

STATEMENT OF INTENT

**FOR THE FINANCIAL YEAR ENDING 30 JUNE 2018
AND EACH OF THE IMMEDIATELY FOLLOWING TWO YEARS**

1. Introduction

This Statement of Intent is presented by the Board of Marlborough Airport Limited (the Company) in accordance with Section 64 of the Local Government Act 2002.

This Statement of Intent sets out the intentions, activities and objectives for the financial year to 30 June 2018 and each of the immediately following two financial years for the Company.

The Company is a Council Controlled Trading Organisation under section 6 of the Local Government Act 2002.

2. Governance

The Airport is operated as a wholly owned subsidiary of Marlborough District Council Holdings Limited which is wholly owned by the Marlborough District Council. The Board of Marlborough Airport Limited is responsible for monitoring the performance of the company and setting the long term strategic and development direction for the company. The day to day operation of the airport is achieved via a mixture of staff employed by Marlborough Airport and resources provided by Council.

3. Objectives of the Company

The company's vision is to be an efficient airport operator fostering regional economic growth and the long term sustainability of the Company.

Consistent with this vision are the Company's objectives to:

- be a welcoming gateway for travelers;
- ensure a risk-free, safe and healthy environment for workers, visitors and stakeholders;
- maintain its certification as an airport operator under CAA Rule Part 139;
- facilitate economic development;
- pursue opportunities to increase the value of commercial activities; and
- be financially sustainable.

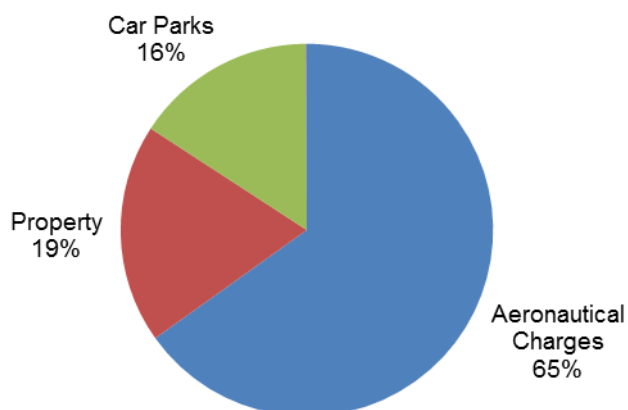
4. Nature and Scope of the Activities to be Undertaken

The Company owns and operates Marlborough Airport as a regional airport for scheduled flights by turbo-prop aircraft and other general aviation activities such as air ambulance and charter. The Company also operates the recently upgraded airport terminal for the benefit of customers arriving and departing the region.

In addition to the revenue generated by aeronautical activities the Company's revenue streams reflect its management of landside operations which generate commercial income from car parking, property leases and advertising.

The Company also liaises with the Marlborough District Council, customers, operators and stakeholders to identify and invest in economic and regional development opportunities relating to the airport.

Budgeted Revenue Mix



The Company's proximity to the Woodbourne air force base limits its ability to expand and, as a result, the Company is currently faced with a lack of Apron parking for aircraft and limited opportunities to expand the Terminal and Baggage Handling facilities. A solution to this is key to the company's opportunities for future commercial growth.

5. Performance Targets

The Company has developed targets to measure its performance against the key objectives.

Performance targets	Key performance indicators	2017-18 Target	2018-19 Target	2019-20 Target
A welcoming gateway for travellers	Customer satisfaction with MAL services as measured by bi-annual survey (where 10="Service delivered extremely well")	Survey completed by 31 December 2018. Benchmark set.		Targeted satisfaction > Benchmark for maintenance or improvement (benchmark set following result of first survey)
	Extension and upgrade of the public and rental car parking areas	Negotiations for land completed by 31 March 2018 to allow extension to be completed by 30 June 2018		
Health & Safety and Risk Management	Comply with Health & Safety at Work Act (2015) at all times with any non-compliance and near misses to be reported to the Board on a quarterly basis	100% compliant	100% compliant	100% compliant
	Complete implementation of a Safety Management System	Plan completed by 31 March 2018		Full implementation completed by 31 October 2019
	Implementation of Aviation Security Service Tier 2 Security provisions	Implementation complete by 31 July 2017		
Maintain CAA Part 139 certification	Compliance with CAA Rules	100% compliance with CAA Audit due April 2018 with no need for revisit		100% compliance with CAA Audit due April 2020.

Facilitate economic development	Meet passenger growth forecasts, encourage new routes and foster growth on the direct route from Christchurch:			
	Passenger movements	300,000	309,000	317,000
	Landings	9,100	9,300	9,500
Pursue opportunities to increase the value of commercial activities	Negotiate for additional land for aeronautical and commercial development.	Negotiations completed by 30 June 2018.		
	Promote new conference and meeting facilities.	Advertising campaign completed by 31 December 2017. 200% increase in revenue over 2016/17.	50% increase in revenue.	
	Attract further advertising revenue through use of digital media.	Digital Media business case completed by 31 July 2017 70% increase in advertising revenue over 2016/17		
Review the Strategic Plan	Develop a new Strategic Plan	Review 2010 Strategic Plan by 31 December 2017 New Strategic Plan in place by 31 March 2018		
Financially Sustainable – measured by these key indicators	Cash from operations ¹ (\$'000's)	956	980	1,015
	EBITDAF ² (\$'000's)	838	830	822
	NPAT ³ (\$'000's)	79	85	98
	ROI ⁴	6.0%	6.1%	6.6%
	Return on average Fixed Assets ⁵	1.0%	1.1%	1.2%
	Interest cover ⁶ > 2	5.0	5.4	6.4
	Debt : EBITDAF < 4.5	4.1	3.8	2.9
	Debt : Total assets < 40%	44.4%	39.4%	30.0%
	Shareholders' funds : Total assets ⁷	16.9%	17.8%	18.6%

¹ Differs to cashflow statement due to timing of Income Tax payments

² Earnings before interest, taxation, depreciation, amortisation and fair value movements
Note: as fair value movements are not budgeted in the budget this equals EBITDA

³ Net Profit after tax

⁴ Return on equity = NPAT less fair value movements / Average equity

⁵ NPAT less fair value movements / Average total assets

⁶ EBITDAF/Interest expense

⁷ Average equity / Average total assets; this measure is required by the Local Government Act to be included in this SOI.

6. Statement of Accounting Policies

The measurement and reporting of earnings and financial position are under the policies as contained in the 2015/16 Annual Report with updates as required to meet International Financial Reporting Standards. The 2015/16 Annual Report including the Statement of Accounting Policies is available on the Company's website www.marlboroughairport.co.nz.

7. Dividend Distribution Policy

Profit retention and the level of dividends to be paid will be recommended from year to year by the directors in accordance with results and circumstances prevailing, subject to solvency certification at the time.

8. Information to be provided to Shareholder

The Company will provide interim six monthly reports to its shareholder on the results of its trading.

The company will provide information which meets the requirements of the Companies Act 1993, the Financial Reporting Act 2013, the Local Government Act 2002 and in compliance with generally accepted accounting practice in New Zealand in order to enable the shareholder to make an informed assessment of the Company's performance.

The Company will make the following reports available to its shareholder:

(a) Annual Statement of Intent

A Statement of Intent will be prepared in accordance with the Local Government Act 2002.

(b) Annual Report

An Annual Report will be prepared in accordance with the Local Government Act 2002, the reporting requirements prescribed from time to time by the Companies Act 1993, the Financial Reporting Act 2013 and in compliance with generally accepted accounting practice in New Zealand. The annual report shall contain the following:

- (i) Income Statement;
- (ii) Statement of Comprehensive Income;
- (iii) Statement of Financial Position;
- (iv) Statement of Cash flows;
- (v) Statement of Changes in Equity;
- (vi) Report on Activities;

(c) Half Yearly Reports

Half yearly reports will be prepared in accordance with the Local Government Act 2002, the reporting requirements prescribed from time to time by the Companies Act 1993 and generally accepted accounting practice in New Zealand. The half-yearly reports will include the following:

- (i) Income Statement;
- (ii) Statement of Comprehensive Income;
- (iii) Statement of Financial Position;
- (iv) Statement of Cash flows;
- (v) Statement of Changes in Equity;
- (vi) Report on Activities.

9. Procedure for Acquisition of Shares in any Company or Other Organisation

All investment proposals for the acquisition of shares in the company or other organisation will be considered in the first instance by the directors.

If any decision is contemplated to acquire assets, the value of which is more than 20% of the value of the Company's assets before the acquisition, that decision will be made only after the directors have obtained the approval of the shareholder.

10. Procedure for the Disposition of Shares

The Company will not dispose of any shares without the prior written approval of the shareholder.

11. Commercial Value of Shareholder's Investment

The commercial value of shareholder's investment is nominally \$1,276,003 based upon shareholders' funds forecast at June 2017. From time to time the directors or the shareholder may request that an independent valuation of the shareholder's investment be undertaken. The manner and timing of this assessment will be determined by the purpose for which it is undertaken or by the terms of the request by the directors or shareholder.

12. Other Matters

- The Shareholder and directors agree that the above matters are the only ones to be covered in this Statement of Intent and that there are no additional matters to be included.