



STATEMENT OF INTENT

**FOR THE THREE YEARS COMMENCING
1 JULY 2015**

1. INTRODUCTION
2. COMPANY MISSION STATEMENT
3. THE OBJECTIVES OF THE COMPANY
4. NATURE AND SCOPE OF ACTIVITIES
5. GOVERNANCE
6. PERFORMANCE TARGETS
7. SHAREHOLDERS' FUNDS TO TOTAL ASSETS
8. DISTRIBUTION POLICY
9. CAPITAL EXPENDITURE
10. ACQUISITION OF OTHER INTERESTS
11. COMMERCIAL VALUE OF SHAREHOLDERS INVESTMENT
12. RISK MANAGEMENT
13. REPORTING TO SHAREHOLDERS
14. ACCOUNTING POLICIES
15. SALE OF GOODS /SERVICES TO LOCAL AUTHORITY
16. FINANCIAL FORECASTS

1. INTRODUCTION

- 1.1 This Statement of Intent is prepared in accordance with Section 64 and Schedule 8 of the Local Government Act 2002.
- 1.2 Hokitika Airport Ltd is a council controlled organization for the purposes of the Local Government Act 2002 and is registered under the Companies Act 1993.
- 1.3 This statement sets out the objectives and scope of activities proposed to be carried out by Hokitika Airport Limited in the 3 year period commencing 1st July 2015.

2. COMPANY MISSION STATEMENT

To maximise opportunities for the development of commercial and tourism based aviation in Westland and the promotion of Westland as a destination.

Hokitika Airport Limited supports the Westland District Council's "Vision of Westland" that it will, by 2030, be a world class tourist destination and have industries and businesses leading through innovation and service. This will be achieved by:

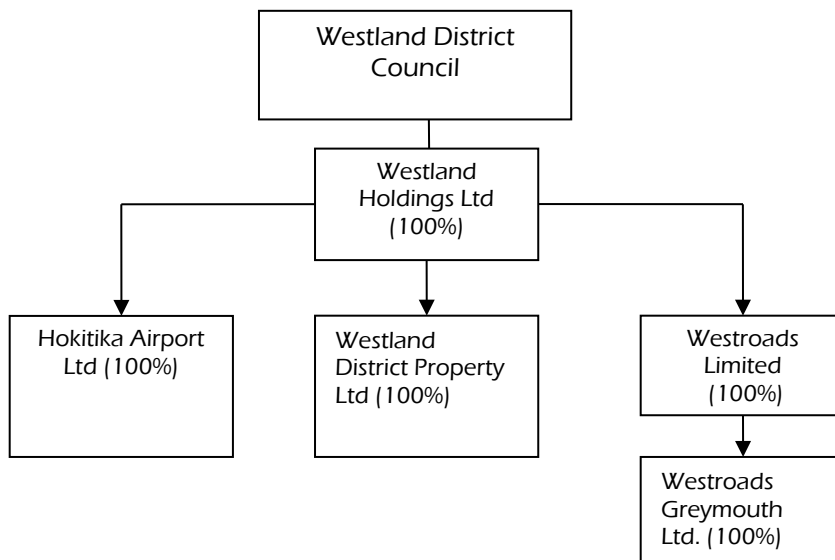
- Involving the community and stakeholders
- Having inspirational leadership
- Having expanded development opportunities
- Having top class infrastructure for all communities
- Living the '100% Pure New Zealand' brand

3. THE OBJECTIVES OF THE COMPANY

- 3.1 The Directors will maintain and improve airport services to a high standard and enhance airport facilities whilst continuing to operate the Company as a commercially successful business. To achieve this, the company intends to:-
- (a) Maintain the value of the shareholders' investment.
 - (b) Provide quality, efficient and cost-effective services on a commercially competitive basis.
 - (c) Ensure that pricing strategies are market sensitive and on a commercial basis.
 - (d) Strive to minimise operating costs.
 - (e) Maintain a high level of safety and security in its operations.
 - (f) Manage its financial assets and liabilities on a prudent basis.
 - (g) Act with social responsibility.
 - (h) Be a good employer.
 - (i) Grow and diversify revenue streams from business development.
 - (j) Operate the Hokitika Airport and Franz Josef Heliport sustainably.
 - (k) Continue to protect Hokitika Airport and Franz Josef Heliport for growth of business.

4 NATURE AND SCOPE OF ACTIVITIES

The group structure is:



4.1 The primary nature and scope of activities for the Company is to operate, manage and develop facilities in Westland. These activities include:

- (a) The provision, maintenance, upgrading and extension of services and facilities for the landing and take-off of aircraft and the training of pilots, having regard to statutory and regulatory requirements of the Civil Aviation Authority of New Zealand.
- (b) The provision and maintenance of facilities for the Airport Company and general businesses located at airports and helipads.
- (c) The management of airport land holdings.
- (d) The provision and leasing of secure storage facilities at Hokitika Airport

4.5 To continue the development of the Glacier Country Aerodrome Reserve to provide a safe helipad facility and explore opportunities for further enhancements to the area.

4.6 To offer services to other local airports, airfields and seaports.

4.7 The development and management of facilities that will support Westland District Council's vision for Westland, including the planning for an international airport along with the promotion of Westland as a destination.

4.8 To become involved in strategic projects which will benefit the District, as opportunities arise.

5. GOVERNANCE

The Company is governed by a board of up to three directors chaired by Linda Robinson. The director's role includes:

- Strategic Governance
- Financial Management
- Contractor Performance Review

Directors retire at the Annual General Meeting and can make themselves available for re-appointment, generally on a three year term.

The directors are:
Les Singer 2015
Linda Robinson 2017
Marcel Fekkes 2017

Board evaluation will be conducted annually and facilitated by the Chair. Directors will consider training requirements annually to ensure that professional standards are adhered to.

6. PERFORMANCE TARGETS

The Company will report to shareholders on the following performance indicators:

- a) The ratio of net profit before taxation and revaluations (before extraordinary items) to average shareholder funds within a range of 0.5% to 5%.
- b) The ratio of net profit before taxation and revaluations to average total assets (including any revaluation) within the range of 0.5% to 5%.
- c) Compliance with statutory and regulatory requirements enabling Hokitika Airport Limited, Westland Holdings Limited and Westland District Council to comply with the Local Government Act 2002.
- d) HAL will endeavour to achieve the highest storage occupancy as possible

7. SHAREHOLDERS FUNDS TO TOTAL ASSETS

The ratio of shareholder funds to total assets shall be greater than 70%.

Shareholder funds are defined as the paid up capital, plus any tax paid profits earned and less any dividends distributed to shareholders. They include undistributed profits which have been accumulated in accounts known as either Revenue or Capital Reserves.

Total assets are defined as the sum of all current assets, fixed assets, intangible assets and investments of the Company.

8. DISTRIBUTION POLICY

Distributions will be paid, either by way of Dividends to Westland Holdings Limited or subvention payment to Westland District Council in accordance with the annual Statement of Intent, as agreed with Westland Holdings Limited.

The degree of profit retention/distribution will be agreed annually with Westland Holdings Limited, and included in the annual Statement of Intent, subject to the following criteria:

A subvention payment is defined as a payment based on a dollar for a dollar of tax loss.

The amount of any distribution takes into account Hokitika Airport Limited's ability to fund agreed future capital expenditure requirements, to maintain and expand its operations, or to address matters related to the debt structure of the Company.

Total liabilities do not exceed 30% of the total assets without the approval of Westland Holdings Limited.

9. CAPITAL EXPENDITURE

Capital expenditure will maintain, enhance and develop facilities controlled by Hokitika Airport Limited in accordance with the objectives of the company.

The approval of Westland Holdings Limited must be obtained for any significant purchases or developments in excess of \$500,000 for any one project including the funding mechanism for the purchase or development. This figure to be calculated based on the complete cost of a particular project even if the expenditure is spread over more than one year and comprises multiple transactions.

10. ACQUISITION OF OTHER INTERESTS

The company will not subscribe for, purchase, or otherwise acquire shares in any company or other organisation without first being authorised to do so by special resolution of Westland Holdings Ltd and Westland District Council.

11. COMMERCIAL VALUE OF SHAREHOLDERS INVESTMENT

The Directors estimate that the commercial value of the shareholders' investment in Hokitika Airport Ltd will be represented by the opening balance of shareholders' funds. The Directors will advise the shareholders on an annual basis if they believe the value to differ materially from this amount.

The value of the investment will be reassessed every three years by evaluating movement in asset values, in particular changes in land and improvements as recorded on the tri-annual government valuations.

12. RISK MANAGEMENT

The company shall develop a risk assessment methodology and document a risk management analysis together with strategies for mitigation of these risks.

The Company shall adopt a communications policy.

A formal Fraud Policy will be documented and all Directors and staff are to be aware of this policy.

13. REPORTING TO SHAREHOLDERS

The following information will be available to shareholders based on an annual balance date of 30 June.

13.1 Draft Statement of Intent – By 14th February

On or before 14th February each year, the Directors shall deliver to the shareholders a Draft Statement of Intent with tracked changes which fulfils the requirements of clause 9 of schedule 8 of the Local Government Act 2002. Westland Holdings Limited will report to Hokitika Airport Limited comments on the Draft Statement of Intent by 30th April each year.

13.2 Completed Statement of Intent – By 15th June

On or before 15th June each year, the Directors shall deliver to the shareholders a Final Statement of Intent.

13.3 Half Yearly Report - by 28th February

On or before 28th February each year, the Directors shall deliver to the shareholders an unaudited Half Yearly Report containing the following information as a minimum in respect of the half year under review:

- a. A revenue statement disclosing actual and budgeted revenue and expenditure, and comparative figures in second and subsequent half yearly reports.
- b. A statement of financial position at 31st December.
- c. A statement of cash flows.
- d. A commentary on the results for the first six months together with a report on the outlook for the second six months with reference to any significant factors that are likely to have an effect on the Company's performance, including an estimate of the financial result for the year based on that outlook.
- e. The Westland Holdings Limited board will receive a copy of the Management Report from Audit NZ from the previous year.
- f. A non-financial performance report.

13.4 Annual Report - by 15th September

On or before 15th September each year, the Directors shall deliver to the shareholders an Annual Report and audited financial statements in respect of the financial year, containing the following information as a minimum:

- a. A Directors' report including a summary of the financial results, a review of operations, a comparison of performance in relation to objectives and any recommendation as to dividend.
- b. A revenue statement disclosing actual and budgeted revenue and expenditure, and comparative figures in second and subsequent annual reports.
- c. A statement of financial position at the end of the year.
- d. A statement of cash flows
- e. An auditor's report on the above statements and the measurement of performance in relation to objectives.

13.5 Annual Budget

An annual budget shall be provided in particular terms for the coming financial year and in general terms for the following two years, at such a time to enable it to be included within the Draft Annual Plan for the Westland District Council. This budget shall accompany the half yearly financial report.

13.6 Quarterly Report

Between the annual report and half yearly report WDPL will

- (a) Deliver to WHL a quarterly copy of the management accounts.

14. ACCOUNTING POLICIES

The financial statements of Hokitika Airport Limited will be prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with New Zealand generally accepted accounting policies to the extent that is practicable without disclosing commercially sensitive information that, in the view of the Directors, would be of value to competitors.

15. SALE OF GOODS/SERVICES TO LOCAL AUTHORITY

The company may provide goods and services to the Westland District Council as part of its normal business activities. These goods and services shall be charged for on a commercial basis.

16. FINANCIAL FORECASTS (\$000s)

	Budget 2015/16	Forecast 2016/17	Forecast 2017/18
Gross Revenue	596	608	616
Cost of Sales	387	399	404
Gross Profit	209	208	211
Other Income	0	0	0
Finance Costs	14	10	6
Depreciation	110	110	115
Subvention Payment	0	0	0
Net Profit/Loss before Taxation	85	88	91
Taxation	24	24	25
Net Profit/Loss after Taxation	61	63	65
Other Comprehensive Income	0	0	0
Total Comprehensive Income	61	63	65
Dividends	10	10	10
Earnings Retained	39	102	167
Closing Shareholder's Funds	2757	2820	2885
Tax Paid Return on Ave Shareholder's Funds	2.2%	2.2%	2.3%