

## **STATEMENT OF INTENT**

**FOR THE FINANCIAL YEAR ENDING 30 JUNE 2022**

**AND EACH OF THE IMMEDIATELY FOLLOWING TWO YEARS**

### **1. Introduction**

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

As required it sets out the objectives for the company, the nature and scope of the activities to be undertaken and performance targets and measures by which the company will be reviewed in relation to its performance.

This SOI covers the financial year to 30 June 2022 and each of the immediately following two financial years.

Marlborough Airport Limited (MAL) is a Council Controlled Trading Organisation under section 6 of the Local Government Act 2002.

### **2. Governance**

The Airport is a wholly owned subsidiary of Marlborough District Council Holdings Limited which is wholly owned by the Marlborough District Council. The Board of MAL 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 MAL and resources provided by Council.

The board of MAL comprises of three independents, three Marlborough District Council Councillors and the Chief Executive of Marlborough District Council.

### **3. Objectives of the Company**

The company's vision is to be an efficient airport operator that fosters regional economic growth, ensuring the long-term sustainability of the Company.

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

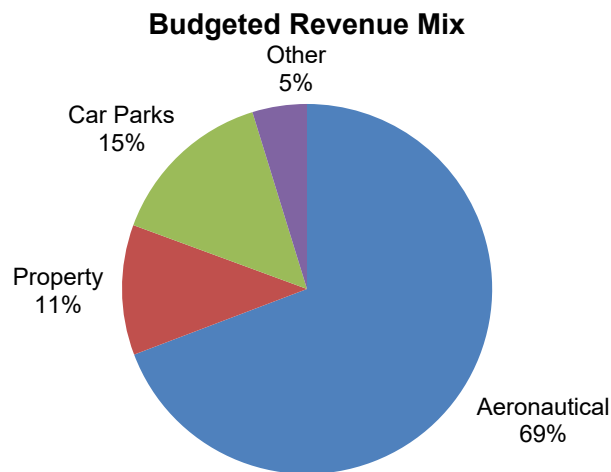
- ensure a safe and healthy environment for workers, visitors and stakeholders;
- be a welcoming gateway for travelers;
- pursue opportunities to increase the value of commercial activities;
- facilitate economic development;
- be financially and environmentally sustainable

### **4. Nature and Scope of the Activities to be undertaken**

MAL's primary activity is the operation of Marlborough Airport. For the airport to operate effectively, the company provides the appropriate infrastructure, personnel and facilities to provide a safe environment to passengers, staff and other visitors.

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

MAL 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 2022 budgeted revenue splits are illustrated in the diagram below.



MAL has a licence to operate an airfield owned by 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 for other future commercial interests.

MAL is a lifeline utility under the Civil Defence Emergency Management Act 2002 and must comply with the requirements of a lifeline utility.

## 5. Performance Targets

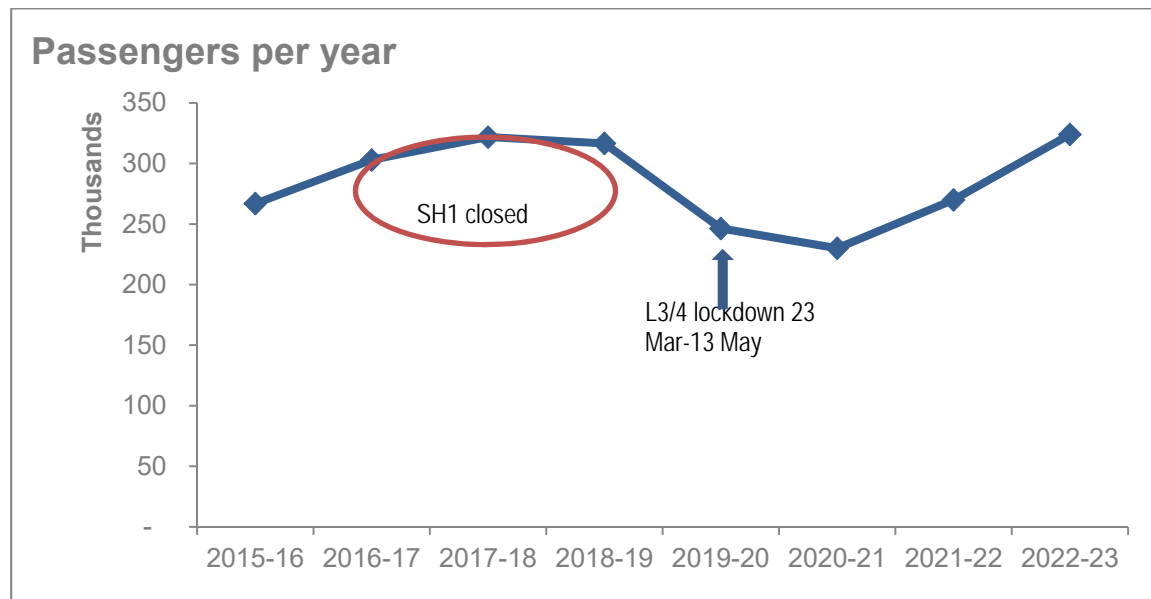
The Company has developed objectives to improve business performance and encourage growth. These targets are underpinned by a series of activities and performance targets.

### COVID-19

The recovery from the COVID-19 pandemic remains uncertain and passenger levels for the next 12 months are expected to be soft and below pre-COVID-19 levels for the following reasons:

1. Potential further outbreaks and changes in alert levels.
2. Lack of international connectivity, up to 25% of pre-COVID-19 passengers connected to overseas flights.
3. A lower level of business travel as more organisations encourage video conferencing.
4. The negative economic consequences of COVID-19 on consumer confidence and spending.
5. Consumer concerns over the safety and environmental acceptability of air travel.

The Graph below shows historical passenger activity over the past five years as well as the projected passengers out to 2023.



Passenger numbers are the key driver of MAL's financial performance and these projections are reflected in the performance measures tabled below.

### Customers

Objective	Activity/KPI	2022 Target
Be a welcoming gateway for travellers and airlines and pursue opportunities to increase the value of commercial activities.	Passenger numbers	270,000 passengers.
	Offer new or improved services that maximise customer spend per budget.	Landside revenue per passenger > \$3.79 <sup>1</sup> .
	Provide a fit for purpose carpark.	Conduct a customer survey after the carpark construction completion.

### Infrastructure

Objective	Activity/KPI	2022 Target
Facilitate economic development through timely investment in infrastructure.	Ensure current assets are maintained to acceptable standard.	All aspects of the annual maintenance program are complete.
	Improve the front of the terminal access - \$100K	Complete entrance upgrade

## Financial

Objective	Activity/KPI	2022 Target
Manage financial performance to ensure MAL achieves its strategic goals, maintains a sustainable business.	Achieve profit targets as set out in the budget.	<b>NPAT<sup>2</sup></b> <- \$300,000 (deficit) <b>EBITDAF<sup>3</sup></b> >\$ 650,000
	Maintain a sustainable financial position as set out in the budget.	<b>Cash flow from operations</b> >\$900,000 (surplus). <b>SH funds/Total assets</b> >20.5% <sup>4</sup> <b>Peak debt</b> <\$5.2 million.
	Capital Expenditure	Complete and within budget.

## Risk & Compliance

Objective	Activity/KPI	2022 Target
All known risks managed and industry best practice adhered to.	Safety management system.	Risk Rating of Airport kept a very low level<7 ( maximum of 25)
	Independent (annual) internal audit and Civil Aviation Authority (CAA) external audit.	Respond to any finding(s) within four weeks.
	Ensure business continuity and emergency plans are robust	Test emergency plans through at least one practice exercise involving all stakeholders.

## Our People

Objective	Activity/KPI	2022 Target
Ensure a safe and healthy environment for staff and other stakeholders.	Identifying hazards and controlling or eliminating health & safety risks.	No issues identified under the Health & Safety at Work Act (2015) and the NZCAA Part 139 Certificate rules & regulations.
	Lost time injuries.	Nil.
	Develop staff capability.	Implement a training and development program to ensure operational resilience.
	Improve staff wellbeing.	Investigate opportunities for improving staff wellbeing.

### **Business Sustainability**

<b>Objective</b>	<b>Activity/KPI</b>	<b>2022 Target</b>
Implement policies and programmes that operate effectively and reflect our commitment to a sustainable and successful airport business.	Review the strategic plan.	Complete an annual assessment of whether airport capabilities and development projects are in harmony with the long-term strategic plan.

### **Environmental Sustainability**

<b>Objective</b>	<b>Activity/KPI</b>	<b>2022 Target</b>
Establish Policies and programmes that operate effectively to reflect our commitment to a sustainable and successful airport business.	Improve recycling percentage and decrease waste sent to landfill.	Measure rubbish and recycling volumes in order to set targets moving forward.
	Promote and adopt waste management minimisation and energy consumption reduction per the Environmental and Waste Management Plan.	Replace light towers with more energy efficient options.
	Measure the airports environmental impact.	Successfully implement the Airport Carbon and Emissions Reporting Tool (ACERT).

1 Landside revenue excludes aeronautical, investment property, cost recovery and financial revenue.

2 NPAT = Net Profit after Tax. The deficit result is not a target but rather the budgeted result for 2022.

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

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

**Medium Term Milestones & Activities**  
**2022/23- 2023/24**

<b>Strategy</b>	<b>Activity/Milestone</b>
<b>Customers</b>	Passengers > 325,000 by June 2023, passengers > 330,000 by June 2024.
	Landside earnings per passenger > \$3.75 by June 2024.
<b>Infrastructure</b>	New Code C apron(s) to allow terminal parking for third- fourth Q300/ATR. Feasibility study to commence by June 2023.
	Begin planning for the runway reseal and investigate infrastructure opportunities and synergies by June 2024.
	Ensure the carpark is fit for purpose (implement changes identified as part of the customer survey).
	Improve the front of the terminal access by 2022/23
<b>Financial</b>	NPAT pa > \$150,000 by 2022/2023.
	EBITDAF pa > \$1.2 million by June 2023.
	Cash flow from operations > \$1.5 million by June 2023.
<b>Risk &amp; Compliance</b>	Safety management system implemented & operating effectively with no CAA findings from audit, accidents or incidents.
	Safety culture firmly embedded throughout company and airport tenants.
	Business continuity and emergency plans are robust even in the event of unforeseen emergencies or natural disasters.
<b>Our People</b>	Establish key organisational structure to manage with expected long-term growth and development.
	The right people in key leadership positions with the right qualifications and clearly documented responsibilities.
	Ongoing development of skills, health & safety and professional development.
<b>Business Sustainability</b>	Continue to ensure that the direction of the company is still aligned with the long-term strategic plan.
<b>Environmental Sustainability</b>	Influence and assist business partners to reduce their environmental footprint.
	Explore solar energy opportunities and comply with MAL environmental policy.
	Achieve further accreditations as part of the Airport Council International's Airport Carbon Accreditation programme.
	Continue to measure and reduce MAL's waste output

## **6. Statement of Accounting Policies**

The measurement and reporting of earnings and financial position are under the policies as contained in the 2019-20 Annual Report with updates as required to meet International Financial Reporting Standards. The 2019-20 Annual Report including the Statement of Accounting Policies is available on the company's website [www.marlboroughairport.co.nz](http://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. No distributions are planned for the period covered by this SOI.

## **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.

The current level of projected debt is set out below:

2021 - \$5.7m

2022 - \$5.1m

2023 - \$3.8m

2024 - \$2.8m

## **9. Shareholder Equity (revised)**

- (a) The commercial value of the Shareholder's investment is nominally \$3.1 million based upon shareholders' funds forecast at June 2021 (\$3.8 million 2020 actual). 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 and Half Yearly Report  
The 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, the Financial Reporting Act 2013 and in compliance with generally accepted accounting practice in New Zealand. The annual report and half yearly 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.

## **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 1:

### Prospective Summary Statement of Comprehensive Income

	Forecast	Budget		
	2021	2022	2023	2024
	\$ '000	\$ '000	\$ '000	\$ '000
<b>Income</b>				
Aeronautical Income	2,100	2,549	3,071	3,188
Rental Income	360	411	427	439
Car parking Income	474	594	656	697
Other Income	120	108	113	116
Investment Property	44	44	44	45
	<b>3,098</b>	<b>3,706</b>	<b>4,311</b>	<b>4,485</b>
<b>Financial Income</b>				
Interest Income	0	1	1	1
<b>Total Income</b>	<b>3,135</b>	<b>3,707</b>	<b>4,312</b>	<b>4,486</b>
<b>Operations and maintenance</b>				
Repairs and maintenance	1,060	882	833	866
Audit fee	28	26	26	27
Operational expense	1,716	1,778	1,812	1,812
Personnel Costs	338	353	364	374
	<b>3,142</b>	<b>3,039</b>	<b>3,035</b>	<b>3,079</b>
<b>Finance Cost</b>				
Bank Charges	7	7	7	7
Interest expense	86	140	121	106
	<b>93</b>	<b>147</b>	<b>128</b>	<b>113</b>
Depreciation, impairment & amortisation	729	838	835	853
<b>Total Expenditure</b>	<b>3,964</b>	<b>4,024</b>	<b>3,998</b>	<b>4,045</b>
<b>Profit/(loss) before income tax</b>	<b>(829)</b>	<b>(317)</b>	<b>314</b>	<b>441</b>
Income tax expense/(credit)	(113)	(15)	162	197
<b>Profit/(loss) after income tax</b>	<b>(716)</b>	<b>(302)</b>	<b>152</b>	<b>244</b>

### Prospective Key ratios and indicators

	Forecast	Budget		
	2021	2022	2023	2024
	\$ '000	\$ '000	\$ '000	\$ '000
Cash from operations	477	894	1,358	1,480
EbitDAF	(44)	668	1,277	1,407
NPaT	(716)	(302)	152	244
ROE	-21.8%	-10.3%	5.3%	7.9%
Return on average Fixed Assets	-2.9%	-6.3%	-2.2%	1.1%
Interest Cover	-0.8	4.6	10.0	12.4
Debt/EBITDA	-131.5	7.7	3.2	2.7
Debt/Total Assets	41.8%	38.3%	31.0%	27.8%
Shareholders funds/Total assets	29.0%	21.7%	21.6%	23.0%
ROE adjusted for resale timing	-15.6%	-2.5%	13.9%	16.6%
Total revenue	3,098	3,707	4,312	4,486