

**Dunedin International Airport Limited**  
**Statement of Intent**  
**For the Year Ending 30 June 2012**

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## 1.0 Vision

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

## 2.0 Nature and Scope of Activities

- 2.1 The primary activity of the company is to operate the airport efficiently and on sound business principles for the benefit of both commercial and non-commercial aviation users and in accordance with the terms of its aerodrome certificate which defines standards and conditions laid down 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.

## 3.0 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 (SI). The Board is responsible for the preparation of the SI 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.

## 4.0 Goals and Objectives

### 4.1 Financial

- Increase the company's revenues and earnings.
  - *Increase non aeronautical revenue by:*
    - *Increasing car park revenue and earnings.*
    - *Increasing revenue from the conference facilities.*
    - *Partnering with our retail concessionaires to increase their revenue.*
    - *Aiming to achieve 180,000 kilograms of milk solids from dairy farm operations.*
  - *Increase aeronautical revenue by:*
    - *Partnering with our existing airline customers to increase passenger volume.*
    - *Partnering with our airline customers to introduce new services.*
    - *Partnering with potential airlines to introduce new services.*
- Improve the company's equity ratio.
  - *Reducing long term bank debt.*
- Maintain the company's economic sustainability through the mitigation of business risk.
  - *Ongoing implementation of the company's risk strategy.*

### 4.2 Marketing and Business Development

- Increase air transport activity through Dunedin Airport.
  - *Implement the company's Business Development plan to increase business at Dunedin Airport.*
  - *Partner with our existing and potential airline customers to encourage new route development, increased capacity and new services.*
  - *Assess and analyse what differentiates Dunedin from other southern airports and use the findings to strengthen Dunedin's position in the market.*
- Support regional economic activity which has strategic alignment with the company.
  - *Partner with organisations which have strategic alignment with the company's objectives.*
- Coordinate promotional and marketing activities with Corporate Social Responsibility initiatives whenever possible.

### 4.3 Customer Service

- Provide friendly and efficient customer service with a smile to all our airport passengers and visitors.
  - *All Customer Service Staff will be provided with recognised customer service training.*

- *Set up and carry out a Customer Service Survey within the terminal building to monitor customer satisfaction and measure service performance.*
  - *Monitor and assess customer feedback to ensure that our business is responsive to our customers needs.*
- Foster and maintain proactive engagements and communication with our business partners and stakeholders.
- *Implement the Airport Communication Strategy to foster and maintain communication with our business partners and stakeholders.*

#### 4.4 Infrastructure

- Provide, maintain and plan appropriate infrastructure that meets the needs of our customers.
- *Maintain the airports CAA Operating Certificate by delivering our aeronautical services and infrastructure in accordance with our standards and procedures detailed in the Compliance manual.*
  - *Ensure Building Warrant of Fitnesses are maintained in order to meet our obligations under Section 108 of the Building Act 2004.*
  - *Meet our Resource Consent conditions for Effluent Discharge and Bore Water.*
  - *No time delays to any commercial scheduled airline operations due to maintenance of airside infrastructure.*

#### 4.5 Human Resources

- Maintain Management Practices that ensure the company meets its Health and Safety obligations.
- *Complete an annual review of the Health and Safety plan with management and staff input.*
  - *Target zero days lost due to work related accidents.*
  - *Hold a minimum of ten staff meetings.*
- Act as a good employer by providing equal employment opportunities, good and safe working conditions and opportunities for individual career development for all employees.
- *Provide relevant training opportunities to ensure staff are fully engaged and competent in their positions.*

#### 4.6 Corporate Social Responsibility

- Be recognised as a positive contributor to the community and where appropriate provide support in areas such as education, the arts, cultural, and sporting activities.
- *Continue with sponsorship of the Otago Art Society Spring Awards.*
  - *Continue with sponsorship of the Southern Sinfonia.*
  - *Undertake further discretionary sponsorship in line with the goals of Corporate Social Responsibility.*
  - *Host a minimum of ten school / community visits.*

- Act as an environmentally aware and responsible corporate citizen through the introduction over time of sustainable environmental management and operational principles.
  - *Continue to monitor and report to the Otago Regional Council on aircraft de-icer product usage.*
  - *Recycle cardboard waste generated at the airport.*
  - *Continue to operate the airport worm farm to recycle sludge from the airport sewage treatment plant.*
  
- Use Otago manufactured and/or supplied goods and services subject to price, quality and other strategic considerations being met.

## 5.0 Performance Measures

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

### **Financial Forecasts:**

The forecasts provided in **Sections 7, 8 and 9** 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.

## 6.0 Financial Forecast

	<b>Forecast 2010/11 \$000's</b>	<b>Budget 2011/12 \$000's</b>	<b>Forecast 2012/13 \$000's</b>	<b>Forecast 2013/14 \$000's</b>
Operating Surplus / (Deficit) before taxation	86	(267)	(617)	293
Operating Surplus / (Deficit) after taxation	60	(192)	(444)	211
Shareholders Funds (average)	26,418	26,838	26,124	25,611

The capital investment for the redevelopment is funded by external borrowings and internally generated cash flow.

## 7.0 Ratio of Shareholders Funds to Total Assets

<b>Forecast Year Ending 30 June 2011</b>	<b>Budget Year Ending 30 June 2012</b>	<b>Forecast Year Ending 30 June 2013</b>	<b>Forecast Year Ending 30 June 2014</b>
49.3%	49.3%	49.2%	50.6%

## 8.0 Dividend Policy

8.1 The company expects to pay as a minimum an annual dividend of approximately 60% of the operating surplus after taxation. The actual level of dividend to be determined by the directors each year in light of the circumstances that then exist.

Any final dividend will be paid by 30 November of each year and an interim dividend by 28 February. In arriving at a dividend recommendation, directors will take into account:

- (a) The company's financial performance.
- (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 program.
- (g) The current cost of borrowings to the company.

8.2 However the company has decided to pay a minimum dividend of 4.5c per share over the forecast period.

<b>Forecast Year Ending 30 June 2011</b>	<b>Budget Year Ending 30 June 2012</b>	<b>Forecast Year Ending 30 June 2013</b>	<b>Forecast Year Ending 30 June 2014</b>
264,000	396,000	396,000	396,000

## 9.0 Reporting to Shareholders

9.1 The annual balance date for the company is 30 June. By that date, or by an earlier date agreed to with the shareholders, the company will deliver a draft Statement of Intent for the next year, including financial forecasts for the following two years.

9.2 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.

9.3 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 -
  - a review of operations,
  - 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.

9.4 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.
- (ii) Aircraft and passenger activity.
- (iii) Commentary on any matters relating to the performance of the company.

## **10.0 Accounting Policies**

### **10.1 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.

### **10.2 Particular Accounting Policies**

The particular accounting policies as at 30 June 2010 which materially affect 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](http://www.flydunedin.com).

## 11.0 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.

## 12.0 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

## 13.0 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.

## 14.0 Use of Otago and New Zealand Manufactured Goods and Services

Dunedin International Airport Limited will endeavour to use Otago and New Zealand manufactured goods and services subject to price, quality and other strategic considerations being met.