

ANNUAL REPORT
2018

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First Floor
All Airline Check-in
Security Screening
Baggage Reclaim
Lost & Found
Information
Restrooms
Elevators
Escalators

Departures
Security Screening
Baggage Reclaim
Lost & Found
Information
Restrooms
Elevators
Escalators

Arrivals
Baggage Reclaim
Lost & Found
Information
Restrooms
Elevators
Escalators

Budget **Hertz** **Avis**

← **Departure Gates**



First Floor	
10	Air-Rail Transfer Regional Lounge
11	Cafe and Bar
12	Domestic Departures Viewing Lounge
13	Airport Administration
Ground Floor	
14	Domestic Departures
15	Domestic Arrivals
16	Finance
17	Lift





Chair's introduction

The Board of Directors has pleasure in presenting the annual report of Waikato Regional Airport Limited Group and its subsidiaries ('the Group'), incorporating the financial statements and the auditors' report, for the year ended 30 June 2018. Hamilton & Waikato Tourism Limited (HWT) and Titanium Park Limited (TPL) are wholly owned subsidiaries.

The Board of Directors of Waikato Regional Airport Limited authorised these financial statements presented on pages 10 to 41 for issue on 6 September 2018.

For and on behalf of the Board.

A handwritten signature in black ink, reading "John Spencer". The signature is fluid and cursive, with a large initial 'J'.

John Spencer
CNZM, Chair

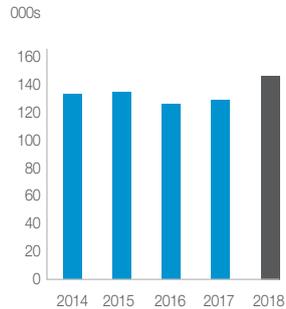
6 September 2018

2018 Results at a glance

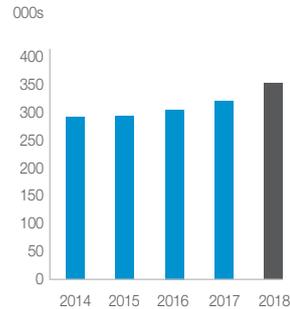
Key facts

- Operating Revenue \$8.6m*; up \$1.0m
- Surplus from operations \$2.8m (up \$0.4m)
- Investment Property \$21.5m;
 - up \$6.1m (\$2.9m Hotel purchase, \$1.6m land purchase, \$1.6m valuation gain)
- 353,000 passengers; up 35,000 and 11%
- 145,520 aircraft movements; up 16,900 and 13%

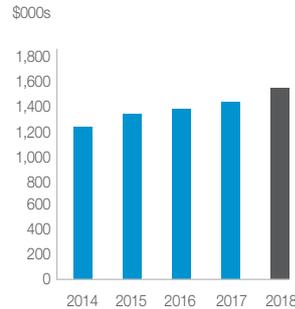
Aircraft Movements



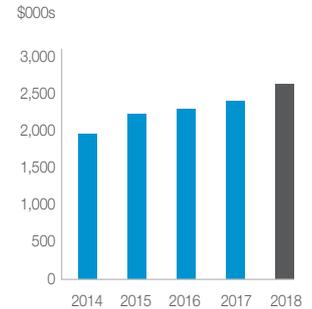
Passenger Numbers



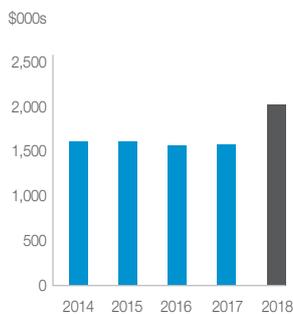
Landing Charges



Aeronautical Revenue



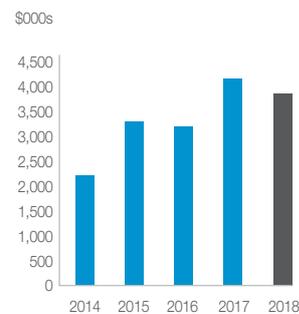
Lease Rental Income



Operating Revenue



EBITDA



Net Profit Before Tax



* normalised to exclude investment property valuations





THE STORE

Express Lane



Chair and Chief Executives'

2018 Annual Report

The Board and Management of Waikato Regional Airport Limited (WRAL) Group are pleased to report a strong operational and financial performance for the 2017/2018 financial year. The Group's surplus before tax for the year was \$2.6m.

WRAL paid its first dividend to shareholders on the back of improved profitability and forecast indicators pointing towards continued growth.

The Group investment property portfolio increased in value by \$1.6m following an end of year valuation. This movement, on the back of a \$3.3m gain in the previous financial year, was primarily driven by the continued growth of the regional economy and strong levels of land sales in both the immediate airport vicinity and wider Waikato region.

A 10-year strategic plan has been developed for the wider Group and will guide activities for the 2018/2019 financial year and beyond. The plan provides a framework for current and future Directors and Management to ensure the activities of our diverse operations; Airport, Property and Tourism, are all aligned to our core purpose of enabling air services to the Waikato region. Key themes include growing aeronautical revenue, development and optimisation of land holdings while protecting the core aviation business and a focus on the growth of regional tourism volume and value.

Major projects included the development of a significant terminal refresh set to take place during 2018/2019 as well as the first stages of a car park extension project required to accommodate current and forecasted levels of passenger growth. The launch of social media has provided new channels for customer engagement which has gained excellent traction within the market.

In January 2018 the Group purchased Hamilton Airport Hotel & Conference Centre. The purchase included all buildings and the ground lease as well as the existing hotel and conference business. Current operators, Hamilton Airport Hotel Limited, will continue to lease back and operate the hotel and conference centre until 2019.

The Group's third entity, Hamilton & Waikato Tourism Limited, the official Regional Tourism Organisation of the Waikato has continued to deliver on its Tourism Opportunities plan. The Waikato has seen a 6% growth in visitor expenditure and a 10% growth in business tourism events over the last year to cement Waikato as the third largest convention and business events destination in the country.

The Board and Management's continued focus on health, safety and wellbeing resulted in another year free of notifiable workplace incidents. Based on feedback from regulatory bodies, the Group's quality management and compliance systems remain at the forefront of the industry.

Group performance

The Group's operating revenue for the 2017/2018 financial year was \$8.6m, up on the prior year by \$1.0m. This was primarily driven by an 11% growth in passenger numbers resulting in increased revenue from commercial landing charges, carparking and concessions. Land sales of \$2.2m also made a significant contribution to operating revenue for the Group.

Group operating expenditure of \$5.7m, was \$0.5m up on the prior year. Increased consultancy costs contributed to the differential. Consultants were engaged on several initiatives during the year to provide expertise and resourcing to facilitate future investment projects and opportunities.

The net cash flow from operating activities generated a surplus of \$2.8m offset by net investment of \$4.7m underpinned by the purchase of the Hamilton Airport Hotel & Conference Centre and \$0.8m in aeronautical capital projects. The airport's current core debt of \$13.1m increased from the prior year by \$2.0m due to expansion of the group's investment property portfolio.

	2018 \$000	2017 \$000 Restated	Variance \$000
Operating revenue	8,594	7,635	959
Operating expenses	(5,722)	(5,199)	523
Surplus from operations	2,872	2,436	436
Land sales	2,242	4,177	(1,935)
Cost of land sales	(1,279)	(2,462)	(1,183)
Gross profit from land sales	963	1,715	(752)
EBITDA	3,835	4,151	(316)
Depreciation & Amortisation	(2,438)	(2,371)	67
Interest Costs	(503)	(298)	205
Other Gains/(Losses)	1,746	3,306	(1,560)
Operating Profit before Tax	2,640	4,788	(2,148)
Net Cash Flow from Operating Activities	2,760	5,247	(2,487)
Net Cash Flow from Investment Activities	(4,710)	(9,292)	(4,582)
Net Cash Flow from Operating & Investment Activities	(1,950)	(4,045)	2,095

The WRAL Group Balance Sheet remains strong and shows Shareholders' Equity of \$84.9m, up \$2.2m on the prior year. This can be attributed to a valuation-based increase in the Group's investment property holdings.

The annual Statement of Intent, approved by Shareholders, incorporates financial and performance measures for the year. This year's performance against financial and non-financial targets is shown in Note 27 Performance Targets and Results.



Airport operations

Airport operating revenue of \$6.9m was up on the prior year by \$0.9m driven by growth in landing charges from increased flight traffic (both commercial and general aviation). An increase in passenger numbers lead to growth in terminal levies, car park and concession revenue. Growth in lease revenue from tenancies, driven by underlying growth in investment property values, has also made a notable contribution.

Airport operating expenditure of \$4.1m was up on the prior year by \$0.6m due to several one-off consultancy projects and additional investment in repairs and maintenance required to preserve the quality of our airport infrastructure.

Hamilton Airport continues to meet Civil Aviation Authority of New Zealand's (CAA) certification obligations regarding safety and security. A routine aerodrome security audit was conducted by the civil aviation authority in November 2017 with no adverse findings. Hamilton Airport remains New Zealand's second busiest Civil Aviation Part 139 certified airport in terms of aircraft movements. Total aircraft movements for the 2017/2018 financial year exceeded 145,000, up 13.1% on the previous year. The influencing factor has been a successful year for L3 CTS Airline Academy's increased aircraft movements in response to a growing worldwide demand for commercial pilot training.

Major capital projects for the year to 30 June 2018 included development and completion of 6 conference and meeting rooms within the terminal building and the initiation of a car park expansion project to deliver 85 additional car parks to accommodate current and forecast passenger growth. The car park upgrade will also include new barriers, control equipment and payment facilities expected to be operational by December 2018.

In accordance with WRALs 10-year Airside Pavement Asset Management Plan, programmed maintenance on the terminal apron area and general aviation taxiways has been undertaken. Other capital works projects have included the, upgrade of car park CCTV, components of the terminal air-conditioning system and the initial planned and programmed refurbishment of a rescue firefighting tender.

Airline and passenger numbers

Time was invested in the continued growth and strengthening of working relationships with Air New Zealand resulting in effective communication and collaboration across operational, marketing and strategic functions and improved joint understanding of the Waikato passenger base.

Air New Zealand, Hamilton Airport's primary airline operator, increased seat capacity by 5% delivering an average of 150 scheduled services each week. Strong regional population growth and a narrowing of the historic price differential between airline ticket prices ex Hamilton compared to ex Auckland has led to an 11.1% growth in passenger numbers with 353,000 passenger sectors flown to/from Hamilton in the 2017/2018 year.

Property

During the year progress was made towards delivering a sustainable and recurring surplus from property holdings. Revenue from new and existing leases and concessions increased by \$0.4m in alignment with improved property values across the portfolio.

Momentum from the prior year continued in 2017/2018 with sales and development remaining buoyant around Titanium Park. The Group developed a further 3 hectares of property on Ossie James Drive in the Central Precinct, of which only 0.5 hectares remained unsold at year end. Purchasers cite the business park's location, easy connectivity to roading networks and flexibility of lot sizes as the key selling points. Titanium Park is well positioned to capitalise on the continued and rapid growth in the surrounding areas of Te Awamutu and Cambridge, as well as plans for growth in southern suburbs of Hamilton. The completion of the Waikato Expressway within the next two years, just five kilometres from the airport, will further enhance the strategic location of Titanium Park and improve accessibility to other golden triangle cities Auckland and Tauranga.

The strength of the commercial precinct as a place of business and employment has been buoyed by the development of the large-scale VISY Board plant on the Western Precinct as well as several mid-sized developments on the Western and Central Precincts. Hamilton City Council's planned development of a residential growth cell, Peacockes, adjacent to the airport precinct has given further strength to the Titanium Park proposition. Market demand for industrial sites over 1 hectare in land size has grown driving increased enquiry. The Group has responded to this by developing a masterplan for the Titanium Park Southern Precinct.

In addition, settlement of 3 hectares of land sales took place during the year and a further 5 hectares are under contract as at 30 June 2018.

Hamilton & Waikato Tourism

Combined investment of \$1.7 million from local councils and partnering tourism operators in the region allowed Hamilton & Waikato Tourism to continue to deliver on its Tourism Opportunities Plan that aims to supercharge growth in the local tourism industry. Game changing opportunities include engagement with the Waikato River and the rich heritage of local Kingitanga, enhancing our international reputation as a major events hub and building one strong regional brand.

The 2017/2018 year saw a 6% growth in visitor expenditure in the Waikato region in a regional industry estimated to be worth \$2.6 billion.

Across our region we have seen activation of the Waikato River plan commence with extension of facilities such as cycleways, improved accessibility to the river and opening of the Victoria on the River precinct in central Hamilton. New cultural experiences have been developed at Waireinga (Bridal Veil Falls), Ngaruawahia, Rangiriri, Cambridge, Tuakau and Pureora

Hamilton & Waikato Tourism continues to work hard to make the Waikato a year-round destination for major events and to develop a programme that smooths seasonal fluctuations that will enable development of accommodation, hospitality and attractions while providing more reliable employment. The current year focus was on attracting shoulder season events, with hosting of the HSBC World Rugby Sevens being a significant milestone.

Health & safety

The annual independent Health & Safety audit was completed confirming a compliant and proactive framework is in place. A Safety Committee comprising WRAL staff and an independent safety consultant meet regularly. The 2017/2018 financial year was once again free of notifiable events.

Investment in health and safety this year included commencement of a two-year refurbishment project across the fleet of three firefighting appliances. The refurbishment is expected to extend the life of the current vehicles for at least another decade, ensuring we maintain an emergency response capability commensurate with the requirements of the CAA.

As a certified aerodrome, Hamilton Airport is required to have a fully certified and approved Safety Management System (SMS) in place and operational by no later than February 2021 to ensure Civil Aviation requirements are met. Hamilton Airport's SMS plan was formally submitted to CAA and approved. The plan will be progressively implemented to ensure completion prior to the Feb 2021 deadline.

Community engagement

The airport maintains a structured Noise Management Plan (NMP) as a requirement of the District Plan. The Airport Community Liaison Group met regularly throughout the year with the objective of addressing any aircraft noise issues raised by the community. In response to growing residential housing around the airport and below take-off and landing paths, noise monitoring stations have been acquired and will be used to collect more robust information regarding noise levels. This will assist with community liaison and ensuring the minimisation of noise should aeronautical activity increase.

Board and directors

In April 2018, John Spencer announced his intention to step down as WRAL Chair. The announcement was not unexpected and is a part of the Director rotation policy introduced during 2017. Mr Spencer was appointed to the Board in December 2013. Mr Spencer's replacement is expected to take office during 2019.

In addition, Malcolm Phillips announced his resignation from the HWT Board in May 2018.

Conclusion

The WRAL Board would like to thank our five council Shareholders for their support. It also acknowledges the support from the wider group of councils who participate in the support of the regional tourism organisation. Thanks is also extended to staff across the WRAL Group for their contribution.

The Group's focus remains to deliver its key objectives to operate an efficient and compliant airport, maximise revenue through diversification to protect the core aeronautical business and enhance tourism growth within the region.



John Spencer
Chair



Mark Morgan
Chief Executive

6 September 2018

Statement of Comprehensive Revenue and Expense

For the year ended 30 June 2018

	Note	Actual 2018 \$'000	Actual 2017 \$'000 (Restated)
REVENUE			
Operating revenue	4	8,594	7,635
Land sales		2,242	4,177
Other gains/(losses)	5	1,746	3,306
Total Revenue		12,582	15,118
EXPENSES			
Cost of land sales		1,279	2,462
Employee benefit expenses		2,265	2,135
Depreciation and amortisation expense	15,25	2,438	2,371
Operating expenses		3,109	2,765
Directors' fees	6	259	210
Audit fees	7	89	89
Finance costs		503	298
Total Expenses		9,942	10,330
Surplus Before Tax		2,640	4,788
Income tax expense	21	260	293
Surplus After Tax		2,380	4,495
Other Comprehensive Revenue			
Gain on property revaluation	17	-	13,856
Total Other Comprehensive Revenue and Expense		-	13,856
Total Comprehensive Revenue and Expense		2,380	18,351

The accompanying notes form part of these financial statements.



Statement of Financial Position

As at 30 June 2018

	Note	Actual 2018 \$'000	Actual 2017 \$'000 (Restated)		Note	Actual 2018 \$'000	Actual 2017 \$'000 (Restated)
ASSETS				LIABILITIES			
Current Assets				Current Liabilities			
Cash and cash equivalents	13	22	58	Payables and accruals	9	1,680	1,503
Receivables	10	491	431	Interest bearing liabilities	16	96	91
Inventories		92	91	Employee benefits liabilities	23	322	298
Prepayments		140	75	Current tax liabilities		232	195
Development property	14	9,157	9,219	Revenue in advance		26	79
Total Current Assets		9,902	9,874	Total Current Liabilities		2,356	2,166
Non Current Assets				Non Current Liabilities			
Property, plant and equipment	15	75,397	77,349	Interest bearing liabilities	16	13,071	10,962
Intangible assets	25	897	1,062	Deferred tax liabilities	22	7,353	7,781
Investment property	24	21,456	15,307	Total Non Current Liabilities		20,424	18,743
Other non current assets		65	74	Total Liabilities		22,780	20,909
Total Non Current Assets		97,815	93,792	Net Assets		84,937	82,757
Total Assets		107,717	103,666	EQUITY			
				Share capital	17	14,860	14,860
				Retained earnings	17	23,192	20,963
				Other reserves	17	46,885	46,934
				Total Equity		84,937	82,757



John Spencer
Chair



Annabel Cotton
Director

The accompanying notes form part of these financial statements.

6 September 2018



Statement of Changes of Equity

For the year ended 30 June 2018

	Note	Actual 2018 \$'000	Actual 2017 \$'000 (Restated)
BALANCE AT 1 JULY		82,757	64,406
Total comprehensive revenue and expense for the year		2,380	18,351
Total comprehensive income		2,380	18,351
TRANSACTIONS WITH OWNERS			
Dividends paid		(200)	-
Balance at 30 June	17	84,937	82,757
Total comprehensive revenue and expense attributable to:			
Equity holders of the parent		2,380	18,351

The accompanying notes form part of these financial statements.



Statement of Cash Flows

For the year ended 30 June 2018

	Note	Actual 2018 \$'000	Actual 2017 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating revenue		10,857	12,064
Payments to suppliers and employees		(5,563)	(5,185)
Interest paid		(502)	298
Income tax paid		(662)	(705)
GST (net)		(141)	(51)
Cost of development property		(1,229)	(578)
Net Cash Flow from Operating Activities		2,760	5,247
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipts from sale of property, plant and equipment		721	24
Purchase of property, plant and equipment		(877)	(1,059)
Purchase of investment property		(4,554)	(8,257)
Net Cash Flow from Investing Activities		(4,710)	(9,292)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		2,210	3,756
Repayment of borrowings		(96)	(86)
Dividends paid		(200)	-
Net Cash Flow from Financing Activities		1,914	3,670
Net (Decrease) in cash and cash equivalents		(36)	(375)
Cash and cash equivalents at the beginning of the year		58	433
Cash and cash equivalents at the end of the year	13	22	58

The accompanying notes form part of these financial statements.



1. Statement of Accounting Policies

For the year ended 30 June 2018

1.1 Reporting entity

The Waikato Regional Airport Limited Group consists of the Waikato Regional Airport Limited, Titanium Park Limited (100% owned) and Hamilton & Waikato Tourism Limited (100% owned). The Waikato Regional Airport Limited Group has designated itself as a public benefit entity (PBE) for financial reporting purposes. The financial statements of Waikato Regional Airport Limited (the Company) and Group are for the year ended 30 June 2018. The financial statements were authorised for issue by the Board of Directors on 6 September 2018.

2. Summary of Significant Accounting Policies

2.1 Basis of preparation

The Company and Group have prepared the Consolidated Financial Statements in accordance with the Companies Act 1993, the Local Government Act 2002 and the Airport Authorities Act 1966.

These financial statements have been prepared on the going concern basis and are in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with Public Benefit Entity Standards Reduced Disclosure Regime (PBE Standards RDR) and authoritative notices that are applicable to entities that apply PBE Standards.

The Company is eligible and has elected to report in accordance with Tier 2 PBE Standards RDR on the basis that the Company has no public accountability and is not large as defined in XRB A1.

Presentation currency and rounding

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000).

2.2 Basis of consolidation

The purchase method is used to prepare the consolidated financial statements, which involves adding together like items of assets, liabilities, equity, revenue and expenses of entities in the group on a line by line basis. All significant intragroup balances, transactions, revenues and expenses are eliminated on consolidation.

In preparing the consolidated financial statements of the group, accounting policies are applied consistently to all entities in the group.



2.3 Inventory

Stock on hand has been valued at the lower of cost and net realisable value on a weighted average cost basis, after due allowance for damaged and obsolete stock. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.4 Goods and services tax

All items in the financial statements are stated exclusive of goods and services tax (GST), except for receivables and payables, which are presented on a GST inclusive basis. Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the Statement of Financial Position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

2.5 Investments

Investments in bank deposits are initially measured at fair value plus transaction costs.

After initial recognition, investments in bank deposits are measured at amortised cost using the effective interest method less any provision for impairment.

2.6 Statement of cash flows

Operating activities include cash received from all income sources of the Group and record the cash payments made for the supply of goods and services.

Investing activities are those activities relating to the acquisition and disposal of non current assets.

Financing activities comprise the change in equity and debt capital structure of the Group.

The GST (net) component of operating activities reflects the net GST paid and received with the Inland Revenue Department. The GST (net) component has been presented on a net basis,

as the gross amounts do not provide meaningful information for financial statement purposes.

2.7 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed.

2.8 Impairment of non financial assets

Non financial assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the assets ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits or service potential.

The value in use for cash generating assets is the present value of expected future cash flows.

If an asset's carrying amount exceeds its recoverable amount the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the surplus/(deficit).

For assets not carried at a revalued amount, the total impairment loss is recognised in the surplus/(deficit).

The reversal of an impairment loss on a revalued asset is credited to the revaluation reserve. However, to the extent that an impairment loss for that class of asset was previously recognised in the surplus/loss, a reversal of the impairment loss is also recognised in the surplus/(deficit).

For assets not carried at a revalued amount the reversal of an impairment loss is recognised in the surplus/deficit.



2.9 Non current assets held for sale

An asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than continuing use. On classification as 'Held for Sale', non current assets and disposal groups are recognised at the lower of carrying amount and fair value less costs to sell. Impairment losses on initial classification as 'Held for Sale' are included in the surplus/(deficit).

2.10 Cost of land sales

When development property is sold, the carrying amount of the development property is recognised as an expense in the period in which the related income is recognised. The purchase price of the land is recognised as an expense based on the actual cost of the land and the proportion of the land area sold. This expense also includes a proportion of the capitalised interest which is based on the costs incurred for the development properties. Costs of conversion are recognised as an expense based on the proportion of land area sold. Further work on the property that has already been delivered to the buyer is recognised as a liability and an expense.

2.11 Land sales

Income from the sale of property is recognised where the sale contract is unconditional and the significant risks and rewards of ownership have been transferred to the buyer.

2.12 Changes in accounting policies

There have been no changes to accounting policies during the year.

3. Critical Accounting Estimates and Judgements

(a) Critical accounting estimates and assumptions

In preparing these financial statements Directors and Management have made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Property, plant and equipment useful lives and residual values

At each balance date the Directors and Management review the useful lives and residual values of its property, plant and equipment. Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment requires Directors and Management to consider a number of factors such as the physical condition of the asset, expected period of use of the asset by the Directors and Management, and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will impact on the depreciable amount of an asset, therefore impacting on the depreciation expense recognised in the Statement of Comprehensive Revenue and Expense, and carrying amount of the asset in the Statement of Financial Position. Directors and Management minimise the risk of this estimation uncertainty by:

- physical inspection of assets;
- asset replacement programmes;
- review of second hand market prices for similar assets; and
- analysis of prior asset sales.

No significant changes have been made to assumptions concerning useful lives and residual values. The carrying amounts of land, property, plant and equipment (including those assets that were revalued this year) are disclosed in note 15.

The net realisable value of development property is evaluated after forecasting future sales and development expenses. All known factors are included in the evaluation.

(b) Critical judgements in applying accounting policies

Management has exercised the following critical judgements in applying accounting policies for the year ended 30 June 2018:

- classification and valuation of investment property – see note 24



4. Operating Revenue

Accounting policy

Revenue is measured at fair value.

Revenue from exchange transactions

Operating revenue

Operating revenue is recognised when earned.

Interest revenue

Interest revenue is recognised using the effective interest method.

Rental revenue

Rental revenue arising on property owned by the Group is accounted for on a straight line basis over the lease term.

Revenue from non exchange transactions

Council funding

Hamilton & Waikato Tourism Limited receives council funding and it is recognised as revenue when it becomes receivable unless there is an obligation to return the funds if conditions of the grant are not met. If there is such an obligation, the funding is initially recorded as revenue received in advance and recognised as revenue when conditions of the funding are satisfied.

	Note	Actual 2018 \$'000	Actual 2017 \$'000
Exchange			
Car park		1,951	1,718
Landing charges and departure charges		2,595	2,367
Rentals and concessions		2,014	1,574
Shop trading and other		337	352
Total exchange		6,897	6,011
Non Exchange			
Other		1,697	1,626
Service income		-	(2)
Total non exchange		1,697	1,624
Total exchange and non exchange		8,594	7,635



5. Other Gains/(Losses)

	Note	Actual 2018 \$'000	Actual 2017 \$'000
Other gains			
Gain on revaluation of investment property	24	1,595	3,300
Gain/(loss) on sale of property, plant and equipment		151	6
Total other gains/(losses)		1,746	3,306

6. Directors' Fees

	Actual 2018 \$'000	Actual 2017 \$'000
Waikato Regional Airport Limited Board of Directors	140	108
Hamilton & Waikato Tourism Limited Board of Directors	65	48
Titanium Park Limited Board of Directors	54	54
Total Directors' fees	259	210

7. Audit fees

The Company's audit fees per the Audit Proposal Letter is \$55,960 (2017: \$62,996).

Hamilton & Waikato Tourism Limited's audit fees per the Audit Proposal letter is \$11,348 (2017: \$11,187).

Titanium Park Limited's audit fee per the Audit Proposal letter is \$22,040 (2017: \$15,235).



8. Donations

During the year the Company made donations to charities totaling \$1,007 (2017: \$857).

9. Payables and Accruals

Accounting policy

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

Short term creditors and other payables are recorded at their face value.

	Actual 2018 \$'000	Actual 2017 \$'000
Payables	806	659
Accrued expenses	874	844
Total payables and accruals	1,680	1,503

10. Receivables

Accounting policy

Receivables are generally short term and non interest bearing. Therefore, the carrying value of the receivables approximates their fair value.

A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of sale of the receivable.

	Actual 2018 \$'000	Actual 2017 \$'000
Receivables	491	431
Gross Receivables	491	431

The carrying amount of receivables that are past due date, but not impaired, whose terms have been renegotiated is nil (2017: nil).

At balance date, all overdue receivables have been assessed for impairment and no provisions are required. As at 30 June 2018, the Company has identified no debtors that are insolvent.

11. Commitments

Accounting policy

Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset.

There are no non cancellable operating leases.

Capital commitments

The Group had capital commitments totalling \$738,000 as at 30 June 2018 (2017: nil).



12. Contingent Liabilities

The Group has two contingent liabilities at 30 June 2018.

Firstly, in respect of the Water Supply Upgrade Agreement between Waipa District Council, Waikato Regional Airport Limited, Titanium Park Limited and Titanium Park Development Limited that provides for the parties to upgrade the current water supply. The cost of the upgrade is \$845k with 59.4% payable jointly by Waikato Regional Airport Limited and Titanium Park Limited, and 40.6% payable by Titanium Park Development Limited. The Board of Directors cannot reasonably estimate the timing of the water upgrade as this is contingent on future land development.

Secondly, in respect of the Memorandum of Agreement between New Zealand Transport Agency, Waikato Regional Airport Limited, Titanium Park Limited and Titanium Park Development Limited for the construction of a roundabout and an intersection upgrade on the adjacent State Highway 21 that is triggered by traffic volumes. Should the liability be triggered TPL would be liable for a proportionate share of the cost. The Board of Directors cannot reasonably estimate the cost and timing of the liability due to New Zealand Transport Agency's long term planning for developing and managing its State Highway network and the contingent timing and traffic volumes associated with the liability.

13. Cash and Cash Equivalents

Accounting policy

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

	Actual 2018 \$'000	Actual 2017 \$'000
Cash on hand	9	9
Cash at bank	13	49
Total cash and cash equivalents	22	58

14. Development Property

Accounting policy

Development property is stated at the lower of cost and net realisable value. Development property comprises land, infrastructure and other costs incurred that are directly related to the development activity. Net realisable value is the discounted value of forecast sales less estimated costs of completion and the estimated selling expenses. Development property is not depreciated. Holding costs (e.g. interest) are capitalised against the carrying value of the development property as incurred or accrued. Marketing and administration expenses related to development property are expensed when incurred.

	Actual 2018 \$'000	Restated 2017 \$'000
Development property	9,157	9,219
	9,157	9,219

Waikato Regional Airport Limited's subsidiary Titanium Park Limited has 27.5 hectares of land (2017: 29.8 hectares) available for development and sale.

15. Property, Plant and Equipment

Accounting policy

Property, plant and equipment consists of:

- Operational Assets – These include land, buildings, security fences, furniture and fittings, computer equipment, motor vehicles and plant and equipment.
- Infrastructure Assets – These include runways, aprons and taxiways, other paved areas and underground reticulated systems.

(i) Additions

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

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

In most instances, an item of property, plant, and equipment is initially recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

(ii) Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the surplus/(deficit).

When revalued assets are sold, the amounts included in the asset revaluation reserves in respect of those assets are transferred to retained earnings.

(iii) Subsequent Costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Company and the Group, and the cost of the item can be measured reliably.

The costs of day to day servicing of property, plant, and equipment are recognised in the surplus or deficit as they are incurred.

(iv) Depreciation

Depreciation is provided on a straight line basis on all property, plant and equipment at rates that will write off the cost of the

assets over their estimated useful lives. The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

The estimated useful lives of the major classes of assets are:

Class of asset depreciated	Estimated useful life
Buildings	4 - 59 years
Runways, aprons and taxiways	5 - 79 years
Other paved areas	5 - 17 years
Motor vehicles	5 - 15 years
Furniture and fittings	3 - 50 years
Plant and equipment	2 - 50 years
Computer equipment	2 - 6 years
Fencing	4 - 17 years
Reticulated systems	4 - 74 years

(v) Revaluation

Valuations are performed when there has been a material difference in carrying amount compared to fair value, which is assessed and determined on an annual basis. Valuations take account of observable prices in active markets. Where estimates are made, they are made on the basis of appropriate valuation techniques.

(vi) Operational Land and Buildings

The valuation is fair value determined from market based evidence. All valuations are undertaken or reviewed by an independent, professional registered valuers with experience in valuing other similar assets and are performed when there is a material difference in carrying amount.

(vii) Infrastructure Assets

At fair value determined on a depreciated replacement cost basis by an independent registered valuer and performed when there is a material difference in carrying amount.





Asset Class	Valuation Approach	Valuer	Fair Value \$'000
Land	Fair market, highest and best use basis determined from prevailing market based evidence and conditions	Telfer Young Ltd	36,670
Buildings and security fencing	Fair market or, where appropriate, depreciated replacement cost	Beca Valuations Ltd	18,949
Runways, taxiways, aprons and other paved areas	Optimised depreciated replacement cost	Beca Valuations Ltd	20,412
Reticulated systems	Optimised depreciated replacement cost	Beca Valuations Ltd	1,217
Plant and equipment	Cost less depreciation		
Furniture and fittings	Cost less depreciation		
Motor vehicles	Cost less depreciation	Not applicable – these assets are not revalued	
Computer equipment	Cost less depreciation		

The effective date of buildings and security fencing, runways, taxiways, aprons and other paved areas and reticulated systems valuations (excluding land) is 30 June 2016.

All land was revalued with an effective date of 30 June 2017 (\$36,670,000).

Neither valuer has an interest or relationship with any party that would impair its objectivity or independence.

2018	Land \$'000	Buildings \$'000	Runways, aprons and taxiways \$'000	Plant and equipment \$'000	Furniture and fittings \$'000	Motor vehicles \$'000	Other paved areas \$'000	Fencing \$'000	Reticulated systems \$'000	Computer equipment \$'000	WIP \$'000	Total \$'000
Cost / valuation												
Balance as at 1 July 2017	36,670	18,786	19,135	1,785	1,293	1,242	1,927	198	1,217	246	36	82,535
Year ended 30 June 2018												
Additions	-	48	2	276	90	-	44	-	64	60	259	843
Disposals	(518)	-	-	(75)	(35)	-	-	-	-	(63)	-	(691)
Balance as at 30 June 2018	36,152	18,834	19,137	1,986	1,348	1,242	1,971	198	1,281	243	295	82,687
2017												
Cost / valuation												
Balance as at 1 July 2016	22,814	18,751	18,586	1,586	1,261	1,190	1,826	198	1,217	249	67	67,745
Year ended 30 June 2017												
Additions	-	35	648	199	32	107	4	-	-	64	(30)	1,059
Disposals	-	-	(2)	-	-	(55)	-	-	-	(67)	(1)	(125)
Revaluation	13,856	-	-	-	-	-	-	-	-	-	-	13,856
Transfers	-	-	(97)	-	-	-	97	-	-	-	-	-
Balance as at 30 June 2017	36,670	18,786	19,135	1,785	1,293	1,242	1,927	198	1,217	246	36	82,535

2018	Land \$'000	Buildings \$'000	Runways, aprons and taxiways \$'000	Plant and equipment \$'000	Furniture and fittings \$'000	Motor vehicles \$'000	Other paved areas \$'000	Fencing \$'000	Reticulated systems \$'000	Computer equipment \$'000	WIP \$'000	Total \$'000
Accumulated depreciation												
Balance as at 1 July 2017	-	(393)	(1,132)	(1,367)	(1,114)	(668)	(280)	(34)	(45)	(153)	-	(5,186)
Year ended 30 June 2018												
Disposals	-	-	-	-	71	33	-	-	-	63	-	167
Depreciation charge	-	(395)	(1,165)	(103)	(97)	(93)	(281)	(35)	(46)	(56)	-	(2,271)
Balance as at 30 June 2018	-	(788)	(2,297)	(1,399)	(1,178)	(761)	(561)	(69)	(91)	(146)	-	(7,290)
2017												
Accumulated depreciation												
Balance as at 1 July 2016	-	-	-	(1,272)	(1,014)	(624)	-	-	-	(177)	-	(3,087)
Year ended 30 June 2017												
Revaluation surplus	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	42	-	-	-	63	-	105
Depreciation charge	-	(393)	(1,132)	(95)	(100)	(86)	(280)	(34)	(45)	(39)	-	(2,204)
Balance as at 30 June 2017	-	(393)	(1,132)	(1,367)	(1,114)	(668)	(280)	(34)	(45)	(153)	-	(5,186)
Net book value												
As at 30 June 2018	36,152	18,046	16,840	587	170	481	1,410	129	1,190	97	295	75,397
As at 30 June 2017	36,670	18,393	18,003	418	179	574	1,647	164	1,172	93	36	77,349

16. Interest Bearing Term Liabilities

Accounting policy

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

BNZ bank loan Facilities

At 30 June 2018 the Group had the following facilities with the BNZ Bank:

(i) An overdraft facility of \$1,050,000 repayable on demand (2017: \$1,000,000). The interest rate on this facility is the BNZ Bank's market connect overdraft base rate plus a margin.

(ii) A Customised Average Rate Loan (CARL) of up to \$10,000,000 that matures on 30 November 2020. The amount outstanding on this facility at 30 June 2018 was \$7,415,000 (2017: \$8,060,000).

(iii) A second CARL of \$1,253,425 that matures on 30 November 2020. The amount outstanding on this facility at 30 June 2018 was \$1,162,570 (2017: \$1,253,425).

(iv) A third CARL of up to \$1,739,100 matures on 17 May 2022. The amount outstanding on this facility at 30 June 2018 was \$1,739,100 (2017: \$1,739,100).

(v) A fourth CARL of up to \$3,000,000 matures on 19 January 2021. The amount outstanding on this facility at 30 June 2018 was \$2,850,000 (2017: nil).

(vi) A fifth CARL of up to \$1,985,000 matures in May 2021. The amount outstanding on this facility at 30 June 2018 was \$0 (2017:nil).

All borrowings are secured by way of mortgages over the airport land and certain investment properties as well as a general security agreement.



17. Equity

Accounting policy

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

	Actual 2018 No. 000's	Actual 2017 No. 000's	Actual 2018 \$'000	Actual 2017 \$'000
Ordinary shares issued				
Balance of shares as at 1 July	4,974	4,974	14,860	14,860
Issued paid shares at 30 June	4,974	4,974	14,860	14,860

All ordinary shares carry equal voting rights and the right to share in any surplus on winding up. None of the shares carry fixed dividend rights. The shares have no par value.

The shareholding of the Company is as follows:

Shareholder	No of shares	Percentage
Hamilton City Council	2,486,752	50.0%
Waipa District Council	777,110	15.6%
Matamata Piako District Council	777,110	15.6%
Waikato District Council	777,110	15.6%
Otorohanga District Council	155,422	3.2%
	4,973,504	100.0%

Retained Earnings

	Actual 2018 \$'000	Restated 2017 \$'000
Balance at 1 July	20,963	16,468
Property revaluation reserve transfer on disposal	49	–
Surplus for the year	2,380	4,495
Dividends paid	(200)	–
Balance 30 June	22,192	20,963

	Actual 2018 \$'000	Actual 2017 \$'000

Asset Revaluation Reserve

	Actual 2018 \$'000	Actual 2017 \$'000
Balance at 1 July	46,934	33,078
Revaluation gains	–	13,856
Transfer to retained earnings on disposal of property	(49)	–
Balance at 30 June	46,885	46,934

	Actual 2018 \$'000	Actual 2017 \$'000

Asset revaluation reserves for each asset class consist of:

	Actual 2018 \$'000	Actual 2017 \$'000
Land	28,235	28,284
Buildings	4,092	4,092
Fencing	232	232
Reticulated systems	777	777
Runways, aprons and taxiways	12,388	12,388
Other paved areas	1,161	1,161
Total	46,885	46,934

18. Related Party Transactions

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that are reasonable to expect that the Company and Group would have adopted in dealing with the party at arm's length in the same circumstances. Related party disclosures have also not been made for transactions with entities within the Group (such as funding financial flows) where the transactions are consistent with normal operating relationships between the entities and are on normal terms and conditions for such group transactions.

The following transactions carried out with related parties were not on normal commercial terms:

- Titanium Park Limited was not charged interest during the year on the \$2.273m advance provided to it by the Company.
- Titanium Park Limited was not charged rent on four property lots that it leased from the Company during the year.

	Actual 2018 \$'000	Actual 2017 \$'000
Key management personal remuneration		
Directors		
Remuneration	259	210
Full time equivalent members	12	13
Senior management		
Remuneration	831	766
Full time equivalent members	5	4
Total key management personnel remuneration	1,090	976
Total full time equivalent personnel	17	17

Due to the difficulty in determining the full time equivalent for Directors, the full time equivalent figure is taken as the number of Directors.

Key management personnel comprises Directors and the Group's management team.

19. Events After The Balance Date

Subsequent to balance date, the parent entered into an agreement to acquire land adjacent to the airport for \$1.25m.

20. Financial Instruments

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The financial risks relate to the following financial instruments: receivables, cash and cash equivalents, payables and borrowings.

Risk management is carried out by the Company's Board of Directors. The Board identifies and evaluates financial risks and provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and investing excess liquidity.

	Actual 2018 \$'000	Actual 2017 \$'000
Loans and receivables		
Cash and cash equivalents	22	58
Receivables	393	431
	415	489
Financial liabilities measured at amortised cost		
Payables	1,680	1,503
Interest bearing liabilities	13,167	11,053
	14,847	12,556



21. Income Tax

Accounting policy

Income tax expense in relation to the surplus or deficit for the period comprises current tax and deferred tax.

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

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

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, using tax rates that have been enacted or substantively enacted by balance date.

Current tax and deferred tax is charged or credited to the statement of comprehensive revenue and expense, except when it relates to transactions recognised in other comprehensive revenue and expense or directly in equity.

	Actual 2018 \$'000	Actual 2017 \$'000
Components of tax expense		
Current year	692	650
Prior period adjustment	(4)	–
Movement in temporary differences	(428)	(357)
Total Tax Expense	260	293

	%	2018 \$'000	%	2017 \$'000 (Restated)
Reconciliation of effective tax rate				
Surplus for the period excluding income tax		2,640		4,788
Prima facie income tax based on domestic tax rate	28.00%	739	28.00%	1,340
Effect of non-deductible expenses	0.45%	12	1.64%	79
Effect of tax exempt income	(18.67)%	(493)	(23.54)%	(1,127)
Effect of tax depreciation	(0.68)%	(18)	–	–
Prior period adjustment	0.75%	20	–	–
	9.85%	260	6.12%	293



22. Deferred Tax Liabilities

Recognised deferred tax liabilities

Deferred tax liabilities are attributable to the following:

\$'000	Property, plant and equipment	Employee entitlements	Other	Total
Balance as at 1 July 2016	8,174	(25)	(11)	8,138
Charged to surplus and deficit	(360)	(1)	4	(357)
Balance as at 30 June 2017	7,814	(26)	(7)	7,781
Balance as at 1 July 2017	7,814	(26)	(7)	7,781
Charged to surplus and deficit	(421)	(2)	(2)	(425)
Tax loss recognised	–		(3)	(3)
Charged to equity	–	–	–	–
Balance as at 30 June 2018	7,393	(28)	(12)	7,353





23. Employee Benefits Liabilities

Accounting policy

Short term employee entitlements

Employee benefits expected to be settled within 12 months after the end of the period in which the employee renders the related service are measured based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date and annual leave earned to, but not yet taken at balance date.

The Group recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

	Actual 2018 \$'000	Actual 2017 \$'000
Annual leave	98	105
Accrued salary and wages	224	193
Total employee benefits liabilities	322	298

24. Investment Property

Accounting policy

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

Investment property is measured initially at its cost, including transaction costs.

After initial recognition, all investment property is measured at fair value at each reporting date.

Gains or losses arising from a change in the fair value of investment property are recognised in the surplus/(deficit).

The Group's investment properties are valued annually at fair value effective 30 June. Investment properties, except for the Hamilton Airport Hotel & Conference Building as detailed below, were valued on open market evidence and conditions that prevailed as at 30 June 2018. These valuations were performed by Telfer Young Limited, who is a registered, independent valuer has extensive market knowledge in the types of investment properties owned by the Group.

During the year ended 30 June 2018 the Group acquired the Hamilton Airport Hotel & Conference Building. Due to the specialised nature of the building and the absence of comparable market evidence, partly due to the proximity to the airport, the fair value of the property has been estimated by the Group. This valuation is formed from estimated future cash flows provided from independent reports, based on the current rental and contractual arrangements in effect for the hotel, and using discount rates typical of leasehold hotel properties.

There were no contractual obligations for capital and operating expenditure on the investment property.

	Actual 2018 \$'000	Actual 2017 \$'000
Opening balance	15,307	3,750
Fair value gain on valuation	1,595	3,300
Additions during the year	4,554	8,257
Closing Balance	21,456	15,307



25. Intangible Assets

Accounting policy

Computer acquisition

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

Costs associated with maintaining computer software programmes are recognised as an expense when incurred.

Costs associated with the development and maintenance of the Group's website are recognised as an expense when incurred.

Other Intangible Assets

Other Intangible Assets include Designation Assets.

The Light Designation asset has a carrying value of \$134k at 30 June 2018 (2017: \$201k) with a remaining amortisation period of two years (2017: three years). The Runway Designation asset has a carrying value of \$762k at 30 June 2018 (2017: \$857k) with a remaining amortisation period of eight years (2017: nine years).

Amortisation

Computer software licences are amortised on a straight line basis over their estimated useful life of three years. The Light Designation asset is amortised on a straight line basis over its estimated useful life of five years. The Runway Designation asset is amortised on a straight line basis over its estimated useful life of 15 years. Amortisation begins when the asset is available for use and ceases at the date that the asset is disposed of. The amortisation charge for each period is recognised in the surplus/(deficit).

	Acquired assets \$'000	Total \$'000
Year ended 30 June 2017		
Opening net book value	1,227	1,227
Amortisation charge	(165)	(165)
Closing net book value	1,062	1,062
At 30 June 2017		
Cost	1,394	1,394
Accumulated amortisation and impairment	(332)	(332)
Net book value	1,062	1,062
Year ended 30 June 2018		
Opening net book value	1,062	1,062
Amortisation charge	(165)	(165)
Closing net book value	897	897
At 30 June 2018		
Cost	1,394	1,394
Accumulated amortisation and impairment	(497)	(497)
Net book value	897	897





26. Correction of prior period error

The Group has adjusted the comparative year financial statements for the year ended 30 June 2017 for the correction of a prior period error.

During the current year the Group discovered \$725,000 of costs had been incorrectly expensed in the consolidated accounts during the year ended 30 June 2017. As detailed in Note 2.2, the group's policy is to eliminate all significant intragroup balances and transactions. However, in the previously reported 30 June 2017 financial statements not all items of expenditure between group entities had been correctly eliminated in relation to property sales. No error was identified in periods prior to 30 June 2017.

The table below shows the effect on the previously reported financial statements and adjustments made to correctly restate them as comparative figures in the current year financial statements.

	As previously reported 30 June 2017 \$'000	Correction of Error \$'000	Restated 30 June 2017 \$'000
Expenses			
Cost of land sales	3,187	(725)	2,462
Assets			
Development Property	8,494	725	9,219
Equity			
Retained Earnings	20,238	725	20,963

27. Performance Targets And Results

The Group prepares an annual Statement of Intent, which is approved by Shareholders and incorporates financial and performance measures for the ensuing year.

A Comparison of the Group's actual results for the year are shown below against forecast. These results exclude gains on investment property valuations and also excludes TPL land sales and tax associated with those lands.

The Group has achieved some of the financial performance targets and all of the non financial performance targets for 2018 (2017: some of the financial performance targets and all of the non financial performance targets).

Financial Performance targets and results for Group	Actual 2018 \$'000s	Target Statement of Intent \$'000's	Met	Comment	Actual 2017 \$'000's	Target Statement of Intent \$'000's
Net surplus / (deficit) after tax*	(36)	(366)	Y	Result is better than planned due to higher than forecast passenger activity improving earnings	(305)	(366)
Earnings before interest, taxation and depreciation and amortisation (EBITDA)*	3,023	2,374	Y	Result is better than planned due to higher than forecast passenger activity improving earnings.	2,443	2,279
Net Operating cash flow	2,760	1,700	Y	Result is better than planned due to higher than forecast passenger activity improving earnings.	5,247	1,594
Net Investing cash flow	(4,710)	(1,500)	N	Result reflects the unbudgeted purchase of the Airport Hotel building, but was in line with the Group's property strategy	(9,292)	(1,540)
Funding Titanium Park Limited	0	0	Y	Result is better than planned due to TPL achieving higher than budgeted property sales.	3,161	(505)
Net cash flow (operating & investing)	(1,950)	200	N	Result reflects the unbudgeted purchase of the Airport Hotel building.	(884)	451
Net debt	13,145	13,000	N	Result reflects unbudgeted purchase of the Airport Hotel building.	10,994	8,287
Total liabilities/shareholders' funds (debt/equity ratio)	26:74	35:65	Y	The ratio is better than planned due to better than budgeted profitability and increasing property valuations.	20:80	26:74
Shareholders' funds to total assets	79%	76%	Y	The ratio is better than planned due to better than budgeted profitability and increasing property valuations.	80%	76%
Percentage of non landing charges revenue*	85%	76%	Y	Result reflects growth in passenger charges being higher relative to other revenue streams.	81%	76%
Interest cover*	6.0	5.0	Y	Result is better than planned due to higher than forecast passenger activity improving earnings.	8.6	6.6

*Performance measures exclude the effect of land sales (and cost of land sales) and revaluation gains/(losses)



Non Financial Performance targets and results (Group)

2018 Target	Comment	Met	2017 Target	Comment
Facilitate Health & Safety meetings every 2 months with representatives from each company department.	Health and Safety meetings are undertaken on monthly basis.	Y	Facilitate Health & Safety meetings every 2 months with representatives from each company department.	Health and Safety meetings are undertaken on monthly basis.
Zero Work Safe notifiable accidents/injuries.	There were no notifiable incidents.	Y	Zero Work Safe notifiable accidents/injuries.	There were no notifiable incidents.
Implement the Group's Health & Safety framework to align with the requirements of the Health and Safety at Work Act 2015 and independently review and audit the system each year.	An independent audit of the Group's health and safety framework was undertaken. All recommendations were implemented.	Y	Independently review and implement the company's Health & Safety framework to align with the requirements of the Health and Safety at Work Act	An independent audit was undertaken in September 2016. Enhancements to the existing procedures in relation to notifiable incidents and company responsibly were implemented. All existing H&S frameworks have been undertaken to include the provisions of the Health and Safety at Work Act 2015 requirements.
To achieve the Airport Certification Standards as required by the Civil Aviation Authority and as evidenced by Civil Aviation Authority audit reports	The airport continues to meet the Airport Certification Standards.	Y	To achieve the Airport Certification Standards as required by the Civil Aviation Authority and as evidenced by Civil Aviation Authority audit reports	The airport continues to meet the Airport Certification Standards.
Ensure airport is operationally available for all scheduled passenger services (except for uncontrollable events)	There have no incidences of scheduled flights being operationally impacted by controllable events.	Y	Ensure airport is operationally available for all scheduled passenger services (except for uncontrollable events)	There have no incidences of scheduled flights being operationally impacted by controllable events.
Facilitate noise management meetings each 4 months in accordance with the Noise Management Plan	Regular meetings have been facilitated every 4 months.	Y	Facilitate noise management meetings each 4 months in accordance with the Noise Management Plan	Regular meetings have been facilitated every 4 months.
Collect, document and act (where viable) on customer feedback forms to continuously monitor and improve the customer experience. Maintain a database to ensure recurring negative feedback is promptly acted upon.	A database is maintained of all feedback forms received. Feedback forms are provided to relevant departments and are considered in planning for future improvements and upgrade projects.	Y	Collect, document and act (where viable) on customer feedback forms to continuously monitor and improve the customer experience. Maintain a database to ensure recurring negative feedback is promptly acted upon.	There were 43 customer feedback cards collected during the period 1 July 2016 to 30 June 2017. All items are considered by the management team and addressed where appropriate. Personal complaints are responded to.



28. Other Information

Directors' interests

The following directors have made a general disclosure of interest with respect to any transaction or proposed transaction that may be entered into with other entities on the basis of that person being a director, shareholder, partner, trustee or officer of those entities.

Director	Entity	Interest	
J Spencer CNZM	Advisory Board for Iron Duke Limited	Chair	
	Derby Street Limited	Director	
	Mitre 10 (New Zealand) Limited	Director	
	Mitre 10 Holdings Limited	Director	
	Mitre 10 Imports Limited	Director	
	Mitre 10 Retail Limited	Director	
	Raukawa Iwi Development Limited	Chair	
	Taupo Mega Limited	Director	
	Te Awamutu Mega Limited	Director	
	Waikato Regional Airport Limited	Chair	
	Waikato Regional Airport Limited	Audit and Risk Committee	Member
	Wellington Mega Limited	Director	
A Cotton	Access IR Group Limited	Director, Shareholder	
	Donny Trust	Trustee	
	Farmy McFarm Limited	Director, Shareholder	
	Hamilton and Waikato Tourism Limited	Chair	
	Merlin Consulting Limited	Director, Shareholder	
	Merlin Group Limited	Director, Shareholder	
	Momentum Waikato Community Foundation	Chair Investment Committee	
	RAW 2014 Limited	Director	
	RAW 2014 Limited	Audit and Risk Committee	Chair
	Trust Investments Management Limited	Director	
	Trust Investments Management Limited	Audit and Risk Committee	Chair
	Trust Investments Management Limited	Due Diligence Committee	Member
	Waikato Regional Airport Limited	Director	
	Waikato Regional Airport Limited	Audit and Risk Committee	Chair

Director	Entity	Interest
C da Silva	Andrew Johnson Business Trust	Trustee
	Certus Group Limited	Director, Shareholder
	Columbus Financial Services Limited	Director
	Consumer Finance Limited	Director
	Consumer Insurance Services Limited	Director
	Coromandel Trust	Trustee
	Da Silva Advisory Limited	Director, Shareholder
	Da Silva Children's Trust	Trustee
	Flexi Cards Limited	Chair
	Flexi Group (New Zealand) Limited	Chair
	Flexi Group NZ SPV1 Limited	Director
	Flexi Group NZ SPV2 Limited	Director
	Flexi Group NZ SPV3 Limited	Director
	Flexi Financial Services Limited	Director
	Guarda Trust	Trustee
	Homeopathic Trust	Trustee
	IT Partners Group Limited	Director, Shareholder
	IT Partners Limited	Director
	Jarvis Trading Limited	Director
	Larsen Family Trust	Trustee
	Lightwire Limited	Director
	Ocean Sands Trust	Trustee
	Retail Financial Services Limited	Director
	Seguro Trust	Trustee
	Te Maunga Trust	Trustee
	Titanium Park Limited	Director
	Trelise Cooper Group Limited	Director
	Trelise Cooper Properties Limited	Director
	TRL Leasing Limited	Director



Director	Entity	Interest
	Waikato Regional Airport Limited	Director
	Waikato Regional Airport Limited Audit and Risk Committee	Member
	Waikato Trust	Trustee
M Devlin	Auckland City Water	Director
	Aurora Energy	Director
	Aurora Energy Audit and Risk Committee	Chair
	Aurora Energy Remuneration Committee	Member
	Harrison Grierson Holdings Limited	Director, Shareholder
	Harrison Grierson Limited	Chair
	Harrison Grierson Limited	Member
	Institute of Directors New Zealand Incorporated	Chartered Fellow
	Indepen NZ Limited	Director, Shareholder
	IT Partners Group Limited	Director
	Lyttleton Port	Chair Elect
	Meteorological Services of New Zealand Limited	Director
	Meteorological Services of New Zealand Limited Remuneration Committee	Member
	National Infrastructure Advisory Board	Member
	Titanium Park Limited	Chair
	Waikato District Council Audit and Risk Committee	Member
	Waikato Plan Leadership Group	Chair
	Waikato University	Councillor
	Waikato University Audit and Risk Committee	Member
	Waikato Regional Airport Limited	Director
	Waikato Regional Airport Limited Audit and Risk Committee	Member
	Watercare Services Limited	Chair
	Watercare Services Limited Audit and Risk Committee	Member
	Watercare Services Limited Remuneration Committee	Member
	WINTEC	Councillor
	WINTEC People and Performance Committee	Chair
	Women in Infrastructure Network	Chair

Director	Entity	Interest
G Dwyer	427 Port Road Limited	Director
	789 Heaphy Limited	Director
	ACE Training Limited	Director
	Acorn Holdings Limited	Director
	Acorn Trust	Trustee
	Agenda Waikato	Member
	Connor Jaspers Trust	Trustee
	Hughes Jaspers Trust	Trustee
	Joel Limited	Director
	LCP Alpha Limited	Director
	Realty Plus Waikato Limited	Director
	Titanium Park Limited	Director
	Waikato Farmers Trust	Trustee
	Waikato Federated Farmers Charitable Society	Trustee
	D Scarlet	Hamilton and Waikato Tourism Limited
Lower Waikato River Enhancement Society		Advisory Trustee
Maungatautari Ecological Island Trust		Trustee
Mercury NZ Limited		Key Relationships Manager
National Wetland Trust		Secretary
PD & DW Scarlet Family Trust		Trustee
PD Scarlet Medical Services Limited		Director, Shareholder
Waikato Catchment Ecological Enhancement Trust		Trustee
Waikato Means Business Steering Group		Member
K Turner Puriri	Envision Projects Limited	Director, Shareholder
	Hamilton and Waikato Tourism Limited	Director
	Tainui Honey Limited	Director, Shareholder
M Morgan	Hamilton and Waikato Tourism Limited	Director
	KASM Property Limited	Director, Shareholder
	Morgan Inheritance Trust	Trustee
	Patuone Property Limited	Director, Shareholder
S Douglas	Hamilton and Waikato Tourism Limited	Director
	SADD Aotearoa Students Against Driving Drunk Charitable Trust	Secretary





Use of Company Information

No notices were received from Directors requesting use of Company information received in their capacity as Directors that would not have been otherwise available to them.

Share Dealing

No Director holds shares in the Company nor acquired or disposed of any interest in shares in the Company during the year.

Directors' Remuneration

Director remuneration paid during the year was as follows:

		2018 \$000
J Spencer	WRAL Chair	45
M Devlin	WRAL Director, TPL Chair	48
A Cotton	WRAL Director and Audit and Risk Chair, HWT Chair	53
C da Silva	WRAL Director, TPL Director	48
G Dwyer	TPL Director	18
D Scarlet	HWT Director	12
K Turner Puriri (appointed	HWT Director	12
M Phillipps (resigned May 2018)	HWT Director	11
S Douglas	HWT Director	12
		259

Insurance

Directors' and Officers' liability insurance is with Vero Liability Insurance Ltd, with the policy for the parent Company extending to the Group.

Remuneration of Employees

	Employees
\$290,000 - \$299,999	1
\$190,000 - \$199,999	1
\$160,000 - \$169,999	1

Remuneration includes salary and performance bonuses received in their capacity as employees.



29. Five year review

	2018 \$'000	2017 \$'000	2016 \$'000	2015 \$'000	2014 \$'000
Revenue*	9,557	9,530	8,056	7,765	7,022
Increase/(Decrease)	2%	7%	4%	11%	(3)%
Expenditure	8,663	7,868	7,565	7,476	7,274
Increase/(Decrease)	10%	4%	1%	3%	(3)%
Operating Surplus before Taxation*	894	1,482	494	273	(245)
Increase/(Decrease)	(40)%	55%	81%	211%	- %
Performance Indicators					
Operating Surplus (after abnormal item & taxation) to Average Shareholder's Equity	1%	0%	1%	0%	0%
Percentage of Non Landing Charges Revenue to Total Revenue	85%	81%	85%	81%	82%
Total Equity	84,937	82,757	64,405	59,669	59,500
Total Liabilities	22,780	20,909	17,899	18,874	20,937
Total Assets	107,717	103,666	82,304	78,543	80,437
Net Asset Backing per Share	\$17.07	\$16.49	\$15.96	\$14.79	\$14.75
Shareholders' Equity Ratio	79%	80%	78%	76%	74%
Passengers					
Domestic	353	317	303	291	294
Total	353	317	303	291	294

*Includes TPL land sales gross margin but excludes investment property revaluation movements and other unrealised gains/(losses)



Audit Report

For the Year Ended 30 June 2018

Independent Auditor's Report

To the readers of Waikato Regional Airport Limited Group's financial statements and performance information for the year ended 30 June 2018

The Auditor General is the auditor of Waikato Regional Airport Limited Group (the Group). The Auditor General has appointed me, David Walker, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the performance information of the Group on his behalf.

Opinion

We have audited:

- the financial statements of the Group on pages 10 to 32 that comprise the statement of financial position as at 30 June 2018, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the Group on pages 33 to 34.

In our opinion:

- the financial statements of the Group on pages 10 to 32:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2018; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with the Public Benefit Entity Reporting Standards Reduced Disclosure Regime; and
- the performance information of the Group on pages 33 to 34 presents fairly, in all material respects, the Group's actual performance compared against the performance targets and other measures by which performance was judged in relation to the Group's objectives, for the year ended 30 June 2018.

Our audit was completed on 6 September 2018. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Responsibilities of the Board of Directors for the financial statements and the performance information

The Board of Directors is responsible on behalf of the Group for preparing financial statements and performance information that are fairly presented and that comply with generally accepted accounting practice in New Zealand.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the Group for assessing the Group's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Local Government Act 2002.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, 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 carried out in accordance with the Auditor General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements and the performance information.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of the internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We evaluate the appropriateness of the reported performance information within the Group's framework for reporting performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.



- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify in our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 3 to 9 and pages 35 to 41, but does not include the financial statements and performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the Group in accordance with the independence requirements of the Auditor General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

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



David Walker
Audit New Zealand
On behalf of the Auditor General
Auckland, New Zealand

Corporate Directory

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John Spencer CNZM (Chair)

Annabel Cotton

Carlos da Silva

Margaret Devlin

Chief Executive

Mark Morgan

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Auditor

Audit New Zealand, Auckland on behalf of the Controller and Auditor-General

Solicitors

Elice Tanner Hart, Hamilton

Bankers

Bank of New Zealand

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