

## STATEMENT OF INTENT

FOR THE FINANCIAL YEAR ENDING 30 JUNE 2024

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 2024 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, the Mayor and two Marlborough District Council Councilors 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:

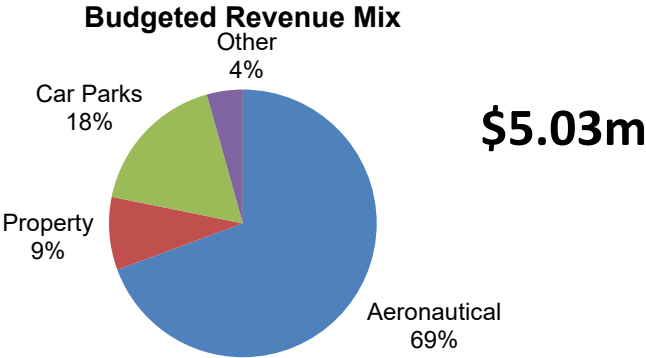
- ensure a safe and healthy environment for workers, visitors and stakeholders;
- be a welcoming gateway for travelers;
- pursue opportunities to increase the value of commercial activities;
- facilitate economic development;
- be financially sustainable.
- Be environmentally sustainable

### 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 2023 budgeted revenue splits are illustrated in the diagram below.



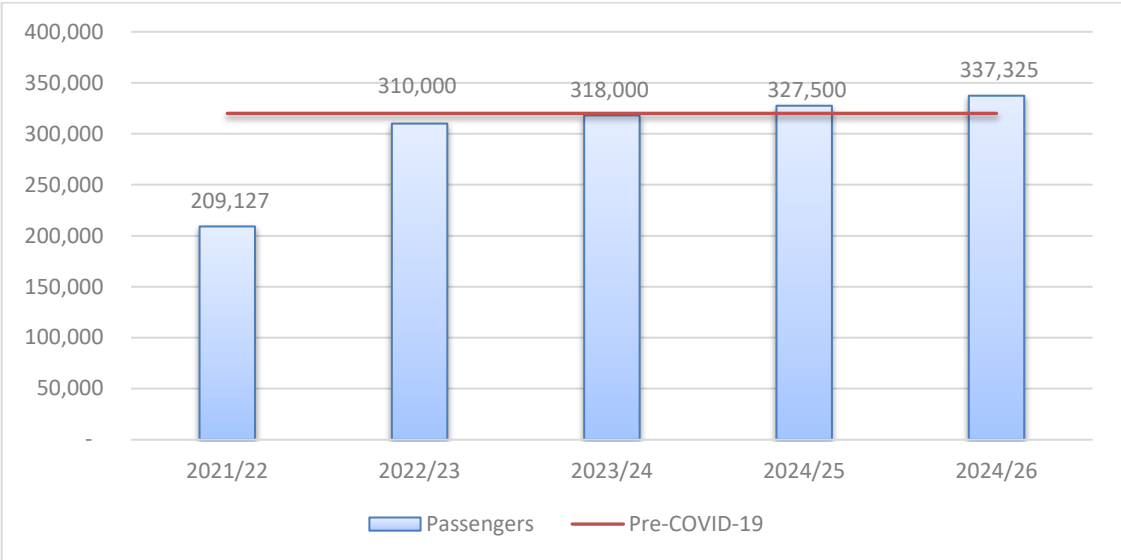
MAL has a licence to operate an airfield owned by the New Zealand Defence Force. This brings with it unique operational and financial challenges when compared to other airports, which tend to operate under an ownership model. Due to the regulated nature of aeronautical charges this constrains the airport’s ability to operate at the requisite levels of financial sustainability in some years. MAL has also 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 developments.

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

**5. Measuring Success**

The Company has developed objectives under the headings People, Planet, Prosperity and Partnerships to improve business performance, encourage growth and ensure a sustainable future for the airport. These objectives are underpinned by a series of activities and performance targets.

Passenger numbers are the key driver of MAL’s prosperity goals, and the graph below sets out forecast passenger numbers against pre-Covid levels. MAL expects passenger numbers to return to growth from 2024 at approximately 3% per annum.



MAL Performance Targets and Measures 2023-24				
Objective	Activity/KPI	2024 Target	2025 Target	2026 Target
<b>People</b>				
Be a welcoming gateway for travellers and ensure a safe and healthy environment for staff and airport tenants.	Passenger numbers.	>318,000 passengers.	>327,500 passengers	>337,325 passengers
	Lost time injuries.	Nil.	Nil.	Nil.
	Safety management system.	Risk Rating <6.5 (maximum of 25)	Risk Rating <6.5 (maximum of 25)	Risk Rating <6.5 (maximum of 25)
<b>Planet</b>				
To engage key partners in MAL's sustainability journey with the goal of understanding key areas of partnering to achieve mutual objectives.	Map and engage key stakeholders to identify shared priorities for sustainability initiatives, including metrics for success.	Completion of a one- to five-year sustainability plan, including long-term sustainability aspirations and aligned metrics.	Sustainability targets for 2025 implemented and reported on.	Sustainability targets for 2026 implemented and reported on.
<b>Prosperity</b>				
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.	<b>NPAT<sup>1</sup></b> > \$90,000 profit <b>EBITDAF<sup>2</sup></b> >\$ 1.05m	<b>NPAT<sup>1</sup></b> < (\$100,000) deficit <b>EBITDAF<sup>2</sup></b> >\$ 1.20m	<b>NPAT<sup>1</sup></b> < \$(50,000) deficit <b>EBITDAF<sup>2</sup></b> >\$ 1.20m
	Maintain a sustainable financial position as set out in the budget.	<b>Cash flow from operations</b> >\$1.5m <b>SH funds/Total assets<sup>3</sup></b> >22% <b>Dividend paid</b> >\$450,000	<b>Cash flow from operations</b> > (\$6.0 m) deficit (Runway Reseal) <b>SH funds/Total assets<sup>3</sup></b> >20% <b>Dividend paid</b> >\$450,000	<b>Cash flow from operations</b> >\$1.8m <b>SH funds/Total assets<sup>3</sup></b> >20% <b>Nil dividend</b> (2025 reseal year)

<b>MAL Performance Targets and Measures 2023-24</b>				
<b>Objective</b>	<b>Activity/KPI</b>	<b>2024 Target</b>	<b>2025 Target</b>	<b>2026 Target</b>
<b>Partnerships</b>				
Work with key Stakeholders to ensure a sustainable future.	Meet with NZDF to re-negotiate the Airfield licence agreement	New licence agreement successfully negotiated and executed.	N/A	N/A

<sup>1</sup> NPAT = Net Profit after Tax. The deficit result is not a target but rather the budgeted result for 2022.

<sup>2</sup> Earnings before interest, taxation, depreciation, amortisation and fair value movements (movements in fair value are not budgeted)

<sup>3</sup> 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.

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

The measurement and reporting of earnings and financial position are under the policies as contained in the 2021-22 Annual Report with updates as required to meet International Financial Reporting Standards. The 2021-22 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**

A recommendation on the level of any dividend, if any, to be paid will be made by Directors each year. Dividends to shareholders will be maximized consistent with consideration of the current and future capital requirements of the company and its debt-to-equity ratio. It is anticipated that distributions will be in the order of 45% of after-tax profit as returned to Inland Revenue.

The Board will make best endeavors to distribute the below level of dividend to the Shareholder.

2024 - \$450,000

2025 - \$450,000

## **8. Projected Borrowings**

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:

2023 - \$5.5m

2024 - \$5.0m

2025 - \$11.0m

2026 - \$11.0m

## **9. Shareholder Equity**

(a) The commercial value of the Shareholder's investment is nominally \$3.8 million based upon shareholders' funds forecast at June 2023 (\$3.6 million 2022 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 20%. 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

#### Marlborough Airport Limited Budget for 2023-24 to 2025-26

#### Income Statement

Year to 30 June:	Notes	Actual	Forecast	Budget		
		2022 \$000	2023 \$000	2024 \$000	2025 \$000	2026 \$000
<b>Income</b>						
Aeronautical Income	1	1,975	3,415	3,493	3,598	3,705
Non Aeronautical Inc - Rental	2	390	417	444	448	453
Non Aeronautical Inc - Parking	3	437	543	880	958	1,015
Non Aeronautical Inc - Misc		124	117	122	125	129
Investment Property Income		44	47	47	47	50
Investment Property FV Gain		45	-	-	-	-
Subvention Payment		-	-	-	1,876	-
Other gains		19	-	-	-	-
Financial Income		22	102	50	45	15
Gain on Swap Valuation		99	-	-	-	-
<b>Total Income</b>		<b>3,155</b>	<b>4,640</b>	<b>5,036</b>	<b>7,097</b>	<b>5,367</b>
<b>Expenses</b>						
<b>Repairs &amp; Maintenance</b>						
Airfield Expenses - R & M Runway Reseal		941	974	1,008	-	533
Airfield Expenses - R & M (all other)		151	245	258	3,114	155
Carpark Exp - R & M		10	20	86	37	39
Terminal Exp - R & M		38	23	74	41	44
Maintenance Contract		67	68	70	73	76
Other - R & M		9	2	2	3	3
<b>Total Repairs &amp; Maintenance</b>	4	<b>1,216</b>	<b>1,333</b>	<b>1,499</b>	<b>3,267</b>	<b>849</b>
<b>Airport operations</b>						
Aeronautical Expense - Operations RFS		550	550	550	550	605
Aeronautical Expense - Operations (all other)		45	48	55	56	58
Non Aeronautical Exp - Operations Licence		429	458	458	755	755
Non Aeronautical Exp - Operations (all other)		530	646	663	670	708
Strategic Planning		-	20	30	12	13
<b>Total Operations</b>	5	<b>1,554</b>	<b>1,722</b>	<b>1,755</b>	<b>2,042</b>	<b>2,138</b>
<b>Other Expenses</b>						
Employment Expenditure	6	374	436	458	480	503
Financing Costs	7	85	161	308	501	528
<b>Total Other Expenses</b>		<b>459</b>	<b>597</b>	<b>766</b>	<b>981</b>	<b>1,031</b>
<b>Depreciation</b>	8	<b>704</b>	<b>731</b>	<b>825</b>	<b>833</b>	<b>830</b>
<b>Total Expenses</b>		<b>3,933</b>	<b>4,382</b>	<b>4,845</b>	<b>7,124</b>	<b>4,849</b>
<b>Net Profit / (Loss) before tax</b>		<b>(778)</b>	<b>258</b>	<b>190</b>	<b>(27)</b>	<b>518</b>
<b>Tax Expense/(Credit)</b>		<b>(223)</b>	<b>96</b>	<b>98</b>	<b>81</b>	<b>566</b>
<b>Net Profit/(Loss) after Income Tax</b>	9	<b>(554)</b>	<b>162</b>	<b>92</b>	<b>(109)</b>	<b>(48)</b>
<b>analysis</b>						
<b>NPAT (excl fair value movements [F])</b>		<b>(699)</b>	<b>162</b>	<b>92</b>	<b>(109)</b>	<b>(48)</b>
<b>EBITDAF</b>		<b>(156)</b>	<b>1,048</b>	<b>1,274</b>	<b>1,262</b>	<b>1,861</b>