



*Statement  
of Intent*  
2023/24



**Prepared by Hawke's Bay Airport Limited**

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## Foreword

# 2023 Context Cyclone Gabrielle

As a lifeline and a major infrastructure asset, Hawke's Bay Airport plays a crucial role in growing and future-proofing Hawke's Bay's connectivity to the rest of New Zealand and beyond. With roads and electrical networks severely impacted by Cyclone Gabrielle in February 2023, the Airport became a lifeline, providing vital assistance to our communities, particularly those in remote areas.

The importance of the Airport was never more apparent than during the cyclone, where it played a pivotal role in supporting the immediate emergency response effort, providing an essential gateway into Hawke's Bay.

The Airport was well prepared for the cyclone's arrival. A dewatering programme lowered the airside water table, generators ensured a continuous power supply, and the Airport remained fully operational, despite atrocious weather. The main runway was not impacted, and minimal damage was sustained across the whole site.

Critical support services, including the NZ Defence Force, had immediate air access to the Airport runways and facilities from day one of the emergency response. Our support meant that civilian and NZDF helicopters had sufficient fuel for round-the-clock rescue operations.

The Airport became a central hub for the surrounding community, providing support, meals and somewhere to rest, as well as essential connectivity through charging stations for personal devices and free Wi-Fi access, allowing people to connect with their friends and whānau. On Wednesday, 15 February 1,600 people visited the terminal. At one point during that day, there were 600 people connected to the Wi-Fi. Additionally, the car park entry and exit barriers were raised to give people free access to the Airport which for many was a blessing in their time of need.

The effects of Cyclone Gabrielle will be felt for many years to come. The immediate aftermath has seen a surge in demand for air connections due to compromised roading infrastructure, particularly journeys north of the region. In addition, we expect that the rebuild and recovery efforts will create strong and ongoing demand for air connections to Hawke's Bay and we anticipate that the Airport's aeronautical revenue will be positively impacted. In the weeks following the cyclone, we have been actively encouraging our domestic airlines to establish new connections between Hawke's Bay and central New Zealand.

Despite the resilience and performance of the Airport during Cyclone Gabrielle, the wake of this significant disaster may create economic uncertainties which could negatively affect the Hawke's Bay economy in the short to medium term.

## *He kupu whakataki*

# *Introduction*

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 2023 to 30 June 2026.

## *Rangatiratanga me te kāwanatanga*

# *Ownership And Governance*

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.

## *Te Āhua me te Korahi o ngā kaupapa*

# *Nature and Scope of Activities*

### *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. At the last New Zealand Census (2018), the region’s population was 166,368.

### *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 international economy 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.

## *Ko wai mātau* *Who We Are*

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

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 both now, and for the future. We also understand and facilitate the provision of critical civil defence services in the event of an emergency across the region, such as seen during Cyclone Gabrielle.

As was recently demonstrated by the events of Cyclone Gabrielle, Hawke's Bay Airport is a lifeline utility, which is formally stated under the Civil Defence Emergency Management Act 2002.

## *Te uaratanga o te kamupene* *Company Valuation*

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.

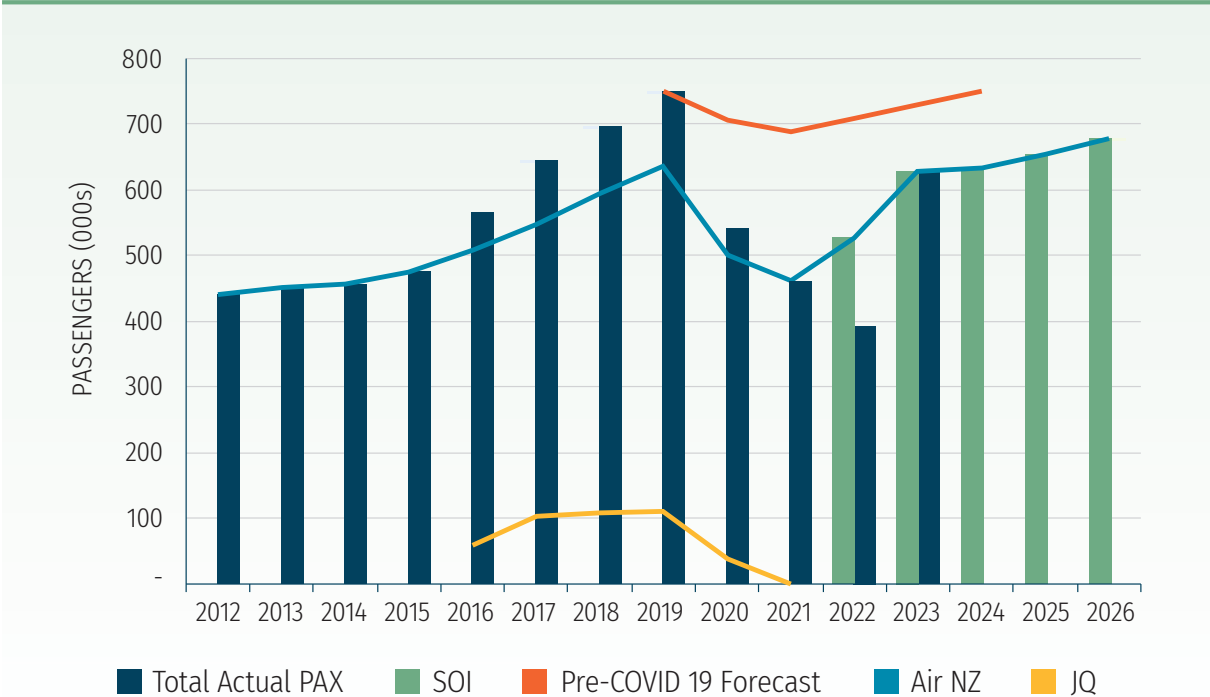
As of 30 June 2022, Hawke's Bay Airport's land, land improvements, buildings and assets were valued at \$83.6m. This valuation was supported by external valuations by Peter Seed Limited and Telfer Young Limited. Hawke's Bay Airport's total land holding is 230ha and is comprised of leasehold land (in perpetuity from Napier City Council and Hastings District Council) and freehold land.

Te anganga o FY2024  
 FY2024 Outlook

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 fifth busiest in the country and continues to grow. Air New Zealand expects their Hawke’s Bay schedule to return to pre-pandemic levels during FY2024. As our primary revenue stream and core business function, the strength and growth of the aeronautical business is of great importance to Hawke’s Bay Airport.

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

Passenger Numbers



Our passenger numbers have grown significantly during the second half of FY2023, demonstrating a higher propensity to travel, coupled with additional resource for the response to Cyclone Gabrielle.

# Ō mātau uaratanga Our Values

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

## Te Koronga | Our Purpose

*Ka tūhono motuhenga i te tangata, i te pakihi, me te rohe*  
**We connect people, business and the region in meaningful ways.**

## Te Moemoeā | Our Vision

*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*  
**We provide a safe, secure and intuitive transport hub for everyone, with sustainability at the heart of what we do.**

## Ngā Pou Ā-Rautaki | Strategic Pou

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

## Te Tūāpapa | Foundation

*Climate Resilience | Low Carbon Future*

## Ngā Uara O Te Tīma | Team Values

The Kuaka (Godwit) is a small migratory bird that flies 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.

<i>Kia mahi tahi</i> <b>Work together</b>	<i>Kia whakautea te kanorautanga</i> <b>Respect diversity</b>	<i>Kia manawaroa</i> <b>Be resilient</b>	<i>Kia tiaki tētahi i tētahi</i> <b>Look out for each other</b>	<i>Kia manaaki i te taiao</i> <b>Care for the environment</b>
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.

# Ngā Whakaarotau ā Rautaki Our Strategic Priorities

The completion of the terminal extension and forecourt in 2022 has cleared the way for a renewed focus on the Airport's 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 three to five years.

## Hawke's Bay Airport Ltd Strategic Priorities 2023 & Beyond



### Changing Airport Infrastructure

Optimising Airport facilities for growth

- Master Plan
- New roundabout SH2
- Roading and infrastructure
- Car park expansion
- Airfield power and lighting



### Ahuriri Aeropark

Enabling regional growth and revenue resilience

- Environmental Ground Water Monitoring
- Aeropark infrastructure
- Tenant growth



### Air Service Development

Creating new connections for passengers and freight

- New routes/passengers



### Solar Farm

Enabling a green energy future

- Mana Ahuriri engagement
- Lodging resource consent
- Power Purchase Agreements



### Digital Transformation

Harnessing technology to improve service and operations

- Digital Transformation Strategy

## What we need to execute and deliver our priorities successfully



People



Data and Analysis



Funding



Engagement and Relationships

### Diversification: Future Resilience

Emphasis on profitable non-aeronautical revenue through diversification is a key priority for the business and will be a large focus for the next five years. Our medium-term ambition is to double non-aeronautical revenue each year from 2025 until it represents 50% of total revenue. The Ahuriri Aeropark and airfreight services, including an airfreight and logistics hub, as well as the solar farm, play a crucial role as the key drivers of our future non-aeronautical revenue. Following Cyclone Gabrielle, the priority attached to each of the Airport's key strategic initiatives has been reset with a focus on the immediate needs of the region. This has resulted in some projects being brought forward. Other projects, although equally important, have been scheduled for implementation in 2024 and 2025.

### Changing Airport Infrastructure: Improving Functionality

With the completion of the terminal extension and forecourt, attention has shifted to projects that will improve Airport infrastructure to better serve the needs of our community. Key projects include apron overlays, car parking improvements, and Airport accessibility. Better access including footpaths, bus stops and an additional entry to the Airport via a proposed new roundabout off SH2 to support emergency service response will create better connectivity. Due to the growth in passenger numbers post Cyclone Gabrielle, car parking and rental car facilities both require review to accommodate demand. These two initiatives, along with the new roundabout, have been given priority in 2024. The freight and logistics hub will become an economic driver for the region.

These projects will change the way our Airport functions over time and better prepare the Airport for the growth in passengers, airfreight, aviation movements and the progress of Ahuriri Aeropark.



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### *Ahuriri Aeropark: Regional Prosperity*

Revenue resilience will be improved with the construction of a thriving aeropark in years to come. The aeropark opportunity offers a unique combination of land type, location and connectivity by air, sea, and road. This will benefit the region and attract business from beyond the borders of Hawke's Bay through property development on both airside and landside areas. There is a lot of work to be done in this area. We will aim to achieve two new anchor tenancies by the end of 2023 which will begin contributing revenue by 2025.

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### *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 with great connectivity is important to the overall economic development of the region. A better-connected region creates new opportunities and long-term prosperity by allowing easy access for business and investors, friends, whānau, visitors, and producers.

Cyclone Gabrielle caused severe road disruptions, isolating regional towns in Hawke's Bay, such as Wairoa. This highlights the essential role air connectivity plays in our day-to-day lives as well during extreme events. Hawke's Bay Airport is supporting airlines to establish new routes. In addition, we are continuing to develop other point-to-point services within New Zealand based on unserved market data. Destinations such as Dunedin, Queenstown, Nelson, Tauranga, and New Plymouth are our focus.

We aim to establish two new domestic connections by the end of 2023.

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### *Proposed Solar Farm: Green Energy Future*

The progression of the Solar Farm project – a 45 megawatt project – in partnership with Manawa Energy is a strategic focus for Hawke's Bay Airport. Importantly, it will not only diversify revenue, but it prepares the Airport for innovations in aviation on the horizon, such as electric and hydrogen powered aircraft, and is a significant proof point of leadership in climate change response for our industry and region. Work continues around consenting requirements.

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

There have been some emerging priorities from Cyclone Gabrielle e.g.: car parking, rental car extensions, and a new roundabout which will be implemented before the solar farm. Achieving resource consent paves the way for the project to move into construction phase.

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### *Digital Transformation: Future Ready*

In order for Hawke's Bay Airport to be future-ready, the adoption of technology advancements and implementation of appropriate digital systems is key. Hawke's Bay Airport is embarking on a digital transformation journey that will allow us to create a technology ecosystem to drive efficiency for our business needs and our customers' experience.

In addition to some of the technological advances we have already adopted, such as licence plate recognition in the carpark, we will undertake a full review, assisted by external resources, to understand the direction of our digital transformation journey.



*2024, Whakanuia te tau*  
*2024, A Year to Celebrate*

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

We look forward to celebrating not only 60 years of Hawke's Bay Airport, but also our colourful past which includes the significance of the land the Airport sits on for Mana whenua, and the role of Napier Aeroclub, who (in large part) is responsible for the Airport's final location. In February 2024, we will mark this occasion with the support of our Airport partners, tenants, and regional stakeholders.





Ngā whāinga matua – FY23/24  
**Key Objectives – FY23/24**

The following outlines our key objectives for FY24 and beyond.

**Ā mātau mahi | Our Operations**

We ensure a safe, secure, and intuitive customer journey for all.

**We strive for excellence.**

<b>Objectives</b>	<b>Key Performance Measures</b>
Maintain legislative and regulatory compliance.	Aerodrome Operating Certificate is renewed 30 September 2023 for a further five years.  No significant audit findings by CAA, MPI or HBRC.
Continue to develop a “whole of Airport” safety and security culture.	Refresh the company’s H&S Management framework in line with best practice to comply with our legislated PCBU requirements.  This is supported by: <ul style="list-style-type: none"> <li>– Implementation of a digital H&amp;S management platform (e.g.: Safe 365)</li> <li>– Upgrading our Contractor Management System</li> <li>– Developing and implementing a critical risk management framework</li> <li>– Implementing a quarterly Health and Safety forum for tenants allowing us to work constructively with other PCBUs on our site</li> </ul>
Ensure our key infrastructure is fit for purpose and resilient.	Update asset management plan and register by Jan 2024.  New Fire Station concept 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 Hawke’s Bay Airport site actively contributes to its 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, engaging, and enjoyable.

## Ā mātau tāngata | Our People

We treat our people with respect, empower them with knowledge and allow them to flourish.

**A great place to work.**

Objectives	Key Performance Measures
<p>Ensure our people are supported, encouraged to learn, and resilient.</p> <p>Continue to be a great place to work.</p>	Cultural awareness and Te Ao Māori training for all staff.
	Personal development and professional training plans are in place for all the Hawke's Bay Airport team; including a training plan for Hawke's Bay Airport Ambassadors.
	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 Hawke's Bay Airport's vision. Hawke's Bay Airport is a great place to work, and our people are our greatest asset.

## Tō mātau wāhi | Our Place

We safeguard the Airport environment by making wise and sustainable decisions for the future.

**We are guardians of the land.**

Objectives	Key Performance Measures
<p>Reduce Hawke's Bay Airport's greenhouse gas emissions and support the decarbonisation of aviation in NZ.</p>	Retain Airport Carbon Accreditation Level 4+.
	Demonstrate leadership in regional and industry sustainability forums.
	Partner with aviation industry to identify and plan for enabling infrastructure for supporting zero emission flights.
<p>Adapt to the effects of climate change.</p>	Achieve single-use plastic-free within the terminal within 12 months.
	Gather site specific data on shallow groundwater levels.
	Voluntarily report 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.

## Ngā rangapū mahitahi | Our Partnerships

We foster significant relationships with our customers, partners, and community.

**We reflect our region.**

Objectives	Key Performance Measures
Continue to strengthen our relationships through our stakeholder engagement strategy, regional partnerships, and community outreach.	Increase Hawke's Bay Airport's 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. Hawke's Bay Airport's people have strong, genuine, and productive relationships with shareholders, mana whenua, tenants, customers, local government, and the community. Hawke's Bay Airport is actively engaged in local government planning and community initiatives. Our partnerships are celebrated within the Airport environment.

## Te houkuratanga | Prosperity

We maximise commercial returns to provide value for our stakeholders and our region.

**A profitable, sustainable business.**

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 services.
	Submit a high-level business report to Waka Kotahi for the development of additional roading and access points to the Airport site for a proposed northern roundabout.
	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 planning required to facilitate new non-aeronautical projects.
Progress Solar Farm project.	Resource Consent achieved in 2024.

### Success looks like:

A financially sound, resilient, and growing Airport that supports connections in and out of Hawke's Bay. Hawke's Bay Airport 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 role as a lifeline infrastructure provider, and on delivering on our vision and updated strategic priorities. We have a robust plan in place for the future, including actively pursuing diversification of revenue streams. We will achieve this through operational excellence, enhanced visitor experience, team wellbeing and sustainability goals.

We will continue to pursue opportunities to contribute to regional economic development and transport discussions. This will ensure we play our part in Hawke's Bay having the best possible integrated transport infrastructure to support a thriving economy. We relentlessly pursue our commitment to remain New Zealand's most sustainable airport.

We are the gateway to Hawke's Bay, and proud to connect our people, our businesses and the region to the rest of New Zealand and the world beyond.



## Ngā matapaenga ā-ahumoni Financial Forecasts

The updated forecast to 30 June 2023 and the three outlying years have been based on passenger numbers delivered to 30 April 2023 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 during 2023. The averages assumed are passenger numbers between 53,000 and 58,000 per month.

The per passenger charging mechanism adopted in October 2020 will decrease in FY2024, which is the consequence of reduced capital spending in FY23 and higher passenger numbers in the current year and future years, despite a greater average cost of capital (driven by rising interest rates and inflation). This recovers during FY25 due to significant spending on runway and taxiway developments.

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

### Statement of Intent - Headlines and Financial Metrics July 2023 - June 2026

	Jul 22 - Jun 23 Actual/Proj	Jul 23 - Jun 24	Jul 24 - Jun 25	Jul 25 - Jun 26
Passenger Numbers	646,096	650,426	672,384	692,556
Forecast Revenue	12,363,289	12,447,679	14,384,059	13,846,217
EBITDA	7,459,687	7,349,017	9,133,801	8,454,848
EBITDA Margin	60.3%	59.0%	63.5%	61.1%
NPAT	2,740,513	2,233,971	2,800,155	2,178,581
Net Profit after Taxation Margin	22.2%	17.9%	19.5%	15.7%
Total Assets	86,645,148	93,289,766	99,873,235	106,227,199
Total Debt	24,392,404	26,628,592	30,373,755	34,484,485
Return on Equity %	5.1%	3.8%	4.6%	3.4%
Gearing Ratio D/(D+E)	31%	31%	33%	35%
Cash Flow Available for Debt Servicing (CFADS) <sup>1</sup>	5,312,356	7,002,945	7,627,272	7,586,716
CFADS: Interest	4.0x	5.1x	5.0x	4.3x
Debt Service Coverage Ratio (DSCR) <sup>2</sup>	1.9x	5.1x	5.0x	4.3x
Shareholders funds to Total Assets	62%	63%	61%	60%
EBITDA: Debt	31%	28%	30%	25%

#### 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.

*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
Passenger Numbers	646,096	650,426	672,384	692,556
<b>Revenue</b>				
Aeronautical	7,976,286	7,879,199	9,513,859	8,681,941
Non-Aeronautical	4,387,003	4,568,480	4,870,200	5,164,275
<b>Total Revenues</b>	<b>12,363,289</b>	<b>12,447,679</b>	<b>14,384,059</b>	<b>13,846,217</b>
<b>Operating Expenditure</b>	<b>4,903,602</b>	<b>5,098,662</b>	<b>5,250,258</b>	<b>5,391,369</b>
<b>EBITDA</b>	<b>7,459,687</b>	<b>7,349,017</b>	<b>9,133,801</b>	<b>8,454,848</b>
Depreciation	3,054,104	3,327,912	3,708,946	3,878,590
<b>EBIT</b>	<b>4,405,583</b>	<b>4,021,105</b>	<b>5,424,855</b>	<b>4,576,258</b>
Fair value gain on Investment Property	757,922	597,098	373,169	355,729
Interest Expense	1,333,860	1,377,567	1,539,063	1,751,172
<b>Profit before Income Tax</b>	<b>3,829,645</b>	<b>3,240,637</b>	<b>4,258,960</b>	<b>3,180,815</b>
Income Tax Expense	1,089,132	1,006,666	1,458,806	1,002,234
<b>Net Profit after Tax</b>	<b>2,740,513</b>	<b>2,233,971</b>	<b>2,800,155</b>	<b>2,178,581</b>



*Prospective Summary Statement of Financial Position*  
July 2023 - June 2026

	Jul 22 - Jun 23 Actual/Proj	Jul 23 - Jun 24	Jul 24 - Jun 25	Jul 25 - Jun 26
<b>Current Assets</b>				
Cash and cash equivalents	500,000	500,000	500,000	500,000
Trade Receivables	1,524,241	1,023,097	1,182,251	1,138,045
Derivatives	79,549	45,064	15,761	3,069
<b>Total Current Assets</b>	<b>2,103,790</b>	<b>1,568,161</b>	<b>1,698,012</b>	<b>1,641,114</b>
<b>Non Current Assets</b>				
Plant and equipment	68,107,916	74,599,392	80,513,505	86,345,250
Investment property	16,119,181	16,922,991	17,560,250	18,181,708
Other Non Current Assets	314,260	199,222	101,468	59,128
<b>Total Non Current Assets</b>	<b>84,541,357</b>	<b>91,721,604</b>	<b>98,175,223</b>	<b>104,586,086</b>
<b>Total Assets</b>	<b>86,645,147</b>	<b>93,289,766</b>	<b>99,873,235</b>	<b>106,227,199</b>
<b>Current Liabilities</b>				
	679,792	706,230	726,852	746,036
<b>Non Current Liabilities</b>				
Total Debt	24,392,404	26,628,592	30,373,755	34,484,485
Other Non Current Liabilities	7,458,953	7,557,480	7,618,985	7,677,004
<b>Total Non Current Liabilities</b>	<b>31,851,357</b>	<b>34,186,071</b>	<b>37,992,740</b>	<b>42,161,488</b>
<b>Total Liabilities</b>	<b>32,531,149</b>	<b>34,892,301</b>	<b>38,719,592</b>	<b>42,907,525</b>
<b>Net Assets</b>	<b>54,113,999</b>	<b>58,397,465</b>	<b>61,153,644</b>	<b>63,319,675</b>
<b>Capital and Reserves</b>				
Share Capital	13,789,155	13,789,155	13,789,155	13,789,155
Reserves	18,910,270	20,959,766	22,215,790	23,403,241
Retained Earnings	21,414,574	23,648,545	25,148,700	26,127,280
<b>Total Equity</b>	<b>54,113,999</b>	<b>58,397,465</b>	<b>61,153,644</b>	<b>63,319,675</b>

Hawke's Bay Airport 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 disposable income on air travel. This is particularly relevant given the high air fare prices in New Zealand and overseas post the COVID-19 pandemic.

Despite extreme climate related events like we have seen in New Zealand during February 2023, the impact on the ability of airlines to deliver passenger services has been largely unaffected. We will ensure our shareholders are provided with regular updates of actual and projected results as they come to hand.

*Prospective Summary Statement of Cashflows*  
July 2023 - June 2026

	Jul 22 - Jun 23 Actual/Proj	Jul 23 - Jun 24	Jul 24 - Jun 25	Jul 25 - Jun 26
<b><i>Cash flows from operating activities</i></b>				
Cash was provided from:				
Revenues	12,032,340	12,948,823	14,224,905	13,890,423
Cash was disbursed to:				
Suppliers and employees	(5,484,414)	(5,072,224)	(5,229,636)	(5,372,185)
Interest Paid	(1,208,186)	(1,228,043)	(1,412,007)	(1,696,140)
Income Tax Paid	(963,923)	(908,139)	(1,397,301)	(944,215)
	<b>(7,656,523)</b>	<b>(7,208,407)</b>	<b>(8,038,943)</b>	<b>(8,012,539)</b>
<b>Net Cash Flows from Operating Activities</b>	<b>4,375,817</b>	<b>5,740,417</b>	<b>6,185,962</b>	<b>5,877,884</b>
<b><i>Cash flows from investing activities</i></b>				
Cash was provided from:				
Sales of fixed assets	-	-	-	-
	-	-	-	-
Cash was disbursed to:				
Capital Works	(3,109,640)	(7,976,604)	(8,631,125)	(8,788,614)
Investments	-	-	-	-
<b>Net Cash Flows from Investing Activities</b>	<b>(3,109,640)</b>	<b>(7,976,604)</b>	<b>(8,631,125)</b>	<b>(8,788,614)</b>
<b><i>Cash flows from financing activities</i></b>				
Cash was provided from:				
Borrowings received	-	2,236,187	3,745,163	4,110,730
Cash was disbursed to:				
Borrowings repaid	(1,407,596)	-	-	-
Dividends	-	-	(1,300,000)	(1,200,000)
<b>Net Cash Flows from financing Activities</b>	<b>(1,407,596)</b>	<b>2,236,187</b>	<b>2,445,163</b>	<b>2,910,730</b>
<b>Opening Cash</b>	<b>641,420</b>	<b>500,001</b>	<b>500,000</b>	<b>500,000</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>(141,419)</b>	<b>(1)</b>	<b>-</b>	<b>-</b>
<b>Closing cash and cash equivalents</b>	<b>500,001</b>	<b>500,000</b>	<b>500,000</b>	<b>500,000</b>



## Whakapaunga pūrawa Capital Expenditure

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. We continue to identify opportunities to grow the non-aeronautical revenue base, such as the commercial precinct. The key revenue assumptions for property 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.

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 Hawke's Bay Airport 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. Investment required to support this revenue in 2026 has been estimated to be \$250k of earthworks and utility costs per annum over the life of this plan. This is based on assuming the first leases will be ground leases. In later years Hawke's Bay Airport will commit to a mix of ground leases and bespoke developments.

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

### Prospective Summary Statement of Capital Expenditure

July 2023 - June 2026 (Nominal \$)

	Jul 22 - Jun 23 Actual/Proj	Jul 23 - Jun 24	Jul 24 - Jun 25	Jul 25 - Jun 26
Aviation	308,968	4,407,250	2,988,675	2,518,754
Commercial	250,522	893,894	2,331,591	2,080,945
Property	1,793,348	1,047,370	561,701	891,833
Business Park	40,000	207,400	264,954	594,556
Other	448,362	1,420,690	2,484,204	2,702,526
<b>Total Capital Expenditure</b>	<b>2,841,200</b>	<b>7,976,604</b>	<b>8,631,125</b>	<b>8,788,614</b>

## *Ngā kaupapahere mahi kaute*

# *Accounting Policies*

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: [hawkesbay-airport.co.nz/about/company/annual-report](http://hawkesbay-airport.co.nz/about/company/annual-report).

## *Ngā tohanga*

# *Distributions*

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 post the COVID-19 period, and re-gear the balance sheet to support upcoming investments in property development.

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 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.

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.

## *Ngā kōrero ka tukuna ki ngā kaiwhaipānga*

# *Information to be Provided to Shareholders*

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.

## *Ngā tukanga hopu* **Acquisition Procedures**

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.

## *Kua tonoa he utu paremata i ngā kaiwhaipānga o te rohe* **Compensation Sought from Local Body Shareholders**

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.

## *Te matapaetanga o te wāriu arumoni* **Estimate of Commercial Value**

The value of shareholders' investment in Hawke's Bay Airport as at 31 December 2022 was \$50.1m.

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

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.

*Āpitianga A: Te wāhi ki te Poari Ringatohu  
me ngā whāinga kāwanatanga*

## *Appendix A: Board of Directors Role and Governance Objectives*

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.

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### *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 [treasury.govt.nz/publications/guide/owners-expectations](https://treasury.govt.nz/publications/guide/owners-expectations), including:
  - i. Ensuring that financial reporting is balanced, clear and objective. The Board should explain to shareholders how operational and financial targets are measured.
  - ii. Ensuring that the company provides non-financial disclosures to shareholders at least annually. These should consider environmental, economic, and social sustainability factors and practices.
  - iii. Ensuring that the company reports to shareholders on material risks facing the business and how these are being managed. Reporting should disclose how the company manages its health and safety risks and the performance and management of those risks.
  - iv. Ensuring that the company discloses any internal audit functions.
- o. Select and (if necessary) replace the CEO.
- p. Assess, from time to time, its own effectiveness in carrying out these functions and the other responsibilities of the Board.





*Hawke's Bay Airport Limited*  
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