
Thursday, 11 May 2023

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, 11 May 2023**

Te Wā:
Time: **1.00pm**

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

**Watch Council meetings
streamed live on our website
www.hastingsdc.govt.nz**

HASTINGS DISTRICT COUNCIL
207 Lyndon Road East, Hastings 4122 | Private Bag 9002, Hastings 4156
Phone **06 871 5000** | www.hastingsdc.govt.nz
TE KAUNIHERA Ā-ROHE O HERETAUNGA

ITEM	SUBJECT	PAGE
5.	HAWKE'S BAY AIRPORT LTD HALF-YEAR REPORT AND STATEMENT OF INTENT	
Attachment 1:	HBAL Half Year Financial Statements to 31 December 2022	3
Attachment 2:	HDC and NCC Joint Shareholder Expectations for 2023-2024	15
Attachment 3:	HBAL Strategic Initiatives for 2023-2024	19
Attachment 4:	HBAL Draft Statement of Intent for 2023-2024	25

Hawke's Bay Airport Limited
UNAUDITED GROUP CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

Hawkes Bay Airport Limited
DIRECTORY

DIRECTORS

W N Harvey
S N Park (retired 31 December 2022)
C Barrett
J Nichols
J Norman (Future director programme concluded 31 December 2022)
D R Cusack (appointed 1 January 2023)

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@hbairport.co.nz
www.hawkesbay-airport.co.nz

Hawke's Bay Airport Limited
Directors' Report
for the half year ending 31 December 2022

This report is for the six months ended 31 December 2022 with comparisons against the company's Statement of Intent ("SOI") for the same period. These results have been approved by directors but have not been audited. There is no statutory requirement to audit the six-monthly accounts.

The business has performed very strongly during the six-month period producing a net profit after tax (NPAT) of \$1.072m. The SOI NPAT budget for the same period was \$.342m. The business was also able to repay \$1m in debt as passenger numbers continued to grow month-on-month.

The two significant revenue drivers were increases in passenger numbers and car parking revenue. On the expenditure side expenses remained relatively flat.

Performance Highlights & Other Activity

Terminal Development Project
During the period the terminal rebuild, and forecourt was completed and feedback from passengers and the wider airport community and stakeholders has been very positive. \$1.8m currently sits in capital work in progress (\$.3m from the terminal and \$1.5m for the forecourt) and this will be moved into fixed assets and depreciated prior to year-end.

Aeronautical Development
HBAL is working with Air New Zealand and Originair to develop new services to regional New Zealand that is not currently serviced. These routes include Dunedin, Queenstown, Nelson, Blenheim, and New Plymouth. We are hopeful some of these new routes will commence in calendar year 2023 and these new routes will need to be developed as a supporting strategy to the current main centre hub and spoke model operated by Air New Zealand.

Safety Management
During the reporting period there were no lost time injuries to staff or contractors which again reflects our commitment to ensure a culture of safety on the airport for all users.

People & Culture
In the last two months of 2022 three roles have been successfully recruited and all successful applicants currently reside in the Hawkes Bay Region. These three roles are: Chief Financial Officer, Senior Asset and Infrastructure Manager and a Health, Safety, and Security resource. This fills all the vacant positions in the senior management team and places the business in a very strong position to move forward and execute the business strategy.

Commercial Activity & Property Development
A key area of focus for HBAL continues to be revenue diversification into non-aeronautical revenue to insulate the business from sudden shocks to the aviation sector.

The retail tenants within the terminal continue to grow their businesses, some significantly, which reflects the increased passenger numbers and accompanying "meet and greet" terminal users. The business park is now a real focus for management and in the immediate aftermath of Cyclone Gabrielle many Hawke's Bay businesses will likely need to relocate their operations. Consequently, the airport will look to accelerate some of its land development activities to support organisations looking to utilise the opportunity an airport location will provide.

Sustainability
HBAL continues to work on key initiatives to support our Airport Carbon Accreditation ("ACA") Programme. The business is currently working on Level 4+ the highest level achievable for airports. When achieved later this year HBAL will be the first airport in New Zealand and only one of four to Australasia to achieve this accreditation.

Work also includes on implementation of EV charging and monitoring of ground water levels at the airport to understand the relationship between sea level rise and our ground water levels. Additionally, HBAL is working with local authorities and private organisations to continually refine our understanding of the impacts of climate change on the company and its wider stakeholders and surrounding land holdings.

Financial Reports
The unaudited Interim Financial Results to 31 December 2022 are included in this report. These include more detailed analysis of the Company's financial performance compared to its Statement of Intent, as well as a Summary of Financial Performance, Statement of Movements in Equity, Summary of Financial Position, Statement of Cash Flows, Accounting Policies and Notes.

Hawkes Bay Airport Limited
FINANCIAL PERFORMANCE VS SOI BUDGET
FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

	THIS YEAR				LAST YEAR			BUDGET
	31 Dec 2022	Budget 31 Dec	Variance \$	Variance %	31 Dec 2021	Variance \$	Variance %	Budget 30 June 2023
Passenger Numbers	316,628	262,457	54,171	20.6%	Restated 171,851	144,777	84.2%	519,994
FINANCIAL PERFORMANCE (\$)								
Revenue								
Aeronautical	4,410,878	2,822,191	1,588,687	56.3%	1,865,535	2,545,343	136.4%	5,605,140
Ground Transport	1,388,183	1,075,412	312,771	29.1%	745,758	642,425	86.1%	2,136,529
Business Park	220,875	216,072	4,803	2.2%	207,420	13,454	6.5%	473,809
Other Revenue	138,577	407,550	(268,973)	-66.0%	193,038	(54,461)	-28%	815,100
TOTAL REVENUE	6,158,512	4,521,225	1,637,287	36.2%	3,011,752	3,146,761	104.5%	9,030,578
Operating Expenses	2,476,166	2,146,043	(330,123)	-15.4%	1,817,912	(658,254)	-36.2%	4,243,168
EBITDA	3,682,347	2,375,182	1,307,165	55.0%	1,193,840	2,488,507	208.4%	4,787,410
Depreciation & Amortisation	1,533,605	1,587,409	53,804	3.4%	1,350,127	(183,479)	-13.6%	3,235,668
Gain/(Loss) on asset disposal	-	-	-	-	2,000	-	0.0%	-
Interest Paid (charged to P&L)	641,804	520,920	(120,884)	-23.2%	238,530	(403,274)	-169.1%	1,116,293
Profit before Tax	1,506,937	266,853	1,240,084	464.7%	(392,817)	1,899,754	-483.6%	435,449
Tax	434,842	(74,719)	(509,561)	682.0%	(60,943)	(495,785)	813.5%	177,923
PROFIT AFTER TAX	1,072,095	341,572	730,524	213.9%	(331,874)	1,403,969	-423.0%	257,526
Change in fair value of derivatives, net of deferred tax	247,052	-	(247,052)	-	-	(247,052)	-	-
FINANCIAL POSITION (\$)								
Total Assets	83,999,343	63,514,917	20,484,426		74,577,362	9,421,981		65,470,501
Debt	24,800,000	23,900,000	900,000		26,000,000	(1,200,000)		26,200,000
Shareholders Funds	50,105,614	33,410,973	16,694,641		41,683,639	8,421,975		33,453,726
FINANCIAL METRICS								
Return on Equity	2.3%	1.0%			-1.2%			0.8%
Net Gearing Ratio	33.1%	41.7%			38.4%			43.9%
Shareholders Funds/Total Net Assets	59.7%	52.6%			55.9%			51.1%

Hawke's Bay Airport Limited
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

Note	31 Dec 2022 Unaudited	31 Dec 2021 * Unaudited	30 Jun 2022 Audited
	\$	\$	\$
		<i>Restated</i>	
Aeronautical	4,410,878	1,865,535	4,336,577
Ground Transport	1,388,183	745,758	1,631,095
Business Park	220,875	207,420	423,124
Other Revenue	138,577	193,038	343,980
Total Revenue	6,158,512	3,011,752	6,734,776
Less Operating Expenses	(2,476,166)	(1,817,912)	(3,853,270)
Operating Profit after Operating Expenses	3,682,347	1,193,840	2,881,507
Depreciation	(1,533,605)	(1,350,127)	(2,764,481)
Fair value gain on Investment Property	-	-	1,410,179
Gain/(Loss) on Disposal of Assets	-	2,000	2,000
Finance Expense	(641,804)	(238,530)	(709,138)
Net Profit before income tax	1,506,937	(392,817)	820,066
Income Tax Expense	(434,842)	60,943	(18,719)
Net Profit after income tax	1,072,095	(331,874)	801,347
<i>Items that will not be reclassified into profit or loss:</i>			
Revaluation of Property, Plant & Equipment, net of deferred tax	-	-	5,630,758
Change in fair value of derivatives, net of def 7	247,052	-	338,806
Total Comprehensive Income	1,319,147	(331,874)	6,770,910

* Comparative information has been restated, refer to Note 1.

Hawke's Bay Airport Limited
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

	Issued Capital	Retained Earnings	Revaluation Reserve	Cash Flow Hedge Reserve	Total Equity
Balance at 1 July 2022	13,789,155	18,674,105	15,984,401	338,806	48,786,467
Net Profit for the period	-	1,072,095	-	-	1,072,095
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
Balance at 31 December 2022	13,789,155	20,168,346	15,562,255	585,858	50,105,614
Balance at 1 July 2021 (Restated) *	13,789,155	17,516,995	10,709,362	-	42,015,513
Net Profit for the period	-	(331,874)	-	-	(331,874)
Reclassification of depreciation on revalued assets (net of tax)	-	177,860	(177,860)	-	-
Total comprehensive income	-	(154,014)	(177,860)	-	(331,874)
Balance at 31 December 2021	13,789,155	17,362,981	10,531,503	-	41,683,639

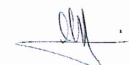
* Comparative information has been restated, refer to Note 1.

Hawke's Bay Airport Limited
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

Note	31 Dec 2022 Unaudited	31 Dec 2021 * Unaudited	30 Jun 2022 Audited
	\$	\$	\$
		<i>Restated</i>	
Assets			
Trade and other receivables	1,206,495	724,225	1,193,292
Cash and cash equivalents	509,845	404,865	641,420
Derivatives	278,572	-	101,563
Total current assets	1,994,913	1,129,089	1,936,275
Property plant and equipment	65,824,509	59,137,581	65,599,000
Investment property	15,534,483	14,076,409	15,500,825
Intangibles	-	92	-
Right of use assets	110,318	234,191	172,764
Derivatives	535,120	-	369,029
Total non-current assets	82,004,430	73,448,273	81,641,618
Total Assets	83,999,343	74,577,362	83,577,892
Equity			
Issued capital	13,789,155	13,789,155	13,789,155
Retained earnings	20,168,346	17,362,981	18,674,105
Reserves	16,148,113	10,531,503	16,323,207
Total equity	50,105,614	41,683,639	48,786,467
Liabilities			
Trade and other payables	1,603,946	536,039	1,179,520
Employee benefits	118,973	84,863	101,452
Borrowings	-	3,000,000	-
Provision for retentions payable	67,752	254,389	273,249
Lease liabilities	151,024	117,600	103,461
Total current liabilities	1,941,696	3,992,891	1,657,681
Deferred tax liability	6,385,445	4,885,384	6,420,960
Rentals in advance	766,588	871,329	809,286
Borrowings	24,800,000	23,000,000	25,800,000
Lease liabilities	-	144,119	103,498
Total non-current liabilities	31,952,033	28,900,832	33,133,744
Total liabilities	33,893,729	32,893,723	34,791,425
Total equity and liabilities	83,999,343	74,577,362	83,577,892

* Comparative information has been restated, refer to Note 1.

These financial statements were authorised for issue by the Board on 28 February 2023
On behalf of Hawke's Bay Airport Limited



WN Harvey
Chair



J Nichols
Director & Audit, Finance & Risk Committee Chair

Hawke's Bay Airport Limited
CONSENSUED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

	31 Dec 2022 Unaudited	31 Dec 2021 Unaudited	30 Jun 2022 Audited
	\$	\$	\$
Cash flows from operating activities			
<i>Cash was provided from:</i>			
Revenues	5,847,461	3,006,298	6,465,123
	5,847,461	3,006,298	6,465,123
<i>Cash was disbursed to:</i>			
Suppliers and employees	(2,505,582)	(1,458,482)	(4,369,879)
Goods & Services Tax (Net)	134,654	97,686	73,027
Interest paid	(641,804)	(305,041)	(718,368)
Income tax paid	22,990	(403,632)	(401,918)
	(2,989,743)	(2,069,469)	(5,417,138)
Net Cash Flows from operating activities	2,857,719	936,829	1,047,985
Cash flows to investing activities			
<i>Cash was provided from:</i>			
Sale of fixed assets	-	-	2,000
<i>Cash was disbursed to:</i>			
Capital works	(1,933,358)	(3,898,588)	(3,529,660)
Net Cash Flows to Investing Activities	(1,933,358)	(3,898,588)	(3,527,660)
Cash flows to financing activities			
<i>Cash was provided from:</i>			
Borrowings received	-	3,000,000	3,000,000
<i>Cash was disbursed to:</i>			
Lease - principal payments	(55,935)	(53,610)	(99,140)
Borrowings repaid	(1,000,000)	-	(200,000)
Net Cash Flows from finance activities	(1,055,935)	2,946,390	2,700,860
Net increase (decrease) in cash and cash equivalents	(131,574)	(15,369)	221,185
Add opening cash and cash equivalents	641,420	420,234	420,234
Closing cash and cash equivalents at end of year	509,845	404,865	641,420
<i>Represented by:</i>			
Cash at bank	505,467	401,717	636,730
Cash in hand	4,378	3,148	4,690
	509,845	404,865	641,420

Hawke's Bay Airport Limited
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

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 organisation 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 2022 has 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 does 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 2022 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 2022 have been applied consistently to all periods presented in these interim financial statements, except for the voluntary change in accounting policy noted below. 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 2022, and derivatives revalued to 31 December 2022.

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 2022. These are:

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

CORRECTION OF ERROR AND VOLUNTARY CHANGE IN ACCOUNTING POLICY

Correction of a prior period error (note a)

In September 2022, as a result of a review of the Fixed Assets Register performed by the Group, it was discovered that a parcel of land that had previously been reported as part of Property, Plant and Equipment, had been relocated within the Master Plan as part of the Business Park. This error has been corrected and each of the affected financial statement line items restated. (This was done in accordance with NZ IAS 8, NZ IAS 16 and NZ IAS 40).

Voluntary change in accounting policy applied retrospectively (note b)

Prior to 30 June 2022, the Group had accounted for its investment property and investment property under development at cost less accumulated depreciation and impairment. (This was done in accordance with NZ IAS 8, and NZ IAS 40).

Whilst cost is a permissible basis for measuring the value of investment property, management decided to voluntarily transition to using fair value as a measurement basis for all of its investment property as at 30 June 2022.

The Group believes that this change will result in the financial statements providing reliable and more relevant information about its financial position and financial performance and is more aligned to practices adopted by industry peers.

The Group has applied this accounting policy change retrospectively.

The voluntary change in accounting policy for investment property has been corrected by restating each of the affected financial statement line items for the prior periods as follows:

Impact upon Consolidated Statement of Financial Position	31 December 2021 (previously reported)	Movement	31 December 2021 (Restated to Fair Value)
Property plant and equipment (note 3)			
Land and Land improvements	6,079,272	(476,000)	5,603,272
Total Property, plant and equipment (note a)	59,613,581	(476,000)	59,137,581
Investment Property (note 4)			
Land previously recorded as Property, plant and equipment (note b)			
Land and Land Improvements (note a and b)	2,678,612	4,130,075	6,808,687
Business Park Infrastructure & Buildings	1,895,071	5,204,687	7,099,758
Investment Property under development	167,964	-	167,964
Total Investment Property (note a and b)	4,741,647	9,334,762	14,076,409
TOTAL ASSETS	65,625,064	8,858,762	74,483,825
Deferred Tax Liability	4,200,381	685,003	4,885,384
Retained Earnings	9,011,363	8,173,758	17,185,121
TOTAL EQUITY	33,509,881	8,173,758	41,683,639

Impact upon Statement of Consolidated Statement of Comprehensive Income	31 December 2021 (previously reported)	Increase / (decrease)	31 December 2021 (Restated)
Depreciation write back	-	80,947	80,947
Net Profit before income tax	(473,764)	80,947	(392,817)
Income tax expense	60,943	-	60,943
Profit for the period after tax	(412,821)	80,947	(331,874)

2 CHANGES TO COMPARATIVES

Comparative information has been restated (Refer note 1 for additional information) or reclassified where appropriate, to ensure consistency with presentation in the current period.
The 31 December 2021 comparative for the condensed interim consolidated statement of financial position, Provision for Tax has been regrouped from being its own line item in current liabilities, to being part of Trade and Other Receivables in current assets. This is to align with the comparatives for the 30 June 2022 and 31 December 2022 periods.

Impact upon Consolidated Statement of Financial Position	31 December 2021 (previously reported)	Movement	31 December 2021 (Restated to Fair Value)
Reclassification of Provision for tax to Trade and other receivables.			
Provision for tax	93,537	(93,537)	-
Trade and other receivables	630,688	93,537	724,225
Total Assets (after restatement from note a and b)	74,483,825	93,537	74,577,362

3 PROPERTY, PLANT AND EQUIPMENT

	Land & Land Improvements	Airport Infrastructure & Buildings	Other assets	Capital Work in Progress	Total
At 30 June 2022					
Fair Value	7,664,993	58,001,832	3,531,373	2,348,338	71,546,535
Accumulated Depreciation	(1,932)	(4,275,158)	(1,670,445)	-	(5,947,535)
Closing net book value	7,663,061	53,726,674	1,860,928	2,348,338	65,599,000
Opening net book value	7,663,061	53,726,674	1,860,928	2,348,338	65,599,000
Additions	-	-	83,924	1,612,757	1,696,681
Depreciation	(487)	(1,334,354)	(136,332)	-	(1,471,173)
Transfers	-	(12,790)	12,790	-	-
Closing net book value	7,662,574	52,379,530	1,821,310	3,961,095	65,824,509
At 31 December 2022					
Fair Value	7,664,993	57,989,043	3,628,086	3,961,095	73,243,217
Accumulated Depreciation	(2,419)	(5,609,512)	(1,806,776)	-	(7,418,707)
Closing net book value	7,662,574	52,379,530	1,821,310	3,961,095	65,824,509

4 INVESTMENT PROPERTY

	Land and Land Improvements	Business Park Infrastructure & Buildings	Investment Property under development	Total
Fair value as at 30 June 2022	7,557,932	7,760,689	182,204	15,500,825
Additions	-	-	33,658	33,658
Fair value as at 31 December 2022	7,557,932	7,760,689	215,862	15,534,483

5 BORROWINGS

There have not been any changes to the borrowing facilities with ASB Bank during the period ended 31 December 2022.

The average interest rate on the sustainability linked loan facility for the period ended 31 December 2022 was 4.96% p.a (30 June 2022: 2.69% p.a).

The group repaid \$1,000,000 during the period ended 31 December 2022.

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 2022 was 5.21% (30 June 2022: 2.62%)

The group was in compliance with all its current financial covenants during the current period.

6 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 2022, there were \$1,453,497 of related party transactions with Hawke's Bay Airport Construction Limited (six months to 31 December 2021: \$3,458,366). 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.

Key Management Personnel Compensation	Six months to 31 Dec 2022	Six months to 31 Dec 2021
	\$	\$
Compensation paid to key management personnel (Directors, Chief Executive and Chief Financial Officer) during the period was:	342,620	364,104

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.

7 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 2022.

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 2022. 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 48.4% of the loan principal outstanding at 31 December 2022. The fixed interest rates of the swaps range between 2.83% and 3.02% (30 June 2022 : 2.83% and 3.02%) and the variable rates of the swaps ranged between 2.70% and 4.37% (30 June 2022: 1.06% and 2.32%) (30 day BKBM).

8 COMMITMENTS

Operating Commitments:

As at 30 June 2022 the Group had an agreement to lease a fire appliance until June 2023. The lease is included in lease liabilities.

Capital commitments:

As at 31 December 2022, the Group is contractually committed to capital expenditure totalling \$500,800 (30 June 2022: \$787,420) relating to the Terminal Expansion & Forecourt project.

9 CONTINGENCIES

There are no known contingent liabilities (30 June 2022: nil).

10 EVENTS SUBSEQUENT TO BALANCE DATE

As a result of the Cyclone Gabrielle (cyclone) a national State of Emergency was declared by the Government on 14 February 2023. As a result, potential economic uncertainties have arisen which could negatively affect the resilience of the Hawke's Bay community.

The airport has remained dry and operational throughout the cyclone and Air New Zealand recommenced commercial flights on 15 February 2023. Therefore we believe it is unlikely that significant reductions in aeronautical revenue will result and impact the Group's performance.

At this time, it is difficult to estimate the full financial impact of the cyclone and its effect on the Group. The directors have assessed the likely impact of cyclone on the Group and have concluded that it is unlikely to have a material impact (30 June 2022: nil).



HDC File Ref: EXT-10-9-2-23-152

4 January 2023

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

Dear Wendie

2023/2024 Shareholder Expectations For Hawke's Bay Airport Limited

On behalf of the shareholding councils, we set out below the shareholders' expectations for 2023/2024.

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.

The COVID-19 pandemic has provided unprecedented disruption to the aviation industry and, in particular, to HBAL. The shareholding councils acknowledge the impact that it had on the business and the better than forecast turnaround that HBAL has achieved through 2022/2023.

The shareholding councils continue to support HBAL's 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. It is great to see the terminal and forecourt finally completed in 2022 and the opportunities that are arising for HBAL to diversify income streams further.

Specific Expectations

Napier City Council (NCC) and Hastings District Council (HDC) expect the Board to meet the following specific expectations in 2023/2024:

Napier City Council
Private Bag 6010
Napier 4142

Hastings District Council
Private Bag 9002
Hastings 4156

1. Business Park

- 1.1 We request updates be provided in each quarterly report to 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 do not have any dividend expectations for 2023/2024 and would expect HBAL to utilise any surpluses generated to repay debt and/or invest in other revenue generating activities or deferred capital investment.
- 3.2 The shareholding councils continue to look forward to seeing the longer term cashflow forecasts that see debt levels declining through the retention of retained earnings and a timeline for dividends being returned to shareholders.

4. Infrastructure Investment

- 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. Partners

- 7.1 We expect the Board to have an open view of opportunities for expansion of connections with the rest of New Zealand.
- 7.2 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.
- 7.3 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.
- 7.4 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 2023 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, Group Manager: Corporate, 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

21 February 2023

Hon Dr David Clark

MP for Dunedin
Minister of Commerce and Consumer Affairs
Minister for the Digital Economy and Communications
Minister for State Owned Enterprises
Minister of Statistics
Minister Responsible for the Earthquake Commission

Mayor, Kirsten Wise, Napier City Council

Mayor, Sandra Hazlehurst, Hastings District Council

Dear Shareholders

HAWKE'S BAY AIRPORT LIMITED – KEY STRATEGIC INITIATIVES FY 23/24

Thank you for your Shareholder Letters of Expectations ("LOE") provided to facilitate the draft HBAL Statement of Intent ("SOI") and confirmation of Shareholder priorities.

Whilst it is our intention to respond in this correspondence to the specific matters outlined in your LOEs, as Shareholders will be aware, Cyclone Gabrielle resulted in a National State of Emergency being declared by the Government on 14 February 2023.

The airport was not compromised by this event and remained operational, in addition to meeting its Civil Defence responsibilities throughout. Air New Zealand recommenced commercial flights on 15 February 2023 and at this time we believe it is unlikely that significant reductions in aeronautical revenue will result and impact the Group's performance.

Despite the resilience of the airport during the weather event, it is evident in the wake of this significant disaster potential economic uncertainties have arisen which could negatively affect the Hawke's Bay community.

Noting the strategic basis underpinning disclosures of this nature, and further noting at this time that the SOI presented is in draft form only, a potential review of the organisation's strategic priorities and related performance objectives will be required prior to the finalisation of the SOI.

To this end Directors wish to confirm the interim nature of this Strategic Initiatives letter

and draft SOI document provided in the knowledge that when an opportune time presents post the National State of Emergency, and regional recovery planning begins, the Board wishes to review both the organisation's strategic priorities and performance undertakings with a view to ensuring alignment with its role as a gateway and enabler to the Hawke's Bay region.

Government priorities

HBAL acknowledges the three overarching Government objectives for its term:

1. to keep New Zealanders safe from COVID-19;
2. to accelerate our economic recovery; and
3. to lay the foundations for a better future.

The effects of the global pandemic were significant for HBAL, spanning three fiscal years. Since April 2022 however the business has emerged from COVID-19 on a base of stronger passenger numbers resulting in month on monthly profitability since May 2022.

Whilst Air NZ is not yet able to re-establish its network fully we expect this will occur by June 2023 when we anticipate a return to pre-Covid passenger numbers and more predictable business performance.

Diversification Strategy

As previously advised to Shareholders the impact of Covid on the business was a timely reminder that HBAL's heavy reliance on aeronautically driven revenue has been identified as a significant risk to the business. For this reason, the development of HBAL's diversification strategy is considered essential to ensure the business can withstand significant adverse events impacting the aviation sector in the future.

Our diversification strategy is underpinned by 3 strategic initiatives:

1. development of a solar farm on HBAL land;
2. development of Ahuriri Aeropark (commercial property development on site); and
3. airfreight development.

Solar Farm

HBAL continues to progress its proposed Solar Farm development in partnership with Manawa Energy on arid land located on the western side of the runway.

Key project outcomes the parties are seeking to achieve for 2023 will be:

- Securing a resource consent for the project following extensive consultation with the Hawkes Bay Community including Mana Whenua. We anticipate an application will be lodged by mid-year.
- Securing offtake interest for the energy produced by the project. To date there has been preliminary engagement with those parties identified as potential customers for the 45MW project. Their response has indicated strong demand for purchasing electricity offtake from the solar farm, in addition to particular interest expressed relating to the potential production of hydrogen in the Bay.
- Establishing certainty in construction costs – both for the project solar farm itself, and the additional distribution capacity that will be required to convey the 45MW of energy produced.
- Securing the agreement of the joint venture parties to progress to construction in 2024.

Ahuriri Aeropark

With the shortage of suitable development land in Hawke's Bay our market intelligence indicates a growing enthusiasm for the location of appropriate businesses onto the Airport commercial property precinct to the south of the Terminal and carparking. Our focus continues to be both on attracting transport and logistics businesses able to take advantage of the location and capacity provided by the site as well as suitable tenants seeking new bespoke facilities. It is acknowledged that the park's development will take time. Some investment in the development of infrastructure and redevelopment of the airport layout will be required. There is also important work to be done by HBAL understanding the relationship between sea-level rise and the airport's water table, although we are confident that the information we have gathered to date supports the Airport's view of 'defend rather than retreat' as a safe and sustainable long term business location.

Airfreight

Hawke's Bay has a growing industry of high value/short life produce that is not suitable for distribution to market by road, rail, or sea. Following engagement with local producers to establish sufficient interest, and identification of carriers who are able to convey this precious cargo to on/offshore markets, Management has been tasked with the development of a business case for consideration in the first quarter of 2023.

Subject to business case approval it is intended that pilot trials will be undertaken as proof of concept. Markets being contemplated are Christchurch, Wellington, Auckland, East Coast of Australia, and Asia.

Infrastructure

During a review of the HBAL long term asset planning requirements the need for a second entrance and exit route for the Airport has been identified as a critical safety initiative.

As an emergency services provider the reliance on a single point of entry at Watchman Road is a significant risk to the operation of the Airport. Previous indications of this risk and impact on the airport have been apparent on occasions where closure due to road transport accidents close to the airport have prevented passenger, workforce and tenancy access to the site.

Detailed consultation will be required with NZTA and other transport agencies on this matter, with the potential for the project raised earlier in 2023 at a Joint Meeting of Waka Kotahi and HB Regional Council Transport Committee.

Changing Infrastructure

With the redevelopment of the terminal and forecourt now behind us, HBAL is focusing on ensuring the safe and efficient operation of the airport facilities. This includes resurfacing the apron and taxiways, expanding car parking spaces, improving traffic flows, and ensuring our key infrastructure is fit for purpose. There will also be a focus on using digital technology to enhance our knowledge and understanding of the business, including passenger trends and impact throughout the airport.

Additional Air Routes

Air NZ's network requires Hawke's Bay travelers to connect through the airport hubs (Christchurch, Wellington, and Auckland) before connecting to their destination. HBAL

continues to work with Air NZ and other airlines on developing new services within New Zealand to provide a better and more efficient and enjoyable travel experience for Hawke's Bay residents. New service destinations being worked on include Dunedin and potentially Queenstown with Air NZ and Nelson, Blenheim, and New Plymouth with Originair.

Partnerships

HBAL recognises that strong and enduring relationships with external stakeholders is a pre-requisite to achieving our Purpose of connecting people, business and regions in meaningful ways.

2023 will see HBAL continue to invest in these relationships including our long-standing relationships with iwi and Mana Ahuriri. Our expectation for this year is to have a comprehensive stakeholder engagement strategy in place focused on enhancing our relationships with key stakeholders, acknowledging our role as a regional enabler, and ensuring we meet our responsibilities as a good corporate citizen.

Sustainability

HBAL remains committed to a long-term carbon reduction target to achieve Net Zero Scope 1 and 2 carbon emissions by 2030.

HBAL obtained Airport Carbon Accreditation ("ACA") Level 2 in January 2021. Our key initiative for 2023 includes Airport Carbon Accreditation Level 4+ (the highest level). Once obtained later this year HBAL will be the first airport in New Zealand to achieve this level of accreditation and one of four other airports in Australasia.

Whilst HBAL holds fast to its commitment to carbon neutrality, it is also focused on understanding the impact of climate change on the airport and its operations. Currently HBAL is gathering site specific data on the airport's shallow ground water and understanding the relationship with sea-level rise. This will assist in updating our climate change risk assessment and the airport's adaptation plan (stop banks, pumps, generators etc).

Our People

Our focus during 2022 has been on understanding the skills and capabilities required to successfully run our business and create shareholder value, talent acquisition and employee engagement.

There are few businesses – if any – that outperform the quality of its leadership. During 2023, we will develop a strategy focusing on leadership, wellness, succession planning and staff development to enable the delivery on our strategic vision. This will be supported by a focus on better systems and ways of working including training programs across the business.

Balance sheet and debt levels

During 2022 the Board and Management elected to market value both aeronautical and non-aeronautical assets. This has resulted in strengthening the balance sheet and improving shareholder equity by \$15m. Adopting this change in accounting policy has improved our understanding of the airport's assets, performance and financial statements. With COVID-19 behind us the business is performing strongly, and debt

levels are reducing. In the last two months of 2022 \$1m of debt has been retired. HBAL is proposing (in consultation with our Shareholders) to develop a dividend policy that will deliver the regular payment of future dividends as a function of free cash flow.

Summary

HBAL acknowledges there are other matters referenced in your LOEs that will be covered in our SOI FY23/24. The intent of this letter is to share with you the key strategic initiatives currently being addressed by HBAL in the forthcoming year to ensure we deliver on our commitments to Shareholders and our continued responsibility of "no surprises".

HBAL will initiate continued engagement with all Shareholders as we work through the 2023/2024 year.

Yours sincerely,



Wendie Harvey
Chair, Hawke's Bay Airport Limited

Copy

Jess Ellerm, Director Corporate Services, Napier City Council
Bruce Allan, Group Manager Corporate, Hastings District Council



STATEMENT OF INTENT

Hawke's Bay Airport Limited
FY23/24

DRAFT 1.0 – 28TH February 2023

HBAL Statement Of Intent FY23/24

1

FOREWORD

Cyclone Gabrielle

As Shareholders will be aware Cyclone Gabrielle resulted in a National State of Emergency declared by the Government on 14 February 2023.

The airport was not compromised by this event and remained operational, in addition to meeting its Civil Defence responsibilities throughout. Air New Zealand recommenced commercial flights on 15 February 2023 and at this time we believe it is unlikely that significant reductions in aeronautical revenue will result and impact the Group's performance.

Despite the resilience of the airport during the weather event, it is evident in the wake of this significant disaster potential economic uncertainties have arisen which could negatively affect the Hawke's Bay community.

Noting the strategic basis underpinning disclosures of this nature, and further noting at this time that the SOI presented is in draft form only, a potential review of the organisation's strategic priorities and related performance objectives will be required prior to the finalisation of the SOI. To this end Directors wish to confirm the interim nature of the document provided in the knowledge that when an opportune time presents post the National State of Emergency, and regional recovery planning begins, the Board wishes to review both the organisation's strategic priorities and performance undertakings with a view to ensuring alignment with its role as a gateway and enabler to the Hawke's Bay region.

INTRODUCTION

He kupu whakataki

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

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

The SOI is a public and legally required document, reviewed and agreed annually with shareholders, and covers a three-year period. This SOI covers the period from 1 July 2023 to 30 June 2026.

OWNERSHIP AND GOVERNANCE

Rangatiratanga me te kāwanatanga

OHBAL 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 HBAL Board of Directors' role and governance objectives.

WHO WE ARE

Ko wai mātau

Hawke's Bay Airport plays a vital role in enabling businesses to grow, connecting friends and whānau, and bringing visitors to the Hawke's Bay region.

Our unique position within the heart of the region gives residents and visitors direct connections to Napier, Hastings, Central Hawke's Bay and Wairoa. As a significant regional asset and lifeline utility, Hawke's Bay Airport understands the importance of creating a thriving and growing community that will support Hawke's Bay's growth for the future. It also understands and facilitates the provision of critical civil defence services in the case of an emergency across the region.

As the third busiest airport in the North Island, our primary responsibility is to ensure the safe and secure operation of Hawke's Bay Airport. We have a clear vision for the future which will guide the decisions we make in the months and years ahead.

Achieving our vision requires partnerships with stakeholders across the region, one of the most significant of which is our relationship with mana whenua. The Board and Management are absolutely committed to building authentic and long-lasting relationships with mana whenua, respecting their views, and making decisions collaboratively and sensitively.

Our strong commitment to sustainability and ensuring the enduring relevance of our organisation and our place in the community is recognized among the airport sector both nationally and internationally. Taking care of our environment and leading conversations around the sustainable future of aviation is critically important. That's why sustainability in all its forms acts as the foundation for our purpose and vision. Our commitment extends to investment including EV charging stations, electrifying our vehicles wherever possible, switching to solar airfield lighting, and investing in our climate change adaptation and resilience. These measures are also tracked to maintain our ASB sustainability linked loan.

We continue to progress through the levels of the Airport Carbon Accreditation scheme, the only internationally recognized carbon reduction programme for airports. Importantly HBAL is aiming to achieve ACA Level 4+ which is the highest level achievable. When obtained HBAL will be the first airport in New Zealand to achieve this accreditation and only one of four airports in Australasia.

Under the Civil Defence Emergency Management Act 2002 HBAL is a lifeline utility.

COMPANY VALUATION

[Te uaratanga o te kamupene](#)

In 2022 Board and Management elected to revalue the airport's assets and investment property to fair value which resulted in an increase in Shareholders' equity of \$15m. 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 2022, HBAL's land, land improvements, buildings and assets were valued at \$83.6m. This valuation was supported by external valuations by Peter Seed Limited and Telfer Young Limited. HBAL'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.

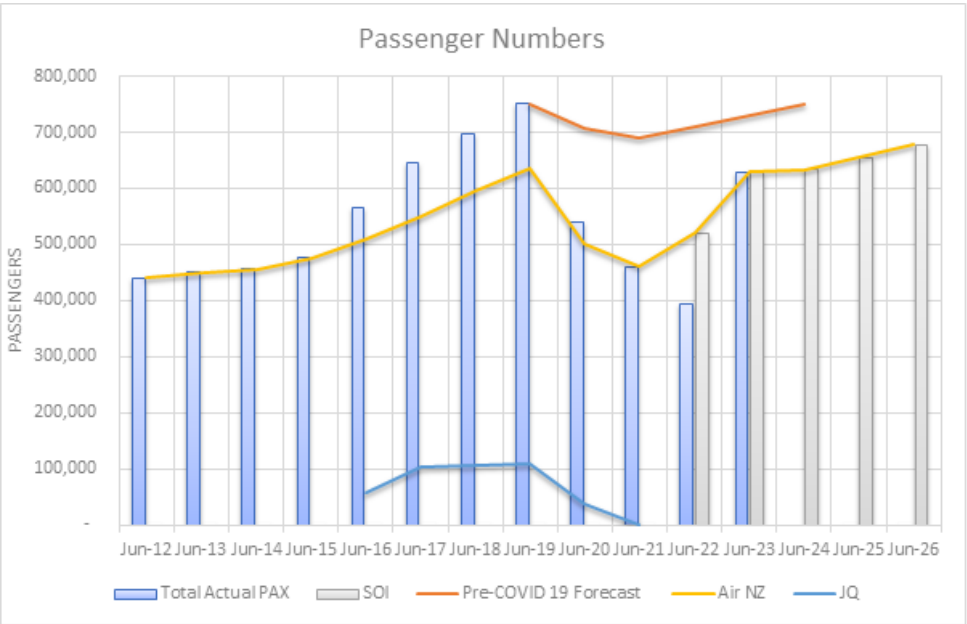
FY2024 OUTLOOK

Te anganga o FY2024

Commercial aviation in New Zealand has rebounded strongly from the COVID-19 pandemic with Hawke’s Bay Airport being one of the faster airports to recover. Air New Zealand’s AKL/NPE route is the 5th busiest in the country and continues to grow. Air New Zealand expects their Hawke’s Bay schedule to return to pre-pandemic levels by June 2023. As our primary revenue stream and core business function, the strength and growth of the aeronautical business is of great importance to HBAL.

While not public facing, the non-commercial and general aviation community is smaller than commercial but no less important.

In December 2022, the forecasted passenger numbers were recalculated to better reflect the build back post COVID-19 restrictions.



OUR VALUES

Ō mātau uaratanga

Hawke’s Bay Airport’s values are the foundation of our future direction and support the delivery of our strategic priorities.

OUR PURPOSE	We connect people, business and the region in meaningful ways
Te Koronga	Ka tūhono motuhenga i te tangata, i te pakihi, me te rohe
OUR VISION	We provide a safe, secure and intuitive transport hub for everyone, with sustainability at the heart of what we do
Te Moemoeā	Ka whakarite i tētahi pokapū haumarū, whakamaru, atamai anō hoki mō te katoa, ā, kia noho ko te toitūtanga ki te iho o ā mātau mahi

STRATEGIC POU				
NGĀ POU Ā-RAUTAKI				
Our Operations Ā mātau mahi	Our People Ā mātau tāngata	Our Place Tō mātau wāhi	Our Partnerships Ngā rangapū mahitahi	Prosperity Te houkuratanga
We ensure a safe, secure and intuitive customer journey for all.	We treat our people with respect, empower them with knowledge and allow them to flourish	We safeguard the airport environment by making wise and sustainable, decisions for the future	We foster meaningful relationships with our customers, partners, and community.	We maximise commercial returns, to provide value for our stakeholders and our region.
We strive for excellence	A great place to work	We are guardians of the land	We reflect our region	A profitable, sustainable business
FOUNDATION				
Xxxx Climate Resilience Low Carbon Future				

TEAM VALUES				
XXXX				
The Kuaka (Godwit) is a small migratory bird that fly's non-stop from Alaska to the Ahuriri Estuary each Spring. As a symbol of the airport their legendary teamwork and resilience inspire our team values.				
Work together Kia mahi tahi	Respect diversity Kia whakautea te kanorautanga	Be resilient Kia manawaroa	Look out for each other Kia tiaki tētahi i tētahi	Care for the environment Kia manaaki i te taiao
We fly together as one. We can all lead.	Diversity adds depth to our team	We have the strength to adapt and grow	We listen. We care.	We share responsibility for our environment

OUR STRATEGIC PRIORITIES

Ngā Whakaarotau ā-Rautaki

The completion of the terminal and forecourt in 2022 has cleared the way for a renewed focus on the airport's operations, current and future needs. Clear strategic priorities have been set with involvement from Management and the Board. This has set the path and focus for the next 3 to 5 years.



HBAL STRATEGIC PRIORITIES - 2023 & BEYOND

Solar Farm



- Power Purchase Agreements
- Union connection
- Resource Consent
- Revise financial model
- Mana Whenua
- Hydrogen EV charging stations

Changing Airport Infrastructure



- New fire station and truck
- New roundabout
- Car parking and roading expansion

Business Park



- Strategy
- Groundwater testing
- Anchor tenants
- Marketing plan

Air Service Development



- New routes / passengers
- Freight
- Jet service

Digital Transformation



- LPR (Licence Plate Recognition)
- GIS (Geographical Information System)
- CRM (Customer Relationship Management)
- BMS (Building Management System)
- AMS (Asset Management System)

What we need to execute and deliver our priorities successfully

People



Data & Analysis



Funding



Engagement & Key Relationships



Diversification

Emphasis on profitable non-aeronautical revenue through diversification continues to be a key priority for the business and will be a large focus for the next five (5) years. HBAL's medium term ambition is to double non-aeronautical revenue each year from 2025 until it represents 50% of the airport's total revenue. The key drivers of non-aeronautical revenue are the solar farm, Ahuriri Aeropark and airfreight services which includes an airfreight and logistics hub.

Solar Farm: Creating a Green Energy Future

The progression of the Solar Farm project in partnership with Manawa Energy is a strategic focus for HBAL. Achieving resource consent in mid 2023 will pave the way for the project to move into construction phase. A final economic analysis will be completed in 2023 to ensure the project remains viable. 2024 will be the year the solar farm is built, and revenue will come on stream in 2025.

There is strong demand from local businesses to purchase the offtake from the solar farm as a stable and sustainable power source. The evolution to clean, sustainable fuel means airlines, transport and shipping businesses are looking to partners that can supply green energy for future production of hydrogen. Hawke's Bay Airport is suitably positioned to provide this.

Changing Airport Infrastructure: Always Evolving

With the completion of the terminal and forecourt attention has shifted to projects that improve our airport infrastructure. These projects will change the way our airport functions over time to better prepare the airport for the growth in passengers, airfreight, aviation movements and the progress of Ahuriri Aeropark. Key projects include apron and taxiway overlays, car parking improvements and airport accessibility which includes footpaths, bus stops and an additional entry/egress to the airport to support emergency service response and the freight and logistics hub.

Ahuriri Aeropark: Regional Prosperity

Revenue resilience will be achieved with the construction of a thriving aeropark in years to come. Property development airside and landside of the aeropark opportunity is one that will benefit the region and attract business from beyond the borders of Hawke's Bay due to the attractive mix of land type, location and connectivity by air, sea, and road. There is a lot of work to be done in this area. Management aim to achieve two new anchor tenancies by the end of 2023 which will begin contributing revenue by 2025. There will be a year to build each facility.

Air Service Development: Better Connected

The growth of air services including passengers and freight will be a key enabler for Hawke's Bay in the years ahead. Having a thriving airport is also an important step to creating an ecosystem that works for the region. A better-connected region creates prosperity by allowing easy access for business, friends, whanau, visitors, and producers.

In 2023 a business case will be put to the Board to export sensitive airfreight to Asia. If successful, pilot trials will commence as a proof of concept.

At the same time we are continuing to develop new point to point services within New Zealand. Destinations targeted are Dunedin, Queenstown, Nelson, Blenheim, and New Plymouth. Management aims to establish two new domestic connections by the end of 2023.

Digital Transformation: Future Ready

Technology advancements and the adoption of the right digital systems for Hawke's Bay Airport is a key component to being future ready as the region's airport. HBAL is embarking on a digital transformation journey that will allow us to create a technology eco system to drive efficiency for our business needs and our customers' experience. In addition to some of the technological advances we are already adopting, such as licence plate recognition in the carpark, we will undertake a full review assisted by external resources to understand the direction of our transformation towards digital.

2024, A YEAR TO CELEBRATE

2024, Whakanuia te tau

In 2024 Hawke's Bay Airport will celebrate its 60th anniversary. While the history of the current airport site begins after the devastation of the Napier Earthquake in 1931, the region's airport wasn't officially opened until the 15th of February 1964.

We look forward to celebrating not only 60 years of Hawke's Bay Airport, but the colorful past that includes the significance of the land the airport sits on and Napier Aeroclub, who in large part is responsible for the airport's final location being set in stone. In February 2024, we will mark this occasion with the support of our airport partners, tenants, and regional stakeholders.

KEY OBJECTIVES – FY23/24

Ngā whāinga matua – FY23/24

The following outlines our key objectives for FY24 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	Aerodrome Operating Certificate is re-issued
	No significant audit findings by CAA, MPI or HBRC

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
Continue to develop a "whole of airport" safety and security culture	No notifiable incidents - contractor or HBAL
	Improve processes to enhance PCBU's understanding, accountability, understanding and experience within the airport: <ul style="list-style-type: none"> • Deliver an enhanced and more customised induction • Improve signage • Enhance site management and awareness
	Refreshing the Company's HSSW programme in line with best practice (aligning with re-certification)
Ensure our key infrastructure is fit for purpose and resilient	Update asset management plan and register by 30 September 2023.
	New Fire Station design submitted to the Board for approval
Create an airport digital transformation strategy	Work with an external party to propose digital transformation strategy and goals (understanding what data we have, and what data we need to capture) to improve operations, customer experience and sustainability

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

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
Ensure our people are supported, learning, and resilient.	Cultural awareness and Te Ao Māori training for all staff
Continue to be a great place to work.	Personal development and professional training plans are in place for all the Hawke's Bay Airport team; including HBAL Ambassadors

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>	
	Implement a Human Resources strategy that incorporates good succession, robust policies and wellness initiatives

Success looks like: a positive, dynamic culture that enables people to thrive. Our people are healthy, balanced, and engaged in realising HBAL's vision. HBAL is a great place to work, and our people are our greatest asset.

OUR PLACE Tō mātau wāhi	
We safeguard the airport environment by making wise and sustainable, decisions for the future <i>We are guardians of the land</i>	
Objectives	Key Performance Measures
Reduce HBAL's greenhouse gas emissions, support the decarbonisation of aviation in NZ	Achieve Level 4+ airport carbon accreditation
	Demonstrate leadership in regional and industry Sustainability forums
	Partner with the aviation industry to identify and plan for infrastructure supporting zero emission flights
	Achieve single-use plastic-free within the terminal within 12 months
Adapt to the effects of climate change	Participate in HBRC's Kotahi Plan
	Gather site specific data on shallow groundwater levels
	Implement voluntary reporting XRB's (NZ External Reporting Board) climate-related financial disclosures.

Success looks like: an airport that respects and protects the natural environment in which it operates. We have decarbonised our business and understand and adapt to the effects of climate change. We are recognised as a leader in sustainability.

OUR PARTNERSHIPS Ngā rangapū mahitahi	
We foster significant relationships with our customers, partners, and community. <i>We reflect our region</i>	
Objectives	Key Performance Measures
Continue to strengthen our relationships through our stakeholder engagement strategy, regional partnerships, and community outreach	Increase HBAL presence and contribution to local government planning and economic development forums Establish a Community Engagement plan
Enduring partnerships	Establish an Engagement Plan with iwi and hapū Continue to support community initiatives each year through sponsorship and grants

Success looks like: an airport connected to its community. HBAL's people have strong, genuine, and productive relationships with shareholders, mana whenua, tenants, customers, local government, and the community. HBAL is actively engaged in local government planning and community initiatives. Our partnerships are celebrated within the airport environment.

PROSPERITY Te houkutatanga	
We maximise commercial returns, to provide value for our stakeholders and our region. <i>A profitable, sustainable business</i>	
Objectives	Key Performance Measures
Advance aeronautical growth opportunities (passengers and freight) with airline partners, airports, regions, our shareholders, and regulators.	Commence at least two new point-to-point domestic service
	Submit application to Waka Kotahi for the development of additional roading and access point to the HBAL site
	Submit a business case on freight proposal to Japan
Double non-aeronautical revenue each year from 2025 until it represents 50% of the airport's total revenue	Secure two anchor tenants for Ahuriri Aeropark Invest in the infrastructure required to facilitate new non-aeronautical projects.
Progress Solar Farm project	Solar Farm – Resource consent achieved in 2023

Success looks like: a financially sound, resilient, and growing airport that supports connections in and out of Hawke's Bay. HBAL is a profitable business with a broad revenue base, including multiple non-aeronautical revenue streams. We actively work with others for the collective benefit of our industry, region, and community.

Summary

We are focused on our vision and committed to our updated strategic priorities. We have a robust plan in place for the future, including actively pursuing diversification of revenue streams, operational excellence, team wellbeing and sustainability goals.

FINANCIAL FORECASTS

Ngā matapaenga ā-ahumoni

The updated forecast to 30 June 2023 and the three outlying years have been based on passenger numbers delivered to 31 December 2022 and the passenger forecasts provided by Air New Zealand. There is also the expectation that Air New Zealand will rebuild its network of flights both in and out of Hawke's Bay by June 2023. The averages assumed are passenger numbers between 53,000 and 56,000 per month.

The per passenger charging mechanism adopted in October 2020 will increase in the first two years to reflect a greater average cost of capital (driven by rising interest rates and inflation) and then fall by \$2 dollars per passenger in the third year to adjust for the growing passenger numbers.

Note: All things being equal and based on a required revenue model, the larger the passenger numbers the lower the charge per passenger.

Hawke's Bay Airport Limited

Statement of Intent - Headlines and Financial Metrics

July 2022 - June 2026

	Jul 22 - Jun 23 Actual/Proj	Jul 23 - Jun 24	Jul 24 - Jun 25	Jul 25 - Jun 26
Passenger Numbers	628,902	633,288	654,667	678,235
Forecast Revenue	12,277,938	13,169,415	15,756,363	15,213,060
EBITDA	7,292,261	8,025,981	10,432,570	9,716,880
EBITDA Margin	59.4%	60.9%	66.2%	63.9%
NPAT	2,641,152	2,191,586	3,574,867	2,822,710
Net Profit after Taxation Margin	21.5%	16.6%	22.7%	18.6%
Total Assets	88,319,683	105,837,709	109,563,665	110,969,576
Total Debt	26,183,737	39,768,857	39,642,181	37,946,122
Return on Equity %	4.9%	3.8%	5.8%	4.4%
Gearing Ratio D/(D+E)	33%	41%	39%	37%
Cash Flow Available for Debt Servicing (CFADS) ¹	5,702,652	7,051,495	8,826,617	8,488,171
CFADS: Interest	4.2x	4.1x	4.3x	4.1x
Debt Service Coverage Ratio (DSCR) ²	4.2x	4.1x	4.0x	2.3x
EBITDA:Debt	28%	20%	26%	26%

Notes:

1. CFADS is defined as Net profit After Tax, plus depreciation and amortisation, less cash taxes, less/plus extraordinary items such as revaluations. It is broadly equivalent to Free Funds from Operations.
2. 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.

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

	Jul 22 - Jun 23 Actual/Proj	Jul 23 - Jun 24	Jul 24 - Jun 25	Jul 25 - Jun 26
<i>Passenger Numbers</i>	628,902	633,288	654,667	678,235
Revenue				
Aeronautical	7,749,692	8,487,164	9,232,171	8,336,035
Non-Aeronautical	4,528,246	4,682,251	6,524,192	6,877,025
Total Revenues	12,277,938	13,169,415	15,756,363	15,213,060
Operating Expenditure	4,985,677	5,143,434	5,323,793	5,496,180
EBITDA	7,292,261	8,025,981	10,432,570	9,716,880
Depreciation	3,036,183	3,561,489	3,717,062	3,860,950
EBIT	4,256,079	4,464,492	6,715,508	5,855,930
Fair value gain on Investment Property	757,922	466,836	447,234	408,266
Interest Expense	1,343,780	1,704,875	2,056,050	2,049,501
Profit before Income Tax	3,670,221	3,226,453	5,106,693	4,214,695
Income Tax Expense	1,029,070	1,034,867	1,531,825	1,391,984
Net Profit after Tax	2,641,152	2,191,586	3,574,867	2,822,710

Hawke's Bay Airport Limited

Prospective Summary Statement of Financial Position

July 2022 - June 2026

	Jul 22 - Jun 23 Actual/Proj	Jul 23 - Jun 24	Jul 24 - Jun 25	Jul 25 - Jun 26
Current Assets				
Cash and cash equivalents	500,000	500,000	500,000	500,000
Trade Receivables	1,009,146	1,082,418	1,295,044	1,250,388
Derivatives	79,549	45,064	15,761	3,069
Total Current Assets	1,588,695	1,627,482	1,810,804	1,753,457
Non Current Assets				
Plant and equipment	69,987,547	73,790,128	75,590,572	76,049,639
Investment property	16,429,181	19,220,877	21,060,820	22,107,352
Other Non-Current Assets	314,260	11,199,222	11,101,468	11,059,128
Total Non Current Assets	86,730,988	104,210,227	107,752,860	109,216,119
TOTAL ASSETS	88,319,683	105,837,709	109,563,665	110,969,576
Current Liabilities				
	662,357	682,816	706,278	728,704
Non Current Liabilities				
Total Debt	26,183,737	39,768,857	39,642,181	37,946,122
Other Non Current Liabilities	7,458,953	7,537,662	7,623,395	7,706,896
Total Non Current Liabilities	33,642,690	47,306,519	47,265,575	45,653,019
TOTAL LIABILITIES	34,305,046	47,989,336	47,971,854	46,381,723
NET ASSETS	54,014,637	57,848,373	61,591,811	64,587,854
Capital and Reserves				
Share Capital	13,789,155	13,789,155	13,789,155	13,789,155
Reserves	18,910,270	20,552,421	22,220,991	23,794,323
Retained Earnings	21,315,213	23,506,799	25,581,666	27,004,377
TOTAL EQUITY	54,014,637	57,848,374	61,591,811	64,587,854

Hawke's Bay Airport Limited

Prospective Summary Statement of Cashflows

July 2022 - June 2026

	Jul 22 - Jun 23 Actual/Proj	Jul 23 - Jun 24	Jul 24 - Jun 25	Jul 25 - Jun 26
Cash flows from operating activities				
Cash was provided from:				
Revenues	12,462,084	13,096,143	15,543,737	15,257,715
	12,462,084	13,096,143	15,543,737	15,257,715
Cash was disbursed to:				
Suppliers and employees	(5,583,924)	(5,122,974)	(5,300,331)	(5,473,754)
Interest Paid	(1,343,780)	(1,704,875)	(2,056,050)	(2,049,501)
Income Tax Paid	(903,861)	(956,158)	(1,446,093)	(1,308,482)
	(7,831,565)	(7,784,007)	(8,802,473)	(8,831,737)
Net Cash Flows from Operating Activities	4,630,520	5,312,136	6,741,264	6,425,978
	-	-	-	-
Cash flows from investing activities				
Cash was provided from:				
Sales of fixed assets	-	-	-	-
	-	-	-	-
Cash was disbursed to:				
Capital Works	(5,155,675)	(7,897,257)	(5,114,587)	(3,329,919)
Investments	-	(11,000,000)	-	-
	(5,155,675)	(18,897,257)	(5,114,587)	(3,329,919)
Net Cash Flows from Investing Activities	(5,155,675)	(18,897,257)	(5,114,587)	(3,329,919)
Cash flows from financing activities				
Cash was provided from:				
Borrowings received	383,737	13,585,121	-	-
	383,737	13,585,121	-	-
Cash was disbursed to:				
Borrowings repaid	0	-	(126,677)	(1,696,059)
Dividends	-	-	(1,500,000)	(1,400,000)
	0	-	(1,626,677)	(3,096,059)
Net Cash Flows from financing Activities	383,737	13,585,121	(1,626,677)	(3,096,059)
Opening Cash	641,420	500,001	500,000	500,000
Net Increase in Cash and Cash Equivalent	(141,419)	(1)	0	(0)
Closing cash and cash equivalents	500,001	500,000	500,000	500,000

HBAL acknowledges the world and domestic economies are now impacted by interest rate rises and inflation and other worldwide events (wars and extreme climate related events). Whilst we are confident in the future, interest rate rises, and inflation may dampen customer propensity to spend disposal income on air travel. This is particularly relevant given the high air fare prices in New Zealand and overseas post the Covid-19 pandemic. Further extreme climate related events like we have seen in New Zealand during February 2023, impact on the ability of airlines to deliver passenger services. We will ensure our shareholders are provided with regular updates of actual and projected results as they come to hand.

CAPITAL EXPENDITURE

Whakapaunga pūrāwa

HBAL continues to invest in its infrastructure in line with passenger numbers, asset management condition assessments, Civil Aviation Authority security requirements and the Minister of Transport and identified opportunities to grow its non-aeronautical revenue base, such as its commercial precinct. The key revenue assumptions for property and solar development are estimates that will be subject to further analysis later in 2023. Therefore, capex expenditure is based on what we know now and could be subject to change.

The assumption with the solar farm is that HBAL will reduce its interest from 30% to 16% and seek local investment to take up the balance. As mentioned above this is subject to final business case and financial model.

A 16% interest in the solar farm has been costed in the financials and HBAL will borrow to undertake this investment.

Revenue from the solar farm will consist of dividend income and land lease rental. It is expected these flows will commence in 2025. 2023 is the year for resource consent, 2024 will be the year to build the solar farm.

In respect of the business park there is also a three-year development cycle with heads of agreement executed in 2023, building commencing in 2024 and revenue coming on stream in 2025. Expenditure on airside and landside will consist of planning development, roading and ground backfilling to lift the land level in preparation for development.

Capital expenditure programmes will be presented to the Board when supported by a robust business case and funding capability. The revenue assumption for 2025 is HBAL will receive \$100k in additional rental income which will double each year until a 50/50 split is achieved between aeronautical and non-aeronautical revenue. The investment required to support this revenue in 2025 has been estimated to be \$300k of earthworks and utility costs. This is based on assuming the first leases will be ground leases. In later years there will be a mix of ground leases and bespoke developments that HBAL will commit to.

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

Hawke's Bay Airport Limited

Prospective Summary of Capital Expenditure

July 2022 - June 2026

	Jul 22 - Jun 23 Actual/Proj	Jul 23 - Jun 24	Jul 24 - Jun 25	Jul 25 - Jun 26
Airside Infrastructure & Projects	1,266,000	3,690,000	1,935,000	1,433,000
Landside Infrastructure & Commercial	2,585,409	1,110,000	1,635,000	685,000
Property and Planning	561,500	2,910,000	1,300,000	1,000,000
Operational Efficiency	600,000	110,000	90,000	10,000
Total Capital Expenditure	5,012,909	7,820,000	4,960,000	3,128,000

ACCOUNTING POLICIES

Ngā kaupapahere mahi kaute

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

DISTRIBUTIONS

Ngā tohanga

The Directors will, in consultation with shareholders, set and review the dividend policy periodically and recommend where fiscally prudent dividend payments that are cognisant of HBAL'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 post the Covid-19 period and re-gear the balance sheet to support upcoming investments in solar generation and property development.

Currently 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.

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

Currently, a strong net profit after tax result is forecast for the upcoming 2022/23 financial year and subsequent periods. These forecasts are included in this SOI and are conditional on New Zealand 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.
- A Statement of Intent submitted for shareholders' consideration in accordance with the Local Government Act 2002.
- Other interim financial reports as agreed with the shareholders.
- Reports on matters of material interest to shareholders. Shareholders will continue to be kept informed of key developments, consistent with the Crown's 'no surprises' policy.

ACQUISITION PROCEDURES

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

ESTIMATE OF COMMERCIAL VALUE

Te matapaetanga o te wāriu arumoni

The value of shareholders' investment in HBAL as at 31 December 2022 was \$50.1m.

The property, plant, equipment, and investment property (non-current assets) owned by HBAL were revalued at 30 June 2022 to their current market value of \$81.6m

HBAL 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.

APPENDIX A: BOARD OF DIRECTORS ROLE AND GOVERNANCE OBJECTIVES

Āpitihanga 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 HBAL leadership to review the company's performance and provides quarterly, half-yearly and annual business performance reports to shareholders. Refer to Appendix A for an outline of the HBAL Board of Directors' role and governance objectives.

Role of the Board of Directors and governance objectives

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

- a) Ensuring that the company has adequate management resources to achieve its objective, to support the CEO, and has a satisfactory plan for management succession in place.
- b) Reviewing and approving the strategic, business, and financial plans prepared by management and developing a depth of knowledge of the company's business 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, 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 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.