

Thursday, 28 March 2024

*Te Hui o Te Kaunihera ā-Rohe o Heretaunga*

**Hastings District Council**

**Performance and Monitoring Committee Meeting**

*Kaupapataka*

# Attachments Vol 1

---

*Te Rā Hui:*  
Meeting date: **Thursday, 28 March 2024**

---

*Te Wā:*  
Time: **9.00am**

---

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

---

ITEM	SUBJECT	PAGE
<b>5.</b>	<b>HAWKE'S BAY AIRPORT LTD DRAFT STATEMENT OF INTENT AND HALF YEAR REPORT TO 31 DECEMBER 2023</b>	
	Attachment 1: Dec 23 Stat Accounts	3
	Attachment 2: HDC and NCC Shareholder Expectations for HBAL	15
	Attachment 3: HBAL Strategic Issues letter	19
	Attachment 4: HB Airport Ltd - Draft SOI as at 29 Feb 24	23
<b>7.</b>	<b>HAWKE'S BAY MUSEUMS TRUST DRAFT STATEMENT OF INTENT AND HALF YEAR REPORT TO 31 DECEMBER 2023</b>	
	Attachment 1: HBMT 31 December 2023 Financial Report	49
	Attachment 2: HBMT Statement of Intent 2025-2027	75



Hawke's Bay Airport Limited  
UNAUDITED GROUP CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

Hawkes Bay Airport Limited  
DIRECTORY

DIRECTORS

W N Harvey  
C M Barrett  
J E Nichols  
D R Cusack

CHIEF EXECUTIVE

Rob Stratford

REGISTERED OFFICE

Terminal Building  
Hawke's Bay Airport  
111 Main Road North  
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@hairport.co.nz](mailto:admin@hairport.co.nz)  
[www.hawkesbay-airport.co.nz](http://www.hawkesbay-airport.co.nz)

Hawke's Bay Airport Limited  
REPORT TO SHAREHOLDERS  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

We report against the Hawke's Bay Airport Limited's Statement of Intent (SOI) targets, effective since 1 July 2023. The unaudited Interim Financial Results to 31 December 2023 are included in this report. These include more detailed analysis of the Company's financial performance compared to the Statement of Intent budget (SOI), as well as a Statement of Financial Performance, Statement of Movements in Equity, Summary of Financial Position, Statement of Cash Flows, Accounting Policies and Notes to the Accounts.

Hawke's Bay Airport ("HBAL") entered FY24 in a very strong position having experienced increased passenger schedules following Cyclone Gabrielle, and high load factors due to increased passengers coming to the region to aid in recovery efforts. Despite the temporary Napier-Gisborne service finishing in June, passenger numbers have climbed through the first six months of FY24, and load factors are consistently higher on the Napier-Auckland and Napier-Christchurch routes than our SOI target of 82% (actual YTD 83.9%). This is reflected in the results for the half year ending 31 December 2023, with landing charge revenue being \$431K favourable to SOI, and \$330K favourable to Last Year.

#### Financial Performance Highlights

##### Revenue

- Total passenger movements for the half year were 331,842, representing a 4.8% increase on the same period last year, and being 0.8% (2,611 PAX) ahead of SOI.
- The increase in passenger volumes has underpinned a 10% increase in passenger related aeronautical revenue.
- Other revenue has fallen on SOI (Ground Transport, Business Park) due to adjusting ABB rental income to apply a discounted cashflow approach and a drop in carparking revenue.
- Total revenues are 3.6% higher than SOI and 5.9% increased on last year, with the key driver being increased passenger landing revenue.

##### Operating Expenses

- Total expenditure for the half year has increased 4.2% on budget and predominantly reflects an increase in staffing levels (additional firefighters to ensure legislated numbers are maintained coupled with the recruitment of key professional staff who largely replace consultants), a significant increase in insurance costs (half year impact \$60K adverse) and unbudgeted maintenance costs due to requirements in the new terminal.

##### Financial Outcomes

- Earnings Before Interest, Tax, Depreciation and Abnormal Items (EBITDA) for the half year is \$3.8m, \$114K or 3.1% ahead of budget, and 3.2% ahead of last year.
- Debt repayment continues to be our focus to enable interest costs to be minimised where possible, which are in line with budget but \$46K higher than last year due to increasing interest rates.
- Net profit after tax is \$1.14M, or 21.6% higher than budget.

##### Ratios

- Gearing percentage continues to improve on last year (Actual FY23: 30.2%, Last Year FY22 33.1%)
- Year to date Return on Equity at 2.2% is in line with budget and last year and we expect this position to grow stronger as we continue to perform well and grow profit in the second half of the financial year.

#### Performance Highlights & Other Activity

##### Capital Works

The significant capital works undertaken in this half year include the Apron Overlay. This was originally planned for February 2023, however Cyclone Gabrielle impacted the asphalt plant that serviced the Hawke's Bay. The contract was awarded to Downers, and the project was successfully completed with a mobile asphalt plant in December 2023.

##### Aeronautical Development

HBAL continues to advocate for the development of a regional transport strategy and we continue to build our development plans to support the recovery, coupled with advocating for additional seat capacity on existing routes and investigating unserved markets to build a strong business case to present to Air New Zealand. The Sunair service between Napier-Wairoa-Gisborne is consistently performing well and we look forward to the addition of Hamilton to this route in the second half of FY24.

##### Aerodrome Operator Certificate

We are pleased to report HBAL's successful recertification in September 2023, which is effective for five years.

##### People & Organisation

The team has been stable in the reporting period, with new recruitments only in the Airport Fire Service. This ensures compliance with airport operating requirements and allows us to build resilience into the team.

We are proud to share that the Airport Ambassador team have recently celebrated their five year anniversary and we continue to be proud of the contribution they make to both the HBAL team, our tenants and passengers.

#### New Business Development

##### Napier City Council District Plan review

HBAL is actively participating in the Napier City Council ("NCC") District Plan Review and has submitted a Notice of Requirement ("NOR") to be considered to enable further development of the surrounding airport precinct. We continue to work with NCC on this process.

##### Sustainability

HBAL continues to work on key initiatives to support our Airport Carbon Accreditation ("ACA") Programme Level 5 readiness, while maintaining Level 4+.

We continue to work with Manawa Energy on the Solar Farm project and anticipate applying for consent during FY24.

New waste projects will come on stream to help eliminate landfill waste in the second half of FY24 and we are excited about the benefits these will deliver in terms of customer education, but also cleaning staff time and landfill costs through better access to information and an AI automated sort function.

#### Key Areas of Focus

Our primary focus for the balance of FY24 continues to be driving the Solar Farm project forward, as well as concentrating on revenue diversification projects, sustainability initiatives and exploring the opportunities available to us through Digital Transformation projects. We are positioned well to exceed our SOI financial targets this year with the anticipation of growing schedules in the months to come.

We are also extremely proud to celebrate our 60th Anniversary in February 2024 and look forward to some exciting activations in the terminal.



Wendie Harvey  
Chair, Hawke's Bay Airport Limited

Hawkes Bay Airport Limited  
FINANCIAL PERFORMANCE VS SOI BUDGET  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

	THIS YEAR				LAST YEAR			BUDGET
	HY Actual Dec 2023	HY Budget Dec 2023	Variance \$	Variance %	HY Actual Dec 2022	Variance \$	Variance %	Budget FY 2023/24
Passenger Numbers	331,842	329,231	2,611	0.8%	316,628	15,214	4.8%	650,426
<b>FINANCIAL PERFORMANCE (\$)</b>								
<b>Revenue</b>								
Aeronautical	4,741,180	4,309,614	431,566	10.0%	4,410,878	330,302	7.5%	8,520,484
Ground Transport	1,440,297	1,445,376	(5,078)	-0.4%	1,388,183	52,115	3.8%	2,856,794
Business Park	197,769	214,632	(16,863)	-7.9%	220,875	23,106	-10.5%	427,261
Other Revenue	141,820	327,698	(185,879)	-56.7%	138,577	3,242	2%	643,140
<b>TOTAL REVENUE</b>	<b>6,521,065</b>	<b>6,297,320</b>	<b>223,746</b>	<b>3.6%</b>	<b>6,158,512</b>	<b>362,553</b>	<b>5.9%</b>	<b>12,447,679</b>
<b>Operating Expenses</b>	<b>2,720,803</b>	<b>2,611,198</b>	<b>(109,605)</b>	<b>-4.2%</b>	<b>2,476,166</b>	<b>(244,637)</b>	<b>-9.9%</b>	<b>5,098,662</b>
<b>EBITDA</b>	<b>3,800,262</b>	<b>3,686,122</b>	<b>114,141</b>	<b>3.1%</b>	<b>3,682,347</b>	<b>117,916</b>	<b>3.2%</b>	<b>7,349,017</b>
Depreciation & Amortisation	1,513,857	1,641,637	127,780	7.8%	1,533,605	19,749	1.3%	3,327,912
Gain/(Loss) on asset disposal	-	-	-	-	-	-	0.0%	-
Interest Paid (charged to P&L)	687,501	682,949	(4,552)	-0.7%	641,804	(45,697)	-7.1%	1,377,567
<b>Profit before Tax</b>	<b>1,598,904</b>	<b>1,361,536</b>	<b>237,369</b>	<b>17.4%</b>	<b>1,506,937</b>	<b>91,967</b>	<b>6.1%</b>	<b>2,643,538</b>
Tax	458,039	422,945	(35,094)	-8.3%	434,842	(23,197)	-5.3%	1,006,666
<b>PROFIT AFTER TAX</b>	<b>1,140,865</b>	<b>938,591</b>	<b>202,275</b>	<b>21.6%</b>	<b>1,072,095</b>	<b>68,770</b>	<b>6.4%</b>	<b>1,636,872</b>
Change in fair value of derivatives, net of deferred tax	(204,254)	-	204,254	-	247,052	451,306	-	-
<b>FINANCIAL POSITION (\$)</b>								
Total Assets	85,778,407	89,886,112	(4,107,705)		83,999,343	1,779,064		93,289,766
Debt	23,000,000	24,392,404	(1,392,404)		24,800,000	(1,800,000)		26,628,592
Shareholders Funds	53,142,283	57,351,001	(4,208,718)		50,105,614	3,036,669		58,397,465
<b>FINANCIAL METRICS</b>								
Return on Equity (year to date)	2.2%	2.1%			2.3%			3.6%
Net Gearing Ratio	30.2%	29.8%			33.1%			31.3%
Shareholders Funds/Total Net Assets	62.0%	63.8%			59.7%			62.6%

Hawke's Bay Airport Limited  
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

Note	31 Dec 2023 Unaudited	31 Dec 2022 Unaudited	30 Jun 2023 Audited
	\$	\$	\$
Aeronautical	4,741,180	4,410,878	9,027,449
Ground Transport	1,440,297	1,388,183	2,760,887
Business Park	197,769	220,875	436,138
Other Revenue	141,820	138,577	443,092
<b>Total Revenue</b>	<b>6,521,065</b>	<b>6,158,512</b>	<b>12,667,566</b>
Less Operating Expenses	(2,720,803)	(2,476,166)	(5,168,784)
<b>Operating Profit after Operating Expenses</b>	<b>3,800,262</b>	<b>3,682,347</b>	<b>7,498,782</b>
Depreciation	(1,513,857)	(1,533,605)	(3,092,920)
Fair value gain on Investment Property	-	-	631,535
Gain/(Loss) on Disposal of Assets	-	-	-
Finance Expense	(687,501)	(641,804)	(1,292,765)
<b>Net Profit before income tax</b>	<b>1,598,904</b>	<b>1,506,937</b>	<b>3,744,632</b>
Income Tax Expense	(458,039)	(434,842)	(961,986)
<b>Net Profit after income tax</b>	<b>1,140,865</b>	<b>1,072,095</b>	<b>2,782,646</b>
<i>Items that will not be reclassified into profit or loss:</i>			
Revaluation of Property, Plant & Equipment, net of deferred tax	-	-	468,207
Change in fair value of derivatives, net of deferred tax	6 (204,254)	247,052	168,396
<b>Total Comprehensive Income</b>	<b>936,611</b>	<b>1,319,147</b>	<b>3,419,249</b>

Item 5



Hawke's Bay Airport Limited  
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

	Cash Flow				Total Equity
	Issued Capital	Retained Earnings	Revaluation Reserve	Hedge Reserve	
<b>Balance at 1 July 2023</b>	<b>13,789,155</b>	<b>21,946,649</b>	<b>15,962,666</b>	<b>507,202</b>	<b>52,205,672</b>
Net Profit for the period	-	1,140,865	-	-	1,140,865
Cash Flow Hedge Reserve - Interest Rate Swaps (net of tax)	-	-	-	(204,254)	(204,254)
Reclassification of depreciation on revalued assets (net of tax)	-	246,985	(246,985)	-	-
Movement in deferred tax on revaluation reser	-	-	-	-	-
Movement in equity for the period	-	1,387,850	(246,985)	(204,254)	936,611
<b>Balance at 31 December 2023</b>	<b>13,789,155</b>	<b>23,334,499</b>	<b>15,715,681</b>	<b>302,948</b>	<b>53,142,283</b>
<b>Balance at 1 July 2022</b>	<b>13,789,155</b>	<b>18,674,105</b>	<b>15,984,401</b>	<b>338,806</b>	<b>48,786,467</b>
Net Profit for the period	-	1,072,095	-	-	1,072,095
Revaluation of Property, Plant & Equipment (net of tax)	-	-	-	-	-
Cash Flow Hedge Reserve - Interest Rate Swaps (net of tax)	-	-	-	<b>247,052</b>	247,052
Reclassification of depreciation on revalued assets (net of tax)	-	422,146	(422,146)	-	-
Total comprehensive income	-	<b>1,494,241</b>	(422,146)	247,052	1,319,147
Distributions to shareholders (note 12)	-	-	-	-	-
<b>Balance at 31 December 2022</b>	<b>13,789,155</b>	<b>20,168,346</b>	<b>15,562,255</b>	<b>585,858</b>	<b>50,105,614</b>

Hawke's Bay Airport Limited  
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

Note	31 Dec 2023	31 Dec 2022	30 Jun 2023
	Unaudited	Unaudited	Audited
	\$	\$	\$
<b>Assets</b>			
Trade and other receivables	1,367,736	1,206,495	1,834,419
Cash and cash equivalents	1,576,025	509,845	730,559
Derivatives	260,832	278,572	319,399
<b>Total current assets</b>	<b>3,204,594</b>	<b>1,994,913</b>	<b>2,884,377</b>
Property plant and equipment	66,202,813	65,824,509	65,512,979
Investment property	16,208,999	15,534,483	16,188,999
Right of use assets	-	110,318	-
Derivatives	162,001	535,120	385,049
<b>Total non-current assets</b>	<b>82,573,813</b>	<b>82,004,430</b>	<b>82,087,027</b>
<b>Total Assets</b>	<b>85,778,407</b>	<b>83,999,343</b>	<b>84,971,404</b>
<b>Equity</b>			
Issued capital	13,789,155	13,789,155	13,789,155
Retained earnings	23,334,499	20,168,346	21,946,649
Reserves	16,018,629	16,148,113	16,469,868
<b>Total equity</b>	<b>53,142,283</b>	<b>50,105,614</b>	<b>52,205,672</b>
<b>Liabilities</b>			
Trade and other payables	2,627,454	1,603,946	1,547,415
Employee benefits	175,747	118,973	149,822
Borrowings	-	-	-
Provision for retentions payable	22,415	67,752	22,415
Lease liabilities	151,024	151,024	-
Provision for Tax	-	-	1,052,073
<b>Total current liabilities</b>	<b>2,976,640</b>	<b>1,941,696</b>	<b>2,771,725</b>
Deferred tax liability	6,246,299	6,385,445	6,391,407
Rentals in advance	564,209	766,588	602,600
Borrowings	23,000,000	24,800,000	23,000,000
Lease liabilities	(151,024)	-	-
<b>Total non-current liabilities</b>	<b>29,659,483</b>	<b>31,952,033</b>	<b>29,994,007</b>
<b>Total liabilities</b>	<b>32,636,124</b>	<b>33,893,729</b>	<b>32,765,732</b>
<b>Total equity and liabilities</b>	<b>85,778,407</b>	<b>83,999,343</b>	<b>84,971,404</b>

These financial statements were authorised for issue by the Board on 13 February 2024.  
On behalf of Hawke's Bay Airport Limited



WN Harvey  
Chair



J Nichols  
Director & Audit, Finance & Risk Committee Chair

Hawke's Bay Airport Limited  
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

	31 Dec 2023 Unaudited	31 Dec 2022 Unaudited	30 Jun 2023 Audited
	\$	\$	\$
<b>Cash flows from operating activities</b>			
<i>Cash was provided from:</i>			
Revenues	6,385,935	5,847,461	12,155,500
Interest received	-	-	153,201
	6,385,935	5,847,461	12,308,701
<i>Cash was disbursed to:</i>			
Suppliers and employees	(1,483,316)	(2,505,582)	(5,137,685)
Goods & Services Tax (Net)	186,837	134,654	21,282
Interest paid	(687,501)	(641,804)	(1,450,498)
Income tax paid	(1,292,737)	22,990	22,990
	(3,276,717)	(2,989,743)	(6,543,911)
<b>Net Cash Flows from operating activities</b>	<b>3,109,218</b>	<b>2,857,719</b>	<b>5,764,790</b>
<b>Cash flows to investing activities</b>			
<i>Cash was provided from:</i>			
Sale of fixed assets	-	-	-
<i>Cash was disbursed to:</i>			
Capital works	(2,263,752)	(1,933,358)	(2,722,112)
<b>Net Cash Flows to Investing Activities</b>	<b>(2,263,752)</b>	<b>(1,933,358)</b>	<b>(2,722,112)</b>
<b>Cash flows to financing activities</b>			
<i>Cash was provided from:</i>			
Borrowings received	600,000	-	-
<i>Cash was disbursed to:</i>			
Lease - principal payments	-	(55,935)	(153,538)
Borrowings repaid	(600,000)	(1,000,000)	(2,800,000)
<b>Net Cash Flows from finance activities</b>	<b>-</b>	<b>(1,055,935)</b>	<b>(2,953,538)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>845,466</b>	<b>(131,574)</b>	<b>89,139</b>
Add opening cash and cash equivalents	730,559	641,420	641,420
<b>Closing cash and cash equivalents at end of year</b>	<b>1,576,025</b>	<b>509,845</b>	<b>730,559</b>
<i>Represented by:</i>			
Cash at bank	1,573,728	505,467	728,725
Cash in hand	2,297	4,378	1,834
	<b>1,576,025</b>	<b>509,845</b>	<b>730,559</b>

HAWKE'S BAY AIRPORT LIMITED  
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

1 BASIS OF PREPARATION AND PRINCIPLES OF CONSOLIDATION

The Company is domiciled in New Zealand and its principal place of business is 111 Main North Road, Westshore, Napier.

Hawke's Bay Airport Limited is defined as a Council-Controlled Trading Organisation (CCTO) pursuant to Part 5 of the Local Government Act 2002.

Hawke's Bay Airport provides airport facilities, infrastructure and supporting aeronautical services. The Company earns revenue from aeronautical activities, retail and rental leases, car parking facilities, transport operators, advertising and tenants occupying sites within its business park.

Statement of Compliance

These unaudited condensed consolidated interim financial statements for the six month reporting period ended 31 December 2023 have been prepared in accordance with Accounting Standard NZ IAS 34 *Interim Financial Reporting* as applicable for Tier 2 entities.

The unaudited consolidated interim financial statements do not include all the notes normally included in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements for the year ended 30 June 2023 and any public announcements made by Hawke's Bay Airport Limited during the interim reporting period.

Significant Accounting Policies

The accounting policies set out in the Group's consolidated financial statements for the year ended 30 June 2023 have been applied consistently to all periods presented in these interim financial statements. New or revised standards or interpretations that have been approved but are not yet effective, have not been early adopted by the Group.

Measurement Base

The financial statements have been prepared on a going concern basis in accordance with historical cost concepts except for property plant and equipment and investment property has been revalued to 30 June 2023, and derivatives revalued to 31 December 2023.

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

In the process of applying the Group's accounting policies and the application of accounting standards, a number of judgements, assumptions and estimates have been made. Sources of significant judgement, assumptions and estimation uncertainty in preparing the unaudited consolidated interim financial statements were consistent with those disclosed in the Group's Financial Statements for the year ended 30 June 2023. These are:

- (a) Fair value of investment property and investment property under development
- (b) Fair value of Property, Plant and Equipment

2 PROPERTY, PLANT AND EQUIPMENT

	Land & Land Improvements	Airport Infrastructure & Buildings	Other assets	Capital Work in Progress	Total
At 30 June 2023					
Fair Value	8,152,771	60,612,335	3,888,320	1,795,707	74,449,133
Accumulated Depreciation	(22,469)	(6,966,790)	(1,946,894)	-	(8,936,153)
Closing net book value	8,130,302	53,645,545	1,941,426	1,795,707	65,512,980
Opening net book value	8,130,302	53,645,545	1,941,426	1,795,707	65,512,980
Additions	-	-	-	2,203,690	2,203,690
Depreciation	(487)	(1,374,353)	(139,017)	0	(1,513,857)
Transfers	-	18,778	(27,907)	9,129	-
Closing net book value	13,733,574	89,305,005	3,207,651	17,661,839	66,202,813
At 31 December 2023					
Fair Value	8,152,772	68,111,771	3,451,658	4,008,526	83,724,726
Accumulated Depreciation	(22,956)	(15,821,800)	(1,677,156)	0	(17,521,913)
Closing net book value	8,129,815	52,289,969	1,774,502	4,008,526	66,202,813

3 INVESTMENT PROPERTY

	Land and Land Improvements	Business Park Infrastructure & Buildings	Investment Property under development	Total
Fair value as at 30 June 2023	7,917,226	8,265,273	26,500	16,208,999
Additions	-	-	-	-
Fair value as at 31 December 2023	7,917,226	8,265,273	26,500	16,208,999

4 BORROWINGS

There have not been any changes to the borrowing facilities with ASB Bank during the period ended 31 December 2023. It has a Sustainability Linked Loan facility of up to \$23M, a Revolving Credit Facility of up to \$5M, and an Overdraft Facility up to \$500,000 available. As at 31 December 2023, there was nothing drawn against the Revolving Credit or Overdraft facilities.

The Sustainability Linked Loan facility has an initial three year term (maturity date 22 October 2024) coupled with an evergreen clause of renewal included in the facility agreement. Management intends to request and assumes that the loan period will be extended past its maturity date.  
The average interest rate on the sustainability linked loan facility for the period ended 31 December 2023 was 7.15% p.a (30 June 2023: 5.97% p.a).

The revolving credit facility has a two year term with a right of renewal. The average interest rate on funds drawn during the period ended 31 December 2023 was 6.95% (30 June 2023: 5.63%)

All facilities extended are secured by a General Security Agreement with ASB Bank. The group was in compliance with all its current financial covenants during the current period.

5 TRANSACTIONS WITH RELATED PARTIES

**Shareholders**

Hawke's Bay Airport Ltd is owned by Napier City Council, Hastings District Council and the Crown. The Group enters into numerous transactions with government departments, Crown entities, State-owned enterprises and other entities controlled by the Crown and pays rates to the Napier City Council.

These transactions are not separately disclosed where they:

- Are conducted on an arm's length basis;
- Result from the normal dealings of the parties; and
- Meet the definition of related party transactions only because of the relationship between the parties being subject to common control or significant influence by the Crown

**Subsidiaries**

Hawke's Bay Airport Limited incorporated a 100% owned subsidiary, Hawke's Bay Airport Construction Limited on 15 March 2019. Hawke's Bay Airport Construction Limited is the company that contracts to Hawke's Bay Airport Limited to undertake the construction management of the Airport Expansion Project.

During the six months to 31 December 2023, there were no related party transactions with Hawke's Bay Airport Construction Limited (six months to 31 December 2022: \$1,453,497). The nature of transactions were in relation to the funding and reimbursement of costs associated with the Airport Expansion Project.

All transactions between Hawke's Bay Airport Limited and Hawke's Bay Airport Construction Limited are eliminated on consolidation.

<b>Key Management Personnel Compensation</b>	<b>Six months to 31 Dec 2023</b>	<b>Six months to 31 Dec 2022</b>
	<b>\$</b>	<b>\$</b>
Compensation paid to key management personnel (Directors, Chief Executive and Chief Financial Officer) during the period was:	332,679	342,620

The remuneration of directors is agreed annually, after consultation with the shareholders and approved at the Company's annual general meeting. The remuneration of the Chief Executive is determined by the Board and the remuneration of key management personnel is determined by the Chief Executive and recommended to the Board having regard to the performance of individuals and market comparisons.

6 DERIVATIVES

There have been no transfers between levels of the fair value hierarchy used in measuring the fair value of financial instruments in the six months to 31 December 2023.

The company's derivative financial instruments are all classified as level 2 and the fair values are determined using valuation techniques. The company has an outsourced treasury provider that has provided the fair values as at 31 December 2023. These valuation techniques are based on observable market data and the interest rate swaps calculation takes into account the present value of the estimated future cash flows.

Interest Rate Swaps with a total notional values of \$12,000,000 are currently in place, representing 52.2% of the loan principal outstanding at 31 December 2023. The fixed interest rates of the swaps range between 2.83% and 3.02% (30 June 2023 : 2.83% and 3.02%) and the variable rates of the swaps ranged between 5.58% and 5.67% (30 June 2023: 2.70% and 4.37%) (30 day BKBM).

7 COMMITMENTS

**Operating Commitments:**

There were no operating lease commitments as at 31 December 2023 (30 June 2023: NIL)

**Capital commitments:**

As at 31 December 2023, the Group is contractually committed to capital expenditure totalling \$2,439,172 (30 June 2023: \$1,283,677) relating to fire fighting equipment and the apron overlay project completed December 2023.

8 CONTINGENCIES

There are no known contingent liabilities (30 June 2023: nil).

9 EVENTS SUBSEQUENT TO BALANCE DATE

In January 2024 the Chief Executive tendered his resignation and his last operational day with the organisation was 31 January 2024.

The Board of Directors have commenced a recruitment process for a new Chief Executive and in the interim oversight support will be provided by the Chair and director Darin Cussack, who has extensive industry knowledge and experience as a former regional airport chief executive.





HDC File Ref: ADM-01-03-6-24-870

Wendie Harvey  
Chairman  
Hawke's Bay Airport Limited  
PO Box 721  
**NAPIER 4104**

Dear Wendie

### **2024/2025 Shareholder Expectations For Hawke's Bay Airport Limited**

On behalf of the shareholding councils, we set out below the shareholders' expectations for 2024/2025.

Our expectations in this letter are divided into two categories – company specific and general. General expectations apply across all jointly owned CCOs.

#### Overview

The Hawke's Bay Airport is a strategic asset for Hawke's Bay. It is an integrated component of the transport system that provides connectivity with the rest of New Zealand, providing opportunities for economic growth and improved connectivity for our businesses, entrepreneurs and community members.

Following Cyclone Gabrielle, the airport also demonstrated that it provided a resilient access point into Hawke's Bay when most of the roads into Hawke's Bay were severed. The shareholding councils acknowledge how well HBAL has responded post COVID through the improved land charges with Air New Zealand and increased activity.

The shareholding councils continue to support HBAL's ongoing priority to strengthen the core business of aviation-related income streams, with the second priority being to explore and develop alternative income streams that help build financial resilience for HBAL.

#### Specific Expectations

Napier City Council (NCC) and Hastings District Council (HDC) expect the Board to meet the following specific expectations in 2024/2025:

1. Business Park

- 1.1 We request a more formal update on the Business Park development plan. It has been quite some time since the Business Park development was started and a lot has changed over this time. We also request updates be provided in each quarterly report to

Napier City Council  
Private Bag 6010  
Napier 4142

Hastings District Council  
Private Bag 9002  
Hastings 4156



shareholding councils on the progress of the business park development, including outlining any progress in attracting new tenants to the park.

- 1.2 The shareholding councils would like to reinforce previous expectations of HBAL that the Board is conscious of potential for conflicts between the HBAL's development objectives, particularly in terms of non-aviation business activities at the airport and the region's wider economic development and spatial planning objectives. While we strongly support the main thrust of the development proposals, we would expect that HBAL will be participating in the Regional Industrial Land Strategy, and future land development opportunities would respect the region's wider economic development and spatial planning objectives.
- 1.3 As new information comes to hand with regard to climate change and sea level rise, the shareholding councils expect that HBAL will make prudent decisions regarding any business park developments.
2. Balance Sheet and Debt Levels
  - 2.1 The shareholding councils would like proactive discussions with HBAL in the event of material forecasting impacts to visitor and travel income as a result of the ongoing changes. Early identification of the ability to meet bank requirements and sustainability are important to the councils.
3. Dividends
  - 3.1 The shareholding councils would like to express an expectation that a dividend should be released for 2025 and beyond should HBAL have a sufficiently profitable year(s). While the shareholding Councils would expect HBAL to appropriately balance allocation of any surpluses generated to also repay debt, invest in other revenue generating activities or deferred capital investment the allocation strategy should also be balanced against meeting the shareholders' forecast return expectations
4. Infrastructure Investment and Resilience
  - 4.1 The shareholding councils note that HBAL is an infrastructure heavy organisation and, as such, must have comprehensive and appropriate asset management plans. It is noted that through the response to the pandemic and the delivery of the terminal and forecourt redevelopment, other necessary investments in infrastructure have been delayed. There is a strong expectation that core infrastructure is maintained appropriately.
5. Health and Safety
  - 5.1 We expect that health and safety and efficient operation of both aeronautical and other commercial divisions of the airport will be key priorities for the business.
6. Risk Management
  - 6.1 We expect the Board to prudently manage financial risks with investments in infrastructure aligned with conservative forecasts.
7. Sustainability
  - 7.1 The shareholding Councils are very supportive of HBAL's drive to reduce its carbon footprint and its wide sustainability goals.

8. Partners

- 8.1 We expect the Board to have an open view of opportunities for expansion of connections with the rest of New Zealand.
- 8.2 We expect that the Board will look to grow and develop relationships with Air New Zealand and its other partner airlines and be at the forefront of any strategic changes, with ambitions to develop new and additional services. We would also expect that HBAL will continue to lobby Air New Zealand for increased flights from the existing routes.
- 8.3 We expect that the Board will look to continue to explore opportunities to extend its potential operating income streams such as the solar farm, at and in conjunction with its airport activities as part of its long-term master planning. The shareholding councils request to be appraised of progress made on the solar farm initiative and other opportunities for diversifying income streams as is appropriate considering commercial sensitivities.
- 8.4 We expect that the Board will work with other providers of airport services in Hawke's Bay to ensure safe and efficient air travel in our region.

**General Expectations**

The shareholding councils operate under a philosophy of transparency, disclosure of performance information and no surprises.

The shareholding councils expect each of its joint CCOs to follow the procurement principles outlined in the Office of the Auditor General guidelines.

Transparency and disclosure of CCOs is to be achieved via a number of mechanisms including a continuous disclosure regime for Council Controlled Organisations.

While a joint Shareholder Expectation Guide has yet to be introduced, particular regard should be given to the following:

- *Strategic issues letters:* All CCOs are expected to provide the shareholder councils with a letter by 15 February responding to the Letter of Expectation and setting out the key strategic issues facing the company. Should your company wish to engage with shareholders to seek direction or clarification, we would ask that you advise Bruce Allan (HDC) and Jess Ellerm (NCC) as soon as possible of such intention.
- *Draft Statement of Intent (SOI):* All CCOs are expected to provide the shareholding councils with a draft SOI by 1 March 2024 at the latest. The shareholding councils should be alerted as soon as possible if this deadline cannot be met.
- *Continuous Disclosure:* CCOs are expected to make timely disclosures, including advising delegated shareholding councils' contracts prior to the public release of disclosures.
- *Local Government Official Information Act requests:* The shareholding councils are to be advised by HBAL management when it receives a request under the Local Government Official Information Act and of the proposed response. The shareholding councils have specialist staff who can advise on such matters.















































































































































