



Waikato Regional Airport Limited

Draft Group Statement of Intent

2019/2020

June 2019



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 and Group for the year ending 30 June 2020 and succeeding two financial years.

2.0 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 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, compliant and resilient 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 and a proposed new entity to operate the current Hamilton Airport Hotel & Conference Centre business)*

1. Operate an efficient, compliant, and resilient 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. Complete a major refurbishment of the Hotel facilities to achieve a Qualmark 4 star accreditation
7. To promote the Hamilton & Waikato region as an appealing destination to international and domestic visitors.
8. Deliver the regional major events strategy

3.0 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 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.

Remain cognisant of the runway extension designation that will expire in 2026.

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

Remain collaborative with local authorities and government agencies for joint infrastructure and transport initiatives.

(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 continue marketing for sale, development and optimised investment, all available surplus airport-owned land in a planned and co-ordinated approach.

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 through the staged precinct developments of Titanium Park.

Complete the refurbishment of the Hamilton Airport Hotel & Conference Centre to a Qualmark 4 star standard



Deliver on the major events strategy to attract and secure additional major tourism events to the Waikato region and increase industry partnership investment into local tourism.

(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) Key capital and investment projects and initiatives for the year ending 30 June 2020

4.6.1 Complete an upgrade of the airport terminal to ensures the terminal meets all regulatory requirements, remains fit for purpose and responsive to growing domestic passenger traffic.

4.6.2 Development and improvement of roading and underground services infrastructure on the eastern side of the airport precinct to ensure the Group can continue to develop Titanium Park and the terminal is serviced by modern infrastructure that is optimal to forecasted needs.

4.6.3 Upgrade and refurbishment of the Airport Hotel and Conference Centre property to a Qualmark 4 Star standard.

4.6.4 Develop a masterplan for Titanium Park’s proposed Northern Precinct development (current site of the WRAL Farm) and prepare a private plan change submission to Waipa District Council to future proof development options.

5.0 Performance Targets

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

| Years ending 30 June | 2020 | 2021 | 2022 |
|---|------|------|------|
| 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 Group’s statement of financial position at the end of each reporting period.

| <i>Based on the Group forecasts</i> | Year Ending 30 June | | |
|---|---------------------|-------------|-------------|
| | 2020 | 2021 | 2022 |
| 5.2 .1 Earnings before interest, taxation & depreciation (EBITDA) but excluding land sales <i>of at least</i> | \$4,000,000 | \$4,500,000 | \$5,000,000 |
| 5.2.2 EBITDA including land sales <i>of at least</i> | \$6,000,000 | \$5,000,000 | \$6,000,000 |
| 5.3 Net profit after tax <i>of no less than</i> | \$1,200,000 | \$1,200,000 | \$1,200,000 |

| | | | | |
|--|---|--------------|--------------|--------------|
| 5.4 | Net operating cash flow (excluding land sales) | \$2,500,000 | \$3,000,000 | \$3,500,000 |
| | Total debt, excluding funding for design-build properties, <i>not exceeding</i> | \$25,000,000 | \$25,000,000 | \$25,000,000 |
| 5.4 | Total liabilities/shareholders' funds (debt/equity ratio) <i>a maximum of</i> | 35:65 | 35:65 | 35:65 |
| 5.5 | Net profit after tax to total shareholders funds | 1.0% | 1.0% | 1.5% |
| 5.6 | Net profit after tax to total assets | 1.3% | 1.3% | 1.7% |
| 5.7 | Percentage of non-landing charges revenue <i>of at least</i> | 60% | 60% | 60% |
| 5.8 | Land sales <i>of at least</i> | \$7,000,000 | \$600,000 | \$4,000,000 |
| 5.9 | 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 |
| Non-financial performance targets | | | | |
| 5.10 | Health, Safety & Well being | | | |
| 5.10.1 | Facilitate Health & Safety meetings every 2 months with representatives from each company department | | | |
| 5.10.2 | Zero Work Safe notifiable accidents/injuries | | | |
| 5.10.3 | Independently review and audit the Health and Safety system each year. | | | |
| 5.11 | Operational Compliance | | | |
| 5.11.1 | To achieve the Airport Certification Standards as required by the Civil Aviation Authority and as evidenced by Civil Aviation Authority audit reports | | | |
| 5.11.2 | Ensure airport is operationally available for all scheduled passenger services (except for uncontrollable events) | | | |
| 5.11.3 | Facilitate noise management meetings every 4 months in accordance with the Noise Management Plan | | | |
| 5.12 | Property (Titanium Park Limited) | | | |
| 5.12.1 | Finalise subdivision plans for the 4 th Stage of Titanium Park's Central Precinct | | | |
| 5.12.2 | Develop a masterplan for Titanium Park's Northern Precinct and prepare a private plan change submission to Waipa District Council. | | | |
| 5.13 | Tourism (Hamilton & Waikato Tourism Limited) | | | |



5.13.1 Achieve 5% growth in visitor nights and visitor expenditure (as measured by key MBIE Tourism statistics)

5.14 Hotel Operation

5.14.1 Complete a refurbishment program (both internally and externally) that will allow the hotel to be accredited to a Qualmark 4 Star standard.

6.0 Statement of Accounting Policies

The accounting policies adopted by the Group for the year ending 30 June 2020 and succeeding 2 years are those as adopted in the 2018 Annual Report prepared under Tier 2 of the 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 periods.

7.0 Dividend Policy

WRAL Directors will review any proposal for payment of a dividend based on the forecast Cash Flow for the following year and propose to make a decision in the last quarter of the financial year ending 30 June 2020.

8.0 Information to be provided to Shareholders

- 8.1 The Annual Report of the Company and Group.
- 8.2 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.
- 8.3 Shareholder Briefings held at least twice annually

9.0 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.

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 2018 shows shareholder equity of \$84m based on recent independent valuations of the Group's property, plant and equipment and investment properties. The Group forecasts its 30 June 2020 shareholder equity on the same basis to be \$87m.



11.0 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.

12.0 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 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;

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.

13.0 Health and Safety & Wellbeing

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 Group will continue to monitor and review health and safety requirements via monthly reporting.