Hamilton Airport

WAIKATO REGIONAL AIRPORT LIMITED

GROUP STATEMENT OF INTENT - 2021/2022

(JUNE 2021)

INTRODUCTION

This statement is presented by the Directors in accordance with s.64 (1) of the Local Government Act 2002 and sets out the Board's intentions for the Company and Group for the year ending 30 June 2022 and succeeding two financial years.

COVID-19 and the WRAL Group

The COVID-19 pandemic resulted in world-wide crises: from health, to social and economic devastation. The immediate impact on the WRAL Group was significant, as the business is primarily aviation and tourism-focused and therefore projected revenues dropped substantially. This has necessitated a conservative outlook for recovery over the next three years for the Group.

Fortunately, the Group's existing 10-year strategy already had a focus on non-aeronautical income diversification activities which will continue to be critical to our future. Our property initiatives served us well through the initial COVID-19 crisis period and the recovery through 2021. In the short to medium term, we expect property initiatives will continue to provide a level of support to the Group, minimising future economic volatility, whilst aviation and tourism recover to their pre-COVID levels.

STRATEGIC INTENT

The Group has identified its core purpose and key objectives that recognise the strategic intent of the business:

CORE PURPOSE

1) Enabler of air services to the region.
2) Operate a first class, safe, sustainable and compliant airport.
3) Strategic positioning of the business to enhance capital value.

WRAL: KEY OBJECTIVES

1) Operate an efficient, sustainable and resilient airport.
2) Enhance the traveller experience.
3) Maintain a viable and sustainable aeronautical business.
4) Maximise revenue diversification through non-aeronautical business opportunities.

KEY OBJECTIVES OF THE GROUP:

The Group incorporates Hamilton Airport, Titanium Park Limited, Hamilton & Waikato Tourism Limited and Waikato Regional Airport Hotel Limited.

1. Operate an efficient, compliant and resilient airport.
2. Provide an improved customer experience upon completion of the Terminal Resilience Project.
3. Maintain a viable aeronautical business.
4. Maximise revenue diversification through non-aeronautical business opportunities.
5. Develop and optimise the land holdings of the Group to generate a long-term property income from a diversified property portfolio.
6. Operate the airport hotel to meet or exceed its investment business case growth targets and customer satisfaction targets.
7. Marketing the Hamilton & Waikato region as a visitor destination to domestic and international visitors.
8. Grow the visitor economy through tourism development and destination management.

Nature and scope of activities to be undertaken:

1. Operate an efficient and compliant airport.

   Operate a first class, safe and compliant regional airport by providing for essential projects, together with any compliance expenditure warranted.

2. Enhance the traveller experience.

   Maximise traveller satisfaction and airport experience.

3. Maintain a viable aeronautical business.

   The COVID-19 pandemic has painted a very different canvas for the aviation sector over the next few years.

   We will:

   - Assist airlines to identify opportunities to increase flight schedules and passenger numbers.
   - Promote the recovery of the general aviation sector.
   - Develop and implement a five year plan to give effect to, or seek renewal of the runway extension designation.
   - Position and protect the airport as an efficient, cost effective international port of arrival.
   - Pursue all new international air service opportunities (both charter and scheduled services) as New Zealand international borders open up.
   - Remain collaboarative with local authorities and central government agencies for joint infrastructure and transport initiatives.
   - Identify sources and monitor carbon and emissions. Incorporate reduction initiatives into capital project.

4. Maximise revenue diversification through non-aeronautical business opportunities.

   Support the development of land within the bounds of a sound, strategic approach to long-term planning for the airport precinct by its subsidiary Titanium Park Limited (TPL).

   - TPL will continue marketing for sale, development and optimised investment, all available non-aeronautically strategic land in a planned and co-ordinated approach.
   - In conjunction with the hotel manager, maximise the recovery plan and earnings of the recently acquired and upgraded airport hotel business upon completion of the Managed Isolation Facility contract.

5. Ensure appropriate internal and external resource to enable a commercially driven and high performing organisation.

   Knowledgeable and capable, high performing and appropriately resourced personnel to ensure sound reporting and accountability, and delivery of the strategic plan.

In pursuing its goals, the Group will:

- At all times behave in a professional and ethical manner in all its business dealings with its customers and stakeholders.
- Be an employer of choice.
- Ensure a safe and healthy workplace environment that complies with legislation and fosters the wellbeing of its employees.
- Identify and recognise Shareholders' expectations, within the bounds of corporate prudence.

PERFORMANCE TARGETS

The following annual performance targets are proposed for the Waikato Regional Airport Limited in relation to its core purpose and key objectives.

	YEAR ENDING 30 JUNE		
Based on Company forecasts	**2022**	**2023**	**2024**
EBITDA excluding land sales	$5.2m	$5.4m	$5.6m
EBITDA including land sales	$5.7m	$6.1m	$6.2m
Net profit after tax *no less than*	$1.2m	$1.8m	$2.2m
Net operating cash flow (excluding land sales)	$3.6m	$3.5m	$4.0m
Total debt excluding design build property *not exceeding*	$29.0m	$32.0m	$32.0m
Percentage of non-landing charges revenue *at least*	60%	60%	60%
Land sales	$2.0m	$4.0m	$3.0m
Interest cover *at least*	4.0x	4.0x	4.0x

NON-FINANCIAL PERFORMANCE TARGETS

	Health, safety and well-being
	Facilitate Health & Safety meetings every two months with representatives from each entity in the Group
	Zero Work Safe notifiable accidents/injuries
	Independently review and audit the Health & Safety system each year
	Operational compliance
	To achieve the Airport Certification Standards as required by the Civil Aviation Authority and as evidenced by Civil Aviation Authority audit reports.
	Ensure airport is operationally available for all scheduled passenger services (except for uncontrollable events)
	Monitor aeronautical noise and facilitate noise management meetings every four months in accordance with the Noise Management Plan.
	Property (Titanium Park Limited)
	Complete construction of the 5th Stage of Titanium Park's Central Precinct.
	Prepare a private plan change submission to Waipa District Council in relation to the future Northern Precinct Development.
	Hotel operation
	Implement a recovery plan to enable a steady return from a Managed Isolation Facility to normal trading as a hotel and achieve pre-COVID metrics such as occupancy, room rates and customer satisfaction in line with the expectations underlying the achievement of a Qualmark 4 Star rating.

Statement of accounting policies
The accounting policies adopted by the Group for the year ending 30 June 2022 and suceeding two years are those as adopted in the 2020 Annual Report prepared under Tier 2 Public Benefit Entity Standards Reduced Disclosure Regime (PBE Standards RDR). The impact of accounting standards changes is not expected to have a material impact on the Group's financial statements or their comparability with previous results.

Dividend policy
The Directors will review the performance and outlook for the group annually before declaring any dividend.

Information to be provided to Shareholders
- The Annual Report of the Group.
- An interim report circulated to Shareholders each half-year including a Chair's Report, Consolidated Income Statement, Consolidated Balance Sheet and progress against Financial Performance Targets.
- Shareholder briefings held at least twice annually.

Future investment proposals
If the Group wishes to subscribe for, purchase, or otherwise acquire shares in any other company or any other organisation, it can do so only after first obtaining approval from the majority of shareholders at either a General Meeting or at a Special Meeting convened for that purpose.

Commercial value of the Shareholders' investment
No valuation of shares has been completed.

The consolidated balance sheet of WRAL as at 30 June 2020 shows shareholder equity of $105m based on recent independent valuations of the Group's property, plant and equipment and investment properties.

Compensation from Local Authorities
There are no known activities of the Company or Group for which the Directors would seek compensation from any local authority.

Major transactions
Shareholders approve major transactions via a special resolution. A major transaction for WRAL is defined as:

a. the acquisition of, or an agreement to acquire (whether contingent or not), assets the value of which is more than 10% of the value of the Company's assets before the acquisition; or
b. the disposal of, or an agreement to dispose of (whether contingent or not), assets the value of which is more than 10% of the value of the Company's assets before the acquisition; or
c. a transaction which has or is likely to have the effect of the Company acquiring rights or interests or incurring obligations or liabilities, the value of which is more than 10% of the value of the company's assets before the transaction.

Health & Safety and Wellbeing
The Board and Management will ensure that all requirements to the Health & Safety at Work Act 2015 are maintained.

This will be achieved by the engagement of an independent consultant and audit processes to ensure the organisation and its subsidiary companies are maintaining compliant and best practice processes. At all times the Group will continue to monitor and review health and safety requirements via monthly reporting.

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