



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 prepared in accordance with Section 64(1) of the Local Government Act 2002.

The SOI specifies for the Parent, MDC Holdings Limited (MDCH), and its subsidiaries the objectives, the nature and scope of the activities to be undertaken and the performance targets and other measures by which the performance of the Group may be judged in relation to its objectives, amongst other requirements.

The process of negotiation and determination of an acceptable SOI is a public and legally required expression of the accountability relationship between the company and its shareholder, the Marlborough District Council (Council).

The SOI is reviewed annually with the Council and covers a three year period.

MDCH is a Council Controlled Trading Organisation which has been established by the Council to act as a holding company for its main trading enterprises. MDCH is 100% owned by Council.

Port Marlborough New Zealand Limited (PML) and Marlborough Airport Limited (MAL) are wholly owned subsidiaries of MDCH. Separate Statement of Corporate Intent (SCI) / SOI are completed by these companies for consideration and approval by MDCH.

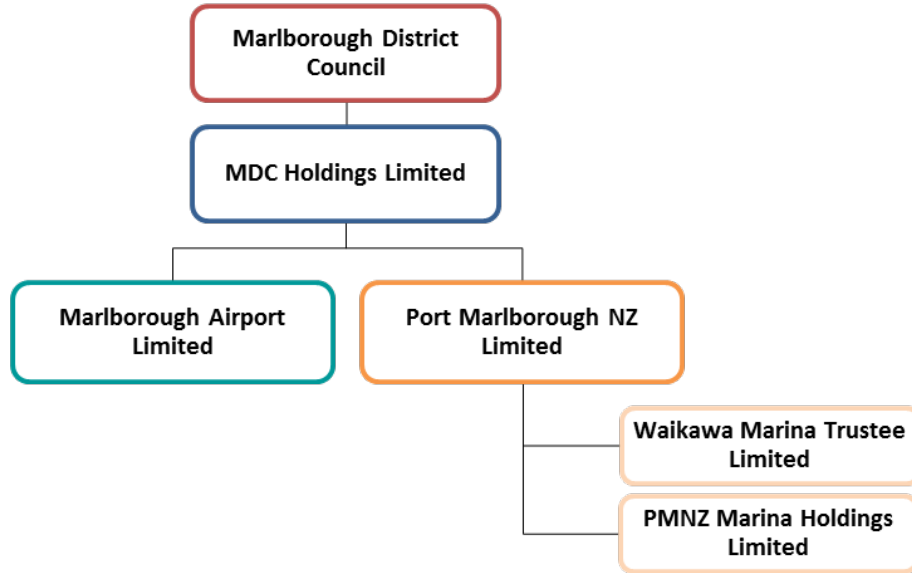
2. MDCH has the following objectives

- (a) to operate as a successful holding company, in both a financial and commercial sense;
- (b) to provide the means for bringing the main trading enterprises of the Council together into one structure;
- (c) to encourage and facilitate subsidiary companies to increase shareholder value;
- (d) to separate the commercial trading activities of the Council from the other functions carried out by the Council;
- (e) to provide an anticipated cashflow to the Council from its trading enterprises, by means of a regular stream of dividend income;
- (f) to obtain commercial borrowing facilities at the most attractive rates attainable;
- (g) to monitor the performance of each subsidiary company against the objectives and performance measures contained in their SOI/SCI and other benchmarks;
- (h) to provide a forum to Council advising on strategic issues relating to its trading investments including, but not limited to, ownership structures, capital structures, rates of return, joint venture opportunities; and

- (i) to own and oversee the operation of MAL for the dual objectives of promoting sustainable regional and economic development as well as maximizing the return on assets employed. In order to balance these objectives, MDCH may accept a lower return or slower return to profitability.

3. Nature and scope of the activities to be undertaken

The MDCH Group structure is summarized below:



MDCH will undertake the following activities:

- Obtain financing for its subsidiaries and Parent at the most attractive commercial rates available. MDCH currently has Bancorp as its principal debt management advisor;
- Consider and approve the SOI/SCI of its subsidiaries and negotiate its own SOI with Council;
- Monitor the financial and commercial performance of its subsidiaries against the targets contained in their SOIs and other industry benchmarks;
- Monitor the adequacy of governance arrangements in subsidiaries;
- Encourage open discussion and dialogue with the representatives of its subsidiaries;
- Provide commercial advice to Council and manage its commercial activities on request;
- Recommend and manage the appointment of new Directors to the Boards of its subsidiary companies.

4. Performance targets

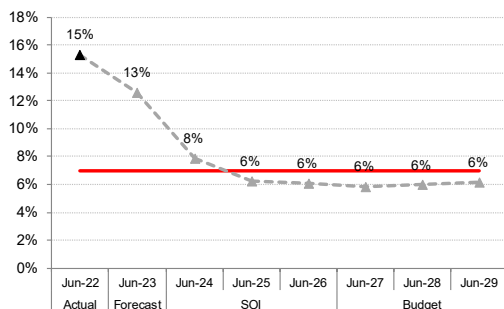
4.1 MDCH performance targets for 2023-24 are as follows:

Activity	Key performance indicators and targets
Funding	<p>(a) Adequate and cost effective debt facilities provided for:</p> <ul style="list-style-type: none"> • PML and its subsidiaries; and • MAL <p>through continued review of their financing needs and awareness of market offerings.</p>

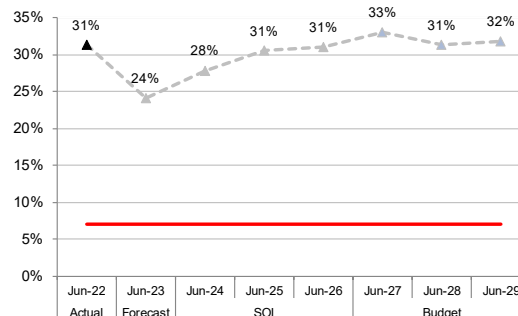
Activity	Key performance indicators and targets
Governance	<p>(b) A good ongoing working relationship with subsidiaries is facilitated and their performance is monitored, including:</p> <ul style="list-style-type: none"> reports and presentations from the Chair and Chief Executive of PML on current issues, the six-monthly results, Draft SCI and Annual Report; and a report on the steps taken to ensure shareholder value is being maximized, on a regular basis.
	<p>(c) A letter of shareholder expectations is developed by 31 December, should it have any specific expectations it wants the subsidiary to incorporate into its forth coming SOI/SCI.</p>
Financial ¹	<p>(d) The ratio of shareholders' funds³ to total assets² to be greater than 12% for the 2023/24 year. The long-term ratio of shareholders' funds³ to total assets is to be greater than 7%.</p>
	<p>(e) Return after tax (excluding fair value movements) on opening shareholders' funds³ to be greater than 12%. The long-term return after tax (excluding fair value movements) on opening shareholders' funds³ is to be greater than 7%.</p>

Overview of MDCH financial targets:

Ratio of Shareholders Funds to total assets (>7%)



Tax paid return on opening Shareholders Funds (>7%)



¹ The financial ratios will be reviewed annually in light of projected cash flows and the performance of subsidiaries. The long-term ratio of shareholder's funds to total assets and return after tax are measured and reported on the three year average.

² Total assets are defined as the sum of the net book value of current assets, investments, fixed assets and tangible assets as disclosed in MDCH's Statement of Financial Position prepared in accordance with Generally Accepted Accounting Practice (GAAP).

³ Shareholders' funds (or total equity) are defined as the sum of the amount of paid up share capital, retained earnings, accumulated losses, revenues and capital reserves.

4.2 Group performance targets 2023/24

Objective	Activity/KPI	2024 Target	2025 Target	2026 Target
People	LTI ¹ per 100,000 work hrs	≤.0.8	≤.0.8	≤.0.8
Planet	Group Planet / environment objectives	An overall improvement in the sustainability performance of the group	An overall improvement in the sustainability performance of the group	An overall improvement in the sustainability performance of the group
Prosperity	EBITDAF ²	>\$24m	>\$30m	>\$30m
	Dividend to Council	\$2.97m	\$3.43m	\$3.90m

¹ LTI = Lost Time Injury

² Earnings before interest, taxation, depreciation, amortisation, and fair value movements

4.3 MAL performance targets from the 2023/24 SOI

MAL Performance Targets and Measures 2023-24				
Objective	Activity/KPI	2024 Target	2025 Target	2026 Target
People				
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)
Planet				
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.

MAL Performance Targets and Measures 2023-24

Objective	Activity/KPI	2024 Target	2025 Target	2026 Target
Prosperity				
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.	NPAT¹ > \$90,000 profit EBITDAF² >\$ 1.05m	NPAT¹ < (\$100,000) deficit EBITDAF² >\$ 1.20m	NPAT¹ < \$(50,000) deficit EBITDAF² >\$ 1.20m
	Maintain a sustainable financial position as set out in the budget.	Cash flow from operations >\$1.5m SH funds/Total assets³ >22% Dividend paid >\$450,000	Cash flow from operations > (\$6.0 m) deficit (Runway Reseal) SH funds/Total assets³ >20% Dividend paid >\$450,000	Cash flow from operations >\$1.8m SH funds/Total assets³ >20% Nil dividend (2025 Reseal year)
Partnerships				
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

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

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

³ 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.

4.4 PML's 2023/24 SCI measures of success

Perspective	Key performance indicator	Actual		Target	
		21/22	22/23	23/24	24/25
People	Preventative Action to Incident Ratio	2:1	5:1	10:1	20:1
	Corrective Action Close Out on Time	N/A	80%	90%	100%
	LTI ¹ per 100,000 work hrs	0.8	≤.0.8	≤.0.8	≤.0.8
	Annual health checks and healthcare insurance available for permanent staff	100%	80%	90%	100%
	Living Wage Accreditation	Achieved	Achieved	Achieved	Achieved

Perspective	Key performance indicator	Actual		Target	
		21/22	22/23	23/24	24/25
Planet	Fresh water withdrawal (Megalitres)	93	Nil Increase	Nil Increase	Nil Increase
	General waste to landfill (Tonnes)	813	-5%	-5%	-5%
	Recycling (Tonnes)	123	55	58	60
	Recycling as % of general waste to landfill	15%	9%	10%	12%
	Greenhouse Gas Net Emissions ² (Tonnes of CO2 equivalent)	-804	-820	-840	-860

Prosperity	Projected NOPAT ³ (excluding asset and derivative revaluations)	\$8.03m	\$8.02m	\$9.60m	\$11.8m
	NOPAT ³ / Return on average Shareholder's Funds	4.7%	4.4%	5.1%	6.1%
	EBITDA ⁴ (excluding asset and derivative revaluations)	\$16.25m	\$17.81m	\$23.46m	\$28.95m
	Equity Ratio	71.8%	65.6%	54.3%	48.9%

Partnerships	Invest 1% of EBITDA (three year rolling average) in community sponsorships and programmes	\$0.15m	\$0.13m	\$0.19m	\$0.23m
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¹ LTI = Lost Time Injury

² Greenhouse Gas Net Emissions = Scopes 1 +2 emissions

³ NOPAT = Net Operating Profit after Tax

⁴ EBITDA = Earnings before interest, Tax, Depreciation and Amortisation

⁵ EBIT= Earnings before interest and tax

⁶ N/A = Not applicable to that year

5. Statement of Accounting Policies

The measurement and reporting of earnings and financial position is in accordance with International Financial Reporting Standards and the policies adopted by the Marlborough District Council Group.

The Accounting Policies adopted are the same as those contained in MDCH's 30 June 2022 Annual Report and available on Council's website

<https://www.marlborough.govt.nz/your-council/mdc-holdings-limited>

6. Dividend Distribution Policy

Profit retention and the level of dividends to be paid will be recommended from year to year by the Directors in accordance with results and circumstances prevailing, subject to solvency certification at the time.

It is the intention of the Directors to distribute, by way of dividend, all of the net tax paid profit, excluding fair value movements, available. The budgeted distribution for 2024 is \$2.97 million.

7. Corporate Governance

This statement gives readers an overview of MDCH's main corporate governance policies, practices and processes adopted or followed by the Board.

Role of the Board of Directors

The Board is responsible for the proper direction and control of MDCH's activities. The Board guides and monitors the business and affairs of MDCH on behalf of the shareholder, the Council, to whom it is accountable, within the framework of the objectives set out in this SOI.

All Directors use the New Zealand Institute of Directors' Code of Proper Practice for Directors as a guide to assist them in carrying out their duties.

The Board recommends to Council the appointment of Directors to subsidiary companies.

Responsibility to shareholder

Statement of Intent

In accordance with the Local Government Act 2002, MDCH submits a draft SOI for the coming financial year for consideration by MDCH's shareholder, the Council. The SOI sets out the company's overall objectives, intentions and financial and performance targets. Having considered any comments on the SOI by the Council, the company issues its SOI in final form.

Information flows

The Board aims to ensure that the Council is informed of all major developments affecting MDCH and group's state of affairs, while at the same time recognising that commercial sensitivity may preclude certain information from being made public. Within this constraint, information is communicated to the Council through periodic reports to the Council, occasional seminars and through both the Annual Report and the Half-Yearly Report.

Board composition and fees

The Board comprises six Directors: the Mayor, two Councilors, two external Directors and the Council's Chief Executive. The Mayor and Councilor Directors are required to retire by rotation within three months following the triennial local government elections, but are eligible to be re-appointed. External Directors normally retire after two three year terms, but this may be extended for a further term. Appointments to MDCH are made directly by Council.

Fees for the MDCH Board are reviewed annually and any increases are based on the median movement in Non-Executive Director Fees for the previous year. Where a Director provides professional services over and above the normal role of a Director, he or she is entitled to charge for those services at commercial rates provided the conditions of the Board's Conflict of Interest policy are met.

Subsidiary

Each subsidiary company submits annually a draft SOI/SCI, which is evaluated initially by MDCH. MDCH reviews the SOI/SCI and suggests any changes that may be considered necessary.

It is established practice for representatives of the subsidiary Board and management to meet with MDCH at this time, and on at least one other occasion each year, to discuss the company's strategic direction and any significant issues that arise. The Board also receives such other reports as are necessary to perform its monitoring function. However, MDCH does not involve itself in the management of the subsidiary companies.

Board appointments

All Directors of subsidiary companies are selected for their commercial expertise and aptitude.

Financial results

Directors receive and review financial updates and other parent company reports at each meeting.

8. Information to be provided to Shareholder

MDCH will provide interim six monthly reports to its shareholder on the results of its trading.

Consolidated financial accounts will only be provided at financial year-end.

MDCH will provide information which meets the requirements of the Companies Act 1993, the Financial Reporting Act 2013, the Local Government Act 2002 and the reporting requirements prescribed from time to time by the Institute of Chartered Accountants of 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) Financial Reports

An Annual and Half Yearly Report 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 practices in New Zealand. The reports shall contain the following:

- (i) Income Statement;
- (ii) Statement of Financial Position;
- (iii) Statement of Changes in Equity;
- (iv) Statement of Cash flows; and
- (v) Report on Activities.

9. 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 to the value of which is more than 10% of the value of the MDCH's assets before the acquisition, the decision will be made only after the Directors have obtained the prior written approval of the Council, as majority shareholder.

10. Procedure for the disposition of shares

MDCH will not dispose of any shares in PML or MAL without the prior written approval of Council as majority shareholder.

11. Activities for which the directorate seeks compensation from the Local Authority

No compensation is sought or intended to be sought for any of MDCH's activities, from the shareholder or any other party.

12. Commercial value of Shareholder's investment

The commercial value of the shareholder's investment will firstly be based on the historical accounts maintained by MDCH in accordance with the accounting policies stated above. The commercial value of shareholder's funds is nominally forecast to be \$12.32 million at 30 June 2023 (\$12.30 million actual at 30 June 2022).

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.

13. Other matters

The Shareholder and Directors agree that the above matters are the only ones to be covered in this SOI and that there are no additional matters to be included.

MDC HOLDINGS LIMITED - BUDGET

FOR THE FINANCIAL YEAR ENDING 30 JUNE 2024

AND EACH OF THE IMMEDIATELY FOLLOWING TWO YEARS

MDCH annual budgets and financial performance are based on Subsidiary Company and MDC best estimate. The following assumptions have been used to derive the June 2024 budget outlined below:

- That PML will have borrowings of \$122.3 million at the end of the budget year.
- That MAL will have borrowings of \$5.0 million at the end of the budget year.
- That MDCH will have total debt of \$148.0 million.
- That the proposed Capital Expenditure requiring finance will occur as scheduled.
- MDCH interest rates were calculated using the swap rates to maturity and floating rates ranging from **4.30% - 4.60%** for the remainder (floating) portion of debt.
- Dividends will be paid by PML as they have budgeted.

MDC Holdings Limited (Parent) Proposed Income Statement

for the 12 months to:

	Notes	Actual	Forecast	Budget		
		Jun-22 \$ '000	Jun-23 \$ '000	Jun-24 \$ '000	Jun-25 \$ '000	Jun-26 \$ '000
Income						
Interest income	a	1,152	2,227	5,458	9,041	10,638
Dividend income	b	3,832	3,650	4,127	4,633	4,882
Finance fee income		3	3	3	3	3
Subvention income	b	203	266	272	285	301
Total Income		6,760	6,503	9,860	13,961	15,824
Administration costs	c	60	74	80	82	85
Employee benefits expense	d	79	80	81	83	86
Interest expense	a	1,743	3,027	6,271	9,897	11,546
Total operating expenditure		1,882	3,181	6,432	10,062	11,717
Profit before income tax		4,878	3,322	3,428	3,899	4,107
Income tax (expense)/credit		-	-	-	-	-
Profit after income tax		4,878	3,322	3,428	3,899	4,107
Notes:						
Profit (excl. derivatives revaluations)		3,308	2,965	3,428	3,899	4,107
MDCH net finance costs (excl. derivatives revals)	a	591	852	865	908	960
Total received from PML (dividend & subvention)		4,035	3,916	4,399	4,918	5,183