



dunedin

AIRPORT

STATEMENT OF INTENT

for the Year Ending 30 June 2017

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1. VISION

More people, flying more often, to and from more places.

2. NATURE AND SCOPE OF ACTIVITIES

- 2.1 The primary activity of the company is to operate an efficient and safe 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 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.

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. 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 which requires approval from the company's shareholders: Dunedin City Holdings Limited and Her Majesty the Queen (The Crown). 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 and approve 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 & COMPLIANCE		
Goals	Objectives	Performance Measures
To make safety our first priority and provide a safe and inclusive airport environment.	To work with our staff and stakeholders to maximise safety on site for all staff and visitors.	<ul style="list-style-type: none"> ○ Hold a minimum of 2 airport Health and Safety Committee meetings each year. ○ Review the Health and Safety Plan with the Health and Safety Committee each year. ○ Review health and safety objectives with the Health and Safety Committee each year. ○ Attend a minimum of 2 of our stakeholder's Health and Safety meetings each year. ○ Report on health and safety management and provide statistical data to the company's monthly board meetings.
Ensure the Company meets all of its safety, security and environmental obligations.	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. ○ Conduct an annual internal audit of our CAA safety and security systems.
	Proactively manage Wildlife Hazards	<ul style="list-style-type: none"> ○ Strike rate of less than 5 per 10,000 aircraft movements. ○ Near-miss strike rate of less than 10 per 10,000 aircraft movements.
	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.
	Maintain food hygiene standards at Momona Garage.	<ul style="list-style-type: none"> ○ Maintain grade 'A' food hygiene certificate.

FINANCIAL

Goals	Objectives	Performance Measures
Grow the company's revenues from its trading activities.	Achieve increased revenues from non-aeronautical activities compared to the previous year.	<ul style="list-style-type: none"> ○ Increase total non-aeronautical revenue by a minimum of 1.5%
Maintain the company's economic sustainability through the mitigation of business risk.	On-going monitoring and refinement of the company's risk strategy.	<ul style="list-style-type: none"> ○ Monthly financial report to the Board. ○ Quarterly detailed cost centre reports to the Board. ○ Quarterly financial statements, cash flows and aircraft and passenger activity to the Board and Shareholders. ○ Six monthly risk analysis undertaken and reported to the Board.

MARKETING & BUSINESS DEVELOPMENT		
Goals	Objectives	Performance Measures
Increase passenger numbers through the airport.	Partner with our airline, airport, City and tourism industry.	<ul style="list-style-type: none"> ○ Foster productive relationships with our airlines, City and industry partners through a minimum of 5 meetings per year. ○ Invest in strategic route development opportunities. ○ Invest in a minimum of 2 promotional campaigns a year jointly with airlines and our industry partners.
Develop strategies and initiatives to grow trading activities.	Implement initiatives to improve the performance of non-aeronautical activities.	<ul style="list-style-type: none"> ○ Foster productive relationships with our major business partners to identify potential opportunities through facilitating a minimum of 5 meetings with each major partner per year. ○ Develop and maintain productive relationships with our non-aeronautical business partners and identify opportunities to implement initiative's to improve business performance.
CUSTOMER SERVICE		
Goals	Objectives	Performance Measures
Provide outstanding customer service to our valued customers.	Provide high standards of service to our customers and recognise the role the airport plays in connecting our customers to the Dunedin experience.	<ul style="list-style-type: none"> ○ Carry out and analyse a minimum of two customer satisfaction surveys per annum. ○ Achieve an average rating of "good" across all areas of customer service.

INFRASTRUCTURE

Goals	Objectives	Performance Measures
Provide and efficiently maintain infrastructure to meet the needs of our customers.	Ensure all airside infrastructure maintenance causes no delays to airline operations.	<ul style="list-style-type: none"> No delays to regular scheduled passenger operations.
	Ensure the future of the airport is protected.	<ul style="list-style-type: none"> Promote the airports needs for inclusion in the Second Generation District Plan.

HUMAN RESOURCES

Goals	Objectives	Performance Measures
To retain and value our employees.	To provide relevant training to our staff.	<ul style="list-style-type: none"> Ensure recurrent safety training for all staff is provided. Invest a minimum of 0.1% of revenue to staff training.
	To recognise and review staff performance.	<ul style="list-style-type: none"> Each staff member to have a formal annual performance review.
	Ensure that our staff are fully engaged with the company's Vision, Purpose and Values.	<ul style="list-style-type: none"> Conduct an annual staff engagement survey.

CORPORATE SOCIAL RESPONSIBILITY		
Goals	Objectives	Performance Measures
Be recognised as a positive contributor to our community.	Provide sponsorship to community events and organisations.	<ul style="list-style-type: none"> Invest 0.25% of revenue to sponsorship.
	Engage with our community and share information.	<ul style="list-style-type: none"> Conduct a minimum of 10 school or community group visits per year. Initiate opportunities to speak to the community, stakeholders and organisations.
	Act as a socially and environmentally responsible corporate citizen.	<ul style="list-style-type: none"> Develop and implement sustainable practices for our waste streams.
	Use NZ manufactured and/or supplied goods where possible.	<ul style="list-style-type: none"> In accordance with the Procurement Policy, NZ manufactured or supplied goods will be used wherever possible.

SHAREHOLDERS

Goals	Objectives	Performance Measures
Engage with shareholders annually on opportunities for the company to contribute, or assist where possible, with Council's community outcomes (as listed in the annual plan) and the Ministers' expectations.	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.
Bring to the attention of the shareholders any strategic or operations matters where there may be conflict between the Council's community outcomes and/or the Ministers expectations and those of the company and seek the shareholder's view on these.	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.
Keep the shareholders informed of all substantive matters.	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.	<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.

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>Forecast</i> 2015/16 \$000's	<i>Forecast</i> 2016/17 \$000's	<i>Forecast</i> 2017/18 \$000's	<i>Forecast</i> 2018/19 \$000's	<i>Forecast</i> 2019/20 \$000's
EBITDA	6,838	5,995	6,036	6,466	6,595
Net Profit after Tax	2,294	1,564	1,487	1,589	1,769
Shareholders' Funds (average)	46,487	46,883	47,001	47,131	47,402
Cash Flow from Operations	4,039	4,981	4,605	4,694	4,802
Capital Expenditure	501	4,709	5,233	5,355	5,880
Term Loans	10,100	11,075	13,125	15,225	17,725
Dividend Paid	1,408	1,408	1,408	1,408	1,408
Equity Ratio	66.3	65.3	63.9	62.6	60.9

The forecasts above have been prepared using a number of realistic assumptions about the future, and relate to events and actions which have not yet occurred and may not occur.

In deriving these projections judgement has been applied to the uncertain future commercial environment in which the company operates.

7. DIVIDEND POLICY

- 7.1 The company expects to maintain an annual dividend of \$1.41m each year, which is in excess of the company's policy of 60% of the operating surplus after taxation. 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.

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) Statements of Financial Performance & 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 Financial Performance & 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 Financial Performance, 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.

9. ACCOUNTING POLICIES

9.1 GENERAL ACCOUNTING POLICIES

The accounting policies recognised by the New Zealand Institute of Chartered Accountants for the measurement and reporting of financial performance, and financial position, will be adopted by Dunedin International Airport Limited.

9.2 PARTICULAR ACCOUNTING POLICIES

The particular accounting policies as at 30 June 2015 which materially affects the measurement and reporting of financial performance and financial position has 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.flydunedin.com

10. ACQUISITION OF SHARES IN ANY COMPANY OR ORGANISATION

Dunedin International Airport Limited will only invest in the shares of another company or organisation, if the shares are considered to be likely to produce added value to the business of the company.

If the Directors intend that the company should subscribe for or otherwise acquire (whether over a period of time or at the same time) issued capital of any company or organisation, they will obtain the prior approval of the 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 City Treasury Limited	Specific Treasury Services

12. COMMERCIAL VALUE OF SHAREHOLDERS INVESTMENT IN THE AIRPORT COMPANY

Given the company's satisfactory financial performance and having regard to the average price earnings ratios which apply to public listed companies, the Directors believe the commercial value of the shareholders investment in the company would be in line with the quantum of shareholders funds as per the annual accounts.