alignment with our maintenance programme also allows our maintenance teams to undertake servicing of key infrastructure over the summer months to ensure they are ready and safe to operate for the following winter. We will also have a good sense of where we are sitting to enter into conversations with our bank (or other investors) for facilities required for our capital upgrades and following winter season. It will allow for better planning and budgeting with our permanent seasonal staff being heavily involved in this process.

This report presents the results to 30 April 2018 and we are now running a short financial year to 30 November 2018.

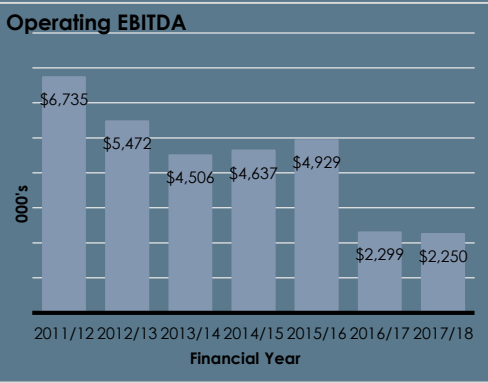
CASH FLOW FROM OPERATIONS



We believe the cash flow statement on page 30 is the most relevant financial information. Cash flow from operations (less interest) is the measure of cash generated from our normal business operation (i.e. running the Whakapapa and Tūroa Ski Areas). 2016/17 saw a significant increase due to the life pass campaign (\$13.1m) which enabled us to fund a substantial portion of the capital investment for winter 2017.

The reduction in the cash flow from operations is reflective of our investment into our labour and other costs such as additional marketing. When reviewing each line of the cash flow statement you can see growth in funds-in and also funds-out year on year. Business requirements lead us to invest into our operating expenditure in the short term to gain increases in visitation and revenue in the medium to long term.

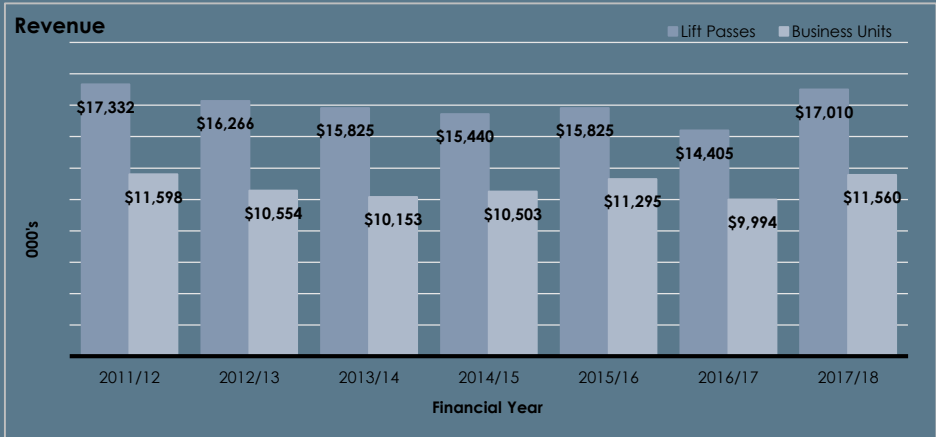
OPERATING EBITDA



Operating EBITDA is a financial measure that is key to RAL (refer note 18 in the financial statements). It is the result of our normal operations i.e. running the Whakapapa and Tūroa Ski Areas.

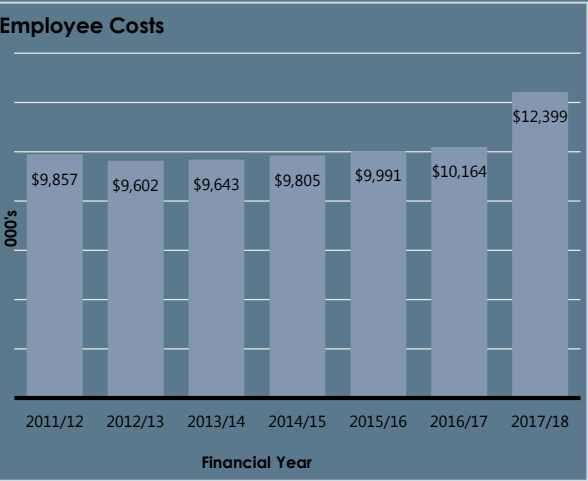
The 2017/18 result is a \$49k downgrade on 2016/17. As with the cash flow from operations this was attributable to our investment in labour and other operational costs. We are continuing to work on a number of initiatives to drive improvements to achieve an annual result in excess of \$6 million. It's at this level where RAL will have ongoing financial capacity necessary to maintain a program of asset upgrades and replacement.

REVENUE



With the increase in visitor days, we saw an increase in both lift pass and business unit revenue. We feel this increase was attributable to the investment made into infrastructure at Whakapapa (including Happy Valley) and the investment we made in increased staffing levels, marketing efforts, and new products and services such as Night Ski, First Tracks and Schuss Haus.

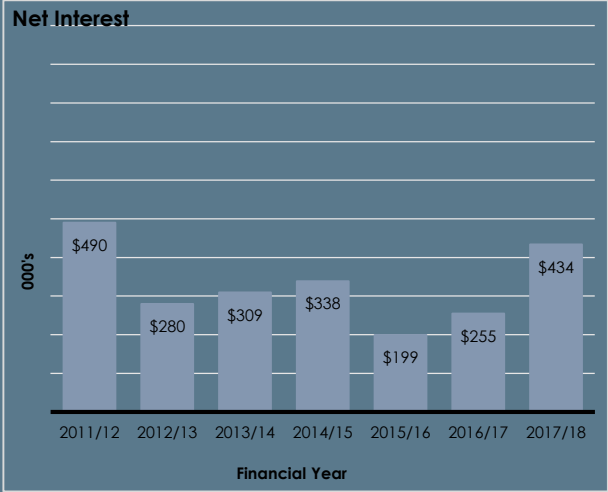
EMPLOYEE COSTS



Prior to 2016/17 expenditure on wages and salaries had remained relatively flat, even with a labour cost index (LCI) increase at 2.0% – 2.5% each year during that period. The result of the flat wage and salary expenditure was reflective of us pulling labour hours out of the business, which had a negative impact on our customer experience.

- 2017/18 saw an increase of 22% in our labour expenditure. The drivers behind this increase included:
- Increase in wage rates
 - Increase in labour resources
 - Additional five weeks of operations with Happy Valley opening earlier
 - Increase to the length of our operational day with First Tracks and Night Ski
 - Establishment of in-house marketing and software development teams
 - Three additional sales and information offices were opened for most of the year in Ohakune and Taupo.

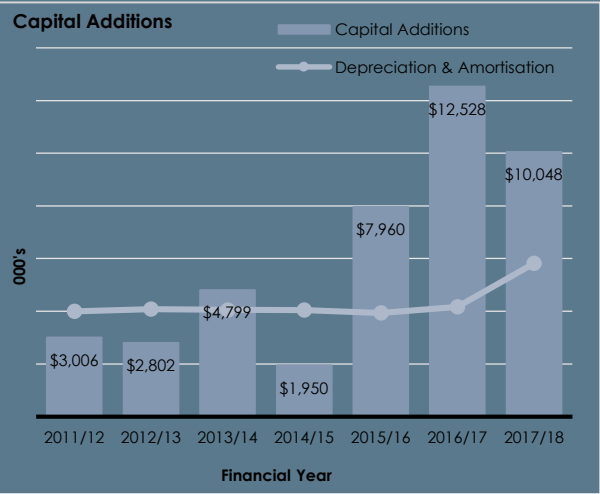
NET INTEREST



Net interest is the interest paid (finance cost) on our long term loan and flexi-facility, less interest received from money in the bank. Over the past seven years we have been making regular reductions in our long term facility of approximately \$600k - \$750k per year.

In 2017/18 there was an increase in net interest due to the additional facilities required to fund the capex programme combined with the results from the 2017 winter.

CAPITAL ADDITIONS VS DEPRECIATION & AMORTISATION



Capital additions have been less than our annual depreciation during three of the last seven years. Significant investment has been made since the Whakapapa licence renewal was achieved in December 2015.

This year's increase is reflective of further investments mainly occurring at Whakapapa as outlined throughout this report. Due to the timing of the financial year end the 'additions' include a portion of assets under construction (refer note 5 in the Financial Statements) which will have the remainder of the project costs flow into the next financial year.

Depreciation has increased due to the recent capex projects completed over the last three financial years. An additional item driving the 2017/18 increase was a change to the snow groomer vehicles depreciation rate. This has been revised from ten to six years as a reflection of the current trend to trade-in the vehicles rather than using them for their full useful life. The impact of this had an increase of \$965k for all snow groomers purchased before 30 April 2017.

MEET OUR BOARD

1. Murray Gribben, Chair

Murray joined the board as a director in May 2010 and was appointed chair in October 2014. His career started in the military before he moved into the finance sector where his professional career has been in investment banking and investment management. He has held a variety of senior roles within the finance sector, both in New Zealand and overseas, including managing director of AMP Capital Investors. Previously held governance positions include deputy chair of NZ Post Ltd and Directorships of Kiwibank Ltd, CS Ltd, Donaghys Ltd and Summerset Group Holdings Ltd. He is currently chair of the NZ Venture Investment Fund. Murray has had a long association with Mt Ruapehu and has been skiing on the mountain most of his life.

2. Duncan Fraser, Director

BE (Hons), FIPENZ

Duncan joined the board as a director in October 2006 and was chair from October 2012 to September 2014. Duncan has had an association with skiing on Mt Ruapehu since childhood and is a past President of Skyline Ski Club. His professional background is in mechanical engineering and project management. He is currently managing director of Acme Engineering Ltd, a long established heavy engineering business based in Wellington.

3. Michelle Trapski, Director

BMS

Michelle joined the board in February 2016. She has extensive experience in the tourism and snow sports industries. She has over 25 years' experience in strategy marketing and management and was the CEO of AJ Hackett Bungy for nine years and CEO of Active Adventure Tours for two years. Michelle is currently a director of Snow Sports NZ and Glenorchy Marketplace Project/Pounamu Holdings 2014 Ltd. Michelle has had a long association with Mt Ruapehu and has been skiing on the mountain most of her life.

4. Debbie Birch, Director

BSC

Debbie joined the board as an advisor in February 2016 and became a director in August 2016. She has over 30 years' senior management experience in financial markets including managing global investment portfolios in New Zealand, Asia and Australia. Currently she is a fulltime director of Tourism Holdings Limited (NZX listed), White Island Tours Limited, Ngāti Awa Group Holdings Ltd, LGNZ Independent Assessment Board, Te Puia Tapapa Ltd, THR GP Ltd, and is chair of Crown Irrigation Investments Ltd and Taupo Moana Investments Ltd. She is a trustee of Wellington Free Ambulance and Raukawa ki te Tonga and a member of the DOC Risk & Assurance Committee, and the Ruapehu Regional Visitor Development Advisory Board. Her Iwi affiliations are with Ngāti Tuwharetoa, Raukawa, Ngāti Apa, Ngāti Hauiti, and Ngāti Rangī, and she has deep connections to the region having learnt to ski at Whakapapa as well as having spent her childhood years living in Waiouru.

5. Geoff Taylor, Director

BMS, FCTP

Geoff joined the board in July 2015. He is a professional director with experience in corporate finance and investment management. Geoff is a former member of the Institute of Chartered Accountants, is a member of the Institute of Directors, and is a fellow of the Institute of Finance Professionals of NZ. Geoff began skiing on the rope tows of Whakapapa and was a member of Christiana Ski Club.

6. Michael (MOD) O'Donnell, Advisor

Michael (Mike/MOD) O'Donnell became an advisor to the board in December 2017. He will be seeking election as a director by shareholders at our 2018 AGM. MOD is a professional director, writer and business advisor with a focus on digital, media and consumer issues. He is director of online global music company Serato, financial services company Kiwibank, destination-marketing agency Tourism NZ, software intelligence platform Raygun, investment company Kiwiwealth, online booking company Timely, Radio New Zealand and IP marketing agency G2G Knowhow. MOD is a weekly business columnist for Stuff and is involved in motorcycle safety and consumer rights.



MEET OUR SENIOR LEADERSHIP TEAM

1. Ross Copland Chief Executive Officer

MBA, BE(Hons), BCom

Ross Copland was appointed CEO in early November 2016. He was ski area manager at Coronet Peak for four years and in that time Coronet Peak experienced sustained growth and achieved several awards for visitor experience due to a strong focus on operational excellence and product development. Prior to that Ross had a career that included roles in engineering, construction and property, including as national operations manager for retail property company Westfield in Sydney. He is a founder and director of software start-up Zero Harm Farm in Queenstown, as well as a co-founder and director for Engineers Without Borders, a charitable organisation providing engineer volunteers for various infrastructure and relief projects.

2. Jessie Watling GM – Finance & Company Secretary

BMS (HONS), ACIS, CA Qualified NZICA

Jessie was appointed to the newly formed role of GM – Finance combined with her existing position of company secretary in September 2017. She worked for RAL as the finance manager for the years prior to this role. With a background in financial auditing, Jessie brings strong business acumen and proven skills in Financial Management. These strengths lead to her being awarded Highly Commended in the NZ Young Finance Manager of the year award. Her previous work was with internationally recognised accountants PriceWaterhouseCoopers.

3. Andy Hoyle GM – People & Performance

BSC Geology, NZIM DIP FLM

Andy was appointed to this position in September 2017. Prior to this, he was RAL's safety and environmental risk manager and prior to that worked at Whakapapa for 15 years as the safety services manager after three seasons of work as a ski patroller on the field. Andy has also spent time in Canada as a ski patroller and ski guide, and in Mt Cook for the DOC Alpine Cliff Rescue Team.



6. JP Chevalier (Chev) GM - Tūroa

Plymouth State University

Chev was appointed to this position in August 2017. He has been a member of the PSIA National Education Team - the pinnacle of US Ski Instructing. Chev has also held senior positions in marketing, rentals, race department, coaching and operations across some significant ski areas around the world including Mammoth (Canada), Beaver Creek, Eldora and Copper Mountain (Colorado), Mt Buller (Australia), Mt Hutt and The Remarkables (NZ). He has also worked in the FMCG sector for Cadbury Schweppes in Australia where he built significant new business on the 'supplier side' of the industry.

4. Michelle Caldwell GM – Sales & Marketing

Michelle joined RAL full time in August 2017 after running her own marketing consultancy business Destinate NZ for 2.5 years. During this time, she contracted to RAL on marketing and communications projects. Michelle has over 20 years' experience in the tourism industry having worked previously for two of its largest organisations; Tourism Holdings Limited (THL) and Ngai Tahu Tourism in a variety of operations, business development and marketing roles in NZ, Australia and the UK. Her expertise is in marketing strategy and implementation, branding, trade channel development and customer experience. She is currently vice chair (representing Allied members) of the Tourism Export Council of New Zealand Board of Directors.

5. Jonathan (Jono) Dean GM - Whakapapa

Jono Dean was recently appointed to the role of general manager Whakapapa Ski Area and comes to the company with an expansive experience in the hospitality and tourism sector within the commercial accommodation sector. He has commercial experience through international hotel companies, IHG, Rydges Hotels and Resorts, and Accor Hospitality. Jono was most recently general manager for the Novotel and Ibis Christchurch and has had experience working in Australia managing some of Accor Hotels properties.

CORPORATE GOVERNANCE

THE BOARD'S ROLE

The board is responsible for providing RAL with direction, leadership, enterprise, integrity and judgement to ensure the ongoing sustainability of the company and to act in the best interests of the company in a transparent, accountable and responsible manner.

FOCUS AND PERFORMANCE FOR 2017/18

RAL has been, and is still, in a period of organisational change. Our board meetings over the last 18 months have consisted of lengthy detailed discussions due to this change and significant capital projects at the ski areas. As a result, we have reduced the required number of full Board meetings and instead focused on subcommittee meetings. Our subcommittees have no delegated authority, and therefore their purpose is to provide management with governance support. This allows ideas and business cases to be trialled and tested before presenting and seeking a decision from the board.

We have a diverse board, our directors all have a wide range of skills and experience and therefore we have the appropriate individuals to chair our subcommittees.

CORPORATE GOVERNANCE PRINCIPLES AND GUIDELINES:

The Financial Markets Authority (FMA) Corporate Governance Principles and Guidelines are used to measure RAL and provide an overview of our corporate governance.

ETHICAL STANDARDS

The board must adhere to high standards of ethical and corporate behaviour, acting in accordance with commonly accepted good business practice and professional ethics.

BOARD COMPOSITION AND PERFORMANCE

The board consists of six directors – all appointed by the board and approved by our shareholders at the annual meeting.

Board appointments should provide proficient directors who add value, and have independent judgement.

BOARD COMMITTEES

As previously stated a key initiative of the board for 2017/18 was to ensure RAL had the right mix of board committees. Charters and members were reviewed to ensure the committees enhanced the effectiveness in their specific areas whilst retaining board responsibility.

The board has established four standing Subcommittees:

- The Audit and Finance Committee (previously Audit and Risk Committee) consists of a minimum of three board members and is chaired by Geoff Taylor. The purpose is to assist the board to fulfil its responsibilities in relation to the integrity of the company's financial statements, the external audit and reporting, legal and regulatory compliance. The 'Risk' component of the committee was removed and combined with the Health, Safety and Environment committee.
- The Health, Safety, Environment and Risk Committee (previously Health, Safety, and Environment committee) consists of all board members and is chaired by Duncan Fraser. The purpose is to assist the board to fulfil its responsibilities in relation to Health, Safety, Environment and Risk related matters arising out of the activities of RAL's operations and those activities that affect employees, contractors, clients, communities and the environment in which RAL operates.
- The Investment Committee (established in the 2017/18 financial year) consists of a minimum of three board members and is chaired by Debbie Birch. The purpose is to make recommendations to the board regarding investment policy and procedure, receive and consider investment opportunities, oversee due diligence and recommend opportunities for investment and divestment.
- The Remuneration and Nomination Committee (previously Remuneration Committee) consists of a minimum of three board members and is chaired by Michelle Trapski. The purpose of the Remuneration and Nomination Committee is to support and advise the board on matters relating to remuneration including RAL's remuneration strategy; remuneration for the chief executive officer, senior leadership team and directors; support the appointment and performance of the CEO; and the composition and performance of the board.

Current members of the subcommittees include:

- Audit and Finance
 - Geoff Taylor (chair), Debbie Birch, Murray Gribben
- Health, Safety, Environment and Risk
 - All directors, Duncan Fraser (chair)
- Investment
 - Debbie Birch (chair), Duncan Fraser, Geoff Taylor, Murray Gribben
- Remuneration
 - Michelle Trapski (chair), Murray Gribben, Michael O'Donnell

REPORTING AND DISCLOSURE

During the 2017/18 financial year the board held 10 meetings. Attendance records have been included in the below table:

Name	Attendance Record	Comments
Murray Gribben	10/10	Chair
Duncan Fraser	9/10	
Phil Royal	Director 6/7	Retired as a director in December 2017
Geoff Taylor	10/10	
Michelle Trapski	10/10	
Debbie Birch	9/10	
Michael O'Donnell	Advisor 3/4	Joined Board as a advisor in December 2017.

The board meeting agenda includes, but is not limited to, strategic issues, CEO updates, financials, health, safety and environment, capital expenditure proposals, departmental reports including (human resources, marketing, IT and development, Whakapapa and Tūroa) and risks facing the company.

In addition to the above board meetings Te Pae Maunga governance meetings were held with representatives of RAL and Ngāti Tuwharetoa. The RAL representatives are Murray Gribben, Michelle Trapski and Ross Copland.

REMUNERATION

Board remuneration will be reviewed with the trustees and is subject to shareholder approval. Once approved by shareholders, the board may allocate the remuneration between its members as it sees fit.

RISK MANAGEMENT

The board is required to understand and identify key risk areas and key performance indicators of the company and monitor them, and define limits of acceptable risk and ensure that appropriate risk management and regulatory compliance procedures are in place.

AUDITORS

The Audit and Finance Committee is required to review the independent auditor's qualifications and the annual appointment of the auditor is approved at the Annual General Meeting.

SHAREHOLDER RELATIONS

The board has been elected by the company shareholders to govern the company. The board needs to continually monitor economic, environmental, political, social, cultural and legal issues and other external factors that may influence the development of the business or the interest of shareholders and obtain external expert advice where it is considered necessary.

STAKEHOLDER RELATIONS

A key function of the board is to identify the company's internal and external stakeholders and agree policies of how the company will relate to them; and ensure the company communicates effectively with shareholders and other stakeholders particularly local iwi.



NOTICE OF ANNUAL GENERAL MEETING

The sixty-fifth Annual General Meeting of Ruapehu Alpine Lifts Limited will be held at the Powderhorn Chateau, 194 Mangawhero Terrace, Ohakune on Saturday 29th September 2018 at 5:00pm.

ORDINARY BUSINESS

1. Apologies
 2. Presentation of the Annual Report for year ended 30th April 2018
 3. Appointment of directors
 4. In accordance with the Constitution the following directors retire by rotation, and being eligible, offer themselves for reappointment:
 - a) Geoff Taylor retires by rotation and, being eligible, offers himself for reappointment.
 - b) Michelle Trapski retires by rotation and, being eligible, offers herself for reappointment
 - c) Michael O'Donnell has been nominated by the board of directors to become a Ruapehu Alpine Lifts Ltd director and offers himself for appointment
- The directors support these appointments
1. To confirm the reappointment of Deloitte as auditor and authorise the directors to determine their remuneration for the ensuing year
 2. That shareholders [with trustees agreeing not to vote] agree to a Trustee claiming for reasonable travel expenses (i.e. mileage and airfares) from the company for up to 4 meetings in any one year
 3. Chair review
 4. General

Shareholders entitled to attend and vote at the meeting are entitled to appoint a proxy, who need not be a shareholder of the company.

Completed Forms of Proxy must be deposited at the company address not less than 48 hours before the time for holding the meeting. The company address is Bruce Road, Private Bag 71902, Mt Ruapehu, 3951 (Email: companysecretary@mtruapehu.com).

Jessie L Watling
GM – Finance & Company Secretary
Dated at Mt Ruapehu, New Zealand this Sunday 2nd day of September 2018

DIRECTORS REVIEW

Your Directors have the pleasure in presenting to Shareholders the Annual Report for the year ended 30th April 2018.

PRINCIPAL ACTIVITIES

The company's principal activity during the year was the operation of Whakapapa and Tūroa Ski Areas.

RESULTS

Comprehensive Loss for the year	(\$4,231,279)
Total Equity at 1st May 2017	<u>\$30,957,301</u>
Total Equity at 30th April 2018	<u>\$26,726,022</u>

DIVIDENDS

Pursuant to the constitution the company is precluded from paying dividends.

REMUNERATION OF EMPLOYEES – in bands of \$10,000 greater than \$100,000

The following discloses the number of employees (including former employees) of the company, who, during the accounting period, received remuneration and any other benefits in their capacity as employees, to the value of which was or exceeded \$100,000:

No of Employees		No of Employees	
\$100,000 - \$110,000	4	\$140,000 - \$150,000	1
\$110,000 - \$120,000	2	\$270,000 - \$280,000	1
\$120,000 - \$130,000	3		

DIRECTORS' INTERESTS

No transactions were entered into by directors of the company during the period.

DIRECTORS' SHARE DEALINGS

Nil

REMUNERATION OF DIRECTORS

The remuneration paid to directors totalled \$142,833

During the year Directors fees were paid to the following:

Murray I Gribben	\$42,500	Michelle Trapski	\$ 21,500
Duncan J Fraser	\$21,500	Geoff Taylor	\$ 21,500
Phil J Royal	\$14,333	Debbie Birch	\$ 21,500
		TOTAL	\$142,833

Phil Royal retired as a director in December 2017. The remainder of the above named directors held office during and since the end of the financial year.

USE OF COMPANY INFORMATION

During the period the board received no notices from directors of the company, requesting to use company information received in their capacity as directors, which would not otherwise have been available to them.

On behalf of the board

Murray Gribben chair Date: Sunday 2 September 2018
Geoff Taylor director Date: Sunday 2 September 2018

SHAREHOLDING INFORMATION

Number of Shares	Number of Shareholders*
5 or Less	3651
Between 6 & 10	246
Between 11 & 100	155
101 and over	2

In addition, the Ruapehu Alpine Lifts Limited Trust also holds 10,000 "D" shares. There are 4,054 shareholders on the register, with no known address for 1,983 (49%) of these shareholders. There is a continuing process to contact these people, or their relatives, etc, which produces steady results.

Shares do frequently become available for purchase, normally from the estate of deceased shareholders. Purchase price is the face value of the shares – i.e. \$1 for "A" shares, \$20 for "B" and "C" shares. The company secretary facilitates sale and purchase of shares. Contact the Secretary at Private Bag 71902, Mt Ruapehu, 3951 (Email: companysecretary@mtruapehu.com) if there is interest in purchase of available shares.

Since the 26th September 1998 the company constitution precludes any shareholder holding, in aggregate, more than 100 shares, notwithstanding that the aggregate holding may be more than one class of shares.

**At the time of publishing this report*

RUAPEHU ALPINE LIFTS LIMITED TRUST

The Trust was created in 1983 to protect the interests of the company and its shareholders, and to preserve the Company's integrity for future generations. The original Trustees who invested in the company were issued 10,000 "D" shares, which represent 45% of shares on issue. The Trust shareholding, and its stated aim of "preserving RAL in its current form", is intended to prevent any individual, group of individuals or organisation being able to action a hostile takeover of the Company.

The original Trustees were Sir Bryan Todd, Sir Roy McKenzie and Peter Scott. Sir John Ingram was appointed as a Trustee in 1984.

Trustees during the reporting year are Roger Manthel, Tomas Huppert and John Parker. Jo Bouchier joined as a Trustee in December 2017.

DIRECTORY

AUDITOR

Deloitte

BANKER

ANZ Bank New Zealand

SOLICITOR

Chapman Tripp

DIRECTORS

Refer page 22

SECRETARY

J Watling, Private Bag 71902, Mt Ruapehu 3951
companysecretary@mtruapehu.com

SHARE REGISTER

Private Bag 71902, Mt Ruapehu 3951

COMPANY & REGISTERED ADDRESS

Top of Bruce Road, Whakapapa Ski Field,
Mt Ruapehu 3951

SENIOR LEADERSHIP

Refer page 23

FINANCIAL STATEMENTS

RUAPEHU ALPINE LIFTS LIMITED

STATEMENT OF COMPREHENSIVE INCOME

For year ended 30 April 2018

	Note	2018	2017
		\$	\$
Operating Activities			
Revenue			
Lift Pass Sales		17,009,885	14,404,927
Sale of Goods and Services		11,560,457	9,993,880
Rent		298,273	269,122
Total Revenue		28,868,615	24,667,929
Cost of Sales		2,152,453	1,714,865
Gross Profit		26,716,162	22,953,064
Expenses			
Auditor's Remuneration – Audit		32,500	37,809
Finance Costs		466,629	325,583
Depreciation	5	5,821,687	4,112,386
Amortisation	6	78,158	52,397
Directors' Fees	13	142,833	150,000
Provision for Bad Debts		-	21,815
Insurance		987,387	858,641
Electricity Usage and Line Charges		2,065,109	1,949,749
Wages and Salaries		12,399,062	10,164,212
ACC		172,836	169,528
License Fees, Rates and Ski Area Levies	14	1,223,477	1,235,035
Marketing Campaigns		866,762	471,404
Lift Maintenance and Services		773,716	584,288
Grooming Maintenance and Services		191,994	253,962
Other Supplies and Services	16	5,610,576	4,757,287
Total Expenses		30,832,726	25,144,096
(Loss) / Surplus from Operations	18	(4,116,564)	(2,191,032)
Other Items			
Other Income			
Interest Received		33,062	70,829
Total Other Income		33,062	70,829
Other Expenses			
Turoa Diesel Spill	10	-	137,280
Loss on Sale / Disposal of Property, Plant and Equipment and Cost of Restoration		45,741	790,190
Fair Value Loss / (Gain) of Derivatives & Foreign Exchange Losses	9	102,036	(33,215)
Total Other Expenses		147,777	894,255
(Loss) from Other items		(114,715)	(823,426)
Total Comprehensive (Loss) / Surplus for the Year		(4,231,279)	(3,014,458)

The accompanying notes on pages 31 to 36 form part of these financial statements

STATEMENT OF FINANCIAL POSITION

as at 30 April 2018

	Note	2018 \$	2017 \$
CURRENT ASSETS			
Financial Assets			
Cash and Cash Equivalents		-	970,070
Trade and Other Receivables	3	246,145	487,337
Life Pass Finance Plan		237,427	338,878
Fair Value of Derivatives	9	-	66,910
Total Current Financial Assets		483,572	1,863,195
Inventories	4	672,991	764,058
Prepayments		59,649	203,628
Total Current Assets		1,216,212	2,830,881
NON CURRENT ASSETS			
Life Pass Finance Plan		69,765	354,595
Property, Plant and Equipment	5	66,409,755	62,794,658
Intangible Assets	6	1,207,700	895,608
Total Non Current Assets		67,687,220	64,044,861
TOTAL ASSETS		68,903,432	66,875,742
CURRENT LIABILITIES			
Financial Liabilities			
Overdraft Facility		3,690,928	-
Lease Liabilities	12	105,466	-
Trade and Other Payables	7	3,794,287	4,639,143
Borrowings	9	600,000	600,000
Fair Value of Derivatives	9	23,889	-
Total Current Financial Liabilities		8,214,570	5,239,143
Revenue in Advance	8	7,281,097	4,735,608
Life Pass Deferred Revenue		1,775,683	1,867,070
Total Current Liabilities		17,271,350	11,841,821
NON CURRENT LIABILITIES			
Lease Liabilities	12	123,044	-
Borrowings	9	6,900,000	4,400,000
Life Pass Deferred Revenue		17,883,016	19,676,620
Total Non Current Liabilities		24,906,060	24,076,620
TOTAL LIABILITIES		42,177,410	35,918,441
NET ASSETS		26,726,022	30,957,301
EQUITY			
Share Capital	2	138,200	138,200
Retained Earnings		26,587,822	30,819,101
TOTAL EQUITY		26,726,022	30,957,301

For and on behalf of the Board who authorised the issue of these financial statements on:

Murray Gribben, Chairman

Geoff Taylor, Director

The accompanying notes on pages 31 to 36 form part of these financial statements

Date: 27 June 2018

Date: 27 June 2018

STATEMENT OF CHANGES IN EQUITY

For year ended 30 April 2018

	Note	Share Capital \$	Retained Earnings \$	Total \$
Balance at 1 May 2017		138,200	30,819,101	30,957,301
Comprehensive Loss for the Year		-	(4,231,279)	(4,231,279)
Total Recognised Income and Expenses		-	(4,231,279)	(4,231,279)
Balance at 30 April 2018	2	138,200	26,587,822	26,726,022
Balance at 1 May 2016		138,200	33,833,559	33,971,759
Comprehensive Surplus for the Year		-	(3,014,458)	(3,014,458)
Total Recognised Income and Expenses		-	(3,014,458)	(3,014,458)
Balance at 30 April 2017	2	138,200	30,819,101	30,957,301

The accompanying notes on pages 31 to 36 form part of these financial statements

CASH FLOW STATEMENT

For year ended 30 April 2018

	Note	2018	2017
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from Customers		22,507,127	18,613,959
Revenue Received in Advance	8	7,281,097	4,735,608
Receipts from Life Pass Sales	17	368,360	13,180,855
Interest Received		33,062	70,829
Cash was applied to:			
Payments to Suppliers and Employees		(26,971,426)	(25,996,721)
Interest Paid		(466,629)	(325,583)
Net Cash Flows from Operating Activities		2,751,590	10,278,947
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Sale of Property, Plant and Equipment		-	-
Cash was applied to:			
Purchase of Property, Plant and Equipment	5 & 6	(9,912,589)	(11,908,446)
Net Cash Flows from Investing Activities		(9,912,589)	(11,908,446)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from:			
Term Facilities		3,100,000	803,563
Cash was applied to:			
Current Portion of Term Loans		(600,000)	(600,000)
Current Portion of Lease Liabilities		-	(3,256)
Net Cash Flows from Financing Activities		2,500,000	200,307
NET (DECREASE) IN CASH			
Opening Cash		970,070	2,399,262
Closing Cash		(3,690,928)	970,070
COMPOSITION OF CASH AND CASH EQUIVALENTS:			
Cash on Hand		87,812	65,946
Cash at Bank		(3,778,740)	904,124
Closing Cash Carried Forward		(3,690,928)	970,070

The accompanying notes on pages 31 to 36 form part of these financial statements

RECONCILIATION OF TOTAL COMPREHENSIVE LOSS WITH CASH FLOW FROM OPERATING ACTIVITIES

For year ended 30 April 2018

	2018	2017
	\$	\$
Reported Net (Loss) Surplus for the year	(4,231,279)	(3,014,458)
Add / (Less) Non Cash Items:		
Depreciation	5,821,687	4,112,386
Amortisation of Intangible Assets	78,158	52,397
Provision for Bad Debts	-	21,815
Fair Value Movement in Derivatives & Foreign Exchange Losses/(Gains)	102,036	(33,215)
Movements in Working Capital:		
Movement in Trade and Other Payables	(587,768)	(3,196,278)
Movement in Inventories	91,066	(294,416)
Movement in Trade and Other Receivables	241,192	149,046
Movement in Life Pass Finance Plan	386,281	(693,473)
Movement in Prepayments	143,979	(21,968)
Movement in Season Pass Revenue & Revenue in Advance	2,545,489	(591,421)
Movement in Life Pass Deferred Revenue	(1,884,991)	12,998,342
Items Classified as Investing Activities		
Loss on Disposal of Assets	45,741	790,190
Net Cash Flow from Operating Activities	2,751,591	10,278,947

The accompanying notes on pages 31 to 36 form part of these financial statements

1. SUMMARY OF KEY ACCOUNTING POLICIES

1.1 Statement of Compliance

Ruapehu Alpine Lifts Limited (the 'Company') is a company registered under the Companies Act 1993. The financial statements have been prepared in accordance with the Financial Reporting Act 2013 and the Companies Act 1993 which includes the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP). The Company is a public benefit entity all profits are reinvested into the maintenance and further development of facilities at the ski areas for the benefit of the public to promote snow sports on Mt Ruapehu.

These financial statements have been prepared in accordance with Public Benefit Entity (PBE) IPSAS Standards, and comply with those standards.

1.2 Basis of Preparation

The financial statements have been prepared on the basis of historical cost except for the valuation of certain financial instruments.

Cost is based on the fair value of the consideration given in exchange for the transaction.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring the substance of the underlying transactions or other events as reported.

These financial statements are presented in New Zealand Dollars, rounded to the nearest dollar.

There is an ongoing mismatch in the short-term liquidity position at balance date where short-term liabilities are materially greater than short-term assets. This is a consequence of the seasonal nature of cashflows where RAL commits to costs in advance of the cashflow from customers from the winter opening of the ski fields, however the Board maintains access to committed financing facilities of a larger amount than the funding mismatch to ensure solvency. The Board feels the more meaningful measure of the short-term trade position is after the winter season is finished; that has contributed to the Board's decision to change the balance date to the year ending 30 November for the coming year. The Directors are comfortable that the going concern assumption is appropriate.

1.3 Changes in Accounting Policies

There have been no changes in accounting policies throughout the year.

1.4 Prior Year Comparatives

Prior year comparatives have been reclassified, where appropriate, to facilitate comparison with the current year. There has been no material impact on the Statement of Comprehensive Income or Statement of Financial Position.

1.5 Key Sources of Judgment or Estimation

A key area of estimation is in relation to the revenue recorded for life passes where the revenue is transferred from deferred revenue based on an estimated life over the relevant 25 and 20-year period on an average estimated days of use by the pass holder. A standard life pass has an estimated life of 20 years and the life plus pass has an estimated life of 25 years (due to these being transferable after 10 years).

Depreciation rates approximate the reasonable expectation of the useful life of each asset group based on the environment the Company operates in and from historical outcomes.

1.6 Adoption of New and Revised Standards and Interpretations

All mandatory standards, amendments and interpretations have been adopted in the current year. None had a material impact on these financial statements.

1.7 Revenue

Sale of Goods

Revenue earned by the Company from the supply of goods is measured at the fair value of consideration received. Revenue received from the supply of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer.

Sale of Services

Revenue from the supply of season passes is recognised in full from the first day of the ski season. Revenue from life passes is recognised by reference to the stage of completion (usage) of the life pass. All other revenue, including revenue from day passes and multi-day passes, is recognised on day of use.

Interest Received

Revenue is recognised on a time proportionate basis that takes into account the effective yield on financial assets.

Operating Rent

Operating Rent is recognised in the Statement of Comprehensive Income when received for the provision of staff accommodation.

1.8 Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of GST, except for receivables and payables that are recognised inclusive of GST.

1.9 Taxation

The Company is exempt from income tax under section CW40 (1) of the Income Tax Act 2007.

1. SUMMARY OF KEY ACCOUNTING POLICIES (continued)

1.10 Inventories

Inventories are valued at the lower of cost (calculated using weighted average method) and net realisable value. Net realisable value represents the estimated selling price less costs to be incurred in marketing, selling and distribution.

1.11 Property, Plant and Equipment

Items of property, plant and equipment are initially recorded at cost. When an asset is acquired for no, or nominal consideration the asset will be recognised initially at fair value, where fair value can be reliably determined, with the fair value of the asset received, less costs incurred to acquire the asset, also recognised as revenue in the Statement of Comprehensive Income.

Capital works in progress are recognised as costs incurred. Capital works in progress are carried in the property, plant and equipment schedule as assets under construction. The total cost of this work is transferred to the relevant asset category on its completion and then depreciation commences.

Realised gains and losses arising from disposal of property, plant and equipment are recognised in the Statement of Comprehensive Income in the period in which the transaction occurs.

The carrying amounts of property, plant and equipment are reviewed at least annually to determine if there is any indication of impairment. Where an asset's recoverable amount is less than its carrying amount, it will be reported at its recoverable amount and an impairment loss will be recognised. Losses resulting from impairment are reported in the Statement of Comprehensive Income in the period in which they arise.

Depreciation

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land.

Depreciation is calculated on a straight-line basis so as to write off the cost of each asset over its useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight-line method. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each annual reporting period.

Buildings and fixtures	5 - 33 years	Plant and Equipment	2 - 33 years
Car Parks and Roads	33 years	Motor Vehicles	5 - 10 years
Ski Lifts & Components	5 - 33 years		

The Company has been engaged in ongoing discussions with the Department of Conservation around the renewal of the Whakapapa and Turoa license agreements. The Whakapapa license was due to expire on the 31st December 2019, and was renewed for a 30-year term plus six 5-year extensions. This new license was operational from the 1st May 2016. The Turoa License was due to expire on 31st October 2022, and was renewed for a 25-year term plus seven 5-year extensions. This new license was operational from 1 December 2017.

1.12 Intangible Assets

Intangible Assets are initially recorded at cost. Intangible Assets with finite lives are subsequently recorded at cost less any amortisation and any impairment losses. The estimated useful life of finite life intangibles are reviewed annually. Amortisation is charged to the Statement of Comprehensive Income on a straight-line basis over the useful life of the asset. Software is regarded as an intangible asset. Typically the useful lives of intangible assets are as follows:

Software	5 years
Whakapapa Licence	60 years (term of the licence)
Turoa License	60 years (term of the licence)

Realised gains and losses arising from disposal of intangible assets are recognised in the Statement of Comprehensive Income in the period in which the transaction occurs.

Intangible assets with finite lives are reviewed at least annually to determine if there is any indication of impairment. Where an intangible asset's recoverable amount is less than its carrying amount, it will be reported at its recoverable amount and an impairment loss will be recognised. Losses resulting from impairment are reported in the Statement of Comprehensive Income in the period in which they arise.

1.13 Leases

The Company leases certain office equipment, motor vehicles, software, land and buildings. Leases are classified as finance leases wherever the terms of the lease transfer substantially all the risks and rewards of ownership to the Company. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For year ended 30 April 2018

1. SUMMARY OF KEY ACCOUNTING POLICIES (continued)

1.14 Financial Instruments

Financial Instruments include financial assets and financial liabilities, but excludes season and life pass deferred revenue for which only a constructive obligation exists. Financial instruments are initially recorded at fair value plus any transaction costs. Subsequent to initial recognition, the measurement of financial instruments is dependent upon the classification determined by the Company.

Cash and Equivalents

Cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts.

Trade and Other Receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost, using the effective interest method, less any impairment.

Life Pass Finance Plan

Loans to customers to finance the purchase of life passes are recorded at amortised cost.

Financial Liabilities and Financial Assets at fair value through the profit or loss

Financial liabilities consist of foreign exchange derivative contracts held for trading, and are valued at fair value through the profit or loss.

Financial Liabilities

Financial liabilities such as Trade Payables and Borrowings are recorded at amortised cost.

1.15 Foreign Currency

All foreign currency transactions are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Exchange differences are recognised in the Statement of Comprehensive Income in the period in which they arise.

1.16 Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, the future sacrifice of economic benefits is probable, and the amount of the provisions can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. The carrying amount is the present value of those cash flows.

1.17 Cash Flow Statement

Cash and cash equivalents comprise cash on hand and cash in banks net of outstanding bank overdrafts. Operating activities include cash received from all income sources of the Company and cash payments for the supply of goods and services. Investing activities are activities relating to the acquisition and disposal of non-current assets. Financing activities comprises the change in equity and debt capital structure of the Company.

1.18 Borrowing Costs

All borrowing costs are expensed in the Statement of Comprehensive Income in the period in which they occurred.

1.19 Employee Benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual and sick leave. These provisions are expected to be settled within 12 months and have been measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For year ended 30 April 2018

2 SHARE CAPITAL

All shares have equal voting rights attached. No share has any right to receive dividends or other pecuniary benefit, or to participate (in excess of the amount of consideration paid on issue of the share) in the distribution of any surplus assets on liquidation of the Company. Surplus assets on wind-up shall be divided among those organisations, societies or other persons nominated by shareholders under special resolution.

Fully Paid Ordinary Shares	A Shares	B Shares	C Shares	D Shares	Total
	\$	\$	\$	\$	\$
Balance at the beginning of the year 1 May 2017	6,000	28,000	94,200	10,000	138,200
Shares issued during the year	-	-	-	-	-
Balance at the end of the year 30 April 2018	6,000	28,000	94,200	10,000	138,200
Number of Shares					
Balance at the beginning of the year 1 May 2017	6,000	1,400	4,710	10,000	22,110
Shares issued during the year	-	-	-	-	-
Balance at the end of the year 30 April 2018	6,000	1,400	4,710	10,000	22,110

3 TRADE AND OTHER RECEIVABLES

	2018	2017
	\$	\$
Trade & Other Receivables	251,594	277,985
GST Receivable	(5,449)	209,352
	246,145	487,337

4 INVENTORIES

	2018	2017
	\$	\$
Retail	416,694	372,399
Food and Beverage	36,556	37,649
Fuel	13,203	18,880
Sundry	206,538	335,130
	672,991	764,058

5 PROPERTY, PLANT AND EQUIPMENT

30 April 2018	Opening Cost	Additions	Disposals	Transfers	Closing Cost
	\$	\$	\$	\$	\$
Ski Lifts	29,617,651	-	-	4,054,476	33,672,127
Buildings and Fixtures	28,626,218	-	-	2,937,075	31,563,293
Car Parks and Roads	6,547,492	-	-	203,087	6,750,579
Motor Vehicles	9,343,328	-	(1,139,869)	1,869,927	10,073,386
Plant and Equipment	23,783,929	-	-	6,739,189	30,523,118
	97,918,618	-	(1,139,869)	15,803,754	112,582,503
Assets Under Development	7,635,769	9,657,935	-	(15,803,754)	1,489,950
Total Property, Plant and Equipment	105,554,387	9,657,935	(1,139,869)	-	114,072,453

30 April 2017	Opening Cost	Additions	Disposals	Transfers	Closing Cost
	\$	\$	\$	\$	\$
Ski Lifts	23,213,449	-	(628,313)	7,032,515	29,617,651
Buildings and Fixtures	28,008,572	-	(215,469)	833,115	28,626,218
Car Parks and Roads	6,557,492	-	(10,000)	-	6,547,492
Motor Vehicles	8,949,680	-	(879,999)	1,273,647	9,343,328
Plant and Equipment	22,919,779	-	(1,304,973)	2,169,123	23,783,929
	89,648,972	-	(3,038,754)	11,308,400	97,918,618
Assets Under Development	6,789,509	12,154,660	-	(11,308,400)	7,635,769
Total Property, Plant and Equipment	96,438,481	12,154,660	(3,038,754)	-	105,554,387

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For year ended 30 April 2018

5 PROPERTY, PLANT AND EQUIPMENT (continued)

30 April 2018	Opening Accum Depn	Depreciation	Disposals	Closing Balance
	\$	\$	\$	\$
Ski Lifts	11,112,454	878,300		11,990,754
Buildings and Fixtures	10,520,855	946,919		11,467,774
Car Parks and Roads	2,675,500	202,010		2,877,510
Motor Vehicles	5,490,982	2,033,569	(918,718)	6,605,833
Plant and Equipment	12,959,938	1,760,889		14,720,827
Total Property, Plant and Equipment	42,759,729	5,821,687	(918,718)	47,662,698

30 April 2017	Opening Accum Depn	Depreciation	Disposals	Closing Balance
	\$	\$	\$	\$
Ski Lifts	10,701,538	799,942	(389,026)	11,112,454
Buildings and Fixtures	9,792,719	878,157	(150,021)	10,520,855
Car Parks and Roads	2,481,800	196,425	(2,725)	2,675,500
Motor Vehicles	5,198,767	828,950	(536,735)	5,490,982
Plant and Equipment	12,855,999	1,408,912	(1,304,973)	12,959,938
Total Property, Plant and Equipment	41,030,824	4,112,386	(2,383,480)	42,759,729

Balance as at 30 April:

Net Carrying Value as at 30 April 2018: **\$66,409,755**

Net Carrying Value as at 30 April 2017: **\$62,794,658**

It was decided the depreciation rate for Snow Groomer Vehicles was to be revised from 10 years to 6 years as a reflection of current trend to trade-in the vehicles rather than use them for their useful life. The impact of this is an increase in depreciation of \$965,758 from all Snow Groomers purchased before 30 April 2017. Going forward the depreciation rate for Snow Groomers will increase from 10% to 16.67% per annum.

6 INTANGIBLE ASSETS

30 April 2018	Opening Cost	Additions	Disposals	Transfers	Closing Cost
	\$	\$	\$	\$	\$
Intangible Assets	1,251,136	-	-	716,218	1,967,354
	1,251,136	-	-	716,218	1,967,354
Assets Under Development	335,017	390,250	-	(716,218)	9,049
Total Intangible Assets	1,586,153	390,250	-	-	1,976,403

30 April 2017	Opening Cost	Additions	Disposals	Transfers	Closing Cost
	\$	\$	\$	\$	\$
Intangible Assets	1,200,541	-	-	50,595	1,251,136
	1,200,541	-	-	50,595	1,251,136
Assets Under Development	12,394	373,218	-	(50,595)	335,017
Total Intangible Assets	1,212,935	373,218	-	-	1,586,153

30 April 2018	Opening Accum Amort	Amortisation	Disposals	Transfers	Closing Balance
	\$	\$	\$	\$	\$
Intangible Assets	690,545	78,158	-	-	768,703
	690,545	78,158	-	-	768,703

30th April 2017	Opening Accum Amort	Amortisation	Disposals	Transfers	Closing Balance
	\$	\$	\$	\$	\$
Intangible Assets	638,148	52,397	-	-	690,545
	638,148	52,397	-	-	690,545

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For year ended 30 April 2018

6 INTANGIBLE ASSETS (continued)

Balance as at 30 April:

Net Carrying Value as at 30 April 2018: **\$1,207,700**

Net Carrying Value as at 30 April 2017: **\$895,608**

7 TRADE AND OTHER PAYABLES

	2018	2017
	\$	\$
Trade Creditors	440,323	1,854,942
Short Term Employee Entitlements	477,465	546,529
Other Accruals and Sundry Creditors	2,876,499	2,237,672
	3,794,287	4,639,143

Of the total value of trade and other payables, \$761,656 relates to capital purchases (2017: \$1,018,744), the majority of this balance for 2018 is captured in the 'other accruals and sundry creditors' line above along with our DOC licence fee accrual. Within the 'other accruals and sundry creditors' includes creditor balances for two vehicles capitalised with deferred payments totaling \$667,482 (2017: Nil).

8 REVENUE IN ADVANCE

	2018	2017
	\$	\$
Deferred Revenue Season Passes	6,724,880	4,247,440
Other Revenue in Advance	556,217	488,168
	7,281,097	4,735,608

The deferred revenue relates to season pass sales between October 2017 and April 2018 for the 2018 winter season. These passes cannot be utilised until the opening of the ski season, as such, the revenue is recognised throughout the season.

9 FINANCIAL INSTRUMENTS

Interest Rate Risk

The Company has exposure to interest rate risk to the extent that it borrows for a fixed term at fixed rates and has an overdraft facility with interest rates that vary quarterly. The Company manages its interest rate risk by securing short and medium term fixed interest rates. The effective interest rates (including a 1.9% margin) on the term borrowings are 5.74% and 6.93% (2017: 5.47 %).

Credit Risk

Credit risk is the risk of failure of a debtor or counterparty to honour its contractual obligation. Financial instruments that potentially subject the Company to credit risk principally consist of cash, accounts receivable and the life pass finance plan. The Company has established credit policies that are used to manage the exposure to credit risk. The maximum exposures to credit risk are considered the carrying value of these financial assets. No collateral is held in relation to any financial asset. The Company is not exposed to any concentrations of credit risk. The Material Damage Policy is placed with one insurer with the following rating in accordance with the Insurance Companies (Rating and Inspections) Act 1994: Lloyds of London A+.

Currency Risk

The Company has exposure to foreign exchange risk as a result of transactions denominated in foreign currencies, as well as foreign exchange forward contracts, arising from normal trading activities. Where exposures are uncertain it is the Company's policy to hedge these risks. At balance date the contracted amount of forward exchange contracts outstanding was NZD \$828,327 (2017: \$2,252,699).

The following table details the forward foreign currency exchange (FC) contract as at 30th April 2018.

30 April 2018	Average Foreign Currency Exchange Rate		Contract Value	Fair Value
			NZ	NZ
			\$	\$
Forward Exchange Contracts				
Buy EUR				
Less than 3 months	\$0.59	EUR €63,000	101,384	7,413
Greater than 3 months	\$0.59	EUR €421,307	726,943	16,476
			828,327	23,889

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For year ended 30 April 2018

9 FINANCIAL INSTRUMENTS (continued)

30 April 2017	Average Foreign Currency Exchange Rate	Contract Value	Fair Value
		NZ \$	NZ \$
Forward Exchange Contracts			
Buy AUD			
Less than 3 months	\$0.93 AUD \$287,630	308,067	4,777
Buy USD			
Less than 3 months	\$0.71 USD \$190,807	271,164	6,458
Buy EUR			
Less than 3 months	\$0.65 EUR €699,442	1,072,883	34,663
Greater than 3 months	\$0.65 EUR €386,963	600,585	21,011
		2,252,699	66,910

The net movements in the Fair Value of Derivatives and Foreign Exchange Gains/(Losses) were (\$102,036) (2017: \$33,215) and are included in Other Expenses on the Statement of Comprehensive Income.

Liquidity Risk

Liquidity risk arises from a mismatch in the final maturity of Statement of Financial Position Assets and Liabilities. Guidelines have been set to ensure that all obligations of the Company are met in a timely and cost effective manner. The Company also has an overdraft facility of \$50,000 (2017: \$50,000) available and a flexible facility of \$5,000,000 (2017: \$5,000,000) with the banker to assist the Company in meeting its obligations. In addition to the flexible facility the Company also has a capital facility available of \$4m (2017: \$0). As at balance date the net cash position was (\$3,690,928) (2017: \$970,070), the additional \$50,000 overdraft facility or \$4m capital facility is not being utilized. The maturity analysis of the Company is as follows:

As at balance date the net cash position was (\$3,690,928) (2017: \$970,070), the additional \$50,000 overdraft facility is not being utilised.

30 April 2018

<u>Financial Assets</u>	< 1 Year	1 – 5 Years	5 + Years	Total
	\$	\$	\$	\$
Trade and Other Receivables	246,145	-	-	246,145
Life Pass Finance Plan	237,427	69,765	-	307,192
Total Financial Assets	483,572	69,765	-	553,337

Financial Liabilities

Cash and Cash Equivalents	3,690,928	-	-	3,690,928
Trade and Other Payables	3,794,287	-	-	3,794,287
Finance Lease	105,466	123,044	-	228,510
Borrowings	622,162	7,460,027	-	8,082,189
Fair Value of Derivatives	23,889	-	-	23,889
Total Financial Liabilities	8,236,732	7,583,071	-	15,819,803

30 April 2017

<u>Financial Assets</u>	< 1 Year	1 – 5 Years	5 + Years	Total
	\$	\$	\$	\$
Cash and Cash Equivalents	970,070	-	-	970,070
Trade and Other Receivables	487,337	-	-	487,337
Life Pass Finance Plan	338,878	354,595	-	693,473
Fair Value of Derivatives	66,910	-	-	66,910
Total Financial Assets	1,863,195	354,595	-	2,217,790

Financial Liabilities

Trade and Other Payables	4,639,143	-	-	4,639,143
Borrowings	618,996	5,117,623	-	5,736,619
Total Financial Liabilities	5,258,139	5,117,623	-	10,375,762

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For year ended 30 April 2018

9 FINANCIAL INSTRUMENTS (continued)

Categories of Financial Instruments

The Company's financial instruments are classified into the following categories:

30 April 2018

<u>Financial Assets</u>	Cash and Equivalents	Fair Value Through Profit or Loss	Loans and Receivables	Financial Liabilities at Amortised Cost	Total
	\$	\$	\$	\$	\$
Trade and Other Receivables	-	-	246,145	-	246,145
Life Pass Finance Plan	-	-	307,192	-	307,192
Total Financial Assets	-	-	553,337	-	553,337

Financial Liabilities

Cash at Bank	3,690,928	-	-	-	3,690,928
Accounts Payable	-	-	-	3,794,287	3,794,287
Finance Lease	-	-	-	228,510	228,510
Borrowings	-	-	-	8,082,189	8,082,189
Fair Value of Derivatives	-	23,889	-	-	23,889
Total Financial Liabilities	3,690,928	23,889	-	12,104,986	15,819,803

30 April 2017

<u>Financial Assets</u>	Cash and Equivalents	Fair Value Through Profit or Loss	Loans and Receivables	Financial Liabilities at Amortised Cost	Total
	\$	\$	\$	\$	\$
Cash and Cash Equivalents	970,070	-	-	-	970,070
Trade and Other Receivables	-	-	487,337	-	487,337
Life Pass Finance Plan	-	-	693,473	-	693,473
Fair Value of Derivatives	-	66,910	-	-	66,910
Total Financial Assets	970,070	66,910	1,180,810	-	2,217,790

Financial Liabilities

Trade and Other Payables	-	-	-	4,639,143	4,639,143
Borrowings	-	-	-	5,739,619	5,739,619
Total Financial Liabilities	-	-	-	10,378,762	10,378,762

Fair Value Measurements Recognised in the Statement of Financial Position

Financial instruments subsequent to initial recognition are grouped into Levels 1 to 3 based on degrees to which the fair value is observable:

- Level 1 Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2 Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company has derivatives in place at balance date and these are valued at Level 2 on the hierarchy.

Security

ANZ Bank New Zealand Limited has a security agreement over all present and after acquired property of the Company.

Borrowings

During 2018 the Company was not subject to an event review under the terms of its loan agreement with the ANZ Bank New Zealand Limited. The term borrowings includes a committed interest component of \$582,189 (2017: \$736,619).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For year ended 30 April 2018

9 FINANCIAL INSTRUMENTS (continued)

Sensitivity Analysis

The Company is exposed to market risks such as interest rate risk and foreign exchange risk during the course of the Company's normal trading activities. No sensitivity analysis has been performed for the Company's exposure to interest rate risk given the majority of the Company's exposure to interest rate risk is on the term borrowings that are on fixed interest rates.

The below sensitivity analysis has been performed for the foreign exchange risk on the derivatives open as at 30 April 2018. The following table details the Company's sensitivity to a 100 basis point increase and decrease in AUD, USD and EUR Exchange rates:

2018 Sensitivity Analysis

	AUD	USD	EUR
	\$	\$	€
Total Comprehensive Loss for the Year + 100 basis points	-	-	(13,976)
Total Comprehensive Loss for the Year - 100 basis points	-	-	14,463
Total Equity for the Year + 100 basis points	-	-	(13,976)
Total Equity for the Year - 100 basis points	-	-	14,463

2017 Sensitivity Analysis

	AUD	USD	EUR
		\$	€
Total Comprehensive Loss for the Year + 100 basis points	(5,546)	(7,999)	(44,427)
Total Comprehensive Loss for the Year - 100 basis points	5,668	8,236	45,863
Total Equity for the Year + 100 basis points	(5,546)	(7,999)	(44,427)
Total Equity for the Year - 100 basis points	5,668	8,236	45,863

10 TUROA DIESEL SPILL

In September 2013 a diesel tank at Turoa spilled 19,000 litres into the Makotuku Stream contaminating the Raetihi town water supply. In 2014 the projected insurance proceeds and costs were disclosed in the Statement of Comprehensive Income based upon the best estimate of the agreed claims quantified.

Since the date of the spill the Company has incurred a total of \$708,040 costs (including \$300,794 of fines) of which \$450,926 has been covered by insurance. There was no additional spend in 2018, in 2017 \$137,280 was incurred that was not covered through insurance proceeds.

11 TRANSACTIONS WITH RELATED PARTIES

During the year the Company didn't receive services from or sold to companies in which current Directors and Management have an interest.

During the year the Company received services from and sold to companies in which past Management have an interest:

Chris Thrupp: Land and Buildings were leased from a Company in which Chris Thrupp, General Manager Turoa, is the Director and a Shareholder. The lease is for a term of 6 years commencing October 2009 with the right of renewal of a further two, six year periods, expiring in 2027. During the financial year ended 30th April 2018, Red Sand was paid \$60,920. (2017: \$54,587). Of this amount none was outstanding at year end. It is noted that Chris Thrupp resigned from his General Manager Turoa position in May 2017.

These transactions were performed on normal commercial terms. No related party debts were written off or forgiven during the year. The Directors are entitled to receive complimentary use of ski lifts and discounts in the retail, rental and cafeteria outlets.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For year ended 30 April 2018

12 COMMITMENTS

Capital Commitments

	2018	2017
	\$	\$
Estimated capital expenditure contracted for at balance date but not provided for, was for the purchase of the new parts for the Far West T-Bar.	466,153	2,772,287

Operating Lease Commitments

Lease commitments under non-cancellable operating leases:

	2018	2017
Not later than one year	406,035	371,496
Later than one year and not later than five years	887,289	1,249,833
Later than five years and not later than ten years	-	20,000
	1,293,324	1,641,329

These operating leases are for staff accommodation, workshop facilities, and a sales and information office. Total expenditure for 2018 amounted to \$470,020 (2017: \$324,720).

Finance Lease Commitments

The Company leases two motor vehicles which have a net carrying value of \$279,823 (2017: Nil). These assets are classified as finance leases as the ownership of the vehicles transfers to the Company at the end of the minimum lease term.

Future lease payments are due as follows:

30 April 2018

	Minimum Lease Payments	Interest	Present Value
	\$	\$	\$
Not later than one year	105,466	21,126	84,340
Later than one year and not later than five years	123,044	24,648	98,396
Later than five years and not later than ten years	-	-	-
	228,510	45,774	182,736

30 April 2017

	Minimum Lease Payments	Interest	Present Value
	\$	\$	\$
Not later than one year	-	-	-
Later than one year and not later than five years	-	-	-
Later than five years and not later than ten years	-	-	-
	-	-	-

13 DIRECTORS FEES

Directors

During the year Directors' fees were paid to the following:

	2018	2017
Murray I Gribben	42,500	48,125
Duncan J Fraser	21,500	20,375
Phil J Royal	14,333	20,375
Geoff Taylor	21,500	20,375
Michelle Trapski	21,500	20,375
Debbie Birch	21,500	16,208
Kevin T Stanley	-	4,167
	142,833	150,000

14 License Fees, Rates and Ski Area Levies

License fees, rates and ski area levies are split as per below;

	2018	2017
DOC License Fees	506,826	473,877
Rates and Ski Area Levies	716,651	761,158
	1,223,477	1,235,035

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For year ended 30 April 2018

15 KEY MANAGEMENT PERSONNEL

Key management personnel of the Company include the Directors and Senior Leadership team.

Board Members	2018	2017
Remuneration	\$142,833	\$150,000
Full-Time Equivalent members	5.71	6.0
Senior Leadership Team		
Remuneration	\$884,638	\$1,073,216
Full-Time Equivalent members	5.4	6.9
Total Key Management personnel remuneration	\$1,027,471	\$1,223,216
Total Full Time equivalent personnel	11.1	12.9

The amounts disclosed above are the amounts recognised as an expense during the reporting period related to key management personnel. Related party disclosures have been included in Note 11 to the financial statements.

The Company provided compensation to close family members of key management personnel during the year to the value of \$89,221 (2017: \$146,246). The Company did not provide any loans to key management personnel or their close family members.

16 OTHER SUPPLIES AND SERVICES

The Company's Other Supplies and Services are classified into the following categories based on key functions:

	2018	2017
	\$	\$
Accommodation Leases & Supplies and Services	436,642	344,310
Bank Fees	80,161	50,465
Board and Governance Expenditure	78,581	59,785
Cadetship	(77,733)	(37,941)
Consumable and Cleaning Supplies	251,370	204,922
Corporate Support and Services	413,196	378,845
Credit Card Commission Paid	317,259	245,457
FBT	43,609	40,948
Field Operations Supplies and Services	95,414	56,413
Food and Beverage Supplies and Services	89,182	62,344
Fuel & Vehicle Expenditure	632,698	652,426
Kiwisaver	243,704	201,344
Maintenance and Service of Buildings and Equipment	510,937	413,232
Medical Centre Supplies and Services	68,607	56,331
Ohakune & Taupo Office Lease, Supplies and Services	92,891	12,771
Postage, Courier, Printing and Stationary	68,640	47,421
Professional Fees	10,840	50,498
Rentals Supplies and Services	41,029	32,333
Retail Supplies and Services	7,443	11,508
Road and Carpark Maintenance	146,688	157,088
Safety & Environmental Risk	43,150	44,175
Ski Patrol Supplies and Services	101,672	64,558
Snow School Supplies and Services	57,535	22,512
Snowmaking Supplies	254,060	242,296
Software Fees & IT Services and Supplies	415,308	418,048
Staff Training Expenditure	74,934	241,157
Staff Uniform	500,080	308,755
Summer Operation Supplies and Services	12,341	36,447
Telephone Rental	68,522	80,565
Ticket Stock Consumed	90,565	153,173
Transport	350,162	-
Travel & Entertainment	91,089	105,101
Total	5,610,576	4,757,287

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For year ended 30 April 2018

17 RECEIPTS FROM LIFE PASS SALES

In 2018, these figures represent money received from payments for the Life Pass Finance Plan and do not represent new life pass sales

18 RECONCILIATION OF LOSS FROM OPERATIONS TO EBITDA

	2018	2017
	\$	\$
(Loss) from Operations	(4,116,564)	(2,191,032)
<i>Add back:</i>		
Finance Costs	466,629	325,583
Depreciation	5,821,687	4,112,386
Amortisation	78,158	52,397
EBITDA	2,249,910	2,299,334

19 SUBSEQUENT EVENTS

The Company has entered into a loan agreement with the Ministry of Business, Innovation and Employment (MBIE) as part of their Provincial Growth Fund to the value of \$10,000,000. This loan is to go towards the build of the Gondola at the Whakapapa Ski Area. At the date of signing the accounts this facility hasn't been drawn down nor had a final commitment been made to the supplier.

Independent Auditor's Report

To the Shareholders of Ruapehu Alpine Lifts Limited

Opinion	<p>We have audited the financial statements of Ruapehu Alpine Lifts Limited (the 'Company'), which comprise the statement of financial position as at 30 April 2018, and the statement of comprehensive income, statement of changes in equity and cashflow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.</p> <p>In our opinion, the accompanying financial statements, on pages 28 to 36, present fairly, in all material respects, the financial position of the Company as at 30 April 2018, and its financial performance and cash flows for the year then ended in accordance with Public Benefit Entity Standards.</p>
Basis for opinion	<p>We conducted our audit in accordance with International Standards on Auditing ('ISAs') and International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the <i>Auditor's Responsibilities for the Audit of the Financial Statements</i> section of our report.</p> <p>We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.</p> <p>We are independent of the entity in accordance with Professional and Ethical Standard 1 (Revised) <i>Code of Ethics for Assurance Practitioners</i> issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' <i>Code of Ethics for Professional Accountants</i>, and we have fulfilled our other ethical responsibilities in accordance with these requirements.</p> <p>Other than in our capacity as auditor, we have no relationship with or interests in the entity, except that partners and employees of our firm deal with the entity on normal terms within the ordinary course of trading activities of the business of the entity.</p>
Other information	<p>The Directors are responsible on behalf of the Company for the other information. The other information comprises the information in the Annual Report that accompanies the financial statements and the audit report.</p> <p>Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.</p> <p>Our responsibility is to read the other information obtained prior to the date of our audit report, and consider whether it is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If so, we are required to report that fact. We have nothing to report in this regard.</p>
Directors' responsibilities for the financial statements	<p>The Directors are responsible on behalf of the Company for the preparation and fair presentation of the financial statements in accordance with Public Benefit Entity Standards, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.</p>
Auditor's responsibilities for the audit of the financial statements	<p>Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.</p>

A further description of our responsibilities for the audit of the financial statements is located on the External Reporting Board's website at:

<https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-8>

This description forms part of our auditor's report.

Restriction on use

This report is made solely to the Company's Shareholders, as a body, in accordance with Section 207B of the Companies Act 1993. Our audit has been undertaken so that we might state to the Company's Shareholders those matters we are required to state to them in an 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 Shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte Limited

Deloitte Limited
Wellington, New Zealand
27 June 2018

This audit report relates to the financial statements of Ruapehu Alpine Lifts Limited (the 'Company') for the year ended 30 April 2018 included on the Company's website. The Directors are responsible for the maintenance and integrity of the Company's website. We have not been engaged to report on the integrity of the Company's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 27 June 2018 to confirm the information included in the audited financial statements presented on this website.

