



INVERCARGILL
AIRPORT

STATEMENT OF INTENT
FINANCIAL YEAR END
30 JUNE 2023

1. INTRODUCTION

This statement is presented by the Directors pursuant to the requirements of the Local Government Act and sets out the Board's overall intentions for the Company for the financial year ending 30 June 2023 and the two succeeding financial years.

The Company is very focused on managing a strategic framework designed to develop both our aeronautical and non-aeronautical business.

Over the last 2 years COVID 19, and its variants, have had a significant impact on travel, aviation and airports. The world is now living with COVID, and we are seeing borders reopening, people starting to travel again and more certainty coming back into aviation. Aviation is starting that journey back and, whilst the recovery is looking positive for Invercargill Airport, it is expected to take some time before travel confidence is back to pre-COVID levels. Whilst COVID 19 remains in the community it will continue to impact people's ability and decisions to travel and we will monitor closely the impacts this may have on the budgets we have set in the Statement of Intent.

2. VISION AND PURPOSE

The Company's Vision is:

To be New Zealand's leading full service regional airport with a thriving airport community connecting Southland to the world.

The Company's Purpose is:

Invercargill Airport will provide an aerodrome that delivers a safe aviation operation, utilise our assets to grow the business and provide excellent customer service from the front gate to the aircraft.

3. CORE BUSINESS

- 3.1. IAL is an airport authority that provides core assets and services to facilitate air traffic and the travelling public safely and efficiently into and out of Invercargill airport.

4. GOVERNANCE

- 4.1. The Board of Directors is appointed by Invercargill City Holdings Limited. The Board oversees the governance of the Company and acts in accordance with the constitution to ensure it is safe, sustainable and compliant.
- 4.2. The Board holds regular meetings to direct and control the Company's activities, at which, management's operational and financial reports are received and discussed.
- 4.3. The Board provides the SOI and business plan to shareholders for review. Six-monthly and annual reports of financial performance are provided to the shareholders.

5. THE NATURE AND SCOPE OF ACTIVITIES

- 5.1. The primary activity of the Company is to operate a safe and efficient airport, based on sound business principles for the benefit of the community, the shareholders and the users of the airport. Invercargill Airport is a certified aerodrome under the Civil Aviation Rule Part 139. It is authorised by the Civil Aviation Authority to operate as an airport in accordance with an approved Exposition. The current Aerodrome Operators Certificate expires on 31 October 2023.

- 5.2. The Company has responsibility for the proper design, maintenance and management of assets and infrastructure such as runways, taxiways, aprons, buildings, parking and roads.
- 5.3. The Company has the primary duty of care to take all “reasonably practicable” steps to ensure the health and safety of its employees, contractors, customers and the public on its premises and in the use of its assets.
- 5.4. The Company is also responsible for managing assets and airspace not currently used for airport activities, but which may be used in the future, e.g., land held for airport expansion and protection purposes.
- 5.5. The Company is committed to a sustainable future and believes that sustainability is critical to the success of the Airport. Sustainability will be considered in all of our social, environmental and economic decisions.
- 5.6. The Company is considering commercial opportunities to provide operational and management support to smaller airports in the Southern region.

6. GOALS AND OBJECTIVES

6.1. Health, Safety and Risk Management

IAL will manage the airside and landside operations to achieve a zero-harm workplace.

The Company will:

- Operate a CAA compliant Safety Management System
- Understand and manage the risks COVID brings to the business to minimise the possible impacts on our people and our ability to do our work safely
- Promote health, safety and wellness through regular discussions with the whole team
- Identify critical risks and develop mitigation plans to reduce them
- Regularly review operations to ensure policies and procedures comply with all relevant regulations
- Minimise whole of business risk by building robust mitigation plans focused on reducing critical risks first
- Provide airport security at the levels required in the legislation.

6.2. Financial

IAL is a strategically valuable asset of Invercargill City Holdings Limited and the Invercargill City delivering a range of benefits to the city and the region. Whilst we are a strategic infrastructure asset of regional significance, the Company is focused on delivering commercial returns across our entire business.

The Company will:

- Work with airline customers to grow passenger opportunities into and out of Southland
- Develop business master plans to achieve long term economic sustainability
- Implement appropriate airport user pricing structures

- Establish commercial rental agreements for IAL's property portfolio to maximise future returns
- Continue to increase non-aeronautical revenue as a percentage of the total revenue
- Actively work with partners to diversify the business base of the airport.

6.3. Infrastructure

IAL will provide safe and fit for purpose infrastructure.

The Company will:

- Maintain certification pursuant to Civil Aviation Rule Part 139 and maintain the infrastructure required to be compliant with the rule
- Develop robust asset management and life cycle plans to maintain the infrastructure and plan for renewals where required
- Annually review all insurance covers to ensure its risk is minimised
- Supply the security and operational facilities required to support current and future aviation operations from the Airport.

6.4. Human Resources

IAL is a great place to work.

The Company will:

- Ensure that all employees have the right skills, training and capability to be able to do their work confidently
- Recognise and review staff performance
- Have robust succession plans in place that ensure the airport meets its regulatory and business requirements
- Promote the Company values as "the way we work around here".

6.5. Corporate Social Responsibility

IAL positively contributes to the community in which we live.

The Company will:

- Provide a safe, secure and reliable airport facility in compliance with the requirements of the Civil Aviation Authority
- Develop a sustainability strategy and plan that embeds sustainability in everything we do
- Deliver on our environmental obligations including developing and implementing sustainable practices for our waste streams
- Encourage Southlanders to be advocates for the airport by growing their understanding of the benefits we provide and our strategic importance to the region

- Ensure the airport's future is protected by engaging with, and educating, local authorities on the needs and benefits of an airport close to the city.

6.6. Our Customers

IAL will provide excellent customer service to all users of the airport.

The Company will:

- Conduct regular airport user group meetings and/or surveys, which include a focus on the needs of the airport users, other stakeholders and visitors
- Focus on providing an excellent experience for every customer and user of the airport
- Provide landside and airside facilities that meet the needs of the customers.

7. PERFORMANCE TARGETS

Non-Financial

Safety	Zero lost time injuries for staff The Business Continuity Plan is reviewed, updated and implemented Priority 1 (P1) safety and health actions are completed within the agreed time periods
Environmental	No notifiable environmental incidents on airport managed property
Operations	Retain Aerodrome Operator Certification via assessment from the Civil Aviation Authority
Infrastructure	No significant disruption to airport operations due to infrastructure failure
Sustainability	The ACERT Level 1 accreditation is completed

Financial

	Budget 2023 \$	Budget 2024 \$	Budget 2025 \$
Net Profit Before Tax (NPBT)	1,217	2,178	2,666
Interest (Net)	131	221	399
Net Profit Before Interest and Taxation	1,348	2,398	3,064
Total Assets	28,539	32,132	39,318
EBIT%	4.72%	7.46%	7.79%

	Budget 2023 \$	Budget 2024 \$	Budget 2025 \$
Total Equity	23,811	25,379	27,298
Total Assets	28,539	32,132	39,318
Total Equity/Total Assets	83.43%	78.98%	69.43%

	Budget 2023	Budget 2024	Budget 2025
Passenger Numbers	356,281	398,155	426,134

Notes:

- *Total assets are defined as the sum of all current, fixed and investment assets of the group.*
- *For the purpose of this ratio equity is defined as the paid-up capital plus any retained tax paid profits. They include undistributed profits which have been accumulated in accounts known as either "Revenue Reserves" or "Capital Reserves" and shareholders' advances.*
- *The ratios are exclusive of any adjustment for the revaluation of investment property.*
- *The Company has budgeted cash reserves to ensure it can continue to operate for at least 2 months in the event of any disruptions to aviation operations in the future.*

8. CAPITAL AND MAJOR OPERATIONAL EXPENDITURE

As a future focused strategic infrastructure asset, we have developed a capital and major operating plan with a 25-year horizon. A 10-year Asset Management Plan (Capital and Major Maintenance) covering our aeronautical assets has also been prepared utilising industry experts. Individual asset management plans are being developed for the non-aeronautical assets to ensure that the investment is on a planned basis, has sound commercial focus and that maintenance programmes are proactive rather than reactive.

The major initiatives for the next three years include:

- Resurfacing of the airside sealed surfaces
- New fire appliances and fire station to support emergency response
- Jet service supporting infrastructure including upgrading security arrangements
- Non-aeronautical asset development and growth
- Infrastructure upgrades and renewals
- Terminal upgrades to support passenger and service growth

9. INFORMATION TO BE REPORTED

The following information will be available to shareholders based on an annual balance date of 30 June.

Draft Statement of Intent

On or before 1 March each year, the Directors will deliver to the shareholders a Draft Statement of Intent that fulfils the requirements of Section 64 of the Local Government Act 2002.

Completed Statement of Intent

On or before 30 June each year the Directors shall deliver to the shareholders a completed Statement of Intent which fulfils the requirements of Section 64 of the Local Government Act 2002.

Half Yearly Report

Within two months after the end of the first half of each financial year, the Directors shall deliver to the shareholders an unaudited report (with comparative figures from the previous half yearly report) containing the following information as a minimum in respect of the half-year under review:

- (a) A statement of comprehensive income disclosing actual revenue and expenditure.
- (b) A statement of financial position at the end of the half year.
- (c) A statement of movements in equity.
- (d) A statement of cash flows.
- (e) A commentary on the results for the first six months together with a report on the outlook for the second six months with reference to any significant factors that are likely to have an effect on IAL's performance, including an estimate of the financial result for the year based on that outlook.

Annual Report

Within three months after the end of each financial year, the Directors shall deliver to the shareholders an annual report and audited financial statements in respect of that financial year, containing the following information as a minimum, including comparative figures:

- (a) A Directors' report including a summary of the financial results, a review of operations, a comparison of performance in relation to objectives and any recommendation as to dividend.
- (b) A statement of comprehensive income disclosing actual revenue and expenditure.
- (c) A statement of financial position at the end of the year.
- (d) A statement of movements in equity.
- (e) A statement of cash flows.
- (f) An Auditor's report on the above statements and on the measurement of performance in relation to objectives.

PROPOSED DISTRIBUTIONS

The directors are working on the understanding that the Company will not be required to distribute dividends over the next three-year period. This is because any surplus generated by IAL will first be applied to asset renewals and expansion.

ACQUISITION PROCEDURES

The undertaking by Invercargill Airport Limited of any activity of a nature or scope not provided for in this Statement of Intent would be subject to the prior approval of the Invercargill Airport Limited shareholders.

The Company will not establish any new Company or other organisation or acquire shares, equity, voting interests or memberships of any Company or organisation without the Directors having gained prior approval of the shareholders.

SHAREHOLDER'S INVESTMENT

The Directors estimate that the commercial value of the shareholders' investment in Invercargill Airport Limited as of 1 July is represented by the opening balance of shareholder's funds.

STATEMENT OF ACCOUNTING POLICIES

Invercargill Airport Limited's accounting policies are consistent with the accounting policies recognised by the External Reporting Board ('XRB').

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 in our most recent annual report.