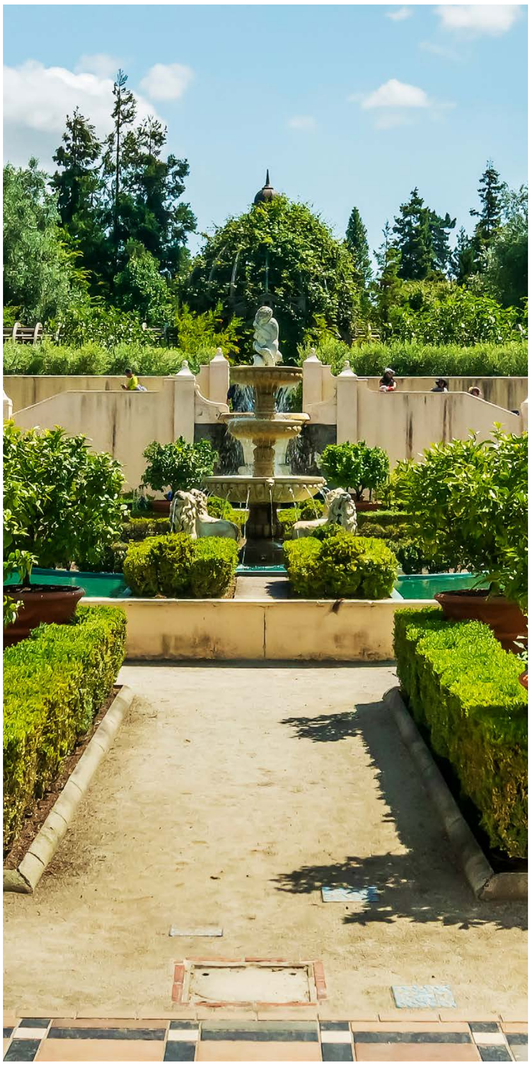
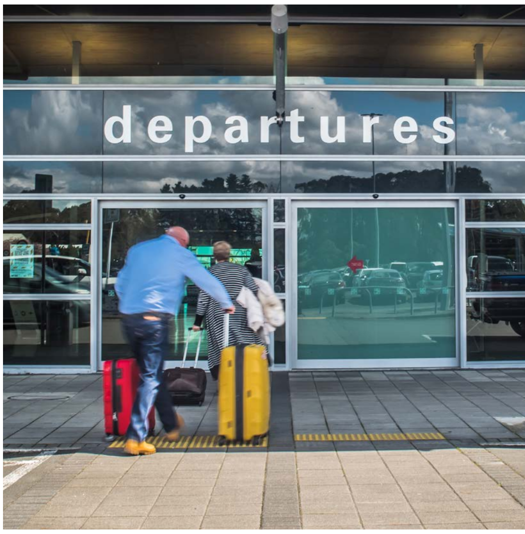
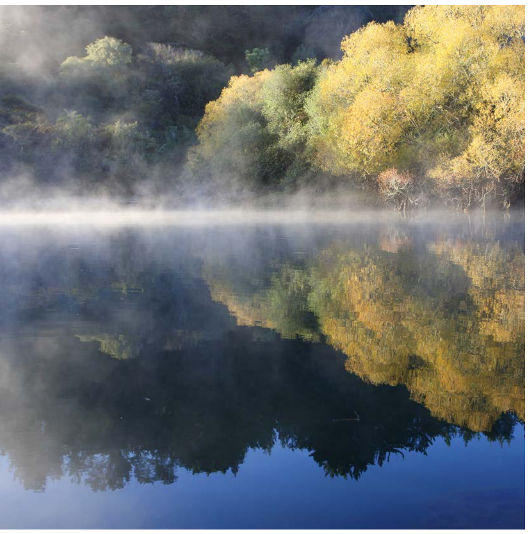


# ANNUAL REPORT
## & Consolidated Financial Statements

For the year ended 30 June 2022



WAIKATO
REGIONAL AIRPORT LTD

# Contents


# Chair's Introduction

In 2021 the annual report reflected on the Group's financial successes, against a backdrop of the most challenging times of our generation, further reinforcing the strength of its diversification strategy. The 2021 financial year itself was unimpeded by COVID alert level travel restrictions as the country remained free from domestic community transmission of the virus for almost 18 months. This meant the 2022 financial year was initially approached with optimism by the Board and Management, albeit tempered with a degree of caution given the uncertainty and challenges that could impact the NZ market as well as the global implications of COVID19.

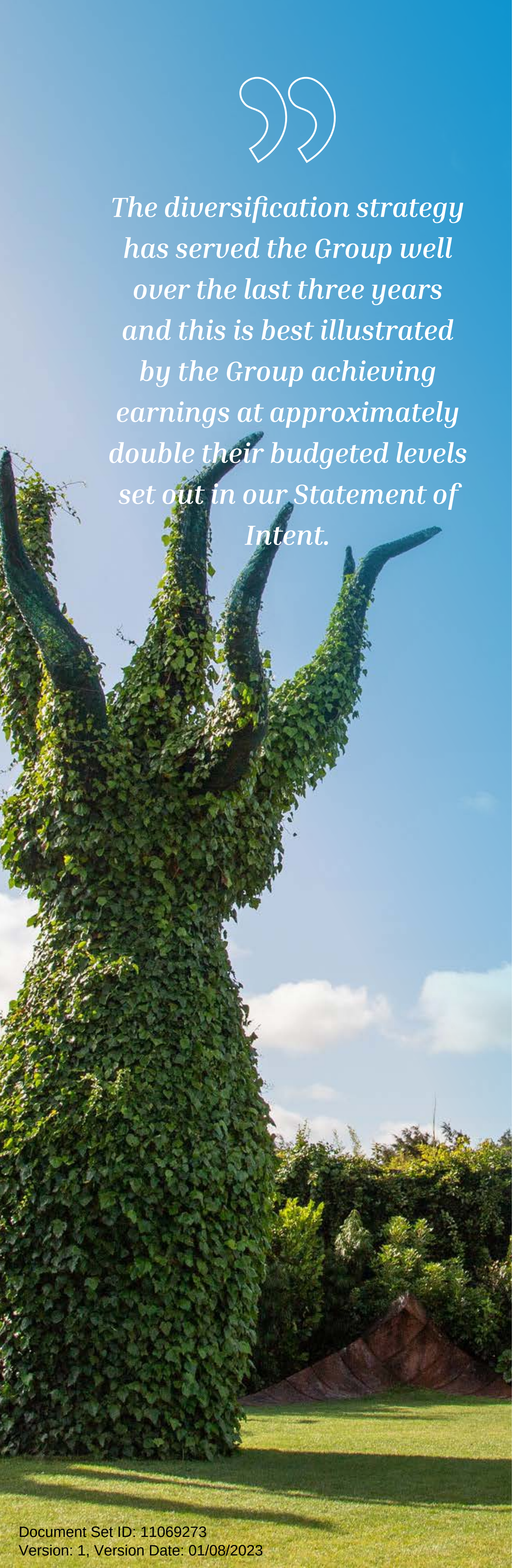
This confidence for the 2022 financial year was thwarted though, with the introduction of the Delta variant to New Zealand in August 2021. This resulted in travel restrictions in and out of the region for nine weeks between August and November. The Omicron wave between February and April saw at its peak, a 50% decline in travel. Overall, the Aeronautical business finished the year down 25% on its budgeted passenger number projections, with associated impact on revenue streams.

Losses in the aeronautical business were offset by the unplanned continuation of the Hotel's Managed Isolation Facility contract, which remained in place for the full financial year, and finally concluded on 30 June 2022. Hotel Manager Jet Park Hotels continued to deliver an award-winning level of service. The hotel returns to servicing the Waikato in August 2022 after the completion of refurbishment and deferred renovations due to MIQ operations over the last two years.

At the time of writing, Pacific Aerospace, which was purchased out of liquidation in 2021 and now under new ownership, had been able to re-hire a number of former staff and resume operations, completing production and test flying of its first aircraft. It is pleasing to note, that with the opening of our international borders late in the year, there has been accelerated and credible inquiry for the revival of an international pilot academy. WRAL remains confident of a bright future for the facility noting the global shortages of pilots, and the future growth aspirations of the airlines will aid restoration of the 70% loss of air traffic movements at our airport.

We always envisaged 2022 as a quiet year for Titanium Park land sale activity with existing precincts largely developed. However significant investment was made into the construction of the fifth stage of Titanium Park's Central Precinct to enable settlement of significant conditional land sales in the FY23 financial year. In addition, Titanium Park continued due diligence toward the re-zoning of the proposed 100ha Northern Precinct development. This latter workstream culminated in the submission of a private plan change application to Waipa District Council. The strength of this work in positioning the underlying property for development is the almost sole contributor to the $24 million revaluation gain in investment properties.

The diversification strategy has served the Group well over the last three years and this is best illustrated by the Group achieving earnings at approximately double their budgeted levels set out in our Statement of Intent. EBITDA before land sales have also more than doubled in the last four years. Despite the disruption to earnings caused by COVID, the Group has been able to invest $12 million between capital expenditure in its own long-term assets and in Titanium Park's development property in the past year whilst accumulating only a $5 million increase in debt.



*The diversification strategy has served the Group well over the last three years and this is best illustrated by the Group achieving earnings at approximately double their budgeted levels set out in our Statement of Intent.*

During the last four years, three of which have been hampered by the pandemic, the Group has been able to increase its balance sheet to over $200 million of assets and a resultant doubling of shareholder funds. This was achieved by continued profitable trading results during this period and revaluation gains in long term property holdings that ultimately position the group for strengthened future earnings.

The Company remains optimistic for the 2023 financial year. Since June 2022, our passenger numbers, the key driver of aeronautical revenues, had recovered to pre-pandemic levels even though there are many challenges facing our community such as rising costs of living, labour shortages in the tourism and hospitality sectors, illness, and weather. This gives us confidence in a strong pipeline for domestic travel out of Hamilton despite the likelihood these challenges will be ongoing.

Completion of the fifth and final stage of Titanium Park's Central Precinct early in the new financial year will bring about significant land sale settlements secured over the last 18 months at the height of a very buoyant property market. With this precinct development also comes the first significant expansionary investment in our aeronautical business in over a decade which will see the construction of private corporate jet facilities in the next 12 months. The airport is supporting this private investment by the upgrading of airside infrastructure and the construction of new taxiways to connect this land to the main runway.

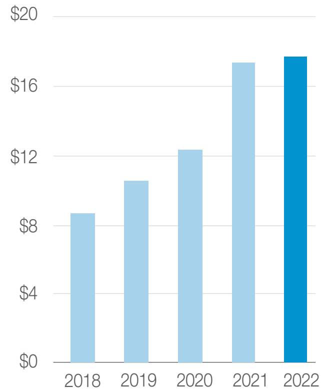
The flagship project for the year ahead will be the completion of the terminal resilience project prior to the formal opening in December 2022. Travelling customers will enjoy a modern and vibrant airport with a strong connection to our region's rich and unique cultural heritage as the home of Kiingitanga. The project remains on time and budget, a significant achievement for any construction project in recent times. We look forward to welcoming the first travellers to our refurbished terminal from October.

In closing, there has also been a significant undertaking with the evolution of our organisational values and the subsequent development of new brand identities for Hamilton Airport and Titanium Park, after consultation with a range of stakeholders including staff, shareholders and cultural representatives. These resultant brand identities acknowledge our cultural heritage and have regional significance; they have been woven into the terminal resilience project and will be revealed to the public from October 2022. As part of the new value set, we have introduced a Wellbeing framework to the organisation, building on the strong work that has already been done in this space.

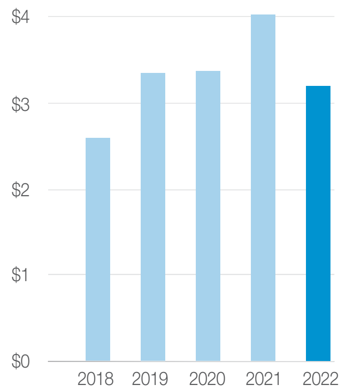
**Barry Harris**
Chair

# 2022 Results at a glance

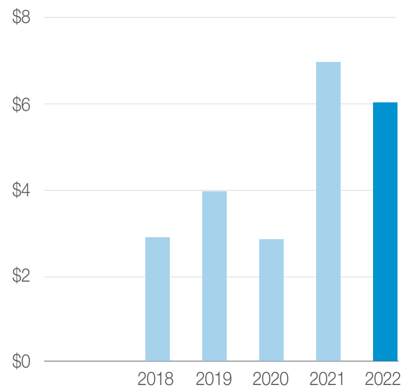
$000 Operating Revenue



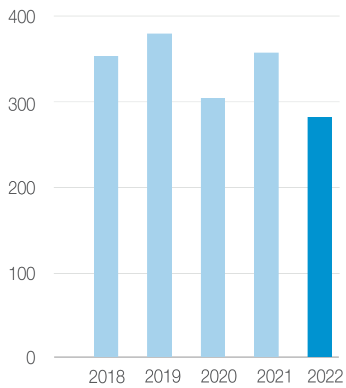

$000 Aeronautical Income



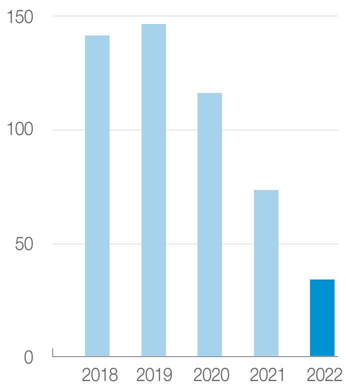

$000 Profitability: EBITDA before Land Sales



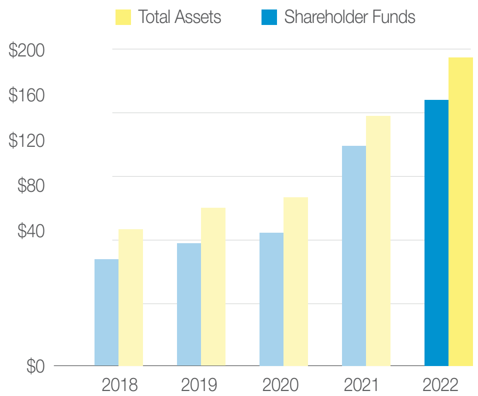

‘000 Passenger Activity




‘000 Aircraft Movements




$000 Balance Sheet: Equity & Assets




## Five Year Summary

| All amounts in ‘000s | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|
| Aeronautical income | $2,595 | $3,350 | $3,379 | $4,015 | $3,200 |
| Operating revenue | $8,594 | $10,484 | $12,355 | $17,324 | $17,686 |
| EBITDA excluding Land sales | $2,871 | $3,964 | $2,838 | $6,931 | $5,996 |
| Net profit before tax | $2,640 | $3,021 | $5,780 | $37,141 | $25,129 |
| Passenger Activity | 353 | 381 | 304 | 358 | 283 |
| Aircraft movements | 141 | 146 | 116 | 73 | 34 |
| Total Assets | $107,717 | $124,220 | $132,576 | $197,801 | $243,990 |
| Shareholder Funds | $84,937 | $97,285 | $105,734 | $173,192 | $210,725 |
| Shareholder Funds Ratio | 79% | 78% | 81% | 88% | 86% |
| Net Asset Backing per Share | $17.08 | $19.56 | $21.55 | $34.82 | $42.37 |

# Consolidated Statement of Comprehensive Revenue and Expense

Year ended 30 June 2022

| | | 2022<br>$ '000 | 2021<br>$ '000 |
|---|---|---|---|
| **Revenue** | | | |
| Operating revenue | 2A | 17,686 | 17,324 |
| Land sales | | 2,020 | 8,617 |
| Other gains | 2B | 22,762 | 35,682 |
| | | 42,468 | 61,623 |
| **Expenses** | | | |
| Operating expenses | | (7,002) | (6,259) |
| Cost of land sales | | (1,633) | (5,586) |
| Employee benefits expense | | (4,688) | (4,134) |
| Depreciation & amortisation | 3A, 3B | (3,420) | (7,942) |
| Other losses | 2B | (143) | - |
| Finance costs | | (453) | (561) |
| | | (17,339) | (24,482) |
| **Net surplus/(deficit) before tax** | | **25,129** | **37,141** |
| Tax (expense)/credit | 4A | (681) | (1,011) |
| **Net surplus/(deficit) after tax** | | **24,448** | **36,130** |
| Other comprehensive revenue & expense | | | |
| Revaluation of property, plant & equipment | 3A | 14,734 | 33,361 |
| Tax (expense)/credit | 4A | (1,649) | (2,033) |
| **Total other comprehensive revenue & expense** | | **13,085** | **31,328** |
| **Total comprehensive revenue & expense** | | **37,533** | **67,458** |

The accompanying notes form part of these financial statements

# Consolidated Statement
## of Changes in Equity

Year ended 30 June 2022

| | Share Capital $ '000 | Retained Earnings $ '000 | Revaluation Reserves $ '000 | Total $ '000 |
|---|---|---|---|---|
| Opening Balance - 1 July 2020 | 14,860 | 33,772 | 57,102 | 105,374 |
| Net profit/(loss) after tax | - | 36,130 | - | 36,130 |
| Other comprehensive income | - | - | 31,328 | 31,328 |
| Disposal of revalued assets | - | 2,287 | (2,287) | - |
| Total comprehensive income | - | 38,417 | 29,041 | 67,458 |
| Dividends paid to shareholder | - | - | - | - |
| Closing Balance - 30 June 2021 | **14,860** | **72,189** | **86,143** | **173,192** |
| Opening Balance - 1 July 2021 | 14,860 | 72,189 | 86,143 | 173,192 |
| Net profit/(loss) after tax | - | 24,448 | - | 24,448 |
| Other comprehensive income | - | - | 13,085 | 13,085 |
| Disposal of revalued assets | - | - | - | - |
| Total comprehensive income | **-** | **24,448** | **13,085** | **37,533** |
| Dividends paid to shareholder | - | - | - | - |
| Closing Balance - 30 June 2022 | **14,860** | **96,637** | **99,228** | **210,725** |

The accompanying notes form part of these financial statements

# Consolidated Statement of Financial Position

As at 30 June 2022

| | | 2022<br>$ '000 | 2021<br>$ '000 |
|---|---|---|---|
| **Current Assets** | | | |
| Cash and cash equivalents | 5B | 412 | 975 |
| Trade and other receivables | | 3,665 | 1,309 |
| Inventories | | 99 | 116 |
| Development property | 3C | 11,831 | 7,256 |
| | | **16,007** | **9,656** |
| **Non Current Assets** | | | |
| Property, plant and equipment | 3A | 142,767 | 123,633 |
| Investment property | 3D | 84,450 | 63,580 |
| Intangible & other non-current assets | 3B | 766 | 932 |
| | | **227,983** | **188,145** |
| **Total Assets** | | **243,990** | **197,801** |
| Current Liabilities | | | |
| Trade and other payables | 4B | 6,973 | 4,772 |
| Employee entitlements | | 609 | 596 |
| Provisions | 4C | 807 | 856 |
| | | **8,389** | **6,224** |
| **Non Current Liabilities** | | | |
| Provisions | 4C | 844 | 626 |
| Borrowings | 5B | 16,995 | 11,995 |
| Deferred tax liability | 4A | 7,037 | 5,764 |
| | | **24,876** | **18,385** |
| **Total Liabilities** | | **33,265** | **24,609** |
| **Net Assets** | | **210,725** | **173,192** |
| **Equity** | | | |
| Share capital | | 14,860 | 14,860 |
| Retained earnings | | 96,637 | 72,189 |
| Revaluation reserves | 5A | 99,228 | 86,143 |
| **Total Equity** | | **210,725** | **173,192** |

Authorised for issue by the Board of Directors on 30 November 2022

Director

Director

The accompanying notes form part of these financial statements

# Consolidated Statement of Cash Flows

Year ended 30 June 2022

| | | 2022 $ '000 | 2021 $ '000 |
|---|---|---|---|
| Operating activities | | | |
| Receipts from operations | | 17,561 | 17,098 |
| Receipts from land sales | | 2,020 | 8,637 |
| Payments to suppliers and employees | | (10,711) | (9,877) |
| Payments for construction of development property | | (4,794) | (3,635) |
| Payment of interest | | (384) | (528) |
| Payment of income taxes | | (1,995) | (1,515) |
| Net cash from/(used in) operations | | 1,697 | 10,180 |
| | | | |
| Investing activities | | | |
| Receipts from sale of property, plant and equipment | | 500 | - |
| Purchases of property, plant & equipment | | (6,747) | (1,054) |
| Purchases of investment properties | | (107) | (3,753) |
| Purchases of intangible assets | | (87) | - |
| Net cash from/(used in) investment activities | | (6,441) | (4,807) |
| | | | |
| Financing activities | | | |
| Receipts from/(repayments of) borrowings | | 5,000 | (5,632) |
| Payments of dividends | | - | - |
| Net cash from/(used in) financing activities | | 5,000 | (5,632) |
| | | | |
| Net change in cash for the period | | 256 | (259) |
| | | | |
| Add opening cash and cash equivalents balance | | (35) | 224 |
| | | | |
| Closing cash and cash equivalents attributable to the Group | 5B | 221 | (35) |
| Cash and bank balances held in capacity as agent | | 191 | 1,010 |
| Total cash and cash equivalents | 5B | 412 | 975 |

The accompanying notes form part of these financial statements

## 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 (TPL) conducts commercial and industrial property development around the airport precinct.
- Hamilton & Waikato Tourism Limited (HWT) 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 (WRAHL) trading as the Jet Park Hamilton Airport Hotel & Conference Centre.

### 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.

During the year ended 30 June 2021, Hamilton & Waikato Tourism was appointed the lead entity for the Thermal Explorer Regional Events Fund, a central government-funded tourism initiative to boost domestic tourism. HWT acts only as an agent for the fund which represents 8 Central North Island RTOs and Local Authorities, therefore revenues and expenses of the fund's trading activity are excluded from the consolidated results of the Group. Any assets and liabilities held by HWT on behalf of the fund in its capacity as an agent are separately identified in the Notes accompanying these financial statements.

### Critical estimates and judgements

In preparing financial statements that comply with Tier 2 PBE Standards, 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); and provisions and contingencies in respect of Infrastructure Development (Note 4C).

### 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 or previous year. Certain amounts have been restated from previous periods to comply with current year presentation. These changes in presentation have not had any material impact on the amounts previously reported in prior periods. Additionally, there have been no material changes arising from the adoption of newly effective accounting standards.

### (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 extend 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. During the year ended 30 June 2022, $73,000 of interest costs were capitalised to property, plant & equipment (2021: none).

### (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 2022 this was none. (2021: $3,000).

### (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.

## 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 within the revenue in advance liability in Note 4B.

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. Included in non-exchange income is government grant revenues recognised for the COVID19 employer wage subsidy. Grant monies received for periods covering July and August 2020, then August to November 2021. These amounts were initially as liabilities when received, then as income as the underlying payroll costs were incurred.

| | | 2022<br>$ '000 | 2021<br>$ '000 |
|---|---|---|---|
| Aeronautical, landing and passenger charges | | 3,200 | 4,015 |
| Leases, rentals and concessions | | 3,270 | 2,912 |
| Carparking & retail | | 2,108 | 2,802 |
| Hotel trading | | 6,558 | 5,375 |
| Other | | 330 | 164 |
| **Total exchange revenue** | | **15,466** | **15,268** |
| | | | |
| Regional Tourism Organisation funding | | 1,974 | 1,888 |
| Government grants | 2C | 246 | 168 |
| **Total non-exchange revenue** | | **2,220** | **2,056** |
| | | | |
| **Total operating revenue** | | **17,686** | **17,324** |

In addition to its own operating revenue, the Group also receives revenues and incurs expenses in an agency capacity on behalf of other parties. Amounts received in the capacity as an agent, and expenditures incurred in the same capacity, are excluded from the amounts reported in the Statement of Comprehensive Revenue and Expense. The Group entered into the following major agency relationships:

- The Group, via its subsidiary Hamilton & Waikato Tourism Limited, was appointed as the lead entity for the Thermal Explorer Regional Event Fund, a fund administered by HWT on behalf of four Central North Island regional tourism organisations. HWT received funding from the Ministry of Business, Innovation & Employment on behalf of the Fund.
- The Group, in connection with its Hotel operation that traded as a Managed Isolation & Quarantine (MIQ) Facility incurred expenditure on behalf of, and received monies from, the Ministry of Health in connection with providing specialist health and security services to guests during the period of its MIQ contract, in addition to regular hotel accommodation and food and beverage services.

| | 2022<br>$ '000 | 2021<br>$ '000 |
|---|---|---|
| Thermal Explorer Regional Event Fund | 645 | 1,250 |
| Hotel Managed Isolation & Quarantine Contract | 385 | 1,148 |
| **Total agency revenue and expenses** | **1,030** | **2,398** |

## 2B Other gains and (losses)

| | | 2022<br>$ '000 | 2021<br>$ '000 |
|---|---|---|---|
| **Other gains** | | | |
| Gain on revaluation of investment property | 3D | 22,332 | 34,227 |
| Gain on disposal of property, plant and equipment | | 430 | 14 |
| Gain on acquisition of property, plant & equipment | 3A | - | 220 |
| Reversal of impairment expense from prior periods | 2C | - | 1,221 |
| | | **22,762** | **35,682** |
| **Other losses** | | | |
| Impairment expense | 2C | (143) | - |
| | | **(143)** | **-** |

# Notes to the Consolidated Financial Statements

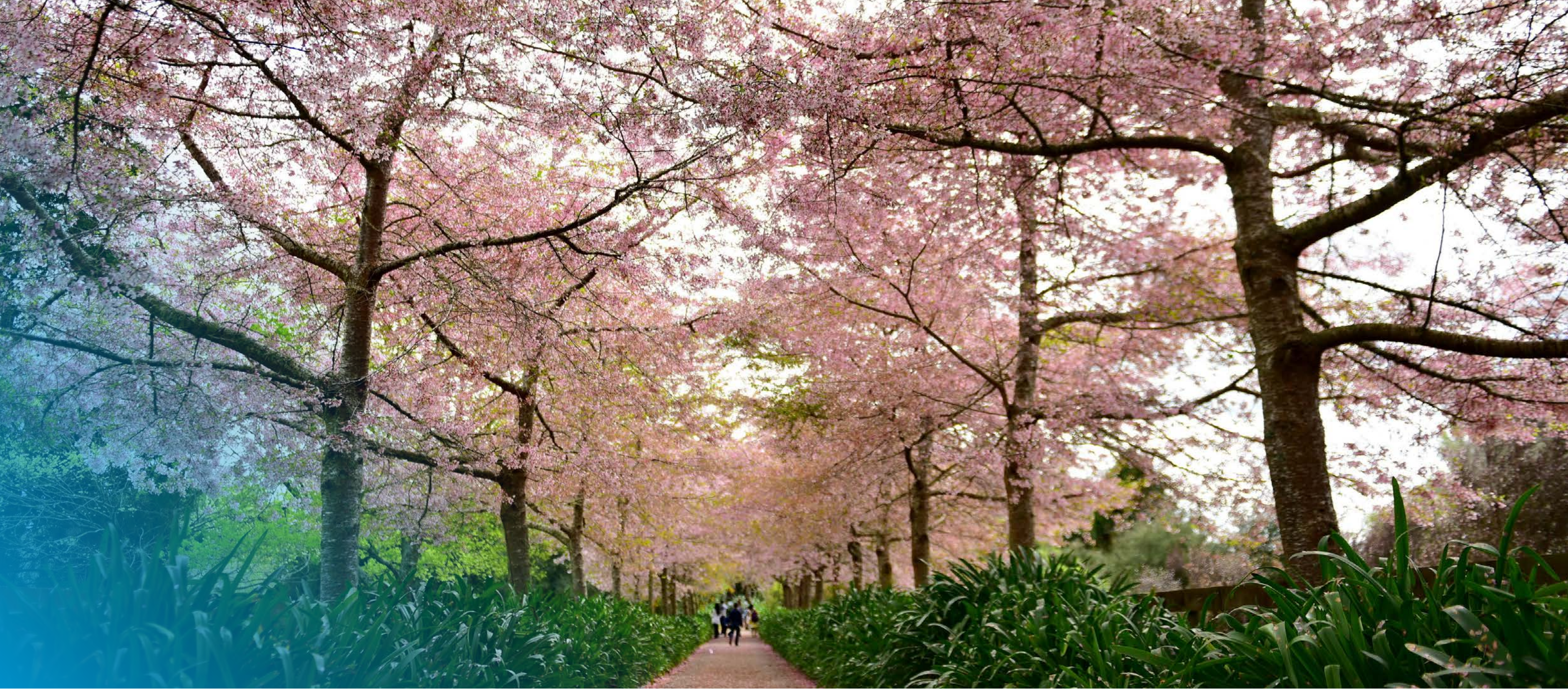
Year ended 30 June 2022

## 2C Impact of COVID19 Pandemic

For the majority of the financial year all entities experienced some degree of disruption due to the Delta then Omicron variant community outbreaks of COVID19 that restricted travel, tourism and events from taking place for extended periods of time. The significant impacts on each entity's financial results and performance measures are described below.

| | |
|---|---|
| **Waikato Regional Airport Limited (Hamilton Airport)** | The first half of the year was dominated by the travel restrictions associated with the Delta community outbreak, and the second half of the financial year by the Omicron variant outbreak that caused event restrictions and reducing demand. In between these periods of restrictions, the Airport recorded some individual record months' of passenger activities. Ultimately the Airport handled around 70% of its budgeted (and pre-COVID) passenger volumes impacting its aeronautical charges, carpark and retail revenue streams resulting in the parent company delivering a near-break even surplus before revaluation gains. |
| **Titanium Park Limited** | There were no material impacts to the current year trading results however construction on the Central Precinct 5th Stage was delayed due to lockdowns resulting in the entity being unable to meet all performance measures in the Statement of Intent. |
| **Hamilton & Waikato Tourism** | HWT were recipients of additional central government grants to fund additional domestic visitation to the region, of which $0.5m were recognised as income during the period. This offset a reduction in industry contribution funding enabling HWT to maintain its existing level of investment in local tourism. The ongoing COVID travel and event restrictions that prevailed for much of the year meant HWT were unable to complete some marketing campaigns and deliver on certain performance targets in its Statement of Intent. |
| **Waikato Regional Airport Hotel Limited (Jet Park Hotel Hamilton Airport)** | The Hotel remained contracted to the Crown as a Managed Isolation Facility, initially until December 2021, however successive extensions saw the contract extended for the duration of the 2022 year, ending on 30 June 2022. This enabled the Hotel to trade profitably with a contribution of approximately $3.1m to Group Net Surplus before Tax, compared to a surplus of $0.5m budgeted in the Statement of Intent. |

As a result of the ongoing pandemic response there were no material additional operating expenses incurred however there were some savings in operating costs from the previous year due to cost saving initiatives implemented by the Group during the period, and variable operating costs reducing in line with downturns in activity.



The carrying value of assets and liabilities at 30 June 2020 were subject to a high degree of uncertainty due to the absence of market information following the significant events of the Pandemic, being most notably the Alert Level 3 and 4 Lockdown. Land and Infrastructure were revalued during 2021

- Land, Buildings and Airport Infrastructure assets were all revalued at 30 June 2022 by independent professional valuers resulting in a $14.7m gain (refer Note 3A). The Group's $15.0m terminal resilience project continued for the duration of the financial year but did not encounter any significant delay or cost escalation as a result of pandemic restrictions. Pre-construction costs associated with a project that was abandoned due to the uncertainty created by the Delta outbreak, and resultant supply chain disruption and costs escalations resulting in $38,000 of WIP being expensed.

- Certain Intangible assets were deemed to be impaired at 30 June 2020 on the basis of assumptions around future earnings and benefits indicating the asset value was not recoverable. In the case of assets identified to have been impaired in the previous year, there has been no material change identified in their recoverable values so there has been no further impairment recognised, nor any recovery of previous impairment.

- Investment property was revalued resulting in a gain of $24.3m being recognised in the current year. This has been based on independent valuations as further described in Note 3D. One investment property project was under construction at 30 June 2021 was halted then cancelled due to risks associated with the Delta Outbreak resulting in an impairment of costs incurred up to that date of $105,000. The property has since been re-marketed for sale by Titanium Park Limited and reclassified to Development Property at 30 June 2022.

- Development property was again 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 as there continued to be high demand and growth in contracted sales prices achieved by Titanium Park.

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

| **Impairment Expense** | | **2022 $ '000** | **2021 $ '000** |
|---|---|---|---|
| Property, plant & equipment | 3A | 38 | 1,186 |
| Investment property | 3D | 105 | - |
| Accounts Receivable | | - | 21 |
| Inventories | | - | 14 |
| **Total Impairment (Expense)/Reversal** | | **143** | **1,221** |

The reversal of impairment expense in the 2021 financial year has been recognised within Other Gains Revenue, refer Note 2B.

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

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | **Actual $ '000** | **Target $ '000** | **Met $ '000** | **Actual $ '000** | **Target $ '000** | **Met $ '000** |
| **Earnings performance targets** | | | | | | |
| Net surplus/(deficit) before tax no less than | 2,123 | 1,200 | ✓ | (1,572) | (3,700) | ✓ |
| Earnings before tax, interest, depreciation & amortisation (EBITDA) excl Land Sales of at least | 5,996 | 5,200 | ✓ | 6,931 | (500) | ✓ |
| Earnings before tax, interest, depreciation & amortisation (EBITDA) incl Land Sales of at least | 6,383 | 5,700 | ✓ | 9,962 | 300 | ✓ |
| Percentage of non-landing charges to total revenue of at least | 82% | 60% | ✓ | 77% | 60% | ✓ |
| Land Sales of at least | 2,020 | 2,000 | ✓ | 8,617 | 4,000 | ✓ |
| Interest coverage ratio of at least | 13.2 | 4.0 | ✓ | 12.4 | (4.0) | ✓ |
| **Cash flow and funding performance targets** | | | | | | |
| Net operating cash flow excl Land sales of at least | 4,471 | 3,600 | ✓ | 5,178 | (1,500) | ✓ |
| Net debt a maximum of | 16,774 | 29,000 | ✓ | 12,030 | 30,000 | ✓ |
| **Shareholder value performance targets** | | | | | | |
| Shareholder funds to total assets of at least | 85% | 75% | ✓ | 87% | 65% | ✓ |

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.

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

| Performance Target | Comment | Met 2022 | Met 2021 |
|---|---|---|---|
| **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 2022 or 2021 | ✓ | ✓ |
| **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 were facilitated every 4 months however have reduced frequency to 6 months due to reduced air movements | ✗ | ✓ |

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

| Performance Target | Comment | Met 2022 | Met 2021 |
|---|---|---|---|
| **Titanium Park Limited** | | | |
| **Complete construction of the 5th Stage of Titanium Park's Central Precinct.** | Plans were finalised and construction had commenced during the year however it was not completed by year end due to COVID19-related construction delays. | ✗ | n/a |
| **Complete construction of the 4th Stage of Titanium Park's Central Precinct and 2nd Stage of Southern Precinct.** | Construction of both precinct developments was completed and land sales settled. | n/a | ✓ |
| **Develop a masterplan for Titanium Park's Northern Precinct and prepare a private plan change submission to Waipa District Council** | The masterplan was completed in 2021, and the plan change submitted during 2022. | ✓ | ✗ |
| **Jet Park Hotel Hamilton Airport (Waikato Regional Airport Hotel Limited)** | | | |
| **Implement a recovery plan to enable a steady return to pre-COVID key metrics such as occupancy, room rates and customer satisfaction in line with the expectations underlying the achievement of a Qualmark 4 Star rating.** | The hotel's contract to operate as a Managed Isolation Facility was continued throughout the 2021 and 2022 financial years so it did not resume operations as a regular trading hotel in this period. | ✗ | ✗ |
| **Hamilton & Waikato Tourism Limited** | | | |
| **Successfully Deliver the first year of the $3.75m Regional Events Fund for Waikato, Rotorua, Ruapehu and Taupō** | Due to COVID19 travel and event restrictions a number of events did not take place during the year (cancelled or postponed) meaning the investment plan was not fully delivered. | ✗ | n/a |

## 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, Beca Valuations Limited undertake valuations of all building and airport infrastructure, except for the Airport Hotel Buildings which are valued by Jones Lange LaSalle . Valuations of land, buildings and airport infrastructure assets undertaken in 2022 resulting in a $14.7 million revaluation gain.

In applying the optimised depreciated replacement cost basis for determining fair value of buildings, assets in relation to Hamilton Airport's former handling of international air services have been optimised to nil fair value as the Group has no plans or ability to realise the economic benefits and service potential of these assets in the foreseeable future.

Changes in fair value including impairment losses 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 – 4-50 years
- Airport infrastructure – 5-100 years
- Other plant and equipment – 3-50 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 $ '000 | Buildings $ '000 | Airport Infrastructure | Other Plant & Equipment | Total $ '000 |
|---|---|---|---|---|---|---|
| **Cost/Valuation** | | | | | | |
| Cost/Valuation at 1 July 2020 | | 46,323 | 29,994 | 24,355 | 6,635 | 107,307 |
| Additions | | - | 563 | 268 | 653 | 1,484 |
| Disposals | | - | (4,516) | - | (48) | (4,564) |
| Revaluation | | 26,098 | - | (583) | - | 25,515 |
| Cost/Valuation at 30 June 2021 | | 72,421 | 26,041 | 24,040 | 7,240 | 129,742 |
| Cost/Valuation at 1 July 2021 | | 72,421 | 26,041 | 24,040 | 7,240 | 129,742 |
| Additions | | - | 6,997 | 151 | 514 | 7,662 |
| Disposals | | (14) | (223) | - | (1,610) | (1,847) |
| Revaluation | | 8,846 | 2,605 | 243 | - | 11,694 |
| Cost/Valuation at 30 June 2022 | | 81,253 | 35,420 | 24,434 | 6,144 | 147,251 |
| **Accumulated Depreciation & Impairment** | | | | | | |
| Accumulated Depreciation 1 July 2020 | | - | (1,938) | (6,213) | (3,894) | (12,045) |
| Depreciation Expense | | - | (5,425) | (1,633) | (591) | (7,649) |
| Disposals | | - | 4,516 | - | 37 | 4,553 |
| Revaluation | | - | - | 7,846 | - | 7,846 |
| Impairment | 2C | - | 1,186 | - | - | 1,186 |
| Accumulated Depreciation 30 June 2021 | | - | (1,661) | - | (4,448) | (6,109) |
| Accumulated Depreciation 1 July 2021 | | - | (1,661) | - | (4,448) | (6,109) |
| Depreciation Expense | | - | (830) | (1,745) | (572) | (3,147) |
| Disposals | | - | 223 | - | 1,547 | 1,770 |
| Revaluation | | - | 1,295 | 1,745 | - | 3,040 |
| Impairment | 2C | - | (38) | - | - | (38) |
| Accumulated Depreciation 30 June 2022 | | - | (1,011) | - | (3,473) | (4,484) |
| **Carrying Value** | | | | | | |
| 30 June 2021 | | 72,421 | 24,380 | 24,040 | 2,792 | 123,633 |
| **30 June 2022** | | **81,253** | **34,409** | **24,434** | **2,671** | **142,767** |

At 30 June 2022, buildings of $8,132,000 (2021: $1,306,000) remained under construction and were not in use or depreciated. There were also $149,000 of aeronautical infrastructure and $284,000 of other plant & equipment under construction (2021: none).

Included in additions to buildings year ended 30 June 2021 were assets acquired in a non-exchange transaction for no consideration. These were recognised initially at their fair value upon acquisition of $220,000, with the corresponding revenue included within Other Gains.

Depreciation of $7,649,000 for the year ended 30 June 2021 includes $4,516,000 of accelerated depreciation due to a revision of the useful life of certain building assets that were disposed of in connection with the Group's Terminal Resilience Project.

## 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 (up to 4 years remaining). These assets have been designated as being held in non-cash generating units as the principal purpose is to protect and enhance the future service potential of the airport, over and above generating an economic return.
- 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. These assets are designated as being held in cash generating units as these businesses were acquired for the purpose of generating a profit, rather than to enhance the service potential of the aeronautical business.
- 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.

| | Aeronautical Designations $ '000 | Other Intangibles $ '000 | Other Assets $ '000 | Total $ '000 |
|---|---|---|---|---|
| **Cost** | | | | |
| Cost at 1 July 2020 | 1,394 | 1,126 | 184 | 2,704 |
| Additions | - | - | - | - |
| Disposals | (335) | (8) | - | (343) |
| Cost at 30 June 2021 | 1,059 | 1,118 | 184 | 2,361 |
| Cost at 1 July 2021 | 1,059 | 1,118 | 184 | 2,361 |
| Additions | 107 | - | - | 107 |
| Disposals | - | - | - | - |
| Cost at 30 June 2022 | 1,166 | 1,118 | 184 | 2,468 |
| **Amortisation** | | | | |
| Accumulated Amortisation 1 July 2020 | (823) | (519) | (137) | (1,479) |
| Amortisation Expense | (95) | (188) | (10) | (293) |
| Disposals | 335 | 8 | - | 343 |
| Accumulated Amortisation 30 June 2021 | (583) | (699) | (147) | (1,429) |
| Accumulated Amortisation 1 July 2021 | (583) | (699) | (147) | (1,429) |
| Amortisation Expense | (95) | (168) | (10) | (273) |
| Disposals | - | - | - | - |
| Accumulated Amortisation 30 June 2022 | (678) | (867) | (157) | (1,702) |
| **Carrying Value** | | | | |
| 30 June 2021 | 476 | 419 | 37 | 932 |
| **30 June 2022** | **488** | **251** | **27** | **766** |

## 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.

| | | 2022 $ '000 | 2021 $ '000 |
|---|---|---|---|
| Opening balance | | 7,256 | 9,409 |
| Development costs capitalised | | 4,452 | 3,497 |
| Reclassification (to)/from investment property | 3D | 1,464 | (227) |
| Less cost of development property sold | | (1,341) | (5,423) |
| | | **11,831** | **7,256** |

At 30 June 2022, the Group has 13.8 hectares (2021: 13.9 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.

Included within the Group's portfolio are properties that have been valued based on proposed future subdivision developments. These valuations require a significant degree of judgement and estimate to be made about future events in the process of determining a fair value. Such factors requiring estimate and judgment include assumptions in relation to the following key inputs:

- future private plan change (re-zoning) applications and similar resource consent applications being successful
- future costs of subdivision and development and future market sales prices
- timelines to develop and sell and market rates of return on property development

The outcome of these valuations can be materially sensitive to changes in one or more the key inputs and assumptions, which are reviewed annually by the Group's independent valuer.

| | | 2022 $ '000 | 2021 $ '000 |
|---|---|---|---|
| Opening balance | | 63,580 | 25,376 |
| Acquisitions & additions | | 107 | 3,750 |
| Reclassification from/(to) development property | | (1,464) | 227 |
| Impairment of investment property | 2C | (105) | - |
| Changes in fair value | 2B | 22,332 | 34,227 |
| | | **84,450** | **63,580** |

During the year ended 30 June 2022, investment property with a fair value of $1,464,000 was reclassified as development property as the Group committed it for future development and sale by Titanium Park Limited. (2021: $227,000 of development property was redesignated as investment property due to it being held for leasing purposes).

# Notes to the Consolidated Financial Statements

Year ended 30 June 2022

## 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.

| Income Tax Expense | | 2022 $ '000 | | 2021 $ '000 |
|---|---|---|---|---|
| Net surplus/(deficit) before tax | | 25,129 | | 37,141 |
| Income tax at Group's tax rate | 28.0% | (7,036) | 28.0% | (10,400) |
| Effect of tax exempt income | (26.7%) | 6,718 | (26.4%) | 9,805 |
| Effect of expenditure non-deductible for tax purposes | 3.3% | (831) | 3.9% | (1,454) |
| Adjustments in respect of prior periods | (0.4%) | 92 | (0.3%) | 122 |
| Current tax expense | 4.2% | (1,057) | 5.2% | (1,927) |
| Effect of temporary differences (deferred tax expense) | (1.5%) | 376 | (2.5%) | 916 |
| Total tax expense | **2.7%** | **(681)** | **2.7%** | **(1,011)** |

| | 1 July 2020 | Recognised in Surplus | Recognised in OCRE | 30 June 2021 |
|---|---|---|---|---|
| Property, plant and equipment | (4,816) | 951 | (2,033) | (5,898) |
| Intangible assets | (142) | 42 | - | (100) |
| Employee entitlements | 40 | 42 | - | 82 |
| Other | 271 | (119) | - | 152 |
| | **(4,647)** | **916** | **(2,033)** | **(5,764)** |

| | 1 July 2021 | Recognised in Surplus | Recognised in OCRE | 30 June 2022 |
|---|---|---|---|---|
| Property, plant and equipment | (5,898) | 398 | (1,649) | (7,149) |
| Intangible assets | (100) | 42 | - | (58) |
| Employee entitlements | 82 | 29 | - | 111 |
| Other | 152 | (93) | - | 59 |
| | **(5,764)** | **376** | **(1,649)** | **(7,037)** |

## 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.

| | 2022 $ '000 | 2021 $ '000 |
|---|---|---|
| Trade payables and accrued expenses | 3,378 | 1,683 |
| Revenue received in advance | 3,026 | 793 |
| Thermal Explorer Regional Events Fund Agency Liability | 308 | 1,082 |
| Income tax payable | 261 | 1,214 |
| | **6,973** | **4,772** |

## 4C Provision for Infrastructure Development

Due to the nature of property development undertaken by the Group in connection with the Titanium Park commercial and industrial business park, 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).

| | 2022 $ '000 | 2021 $ '000 |
|---|---|---|
| Opening balance | 1,482 | 1,396 |
| Additional obligations and commitments capitalised | 227 | 181 |
| Provision utilised | (111) | (140) |
| Other changes recognised in net surplus/(deficit) | 53 | 45 |
| | 1,651 | 1,482 |
| **Presentation in Financial Statements** | | |
| Current Liability | 807 | 856 |
| Non Current Liability | 844 | 626 |
| | **1,651** | **1,482** |

A contingent liability is recognised where there is a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or where a present obligation exists that arises from past events, but is not recognised because:

- It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
- The amount of the obligation cannot be measured with sufficient reliability.

| Contingent liabilities | 2022 $ '000 | 2021 $ '000 |
|---|---|---|
| Waipa District Council – water supply upgrade contribution | 1,163 | 690 |
| NZTA State Highway 21 – intersection upgrade contribution | unknown | unknown |

The potential 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.

During the year ended 30 June 2022, the Group (via subsidiary Titanium Park Limited) has entered into joint development agreements with adjacent properties that may result in additional infrastructure obligations for water and roading totalling between $6 and $10 million being incurred in the future. The actual amount of the infrastructure obligations, if any, are dependent on the outcome and conditions of a private plan change application expected to be notified during 2023.

## 4D Commitments

At 30 June 2022, the Group had contractual commitments for capital expenditure of $6,099,000 (2021: $11,221,000).

## 4E Events subsequent to balance date

In August 2022, the Group acquired a 1.25% shareholding in Pyper Vision Limited, a company developing fog dispersal and UAV (unmanned aerial vehicle) technologies for $250,000.

# Notes to the Consolidated Financial Statements

Year ended 30 June 2022

## 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 2022 was:

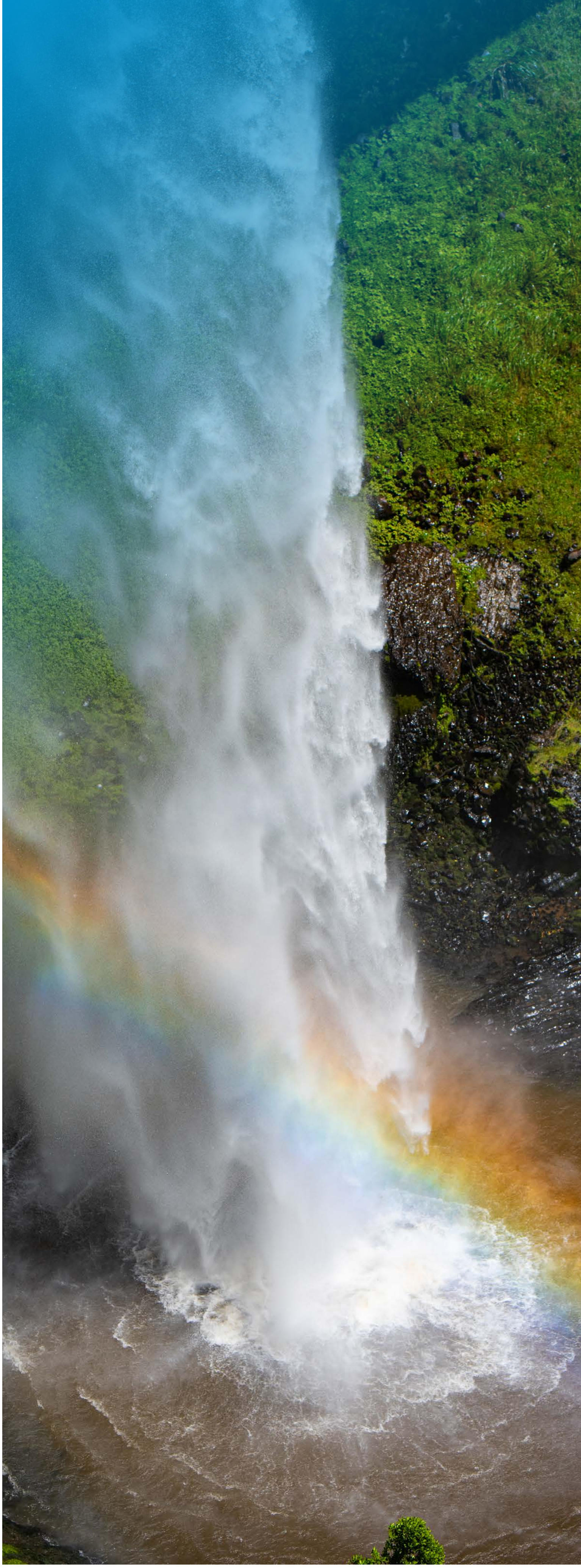
| | Ordinary Shares | Percentage |
|---|---|---|
| Hamilton City Council | 2,486,752 | 50.0% |
| Waipa District Council | 777,110 | 15.6% |
| Waikato District Council | 777,110 | 15.6% |
| Matamata Piako District Council | 777,110 | 15.6% |
| Ōtorohanga District Council | 155,422 | 3.2% |
| | **4,973,504** | **100.0%** |

There were no changes in shareholding during the year (2021: 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:

| | 2022 $ '000 | 2021 $ '000 |
|---|---|---|
| Land | 69,656 | 60,810 |
| Buildings | 8,353 | 5,546 |
| Airport Infrastructure | 21,219 | 19,787 |
| | **99,228** | **86,143** |



## 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** | **2022 $ '000** | **2021 $ '000** |
|---|---|---|
| Current portion - due within 12 months | - | - |
| Non-current portion - due between 12 and 24 months | 16,995 | - |
| Non-current portion - due between 24 and 36 months | - | 11,995 |
| **Total drawn borrowing facilities** | **16,995** | **11,995** |
| Undrawn bank overdraft facilities | 76 | 400 |
| Undrawn term borrowing facilities | 12,005 | 17,005 |
| **Total unutilised borrowing and overdraft facilities** | **12,081** | **17,405** |

The weighted average interest rate on borrowings at year end was 3.73% (2021: 2.74%). All borowings 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.

| **Cash and cash equivalents** | **2022 $ '000** | **2021 $ '000** |
|---|---|---|
| Cash and bank/(bank overdraft) balances held by the Group | 221 | (35) |
| **Cash and bank balances held in capacity as agent** | 191 | 1,010 |
| Total cash and cash equivalents | **412** | **975** |

The Group, via its subsidiary Hamilton & Waikato Tourism, held cash of $191,000 at 30 June 2022 (2021: $1,010,000) in an agency capacity on behalf of the Thermal Explorer Regional Events Fund. The corresponding liability is recognised as a component of trade and other payables in Note 4B.

# Notes to the Consolidated Financial Statements

Year ended 30 June 2022

## Section Six: Corporate Governance and Management

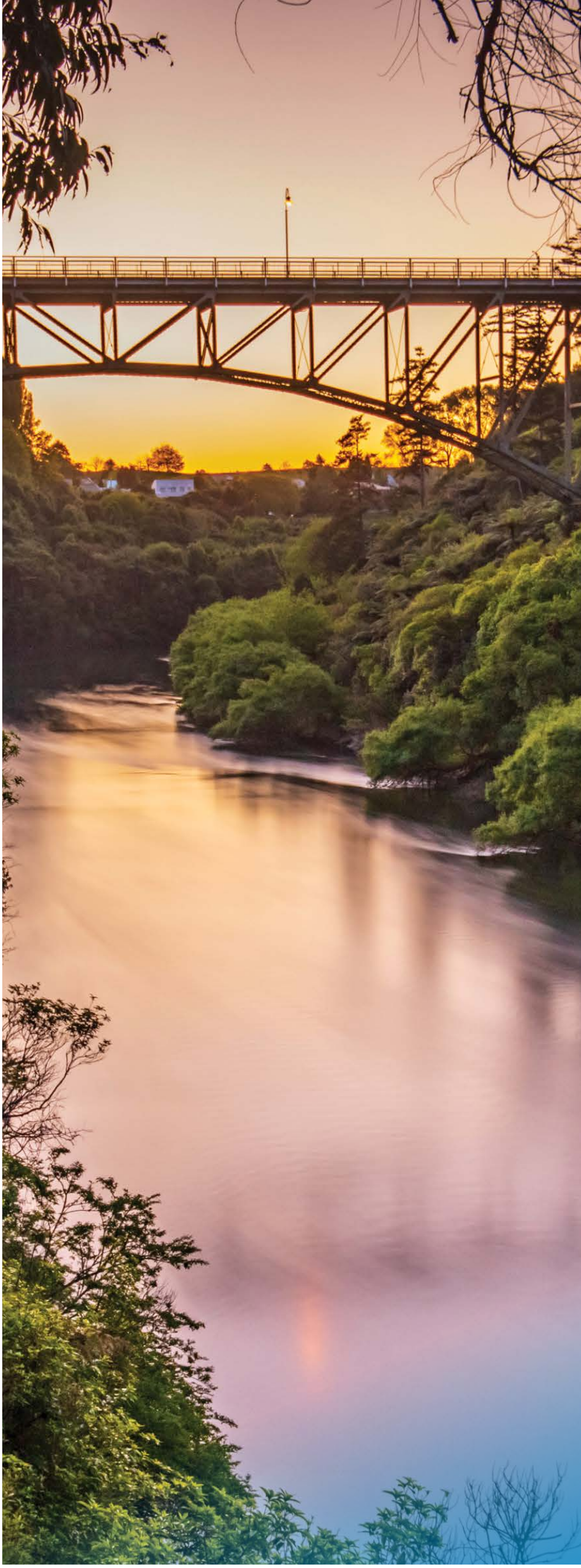
Section Six provides details about remuneration provided to the Group's Directors and Key Management Personnel, as well as details of transactions that took place with related parties

### 6A Related parties

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

| | 2022 $ '000 | 2021 $ '000 |
|---|---|---|
| **Remuneration** | | |
| Directors | 212 | 199 |
| Number of directors | 9 | 9 |
| Key management personnel | 1,193 | 1,164 |
| Number of personnel (full time equivalent) | 6 | 6 |
| **Other** | | |
| Transactions in which directors declared an interest | 240 | 249 |

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 ($212,000, 2021: $133,000) and utility infrastructure (2022: $28,000, 2021: $116,000) in the normal course of the Group's business.



## 6B Directors Holding Office

| Directors Holding Office | Director Fees | |
|---|---|---|
| | 2022 $ '000 | 2021 $ '000 |
| **Waikato Regional Airport Limited** | | |
| Barry Harris (Chair) | 50 | 49 |
| Annabel Cotton (retired December 2021) | 15 | 30 |
| Simon Craddock (appointed November 2020, retired September 2021) | 8 | 18 |
| Carlos Da Silva (retired November 2020) | - | 12 |
| Margaret Devlin | 30 | 30 |
| Gerard Gilmore (appointed December 2021) | 18 | - |
| Kate Searancke (appointed November 2020) | 30 | 18 |
| Renae Smart (appointed December 2021) | 18 | - |
| **Hamilton & Waikato Tourism Limited** | | |
| Annabel Cotton - Chair (retired December 2021) | 8 | 18 |
| Richard Leggat (appointed Chair December 2021) | 16 | 12 |
| Margaret Devlin (appointed December 2021) | 7 | - |
| Steven Gow | 12 | 12 |
| Mark Morgan | - | - |

The Directors of the Parent Company (WRAL) are also the Directors of subsidiaries Titanium Park Limited and Waikato Regional Airport Hotel Limited under a common Board of Directors. The Directors receive no separate remuneration from these subsidiaries.

In addition to Director Fees paid, Annabel Cotton received an additional $3,000 (2021: $5,000) for Chairing the Group's Audit & Risk Committee until her retirement from the WRAL Board in December 2021. Margaret Devlin was then appointed Chair of the Committee and received $3,000 additional fees for the remainder of the year.

## 6C Employee Remuneration

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

| | 2022 | 2021 |
|---|---|---|
| $370,000-$379,999 | 1 | - |
| $360,000-$369,999 | - | 1 |
| $240,000-$249,999 | 1 | - |
| $200,000-$209,999 | - | 1 |
| $190,000-$199,999 | 1 | - |
| $180,000-$189,999 | - | 1 |
| $170,000-$179,999 | - | 1 |
| $140,000-$149,999 | 1 | - |
| $130,000-$139,999 | - | 1 |
| $110,000-$119,999 | 2 | - |
| $100,000-$109,999 | 3 | 2 |

## 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 $178,000 for the audit of the Group and subsidiary financial statements (2021: $169,000).

Audit New Zealand
Mana Arotake Aotearoa

**Independent Auditor's Report**

## To the readers of Waikato Regional Airport Limited's Group financial statements and performance information for the year ended 30 June 2022

The Auditor-General is the auditor of Waikato Regional Airport Group (the Group). The Auditor-General has appointed me, Wikus Jansen van Rensburg, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the performance information of the Group on his behalf.

## Opinion

We have audited:

- the financial statements of the Group on pages 4 to 15 and pages 19 to 30, that comprise the consolidated statement of financial position as at 30 June 2022, the consolidated statement of comprehensive revenue and expense, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the Group on pages 16 to 18.

In our opinion:

- the financial statements of the Group on pages 4 to 15 and pages 19 to 30:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2022; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with the Public Benefit Entity Reporting Standards applying the Reduced Disclosure Regime; and
- the performance information of the Group on pages 16 to 18 presents fairly, in all material respects, the Group's actual performance compared against the performance targets and other measures by which performance was judged in relation to the Group's objectives, for the year ended 30 June 2022.

Our audit was completed on 30 November 2022. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

## Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate *the Professional and Ethical Standards* and *the International Standards on Auditing (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Responsibilities of the Board of Directors for the financial statements and the performance information

The Board of Directors is responsible, on behalf of the Group, for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Board of Directors is also responsible for preparing the performance information for the Group.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors is responsible, on behalf of the Group, for assessing the Group's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Local Government Act 2002.

## Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements and the performance information.

For the budget information reported in the performance information, our procedures were limited to checking that the information agreed to the Group's statement of intent.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of the internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- We evaluate the appropriateness of the reported performance information within the Group's framework for reporting performance.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

- We obtain sufficient appropriate audit evidence regarding the financial statements and the performance information of the entities within the Group to express an opinion on the consolidated financial statements and the consolidated performance information. We are responsible for the direction, supervision and the performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify in our audit.

Our responsibilities arise from the Public Audit Act 2001.

## Other information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 1 to 3 but does not include the financial statements and performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Independence

We are independent of the Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with, or interests in, the Group.

Wikus Jansen van Rensburg
Audit New Zealand
On behalf of the Auditor-General
Auckland, New Zealand

# Corporate Directory

| | |
|---|---|
| Directors | Barry Harris (Chairman)<br>Annabel Cotton<br>Kate Searancke<br>Margaret Devlin |
| Registered Office | Hamilton Airport Terminal<br>Airport Road<br>RD2<br>Hamilton 3282 |
| Telephone | 07 848 9027 |
| Website | www.hamiltonairport.co.nz |
| Social Media | Facebook<br>Instagram<br>Linkedin |
| Bankers | Bank of New Zealand |
| Solicitors | Ellice Tanner Hart |
| Auditors<br>(on behalf of the Auditor General) | Audit New Zealand |