



# HAWKE'S BAY AIRPORT

TE PŪRONGO Ā-TAU  
ANNUAL REPORT

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2021









Tau mai ki  
Te Matau-a-Māui  
me ōna ātaahua  
katoa  
Welcome to  
Hawke's Bay and  
all its beauty

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*It's a new era for Hawke's Bay Airport.*

The doors to our new terminal have been thrown wide open and we are proud to welcome you into the vibrant new heart of our airport.

Step off the tarmac and you'll find a space that speaks of Hawke's Bay, celebrates the best of our region, and reflects the stories of our people, our land and our skies.

*We're ready for the next leg of our journey and look forward to being part of yours.*







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# TE PŪRONGO A TE TOIHĀU CHAIR'S REPORT

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As a key gateway to the region, Hawke's Bay Airport has proudly served the community since 1935. Alongside our community, the organisation has weathered both natural and economic disasters.

I am delighted to report that Hawke's Bay is well on the road to recovery from the most recent of those challenges: the devastating impacts of COVID-19. In fact, Hawke's Bay Airport Limited (HBAL) has enjoyed a much quicker financial recovery than what we envisaged only 12 months ago, mainly off the back of the swift actions and hard work of our team but also the stronger than expected domestic travel market.

The year-end result and a return to profitability is a great confidence boost and sets a strong foundation for us to rebuild from as we move forward into 2022.

The team have worked diligently to stay focused on the completion of our terminal and a refinancing exercise, and I am proud of the way they have delivered against our strategy to enable a more resilient future through revenue diversification, while balancing social and environmental obligations and the preservation of shareholder value.

Following last year's lockdown, Hawke's Bay Airport was granted a loan by shareholders to underwrite the terminal construction. The organisation rose to the challenge of recovery, minimising expenses and increasing overall revenue, and I am pleased to report that HBAL has not needed to draw down on the loan. The shareholder loan has now been relinquished, but we were extremely grateful for the vital support provided by our shareholders during this uncertain time and I thank them for that.

In August this year, we were pleased to open the doors to our inspirational airport terminal. Our new gateway to the region reflects the resilience of Hawke's Bay Airport in overcoming a series of challenges, including the voluntary administration of construction company Arrow International in 2019, the halting of construction due to lockdown, and the economic effects of the pandemic. The project is a showcase of partnerships, collaboration and input from mana whenua, the community and local business. It is simply stunning. The new Hawke's Bay Airport is a waharoa for us to welcome and farewell whānau and visitors alike – one that reflects who we are and what we aspire to be.



With the terminal now fully operational, we will continue to work on presenting a number of new offerings within the space that reflect the unique character, culture and heritage of Hawke's Bay, and on attracting new air capacity to the region.

I am enormously proud of the hard work and dedication of every single member of the Hawke's Bay Airport team, including our volunteer ambassadors. I am mindful of the fact that no matter the challenges, our airport has continued to operate safely and functionally for airport passengers, tenants, community stakeholders and visitors. I have our team to thank for that. We care about our people and this year we rolled out a wellbeing programme to enhance our team's ability to look after our visitors, themselves and each other.

Our focus is now on the future and the diversification of our revenue base. We are proud to progress to the next stage of our large-scale solar project and have committed to the goal of net zero emissions by 2030, with the bold aim of becoming New Zealand's first carbon neutral airport.

Our commercial development activities have taken off with the launch of stage one of our new property precinct, Ahuriri Aeropark. We are working hard to create a high-quality sustainable transport and logistics hub to support the region.

There is much to look forward to. In closing, I'd like to thank our Chief Executive, Stuart Ainslie, and fellow directors for their support and leadership during 2020/2021. I'd also like to specifically acknowledge the significant contribution of outgoing board member Sarah Reo – the business acumen, leadership, and insight into Te Ao Māori she brought to the boardroom have been deeply appreciated. I extend a warm welcome to aspiring director Jonathan Norman, who has been placed with the HBAL Board under the Future Director programme. We have a strong team in place for 2021/2022 and continue to build our internal capability with diversity of thought and experience, which will hold us in good stead for the months ahead. We look forward to working with our communities, partners and stakeholders to provide a safe, sustainable and best-in-class gateway for our region.

Ngā mihi,  
WENDIE HARVEY

# TE PŪRONGO A TE TUMU WHAKARAE CHIEF EXECUTIVE OFFICER'S REPORT

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The impact of COVID-19 on our business and the wider community during 2020 and 2021 has reinforced how critically important the resilience of our people, our balance sheet, and our regional economy are to our future success.

As we moved cautiously into July 2020, we were only just starting to understand the potential impacts of COVID-19 on the airport business. By year-end, passenger numbers had quickly returned to around 90% of pre-COVID schedules, with routes to the South Island returning above 100%. Annualised passenger numbers finished at 461,000, putting our base growth back to around 2015 levels – that's approximately 45% above forecast but with a much stronger revenue growth.

We expect this growth to continue building off the back of a strong recovery in domestic travel for leisure. As a result, this year we are delighted that Hawke's Bay Airport has returned to a net profit after tax, with a final result of \$555,314 at revenue levels greater than those seen in any prior years. This is a pleasing recovery and a significantly better financial result than we initially anticipated.

Despite significant challenges, I am pleased to report strong progress against our strategic plan, with a continued focus on building resilience and diversifying revenue.

I am extremely proud of our airport team, consultants and sub-contractors for their efforts in completing our new terminal, which opened in August 2021. The new terminal has been warmly welcomed by our passengers, visitors and community. It is an engaging new space – a showcase of mana whenua collaboration, business and community partnerships, and inspirational design.

We completed our third biannual Airport Service Quality Survey, which continues to be administered by our highly-engaged team of Airport Ambassadors. Results from the third survey are still to come, but we understand that prolonged construction has impacted on some customer satisfaction around toilets and food and beverage. However, we are pleased to say that the new terminal takes our customer experience to the next level, with a fantastic café, relaxing viewing areas and high-quality amenities.

Our 2040 master plan was completed during this reporting period, with a number of community information sessions held at the Aero Club at the airport. The information sessions were well-attended and there was overwhelming positivity from the more than 100 members of the community there to learn about our long-term plans. We have already made strides into working with partners on building future air seat and freight capacity for the region.

We were pleased to become the first regional airport in New Zealand to achieve Airport Carbon Accreditation Level 2 and make progress towards carbon neutrality. Further progress was made against our sustainability strategy with the opening of the Willis Legal Bikeport, connecting cyclists to the region's cycleways; the advancement of our solar farm project, and a focus on electricity and water minimisation.

We are pleased to welcome Ian Lowry, our new Commercial Asset Manager, who brings years of experience across the airline, retail and commercial sectors and will lead our property development. Under Ian's guidance, we are excited to have launched the first stage of our commercial property development, Ahuriri Aeropark, located along either side of Watchman Road on the approach to the airport.





To keep us focused on the future and as part of our revised Customer Experience Strategy, we have recently welcomed Judi Godbold to the new leadership role of Customer Experience and Marketing Manager. In line with our strategy to better understand all aspects of our business performance, we also welcomed Michelle Crompton, our new Commercial Support Analyst, to the team in May 2021.

I am mindful of the challenging environment our team have worked through during 2020 and 2021. Further COVID lockdowns and construction supply chain delays all took their toll, but we made it through. Our people are central to our mission to deliver a safe, sustainable and customer-centric airport experience and we value our most important assets. We do this by nurturing our positive culture. In June this year, we embarked on a wellbeing programme for our entire team, including our highly-valued ambassadors, to help support a balance between work, life and health.

After welcoming our new fire team in July 2020, we continue to build on our strategy of keeping safety, security and compliance at the core of our business, and we have continued to expand the team to cater for future growth and resilience. This year, we will start our quest to procure a new airport fire truck, a significant but critical investment.

An announcement from Airways NZ in April 2020 of its intention to withdraw staff from regional airport control towers caused significant industry concern. I am pleased to report that after a conclusive aeronautical study in collaboration with Airways, New Plymouth Airport and Gisborne Airport, it was agreed that ATC services should remain at the Hawke's Bay Airport Air Traffic Control tower.

We welcome a recent announcement from the Minister of Transport that a first principles review of air navigation systems, including regulatory settings, new technologies, funding and integration of the system, will be completed in partnership with the industry.

We believe that partnerships with mana whenua, the region's councils, local businesses and the community are critical to our success, and we are proud of the work we have undertaken during the reporting period to reinforce this through joint ventures, partnerships and sponsorships. I am pleased to be presenting this 2021 Annual Report and look forward to working in collaboration with our shareholders and key business partners on the delivery of our 2021/2022 SOI.

Ngā mihi maioha,  
STUART AINSLIE

# NGĀ HIRAHIRATANGA HIGHLIGHTS



Opening our  
brand new terminal



Returning to  
profitability 17 months  
ahead of forecast



Retaining air traffic  
control services



Completing  
our 20-year  
master plan



Taking our next step  
toward carbon neutrality  
by attaining Level 2 ACA



Committing  
to net zero carbon  
emissions by 2030



Completing a feasibility  
study for our proposed  
solar farm development



Taking our first steps  
toward the development  
of the Ahuriri Aeropark



Introducing two  
electric vehicles  
into our fleet



# HE MĀTAITANGA O TE TAU A YEAR IN BRIEF

461,000

passengers,  
down 15%

\$6.6M

revenue,  
up 6%

\$3.8M

EBITDA,  
up 72%

\$555,314

net profit  
after tax

Zero

lost time  
injuries

75

toolbox talks and safety  
inspections held on  
construction site

14%

reduction in  
bird strike

45%

increase  
in passenger numbers  
from budget

30+

stakeholders  
engaged in aviation  
security meetings

100+

attended master  
plan community  
information sessions

82%

of procurement  
supports local  
business

\$8M+

spent with  
local suppliers



# TE RAUTAKI STRATEGY

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## EYES ON THE HORIZON

We've set our sights on being the most vibrant and successful regional airport in New Zealand.

Getting there means challenging ourselves with new thinking and bold targets, investing purposefully, and working together with partners who share our goals.

Work toward our vision is driven by a comprehensive strategy centred around safety, sustainability, security and engaging with others. These principles are at the heart of who we are and the way we do business.

Our strategic goals are focused around five pillars of our business: **property, people, commercial, operations, and partners.**

We are proud to be part of Hawke's Bay and aim to be a force for good in our community. By 2030, we intend to welcome one million passengers through our gates – and to bring a smile to each one with exceptional customer service, a thoughtfully-designed environment, and inspiring stories of our place and its people.

We're also on a mission to be the most sustainable airport in New Zealand, making sustainability a guiding principle in every decision. Our work is grounded in a comprehensive and considered sustainability framework, which recognises that there are many threads to being a truly sustainable business. The framework sets out four areas of focus within which we direct our efforts: environmental excellence, financial return, operational efficiency and social opportunity.

We're not afraid to push the boundaries and have set ourselves an ambitious goal: to be carbon neutral by 2030. Getting there will mean transforming the way we do business, and we're up for the challenge.



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## TE WHĀINGA | VISION

Te taunga rererangi ā-rohe  
ngangahau, angitu katoa o Aotearoa  
**New Zealand's most vibrant and successful  
regional airport.**

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## TE KORONGA | MISSION

E haumarū ai, e aro-kiritaki ai, ā, e pūmau ai  
anō hoki ngā ratonga kai whenua, kai rangi  
anō hoki ki Te Matau-a-Māui, i Te Matau-a-  
Māui anō hoki.

**To enable safe, customer-focused and  
sustainable land and air transport services  
in and out of Hawke's Bay.**

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## NGĀ UARATANGA | VALUES

### MĀTĀMUA KO TE HAUMARUTANGA SAFETY FIRST

Safety will always be our top priority.

### KA TITIRO MĀTAU KI TE PAE WE LOOK TO THE HORIZON

We will plan diligently for the future through  
collaboration with the Hawke's Bay community,  
shareholders and business partners.

### TE HAEPAKA KI TE TĀIAO ENVIRONMENTALLY RESPONSIBLE

We are committed stewards of our environment  
and the community in which we operate.

### TE ARO-KIRITAKI CUSTOMER-FOCUSED

We will focus on what is important to our customers  
to ensure our continued success and significance  
in the marketplace.

### TE MANAAKI ME TE WHAKAUTE I TE TANGATA CARE AND RESPECT FOR OUR PEOPLE

We care about our people – they are our most important  
resource and we appreciate their values, respect their  
rights and recognise their commitment.

### TE NGANA KIA RITE TONU TE ANGITU Ā-ARUMONI STRIVING FOR CONTINUED COMMERCIAL SUCCESS

We will seek new and innovative ways to derive  
revenue from our asset base and services while  
growing value to our customers and shareholders.









# NGĀ RAWA PROPERTY



**Strategic Goal:** Making the best use of our land while safeguarding our airport to optimise returns and increase value to our shareholders.

## WELCOME TO OUR PLACE

The doors are open and we are proud to be welcoming passengers to the new heart of our airport: a transformed terminal that reflects our deep roots in Hawke's Bay.

Opened to travellers in August 2021, Hawke's Bay Airport's new terminal is a vibrant space that draws on our local history, culture, and landscape to create a distinctively 'Hawke's Bay' experience for every traveller passing through our gates.

Designed in collaboration with Designgroup Stapleton Elliot and Mauvan Scott Architects, the form of the building is inspired by the kuaka or bar-tailed godwit, a native bird that returns from Alaska to the nearby wetlands every year – one of the longest migration flights of any bird. A timber waharoa in the centre of the building represents the kuaka's beak, while its wings stretch out over the arrival and departure lounges that flank either side of the main building.

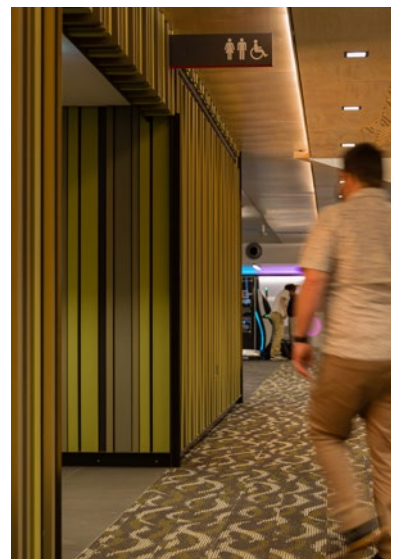
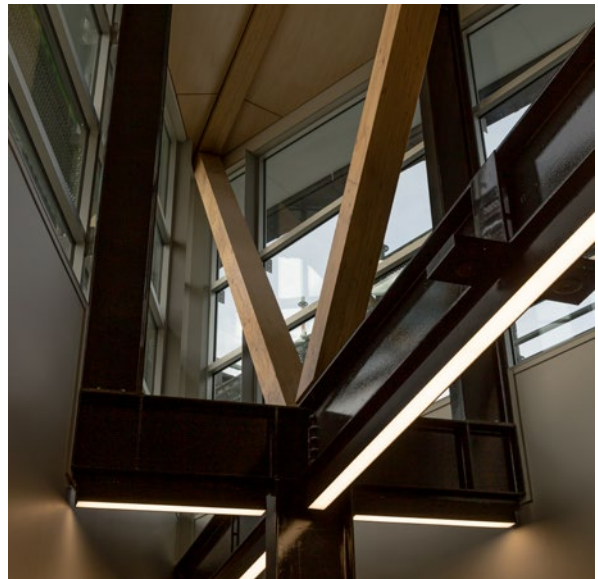
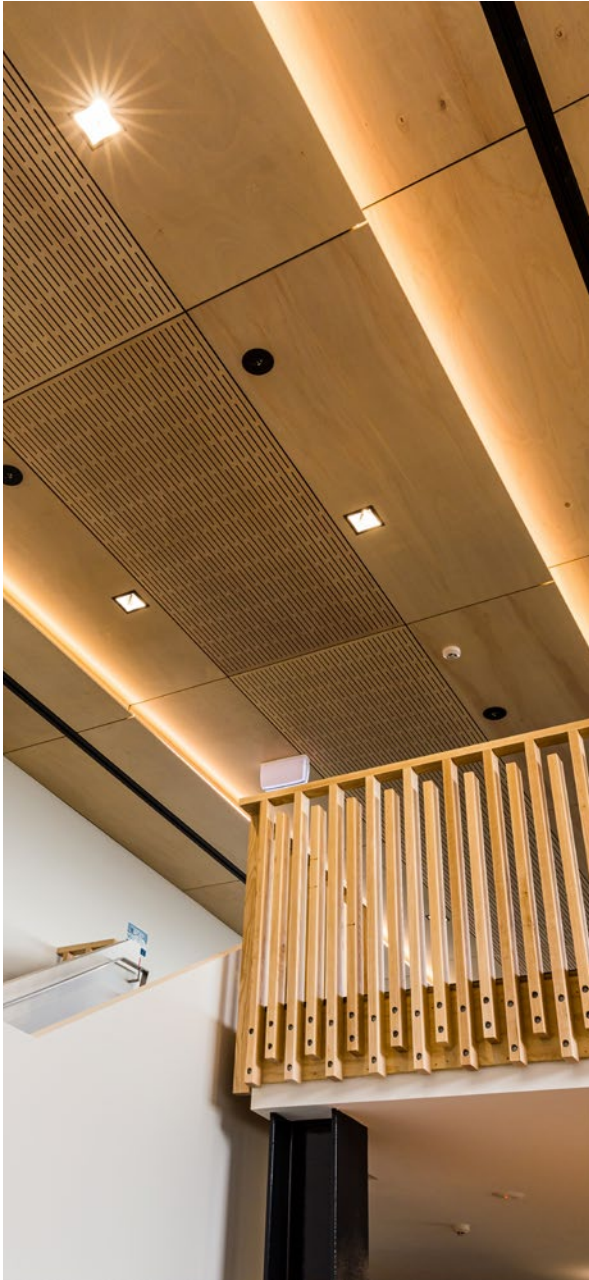
Inside the building, every detail has been thoughtfully considered. Spaces are curated with passenger comfort in mind, while a children's play area is designed to bring a smile to the faces of our youngest travellers. A series of carved wooden ceiling panels tell the cultural stories of Te Matau-a Maui (Hawke's Bay) and bring warmth and meaning to the space.

Art and historic aviation artefacts offer interesting touchpoints for passengers, and a unique installation of wine bottles leads to the story of our viticulture industry. The passenger experience is taken to new heights, with business travellers well-served by meeting rooms, a viewing mezzanine, hospitality services and a spacious new Air New Zealand regional lounge.

The heart of the new building is the Bay Espresso café and Roosters bar, a bustling hospitality zone offering organic coffee, great food, and the best of our local wine, cider and craft beer.

The building is a testament to the dedication and resilience of Hawke's Bay Airport staff and contractors, who overcame significant challenges – including the collapse of construction firm Arrow International, the pandemic lockdown, and global supply chain issues – to see this project through to completion. It positions Hawke's Bay Airport to cater to one million passengers by 2030, with space allocated for future retail zones and further commercial partnerships as passenger numbers grow.

The new terminal is a big step toward our goal of creating an inspiring journey from carpark to gate, and we are proud to be able to share our new space with our passengers, partners, and community.







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## NAVIGATING OUR FUTURE

We concluded a comprehensive master planning process this year, examining a number of passenger and freight scenarios, talking to our tenants and community, and consulting a range of experts to determine what our business, land and infrastructure might look like in the future. The result is a blueprint that will guide our investment and development over the next 20 years.

By 2040, Hawke's Bay Airport is expected to be welcoming 1.4 million passengers – almost double the numbers we see now – and up to 615 tonnes of air freight. Our expanded terminal is an important step toward catering for this growth, but we also need to allow for growth in the class of aircraft landing here. Commercial jetliners like Airbus and Boeing are expected to fly here in the near future, which means we need to plan for an extension of our main runway, improvements to the apron and taxiways, and the possible relocation of our fire station and air traffic control tower. We will also need to prepare for the future of flying, ensuring we have the infrastructure to welcome new hybrid electrical aircraft and other emerging aircraft technologies as these enter the commercial market.

We will need to allow for additional car parking as we grow, but we also want to ensure we can welcome people by foot, bike, e-bike, taxi, bus, or ride share.

In addition to preparing for the future of our aeronautical business, the master plan considered how we could use undeveloped airport land, diversify our revenue base, and optimise returns for our shareholders. The airport's expanse of flat land is well-suited to a commercial precinct and 10 hectares has been allocated for the development of the Ahuriri Aeropark. The initial steps of this development are already underway.

With so much Hawke's Bay sun on offer, a solar farm was identified as an effective way of utilising land to the west of the runway that is unable to be developed in other ways. This project is already well progressed, with a detailed feasibility phase completed, and will help deliver our sustainability goals by generating renewable energy for the airport, our tenants and potentially customers further afield.

We will continue to make the best use of our land over the coming 20 years, working hand-in-hand with mana whenua to ensure we are protecting this shared asset, and developing new opportunities for growth that benefit everyone who lives or visits here.

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**1.4M** passengers expected in 2040 

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## OPEN FOR BUSINESS

Hawke's Bay Airport is already home to 18 businesses, and we're looking forward to welcoming more. This year, we took the first steps toward the development of the future Ahuriri Aeropark – a 10-hectare slice of the airport precinct that will be transformed into a thriving business community in the years ahead.

The airport is ideally situated to accommodate a range of commercial and industrial activities, with its proximity to Napier Port, industrial zones and major highways likely to make it particularly attractive to freight and logistics businesses. The Ahuriri Aeropark will be located on the eastern side of the airport, with easy access via Watchman Road and a quick connection to the Napier/Hastings Expressway. Tenants within the Aeropark community will have access to a range of meeting and hospitality facilities within the new airport terminal, with corporate visitors able to step straight off the plane and into a meeting.

Sustainability will be built into the development from the beginning, with the design and construction of any new infrastructure to be guided by sustainable design principles and set requirements for energy efficiency, water usage, and wastewater management.

An information memorandum was released to market in July. We are already engaging in early discussions with interested parties, and look forward to working with businesses who share our commitment to Hawke's Bay and our vision for a green future.



**10** hectares – size  
of the future  
Ahuriri Aeropark  
business precinct





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## CLEAN ENERGY POWERHOUSE

We are working hard to optimise our land assets, powering ahead with plans to construct a solar farm on an under-utilised parcel of airport land.

The proposed development will harness Hawke's Bay's high sunshine hours to generate clean, renewable energy, and export it back into the grid to be purchased by retailers. The project would be the first large-scale photovoltaic installation on airside land and would make Hawke's Bay Airport the first solar-powered airport in New Zealand.

A feasibility study undertaken in partnership with lines company Centralines and solar development experts Vector Powersmart was delivered in May 2021 and found that the proposal was both technically and commercially feasible.

The next steps for the project are to secure equity and offtake partners, engage in community consultation, and pursue resource consent.

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## A LIGHTER FOOTPRINT

Clever thinking, conscious purchasing, and working together with like-minded partners has enabled us to nearly double the size of our terminal without doubling our environmental footprint.

Energy-efficient LED lighting installed throughout the new terminal is lighting the way without any increase in energy requirements, while large windows, atriums and skylights make the most of Hawke's Bay's natural sunlight. Sensors in spaces with typically more sporadic use, such as meeting rooms and bathrooms, are eliminating unnecessary use of power. A high-performance heat pump system provides passengers with a comfortable climate with minimal energy input.

Construction choices such as cross-laminated timber beams and natural wood detailing throughout have lowered the carbon footprint of the build process and give a beautiful natural finish.



# 4,618

square metres  
– size of new terminal

# 230

hectares  
of airport land

# 18

businesses in  
airport precinct



# 93

registered suppliers for  
terminal construction project

# 100+

attendees at master plan  
public information sessions





# NGĀ TĀNGATA PEOPLE



**Strategic Goal:** Working together to get the best outcomes from our people in a great place to work and live.

People are the heart and soul of our business – our team, our volunteers, our passengers, and our partners. We are working hard to make Hawke's Bay Airport a welcoming destination, an employer of choice, and a great place to do business.

We are proud to have a strong, dedicated team who care about our airport, our community and each other. This year, we welcomed new faces in new roles, adding to the depth of expertise within our team. We also strengthened our focus on health and wellbeing, engaging our people in a new programme to enhance resilience.

## WELCOMING NEW EXPERTISE

This year, we welcomed Ian Lowry in a new position as Commercial Asset Manager. Ian comes to us with a strong background in property development and management, with previous roles at Air New Zealand and Woolworths Australia. Ian will deliver against our property strategy, leading the Ahuriri Aeropark development while also enhancing key commercial assets, including our existing property portfolio and new digital advertising displays.

Data specialist Michelle Crompton joined the team in May 2021 as Commercial Analyst and Support, a new role designed to unlock the value of the data we collect in the course of our business. Through data analysis and visualisation, this role will deliver insights to improve efficiency and enhance customer experience.

In August 2021, we appointed Judi Godbold to our executive team as Customer Experience and Marketing Manager. Judi returns to New Zealand after nine years in Asia, delivering brand experience and live events for a host of international brands, including Changi Airport, Netflix and InterContinental Hotels. In this new role, Judi will be delivering seamless journeys for our customers, passengers and partners.

## A WELL WORKFORCE

We care about our people and this year, we were proud to introduce an ongoing Resilience at Work programme. The programme saw all staff and the majority of our volunteers take an online survey and receive an individualised wellness assessment. We ran separate workshops for staff and volunteers, exploring the results and offering tools to strengthen wellbeing and resilience. All participants now have the opportunity to take up one-on-one coaching to boost any area of their wellbeing.

It was a valuable opportunity for our teams to connect and to affirm our commitment to being a healthy workplace.

The next stage of the programme will look at how our teams work together, and what we each can do to build healthy, productive team dynamics.

**35** people engaged  
in Resilience  
at Work  
programme





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## OFFERING A HELPING HAND

Our Airport Ambassadors are the friendly face of Hawke's Bay Airport, welcoming our passengers, answering questions, and smoothing their journey. Staffed entirely by volunteers, the scheme runs seven days a week and covers our busiest periods.

Since its inception in 2019, the personal touch and customer care our ambassadors provide has made a real difference to thousands of passengers. With many of the airport's services and facilities temporarily relocated during the construction of the terminal, the need for the service was stronger than ever this year.

As the scheme matures, we are working together with our volunteers to ensure we provide a unified and professional service. This year, we updated the

ambassador uniform in line with the look and feel of the new airport, introducing a shirt and jacket featuring the design elements woven throughout the terminal. In conjunction with the opening of the new terminal, we also introduced a handbook for our volunteers to ensure we are providing consistent service and communication.

Our next step will be to engage with Hawke's Bay Tourism and other regional partners to grow our volunteers into ambassadors not just for the airport, but for our wider region – equipping them with the knowledge to make recommendations for great places to stay, eat, and visit while in Hawke's Bay.



## MAINTAINING PASSENGER EXPERIENCE

We are working hard to develop a deep understanding of our customers – who they are, what they need, and how we can improve their experience at Hawke's Bay Airport.

In April 2019, we became the first regional airport in New Zealand to roll out the twice-yearly Airport Service Quality Departure Survey, the international gold standard in measuring passenger experience. Developed by Airports Council International, the ASQ survey offers a scientific and standardised approach and benchmarking against similar airports around the globe.

The survey is undertaken over a six-month period, with respondents spread across different times, days and flight destinations. Passengers are asked a series of 38 questions to gauge their satisfaction with performance across areas including carparking, restaurant facilities, and customer service. Our surveys are carried out by Airport Ambassadors, all of whom have completed a specialist training programme to become accredited by ACI.

We now have two comprehensive sets of results as a basis for benchmarking, with the first survey undertaken prior to full Stage 2 construction works and the second completed during the construction and opening of the new departures terminal.

The results show customer satisfaction declined only slightly over this time, despite the significant disruption caused by construction. This is a reflection of the thought our team put in to providing workarounds for our passengers, and the effort put into minimising disruption and maintaining service levels, as well as the vital helping hands offered by our Airport Ambassadors.

We undertook the survey for a third time this year, with results due in the coming months. We intend to work towards achieving Airport Service Quality accreditation to ensure that we are continuously focused on delivering an enjoyable, safe and optimised passenger journey.



461,000  
passengers

501

individual contractors inducted  
onto construction site



29

Airport Ambassadors

2,600+

hours volunteered by  
Airport Ambassadors



350

passengers surveyed in Airport  
Service Quality Departure Survey







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**Strategic Goal:** *Maximising the returns across our aeronautical business while delivering greater value and a strong sense of place.*

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At Hawke's Bay Airport, we are committed to delivering value for our customers, our shareholders, and our region.

We are working to drive growth in our aeronautical business by developing seat capacity and expanding choice in flights, destinations, and carriers.

Over the long haul, we are focused on strengthening resilience through broadening our revenue base. Incomes from car parking, air services and property helped to weather a turbulent 2020, and the opening of our terminal brings new opportunities in advertising, retail and corporate facilities.

We continue to pursue a strategy of sustainable property development, building the value of our existing property portfolio while working to attract new businesses to the airport precinct. Renewable energy generation will also add another string to our bow, enhancing both our financial and environmental sustainability.

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## LOCAL FLAVOUR FOR HOSPITALITY

At the heart of our new terminal is a partnership with iconic local business Bay Espresso. Known and loved across Hawke's Bay for their commitment to great coffee and delicious food, Bay Espresso runs cafés in Hastings and Havelock North, a coffee roastery, and a boutique brewery, as well as being a popular fixture at the Hawke's Bay Farmers' Market.

With a Bay Espresso café and Roosters bar now at the centre of the airport, owners Chris and Jonelle Jarvis are serving up a taste of Hawke's Bay's vibrant food and beverage scene. Travellers and locals can fuel up with organic coffee, opt for fresh food to go, or order a meal from the kitchen. Alternatively, they can choose from a selection of exceptional Hawke's Bay wines or unwind with a local craft beer or cider.

The hospitality space was designed with input from Bay Espresso, and locals will recognise the distinctive mural hand painted by Jonelle, which brings the space to life. The café cabinetry and bar were fabricated by local firm Future Products Group, who also designed the vintage aviation-inspired seating area. The result is a warm, welcoming space that invites people to relax, connect with friends and family, and take in the wall-to-wall views of the action on the runway.

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## EN ROUTE TO GREATER CHOICE

Hawke's Bay Airport is a vital gateway into our region for tourists, corporates, and the local community, and we are committed to building the range of services and connections available.

In the latter part of 2020, we engaged Hawke's Bay Tourism, the Hawke's Bay Chamber of Commerce, and key economic development agencies in a workshop to begin shaping a sustainable aviation development strategy for the region.

We made a strong start on that strategy this year, engaging with new airline partners to develop prospective services between Hawke's Bay and other regions. With a stronger than expected recovery in domestic travel post-COVID, we look forward to seeing these services take off in the near future.



## LOCAL BUSINESS ON DISPLAY

Hawke's Bay Airport is proud to support local business, and a suite of digital billboards throughout the new terminal is designed to do just that. Installed in ten strategic locations, the high impact LED screens are providing local companies with valuable exposure and the opportunity to connect with new customers.

With more than 461,000 passengers arriving or departing Hawke's Bay in the past year, these digital advertising spaces offer a platform to showcase homegrown products and services to a wide range of consumers, from local residents and holidaymakers to business travellers and high-value lounge customers.

We worked together with the Hawke's Bay Chamber of Commerce on a soft launch for the billboards, ensuring the screens were loaded with local businesses from the moment our first travellers stepped through the arrivals gate.

Retaining control of the advertising network in-house ensures that we can respond quickly to our advertisers' needs, while also giving us the flexibility to utilise the screen system for non-commercial purposes such as COVID-19 messaging in the event of an alert level change.

**10** new digital advertising locations



## LOUNGE IN STYLE

Healthier food, more space and a dedicated café await travellers in a brand new Air New Zealand regional lounge, located on Level 1 of the terminal. The lounge caters for around 130 guests – almost double the seating capacity of the previous space – and offers several distinct zones for customers to relax in, including a café area, a self-service buffet and drinks station as well as dedicated business and quiet areas.

The new lounge is part of an investment Air New Zealand is making in regional lounges across the country, and is open to all Airpoints Elite, Gold, Elite Partner and Koru members departing on an Air New Zealand flight.





## CAR RENTAL RECOVERY

A surge in domestic tourism has driven a strong recovery in car rentals, with a growing number of New Zealanders choosing Hawke's Bay in place of an international destination.

Rental concessions have rebounded to pre-COVID levels after the disruption of lockdown in 2020, and with passenger numbers higher than initially forecast, a number of our rental firms are now looking to expand their fleets as new stock becomes available.

Rental car providers are an important partner for our business, and we continue to work with them to ensure their services remain economically viable and sustainable.

## WASTE NOT, WANT NOT

We have worked hard to design waste out of our new terminal, working closely with our commercial partners and embracing circular initiatives.

We are working to eliminate single-use plastics from our terminal, having removed vending machines and installed a refill station for water. We are pleased to welcome cup borrowing scheme Again Again to the Bay Espresso café in the terminal. Passengers will be able to forgo a single use cup in favour of a lidded aluminium reusable, which they can return or exchange at any of the growing number of cafés participating in the scheme. Bay Espresso customers who do opt for a single-use cup will receive one that is carbon neutral, fully compostable, and made from FSC-certified paper.

We have also introduced a new three-bin system for waste, with specific bins for organics, recycling and landfill. All café serveware is fully compostable and can be placed in the organics bin, while a separate bin will ensure Bay Espresso coffee cups go to a local commercial composting facility.



\$6.6M

revenue, up 6%

\$3.8M

EBITDA, up 72%

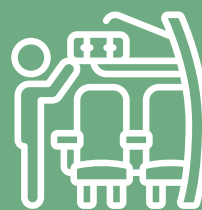
\$555,314

net profit after tax, up 155%



\$64M

in assets, up 8.5%



585,542

seat capacity on flights  
in and out of Hawke's Bay

94%

increase in capacity of  
Air New Zealand regional lounge





# NGĀ WHAKAHAERE OPERATIONS



**Strategic Goal:** Ensuring a safe, rewarding, and delightful journey for our travellers.  
Striving for excellence in everything we do.

This year has been an exercise in creative solutions, with our team working hard to provide a smooth passenger experience amidst the construction of our new terminal. We are proud to have welcomed 461,000 passengers while maintaining a secure travel journey from carpark to gate.

Safety is at the centre of our operation and we are committed to providing a safe and secure environment for our people, our partners, and our passengers. We uphold a strong safety and reporting culture and are proud to have achieved zero lost time injuries in the past year. Hawke's Bay Airport also became an even safer place to land in 2021, with a focus on effective wildlife management further lowering our risk of bird strike.

## SAFETY ON THE GROUND

We are now realising the full benefits of the decision to integrate the Airport Fire Service into our team in 2020, with the closer relationship providing more direct input into safety and security on the tarmac. Bringing Airport Fire in-house has also eliminated the uncertainty that comes with outsourcing a critical operational service to a contractor.

This year, we introduced new Airport Fire and Operations Officer position descriptions, which better recognise the breadth and scope of the team's responsibilities. Alongside their core fire safety responsibilities, the team are now also recognised as covering health and safety, security, maintenance and wildlife management. We also added a further two roles to the team and invested in new protective wear, uniforms and breathing gear.

**Zero** lost time  
injuries



## KEEPING AIR TRAFFIC UNDER CONTROL

In May 2020, Airways NZ began a review of air traffic control services at regional airports, including Hawke's Bay. We engaged in a collaborative process, partnering with Airways, Gisborne Airport and New Plymouth Airport to commission an independent assessment by industry experts To70. The resulting report provided a comprehensive picture of our ATC needs now and into the future, informed by data-driven modelling out to 2045. The report recommended retaining air traffic control services at Napier, given the volume of passengers flowing through our operation and the growth projected in coming years. We were pleased to have this recommendation upheld by Airways and valued the opportunity to engage in a constructive process.

Airways is now exploring the possibility of divesting its ownership and management of runway lighting and power at airports across the country, in line with standard international practice. We are supportive of this idea in principle and look forward to engaging with Airways over the coming year.



## STRIKING A NATURAL BALANCE

With protected wetlands, coastal habitats, and an estuarine breeding ground on our boundaries, bird strike has historically been a major hazard at Hawke's Bay Airport. We aim to manage this risk in a way that respects the balance of the ecosystems around us.

A wildlife management plan commissioned in 2018 gave us a better understanding of the natural instincts and behaviours of our birdlife, and we are now deploying this knowledge to manage bird populations in a gentle and effective way. Allowing longer grasses in our immediate surroundings has encouraged spur-winged plovers to nest elsewhere, while topping pasture to reduce the prevalence of seed has made airport land less attractive for birdlife.

We monitor bird populations on our land on a weekly basis and are actively working with the Department of Conservation, Napier City Council, Hawke's Bay Regional Council and Fish & Game to manage habitats in our broader area, including our adjacent swamplands, the Ahuriri estuary and Westshore beach.

In the past year, we have successfully reduced bird strike at Hawke's Bay Airport by 14%.

**14% reduction in bird strike** 

## NET ZERO FUTURE

New Zealand is firmly on a path to carbon neutrality, with both the New Zealand Government and Hawke's Bay Regional Council committing to reaching net zero carbon emissions by 2050. Currently, domestic aviation makes up 1.24%<sup>1</sup> of New Zealand's carbon footprint. While emissions from airports are excluded from that figure, we have a vital role to play in supporting the decarbonisation of the aviation industry.

This year, Hawke's Bay Airport made a public pledge to reach net zero scope 1 and 2 emissions by 2030. This is a step change for our business and will require targeted action and investment. Achieving net zero will mean eliminating or offsetting all scope 1 and 2 emissions – those from sources Hawke's Bay Airport owns or controls, like vehicles and generators, and those generated by direct purchases, such as electricity.

Our scope 1 and 2 emissions are relatively low in comparison to other infrastructure providers and a focus on reduction over the past 18 months has already addressed several major sources of emissions. A review of commercial and operational activities identified nearly 40 initiatives that will make a further difference, and these have been incorporated into a comprehensive decarbonisation plan. Future projects include upgrading carpark lighting to energy-efficient LED or solar lighting and installing EV charging stations.

## AIRPORT CARBON ACCREDITATION

In 2020, we committed to pursuing the *Airport Carbon Accreditation* programme as a transparent, robust, and structured path to sustainability. Designed by the Airports Council International, the programme is considered the industry gold standard for carbon management and sets out six levels of certification. It is based on internationally-recognised standards ISO 14064-1:2018 and the GHG Protocol Corporate Accounting and Reporting Standard, and provides a stringent process for quantifying and reporting greenhouse gas emissions.

Last year, we achieved Level 1: Mapping, with both our carbon footprint and sustainability policy independently verified by an accredited expert. This year, we were proud to be the first regional airport in New Zealand to achieve the Level 2: Reduction accreditation. This required us to demonstrate a reduction in Scope 1 and 2 emissions, set a target for reduction, and present a plan to achieve it – all independently reviewed and verified in line with international standards. The Level 2 accreditation recognises Hawke's Bay Airport's commitment to emissions reduction, climate change mitigation, and sustainable development.



We are committed to following the *Airport Carbon Accreditation* programme and are now working towards attaining Level 3: Optimisation. This stage encompasses the inclusion of additional scope 3 emissions, such as fuel used in aircraft during take off and landing, fuel used in passenger and contractor vehicles, waste to landfill, staff travel and water consumption. It also requires developing a comprehensive stakeholder engagement plan outlining how we will communicate, share best practice, and collaborate with our stakeholders to reduce emissions from activities we can influence.

## CLIMATE RESILIENT INFRASTRUCTURE

Napier experienced a one-in-250-year flooding event on 9th November 2020, with 237 millimetres of rain in 13 hours – the second highest rainfall on record for Napier. Low-lying areas of the city were inundated by floodwaters, and a state of emergency declared.

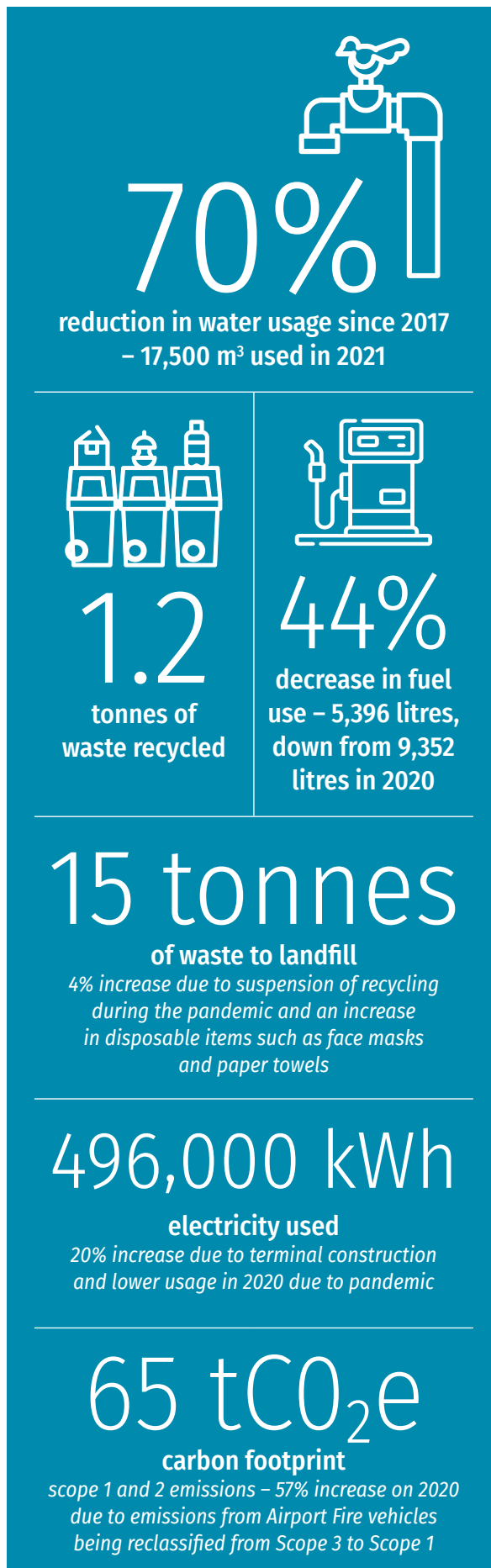
The downpour was a significant test for Hawke's Bay Airport's drainage infrastructure. Our pump station and drains were under pressure but performed as designed and ensured that the runway and terminal were free of surface water. The airport remained operational, with all scheduled flights able to land.

With extreme weather events likely to become more frequent with climate change, we are reviewing our infrastructure and developing a climate adaptation strategy in partnership with key regional stakeholders to ensure that we can continue to provide the services our region needs.

## DRIVING EMISSIONS DOWN

Hawke's Bay Airport is making meaningful change in our carbon emissions and this year, we took the first step toward electrifying our fleet, introducing a fully electric Applestone utility vehicle and a Mitsubishi PHEV Outlander to our airside operation.

The Mitsubishi hybrid was selected for its ability to run fully electric within shorter distances, meaning it can be operated as an EV on the tarmac. Combined, the two electric vehicles have saved 10.5 tonnes of carbon emissions and cut fuel costs by 41%.







# NGĀ HOA PARTNERS



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**Strategic Goal:** *Engaging with our customers, stakeholders, business partners and community to grow our airport in a way which benefits everyone. A great place to do business.*

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Partnerships are integral to a healthy future for our business, our economy, our community and our environment. At Hawke's Bay Airport, we are building genuine, meaningful partnerships with like-minded business, government and iwi organisations; collaborating on common goals and working together for the benefit of all.

We endeavour to make a positive contribution to our region and as we grow, we are working hard to bring our community along with us. This year, we have strengthened connections with our community both in person and online, sharing progress at the airport through our social channels and engaging our community in a series of information sessions about our master plan. Community partnerships have also played a special role in our new terminal, enriching the building with a sense of history, culture and place.

We are committed to investing in our community into the future and are proud to support a range of organisations, including Biodiversity Hawke's Bay, the Art Deco Trust, and Export Hawke's Bay.

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## PARTNERSHIPS WITH MANA WHENUA

The development of our new terminal presented a unique opportunity to grow and strengthen our relationships with mana whenua, working together to create a space that reflects the rich cultural heritage of Aotearoa and Ngāti Kahungunu.

We worked closely with Mana Ahuriri, engaging local designer and artist Jacob Scott (Ngāti Kahungunu, Te Arawa, Ngāti Raukawa, Te Atiawa) to design a series of carved panels that feature throughout the building.

Installed overhead, the unique digital carvings welcome and farewell our passengers, tell stories of people and place, and speak of flight, change and the collective challenges ahead. Upon arriving in Hawke's Bay, travellers are welcomed by carvings that represent a whaikaranga calling manuhiri (visitors) in, seven mana whenua hapū, and their haka and waiata. These carvings also tell the story of the devastating 1931 earthquake, represented by a jagged chevron pattern; one of the many changes that have impacted on this place in the world. They carry a message about resilience and the need to meet the challenges of change with innovation.

Above the café and lounge area in the heart of the terminal, another set of carvings represents the fuselage of an aircraft, the space between earth and sky, and the way air flows over wings to enable flight. It speaks of the connections between people and nature, the challenges to our planet, and the change we must make.

Travellers departing Hawke's Bay are farewelled by a third set of carved panels, which depict our connection to the rest of the world and illustrates mana whenua guiding travellers on their way.

We are privileged to have the stories of Te Matau-a-Māui (Hawke's Bay) woven through our new terminal, imparting a deep sense of place to the travellers passing through. We look forward to growing our relationships with mana whenua as we continue to work together into the future.



## FREE RIDE FOR CYCLISTS

Sustainability is a collective effort, and we are working hard to bring our local community along for the ride.

This year, we partnered with Willis Legal and EECA (the Energy Efficiency Conservation Authority) to create a dedicated facility for bikes and e-bikes. With room for 12 bikes, a repair rack and charging stations for e-bikes, it provides a zero emissions option for travel to and from the airport.

The Willis Legal Bikeport links Hawke's Bay Airport into the region's popular Rotary cycle paths, with local cyclists welcome to stop in for a rest, repair, or a coffee. It includes a cleverly-designed "plastic-negative" bench seat from environmental start-up Critical, made from around 1300 items of plastic waste that would otherwise have gone to landfill.

**900 natives** planted by **Biodiversity Hawke's Bay and the airport team**



## SUPPORTING BIODIVERSITY

Hawke's Bay Airport is committed to being a responsible kaitiaki, protecting and enhancing our environment. We are proud to be the Platinum Sponsor of Biodiversity Hawke's Bay, a local organisation on a mission to build a nature-rich future for our region. The partnership supports ecological restoration programmes across Hawke's Bay and is a natural fit with our focus on sustainability.

As part of our partnership, we are working together to green the areas around the airport. In October, the airport team joined Biodiversity Hawke's Bay volunteers to plant a previously barren stretch of waterway along the Watchman Road entrance to the airport. The 900 native plants – a mix of hebes and grasses – were grown in a local nursery adjacent to the airport and selected for their hardiness and suitability for the site. Over the coming years, they will enrich the soil, soak up carbon, and provide an additional habitat within our local ecosystem.

We are now working together to plant out an area of gravel beach on the approach to Hawke's Bay Airport. A council-owned protected zone for the airport's cross runway, known to locals as 'The Gap', it is home to native plants pimelea urvilleana, sand coprosma and wiwi, which are being threatened by invasive weeds.

With the help of Plant Hawke's Bay and our neighbours in Westshore, we are trialling a number of plants to find those best suited to the harsh environment. We are hopeful that The Gap may become a refuge for the leafless pohuehue, a rare plant native to the North Island, and that the project may become a blueprint for environmental collaboration.





## A TASTE OF LOCAL HISTORY

A restored 1928 AA Ford pickup truck is giving our new arrivals lounge an Art Deco flavour, thanks to a partnership with vintage car enthusiasts Neville Smith and Simon Moore. Originally owned by a local plumber, the truck was found in a state of disrepair and has been carefully stripped, blasted and repainted over many hours in an airport workshop. As a finishing touch, it was given a Lagoon Farms logo designed by Moore – a reference to the name given to the area of land around the airport after it was raised out of the sea by the 1931 earthquake.

The truck now occupies pride of place in our future retail zone, displaying a haul of locally made artisan foods and giving tourists a striking welcome to the Art Deco capital of the world.

## A NEW CHAPTER IN OUR HISTORY

This year saw the publication of *Wings Over Hawke's Bay – The Story of Our Airport*, a book on the history of Hawke's Bay Airport by locally-based historian Michael Fowler. The book covers the complete story of aviation in Hawke's Bay, from fledgling attempts to build and fly an aeroplane in 1908 to the Napier Aero Club's establishment of an airfield on reclaimed land after the 1931 earthquake, to the development of the airport as we know it today.



**12**  
bike spaces in the Bikeport,  
a dedicated facility for bikes  
and e-bikes in partnership  
with Willis Legal



**6+**

sponsor partners

**3<sup>rd</sup>**

year as Platinum  
Sponsor of  
Biodiversity  
Hawke's Bay



**3**

partners  
in aeronautical  
study assessing  
the level of  
Air Traffic  
Control services  
– Airways,  
New Plymouth  
Airport, and  
Gisborne Airport

**15**

winners recognised in  
Airside Artwork competition for local  
primary schools, from 85 designs for  
a sustainable airport of the future

**1,300**

pieces of plastic recycled  
into Bikeport seat

# BOARD OF DIRECTORS

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WENDIE HARVEY  
CHAIR



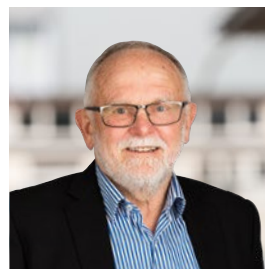
SARAH PARK  
DIRECTOR



JON NICHOLS  
DIRECTOR



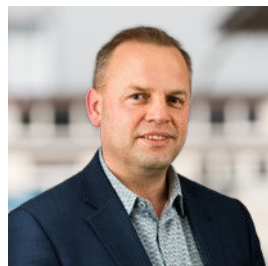
SARAH REO  
RETIRING DIRECTOR



TONY PORTER  
RETIRED DIRECTOR

# SENIOR MANAGEMENT

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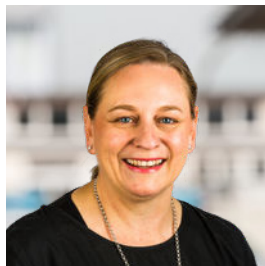
STUART AINSLIE  
CHIEF EXECUTIVE OFFICER



RACHEL ORCHARD  
CHIEF FINANCIAL OFFICER



GARETH MENTZER  
OPERATIONS MANAGER



STEPHANIE MURPHY  
AIRPORT PLANNER



IAN LOWRY  
COMMERCIAL ASSET MANAGER



# DIRECTORY

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## HAWKE'S BAY AIRPORT LIMITED

### REGISTERED OFFICE

Terminal Building  
111 Main North Road  
Napier 4140  
Hawke's Bay  
New Zealand

### POSTAL ADDRESS

PO Box 721  
Napier 4140  
Hawke's Bay  
New Zealand

[admin@hawkesbay-airport.co.nz](mailto:admin@hawkesbay-airport.co.nz)  
[www.hawkesbay-airport.co.nz](http://www.hawkesbay-airport.co.nz)

### BANKERS

ASB Bank Limited

### SOLICITORS

Dentons

### AUDITORS

Baker Tilly Staples Rodway  
Audit Limited on behalf  
of the Auditor-General



## DE HAVILLAND DRAGON MK II

### AVIATION ARTEFACTS

Thanks to the Hawke's Bay Aviation Heritage Association, Hawke's Bay Airport is now home to a very special piece of local aviation history. The original wooden propeller from the first commercial flight into Napier was gifted to the airport for permanent display, and now forms the centrepiece of a large-scale installation in the new terminal. The plane, a 1930s De Havilland Dragon MK 2, first landed at the fledgling Napier Airport in 1935. The propeller was rescued from Fiji, where the plane served in World War II, and is the only surviving piece.

Hawke's Bay Airport and the Hawke's Bay Aviation Heritage Association worked closely with George Williams from local company Blackdog Design on the concept and design for the display that houses this special artefact, creating a plywood installation that uses negative detailing to form line drawings of the De Havilland.





# FINANCIAL STATEMENTS

# DIRECTORS' REPORT

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## FOR THE YEAR ENDED 30 JUNE 2021

Hawke's Bay Airport Limited (the Company) is a company incorporated in New Zealand under the Companies Act 1993 and is owned by the Crown (50%), Napier City Council (26%), and Hastings District Council (24%). The Company is domiciled in New Zealand and its principal place of business is 111 Main North Road, Westshore, Napier. 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.

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## DIRECTORS

### BOARD APPOINTMENTS AND RETIREMENTS

Jon Nichols was appointed as a Director, effective 1 September 2020. Sarah Reo ceased to be a Director on 30 June 2021, and as at 30 June 2021, a new Director has yet to be appointed to fill this position. Tony Porter retired from the Board on 22 September 2020.

### DIRECTORS' REMUNERATION

The amount of \$117,458 per annum was paid to Directors holding office in the 12 months to 30 June 2021.

W N Harvey	Chairperson	44,000
S N Park	Chairperson – Audit, Finance & Risk Committee	25,500
S Reo	Director	23,000
J Nichols	Director	19,083
T M Porter	Director	5,875
		<b>117,458</b>

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No other remuneration or benefits other than normal reimbursement of expenses has been paid or given to Directors.

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## BOARD COMMITTEES

As at 30 June 2021, the Company had an Audit, Finance and Risk Committee comprised of all Directors, being Sarah Park (Chair), Wendie Harvey and Jon Nichols. The committee is responsible for overseeing:

- the quality and integrity of financial statements, reporting, budgets and material investment proposals;
- current risk exposures and the future risk strategy of HBAL, including strategy for capital and liquidity;
- the selection and performance of our external auditors; and
- accounting policies, the effectiveness of internal controls, the financial risk management system and related matters.



## DIRECTORS' INTERESTS

During the year ended 30 June 2021, the Directors declared general disclosure of interests in the following entities:

### W N HARVEY

Excellence in Business Solutions Limited	Director/Shareholder
New Zealand Gambling Commission	Commissioner
Eastland Group Limited	Director
Eastland Network Limited	Director
Eastland Port Limited	Director
The Electrical Training Company Limited	Director
Aurora Energy Limited	Director
Fire and Emergency New Zealand	Director
Hawke's Bay Airport Construction Limited	Director
Gisborne Airport Limited	Director
Centralines Limited	Director - Retired October 2020

### S N PARK

Scotch & Sparkles Limited	Director/Shareholder
Eurogrow Potatoes Limited	Director
Pacific Edge Limited	Director
Pacific Edge Diagnostics New Zealand Limited	Director
Pacific Edge Analytical Services Limited	Director
Board of Trustees of the National Provident Fund	Independent Trustee
Hawke's Bay Airport Construction Limited	Director
Rapid Response Nursing	Director/Shareholder
Even Capital GP Limited	Director/Shareholder
Waiapu Anglican Social Services Trust Board	Independent Chair of Audit & Risk Committee

### J NICHOLS

Eastland Group Limited	Director
Eastland Network Limited	Director
Eastland Port Limited	Director
Gisborne Airport Limited	Director
Electra Limited and subsidiaries	Director
Nichols Consulting Limited	Director/Shareholder
Palmerston North Airport Limited	Director
Hawke's Bay Airport Construction Limited	Director
Hastings District Council	Independent Chair of Risk & Assurance Committee
Maungaharuru-Tangitu Trust	Independent Chair of Risk & Assurance Committee
Centralines Limited	Director - Retired October 2020

### S M REO

Heretaunga Tamatea Settlement Trust	Trustee
Sarah Reo Consulting Limited	Director/Shareholder
Orawa Limited	Director/Shareholder
Te Kura o Pakipaki	Trustee
Hawke's Bay Airport Construction Limited	Director

### T M PORTER

Pornell Tractor Company Limited	Director
Hawke's Bay Airport Construction Limited	Director

### S AINSLIE - CEO

Art Deco Trust Inc.	Board member
ExportNZ Hawke's Bay	Chair

Details of any related party transactions made during the year are shown in Note 18 of the Notes to the Financial Statements.

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## BOARD ATTENDANCE

DIRECTOR	POSITION	TENURE	MEETINGS ATTENDED	OF A POSSIBLE
W N Harvey	Chair	Full year	10	10
S N Park	Director/AFRC Chair	Full year	10	10
S Reo	Director	Full year	9	10
J Nichols	Director	10 months	9	9
T M Porter	Director	3 months	2	2

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## EMPLOYEE REMUNERATION

The number of employees or former employees who received remuneration and other benefits of \$100,000 or more for the year ended 30 June 2021 and prior was as follows:

REMUNERATION	NUMBER OF EMPLOYEES	
	2021	2020
\$140,001 - \$150,000	1	2
\$150,001 - \$160,000	1	-
\$160,001 - \$170,000	-	1
\$180,001 - \$190,000	1	-
\$290,001 - \$300,000	1	1

### CHIEF EXECUTIVE REMUNERATION

In the financial year ended 30 June 2021, the Chief Executive was paid total remuneration of \$296,056. This included an at risk component of \$22,500 related to achievement of key performance indicators directly aligned with the Group's strategy. (2020: total remuneration \$297,498, including an at-risk component of \$25,000).

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## AUDITORS

The Office of the Auditor-General is appointed as auditor under Section 15 of the Public Audit Act 2001 and Section 70 of the Local Government Act 2002. Philip Pinckney of Baker Tilly Staples Rodway Audit Limited has been appointed to provide these services.

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## DIVIDENDS

As agreed with shareholders, no dividend will be paid for the financial year ended 30 June 2021 (2020: nil)

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## DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for ensuring that the financial statements and the Statement of Service Performance fairly present the financial position of the Company as at 30 June 2021 and its financial performance and cashflows for the year ended on that date.

The Directors consider that the financial statements of the Company have been prepared using appropriate accounting policies consistently applied, are supported by reasonable judgements and estimates, and that all relevant financial reporting and accounting standards have been followed.



## DIRECTORS' INFORMATION

The Hawke's Bay Airport Limited Board regularly reviews its skills against current and future requirements. Despite its relatively small size of four Directors, the current Board has a diverse skill set with particular strengths in the aeronautical and infrastructure sectors, risk and compliance, legal and regulatory matters, and corporate governance. Strengthening the Board's capability in property development and management, environmental sustainability and green energy, technology and cyber security, and iwi partnerships will be areas of focus for future appointments. The size of the board means securing capabilities across all areas is challenging, and makes capability building essential. This occurs through targeted skill development for directors and management, engaging external consulting support, and ongoing professional development for directors.

STRATEGIC CONTEXT FOR ALIGNMENT OF CAPABILITY	CAPABILITY	NUMBER OF DIRECTORS WITH HIGH AND MODERATE CAPABILITY				FOCUS FOR FUTURE BOARD APPOINTMENTS
CREATING VALUE FOR STAKEHOLDERS THROUGH DELIVERY OF STRATEGY	Aeronautical	●	●	●		●
	Infrastructure	●	●	●		
	Property development and management	●	●			●
	Environmental sustainability and green energy	●	●	●	●	●
ENSURING EXCELLENCE IN OPERATIONAL AND FINANCIAL MANAGEMENT	Financial	●	●	●	●	
	Risk and compliance	●	●	●		
	Legal and regulatory	●	●	●	●	
	Technology and cyber security	●	●	●		●
	Corporate governance	●	●	●	●	
SAFETY FIRST	Health and safety	●	●	●		
BEING A PEOPLE AND VALUES-BASED COMPANY	People and culture	●	●	●	●	
	Iwi partnerships	●	●			●

KEY: ● High Capability ● Moderate Capability ● Future Focus

# STATEMENT OF SERVICE PERFORMANCE

## FOR THE YEAR ENDED 30 JUNE 2021

The following is a Statement of Service Performance relating to the key objectives listed in Hawke's Bay Airport Limited's Statement of Corporate Intent for the year ending 30 June 2021.

		SOI FULL YEAR	RESULT TO DATE	% VARIANCE	STATUS
OPTIMISE SHAREHOLDER VALUE & RETURNS	Passenger numbers	317,923	461,056	45%	●
	Revenue	4,178,546	6,661,208	59%	●
	EBITDA	1,024,680	3,755,532	267%	●
	NPAT	-1,566,945	555,314	135%	●
	ROE - annualised	-5.10%	1.64%	132%	●
	Gearing	47%	40%	14%	●
	Equity	49%	52%	7%	●

	ACTIVITY & OUTCOME	MEASURE	TARGET DATE	COMMENTARY	STATUS
COVID-19 RECOVERY	1 An uncompromising safety focus and compliance with COVID-19 operational guidelines at all times	Monthly review of COVID-19 management plan, risk and business recovery	Monthly	Continuous review of COVID-19 safety procedures in line with government policies	●
	2 Dynamic calibration of financials and business planning	Monthly review of aeronautical recovery forecasts and resource allocation	Monthly	Development of various forecast scenarios	●
	3 Actively encourage pragmatic whole of aviation industry approach to recovery	HBAL presence at all relevant forums. Regular meetings with relevant aviation stakeholders including Air NZ, Airways and other airports.	Ongoing	Completed workshop with economic development agencies in October 2020. Stalled due to RED review	●
	4 Regional collaboration to champion Hawke's Bay air connectivity as critical part of national tourism strategy	Develop Regional Air Services Strategy in consultation with Hawke's Bay Tourism	30/08/20	Workshop with regional economic development agencies held at end of 2020. Strategy stalled due to COVID-19 impacts and review of HB Business Hub/economic development agencies	●
	5 Review economies of scale and insourcing versus outsourcing of key operational resources	Review complete and implemented	7/01/20	Insourcing of Fire Service and review of operations/administration resource	●
	6 Review aeronautical pricing in consultation with major airline partner	Aeronautical pricing consultation complete and agreed with key parties	30/12/20	Aeronautical pricing consultation completed October 2020	●

KEY: ● Meets or exceeds target ● Within 10% of target ● 10% or more below target



		ACTIVITY & OUTCOME	MEASURE	TARGET DATE	COMMENTARY	STATUS
COVID-19 RECOVERY	7	Optimise returns from existing infrastructure by reviewing product offering and developing differentiated propositions	Segmented propositions implemented	30/12/20	Review of car parking completed July 2020	●
	8	Manage short term in-terminal retail proposition to best meet customer demand whilst preserving viability of third-party operators	Monthly meetings with retail operator to review passenger feedback and performance	Monthly	Flexibility around timings and operations of airport temporary café	●
	9	Prioritise the safe reinstatement of Airport Ambassador programme	Enhanced customer satisfaction/ASQ	Monthly	Ambassador programme managed in coordination with NZ Government requirements. ASQ waiver granted until April 2021	●
	10	Proactively monitor wellbeing of staff	Internal welfare survey completed	Quarterly	Continuous staff meetings by Zoom during COVID-19. Wellbeing assessment underway	●
	11	Achieve financial and operational targets as per SOI	SOI FY2020-21 with a focus on reducing cost and optimising revenues	30/06/21	Exceeding target	●
OPERATIONS	12	Operating and effective safety management system	Internal SMS Tracker updated monthly	Monthly	Safety management plan in place as per CAA audit, health and safety data tracking positively	●
	13	Practical completion of terminal redevelopment	Stage 3 completed	31/03/21	Delayed due to COVID impacts (i.e. resources). Opened 6 August 21.	●
	14	Bi-annual Strategic Risk/ Compliance Review	Review implemented	Biannual	Risk registers reviewed regularly. Governance risk reviewed early 2021	●
	15	Review and refine Wildlife Management Plan	Second phase plan implemented	30/11/20	Ongoing review of wildlife management undertaken	●
	16	Reduction of carbon emissions against established benchmarks.	Achieve Level 2 Airport Carbon Accreditation (ACA)	30/01/21	Achieved January 2021	●

KEY: ● Meets or exceeds target ● Within 10% of target ● 10% or more below target

	ACTIVITY & OUTCOME	MEASURE	TARGET DATE	COMMENTARY	STATUS	
COMMERCIAL	17	Improve service levels and returns by leveraging existing infrastructure	Implement research-based product segmentation of carpark	31/01/21	Work to advance in line with full Surface Transport Strategy	<div></div>
			Develop and implement revised aeronautical conditions of use	31/08/20	New CoU implemented Nov 2020	<div></div>
			Complete review of general aviation charges in line with industry benchmarks	31/08/20	Completed November 2020. Users paying new charges – some negative response	<div></div>
	18	Improve carpark to gate and customer experience and car parking returns	>10% of transactions are ticketless/Improved ASQ scores	31/06/21	New carparking system bedded in. Introduction of ticketless payment	<div></div>
	19	Revise Ground Transport Strategy to ensure alignment with sustainability framework and new technologies	Transport Strategy review complete	30/09/20	Work in progress in alignment with Ground Transport Strategy	<div></div>
	20	Leverage grants/ sponsorship where possible to expedite sustainability outcomes	Network with private and public stakeholders to identify opportunities for collaboration	Ongoing	Funding support from HBT for new airline startup & RED. EECA funding for Bikeport & EV chargers	<div></div>
21	Grow in-terminal retail engagement and per passenger spend rates	Procure new retail operator/s. Strong focus on non-price attributes. Maximise returns from digital advertising assets	30/11/20	Bay Espresso signed up for new F & B contract. Procurement of new digital assets	<div></div>	
PROPERTY	22	Work closely with Napier City Council planners to ensure HBAL interests are considered in district plan review	Completed RMA Framework	30/08/20	Draft documentation provided to NCC in October 2020. NCC Draft District Plan release delayed till mid-2021	<div></div>
	23	Refine commercial property strategic plan in alignment with RMA/sustainability framework and market demand	Property Strategy and Marketing plan in place	30/11/20	Marketing plan for Ahuriri Aeropark developed and ready to go to market end June 2021	<div></div>
	24	Stimulate property development opportunities	Proactive engagement and collaboration with key strategic partners	Ongoing	A number of pipeline property opportunities at time of writing. Two new GA hangars completed	<div></div>
	25	Develop guidelines for future development to ensure strategic alignment	HBAL development guidelines approved	31/12/20	Draft guidelines developed and to be reviewed in line with NCC District Plan review process	<div></div>
	26	Develop renewable energy project	Feasibility study complete for land-based renewable project	31/10/20	Solar farm feasibility study completed and business case tabled to board	<div></div>

KEY: ● Meets or exceeds target ● Within 10% of target ● 10% or more below target



	ACTIVITY & OUTCOME	MEASURE	TARGET DATE	COMMENTARY	STATUS
PARTNERS	27 Proactively engage with Hawke's Bay community, local and central government and other key stakeholders	Supportive environment for wider airport	Ongoing	Maintained positive contact with local/NZ Government. Development of Regional Economic Development Framework	●
	28 Partnership/collaboration with regional leaders around sustainability outcomes	Ensure airport presence/voice at regional forums	Ongoing	Establishment of Napier Port Sustainability Initiative. Attended HBRC event with Simon Upton. HB Trails official partner	●
	29 Undertake stakeholder and public consultation as part of NCC district plan review	Community to work as one team.	31/07/20	Public information sessions completed in June	●
	30 Continued collaboration with mana whenua	Regular meetings/engagement/property partnerships	Ongoing	Regular meetings with Mana Ahuriri. Collaboration around culture and land use	●
	31 Collaborate on a plan for the future delivery of air traffic services	Regular meetings with Airways and partner airports	Ongoing	Successfully completed aeronautical study in collaboration with Airways	●
	32 Partnership with regional stakeholders to grow air services	Develop Regional Air Services Strategy in partnership with Hawke's Bay Tourism and other stakeholders	31/08/20	Working on establishment of Regional Aviation Development Strategy	●
PEOPLE	33 Invest in team's development and training	Training and development programme	30/06/21	RFS/ASQ training	●
	34 Develop team capability	Resources/expense in line with financial forecast	30/06/21	RFS training. Insourcing completed satisfactorily	●
	35 Proactively engage with staff to ensure engagement and optimise wellbeing in the workplace	Staff engagement and culture survey completed	Quarterly	Regular communications/Wellbeing programme being planned	●
	36 Continue to build on success of Airport Ambassador programme	>85% of existing Ambassadors complete two years of service	30/06/21	80% of Ambassadors still in programme. Regular communications during COVID lockdowns. Natural attrition	●

KEY: ● Meets or exceeds target ● Within 10% of target ● 10% or more below target

CONSOLIDATED

# STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021 \$	2020 \$
Aeronautical		3,933,817	3,750,257
Ground Transport		1,811,959	1,910,202
Business Park		402,768	398,886
Other Revenue		512,664	217,156
<b>Total Revenue</b>	4	<b>6,661,208</b>	<b>6,276,501</b>
<b>Less Operating Expenses</b>	5	<b>(2,905,675)</b>	<b>(4,094,005)</b>
<b>Operating Profit Before Financing Costs and Depreciation</b>		<b>3,755,532</b>	<b>2,182,496</b>
Depreciation		(2,386,284)	(2,140,097)
Impairment Reversal/(Charge)		-	696,400
Gain/(Loss) on Disposal of Assets	6	(44,337)	(1,371,441)
Finance Income		25	569
Finance Expense		(342,103)	(349,309)
<b>Net Profit before income tax</b>		<b>982,833</b>	<b>(981,382)</b>
Income Tax Expense	7	(427,519)	(31,258)
<b>Net Profit after income tax</b>		<b>555,314</b>	<b>(1,012,640)</b>
Items that will not be reclassified into profit or loss:			
Deferred tax on revaluation	7	138,336	138,336
<b>Total Comprehensive Income</b>		<b>693,650</b>	<b>(874,305)</b>



CONSOLIDATED

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2021

	Issued Capital	Retained Earnings	Revaluation Reserve	Total Equity
<b>Balance at 1 July 2020</b>	<b>13,789,155</b>	<b>8,374,816</b>	<b>11,065,081</b>	<b>33,229,051</b>
Profit/(Loss) for the period	-	555,314	-	555,314
Revaluation of Property, Plant & Equipment	-	-	-	-
Reclassification of depreciation on revalued assets	-	494,056	(494,056)	-
Movement in deferred tax on revaluation reserve	-	-	138,336	138,336
<b>Total comprehensive income</b>		<b>1,049,371</b>	<b>(355,721)</b>	<b>693,650</b>
Distributions to shareholders (note 11)	-	-	-	-
<b>Movement in equity for the period</b>	<b>-</b>	<b>1,049,371</b>	<b>(355,721)</b>	<b>693,650</b>
<b>Balance at 30 June 2021</b>	<b>13,789,155</b>	<b>9,424,186</b>	<b>10,709,360</b>	<b>33,922,701</b>
<b>Balance at 1 July 2019</b>	<b>13,789,155</b>	<b>8,893,400</b>	<b>11,420,801</b>	<b>34,103,356</b>
Profit/(Loss) for the period	-	(1,012,640)	-	(1,012,640)
Revaluation of Property, Plant & Equipment	-	-	-	-
Reclassification of depreciation on revalued assets	-	494,056	(494,056)	-
Movement in deferred tax on revaluation reserve	-	-	138,336	138,336
<b>Total comprehensive income</b>		<b>(518,584)</b>	<b>(355,721)</b>	<b>(874,305)</b>
Distributions to shareholders (note 11)	-	-	-	-
<b>Movement in equity for the period</b>	<b>-</b>	<b>(518,584)</b>	<b>(355,721)</b>	<b>(874,305)</b>
<b>Balance at 30 June 2020</b>	<b>13,789,155</b>	<b>8,374,816</b>	<b>11,065,081</b>	<b>33,229,051</b>

CONSOLIDATED

# STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

	Note	2021 \$	2020 \$
<b>ASSETS</b>			
Trade and other receivables	8	924,671	748,178
Cash and cash equivalents		420,234	281,818
<b>Total current assets</b>		<b>1,344,905</b>	<b>1,029,996</b>
Property plant and equipment	9	58,181,256	52,127,424
Investment property	10	4,822,594	4,960,606
Intangibles		383	961
Right of use assets	15	296,637	420,510
<b>Total non-current assets</b>		<b>63,300,870</b>	<b>57,509,500</b>
<b>Total Assets</b>		<b>64,645,775</b>	<b>58,539,495</b>
<b>EQUITY</b>			
Issued capital		13,789,155	13,789,155
Retained earnings		9,424,186	8,374,815
Revaluation reserve		10,709,361	11,065,081
<b>Total equity</b>	11	<b>33,922,701</b>	<b>33,229,051</b>
<b>LIABILITIES</b>			
Trade and other payables	12	1,932,168	996,513
Employee benefits		116,620	110,882
Borrowings	13	-	18,261,762
Provision for retentions payable	14	225,697	153,971
Lease liabilities	15	108,371	105,181
<b>Total current liabilities</b>		<b>2,382,856</b>	<b>19,628,309</b>
Deferred tax liability	7	4,205,952	4,355,256
Rentals in advance	12	927,308	1,011,549
Borrowings	13	23,000,000	-
Lease liabilities	15	206,958	315,329
<b>Total non-current liabilities</b>		<b>28,340,218</b>	<b>5,682,135</b>
<b>Total liabilities</b>		<b>30,723,073</b>	<b>25,310,444</b>
<b>Total equity and liabilities</b>		<b>64,645,775</b>	<b>58,539,495</b>

These financial statements were authorised for issue by the board on 8 September 2021 on behalf of Hawke's Bay Airport Limited.



WENDIE HARVEY  
Chair



SARAH PARK  
Director & Audit, Finance & Risk Committee Chair



CONSOLIDATED

# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021 \$	2020 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Cash was provided from:</b>			
Revenues		6,517,429	6,281,680
Interest received		25	569
		<b>6,517,454</b>	<b>6,282,249</b>
<b>Cash was disbursed to:</b>			
Suppliers and employees		(3,100,254)	(4,069,868)
Goods & Services Tax (Net)		(12,848)	190,993
Interest paid		(479,489)	(383,955)
Income tax paid		(108,339)	(235,304)
		<b>(3,700,931)</b>	<b>(4,498,133)</b>
<b>Net Cash Flows from Operating Activities</b>		<b>2,816,523</b>	<b>1,784,116</b>
<b>CASHFLOWS FROM INVESTING ACTIVITIES</b>			
<b>Cash was provided from:</b>			
Sale of fixed assets		-	46,549
<b>Cash was disbursed to:</b>			
Capital works		(7,311,166)	(8,894,021)
<b>Net Cash Flows from Investing Activities</b>		<b>(7,311,166)</b>	<b>(8,847,472)</b>
<b>CASHFLOWS FROM FINANCING ACTIVITIES</b>			
<b>Cash was provided from:</b>			
Borrowings		4,738,238	7,197,462
<b>Cash was disbursed to:</b>			
Lease payments		(105,181)	(34,333)
<b>Net Cash Flows from Finance Activities</b>		<b>4,633,057</b>	<b>7,163,129</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>138,415</b>	<b>99,772</b>
Add opening cash and cash equivalents		281,818	182,046
<b>Closing cash and cash equivalents at end of year</b>		<b>420,234</b>	<b>281,818</b>
<b>Represented by:</b>			
Cash at bank		416,121	277,332
Cash in hand		4,113	4,486
		<b>420,234</b>	<b>281,818</b>

AP

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

## 1 BASIS OF PREPARATION AND PRINCIPLES OF CONSOLIDATION

### STATEMENT OF COMPLIANCE

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

### BASIS OF CONSOLIDATION

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

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

### MEASUREMENT BASE

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

### PRESENTATION CURRENCY

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

### CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS

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

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

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

### SIGNIFICANT ACCOUNTING POLICIES

Accounting policies are disclosed in each of the applicable notes to the financial statements and are designated with an AP and as shown below.

AP

## 2 CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies and all accounting policies adopted are consistent with the prior year.

## 3 SIGNIFICANT TRANSACTIONS AND EVENTS IN THE FINANCIAL YEAR

The financial position and performance of the Group was particularly affected by the following events during the reporting period.

### COVID-19

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

Throughout the 2021 financial year Hawkes Bay Airport has remained focused on achieving its strategic goals, albeit within the context of navigating the recovery cycle from the effects of COVID-19.

Despite the ongoing uncertainty around Alert Level restrictions, the Trans-Tasman bubble and the some negative economic impacts following the 2020 lockdowns, the demand for air travel within New Zealand has rebounded quicker than originally forecast with air traffic capacity reaching around 90% of pre-Covid-19 levels by the end of the 2021 financial year.

The recovery seen in the latter part of the financial year is very positive, evidenced by July 2021 recording the highest ever revenue month for the business. However, a return to a nationwide COVID-19 Level 4 lockdown in August 2021 highlights that the Group remains vulnerable to Covid-19 related impacts and as such, the board and management team continue to maintain forward-looking scenarios to enable the airport to rapidly respond to changes in operating conditions and keep close control of cost, whilst also building resilience from diversified revenue streams.

Management have assessed the impact of COVID-19 on the balance sheet; specifically on the carrying value of Property, Plant & Equipment and receivables, with any provisioning reflecting management's best estimate of the impact based on information available at the time of preparing these financial statements. There has been no material impact on the balance sheet.

## 4 OPERATING REVENUES

Aeronautical income includes all revenue from landing charges, aircraft parking, concessions, airfield and terminal rentals.

Ground Transport revenue includes all income from the car parks and associated transport operators.

Business park revenue includes all rental income from tenants occupying sites on the business park investment property.

Other revenue includes advertising, use of the conference facilities, subsidies and other revenue.

All revenue is net of discounts and rebates.

AP

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



## 5 OPERATING EXPENSES

	2021 \$	2020 \$
Audit Fees - audit of financial statements	45,845	60,062
Directors Fees	117,458	115,304
Employee Benefits	1,209,521	1,113,126
One-off Restructuring Costs	-	218,060
Other Operating Expenses	1,532,851	2,587,453
	<b>2,905,675</b>	<b>4,094,005</b>

## 6 GAIN/(LOSS) ON DISPOSAL OF ASSETS

	2021 \$	2020 \$
Write off of the net book value relating to parts of the old terminal building which were demolished during the financial year.	(44,337)	(1,371,441)

AP

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

## 7 TAXATION

	2021 \$	2020 \$
<b>A. Current Year Reconciliation</b>		
<b>Profit Before Taxation</b>	<b>982,833</b>	<b>(981,382)</b>
Prima Facie Taxation @ 28%	275,193	(274,787)
<b>Adjusted for the tax effect of:</b>		
Depreciation on revalued assets	138,335	138,336
Non deductible expenses	10,784	167,708
Prior Years (over)/under provision	3,206	-
<b>Income Tax Expense</b>	<b>427,519</b>	<b>31,258</b>
<b>Comprising</b>		
Current Tax	438,488	24,844
Deferred Tax	(10,969)	6,414
	<b>427,519</b>	<b>31,258</b>
<b>B. Taxation Payable/(Receivable)</b>		
Balance at 1 July	38,931	245,733
Prior period adjustment	24,591	3,474
Terminal Tax (paid)/refunded	(63,522)	(235,120)
	<b>-</b>	<b>14,087</b>
Current Tax Payable	413,897	24,844
Provisional Tax paid	(44,466)	-
RWT paid on Interest	(3,963)	-
<b>Balance at 30 June</b>	<b>365,468</b>	<b>38,931</b>

### C. Imputation Credit Account

Imputation Credits carried forward  
Decrease arising from tax refunded during the year  
Increase arising from tax paid during the year  
Applied to Dividends paid

#### Balance at 30 June

2021 \$	2020 \$
3,535,558	3,300,173
-	(24,715)
488,221	260,100
-	-
<b>4,023,779</b>	<b>3,535,558</b>

### D. Deferred Tax Reconciliation

Opening balance  
Deferred tax expense  
Revaluation of PP&E

#### Closing balance

4,355,256	4,487,178
(10,969)	6,414
(138,336)	(138,336)
<b>4,205,952</b>	<b>4,355,256</b>

### Reconciliation of Deferred Tax Expense

#### Reclassified from current tax

Charged to tax expense  
Credited to other comprehensive income

(10,969)	6,414
(138,336)	(138,336)
<b>(149,305)</b>	<b>(131,922)</b>

### E. Deferred Tax Analysis

Holiday Pay  
Provision for doubtful debt  
Intangibles  
Income in Advance  
Runway Refurbishment  
Capitalised interest  
Revaluation of PP&E  
IFRS 16 - leases  
Asset Base and Depreciation Differences

(16,474)	(8,246)
-	4,526
(47)	(47)
(285,609)	(309,209)
326,947	386,552
92,083	53,615
2,804,060	2,942,396
(2,383)	-
1,287,375	1,285,668
<b>4,205,952</b>	<b>4,355,256</b>

AP

### Income tax expense

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

#### Current tax

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

#### Deferred tax

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

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

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

## 8 TRADE AND OTHER RECEIVABLES

	2021 \$	2020 \$
Accounts Receivable	487,386	396,909
Provision for doubtful debts	-	(15,951)
Prepayments	345,014	287,796
GST Receivable	92,271	79,423
	<b>924,671</b>	<b>748,178</b>

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

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

## 9 PROPERTY, PLANT AND EQUIPMENT

	Land & Land Improvements	Airport Infrastructure & Buildings	Other Assets	Capital Work in Progress	Total
<b>AT 30 JUNE 2020</b>					
Fair Value	6,077,688	38,896,960	2,698,457	5,659,987	<b>53,333,092</b>
Accumulated Depreciation	0	(0)	1,205,668	-	<b>1,205,668</b>
	<b>6,077,688</b>	<b>38,896,960</b>	<b>1,492,789</b>	<b>5,659,987</b>	<b>52,127,424</b>
<b>Opening net book value</b>					
Additions	3,036	3,150	28,418	8,151,434	<b>8,186,038</b>
Disposals	-	3,974	4,506	22,466	<b>30,946</b>
Depreciation	966	1,899,019	201,274	-	<b>2,101,260</b>
Transfers		17,917	117,722	(135,639)	<b>0</b>
<b>Closing net book value</b>	<b>6,079,759</b>	<b>37,015,035</b>	<b>1,433,148</b>	<b>13,653,314</b>	<b>58,181,256</b>
<b>AT 30 JUNE 2021</b>					
Fair Value	6,080,725	38,914,054	2,840,091	13,653,314	<b>61,488,183</b>
Accumulated Depreciation	966	1,899,019	1,406,942	-	<b>3,306,927</b>
	<b>6,079,759</b>	<b>37,015,034</b>	<b>1,433,148</b>	<b>13,653,314</b>	<b>58,181,256</b>

### PROPERTY, PLANT AND EQUIPMENT (PPE) VALUATION APPROACH

The valuation of the Group's PPE is completed in accordance with recognised financial reporting and valuation standards and the Group's accounting policies. At the end of each reporting period, the Group makes an assessment of whether the carrying amounts differ materially from fair value and whether a revaluation is required. In order to make this assessment, the Group seeks independent advice from a registered independent valuers with specialist expertise in the relevant asset classification.

Management review and discuss the key inputs into the valuation with the valuers. Discussion about the valuation process, methodology, key inputs and results are held between Management and the Board. Additions subsequent to any revaluation are carried at cost.



## LAND AND LAND IMPROVEMENTS

Land and Land Improvements are valued at Fair Value as defined by NZ IAS 16. Fair Value is determined using Market Value- Highest and Best Alternative Use methodology. Recent market based sales evidence is considered in the assessment. The Land valuation uses Level 3 inputs for the rural land and car park, as per categorisation in the Fair Value Hierarchy.

Land was valued by Telfer Young as at 30 June 2021. The results of this valuation conclude that there has been an increase in fair value of land assets relative to the previous valuation as at 30 June 2020. The Group has taken a conservative approach and considered that the increase in fair value is not sufficiently material to warrant a revaluation at this time, bearing in mind the uncertainties relating to COVID-19 at the time of preparing these financial statements.

## AIRPORT INFRASTRUCTURE, BUILDINGS & OTHER ASSETS

Airport Infrastructure and Buildings are valued at Fair Value as defined by NZ IAS 16. They include the terminal building, sealed surfaces (runways, apron, taxiways), car park, fencing, utilities, motor vehicles and roading assets.

These assets were valued by Peter Seed as at 30 June 2021, using an income based approach to calculating Fair Value in accordance with NZ IFRS 13- Fair Value Measurement. The valuation methodology calculated Enterprise Values for aeronautical assets (assets used for passenger transport including terminal) and non-aeronautical assets (retail and commercial lease assets, carparking) from discounted cash flows derived from forecast passenger numbers, revenues, expenditures and capital expenditure. This is level 3 in the Fair Value Hierarchy.

The results of this review conclude that there has been an increase in the fair value of Airport Infrastructure and Buildings assets relative to the carrying value. The Group has taken a conservative approach and considered that the increase in fair value is not sufficiently material and contains sensitivity (see below) to the extent that it does not warrant a revaluation at this time, bearing in mind the uncertainties relating to COVID-19 at the time of preparing these financial statements and the fact that the Airport Expansion Project is not yet fully complete. Refer to sensitivity analysis below for potential impact and note 3 for more discussion of COVID-19 implications.

## SENSITIVITY ANALYSIS

Due to the impact of COVID-19 on the Group and the uncertainty that exists around the timeframe for recovery of the aviation sector from the latest lockdowns, the sensitivity of the discounted cashflow valuation to the key variables of passenger numbers and WACC was calculated. With all other variables held constant, the impact of these changes to the central enterprise value in Peter Seed's valuation report of \$61.612m is:

	Range	Impact on Value
Passenger Volume*	low-9% to high+8%	-\$7.1m to +\$5.2m
WACC	-0.5% to +0.5%	+\$2.7m to -\$2.5m

\*The passenger related sensitivity range is not symmetrical as based on specific passenger forecasts.

As shown in the Statement of Changes in Equity there was an additional depreciation charge of \$494,056. (2020: \$494,056) as a result of the prior year revaluation of the Airport Infrastructure & Buildings assets.

### AP

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

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

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

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

## ASSETS UNDER CONSTRUCTION/CAPITAL WORK IN PROGRESS

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

## DISPOSAL OF PROPERTY PLANT AND EQUIPMENT

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

## CYCLICAL MAINTENANCE UPGRADES

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

AP

### Depreciation

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

The principal depreciation rates are as follows:

Airfield Infrastructure: Base	0.71% to 5.56%	Fencing	5.00% to 15.00%
Surface	6.67% to 10.00%	Lighting	4.00% to 10.00%
Business Park Infrastructure	0.00% to 10.00%	Furniture & Fittings	10.00%
Buildings	2.50% to 10.00%	Motor Vehicles	12.50%
Plant & Equipment	2.90% to 40.00%	Office Equipment	30.00%
Car Park & Roading	1.67% to 5.00%		

AP

### Intangibles

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

## 10 INVESTMENT PROPERTY

	Land & Land Improvements	Business Park Infrastructure & Buildings	Capital Work in Progress	Total
<b>AT 30 JUNE 2020</b>				
Cost	2,899,688	3,000,830	145,402	<b>6,045,920</b>
Accumulated depreciation	170,509	914,806	-	<b>1,085,315</b>
	2,729,179	2,086,025	145,402	<b>4,960,606</b>
<b>Opening net book value</b>				
Additions			22,562	<b>22,562</b>
Disposals				<b>-</b>
Depreciation	33,619	126,955		<b>160,574</b>
<b>Closing net book value</b>	<b>2,695,559</b>	<b>1,959,071</b>	<b>167,964</b>	<b>4,822,594</b>
<b>AT 30 JUNE 2021</b>				
Cost	2,899,688	3,000,830	167,964	<b>6,068,482</b>
Accumulated depreciation	204,128	1,041,760	-	<b>1,245,889</b>
	2,695,560	1,959,070	167,964	<b>4,822,594</b>

The Group is developing a business park on the surplus airfield land under the brand name “Ahuriri Aero Park”. The development commenced in 2013. The initial tenant of the Ahuriri Aero Park has prepaid its rentals for the 21 year term of the lease. This income is being recognised over the term of the lease.

As at 30 June 2021 the Group considered whether any indicators of impairment exist and calculated the recoverable amount. The Ahuriri Aero Park land has been valued at \$7,320,000 (2020: \$5,810,000) by an independent valuer, Telfer Young Ltd as at 30 June 2021. This is a bare land valuation and does not include the value of land improvements or existing rental streams. The asset is recorded at cost less accumulated depreciation and any impairment losses.

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

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

## 11 EQUITY

	Shares on Issue	2021 \$	2020 \$
Ordinary shares	1004	13,789,155	13,789,155
Revaluation Reserve		10,709,360	11,065,081

All shares have equal voting rights and share equally in dividends and surpluses on winding up. All shares are fully paid and have no par value. No dividend was declared or paid during the 2021 financial year (2020: nil)

The revaluation reserve arises on the revaluation of property, plant and equipment. When revalued property, plant and equipment is sold, the portion of the revaluation reserve that relates to that asset is transferred directly to retained earnings.

## 12 TRADE AND OTHER PAYABLES

	2021 \$	2020 \$
General: Trade	206,739	412,543
Capital Expenditure	1,245,389	464,366
Rentals in Advance	88,905	84,286
Income in Advance	25,667	-
Income Tax Payable	365,468	35,320
	<b>1,932,168</b>	<b>996,514</b>

Rentals in advance due beyond twelve months totals \$927,308 (2020: \$1,011,549).



## 13 BORROWINGS

The Group refinanced its debt funding facilities during the financial year and as at 30 June 2021 has a Term Loan facility of \$23m; Revolving Credit facility up to \$5m and Overdraft facility up to \$500,000 available with the ASB Bank. As at the prior year, 30 June 2020, the Group had a term facility of \$19.5m, and a flexible facility of up to \$1.5m available from the ANZ Bank.

The term loan facility is divided into two equal tranches with two and three year terms respectively with an evergreen clause included in the facility agreement. The average interest rate on the term loan facility was 2.16% p.a (2020: 2.56% p.a).

The revolving credit facility has a two year term and the average interest rate on funds drawn during the year was 1.57% (2020: 4.89%). The facilities are secured by a General Security Agreement.

On the 29th of June 2021 the Group cancelled the shareholder loan facilities totalling \$9m (Crown \$4.5m; NCC \$2.34m; HDC \$2.16m) which were established on 10 July 2020 to enable completion of the Terminal Expansion Project and ensure the Group's working capital requirements could be met throughout the period of recovery from the effects of COVID-19.

The shareholder loan facilities were not drawn on at all during the financial year.

Facility	Commencement Date	Expiry Date	Facility Limit 30/06/21	Amount Drawn 30/06/21	Amount Drawn 30/06/20
<b>ASB TERM LOAN:</b>					
Tranche A	Jun-21	Jun-23	11,500,000	11,500,000	-
Tranche B	Jun-21	Jun-24	11,500,000	11,500,000	-
ASB Revolving credit	Jun-21	Jun-23	5,000,000	-	-
ASB Overdraft	Oct-20	On Demand	500,000	-	-
ANZ Flexi facility	Mar-18	Oct-20	1,500,000	-	1,296,337
ANZ Term Loan	Mar-18	Oct-20	19,500,000	-	16,965,424
<b>SHAREHOLDER LOAN FACILITIES:</b>					
Crown	Jul-20	Jun-21	4,500,000	-	-
ANZ Term Loan	Jul-20	Jun-21	2,340,000	-	-
ANZ Term Loan	Jul-20	Jun-21	2,160,000	-	-

## 14 PROVISION FOR RETENTIONS PAYABLE

Various subcontractors engaged on the Terminal Expansion Project are subject to retention clauses within their construction contracts. Retentions are held in trust by the Group until such time as it is appropriate to release them i.e.either upon practical completion of the works or at the end of the defects liability period.

	2021 \$	2020 \$
<b>Provision at the Start of the Year</b>	<b>153,971</b>	<b>37,520</b>
Increase/(decrease) to the Provision during the year	96,490	116,451
Use of the Provision during the year	(24,764)	-
<b>Provision at the End of the Year</b>	<b>225,697</b>	<b>153,971</b>

## 15 RIGHT OF USE ASSETS AND LEASE LIABILITIES

### a) Amounts Recognised in the Balance Sheet

#### Right of Use Assets

Land  
Vehicles (Fire Appliance)

2021 \$	2020 \$
48,890	48,890
247,747	371,620
<b>296,637</b>	<b>420,510</b>

#### Lease Liabilities related to leases are split between current and non-current

Current  
Non-current

108,371	105,181
206,958	315,329
<b>315,329</b>	<b>420,510</b>

There were no additions to the right-of-use assets during the 2021 financial year (2020: \$420,510.)

### b) Amounts recognised in the statement of comprehensive income

#### Depreciation charge on Right of Use Assets

Right of Use Assets  
Land

113,692	-
-	-
<b>113,692</b>	<b>-</b>

#### Interest expense

<b>48,419</b>	<b>34,333</b>
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All leases are accounted for by recognising a right-of-use asset and a lease liability in accordance with NZ IFRS 16, except for:

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

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

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

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

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

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

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

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

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

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

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

## 16 COMMITMENTS

### OPERATING COMMITMENTS:

As at 30 June 2021 the Group had an agreement to lease a fire appliance until June 2023. The lease is included in the lease liabilities note 15. The Group has a lease agreement to lease land as part of the runway extension for a term of 35 years expiring on 30 April 2045 with ongoing rights of renewal. Due to the perpetual nature of the lease, the lease liability is calculated as \$48,890. Both the aforementioned leases are recorded as a lease liabilities under NZ IFRS 16 Leases.

### CAPITAL COMMITMENTS:

As at 30 June 2021 the Group is contractually committed to capital expenditure totalling \$1,740,491 relating to the Terminal Expansion project. In the prior year at 30 June 2020 the Group was contractually committed to capital expenditure totalling \$6,625,217, with \$6,593,038 of this relating to the Terminal Expansion Project and the balance associated with general business.

## 17 CONTINGENCIES

There are no known contingent liabilities (2020: nil).

## 18 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

On the 29th of June 2021 the Group cancelled the shareholder loan facilities totalling \$9m (Crown \$4.5m; NCC \$2.34m; HDC \$2.16m) which were established on 10 July 2020 to enable completion of the Terminal Expansion Project and ensure the Group's working capital requirements could be met throughout the period of recovery from the effects of COVID-19.

The shareholder loan facilities were not drawn on at any time during the financial year.

## 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.

All transactions between Hawke's Bay Airport Limited and Hawke's Bay Airport Construction Limited are eliminated on consolidation so there are no related party transactions to disclose at Group level.

## KEY MANAGEMENT PERSONNEL COMPENSATION

	2021 \$	2020 \$
Compensation paid to key management personnel (Directors, Chief Executive and Chief Financial Officer) during the financial year was:	593,917	566,721

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.

## 19 FINANCIAL INSTRUMENTS

The Group is party to financial instruments as part of its normal day to day operations.

The main financial instruments are:

- Cash and cash equivalents
- Accounts receivable
- Trade payables
- Borrowings

The Group has no off balance sheet financial instruments.

## FAIR VALUE OF FINANCIAL INSTRUMENTS

All financial assets and financial liabilities carrying amounts are a reasonable approximation of fair value. The fair value estimates were determined by the following methodologies and assumptions.

### Cash and Cash Equivalents

The reported amounts approximate fair value.

### Accounts Receivables

The reported amount approximates fair value because they are assessed for impairment and all amounts are receivable within three months of balance date.

### Trade Payables

The reported amount approximates fair value because they are payable in the short term.

### Borrowings

The reported amounts approximate fair value because they are at market interest rates.

## FAIR VALUE ESTIMATION

Assets and liabilities are recorded at fair value and are valued according to the fair value hierarchy as follows:

### Level 1

Quoted prices (unadjusted) in active markets for identical assets or liabilities.

### Level 2

Inputs rather than quoted prices included in level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

### Level 3

Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

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## Financial assets

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

### Amortised cost

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

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

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

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

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

### Financial liabilities

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

## 20 EVENTS SUBSEQUENT TO BALANCE DATE

On the 17th of August 2021 the New Zealand Government announced a nationwide COVID-19 Level 4 lockdown. At the time of signing these financial statements this remains in place for the Auckland region, with the rest of New Zealand operating under COVID-19 Level 2 restrictions. As was the case in 2020, the Group's management have moved swiftly to preserve the cash position of the business by implementing a recovery plan that amongst other factors reduces the cost base where possible, defers non-essential capital expenditure and accesses all available Government subsidies. The purpose of those actions is to offset as much of the reduction in revenue as possible, while still being able to operate safely to the required CAA standards and provide needed services for airport users. Throughout the 2021 financial year Hawkes Bay Airport remained focused on achieving its strategic goals, albeit within the context of navigating the recovery cycle from the effects of COVID-19. The Group considers that the recovery from the latest COVID-19 lockdown will allow for continued focus on all strategic priorities within the current financial year.

The Group opened the new terminal building to the public on 6th August 2021, noting there are some external works to be finished to complete the forecourt and external aesthetics of the building so that a final Certificate of Code Compliance can be granted by Napier City Council.

(2020: On 27 August 2020 the Group received written confirmation from the ANZ Bank that it waives the breach of the leverage covenant by the Group as at 30 June 2020 and that existing debt facilities remain available to the Group to support Terminal Expansion Project expenditure and operational working capital until expiry of the facilities in November 2021).

# INDEPENDENT AUDITOR'S REPORT

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## TO THE READERS OF HAWKES BAY AIRPORT LIMITED'S GROUP FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2021

The Auditor-General is the auditor of Hawkes Bay Airport group (the Group). The Auditor-General has appointed me, Philip Pinckney, using the staff and resources of Baker Tilly Staples Rodway Audit Limited, to carry out the audit of the financial statements and the performance information of the Group on his behalf.

### OPINION

We have audited:

- the financial statements of the Group on pages 46 to 62, that comprise the statement of financial position as at 30 June 2021, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the Group on pages 42 to 45.

In our opinion:

- the financial statements of the Group on pages 46 to 62:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2021; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime; and
- the performance information of the Group on pages 42 to 45 presents fairly, in all material respects, the Group's actual performance compared against the performance targets and other measures by which performance was judged in relation to the Group's objectives, for the year ended 30 June 2021.

Our audit was completed on 8 September 2021. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

### BASIS FOR OUR OPINION

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### RESPONSIBILITIES OF THE BOARD OF DIRECTORS FOR THE FINANCIAL STATEMENTS AND THE PERFORMANCE INFORMATION

The Board of Directors is responsible on behalf of the Group for preparing financial statements and performance information that are fairly presented and that comply with generally accepted accounting practice in New Zealand.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.



In preparing the financial statements and the performance information, the Board of Directors is responsible, on behalf of the company for assessing the company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Local Government Act 2002.

#### **RESPONSIBILITIES OF THE AUDITOR FOR THE AUDIT OF THE FINANCIAL STATEMENTS AND THE PERFORMANCE INFORMATION**

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually, or in the aggregate, they could reasonably be expected to influence the decision of readers taken on the basis of these financial statements and the performance information.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of the internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We evaluate the appropriateness of the reported performance information within the company's framework for reporting performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial statements and the performance information of the entities or business activities within the Group to express an opinion on the consolidated financial statements and the consolidated performance information. We are responsible for the direction, supervision and the performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify in our audit.

Our responsibilities arise from the Public Audit Act 2001.

#### OTHER INFORMATION

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 4 to 41, but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### INDEPENDENCE

We are independent of the Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with, or interests in, the Group.



Philip Pinckney  
Baker Tilly Staples Rodway Audit Limited  
On behalf of the Auditor-General  
Hastings, New Zealand



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