Statement of Intent

Destination Westland Ltd

for Three Years Commencing 1 July 2020

Contents

Introduction

This Statement of Intent (SOI) is prepared in accordance with Section 64 and Schedule 8 of the Local Government Act 2002 and outlines the overall objectives and forecasts for Destination Westland for three years from 2020

Company Vision

Leaders in the management and development of community assets

Company Mission Statement

To manage and develop activities and enhance assets and services for the benefit of Westland.

The Objectives of the Company

Commercial

a. Develop new opportunities across the four divisions namely Aviation, Events, Facilities and Property.
b. Provide quality, efficient and cost-effective management services on a commercially competitive basis.
c. Conduct business in a professional manner in accordance with the mandate and Company statement of Intent.
d. Consistent with achieving the objectives above, deliver both financial & nonfinancial returns to the Shareholder, and ultimately to the Westland District Council.

Development

e. Grow and diversify revenue streams from existing activities.
f. Seek out opportunities for new revenue streams.
g. Be enabling for partnership in new activities.
h. Enhance the value of the Shareholders' investment.

Health, Safety and Wellbeing

a. To ensure health, safety & wellbeing are central to all that we do.
b. To further develop and maintain safe working practices
c. To inbed a culture of health safety & wellbeing throughout the organisation

Community

a. Consider social and environmental impacts in all decision making.
b. Promote social well-being and community support.
c. Respect, protect and enhance our historical and cultural heritage for the community of Westland.

d. Promote, manage and operate events and activities that develop economic benefits to the Westland region.

Governance

The Directors of Destination Westland are appointed to govern and direct the company's activities, and have the following roles:

1. Strategic vision and governance.
2. Develop strategy implementation plans with management, to ensure consistency with vision and governance objectives.
3. Financial planning and management to achieve strategic and governance objectives.
4. Company performance monitoring and review.
5. Manage relationships with Shareholders, stakeholders and external parties at a governance level.

The Company is governed by a Board of four directors originally appointed by the Westland District Council (the Council). These directors include:

- Latham Martin (Chair)
- Richard Benton
- Joanne Conroy
- Chris Rea
- Chris Gourley

The Directors are appointed on rotation policy. The current director's rotation is per the below table:

Director	First Appointed	Current Term Ends	Eligible for Reappointment
Latham Martin (Chair)	12 March 2017	AGM November 2020	YES
Richard Benton	31st December 2016	AGM November 2021	YES
Chris Rea	22 May 2020	AGM November 2022	YES
Joanne Conroy	25 May 2020	AGM November 2023	YES
Chris Gourley	2 June 2020	AGM November 2024	YES

Activities of the Company

The Company and Group structures are outlined in Appendix B. The Company's operating divisions and responsibilities and activities include:

Aviation

a. Comply with appropriate CAA rules and regulations.
b. Adhere to all Health and Safety requirements for all aviation areas
c. Manage and develop the Hokitika Airport and associated infrastructure
d. Manage and develop the Glacier Country Heliport and associated infrastructure
e. Investigate opportunities for further aviation growth

Events

a. Manage and enhance existing events
b. Seek opportunities for new events and existing event management

Facilities

a. Manage, maintain and develop Council's strategic and non-strategic assets in accordance with the Management Agreement with Council
b. Manage, maintain and grow the Company's own assets
c. Seek opportunities for all types of elderly housing development
d. Grow the Company's accommodation portfolio

Property

a. Manage and administer all Company leases and licenses
b. Seek opportunities for Portfolio development
c. Establish and implement a scheduled maintenance programme for Council and Company properties
d. Develop asset management plans for all Council and Company properties
e. Offer project management services to Council and other clients

Development Strategies

Aviation

a. To enhance existing aviation offerings in Westland to ensure tourist and domestic travel meets current and future stakeholder expectations through maximising our aviation portfolio.
b. Implement the Hokitika Airport Master Plan

Facilities

a. Investigate elderly housing opportunities through all levels
b. Look for new or partnership opportunities to enhance the facilities available to Westland ratepayers
c. Grow the Company's other accommodation portfolios
d. Enhance facilities that are managed by the company to maximise their potential.

e. Consider and accept further appropriate Council assets for management

Property

a. Investigate opportunities for expansion of revenue generation from property
b. Investigate opportunities to expand the property portfolio
c. Seek opportunities to increase occupations on unformed legal road
d. Implement asset management plans for all property assets
e. Consider further appropriate council service activities for management
f. Expand the non-aviation commercial activities at Hokitika Airport

Events

a. Develop outstanding leading events that deliver economic benefit to the Westland community.

Performance Targets

The Company will report annually to Shareholders on the following performance indicators:

Financial Performance Targets:

a. To maximise the return to shareholders for the benefit of Westland Ratepayers
b. To show year on year revenue and net profit growth wherever possible
c. To provide acceptable levels of return on investment across all activities

Financial Performance Measures:

a. The ratio of net profit before taxation and revaluations (before extraordinary items) to average shareholder funds within a range of 1% and 6% for the year commencing 1 July 2020
b. The ratio of net profit before taxation and revaluations to average total assets (including any revaluation) of 1% for the year commencing 1 July 2020

Non- Financial Performance Targets:

a. Maintain acceptable levels of Health and Safety at all times
b. Maximise property occupation levels
c. Maintain acceptable levels of customer satisfaction
d. Maintain acceptable levels of communication with Shareholders and WDC
e. Maintain good customer relations with WDC and other clients

Non-Financial Service Performance Measures:

a. Elderly Housing Occupancy:

Target: annual percentage occupancy to be no less than 95%.

b. Elderly Housing Tenant Satisfaction:

Target: Tenant satisfaction with the provision of the Company's aged care rental housing greater than or equal to 95%.

c. Swimming Pool - Pool Safe Accreditation:

Target: maintain the Pool Safe Accreditation

d. Swimming Pool users Satisfaction:
Target: Pool user satisfaction with the provision of quality swimming or exercise experience to be no less than 85%

e. Baches on Road Reserve:

Target: annual number of licenses to occupy to be greater than 70.

f. Jacksons Bay Wharf:

Target: annual percentage of commercial fishing vessels who use the wharf with Licenses to Occupy to be more than 90%

g. Leasehold properties:

Target: annual percentage of leasehold properties available for lease to be equal to or more than 80%

h. Time loss through injury

Target: Loss Time Injuries will be 0

i. Annual CAA audit and findings
Target: Nil findings

j. Hokitika Wildfoods Event attendance:
Target: attendance numbers to be 4,000

k. Hokitika Wildfoods Festival Resident Satisfaction:
Target: Resident satisfaction of the festival to be 85%

Shareholders' Funds to Total Assets

- The ratio of shareholder funds to total assets shall be greater than 60 percent.
- 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 Revenue or Capital Reserves.
- Total assets are defined as the sum of all current assets, fixed assets, intangible assets and investments of the Company.

Distribution Policy

Distributions will be paid, either by way of Dividends to Westland Holdings Limited or Subvention Payment to Westland District Council, as agreed with Westland Holdings Limited.

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

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:

- The amount of any distribution considers Destination Westland Limited's ability to fund future capital expenditure requirements, to maintain and expand its operations, or to address matters related to the debt structure of the Company.
- Total liabilities not to exceed 30% of the total assets without the approval of Westland Holdings Ltd.

Capital Expenditure

Capital expenditure will generally be related to the development of existing land and property but will also be considered from time to time in relation to strategic asset developments or acquisitions for the benefit of Westland District and the Company.

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

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 a special resolution of the Shareholder.

Sale and Disposal of Assets

The Company will not sell or dispose of any Company assets exceeding $100,000 in value without first being authorised to do so by a special resolution of its Shareholder.

Commercial Value of Shareholders Investment

The Directors estimate that the commercial value of the Shareholders' investment in Destination Westland Limited 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. Changes to land and improvements as recorded on the tri-annual government valuations.

The Directors may elect to revalue land improvements and investments on an annual basis in line with current Audit New Zealand policy.

Risk Management

The Company shall complete and document a risk management analysis together with strategies for mitigation of these risks.

The Company shall adopt and regularly review a Communications Policy. The current Communications Policy of the Company was adopted 12 June 2013, and was reviewed in February 2018 and January 2019.)

The Company shall work with Westland Holdings to agree on formal communication protocols to improve communication with Council's elected representatives, relevant staff and stakeholders as it relates to the activities of the Company.

A formal Fraud Policy will be documented, and all Directors and staff are to be aware of this policy. The current Fraud Policy was adopted 10 September 2013 and reviewed in December 2016 and February 2018.

Reporting to Shareholders

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

Draft Statement of Intent

On or before the 14th of February of each year, the Directors shall deliver to the Shareholders a Draft Statement of Intent, with tracked changes, in accordance with the requirements of Clause 9 Schedule 8 of the Local Government Act 2002.

Completed Statement of Intent

On or before the 15th of June each year, the Directors shall deliver to the Shareholders a Final Statement of Intent in accordance with Clause 9 Schedule 8 of the Local Government Act 2002.

Half Yearly Financial Report

On or before the 14th of February each year, the Directors shall deliver to the Shareholders an unaudited report containing the following information:

a) A Revenue Statement disclosing actual and budgeted revenue and expenditure and comparative figures for the same period in the previous year.
b) A Statement of Financial Position at the end of the half year i.e. 31 December.
c) A commentary on the results for the six months together with a report on the outlook for the second six months with reference to any significant factors that is likely to have an effect on the Company's performance. This commentary is to also include an estimate of the financial result for the year under review.
d) A copy of the Audit New Zealand management report for the previous year.
e) A non-financial performance report.

Quarterly Report

Between the annual report and half yearly reports Destination Westland will:

a) Deliver to WHL a quarterly copy of the management accounts.
b) Provide a commentary on the quarterly operations performance and future outlook of the individual entities and any special events likely to affect the performance of any entity.

Annual Report

By 30 September of each year, the Directors shall deliver to the Shareholders an annual report and audited financial statements in respect of the financial year ending on the preceding 30 June, 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.
f) A non-financial performance report providing commentary on each of the Company's activities.

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.

Accounting Policies

The financial statements of Destination Westland 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. See Appendix A for Accounting Policy details.

Commercial Value of Shareholders Investment

The commercial value of Westland Holdings Limited's investment in Destination Westland Limited is estimated at $4,400,000, and this value will be verified by way of external valuation.

Sale of Goods/Services to Local Authority

It is considered likely that Destination Westland Limited will carry out some activities for which the Board will seek compensation from the Westland District Council, Westland Holdings Limited or its subsidiaries. These charges could be related to the sale, rental or leasing of property owned or managed by the Company or by Council or any other services as required.

Any compensation received and details of the undertaking will be reported in the annual report of Westland Holdings Limited as well as the annual report of Westland District Council.

Any commercial activities carried out for and or by Destination Westland Limited in relation to Westland District Council, Westland Holdings Limited or its subsidiaries will be at market rates.

Financial Forecasts

	Budget '000's	Forecast '000's	Forecast '000's
	2020/2021	**2021/2022**	**2022/2023**
Gross Revenue	**2,922**	**2,910**	**2,960**
Operating Expenditure	**1,467**	**1,465**	**1,450**
Repairs & Maintenance	**245**	**200**	**250**
Employee Costs	**863**	**920**	**930**
Finance Costs	**56**	**50**	**50**

Depreciation	**218**	**220**	**225**
Trading Profit/(Loss) before Taxation	**72**	**55**	**55**
Subvention Payment			
Net Profit/Loss before Taxation	**72**	**55**	**55**
Taxation	**20**	**15**	**15**
Net Profit/Loss after taxation	**52**	**40**	**40**
Dividend			
Shareholder Funds	**4,150**	**4,202**	**4,242**
Retained Earnings	**52**	**40**	**40**
Closing Shareholder Funds	**4,202**	**4,242**	**4,282**
Pretax Return on Shareholder Funds	**1.07%**	**0.9%**	**0.9%**

Note: Budget for 2020/21 and takes into account the devasting effect CoVId-19 has had on our operations and downsizing of the organisation.

Appendix A

Accounting Policy Details

BASIS OF PREPARATION

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime ("NZIFRS RDR") and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities.

The company has elected to report in accordance with Tier 2 For-Profit Accounting Standards and has applied disclosure concessions. The company is eligible to report in accordance with Tier 2 For-Profit Accounting Standards as it is not publicly accountable and has expenses of less than $30 million.

All transactions in the financial statements are reported using the accrual basis of accounting.

The financial statements are prepared on the assumption that the Company will continue to operate in the foreseeable future.

To support the Company and the implementation of the new business plan, the Directors of the Company have received a letter of support from Westland Holdings Limited. The letter confirms that Westland Holdings Limited will continue to support the Company in their capacity as owners.

Specifically, Westland Holdings Limited have undertaken to make funds available as required to ensure that Destination Westland Limited remains a going concern, for the foreseeable future, which will not be less than 12 months from the signing date of the Company's financial statements for the year ending 30 June 2019. The Directors of the Company consider the letter of support from Westland Holdings Limited to provide reasonable assurance that the Company will have adequate resources to continue to operate for a period of at least 12 months following the signing of the Company's financial statements.

The financial statements were approved by the board of directors on 27 September 2019

Measurement Base

The financial statements have been prepared on a historical cost basis.

Functional and presentation currency

These financial statements are presented in New Zealand dollars ($), which is the Company's functional currency. All financial information presented has been rounded to the nearest thousand.

Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.
Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. There are no material judgements or estimates applied in these Financial Statements.

Goods and Services Tax (GST)

The Company is registered for GST. All amounts in the financial statements are exclusive of goods and services tax (GST) with the exception of Debtors & other receivables and Creditors & other payables which are stated with GST included. Where GST is irrecoverable as an input tax then it is recognised as part of the related asset or expense.

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The following particular accounting policies which materially affect the measurement of financial results and financial position have been applied:

INVESTMENT PROPERTY

Properties leased to third parties under operating leases are classified as investment property.

Investment property is measured initially at its cost, including transaction costs. After initial recognition, all investment property is measured at fair value as determined annually by an independent valuer. Gains or losses arising from a change in the fair value of investment property are recognised in the surplus or deficit.

PROPERTY, PLANT & EQUIPMENT

Recognition and measurement

All items of property, plant and equipment is recorded at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

Depreciation

Depreciation is recognised in the profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

	2019	2018
o buildings	3-50years	12-50 years
o plant and equipment	1.5-25 years	2-25 years
o runway	2-50 years	2-50 years

IMPAIRMENT

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any objective evidence of impairment.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the profit or loss.

Impairment of Debtors & other receivables

The recoverable amount of the Company's investments in Debtors & other receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets). Debtors & other receivables with a short duration are not discounted.

Impairment losses on an individual basis are determined by an evaluation of the exposures on an instrument by instrument basis. All individual instruments that are considered significant are subject to this approach.

For Debtors & other receivables which are not significant on an individual basis, collective impairment is assessed on a portfolio basis based on numbers of days overdue, and taking into account the historical loss experience in portfolios with a similar amount of days overdue.

Inventories

Inventories include development properties that are being developed for sale. These properties are measured at the lower of cost and net realisable value and the cost includes development costs to date.

Non-financial assets

The carrying amounts of the Company's non-financial assets, being property plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in the profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

FINANCAL INSTRUMENTS

The Company categorises its financial assets as loans and Debtors & other receivables as being at amortised cost, and its financial liabilities as being at amortised cost (trade and other payables).

Financial Assets and Liabilities

Financial assets and liabilities are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. The company's financial assets and liabilities comprise: Bank accounts and cash and Debtors & other receivables, Trade and other payables and Loans.

Financial assets and liabilities are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less impairment.

Creditors and other payables

Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

Bank accounts and cash

Bank accounts and cash comprise cash on hand, cheque or savings accounts and call deposits held with banks. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of Bank accounts and cash for the purpose of the statement of cash flows.

Debtors & other receivables

Debtors & other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Loans

Loans are classified as other non-derivative financial instruments.

LEASED ASSETS

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and, except for investment property, the leased assets are not recognised on the Company's balance sheet. Investment property held under an operating lease is recognised on the Company's balance sheet at its fair value.

PROVISIONS

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

REVENUE

Lease income

Lease Income from property is recognised in the profit or loss on a straight-line basis over the term of the lease.

Services

Revenue from services is recognised either at a point in time or over time, when (or as) the company satisfies performance obligations by transferring the promised goods or services to its customer. If the company satisfies a performance obligation before it received the consideration, the company recognises a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

Revenue from Contracts with Customers

a. **Management Fees**
   Revenue is recognised over time as the contract and is paid monthly. An obligation to exists to meet key performance indicators each year. (see note 4 for the payment terms)
b. **Landing Fees**
   Revenue arises at the point of time when the associated aircraft takes off or lands. Payment is due monthly (see note 4 for the payment terms)
c. **Marketing Revenue**
   Revenue is recognised at the point in time that the required number of performed hours is reached. (see note 4 for the payment terms)

Interest

Interest income is recorded as it is earned during the year.

LEASE PAYMENTS

Payments made under operating leases are recognised in the profit or loss on a straight-line basis over the term of the lease.

INCOME TAX PAYMENTS

Income tax expense includes components relating to both current tax and deferred tax.
Current tax is the amount of income tax payable based on the taxable profit for the current year, and any adjustments to income tax payable in respect of prior years. Current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted at balance date

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 bases used in the computation of taxable profit.

Deferred tax is measured at tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at balance date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amount of its assets and liabilities.

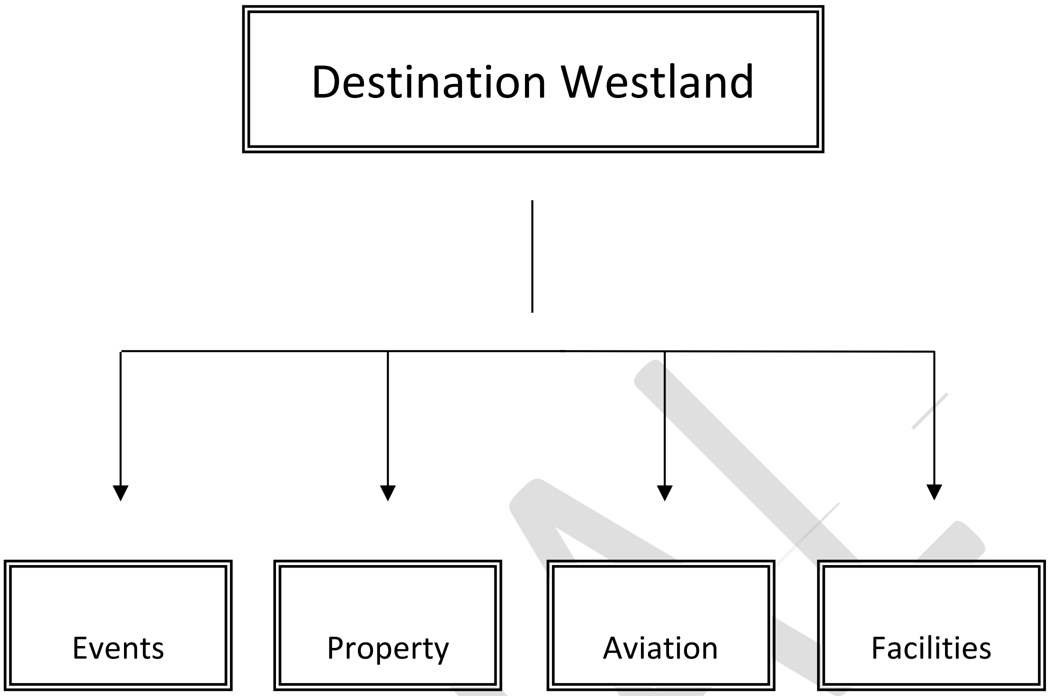
Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction that affects neither accounting profit nor taxable profit.

Current and deferred tax is recognised against the profit or loss for the period, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Appendix B

Company Structure



Group Structure