

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>								
Revenue								
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>
Operating Expenses	2,720,803	2,611,198	(109,605)	-4.2%	2,476,166	(244,637)	-9.9%	5,098,662
<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)	-	-	-	247,052	247,052
Reclassification of depreciation on revalued assets (net of tax)	-	422,146	(422,146)	-	-
Total comprehensive income	-	1,494,241	(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 Unaudited	31 Dec 2022 Unaudited	30 Jun 2023 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.

We look forward to having the opportunity to discuss the shareholding councils' expectations further with you and your Board, after you have had the opportunity to consider this letter. If required, please contact Bruce Allan, Hastings District Council or Jess Ellerm, Napier City Council to organise this.

Yours sincerely



**Kirsten Wise**  
Mayor, Napier City Council



**Sandra Hazlehurst**  
Mayor, Hastings District Council

Copy to: Jess Ellerm, Director Corporate Services, Napier City Council  
Bruce Allan, Deputy Chief Executive, Hastings District Council



Hawke's Bay Airport Ltd  
P.O Box 721, Napier 4140,  
New Zealand  
Telephone (06) 834 0742  
[www.hawkesbay-airport.co.nz](http://www.hawkesbay-airport.co.nz)

29 February 2024

**Hon Nicola Willis**  
Minister of Finance  
Minister for Public Service  
Minister for Social Investment  
Associate Minister for Climate Change

**Hon Paul Goldsmith**  
Minister for State Owned Enterprises  
Minister of Treaty of Waitangi Negotiations  
Minister for Justice  
Minister of Arts, Culture and Heritage

**Mayor Kirsten Wise**  
Napier City Council

**Mayor Sandra Hazlehurst**  
Hastings District Council

Dear Shareholders

#### **HAWKE'S BAY AIRPORT LIMITED – KEY STRATEGIC ISSUES FY24/25**

In anticipation of our draft Statement of Intent (“SOI”) FY2024/25 being presented for your consideration, this document sets out the key strategic issues for the period which, this year, reflect the imperatives to invest in and ensure an airport fit for the future of aviation in a climate challenged world, and our role in growing a prosperous Hawke’s Bay.

#### **Resilient infrastructure**

One year on from the impacts of Cyclone Gabrielle, the importance of infrastructure resilience and our role as a lifeline utility is ever present. To ensure the resilience of our site, we are committed to upgrading airport assets and in parallel, planning for future infrastructure projects to help maintain our operation in the face of climate impacts. Projects already underway are directly linked to this work, including pump station improvements and the construction of a new fire station.

Achieving our long-term infrastructure objectives requires in-depth knowledge of our site, so we are deepening our understanding through data capture and monitoring. These efforts will be incorporated with available regional data to support our decision making and capital planning.

#### **Land development**

Protection of our current asset is juxtaposed by areas of growth both landside and airside. The opportunity exists for Hawke’s Bay Airport Ltd (“HBAL”) to drive commercial resilience with the development of our available land. Critical to this growth is our ability to navigate a currently constraining regulatory environment. At the same time, we are conscious that any development needs to be sympathetic of our natural environment and site-wide findings.

### **Sustainability**

Our carbon reduction measures have been recognised nationally and internationally. We are committed to maintaining our Level 4+ Transition status with the Airport Carbon Accreditation programme while at the same time turning our attention to considering our responsibilities in broader environmental, social and governance ("ESG") frameworks. This will enable us to lead with insight across the organisation to improve our resilience and sustainability performance.

It is also important that we advance our resource efficiency and renewable energy projects. These include waste reduction technologies and the continued use of data to monitor our impact.

### **Solar Farm**

Work continues to progress the 45-megawatt solar farm in partnership with Manawa Energy which will be a significant contributor to regional energy security and the future of sustainable aviation at Hawke's Bay Airport. The Solar Farm consent process is underway, and challenges presented are being managed by the partnership between the parties who are committed to the project's success.

### **People and wellbeing**

In the coming year, we are placing a significant emphasis on the growth and welfare of our team. We recognise that the key to our company's success lies in our ability to implement robust competency and training frameworks that not only support our staff in meeting their objectives but also in fostering an environment where they can flourish.

### **Partnerships & Engagement**

HBAL is actively engaged in regional planning and development processes, particularly post-cyclone where there is a focus on enhancing the resilience of our airport as a key infrastructure asset.

We are now stepping up our involvement in regional growth economic development strategies (specifically freight and transport planning), while actively strengthening our credentials as a great business to work with.

Continuing our collaborative efforts, HBAL works in close co-ordination with Air New Zealand and partner airports to explore and develop new routes. We are actively developing partnerships with other airlines, such as Sunair, to expand regional routes.

### **Balance Sheet and Debt Levels**

HBAL continues to deliver strong financial results and will continue to do so in the coming years. Strong passenger growth coupled with additional capacity on our main trunk routes has enabled the airport to continue to focus on its investment in core infrastructure, and debt repayment.

During FY24 HBAL has remained focused on its core aeronautical performance as well as continuing to work on diversifying non-aeronautical revenues. Growth from non-aeronautical income streams has grown significantly due to increasing concessions from key tenants, strong car parking revenues and increased advertising. HBAL will continue to prioritise growth across all revenue streams to maximise shareholder returns.

There are several significant capital investments in 2H FY24 that will require some funding, but despite this, we are forecasting to maintain the gearing ratio at 30% by year end. In the coming financial years capital projects drive borrowing but ensure robust and improved infrastructure is in place.

HBAL continues to appreciate the support of its Shareholders during the forthcoming period, and we look forward to making dividend payments in the coming years.

**HBAL CEO Appointment**

As Shareholders will be aware our previous CEO, Rob Stratford, departed on 31 January 2024. Since that time the Board has been engaged in commencing recruitment for Rob's replacement. It is anticipated an appointment will be made before the end of March, however, as is always the potential with recruitment there may be some time to pass before the new appointee is able to take up the role in person.

With this in mind, the Board is committed to ensuring that an appropriate transition process is in place which provides continuity of executive leadership, and an effective handover that supports on-going delivery of the organisation's strategic objectives.

**Summary**

The intent of this letter is to share with you the key issues confronting HBAL in the forthcoming period to ensure our continued responsibility of "no surprises".

HBAL welcomes continued engagement with our Shareholders and officials over the upcoming months as we finalise our SOI.

Yours sincerely,



Wendie Harvey  
**Chair, Hawke's Bay Airport Limited**

**COPY:**

Jessica Ellerm, Deputy Chief Executive & Executive Director Corporate Services, Napier City Council  
Bruce Allan, Deputy Chief Executive, Hastings District Council





# STATEMENT OF INTENT

Hawke's Bay Airport Limited

FY24/25

30 June 2024



DRAFT

STATEMENT OF INTENT  
2024/25

Prepared by  
Hawke's Bay Airport Limited

Address  
111 Main North Road  
Napier 4110

Postal Address  
PO Box 721  
Napier 4140

Phone  
06 834 0742

Web  
[www.hawkesbay-airport.co.nz](http://www.hawkesbay-airport.co.nz)

Date  
30 June 2024

DRAFT

## INTRODUCTION

### He kupu whakataki

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

Hawke's Bay Airport is a council-controlled trading organisation ("CCTO") for the purposes of the Local Government Act 2002. This SOI sets out the objectives, the nature and scope of the activities to be undertaken by Hawke's Bay Airport, and the performance targets and other measures by which the performance of the company may be assessed in relation to its objectives.

Hawke's Bay Airport'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 2024 to 30 June 2027.

## OWNERSHIP AND GOVERNANCE

### Rangatiratanga me te kāwanatanga

Hawke's Bay Airport 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%).

*Refer to Appendix A for board composition, an outline of the Hawke's Bay Airport Board of Directors' role and governance objectives.*

## NATURE AND SCOPE OF ACTIVITIES

### Te Āhua me te Korahi o ngā kaupapa

#### **Location**

Hawke's Bay Airport 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. With a growing population of 184,800 as at the last New Zealand Census (2023), Hawke's Bay has 3.5% of New Zealand's population.

#### **Operations**

Hawke's Bay Airport 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

DRAFT

international economies via scheduled passenger services. Hawke's Bay Airport's primary activity is the safe and efficient operation of the airport, facilitating direct flights to Auckland, Wellington, and Christchurch serviced by Air New Zealand, and other centres within New Zealand serviced by smaller second-tier airlines. This includes the provision of appropriate and sound aeronautical infrastructure and associated facilities. Hawke's Bay Airport is also required to ensure the operational resilience of the airport as a lifeline utility, under the Civil Defence Emergency Management Act 2002.

## WHO WE ARE

### Ko wai mātau

Hawke's Bay Airport is the gateway to Hawke's Bay, and we pride ourselves on supporting the community we serve. Our purpose is to connect people, businesses, and the region in meaningful ways. Through our public ownership and the role we play as a critical lifeline and transport asset, we are committed to ensuring the airport makes a positive impact for the region and its future growth.

We are aspirational, resilient, and operationally sound, positioning us well to achieve our growth objectives.

The commitment and determination of our team are key to achieving the goals set for Hawke's Bay Airport. By concentrating on establishing frameworks for performance and well-being, we aim to set our foundation in people, enabling our staff to excel and prosper no matter the environment.

## WHAT WE DO

### Ā mātau mahi

We are a safe, secure, and intuitive transport hub for everyone, with sustainability and resilience at the heart of everything we do.

Hawke's Bay Airport is home to two commercial airlines and numerous private aviators. Air New Zealand's direct flights to Auckland, Wellington and Christchurch offer great flexibility for those coming into and going out of the region. More recently, Sunair joined our airport community with daily flights to Wairoa, Gisborne and Tauranga. These flights have played an essential role in bridging connections across the East Coast in the aftermath of Cyclone Gabrielle, a contribution that will remain crucial as the region progresses through the ongoing recovery efforts in the years ahead.

Not so well-known are the general aviation community, who make a significant contribution to Hawke's Bay's economy and regional connectivity. They provide essential services such as helicopter operations, aircraft maintenance, private jet flights, and life-saving air ambulance missions across New Zealand and as far afield as the Pacific Islands.

The importance of resilient air transport infrastructure was never more obvious than

DRAFT

during Cyclone Gabrielle in February 2023. Our capacity to continue operating in a natural disaster is central to our role as a regional asset and lifeline utility. As climate change impacts become more frequent, we are leveraging data and insights to enhance our operational capabilities which will be instrumental in defending our site.

Having a positive impact for our community extends beyond aviation. Supporting Biodiversity Hawke's Bay, Big Brothers Big Sisters Hawke's Bay, and local events such as the Art Deco Festival Napier and the Hawke's Bay Marathon are our way to show the people of Hawke's Bay we are part of their community.

DRAFT

## OUR VALUES

### Ō mātau uaratanga

Hawke's Bay Airport's values are the foundation for our success; the bedrock on which our strategic pillars, our mission, purpose, and vision are built.



DRAFT

## OUR CONNECTION TO THE LAND

### Tō mātau hononga ki te whenua

Events past and present connect us to our whenua (land) and help to shape our future.

Hawke's Bay Airport is situated in an area of historical significance. The damage caused to Ahuriri in the 1931 Napier earthquake is etched in the history of Hawke's Bay. This earthquake raised the tidal lagoon known as Te Whanganui-ā-Orotū by 1.8m creating the land on which the airport now stands.

Sharing such stories, and the airport's history, is of special significance in 2024 as we mark 60 years since Hawke's Bay Airport was officially opened.

To celebrate this milestone with airport visitors two installations have been introduced in the terminal:

- A timeline of our aviation history from the 1931 earthquake to today, telling the incredible stories of an airport that rose from the post-earthquake darkness, to becoming Hawke's Bay's thriving regional airport today.
- A map of Te Whanganui-ā-Orotū depicting the area prior to the earthquake. In collaboration with Mana Ahuriri, this map is the first of its kind on public display, illustrating the significance of the whenua on which the airport now resides.

## COMPANY VALUATION

### Te uaratanga o te kamupene

The airport's assets and investment property have been revalued to fair value as at 30 June 2023. This resulted in an increase in Shareholders' Equity of \$1.1M. Board and Management believe this provides more relevant and reliable information to Shareholders about the business's financial position and performance.

As of 30 June 2023, Hawke's Bay Airport's land, land improvements, buildings and assets were valued at \$82.1M.

Hawke's Bay Airport's total land holding is 230ha and is comprised of leasehold land (in perpetuity from Napier City Council and Hastings District Council) and freehold land.

DRAFT

FY2025 OUTLOOK

Te anganga o FY2025

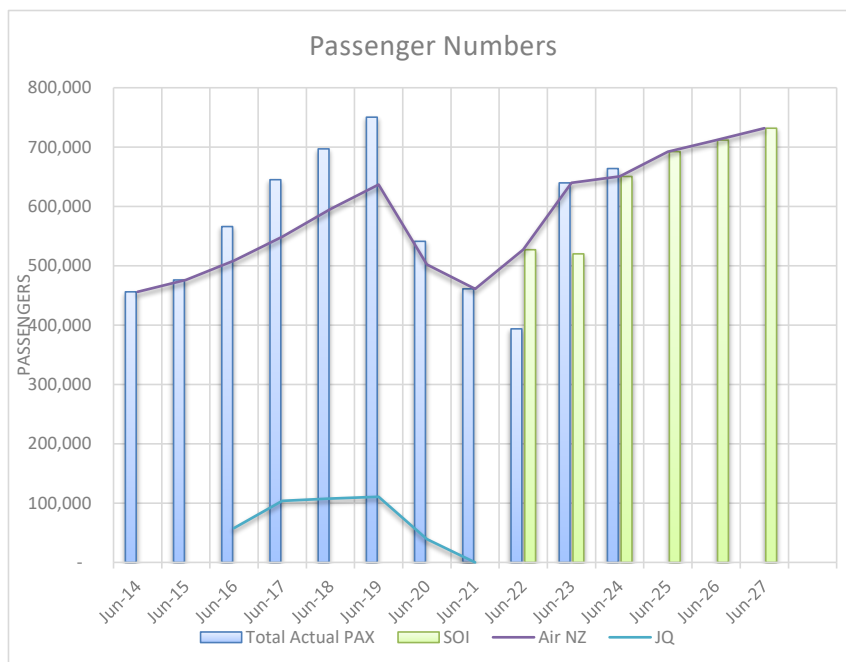
Hawke's Bay Airport's strategic importance extends beyond its role in air transport; it serves as an economic catalyst, stimulating growth, creating employment opportunities, fostering business activities, and is a key connection to markets beyond the region.

Future developments at Hawke's Bay Airport are intended to ensure we continue to be resilient, vital, and fit for purpose in the years ahead.

This SOI sets out how we will deliver sustainable value to our community and shareholders.

Our financial forecasts are dependent on a wide range of factors, the most important of which is the community's propensity to travel. This is because most of our revenue streams correlate directly with passenger numbers.

The graph below provides the forecast for passenger movements for the three-year period covered by this SOI. It assumes strong demand for travel to and from Hawke's Bay Airport will continue.








DRAFT

OUR STRATEGIC PRIORITIES

Ngā Whakaarotau ā Rautaki

The global landscape for aviation is re-shaping the world we live in. We expect significant change in the years ahead driven by the electrification of aviation, modal shifts, technological advancements to improve customer experience and support operational efficiencies, as well as the imperative for resilience to climate change. With our eyes firmly on the future, we have taken the opportunity to reshape our strategic priorities to position our business to reflect these developments.

**HBAL STRATEGIC PRIORITIES**  
**SOI 2024 - 2025**

Progressive and resilient infrastructure	Airport land development and enhancements	Air Service Development	Renewable energy & resource efficiency	Digital Transformation
				
We're optimising airport assets for growth and resilience	Enabling sustainable regional growth, revenue diversification	Creating new connections for the region	Enabling a green energy future	Harnessing technology to advance all areas of the business
<ul style="list-style-type: none"> <li>• Airfield power &amp; lighting upgrade</li> <li>• Airfield runway improvements</li> <li>• Apron extension</li> <li>• Back-up generator</li> <li>• Carpark roading improvements and enhancements</li> <li>• Fire Station</li> <li>• Stormwater improvements</li> </ul>	<ul style="list-style-type: none"> <li>• Environmental ground water monitoring</li> <li>• Aeropark infrastructure</li> <li>• Tenant growth</li> </ul>	<ul style="list-style-type: none"> <li>• New routes / passengers</li> </ul>	<ul style="list-style-type: none"> <li>• Solar-powered vehicles and equipment</li> <li>• Electricity supply improvements</li> <li>• Solar farm</li> </ul>	<ul style="list-style-type: none"> <li>• Digital Transformation Strategy</li> </ul>

**Progressive and resilient infrastructure**

In the face of evolving aviation demands and environmental challenges, we are committed to ensuring our assets enable growth and are resilient. This means investing in innovative infrastructure that not only accommodates increases in passenger numbers, but also stands resilient against climate-related events.

Projects that support these priorities include storm water planning, climate change monitoring and modelling, and delivering a purpose-built Fire Station. We will continue to engage with Hawke's Bay's regional freight and transport strategies to advance development of multiple road access points to the airport further strengthening our resilience.

Great infrastructure means a great experience for airport visitors. Landside assets such as car parking and public facilities will be enhanced using innovative technologies and intuitive design. Considering the needs of customers of all abilities will deliver an



DRAFT

exceptional experience for everyone.

#### **Airport Land Development**

As a strategic asset of the region, Hawke's Bay Airport enables regional growth. Unlocking opportunities for the diversification of revenue streams will build commercial resilience which is an important objective in the years to come. We will achieve this by getting the best out of our existing assets and identifying areas of growth landside. Creating an enhanced car parking experience and preparing for future modal change are some of the projects that will achieve this.

We are giving priority to the development of airport land which will support a business park and other complementary facilities in a way that is sympathetic to the natural environment and our community.

#### **Air Service Development**

Developing air services is core to our business and key to strengthening and expanding our network. Creating new connections is achieved through active engagement with airlines, regional tourism operators and other airports.

We continue to focus on strengthening our existing links, while developing new and unserved routes. Our sights are also set on further expansion of immigration services for private jet operations at the Airport knowing these services attract high value tourism to the region.

Our goal is to be a pivotal link that not only connects our region to major cities across New Zealand and beyond but contributes to the economic vitality of our region.

#### **Renewable energy and resource efficiency**

Our track record in sustainability has been awarded here in New Zealand and internationally. But there is more to do, and we are steadfast in our commitment to further environmental sustainability improvements, which is why focusing on renewable energy and resource efficiency remain key strategic priorities.

The proposed development of a 45-megawatt solar farm in partnership with Manawa Energy means we will be able to not just support developments in sustainable aviation but also improve our own energy efficiency and that of our wider business and residential communities.

While at this stage there is no allowance in this plan for Hawke's Bay Airport to invest in the Solar Farm, and no royalties or rental incomes have been recognised, this will be reviewed as the project progresses.

In tandem with this initiative, we will continue to focus on improving resource efficiency by adopting smart technologies to give us real time data on air quality, power usage, environmental conditions, and waste. Alongside ensuring we measure our own

DRAFT

sustainability performance we know these measures will also mean we are partner of choice for likeminded businesses and initiatives.

### **Digital Transformation**

To improve performance and deliver on our ambitions, it is critical that Hawke's Bay Airport is future-ready and can adapt to the evolving technological landscape ahead. The delivery of a digital transformation strategy will create a whole-of-airport digital ecosystem enabling the Airport to adapt to changing revenue streams in the future.

At the same time, we continue to harness technology to improve efficiencies across the airport. The continued development of real-time reporting across the business is supporting our operational excellence and customer experience goals.

We will work closely with our business partners – from airport tenants to air service providers and key regional partners – to support our shared business objectives through intelligent data strategy.

## LOOKING AHEAD

### Te Anga Whakamua

Hawke's Bay Airport is a thriving business enjoying growth in route services, with Air New Zealand flights into and out of Hawke's Bay Airport now at pre-pandemic levels and Sun Air providing welcome connectivity to the northern-most reaches of Te-Mataua-a-Māui/Hawke's Bay and Tairāwhiti/Gisborne. We are also the home of an aviation community that is at the heart of Hawke's Bay's unique regional character and economic prosperity.

However, we remain equally focused on growing non-aeronautical revenue to support our long-term business sustainability and continue to support and grow Hawke's Bay's prosperity.

It goes without saying, our success relies on the capability and commitment of our people. We are committed to ensuring we retain and attract the very best talent with the right capabilities and experience to deliver our ambitions, while providing them with a safe and inclusive place to work and supporting them to be the best they can be.

DRAFT

KEY OBJECTIVES FY24/25  
 Ngā whāinga matua – FY24/25

The following outlines our key objectives for FY24/25 and beyond.

OUR OPERATIONS	
Ā mātau mahi	
We ensure a safe, secure, and intuitive customer journey for all. <i>We strive for excellence</i>	
Objectives	Key Performance Measures
Maintain legislative and regulatory compliance	No significant legislative or regulatory breaches.  No significant adverse audit findings by MPI, CAA or HBRC.
Provide collaborative and productive health, safety and wellbeing support to our team and HBAL tenants, business partners and visitors, including easy to use data and tools, and timely reporting	Continuous improvement of the company's H&S management framework delivering improving KPI trends.
Develop progressive and resilient infrastructure that safeguards our future	Fire Station design completed, consented and construction ready.  Robust Asset Management Plan processes are implemented, encompassing infrastructure planning, asset renewal and proactive maintenance schedules.  Customer Experience enhanced through the implementation of an agreed Landside Strategy. This will include landside opportunities and offerings, and associated performance measures.

**Best practice looks like:** an airport operation that runs smoothly and efficiently with site-wide safety, and where every person working for Hawke's Bay Airport actively contributes to safety and security. Hawke's Bay Airport maintains its essential operating credentials, while strengthening the resilience and sustainability of our infrastructure and operations. We have an airport that reflects our region and a passenger experience that is easy, and inclusive.

DRAFT

OUR PEOPLE Ā mātau tāngata	
We treat our people with respect, empower them with knowledge and allow them to flourish. <i>A great place to work</i>	
Objectives	Key Performance Measures
Nurture a culture of continuous improvement and value-driven work performance	A competency framework is developed, outlining role expectations and required capabilities and skills.  A learning and development matrix is established that aligns with the competency framework to support our team to develop the capabilities and skills they need to succeed.  Our team is upskilled on how to provide and receive feedback by establishing a structured process for feedback and recognition programme.  Staff satisfaction rating shows a positive trend.

**Best practice looks like:** a positive, dynamic culture that enables our people to thrive. Our people know how their efforts and performance contribute to Hawke's Bay Airport's vision and believe we are a great place to work.

OUR PLACE Tō mātau wāhi	
We ensure our airport's future through strategic sustainability and resilience practices <i>We safeguard our land</i>	
Objectives	Key Performance Measures
Understand the impacts of climate change and have plans to manage and mitigate its effects.	Develop a roadmap that supports our decisions to defend our site from the effects of climate change. The roadmap will also ensure environmental compliance requirements are met.  Maintain ACA Level 4+ Transition while investigating broader ESG frameworks and supporting standards. e.g. BCorp and alternatives.
Ready and capable for a sustainable aviation future	Collaborate with airlines and others in the aviation sector to understand and prepare for future aviation requirements

**Best practice looks like:** An airport known and trusted for respecting and protecting the natural environment in which it operates. We have decarbonised our business and are continuously adapting to the effects of climate change. We are ready and capable for sustainable aviation needs of the future. We are recognised as a leader in sustainability.

DRAFT

OUR PARTNERSHIPS Ngā rangapū mahitahi	
We foster positive and enduring relationships with our customers, partners, and community. <i>We reflect our region</i>	
Objectives	Key Performance Measures
Continuously improve our relationships with airport partners, customers and stakeholders	A Stakeholder Engagement Plan is developed and implemented  Stakeholder engagement feedback trends positively.

**Best practice looks like:** An airport connected to our community and taking a leadership role in regional economic development. Hawke's Bay Airport's people have strong, authentic, and productive relationships with everyone important to our success, including shareholders, mana whenua, tenants, customers, local and central government, regional economic development partners and the community.

Hawke's Bay Airport is actively engaged in regional planning and development processes.

PROSPERITY Te houkuratanga	
We maximise commercial returns, to provide value for our stakeholders and our region. We create new connections for the region. <i>A profitable, sustainable business</i>	
Objectives	Key Performance Measures
Optimise Shareholder returns	Return on Equity greater than or equal to 5%.  Net Profit After Tax greater than or equal to \$2.9M pre revaluation adjustments.
Pursue commercial opportunities	Develop new revenue streams that include: <ul style="list-style-type: none"> <li>• Growth of core business</li> <li>• Land asset developments.</li> </ul>
Use technology to optimise operational and business performance.	A digital transformation roadmap is developed, and implementation is underway.

**Best practice looks like:** Our airport remains prosperous through maximising revenue streams and is future-proofed through technology that transforms efficiency and drives value.

DRAFT

## Summary

We are committed to the continued resilience and growth of our airport. Diversification of aeronautical and commercial opportunities are the key drivers of our future prosperity. Hawke's Bay Airport's sights are set firmly on being the most forward thinking, future-proofed, digitally savvy, and commercially successful regional airport in New Zealand.

We are excited to live our vision of being **the airport that could...and did!**

DRAFT

## FINANCIAL FORECASTS

### Ngā matapaenga ā-ahumoni

The updated forecast to 30 June 2024 and the three outlying years have been based on passenger numbers delivered to 31 December 2023 and the passenger forecasts provided by Air New Zealand. There has been a strengthening in aircraft movements across all main routes during FY2024, with additional services being provided by Air New Zealand on Auckland and Christchurch routes. Load factors remain consistently high (average 85% FY2024) and these continue through the life of this SOI.

The per passenger charging mechanism adopted in October 2020 will increase in FY2025, but decline in future years, partly due to increased passenger numbers. This initial lift is the consequence of increased capital spending in FY24 and higher operating costs as cost ownership transitions from Airways to the airport for airfield lighting and power. There has also been significant spending on apron developments during FY24. In addition, the cost of capital continues to be high during FY25, despite evidence of a small decline in both interest rates and inflation.

## Hawke's Bay Airport Limited

### Statement of Intent - Headlines and Financial Metrics

July 2024 - June 2027

	Jul 23 - Jun 24 Actual/Proj	Jul 24 - Jun 25	Jul 25 - Jun 26	Jul 26 - Jun 27
Passenger Numbers	663,775	692,309	711,733	731,713
Forecast Revenue	13,035,021	15,505,620	15,571,445	16,436,688
EBITDA	7,936,359	9,484,683	9,390,393	10,091,238
EBITDA Margin	60.9%	61.2%	60.3%	61.4%
NPAT	2,783,359	2,965,729	2,661,140	2,783,594
Net Profit after Taxation Margin	21.4%	19.1%	17.1%	16.9%
Total Assets	89,661,547	96,904,890	103,780,793	110,139,932
Total Debt	24,065,456	28,246,386	32,487,661	36,078,229
Return on Equity %	4.9%	5.0%	4.3%	4.3%
Gearing Ratio D/(D+E)	30%	32%	34%	36%
Cash Flow Available for Debt Servicing (CFADS) <sup>1</sup>	7,294,225	7,942,995	8,357,351	8,811,192
CFADS: Interest	5.7x	4.9x	4.4x	4.1x
Debt Service Coverage Ratio (DSCR) <sup>2</sup>	5.7x	4.9x	4.4x	4.1x
EBITDA:Debt	33%	34%	29%	28%

#### Notes:

- CFADS is defined as Net profit After Tax, plus depreciation and amortisation, less cash taxes, less/plus extraordinaries such as revaluations. It is broadly equivalent to Free Funds from Operations.
- DSCR is CFADS divided by Total Debt Servicing. Debt servicing is interest plus principal and is calculated after a "Cash Sweep" where all cash in excess of \$500,000 is used to repay debt.

HBAL Statement of Intent FY24/25

16

DRAFT

Hawke's Bay Airport Limited  
 Prospective Summary Statement of Comprehensive Income  
 July 2023 - June 2026

	Jul 23 - Jun 24 Actual/Proj	Jul 24 - Jun 25	Jul 25 - Jun 26	Jul 26 - Jun 27
<i>Passenger Numbers</i>	663,775	692,309	711,733	731,713
Revenue				
Aeronautical	8,374,331	10,510,457	10,282,516	10,841,894
Non-Aeronautical	4,660,690	4,995,163	5,288,929	5,594,794
<b>Total Revenues</b>	<b>13,035,021</b>	<b>15,505,620</b>	<b>15,571,445</b>	<b>16,436,688</b>
Operating Expenditure	5,098,662	6,020,937	6,181,052	6,345,451
<b>EBITDA</b>	<b>7,936,359</b>	<b>9,484,683</b>	<b>9,390,393</b>	<b>10,091,238</b>
Depreciation	3,252,906	3,758,428	4,035,462	4,244,572
<b>EBIT</b>	<b>4,683,454</b>	<b>5,726,255</b>	<b>5,354,930</b>	<b>5,846,665</b>
Fair value gain on Investment Property	575,334	355,766	332,650	354,826
Interest Expense	1,270,767	1,626,898	1,888,829	2,132,399
<b>Profit before Income Tax</b>	<b>3,988,021</b>	<b>4,455,123</b>	<b>3,798,751</b>	<b>4,069,092</b>
Income Tax Expense	1,204,662	1,489,393	1,137,611	1,285,498
<b>Net Profit after Tax</b>	<b>2,783,359</b>	<b>2,965,729</b>	<b>2,661,140</b>	<b>2,783,594</b>

Hawke's Bay Airport acknowledges that the world and domestic economies are impacted by continued high interest rates and inflation, coupled with other worldwide events (wars and extreme climate related events). While we remain confident in being able to deliver our targets, we expect customer propensity to spend disposable income on air travel will continue to have an impact into FY2025.

We will ensure our shareholders are provided with regular updates of actual and projected results as they come to hand.



DRAFT

## Hawke's Bay Airport Limited

### Prospective Summary Statement of Financial Position

July 2023 - June 2027

	Jul 23 - Jun 24 Actual/Proj	Jul 24 - Jun 25	Jul 25 - Jun 26	Jul 26 - Jun 27
<b>Current Assets</b>				
Cash and cash equivalents	500,000	500,000	500,000	500,000
Trade Receivables	1,499,920	1,784,208	1,791,783	1,891,345
Derivatives	45,064	15,761	3,069	299
<b>Total Current Assets</b>	<b>2,044,984</b>	<b>2,299,969</b>	<b>2,294,851</b>	<b>2,391,644</b>
<b>Non Current Assets</b>				
Plant and equipment	71,315,392	77,940,204	84,369,172	90,022,970
Investment property	16,150,839	16,612,139	17,106,533	17,724,322
Other Non-Current Assets	150,331	52,577	10,237	997
<b>Total Non Current Assets</b>	<b>87,616,562</b>	<b>94,604,921</b>	<b>101,485,942</b>	<b>107,748,288</b>
<b>TOTAL ASSETS</b>	<b>89,661,547</b>	<b>96,904,890</b>	<b>103,780,793</b>	<b>110,139,932</b>
<b>Current Liabilities</b>				
	1,578,301	1,722,293	1,766,859	1,812,583
<b>Non Current Liabilities</b>				
Total Debt	24,065,456	28,246,386	32,487,661	36,078,229
Other Non Current Liabilities	7,089,052	7,147,751	7,202,638	7,259,158
<b>Total Non Current Liabilities</b>	<b>31,154,508</b>	<b>35,394,137</b>	<b>39,690,298</b>	<b>43,337,387</b>
<b>TOTAL LIABILITIES</b>	<b>32,732,810</b>	<b>37,116,430</b>	<b>41,457,157</b>	<b>45,149,970</b>
	1,578,301			
<b>NET ASSETS</b>	<b>56,928,737</b>	<b>59,788,460</b>	<b>62,323,636</b>	<b>64,989,962</b>
<b>Capital and Reserves</b>				
Share Capital	13,789,155	13,789,155	13,789,155	13,789,155
Reserves	18,409,574	19,603,568	20,777,604	22,060,336
Retained Earnings	24,730,008	26,395,737	27,756,877	29,140,471
<b>TOTAL EQUITY</b>	<b>56,928,736</b>	<b>59,788,459</b>	<b>62,323,635</b>	<b>64,989,961</b>

DRAFT

Hawke's Bay Airport Limited  
 Prospective Summary Statement of Cashflows  
 July 2023 - June 2027

	Jul 23 - Jun 24 Actual/Proj	Jul 24 - Jun 25	Jul 25 - Jun 26	Jul 26 - Jun 27
<b>Cash flows from operating activities</b>				
Cash was provided from:				
Revenues	13,369,520	15,221,332	15,563,871	16,337,126
	13,369,520	15,221,332	15,563,871	16,337,126
Cash was disbursed to:				
Suppliers and employees	(5,217,598)	(5,876,945)	(6,136,487)	(6,299,726)
Interest Paid	(761,715)	(1,499,842)	(1,833,796)	(2,120,389)
Income Tax Paid	(2,161,690)	(1,430,695)	(1,082,725)	(1,228,978)
	(8,141,003)	(8,807,481)	(9,053,008)	(9,649,093)
<b>Net Cash Flows from Operating Activities</b>	<b>5,228,517</b>	<b>6,413,851</b>	<b>6,510,863</b>	<b>6,688,033</b>
<b>Cash flows from investing activities</b>				
Cash was provided from:				
Sales of fixed assets	-	-	-	-
	-	-	-	-
Cash was disbursed to:				
Capital Works	(6,524,532)	(9,294,781)	(9,452,138)	(8,878,601)
Investments	-	-	-	-
	(6,524,532)	(9,294,781)	(9,452,138)	(8,878,601)
<b>Net Cash Flows from Investing Activities</b>	<b>(6,524,532)</b>	<b>(9,294,781)</b>	<b>(9,452,138)</b>	<b>(8,878,601)</b>
<b>Cash flows from financing activities</b>				
Cash was provided from:				
Borrowings received	1,065,456	4,180,930	4,241,275	3,590,568
	1,065,456	4,180,930	4,241,275	3,590,568
Cash was disbursed to:				
Borrowings repaid	-	-	-	-
Dividends	-	(1,300,000)	(1,300,000)	(1,400,000)
	-	(1,300,000)	(1,300,000)	(1,400,000)
<b>Net Cash Flows from financing Activities</b>	<b>1,065,456</b>	<b>2,880,930</b>	<b>2,941,275</b>	<b>2,190,568</b>
<b>Opening Cash</b>	<b>730,559</b>	<b>500,000</b>	<b>500,000</b>	<b>500,000</b>
<b>Net Increase in Cash and Cash Equivalent</b>	<b>(230,559)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Closing cash and cash equivalents</b>	<b>500,000</b>	<b>500,000</b>	<b>500,000</b>	<b>500,000</b>

DRAFT

## CAPITAL EXPENDITURE

### Whakapaunga pūrāwa

Hawke's Bay Airport continues to invest in its infrastructure in line with passenger numbers, asset management condition assessments, Civil Aviation Authority security requirements and the Ministry of Transport. While we continue to identify opportunities to further diversify our non-aeronautical revenue streams, the key capital focus remains on positioning the airport to be fit for the future. This means undertaking workstreams that support resilience and climate change, but also embracing opportunities to transform our site through technology enhancements. Capital expenditure is based on what we know now and could be subject to change.

Capital expenditure programmes will be presented to the Board when 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 Aecom Limited.

### Hawke's Bay Airport Limited

#### Prospective Summary of Capital Expenditure

July 2023 - June 2027 (Nominal \$)

	Jul 23 - Jun 24 Actual/Proj	Jul 24 - Jun 25	Jul 25 - Jun 26	Jul 26 - Jun 27
Aviation	3,910,862	3,549,741	2,248,609	4,995,578
Commercial	829,756	1,310,778	1,339,047	2,135,354
Property	25,925	105,981	162,152	275,658
Business Park	934,641	805,459	1,108,036	1,361,749
Other	1,510,657	3,544,018	4,648,344	330,789
<b>Total Capital Expenditure</b>	<b>7,211,842</b>	<b>9,315,977</b>	<b>9,506,188</b>	<b>9,099,127</b>

#### Prospective Capital Expenditure By Classification

	Jul 23 - Jun 24 Actual/Proj	Jul 24 - Jun 25	Jul 25 - Jun 26	Jul 26 - Jun 27
Growth	495,639	874,347	1,205,326	3,462,260
Digital Transformation	68,276	185,467	189,177	137,829
Safety & Compliance	5,183,145	6,320,095	6,140,246	1,654,607
Resilience	1,267,752	1,671,115	1,452,554	2,603,972
Reliability	20,740	105,981	432,404	1,240,459
Green Energy	176,290	158,972	86,481	-
<b>Total Capital Expenditure</b>	<b>7,211,842</b>	<b>9,315,977</b>	<b>9,506,188</b>	<b>9,099,127</b>

DRAFT

## ACCOUNTING POLICIES

### Ngā kaupapahere mahi kaute

The accounting policies adopted by Hawke's Bay Airport are consistent with New Zealand's International Financial Reporting Standards and generally accepted New Zealand accounting practices. The policies are included within Hawke's Bay Airport's annual report, which is available on the company's website: [www.hawkesbay-airport.co.nz/about/company/annual-report](http://www.hawkesbay-airport.co.nz/about/company/annual-report).

## DISTRIBUTIONS

### Ngā tohanga

The Directors will, in consultation with shareholders, set and review the dividend policy periodically and, where fiscally prudent, recommend dividend payments that are cognisant of Hawke's Bay Airport's earnings, capital expenditure and future investment requirements.

Currently, it is proposed to resume dividends in the 2025 financial year, subject to trading conditions at the time. In the intervening period, the company will reinvest capital in core assets, and re-gear the balance sheet to support upcoming investments in airport infrastructure and resilience.

At present, the dividend policy assumes a circa 40% payment of NPAT as a dividend, but as previously noted this should remain subject to discussion with shareholders as to the suitability of this approach.

Hawke's Bay Airport places a strong focus on strategies of revenue diversification and resilience which underpin a sound foundation for revenue recovery and balance sheet growth. In addition, a key focus on digital transformation opportunities will position the airport for the future. These strategies will create enhanced financial returns and maximise value to shareholders through an appropriate balance of reinvestment and dividend.

A strong net profit after tax result is forecast for the upcoming 2023/24 financial year and subsequent periods. These forecasts are included in this SOI and are conditional on New Zealand maintaining the status quo and not being materially affected by external economic shock factors.

## INFORMATION TO BE PROVIDED TO SHAREHOLDERS

### Ngā kōrero ka tukuna ki ngā kaiwhaipānga

Shareholders will receive:

- An annual report including audited financial statements within three months of balance date.
- A 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.

HBAL Statement of Intent FY24/25

21

DRAFT

- 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.
- Hawke's Bay Airport Limited is also required to comply with the disclosure requirements of a specified airport company pursuant to the Airport Authorities (Airport Companies Information Disclosure) Regulations.

## ACQUISITION PROCEDURES

### Ngā tukanga hopu

The acquisition of any interest in a company or organisation will be considered to ensure 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

### Kua tonoa he utu paremata i ngā kaiwhaipānga o te rohe

At the request of the shareholders, Hawke's Bay Airport may undertake activities that are not consistent with normal commercial objectives. In these circumstances, Hawke's Bay Airport 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

### Te matapaetanga o te wāriu arumoni

The value of shareholders' investment in Hawke's Bay Airport as at 31 December 2023 was \$53.1M.

The property, plant, equipment, and investment property (non-current assets) owned by Hawke's Bay Airport were revalued at 30 June 2023 to their current market value of \$82.1M.

Hawke's Bay Airport will continue to undertake a revaluation approach to its assets on a yearly 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.

DRAFT

## APPENDIX A: BOARD OF DIRECTORS ROLE AND GOVERNANCE OBJECTIVES

### Āpitihianga A: Te wāhi ki te Poari Ringatohu me ngā whāinga kāwanatanga

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 Hawke's Bay Airport leadership to review the company's performance and provides quarterly, half-yearly and annual business performance reports to shareholders.

#### **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 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 always understand 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 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 vendors.
- 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,

DRAFT

business, and financial plans and overseeing the company's operating results on a regular basis 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. Result 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

DRAFT

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.







**FINANCIAL STATEMENTS**

FOR THE SIX MONTHS ENDED 31 DECEMBER 2023







**HAWKE'S BAY MUSEUMS TRUST**  
**INDEX TO THE FINANCIAL STATEMENTS**  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

Statement of Financial Position	1
Statement of Financial Performance	2
Statement of Movements in Equity	3
Statement of Cashflows	4
Notes to the Financial Statements	5 - 14

**HAWKE'S BAY MUSEUMS TRUST**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
 FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

	Note	6 Months Ended 31-Dec-23 \$	6 Months Ended 31-Dec-22 \$	Year Ended 30-Jun-23 \$
<b>Revenue</b>				
Council grants	1	642,813	573,960	1,147,921
Other grants and donations received	2	11,614	9,240	187,242
Interest revenue		17,954	8,108	22,476
<b>Total Revenue</b>		<b>672,382</b>	<b>591,308</b>	<b>1,357,639</b>
<b>Expenses</b>				
Audit fees		1,948	-	5,780
Accounting charge		12,550	12,550	25,100
Accounting software charge		135	128	255
Conservation		-	-	12,600
Legal costs		-	-	1,600
General expenses		585	221	389
Insurance		2,500	2,385	2,385
Management fee	3	625,153	556,461	1,112,921
Marian Holt Grant Expenditure		-	4,730	4,730
Ministry of Culture and Heritage grant expenditure		2,637	-	-
<b>Total Expenses</b>		<b>645,508</b>	<b>576,475</b>	<b>1,165,760</b>
<b>Net Surplus/(Deficit) for the Period</b>		<b>26,873</b>	<b>14,834</b>	<b>191,879</b>







## HAWKE'S BAY MUSEUMS TRUST STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

	Note	6 Months Ended 31-Dec-23 \$	6 Months Ended 31-Dec-22 \$	Year Ended 30-Jun-23 \$
<b>Current Assets</b>				
Bank accounts and cash	4	64,527	60,601	51,885
Investments	5	615,260	615,260	615,260
Accounts receivable and accrued revenue	6	16,140	8,215	9,986
GST receivable		622	1,463	1,648
<b>Total Current Assets</b>		<b>696,548</b>	<b>685,539</b>	<b>678,779</b>
<b>Non-Current Assets</b>				
Artworks and collection	7	31,024,442	29,911,145	31,021,258
<b>Total Non Current Assets</b>		<b>31,024,442</b>	<b>29,911,145</b>	<b>31,021,258</b>
<b>Total Assets</b>		<b>31,720,991</b>	<b>30,596,683</b>	<b>31,700,037</b>
<b>Current Liabilities</b>				
Accounts payable and accruals	8	2,500	9,390	5,780
Unspent grants		18,980	21,617	21,617
<b>Total Current Liabilities</b>		<b>21,480</b>	<b>31,007</b>	<b>27,397</b>
<b>Non-Current Liabilities</b>				
Trust funds held on behalf	9	75,260	75,260	75,260
<b>Total Non-Current Liabilities</b>		<b>75,260</b>	<b>75,260</b>	<b>75,260</b>
<b>Total Liabilities</b>		<b>96,740</b>	<b>106,267</b>	<b>102,657</b>
<b>Accumulated Funds</b>				
Retained earnings	10	1,987,822	1,807,231	1,984,700
Asset revaluation reserve	10	29,091,777	28,161,858	29,091,778
Special funds	11	544,652	521,325	520,903
<b>Total Accumulated Funds</b>		<b>31,624,250</b>	<b>30,490,415</b>	<b>31,597,381</b>
<b>Total Funds Employed</b>		<b>31,720,991</b>	<b>30,596,683</b>	<b>31,700,038</b>

The Trust Board of Hawke's Bay Museums Trust authorised these financial statements for issue on Wednesday 01 March 2024 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 2023

	Note	6 Months Ended 31-Dec-23	6 Months Ended 31-Dec-22	Year Ended 30-Jun-23
		\$	\$	\$
<b>Opening Balance of Equity</b>		<b>31,597,380</b>	<b>30,475,582</b>	<b>30,475,581</b>
<b>Net Surplus/(Deficit) for Period Allocated to:</b>				
Retained earnings		(58)	2,215	159,966
Special funds	11	26,931	12,618	31,913
<b>Net Surplus/(Deficit) for year</b>		<b>26,873</b>	<b>14,833</b>	<b>191,879</b>
Movement in Asset Revaluation Reserve		-	-	929,919
<b>Closing Balance of Equity</b>	10	<b>31,624,253</b>	<b>30,490,415</b>	<b>31,597,380</b>

## HAWKE'S BAY MUSEUMS TRUST STATEMENT OF CASHFLOWS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

	Note	6 Months Ended 31-Dec-23 \$	6 Months Ended 31-Dec-22 \$	Year Ended 30-Jun-23 \$
<b>Cash Flows From Operating Activities</b>				
Receipts of council grants		642,813	573,960	1,147,921
Donations received		11,614	9,240	14,167
Interest receipts		17,954	8,108	22,476
Other operating revenue		-	-	-
Goods and Services Tax (Net Inflow)		-	-	-
Audit fee		(1,948)	-	(5,780)
Management fee & education grant		(625,153)	(556,461)	(1,112,921)
Accounting fee		(12,550)	(12,550)	(25,100)
Donations paid		-	-	-
Ministry of Culture and Heritage grant expenditure		-	-	-
Marian Holt Grant Expenditure		(2,637)	(4,730)	(4,730)
Conservation expenses		-	-	(12,600)
Insurance and Legal		(2,500)	(2,385)	(3,985)
Other expenses		(720)	(349)	(644)
<b>Cash Flows from Operating Activities</b>	12	<b>26,873</b>	<b>14,834</b>	<b>18,804</b>
<b>Changes in Current assets and liabilities</b>				
Current Assets		(6,156)	9,940	8,168
Changes in current liabilities		(5,917)	1,509	(2,100)
GST		1,026	(687)	(873)
<b>Net Cash Flows from Operating Activities</b>		<b>(11,047)</b>	<b>10,762</b>	<b>5,195</b>
<b>Cashflows from Investing Activities</b>				
Purchase of Collection Assets		(3,184)	(24,380)	(31,500)
<b>Net cashflows from Investing Activities</b>		<b>(3,184)</b>	<b>(24,380)</b>	<b>(31,500)</b>
<b>Opening Cash Balance</b>		<b>667,145</b>	<b>674,646</b>	<b>674,646</b>
<b>Net Increase/(Decrease) in Cash</b>		<b>12,642</b>	<b>1,216</b>	<b>(7,501)</b>
<b>Closing Cash Balance</b>		<b>679,787</b>	<b>675,862</b>	<b>667,145</b>

## HAWKE'S BAY MUSEUMS TRUST ACCOUNTING POLICIES

FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

### 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 2023

### **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 2023/24 financial year.

## HAWKE'S BAY MUSEUMS TRUST NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

### 1. Council Grants

	6 Months Ended 31-Dec-23 \$	6 Months Ended 31-Dec-22 \$	Year Ended 30-Jun-23 \$
Hastings District Council- Operating grant	317,657	283,230	566,460
Napier City Council- Operating grant	317,657	283,230	566,460
Hastings District Council- Education grant	7,500	7,500	15,000
<b>Total Council Grants</b>	<b>642,813</b>	<b>573,960</b>	<b>1,147,921</b>

### 2. Other Grants and Donations Received

	6 Months Ended 31-Dec-23 \$	6 Months Ended 31-Dec-22 \$	Year Ended 30-Jun-23 \$
Donations- General	8,977	4,510	9,437
Donations - Acquisitions	-	-	173,075
Grants Marian Holt Grant	2,637	4,730	4,730
Grants (Ministry of Culture & Heritage)	-	-	-
Donations - Specified funds	-	-	-
<b>Total Other Grants and Donations Received</b>	<b>11,614</b>	<b>9,240</b>	<b>187,242</b>

### 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 Councils both provide operating grants to the trust as detailed in note 1.

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 financial year was \$12,550 (2023: \$25,100).

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 during the financial year was \$625,153. (2023: \$1,112,921).

The Hastings District Council purchased 307 Queen St East in November 2020 with the plan to upgrade the building to a fit-for-purpose storage facility for the collection. Napier City Council and Hastings District Council has pledged \$3.6m for the development in the coming financial year. The facility is still in the design stages and the agreed arrangements between the Councils and Hawkes Bay Museums Trust is still to be confirmed.

The Board members are not paid (2023: nil).

## HAWKE'S BAY MUSEUMS TRUST NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

### 4. Bank Accounts and Cash

	6 Months Ended 31-Dec-23 \$	6 Months Ended 31-Dec-22 \$	Year Ended 30-Jun-23 \$
<b>Bank Accounts and Cash</b>			
Westpac Bank - Current account	64,527	60,601	51,885
<b>Total Bank Accounts and Cash</b>	<b>64,527</b>	<b>60,601</b>	<b>51,885</b>

### 5. Investments

	6 Months Ended 31-Dec-23 \$	6 Months Ended 31-Dec-22 \$	Year Ended 30-Jun-23 \$
Westpac Term Deposits	540,000	540,000	540,000
<b>Westpac Term Deposits - Trusts Held on Behalf</b>			
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
<b>Total Investments</b>	<b>615,260</b>	<b>615,260</b>	<b>615,260</b>

### 6. Accounts Receivable and Accrued Revenue

	6 Months Ended 31-Dec-23 \$	6 Months Ended 31-Dec-22 \$	Year Ended 30-Jun-23 \$
Accounts receivable	5,509	1,818	-
Accrued interest	10,631	6,396	9,986
<b>Total Accounts Receivable and Accrued Revenue</b>	<b>16,140</b>	<b>8,214</b>	<b>9,986</b>



**HAWKE'S BAY MUSEUMS TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

**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
<b>Carrying amount at 1 July 2022</b>	<b>1,878,262</b>	<b>805,022</b>	<b>10,633,388</b>	<b>2,100,000</b>	<b>11,127,138</b>	<b>992,898</b>	<b>457,107</b>	<b>1,351,715</b>	<b>29,345,530</b>	<b>541,235</b>	<b>29,886,765</b>
Acquisitions	5,725	-	-	-	5,717	175	19,882	-	31,500	-	31,500
Donations	-	2,699	-	6,500	99,033	1,750	58,343	4,750	173,075	-	173,075
Deaccessions	-	-	-	-	-	-	-	-	-	-	-
Revaluation	(1,225)	-	-	-	286,640	420,000	76,815	93,200	875,430	54,489	929,919
<b>Carrying amount at 30 June 2023</b>	<b>1,882,762</b>	<b>807,721</b>	<b>10,633,388</b>	<b>2,106,500</b>	<b>11,518,528</b>	<b>1,414,823</b>	<b>612,147</b>	<b>1,449,665</b>	<b>30,425,534</b>	<b>595,724</b>	<b>31,021,258</b>
<b>Carrying amount at 1 July 2023</b>	<b>1,882,762</b>	<b>807,721</b>	<b>10,633,388</b>	<b>2,106,500</b>	<b>11,518,528</b>	<b>1,414,823</b>	<b>612,147</b>	<b>1,449,665</b>	<b>30,425,534</b>	<b>595,724</b>	<b>31,021,258</b>
Acquisitions	-	-	-	-	3,184	-	-	-	3,184	-	3,184
Donations	-	-	-	-	-	-	-	-	-	-	-
Deaccessions	-	-	-	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-	-	-	-
<b>Carrying amount at 31 December 2023</b>	<b>1,882,762</b>	<b>807,721</b>	<b>10,633,388</b>	<b>2,106,500</b>	<b>11,521,712</b>	<b>1,414,823</b>	<b>612,147</b>	<b>1,449,665</b>	<b>30,428,718</b>	<b>595,724</b>	<b>31,024,442</b>

The Faraday Centre Collection was valued by independent registered valuer Craig S Scoullar MPINZ of Asset Valuations Ltd as at 30 June 2023 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 2023 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 2023

### 8. Accounts Payable & Accruals

	6 Months Ended 31-Dec-23	6 Months Ended 31-Dec-22	Year Ended 30-Jun-23
	\$	\$	\$
Accounts payable	2,500	9,390	5,780
Unspent grants	18,980	21,617	21,617
<b>Total Accounts Payable &amp; Accruals</b>	<b>21,480</b>	<b>31,007</b>	<b>27,397</b>

### 9. Trust Funds Held on Behalf

	6 Months Ended 31-Dec-23	6 Months Ended 31-Dec-22	Year Ended 30-Jun-23
	\$	\$	\$
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
<b>Total Trust Funds Held on Behalf</b>	<b>75,260</b>	<b>75,260</b>	<b>75,260</b>

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

FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

### 10. Equity

	6 Months Ended 31-Dec-23 \$	6 Months Ended 31-Dec-22 \$	Year Ended 30-Jun-23 \$
<b>Special Reserves</b>			
<b>Restricted Reserves</b>			
Opening balance	16,931	16,044	16,044
Grants, bequests and donations revenue	303	139	305
Interest revenue	537	221	582
<b>Closing Balance Restricted Reserves</b>	<b>17,771</b>	<b>16,404</b>	<b>16,931</b>
<b>Unrestricted Reserves</b>			
Opening balance	89,319	85,625	85,625
Grants, bequests and donations revenue	1,594	743	1,615
Interest revenue	2,830	1,179	3,085
Donations paid for storage facility	-	-	(1,006)
<b>Closing Balance Unrestricted Reserves</b>	<b>93,743</b>	<b>87,547</b>	<b>89,319</b>
<b>Acquisitions Reserve</b>			
Opening balance	396,684	406,604	406,605
Grants, bequests and donations revenue	7,081	3,529	7,413
Interest revenue	12,567	5,602	14,166
Acquisitions purchases	(3,184)	(24,380)	(31,500)
<b>Closing Balance Acquisitions Reserve</b>	<b>413,148</b>	<b>391,355</b>	<b>396,684</b>
<b>Conservation Reserve Fund</b>			
Opening balance	-	11,292	11,292
Grants, bequests and donations revenue	-	98	104
Interest revenue	-	155	199
Conservation purchases	-	-	(11,594)
<b>Closing Balance Conservation Reserve</b>	<b>-</b>	<b>11,545</b>	<b>-</b>
<b>Trusts Held on Behalf</b>			
Opening balance	17,969	13,525	13,525
Interest revenue	2,022	949	4,444
<b>Closing Balance Trusts Held on Behalf</b>	<b>19,991</b>	<b>14,474</b>	<b>17,969</b>
<b>Total Special Reserves</b>	<b>544,653</b>	<b>521,325</b>	<b>520,903</b>

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

FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

	6 Months Ended 31-Dec-23 \$	6 Months Ended 31-Dec-22 \$	Year Ended 30-Jun-23 \$
<b>Revaluation Reserve</b>			
Opening balance	29,091,778	28,161,858	28,161,859
Deaccessions	-	-	-
Movement in Asset Revaluation Reserve	-	-	929,919
<b>Closing Balance Revaluation Reserve</b>	<b>29,091,778</b>	<b>28,161,858</b>	<b>29,091,778</b>
<b>Retained earnings</b>			
Opening balance	1,984,700	1,780,634	1,780,634
Net surplus/(deficit) for year	(58)	2,215	159,966
Transfer of donation to unrestricted reserve	3,184	24,380	1,006
Round off	(5)	3	-
Transfer of capital exp to acquisitions reserve	-	-	31,500
Transfer of capital exp to conservation reserve	-	-	11,594
<b>Closing Balance Retained Earnings</b>	<b>1,987,822</b>	<b>1,807,232</b>	<b>1,984,700</b>
<b>Total Equity</b>	<b>31,624,253</b>	<b>30,490,415</b>	<b>31,597,381</b>

**HAWKE'S BAY MUSEUMS TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

**11. Special Funds**

	Opening Balance as at 1 Jul 2023	Transfer	Grants Donations & Bequests Received	Acquisitions & Conservation	De-accessions	Allocation of Proportion Interest & Donations Income	Closing Balance as at 31 Dec 2023
<b>Restricted Reserves</b>							
QEII Award Fund	16,931	-	-	-	-	840	17,771
<b>Total Restricted Reserves</b>	<b>16,931</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>840</b>	<b>17,771</b>
<b>Unrestricted Reserves</b>							
Lilliput Building Fund	63,970	-	-	-	-	3,169	67,139
Webb Foundation Building Fund	25,347	-	-	-	-	1,255	26,602
<b>Total Unrestricted Reserves</b>	<b>89,317</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,424</b>	<b>93,741</b>
<b>Acquisitions Reserve Fund</b>							
Millin Estate	325,335	-	-	(3,184)	-	16,113	338,264
LJ Sanderson	71,310	-	-	-	-	3,532	74,842
M L Holt	0	-	-	-	-	-	0
Webb Trust	40	-	-	-	-	3	43
<b>Total Acquisitions Reserve Fund</b>	<b>396,685</b>	<b>-</b>	<b>-</b>	<b>(3,184)</b>	<b>-</b>	<b>19,648</b>	<b>413,148</b>
<b>Conservation Reserve Fund</b>							
B Home	-	-	-	-	-	-	0
M L Holt	0	-	-	-	-	-	0
R & D Crowther	0	-	-	-	-	-	0
Estate Kriyh Stichbury	0	-	-	-	-	-	0
Other - FHB MAG Care Fund	0	-	-	-	-	-	0
Webb Trust	0	-	-	-	-	-	0
<b>Total Conservation Reserve Fund</b>	<b>0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0</b>
<b>Trusts Held on Behalf</b>							
M S Spence Trust	7,974	-	-	-	-	897	8,871
L D Bestall Trust	4,946	-	-	-	-	557	5,503
Estate L D Bestall	5,049	-	-	-	-	568	5,617
<b>Total Trusts Held on Behalf</b>	<b>17,969</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,022</b>	<b>19,991</b>
<b>Total Special Funds</b>	<b>520,902</b>	<b>-</b>	<b>-</b>	<b>(3,184)</b>	<b>-</b>	<b>26,934</b>	<b>544,652</b>







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

FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

### 12. Statement of Intent

In its 2023/24 Statement of Intent, the Trust set financial targets for the year. The following table summarises actual results (to 31 December 2023) against those targets, with explanations for variances.

	Actual to 31-Dec-23 \$	Target to 31-Dec-23 \$	Variance \$
<b>Revenue</b>			
Council Funding (NCC & HDC)	642,813	642,813	-
Interest Income	17,954	15,400	2,554
General Donations *	8,977	3,250	5,727
<b>Total Revenue</b>	<b>669,744</b>	<b>661,463</b>	<b>8,281</b>
<b>Expenses</b>			
Management Fee and Education Grant	538,663	538,666	(3)
Off-Site Storage	86,490	86,488	(3)
Conservation **	-	9,325	9,325
Accessions **	3,184	9,325	6,141
Trust Admin & Management	12,550	12,550	-
Audit, Insurance, Legal Fees and Other ***	5,168	5,110	(58)
<b>Total Expenses</b>	<b>646,055</b>	<b>661,463</b>	<b>15,403</b>
<b>Surplus/Deficit</b>	<b>23,689</b>	<b>-</b>	<b>23,684</b>
<b>Ratio of Shareholders Funds to Total Assets</b>	<b>99.7%</b>	<b>95.0%</b>	<b>4.7%</b>

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

#### Explanation of variances

\* Cash donations are up against projected largely due to the MTG facility being opened after the COVID lockdown.

\*\* There has yet to be conservation and accession expenditure however there are a number of invoices expected to come through in the future.

\*\*\* Legal fees and audit fees budgeted for 22/24 but not materialized as of 31/12/2023

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

FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

	Actual to 31-Dec-22 \$	Target to 31-Dec-22 \$	Variance \$
<b>Revenue</b>			
Council Funding (NCC & HDC)	573,960	573,961	(1)
Interest Income	8,108	7,500	608
General Donations	4,510	2,250	2,260
<b>Total Revenue</b>	<b>586,578</b>	<b>583,711</b>	<b>2,867</b>
<b>Expenses</b>			
Management Fee and Education Grant	474,459	474,459	-
Off-Site Storage	82,002	82,002	-
Conservation	0	4,875	(4,875)
Accessions	24,380	4,875	19,505
General	0	0	-
Trust Admin & Management	12,550	12,550	-
Audit, Insurance, Legal Fees	2,734	4,950	-2,216
<b>Total Expenses</b>	<b>596,125</b>	<b>583,711</b>	<b>12,414</b>
<b>Surplus/Deficit</b>	<b>(9,547)</b>	<b>-</b>	<b>(9,547)</b>
<b>Ratio of Shareholders Funds to Total Assets</b>	<b>99.7%</b>	<b>95.0%</b>	<b>4.7%</b>

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 2023 (2022:\$nil)

### 14. Contingencies

The Trust has no contingent liabilities at 31 December 2023 (2022:\$nil)



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

---

### STATEMENT OF INTENT 24/25-26/27

---

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 24/25-26/27 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 Kaiwhina 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		
		2024/25 target	2025/26 target	2026/27 target
Protection	Full insurance cover is provided for the collection.	Yes	Yes	Yes
	Collections are stored in an acceptable environment.	No items reported to have suffered deterioration due to environment	No items reported to have suffered deterioration due to 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	Yes	Yes
	De-accessions are managed in accordance with the Collection Strategy and reported to the Board	Yes	Yes	Yes
Access	HBMT collections are used for academic and personal research	1,500 enquiries	1,500 enquiries	1,500 enquiries
	Collections are made available to the public through quality exhibitions	2 - 5 collection-based exhibitions	2 - 5 collection-based exhibitions	2 - 5 collection-based exhibitions
Development	Bequest funds income is used in the manner determined by the donor.	Yes	Yes	Yes
	Conservation funds income is used solely for collection care.	Yes	Yes	Yes

**Financial Performance Targets**

Financial Performance	Note	2024/25	2025/26	2026/27
<b>Revenue</b>				
Council Funding (NCC & HDC)	A	1,508,705	1,538,579	1,572,098
Interest Income	B	32,300	31,500	29,200
Donations		8,000	9,000	10,000
<b>Total Revenue</b>		<b>1,549,005</b>	<b>1,579,079</b>	<b>1,611,298</b>
<b>Expenses</b>				
Management Fee & Education Grant		1,256,240	1,281,365	1,309,555
Off-Site Storage	E	190,836	194,653	198,935
Education Grant (LEOTC)		15,000	15,000	15,000
Trust Admin & Management		26,400	26,928	27,520
Audit, Insurance & Legal etc	C	20,229	20,634	21,088
Conservation		20,150	20,250	19,600
Accessions		20,150	20,250	19,600
<b>Total Expenses</b>		<b>1,549,005</b>	<b>1,579,079</b>	<b>1,611,298</b>
<b>Surplus/(Deficit)</b>		-	-	-
<b>Financial Ratio Target:</b>				
The 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 Local Government Cost Index (LGCI). This is a commonly used inflation rate across the local government sector, and aligns with the methods both Councils use in their Annual Plans (2026 2.0% and 2026 2.2%). 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. Interest rates are based on financial market forecasts from Westpac (2025 5.3%, 2026 5.1% and 2027 4.8%).
- C Audit, Insurance & Legal etc for 2024/25 includes Audit Fees \$15,159, Insurance \$2,500, Legal Fees \$1,600, Charities Filing \$50, MYOB Subscription \$420, and Sundries \$500.
- D The ratio of Shareholder's 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	30/6/2025	30/6/2026	30/6/2027
<b>Current Assets</b>			
Bank Accounts and Cash	51,885	51,885	51,885
Investments	625,246	625,246	625,246
GST Refund	1,648	1,648	1,648
Prepayments and Accrued Revenue	-	-	-
<b>Total Current Assets</b>	<b>678,779</b>	<b>678,779</b>	<b>678,779</b>
<b>Non-Current Assets</b>			
Artworks and Collection	31,046,327	31,066,577	31,886,177
<b>Total Non-Current Assets</b>	<b>31,046,327</b>	<b>31,066,577</b>	<b>31,886,177</b>
<b>Total Assets</b>	<b>31,725,106</b>	<b>31,745,356</b>	<b>32,564,956</b>
<b>Current Liabilities</b>			
Accounts Payable and Accruals	13,666	13,666	13,666
<b>Total Current Liabilities</b>	<b>13,666</b>	<b>13,666</b>	<b>13,666</b>
<b>Non-Current Liabilities</b>			
Trust Funds Held on Behalf	75,260	75,260	75,260
<b>Total Non-Current Liabilities</b>	<b>75,260</b>	<b>75,260</b>	<b>75,260</b>
<b>Total Liabilities</b>	<b>88,925</b>	<b>88,925</b>	<b>88,925</b>
<b>Accumulated Funds</b>			
Retained Earnings	2,011,313	2,031,563	2,051,163
Asset Revaluation Reserve	29,091,777	29,091,777	29,891,777
Special Funds	533,090	533,090	533,090
<b>Total Accumulated Funds</b>	<b>31,636,180</b>	<b>31,656,430</b>	<b>32,476,030</b>
<b>Total Funds Employed</b>	<b>31,725,106</b>	<b>31,745,356</b>	<b>32,564,956</b>

**Financial Reports**

Full and final audited accounts will be included in the 2024/25 Annual Report.

**Reporting against intended performance**

The 2024/25 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 \$31 million (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. The most recent valuation was completed as of 30 June 2023, and the next valuation is due on 30 June 2027.

**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.