



Waikato Regional Airport Limited

Statement of Intent

2018/2019

June 2018



1.0 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 for the year ending 30 June 2019 and succeeding two financial years.

2.0 Strategic Intent

The Airport 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 and compliant regional airport.
3. Strategic positioning of the business to enhance capital value.

Key Objectives of Waikato Regional Airport Limited

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

Key Objectives of the Group (*incorporating Titanium Park Limited & Hamilton Waikato Tourism Limited*)

1. Operate an efficient and compliant airport.
2. Enhance the traveller experience.
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. To promote the Hamilton & Waikato region as an appealing destination to international and domestic visitors.

3.0 In Pursuing its Goals the Company will:

- At all times behave in a professional and ethical manner in all its business dealings with its customers and stakeholders.
- Be a good employer.
- Ensure a safe and healthy work place environment that complies with government legislation.
- Identify and recognise Shareholders' expectations, within the bounds of corporate prudence.

4.0 Nature and Scope of Activities to be Undertaken

(4.1) Operate an efficient and compliant airport

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

(4.2) Enhance the traveller experience

Maximise traveller satisfaction and airport experience.

(4.3) Maintain a viable aeronautical business

Identify opportunities to develop new, and expand existing, domestic passenger services.

Promote development and growth of the general aviation sector.

To allow the main runway to be extended when supported by an appropriate business case.

Position and protect the airport as an efficient, cost-effective international port of arrival for private, corporate and medical aircraft.

(4.4) 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 identify and market for sale or development all available surplus airport-owned land in a planned and co-ordinated approach.

Look to develop, design and build opportunities and additional non-aeronautical revenue streams.

Land sales and property development are always subject to volatility dependent on regional and national economic conditions. Therefore, this presents a degree of risk for the Group that will be carefully managed.

(4.5) Ensure appropriate internal and external resource to enable a commercially driven and high performing organisation

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

(4.6) Capital Expenditure

Planned major capital expenditure included in the three-year forecast is:

2019	\$1.1m
2020	\$1.4m
2021	\$1.5m

Strategic Activities

Key activities for the 2018/19 year are:

- Optimise domestic passenger services and the customer experience;
- Maximise property lease income.
- Continue to implement the comprehensive property business plan that will address development and investment opportunities to grow long term property income for the Group.
- Finalise the most appropriate future operating model for the hotel.
- Review zoning and master planning for the WRAL farm.

5.0 Performance Targets

The following annual performance targets are for Waikato Regional Airport Limited (Parent).

Years ending 30 June	2019	2020	2021
5.1 Shareholders' funds to total assets <i>a minimum of</i>	65%	65%	65%

Definitions:

Shareholders' funds: Total assets less the total liabilities.

Total assets: The value of all assets reported in the Company's statement of financial position at the end of each reporting period.

	Year Ending 30 June		
	2019	2020	2021
<i>Based on the company forecasts</i>			
5.2 Earnings before interest, taxation & depreciation (EBITDA) <i>of at least</i>	\$3,000,000	\$3,200,000	\$3,400,000
5.3 Net profit after tax <i>of no less than</i>	\$75,000	\$150,000	\$200,000
5.4 Net cash flow (operating & investing)			
Net operating cash flow	\$1,600,000	\$1,800,000	\$2,000,000
Net investing cash flow (excl TPL)	(\$3,050,000)	(\$1,800,000)	(\$1,950,000)
Funding Titanium Park Limited	<u>(\$200,000)</u>	<u>\$100,000</u>	<u>\$100,000</u>
Total net cash flow (operating & investing) <i>at least</i>	(\$1,650,000)	\$100,000	\$150,000
Net debt <i>a maximum of</i>	\$18,000,000	\$18,000,000	\$18,000,000
5.5 Total liabilities/shareholders' funds (debt/equity ratio) <i>a maximum of</i>	35:65	35:65	35:65

5.6	Percentage of non-landing charges revenue <i>of at least</i>	74%	74%	74%
5.7	Interest cover <i>of at least</i> <i>(The interest cover measures the number of times the net profit before interest, tax and depreciation (EBITDA) covers interest paid on debt.)</i>	4.0x	4.0x	4.0x
5.8	Net profit before tax, interest, revaluations to total assets	0.5%	0.5%	0.5%
5.9	Net profit before tax, interest, revaluations to shareholder funds	0.5%	0.5%	0.5%
5.10	Net profit after tax, interest, revaluations to total assets	0.08%	0.1%	0.1%
5.11	Net profit after tax, interest, revaluations to shareholder funds	0.1%	0.1%	0.1%
Non-financial performance targets				
5.12	Health & Safety			
5.12.1	Facilitate Health & Safety meetings every 2 months with representatives from each company department			
5.12.2	Zero Work Safe notifiable accidents/injuries			
5.12.3	Independently review and audit the Health and Safety system each year.			
5.13	Operational Compliance			
5.13.1	To achieve the Airport Certification Standards as required by the Civil Aviation Authority and as evidenced by Civil Aviation Authority audit reports			
5.13.2	Ensure airport is operationally available for all scheduled passenger services (except for uncontrollable events)			
5.13.3	Facilitate noise management meetings every 4 months in accordance with the Noise Management Plan			
5.14	Customer Satisfaction			
5.14.1	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			

6.0 Statement of Accounting Policies

The accounting policies adopted by the Group for the year ending 30 June 2019 and succeeding 2 years are those as adopted in the 2017 Annual Report prepared under Tier 2 of the Public Benefit Entity Standards Reduced Disclosure Regime (PBE Standards RDR).



7.0 Dividend Policy

WRAL will review payment of an ordinary annual dividend based on the forecast Cash Flow for the year 2018–19 and propose to make a decision in the last quarter of the financial year ending 2019-20.

8.0 Information to be provided to Shareholders

- 9.1 The Annual Report of the Company.
- 9.2 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.
- 9.3 Shareholder Briefings.

9.0 Future Investment Proposals

If the Company 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.

10.0 Commercial Value of the Shareholders Investment

No valuation of shares has been completed.

The consolidated balance sheet of WRAL as at 30 June 2017 shows shareholder equity of \$82m. Company Property, Plant & Equipment is based upon a 2016 valuation and land which was revalued as at 30 June 2017. Company assets such as runways, aprons, taxiways and the terminal building are based upon depreciated replacement cost.

11.0 Compensation from Local Authorities

There are no activities of the Company for which the Directorate would seek compensation from any local authority.

12.0 Major Transactions

Shareholders approve major transactions via a special resolution. A major transaction 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 disposition 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 disposition; 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;

but does not include:

- (d) any transaction entered into by a receiver appointed pursuant to a security over all or substantially all of the property of the Company.

Nothing in paragraph (c) of this definition applies by reason only of the Company giving, or entering into an agreement to give, a floating charge secured over assets of the Company the value of which is more than 10% of the value of the company's assets for the purpose of securing the repayment of money or the performance of an obligation.

There are no major transactions planned during the period.

13.0 Health and Safety

The Board and Management will ensure that all requirements to the Health and 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 practise processes. At all times the Company will continue to monitor and review health and safety requirements via monthly reporting.