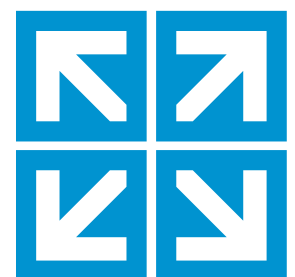




# ANNUAL REPORT

## & Consolidated Financial Statements

For the year ended 30 June 2020



WAIKATO  
REGIONAL AIRPORT LTD

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## Chair's Introduction

While it is hard to look past the effects of the global COVID-19 pandemic on the last quarter of the financial year there are many underlying positives to reflect on over the year which leaves WRAL well positioned to recover quickly and strongly.

- Up to March 2020, the Aeronautical business had achieved steady growth of 8% in passenger numbers which had flowed through to related revenue streams such as car parking and in-terminal retail, including the recently acquired airport terminal café. While the airport finished the year down 21% on the previous year's passenger activity with just 304,000 passengers; the Group benefited from a full year of the revised commercial charges agreed with Air New Zealand in 2018, which ultimately meant our aeronautical income represented a small increase on the prior year. There were no scheduled airline flights during Alert Levels 4 and 3, however the Airport remained fully operational during this time for essential services, medical and military flights. A capital program of over \$1 million was delivered as we continued reinvestment in our infrastructure to preserve our core aeronautical capabilities.
- Titanium Park delivered almost \$6m in land sales from its first 'self-developed' precinct, the Southern Precinct, making a gross contribution to the Group's Net Profit before Tax of over \$2.2 million. Construction of almost 6ha Stage One development was completed and later in the year the Stage Two construction began in response to continued strong demand. The Central Precinct also continues to expand with the 4th Stage under construction at year end and the 5th Stage well advanced in planning. We continue to look to the future with due diligence continuing on the opportunity to develop the Airport's farm into a industrial and commercial 100-hectare Northern precinct.
- Our capital works program of over \$6.5m in the current year was underpinned by the \$4.0m investment in the Airport's Hotel that we assumed ownership of late in the previous financial year. The project remains on budget and is substantially complete with every room having been refurbished and renovated and only a few remaining rooms requiring the last cosmetic upgrades. All areas of the hotel have been modernised and refurbished. The highlight of the year was having hotel operators Jet Park Hotels lift the service and product standards, along with the refurbished property, to be accredited as a Qualmark 4-Star hotel. Like the aeronautical business, promising trading results were hampered late in the year due to the suspension of firstly international travel, then domestic travel and the resulting impact on tourism and conference activity.
- Hamilton & Waikato Tourism continue to promote the region as a destination for domestic and international leisure and business travellers alike. The success of the organisation is perhaps best reflected in its nomination as a finalist for the Ministry of Business, Innovation and Employment Industry Connections Award at the 2019 Tourism New Zealand Awards. The organisation has been very proactive in re-launching domestic tourism to the Waikato, with several pivotal initiatives. These include the very successful Mighty Local campaign



# 304,000

**Passengers handled during the year**

# \$6.1 Million

**Revaluation gain on investment property**

# 5.7 Hectares

**Land developed during the year**

# \$6.2 Million & 4.2 Hectares

**Land sales under contract at 30 June 2020**

# \$4.0 Million

**Hotel renovations and upgrade investment**

Our Statement of Comprehensive Revenue and Expense is punctuated by two very material line items, Other gains of \$6.1m and Other losses of \$1.5m. Despite the underlying strength of the business and the milestones our Group achieved it is clear the impact of COVID-19 on our business has been significant and will continue to be for some time. The decisions we have made as a group of companies to ensure our costs and upcoming investment remain right-sized to our earnings opportunity in the near future mean we have had to write down the value of several assets, particularly in relation to the aeronautical business.

On a more positive note, we have reported a \$6.1m gain from the revaluation of our investment property portfolio. While this is a paper gain in 2020, the uplift in valuation reflects added value to the shareholders and signals an opportunity for increasing future earnings including returns from ground leases and investment properties. Much of the value-add arises from growth in local property prices spurred on by our own Titanium Park development. This reaffirms our confidence that the decision to adopt a non-aeronautical strategy centred around maximising the value in our property holdings was well founded. The investment into non-aeronautical ventures has proven its worth over the past few months and while there have been marked downturns in our aeronautical and tourism businesses the Group has remained responsive to opportunity and able to invest through a more cautious and measured lens.

At the time of writing, the heavily impacted aeronautical and hotel businesses have recovered well and the horizon for the next few months is very positive.

- We have seen airline activity recover quickly to 50% of its pre-COVID levels with expectations that airline scheduling will see 80% of pre-COVID activity resuming in the domestic market by the end of the 2020 calendar year. If passenger traffic keeps up with this, it is possible the Airport could deliver a 2021 result not materially different to 2020.
- Early in July 2020, our hotel operator Jet Park Hotels secured an agreement with the Ministry of Health to contract the property as a Managed Isolation Facility for New Zealanders returning from overseas to spend their 14 days of border isolation. This provides a very strong and secure income stream to a hotel which was already making great gains in recovering from the downturn in tourism. The securing of this contract is a credit to Jet Park Hotels and dovetails the success of the quarantine facility operated from their Auckland Airport property.

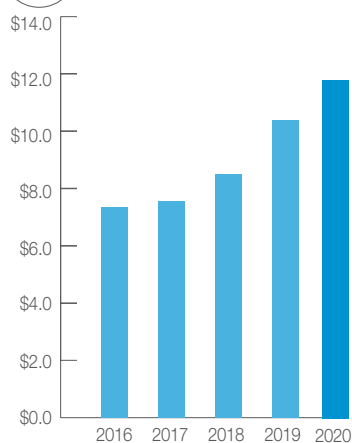
The outlook for next year is positive with the Group forecasting to generate positive cash flows from operations, and to be profitable. There are no identified impediments to prohibit us from achieving key milestones set out in our 10 year plan in 2018 and we do not anticipate needing to fully utilise our debt funding lines or call on our shareholders for financial support.

**Barry Harris**  
Chair



# 2020 Results at a glance

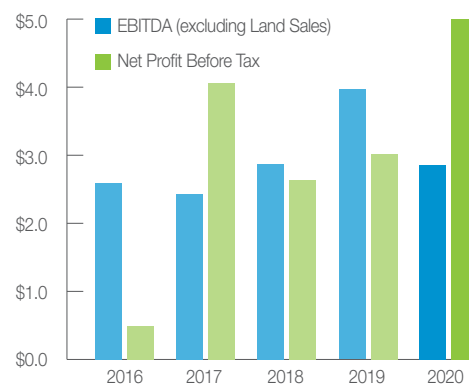
**\$m** Operating Revenue



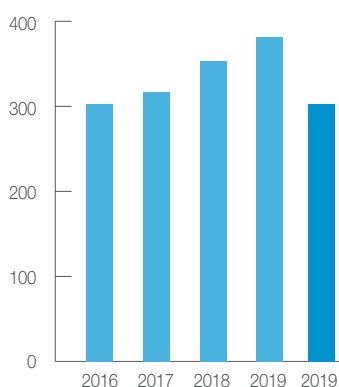
**\$m** Aeronautical Income



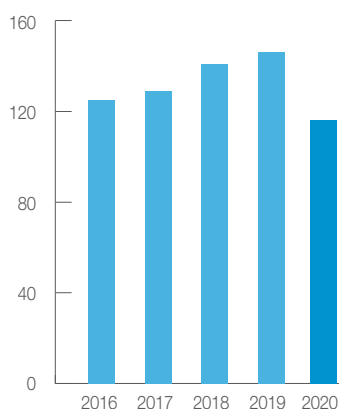
**\$m** Profitability



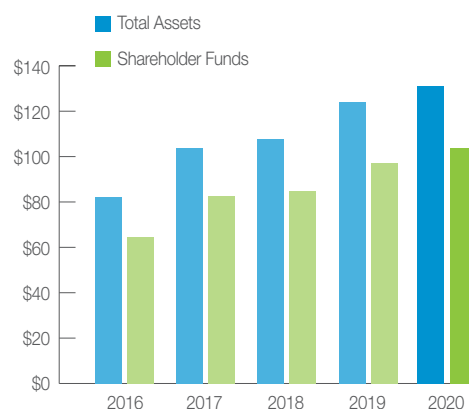
**'000** Passenger Activity



**'000** Aircraft Movements



**\$m** Balance Sheet



## Five Year Summary

All amounts in '000s	2016	2017	2018	2019	2020
Aeronautical Income	\$2,258	\$2,367	\$2,595	\$3,350	\$3,379
Operating Revenue	\$7,428	\$7,635	\$8,594	\$10,484	\$12,355
EBITDA (excluding Land Sales)	\$2,587	\$2,436	\$2,871	\$3,964	\$2,838
Net Profit Before Tax	\$490	\$4,063	\$2,640	\$3,021	\$5,780
Passenger Activity	303	317	353	381	304
Aircraft Movements	125	129	141	146	116
Total Assets ('000s)	\$82,034	\$103,666	\$107,717	\$124,220	\$132,576
Shareholders Funds ('000)	\$64,405	\$82,757	\$84,937	\$97,285	\$105,734
Shareholders Funds Ratio	79%	80%	79%	78%	81%
Net Asset Backing per share (\$)	\$12.95	\$16.64	\$17.08	\$19.56	\$21.55



# Consolidated Statement of Comprehensive Revenue and Expense

Year ended 30 June 2020

		2020 \$ '000	2019 \$ '000
<b>Revenue</b>			
Operating revenue	2A	12,385	10,484
Land sales		5,875	2,575
Other gains	2B	6,166	1,123
		24,426	14,182
<b>Expenses</b>			
Operating expenses		(5,574)	(3,903)
Cost of land sales		(3,608)	(1,573)
Employee benefits expense		(3,938)	(2,617)
Depreciation & amortisation	3A, 3B	(3,368)	(2,538)
Other losses	2B	(1,544)	-
Finance costs		(614)	(530)
		(18,646)	(11,161)
<b>Net surplus/(deficit) before tax</b>		<b>5,780</b>	<b>3,021</b>
Tax expense	4A	2,969	(692)
<b>Net surplus/(deficit) after tax</b>		<b>8,749</b>	<b>2,329</b>
Other comprehensive revenue & expense			
Revaluation of property, plant & equipment		-	11,725
Deferred tax		-	(1,455)
<b>Total other comprehensive revenue &amp; expense</b>		<b>-</b>	<b>10,270</b>
<b>Total comprehensive revenue &amp; expense</b>		<b>8,749</b>	<b>12,599</b>

The accompanying notes form part of these financial statements



# Consolidated Statement of Changes in Equity

Year ended 30 June 2020

	Share Capital \$ '000	Retained Earnings \$ '000	Revaluation Reserves \$ '000	Total \$ '000
Opening Balance - 1 July 2018	14,860	23,192	46,885	84,937
Net profit/(loss) after tax	-	2,329	-	2,329
Other comprehensive income	-	-	10,270	10,270
Disposal of revalued property, plant & equipment	-	53	(53)	-
Total comprehensive income	-	2,382	10,217	12,599
Dividends paid to shareholder	-	(250)	-	(250)
Closing Balance - 30 June 2019	<b>5A 14,860</b>	<b>25,323</b>	<b>57,102</b>	<b>97,285</b>

Opening Balance - 1 July 2019	<b>14,860</b>	<b>25,323</b>	<b>57,102</b>	<b>97,285</b>
Net profit/(loss) after tax	-	8,749	-	8,749
Other comprehensive income	-	-	-	-
Disposal of revalued property, plant & equipment	-	-	-	-
Total comprehensive income	-	8,749	-	8,749
Dividends paid to shareholder	-	(300)	-	(300)
Closing Balance - 30 June 2020	<b>5A 14,860</b>	<b>33,772</b>	<b>57,102</b>	<b>105,734</b>

The accompanying notes form part of these financial statements







# Consolidated Statement of Financial Position

As at 30 June 2020

		2020 \$ '000	2019 \$ '000
<b>Current Assets</b>			
Cash and cash equivalents	5B	629	811
Trade and other receivables		558	1,322
Inventories		117	110
Development property	3C	9,409	10,858
		<b>10,713</b>	<b>13,101</b>
<b>Non Current Assets</b>			
Property, plant and equipment	3A	95,262	92,830
Investment property	3D	25,376	17,132
Intangible & other non-current assets	3B	1,225	1,157
		<b>121,863</b>	<b>111,119</b>
		<b>132,576</b>	<b>124,220</b>
<b>Total Assets</b>			
<b>Current Liabilities</b>			
Trade and other payables	4B	2,784	3,089
Employee entitlements		388	382
Provisions		-	632
Borrowings	5B	15,888	96
		<b>19,060</b>	<b>4,199</b>
<b>Non Current Liabilities</b>			
Provisions		1,396	-
Borrowings	5B	1,739	14,410
Deferred tax liability	4A	4,647	8,326
		<b>6,430</b>	<b>22,736</b>
		<b>26,842</b>	<b>26,935</b>
<b>Total Liabilities</b>			
<b>Net Assets</b>			
		<b>105,734</b>	<b>97,285</b>
<b>Equity</b>			
Share capital		14,860	14,860
Retained earnings		33,772	25,323
Revaluation reserves	5A	57,102	57,102
		<b>105,734</b>	<b>97,285</b>
<b>Total Equity</b>			



# Consolidated Statement of Cash Flows

Year ended 30 June 2020

	<b>2020</b> <b>\$ '000</b>	<b>2019</b> <b>\$ '000</b>
<b>Operating activities</b>		
Receipts from operations	19,135	13,152
Payments to suppliers and employees	(10,104)	(6,251)
Payments for construction of development property	(1,616)	(3,198)
Payment of interest	(588)	(530)
Payment of income taxes	(636)	(863)
Net cash from/(used in) operations	<b>6,191</b>	<b>2,310</b>
<b>Investing activities</b>		
Receipts from sale of property, plant and equipment	5	606
Purchases of property, plant & equipment	(6,473)	(2,499)
Purchases of investment properties	(2,108)	(46)
Purchases of intangible assets	(118)	(122)
Acquisition of business combination	(500)	(549)
Net cash from/(used in) investment activities	<b>(9,194)</b>	<b>(2,610)</b>
<b>Financing activities</b>		
Receipts from/(repayments of) borrowings	3,121	1,339
Payments of dividends	(300)	(250)
Net cash from/(used in) financing activities	<b>2,821</b>	<b>1,089</b>
<b>Net change in cash for the period</b>	<b>(182)</b>	<b>789</b>
Add opening cash and cash equivalents balance	811	22
<b>Closing cash and cash equivalents</b>	<b>5B 629</b>	<b>811</b>

The accompanying notes form part of these financial statements





# Notes to the Consolidated Financial Statements

Year ended 30 June 2020

## Section One: About our annual report

This section of notes explains how we have prepared the financial statements and the general accounting policies we have applied. More specific policies and judgements we have made are explained in sections 2-4.

### 1A Reporting entity

Waikato Regional Airport Limited owns and operates Hamilton Airport. Its consolidated financial statements include the results of the Company and its wholly owned subsidiaries:

- Titanium Park Limited conducts commercial and industrial property development around the airport precinct.
- Hamilton & Waikato Tourism Limited is the Waikato region's official Regional Tourism Organisation and promotes the region as a business and leisure tourism destination both nationally and internationally.
- Waikato Regional Airport Hotel Limited commenced operating the Jet Park Hamilton Airport Hotel & Conference Centre in May 2019.

### 1B Basis of preparation

These consolidated financial statements have been prepared to comply with:

- Companies Act 1993
- Local Government Act 2002
- Airport Authorities Act 1966

The financial statements are prepared in accordance with Generally Accepted Accounting Practice, which in the case of the Group, is the Public Benefit Entity standards for Public Sector organisations that have less than \$30 million annual expenditure ("Tier 2 PBE Standards"). The Group is eligible to apply Tier 2 PBE Standards, including the Reduced Disclosure Regime as it is not publicly accountable or large.

In preparing the consolidated financial statements, transactions including revenues, expenses and loans occurring between entities and balances owing/receivable between entities at year end in the Group have been eliminated. Individual entity financial statements are adjusted if necessary to comply with the Group's accounting policies upon consolidation.

The financial statements are presented in New Zealand Dollars and rounded to the nearest thousand dollars unless otherwise

stated. The Group does not routinely enter into material transactions denominated in foreign currencies.

Except as disclosed in the Notes to the Financial statements, all amounts have been recorded using the historical cost measurement basis, on the assumption the Group is a going concern. All amounts presented are shown exclusive of GST, except for amounts owing or receivable where the balance is inclusive of GST.

### 1C Specific Accounting Policies

Accounting policies adopted by the Group and critical estimates and judgements made in preparing these financial statements are detailed further in the accompanying notes, in addition to those outlined below.

All accounting policies have been applied consistently to both the current reported period balances and the comparative amounts, and there have been no changes in accounting policies in the current year. Certain amounts have been restated from previous periods to comply with current year presentation.

### Critical estimates and judgements

In preparing financial statements that comply with NZ IFRS RDR, the Company has made certain estimates and judgements which have a material impact on the amounts reported, in particular the valuation of Property, Plant & Equipment (Note 3A), impairment of Intangible Assets (Note 3B); cost of Development Property (Note 3C); valuation of investment Property (Note 3D); recognition and measurement of assets acquired in business combinations (Note 3E); and provisions and contingencies in respect of Infrastructure Development (Note 4C).

#### (i) Land Sales

Revenue from sale of development property is recognised when the significant risks and rewards of ownership have passed to the purchaser. This ordinarily coincides with settlement by the purchaser. Upon recognising the sale of development property, the cost of that property and any transaction costs are expensed to net surplus/(deficit).

#### (ii) Employee benefit expense & Employee entitlements

Employee benefit expense includes all salaries, wages, any performance bonuses paid to staff and contributions to post-employment benefit schemes (e.g. Kiwi Saver). The Group's expense also includes PAYE income tax and other deductions



made by the Group. Amounts owing to staff, and any deductions collected but not yet paid, are recognised within the Employee entitlements liability. All Employee entitlements including performance bonus schemes are expected to be settled in the next twelve months, so no discounting adjustment is made.

### **(iii) Finance Costs**

Finance costs include interest incurred on borrowings and other similar charges. Finance costs are expensed except to the extent they relate to borrowings specifically incurred to finance construction of qualifying assets, in which case the finance costs are capitalised as part of the asset's cost. Qualifying assets typically take more than 6 months to construct. Upon completion of the asset construction, capitalisation of further finance costs ceases.

### **(iv) Trade and other receivables**

Trade and other receivables are recorded at their expected realisable value, net of an allowance for balances where collection appears doubtful. Balances receivable by the Group are subject to a provision where there is material uncertainty around collection at 30 June 2020 of \$53,000 (2019: nil).

### **(v) Inventory**

Inventories include consumables for use in the Group's operations which are recorded at cost, and goods for re-sale in the Group's retail outlets which are recorded at lower of cost or net realisable value when it is identified the selling price will be less than their cost. There have been no material write downs of inventory in the current or previous period.

### **(vii) Impairment of non-financial assets**

All assets not already recorded at fair value are reviewed for indicators of impairment when there are indicators that asset's value may not be recoverable. An impairment loss is recognised when an asset's recoverable value is less than its current carrying value. Impairment losses are recognised in net surplus/(deficit) except to the extent a loss relates to a reduction in the fair value of an asset previously revalued through the Asset Revaluation Reserve, in which case the revaluation reserve is reduced. The recoverable value of an asset is the greater of its disposal value or value in use, being its depreciated replacement cost.



# Notes to the Consolidated Financial Statements

Year ended 30 June 2020

## Section Two: About our performance for the year

This section provides information about how we performed for the year including how we derived our revenue and earnings, and how we performed against our Statement of Intent.

### 2A Operating Revenue

Operating revenue from exchange transactions is recognised when the underlying goods or services have been provided to the customer. Rental income from property leased to customers by the Group is recognised on a straight line basis over the lease term. Amounts received from customers in advance of the underlying goods or services being delivered are deferred initially and recognised as a liability.

Revenue from non-exchange transactions arise when there is no obligation to deliver goods or services directly in return to the funding provider. Revenue is only deferred if there are other substantive performance obligations yet to be met or conditions to return unspent amounts to the funding provider.

	2020 \$ '000	2019 \$ '000
Aeronautical, landing and passenger charges	3,379	3,350
Leases, rentals and concessions	2,245	2,160
Carparking & retail	2,438	2,540
Hotel trading	1,995	282
Other	132	447
<b>Total exchange revenue</b>	<b>10,189</b>	<b>8,779</b>
Regional Tourism Organisation funding	1,632	1,705
Government grants	564	-
<b>Total non-exchange revenue</b>	<b>2,196</b>	<b>1,705</b>
<b>Total operating revenue</b>	<b>12,385</b>	<b>10,484</b>

### 2B Other gains/(losses)

		2020 \$ '000	2019 \$ '000
<b>Other gains</b>			
Gain on revaluation of investment property	3D	6,136	285
Gain on disposal of property, plant and equipment	3A	30	838
		<b>6,166</b>	<b>1,123</b>
<b>Other losses</b>			
Impairment expense		(1,484)	-
Loss on disposal of property, plant and equipment		(60)	-
		<b>(1,544)</b>	<b>-</b>



# Notes to the Consolidated Financial Statements

Year ended 30 June 2020

## 2C Impact of COVID19 Pandemic

For the majority of the financial year all entities within the group had operated in line with expectations and were achieving substantially all of the performance measures set in their respective Statements of Intent. The global pandemic's impact was most significantly felt during the final quarter of the financial year with the following impacts on each entity:

<b>Waikato Regional Airport Limited (Hamilton Airport)</b>	During Alert Levels 4 and 3, airline services were suspended however the airport remained fully operational to receive medical, essential service and military flights. Scheduled services resumed under Alert Level 2 and by year end around 40% of pre-COVID services had resumed. The impact was a \$1.6m shortfall against budget for the 3 month period in operating income attributable to the Airport due to an overall 80% decline in aeronautical activity for the same period.
<b>Titanium Park Limited</b>	There were no material impacts to the current year trading results however certain future property contracts have been cancelled.
<b>Hamilton &amp; Waikato Tourism</b>	A number of promotional events and campaigns did not proceed due to suspension of both domestic and international travel during Alert Levels 4 and 3. This resulted in a reduction in income from industry partners by \$80,000.
<b>Waikato Regional Airport Hotel Limited (Jet Park Hotel Hamilton Airport)</b>	During Alert Level 4 the Hotel facility was contracted to the Ministry of Health as an isolation facility and the hotel remained open under Alert Level 3 to service essential service travellers. Despite this, the general down turn and restrictions on tourism resulted in a 60% decline in trading revenue for the period.

All entities were eligible for the Government COVID19 Employer Wage Subsidy and during the period \$564,000 of income was recognised in respect of this scheme.

As a result of the pandemic there were no material additional operating expenses incurred however there were some savings in fixed operating costs due to cost saving initiatives implemented by the Group during the period and variable operating costs due to the downturn in activity. There were no additional liabilities, commitments or contingencies incurred at 30 June 2020 as a result of cost saving initiatives being implemented.

At the time of issuing these financial statements the Group has not identified any material risk to its ability to continue as a going concern. Due to the effects of the pandemic on the tourism industry being expected to last for up to 24-36 months, it is expected the Group will not likely return net profits after tax in the coming periods, however it will be able to maintain positive operating cash flows inclusive of interest and tax obligations due to the diversity of its income streams. The Group is also in the process of renewing its banking facilities which include an increase in available borrowing facilities to \$30 million.



While trading had resumed and recovered positively by 30 June for most areas of the Group, the Group expects the impact of the pandemic to be ongoing for at least 24-36 months based on predictions for the global tourism industry. The medium-term down turn in trading outlook has resulted in the Group assessing and testing its assets for impairment.

- Property, plant and equipment items that were not already independently revalued at 30 June 2020 were assessed for impairment by considering prices for similar assets achieved in post-COVID market transactions where available and considering whether assets will be utilised in the normal course of business going forward or whether they are now obsolete. By 30 June 2020, certain capital projects had been suspended resulting in provisions for impairment being recorded against these projects as it is uncertain if or when they will resume.
- Certain Intangible assets arising from business combinations were recognised on the basis of assumptions around future

cash flows driven by tourism activity in the Airport and Hotel businesses. Where it was estimated the carrying value of these assets would not likely be recovered based on the reduced outlook for tourism over the next 24-36 months, the assets were deemed to be impaired.

- Development property was assessed for impairment by considering price evidence for commercial and industrial land achieved in post-COVID market transactions. In this regard no impairment was identified however due to the cancellation of certain future property contracts, costs incurred in relation to development for these contracts have been fully impaired.
- The downturn in trading outlook for the Group and industry as a whole led to increases in provisions for obsolescence of inventory and bad and doubtful accounts receivable collections.

Impairment and other losses in the recoverability of the Group's assets arising from these assessments is summarised below:

### Impairment Expense

Property, plant & equipment	3A
Intangible assets	3B
Development property	
Accounts Receivable	
Inventories	
<b>Total Impairment Expense</b>	

2020	2019
\$ '000	\$ '000
(1,186)	-
(165)	-
(66)	-
(53)	-
(14)	-
<b>(1,484)</b>	<b>-</b>





## 2D Our performance against our financial targets set in our Statement of Intent (Our Statement of Service Performance)

	2020			2019		
	Actual \$ '000	Target \$ '000	Met	Actual \$ '000	Target \$ '000	Met
<b>Earnings performance targets</b>						
Net surplus/(deficit) after tax	(965)	1,200	x	615	127	✓
Earnings before tax, interest, depreciation & amortisation (EBITDA) excl Land Sales	2,873	4,000	x	3,964	3,400	✓
Earnings before tax, interest, depreciation & amortisation (EBITDA) incl Land Sales	5,140	6,000	x	n/a	n/a	n/a
Percentage of non-landing charges to total revenue (at least)	73%	60%	✓	68%	74%	x
Land Sales	5,875	7,000	x	n/a	n/a	n/a
Interest coverage ratio	4.6	4.0	✓	7.5	4.0	✓
<b>Cash flow and funding performance targets</b>						
Net operating cash flow excl Land sales	1,932	2,500	x	2,310	1,900	✓
Net debt (less than)	16,998	25,000	✓	13,695	18,000	✓
<b>Shareholder value performance targets</b>						
Shareholder funds to total assets (at least)	81%	65%	✓	78%	65%	✓
Net profit after tax, interest and revaluations to total assets	4.6%	1.3%	✓	2.0%	0.1%	✓
Net profit after tax, interest and revaluations to total shareholder funds	5.7%	1.0%	✓	2.0%	0.1%	✓

All earnings and profitability financial performance targets exclude the effect of land sales (and land cost of sales) and revaluation gains and losses recognised in net surplus/(deficit) after tax unless otherwise stated. Refer Note 2C for further details around the impact of COVID19 on the Group's ability to meet its performance targets.



## 2D Our performance against our financial targets set in our Statement of Intent (Our Statement of Service Performance)

Performance Target	Comment	Met	
		2020	2019
Facilitate health & safety meetings every 2 months with representatives from each company department.	Health & Safety committee meetings are undertaken on a monthly basis	✓	✓
Zero WorkSafe notifiable accidents/injuries.	There were no notifiable incidents in either 2019 or 2020	✓	✓
Independently review and audit the health and safety system each year.	An independent audit of the Group's health and safety framework was undertaken and all recommendations were implemented	✓	✓
To achieve airport certification standards required by the Civil Aviation Authority (CAA) as evidenced by CAA audit reports.	The airport continues to meet all relevant CAA certification standards	✓	✓
Ensure airport is operationally available for all scheduled passenger services (except for uncontrollable events).	There have been no incidences of scheduled flights being operationally impacted by controllable events	✓	✓
Facilitate noise management meetings every 4 months in accordance with the noise management plan.	Regular meetings have been facilitated every 4 months	✓	✓



## 2D Our performance against our financial targets set in our Statement of Intent (Our Statement of Service Performance)

Performance Target	Comment	Met	
		2020	2019
<b>Titanium Park Limited</b>			
<b>Finalise subdivision plans for the 4th Stage of Titanium Park's Central Precinct</b>	Plans were finalised and construction commenced during the year.	✓	n/a
<b>Develop a masterplan for Titanium Park's Northern Precinct and prepare a private plan change submission to Waipa District Council</b>	The masterplan was completed however the project was halted due to the Group's financial constraints arising from COVID19.	✗	n/a
<b>Hamilton &amp; Waikato Tourism</b>			
<b>Achieve 5% growth in visitor nights and visitor expenditure (as measured by key MBIE Tourism statistics)</b>	Growth in these metrics were on track for the year until the travel restrictions imposed due to COVID19 effectively halted Tourism.	✗	n/a
<b>Jet Park Hotel Hamilton Airport (Waikato Regional Airport Hotel Limited)</b>			
<b>Complete a refurbishment program (both internally and externally) that will allow the hotel to be accredited to a Qualmark 4 Star standard</b>	Extensive refurbishment work was undertaken and the property gained Qualmark 4 Star and Silver Enviro accreditations	✓	n/a



# Notes to the Consolidated Financial Statements

Year ended 30 June 2020

## Section Three: About our assets

This section provides information about the assets we own, how much they are worth and how we value and report them on an ongoing basis.

### 3A Property, Plant and Equipment

#### Classes of Asset

Property plant and equipment comprises the following classes of assets:

- Land owned by the Group for use in its own operations or retained for strategic purposes
- Buildings owned by the Group for use in its own operations or retained for strategic purposes
- Airport infrastructure, including runways, taxiways, apron areas, reticulated systems, internal roading and carparking
- Other plant and equipment, including motor vehicles, general plant and equipment, computer & IT equipment and furnishings

#### Initial recognition

Items of property, plant and equipment are recognised initially at cost. Assets under construction (work in progress) are recognised at cost and are not depreciated until available for use.

#### Subsequent measurement

- Land is revalued to fair value determined from market based evidence of similar land.
- Buildings and Airport infrastructure are revalued on a depreciated replacement cost basis except for the Airport

Hotel & Conference Centre building which is valued on a market value basis.

Valuations are undertaken when the Group estimates there has been a material change in fair value, and at least every 5 years. All valuations are undertaken by independent, professional valuers with experience in the types of assets the group owns. Telfer Young Waikato undertake land valuations (last valuation: 2019), Beca Valuations Limited undertake all building and aeronautical infrastructure (last valuations: buildings 2019, infrastructure 2016), except for the Airport Hotel & Conference Centre Hotel Buildings which are valued by Jones Lange LaSalle (last valuation: 2020).

Changes in fair value are recognised within Other comprehensive revenue & expense except where a revaluation results in a carrying value below the asset's cost, in which case decreases below cost are recognised in net surplus/(deficit) for the period.

#### Depreciation

Except for land, the cost or valuation of all items of property, plant and equipment are depreciated over their estimated useful lives on a straight line basis

- Buildings - 4-59 years
- Airport infrastructure - 4-79 years
- Other plant and equipment - 2-50 years

#### Disposals

Upon disposal of an asset, any gain or loss arising between the disposal proceeds and carrying value is recognised in net surplus/(deficit). Any revaluation reserve attributable to the asset is transferred directly to retained earnings.



### 3A Property, Plant and Equipment (continued)

	Land	Buildings	Airport Infrastructure	Other Plant & Equipment	Total
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
<b>Cost/Valuation</b>					
Cost/Valuation at 1 July 2018	36,206	18,864	22,665	4,952	82,687
Additions	3,448	3,501	935	1,138	9,022
Disposals	(978)	-	-	(13)	(991)
Revaluation	6,530	4,077	-	-	10,607
Cost/Valuation at 30 June 2019	45,206	26,442	23,600	6,077	101,325
Cost/Valuation at 1 July 2019	45,206	26,442	23,600	6,077	101,325
Additions	1,117	3,565	755	1,113	6,550
Disposals	-	(13)	-	(555)	(568)
Revaluation	-	-	-	-	-
Cost/Valuation at 30 June 2020	46,323	29,994	24,355	6,635	107,307
<b>Depreciation</b>					
Accumulated Depreciation 1 July 2018	-	(788)	(3,018)	(3,484)	(7,290)
Depreciation Expense	-	(397)	(1,574)	(367)	(2,338)
Disposals	-	-	-	13	13
Revaluation	-	1,120	-	-	1,120
Accumulated Depreciation 30 June 2019	-	(65)	(4,592)	(3,838)	(8,495)
Accumulated Depreciation 1 July 2019	-	(65)	(4,592)	(3,838)	(8,495)
Depreciation Expense	-	(690)	(1,621)	(558)	(2,869)
Disposals	-	3	-	502	505
Revaluation	-	-	-	-	-
Impairment Expense	2C	(1,186)	-	-	(1,186)
Accumulated Depreciation 30 June 2020	-	(1,938)	(6,213)	(3,894)	(12,045)
<b>Carrying Value</b>					
30 June 2019	45,206	26,377	19,008	2,239	92,830
<b>30 June 2020</b>	<b>46,323</b>	<b>28,056</b>	<b>18,142</b>	<b>2,741</b>	<b>95,262</b>

At 30 June 2020, airport infrastructure of \$497,000 (2019: \$252,000), other plant & equipment \$250,000 (2019: \$401,000) and buildings of \$13,000 (2019: \$500,000) remained under construction and were not in use or depreciated.

Included in additions for the year ended 30 June 2019 is \$2,855,000 of buildings and \$1,800,000 of land re-classified from Investment property. Additions also include \$58,000 of Other plant & equipment acquired under business combinations (2019: \$205,000)

Additions of land for the year ended 30 June 2019 also include \$423,000 of land reclassified from development property.



### 3B Intangible and other assets

Intangible and other assets comprise:

- Aeronautical designations are consents issued by local authorities that provide regulatory protection for the Group to undertake activities such as extend the airport runway and install approach lighting on neighbouring properties. Assets are recognised initially at the cost obtaining consent from the local authorities, and amortised on a straight line basis over the period of the consents which are between 10 and 15 years (between 1 and 6 years remaining).
- Other intangibles have arisen primarily from the acquisition of other business around the airport. They reflect the benefit to the Group of acquiring these businesses with standing contracts and customers and are amortised on a straight line basis over the length of the remaining lives of the contracts which are normally up to 3-6 years. During the year ended 30 June 2020 \$606,000 (2019: \$272,000) of other intangible assets were recognised in the business combination transaction.
- Other assets that are recognised initially at the cost of acquisition and amortised on a straight line basis over the expected life of the underlying asset.

	<b>Designations</b>	<b>Other</b>	<b>Other</b>	<b>Total</b>
	<b>\$ '000</b>	<b>Intangibles</b>	<b>Assets</b>	<b>\$ '000</b>
		<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>
Cost				
Cost at 1 July 2018	1,394	-	184	1,578
Additions	-	394	-	394
Disposals	-	-	-	-
Cost at 30 June 2019	1,394	394	184	1,972
Cost at 1 July 2019	1,394	394	184	1,972
Additions	-	732	-	732
Disposals	-	-	-	-
Cost at 30 June 2020	1,394	1,126	184	2,704
<b>Amortisation</b>				
Accumulated Amortisation 1 July 2018	(497)	-	(119)	(616)
Amortisation Expense	(163)	(27)	(9)	(199)
Disposals	-	-	-	-
Accumulated Amortisation 30 June 2019	(660)	(27)	(128)	(815)
Accumulated Amortisation 1 July 2019	(660)	(27)	(128)	(815)
Amortisation Expense	(163)	(327)	(9)	(499)
Impairment Expense	-	(165)	-	(165)
Disposals	-	-	-	-
Accumulated Amortisation 30 June 2020	(823)	(519)	(137)	(1,479)
<b>Carrying Value</b>				
30 June 2019	734	367	56	1,157
<b>30 June 2020</b>	<b>571</b>	<b>607</b>	<b>47</b>	<b>1,225</b>

2C



### 3C Development Property

The Group, through its subsidiary Titanium Park Limited, undertakes the development of commercial and industrial property for sale. Land held by the Group for development is recognised initially at cost, or carrying value on the date it is designated for development if previously held as Investment property, or Property, plant and equipment. The balance of Development Property includes the costs of land plus costs such as roading and utilities infrastructure as well as consents from regulatory authorities needed to develop subdivisions and interest capitalised on borrowings used to finance development.

Development property is carried at the lower of its cost or its fair value less cost to sell. Fair value less cost to sell is determined by the Group based on contracted future sales prices, and estimates of market value of land not committed to future sale, taking into account sales activity of comparable properties and typical costs incurred in completing sales.

	2020 \$ '000	2019 \$ '000
Opening balance	10,858	9,157
Development costs capitalised	1,977	3,666
Reclassification to property, plant and equipment	-	(392)
Less cost of development property sold	(3,426)	(1,573)
	<b>9,409</b>	<b>10,858</b>

At 30 June 2020, the Group has 19.3 hectares (2019: 24.6 hectares) available for development and sale.

### 3D Investment property

Investment properties are land and buildings owned by the Group and held for capital appreciation, or primarily for earning rental income under operating leases. Investment properties are recognised initially at cost then subsequently measured to fair value annually, with changes recognised in net surplus/ (deficit).

Fair value is determined by independent, professional valuers Telfer Young Waikato who have experience in the type of Investment properties owned by the Group. Valuations are derived from comparable market data for similar properties.

	2020 \$ '000	2019 \$ '000
Opening balance	17,132	21,456
Acquisitions & additions	2,108	46
Redesignation of investment property	-	(4,655)
Changes in fair value	6,136	285
	<b>25,376</b>	<b>17,132</b>

During the year ended 30 June 2019, \$4,655,000 of investment property was redesignated as property, plant and equipment due to it now being occupied by the Group.



### 3E Business Combination

On 27 September 2019, the Group completed the acquisition of the Mavis Lounge Airport Cafe business via its parent company Waikato Regional Airport Limited. The business was previously a tenant of the Airport. The Group employed all existing staff at that date and acquired assets/(liabilities) at their fair values as detailed below. The cafe, situated in the Airport passenger terminal, continued to trade under WRAL ownership while still using the Mavis Lounge name until May 2020 when it was rebranded to Propeller Airport Cafe.

The following assets/(liabilities) were acquired at their fair values

	2020 \$ '000
Intangible assets	606
Property, plant & equipment	58
Inventories	10
Deferred tax asset arising on acquisition	(169)
Employee entitlements	(5)
<b>Fair value of acquired assets and liabilities</b>	<b>500</b>

As the consideration paid equalled fair value of assets and liabilities acquired, no goodwill arose on acquisition. The intangible asset recognised was assessed based on the incremental future cash flow benefit expected to WRAL from owning the business compared to being solely the income it would have received under the former lease agreement. The amortisation period of the asset was deemed to be 6 years, being the remaining period of the lease controlled by the vendor.

The business' trading was significantly impacted by COVID19 and for the period controlled by WRAL, it contributed a net deficit of \$260,000 including \$285,000 of depreciation, amortisation and impairment losses. Refer Note 2C for further information.







# Notes to the Consolidated Financial Statements

Year ended 30 June 2020

## Section Four: About our obligations and commitments

This section details the future liabilities and commitments we have, and how we have measured and calculated them.

### 4A Income Tax

Income tax is recognised in net profit/(deficit) except to the extent it relates to items recognised in equity. Income tax expense for the period comprises current tax and deferred tax. Current tax is the estimated income tax payable based on the current period taxable income, plus any adjustments to income tax payable in respect to prior periods.

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 losses 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 it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

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





### Income Tax Expense

		<b>2020</b>		<b>2019</b>
		<b>\$ '000</b>		<b>\$ '000</b>
Net surplus/(deficit) before tax		5,698		3,021
Income tax at Group's tax rate	28.0%	(1,595)	28.0%	(846)
Effect of tax exempt income	(37.9%)	2,162	(3.6%)	109
Effect of expenditure non-deductible for tax purposes	22.2%	(1,263)	13.4%	(404)
Effect of change in legislation for building depreciation	(76.7%)	4,370	0.0%	-
Adjustments in respect of prior periods	0.1%	(5)	(0.9%)	26
Current tax expense	(64.4%)	3,669	36.9%	(1,115)
Effect of temporary differences (deferred tax expense)	(14.8%)	842	(14.0%)	423
<b>Total tax expense</b>		<b>(79.2%)</b>		<b>(692)</b>

### Movement in Deferred Tax Assets/(Liabilities)

	<b>1 July 2018</b>	<b>Recognised in Surplus</b>	<b>Recognised in OCRE</b>	<b>Business Combination</b>	<b>30 June 2019</b>
Property, plant and equipment	(7,393)	392	(1,455)	54	(8,402)
Employee entitlements	28	(7)	-	-	21
Other	12	38	-	5	55
	<b>(7,353)</b>	<b>423</b>	<b>(1,455)</b>	<b>59</b>	<b>(8,326)</b>

### Movement in Deferred Tax Assets/(Liabilities)

	<b>1 July 2019</b>	<b>Recognised in Surplus</b>	<b>Recognised in OCRE</b>	<b>Business Combination</b>	<b>30 June 2020</b>
Property, plant and equipment	(8,402)	3,586	-	-	(4,816)
Employee entitlements	21	(19)	-	-	8
Other	55	243	-	(169)	(129)
	<b>(8,326)</b>	<b>3,848</b>	<b>-</b>	<b>(169)</b>	<b>(4,647)</b>



## 4B Trade and other payables

Trade and other payables are recorded initially at their fair value. All amounts are interest free, and expected to be settled in the next accounting period.

	2020 \$ '000	2019 \$ '000
Trade payables and accrued expenses	1,304	1,892
Revenue received in advance	664	714
Income tax payable	815	483
	<b>2,680</b>	<b>3,089</b>

## 4C Infrastructure Development

Due to the nature of property development undertaken by the Group via its subsidiary Titanium Park Limited, the Group has a number of actual and potential future obligations to construct (or contribute to the construction of) water supply and reticulation, waste water facilities and roading infrastructure around the Hamilton Airport precinct.

Provisions are recognised at the Group's best estimate of future costs in relation to commitments where a present obligation has arisen, discounted for the expected timing of the construction or contribution being made. The initial cost of a provision is capitalised as part of the asset to which it relates with subsequent changes in the provision due to discounting reflected in net surplus/(deficit).

	2020 \$ '000	2019 \$ '000
Opening balance	632	632
Additional obligations and commitments capitalised	743	-
Provision utilised	(5)	-
Other changes recognised in net surplus/(deficit)	26	-
	<b>1,396</b>	<b>632</b>

During the year ended 30 June 2020, the Group was able to extend certain consents by up to 5 years meaning it could defer \$632,000 of obligations that were previously classified liabilities at 30 June 2019. Accordingly, these obligations have been classified as non-current liabilities at 30 June 2020.

Contingent liabilities are recognised where there is less certainty about the timing, amount or likelihood of a future commitment, and when no present obligation exists. The Group's best estimate of the potential future commitment is disclosed where practicable, but not included within its balance sheet.

Contingent liabilities	2020 \$ '000	2019 \$ '000
Waipa District Council – water supply upgrade contribution	502	502
NZTA State Highway 21 – intersection upgrade contribution	unknown	unknown

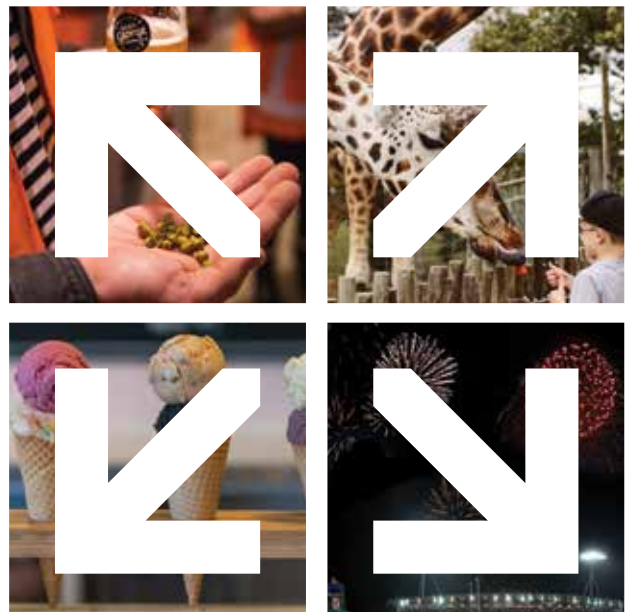
The estimate of costs in relation to the NZTA State Highway 21 Intersection cannot be reliably estimated as the eventual intersection design is dependent on future traffic flow and generation which are outside the control of the Group.

## 4D Commitments

At 30 June 2020, the Group had capital commitments of \$851,000 (2019: \$1,071,000)

## 4E Events subsequent to balance date

There have been no material events subsequent to balance date.



# Notes to the Consolidated Financial Statements

Year ended 30 June 2020

## Section Five: About how we are funded and our shareholder value

This section gives information about our shareholders including their shareholdings and how their interest in the Group has grown in value.

### 5A Equity

#### Share Capital

The shareholding of Waikato Regional Airport Limited at 30 June 2020 was:

	Ordinary Shares	Percentage
Hamilton City Council	2,486,752	50.0%
Waipa District Council	777,110	15.6%
Waikato District Council	777,110	15.6%
Matamata Piako District Council	777,110	15.6%
Otorohanga District Council	155,422	3.2%
	<b>4,973,504</b>	<b>100.0%</b>

There were no changes in shareholding during the year (2019: none). All shares are fully paid and carry equal rights to vote and share the net assets of the Company. The shares have no par value, nor any fixed dividend rights.

#### Asset Revaluation Reserve

The accumulated, unrealised gains in asset revaluation are accumulated in the Asset revaluation reserve and are attributable the following asset classes:

	2020 \$ '000	2019 \$ '000
Land	34,712	34,712
Buildings	7,832	7,832
Airport Infrastructure	14,558	14,558
	<b>57,102</b>	<b>57,102</b>

### 5B Cash and Borrowings

Cash and cash equivalents comprise cash on hand and bank accounts held with reputable retail banks in New Zealand. This balance also includes overdraft facilities used for working capital purposes and set off facilities between account balances among Group entities.

Borrowings are longer term debt facilities held with retail banks in New Zealand used to finance capital and investment requirements.

Borrowings	2020 \$ '000	2019 \$ '000
Current portion - due within 12 months	15,888	96
Non-current portion - due between 12 and 24 months	1,739	12,671
Non-current portion - due between 24 and 36 months	-	1,739
<b>Total drawn borrowing facilities</b>	<b>17,627</b>	<b>14,506</b>
Undrawn bank overdraft facilities	1,050	1,050
Undrawn term borrowing facilities	6,303	6,494
<b>Total unutilised borrowing and overdraft facilities</b>	<b>7,353</b>	<b>7,544</b>

The weighted average interest rate on borrowings at year end was 3.58% (2019: 4.07%). All borrowings and overdraft facilities are held with the Bank of New Zealand and are secured by way of a general security agreement and mortgages over certain land, buildings, investment properties.



# Notes to the Consolidated Financial Statements

Year ended 30 June 2020

## Section Six: Corporate Governance and Management

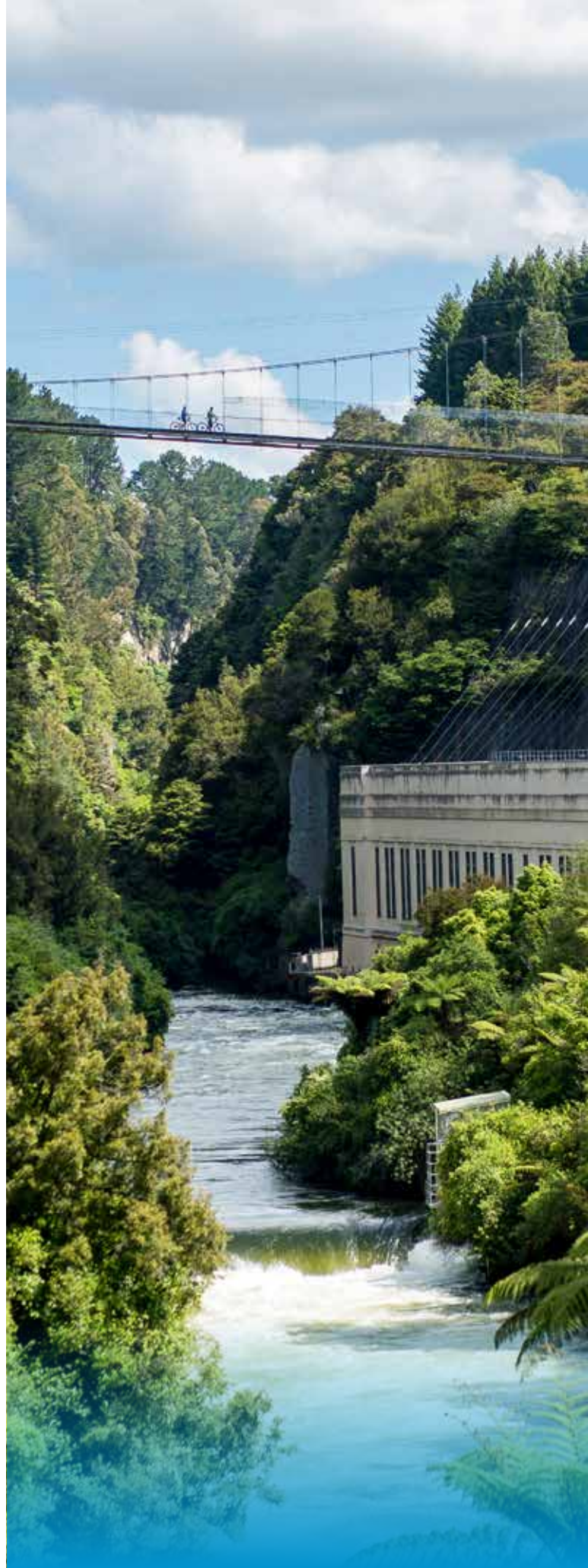
Section Six provides details about remuneration provided to the Group's Directors and Key Management Personnel, as well as details of transactions that took place with related parties

### 6A Related parties

The following transactions took place with entities and individuals related to the Group

	2020 \$ '000	2019 \$ '000
<b>Remuneration</b>		
Directors	187	219
Number of directors	9	11
Key management personnel	959	1,001
Number of personnel (full time equivalent)	6	6
<b>Other</b>		
Transactions in which directors declared an interest	152	199

Transactions carried out between the Group and its related parties arise from interests declared by directors. These transactions were for purchases of IT-related goods and services in the normal course of the Group's business.



## 6B Directors Holding Office

### Directors Holding Office

### Director Fees

	2020 \$ '000	2019 \$ '000
<b>Waikato Regional Airport Limited</b>		
John Spencer CNZM (Chair, retired 30 April 2019)	-	38
Barry Harris (Chair, appointed 1 March 2019)	48	13
Annabel Cotton	29	30
Carlos Da Silva	29	30
Margaret Devlin	29	30
<b>Titanium Park Limited</b>		
Margaret Devlin (Chair) - (2019: 4 months)	-	6
Carlos Da Silva - (2019: 4 months)	-	6
Graham Dwyer - (2019: 4 months)	-	6
<b>Waikato Regional Airport Hotel Limited (incorporated 9 April 2019: 3 months)</b>		
John Spencer CNZM (Chair, resigned 30 April 2019)	-	-
Barry Harris (Chair)	-	-
Annabel Cotton	-	-
Carlos Da Silva	-	-
Margaret Devlin	-	-
<b>Hamilton &amp; Waikato Tourism</b>		
Annabel Cotton - Chair	18	18
Simon Douglas (retired December 2019)	6	12
Steven Gow (appointed January 2019)	12	6
Richard Leggat (appointed January 2019)	12	6
Mark Morgan	-	-
Don Scarlet (retired December 2018)	-	6
Karleen Turner Puriri (retired December 2019)	6	12

From 1 November 2018, the Directors of the Parent Company (WRAL) became the Directors of Titanium Park Limited under a common Board of Directors. From this point forward, the Directors were no longer separately remunerated by Titanium Park Limited. The common Board of Directors also included Waikato Regional Airport Hotel Limited from April 2019; the Directors receive no separate remuneration from this entity.

In addition to Director Fees paid, Margaret Devlin received payment for other advisory services of \$3,000 (2019: \$8,000) and Graham Dwyer \$41,000 during the 2019 financial year only. Annabel Cotton received \$5,000 (2019: \$5,000) for Chairing the Group's Audit & Risk Committee.



## 6C Employee Remuneration

The numbers of employees outlined below received remuneration including salaries and performance bonuses exceeding \$100,000:

	2020	2019
\$330,000-\$339,999	-	1
\$260,000-\$269,000	1	-
\$190,000-\$199,999	-	1
\$180,000-\$189,999	1	-
\$170,000-\$179,999	1	1
\$150,000-\$159,999	1	-
\$140,000-\$149,999	-	1
\$100,000-\$109,999	-	1

## 6D Auditor

Pursuant to the Local Government Act 2002, Audit New Zealand is the auditor of the Group on behalf of the Auditor General. Audit New Zealand were paid \$139,000 for the audit of the Group and subsidiary financial statements (2019: \$109,000).



# Corporate Directory

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## Directors

Barry Harris (Chairman)  
Annabel Cotton  
Carlos Da Silva  
Margaret Devlin

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## Registered Office

Hamilton Airport Terminal  
Airport Road  
RD2  
Hamilton 3282

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## Telephone

07 848 9027

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## Website

[www.hamiltonairport.co.nz](http://www.hamiltonairport.co.nz)

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## Social Media



Facebook  
Instagram  
LinkedIn

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## Bankers

Bank of New Zealand

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## Solicitors

Ellice Tanner Hart

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## Auditors

(on behalf of the Auditor General)

Audit New Zealand

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