



DESTINATION WESTLAND LIMITED
STATEMENT OF INTENT

FOR THREE YEARS COMMENCING 1 JULY 2018

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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 the three years from 2018.

1. Company Mission Statement

To manage and grow council's aviation, property assets and services; and develop other commercial opportunities for the maximum benefit of Westland Ratepayers.

2. The Objectives of the Company

Commercial

- a. Research and develop new opportunities
- b. Provide quality, efficient and cost-effective services on a commercially competitive basis.
- c. Conduct business in a professional manner in accordance with the mandate and constraints given by council in this SOI.

Development

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

Safety

- a. To make safety an essential component of all we do.
- b. To further develop and maintain safe working practices
- c. To promote safety training and awareness as a key principle.

Community

- a. Be a good employer
- b. Consider social and environmental impacts in decision making.
- c. Promote social well-being and community support.
- d. To respect, protect and enhance our historical and cultural heritage for the community of Westland.

3. 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 management 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 appointed by Council:

- Ian Hustwick (Chair)
- Pauline Cox
- Richard Benton
- Latham Martin

The Board was initially appointed on 1 January 2017 for the period until the AGM in October 2017, at which they were reappointed.

4. Structure and Activities

The company structure is outlined in appendix B

1. Aviation

- a. Compliance with the appropriate CAA rules and regulations.
- b. Health and Safety plans for designated aviation areas are adhered to.
- c. Management of the Hokitika Airport and associated infrastructure.
- d. Management of the Glacier Country Heliport and associated infrastructure.
- e. Consider the role of Hokitika Airport in civil defence.

2. Facilities

- a. Manage, maintain and grow WDC Strategic Assets as per the Management Agreement.
- b. Manage, maintain and grow the company's assets

3. Property

- a. Manage and monitor 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. Manage the non-aviation activities at Hokitika Airport

4. Events

- a. Manage and enhance existing events.

Development Activities

1. Aviation

- a. Seek and enable expansion of commercial and tourism aviation activities at Hokitika Airport.
- b. Consider improvements to airport facilities to enhance the customer experience.
- c. Seek and enable expansion of activities at Glacier Country Heliport
- d. Investigate and consult on the formation of a heliport at Fox Glacier

- e. Investigate additional aviation related activities both in content and location in Westland.
- f. Develop a new Hokitika Airport Master Plan which clearly defines the future growth and expansion of the airport asset

2. Facilities

- a. Investigate elderly housing opportunities.
- b. Consider and accept further appropriate council assets for management
- c. Look for new or partnership opportunities to enhance the facilities available to Westland ratepayers.

3. Property

- a. Investigate opportunities for expansion of revenue generation from property.
- b. Seek opportunities to increase occupations on unformed legal road.
- c. Investigate gravel extraction from Westland rivers for revenue and river control.
- 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.

4. Events

- a. Identify and evaluate other event opportunities.

5. Performance Targets

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

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 2018/2019
- b. The ratio of net profit before taxation and revaluations to average total assets (including any revaluation) of 1% for the year commencing 2018/2019
- c. Compliance with statutory and regulatory requirements enabling Destination Westland, Westland Holdings Limited and Westland District Council to comply with the Local Government Act 2002, Health & Safety & Employment Act 1992 (with amendments), the Companies Act 1993 (with amendments) and the Financial Reporting Act 1993 (with amendments).

Non-Financial Service performance measures:

- a. Aged Care occupancy:
Target: annual percentage occupancy to be no less than 95%.
- b. Swimming pool:
Target: annual total admissions to be within 5% those of the previous year. Note: 2017/2018 admissions = 16,849 (as at 15 June 2018)
- c. Baches on Road Reserve:
Target: annual number of licenses to occupy to be greater than 70.
- d. Jacksons Bay Wharf:

- Target:** annual percentage of commercial fishing vessels who use the wharf with Licenses to occupy = 90%
- e. Leasehold properties:
Target: annual percentage of leasehold properties available for lease = 80%
- f. Tenant satisfaction:
Target: Tenant satisfaction with the provision of the company's aged care rental housing greater than or equal to 90%.
- g. Time loss through injury
Target: Loss Time Injuries will be 0
- h. Annual CAA audit and findings
Target: Nil findings
- i. Aircraft Movement statistics
Target: within 5% of previous year (2016/2017) 3,929
- j. Passenger numbers through terminal.
Target: within 5% of previous year (2016/2017) 39,806 Pax

6. 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.

7. 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.

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

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

- The amount of any distribution 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.

8. 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 the 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.

9. Acquisition of Other Interests

The Company will not subscribe for, purchase, or otherwise acquire shares in any company or other organization without first being authorized to do so by a special resolution of shareholders.

10. Sale and Disposal of Assets

The Company will not sell or dispose of any company assets exceeding \$20,000 in value without first being authorized to do so by a special resolution of shareholders.

11. 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.

12. 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. (Adopted 12 June 2013 and reviewed in February 2018.)

The Company shall work with WDC to agree on formal communication protocols to improve communication with Council's elected representatives, relevant staff and stakeholders.

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

13. Reporting to Shareholders

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

13.1 Draft Statement of Intent

On or before the 14th 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.

13.2 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.

13.3 Half Yearly Financial Report

Within two months after the end of the first half of each financial year, i.e. 28 February, 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.

13.4 Quarterly Report

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

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

13.5 Annual Report

By 30 September 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.

13.6 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.

14. 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.)

15. Commercial Value of Shareholders Investment

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

16. 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 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.

17. Financial Forecasts

Budget under discussion.

	Forecast	Forecast	Forecast
	2018/2019	2019/2020	2020/2021
Gross Revenue	3,280,490	3,674,149	4,115,047
Cash Operating Expenditure	3,117,940	3,445,324	3,807,083
Depreciation	154,000	154,000	154,000
Trading Profit/(Loss) before Taxation	8,550	74,825	153,964
Subvention Payment			
Net Profit/Loss before Taxation	8,550	74,825	153,964
Taxation	2,394	20,951	43,110
Dividend			
Shareholder Funds	4,417,000	4,423,156	4,477,030
Retained Earnings	6,156	53,874	110,854
Closing Shareholder Funds	4,423,156	4,477,030	4,587,884
Pretax Return on Shareholder Funds	.194%	1.692%	3.439%

Appendix A

Accounting Policy Details

Basis of Preparation

a. Statement of compliance

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 (“NZIFRS”) and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities.

b. Measurement base

The financial statements have been prepared on a historical cost basis except for the revaluation of investment property.

c. 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.

d. Use of estimates and judgments

The preparation of financial statements requires management to make judgments, 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.

The only material judgment or estimate applied in these financial statements is that the company expects to recover the cost of its investment in development land.

Significant Accounting Policies

Accounting policies set out below are to be applied consistently to all periods presented in the financial statements. The following particular accounting policies which materially affect the measurement of financial results and financial position are to be applied:

a. 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.

b. Property, Plant & Equipment

i) Recognition and measurement

Items of property, plant and equipment are measured 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.

ii) 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.

iii) 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.

c. 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.

i) Impairment of receivables

The recoverable amount of the Company's investments in 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). 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 trade 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.

ii) 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.

d. Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

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.

e. Financial instruments

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

i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. The company's loans and receivables comprise: cash and cash equivalents, and trade and other receivables.

Loans and receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less impairment.

ii) Trade and other payables

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

iii) **Cash & cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits.

iv) **Trade & other receivables**

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

v) **Borrowings**

Borrowings are initially recognised at their fair value net of transaction costs, and subsequently measured at amortised cost using the effective interest method.

f. **Goods and services tax (GST)**

All items in the financial statements are exclusive of goods and services tax (GST) with the exception of receivables and 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.

g. **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 are not recognised on the Company's balance sheet.

h. **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.

i. **Revenue**

i) **Leases**

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

ii) **Services**

Revenue from services rendered is recognised in the profit or loss in proportion to the stage of completion of the transaction at the reporting date.

j. **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.

k. Income tax expense

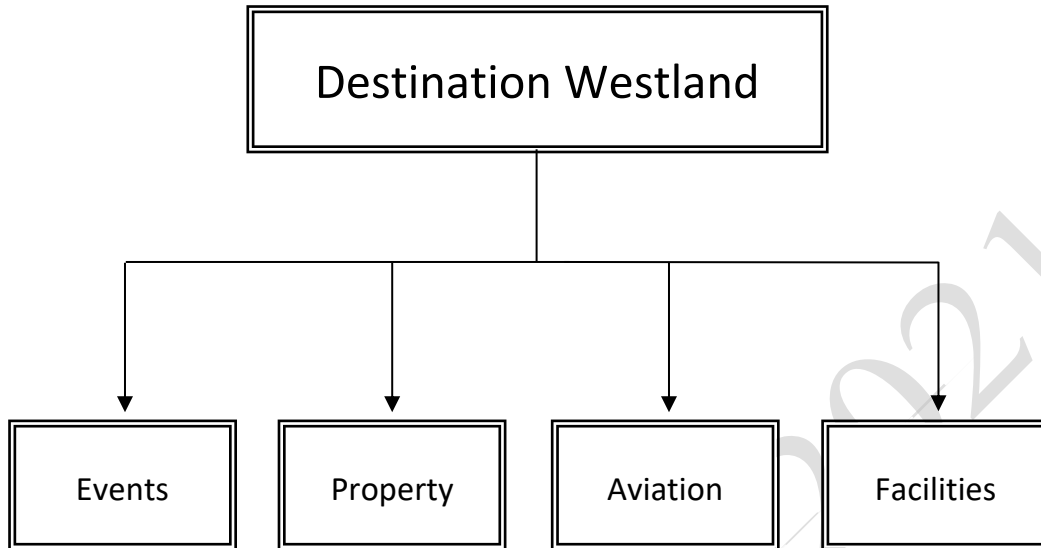
Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit or loss except to the extent that it relates to items recognised directly in other comprehensive income or equity, in which case it is recognised in other comprehensive income or equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

Appendix B
Company Structure



Group Structure

