

STATEMENT OF INTENT

FOR THE FINANCIAL YEAR ENDING 30 JUNE 2023

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 2023 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 two 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:

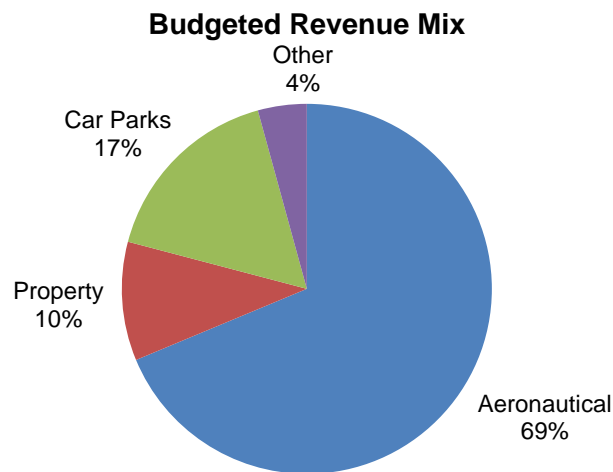
- ensure a safe and healthy environment for workers, visitors and stakeholders;
- be a welcoming gateway for travelers;
- pursue opportunities to increase the value of commercial activities;
- facilitate economic development;
- be financially and environmentally sustainable.

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 also leases 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.

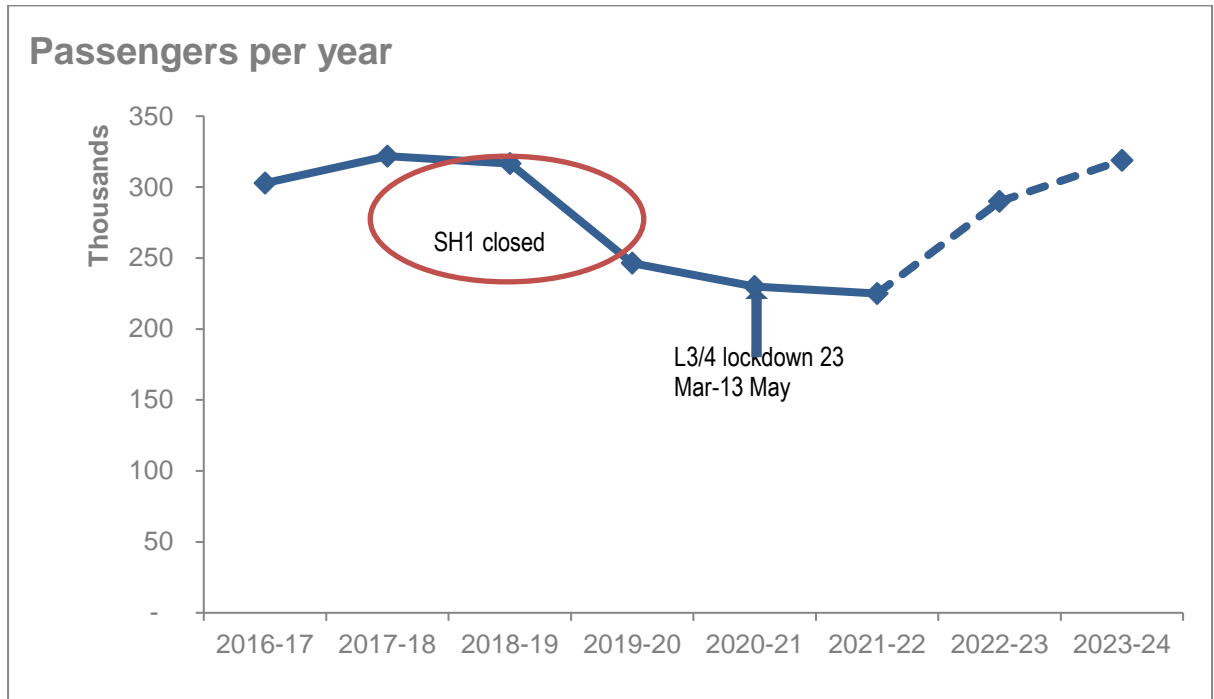
5. Performance Targets

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

- Potential further outbreaks and changes in Government regulation (e.g., alert levels).
- Lack of international connectivity, up to 25% of pre-COVID passengers connected to overseas flights.
- A lower level of business travel as more organisations encourage video conferencing.
- The negative economic consequences of COVID-19 on consumer confidence and spending.
- 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 projected activity out to 2024.



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

MAL Performance Targets and Measures 2022-23		
Objective	Activity/KPI	2023 Target
People		
Be a welcoming gateway for travellers and ensure a safe and healthy environment for staff and airport tenants.	Passenger numbers.	285,000 passengers.
	Identify hazards and control or eliminate 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.
	Living wage accreditation.	Achieved.
Infrastructure		
Facilitate economic development through timely investment in infrastructure.	Capital Expenditure.	Complete programmed capital expenditure within budget.
	Improve access to the front of the terminal.	Entrance upgrade completed.
Financial		
Manage financial performance to ensure MAL achieves its strategic goals and maintains a financially sustainable business.	Achieve profit targets as set out in the budget.	NPAT² < \$393,000 (deficit) EBITDAF³ >\$ 620,000
	Maintain a sustainable financial position as set out in the budget.	Cash flow from operations >\$1.25 million (surplus). SH funds/Total assets >17.3% ⁴ Peak debt <\$5.5 million.
Risk & Compliance		
All known risks managed, and industry best practice adhered to.	Safety management system.	Risk Rating <7 (maximum of 25)
	Independent (annual) internal audit and Civil Aviation Authority (CAA) external audit.	Respond to any finding(s) within four weeks.

MAL Performance Targets and Measures 2022-23		
Objective	Activity/KPI	2023 Target
	Ensure business continuity and emergency plans are robust	Test emergency plans through at least one practice exercise involving all stakeholders.
Sustainability		
<p>Manage Company operations to ensure efficient and effective environmental sustainability alongside other strategic objectives.</p> <p>This is an area of ongoing strategic, policy and programme development.</p>	Review the strategic plan.	Complete an annual assessment of whether airport capabilities and development projects are in harmony with the long-term strategic plan.
	Waste to Landfill (tonnes) Recycling (tonnes)	5% reduction 5% increase (i.e., overall waste reduction)
	Minimise, and as possible reduce, energy consumption as per the Environmental and Waste Management Plan.	Replace second light tower bulbs with LED. Investigate solar options for existing consumption and future projects.

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.

MAL 2023/24 and 2024/25 Performance Activities and Targets	
Strategy	Activity / Target
People	Passengers: 2023/24 > 315,000 2024/25 > 345,000
	Establish key organisational structure to manage expected long-term growth and development.
	Ongoing development of skills, health & safety and professional development.
Infrastructure	New Code C apron(s) to allow terminal parking for third- fourth Q300/ATR. Feasibility study to commence by June 2024.
	Begin planning for the runway reseal and investigate infrastructure opportunities and synergies by June 2025.
Financial	NPAT profitable by 2024/25.
	EBITDAF > \$950,000 by June 2024
	Cash flow from operations > \$1.35 million by June 2024

Risk & Compliance	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.
Sustainability	Continue to ensure that the direction of the company is aligned with the long-term strategic plan.
	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.
	investigate voluntary adoption of Aotearoa New Zealand Climate Standards as they are established by the XRB.

6. Statement of Accounting Policies

The measurement and reporting of earnings and financial position are under the policies as contained in the 2020-21 Annual Report with updates as required to meet International Financial Reporting Standards. The 2020-21 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. No distributions are planned for the period covered by this SOI.

8. Projected borrowings (based on latest budget)

The underlying 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:

2022 - \$6.0m

2023 - \$5.3m

2024 - \$4.5m

2025 - \$8.5m

9. Shareholder Equity (revised)

(a) The commercial value of the Shareholder's investment is nominally \$3.0 million based upon shareholders' funds forecast at June 2022 (\$3.3 million 2021 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 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

Marlborough Airport Limited Budget for 2022-23 to 2024-25

Income Statement

Year to 30 June:

	Actual Forecast		Budget		
	2021	2022	2023	2024	2025
	\$000	\$000	\$000	\$000	\$000
Income					
Aeronautical Income	2,029	2,126	2,987	3,339	3,585
Non Aeronautical Inc - Rental	368	392	413	419	424
Non Aeronautical Inc - Parking	466	496	662	728	769
Non Aeronautical Inc - Misc	117	127	120	124	127
Investment Property Income	44	44	44	44	46
Investment Property FV Gain	55	-	-	-	-
Financial Income	1	10	6	7	2,178
Gain on Swap Valuation	84	58	-	-	-
Total Income	3,165	3,253	4,232	4,660	7,129
Expenses					
Repairs & Maintenance					
Airfield Expenses - R & M Runway Reseal	537	948	977	1,006	1,036
Airfield Expenses - R & M (all other)	478	222	352	305	1,167
Carpark Exp - R & M	15	17	68	20	21
Terminal Exp - R & M	36	45	46	50	52
Maintenance Contract	42	65	67	70	72
Other - R & M	7	18	6	6	6
Total Repairs & Maintenance	1,114	1,314	1,514	1,458	2,354
Airport operations					
Aeronautical Expense - Operations RFS	520	550	550	550	550
Aeronautical Expense - Operations (all other)	66	56	73	77	80
Non Aeronautical Exp - Operations Licence	429	475	488	635	699
Non Aeronautical Exp - Operations (all other)	493	572	577	598	619
Strategic Planning	-	-	12	12	13
Total Operations	1,508	1,653	1,700	1,872	1,960
Other Expenses					
Employment Expenditure	344	386	391	403	415
Financing Costs	88	91	151	167	252
Total Other Expenses	432	477	542	570	667
Depreciation	717	716	868	892	918
Total Expenses	3,772	4,160	4,625	4,792	5,899
Net Profit / (Loss) before tax	(607)	(907)	(393)	(132)	1,230
Tax Expense/(Credit)	(152)	(221)	(63)	20	403
Net Profit/(Loss) after Income Tax	(455)	(686)	(330)	(153)	827
analysis					
NPAT (excl fair value movements [F])	(594)	(744)	(330)	(153)	827
EBITDAF	58	(168)	620	921	222
EBITDAF : Average Equity		-6%	25%	41%	9%

Attachment 2:

LEGAL COMPLIANCE

Local Government Act 2002 Schedule 8 Part 2 & 3: - Contents of Statements of Intent

<p>Part 2 Clause (7) Subclause (1) The Statement of intent for a council-controlled organisation must include the information described in subclause (2)-</p> <p>a) For the group comprising the council-controlled organisation and its subsidiaries (if any); and</p> <p>b) In respect of the financial year to which it relates and each of the immediately following 2 financial years</p>		
<p>Part 2 Clause (7), Subclause (2)</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 non-financial performance targets and other measures by which the performance of the company may be judged in relation to its objectives; and	5
(e)	any additional information that is required to be included in this statement of intent	13
<p>Part 3, Subclause (9) (Additional content of SOI of council-controlled – trading organisations)</p>		
(a)	the major accounting policies of the organisation or group; and	6
(b)	The ratio of consolidated shareholder's funds, and the definitions of those terms and	5
(c)	an estimate of the amount or proportion of accumulated profits and capital reserves that is intended to be distributed to the shareholder; and	7
(d)	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