

HAWKE'S BAY AIRPORT

Empowering Connections

Te Pūrongo Ā-Tau
Annual Report 2023


1



Ka tūhono motuhenga i te tangata, i te pakihi, me te rohe

We connect people, business, and the region in meaningful ways.

Contents

Empowering connections	2
Chair's Report	4
Chief Executive Officer's Report	6
Year in review and highlights	8
Operations	10
Commercial Success	13
People	16
Partnerships	19
Our Environment	22
Our People	26
Financial Statements	28
Corporate Report	30
Consolidated Statement of Comprehensive Income	39
Consolidated Statement of Changes in Equity	40
Consolidated Statement of Financial Position	41
Consolidated Statement of Cash Flows	42
Notes To The Consolidated Financial Statements	43
Independent Auditor's Report	60
Directory	63



Whiria te taura here tangata

Empowering connections

Whether it's bringing friends and whānau together, creating a vibrant business environment, or welcoming visitors from around New Zealand and the world, Hawke's Bay Airport is empowering connections. Connections between people, connections between businesses and organisations, and connections between regions. Through our public ownership and the role we play as a critical lifeline and transport asset, we're committed to connecting Hawke's Bay, and are deeply invested in seeing our region thrive.

By building, strengthening, and nurturing our connections at home and afar, we can be more, and do more for Hawke's Bay, going further and faster than we could alone.


Welcom back dad
I Love you from
Athena



Te Pūrongo a te Toihau

Chair's Report

Reflecting on this year it is impossible to look past the most significant weather event in Hawke's Bay's recent history. Cyclone Gabrielle inflicted unimaginable damage and personal suffering on our region.

Our airport demonstrated its strategic, regional importance as lifeline infrastructure. As many areas were flooded or cut off from power, Hawke's Bay Airport became a beacon for both the emergency response and a community in need. My heartfelt gratitude goes to our entire team; not just for the immediate response but for the ongoing focus on future resilience for the region. It is clear that Hawke's Bay Airport is a connector of communities, regions, and businesses, and plays an important part in regional leadership.

In November 2022, the final piece of the terminal expansion project was completed as we unveiled the new forecourt area to the community. This was an important milestone for the airport after five years of construction and is a wonderful platform for regional connections and growth.

We now turn our attention to strategic priorities that will propel the airport into the future.

These priorities, reshaped during the cyclone, give us clear direction with key milestones for the board and the business to focus on over the next few years. This includes how airport infrastructure evolves for the future, increasing air connectivity, renewing our focus on the business park, digital transformation, and progressing the solar farm for the future of power generation and aviation needs. These priorities are reflected in our Statement of Intent, and define the success by which our performance will be measured.

Our board saw changes, with Sarah Park leaving after eight and a half years, and airport specialist Darin Cusack joining the team in January. We farewell Sarah, with huge thanks for her contribution, and welcome Darin, whose airports and aviation experience will be invaluable as we seek to accelerate progress on our strategic priorities.

As a key transport gateway, having sustainable and regular air services is critical for regional growth and resilience. With regional recovery in mind, we are playing an active role in advocating for the passenger and freight air transport services our region relies on and deserves. It's imperative that resilient air services and access to the airport are embedded into the regional transportation strategy for Hawke's Bay.

Our performance, as measured against our 2022 - 2023 Statement of Intent, shows that we achieved most of our objectives. Notably, we increased our revenue from key non-aeronautical activities by 77% year on year.

Having a commercially viable airport is as important for the region as it is for our shareholders. The lessons from the COVID-19 years and the cyclone only serve to reinforce our strategy to diversify revenues and spread risk, while never losing sight of our core purpose of being an aviation gateway.

Growth in future non-aeronautical revenue will come from the development of airport land, including advances in the Ahuriri Aeropark, additional airside jet facilities, and the solar farm project. These projects are part of our long-term vision for the benefit of the airport and the growth of Hawke's Bay's economy.

As a significant transport and lifeline asset for Hawke's Bay our connections with regional leaders are crucial to our success and our place at the table in conversations about our region's future.

Our commitment to the continued relationship with Mana Ahuriri is very important to us, as is our shared vision with multiple regional partners. These valued relationships are as significant now as they have ever been.

Our future success will be measured not only in what we do, but how we do it. It will require working at pace across multiple projects, working collaboratively, and participating in conversations and initiatives to support regional prosperity.

While unexpected challenges and adversity have been a theme for much of Hawke's Bay in 2023, it's the triumphs of the airport that shine and I'm proud to say that Hawke's Bay Airport has achieved great success and delivered on the expectations of our stakeholders.



Wendie Harvey
CHAIR



Te Pūrongo a te Tumu Whakarae

Chief Executive Officer's Report

This past year has been marked by resilience, growth, and significant achievements. Our commitment to facilitating connections, even in the face of adversity, has never been stronger. At Hawke's Bay Airport, we take pride not only in being an essential lifeline utility but also in our role as a unifying force that brings people, businesses, and regions together.

The year commenced with a steady increase in passenger numbers as COVID-19 restrictions were lifted. This easing of restrictions played a pivotal role in boosting passenger numbers, which continued to rise into the new year. The period following Cyclone Gabrielle saw a remarkable surge in passenger traffic due to the extensive road closures in Hawke's Bay. March 2023 saw the second-highest passenger numbers in our history, although we still have more work to do to get back to pre-pandemic levels.

Strong growth in passenger numbers this year saw a return to profit. We enjoyed a robust financial position with revenues of $12.7 million (up from $6.7 million last year), a net profit after tax of $2.8 million (up from $801K), and pleasing Operating Profit after Operating Expenses of $7.5 million; proof that getting travellers through our doors underpins our operations.

Cyclone Gabrielle had a major impact on our region. Our airport community rallied together to provide vital services for locals and cyclone-affected individuals. Despite the cyclone's impact, our airport remained operational and provided a critical gateway for the emergency response and vital support services like the New Zealand Defence Force.

I take immense pride in the role that Hawke's Bay Airport played in the aftermath of this extreme weather event, and I'd like to personally thank the team, our tenants, and emergency services for what was achieved.

Post cyclone, our role as an essential lifeline has become even more evident in the minds of many, and offered a renewed focus for our strategic priorities.

Projected passenger numbers drive our infrastructure planning, but the cyclone response propelled a few projects to the front of the queue. These include the apron upgrade, parking enhancement work, and prioritising a second emergency entrance to the airport via a new roundabout on State Highway 2. A new fire station, and a state-of-the-art fire appliance are in the pipeline.

Our overall commitment to elevating service levels has driven the expansion of our airport team with the creation of several new roles. These will support the delivery of multiple projects with a larger focus on health and safety, airport fire and customer experience, while also enhancing our communications and engagement.

Our sustainability journey continues to make strides with a key highlight of 2023 being our achievement of ACA Level 4+ carbon accreditation making us the first airport in Australasia to have reached this level.

At the 2022 New Zealand Airports Awards we were awarded the Sustainability Initiative of the Year for our market-leading sustainability linked bank loan, and Community Engagement of the Year for our Biodiversity Week initiative. These two great awards were topped off by winning Medium Airport of the Year – a fantastic accolade.

We continue to make progress towards the development of a large-scale solar farm in partnership with Manawa Energy, an important step to achieving our green energy goals. Considerable work is underway working towards our resource consent application and, when complete, the solar farm will support Hawke's Bay's energy needs and will be an enabler to the future of zero emission aviation.

In April this year we saw an important operational change with the introduction of ticketless parking technology in our car park. This newly implemented system aligns with our ongoing digital transformation journey, reaffirms our dedication to enhancing customer experience, and signifies our commitment to sustainability through the adoption of a ticketless approach.

To support regional connectivity, we partnered with Tauranga-based Sunair to establish a regular weekday passenger service connecting Hawke's Bay Airport with Wairoa, Gisborne, and Tauranga. This has proved popular post-cyclone, particularly while the roading connecting our region remains vulnerable.

This year, we have deepened our relationship with Mana Ahuriri, consistently engaging in meaningful discussions and updates regarding our ongoing projects in the airport's vicinity, including the solar farm, potential freight hub, and Ahuriri Aeropark.

Other strong partnerships continued this year with the support and encouragement we provided to Hawke's Bay Tourism's Great Wines Capital initiative - a huge boost for our region's tourism. Being recognised as one of the 12 great wine capitals of the world, Hawke's Bay certainly has a reason to take pride in its exceptional wineries and the tourism dollars they help to generate. In partnership with Hawke's Bay Tourism we also secured the hosting of the Australasian Airports Conference in June 2024, a first for a New Zealand airport, and a significant opportunity for Hawke's Bay to bolster tourism and business travel with the major airlines.

Finally, I am incredibly proud of our team's dedication and hard work this past year, as well as the commitment from our Airport Ambassadors who in February celebrated four years providing a friendly face and expert help to airport visitors and passengers. I also extend my gratitude to our board for their continuous support and guidance.

It is with optimism and excitement that we look to the future, building upon our successes, fostering growth, and remaining a symbol of connectivity, resilience, and sustainability for our community and beyond.



Rob Stratford
CHIEF EXECUTIVE OFFICER

Te arotake i te tau me ōna painga

Year in review and highlights

Performance

Passenger numbers up from 394k FY22 to 640k FY23

108% increase in aeronautical revenue

Net profit after tax $2.8M, Operating profit after operating expenses $7.5M

Operations

Cyclone Gabrielle response

Forecourt opening and landside works completed

Ticketless parking introduced

Purchase of a new fire appliance confirmed for delivery in 2024

Commercial

77% increase in non-aeronautical revenue

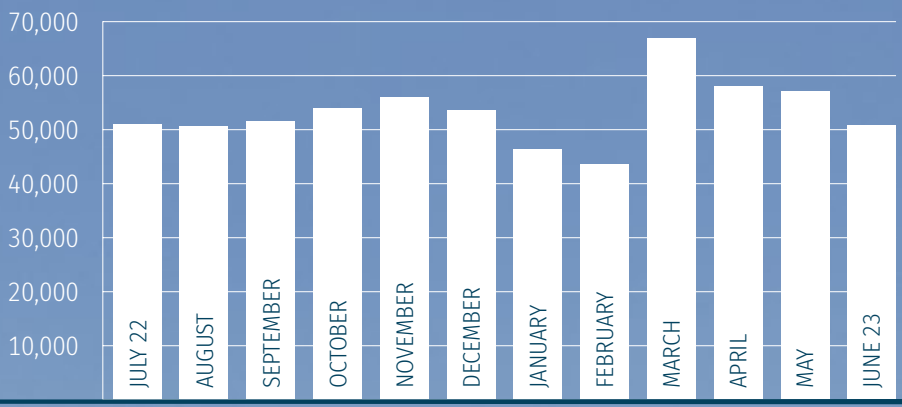
Launch of Sunair service connecting the East Coast

Awarded medium 'Airport of the Year' at the NZ Airports Association Awards 2022



Passenger Numbers

Financial Year 2023



People

Six new recruits to the Hawke's Bay Airport team

Ambassadors celebrate Four-year anniversary of service

'Unsung Hero' award presented to team member at the ExportNZ ASB Hawke's Bay Export Awards 2022

Partnerships

Partner in Great Wine Capitals of the World

Australasian Airports Roundtable Conference secured for 2024

New sponsorship of Big Brothers Big Sisters Programme

Awarded 'Community Initiative of the Year' at NZ Airports Association Awards 2022

Environment

First airport in Australasia to achieve ACA Level 4+ 'transition'

Awarded 'Sustainability Initiative of the Year' at the NZ Airports Association Awards 2022

Completed replacing vehicle fleet with EV or hybrid

Replaced car park lights with energy efficient LEDs





Ngā Whakahaere

Operations

Our operational focus for the past year has been about optimising the new terminal and forecourt area as flight and passenger numbers increased following the impacts of COVID-19. In February, Cyclone Gabrielle presented a unique test of our team's capability.





All hands on deck

Cyclone Gabrielle was the ultimate test for our operations team, and they came through with flying colours thanks to good preparation and management of known risks. We were well prepared heading into the cyclone, fortunately our site was relatively unscathed by the cyclone. This enabled the airport to remain operational and fulfil its role as a critical lifeline utility for Hawke's Bay.

In the wake of the disaster, the emergency response sprang into life and it was all hands on deck to support the New Zealand Defence Force and Civil Defence teams. In addition to Air New Zealand's scheduled passenger services, multiple aircraft were flying, including RNZAF Hercules, NH90 helicopters, Police Eagle helicopter, and the Royal Australian Air Force's Spartan aircraft. An influx of commercial helicopters and light aircraft were also using the air space to support the delivery of emergency supplies around the region. None of this would have been possible without the support of Hawke's Bay Airport's tenants, such as Air Napier, who took over the management of the apron which was a huge task, Red Airworx who became a pop-up welfare centre for those being airlifted from danger, and Air New Zealand for delivering an empathetic and critical service to customers trying to get in and out of the region.

For the wider community, stranded by cut-off roads and power cuts, the terminal became a centre for wellbeing. With power and free Wi-Fi available, people flocked to the terminal to connect with loved ones and charge their digital devices. Terminal retailers were able to open, supporting the community in need which gave people a real boost.

Strong relationships meant that whenever we needed help, we could call on our network for assistance. Special thanks to the Landcorp team, Napier Port, Civil Defence, Unison, our airport community including tradespeople, Civil Aviation Authority, and suppliers.

Thank you to everyone in our airport and aviation community who supported the Cyclone Gabrielle response. And a special mention to Air New Zealand for setting up a service to Gisborne in the wake of the cyclone which not only connected loved ones but also allowed important regional connections to continue while the East Coast road network was out of action.

Forecourt completion

In November, we officially opened our stunning new forecourt at Hawke's Bay Airport, completing the terminal expansion project. As the region's aviation gateway, we take pride in creating a place that both locals and visitors can cherish. To mark this milestone, Airport board members, staff, shareholder representatives, Mana Ahuriri hapū representatives, contractors, and partners such as Hawke's Bay Tourism and Art Deco Trust joined a dawn pōwhiri to bless the site.

The forecourt was designed by local architects Mauvan Scott, with renowned artist Jacob Scott instrumental in creating the cultural designs of the space, which link the stories carved within the terminal. This aesthetically pleasing and functional forecourt features carved pou and canopy panels, native planting, and streetscape design.

A timber waharoa (gateway) shaped like a beak extends from the forecourt's entrance, welcoming passengers to our region. The waharoa and the roofwings of the building pay homage to the Kuaka or Bar-tailed godwit, which migrates from Alaska each year to feed in the nearby Ahuriri estuary.

After years of construction, our terminal expansion project is now fully complete and enjoyed by visitors and passengers.

Renewal of Aerodrome Operating Certificate

Fundamental to our business is our Aerodrome Operating Certificate. Quite simply, without it we cannot operate as an Airport, making it the single most important compliance requirement to us.

Civil Aviation Rules require that every airport must renew its Aerodrome Operating Certificate every five years. Understandably, the process is complex and exacting. It takes specialist expertise to ensure that our policies and procedures continue to meet compliance and ensure best practice and requires collaboration with emergency service organisations and other aviation partners.

We are delighted to say that as we put this annual report to bed, the renewal process will be completed. A huge thanks to everyone involved in this vital process.





Goodbye paper, hello ticketless parking

Smart licence plate recognition technology came to our parking facilities in April, making paper tickets a thing of the past and offering a simpler experience for visitors and travellers.

The new system is working well, and regular visitors are now very accustomed to the smooth, fuss-free process. Ticketless parking has also successfully eliminated issues such as lost and wet tickets, that were a bugbear with the old paper-based system.

Future capability

Our firefighting and emergency response capability is poised to take a huge leap forward with the purchase of a new fire appliance. Approved for purchase this year and due for delivery in FY 2024 this vehicle will replace one of our older fire appliances. Priced at $1.6 million, this vehicle was one of three purchased for various airports in New Zealand which increased our buying power.

Our future capability includes the need for a second access route into the airport. A new roundabout is proposed to the north of the airport on State Highway 2 which will support emergency response efforts in times of crisis such as the aftermath of Cyclone Gabrielle. A second entry will also support the expansion of the northern area of the airport for future freight opportunities.

I MŌHIO RĀNEI KOE?

DID YOU KNOW?

Our runways

At 1750 metres, our sealed runway is long enough to accommodate narrow body jets such as the Boeing 737 and Airbus A320.

We also have a cross runway used by the general aviation community which allows smaller aircraft to land in easterly or westerly winds. An area of Westshore, known as Te Taha, or The Gap is a natural shingle beach that can never be built on because it forms part of the cross runway.



Angitu ā-Arumoni

Commercial Success

Having a strong, commercially successful airport is critical for regional connectivity and growth. Hawke's Bay Airport is committed to continuing the expansion of commercial services on both sides of the tarmac (airside and landside).

We have three priorities: continuing to grow passenger numbers, creating a business park servicing the needs of local and national businesses and establishing air freight services to support our regional exporters.

After several years where commercial returns were dented by COVID-19 restrictions, the return of passengers this year has had a positive impact for airlines and airport tenants alike. In turn, this has meant a profitable year for the Airport, exceeding forecast revenue.



Regional tourism partnership

We play an active role in contributing to visitor growth to and from Hawke's Bay. That's why, throughout the year we have partnered with other airports, airlines and tourism organisations to seek opportunities to attract more visitors to our beautiful region.

In July 2022 we launched "You're Invited", a joint promotion with Dunedin Airport, Enterprise Dunedin and Hawke's Bay Tourism designed to increase visitorship between the two regions. This first-of-a-kind campaign encouraged Hawke's Bay locals to discover Dunedin, and vice versa. Delivered through digital and radio advertising, the campaign attracted more than two million impressions and increased direct flight bookings; proving that done well, airports and regions can work together to create growth.

East Coast connectivity

Air connectivity was never more critical than in the months after Cyclone Gabrielle. With the region cut off by road to the north, connecting the East Coast by air became a priority. We worked with national airlines to highlight the need and consulted with councils and other airports to see what could be done.

Thankfully, Sunair answered the call, and in late June, the flights connecting Napier, Wairoa, and Gisborne took off. Small but mighty, this service offers a fast alternative to travelling by road, which for business travellers will be invaluable.

I MŌHIO RĀNEI KOE?

DID YOU KNOW?

Business park plans

Our location and land area mean developing a business park has been in our planning for many years. With the pandemic and terminal expansion behind us, we have a renewed strategy for the Ahuriri Aeropark, which will support regional growth and offer great links for air services and future freight opportunities. It will be designed for longevity with special consideration to storm water management and sustainable building principles.





Primed and ready

Around the world and throughout New Zealand, airport business parks are proven to be excellent locations for businesses, commercial growth and productivity. Offering great connectivity and complementary services, well planned and managed business parks are regional enablers and revenue generators. That's why Hawke's Bay Airport is committed to the development of Ahuriri Aeropark. Tenants such as ABB and Skyline Aviation already enjoy the benefits of being located here, and growing the Ahuriri Aeropark is an important strategic priority for us.

Hampered by the pandemic, further expansion of the Aeropark had stalled, but behind the scenes work continued to reshape what the Aeropark could really become. The resulting plan is the creation of a dynamic commercial area south of the terminal and a logistics hub to the north. These two areas will maximise the use of the premium land around the airport.

Moving products and produce is already an important enabler for Hawke's Bay, and soon air freight will become part of the story. Unlocking the area of Ahuriri Aeropark will allow air freight to become a reality, and when it does, businesses will have another alternative for transporting goods from Hawke's Bay. We see air freight as being particularly important for our exporters.

We are committed to the future of Ahuriri Aeropark and believe the time is right for it to take flight. Watch out for exciting progress.

Airport community

A thriving airport should have an equally thriving set of businesses operating from it. We are fortunate to have many local and national businesses with aeronautical and non-aeronautical functions based at Hawke's Bay Airport. These businesses comprise our airport community which adds to the overall vibrancy for travellers. Future growth of businesses at the airport will further enhance the airport environment.

Customer experience

We know Hawke's Bay Airport is well-respected in the community, but we are always striving to make sure we deliver the very best customer experience. Our new terminal and forecourt have proven to be a wonderful new 'shop front', having already welcomed more than a million passengers. We create regular events and experiences throughout the year, to boost the vibrancy of the terminal experience. We regularly track customer experience through a passenger survey, which assesses our performance relative to other airports of similar scale worldwide.

Outside the terminal the introduction of ticketless parking and the expansion of the public parking area complete this year's customer experience enhancements.

Airport of the Year

Taking the time to reflect on key achievements is important for any business and being recognised for those achievements is even better. In 2022, we were flying high after receiving the Airport of the Year award at the 2022 NZ Airport Awards. We had incredible success in the medium-sized airport category, taking home three awards, including Sustainability Initiative and Community Initiative of the Year.

This recognition is owed to the hard work and dedication of our team and is a great marker for what we can collectively achieve in the future.



Ngā Tāngata

People

2023 has been an extraordinary year in many ways for our people. While we didn't have the same pandemic response pressures as in previous years, preparing for the delivery of large projects, planning for future growth, and the incredible response to Cyclone Gabrielle would not have been possible without a strong team working behind the scenes.





A growing team

Building capability in the Hawke's Bay Airport team is integral to the delivery of our strategic goals and vision for the future.

Over the course of FY 23, we recruited new team members to meet the more complex needs of the business. Kelly Hosken joined us as Office Co-ordinator in October 2022. Kelly made her mark immediately and is invaluable to the success of the whole team.

Our new Chief Financial Officer, Rochelle Ham, has an incredible finance and operational background and is already proving to be an asset to the team.

Gavin Carey-Smith joined us in the new role of Senior Asset and Infrastructure Manager. Gavin's knowledge and understanding of large projects will hold us in good stead for the future.

Clare Hollings joined the team as our Marketing and Communications Lead. Her experience is vital to the way we communicate internally and externally.

We also recruited for a new specialist Health and Safety Advisor, further strengthening our commitment to being a safe, secure, and sustainable airport for all. This appointment has enhanced health and safety practices across the airport to proactively manage risks and safety protocols, while guiding the entire Hawke's Bay Airport team on best practice.

And just before the year ended, we welcomed Karl 'Buck' Buchanan to the Airport Fire Service. His great attitude is already making an impact.

Making journeys better

Our team of volunteer ambassadors are a vital part of our Hawke's Bay airport whānau. They are our eyes and ears and do a fantastic job interacting with airport visitors and travellers. Our ambassadors offer airport visitors friendly helpful assistance and great Hawke's Bay Airport hospitality. On-site seven days a week, they're knowledgeable, approachable, and passionate about their roles, helping things go that little bit more smoothly.

This year our ambassador programme marked its four year anniversary. In that time our ambassadors' customer service skills proved invaluable during the COVID-19 years, and through our terminal expansion programme, enabling our operations team to get on with the job.

Places on the team are highly sought after; in fact we have a waiting list of people wanting to join! We couldn't be more grateful or appreciative of our ambassadors, they are an essential and highly valued part of our Hawke's Bay Airport team.



A hero among us

Damian Corbett, our Airside Safety and Security Manager, received the Unsung Hero Award at the 2022 ExportNZ Hawke's Bay ASB Export Awards. It couldn't have gone to a nicer, more deserving person, so congratulations Damian!

Damian has been a dedicated member of our team since 2012, bringing a wealth of experience from his background in the RNZAF and the volunteer fire service. He's risen through the ranks to Airside Safety and Security Manager and Chief Fire Officer and leads the team by example in aerodrome safety, rule compliance, and firefighter training. A devoted single Dad and a community pillar, Damian co-founded Dads HQ who published 'The Blokes Book', as well as volunteering with the Rapid Response Team for Civil Defence Emergency Management. Damian's dedicated contributions to the community, the Airport team, and as a father are marked by his humility and dedication.

Spreading the word

Our people often get the opportunity to present to different groups to share information and plans for the airport which is an important part of getting the message of Hawke's Bay Airport out into the wider community.

In his first year as CEO, Rob Stratford presented to numerous groups including Hawke's Bay Chamber of Commerce, and became a member of the Regional Transport Committee.

Michelle Duncan, a leader in her field as Sustainability Projects Manager for Hawke's Bay Airport was invited to present at the NZ Airports Hui in September 2022.

And our Operations Manager, Deb Suisted, has spoken to numerous agencies and at public forums about Hawke's Bay Aiport's response to Cyclone Gabrielle.

I MŌHIO RĀNEI KOE?

DID YOU KNOW?

Our airport is the first in Australasia to achieve the highest level of carbon accreditation

In February we were awarded the highest level of carbon accreditation status by Airports Council International: Airport Carbon Accreditation Level 4+ 'Transition'. It has been a long journey and has taken a lot of work, including collaborating with others to get to this point, but we continue to make strides.

We now have to maintain this status and continue our progress.



Ngā Kōtuinga

Partnerships

Partnerships are vital to Hawke's Bay Airport. Ensuring we have strong and healthy relationships with our stakeholders, local businesses and communities is why we believe in giving back via a robust partnership and sponsorship programme.

We sponsor a diverse range of organisations, including Biodiversity Hawke's Bay, Art Deco Trust, and Hawke's Bay Air Ambulance. We want these to consistently enrich the community we are part of, fostering partnerships that contribute to the growth and prosperity for both our community and economy.



As we continue to grow, we place great emphasis on bringing our community with us. The past year has been unusual for our sponsorship efforts, with Cyclone Gabrielle affecting two of the major events that we support – the internationally renowned Art Deco Festival and the Hawke's Bay Marathon. However, we were very happy to be of assistance to our partners and stakeholders during the worst of the cyclone's aftermath, providing essential power, Wi-Fi and general support. We believe this is testament to the relationships we have nurtured with the organisations we work with, including our collaboration in securing Hawke's Bay as a Great Wine Capital of the World.

When we were approached to be part of the Great Wine Capitals initiative in 2021, we jumped at the chance. Our long-standing relationship with Hawke's Bay Tourism means we knew an initiative like this would be well executed. The benefit of being a Great Wine Capital of the World was evident and we could see the impact this accolade would bring to our region. As a proud partner of this prestigious programme, we're excited to be the gateway to showcase the beauty and diversity of Hawke's Bay wine country. Our region's wineries and cellar doors are at the heart of our thriving visitor economy, and we have exciting plans to showcase this in our terminal.

Biodiversity Hawke's Bay

Hawke's Bay Airport sees great value in being the platinum sponsor of Biodiversity Hawke's Bay. This dynamic partnership includes an annual financial commitment and on-airport visibility, strategically aimed at bolstering its prominence and accelerating biodiversity progress in the region.

As part of our sponsorship, we proudly host Biodiversity Week in the terminal. The theme this year was 'Biodiversity. It's all around us!' which celebrated the unique, and often threatened, biodiversity of Hawke's Bay. Visitors to the terminal discovered the wonderful diversity of our natural world by learning about the fascinating locals that call our region home. It proved to be a huge success, with positive comments from visitors, with schools and visiting children actively participating in the fun and educational activities and engaging with the biodiversity displays in the terminal.

As part of our Biodiversity Week activities, some of our staff took part in a planting session at Te Taha (aka The Gap) situated along The Esplanade in Westshore. Te Taha is a small and precious remnant of the shingle beach and dune ecosystem that was once predominant in the area, and it has been identified as a Significant Natural Area (SNA).





Airport visits

We have enthusiastically welcomed community groups, including schools and retirement villages, to our airport this year. We have loved hosting numerous schools, allowing them to witness the inner workings of an airport firsthand. One of the highlights is the opportunity for the students to meet our skilled on-site fire crew, who share valuable insights into their vital role in airport safety. The children are always thrilled to wield the fire hoses, giving them a taste of the work our fire crew do. It's a fun and educational way for them to understand the importance of fire safety and emergency response at an airport.

We also aim to give the students the opportunity to learn about the exceptional and life-saving work of the Air Ambulance service who are located at Hawke's Bay Airport. It's an eye-opening experience for kids to discover how aviation is used to save lives.

Big Brothers Big Sisters sponsorship

We proudly sponsor Big Brothers Big Sisters Hawke's Bay which is helping to improve the lives of young people through long lasting and meaningful mentorship. Matching youth aged 6 to 11 with adult mentors might sound like an easy task but it's a skill that the Big Brothers Big Sisters team have honed for many years. Hawke's Bay Airport feels fortunate to support the match between Jan and Leo and this dynamic duo now meet weekly. We were really pleased to offer an airport visit for one of their weekend activities which included an airport tour and the obligatory ride in the fire truck.

I MŌHIO RĀNEI KOE?
DID YOU KNOW?

Why is our grass so long?

Our airside maintenance programme keeps the grass surrounding our runways at a specific length. Believe it or not, this helps to deter insect life that birds like to feed on. This in turn reduces the risk of bird strikes at the airport. Keeping the grass 'long, but not too long' also means that we neither dry out the land, nor create a fire hazard.



Ō mātau papa

Our Environment

Sustainability at the heart of what we do

In 2023 we refreshed our sustainability policy, bringing in the results of the stakeholder engagement and materiality assessment we conducted in 2022. The revised policy commits Hawke's Bay Airport as purpose-led; connecting people, business and regions while balancing positive financial returns with wider social and environmental outcomes.



Sustainability underpins our strategic plan and five pou – Our Operations, Our People, Our Environment, Our Partnerships, and Commercial Success.

Delivering a safe, accessible, sustainable, and resilient air transport network is critical to support economic development and human wellbeing.

It's been a busy and successful year. We've won multiple awards, and continued to make progress delivering projects to reduce absolute carbon emissions as well as increased our focus on climate adaptation and resilience.

Here are some of the things we've achieved...

***Sustainability Initiative of the Year** at the NZ Airports Association Awards for our ASB Sustainability Linked Loan.*

***ACA Level 4+**: Our carbon emission reduction efforts received significant international recognition this year, achieving the highest possible level of carbon accreditation; Airports Council International (ACI) Airport Carbon Accreditation (ACA) Level 4+ 'Transition' - the only airport in Australasia to have achieved this accolade.*

Ongoing decarbonisation

We are progressively eliminating emissions from assets we own and control. Every year as part of our capex programme we include projects that will help us decarbonise. In the last year we completed these projects:

Lighting upgrades: Replacing car park lights with more energy efficient LED lighting.

Fleet replacement: Transitioning our vehicles to EV or hybrid. Our new, lower emission vehicles are charged with climate positive certified electricity from wind, hydro and solar sources, supplied by Ecotricity.

Smart sensors: We all know what gets measured gets managed, so we've installed smart sensors in our new terminal to give us real time data and metrics on electricity and water use, indoor air quality including temperature, humidity, noise, lighting levels and CO_2 levels. Now we can gain clearer insights into the effects of interventions, such as fine-tuning HVAC temperature settings, and how they contribute to energy efficiency opportunities.

Waste diversion: At the end of the terminal expansion project we had more than seven tonnes of leftover construction and demolition materials. After sorting, 70% was able to be recycled instead of sent to landfill. A further 6 tonnes of scrap metal were also recycled.

Our new ticketless parking system saves more than 300,000 single use paper tickets annually. This is another example of how one project can embrace digital technologies, improve customer experience, and design out waste.

We have made a bold commitment to eliminate single use plastic from our terminal. A key focus is finding a solution for takeaway coffee cups and compostable serve ware, as currently there's no facility in Hawke's Bay that will accept these compostable materials.



Our carbon footprint FY2023

Carbon Emissions – In total our greenhouse gas emissions in FY 2023 are:

	FY 23 Tonnes CO_2e	FY 22 Tonnes CO_2e	Comment
Scope 1	67	46	Increased use of emergency generator following the cyclone
Scope 2 – market based	0	0	Via our procurement of certified climate positive electricity from Ecotricity
Scope 2 – location based	64	94	Down due to updated Emission Factor, higher proportion renewable grid
Total Scope 1+2	131	140	
Scope 3	21,126*	16,100	*increase is due to increased flights as recover post COVID-19
TOTAL	21,258*	16,241	
Offsets	143*	146	Offset S1+S2+Business Travel as per ACA L4+ requirements

* provisional, waiting on tenant data

I MŌHIO RĀNEI KOE?

DID YOU KNOW?

Climate change mitigation

Uplifted following the 1931 earthquake, our land is low lying. As with many areas in Hawke's Bay, this puts us at risk from climate change. As a lifeline utility we have the responsibility to make sure the airport can maintain operations under the Civil Defence Emergency Management Act 2002, so we have comprehensive protections against flooding including pump stations, storm water drainage and stop banks. We are constantly proactive in the face of extreme weather events as seen with Cyclone Gabrielle where the airport remained operational in the wake of the cyclone.



Climate adaptation

(adapting to emissions already locked in)

Climate change risk is a key strategic risk for the business. Our main physical hazards are extreme weather events, increased rainfall, and rising sea and water table levels. Expert assessment of our protection network concluded that the pump station and the stop banks between our site and Ahuriri Estuary were sufficient to protect the airport until around 2090, providing they were adequately maintained.

We have made several improvements in 2023 including a significant update to our stormwater management plan, investing in remote monitoring equipment for our pump station, maintenance on the pumps, purchase of a back-up generator for the pump station, and improved procedures and proactive management of the drains and site, pre-weather events.

Our work to understand site-specific hazards continues, including technology to monitor ground water levels across the site. This gives us important data about how ground water varies in response to other variables like extreme rainfall, tides, seasonal impacts like droughts and sea level rise. Our three weather stations mean we can monitor rainfall and temperature. And we are engaging with subject matter experts at GNS, NIWA, and local councils to ensure we have the most accurate modelling and scenarios as a basis for our adaptation plans.

Future climate related disclosures: We will enhance our disclosures to align with the External Reporting Board's (XRB) Climate Related Disclosure Standard, covering physical and transitional risks including policy, legal, technology, market, and reputation risk and detailed scenario analysis.

Solar farm

The events of 2023, including Cyclone Gabrielle, have shone a light on the fragility of our region's electricity network, further highlighting why Hawke's Bay Airport's solar farm project is one of our key strategic objectives.

When complete, the solar farm will have huge benefits for Hawke's Bay, and not just for the electrical resilience it offers to the grid. It will create jobs during its construction, offer certainty to large power consumers, and provide green electricity for the next generation of zero emission aircraft in the future.

The consenting process has been longer than anticipated but we are committed to the project's success. We anticipate having assessments completed in 2023 for resource consent application to be lodged in 2024.

We are fortunate to have a commercial partner, Manawa Energy, walking alongside us in the project. This partnership is of great importance and means Hawke's Bay Airport can be confident in the project's success.

Ō Mātau Tāngata

Our People

Board of Directors



Wendie Harvey, Chair

Wendie was appointed to the board in July 2016 following an extensive legal career specialising in employment law and human resource management. She brings more than 25 years of experience as a lawyer, executive manager, business consultant, and professional director.

Wendie's governance career reflects her interests in strategy development, infrastructure management, and health and safety promotion in the workplace. Her directorships include Port Taranaki Ltd, Eastland Group Ltd, Aurora Energy, and TAB NZ. Wendie also serves as a member of the Hawke's Bay Regional Recovery Agency, an oversight board formed in the aftermath of Cyclone Gabrielle which struck the region early in 2023.



Jon Nichols, Director

Jon was appointed a director in September 2020 and is an experienced director and business consultant. He brings over 25 years of senior leadership and governance experience across a number of financial and commercial disciplines. These include mergers and acquisitions, capital and debt structuring, alongside project development, and risk management. He also serves on the board of Top Energy Limited and Ngawha Generation Limited, Eastland Group and Tregaskis Brown Limited.

Additionally, Jon is the independent Chair of the Risk and Assurance Committee for Hastings District Council, and Chair of Audit and Risk for Maungaharuru Tangitu Trust. Jon is a Fellow Member of Chartered Accountants Australia and New Zealand.



Craig Barrett, Director

Craig joined the board of Hawke's Bay Airport Limited in September 2021. He is a director at Baker Tilly Staples Rodway Chartered Accountants in Hamilton and has many years' experience in delivering accountancy, strategy, and leadership advice to clients across a range of entities and sectors, including particular expertise working with Māori organisations.

Craig is passionate about innovation and adding value to improve economic performance of the organisations he is associated with. His current directorships include Hineuru Holdings, Ahuahu Group (Ngati Maniapoto commercial entity) and Te Waka Waikato's regional economic development agency.



Darin Cusack, Director

Darin joined the board in January 2023, as representative for shareholder councils Napier City and Hastings District. He brings more than 20 years' experience in airports and aviation leadership and director roles to Hawke's Bay Airport Limited.

He has a background in aviation, transport, and tourism, having held chief executive and senior executive roles across airport, air navigation, aviation security, and airline organisations throughout New Zealand and the Pacific region.

Sarah Park, Director (resigned December 2022)

We would like to extend our sincere thanks to Sarah Park, who left the board at the end of 2022. Her valuable contribution during her 8 and a half year tenure on the board was hugely appreciated.

Hawke's Bay Airport Team



Rob Stratford
Chief Executive Officer



Rochelle Ham
Chief Financial Officer



Deb Suisted
Operations Manager



Gavin Carey-Smith
Senior Asset &
Infrastructure Manager



Judi Godbold
Business Development
Manager



Damian Corbett
Airside Safety &
Security Manager



Sara Cartwright
Facilities Manager



Clare Hollings
Communications
& Marketing Lead



Kelly Hosken
Office Co-ordinator



Michelle Duncan
Sustainability
Projects Manager



Bill O'Brien
Airport Fire &
Operations Officer



Brian Bassett
Airport Fire &
Operations Officer



Dan Bergloff-Howes
Airport Fire &
Operations Officer



Karl Buchanan
Airport Fire &
Operations Officer



Karl Howett
Airport Fire &
Operations Officer



Sean Phillips
Airport Fire &
Operations Officer



Win Lowe
Airport Fire &
Operations Officer



Josh Burke
Operational Support
Officer

Pūrongo Pūtea

Financial Statements

Corporate Report	30
Consolidated Statement of Comprehensive Income	39
Consolidated Statement of Changes in Equity	40
Consolidated Statement of Financial Position	41
Consolidated Statement of Cash Flows	42
Notes To The Consolidated Financial Statements	43
Independent Auditor's Report	60
Directory	63





Corporate Report

For the year ended 30 June 2023

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%, 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 Limited is defined as a Council-Controlled Trading Organisation (CCTO) pursuant to Part 5 of the Local Government Act 2002.

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

Directors

Board Appointments and Retirements

Sarah Park retired as a Director, effective 31 December 2022.

Darin Cusack was appointed as a Director, effective 1 January 2023.

Jonathan Norman retired as a Future Director under the Hawke's Bay Airport Limited - Intern Programme effective 14 December 2022.

Directors Remuneration

The amount of $129,596 per annum was paid to Directors holding office in the 12 months to 30 June 2023.

		$
W N Harvey	Chairperson	49,900
S N Park	Chairperson - Audit, Finance & Risk Committee (resigned 31 Dec 2022)	13,750
C M Barrett	Director	25,200
J E Nichols	Chairperson - Audit, Finance & Risk Committee (from 1 Jan 2023)	27,696
D R Cusack	Director (from 1 Jan 2023)	13,050
J Norman	Future Director (resigned 14 Dec 2022)	-
		129,596

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

Board Committees

As at 30 June 2023 the Company had an **Audit, Finance and Risk Committee**, comprised of two Directors, being Jon Nichols (Chair), and Darin Cusack (appointed 1 January 2023).

The committee is responsible for overseeing:

- the quality and integrity of our financial statements, reporting, budgets and material investment proposals;
- current risk exposures and the future risk strategy of Hawke's Bay Airport Limited (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.

At 30 June 2023 the Company also had a **People & Capability Committee**, which was established by the Board on 28 September 2021. This is comprised of two Directors, being Craig Barrett (Chair) and Wendie Harvey.

A **Recovery & Support Board Sub Committee** was established by the Board on 1 May 2023. This committee comprises two Directors, being Darin Cusack (Chair) and Wendie Harvey. The committee was established following Cyclone Gabrielle and is responsible for ensuring the Airport's readiness and resilience to abnormal events.

Directors' Interests

As at 30 June 2023, the Directors have declared general disclosure of interest in the following entities:

W N Harvey

Excellence in Business Solutions Limited	Director/Shareholder
Port Taranaki Limited	Director - Appointed 5 April 2023
Eastland Group Limited	Director
Firstlight Network Limited (formerly Eastland Network Limited)	Director - Resigned 31 March 2023
Eastland Port Limited	Director
Eastland Generation Limited	Director
Aurora Energy Limited	Director
Fire and Emergency New Zealand	Director - Resigned 7 December 2022
Hawke's Bay Airport Construction Limited	Director
Hawke's Bay Regional Recovery Agency	Board Member - Appointed 21 April 2023
Gisborne Airport Limited	Director
TAB NZ Limited	Director

S N Park - Resigned 31 December 2022

Scotch & Sparkles Limited	Director/Shareholder
Eurogrow Potatoes Limited	Director - Resigned 31 July 2022
Orbis Diagnostics 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 - Resigned 31 December 2022
Rapid Response Nursing Limited	Director/Shareholder
Annuitas Management Limited	Director - Appointed 14 July 2022
Ardmhor Limited	Director/Shareholder - Appointed 15 December 2022
Even Capital GP Limited	Director/Shareholder
Waiapu Anglican Social Services Trust Board	Independent Chair of Audit & Risk Committee

J E Nichols

Eastland Group Limited	Director - Chair of Audit & Risk Committee
Tregaskis Brown Limited	Director - Appointed 1 August 2022
Firstlight Network Limited (formerly Eastland Network Limited)	Director - Resigned 31 March 2023
Eastland Port Limited	Director
Eastland Generation Limited	Director
Gisborne Airport Limited	Director
Electra Limited and subsidiaries:	Director - Resigned 3 November 2022
Electra Services Limited	
Electra DNZ Limited	
Horowhenua Wind Energy Limited	
Electra Generation Limited	
Electra Finance Limited	
Nichols Consulting Limited	Director/Shareholder
Hawke's Bay Airport Construction Limited	Director
Hastings District Council	Independent Chair of Risk & Assurance Committee
Maungaharuru-Tangitū Charitable Trust	Independent Chair of Audit and Risk Komiti
Ngawha Generation Limited	Director
Top Energy Limited	Director

C M Barrett

Baker Tilly Waikato Limited	Director
Obsidian Capital Management Limited	Director
Hineuru Holdings Limited	Director
Kahikatea No. 6 Limited	Director
Hineuru Orchard (Waverley) GP Limited	Director
Hautupua GP Limited (Miro Berries)	Director
Miro Trading GP Limited (Miro Berries)	Director
Waikato Regional Economic Development Limited (Te Waka)	Director
Kahutia General Partner Limited	Director
Hineuru Cherri (5H) Extension Limited	Director
Hawke's Bay Airport Construction Limited	Director
Ahuahu Group Limited (formerly Te Kupenga o Maniapoto)	Director
Ag Drive Limited	Director
K3 (GP) Limited	Director

D R Cusack (appointed 1 January 2023)

Absolute Solutions Group Limited	Director
Airways Corporation of New Zealand Limited	Director
Airways International Limited	Director
Ashburton Contracting Limited	Director
Auckland One Rail Limited	Director
Canterbury Cricket Association	Director - Appointed 26 October 2022
CSC Group Limited	Director
Hawke's Bay Airport Construction Limited	Director - Appointed 1 January 2023
Youth Hostel Association New Zealand	Director - Independent

J Norman - Resigned 14 December 2022

No external Directorships

R Stratford - CEO

Kubis Aviation Pty Limited	Director
Kubis Karratha Pty Limited	Director
Kubis Fremantle Pty Limited	Director
Wilh. Wilhelmsen Investments Pty Limited	Director

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

Board Attendance

Director	Position	Tenure	Meetings Attended	Of a Possible
W N Harvey	Chair	Full Year	12	12
S N Park	Director/AFRC Chair	to 31 December 2022	6	6
J E Nichols	Director/AFRC Chair	Full Year - Director/AFRC Chair from 1st January 2023	12	12
C M Barrett	Director	Full Year	11	12
D R Cusack	Director	from 1 January 2023	6	6
J Norman	Future Director	to 14 December 2022	6	6

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 2023 and prior was as follows:

Remuneration	Number of Employees	
	2023	2022
$100,001 - $110,000	2	1
$110,001 - $120,000	1	-
$150,001 - $160,000	1	-
$160,001 - $170,000	-	1
$180,001 - $190,000	1	2
$250,001 - $260,000	1	-

Chief Executive Officer Remuneration

In the financial year ended 30 June 2023, the role of Chief Executive was paid total remuneration of $255,000. An at risk component of $45,000 relating to achievement of key performance indicators directly aligned with the Group's strategy has been accrued but not assessed or paid as at 30 June 2023 (2022: total remuneration $298,493, including an at-risk component of $25,000).

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. Pam Thompson of Deloitte Limited was re-appointed to provide these services.

Dividends

As agreed with shareholders, no dividend will be paid for the financial year ended 30 June 2023 (2022: Nil).

Directors Responsibility Statement

The Directors are responsible for ensuring that the financial statements and the Statement of Service Performance present fairly the financial position of the Company as at 30 June 2023 and its financial performance and cash flows 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, and supported by reasonable judgements and estimates and that all relevant financial reporting and accounting standards have been followed.

Statement of Service Performance

For the year ended 30 June 2023

Strategic Pou (Pillar) – Our Operations

GOAL - "We ensure a safe, secure and intuitive customer journey for all. We strive for excellence and evolve with change. You're in safe hands."

	Objectives	Key Performance Measure (KPM)	Target Date	Commentary	Status
1	Develop a "whole of airport" safety and security culture.	Maintain our Civil Aviation Act Part 139 operating certificate which allows us to continue to use and operate the airport.	Recurring	Certification maintained - certificate is valid through to September 2023. Full review of Operations Manual for September recertification underway.	●
		Nil harm to staff, contractors or customers.	Recurring	Two medical harm incidents during the year - one customer and one volunteer. Both incidents required medical intervention.	●
		Nil security incidents in accordance with Civil Aviation Rules (CAR) Part 12. Part 12 defines a security incident as an incident that involves unlawful interference.	Recurring	Nil reported.	●
2	Proactively manage wildlife hazards.	Review Wildlife Management Plan to proactively identify and manage wildlife hazards.	Recurring	Full review of wildlife hazard management procedures completed.	●
3	Ensure our key infrastructure is fit for purpose and resilient.	Review aeronautical infrastructure requirements by adopting Beca recommendations to ensure key infrastructure remains fit for purpose.	Dec-22	A review of our aeronautical infrastructure requirements has been completed. The key task in the current year required an overlay to the apron and this has delayed until December 2023 due to Cyclone Gabrielle.	●
4	Provide our customers with an engaging service and diverse offerings.	Implement our Customer Experience Strategy.	Jun-23	The Customer Experience Strategy was presented to the Board in March 2022. Customer insights work has created a draft customer experience dashboard which takes data from all areas of the customer journey including ASQ surveys and customer spend rates. This data has identified key areas for improvement in customer satisfaction. As a result food and beverage offerings have been extended and increased signage has been installed to provide a more seamless experience.	●
5	Embrace technology to drive performance.	Review and implement relevant online and on ground technology advancements.	Jun-23	QR codes have been put onto key terminal features/art pieces during the quarter. Ticketless parking system was implemented in April 23. Energy usage and air quality monitoring via Tether technology installed. Peizometers installed to monitor storm water levels across the airport.	●

KEY: ● – Completed/Achieved ● – On track ● – Not Completed

Strategic Pou (Pillar) – Our People

GOAL - "We treat our people with respect, empower them with knowledge and allow them to flourish in an inclusive environment. We are a learning organisation. A great place to work."

	Objectives	*Key Performance Measure (KPM)*	*Target Date*	*Commentary*	*Status*
6	Be a great place to work.	Ensure all team are engaged with HBAL's vision, purpose and goals.	Jun-23	Full team participation in SOI process reviewing all strategic pou and associated goals. Team sign off complete.	●
		Continue to implement our wellbeing programme.	Recurring	Recurring wellbeing activities include: • Monthly fire station lunch • Monthly off-site staff drinks implemented (from May 23) • Flu shots and medical check ups • EAP services available to all staff Activities held during the quarter year: • Staff Christmas party • Team building session Wellbeing is a dedicated workstream within our HR Strategy.	●
7	Grow our team capabilities and embrace change to enable success.	Develop cross-functional team capabilities and succession planning.	Recurring	New roles have been recruited in October 2022, December 2022, January 2023 and April 2023. Cross-functional training is in place and roles and responsibilities have been re-aligned. These changes have also been included in the employee's personal development plan.	●
		Ensure our team have development plans in place to allow them to grow to their full potential.	Jun-23	Team development plans completed by 30 June 23.	●

KEY: ● – Completed/Achieved ● – On track ● – Not Completed

Strategic Pou (Pillar) – Our Environment

"We make wise decisions with airport land to safeguard the future, creating long term resilience and sustainability. We have a strong sense of place. We are guardians of the land."

	Objectives	*Key Performance Measure (KPM)*	*Target Date*	*Commentary*	*Status*
8	Recognise the unique environment in which we operate through the establishment of collaborative partnerships and stakeholder engagement.	Work with our stakeholders on the Proposed Ahuriri Regional Park long term planning to ensure the continued safe and efficient operation of Hawke's Bay Airport.	Jun-23	Hawke's Bay Airport Limited (HBAL) is a key stakeholder in the Ahuriri Regional Park strategy, initiated by Napier City Council as referenced in the Terms of Reference established. Work plan has been delayed due to Cyclone Gabrielle following the first meeting in December 2022.	●
9	Continue our journey to carbon neutrality.	Achieve Level 3 Airport Carbon Accreditation (ACA).	Jun-23	We have achieved Airport Carbon Accreditation Level 4+ as at February 2023, which is ahead of time and over and above our target of ACA Level 3 by end of FY2023. Level 4+ is the highest level of accreditation.	●
10	Advance renewable energy project through milestone achievements in the solar farm project.	Business case presented to Board for approval to proceed with solar farm project.	Jun-23	Presented to the October 2022 Board Meeting and approval given by Board to proceed with resource consent, however this process delayed due to wetland issues requiring further investigation. This will require a re-submission of the model and business case during FY2024.	●

KEY: ● – Completed/Achieved ● – On track ● – Not Completed

Strategic Pou (Pillar) – Our Partnerships

"We are a reflection of our region. We foster meaningful relationships with our customers, partners, mana whenua and the community to support our collective growth. Creating meaningful connections."

	Objectives	*Key Performance Measure (KPM)*	*Target Date*	*Commentary*	*Status*
11	Continue to develop and strengthen our partnerships through stakeholder engagement.	Implement our stakeholder engagement strategy.	Recurring	Stakeholder Engagement Strategy delivered and accepted by the Board in December 2022. Key stakeholders presented to and agreed with the Board of Directors.	●
12	Continue to work alongside and collaboratively with mana whenua.	Regular kanohi-ki-te-kanohi meetings/hui with key representatives from mana whenua.	Recurring	Board and management are all working on this collectively. Fortnightly meetings established with the CEO of Mana Ahuriri Trust.	●
13	Continue to develop and implement sustainable aeronautical growth.	Partner with other regional airports, airlines, and tourism sector to grow Hawke's Bay as a destination.	Jun-23	Air service development contact sheet shows all air service activity including updates in the Dunedin/Hawke's Bay campaign, post cyclone recovery and airline connections. Other areas of development include: · HBAL representative attended the Asia Pacific Airports Roundtable event in Darwin in August 2022. Secured the Roundtable event 2024 for Hawke's Bay. · HBAL attended the New Zealand Airports Association Hui in September 2022 and March 2023. · HBAL contributes to a Hawke's Bay Tourism industry meeting monthly. · Sunair service commenced 25 June 2023 connecting regional areas impacted by the cyclone.	●

KEY: ● – Completed/Achieved ● – On track ● – Not Completed

Strategic Pou (Pillar) – Commercial Success

"We maximise the returns across our business and increasing value to our stakeholders and the wider community. A profitable, sustainable business."

	Objectives	*Key Performance Measure (KPM)*	*Target Date*	*Commentary*	*Status*
14	Grow non-aeronautical revenue.	Plus 30% year on year (YOY) revenue from 30 June 2022 to 30 June 2023.	Jun-23	Non-aeronautical revenue has increased 77% YOY which takes into account the following: Advertising spend, Retail revenue, Car Rental and Car park revenue. CGPI increases for ground leases have also increased 12.48% YOY.	●
15	Enhance financial performance.	Revenue - $9m based on budget for FY2023.	Jun-23	Year End Revenue $12.66M - achieved through aeronautical revenue growth due to higher passenger numbers, and growth in non-aeronautical revenue (carparking, café concessions, rental car concessions).	●
		Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) margin - 53% based on budget for FY2023 year.	Jun-23	EBITDA Margin full year 59% - achieved by higher revenue generation.	●
		Net Profit After Tax Before Valuation Adjustments - $258k as per FY2023 Budget.	Jun-23	Actual Net Profit After Tax before Valuation Adjustments $2.15M.	●
		Passenger numbers - 520K.	Jun-23	Full year passenger numbers 640K - March - June months saw significant increases due to additional services following cyclone and a temporary Napier - Gisborne route.	●
16	Create a modern, sustainable business hub that brings like-minded businesses together.	Agree and implement our Property Development Strategy.	Dec-22	Property Development strategy completed and approved by Board of Directors. A Property Master Plan update that provides development initiatives is in progress and Heads of Agreement completed in June 2023 for new tenant who has not yet signed at year end.	●
		Progress RMA Planning Framework via Napier City Council District Plan review to enable appropriate property development at HBAL.	Jun-23	Weekly meetings are taking place with Mitchell Daysh to progress this work. Notice of Requirement (NOR) has been submitted to Napier City Council. Zoning submission to follow for consideration by Council for inclusion in District Plan (end September 2023).	●
17	Customer experience strategy implemented and adopted by tenants.	Increased customer spend rates YOY from financial year June 2022 to June 2023.	Jun-23	Customer spend rate across the retailers has increased 9% YOY (FY2023 $5.44 : FY2022 $5.01). This has been achieved through additional offerings to visitors, such as additional rental car companies and food and beverage offerings.	●

KEY: ● – Completed/Achieved ● – On track ● – Not Completed

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2023

	Note	2023 $	2022 $
Aeronautical		9,027,449	4,336,577
Ground Transport		2,760,887	1,631,095
Business Park		436,138	423,124
Other Revenue		443,092	343,980
Total Revenue	4	**12,667,566**	**6,734,776**
Less Operating Expenses	5a	(5,168,784)	(3,853,270)
Operating Profit after Operating Expenses		**7,498,782**	**2,881,507**
Depreciation	9,15	(3,092,920)	(2,764,481)
Fair value gain on Investment Property	10	631,535	1,410,179
Gain on Disposal of Assets	6	-	2,000
Finance Income	5c	153,201	-
Finance Expense	5b	(1,445,966)	(709,138)
Net Profit before income tax		**3,744,632**	**820,066**
Income Tax Expense	7	(961,986)	(18,719)
Net Profit after income tax		**2,782,646**	**801,347**
Items that will not be reclassified into profit or loss:			
Revaluation of Property, Plant & Equipment, net of deferred tax		468,207	5,630,758
Change in fair value of derivatives, net of deferred tax	20	168,396	338,806
Total Comprehensive Income		**3,419,249**	**6,770,910**

Consolidated Statement of Changes in Equity

For the year ended 30 June 2023

	Issued Capital $	Retained Earnings $	Revaluation Reserve $	Cash Flow Hedge Reserve $	Total Equity $
Balance at 1 July 2022	**13,789,155**	**18,674,061**	**15,984,401**	**338,806**	**48,786,423**
Net Profit for the period	-	2,782,646	-	-	2,782,646
Cash Flow Hedge Reserve - Interest Rate Swaps (net of tax)	-	-	-	168,396	168,396
Revaluation of Property, Plant & Equipment (net of Deferred Tax)	-	-	468,207	-	468,207
Reclassification of depreciation on revalued assets (net of tax)	-	489,942	(489,942)	-	-
Total comprehensive income	**-**	**3,272,588**	**(21,735)**	**168,396**	**3,419,249**
Distributions to shareholders (note 11)	-	-	-	-	-
Movement in equity for the period	**-**	**3,272,588**	**(21,735)**	**168,396**	**3,419,249**
Balance at 30 June 2023	**13,789,155**	**21,946,649**	**15,962,666**	**507,202**	**52,205,672**
Balance at 1 July 2021	**13,789,155**	**17,516,995**	**10,709,362**	**-**	**42,015,513**
Net Profit for the period	-	801,347	-	-	801,347
Revaluation of Property, Plant & Equipment (net of tax)	-	-	5,630,758	-	5,630,758
Cash Flow Hedge Reserve - Interest Rate Swaps (net of tax)	-	-	-	338,806	338,806
Reclassification of depreciation on revalued assets (net of tax)	-	355,719	(355,719)	-	-
Total comprehensive income	**-**	**1,157,066**	**5,275,039**	**338,806**	**6,770,911**
Distributions to shareholders (note 11)	-	-	-	-	-
Movement in equity for the period	**-**	**1,157,066**	**5,275,039**	**338,806**	**6,770,911**
Balance at 30 June 2022	**13,789,155**	**18,674,061**	**15,984,401**	**338,806**	**48,786,423**

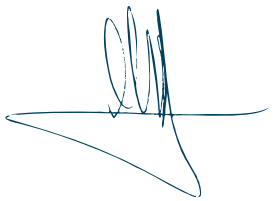
Consolidated Statement of Financial Position

As at 30 June 2023

	Note	2023 $	2022 $
Assets			
Trade and other receivables	8	1,834,419	1,193,292
Cash and cash equivalents		730,559	641,420
Derivatives	20	319,399	101,563
Total current assets		**2,884,377**	**1,936,275**
Property plant and equipment	9	65,512,979	65,599,000
Investment property	10	16,188,999	15,500,825
Right of use assets	15	-	172,764
Derivatives	20	385,049	369,029
Total non-current assets		**82,087,027**	**81,641,618**
Total Assets		**84,971,404**	**83,577,892**
Equity			
Issued capital	11	13,789,155	13,789,155
Retained earnings		21,946,649	18,674,061
Reserves	11	16,469,868	16,323,207
Total equity		**52,205,672**	**48,786,423**
Liabilities			
Trade and other payables	12	1,547,415	1,179,564
Employee benefits		149,822	101,452
Borrowings	13	-	-
Provision for retentions payable	14	22,415	273,249
Lease liabilities	15	-	103,461
Provision for tax	7	1,052,073	-
Total current liabilities		**2,771,725**	**1,657,725**
Deferred tax liability	7	6,391,407	6,420,960
Rentals in advance	12	602,600	809,286
Borrowings	13	23,000,000	25,800,000
Lease liabilities	15	-	103,498
Total non-current liabilities		**29,994,007**	**33,133,744**
Total liabilities		**32,765,732**	**34,791,469**
Total equity and liabilities		**84,971,404**	**83,577,892**

These financial statements were authorised for issue by the Board on 28 September 2023.

On behalf of Hawke's Bay Airport Limited



W N Harvey
CHAIR



J E Nichols
DIRECTOR & AUDIT, FINANCE & RISK COMMITTEE CHAIR

Consolidated Statement of Cash Flows

For the year ended 30 June 2023

	2023 $	2022 $
Cash flows from operating activities		
Cash was provided from:		
Revenues	12,155,500	6,465,123
Interest received	153,201	-
	12,308,701	6,465,123
Cash was disbursed to:		
Suppliers and employees	(5,137,685)	(4,369,879)
Goods & Services Tax (Net)	21,282	73,027
Interest paid	(1,450,498)	(718,368)
Income tax (Net)	22,990	(401,918)
	(6,543,911)	(5,417,138)
Net Cash Flows from operating activities	**5,764,790**	**1,047,985**
Cash flows to investing activities		
Cash was provided from:		
Sale of fixed assets	-	2,000
Cash was disbursed to:		
Capital works	(2,722,112)	(3,529,660)
Net Cash Flows to Investing Activities	**(2,722,112)**	**(3,527,660)**
Cash flows to financing activities		
Cash was provided from:		
Borrowings received	-	3,000,000
Cash was disbursed to:		
Lease - principal payments	(153,538)	(99,140)
Borrowings repaid	(2,800,000)	(200,000)
Net Cash Flows from finance activities	**(2,953,538)**	**2,700,860**
Net increase in cash and cash equivalents	89,139	221,185
Add opening cash and cash equivalents	641,420	420,234
Closing cash and cash equivalents at end of year	**730,559**	**641,420**
Represented by:		
Cash at bank	728,725	636,730
Cash in hand	1,834	4,690
	730,559	**641,420**

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 Consolidated Financial Statements

For the year ended 30 June 2023

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 (NZ IFRS RDR).

The reporting Group has elected to apply NZ IFRS RDR as it has no public accountability and is not a large for-profit public sector reporting entity.

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 (together, 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 and presentation 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 RDR 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.

(a) Fair value of investment property and investment property under development

The fair value of investment property is determined by real estate valuation experts using recognised valuation techniques and the principles of NZ IFRS 13 Fair Value Measurement.

Changes to market conditions or to assumptions made in the estimation of fair value may result in changes to the fair value of investment property. The carrying value of investment property and the valuation methodology are disclosed in note 10.

(b) Fair value of Property, Plant and Equipment

Critical estimates are included in the fair value of Property, Plant and Equipment. The carrying value of Property, Plant and Equipment and the valuation methodology are disclosed in note 9. Management has exercised its judgement on the selection of depreciation rates, and the classification of financial assets, and the classification of assets between plant property and equipment (note 9) and investment property (note 10).

Significant Accounting Policies

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

2 Changes in accounting policies and application of new accounting policies

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

New or revised standards or interpretations that have been approved but are not yet effective, have not been adopted by the Group for the annual reporting period ended 30 June 2023.

3 Significant transactions and events in the financial year

There were no significant transactions and events in the financial year.

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 adjustments using a Discounted Cashflow approach to rents received in advance. 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. Aeronautical income derived from services performed are recognised at a point in time, this consists mainly of landing charges and leased land rentals. Terminal and concessions are recognised over time. Parking fees are recognised in accordance with the hourly, daily or weekly parking charges over time as the service being provided for the period when the vehicles use the carparks. Lease income is recognised on a straight-line basis over the term of the lease. Rental income is recognised in accordance with NZ IFRS 16 on a straight line basis.

5a Operating Expenses

	2023 $	2022 $
Audit Fees - audit of financial statements	141,834	88,609
Directors Fees	129,596	106,840
Employee Benefits	1,723,975	1,516,572
Consultancy Fees	603,229	426,706
Insurance	508,135	367,417
Computer/IT Costs	139,507	105,600
Other Operating Expenses	1,922,508	1,241,526
	5,168,784	**3,853,270**

5b Finance Expenses

	2023 $	2022 $
Debt Interest	1,420,332	587,834
Other Interest	-	68,153
Lease Interest	4,532	45,229
Insurance Financing	21,102	7,921
	1,445,966	**709,138**

5c Finance Income

	2023 $	2022 $
Interest Received - Interest Rate Swaps	(153,201)	-
	(153,201)	**-**

AP Borrowing costs are expensed when incurred and are recognised using the effective interest rate. Borrowing costs identified as directly attributable to the construction of the terminal have been capitalised in accordance with NZ IAS 23 where applicable. The capitalisation rate used to determine the amount of borrowing costs to be capitalised is reflective of the weighted average interest rate applicable to the entity's borrowings during the year 5.80% p.a (2022 2.69% p.a).

6 Gain on disposal of assets

	2023 $	2022 $
Write off of the net book value relating to parts of the old terminal building which were demolished during the financial year	-	2,000

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

	2023 $	2022 $
A. Current Year Reconciliation		
Profit Before Taxation	**3,744,632**	**820,066**
Taxation @ 28%	1,048,497	229,618
Adjusted for the tax effect of:		
Revaluation of investment property (land)	(100,602)	(209,789)
Non deductible expenses	8,627	836
Prior Years (over)/under provision	5,464	(1,947)
Income Tax Expense	**961,986**	**18,719**
Comprising		
Current Tax	1,057,019	8,253
Deferred Tax	(95,033)	10,466
	961,986	**18,719**
B. Taxation Payable/(Receivable)		
Balance at 1 July	(23,632)	365,468
Prior period adjustment	(4,428)	12,818
Refund of tax / (tax paid)	23,114	(378,286)
	(4,946)	**-**
Current Tax Payable / (Receivable)	1,057,019	-
Provisional Tax paid	-	(23,292)
Resident Withholding Tax paid on interest	-	(340)
Balance at 30 June	**1,052,073**	**(23,632)**
C. Imputation Credit Account		
Imputation Credits carried forward	4,045,357	4,023,779
Decrease arising from tax refunded during the year	(23,114)	(1,714)
Increase arising from tax paid during the year	-	23,292
Recognised liability of current year tax provision	1,105,582	-
Balance at 30 June	**5,127,825**	**4,045,357**
D. Deferred Tax Reconciliation		
Opening balance	6,420,960	4,890,955
Deferred tax expense	(95,033)	10,466
Revaluation of Property, Plant & Equipment	-	1,387,772
Interest rate swaps	65,480	131,766
Closing balance	**6,391,407**	**6,420,960**
Reconciliation of Deferred Tax Expense		
Charged to tax expense	(95,033)	10,466
Credited to other comprehensive income	65,480	1,519,538
	(29,553)	**1,530,004**
E. Deferred Tax Analysis		
Holiday Pay	(26,561)	(17,426)
Employee entitlements	(9,076)	(3,528)
Intangibles	(47)	(47)
Income in Advance	(192,236)	(262,009)
Runway Refurbishment	207,737	267,342
Capitalised interest	60,006	76,045
Depreciation and revaluation of Property, Plant & Equipment	3,865,111	4,055,645
NZ IFRS 16 - leases	-	(9,575)
Asset Base and Depreciation Differences	1,388,666	1,380,287
Income Tax Losses	-	(21,933)
Interest Rate Swaps	197,246	131,766
Revaluation of Investment Property	900,561	824,393
	6,391,407	**6,420,960**

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

	2023 $	2022 $
Accounts & Other Receivables	914,836	659,650
Prepayments	921,656	486,463
Income Tax Receivable - Refer note 7	-	23,632
GST (Payable)/Receivable	(2,073)	19,244
Other Receivables	-	4,302
	1,834,419	**1,193,292**

AP

Trade and other receivables are stated at net realisable value after expected credit losses: 2023: nil. (2022: nil)

Expected credit losses associated with financial assets are carried at amortised cost. At each reporting date, the credit risk on a financial asset is assessed to determine whether there has been a significant increase in the credit risk by considering both forward looking information and the financial history of counterparties to assess the probability of default or likelihood that full settlement is not received. A loss allowance is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the Trade Receivable) that the Group will not be able to collect all of the amounts due under the original terms of the invoice.

AP

Goods and Services Tax

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 $
At 30 June 2022					
Fair Value	7,664,993	58,001,832	3,531,373	2,348,338	71,546,535
Accumulated Depreciation	(1,932)	(4,275,158)	(1,670,445)	-	(5,947,535)
Closing net book value	**7,663,061**	**53,726,674**	**1,860,928**	**2,348,338**	**65,599,000**
Opening net book value	**7,663,061**	**53,726,674**	**1,860,928**	**2,348,338**	**65,599,000**
Additions	-	-	-	2,414,818	2,414,818
Disposals	-	-	-	-	-
Revaluation	468,207	-	-	-	468,207
Depreciation	(966)	(2,691,632)	(276,449)	-	(2,969,047)
Transfers	-	2,610,503	356,947	(2,967,449)	-
Closing net book value	**8,130,302**	**53,645,545**	**1,941,426**	**1,795,707**	**65,512,979**
At 30 June 2023					
Fair Value	8,152,771	60,612,335	3,888,320	1,795,707	74,449,132
Accumulated Depreciation	(22,469)	(6,966,790)	(1,946,894)	-	(8,936,153)
Closing net book value	**8,130,302**	**53,645,545**	**1,941,426**	**1,795,707**	**65,512,979**

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 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 2023 (2022: Telfer Young). The results of this valuation conclude that there has been an increase in fair value of land assets relative to the previous year's valuations. The valuation increments are credited to the Statement of Comprehensive Income.

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 Ltd as at 30 June 2023, 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. Other Assets including vehicles, furnishings and office equipment are held at cost less depreciation.

The results of this review conclude that there has been no change in the fair value of Airport Infrastructure and Buildings assets relative to the carrying value. The Group has concluded that any increase in fair value is sufficiently immaterial after considering sensitivity (see below) that a revaluation is not warranted in the current year.

Sensitivity Analysis

Due to the recovery of the aviation sector following the Covid-19 pandemic, the sensitivity of the discounted cashflow valuation to the key variables of passenger numbers and WACC is calculated. With all other variables held constant, the impact of these changes to the central enterprise value in Peter Seed Ltd's valuation report is:

	Range	Impact on Value
Passenger Volume	mid +4% to high +11%	+$2.9M to +$7.0M
WACC	-0.5% to +0.5%	-$0.64M to +$0.57M

Management and the Board adopted the low passenger forecast with a central WACC to determine the Enterprise Valuation reported above. The sensitivity reports the impact on the adopted Enterprise Value where the mid or high range in terms of passenger forecast were taken.

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 improvements 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.

Leasehold land

Leasehold land is utilised in accordance with the terms of the various lease agreements including any restrictions. Revaluations are performed annually at year end.

Disposal of property, plant and equipment

When an item of property, plant 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.

Useful lives are reassessed annually.

The principal depreciation rates, which are consistent with prior year, are as follows:

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

10 Investment property

	Land and Land Improvements $	Business Park Infrastructure & Buildings $	Investment Property under development $	Total $
At 1 July 2022	6,808,687	7,099,756	167,965	14,076,408
Additions	-	-	14,238	14,238
Net gain from fair value adjustment on Investment Properties	749,245	660,934	-	1,410,179
Fair value as at 30 June 2022	**7,557,932**	**7,760,690**	**182,203**	**15,500,825**
Additions	-	-	56,638	56,638
Transfers	-	232,341	(232,341)	-
Net gain from fair value adjustment on Investment Properties	359,293	272,242	-	631,535
Fair value as at 30 June 2023	**7,917,225**	**8,265,273**	**6,500**	**16,188,999**

Investment Property includes the development of a business park under the brand name "Ahuriri Aeropark" along with surplus land earmarked for future development. The land is demarcated according to the 2040 Airport Master Plan. All Investment Property Land and Land Improvements are valued by an independent valuer, Telfer Young (Susie Penrose - Director, Registered Valuer - BBS (VPM) SPINZ ANZIV) in accordance with International Valuation Standards (IVS) 2013. Land and Land Improvements and Business Park Infrastructure & Buildings are originally recorded at cost and assessed annually by an independent Quantity Surveyor, Millard Construction Cost Consultants Limited (Andrew Millard - Director AAIQS, ANZIQS - Registered Quantity Surveyor) using the depreciated replacement cost method.

AP

It is Management that determines the Group's valuation policies and procedures for property valuations. Following the Audit, Finance & Risk Committee's approval, an external valuer is selected who is responsible for the external valuations of the Group's property for the annual financial statements. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Valuers are normally rotated approximately every five years.

The Group's investment properties were valued at each of the reporting dates presented, and change in the accounting policy by independent professionally qualified valuers who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

Investment Property comprises of Land, Land Improvements, and Business Park infrastructure and buildings, property under development that is held, or to be held, to earn rentals or for capital appreciation or both.

Investment Property is measured initially at cost, including transaction costs. Subsequent to initial recognition, the Group recognises Investment Property at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment property are included in profit or loss in the period in which they arise, including the corresponding tax effect.

Investment Property under development is not revalued annually and is measured initially at cost, including transaction costs.

Fair value is based on active market prices, adjusted, if necessary, for differences in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods, such as recent prices on less active markets or discounted cash flow projections. Valuations are performed as at the financial position date by professional valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. These valuations form the basis for the carrying amounts in the consolidated financial statements.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the cost of the replacement is included in the carrying amount of the property and the fair value is reassessed.

It is the intention that Investment properties are derecognised when they have been disposed of. There have been no disposals in the year ended 30 June 2023. Due to the leasehold nature of the land there are restrictions on the ability to dispose of the land.

Where the Group disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price and the adjustment is recorded in the income statement within net gains from fair value adjustment on investment property.

The valuation of all of the investment property and investment property under development uses Level 3 inputs, as per categorisation in the Fair Value Hierarchy.

There were no transfers between Levels 1, 2 or 3 during 2023.

The Group in developing a business park on surplus airfield land has an initial tenant who has prepaid its rentals for the 21 year term of the lease where the lease is being recognised over the term of the lease. The valuation of land and infrastructure is supported by the following valuation techniques:

- Discount rates reflecting current market assessments of the uncertainty in the amount and timing of cash flows;
- Estimated vacancy rates based on current and expected future market conditions after expiry of any current lease;
- Maintenance costs including necessary investments to maintain functionality of the property for its expected useful life;
- Capitalisation rates based on actual location, size and quality of the properties and taking into account market data at the valuation date; and
- Terminal value taking into account assumptions regarding maintenance costs, vacancy rates and market rents

Investment Property is leased by the Group to tenants under operating leases with rent payable monthly.
Rental income from investment properties is recognised on a straight-line basis over the lease term.
Where a lease provides for rental increases over the term of the lease, they are recognised on a straight-line basis over the period of the lease to which they relate.

11 Equity

		2023 $	2022 $
	Shares on issue		
Ordinary shares	1004	13,789,155	13,789,155
Cash flow hedge reserve - note 20		507,202	338,806
Revaluation reserve		15,962,666	15,984,401
Total reserves		**16,469,868**	**16,323,207**

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 2023 financial year (2022: 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.

The cash flow hedge reserve is used to recognise the effective portion of gains or losses on derivatives that are designated and qualify as cash flow hedges.

12 Trade and other payables

	2023 $	2022 $
General		
- Trade	1,462,540	835,210
- Capital Expenditure	-	209,285
Rentals in Advance	84,875	123,402
Income in Advance	-	11,667
Income Tax Payable	-	-
	1,547,415	**1,179,564**

Rentals in advance due beyond twelve months totals $602,600 (2022: $809,286).

13 Borrowings

The Group's borrowing facilities remain unchanged during the financial year as at 30 June 2023. It has a Sustainability Linked Loan facility of up to $23m, a Revolving Credit facility of up to $5m and Overdraft Facility of up to $500,000 available.

The Sustainability Linked Loan facility has an initial three year term (maturity date 22 October 2024) coupled with an evergreen clause of renewal included in the facility agreement. Management intends to request and assumes that the loan facility will be extended past its maturity date.

The Sustainability Linked Loan dovetails into the NZ Government's Funding for Lending Programme which has as the objective of supporting regional growth and helping lendee's transitioning into a low carbon productive economy.

It is part of the Group's overall Sustainability Strategy which allows for incremental decreases in the cost of funding for achieving agreed sustainability performance targets linked to the International Airport Carbon Accreditation Scheme.

The average interest rate on the Sustainability Linked Loan facility for the year ended 30 June 2023 was 5.97% p.a (2022: 2.69% p.a).

The revolving credit facility has a two year term with a right of renewal. The average interest rate on funds drawn during the year was 5.63% (2022: 2.62%).

All facilities extended are secured by a General Security Agreement with ASB Bank.

Summary of Borrowings:

Facility	Commencement Date	Expiry Date	Facility Limit	2023 $ Amount Drawn 30/06/23	2022 $ Amount Drawn 30/06/22
ASB Bank - Sustainability Linked Loan	Oct'21	Oct'24	23,000,000	23,000,000	23,000,000
Revolving Credit Facility	Jun'21	Jun'24	5,000,000	-	2,800,000
Overdraft Facility	Oct'20	On Demand	500,000	-	-
Total				**23,000,000**	**25,800,000**
Current				-	-
Non Current				23,000,000	25,800,000
				23,000,000	**25,800,000**

During the year ended 30 June 2022 the ASB Term Loan (Tranche A & B) were restructured into a ASB Bank Sustainability Linked Loan on normal commercial terms.

The Group's borrowings are carried at amortised cost. Interest rates on borrowings are variable.

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.

	2023 $	2022 $
Provision at the start of the year	273,249	225,697
Increase to the provision during the year	33,744	56,457
Use of the provision during the year	(284,578)	(8,906)
Provision at the end of the year	**22,415**	**273,249**

15 Right of use assets and lease liabilities

	2023 $	2022 $
a) Amounts recognised in the Statement of Financial Position		
Right of Use Assets		
Land	-	48,890
Vehicles	-	123,873
	-	**172,764**
Opening Balance	172,764	296,637
Depreciation	(123,873)	(123,873)
Derecognition - Right of Use Asset	(48,891)	-
Closing Balance	**-**	**172,764**
Lease Liabilities related to leases are split between current and non-current		
Opening Balance	206,959	315,329
Lease amortisation	(162,600)	(117,600)
Derecognition - Lease Liability	(48,891)	-
Interest	4,532	9,230
Closing Balance	**-**	**206,959**
Current	-	103,461
Non-current	-	103,498
	-	**206,959**

During FY2023, there has been a derecognition of the value of the Right of Use Asset and Lease Liability of $48,891 (2022: NIL).

b) Amounts recognised in the Statement of Comprehensive Income

	2023 $	2022 $
Depreciation charge on Right of Use Assets		
Right of Use Assets	123,873	123,873
	123,873	**123,873**
Interest expense	4,532	45,229

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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:

There were no operating lease commitments as at 30 June 2023 (2022: the Group had an agreement to lease a fire appliance until June 2023).

Capital commitments:

As at 30 June 2023 the Group is contractually committed to capital expenditure totalling $1,283,677 in relation to fire fighting equipment (2022: $787,420 relating to the Terminal Expansion & Forecourt project).

17 Contingencies

There are no known contingent liabilities (2022: 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.

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.

Key Management Personnel Compensation

	2023 $	2022 $
Compensation paid to key management personnel (Directors, Chief Executive and Chief Financial Officer) during the financial year was:	706,656	716,288

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
- Derivatives
- 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.
Derivatives: The reported amounts approximate fair value based on the present value of the estimated future cash flows based on observable yield curves.
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).

AP

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 as amortised cost. Derivatives are measured at fair value and classified as FVTPL if not designated in a hedge accounting relationship. Refer note 21 for Derivatives designated in a hedging relationship.

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 Derivatives

Derivatives are used to hedge adverse movements in floating interest rates on Group borrowings.

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are classified as 'held for trading' for accounting purposes and are accounted for at fair value through profit or loss. They are presented as current assets or liabilities to the extent they are expected to be settled within 12 months after the end of the reporting period.

The Group's hedging reserves relate to the following hedging instruments

Cash Flow Hedge Reserve	2023 $	2022 $
Opening Balance 1 July 2022	338,806	-
Add: Change in Fair value of Hedging Instrument	233,876	530,139
Less amount reclassified to Profit / Loss	-	(59,547)
	572,682	470,592
Less Deferred Tax	(65,480)	(131,786)
Closing Balance 30 June 2023	**507,202**	**338,806**
Derivative Financial Asset		
Current	319,399	101,563
Non - current	385,049	369,029
	704,448	**470,592**

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

The Group enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. The Group does not hedge 100% of its loans, therefore the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps. As all critical terms matched during the year, there is an economic relationship.

Hedge ineffectiveness may occur due to:
- the credit value/debit value adjustment on the interest rate swaps which is not matched by the loan, and
- differences in critical terms between the interest rate swaps and loans.

Hedge ineffectiveness in relation to the interest rate swaps was negligible for 2023 and 2022.

The Group's main interest rate risk arises from long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk.

The Group Policy is to observe minimum and maximum bands of fixed interest rate cover as set out below and apply when core gross external debt exceeds $10 million.

Period	Minimum hedging	Maximum hedging
0-2 years	40%	90%
2-4 years	20%	70%
4-7 years	0%	50%

The Group enters into long-term borrowings at floating rates and swaps them into fixed rates.

The Group's borrowings are carried at amortised cost. The borrowings are periodically contractually repriced (see below) and to that extent are also exposed to the risk of future changes in market interest rates. See note 13.

The exposure of the Group's borrowings to interest rate changes and the contractual re-pricing dates of the borrowings at the end of the reporting period are as follows:

	2023 $	2022 $
Variable rate borrowings		
ASB - Sustainability Linked Loan	23,000,000	23,000,000
ASB - Revolving Credit Facility	-	2,800,000
	23,000,000	**25,800,000**

Instruments used by the Group

Interest Rate Swaps with a total notional value of $12,000,000 are currently in place, representing 52.2% (2022: 46.5%) of the loan principal outstanding at 30 June 2023. The fixed interest rates of the swaps range between 2.83% and 3.02% (2022 - 2.83% - 3.02%) and the variable rates of the loans are between 2.38% and 5.70% (30 day BKBM) (2022: 1.11% and 2.32% (30 day BKBM)).

The swap contracts require settlement of net interest receivable or payable every 30 days. The settlement dates coincide with the dates on which interest is payable on the underlying debt.

Cash flow and fair value interest rate risk

Interest rate swaps	2023 $	2022 $
Carrying amount (current and non-current asset)	704,448	470,592
Notional amount	12,000,000	12,000,000
Hedge ratio	52.2%	46.5%
Change in fair value of outstanding hedging instruments since 1 July	233,876	530,139
Change in value of hedged item used to determine hedge effectiveness	190,037	561,642
Weighted average hedged rate for the year	2.95%	2.95%

Sensitivity

Profit or loss is sensitive to higher/lower interest income from cash and cash equivalents as a result of changes in interest rates and unhedged portion of borrowings. Other components of equity change as a result of an increase/decrease in the fair value of the cash flow hedges of borrowings.

	Impact on post-tax profit	
	2023 $	2022 $
Interest rates – increase by 100 basis points	110,000	138,000
Interest rates – decrease by 100 basis points	(110,000)	(138,000)

AP

Derivatives and hedging activities

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are classified as 'held for trading' for accounting purposes and are accounted for at fair value through profit or loss.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into, and they are subsequently remeasured to their fair value at the end of each reporting period. The reported amounts approximate fair value based on the present value of the estimated future cash flows based on observable yield curves.

The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group uses Interest Rate Swaps designating them as Hedges of the risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

Cash flow hedges that qualify for hedge accounting:

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within other gains/(losses) as part of Total Comprehensive Income.

Amounts accumulated in equity are to be reclassified in the periods when the hedged item affects profit or loss, as follows:

The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance cost at the same time as the interest expense on the hedged borrowings.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other gains/(losses).

21 Events subsequent to balance date

There were no material events identified subsequent to Balance Date.

Deloitte.

Independent Auditor's Report

To the readers of Hawke's Bay Airport Limited's financial statements and performance information for the year ended 30 June 2023

The Auditor-General is the auditor of Hawke's Bay Airport Limited and its subsidiary (the 'Group'). The Auditor-General has appointed me, Pam Thompson, using the staff and resources of Deloitte 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 39 to 59, that comprise the consolidated statement of financial position as at 30 June 2023, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date and the notes to the consolidated financial statements that include accounting policies and other explanatory information; and
- the performance information of the Group on pages 34 to 38.

In our opinion:

- the financial statements of the Group on pages 39 to 59:
  - o present fairly, in all material respects:
    - its financial position as at 30 June 2023; and
    - its financial performance and cash flows for the year then ended; and
  - o comply with generally accepted accounting practice in New Zealand in accordance with New Zealands equivalents to International Financial Reporting Standards Reduced Disclosure Regime; and
- the performance information of the Group on pages 34 to 38 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 2023.

Our audit was completed on 28 September 2023. 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 Group for assessing the Group'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.

For the performance information, our procedures were limited to checking that the information agreed to the Group's statement of intent.

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 Group'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 Group'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 2 to 33, 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.

Partners and employees of our firm are considered customers to the Group as we fly into the airport. These services with the Group are at arms length and on normal terms within the ordinary course of trading activities. Other than the audit and the services above, we have no relationship with, or interests in, the Group.



Pam Thompson
DELOITTE LIMITED
ON BEHALF OF THE AUDITOR-GENERAL
WELLINGTON, NEW ZEALAND

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SOLICITORS

Dentons

AUDITORS

Deloitte Limited
On behalf of the Auditor-General
Wellington, New Zealand



