

STATEMENT OF INTENT

FOR THE FINANCIAL YEAR ENDING 30 JUNE 2020

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 2020 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:

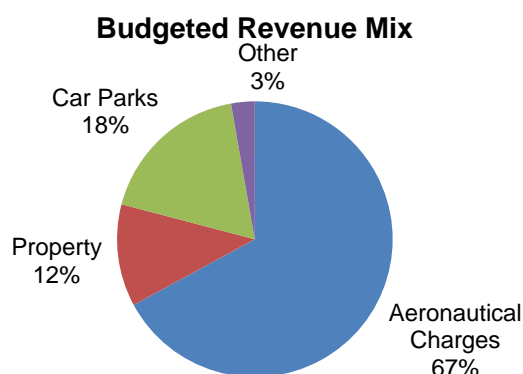
- ensure a, safe and healthy environment for workers, visitors and stakeholders;
- be a welcoming gateway for travelers;
- pursue opportunities to increase the value of commercial activities;
- facilitate economic development;
- be financially sustainable; and
- maintain its certification as an airport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

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 charters.

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. The revenue streams earned by the Company reflect the scope of airport activities. The 2019-20 budgeted splits are illustrated in the diagram below.



Marlborough Airport Limited has a licence to operate relationship with the New Zealand Defence Force. This brings with it unique operational and financial challenges when compared to other airports, which tend to operate under an ownership model. Due to the regulated nature of aeronautical charges this constrains the airport's ability to operate at the requisite levels of financial sustainability in some years. MAL has recently leased land from Kurahaupo 2018 LP. This land is located next to the current car park and will be used to expand car parking and other future commercial interests.

5. Performance Targets

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

Our People

Objective	Activity/KPI	2020 Target
Ensure a safe and healthy environment for workers, visitors and stakeholders.	Continuous improvements in reducing health & safety risk.	100% compliant with Health & Safety at Work Act (2015) and the NZCAA rules & regulations.
	Continuous improvement in staff engagement, support & well-being.	Annual appraisals completed. Staff professional development plans are agreed and implemented.
	Training – hiring the right people for the right positions.	Staff structure and accountabilities are allocated and documented. Position descriptions reviewed annually.

Our Customers

Objective	Activity/KPI	2020 Target
Be a welcoming gateway for travellers and airlines and pursue opportunities to increase the value of commercial activities.	Analyse customer survey results.	Identify key areas and implement improvements in a timely fashion.
	Encourage new route discussions with airlines and foster growth on existing ones.	320,000 passengers.
	Offer new or improved services that maximise customer spend per budget.	Commercial revenue per passenger > \$3.50*

*Commercial' excludes aeronautical, investment property and financial revenue.

Infrastructure

Objective	Activity/KPI	2020 Target
Facilitate economic development through timely investment in infrastructure that meets with key stakeholder requirements and is in harmony with the strategic plan.	Increase car parking capacity.	Phase 1 of car park extension completed by 30 September 2019.

Financial

Objective	Activity/KPI	2020 Target
Manage financial performance to ensure MAL achieves its strategic goals, maintains a sustainable business.	Achieve Profit target as set out in the Budget.	EBITDAF >\$840,000 ¹ .
	Maintain a sustainable financial position as set out in the Budget.	Cash flow from operations >\$950,000 SH funds/Total assets >34% ² Debt reduction >\$500,000.
	Timely and accurate financial reports to comply with relevant Statutory requirements.	Unqualified audit opinion presented to the shareholder by 30 September 2019

¹ Earnings before interest, taxation, depreciation, amortisation and fair value movements (movements in fair value are not budgeted)

² Shareholder Funds to Total assets; Average equity/Average total assets; this measure is required by the Local Government Act to be included in this SOL.

Future business & Sustainability

Objective	Activity/KPI	2020 Target
Maintain certification as an airport operator through policy and programmes that operate effectively and reflect our commitment to a sustainable and successful airport business.	Maintain CAA Part 139 Certification.	100% compliant.
	Successfully promote waste management minimisation and energy consumption reduction per the Environmental and Waste Management Plan.	Waste management & reduction culture firmly embedded in organisation. Adopt & implement Tourism Industry Association sustainability programme.
	Review the strategic plan.	Annual assessment of whether airport capabilities and development projects are in harmony with the long-term strategic plan.

Risk & Compliance

Objective	Activity/KPI	2020 Target
All risks managed and industry best practice adhered to.	Safety management system.	The SMS is present and effective. The airport is adequately staffed and an appropriate SMS software package installed. It is reviewed safe and effective.
	Identify and control hazards and risks to aviation and airport related operations.	Risks identified and controlled to as low as reasonably practical (ALARP).
	CAA audit.	No major findings. Minor findings addressed and effectively managed or resolved.

Medium Term Milestones & Activities
2020/21- 2021/22

Strategy	Activity/Milestone
Customers	New air routes or more competition on existing routes.
	Passengers > 326,000 by June 2021, passengers > 332,000 by June 2022.
	Commercial earnings per passenger > \$3.85 by June 2022.
Infrastructure	Phase 2 parking plan to commence by June 2022/23.
	New Code C apron(s) to allow terminal parking for third- fourth Q300/ATR. Feasibility study to commence by June 2021.
	Freight hub completed by June 2022.
Financial	EBITDAF pa > \$1.1m by June 2022.
	Cashflow from operations > \$1.2 million by June 2022.
	Shareholder funds/Total assets > 40% by June 2022.
	Borrowings < \$1.5 million.
Risk & Compliance	Safety management system implemented & operating effectively.
	Safety culture firmly embedded throughout company and airport tenants.
	No major CAA findings from audit or accidents.
People	Establish key organisational structure to manage with expected long-term growth and development.
	The right people in key positions.
	Ongoing development of skills, health & safety and professional development.
Sustainability	Successfully promote waste management minimisation and energy consumption reduction per the Environmental and Waste Management Plan.
	Sustainability best practice well embedded in company culture.
	Implement Tourism NZ sustainability measures.

6. Statement of Accounting Policies

The measurement and reporting of earnings and financial position are under the policies as contained in the 2017-18 Annual Report with updates as required to meet International Financial Reporting Standards. The 2017-18 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. Projected borrowings (Based on latest budget)

The expectation is that the company will make a cash surplus every year. It is further expected that company debt will be repaid as funds allow with debt repaid in full by 2023.

The current level of projected debt is set out below:

2019 - \$2.9m

2020 - \$2.4m

2021 - \$1.5m

2022 - \$0.5m

2023 - nil

9. Shareholder Equity (revised)

(a) The commercial value of the Shareholder's investment is nominally \$3,242,137 based upon shareholders' funds forecast at June 2019. 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.

(b) The ratio of consolidated shareholder's equity to total assets will be maintained at no less than 30%. For the purposes of this ratio 'consolidated shareholder's equity' is total shareholder funds inclusive of retained earnings and revaluation surplus, and 'total assets' are current assets plus net book value of fixed assets plus future tax benefit (if any).

10. 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.

11. 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.

12. Procedure for the Disposition of Shares

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

13. 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.

Attachment 4 - Legal Compliance

LEGAL COMPLIANCE

Local Government Act 2002 Schedule 8, Clause 9: - Contents of Statements of Intent

<p>(1) A Statement of Intent must, to the extent that is appropriate given the organisational form of the council-controlled organisation, specify for the company comprising the council-controlled organisation and its subsidiaries (if any), and in respect of the financial year immediately following the financial year in which it is required by <u>clause 3(b)</u> to be delivered and each of the immediately following two financial years, the following information:</p> <p>SOI Section</p>		
(a)	the objectives of the company; and	3
(b)	a statement of the Board's approach to governance of the company; and	2
(c)	the nature and scope of the activities to be undertaken by the company; and	4
(d)	the ratio of consolidated shareholder's funds to total assets, and the definitions of those terms; and	5
(e)	the accounting policies of the company; and	6
(f)	the performance targets and other measures by which the performance of the company may be judged in relation to its objectives; and	5
(g)	an estimate of the amount or proportion of accumulated profits and capital reserves that is intended to be distributed to the shareholder; and	7
(h)	the kind of information to be provided to the shareholder by the company during the course of those financial years, including the information to be included in each half-yearly report (and, in particular, what prospective financial information is required and how it is to be presented); and	10
(i)	the procedures to be followed before the company subscribes for, purchases, or otherwise acquires shares in any company or other organisation; and	11
(j)	any activities for which the Board seeks compensation from any local authority (whether or not the local authority has agreed to provide the compensation); and	N/A
(k)	the Board's estimate of the commercial value of the shareholder's investment in the company and the manner in which, and the times at which, that value is to be reassessed; and	9
(l)	any other matters that are agreed by the shareholder and the Board.	13