

SPACEOPS
NEW ZEALAND



SPACE OPERATIONS NEW ZEALAND LIMITED

Statement of Intent

1 July 2023 – 30 June 2024



Company Information

COMPANY DIRECTORY

SPACE OPERATIONS NEW ZEALAND LIMITED – TRADING AS SPACEOPS NZ

Hargest House, 62 Deveron Street
PO Box 1306, Invercargill 9810

REGISTERED OFFICE

C/o Southland Regional Development Agency Limited
143 Spey Street, Invercargill

BANK

Westpac New Zealand Limited

AUDITORS

KPMG (on behalf of the Office of the Auditor General)

LEGAL STATUS

Space Operations New Zealand Limited was incorporated in New Zealand on 18 July 2016 under the Companies Act 1993 (NZBN 9429042426585, Company Number 6033648).

Space Operations New Zealand Limited is a wholly owned subsidiary of Southland Regional Development Agency Limited, which is a council-controlled organisation. This makes Space Operations a council-controlled trading organisation (CCTO) as defined in Section 6 of the Local Government Act 2002.

SHAREHOLDER

Southland Regional Development Agency Limited

DIRECTORS

Ian Collier (Chair), Peter Heenan, John Yaldwyn

CHIEF EXECUTIVE OFFICER

Robin McNeill

REPORTING INFORMATION

DRAFT STATEMENT OF INTENT

By 1 March each year SpaceOps NZ will deliver a draft Statement of Intent to Great South Board (as shareholder), Invercargill City Council, Gore District Council and Southland District Council (LGA 2002, Schedule 8 Part 1 s1(1)).

Southland Regional Development Agency will provide feedback to the SpaceOps NZ Board by 1 May each year (LGA 2002 Schedule 8 Part 1 s2).

COMPLETED STATEMENT OF INTENT

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

HALF-YEARLY REPORT

By the end of February each year the Board must deliver to the Shareholder a report on the organisation's operations during that half year. The report shall include the information required to be included by the Local Government Act 2002 and the Statement of Intent and any other information requested by the Shareholders.

ANNUAL REPORT

By the end of September each year, the Board shall deliver to the Shareholder and make available to the public a report on the company's operations during the year. This will include audited financial statements and the performance targets and other measures by which performance was judged in relation to that organisation's objectives.

GOVERNANCE & STRUCTURE

SPACEOPS NZ BOARD

The SpaceOps NZ Board comprises a minimum of two Directors and a maximum of seven Directors who are responsible for the strategic direction and control of SpaceOps NZ's activities. As at 1 April 2023 there are three Directors.

The Board will oversee the business undertaken by SpaceOps NZ in accordance with the Companies Act 2002, the company's Constitution and this Statement of Intent.

OPERATIONS

The Chief Executive Officer is responsible for the day-to-day operations of SpaceOps NZ, including the management of staff and reporting to Directors on the performance against set priorities.

NO SURPRISES

The SpaceOps NZ Board will keep our shareholder informed on a "no surprises" basis.

PUBLIC EXPECTATIONS

SpaceOps NZ is very mindful of the public scrutiny that comes with being a CCTO and will:

- Build accountability and constructive working practices between their organisation and the shareholders
- Commit to transparency to the public, including fulfilling the planning, reporting and disclosure requirements of the local government Act 2002 and Local Government Official Information and meeting Act 1987 as they apply to CCTO's
- Ensure the organisation is fiscally disciplined with expenditure

POLICIES

DIVIDEND POLICY

Each year the Board will review its ability to pay dividends after considering the ongoing needs of the business, the riskiness of the market environment, the requirements of the Companies Act 2002 and the statutory obligations imposed on Directors.

Declared dividends, if any, will be paid in two instalments in February and August.

No dividend is to be declared in the 2023 - 2024 financial year.

ACQUISITION PROCEDURES

The undertaking by SpaceOps NZ 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 Shareholder.

SpaceOps NZ 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 Shareholder.

SHAREHOLDER INVESTMENT

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

COMPENSATION FROM LOCAL AUTHORITIES

The Directors do not envisage any circumstances arising that would give rise to any claim from any local authority during the year other than those stated in the financial statements.

INTRODUCTION

In accordance with the requirements of Section 64(1) and Schedule 8 of the Local Government Act 2002, this Statement of Intent:

- Publicly sets out the overall intentions and activities for Space Operations New Zealand Limited for the year ended 30 June 2024 and the following two years, and the objectives to which those activities will contribute.
- Provides an opportunity for the shareholder to influence the direction of the organisation.
- Provides a basis for the accountability of the directors to their shareholder for the performance of the organisation.

This Statement of Intent reflects what Space Operations New Zealand understands at the time of writing.



Purpose & Vision

OUR PURPOSE

To deliver sustainable, innovative services to the global space market.

NATIONAL INTEREST

SpaceOps NZ strongly supports and advocates for the peaceful use of space and recognises that the company needs always to be recognised as a responsible international citizen in the space domain.

SpaceOps NZ is responsive to and complies with the Outer Space and High-altitude Activities Act 2017.

SpaceOps NZ is based in the Southland region, but has international reach and a national ambit.

OUR VISION

In an industry that calls for a high-trust operating environment, we are already highly trusted. The expertise to be found within SpaceOps NZ and our contractors compares favourably with anywhere in the world. We have identified and are exploiting the exciting opportunities arising from our natural advantages and the talent of our staff.

SpaceOps NZ's vision is to utilise our strategic advantages to profitably and sustainably...

- **Provide space operations services and facilities**
- **Create and develop new opportunities in the space sector**
- **Foster space activity within New Zealand**

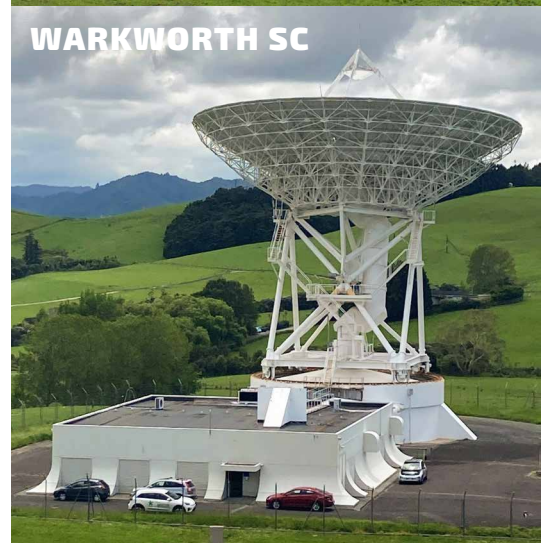
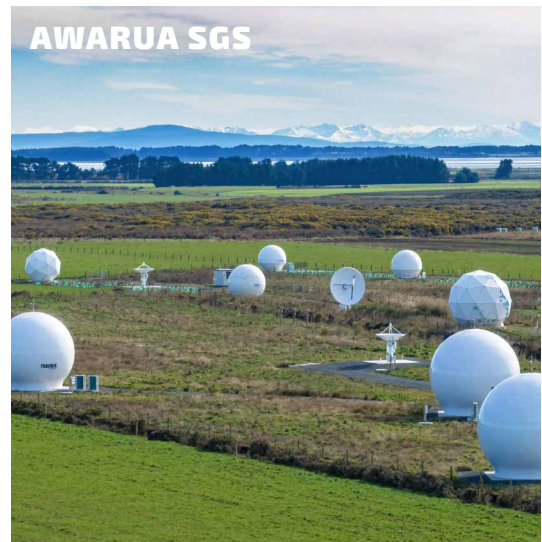


Intentions & Activities

OPERATING ENVIRONMENT

SpaceOps NZ's business focus for the current and subsequent three years are:

- Awarua Satellite Ground Station remains SpaceOps NZ's prime ground station facility and, is augmented and developed to meet continuing customer demand and growing customer expectations.
- SpaceOps NZ takes over operation of Auckland University of Technology's (AUT) Warkworth ground station facilities on 1 July 2023 with the intention of supporting current and future Moon and Mars missions, and providing geodesy support to LINZ.
- A minimal-capability optical ground station hosting facility is established.
- Operations and expansion will be funded from cash reserves and earnings.
- With Shareholder approval, in order that the necessary capital investments to secure its future can be internally funded, SpaceOps NZ will pay a maiden dividend no earlier than 30 June 2027.



BUSINESS OVERVIEW

From its prime ground station facilities at Awarua, SpaceOps NZ currently exploits its geographically unique and globally significant location to provide telecommunications for spacecraft in low Earth orbit and, from late 2023, spacecraft in deep space using ground station equipment at Warkworth.

SpaceOps NZ currently has four business lines:

- 1. Hosting customer-owned satellite ground stations**
- 2. Leasing its own ground stations to customers**
- 3. Installing and maintaining customers' ground stations**
- 4. Providing technical and logistics support as a service**

At present, hosting others' antennas forms the company's prime revenue stream. This is now a mature operation with steady growth forecasted. Nearly all hosting revenue is derived from the Awarua Satellite Ground Station.

By mid-2026, leasing its own ground stations will become equally important to SpaceOps NZ. Much of the leasing revenue from 2024 forward will come from the proposed use of the Warkworth 30 metre antenna to support deep space telecommunications, although leasing smaller antennas at Awarua will continue to make strong contributions.

The business is profitable and this is expected to continue. Growth of the business is primarily constrained by the availability of staff and capital. Shareholder instructions prevent SpaceOps NZ from increasing debt or raising capital to accelerate growth.

GROWTH & INVESTMENT

There are four priority growth areas for the period to 30 June 2026:

- 1. Establish SpaceOps NZ as a stand-alone entity with robust governance, financial and administrative systems, and the capacity for growth**
- 2. Expand the footprint and further develop the facilities at Awarua in response to growing demand for hosting and leasing of ground stations, and associated services**
- 3. Develop and bring into service additional antennas for leasing to customers to be managed by a minimal mission operations centre**
- 4. Assume operation of AUT's Warkworth SES facilities and upgrade the equipment to provide deep space antenna leasing services**

In addition, for strategic reasons, and driven by demand and opportunity, SpaceOps NZ may also:

- Establish an optical ground station
- Begin to develop satellite Earth observation downloading and processing capability

What is a satellite ground station?

Ground stations comprise antennas (often dish-shaped) and antenna positioners, and radio equipment and computer servers, which are used to communicate with satellites and launch-vehicles (collectively, 'spacecraft').

RISKS

Risks to SpaceOps NZ's operations have been identified. The risks most demanding attention are:

- Covid-19 related supply chain issues for our customers has seen installation of new antennas delayed by as much as 9 months. Such delays directly impact on when we can start charging hosting fees, and thus our revenue. It is not possible to mitigate this risk.
- Revenue is somewhat sensitive to variations in the \$NZD-\$USD exchange rates and forward-exchange contracts can only ameliorate short to medium term effects.
- The operation calls for considerable technical expertise. There is a world-wide shortage of suitably experienced engineers in the space sector, which is expected to continue.
- Until due-diligence and negotiations have been completed, it is not guaranteed that the Warkworth facilities can be secured with acceptable terms, in which case the project would need to be re-evaluated and perhaps abandoned.
- The space industry is dynamic and quickly evolving, meaning new opportunities sometimes present themselves unexpectedly. Such opportunities may demand immediate attention to either secure them, or to prevent other parties exploiting them and gain competitive advantage. A nimble and responsive approach is thus required.
- While currently considered to be of lower priority than the proposed immediate work programme for SpaceOps NZ, SpaceOps NZ needs to monitor and be able to react quickly to:
 - Customer demand for optical ground stations
 - Customer demand for ground stations in other parts of New Zealand
 - Opportunities to broaden activities to include near real-time satellite Earth observation
 - Commercial interest in hardware and software developed in-house
- Continued diligence is required to mitigate competitive entry.



Financial Information

STATEMENT OF COMPREHENSIVE REVENUE & EXPENSE

For the 12 months to June

	2023/24 Budget	2024/25 Budget	2025/26 Budget
Revenue	2,787,555	4,860,226	7,505,125
Expenditure	1,979,575	2,570,450	2,879,498
Net Surplus / (Deficit)	807,980	2,289,776	4,625,627
Taxation	226,234	641,137	1,295,175
Net Surplus / (Deficit) After Taxation	581,745	1,648,639	3,330,451

STATEMENT OF FINANCIAL POSITION

For the financial year ended

	2023/24 Budget	2024/25 Budget	2025/26 Budget
Consolidated Assets	4,747,771	6,204,136	11,380,159
Consolidated Liabilities	2,363,053	2,170,780	4,016,352
Net Assets	2,384,717	4,033,356	7,363,807
Contributed Capital	1,072,588	1,072,588	1,072,588
Retained Earnings	1,312,129	2,960,768	6,291,219
Total Equity	2,384,717	4,033,356	7,363,807

STATEMENT OF CASH FLOWS

For the 12 months to June

	2023/24 Budget	2024/25 Budget	2025/26 Budget
Total Cash Flow from Operating Activities	1,051,942	6,204,136	11,380,159
Total Cash Flow from Investing Activities	(2,846,250)	(1,667,500)	(6,031,750)
Total Cash Flow from Financing Activities	0	0	0
Net Cash Flows	(1,794,308)	823,690	(1,398,370)
Cash, Cash Equivalents and Overdrafts at Beginning of Period	537,628	(1,256,680)	(432,990)
Cash, Cash Equivalents and Overdrafts at End of Period	(1,256,680)	(432,990)	(1,831,360)
Net Change in Cash Balances	(1,794,308)	823,690	(1,398,370)

ACCOUNTING POLICIES

REPORTING ENTITY

Space Operations New Zealand Ltd is a New Zealand registered company under the Companies Act 1993, and is deemed to be a council-controlled trading organisation (CCTO) as defined in Section 6 of the Local Government Act 2002.

The registered office for Space Operations New Zealand Ltd is 143 Spey Street, Invercargill.

BASIS OF PREPARATION

The financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the year.

STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with the requirements of the Local Government Act 2002, the Companies Act 1993, and the Financial Reporting Act 2013. This includes the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

These financial statements comply with Public Benefit Entity International Public Sector Accounting Standards (PBE IPSAS) Reduced Disclosure Regime (RDR). Space Operations New Zealand Ltd is eligible and has elected to report in accordance with Tier 2 PBE standards RDR on the basis the entity has no public accountability and has expenses > \$2m and < \$30m.

COVID-19

Space Operations New Zealand Ltd has not been adversely impacted by COVID-19. All existing contracts have remained in place at existing levels of funding, and the company has been successful in receiving additional contracts from government agencies to support the regional response post COVID-19.

PRESENTATION CURRENCY AND ROUNDING

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar. The functional currency of Space Operations New Zealand Ltd is New Zealand dollars.

MEASUREMENT BASE

The financial statements have been prepared on an historical cost or fair value basis as per the following policies.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies, which affect the measurement of the results and financial position, have been applied:

Revenue

Revenue is measured at the fair value of consideration received. Where funding is not conditional and Space Operations New Zealand Ltd has no obligation to deliver a specific event or service, the revenue will be recognised when receipted.

Where the funding has conditions attached to it such as the provision of hosting services, the funding is recognised as revenue upon entitlement as conditions pertaining to eligible expenditure have been fulfilled. The funding is held as a liability until the specific conditions are met. Revenue from the rendering of services is recognised by reference to the stage of completion at the balance sheet date, based on the actual service provided.

Interest revenue is recognised using the effective interest method.

Revenue in Advance

Revenue in advance is recognised where amounts received are in excess of the amounts recognised as revenue.

Expenditure

All expenditure is recognised as incurred unless the liability is known and can be reasonably estimated, in which case the expenditure is accrued.

Foreign Exchange Transactions

Foreign currency transactions are translated into NZ\$ (the functional currency) using the spot exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

Goods and Services Tax (GST)

All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are stated on a GST-inclusive basis. Where GST is not recoverable as input tax, then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the Statement of Financial Position. The net GST paid to or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the Statement of Cash Flows.

Income Tax

Income tax expense in relation to the profit or loss for the period comprises current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using rates that have been enacted or substantively enacted by balance date.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, using tax rates that have been enacted or substantively enacted by balance date.

Current tax and deferred tax is charged or credited to the Statement of Comprehensive Revenue and Expense, except when it relates to items charged or credited directly to equity, in which case the tax is dealt with in equity.

Equity

Equity is the shareholders interest in Space Operations New Zealand Ltd, as measured by total assets less total liabilities.

Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

Trade and Other Receivables

Trade and other receivables are initially measured at fair value and subsequently measured at cost, amortised where necessary, using the effective interest method, less any provision for impairment.

A receivable is considered impaired when there is evidence that Space Operations New Zealand Ltd will not be able to collect the amount due. The amount of the impairment is the difference between the carrying amount of the receivable and the present value of the amounts expected to be collected.

Property, Plant and Equipment

Property, plant, and equipment consists of the following asset classes: antenna, buildings, furniture and fittings, IT equipment, plant and equipment, site development, tools and equipment,

and land. Individual assets were capitalised based on Inland Revenue guidelines. An asset was capitalised if the purchase price was greater than \$500 up until 17 March 2020, when the IRD temporarily increased the low-value assets threshold to \$5,000. The threshold decreased on 16 March 2021 from \$5,000 to \$1,000.

Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to Space Operations New Zealand Ltd and the cost of the item can be measured reliably.

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value when control over the asset is obtained.

Work in progress is recognised at cost less impairment and is not depreciated.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the Statement of Comprehensive Revenue and Expense.

Subsequent Costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to Space Operations New Zealand Ltd and the cost of the item can be measured reliably. The costs of day-to-day servicing of property, plant, and equipment are recognised in the surplus or deficit as they are incurred.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment at rates that will write off the cost of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Antenna:	10.0%	10 years
Buildings:	3.0% - 7.0%	3 - 14.3 years
IT Equipment:	0% - 10.0%	10 Years or more
Furniture & Fittings:	15.6%	6.4 years
Plant:	7.0%	14.3 years
Site Development:	7.0% - 10.0%	10 - 14.3 years
Tools & Equipment	10.0%	10 years
Land:	0%	

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

Impairment of Property, Plant and Equipment

Property, plant and equipment held that have a finite useful life are reviewed for impairment whenever changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable service amount. The recoverable service amount is the higher of an asset's fair value less costs to sell and value in use.

If an asset's carrying amount exceeds its recoverable service amount, the asset is regarded as impaired and the carrying amount is written down to the recoverable service amount. The total impairment loss is recognised in the surplus or deficit.

The reversal of an impairment loss is recognised in the surplus or deficit.

Value in Use For Non-Cash Generating Assets

Value in use is the present value of the asset's remaining service potential. Value in use is determined using an approach based on either a depreciated replacement cost approach, restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

Leases

Operating Leases

An operating lease is a lease that does not transfer substantially all the risks and benefits incidental to ownership of an asset. Payments under these leases are recognised as expenses in the Statement of Comprehensive Revenue and Expense in periods in which they are incurred. Lease incentives received are recognised.

Payables

Short-term payables are recorded at the amount payable.

Financial Instruments

Space Operations New Zealand Ltd is party to financial instruments as part of its normal operation. These financial instruments give rise to financial assets and liabilities and include cash and on-call deposits, accounts receivable, investments, and accounts payable, deposits held, other financial liabilities and financial guarantees. They also include equity interests in other entities.

All financial instruments are recognised in the Statement of Financial Position on the basis of Space Operations New Zealand Ltd's general and, where applicable, particular accounting policies. All financial instruments disclosed in the Statement of Financial Position are recorded at fair value or amortised cost. Revenue and expenditure arising from these financial instruments is recognised in the Statement of Comprehensive Revenue and Expense.

Statement of Cash Flows

Cash includes cash and cash equivalents as defined above.

Operating activities include cash received from all revenue sources of Space Operations New Zealand Ltd and cash payments made for the supply of goods and services. Investing activities are those activities relating to the acquisition and disposal of non current assets. Financing activities comprise the change in equity and debt capital structure of Space Operations New Zealand Ltd.

Personnel Costs

Salaries and Wages

Salaries and wages are recognised as an expense as employees provide services.

Defined Contribution Superannuation Schemes

Employer contributions to KiwiSaver, the Government Superannuation Fund, and the State Sector Retirement Savings Scheme are accounted for as defined contribution superannuation schemes and are expensed in the surplus or deficit as incurred.

Employee Entitlements

Employee benefits expected to be settled within 12 months after the end of the period in which the employee renders the related service are measured based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date. No liability is recognised for sick leave.

Changes in Accounting Policies

There are no other changes in accounting policies during the financial year.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In preparing these financial statements, Space Operations New Zealand Ltd has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities recognised in the financial statements are described in the notes to the financial statements.



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