
Thursday, 10 March 2022

Te Hui o Te Kaunihera ā-Rohe o Heretaunga

Hastings District Council

Operations and Monitoring Committee Meeting

Kaupapataka

Attachment Document 1

Te Rā Hui:
Meeting date: **Thursday, 10 March 2022**

Te Wā:
Time: **1.00pm**

Te Wāhi:
Venue: **Council Chamber
Ground Floor
Civic Administration Building
Lyndon Road East
Hastings**

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HASTINGS DISTRICT COUNCIL
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TE KAUNIHĒRA Ā-ROHE O HERETAUNGA

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HAWKE'S BAY AIRPORT LIMITED

INTERIM REPORT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2021



Hawke's Bay Airport Limited Directory

Directors

Wendie Harvey (Chair)
Sarah Park (Chair of the Audit, Finance & Risk Committee)
Jon Nichols
Craig Barrett (appointed 26 November 2021)

Chief Executive

Stuart Ainslie (resigned 3 December 2021)
Stephanie Murphy (Acting Chief Executive)

Chief Financial Officer

Rachel Orchard

Operations Manager

Gareth Mentzer (resigned 16 December 2021)
Debbie Suisted (commenced 10 January 2022)

Commercial/Property Manager

Ian Lowry

Customer Experience and Marketing Manager

Judi Godbold

Registered Office

Terminal Building
Hawke's Bay Airport
111 Main North Road
PO Box 721
NAPIER 4140

Bankers

ASB Bank Limited

Solicitors

Dentons

Auditors

Deloitte
on behalf of the Auditor General

HAWKE'S BAY AIRPORT LTD
PO Box 721, Napier 4140
admin@hawkesbay-airport.co.nz
www.hawkesbay-airport.co.nz

Hawke's Bay Airport Limited Report to Shareholders for the Half Year ending 31 December 2021

We report against the Hawke's Bay Airport's Statement of Intent ("SOI") targets, effective since July 2021.

Hawke's Bay Airport ("HBAL") entered FY22 in a strong position having experienced several months of pre-Covid-19 level passenger volumes. This changed overnight with the implementation of Level 4 restrictions on 17 August 2021 which resulted in no air movements at all for over two weeks, followed by minimal Christchurch and Wellington services only for several months until the Auckland route was reinstated on 15 December 2021. This is reflected in the results for the half year ending 31 December 2021 being below the SOI targets which were thought to be conservative when adopted.

Financial Performance Highlights

- Total passenger movements for the half year were 171,851 representing a 15% decrease on the same period last year and being 32%, or 81,260 less than budget.
- Lower than expected passenger volumes underpinned a 21% shortfall in passenger related aeronautical and commercial revenues, with passenger charges, car parking, café concessions and advertising all below budget.
- Non-passenger related revenue streams held up well throughout the period, albeit with little growth.
- Despite being 21% behind budget, total revenues were only 5% behind the same period last year due to a higher than expected per passenger charge from 1 July 2021.
- Total expenditure for the half year was 10% lower than budget and predominantly reflects a reduction in variable cost considering recent Covid impacts. Operating expenditure is 25% higher than the same period last year as aspects of the fixed cost base were recalibrated to position the business for post Covid-19 trading conditions which have been delayed.
- Due to these factors, EBITDA for the half year at \$1.194m is \$571k behind budget and 15% below the same period last year.
- Significant savings in borrowing costs of 19% have been achieved, primarily due to delayed cash outflows relating to the terminal expansion project.
- Despite closely controlled capital and operating expenditure and better than expected passenger charges, the net loss of \$413k for the half year reflects the impact the shortfall of 81,000 passengers has on total revenue.
- In October 2021 the \$23m term loan was changed to a Sustainability Linked loan of \$23m which offers immediate cost savings and possible future savings based on achievement of specific performance targets. Total facilities remain at \$28.5m (SLL \$23m; RC \$5m; OD \$500k) with \$26m drawn as at 31 December 2021. Deferral of non-critical infrastructure and completion of the terminal development has eased cash requirements however the Covid related impacts evident in early 2022 will necessitate a continuing focus on working capital requirements.

- Return on Equity for the first half of the year was budgeted to be around breakeven with the 2nd half of the year budgeted to bolster the annual result to a modest profit position. Full year forecasts performed pre-Xmas 2021 showed a possible break even result for the full year FY22, however with the effects of the Omicron outbreak now already evident in 2022, forecasts indicate that a break even result for the financial year will be very unlikely.

Performance Highlights & Other Activity

Terminal Development Project

The third and final stage of the terminal expansion project opened for public use on the 6 August 2021, with the HBAL Team moving into their new offices in late November 2021. The terminal expansion and forecourt projects have been impacted by the successive lockdowns with access to resources and supply chain challenges being experienced during the period. This is having an impact on the defects and outstanding supply items being delivered on the terminal.

In December 2021, HBAL awarded the contract to Higgins Contractors to complete the forecourt project. It is expected the forecourt project will be completed in April 2022 (subject to further resource and supply chain issues, with the final planting and exterior aesthetics complete during autumn.

Aeronautical Development

HBAL continues to advocate for the development of a regional transport strategy. This includes creating a small team to further bolster our aeronautical aviation development plans to support the recovery and growth of aviation, creating the business cases for new routes, aircraft seat capacity and air freight opportunities.

HBAL has continued working with Air NZ and partnering airport on developing potential new routes and infrastructure support for transition to emerging shifts in lower carbon aircraft technology. HBAL is pleased to have attracted Originair to Hawke's Bay who commenced direct services between Nelson in October 2021 and Hamilton in December 2021. Nelson enables inter-island connectivity outside of Christchurch and Wellington.

Safety Management

Again, in this report, it is pleasing to report Hawke's Bay Airport Construction Limited ("HBACL") has continued with nil lost time injuries reflecting a continued culture of safety on the terminal construction site.

People & Organisation

HBAL's Chief Executive Officer, Stuart Ainslie, departed the business on 3 December 2021. The recruitment process for a new CEO is in progress with an Acting CEO currently in place to manage the transition.

Other key staff changes include the recent departure of the Operations Manager on the 17 December 2022, with a new Operations Manager starting on the 10 January 2022.

The Airport Rescue Fire ("AFS") team was brought inhouse post 2020 Covid-19 period. Recently HBAL has commenced recruitment for additional resource to build further resilience into the team

and ensure HBAL is well placed to deal with issues associated with impacts of Covid-19 in H2 on the AFS team and ensure HBAL is well placed post recovery.

The HBAL Ambassadors were stood down from service on 17 August due to the Covid-19 restrictions. They will return when it is deemed safe and appropriate as we continue to monitor the current resurgence of Covid-19 in early 2022.

New Business Development

Napier City Council District Plan review

HBAL is actively participating in the Napier City Council ("NCC") District Plan Review. This process has been under way since early 2019. NCC released the draft district plan for public comment in August 2021. HBAL provided comments to NCC and continues to work with NCC (both staff and councillors) on this process.

Commercial Activity & Property Development

A key area of focus for HBAL continues to be revenue diversification into non-aeronautical aspects to assist with the business' recovery from Covid-19 and ensure longevity of the business. HBAL is mindful of the recently received Letter of Expectations from the Shareholding Minister (dated 21 December 2021) and ensuring the appropriate focus in the businesses recovery.

As previously reported, Ahuriri Aero Park, being Stage 1 of the property portfolio was released into the market at the end of July 2021. Although August 2021 Covid-19 lockdown restrictions impacted the release, HBAL (via its agent, Colliers and direct) has seen a good level of interest that is continuing.

Following the opening of the terminal, a second retail offering opened in December 2021, Belatinos, providing a distinctively Hawke's Bay offering. Early indications from trading by Bellatinos and Bay Espresso at full capacity since Covid-19 restrictions were lifted in mid-December, are that the offering is extremely well received.

HBAL continues to experience a steady uptake in the new digital advertising assets and has seen positive increased revenue streams.

Sustainability

HBAL continues to work on key initiatives to support our Airport Carbon Accreditation ("ACA") Programme Level 3 and 4 aspirations. Examples include the implementation of EV charging; climate change adaptation infrastructure review; materiality assessments and embedding sustainability into all aspects of HBAL business. Of note, HBAL's access to the ASB Sustainability Linked Loan is directly tied to HBAL's sustainability policy and ACA Level 3 and 4 accreditation targets.

Financial Reports

The unaudited Interim Financial Results to 31 December 2021 are included in this report. These include more detailed analysis of the Company's financial performance compared to its Statement of Intent budget, as well as a Summary of Financial Performance, Statement of Movements in Equity, Summary of Financial Position, Statement of Cash Flows, Accounting Policies and Notes to the Accounts.

Key Areas of Focus

The forecourt project, revenue diversification, including commercial and property development, Solar Farm Project, and prudent fiscal management, alongside potential Covid-19 Omicron implications, continue to be the primary focus for HBAL over Q3 and will remain so in the foreseeable future.



Wendie Harvey
Chair, Hawke's Bay Airport Limited

Hawkes Bay Airport Limited
FINANCIAL PERFORMANCE VS SOI OBJECTIVES
FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

	THIS YEAR				LAST YEAR			BUDGET
	HY Actual Dec 2021	HY Budget Dec 2021	Variance \$	Variance %	HY Actual Dec 2020	Variance \$	Variance %	Budget FY 2021/22
Passenger Numbers	171,851	253,111	(81,260)	-32.1%	203,381	(31,530)	-15.5%	526,865
FINANCIAL PERFORMANCE (\$)								
Revenue								
Aeronautical	1,865,535	2,298,731	(433,196)	-18.8%	1,731,608	133,927	7.7%	4,805,066
Ground Transport	745,758	997,990	(252,232)	-25.3%	813,707	(67,949)	-8.4%	2,075,801
Business Park	207,420	197,994	9,426	4.8%	205,923	1,497	0.7%	445,989
Other Revenue	193,038	301,116	(108,078)	-35.9%	107,542	85,496	79.5%	606,897
TOTAL REVENUE	3,011,752	3,795,831	(784,079)	-20.7%	2,858,781	152,971	5.4%	7,933,753
Operating Expenses	1,817,912	2,031,303	213,391	10.5%	1,453,534	(364,378)	-25.1%	3,977,352
EBITDA	1,193,840	1,764,528	(570,688)	-32.3%	1,405,247	(211,407)	-15.0%	3,956,401
Depreciation & Amortisation	1,431,073	1,500,288	69,215	4.6%	1,201,653	(229,421)	-19.1%	3,039,247
Gain/(Loss) on asset disposal	2,000	-	2,000	-	-	-	0.0%	-
Interest Income	0	-	0	-	25	(25)	-100.0%	-
Interest Paid (charged to P&L)	238,530	294,429	55,899	19.0%	174,903	(63,628)	-36.4%	587,471
Profit before Tax	(473,764)	(30,189)	(443,575)	1469.3%	28,717	(502,481)	-1749.8%	329,683
Tax	(60,943)	(8,451)	52,492	-621.1%	78,016	138,959	178.1%	120,311
PROFIT AFTER TAX	(412,821)	(21,738)	(391,083)	1799.1%	(49,299)	(363,522)	737.4%	209,372
FINANCIAL POSITION (\$)								
Total Assets	65,625,064	64,617,974	1,007,090		60,940,005	4,685,059		64,609,205
Debt	26,000,000	25,600,000	400,000		20,850,000	5,150,000		25,400,000
Shareholders Funds	33,509,881	32,777,892	731,989		33,179,752	330,129		33,008,995
FINANCIAL METRICS								
Return on Equity	-1.2%	0.1%			-0.1%			0.6%
Net Gearing Ratio	43.7%	43.9%			38.6%			43.5%
Shareholders Funds/Total Net Assets	51.1%	51.5%			54.4%			51.9%

The financial statements have not been subject to an audit and should be read in conjunction with accompanying Accounting Policies and Notes to the Financial Statements

Hawkes Bay Airport Limited
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

	HBAL Unaudited 6 months to 31 Dec 21	HBAL Unaudited 6 months to 31 Dec 20	HBAL Audited Year to 30 Jun 21
Aeronautical	1,865,535	1,731,608	3,933,817
Ground Transport	745,758	813,707	1,811,959
Business Park	207,420	205,923	402,768
Other Revenue	193,038	107,542	512,664
Total Revenue	3,011,752	2,858,781	6,661,208
Less Operating Expenses	(1,817,912)	(1,453,534)	(2,905,675)
Operating Profit Before Financing Costs and Depreciation	1,193,840	1,405,247	3,755,532
Depreciation	(1,431,073)	(1,201,653)	(2,386,284)
Impairment Reversal/(Charge)	-	-	-
Gain/(Loss) on asset disposal	2,000	-	(44,337)
Finance Income	-	25	25
Finance Expense	(238,530)	(174,903)	(342,103)
Net Profit before income tax	(473,764)	28,717	982,833
Income Tax Expense	60,943	(78,016)	(427,519)
Net Profit after income tax	(412,821)	(49,299)	555,314
Items that will not be reclassified into profit or loss:			
Revaluation of Property, Plant & Equipment, net of deferred tax	-	-	-
Deferred tax on revaluation	-	-	138,336
Total Comprehensive Income	(412,821)	(49,299)	693,650

The financial statements have not been subject to an audit and should be read in conjunction with accompanying Accounting Policies and Notes to the Financial Statements

Hawkes Bay Airport Limited
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

	HBAL Unaudited 6 months to 31 Dec 21	HBAL Unaudited 6 months to 31 Dec 20	HBAL Audited Year to 30 Jun 21
Equity at beginning of year	33,922,701	33,229,051	33,229,051
Profit for the period	(412,821)	(49,299)	555,314
Revaluation of Property, Plant & Equipment	-	-	-
Movement in deferred tax on revaluation reserve	-	-	138,336
Total comprehensive income	(412,821)	(49,299)	693,650
Distributions to shareholders	-	-	-
Movement in equity for the period	(412,821)	(49,299)	693,650
Closing Equity	33,509,881	33,179,752	33,922,701

The financial statements have not been subject to an audit and should be read in conjunction with accompanying Accounting Policies and Notes to the Financial Statements

Hawkes Bay Airport Limited
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	HBAL Unaudited 6 months to 31 Dec 21	HBAL Unaudited 6 months to 31 Dec 20	HBAL Audited Year to 30 Jun 21
Assets				
Trade and other receivables		630,688	687,294	924,671
Cash and cash equivalents		404,865	544,532	420,234
Total current assets		1,035,552	1,231,826	1,344,905
Property plant and equipment	2	59,613,581	54,469,786	58,181,256
Investment property	3	4,741,647	4,879,659	4,822,594
Intangibles		92	669	383
Right of use assets		234,191	358,065	296,638
Total non-current assets		64,589,511	59,708,179	63,300,870
Total assets		65,625,064	60,940,005	64,645,775
Equity				
Issued Capital		13,789,155	13,789,155	13,789,155
Retained Earnings		9,011,363	8,325,514	9,424,184
Revaluation reserve		10,709,363	11,065,083	10,709,363
Total equity		33,509,881	33,179,752	33,922,701
Liabilities				
Trade and other payables		536,039	838,152	1,566,699
Employee entitlements		84,863	80,737	116,620
Provision for retentions payable		254,389	171,102	225,697
Provision for tax		(93,537)	145,883	365,469
Borrowings	4	3,000,000	-	-
Lease Liabilities		117,600	106,097	108,371
Total current liabilities		3,899,354	1,341,970	2,382,856
Deferred tax liability		4,200,381	4,322,357	4,205,952
Rentals in advance		871,329	984,208	927,308
Borrowings	3	23,000,000	20,850,000	23,000,000
Lease Liabilities		144,119	261,717	206,958
Total non-current liabilities		28,215,829	26,418,283	28,340,218
Total liabilities		32,115,183	27,760,253	30,723,073
Total equity and liabilities		65,625,064	60,940,005	64,645,775

The financial statements have not been subject to an audit and should be read in conjunction with accompanying Accounting Policies and Notes to the Financial Statements

Hawkes Bay Airport Limited
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

	HBAL Unaudited 6 months to 31 Dec 21	HBAL Unaudited 6 months to 31 Dec 20	HBAL Audited Year to 30 Jun 21
Cash flows from operating activities			
<i>Cash was provided from:</i>			
Revenues	3,006,298	2,782,896	6,517,429
Interest Received	-	25	25
	3,006,298	2,782,921	6,517,454
<i>Cash was disbursed to:</i>			
Suppliers and Employees	(1,458,482)	(1,472,768)	(3,100,254)
Goods & Services Tax (Net)	97,686	19,491	(12,848)
Interest Paid	(305,041)	(202,252)	(479,489)
Income Tax Paid	(403,632)	(351)	(108,339)
	(2,069,469)	(1,655,880)	(3,700,930)
Net cash flows from operating activities	936,829	1,127,041	2,816,524
Cashflows from Investing activities			
<i>Cash was provided from:</i>			
Sale of fixed assets	-	-	-
<i>Cash was disbursed to:</i>			
Capital Works	(3,898,588)	(3,381,869)	(7,311,166)
Net cash flows from investing activities	(3,898,588)	(3,381,869)	(7,311,166)
Cashflows from financing activities			
<i>Cash was provided from:</i>			
Borrowings	3,000,000	2,588,238	4,738,238
<i>Cash was disbursed to:</i>			
Dividends Paid	-	-	-
Lease payments	(53,610)	(70,696)	(105,181)
Debt Repayment	-	-	-
Net cash flows from finance activities	2,946,390	2,517,543	4,633,057
Net increase/(decrease) in cash and cash equivalents	(15,369)	262,714	138,416
Add Opening Cash brought forward	420,234	281,818	281,818
Closing cash and cash equivalents	404,865	544,532	420,234

The financial statements have not been subject to an audit and should be read in conjunction with accompanying Accounting Policies and Notes to the Financial Statements

HAWKE'S BAY AIRPORT LIMITED
NOTES TO THE ACCOUNTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

1 SIGNIFICANT TRANSACTIONS AND EVENTS IN THE REPORTING PERIOD

COVID-19

In March 2020, the World Health Organisation declared the outbreak of COVID-19 as a pandemic. Both globally and in New Zealand, international border closures, domestic lockdowns and ongoing travel restrictions due to COVID-19 have had an immediate, dramatic and now ongoing, impact on airlines, air services, airport traffic and therefore revenues for those in the industry. Initially HBAL management moved swiftly to preserve the cash position of the business by implementing a recovery plan that amongst other factors significantly reduced the cost base, deferred non-essential capital expenditure and accessed all available Government subsidies. The purpose of those actions was to offset as much of the reduction in revenue as possible, while still being able to operate safely to the required CAA standards and provide needed services for airport users. Throughout the 2021 year Hawke's Bay Airport remained focused on achieving its strategic goals, albeit within the context of navigating the recovery cycle from the effects of COVID-19.

During 2021 the demand for air travel within New Zealand rebounded quicker than originally forecast, with air traffic capacity reaching around 90% of pre-Covid-19 levels by mid year. However, a return to a nationwide COVID-19 Level 4 lockdown in August 2021 highlighted that the Group remained vulnerable to Covid-19 related impacts.

2022 has begun with New Zealand being placed into the "red traffic light setting" of the Government Covid Protection Framework and although the airport is operational under this setting, there is significant travel hesitancy and accordingly a reduced airline flight schedule.

This latest change highlights that the Group continues to be vulnerable to Covid-19 related impacts. Accordingly, the Group has a robust operational and financial planning framework in place that considers future scenarios and likely outcomes. This framework assists the board and management to respond rapidly to changes in operating conditions, and when necessary take additional steps to quickly minimise costs and capital expenditure in a considered way.

2 PROPERTY, PLANT AND EQUIPMENT

	Land & Land Improvements	Airport Infrastructure & Buildings	Other assets	Capital Work in Progress	Total
At 30 June 2021					
Fair Value	6,080,725	38,914,054	2,840,091	13,653,314	61,488,183
Accumulated depreciation	966	1,899,019	1,406,942	0	3,306,927
	6,079,759	37,015,034	1,433,148	13,653,314	58,181,256
Opening net book value	6,079,759	37,015,034	1,433,148	13,653,314	58,181,256
Additions	0	0	508,442	2,205,399	2,713,841
Disposals	0	0	0	0	0
Revaluation	0	0	0	0	0
Depreciation	487	1,155,829	125,200	0	1,281,516
Transfers	0	12,514,037	0	(12,514,037)	0
Closing net book value	6,079,272	48,373,243	1,816,390	3,344,676	59,613,581
At 31 December 2021					
Fair Value	6,080,725	51,428,091	3,348,533	3,344,676	64,202,024
Accumulated depreciation	1,452	3,054,849	1,532,142	0	4,588,443
	6,079,272	48,373,243	1,816,390	3,344,676	59,613,581

3 INVESTMENT PROPERTY

	Land & Land Improvements	Business Park Infrastructure & Buildings	Capital Work in Progress	Total
At 30 June 2021				
Cost	2,899,688	3,000,830	167,964	6,068,482
Accumulated depreciation	204,128	1,041,760	-	1,245,889
	2,695,560	1,959,070	167,964	4,822,594
Opening net book value	2,695,560	1,959,070	167,964	4,822,594
Additions	-	-	-	-
Disposals	-	-	-	-
Depreciation	16,948	63,999	-	80,947
Closing net book value	2,678,612	1,895,071	167,964	4,741,647
At 31 December 2021				
Cost	2,899,688	3,000,830	167,964	6,068,482
Accumulated depreciation	221,076	1,105,759	-	1,326,835
	2,678,612	1,895,071	167,964	4,741,647

4 BORROWINGS

The Group refinanced its debt funding facilities during the half year to 31 December 2021 and presently has a Sustainability Linked Loan facility of \$23m; Revolving Credit facility up to \$5m and Overdraft facility up to \$500,000 available with the ASB Bank.

At 31 December 2021 the Group had \$3m drawn against the Revolving Credit facility which is reported as a current liability. The sustainability linked loan balance of \$23m is reported as a non-current liability.

The sustainability linked loan facility has a three year term with an evergreen clause included in the facility agreement.

The average interest rate on the loan facility for the six month period to 31 December was 2.31% p.a (FY21: 2.16%)

The revolving credit facility has a two year term and the average interest rate on funds drawn during the period to 31 December was 1.81% (FY21: 1.57%)

The facilities are secured by a General Security Agreement.

Hawke's Bay Airport Limited Group

Accounting Policies

For the period ended 31 December 2021

Significant accounting policies

Reporting Entity

Hawke's Bay Airport Limited is a company incorporated in New Zealand under the Companies Act 1993 and is owned by the Crown: 50%, Napier City Council: 26%, Hastings District Council: 24%.

The Company is domiciled in New Zealand and its principal place of business is 111 Main North Road, Westshore, Napier. The company operates the Hawke's Bay Airport.

Hawke's Bay Airport Limited is defined as a Council-controlled organisation pursuant to Part 5 of the Local Government Act 2002.

Statement of Compliance

The financial statements have been prepared as required by the Local Government Act 2002 and in accordance with all applicable financial reporting standards and other generally accepted accounting practices in New Zealand. They comply with the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) as appropriate to profit oriented entities applying the Reduced Disclosure Regime.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of Hawke's Bay Airport Limited and its wholly owned subsidiary, Hawke's Bay Airport Construction Limited (the Group).

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intragroup balances and transactions are eliminated in preparing the consolidated financial statements.

Measurement Base

The financial statements have been prepared on a going concern basis in accordance with historical cost concepts as modified by the revaluation of certain assets and liabilities as identified in specific accounting policies below.

Presentation Currency

These Financial Statements are presented in New Zealand dollars (\$), which is the functional currency of the Group, rounded to the nearest dollar.

Critical Accounting Estimates, Assumptions and Judgments

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical estimates are included in the impairment assessment of Investment Property, and in the assessment of the recoverable amounts of Capital Work in Progress and the fair value of Property, Plant and Equipment, the calculation of disposal of demolished terminal assets and the fair value of Property, Plant and Equipment. Management has exercised its judgement on the selection of depreciation rates, the classification of financial assets and the masterplan asset, in addition to the timing of capitalisation of interest.

Particular accounting policies

Revenues

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of Goods and Services Tax (if applicable), returns, rebates and discounts. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the company and when specific criteria have been met for each of the Group's activities. Revenues consist mainly of landing charges, car parking fees, terminal and leased land rentals and concessions. Lease income is recognised on a straight-line basis over the term of the lease.

Trade and Other Receivables

Trade and other receivables are stated at net realisable value after provision for doubtful debts.

Taxation

Income tax expense

Income tax on profits for the period comprises current tax, deferred tax and any adjustment for tax payable in previous periods. Income tax is recognised in profit or loss as tax expense except when it relates to items credited directly to equity, in which case it is recorded in other comprehensive income.

Current tax

Current tax is the expected tax payable on the income for the period based on tax rates and tax laws which are enacted or substantively enacted by the reporting date.

Deferred tax

Deferred tax arises by providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the equivalent amounts used for tax purposes.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the periods when the assets or liabilities giving rise to them are realised or settled.

Deferred tax assets, including those related to the tax effect of income tax losses available to be carried forward are recognised only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences or unused tax losses can be realised. Deferred tax assets are reviewed each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Cash Flow Statement

The following definitions have been used for the preparation of the Statement of Cash Flows:

Cash and Cash equivalents: Cash and cash equivalents are cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Operating activities: Transactions and other events that are not investing or financing activities.

Investing activities: Activities relating to the acquisition, holding and disposal of non-current assets and of investments, such as securities, not falling within the definition of cash.

Financing activities: Activities which result in changes in the size and composition of the capital structure of the Group, both equity and debt not falling within the definition of cash.

Property, Plant and Equipment

Property, Plant and Equipment

Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs. Subsequent to initial recognition, land and land improvement and airport infrastructure and buildings are carried at fair value less accumulated depreciation and accumulated impairment losses. Capital work in progress is carried at cost and transferred to another category as assets are completed. Other assets are recorded at cost less accumulated depreciation and accumulated impairment losses.

Any revaluation increment is credited to the revaluation reserve and included in other comprehensive income, except to the extent that it reversed a previous decrease of the same asset previously recognised within net profit in the statement of comprehensive income, in which case the increase is recognised within net profit in the statement of comprehensive income.

Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement, and the depreciation based on the original cost is transferred from the revaluation reserve to retained earnings.

Property, plant and equipment comprises airfield and other infrastructure, car parks, buildings and equipment.

Assets under construction

The cost of assets under construction is recorded at incurred cost as at balance date.

Disposal of property plant and equipment

When an item of plant property and equipment is disposed of any gain or loss is recognised in the profit or loss calculated at the difference between the sale price and the carrying value of the asset.

Cyclical maintenance upgrades

Significant expenditure involving renewal of runway surface components is capitalised and subject to depreciation at the appropriate rates.

Investment Property

Investment property, which is property held to earn rentals and/or for capital appreciation, is initially recognised at cost, including transaction costs. Costs include all expenditure relating to infrastructure development and construction. Investment property is recorded as cost less accumulated depreciated using the cost model allowed under NZ IAS 40. Investment properties include all aspects of the Ahuriri Aero Park development adjacent to the airport.

Depreciation

Depreciation is charged on a straight-line basis to write off the cost or value of property, plant and equipment and investment property over their expected economic lives.

The principal depreciation rates are as follows:

Airfield Infrastructure:	0.71% to 5.56%
Surface	6.67% to
Business Park	0.00% to
Buildings	2.50% to
Plant & Equipment	2.90% to
Car Park & Roading	1.67% to 5.00%
Fencing	5.00% to
Lighting	4.00% to
Furniture & Fittings	10.00%
Motor Vehicles	12.50%
Office Equipment	30.00%

Intangibles

Intangibles comprise computer software that is not an integral part of the related hardware. This software has either been purchased or developed internally and is initially recorded at cost. Subsequent costs are included in the software's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The costs of maintaining the software are charged to profit or loss. Software is amortised over three years using the straight-line method.

Financial Instruments Recognition and Measurement

Financial assets

The Group classifies its financial assets in the following categories: fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVTOCI) or amortised cost. The classification depends on the Group's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date. At balance date, the Group had financial assets classified only as amortised cost.

Amortised cost

Financial assets at amortised cost have contractual terms that give rise to cash flow on specified dates that are solely principal and interest and are held within a business model whose objective is to hold assets in order to collect those contractual cash flows.

The Group's amortised cost financial assets comprise of cash and cash equivalents and accounts receivable.

Purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed.

After initial recognition, amortised cost financial assets are carried at amortised cost using the effective interest method, less impairment.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation. Trade payables and borrowings are classified as financial liabilities.

Impairment Testing of Assets

At each reporting date, the Group reviews the carrying values of its assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to profit or loss.

GST

All amounts are shown exclusive of Goods and Services Tax (GST), except for receivables and payables that are stated inclusive of GST.

Leases

All leases are accounted for by recognising a right-of-use asset and a lease liability in accordance with NZ IFRS 16, except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Group if it is reasonably certain to access that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated based on a termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the group is contractually required to dismantle, remove, or restore the leased asset.

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if this is judged to be shorter than the lease term.

When the Group revises its estimate of the term of any lease (for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases, an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in the profit or loss.

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy;
- in all other cases where the renegotiation increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount;
- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in the profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

For contracts that both convey a right to the Group to use an identified asset and require services to be provided to the group by the lessor, the Group has elected to account for the entire contract as a lease, i.e. it allocates any amount of the contractual payments to, and accounts separately for, any services provided by the supplier as part of the contract.

Changes in Accounting Policies

There have been no changes in accounting policies during the six month period ended 31 December 2021.

2022/23



STATEMENT OF INTENT

HAWKE'S BAY AIRPORT LIMITED



www.hawkesbay-airport.co.nz

STATEMENT OF INTENT 2022/23

Prepared by:

Hawke's Bay Airport Limited

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Date: As at March 2022

INTRODUCTION

This Statement of Intent ("SOI") is prepared by the Board of Directors of Hawke's Bay Airport Limited ("HBAL") in accordance with Section 64(1) of the Local Government Act 2002.

This SOI sets out the objectives, the nature and scope of the activities to be undertaken by HBAL, and the performance targets and other measures by which the performance of the company may be assessed in relation to its objectives. HBAL's achievements against the objectives outlined in last year's SOI are referred to in this year's annual report.

The SOI is a public and legally required document, reviewed and agreed annually with shareholders, and covers a three-year period. This SOI covers the period from 1 July 2021 to 30 June 2025. HBAL is a council-controlled trading organisation ("CCTO") for the purposes of the Local Government Act 2002.

OWNERSHIP & GOVERNANCE

HBAL was incorporated in 2009. Governance sits with the Board of Directors, which is responsible for the strategic and overall direction of the business. Directors are appointed by the company's shareholders: Napier City Council (26%), Hastings District Council (24%), and the Crown (50%). The Board has four directors, two of whom are appointed by Napier City Council and Hastings District Council and two of whom are appointed by the Crown. The Board meets regularly with HBAL leadership to review the company's performance and provides quarterly, half-yearly and annual business performance reports to shareholders. Refer to Appendix A.



ABOUT US

NATURE AND SCOPE OF ACTIVITIES

Location

HBAL is situated approximately 10 minutes from Napier City's central business district (CBD), 20 minutes from Hastings and 30 minutes to Havelock North. The Hawke's Bay region stretches from Wairoa in the north to Waipukurau in the south. At the 2018 New Zealand Census, the region had a population of 166,368.

Operations

HBAL is the third busiest airport in the North Island and plays an essential role in connecting the region's people and produce with the wider national and international economy via scheduled passenger services. HBAL'S primary activity is the safe and efficient operation of Hawke's Bay Airport, facilitating direct flights to Auckland, Wellington, Christchurch (served by Air New Zealand) and Nelson, Palmerston North and Hamilton (served by Originair). This includes the provision of appropriate and sound aeronautical infrastructure and associated facilities. In August 2021, HBAL opened a newly expanded terminal with improved passenger facilities. HBAL is also required to ensure the operational resilience of the airport as a lifeline utility, under the Civil Defence Emergency Management Act 2002.



Company Value

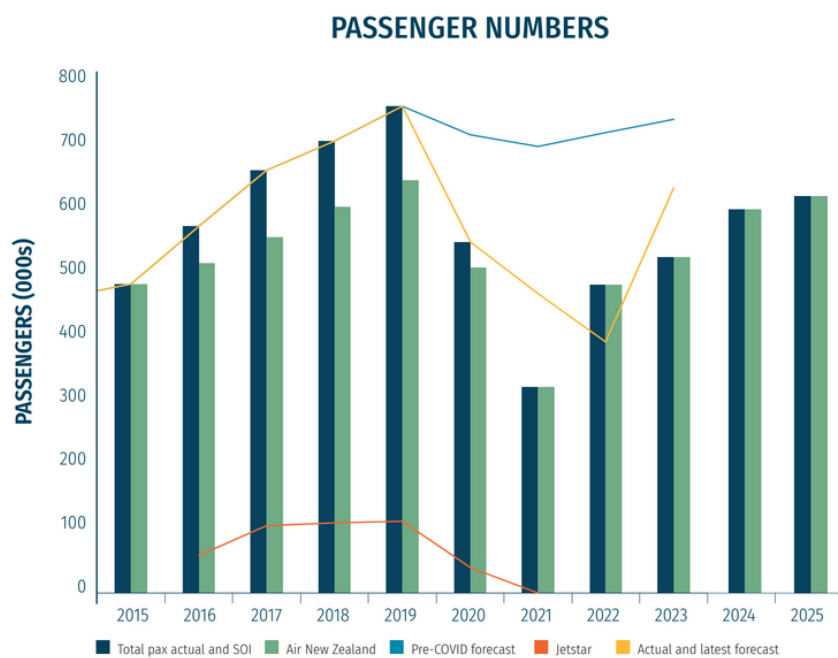
As at 30 June 2021, HBAL's land, land improvements and buildings were valued at \$61.6m. This valuation was supported by external valuations completed by Peter Seed Limited and Telfer Young Limited. HBAL's total land holding is 230ha, comprising a composition of leasehold (in perpetuity from Napier City Council and Hastings District Council) and freehold tenure.

Outlook

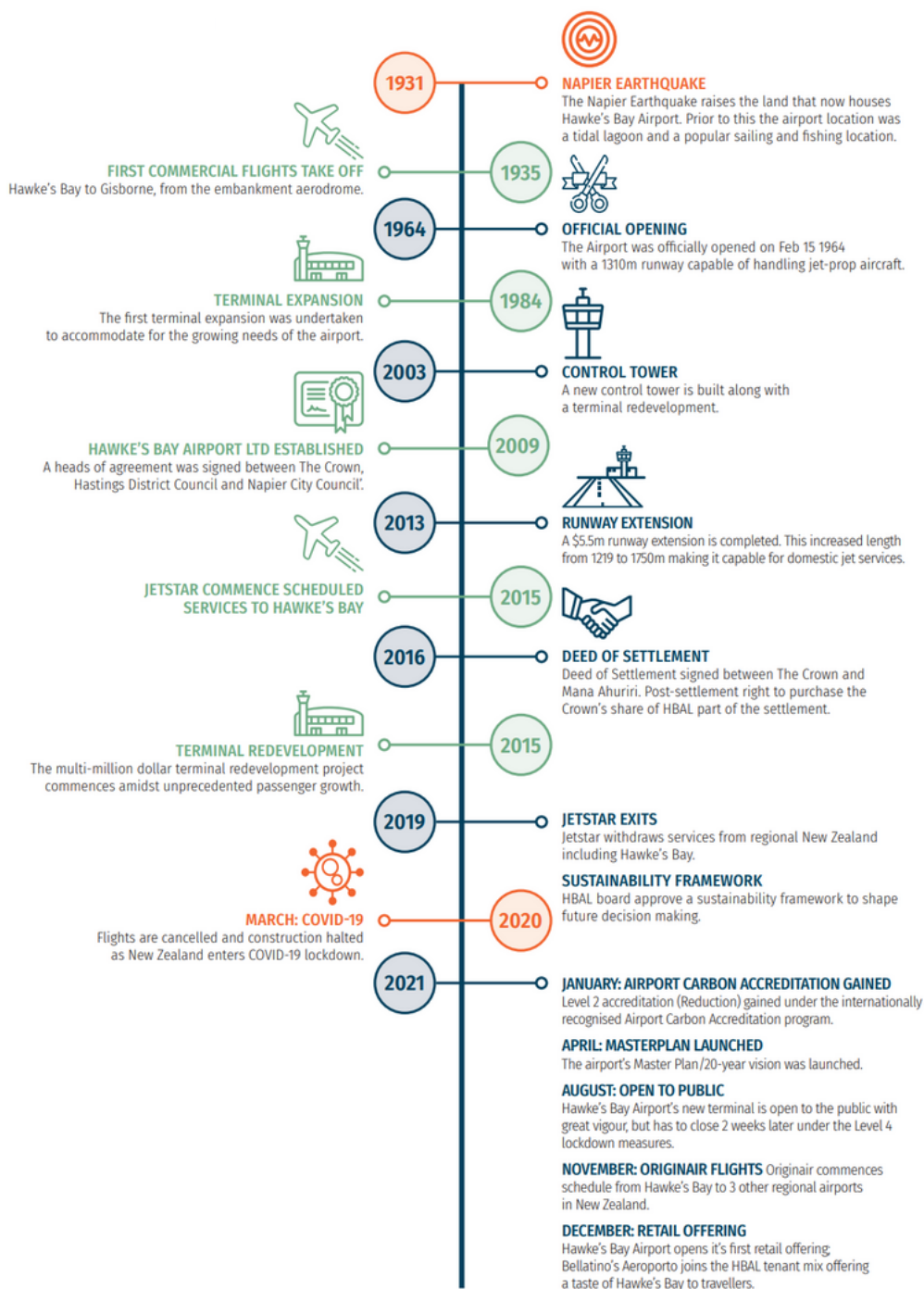
An area of prime importance for HBAL is the continued work on strengthening its core business through a strong focus on both expanding opportunities for new and additional services with Air New Zealand and exploring opportunities for the expansion of connections with the rest of New Zealand via other airlines.

In addition to scheduled passenger services, general aviation is also an essential component of HBAL's aviation mix. HBAL's total aircraft movements, as at June 2019, were approx. 24,000, of which approx. 9,000 were general aviation.

The following provides a snapshot of our past and future passenger numbers.



OUR JOURNEY HISTORICAL SNAPSHOT



DIVERSIFICATION AND GROWTH STRATEGY

HBAL's heavy reliance on aeronautically-driven revenue has been identified as a significant risk to the business. Broadening and increasing profitability through a diversified portfolio is essential to ensuring the business can withstand the impacts of any significant adverse events on the aviation sector (for example, the withdrawal of Jetstar services from Hawke's Bay in 2019 or the COVID pandemic).

20-Year Vision

HBAL launched its Master Plan in May 2021, setting out a 20-year vision [1] for the company. This was the result of approximately two years' work to determine HBAL's future aeronautical requirements and ensure these are protected. Completing this project enabled HBAL to determine the land available for future commercial development and identify opportunities for revenue diversification.

Land

HBAL is strategically located with direct connections to air, road, rail and sea, making it ideally suited for a business park. In July 2021, HBAL brought Ahuriri Aeropark [2] to market. As with other airport commercial land offerings, the proposition is likely to appeal to commercial/light industries that require land and air connections (for example, freight and logistics, travel, trade and tourism-based industries). HBAL's existing anchor tenant ABB is an example of this, using air connections frequently.

HBAL is mindful of the Napier and Hastings Sub-Regional Industrial Land Strategy and its offering is in line with that strategy. HBAL has also been actively involved in Napier City Council's draft district plan review and spatial planning project.

As land becomes scarce in the areas traditionally designated for commercial and light industry use, Ahuriri Aeropark will become a prime alternative offering. The development complements the work being undertaken by Napier City Council [3] and Hastings District Council [4] to attract businesses to Hawke's Bay under Matariki [5], the Hawke's Bay Regional Economic Development Strategy ("HBREDS"), in which HBAL continues to be actively involved.



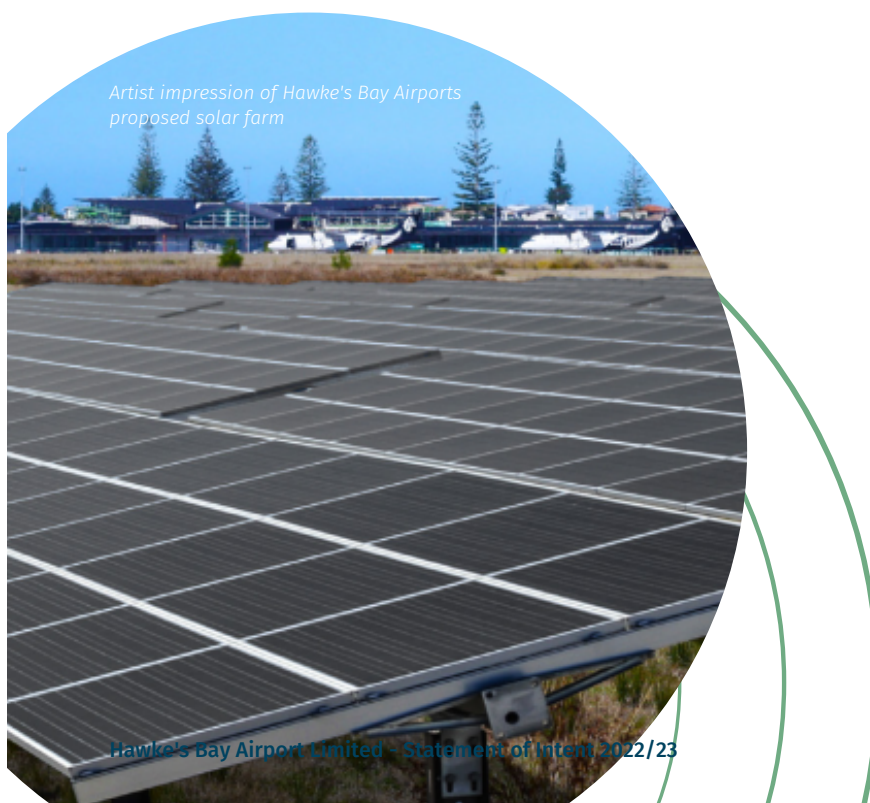
- [1] <https://hawkesbay-airport.co.nz/about/our-future/>
 [2] <https://hawkesbay-airport.co.nz/our-business/property/profile-and-vision/>
 [3] <https://www.napier.govt.nz/napier/business/economic-development/>
 [4] <https://www.hastingsdc.govt.nz/economic-development/>
 [5] <https://www.hbreds.nz/>

Proposed Solar Farm Project

HBAL continues to progress its proposed solar farm project on site. The focus of this project to date has been on securing a commercial partner to assist with funding the project's development, with a view to progressing the project to consents and construction. Noting shareholders' expectations of prudent governance, planning, resourcing and financial management of the project, HBAL has put in place appropriate oversight and expertise through its governance structure and resourcing. In addition to building HBAL's non-aeronautical revenue stream, this project will also contribute to its goal of carbon neutrality.

Appropriate land development and the proposed solar farm project, along with terminal-based revenue (food and beverage concessions, rental car agency tenancies, and advertising), will provide non-aeronautical revenue that can insulate the business should there be future periods where aeronautical revenue is compromised.

<https://www.hawkesbay-airport.co.nz/assets/Docs/HBAL/Proposed-Solar-Farm-project.pdf>



Artist impression of Hawke's Bay Airport's proposed solar farm

Hawke's Bay Airport Limited - Statement of Intent 2022/23

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PURPOSE AND VISION

In late 2021, the HBAL Board of Directors reviewed and subsequently refreshed the strategic plan for the company, identifying key focus areas needed to deliver its vision.

HBAL is driven by its purpose: to connect people, business, and the Hawke's Bay region in meaningful ways. Its vision is of a safe, secure and intuitive transport hub for everyone, with sustainability at its heart. HBAL's work toward this vision is guided by five strategic pou (pillars), its values, and a comprehensive sustainability framework.

PURPOSE

We connect people, business
and regions

VISION

We are a safe, secure and future
looking transport hub for
everyone

STRATEGIC POU AND VALUES

In addition to our revised Purpose and Vision, we have also revised our Strategic Pou and Values.

STRATEGIC POU

Our Operations	Our People	Our Environment	Our Partnerships	Commercial Success
We ensure a safe, secure and intuitive customer journey for all. We strive for excellence and evolve with change	We treat our people with respect, empower them with knowledge and allow them flourish in an inclusive environment. We are a learning organisation	We make wise decisions with airport land to safeguard the future, creating long term resilience and sustainability. We have a strong sense of place	We are a reflection of our region. We foster meaningful relationships with our customers, partners, mana whenua and the community to support positive growth	We maximise commercial returns across all areas, to ensure value for our stakeholders and the wider community
<i>You're in safe hands</i>	<i>A great place to work</i>	<i>We are guardians of the land</i>	<i>Creating meaningful connections</i>	<i>A profitable, sustainable business</i>

OUR VALUES

We look to the horizon	Safe and secure	Strive for success	Customer centric	Environmentally responsible
We care for today and plan for tomorrow through collaboration with stakeholders, partners, mana whenua and the wider community	The safety and security of our environment and our customers, is our top priority	We strive for excellence in everything we do and support others to succeed	We believe in the power of customer experience at every touchpoint, creating positive impressions of our airport and our region	We are committed stewards of our environment

KEY OBJECTIVES

The following outlines HBAL's key objectives for FY22/23 and beyond.

OUR OPERATIONS	
We ensure a safe, secure and intuitive customer journey for all. Striving for excellence and evolving with change. <i>You're in safe hands</i>	
Objectives	Key Performance Measures
Develop a "whole of airport" safety and security culture	Maintain our CAA Part 139 operating certificate
	Nil harm to staff, contractors or customers
	Nil security incidents in accordance with CAR Part 12
Proactively manage wildlife hazards	Review Wildlife Management Plan
Ensure our key infrastructure is fit for purpose and resilient	Review aeronautical infrastructure requirements
Provide our customers with engaging service and diverse adaptive offerings	Implement our Customer Experience Strategy
Embrace technology to drive performance	Review and implement relevant online and on ground technology advancements

Success looks like...

An operation that runs smoothly and efficiently, where nobody is hurt, and where every person working on the HBAL site actively contributes to its safety and security. HBAL maintains its essential operating credentials, while strengthening the resilience and sustainability of its infrastructure and operations. An airport that reflects our region and a passenger experience that is easy, engaging and enjoyable.

OUR PEOPLE	
We treat our people with respect, empower them with knowledge and allow them to flourish in an inclusive environment. We are a learning organisation. <i>A great place to work</i>	
Objectives	Key Performance Measures
Be a great place to work	Ensure all our team are engaged with HBAL's vision, purpose and goals
	Continue to implement our wellbeing programme
Grow our team capabilities and embrace change to enable success	Develop cross-functional team capabilities and succession planning
	Ensure our team have development plans in place and work with them to grow to their full potential

Success looks like...

A positive, dynamic culture that enables people to thrive. HBAL's people are healthy, balanced, and engaged in realising HBAL's vision for the future. HBAL is known as a great place to work and its people are its biggest advocates.

KEY OBJECTIVES

CONTINUED

OUR ENVIRONMENT	
We make wise decisions with airport land to safeguard the future, creating long term resilience and sustainability. We have a strong sense of place. <i>We are guardians of the land</i>	
Objectives	Key Performance Measures
Recognise the unique environment in which we operate	Work with our stakeholders on the Proposed Ahuriri Regional Park long term planning to ensure the continued safe and efficient operation of Hawke's Bay Airport
Continue our journey to carbon neutrality	Achieve Level 3 Airport Carbon Accreditation (ACA)
Advance renewable energy project	Business case presented to Board for approval to proceed with solar farm project

Success looks like...

An airport that respects and protects the natural environment in which it operates. The Ahuriri Aeropark precinct attracts businesses that share a commitment to a sustainable future. HBAL is a regional leader in sustainability.

OUR PARTNERSHIPS	
We are a reflection of our region. We foster meaningful relationships with our customers, partners, mana whenua and the community to support positive growth <i>Creating meaningful connections</i>	
Objectives	Key Performance Measures
Continue to develop and strengthen our partnerships	Implement our stakeholder engagement strategy
Continue to work alongside and collaboratively with mana whenua	Regular kanohi-ki-te-kanohi meetings/hui with key representatives from mana whenua
Continue to develop and implement sustainable aeronautical growth	Partner with other regional airports, airlines, and tourism sector to grow Hawke's Bay as a destination

Success looks like...

An airport connected to its community. HBAL's people have strong, genuine, and productive relationships with key customers, mana whenua, local government, and community leaders. HBAL is actively engaged in local government planning and community initiatives. HBAL's partnerships across the region are reflected and celebrated within the airport environs.

COMMERCIAL SUCCESS	
Maximise commercial returns across all areas, to ensure value for our stakeholders and the wider community <i>A profitable, sustainable business</i>	
Objectives	Key Performance Measures
Grow non-aeronautical revenue	+ 30% year on year
Enhance financial performance	Revenue - \$9m EBITDA margin - 53% NPAT - \$258k Passengers - 520k
Create a modern, sustainable business hub that brings like-minded businesses together	Agree and implement our Property Development Strategy Progress RMA Planning Framework via Napier City Council District Plan review to enable appropriate property development at HBAL
Customer experience strategy implemented and adoption by tenants	Increased customer spend rates

Success looks like...

A financially sound, resilient, and growing airport that supports connections in and out of Hawke's Bay. HBAL is a profitable business with a broad revenue base, including multiple non-aeronautical revenue streams. It is actively working with others for the collective benefit of its industry, its region, and its community.

Summary

HBAL has faced a number of significant challenges in recent years, but remains focused on its vision and committed to its strategic priorities. It has a strong plan in place for the future, and is actively pursuing revenue diversification.

Hawke's Bay Airport Limited - Statement of Intent 2022/23



FINANCIAL FORECASTS

The performance targets expressed here are predicated on a recovery in domestic air travel from mid-2022 as the impact of Omicron eases and borders reopen. They are based on passenger forecasts completed in December 2021 which assume a recovery, with passenger numbers predicted to reach pre-COVID levels in late 2023 once international passenger movements are restored following the reopening of the border.

The move to a per passenger charging mechanism was adopted in October 2020 to acknowledge HBAL's aeronautical asset values and operating costs. Given the uncertainty prevalent in 2020, the per passenger charge was designed to be subject to annual review of weighted average cost of capital ("WACC") and passenger volumes. This provides a mechanism to address any under-recovery in future years, within the overall five-year pricing window.

Passenger volumes are expected to normalise during this SOI period, allowing HBAL to maximise passenger-related revenue streams from its completed terminal. This provides for a return to profit by FY23, along with substantial improvement in both return on equity and gearing levels over the coming years.

Statement of Intent - Headlines and Financial Metrics

July 2022 - June 2025

	Jul 22 - Jun 23	Jul 23 - Jun 24	Jul 24 - Jun 25
Passenger Numbers	519,994	595,523	615,032
Forecast Revenue	9,030,568	10,521,723	11,103,764
EBITDA	4,787,427	5,889,320	6,239,691
EBITDA Margin	53.01%	55.97%	56.19%
NPAT	257,541	917,352	1,224,960
Net Profit after Taxation Margin	2.85%	8.72%	11.03%
Interest Coverage	3.5	4.6	6.1
Total Debt	26,200,000	24,400,000	22,400,000
Total Assets	65,470,501	64,643,174	63,946,567
Return on Equity	0.8%	2.7%	3.5%
Gearing Ratio	44%	42%	39%
Equity %	52%	54%	55%

Prospective Summary Statement of Comprehensive Income

July 2022 - June 2025

	Jul 22 - Jun 23	Jul 23 - Jun 24	Jul 24 - Jun 25
<i>Passenger Numbers</i>	519,994	595,523	615,032
<i>Revenue</i>			
Aeronautical	5,178,742	6,177,097	6,643,685
Non-aeronautical	3,851,826	4,344,627	4,460,080
Total Revenue	9,030,568	10,521,723	11,103,764
<i>Operating Expenditure</i>	4,243,140	4,632,404	4,864,073
EBITDA	4,787,427	5,889,320	6,239,691
<i>Depreciation</i>	3,235,666	3,380,074	3,433,249
EBIT	1,551,761	2,509,246	2,806,441
<i>Interest Expense</i>	1,116,287	1,157,368	1,027,330
Profit before Income Tax	435,474	1,351,878	1,779,111
<i>Income Tax Expense</i>	177,933	434,526	554,151
Net Profit after Tax	257,541	917,352	1,224,960

Prospective Summary Statement of Financial Position

July 2022 - June 2025

	Jul 22 - Jun 23	Jul 23 - Jun 24	Jul 24 - Jun 25
<i>Current Assets</i>	966,360	1,064,108	1,115,750
<i>Non Current Assets</i>	64,504,141	63,579,067	62,830,817
TOTAL ASSETS	65,470,501	64,643,174	63,946,567
<i>Current Liabilities</i>	659,746	1,154,662	1,723,079
<i>Non Current Liabilities</i>			
Total Debt	26,200,000	24,400,000	22,400,000
Other Non Current Liabilities	5,157,029	5,084,375	5,084,375
TOTAL LIABILITIES	32,016,775	30,639,037	29,207,454
NET ASSETS	33,453,726	34,004,137	34,739,113
<i>Capital and Reserves</i>	33,453,726	34,004,137	34,739,113
TOTAL EQUITY	33,453,726	34,004,137	34,739,113

Prospective Summary Statement of Cashflows

July 2022 - June 2025

	Jul 22 - Jun 23	Jul 23 - Jun 24	Jul 24 - Jun 25
Cashflow From Operations	4,479,601	5,508,069	5,910,926
Cashflow From Investing	(3,044,191)	(2,455,455)	(2,691,160)
Financing and Other			
Total Loans Issued	(350,000)	(1,800,000)	(2,000,000)
Interest Payments	(1,113,596)	(1,156,913)	(1,021,171)
Cashflow From Financing	(1,463,596)	(3,059,941)	(3,221,489)
Net Cash Inflow/(Outflow)	(28,185)	(7,327)	(1,723)
Opening Bank	53,755	25,570	18,243
Net Cash Movement	(28,185)	(7,327)	(1,723)
Closing Bank	25,570	18,243	16,520

HBAL acknowledges the world and domestic economies continue to be impacted by the pandemic and other world events. Whilst we are confident our contingency plans performed well when recently tested by COVID-19, the company will find it financially difficult to sustain prolonged periods of significantly reduced passenger numbers. We will ensure our shareholders are updated with regular updates of actual and projected results. Market volatility in traditional service areas serves to reinforce our earnings diversification strategy.



Hawke's Bay Airport Limited - Statement of Intent 2022/23

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CAPITAL EXPENDITURE

HBAL continues to invest in its infrastructure in line with passenger numbers, Civil Aviation Authority security requirements and identified opportunities to grow its non-aeronautical revenue base, such as its commercial precinct. The key revenue assumptions for property and solar development are subject to further analysis, therefore capex allowances have been allowed only for planning development and enabling capex until the business cases are fully assessed. As an example, allowances have been included for advancing and implementing property precinct plans. From time to time, HBAL may consider additional capital expenditure programmes if supported by a robust business case and funding capability.

Budgeted capital expenditure is summarised in the table below. Long-term capital expenditure associated with the aeronautical infrastructure is provided for as per the long-term maintenance plan prepared and updated annually by BECA Limited.

Prospective Summary of Capital Expenditure

	2022/23	2023/24	2024/25
Airside Infrastructure & Projects	931,000	895,000	1,985,000
Landside Infrastructure & Commercial	415,000	365,000	175,000
Property & Planning	866,500	360,000	250,000
Operational Efficiency	854,000	870,000	300,000
	3,066,500	2,490,000	2,710,000

ACCOUNTING POLICIES

The accounting policies adopted by HBAL are consistent with New Zealand's International Financial Reporting Standards and generally accepted New Zealand accounting practices. The policies are included within HBAL's annual report, which is available on the company's website:

www.hawkesbay-airport.co.nz/assets/Docs/Company-Reports/Hawkes-Bay-Airport-20-21-Annual-Report.pdf

DISTRIBUTIONS

HBAL believes that its strong focus on strategies of revenue diversification and resilience underpin a sound foundation for revenue recovery and balance sheet growth. These strategies will create enhanced financial returns and maximise value to shareholders through an appropriate balance of dividends and reinvestment.

Currently, a positive net profit after tax result is forecast for the upcoming 2022/23 financial year and subsequent periods. These forecasts are included in this SOI and are conditional on New Zealand's ultimate recovery from COVID-19.

In arriving at any dividend recommendation, the directors will consider:

- The scale of the company's capital expenditure programme and therefore demands on capital for the period covered by this statement;
- The company's financial performance and the cash flows generated from operations, including impact of the terminal expansion project;
- The ratio of the company's shareholder funds to its assets;
- The company's ability to raise debt finance and the terms thereof;
- The risks associated with the uncertainty of airline schedules in the short and medium term.

Any final dividend declared will be paid no later than 31 December.

INFORMATION TO BE PROVIDED TO SHAREHOLDERS

Shareholders will receive:

- An annual report including audited financial statements within three months of balance date;
- Six-monthly report including non-audited financial statements within two months of balance date;
- A quarterly report within two months of the end of each quarter;
- A Statement of Intent submitted for shareholders' consideration in accordance with the Local Government Act 2002;
- Other interim financial reports as agreed with the shareholders;
- Reports on matters of material interest to shareholders. Shareholders will continue to be kept informed of key developments, consistent with the Crown's 'no surprises' policy.

ACQUISITION PROCEDURES

The acquisition of any interest in a company or organisation will be considered when it is consistent with the long-term commercial objectives of the company. Any material acquisition will be the subject of consultation with shareholders. Major transactions as defined by the Companies Act 1993 will require shareholder approval.

COMPENSATION SOUGHT FROM LOCAL BODY SHAREHOLDERS

At the request of the shareholders, HBAL may undertake activities that are not consistent with normal commercial objectives. In these circumstances, HBAL may seek a specific subsidy to meet the full commercial cost of providing such activities. None are contemplated in the planning period.

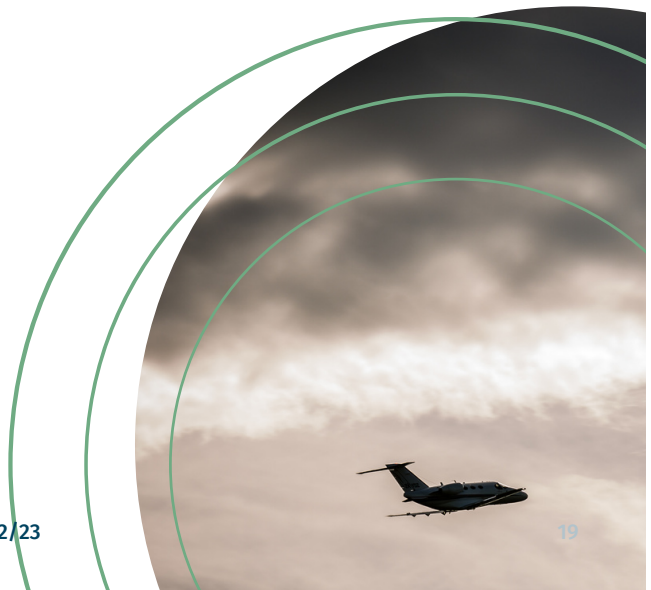
ESTIMATE OF COMMERCIAL VALUE

The value of shareholders' investment in HBAL as at 31 December 2021 is \$33,524,000.

The property, plant, equipment and investment property (non-current assets) owned by HBAL were revalued at 30 June 2021 to their current market value of \$61.6M.

HBAL will continue to undertake a revaluation approach to its assets on a regular cycle or when there has been a significant change in the market, to consider the gap between current book values of the assets and liabilities versus the commercial value of the business.

The completion of the terminal expansion project in 2021 and the impact of COVID-19 on revenues are significant events with potential to influence asset value.



APPENDIX A:

BOARD OF DIRECTORS ROLE AND GOVERNANCE OBJECTIVES

Role of the Board of Directors and governance objectives

In carrying out its principal function, the Board's specific responsibilities and objectives include:

- a) Ensuring that the company has adequate management resources to achieve its objective, to support the CEO, and has a satisfactory plan for management succession in place;
- b) Reviewing and approving the strategic, business and financial plans prepared by management and developing a depth of knowledge of the company's business so as to understand and question the assumptions upon which such plans are based and to reach an independent judgement on the probability that such plans can be achieved;
- c) Reviewing and approving material transactions not in the ordinary course of the company's business;
- d) Reviewing operating information to understand at all times the state of health of the company;
- e) Considering management recommendations on key issues, including acquisitions and divestments, restructuring, funding and significant capital expenditure;
- f) Approving policies on and overseeing the management of strategic business risks, safety, sustainability, occupational health, and environmental issues with the following aims:
 - i. To manage risk throughout the company's operation in order to protect its shareholders, employees, assets, earnings and reputation;
 - ii. To comply with all relevant legislation;
 - iii. To encourage employees to actively participate in the management of environmental and occupational health and safety issues,
 - iv. To employ consultants where required to raise standards or improve existing conditions,
 - v. To use energy and other resources efficiently, and
 - vi. To encourage the adoption of similar standards by the company's principal suppliers, contractors and distributors;
- g) Approving and fostering a corporate culture which requires management and every employee to operate to the highest level of ethical and professional behaviour;
- h) Setting and monitoring adherence to major policies, including capital investment, treasury, accounting and financial, executive remuneration, and delegated authority limits;
- i) Approving the appointments by, or at the request of, the company (including its affiliates) to the boards of subsidiary and associate companies;
- j) Monitoring the company's performance against its approved strategic, business and financial plans and overseeing the company's operating results on a regular basis so as to evaluate whether the business is being properly managed;
- k) Ensuring ethical behaviour by the company, the Board and management, including compliance with the company's constitution, the relevant laws, and the relevant auditing and accounting principles;

- l) Reporting to shareholders on its stewardship. Information is to be communicated to shareholders through:
- i. The annual report, which is distributed to all shareholders. The Board is to ensure that the annual report includes relevant information about the operations of the consolidated entity during the year, changes in the state of affairs of the consolidated entity and details of future developments, in addition to other disclosures required by the Companies Act and financial reporting requirements;
 - ii. Results announcements regarding the annual, quarterly and half-yearly results;
 - iii. Annual statement of intent;
 - iv. Media releases;
 - v. The annual meeting, and other shareholder meetings called to obtain approval for Board actions as appropriate. The company will provide notification of shareholder meetings at least 20 working days prior to the meeting and not later than 15 months after the previous meeting; and
 - vi. The company's website.
- m) Ensuring that shareholders can easily communicate with the company, including providing shareholders with the option to receive communications electronically;
- n) Ensuring that the company's shareholder reporting meets the requirements of the Owner's Expectation Manual which can be found on the Treasury's website <https://treasury.govt.nz/publications/guide/owners-expectations>, including:
- i. Ensuring that financial reporting is balanced, clear and objective. The Board should explain to shareholders how operational and financial targets are measured;
 - ii. Ensuring that the company provides non-financial disclosures to shareholders at least annually. These should consider environmental, economic and social sustainability factors and practices;
 - iii. Ensuring that the company reports to shareholders on material risks facing the business and how these are being managed. Reporting should disclose how the company manages its health and safety risks and the performance and management of those risks;
 - iv. Ensuring that the company discloses any internal audit functions.
- o) Select and (if necessary) replace the CEO;
- p) Assess, from time to time, its own effectiveness in carrying out these functions and the other responsibilities of the Board.

HAWKE'S BAY AIRPORT LIMITED
111 MAIN NORTH ROAD
NAPIER, 4110



www.hawkesbay-airport.co.nz

FOODEAST LIMITED PARTNERSHIP

Statement of Intent for the Financial Year ending 30 June 2023

COMPANY DIRECTORY

FOODEAST LIMITED PARTNERSHIP

111 Avenue Rd East, Hastings 4156
06 873 8037
www.foodeast.co.nz

DIRECTORS

Cr. Craig Foss (Chairperson)
Mr. Tony Gray

REGISTERED OFFICE

Willis Legal
116 Vautier Street, Napier 4110

BANKERS

Westpac New Zealand Ltd

AUDITORS

Audit New Zealand (on behalf of the Office of the Auditor General)

LEGAL STATUS

Foodeast Limited Partnership ("foodeast") was incorporated in New Zealand on 2 July 2021 under the Limited Partnerships Act 2008 (NZBN 9429049450736). As the shareholders of foodeast are Hastings District Council (16.64%), Hawke's Bay Regional Council Investment Company (66.72%) and Progressive Meats Limited (16.64%), foodeast is a Council Controlled Organisation as defined in section 6 of the Local Government Act 2002.

FOODEAST LIMITED PARTNERSHIP
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1. PURPOSE OF THE STATEMENT OF INTENT

This Statement of Intent (SOI) is presented by Foodeast Limited Partnership (foodeast) in accordance with Section 64(1) of the Local Government Act 2002.

The SOI specifies for foodeast 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 Limited Partnership and its shareholders.

The SOI is reviewed annually with the Hastings District Council and Hawke's Bay Regional Investment Company Ltd (HBRIC), wholly owned by Hawke's Bay Regional Council, and covers a three-year period.

2. IMPACT OF COVID-19

New Zealand is currently working in a challenging and changing environment as a function of the COVID-19 pandemic and its myriad impacts to our economy and communities.

As an organisation whose primary objective is to support business innovation and facilitate the growth of the regional economy, foodeast, has had to, and will likely continue to have to evolve and adapt our forward work programme(s) in the short to medium term in to achieve the outcomes expected of it.

FOODEAST LIMITED PARTNERSHIP
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3. INTRODUCTION

Foodeast is a council-controlled trading organisation (CCTO) for the purposes of the Local Government Act 2002. It is owned by Hastings District Council (16.64%), Hawke's Bay Regional Council Investment Company (66.72%) and Progressive Meats Limited (16.64%).

The Foodeast Limited Partnership was incorporated with the Companies Office in July 2021. Full operations are expected to coincide with the completion of the construction of the building in 2023.

Once completed, foodeast will be a purpose-built food and beverage innovation facility located in the Tomoana Food Hub of Hawke's Bay. It will take the lead from the Hasting's District Council's brand campaign "*great things grow here*" to bring smart thinkers and innovative companies together under one roof from across New Zealand's food processing value chain.

4. VISION

The vision is that foodeast will construct and operate a business-park facility focussed on clustering food, beverage, agritech, horticulture and related activities and engineering services businesses together in a shared real-estate space to build industry capability as well as maximise opportunities for innovation ideas to cross-pollinate between the businesses. The business park facility will be a hub of focus for food innovation in the region.

To achieve this vision foodeast must work in partnership with our shareholders, central government, local iwi, private industry, and other regional stakeholders - it cannot be achieved alone.

5. STRATEGIC OBJECTIVES

The principal objectives of foodeast are to achieve:

- (a) the objectives of the shareholders, both commercial and non-commercial as specified from time to time in the Statement of Intent and, in particular, to drive and facilitate the creation and growth of the food and beverage sector in Hawke's Bay and beyond; and
- (b) to exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which the facilities operate and by endeavouring to accommodate or encourage these whenever it is reasonably able to do so.

6. PURPOSE

The goal for foodeast is to construct and operate a food innovation hub to create 500+ jobs and add over NZ\$ 100 million to the Gross Domestic Product (GDP) of the Hawke's Bay region over 10 years, while remaining financial sustainable for investors.

7. NATURE AND SCOPE OF ACTIVITIES UNDERTAKEN

The physical facilities of foodeast will consist of a food innovation centre modelled on the existing Waikato Innovation Park and supported with sector-specific soft services focussed on Māori economic development, and commercialisation services.

The food innovation hub will promote more cost-effective food and beverage product innovation, and a centre of excellence in food processing education and engineering services.

FOODEAST LIMITED PARTNERSHIP
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It will provide a base for clustering food technology firms and improve cooperation and bring scientific and technical expertise. In time, it is also expected to expand its centre of excellence role to integrating research activity around waste product, and co-ordination of regional effort on sustainable packaging and resource allocation.

8. CORPORATE STRUCTURE AND GOVERNANCE

The Board of up to six (currently two) Directors is responsible for the strategic direction and control of foodeast's activities.

The Board of Directors guides and monitors the business and affairs of foodeast, in accordance with the Companies Act 1993, the Local Government Act 2002, the Company's Constitution and this Statement of Intent.

The Board of Directors' approach to governance is to adopt "good practice" with respect to:

- the operation and performance of the Board
- managing the relationship with the Project Manager / Chief Executive
- being accountable to all shareholders and reporting to them on a quarterly basis.

9. PERFORMANCE MEASURES AND TARGETS

Foodeast's performance measure framework identifies quantifiable measures of our programmes and activities aligned to our key strategic outcomes. These form the basis of our accountability and will be reported on every three (3) months. The prime focus of 2022/23 will be on the construction of the food innovation hub.

Table 1. Summary Performance Targets, FY2023 to FY2025 inclusive.

Service Level Statement	Performance Measure
Finalise funding and conclude design, consenting and pre-construction activities	Within FY2022
Construction of the food innovation hub.	Construction complete and first tenants in place.
Operate as a successful business delivering sustainable profitability and growth in shareholder value.	See Table 2 – Financial Performance Targets
Deliver a high level of service to all foodeast users	Performance to be measured against the strategic business plan

10. FINANCIAL PERFORMANCE TARGETS

Table 2. Summary of Financial Performance Indicators, FY2023 to FY2025 inclusive.

The financial model is presently being reviewed and remodelled as a function of the incremental construction funding being negotiated with the Ministry of Business, Innovation and Employment (MBIE).

The relevant financial performance targets will be provided in Table 2 in the final version of this SOI in May 2022.

FOODEAST LIMITED PARTNERSHIP
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11. RATIO OF SHAREHOLDERS' FUNDS TO TOTAL ASSETS

The forecast capital structure and ratio of shareholders' funds to total assets for the next three (3) financial years are illustrated in the following table.

Table 3. Shareholders' Funds to Total Assets, FY2023 to FY2025 inclusive.

Measure	2022/23*	2023/24*	2024/25*
Shareholders' Funds	\$2,800,000	\$6,000,000	\$6,000,000
Total Net Assets	\$3,832,703	\$18,431,572	\$18,354,953
Ratio	0.73	0.32	0.32

* Note: Any significant further potential development, if undertaken, will impact on the ratio of Shareholders' Funds to the Total Net Assets of foodeast as shown.

12. ACQUISITIONS & DIVESTMENTS POLICY

The acquisition of any interest in a company or organisation will only be considered when it is consistent with the long-term social and commercial objectives of foodeast.

Any material acquisition or divestment will be the subject of consultation with shareholders.

Major transactions as defined by the Companies Act 1993 will require shareholder approval.

13. SHAREHOLDER REQUIREMENTS

(Reporting and Information to be Provided by Foodeast)

13.1. Letter of Expectations

At the beginning of each new calendar year the shareholders will deliver to foodeast a Letter of Expectations. The Letter of Expectations is intended to provide direction on issues that are important to the five Councils, and to assist in the development of foodeast's next SOI.

13.2. Statement of Intent

By 1 March in each year foodeast will deliver to shareholders its draft SOI for the following year in the form required by Clause 9(1) of Schedule 8 and Section 64(1) of the Local Government Act 2002.

Having considered any comments received from its shareholders received by 30 April, the Board will deliver the completed SOI to its shareholders on or before 15 June each year.

13.3. Half Yearly Report

By the end of February each year, foodeast will provide to shareholders its Half Yearly Report complying with Section 66 of the Local Government Act 2002. The Half Yearly Report will include the following information:

- Director's commentary on operations for the relevant six-month period
- Un-audited half-yearly Financial Statements incorporating a Statement of Financial Performance, Statement of Financial Position, Statement of Changes in Equity and Statement of Cashflows.
- Comparison of foodeast's performance regarding the objectives and performance targets set out in the SOI, with an explanation of any material variances.

FOODEAST LIMITED PARTNERSHIP

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13.4. Annual Report

By 30 September each year, foodeast will provide to its shareholders an Annual Report complying with Sections 67, 68 and 69 of the Local Government Act 2002 and the Companies Act.

The Annual Report will contain the information necessary to enable an informed assessment of the operations of the company, and will include the following information:

- Directors' Report
- Financial Statements incorporating a Statement of Financial Performance, Statement of Financial Position, Statement of Changes in Equity, Statement of Cashflows, Statement of Accounting Policies and Notes to the Accounts
- Comparison of foodeast's performance regarding the objectives and performance targets set out in the SOI, with an explanation of any material variances
- Auditor's Report on the financial statements and the performance targets
- Any other information that the directors consider appropriate

13.5. Shareholder Meetings

Foodeast will hold an Annual General Meeting (AGM) between 30 September and 30 November each year to present the Annual Report to all shareholders unless it is agreed between foodeast and the shareholders that the business of the AGM will be done by resolution in writing.

14. ESTIMATE OF COMMERCIAL VALUE

The value of shareholders' investment in the company as of 31 December 2021 is \$2,800,000.

Foodeast will undertake a revaluation approach to its assets on a regular cycle or when there has been significant change in the market.

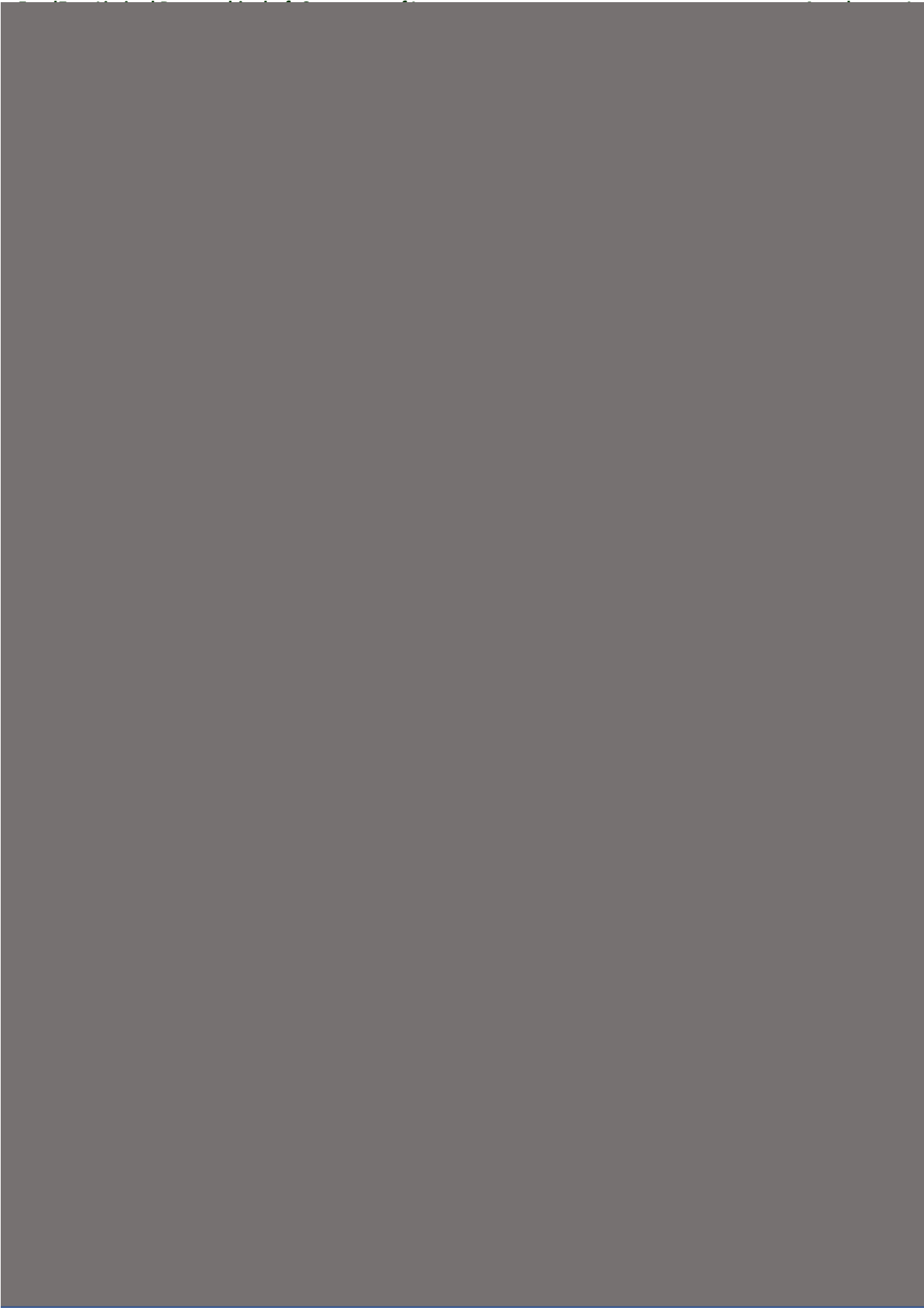


Cr. Craig Foss
Chairman
Foodeast General Partnership

16 February 2022

FOODEAST LIMITED PARTNERSHIP

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Item 6

ACCOUNTING POLICY & NOTES TO THE FINANCIAL STATEMENTS

1. Reporting Entity

Foodeast Limited Partnership ("foodeast") was established and commenced operations in New Zealand on 2 July 2021 under the Limited Partnerships Act 2008 (NZBN 9429049450736). As the shareholders of foodeast are Hastings District Council (16.64%), and Hawke's Bay Regional Council Investment Company (66.72%), foodeast is a council-controlled organisation as defined in section 6 of the Local Government Act 2002.

Foodeast has designated itself as a public benefit entity (PBE) for financial reporting purposes.

2. Statement of Accounting Policies Basis of Preparation

The financial statements are prepared on the going concern basis, and the accounting policies have been applied consistently throughout the period, unless otherwise stated.

Statement of Compliance

The financial statements of foodeast have been prepared in accordance with the requirements of the Local Government Act 2002, the Limited Partnerships Act 2008, 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). Foodeast 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.

Presentation Currency

The financial statements are presented in New Zealand dollars (NZ\$) and all values are rounded to the nearest New Zealand dollar (NZ\$), except when otherwise indicated.

Historical Cost

These financial statements have been prepared on a historical cost basis.

Changes in Accounting Policies

There have been no changes in accounting policies. Policies have been applied on a consistent basis with those of the previous reporting period.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services, excluding goods and services tax rebates and discounts, to the extent it is probable that the economic benefits will flow to the entity and revenue can be reliably measured. Specific accounting policies for significant revenue items are explained below:

- Sales of goods are recognised when the goods are sold to the customer.
- Sales of services are recognised in the period by reference to the stage of completion of the services delivered at balance date as a percentage of the total services to be provided.

FOODEAST LIMITED PARTNERSHIP

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- Lease revenue is recognised on a straight-line basis over the life of the lease.
- Interest received is recognised using the effective interest method. Interest revenue on an impaired financial asset is recognised using the original effective interest method.
- Grants are recognised as revenue when they become receivable unless there is an obligation in substance to return the funds if conditions of the grant are not met. If there is such an obligation, the grants are initially recorded as grants received in advance and recognised as revenue when conditions of the grant are satisfied.
- Donated assets. Where a physical asset is gifted to or acquired by foodeast for nil consideration or at a subsidised cost, the asset is recognised at fair value. The difference between the consideration provided and fair value of the asset is recognised as revenue. The fair value of donated assets is determined as follows:
 - For new assets, fair value is usually determined by reference to the retail price of the same or similar assets at the time the asset was received.
 - For used assets, fair value is usually determined by reference to market information for assets of a similar type, condition, and age.

Inventories

Inventories held for use in the provision of goods and services on a commercial basis are valued at the lower of cost and net realisable value.

The amount of any write-down for the loss of service potential or from cost to net realisable value is recognised in the surplus (deficit) in the period of the write-down.

Property, Plant and Equipment

Property, plant and equipment are stated at historical cost less any accumulated depreciation and impairment losses. Historical cost includes expenditure directly attributable to the acquisition of assets and includes the cost of replacements that are eligible for capitalisation when these are incurred.

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

Depreciation

Account	Method	Rate
Leasehold Improvements	Diminishing Value	10%- 40%
Office Furniture & Equipment	Diminishing Value	0% -67%
Office Furniture & Equipment	Straight Line	10.5%
Plant & Equipment	Diminishing Value	10%-20%
Vehicles	Diminishing Value	30%
Websites	Straight Line	40%

From 1 July 2018 all Office Furniture and Equipment purchases (excluding computer/IT equipment) has been depreciated using the straight-line method of depreciation to better represent the reduction of the value of these assets over their useful life. This change will apply to all purchases of Office Equipment and Furniture (excluding Computer equipment) in future accounting periods.

FOODEAST LIMITED PARTNERSHIP

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As this change is a change in accounting estimates, no changes have been made to previously purchased assets in prior financial years, or the depreciate method on these assets in the current or future years.

Income Tax

Income tax expense includes components relating to current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, and any adjustments to income tax payable in respect of prior years.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction that affects neither accounting profit nor taxable profit.

Current tax and deferred tax are measured using tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

Current and deferred tax is recognised against the profit or loss for the period, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Cash and cash equivalents

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

Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

Receivables

Receivables are recorded at their face value, less any provision for impairment.

Impairment of financial assets

Financial assets are assessed for evidence of impairment at each balance date. Impairment losses are recognised in the surplus or deficit.

Impairment is established when there is evidence foodeast will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter-in bankruptcy, receivership, or liquidation and default in payments are indicators that the asset is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. For debtors and other receivables, the carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectable, it is written-off against the allowance account. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due). Impairment in term deposits or bonds are recognised directly against the instrument's carrying amount.

FOODEAST LIMITED PARTNERSHIP

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Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance date, which are included in non-current assets.

After initial recognition, they are measured at amortised cost, using the effective interest method, less impairment. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit.

Payables

Short-term creditors and other payables are recorded at their face value.

Equity

Equity is the shareholders' interest in foodeast and is measured as the difference between total assets and total liabilities.

Good and Services Tax

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

The net amount of GST recoverable from, or payable to, the 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 operating cash flow in the statement of cashflows.

Commitments and contingencies are disclosed exclusive of GST.

Provisions

A provision is recognised for future expenditure of uncertain amount or timing when there is a obligation (either legal or constructive) as a result of a past event, it is probable that an outflow of future economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense and is included in 'finance costs.'

FOODEAST LIMITED PARTNERSHIP

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FOODEAST LIMITED PARTNERSHIP
111 Avenue Rd East, Hastings 4156
06 873 8037
<http://www.foodeast.co.nz/>



FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

HAWKE'S BAY MUSEUMS TRUST INDEX TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

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HAWKE'S BAY MUSEUMS TRUST

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

	Note	6 Months Ended 31-Dec-21 \$	6 Months Ended 31-Dec-20 \$	Year Ended 30-Jun-21 \$
Revenue				
Council grants	1	593,617	595,864	1,191,729
Other grants and donations received	2	1,222	4,414	146,751
Interest revenue		3,030	6,156	8,842
Total Revenue		597,869	606,434	1,347,322
Expenses				
Audit fees		-	2,700	5,610
Accounting charge	3	14,400	14,150	28,300
Accounting software charge		128	128	255
Conservation		-	400	6,843
Donation- storage facility		-	-	40,000
General expenses		-	379	450
Insurance		2,270	3,294	3,294
Management fee	3	574,264	576,915	1,153,829
Total Expenses		591,062	597,965	1,238,581
Net Surplus/(Deficit) for the Period		6,807	8,469	108,741

HAWKE'S BAY MUSEUMS TRUST STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

	Note	6 Months Ended 31-Dec-21 \$	6 Months Ended 31-Dec-20 \$	Year Ended 30-Jun-21 \$
Current Assets				
Bank accounts and cash	4	28,854	89,636	22,448
Investments	5	615,553	655,260	615,552
Accounts receivable and accrued revenue	6	2,483	59,848	1,487
GST receivable		99	589	695
Total Current Assets		646,989	805,333	640,182
Non-Current Assets				
Artworks and collection	7	28,354,340	41,097,357	28,354,340
Total Non Current Assets		28,354,340	41,097,357	28,354,340
Total Assets		29,001,329	41,902,101	28,994,522
Current Liabilities				
Accounts payable and accruals	8	6,507	130,329	6,507
Total Current Liabilities		6,507	129,740	6,507
Non-Current Liabilities				
Trust funds held on behalf	9	75,260	75,260	75,260
Total Non-Current Liabilities		75,260	75,260	75,260
Total Liabilities		81,767	205,000	81,767
Accumulated Funds				
Retained earnings	10	1,765,810	1,619,962	1,763,255
Asset revaluation reserve	10	26,645,433	39,530,051	26,645,433
Special funds	11	508,319	547,088	504,067
Total Accumulated Funds		28,919,562	41,697,101	28,912,755
Total Funds Employed		29,001,329	41,902,101	28,994,522

The Trust Board of Hawke's Bay Museums Trust authorised these financial statements for issue on Wednesday 24 February 2021 and are signed on behalf of the Board by:

Chairman

Trustee

HAWKE'S BAY MUSEUMS TRUST STATEMENT OF MOVEMENTS IN EQUITY FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

	Note	6 Months Ended 31-Dec-21 \$	6 Months Ended 31-Dec-20 \$	Year Ended 30-Jun-21 \$
Opening Balance of Equity		28,912,754	41,688,632	41,688,632
Net Surplus/(Deficit) for Period Allocated to:				
Retained earnings		2,555	(2,100)	94,749
Special funds	11	4,252	10,570	13,991
Net Surplus/(Deficit) for year		6,807	8,469	108,740
Movement in Asset Revaluation Reserve		-	-	(12,884,618)
Closing Balance of Equity	10	28,919,561	41,697,101	28,912,754

HAWKE'S BAY MUSEUMS TRUST STATEMENT OF CASHFLOWS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

	Note	6 Months Ended 31-Dec-21 \$	6 Months Ended 31-Dec-20 \$	Year Ended 30-Jun-21 \$
Cash Flows From Operating Activities				
Receipts of council grants		593,617	545,584	1,191,729
Donations received		1,222	4,414	5,150
Interest receipts		2,034	10,823	14,047
Other operating revenue		-	8,000	-
Goods and Services Tax		596	7,956	617
Audit fee		-	-	(5,445)
Management fee & education grant		(574,264)	(480,762)	(1,153,829)
Accounting fee		(14,528)	(11,792)	(28,300)
Donations paid		-	-	(40,000)
Conservation expenses		-	-	(6,843)
Insurance		(2,270)	(3,294)	(3,294)
Other expenses		-	(507)	(705)
Net Cash Flows from Operating Activities	12	6,407	80,423	(26,873)
Cashflows from Investing Activities				
Purchase of Collection Assets		-	(10,845)	(10,446)
Net cashflows from Investing Activities		-	(10,845)	(10,446)
Opening Cash Balance		638,000	675,319	675,319
Net Increase/(Decrease) in Cash		6,407	69,577	(37,319)
Closing Cash Balance		644,407	744,896	638,000

HAWKE'S BAY MUSEUMS TRUST ACCOUNTING POLICIES

FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

Statement of Accounting Policies

Reporting Entity

The Hawke's Bay Museums Trust (Incorporated) is registered under the Charitable Trusts Act 1957 and is registered as a charitable entity under the Charities Act 2005.

Basis of Preparation

The Board has elected to apply PBE-SFR-A (PS) Public Benefit Entity Simple Format Reporting - Accrual (Public Sector) on the basis that the Trust does not have public accountability (as defined) and has total annual expenses of less than \$2 million.

All transactions in the financial statements are reported using the accrual basis of accounting.

The financial statements are prepared on the assumption that the Trust will continue to operate in the foreseeable future.

Significant Accounting Policies

Bank Accounts and Cash

Bank Accounts and Cash comprise cheque or savings accounts and deposits held at call with banks.

Investments

Investments comprise bank term deposits.

Accounts Receivable

Accounts receivable are stated at their estimated net realisable value.

Grants

Grants received are recognised in the Statement of Financial Performance when the requirements under the grant agreement have been met. Any grants for which the requirements under the grant agreement have not been completed will be carried as liabilities until the conditions have been fulfilled.

Donated Assets

Revenue from donated assets is recognised upon receipt of the asset if the asset has a useful life of more than 12 months and the value of the asset is readily obtainable and significant.

Artworks and Collection

The Trust has elected to apply International Public Sector Accounting Standard (IPSAS) 17 - Property, Plant and Equipment. Items contained in collection assets tend to have an indefinite life and are generally not of a depreciable nature. Depreciation is therefore not applicable and collection assets are carried at fair value. Carrying values are reviewed at least every three years to ensure those values are not materially different to fair value.

HAWKE'S BAY MUSEUMS TRUST ACCOUNTING POLICIES

FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

Creditors and Accrued Expenses

Creditors and accrued expenses are measured on the amount owing.

GST

The Trust is registered for GST. The Statement of Financial Performance has been prepared so that all components are stated net of GST. All items in the Statement of Financial Position are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

Interest Revenue

Interest revenue is recorded as it is earned during the year.

Income Tax

Hawkes Bay Museums Trust is exempt from paying income tax.

Changes in Accounting Policies

There have been no changes in accounting policies for the 2021/22 financial year.

HAWKE'S BAY MUSEUMS TRUST NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

1. Council Grants

	6 Months Ended 31-Dec-21 \$	6 Months Ended 31-Dec-20 \$	Year Ended 30-Jun-21 \$
Hastings District Council- Operating grant	293,058	294,182	588,365
Napier City Council- Operating grant	293,058	294,182	588,365
Hastings District Council- Education grant	7,500	7,500	15,000
Total Council Grants	586,117	595,865	1,191,730

2. Other Grants and Donations Received

	6 Months Ended 31-Dec-21 \$	6 Months Ended 31-Dec-20 \$	Year Ended 30-Jun-21 \$
Donations- General	1,222	4,414	5,150
Donations - Acquisitions	-	-	141,601
Total Other Grants and Donations Received	1,222	4,414	146,751

3. Related Parties

Hastings District Council and Napier City Council are related parties, to the extent that they contribute funds and are represented on the Board.

The Hawkes Bay Museums Trust has contracted Napier City Council to provide administrative and accounting services for the Trust's operations. Payment for these services during the six months ended 31 December 2021 financial year was \$14,400 (2020: \$14,150).

The Hawkes Bay Museums Trust has also contracted Napier City Council to provide administrative and management services specifically for the care and management of the collection. Payment for services for the six months ended 31 December 2021 was \$574,264 (2020: \$576,915).

The Board members are not paid (2020: nil).

HAWKE'S BAY MUSEUMS TRUST NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

4. Bank Accounts and Cash

	6 Months Ended 31-Dec-21	6 Months Ended 31-Dec-20	Year Ended 30-Jun-21
	\$	\$	\$
Bank Accounts and Cash			
Westpac Bank - Current account	28,854	89,636	22,448
Total Bank Accounts and Cash	28,854	89,636	22,448

5. Investments

	6 Months Ended 31-Dec-21	6 Months Ended 31-Dec-20	Year Ended 30-Jun-21
	\$	\$	\$
Westpac Term Deposits	540,293	580,000	540,292
Westpac Term Deposits - Trusts Held on Behalf			
M S Spence Trust	33,387	33,387	33,387
L D Bestall Trust	20,834	20,834	20,834
Estate L D Bestall	21,039	21,039	21,039
Total Investments	615,553	655,260	615,552

6. Accounts Receivable and Accrued Revenue

	6 Months Ended 31-Dec-21	6 Months Ended 31-Dec-20	Year Ended 30-Jun-21
	\$	\$	\$
Accounts receivable	-	57,822	-
Accrued interest	2,483	2,026	1,487
Total Accounts Receivable and Accrued Revenue	2,483	59,848	1,487

Item 8 Hawke's Bay Museums Trust - Half Year Financial Report to 31 December 2021 and draft Statement of Intent

HBMT - Financial statements for the six months ended 31 December 2021

Attachment 1

**HAWKE'S BAY MUSEUMS TRUST
NOTES TO THE FINANCIAL STATEMENTS**

FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

7. Artwork and Collections

	Library Archives	Textiles & Associated Items	Taonga Maori-Owned	Taonga Maori- Custodial	Fine Arts	Social History	Pottery Porcelain Glass	Ethnology	Subtotal	Faraday Centre	Total
Carrying amount at 1 July 2020	1,857,127	791,127	9,095,489	16,352,000	9,764,567	991,358	426,660	1,267,348	40,545,676	541,235	41,086,911
Acquisitions	-	-	-	-	-	1,519	8,927	-	10,446	-	10,446
Donations	16,135	8,195	-	-	117,250	21	-	-	141,601	-	141,601
Deaccessions	-	-	-	(14,352,000)	-	-	-	-	(14,352,000)	-	(14,352,000)
Revaluation	-	-	1,030,500	-	419,700	-	(2,818)	20,000	1,467,382	-	1,467,382
Carrying amount at 30 June 2021	1,873,262	799,322	10,125,989	2,000,000	10,301,517	992,898	432,769	1,287,348	27,813,105	541,235	28,354,340
Carrying amount at 1 July 2021	1,873,262	799,322	10,125,989	2,000,000	10,301,517	992,898	432,769	1,287,348	27,813,105	541,235	28,354,340
Acquisitions	-	-	-	-	-	-	-	-	-	-	-
Donations	-	-	-	-	-	-	-	-	-	-	-
Deaccessions	-	-	-	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-	-	-	-
Carrying amount at 31 December 2021	1,873,262	799,322	10,125,989	2,000,000	10,301,517	992,898	432,769	1,287,348	27,813,105	541,235	28,354,340

The Faraday Centre Collection was valued by independent registered valuer Craig S Scoullar MPINZ of Asset Valuations Ltd as at 30 June 2020 using fair value. The other Museum Art & Collection Assets were valued by independent registered valuer Jessica Pearless MPINZ of Paragon Matter Limited as at 30 June 2021 using fair value. The basis for both valuations is 'Estimated Market Value'.

HAWKE'S BAY MUSEUMS TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

8. Accounts Payable & Accruals

	6 Months Ended 31-Dec-21	6 Months Ended 31-Dec-20	Year Ended 30-Jun-21
	\$	\$	\$
Accounts payable	5,610	129,432	5,610
Unspent grants	897	897	897
Total Accounts Payable & Accruals	6,507	130,329	6,507

9. Trust Funds Held on Behalf

	6 Months Ended 31-Dec-21	6 Months Ended 31-Dec-20	Year Ended 30-Jun-21
	\$	\$	\$
M S Spence Trust	33,387	33,387	33,387
L D Bestall Trust	20,834	20,834	20,834
Estate L D Bestall	21,039	21,039	21,039
Total Trust Funds Held on Behalf	75,260	75,260	75,260

HAWKE'S BAY MUSEUMS TRUST NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

10. Equity

	6 Months Ended 31-Dec-21 \$	6 Months Ended 31-Dec-20 \$	Year Ended 30-Jun-21 \$
Special Reserves			
Restricted Reserves			
Opening balance	15,682	15,294	15,294
Grants, bequests and donations revenue	39	-	156
Interest revenue	82	277	232
Closing Balance Restricted Reserves	15,803	15,571	15,682
Unrestricted Reserves			
Opening balance	59,259	97,302	97,302
Grants, bequests and donations revenue	147	1,764	786
Interest revenue	311	-	1,171
Donations paid for storage facility	-	-	(40,000)
Closing Balance Unrestricted Reserves	59,717	99,066	59,259
Acquisitions Reserve			
Opening balance	400,116	400,556	400,556
Grants, bequests and donations revenue	994	-	4,018
Interest revenue	2,100	7,264	5,988
Acquisitions purchases	-	(10,446)	(10,446)
Closing Balance Acquisitions Reserve	403,210	397,374	400,116
Conservation Reserve Fund			
Opening balance	16,573	22,942	22,942
Grants, bequests and donations revenue	41	-	190
Interest revenue	86	416	284
Conservation purchases	-	(400)	(6,843)
Closing Balance Conservation Reserve	16,700	22,958	16,573
Trusts Held on Behalf			
Opening balance	12,437	11,270	11,270
Interest revenue	451	850	1,167
Closing Balance Trusts Held on Behalf	12,888	12,120	12,437
Total Special Reserves	508,318.07	547,089	504,067

HAWKE'S BAY MUSEUMS TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

	6 Months Ended 31-Dec-21 \$	6 Months Ended 31-Dec-20 \$	Year Ended 30-Jun-21 \$
Revaluation Reserve			
Opening balance	26,645,433	39,530,051	39,530,051
Deaccessions	-	-	(14,352,000)
Movement in Asset Revaluation Reserve	-	-	1,467,382
Closing Balance Revaluation Reserve	26,645,433	39,530,051	26,645,433
Retained earnings			
Opening balance	1,763,255	1,611,217	1,611,217
Net surplus/(deficit) for year	2,555	(2,101)	94,749
Transfer of donation to unrestricted reserve	-	-	40,000
Transfer of capital exp to acquisitions reserve	-	10,446	10,446
Transfer of capital exp to conservation reserve	-	400	6,843
Closing Balance Retained Earnings	1,765,810	1,619,962	1,763,255
Total Equity	28,919,561	41,697,102	28,912,755

HAWKE'S BAY MUSEUMS TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

11. Special Funds

	Opening Balance as at 1 Jul 2021	Transfer	Grants Donations & Bequests Received	Acquisitions & Conservation	De-accessions	Allocation of Proportion Interest & Donations Income	Closing Balance as at 31 Dec 2021
Restricted Reserves							
QEII Award Fund	15,682	-	-	-	-	121	15,803
Total Restricted Reserves	15,682	-	-	-	-	121	15,803
Unrestricted Reserves							
Lilliput Building Fund	59,259	-	-	-	-	458	59,717
Total Unrestricted Reserves	59,259	-	-	-	-	458	59,717
Acquisitions Reserve Fund							
Millin Estate	301,388	-	-	-	-	2,330	303,718
LJ Sanderson	89,129	-	-	-	-	689	89,818
M L Holt	1,603	-	-	-	-	13	1,616
Webb Trust	7,996	-	-	-	-	62	8,058
Total Acquisitions Reserve Fund	400,116	-	-	-	-	3,094	403,210
Conservation Reserve Fund							
M L Holt	13,419	-	-	-	-	103	13,522
R & D Crowther	518	-	-	-	-	4	522
Estate Kriyh Stichbury	1,037	-	-	-	-	8	1,045
Other - FHB MAG Care Fund	350	-	-	-	-	3	353
Webb Trust	1,249	-	-	-	-	9	1,258
Total Conservation Reserve Fund	16,573	-	-	-	-	127	16,700
Trusts Held on Behalf							
M S Spence Trust	5,519	-	-	-	-	200	5,719
L D Bestall Trust	3,415	-	-	-	-	125	3,540
Estate L D Bestall	3,503	-	-	-	-	126	3,629
Total Trusts Held on Behalf	12,437	-	-	-	-	451	12,888
Total Special Funds	504,067	-	-	-	-	4,251	508,318

HAWKE'S BAY MUSEUMS TRUST NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

12. Statement of Intent

In its 2020/21 Statement of Intent the Trust set financial targets for the year. The following table summarises actual results (to 31 December 2021) against those targets, with explanations for variances.

	Actual to 31-Dec-21 \$	Target to 31-Dec-21 \$	Variance \$
Revenue			
Council Funding (NCC & HDC)	593,617	593,617	-
Interest Income	3,030	2,650	380
Cash Donations *	1,222	5,000	(3,778)
Total Revenue	597,869	601,267	(3,398)
Expenses			
Management Fee and Education Grant	492,267	492,267	-
Off-Site Storage	82,000	82,000	-
Conservation **	-	3,825	3,825
Accessions **	-	3,825	3,825
Trust Admin & Management	14,400	14,400	-
Audit, Insurance, Legal Fees ***	2,270	4,950	2,680
Total Expenses	590,937	601,267	10,330
Surplus/Deficit	6,932	-	6,932
Ratio of Shareholders Funds to Total Assets	99.7%	95.0%	4.7%

Note: This ratio shows the proportion of assets on which the shareholders have a residual claim.

Explanation of variances

* Cash donations are down against projected largely due to the MTG facility being closed for remedial work in July 2021 and also a Covid-19 lockdown from the 17th of August to the 31st of August 2021. Auckland remained in the lockdown up until December 2021 which negatively impacted visitor numbers.

** There has yet to be conservation and accession expenditure however there are a number of invoices expected to come through in February and March 2022.

*** Due to the delayed audit of the annual accounts there has yet to be an audit fee. This is expected to be completed in February 2022.

HAWKE'S BAY MUSEUMS TRUST NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

	Actual to 31-Dec-20	Target to 31-Dec-20	Variance
	\$	\$	\$
Revenue			
Council Funding (NCC & HDC)	595,865	595,865	-
Interest Income	6,156	8,350	(2,194)
Cash Donations	4,414	3,000	1,414
Total Revenue	606,435	607,215	-780
Expenses			
Management Fee and Education Grant	486,915	486,915	-
Off-Site Storage	90,000	90,000	-
Conservation	400	5,675	5,275
Accessions	10,446	5,675	(4,771)
General	507	0	(507)
Trust Admin & Management	14,150	14,150	-
Audit, Insurance, Legal Fees	5,994	4,800	(1,194)
Total Expenses	608,412	607,215	(1,197)
Surplus/Deficit	-1,977	-	(1,977)
Ratio of Shareholders Funds to Total Assets	99.5%	95.0%	4.5%

Note: This ratio shows the proportion of assets on which the shareholders have a residual claim.

13. Commitments

The Trust has no capital commitments at 31 December 2021 (2020:\$nil)

14. Contingencies

The Trust has no contingent liabilities at 31 December 2021 (2020:\$nil)



Hawke's Bay Museums Trust *Ruawharo Ta-u-rangi*

STATEMENT OF INTENT 22/23-24/25

The Hawke's Bay Museums Trust is a Council Controlled Organisation as three of the five members of the Board are either the two Councils' respective nominees, or the jointly appointed chair.

As a Council Controlled Organisation, the Trust acknowledges the 2012 and 2019 amendments to the Local Government Act 2002.

The Objectives of the Trust are:

- To hold and protect the collection for the people of Hawke's Bay
- To encourage the development of quality cultural facilities capable of accessing or drawing upon the collection within Hawke's Bay
- To advance and promote cultural heritage and the arts through the use of the collection
- To oversee collection management through the development of collection policy, conservation and risk management strategies via a contract for services with the Napier City Council
- To oversee collection development through the regulation of the acquisition and disposal of collection items
- To manage the bequests vested in the Trust in a way in which best industry practices benefit to the collection.

Governance of the Trust is:

The Board is constituted to have five members appointed as follows:

- One appointed by the Napier City Council
- One appointed by the Hastings District Council
- One appointed by the Hawke's Bay Museums Foundation Charitable Trust
- One by Ngati Kahungunu Iwi (Incorporated)
- One Chairperson who is jointly appointed by the Napier City Council and the Hastings District Council.

The Trust Board will govern on a high-level strategic direction basis. It will ensure regional balance and Iwi representation. It will undertake a management agreement with Napier City Council for the care and management of the regional collection.

The strategic intentions of the Trust for 22/23-24/25 are:

The Trust will:

- work closely with the Napier City Council and the Hastings District Council and other local authorities in the Hawke's Bay region to promote public appreciation of the collection
- consult regularly with the Director of MTG to advance the standing of the MTG in the community and further afield
- review annually the performance of the Napier City Council in the execution of its contract for care and management of the collection
- ensure that the Trust's investment policy is managed in a manner that satisfies the guiding principles set by Hastings District Council and Napier City Council for their own investment policies.

- work closely with Napier City Council, Hastings District Council and Hawke's Bay Regional Council to determine a solution to develop long-term storage for the collection.

The Nature and Scope of Activities to be undertaken by Napier City Council are outlined below. These activities will be achieved in accordance with agreed best industry practice and consistent with HBMT policies and procedures.

1) Protection

- Storage including pest control, storage media, shelving and air quality
 - Pest control
 - Storage media
 - Shelving
 - Air quality
- Security including alarm and access systems and monitoring, and insurance
 - Alarm systems (burglary, fire)
 - Alarm monitoring
 - Access systems
 - Insurance (loan items, owed items)
- Records Management including Vernon database and other records
 - Vernon database
 - Other records

2) Quality including conservation, accessioning and de-accessioning.

- Conservation - appropriate conservation to accepted best industry practice and consistent with HBMT collection policies.
- Accessioning - appropriate accessioning to accepted best industry practice consistent with HBMT collection policies.
- De-accessioning - appropriate de-accessioning to accepted best industry practice consistent with HBMT collection policies.

3) Access including exhibitions, research and archives.

- Exhibitions - Collection available to Hastings City Art Gallery and MTG Hawke's Bay and other institutions as appropriate within accepted best industry practice.
- Research - Collection made available through MTG Hawke's Bay as appropriate within accepted best industry practice.
- Archives - Archives made available through MTG Hawke's Bay as appropriate within accepted best industry practice.

4) Development including fundraising, reserves management and relationship development.

- Fundraising - To work with the MTG Hawke's Bay Foundation to provide funding.
- Reserves - To appropriately manage accession reserves.
- Relationships - To appropriately manage relationships to allow the collection to develop appropriately.
 - Funding Councils
 - Te Rōpū Kaiawhina Taonga
 - MTG Friends

Accounting Policies adopted by the Hawke's Bay Museums Trust will be:

Reporting entity

The Hawke's Bay Museums Trust is registered under the Charitable Trusts Act 1957 and is registered as a charitable entity under the Charities Act 2005.

Statutory base

The financial statements will be prepared in accordance with Part 3 (Audits and Reports), Section 15, of the Public Audit Act 2001.

General accounting policies

The general accounting policies recognised as appropriate for the measurement and reporting of results and financial position under the historical cost method as modified by any revaluation of certain assets, will be followed in the preparation of the financial statements.

The Board has elected to apply PBE-SFR-A (PS) Public Benefit Entity Simple Format Reporting - Accrual (Public Sector) on the basis that the Trust does not have public accountability (as defined) and has total annual expenses of less than \$2 million. The financial statements will be prepared on the assumption that the Trust will continue to operate in the foreseeable future. All transactions in the financial statements will be reported using the accrual basis of accounting

Specific accounting policies

Bank Accounts and Cash

Bank Accounts and Cash comprise cheque or savings accounts and deposits held on call with banks.

Investments

Investments comprise bank term deposits. Investments will be stated at lower of cost or net realisable value.

Interest Revenue

Interest revenue will be recorded as it is earned during the financial year, and accrued at year-end.

Accounts receivable

Any accounts receivable will be stated at their estimated net realisable value.

Grants

Any grants received will be recognised in the Statement of Financial Performance when the requirements under the grant agreement are met. Any grants for which the requirements under the grant agreement are not completed will be carried as liabilities until the conditions are fulfilled.

Donated Assets

Revenue from donated assets will be recognised upon receipt of the asset if the asset has a useful life of more than 12 months and the value of the asset is readily obtainable and significant.

Artworks and Collection

The Trust has elected to apply Public Sector Accounting Standard 17 – Property, Plant and Equipment (PBE IPSAS 17). Items contained in collection assets tend to have an indefinite life, and are generally not of a depreciable nature. Depreciation will therefore not be applicable and collection assets will be carried at fair value. Carrying values will be reviewed at least every three years by an independent qualified valuer, to ensure those values are not materially different from fair value. Carrying values will be reassessed annually in the intervening years.

Purchases of collection items will be recorded at cost, and donated collection assets will be recorded without attached values at the time of acquisition. These values will be captured during annual update revision of the valuation as noted above.

Creditors and Accrued Expenses

Creditors and accrued expenses will be measured on the amount owing.

Goods and Services Tax (GST)

The Trust is registered for GST. The Statement of Financial Performance will be prepared so that components are stated exclusive of GST. All items in the Statement of Financial Position will be stated net of GST, with the exception of receivables and payables, which will include GST invoiced.

Income tax

Hawke's Bay Museums Trust is exempt from paying income tax.

Changes in accounting policies

Any changes in accounting policies will be clearly signified and quantified.

Performance Targets

Key Result Area	Performance Indicator	Target/Reporting Method	
		2022/23 target	2022/23 actual
Protection	Full insurance cover is provided for the collection.	Yes	
	Collections are stored in an acceptable environment.	No items reported to have suffered deterioration due to environment	
Quality	Every item accessioned into the collection has undergone a detailed selection process within the framework of the Collection Strategy	Yes	
	De-accessions are managed in accordance with the Collection Strategy and reported to the Board	Yes	
Access	HBMT collections are used for academic and personal research	1,500 enquiries	
	Collections are made available to the public through quality exhibitions	2 - 5 collection-based exhibitions	
Development	Bequest funds income is used in the manner determined by the donor.	Yes	
	Conservation funds income is used solely for collection care.	Yes	

Financial Performance Targets

Financial Performance	Note	2022/23	2023/24	2024/25
Revenue				
Council Funding (NCC & HDC)	A	1,147,921	1,173,978	1,176,245
Interest Income	B	15,000	18,500	17,300
Donations		4,500	4,500	5,000
Total Revenue		1,167,421	1,196,978	1,198,545
Expenses				
Management Fee & Education Grant		933,917	955,397	957,265
Off-Site Storage	E	164,004	167,776	168,104
Education Grant (LEOTC)		15,000	15,000	15,000
Trust Admin & Management		25,100	25,677	25,728
Audit, Insurance & Legal etc	C	9,900	10,128	10,148
Conservation		9,750	11,500	11,150
Accessions		9,750	11,500	11,150
Total Expenses		1,167,421	1,196,978	1,198,545
Surplus/(Deficit)		-	-	-
Financial Ratio Target:				
Ratio of Shareholders Funds to Total Assets (minimum ratio):	D	95%	95%	95%

- A Net Council Funding results from inflation-adjusting some of the Trust's expenses in accordance with the same inflation rates used in both Councils' Annual Plans (2024 2.3% and 2025 2.5%). Future year Statement of Intent Financial Targets may differ from the above targets.
- B Interest income is based on maintaining capital funds at present levels with projected interest rates, and therefore no inflation adjustment is applied. Early spending of these funds will reduce the interest income.
- C Audit, Insurance & Legal etc for 2022/23 includes Audit Fees \$5,610, Insurance \$2,270, Legal Fees \$1,600, Charities Filing \$45, MYOB Subscription \$255, and Sundries \$120.
- D The ratio of Shareholders Funds to Total Assets measures the percentage of assets on which equity holders have a residual claim. Shareholders Funds is the amount of equity that belongs to the shareholders and represents an estimate of the amount the shareholders would receive if the Trust liquidated. Assets are the resources, for which the Trust has ownership or guardianship, that can be measured and expressed in dollars.
- E Please note we have assumed the off-site storage facility will continue to be leased for the next three years. There has been a new storage facility obtained by Hastings District Council, it is not yet known when this will be available for the HB Museum Trust collection or the associated costs.

Other than the funding shown in Financial Targets above, no additional council funding is requested. No dividend back to the two contributing councils is recommended.

Compensation from Local Authority

The costs of maintaining the collection will be equally funded by Napier City Council and Hastings District Council. Additional funding may be sought from other sources as appropriate.

Capital Expenditure

There is no planned expenditure on 'Buildings' or 'Plant and Machinery' for the 22/23-24/25 periods. Accessions and conservation will be funded from grants, donations, de-accessions, and bequest and investment interest income.

Hawke's Bay Museums Trust Projected Statements of Financial Position

Projected Statements of Financial Position	30/6/2023	30/6/2024	30/6/2025
Current Assets			
Bank Accounts and Cash	22,441	22,441	22,441
Investments	615,552	615,552	615,552
Prepayments and Accrued Revenue	1,487	1,487	1,487
Total Current Assets	639,480	639,480	639,480
Non-Current Assets			
Artworks and Collection	28,371,740	29,183,240	29,994,390
Total Non-Current Assets	28,371,740	29,183,240	29,994,390
Total Assets	29,011,220	29,822,720	30,633,870
Current Liabilities			
Accounts Payable and Accruals	5,610	5,610	5,610
GST Payable	195	195	195
Total Current Liabilities	5,805	5,805	5,805
Non-Current Liabilities			
Trust Funds Held on Behalf	75,260	75,260	75,260
Total Non-Current Liabilities	75,260	75,260	75,260
Total Liabilities	81,065	81,065	81,065
Accumulated Funds			
Retained Earnings	1,780,655	1,792,155	1,803,305
Asset Revaluation Reserve	26,645,433	27,445,433	28,245,433
Special Funds	507,067	504,067	504,067
Total Accumulated Funds	28,390,155	29,741,655	30,552,805
Total Funds Employed	29,011,220	29,822,720	30,633,870

Financial Reports

Full and final audited accounts will be included in the 2022/23 Annual Report.

Reporting against intended performance

The 2022/23 Annual Report will include comparisons of both financial and non-financial performances against the relevant targets outlined in this Statement of Intent.

Compensation from Local Authority

The Board estimates the commercial value of the Hawke's Bay Museums Trust collection will be \$28.4million (including the Faraday Collection). The collection is revalued at least every three years by an independent registered valuer, to ensure carrying values are not materially different from fair value.

Faraday Centre

Trustees are reviewing the future direction of the Faraday Centre which includes potentially separating this activity from the Hawke's Bay Museums Trust when an appropriate and sustainable model is identified.