

STATEMENT OF INTENT

for the Year Ending 30 June 2020

dunedin
AIRPORT

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1. VISION

CONNECTING OUR PLACE, TO MORE PEOPLE, IN THE BEST WAY, EVERY DAY

2. NATURE AND SCOPE OF ACTIVITIES

- 2.1 The primary activity of the company is to operate a safe and efficient airport utilising sound business principles, for the benefit of both commercial and non-commercial aviation users and in accordance with the terms of its aerodrome certificate issued by the Civil Aviation Authority of New Zealand.
- 2.2 The airport operates under the Airport Authorities Act 1966 which states in Section 4 (3) the Company must be operated as a commercial undertaking.
- 2.3 As well as the provision of appropriate landside facilities for the airport, the company has responsibility for the design, provision and maintenance of runways, taxiways, turnouts and aprons. The company is also responsible for managing assets not currently used for airport activities, but which may be used in the future, e.g., land held for airport expansion and environmental control purposes, and are currently managed via the operation of a dairy farm, a service station and a residential property portfolio.

3. CORPORATE GOVERNANCE STATEMENT

Dunedin International Airport Limited is a Council Controlled Trading Organisation (CCTO). The directors' role is defined in Section 58 of the Local Government Act 2002 (LGA). This section states that all decisions relating to the operation of the CCTO shall be made pursuant to the authority of the directorate of the CCTO and its Statement of Intent (SOI). The Board is responsible for the preparation of the SOI. Under the LGA shareholders (Dunedin City Holdings Limited and Her Majesty the Queen (The Crown), whom each have a 50% shareholding in the company) of a council-controlled organisation may, by resolution, require the board to modify the statement of intent by including or omitting any provision or provisions of the kind referred to in the Schedule 8 of the LGA.

In addition to the obligations of the Local Government Act 2002, Dunedin International Airport Limited is also subject to the requirements of The Companies Act 1993 and is governed by directors in accordance with the law and best practice.

The Board meets on a regular basis to direct and control the company's activities. Directors are appointed by shareholders who are each entitled to appoint two directors.

The Board accepts that it is responsible for the overall control system operating within the company but recognises that no cost-effective internal control system will permanently preclude all errors or irregularities. The control systems reflect the specific risks associated with the business of the company.

The shareholders review the SOI and three-year financial plan. Quarterly, six-monthly and annual reports of financial and operational performance are provided to the shareholders.

4. GOALS, OBJECTIVES AND PERFORMANCE MEASURES

SAFETY & OUR ENVIRONMENT		
Strategic Goals	Actions	Performance Measures
TO MAKE SAFETY & SECURITY OUR FIRST PRIORITY	To work with our staff and stakeholders to maximise safety on site for all staff and visitors.	<ul style="list-style-type: none"> ○ Implement a minimum of 3 health and safety initiatives aimed at promoting incident reporting. ○ Review the Health and Safety Plan and objectives with the Health and Safety Committee each year. ○ Hold a minimum of 4 Board Health and Safety Committee meetings and 2 Board site audits each year. ○ Hold a minimum of 4 airport Health and Safety Committee meetings each year. ○ Report on health and safety management and provide statistical data to the company's monthly board meetings and quarterly Board Health & Safety Committee meetings. ○ Attend our stakeholder's Health and Safety meetings each year. ○ Ensure recurrent safety training for all staff is provided. ○ No Lost Time Injuries are suffered during the Terminal Expansion Project (TXP).
	Maintain our CAA Part 139 operating certificate.	<ul style="list-style-type: none"> ○ Successfully achieve compliance in our annual CAA safety and security audits with no major findings.
	Proactively manage Wildlife Hazards	<ul style="list-style-type: none"> ○ Strike rate in line with Wildlife Hazard Management Plan.
	Maintain food hygiene standards at Momona Garage.	<ul style="list-style-type: none"> ○ Maintain grade 'A' food hygiene certificate.

TO BE ENVIRONMENTALLY RESPONSIBLE	Maintain our obligations on any current resource consents in place.	<ul style="list-style-type: none"> ○ Report as required to the Otago Regional Council each year on bore water consent RM 11.369.01. ○ Report as required to the Otago Regional Council on sewage discharge consent 2004.309. ○ Maintain voluntary annual reporting to the Otago Regional Council on de-icing fluid usage at the airport.
	Maintain high quality dairy farming practices.	<ul style="list-style-type: none"> ○ No 'Critical' findings raised by any Fonterra dairy farm inspections.
	Act as a socially and environmentally responsible corporate citizen.	<ul style="list-style-type: none"> ○ Develop and implement sustainable practices for our waste streams. ○ Having implemented public recycling, increase the diversion rate of waste from landfill to 40%.

FINANCIAL		
Strategic Goals	Actions	Performance Measures
TO OPTIMISE COMMERCIAL RETURN TO OUR SHAREHOLDERS	Achieve increased non-aeronautical revenues from activities compared to the previous year.	<ul style="list-style-type: none"> ○ Increase total passenger related non-aeronautical revenue (Momona Garage and carparking) by a minimum of 2.0%
	Comply with financial covenants and policy.	<ul style="list-style-type: none"> ○ Fulfil lender borrowing facility financial covenants: <ul style="list-style-type: none"> • Equity Ratio (total shareholders' funds / total assets) > 40% • Earnings Ratio (EBITDA / interest expense) > 1.7 ○ Comply with the company's Dividend Policy. ○ Comply with the company's Treasury Policy. ○ Generate a Return on Shareholders' Funds excluding reserves > 7.5% ○ Generate a Return on Shareholders' Capital invested > 25%
	On-going monitoring and refinement of the company's strategic business plan and business risks.	<ul style="list-style-type: none"> ○ Annual update to strategic business plan. ○ Six monthly risk analysis undertaken and reported to the Board.

BUSINESS DEVELOPMENT

Strategic Goals	Actions	Performance Measures
INCREASE PASSENGER NUMBERS	Partner with our airline, airport, region and tourism industry.	<ul style="list-style-type: none"> ○ Initiate a lower south destination proposition with Dunedin Airport as one of the gateways. ○ Invest in a minimum of 4 domestic and 4 international promotional campaigns a year jointly with airlines and / or our industry partners. ○ Increase the number of international passenger movements against the previous year. ○ Increase domestic passenger numbers.
TO DEVELOP & STRENGTHEN OUR PARTNERSHIPS	Implement initiatives to improve the performance of our commercial relationships.	<ul style="list-style-type: none"> ○ Conduct stakeholder engagement surveys once a year with our strategic partners to review the strength of the relationships. ○ Develop and implement marketing plans for: <ul style="list-style-type: none"> ○ The Momona Garage ○ The meeting room facilities, and ○ Our retail partners.

OUR CUSTOMERS

Goals	Objectives	Performance Measures
TO PROVIDE THE BEST CUSTOMER SERVICE EXPERIENCE	Provide a high standard of service to our customers.	<ul style="list-style-type: none"> ○ Produce quarterly reports from our continuous customer satisfaction surveys. ○ Achieve "good" or better across all surveyed areas of customer service.
	Ensure all airside infrastructure maintenance causes no delays to airline operations.	<ul style="list-style-type: none"> ○ No delays to regular scheduled passenger operations are incurred as a result of airside infrastructure.
	Ensure the future of the airport is protected.	<ul style="list-style-type: none"> ○ Ensure any new development is considered in conjunction with the Airport Master Plan and customer service needs. ○ Ensure the TXP is designed to be flexible to accommodate future changing customer experience needs and advances in technology.

OUR PEOPLE

Goals	Objectives	Performance Measures
	To recognise and review staff performance.	<ul style="list-style-type: none"> Each staff member to have a formal Annual Performance Review and Personal Development Plan.
	Ensure that our staff are engaged with the company's Vision, Purpose and Values.	<ul style="list-style-type: none"> Conduct an annual staff engagement survey.

OUR COMMUNITY

Goals	Objectives	Performance Measures
TO CONNECT & ENGAGE WITH OUR PLACE	Provide sponsorship to community events and organisations.	<ul style="list-style-type: none"> Invest 0.25% of prior year operating revenue to sponsorship in line with our sponsorship policy. Not accept sponsorship or give naming rights to companies involved in activities deemed to be inconsistent with Dunedin City Council's ethical positions, i.e. tobacco, armaments, fossil fuel extraction, gambling and pornography.
	Engage with our community and share information.	<ul style="list-style-type: none"> Arrange for Dunedin Airport staff to work within the community once a year. Initiate opportunities to speak to the community, stakeholders and organisations.

SHAREHOLDERS

Goals	Objectives	Performance Measures
TO CONNECT & ENGAGE WITH OUR PLACE	Consult with shareholders on matters to be included in the company's Statement of Intent.	<ul style="list-style-type: none"> Prepare annually the company's Statement of Intent having given consideration to shareholders expectations.
	Consult with shareholders at the earliest possible time on matters where conflict may or could result.	<ul style="list-style-type: none"> Report to and consult with shareholders on matters where the company's and shareholders requirements are in conflict.

	<p>On a “no surprises” basis advise shareholders promptly of any substantive matter that has the potential to impact negatively on shareholders and the company with a particular focus on matters of interest to the media.</p>	<ul style="list-style-type: none"> ○ Report to shareholders within 24 hours substantive matters which have the potential to impact negatively on shareholders and the company with a particular focus on matters of interest to the media.
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5. PERFORMANCE MEASURES

In its Annual Report the company will record its performance relating to the objectives stated in Section 4.

6. FINANCIAL FORECASTS

	<i>ACTUAL</i> 2017/18 \$000's	<i>Forecast</i> 2018/19 \$000's	<i>Budget</i> 2019/20 \$000's	<i>Budget</i> 2020/21 \$000's	<i>Budget</i> 2021/22 \$000's	<i>Budget</i> 2022/23 \$000's	<i>Budget</i> 2023/24 \$000's
EBITDA	8,187	8,015	8,173	8,822	9,777	10,172	10,596
Net Profit after Tax	3,275	3,257	2,792	2,745	3,429	3,679	4,134
Shareholders' Funds (average)	60,670	62,681	64,272	65,633	66,987	68,409	69,971
Cash Flow from Operations	5,778	7,141	5,582	7,341	7,643	8,119	8,659
Capital Expenditure	3,468	10,811	14,569	2,590	1,310	2,975	525
Term Loans	8,000	13,250	20,400	18,150	15,250	10,750	7,500
Dividend Paid	1,408	1,408	1,408	1,408	2,058	2,207	2,481
Equity Ratio	68.43%	67.82%	61.96%	63.95%	67.06%	69.39%	73.85%

The projections provided have been prepared using the best information available at the time of preparation.

7. DIVIDEND POLICY

- 7.1 The company's dividend policy is to pay 60% of the operating surplus after tax. The actual level of dividend will be determined by the directors each year in light of the circumstances that then exist.

Any final dividend will be paid by 30 November. In arriving at a dividend recommendation, directors will take into account:

- (a) The company's financial performance and in particular the cash flows generated by the company from operations.
- (b) The ratio of the company's Shareholders funds to the assets.
- (c) The company's investment proposals and profitability thereof.
- (d) Private corporate sector dividend payments in relation to earnings, net worth and financial structures.
- (e) The company's ability to raise loans and the terms thereof.
- (f) The company's capital expenditure programme.
- (g) The current cost of borrowings to the company.
- (h) The risks associated with the uncertainty of airline schedules in the short and medium term.
- (i) The Debt/Equity ratio

8. REPORTING TO SHAREHOLDERS

- 8.1 Annually – December, a draft Statement of Intent.
Annually – 30 June, a finalised Statement of Intent agreed by the shareholders.
- 8.2 Within six weeks after the end of the first half of each financial year, the Directors will deliver an unaudited half-yearly report to its shareholders consisting of:
- (i) Director's Report;
 - (ii) Statement of Financial Position;
 - (iii) Statement of Comprehensive Income & Statement of Movements in Equity;
 - (iv) Statement of Cash flows;
 - (v) Notes to the Financial Statements.

8.3 The Directors will deliver to the shareholders an annual report and audited financial statements, which will consist of no less than:

- (i) A Director's Report including -
 - o a review of operations,
 - o a comparison of actual performance with targeted performance recommendation in respect of dividend (if any);
- (ii) Statement of Financial Position;
- (iii) Statement of Comprehensive Income & Statement of Movements in Equity;
- (iv) Statement of Cash flows;
- (v) Notes to the financial statements;
- (vi) Auditor's Report.

Sections (ii) through (v) be provided within eight weeks and Sections (i) and (vi) within ten weeks after the end of each financial year.

8.4 Within 30 days of the end of each quarter the directors will deliver to the shareholders a report consisting of:

- (i) Financial review detailing actual performance against budget for revenue, expenditure and taxation. This will include a Statement of Comprehensive Income, a Statement of Financial Position and a Statement of Cash Flows.
- (ii) Aircraft and passenger activity.
- (iii) Commentary on any matters relating to the performance of the company.

8.5 Working with the Shareholder

The company will undertake to keep the shareholder informed of all substantive matters, as set out in the performance targets above. The Company will work to build a culture of accountability and constructive working practices between the shareholder and/or its subsidiaries, and the Company. It is expected that any conflicts that may arise between the shareholder and/or its subsidiaries, and the Company will be resolved directly between the shareholder the Company, in accordance with appropriate governance practices.

9. ACCOUNTING POLICIES

9.1 GENERAL ACCOUNTING POLICIES

The accounting policies recognised by the External Reporting Board ('XRB') for the measurement and reporting of financial performance, and financial position, will be adopted by Dunedin International Airport Limited.

9.2 ACCOUNTING POLICIES

The accounting policies which materially affect the measurement and reporting of financial performance and financial position have been applied on a basis consistent with those used in previous years.

The accounting policies are listed in full in the annual report of the company and on the company website; www.dunedinairport.co.nz

10. ACQUISITION OF SHARES IN ANY COMPANY OR ORGANISATION

The Company will only invest in the shares of another company or invest in an entity if the investment is considered to be likely to produce added value to the Company. In order to maximise benefit to the Shareholder, shares or assets may also be sold in response to, or in anticipation of, on-going changes in the marketplace.

If the Directors intend that if the Company should propose entering into a major transaction, the Company will obtain prior approval of the Shareholder through special resolution, or the transaction must be contingent on a special resolution of Shareholders.

11. TRANSACTIONS WITH RELATED PARTIES

The shareholders of Dunedin International Airport Limited are Dunedin City Holdings Limited and the Crown - each holding 50%.

DUNEDIN CITY COUNCIL

The Dunedin City Council is the sole shareholder in Dunedin City Holdings Limited.

Charges from Dunedin City Council and its other companies and charges to Dunedin City Council and its other companies will be made for services provided as part of the normal trading activities of Dunedin International Airport Limited.

Related Party	Transaction Type
Dunedin City Council	Rates & Licences
Delta Limited	Maintenance Contracts
Dunedin Venues Management Limited	Corporate Membership
Dunedin City Treasury Limited	Specific Treasury Services

12. COMMERCIAL VALUE OF SHAREHOLDERS INVESTMENT IN THE AIRPORT COMPANY

The commercial value of the Shareholder's investment in the Company is considered by the Directors to be not less than that Shareholder's funds as disclosed in the Statement of Financial Position published in the last Annual Report.