



NAPIER
CITY COUNCIL
Te Kaunihera o Ahuriri

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ORDINARY MEETING OF COUNCIL

Open Attachments Under Separate Cover

Meeting Date: Thursday 19 December 2019

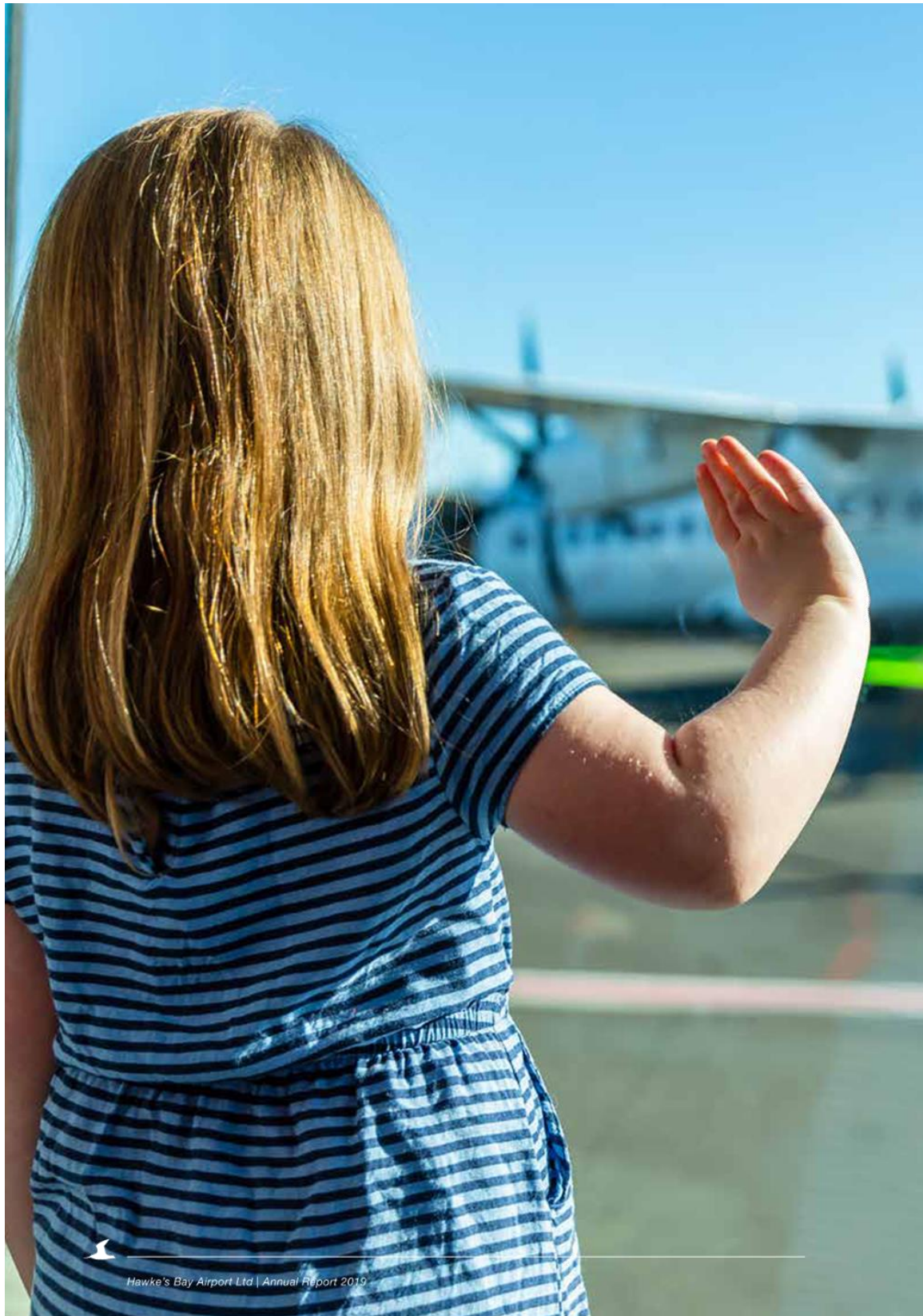
Time: 10.00am

Venue: Council Chambers
Hawke's Bay Regional Council
159 Dalton Street
Napier

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A Warm Welcome

*Kia ora, talofa, kon'nichiwa,
ni hao, marhaba, hola*

As a people, New Zealand is constantly learning what it is that brings us together and as a country, how we contribute to the world. We take great pride in our unique position here in the deep blue Pacific, our special heritage, unrivalled landscapes, and our values – which include community, partnership and respect.

In many ways, those three words sum up the theme of this year's Annual Report.

Hawke's Bay Airport is more than simply an assortment of buildings on tarmac. It is a collection of people, who collaborate widely, solve problems rapidly, and strive for excellence.

Here at the Airport, our Strategic Plan identifies five strategic pillars under which we deliver our key services – Property, People, Commercial, Operations and Partners.



And within each pillar, there are dedicated and passionate individuals from all walks of life, using their wisdom and experience to serve the people of Hawke's Bay – and indeed, those from around the globe – in the best way possible, as our Airport continues to grow and thrive.

A selection of their stories are highlighted within the pages of this Annual Report.



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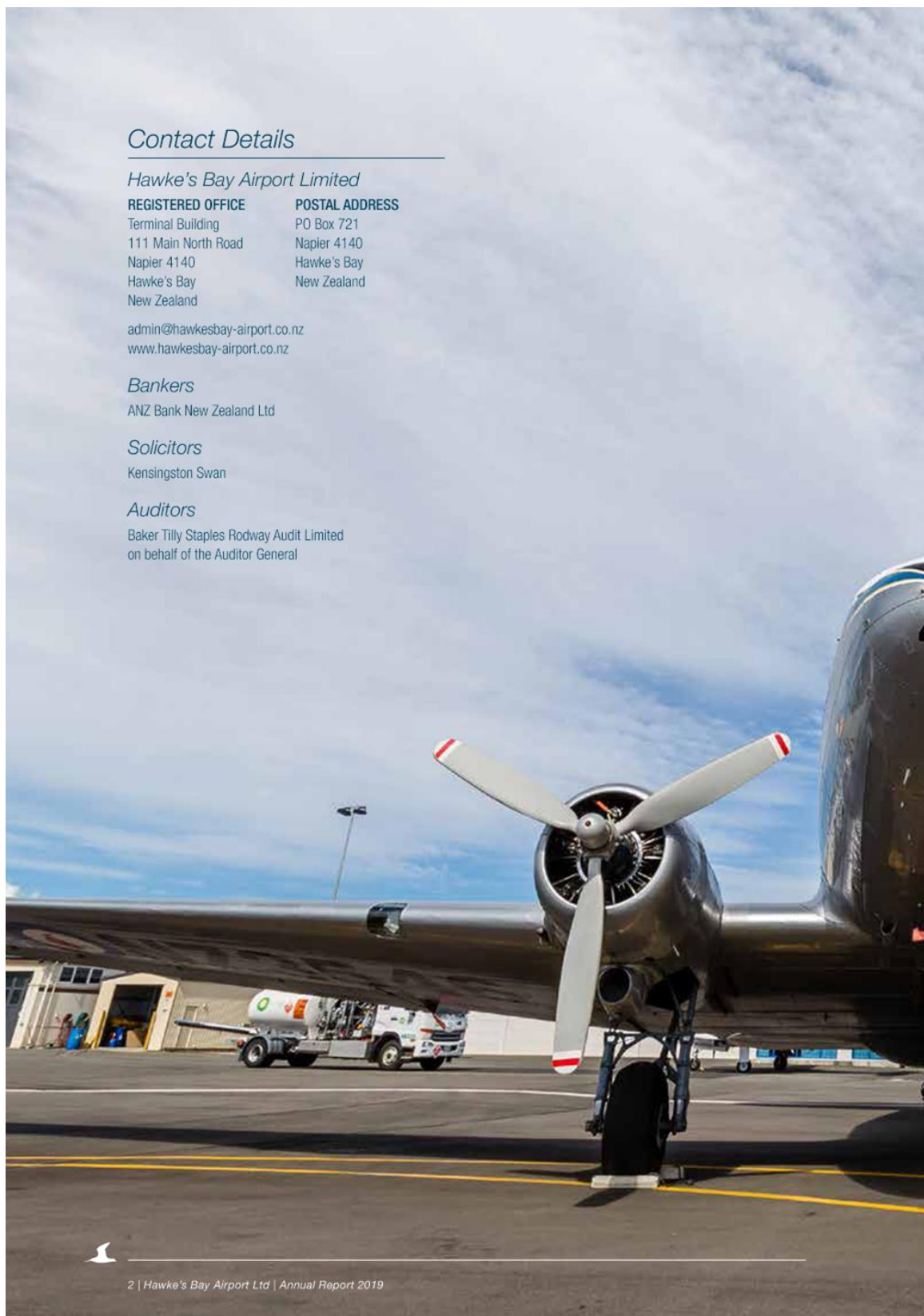
ANZ Bank New Zealand Ltd

Solicitors

Kensington Swan

Auditors

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



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About Your Airport

In 2019 Hawke's Bay Airport celebrated 55 years of official service to the local community, travellers and international visitors.

Since the 15th of February 1964, millions of passengers have passed through its gates, and many hundreds of thousands more engage with the Airport in myriad ways.

The Airport is 50% owned and operated by the Crown with Napier City Council holding 26% and Hastings District Council 24%.

It sits within a unique estuarine environment that, until the destructive 1931 Hawke's Bay earthquake, was a tidal lagoon. The magnitude 7.9 quake raised the seabed by up to two metres, creating many hectares of land where once there had been only water. The Airport values its physical position and the responsibilities that come with the environment surrounding it. Many native species occupy the wetland areas within the current 183ha site, and the Airport team works hard to maintain healthy habitats for the wildlife that share this space.

Hawke's Bay Airport is a true transport hub. Air New Zealand, Jetstar, Originair and Sounds Air offer commercial flights to and from our Airport. Charter flights, car rental, aero club and air ambulance services also operate from the site. As the Airport grows increasingly busy, Hawke's Bay Airport Limited continues to review and improve infrastructure and services, always moving steadily towards the goal of being the most vibrant and successful regional airport in New Zealand.

With passenger movements on target to reach one million by 2025, Hawke's Bay Airport really is the gateway to Hawke's Bay and its development and improvement will help ensure sustained future growth for all who reside here.





Chairman's Report

I am pleased to report on the performance of Hawke's Bay Airport Limited for the financial year ended 30th June 2019.

There have been significant demands over this period. However, in spite of these, the Airport has enjoyed another year of substantial growth and commercial success. Despite higher than expected expenses as a result of some unanticipated one-off costs, the Company has delivered another strong financial performance. Revenue has grown to a record \$7.7M and a net profit after tax of \$1.58M. The Board wishes to thank and pay tribute to the management team for its hard work and dedication during what have been, at times, trying circumstances.

Undoubtedly, the most challenging of the demands faced by the Airport was the voluntary administration of Arrow International Contractors in February 2019, necessitating a key change to the delivery of our Major Terminal Expansion Project. This hurdle had the potential to derail our project. However, with good risk analysis and planning by the Board and Executive Management, the project was able to continue almost seamlessly with the establishment of a new subsidiary company, Hawke's Bay Airport Construction Ltd. Under Arrow, the Airport Company had significantly progressed construction with Stage One, the arrivals hall area, opened in January 2019. Stage Two of the project is forging ahead and it is pleasing to see both the roof and floor completed. Work is on track for the opening of the new departure hall in October 2019.

The complete footprint of the terminal is now clearly evident and it is drawing a lot of favourable comment. The revised design allows for growth in passenger numbers to between 1 and 1.1 million per year, better amenities for passengers and future-proofing for any further security enhancements that may be required down the line. I would like to acknowledge the valuable input of Mana Ahuriri's representatives into the design of the new terminal's "sense of place". The Board and I are excited by the opportunities that the new facilities will provide to our airline business partners, travellers, retailers and the region as a whole.

Passenger growth continues to track well. The Airport set a new record of 750,000 passenger movements in the FY19 - 50,000 passengers ahead of last year. This 7.3% growth in passengers has been underpinned by a 6% growth in seat capacity. There are a number of other changes and improvements to our business which are outlined

further within the report, but I wish to record three in particular here. Over the year, we have continued to see a strong culture of safety and customer service develop. This culture is actively fostered by management and is evident at all levels of our business. We have also seen organisational change and we warmly welcome new CFO, Rachel Orchard, and Technical Works Coordinator, Mark Frew to the Airport. This year has also seen us make great strides towards building stronger partnerships with the Hawke's Bay community and cementing our place within it. As examples, our new community-based Airport Ambassador volunteer programme commenced early in 2019, and we have signed a Memorandum of Understanding with Hawke's Bay Air Ambulance Charitable Trust to provide annual sponsorship.

The management team has made significant progress in developing a 20-year Airport Masterplan during the year. They have completed work on demand forecasts, technical aeronautical studies and the early stages of an air freight feasibility review. Their study has been supported by the Government, with a \$200,000 grant from the Provincial Growth Fund. This has enabled them to commission consultants to undertake a detailed air freight review, the aim being to research the feasibility of the Airport acting as a catalyst for significant growth in the international market for the Bay's fresh products. The first draft of the Masterplan is due to be completed in early 2020, prior to a period of public and stakeholder engagement.

FY2020 will see our Airport landscape and supporting services physically transformed and I am very much looking forward to this change being realised. On behalf of the Airport Company Board, I would like to acknowledge and thank our shareholders and our stakeholders for their continued support throughout the year. In particular, I would like to thank those who have supported us through the challenges and helped to enable our success. Finally, I would like to extend a special thanks to the team of volunteer Airport Ambassadors who are doing a wonderful job helping passengers navigate through the terminal.



Tony Porter | Chairman





Chief Executive Officer's Report

Inheriting the leadership of Hawke's Bay Airport during a period of significant change has been exciting and invigorating.

The past year was an important one – as a business, we re-set our strategic direction and restructured our team, while developing the capabilities to deliver excellence.

We saw strong aeronautical growth throughout the 12 months, and are delighted to announce that we have crossed the 750,000 passenger movement mark – a real achievement for Hawke's Bay. An increase in passenger numbers gives us both a lift in revenue and a flow-on effect to other passenger-related income streams.

This growth, and projected passenger figures, underpins our decision to increase the investment into our terminal design. Along with the greater capacity it will bring – the primary reason for the higher investment – passengers will notice a greatly improved sense of place when arriving, departing, or picking up from the Airport. Developed with our shareholders, key stakeholders, the community and Mana Ahuriri, the design will really speak to who we are and what we deliver as a region and I am very much looking forward to seeing it completed.

As a result of the positive changes to our design plans, we were able to optimise the delivery of our staged project, and opened our arrivals hall ahead of the original plan by some six months. Procurement of a new car parking payment system and associated infrastructure design has been completed and will be up and running by the end of 2019.

However we also experienced some notable challenges with the project, requiring a rapid and workable solution from the team. When Arrow went into voluntary administration, we were able to swiftly gain a mandate from the Hawke's Bay Airport Limited Board to establish a subsidiary that would retain key construction staff and contractors.

There were a few sleepless nights as negotiations progressed but ultimately the decision to move forwards with the project under Hawke's Bay Airport Construction Ltd was a good one – the project was set back by a period of less than three weeks. Having said that, we are experiencing a short delay to the project completion date which is now anticipated to occur in late 2020 – a few months later than envisaged.

Revenue growth has been solid over the past year with growth of 16% per annum and NPAT of 4%, 13% above SOI. NPAT is slightly lower than forecast due to some essential but one-off restructuring costs during 2018. EBITDA of \$3.93m is 16% above SOI. Margins remain strong and are anticipated to grow over the coming year.

Other revenue streams such as car rentals and advertising have seen significant uplifts through commercial renegotiation and innovation.

With the scale and complexity of works going on around site, safety is – and will remain – our greatest focus. The Airport has invested significantly in this area, recruiting a new Airside Safety Officer, and ensuring optimal safety through our wildlife hazard management and contractor induction processes.

During June the Civil Aviation Authority undertook its five-yearly recertification of the Airport which was awarded on 29/07/2019. Now, the team is preparing for the planned Safety Management Certification Audit which takes place in October.

Work is also well underway on the Airport's 20-year Masterplan, which commenced in 2018. The Masterplan workstreams completed include aeronautical forecasts and airfield infrastructure studies. The plan also includes a sustainability framework and supporting goals, which are outlined within this Annual Report.

Partnership was identified as a key area of strategic focus and we are proud of the strides we have made in forming meaningful relationships with community organisations, councils and businesses across Hawke's Bay. We were recently named the Platinum Sponsor for Biodiversity Hawke's Bay – a partnership that enables us to take a greater role in protecting the unique ecosystem surrounding the Airport, and to fund important projects that benefit Hawke's Bay both now and into the future.

As you will note throughout this report, people – and how they interact with our Airport – are intrinsic to what we do as business. For the first time, we have commenced a bi-annual customer survey which we aim to share publicly and use to underpin our continuous improvement during FY19/20.

I am pleased to be presenting this 2019 Annual Report and look forward to working in collaboration with our shareholders and key business partners on the delivery of our 2019/2020 SOI.

Ngā mihi maloha,



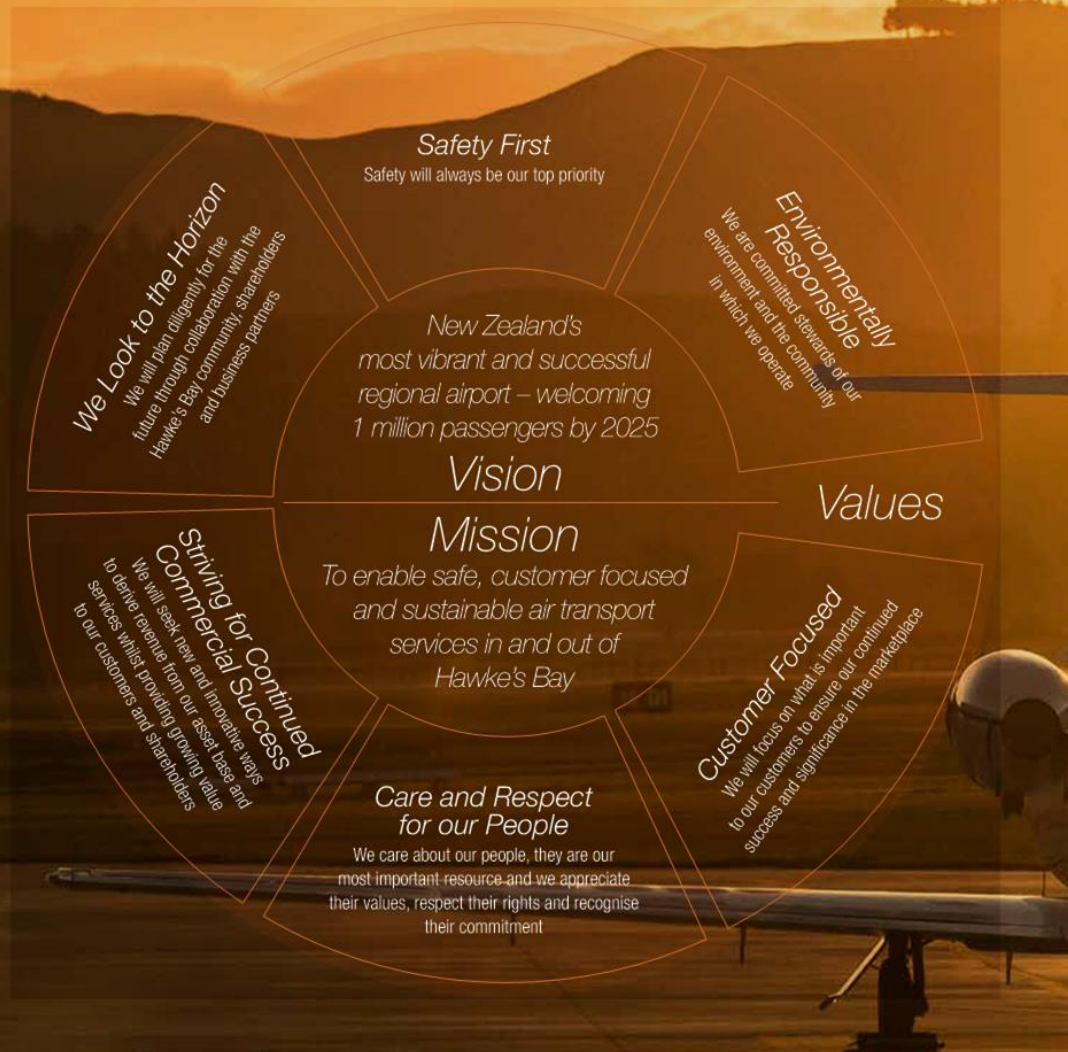
Stuart Ainslie | Chief Executive Officer

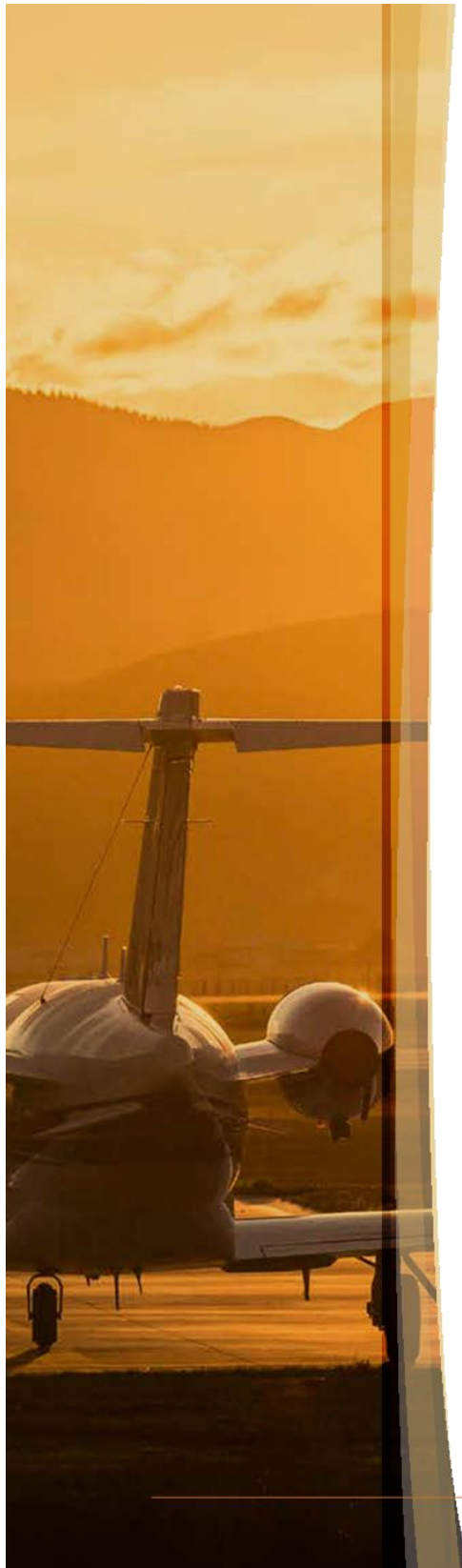


Where We Are Heading

We are committed to delivering outstanding service to everyone who comes in contact with our Airport. That means taking into account a variety of factors, from how we prioritise safety, to the way we treat the environment, to the projects we embark on and who we engage to lead them.

Our vision, mission, values and strategic pillars are set to reflect how we wish to move forward.





Strategic Pillars



PROPERTY

Making the best use of our land whilst safeguarding our Airport to optimise returns and increase value to our shareholders.



PEOPLE

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



COMMERCIAL

Maximising the returns across our aeronautical business whilst delivering greater value and a strong sense of place.



OPERATIONS

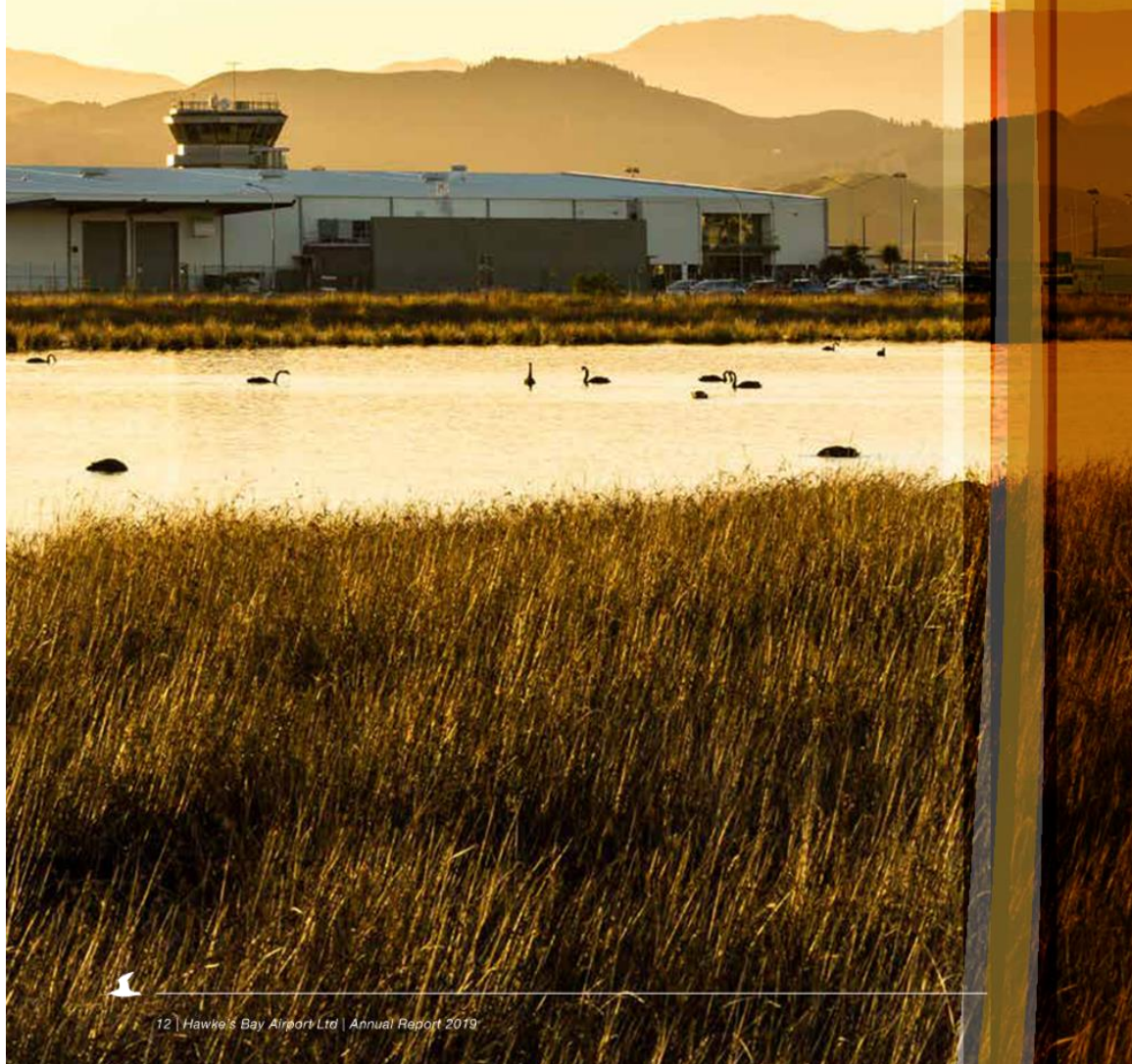
Ensuring a safe, rewarding and delightful journey for our travellers. Striving for excellence in everything we do.



PARTNERS

Engaging with our customers, stakeholders, business partners and community to grow our Airport in a way which benefits everyone. A great place to do business.

"Our vision is to be New Zealand's
most sustainable Airport.
We will achieve this by embedding
sustainability at the heart
of everything we do."



Sustainability Framework

Our commitment to sustainability will be unwavering. It is a guiding principle that will shape our decision making to ensure it takes a holistic approach that considers all four pillars of our sustainability framework.

We will grow our business in a way that delivers financial returns; is environmentally excellent; socially responsible and operationally efficient.

	FINANCIAL RETURN 	ENVIRONMENTAL EXCELLENCE 	SOCIAL RESPONSIBILITY 	OPERATIONAL EFFICIENCY 
GOALS (SOI)	Stimulate economic growth via intelligent solutions with attractive payback periods to deliver lifecycle savings and revenue	Focus on innovation, new technology and asset utilisation to deliver exceptional environmental outcomes	Invest in our people and positively contribute to sustainable and healthy communities whilst being a good neighbour	Optimise the airfield layout and core processing nodes to enhance punctuality, operational flexibility and resilience
OBJECTIVES	Deliver a unique Hawke's Bay experience and exemplary customer service to all Catalyse regional economic growth and nurture commercial success	Manage and use natural resources and energy sustainably Grow and develop the Airport sustainably for the benefit of future generations	Respect equality, celebrate diversity and embrace inclusion in the workplace Embrace the wellbeing, health and quality of life of the local community	Operate a safe and secure Airport for all users Be operationally efficient, innovative and resilient to natural disasters and climate change
OUTCOMES (SOI)	<ul style="list-style-type: none"> • Support local & regional businesses • Facilitate local procurement opportunities • Attract inward investment • Expand global business networks • Enhance retail product 	<ul style="list-style-type: none"> • Carbon neutrality • Appropriately manage noise • Clean stormwater • Develop resilient infrastructure • Improve air quality • Optimise natural resource use • Improve biodiversity 	<ul style="list-style-type: none"> • Local job creation & skills training • Support local charities & communities initiatives • Staff engagement • Diversity & inclusion • Effective noise management 	<ul style="list-style-type: none"> • Terminal capacity • Simple spatial & functional layouts • Efficient operational procedures • Intuitive wayfinding • Safety & security • Passenger & staff wellbeing • Wildlife control

Board of Directors



Tony Porter

Chairman

Tony has served as a director of HBAL since 1997 and was elected Chairman of Directors in July 2014. He has enjoyed a noteworthy engineering career in structural and bridge design, transportation asset management and business management, specialising over the latter years in asset management and procurement options for managing road networks.

Tony has a BE (Hons) in Civil Engineering, is a Fellow of the Institute of Professional Engineers and a Member of the Institute of Directors New Zealand.



Sarah Park

Chair of the Audit and Finance Committee

Sarah was appointed to the Board of HBAL in July 2014. She has a degree in Economics from the University of Edinburgh. Sarah has a good executive pedigree gained from working in the Mergers and Acquisitions and Capital Markets teams at HSBC Investment Bank (UK) and the PwC (NZ) and in the venture capital arena in the US and Asia. A strong foundational executive career has progressed into multiple roles in governance in New Zealand. Sarah's directorships include Pacific Edge, Focus Genetics and Eurogrow. She also sits on the Board of Trustees at Hereworth School.



Wendie Harvey

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

Wendie's governance career reflects her interests in strategy development, infrastructure management and the promotion of health and safety in the workplace. Her appointments include the Boards of Port of Napier, Centralines Limited, Aurora Energy Ltd as directorship, ETCO (Electrical Training Company Ltd) and Fire and Emergency New Zealand. Wendie also serves as a Commissioner on the New Zealand Gambling Commission and is a Council Member of the Eastern Institute of Technology.



Taine Randell

Following an extensive professional rugby career in New Zealand and the UK, including Captaincy of the All Blacks, Taine pursued a career in finance and commodity markets both offshore and locally. These skills have enabled him to contribute to a number of governance roles in both commercial and social sectors.

Taine's current directorships include Australian Lobster Company, Kahutia Limited, Fiordland Lobster Company, Kiwigarden. Taine is also a trustee of the Wharariki Trust, an organisation that provides social services in Flaxmere.



Senior Management



Stuart Ainslie
Chief Executive Officer

Stuart is a senior airport executive with over 18 years' experience in public and privately-owned international hub and regional airports in the UK, Australia and Papua New Guinea. A professionally qualified engineer, Stuart is a consummate senior leader with a special focus on, and understanding of, airports and associated infrastructure. He has also run and managed his own aviation consultancy.

Stuart is a director of the New Zealand Airports Association and sits on the board of the Art Deco Trust.



Rachel Orchard
Chief Financial Officer

An experienced leader, Rachel's work across a number of industries has seen her lead change and revamp business processes within organisations. She has significant experience as a senior manager, working with all levels to effectively manage an entity's commercial and business performance.

Rachel is a valued member of the Hawke's Bay Airport Limited team, and is regularly involved in strategy discussions. Along with her strong commercial acumen, she brings a laser focus to the bottom line. Rachel is an Associate Chartered Accountant and gained distinction when completing her MBA.



Dean Smith
Strategy & Business Development Manager

Dean joined Hawke's Bay Airport in 2016 bringing with him over 15 years of professional experience across the financial services and wine industries in both New Zealand and mainland China.

Dean leads Hawke's Bay Airport's business development, commercial and communications functions as well as holding responsibility for the development and integration of the company's strategic planning process.

Dean holds Bachelors degrees in both Commerce and Science from the University of Auckland.



Gareth Mentzer
Operations Manager

Gareth brings over 15 years' experience in diverse operational and business roles to Hawke's Bay Airport. He enjoys the variety of his position with the Airport, learning from other leaders and meeting the challenges of a multi-faceted operational landscape.

Gareth hold a Bachelor of Computing Systems and applies his practical and analytical skills daily, within a busy airport environment experiencing both growth and change. Outside of work, Gareth can often be found on the sidelines of his children's sports matches.



Stephanie Murphy
Airport Planner

Stephanie has devoted her career to commercial planning and infrastructure and has held key roles within electricity, energy and aviation companies. She relishes the challenge of developing new projects from an environmental, commercial and long-term strategic planning perspective, with a career highlight the consenting of Australasia's largest wind farm. Stephanie enjoys seeing sustainable progress take shape and unlocking the potential of Hawke's Bay Airport alongside a highly engaged team.

She holds a Bachelor of Resource and Environmental Planning, and loves spending time with family and friends travelling, cycling, skiing and exploring.



Our Changing Airport



PROPERTY: Making the best use of our land whilst safeguarding our Airport to optimise returns and increase value to our shareholders.

Watchman Road Project

Journeys to and from the Airport changed this year, as our Watchman Road project wrapped up and the new approach opened to the public. We have enjoyed hearing feedback on these roading improvements, and their positive effect on efficiency, safety, visibility and aesthetics. We also acknowledge the collaborative approach taken in getting the Watchman Road project to completion – it was a true coming together of several agencies (including contractors, Napier City Council, Mana Ahuriri and NZTA) to achieve something very special.

We certainly feel that our enhanced gateway to the region is leaving a lasting impression on those who travel through it.

Terminal Redevelopment

Now, our focus shifts to the terminal expansion, which was increased in scope by 540sqm in order to meet future demands such as upcoming security screening requirements and changing revenue opportunities. Another reason for the revision was projected passenger numbers. Our original expansion plan was set to cater for up to 800,000 passengers, forecasted for 2024. But with strong passenger growth showing, that forecast has been brought forward to 2020. Hawke's Bay Airport expects to reach one million passenger movements by 2025 and additional floor space was required to accommodate the increasing volume of travellers.

The collapse of Arrow Construction in February 2019 was an unforeseen challenge, but was handled efficiently by all at Hawke's Bay Airport Limited. More on this, and the subsequent establishment of Hawke's Bay Airport Construction Limited, can be found on page 21.

Our complete terminal redevelopment will open towards the end of 2020, and we are confident it will be well received by the people of Hawke's Bay, and visitors to our region. Artist Jacob Scott, of Mana Ahuriri, has taken a lead role in the development of the visual components of the Airport, weaving local and global stories into the Airport elements, and showcasing the bountiful region we live in. Jacob was instrumental in the design elements of the Watchman Road project and the storytelling he has achieved here will be brought right through the Airport terminal.

Airport Land Development

New ground lease agreements have been entered into for the development of approximately 3,000sqm of Airport land.

This will facilitate the relocation of the existing aviation fuel farm to a site that is strategically positioned relative to the future growth of the apron. Other developments at the Airport will include the establishment of a new private jet centre and the construction of a new general aviation hangar. Negotiations are also well advanced in relation to an additional 2,500sqm of development – anticipated early in the new financial year. It has been encouraging to see the positive impact the Watchman Road project has had in stimulating development interest at the Airport.



Masterplan and the Resource Management Act

The update of our 20-Year Masterplan is advancing to schedule. The imperative is to ensure that the Masterplan safeguards the ability for the Airport to grow sustainably into the future and in alignment with HBAL's Strategic Framework.

In order to continue developing future passenger growth forecasts, we have established a partnership with Christchurch International Airport. Their aviation planning experts will help with forecasts to underpin the Masterplan's growth assumptions.

In addition, we have retained planning consultants Mitchell Daysh to work hand-in-hand with Executive Management in identifying the required planning framework.

Following the engagement of an acoustic consultant, we have been compiling noise monitoring information via two noise monitoring sites deployed to the north and south of the airfield. The data collected will inform the proposed noise boundaries within the Masterplan. Furthermore, aeronautical planning experts AirBiz – who were engaged following HBAL approval in March – have led a series of workshops to identify the necessary infrastructural provisions to be included in the plan. These cover items such as sustainability, main runway length and cross runway usage.

Other main studies to be undertaken include transport, landscape, archaeology, cultural and stormwater. Public consultation will commence early in the new financial year.

Sustainability Framework

Significant focus has been placed on defining the Airport's sustainability framework. This process has identified the following pillars: operational efficiency, financial return, environmental excellence and social responsibility. This Framework will be embedded at the core of the airport's Strategic Plan and will underpin future development decisions.





Case Study: Taking Flight

When visitors step off their flight and into the terminal, they will know immediately where they are and what our place offers them. That's the goal of artist and Mana Ahuriri representative Jacob Scott, who is tasked with telling the stories of the region through the various elements of the Airport. "The Airport is the gateway – the Waharoa – to the region," says Jacob. "It's a place to welcome travellers, and to send them off from. And it's a place to come home to."

Jacob has chosen the kuaka – or godwit – to inspire others' connections to our region. Kuaka come to feed each year from Alaska and can be spotted in the Ahuriri Estuary from around September. After enduring a nine-day flight, without stopping to rest or eat, they then enjoy the bounty of the Estuary, putting on enough weight to survive the journey back to Alaska to breed. There is huge significance in their migration to Hawke's Bay each year for Mana Ahuriri, whose people also used the estuary as a primary food source. "The godwits provide an amazing metaphor for this project – they provide us with a link to the outside world, and of course they use the air to do that."

The kuaka will feature prominently in every facet of the Airport redesign – from the shape of the terminal itself, akin to a godwit in flight, to the interior in the departures and arrival areas. "Our aim is to utilise every element of the build and make it part of the story, from the ground up," explains Jacob.

To do so requires collaboration between the many businesses and agencies involved in the terminal redevelopment. Jacob says having been through the process with the Watchman Road project, he's excited to see what can be accomplished. "Watchman Road was a great experience – terrific," Jacob says. "The way all the stakeholders worked together set a real benchmark for future projects. It was a process that was in no way adversarial – instead it recognised there was a job to do and an opportunity in it for everybody. It was a progressive atmosphere."

The Watchman Road project was recently recognised at the Institute of Public Works Engineers Australasia NZ Excellence Awards, taking home the award for Best Public Works Project over \$5 million. On receiving the award, NZTA paid tribute to the valuable input from Jacob and Mana Ahuriri, among others, stating that much of the success of the project came down to the advice of the many stakeholders. "By setting up a 'connection group' with residents, estuary protection advocates and tangata whenua, we were able to create an asset that the community can be proud of," said the NZTA.

Jacob, too, could not be more pleased with the outcome of Watchman Road, how it warmly welcomes visitors to the Airport, represents the characteristics of the entire region and begins telling the story of the incredible kuaka.

"What provides the most pride, though, is the bringing together that has been achieved – that people have learned projects like this are possible and that working relationships can be positive and progressive."

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A Creative Solution

In early 2019, Hawke's Bay Airport Limited faced a challenge unlike any it had experienced before.

Just months into our \$20.2m expansion project, the Airport's lead construction contractors, Arrow International, went into voluntary administration. With years of planning and intellectual property (as well as the incomes and livelihoods of the construction team) suddenly at risk, a swift, sustainable solution was sought.

Working at speed to resolve the issue, our management team met with sub-contractors and members of the board within days of the event, quickly undertaking to retain key personnel by establishing a wholly-owned subsidiary company – Hawke's Bay Airport Construction Limited.

With guidance from Chief Executive Stuart Ainslie and the HBAL board, and under the auspices of the subsidiary, the project was able to continue near-seamlessly with the same project managers, quantity surveyors, engineers and other team members remaining on board.

As well as safeguarding the future of the project at a critical juncture, another advantage of the approach is that the Airport expansion is now being led by a Hawke's Bay company. Effectively, our Airport is being built by the people of Hawke's Bay, for the people of Hawke's Bay – something in which we take considerable pride.

Project Progression

- **January 2019:** Our arrivals hall and new baggage claim area opened
- **February 2019:** Arrow International went into voluntary administration
- **March 2019:** Hawke's Bay Airport Construction Limited established
- **October 2019:** New airline counters and airline back-of-house facilities to open
- **November 2019:** New state-of-the-art car park access control technology installed
- **Mid 2020:** Forecourt upgrade and pickup/drop-off areas remodelled
- **Mid 2020:** Airport terminal food, beverage and retail offerings open
- **Late 2020:** Our Airport expansion project is completed



The Best People



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

Visitors to the Airport might notice an influx of friendly faces around the terminal. We launched our ambassadors programme at the beginning of 2019, and so far, consider it a huge success.

Ambassadors work on a voluntary basis, assisting passengers as they navigate the Airport, find their way to rental car counters or into the car park, or with answering any questions travellers might have about the region. They wear an ambassador's uniform for easy identification and are provided with refreshments and fuel vouchers to get to and from the Airport.

Volunteers were recruited through online and print marketing, and with a huge response from keen locals willing to help, we cut off applications early. A selection and induction programme led by Customer Service Administrator Sara Cartwright followed, and we now have a team of over 30 passionate and committed ambassadors welcoming passengers to Hawke's Bay. A huge thank you to all who have joined us.

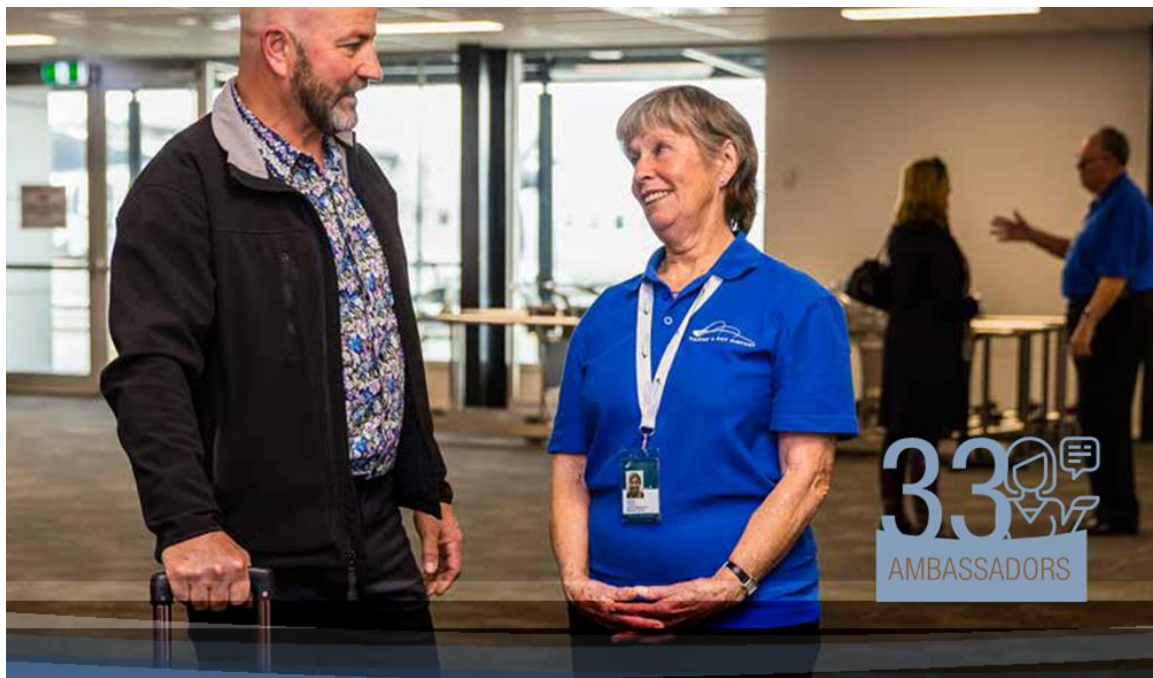
Rachel Orchard was appointed to the role of interim CFO in January and following Jeanette Yule's resignation has been retained on a long-term basis. Rachel's ability to step in and provide stability and strategic insight has been invaluable and we thank her for her ongoing efforts.

Stephanie Murphy joined the Airport as Airport Planner in September. The primary purpose of this appointment is to provide strategic oversight and management of the Airport's next-generation sustainable Masterplan.

Further to our recent organisational review, and in line with Hawke's Bay Airport Limited's revised strategic plan, an appointment was made to the newly created Technical Works Coordinator role in January. Our recruitment for the new Airside Safety Officer position has wrapped up and that role commenced in July 2019.

Our commitment to recruiting the very best people in all roles, including our volunteer positions, ensures our Airport continues to deliver exemplary service to everyone who partners with us, does business here, or passes through our terminal.





Case Study: Meet and Greet

When Felicity Grant saw an ad and article encouraging potential Airport ambassadors to apply for a raft of newly created positions, she leapt at the chance. "I've always been fascinated by the Airport and by air travel and as a young girl, I'd wanted to become a flight attendant," says the 56-year-old. "Sadly, I was too short and couldn't swim! So when I saw the call for ambassadors, I thought volunteering would be a great way to serve Hawke's Bay and get involved in some more community work."

She believes that it's her "friendly approach and the welcoming smile on my face" that make her a good candidate for the job. Stan Simmonds (80), shares her view. "It is an enjoyable role. You're welcoming people to Hawke's Bay with a big smile whether they are visitors or passengers returning home."

Stan, originally from the United Kingdom, is retired, having served in the Royal Navy and the Essex Police Constabulary, then the New Zealand Police and as a Napier City Councillor. "What I learned from those roles was to be prepared to appreciate other peoples' points of view. To be successful as an ambassador you need good communication skills, a sense of humour, and to listen."

Felicity has many years as a mother, security officer and community advocate under her belt and sees herself as the "eyes and ears of the Airport."

"As well as answering questions and giving directions, I tend to look out for any suspicious behaviour, the safety of young children, and making sure they're with an adult."

She also relishes any opportunity to assist disabled or elderly passengers as they navigate the terminal and find their onwards transport.

Volunteers typically work on four-hour rostered shifts, from around two shifts a month up to two shifts a week. It's a great way to meet people, says Stan, and offer any assistance he can.

The most common questions are around carparking costs, the renovation work and where to find public conveniences, "and we are getting more and more passengers asking for directions to their AirBnB accommodation," notes Felicity.

"I love meeting them all. Some might have come off a bumpy flight or have had delays arriving but a big 'welcome to sunny Napier!' seems to put them in a great frame of mind."



Growth and Vibrancy



COMMERCIAL: Maximising the returns across our aeronautical business whilst delivering greater value and a strong sense of place.

Our Airport is much more than take-offs and landings. Our business model is multi-faceted, incorporating a number of different revenue streams as well as providing a base for a wide array of commercial partners.

Roads and Car Parking

Our plans to improve traffic management and wayfinding are well advanced. Traffic flow will be enhanced via a new internal road network which has been developed in order to optimise safety, navigation and access to the carpark.

Civil works are required to complete the changes and create seamless integration of the Watchman Road project with our existing infrastructure.

An open tender procurement process that concluded in February 2019 saw us select new carpark access technology to be installed this coming financial year as part of a \$500,000 upgrade to our public carparking areas. This specialised equipment is being manufactured to our specifications by German company Scheidt and Bachmann, who have a proven track record in airport carparks around the globe. Benefits will include tap-and-go on exit functionality and a variety of new payment options.

Another improvement in our ground transport offering is the addition of solar powered parking sensors under the taxi rank. These sensors feed an LED screen which advises waiting taxis of spaces, when they come available. The installation has been a success, particularly as the technology also helps provide useful metrics on the pick-up and drop-off area – this information will help us better understand peak usage and inform resourcing.

Car Rental

We negotiated new licence agreements with car rental companies ahead of them moving into the redeveloped terminal building in January. The new agreements include a change in commercial settings to best reflect the passenger growth that the Airport and its partners have enjoyed.

Advertising and Billboards

We were successful in having resource consent granted for new billboard sites at the new entrance to the Airport. As part of the process, we described the innovative construction methodology employed, including the use of shipping containers located on landscaped mounds to ensure they match their surrounding environment.

Air Freight Feasibility

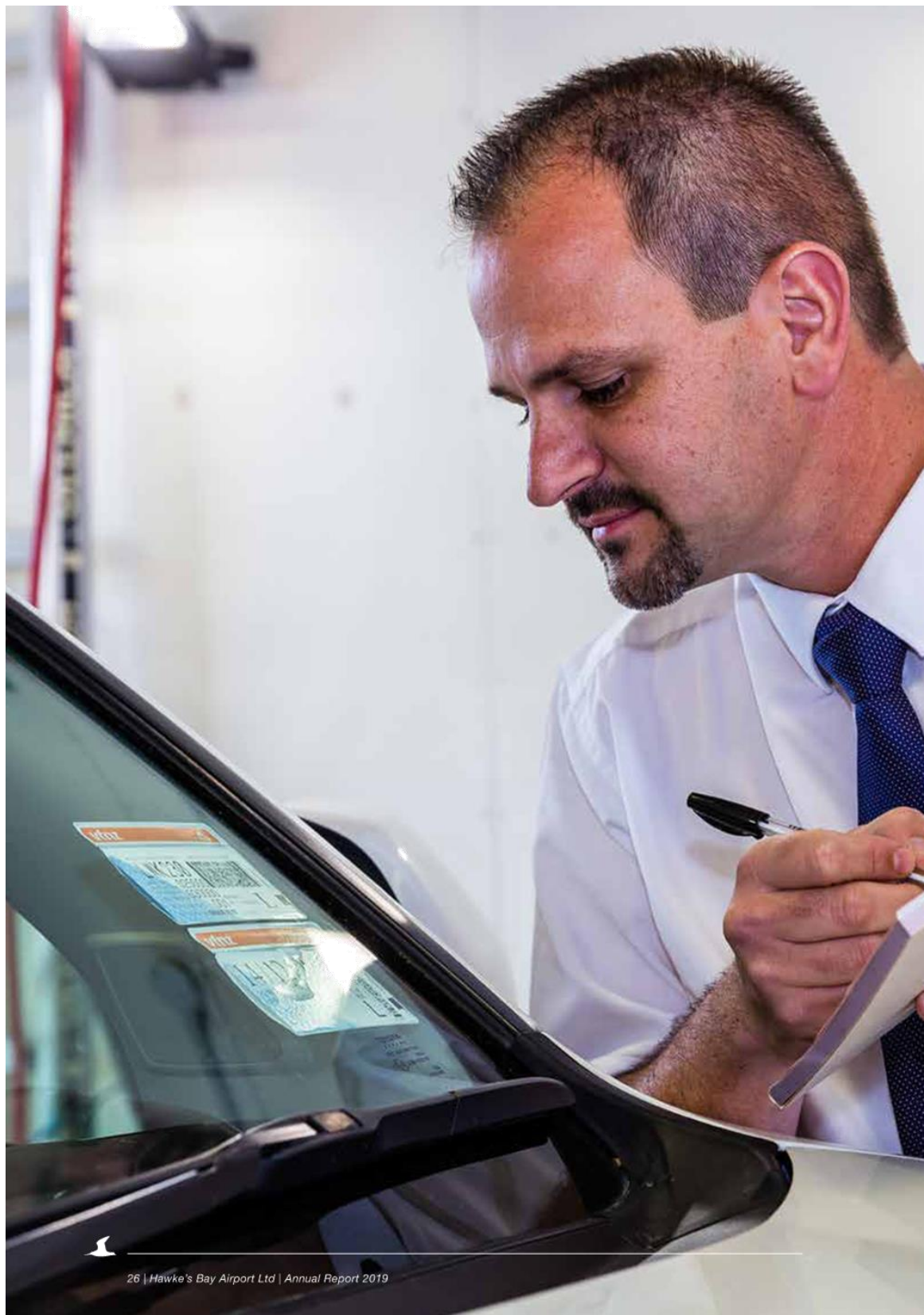
A successful application was submitted to the government's Provincial Growth Fund with \$200,000 secured to assist with an air freight feasibility study. This work is now well underway.



69,376 pax

MAR 19
BUSIEST MONTH IN
AIRPORT HISTORY





Case Study: Wheels in Motion



One of the very first things on the minds of a growing number of passengers disembarking at Hawke's Bay Airport is finding a rental car in which to explore the region. The Napier branch of Avis Budget is the third busiest counter in their North Island network (after Auckland and Wellington) and Manager Nico Putter says the company's clients are increasingly coming from all over the country, and all walks of life.

"They can be anyone, from Aucklanders who are looking to move to the region and need a short-term rental to zip around in, business travellers using rentals for meetings, through to travellers looking for great wine, lots of sun, and the tranquillity of a small city – and an incredible region – that punches above its weight."

Nico says as new – or existing – airlines have added Hawke's Bay Airport to their schedule, he's noticed an influx of customers from "New Plymouth, Blenheim, and Palmerston North. So rather than being in a central city location, the Airport is ideal for the Avis Budget operation. This is because it makes it easy for our customers to touch down in Napier, pick up their car and get to where they want to be quickly and efficiently."

In fact, Avis Budget has no other counter in Hawke's Bay – 100% of its business is done at the Airport.

It means Nico needs to ensure a high-quality staff to service the vehicles, which are often required within a tight turnaround window. "We have over 25 employees who are on a variety of working patterns at the Airport. Once a customer drops a car off, it is driven by our staff to be groomed at the wash bay. A key part of the Napier operation is our team who help us with moving and refuelling cars throughout the day – they are all retired people whose experience, enthusiasm and companionship are a huge asset. We also have a partnership with CCS Disability Action, a nationwide organisation that provides support and advocacy for disabled people, meaning that every day we have a 23-year-old who helps our wash bay team. The time he spends with us is as much about helping out where he can, as it is about him interacting and bonding with our team."

Nico, an Avis Budget Fleet Manager and local Branch Manager also need to maintain outstanding relationships with Avis and Budget franchises in nearby locations such as Taupo and Gisborne, to supply additional cars during peak times. "The backbone of the operation is the locals we employ as casual drivers who collect cars from other branches and bring them back to Napier. They also drive the rental cars from Hawke's Bay to other locations if needed."

With the Airport expansion project nearing completion, Nico says he's excited at the prospect of even greater base from which to work, and what the future might hold for Avis Budget and its Airport counter. "To help continue to grow both the Airport and the local economy, we would like to see some focus on the Australian market and bringing these travellers direct to Hawke's Bay. Napier is located perfectly on the East Coast to take some international flights and to assist with cancelled flights from Auckland and Wellington.

"Development has been a long time coming but now Hawke's Bay Airport is looking to the future and it is great to see."





23,530
TOTAL
MOVEMENTS

Safe and Sound



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

Safety Management

In any airport environment, safety is paramount.

At Hawke's Bay Airport, we continuously analyse risk, monitor hazards, and promote a safety culture across the business. Safety remains at the very top of the priority list in everything that we do.

Over the last year we have implemented a new sign-in and induction process for contractors and visitors to our management team. It's an electronic system that ensures visitors are informed of any potential threats as well as how to evacuate in an emergency.

We led a full-scale emergency exercise on December 18th 2018. The exercise simulated a passenger flight being unable to land safely, with a subsequent on-airport accident involving injuries. This valuable simulation was an opportunity for the Airport and connected agencies to test processes and procedures in accordance with Civil Aviation Authority (CAA) Rule 139 requirements. This practical rehearsal exercise was followed with a desktop exercise in February 2019.

It has been an excellent year for compliance. Our CAA-regulated Safety Management System implementation plan was approved in 2018 and work has progressed ahead of its November 2019 go-live date. In addition, our five-yearly CAA recertification audit was undertaken in June 2019. The Airport completed the audit with only one minor finding, and received many pleasing comments from the CAA. The audit also gave the team an opportunity to continue building capacity and capability with Dean Smith stepping in for the interview component of this audit.

Elsewhere we have seen an uplift in the reporting of Airport incidents, contributing to a robust health and safety environment and development of leading and lagging measures.

We have employed a steward to oversee the Airport's pick-up and drop-off zone, improving traffic and pedestrian safety as well as managing congestion.

Wildlife Management

The past year has seen a greater focus on the Airport's wildlife management. Although bird strikes at Hawke's Bay Airport remain relatively rare, it was important to develop a sound wildlife hazard management plan to mitigate this key safety risk.

We engaged external specialists Avisure, who worked with us on drafting a plan relevant to the bird breeds and native species that gather near the Airport, as well as the coastal location and pasture land that make up the Airport environment.

Avisure's expertise, coupled with input from the Airport team, has seen our wildlife hazard management plan adopted and well understood. One indication of its success thus far is our growing emphasis on reporting and analysing any incidences as they occur, as well as new thinking when it comes to the treatment of pests around the Airport.

Assets and Infrastructure

Our most significant infrastructure milestone of the year was the opening of our arrivals hall and baggage claim area in January 2019. We were particularly pleased to reach this goal six months ahead of schedule, due in part to the revised staging of our Airport expansion project.

With changes to the airside terminal frontage, new gate markings were required. Gates 3, 4 and 5 were moved to the west in staged approach that allowed the Airport to maintain operation of services while the works were completed.

Using industry leading MEX software, the Airport has recently implemented better systemisation of our asset management. We have also commenced work on a project that will map the Airport using Geographic Information Systems (GIS).



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Case Study: Wild Things

"I've learned a lot more about birds than perhaps I'd anticipated I would," says Gareth Mentzer, Operations Manager for the Airport.

One of Gareth's areas of responsibility is wildlife management – that is, minimising any risk to aircraft from bird strike. Where once, using rifles to scare birds away was the most common method of wildlife control, Gareth takes a systematic and logical approach to "discouraging birds from being at the Airport but encouraging them to be elsewhere."

It's no small task. In working with Avisure to complete a wildlife hazard management plan, Gareth has explored many facets of bird behaviour including the different feeding, nesting and laying patterns of various species – and he's had to cover a lot of ground. "Birds move from point to point and over quite a large distance," he explains, "so we went out over a 20 to 23-kilometre radius from the Airport to see where our potential wildlife sources are. As an example, to understand red billed gull behaviour, we took a look at Omarunui Landfill and what impact that might have on the Airport."

"Aircraft are on approach from quite a distance and they start getting low over some potential trouble spots within that radius, so we keep a watching brief on land use around the Airport as well as any changes outside the Airport that might introduce a new hazard."

Within the Airport environment, Gareth also utilises different treatment methods to discourage a range of species. One mitigation is grass height. "A number of birds don't like long grass so we manage the pasture and the length of the grass to keep them away. We've noticed a drop in the number of spur winged plovers this season and as they nest on the ground, we think our pasture management might have something to do with that."

Another way of dissuading bird activity is to remove food sources – like insects – from the Airport environment. And sometimes, the Airport team will support a particular bird population in order to keep land-based pests at bay. "We do keep a number of hawks around the Airport – they are very intelligent and learn quickly to avoid aircraft. And because they are birds of prey, hawks discourage rats, frogs, mice and other ground animals."

Native birds pose no real threat – kuaka, for example, don't fly over the Airport. It's Canada geese that are the major risk to aircraft. With no natural predators close by, and weighing around five kilograms apiece, they can do serious damage to jets, propellers and aircraft windscreens. The Airport has engaged a local specialist to help manage the goose population.

In the meantime, Gareth will continue to learn about wildlife and record his findings. With the help of the Fire Rescue team, who visit seven birdlife sites around the Airport each Monday and note the populations they find, the Airport's understanding of wildlife is growing all the time. "It means that if there's an incident, we can delve deeply into what's happened, why it happened, the species of bird, its size, even what the weather was doing. We aim to have a well-informed idea of what has occurred."

Supporting Progress



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

Hawke's Bay Airport Limited values its place in our Hawke's Bay community and works hard to connect deeply with it. We do this in many ways – by fostering strong relationships with our customers and asking them directly what more we can do to make their experience with us a great one; by engaging in dialogue with our stakeholders and business partners; by lending support to community organisations; and by making ourselves available and accessible to those wanting to learn more about the Airport, its people and how we operate.

Sponsorship

In March 2019, Hawke's Bay Airport signed on as the sole Platinum Sponsor of Biodiversity Hawke's Bay, committing funding and in-kind support of around \$450,000 over the next five years. This support will help build an Endowment Fund that Biodiversity Hawke's Bay will use to create a nature-rich future for our region. The Memorandum of Understanding entered into is hugely beneficial to both entities – for the Airport, it is another way of protecting the environment in which we operate and for Biodiversity Hawke's Bay, the package will help lift its profile and fund important work to support ecological restoration, protect habitats and improve biodiversity outcomes.

As both an enabler and benefactor of our regional tourism economy, the Airport was delighted to help contribute towards a visit of 40 Masters of Wine, who travelled from around the globe to learn more about the wines of Hawke's Bay. Hosted by Hawke's Bay Winegrowers, the trip was an opportunity for the region to showcase its iconic syrahs and chardonnays, soil types and unique terroir. Hawke's Bay Airport also lent its support as a key sponsor to both the Hawke's Bay Tourism Awards, and the Hawke's Bay Export Awards in 2019.

We have reaffirmed our ongoing commitment to Hawke's Bay's air ambulance service, the Air Ambulance Charitable Trust. We see this as a critical service for our region.

The Napier Aero Club has also benefited from Airport support. We waived landing fees for their Aero Deco event as part of the iconic Napier Art Deco Festival. In addition, the club was permitted to use Airport land for event carparking.



Promotion

Our terminal is prime real estate for the promotion of our region in relevant and meaningful way. In 2019, we created a pop-up space in the new arrivals hall. This space has been used to create a sense of theatre and to promote a number of local businesses. It was also used as a platform to promote the Central Hawke's Bay region.

Customer Service

We strive to create an outstanding customer experience at the Airport. We recently became members of Airports Council International (ACI) and signed up to their Airport Service Quality (ASQ) program. The programme includes biannual surveys of outgoing passengers in an effort to better understand the customer experience. The results of these surveys will be helpful in progressing our continual improvement objectives.

We enjoy ongoing dialogue with our range of stakeholders and community groups and are happy to fulfil requests to give public presentations on what is happening at the Airport. We are also very proud of the close working partnership developed with Mana Ahuriri who blessed our terminal at the completion of Stage One of the expansion project. Iwi input will be strongly evident in the design of the Airport retail and refreshment precinct with Jacob Scott engaged to provide design elements. You can read more on his role on page 19.



Our Partners

Hawke's Bay Airport is committed to supporting the growth and vitality of the wider region. In accordance with its Sponsorship and Donations Policy, the Airport supports a growing number of business and community organisations.







Case Study: Regenerating The Gap

There's a unique piece of gravel beach along Westshore that has been largely undisturbed by development, landscaping or hard engineering. It's called The Gap, and it's a Council-owned protected zone for the Airport's cross runway. "It really has been a forgotten part of the Hawke's Bay landscape," says Stephanie Murphy. "And while it's a bit overgrown with weeds at the moment, it's been identified by Biodiversity Hawke's Bay as an important part of our regional ecosystem."

Stephanie is the Airport Planner at Hawke's Bay Airport and also takes an interest in the long-term protection of Hawke's Bay's unique coastal environment. In her spare time, she's a Biodiversity Hawke's Bay Guardian – and she's delighted to see her employer stepping in to take a key commercial sponsorship role in the organisation she loves. Airport support will help build an Endowment Fund that Biodiversity Hawke's Bay will use to create a nature-rich future for our region.

"But the other benefit is that a portion of the funding goes towards a separate Project Fund, which the Guardians use to support community groups with an interest in enhancing biodiversity," Stephanie says.

The Gap is set to directly benefit from that fund. Richard Kam from the Westshore Residents Association has led a small team taking care of this small patch for the past three years – largely focused on spraying, watering, hand-weeding, and rubbish removal.

There has also been some trial planting, to ascertain which plants might thrive on the site. Marie Taylor owns Plant Hawke's Bay and has spent many hours investigating the ecological habitat of The Gap in her role as a Biodiversity Guardian. "The objective is to recreate a gravel beach landscape with an appropriate suite of species adapted to the site. So far the most successful species we've trialled is the leafless pohuehue *Muehlenbeckia ephedroides*, which looks a bit like wire. It's rare in Hawke's Bay, and is only known from a small at-risk population in Te Awanga where it's subject to damage from vehicles. So if we can make The Gap a refuge for this species, that will be a very good outcome."

Established in 2018, Biodiversity Hawke's Bay relies on membership from individuals, schools, local bodies and businesses both big and small. Its overarching goal is to protect threatened priority habitats and rare species in Hawke's Bay, as well as support ecological restoration programmes. It's a goal that fits neatly with Hawke's Bay Airport's own sustainability framework, says Airport Chief Executive Stuart Ainslie. And now, with Airport, Council, Biodiversity Hawke's Bay, Guardians and the neighbourhood working together, it seems all stakeholders are confident that The Gap could become a living example of how to use funds wisely to effectively manage gravel beach environments in Hawke's Bay.

"Where else could you do a project like this in the middle of a residential area, with a willing corporate partner?" asks Richard. "It is a great project, and if done properly, will outlive us all."

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Financial Performance

Hawke's Bay Airport Limited has exceeded its performance targets as defined in the Statement of Intent for the financial year ended 30 June 2019.

Underlying net profit after tax of \$1.5m, on EBITDA growth of 9%, was 16% ahead of the Statement of Intent.

This represents a 4% NPAT increase on the prior year with the key driver being the uplift in operational earnings supported by an overall recalibration of commercial terms across various revenue streams, including:

- Aeronautical charges associated with aircraft landing and parking;
- Uplift in car parking revenues;
- Renegotiating commercial settings across various other tenants and Airport operators.

This strong revenue growth has supported the robust operational earnings result for this financial year but is offset in part by costs associated with the company's significant capex programme (especially the terminal expansion project currently underway) i.e. depreciation and interest.

Expenditure before interest and depreciation of \$3.75m was 16% higher than budget and 23% ahead of last year and reflects investment in key positions, consultancy, legal fees and some one-off costs associated with the change in strategic direction and growth aspirations.

The strong operation result underpins a return on equity of 4.7%, which is 0.4% higher than the Statement of Intent. The Company's gearing ratio of 24% was closely aligned with the target of 22.2% in the Statement of Intent and reflects the debt funding associated with the expansion of the terminal building.

The company paid a record fully imputed dividend of \$577,990 to shareholders in December 2018.

Financial Statements

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Directors' Report

for the year ended 30 June 2019

Directors

Directors' Remuneration

The amount of \$105,000 per annum was paid to members of the board for the twelve months to 30 June 2019.

T M Porter	40,500
S N Park	21,500
T C Randell	21,500
W N Harvey	21,500
	105,000

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

There has been no change in Directors during the year.

Board Committees

As at 30 June 2019 the Company had the following committee:

AUDIT COMMITTEE: Members are Sarah Park (Chair), Tony Porter, Wendie Harvey and Taine Randell

Entries in the Interests Register

As at 30 June 2019, the Directors have declared general disclosure of interest in the following entities:

T M Porter

The Ponnell Tractor Company Limited Director

S N Park

Scotch & Sparkles Limited	Director/Shareholder
Focus Genetics Management Limited	Director
Focus Genetics Partnership Limited	Director
Eurogrow Potatoes Limited	Director
Hereworth School Trust Board	Trustee
Pacific Edge Limited	Director

T C Randell

Fiordland Lobster Company Limited	Director
Australian Lobster Company (GP) Limited	Director
FLC Trustee Limited	Director
Deltop Holdings Limited	Director
ZSB Holdings Limited	Director/Shareholder
Kahungunu Asset Holding Company Limited	Director
KAHC Investments Limited	Director
Kiwigarden Limited	Director



W N Harvey

Centralines Limited	Director
Excellence in Business Solutions Limited	Director/Shareholder
Port of Napier Limited	Director
New Zealand Gambling Commission	Commissioner
Eastern Institute of Hawke's Bay and Tarawhiti (EIT)	Council Member
The Electrical Training Company Limited	Director
Aurora Energy Limited	Director
Fire and Emergency New Zealand	Director
Napier Port Holdings Limited	Director

Employee Remuneration

Employee Remuneration and other benefits exceeding \$100,000

	2019	2018
\$100,000 - \$110,000	-	1
\$110,001 - \$120,000	-	-
\$120,001 - \$130,000	-	2
\$130,001 - \$140,000	2	-
\$140,001 - \$150,000	-	-
\$150,001 - \$160,000	-	-
\$160,001 - \$170,000	-	1
\$170,001 - \$180,000	-	-
\$180,001 - \$190,000	-	-
\$190,001 - \$200,000	1	-
\$200,001 - \$210,000	-	-
\$210,001 - \$220,000	-	-
\$220,001 - \$230,000	-	-
\$230,001 - \$240,000	-	-
\$240,001 - \$250,000	-	-
\$250,001 - \$260,000	1	-

Auditors

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

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 2019 and its financial performance and cashflows for the year ended on that date.



































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



Consolidated Statement of Service Performance

for the year ended 30 June 2019

The following is a Statement of Service Performance relating to the Key Objectives listed in the Company's Statement of Corporate Intent for the year ending 30 June 2019.

ACTIVITY	MEASURE	SOI	ACTUAL RESULT	% INCREASE	STATUS
OPTIMISE SHAREHOLDER VALUE & RETURNS	Achieve Performance Targets:				
	- Passenger Numbers	706k	750k	6%	
	- Revenue	6,633,623	7,685,915	16%	
	- EBITDA	3,395,609	3,934,196	16%	
	- NPAT	1,322,926	1,496,120	13%	
	- ROE - annualised	4.3%	4.7%	0.4%	
	- Gearing	22%	24%	2%	
	- Dividend	529,000	577,990	9%	
APPROPRIATE INFRASTRUCTURE	Terminal - Complete Stage 1 Northern Extension				
	Terminal - Stage 2 in progress and on track for completion Oct 2019				
	Complete Watchman Road entranceway project				
	Progress Completion of apron layout and extension design				
	Planning complete for Car Park new technology and redevelopment works late 2019*				
IMPROVE IMPACT ON THE ENVIRONMENT	Benchmark established by completed Waste Audit				
	Terminal Recycling trial conducted and fully implemented				
	Carbon Footprint measurement completed*				
	Sustainability Framework initiated*				
DIVERSIFY THE REVENUE BASE	Increased share of revenue from non-regulated commercial activities				
RISK MANAGEMENT	SMS implementation plan and gap analysis				
	NZ Civil Aviation approved safety management implementation plan on track for Nov 19				
	Independent Board Evaluation				
	Twice yearly risk reviews				
	Quarterly internal QA audits				
	Wildlife Management Programme & Training Developed				
	Renewal of Aerodrome Operating Certification*				
POSITIVE CUSTOMER EXPERIENCE	Conduct Airport Quality Survey				
	Monthly apron user meetings				
	Established sponsorship arrangements with Biodiversity Hawkes Bay; Air Ambulance; Yarny Army*				
					
PEOPLE DEVELOPMENT/ EMPLOYER BRAND	New team consolidated with new CEO				
	Good working relationships across management team and Board				
	HR Strategy and Supporting Framework				
	Business Park rezone				
	20 Year Masterplan in progress (Technical Studies Completed)*				
	Engaged over 30 Community Airport Ambassadors*				

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

Full commentary in respect of the objectives measured above are given in the Chairman's and Chief Executive's report on pages 6 to 9.

* Activities that are additional to those identified in the Statement of Intent.



Consolidated Statement of Comprehensive Income

for the year ended 30 June 2019

	Note	2019 \$	2018 \$
Aviation		4,891,625	4,014,956
Carparking		2,275,721	2,102,473
Business Park		390,597	367,104
Other Revenue		127,971	164,634
Total Revenue	1	7,685,915	6,649,167
Less Operating Expenses	2	(3,751,719)	(3,041,665)
Operating Profit Before Financing Costs and Depreciation		3,934,196	3,607,502
Depreciation		(1,550,531)	(1,396,041)
Finance Income		392	948
Finance Expense		(130,061)	(71,701)
Net Profit before income tax		2,253,996	2,140,708
Income Tax Expense	3	(757,877)	(695,733)
Net Profit after income tax		1,496,120	1,444,975
Items that will not be reclassified into profit or loss:			
Revaluation of Property, Plant & Equipment, net of deferred tax	8	2,944,287	-
Deferred tax on revaluation	3	96,373	96,372
Total comprehensive income		4,536,780	1,541,347

Consolidated Statement of Changes in Equity

for the year ended 30 June 2019

	Issued Capital	Retained Earnings	Revaluation Reserve	Total Equity
BALANCE AT 1 JULY 2018	13,789,155	7,631,082	8,724,329	30,144,567
Profit for the period	-	1,496,120	-	1,496,120
Revaluation of Property, Plant & Equipment			2,944,287	2,944,287
Reclassification of depreciation on revalued assets	-	344,188	(344,188)	-
Movement in deferred tax on revaluation reserve	-	-	96,373	96,373
Total comprehensive income		1,840,308	2,696,472	4,536,780
Distributions to shareholders (note 5)	-	(577,990)	-	(577,990)
Movement in equity for the period	-	1,262,318	2,696,472	3,958,790
Balance at 30 June 2019	13,789,155	8,893,400	11,420,801	34,103,356
BALANCE AT 1 JULY 2017	13,789,155	6,528,921	8,972,144	29,290,220
Profit for the period	-	1,444,975	-	1,444,975
Reclassification of depreciation on revalued assets	-	344,187	(344,187)	-
Movement in deferred tax on revaluation reserve	-	-	96,372	96,372
Total comprehensive income		1,789,162	(247,815)	1,541,347
Distributions to shareholders (note 5)	-	(687,001)	-	(687,001)
Movement in equity for the period	-	1,102,161	(247,815)	854,346
Balance at 30 June 2018	13,789,155	7,631,082	8,724,329	30,144,567



Consolidated Statement of Financial Position

as at 30 June 2019

	Note	2019 \$	2018 \$
<i>Assets</i>			
Property plant and equipment	8	47,317,601	34,912,723
Investment property	9	4,376,319	4,535,317
Intangibles		1,538	3,384
Total non-current assets		51,695,458	39,451,424
Trade and other receivables	4	1,035,893	950,909
Cash and cash equivalents		182,046	277,979
Total current assets		1,217,939	1,228,888
Total assets		52,913,397	40,680,312
<i>Equity</i>			
Issued capital		13,789,155	13,789,155
Retained earnings		8,893,400	7,631,082
Revaluation Reserve		11,420,801	8,724,329
Total equity	5	34,103,356	30,144,566
<i>Liabilities</i>			
Deferred tax liability	3	4,487,178	3,577,996
Rentals in advance	7	1,096,022	1,180,264
Borrowings	6	10,688,562	4,026,792
Total non-current liabilities		16,271,762	8,785,052
Trade and other payables	7	2,092,652	1,702,702
Employee benefits		69,889	47,992
Borrowings	6	375,738	-
Total current liabilities		2,538,279	1,750,694
Total liabilities		18,810,041	10,535,746
Total equity and liabilities		52,913,397	40,680,312

These financial statements were authorised for issue by the board on 3 October 2019 on behalf of Hawke's Bay Airport Limited.



TONY PORTER
CHAIRMAN



SARAH PARK
DIRECTOR

Consolidated Statement of Cash flows

for the year ended 30 June 2019

	Note	2019 \$	2018 \$
Cash flows from operating activities			
<i>Cash was provided from:</i>			
Revenues		7,597,581	6,540,467
Interest Received		392	948
		7,597,974	6,541,415
<i>Cash was disbursed to:</i>			
Suppliers and Employees		(3,744,543)	(3,303,211)
Goods & Services Tax (Net)		(116,750)	(41,071)
Interest Paid		(252,563)	(46,636)
Income Tax Paid		(863,547)	(1,462,704)
		(4,977,404)	(4,853,622)
Net cash flows from operating activities	10	2,620,570	1,687,793

Cash flows from investing activities

<i>Cash was disbursed to:</i>			
Capital Works		(9,176,021)	(5,445,173)
Net cash flows from investing activities		(9,176,021)	(5,445,173)

Cash flows from financing activities

<i>Cash was provided from:</i>			
Borrowings		7,037,508	4,026,792
<i>Cash was disbursed to:</i>			
Dividends Paid		(577,990)	(687,001)
Debt Repayment		-	-
NET CASH FLOWS FROM FINANCE ACTIVITIES		6,459,518	3,339,791
Net increase/(decrease) in cash and cash equivalents		(95,933)	(417,589)
Add Opening Cash and Cash equivalents		277,979	695,568
Closing cash and cash equivalents at end of year		182,046	277,979
REPRESENTED BY:			
Cash at Bank		167,578	261,816
Cash in hand		14,469	16,163
		182,046	277,979



Accounting Policies

For the year ended 30 June 2019

Significant Accounting Policies

Reporting Entity

Hawke's Bay Airport Limited 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. The company operates the Hawke's Bay Airport.

Hawke's Bay Airport Limited is defined as a Council-controlled organisation pursuant to Part 5 of the Local Government Act 2002.

Statement of Compliance

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

Basis of Consolidation

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

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

Measurement Base

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

Presentation Currency

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

Critical Accounting Estimates, Assumptions and Judgments

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

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

Critical estimates are included in the impairment assessment of Investment Property, and in the assessment of the recoverable amounts of Capital Work in Progress and the fair value of Property, Plant and Equipment. Management has exercised its judgement on the selection of depreciation rates and the classification of financial assets.

Particular Accounting Policies

1. Revenues

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

2. Trade and Other Receivables

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

3. Taxation

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.

4. Cash Flow Statement

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.

5. Valuation of Property, Plant And Equipment*Property, plant and equipment*

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

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

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

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

Assets under construction

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

Disposal of property plant and equipment

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

Cyclical maintenance upgrades

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

6. Investment Property

Investment property, which is property held to earn rentals and/or for capital appreciation, is initially recognised at cost, including transaction costs. Costs include all expenditure relating to infrastructure development and construction. Investment property is depreciated using the cost model allowed under NZ IAS 40. Investment properties include all aspects of the business park development adjacent to the airport.

7. Depreciation

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

The principal depreciation rates are as follows:

Airfield Infrastructure: Base	0.71% to 5.56%
Surface	6.67% to 10.00%
Business Park Infrastructure	0.00% 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%
Office Equipment	30.00%



8. Intangibles

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

9. Financial Instruments Recognition and Measurement

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 investments at initial recognition and re-evaluates this designation at every reporting date. At balance date, the Group had financial assets classified only as amortised cost.

Amortised cost

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

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

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

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

Financial assets are derecognised when the rights to receive cash flows from the investments 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.

10. Impairment Testing of Assets

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

11. GST

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

12. Leases

The Group only has operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

13. Changes in Accounting Policies

The Group has adopted "NZ IFRS 9 Financial Instruments" for the year ended 31 March 2019. The impact of this standard was to change the classification of financial assets. Due to the Group's business model for managing financial assets and the contractual nature of the assets there has been no change to the recognition and measurement of the assets. The assets previously classified as loans and receivables carried at amortised cost are now in the amortised cost category.

The Group has also adopted "NZ IFRS 15 Revenue from Contracts with customers". Due to the nature of the Group's revenue, this standard has not had a material impact on the Group's financial statements.

There have been no other changes in accounting policies.

Notes to the accounts

for the year ended 30 June 2018

1. Operating Revenues

Aviation income includes all revenue from landing charges, aircraft parking, concessions, airfield and terminal rentals. Carparking includes all income from the short term, daily and long stay car parks. 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 and other revenue. All revenue is net of discounts and rebates.

2. Operating Expenses

	2019 \$	2018 \$
Audit Fees - audit of financial statements	30,879	28,809
Directors Fees	105,000	105,000
Lease of Land	34,000	34,000
Employee Benefits	1,106,536	733,527
Other Operating Expenses	2,475,304	2,140,329
	3,751,719	3,041,665

3. Taxation

	2019 \$	2018 \$
<i>A. Current Year Reconciliation</i>		
Profit Before Taxation	2,253,996	2,140,708
Prima Facie Taxation at 28%	631,119	599,398
<i>Adjusted for the tax effect of:</i>		
Depreciation on revalued assets	96,373	96,372
Non deductible expenses	30,384	(38)
Prior Years (over)/under provision	-	-
Income tax expense	757,877	695,733
<i>Comprising</i>		
Current Tax	801,398	827,598
Deferred Tax	(43,522)	(131,865)
	757,877	695,733



B. Taxation Payable/(Receivable)

Balance at 1 July	307,764	942,870
Terminal Tax (paid)/refunded	(294,404)	(942,870)
	13,360	(0)
Current Tax Payable	801,398	827,598
Provisional Tax paid	(569,084)	(519,834)
RWT paid on Interest	59	-
Balance at 30 June	245,733	307,764

C. Imputation Credit Account

Imputation Credits carried forward	2,662,304	1,398,733
Decrease arising from tax refunded during the year	(22,890)	1,461,285
Increase arising from tax paid during the year	885,533	-
Applied to Dividends paid	(224,774)	(197,714)
Balance at 30 June	3,300,173	2,662,304

D. Deferred Tax Reconciliation

Opening balance	3,577,996	3,806,233
Deferred tax expense	(139,895)	(228,237)
Revaluation of PP&E	1,049,077	-
Closing balance	4,487,178	3,577,996

Reconciliation of Deferred Tax Expense

Reclassified from current tax		
Credited to tax expense	(43,522)	(131,865)
Charged to other comprehensive income	(1,145,450)	(96,372)
	(1,188,971)	(228,237)

E. Deferred Tax Analysis

Holiday Pay	(9,736)	(5,725)
Impairment Provision	(194,992)	(194,992)
Provision for doubtful debt	60	(14,619)
Intangibles	(47)	(47)
Income in Advance	(332,809)	(356,409)
Runway Refurbishment	446,157	505,762
Capitalised interest	34,301	-
Revaluation of PP&E	3,080,732	2,128,028
Asset Base and Depreciation Differences	1,463,512	1,515,997
	4,487,178	3,577,995

4. Trade and Other Receivables

	2019	2018
	\$	\$
Accounts Receivable	503,971	572,916
Provision for doubtful debts	-	(52,428)
Prepayments	261,933	276,965
GST Receivable	269,989	153,456
	1,035,893	950,909

5. Equity

	shares on issue	2019	2018
Ordinary shares	1004	13,789,155	13,789,155
Revaluation Reserve		11,420,801	8,724,329

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.

On 01 December 2018 a dividend of \$575.69 cents per share was paid to the holders of ordinary shares (2017 \$684.26 cents per share).

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.

6. Borrowings

The company has a flexible facility up to \$1.5m, (2018: up to \$2.5m), and a term facility stepping up from \$14.5m at 30 June 2019 to \$19.5m on 1 January 2020 (2018: \$14.7m) available from the ANZ Bank. At balance date the term facility was drawn down to \$10,688,561.73 (2018: \$4,026,792) and the Flexible Facility was drawn down to \$375,738.15 (2018: \$0).

The average interest rate on the term facility was 3.27% p.a (2018: 3.52% p.a). The term facility matures on 30 November 2021.

The current interest rate on the Flexi Facility is 4.89% (2018: 4.89%). The Flexi Facility matures on 30 November 2021.

The facilities are secured by a General Security Agreement.



7. Trade and Other Payables

	2019 \$	2018 \$
General - Trade	420,943	452,898
- Capital Expenditure	1,336,642	836,839
Rentals in Advance	89,334	105,201
Income Tax Payable	245,733	307,764
	2,092,652	1,702,702

Rentals in advance due beyond twelve months totals \$1,096,022 (2018: \$1,180,264).

8. Property, Plant and Equipment

	Land & Land Improvements	Airport Infrastructure & Buildings	Other assets	Capital Work in Progress	Total
<i>At 30 June 2018</i>					
Fair Value	5,567,362	26,831,509	1,316,791	5,299,250	39,014,912
Acc dep	12,696	3,133,717	955,776	0	4,102,189
	5,554,666	23,697,792	361,015	5,299,250	34,912,723
<i>Opening net book value</i>	5,554,666	23,697,792	361,015	5,299,250	34,912,723
Additions	0	345,185	40,788	9,381,371	9,767,344
Disposals	0	0	0	0	0
Revaluation	246,661	3,746,703	0	0	3,993,364
Depreciation	966	1,277,308	111,242	0	1,389,515
Transfers	0	7,381,022	348,248	(7,695,584)	33,685
<i>Closing net book value</i>	5,800,362	33,893,393	638,809	6,985,037	47,317,601
<i>At 30 June 2019</i>					
Fair Value	5,800,362	33,893,393	1,705,788	6,985,037	48,384,580
Acc dep	(0)	(0)	1,066,979	0	1,066,979
	5,800,362	33,893,393	638,809	6,985,037	47,317,601

As at 30 June 2019 the Land was valued by an independent valuer - Logan Stone Limited and the Airport Infrastructure & Buildings were valued by an independent valuer - Peter Seed Ltd.

The valuations were on the basis of current fair value. Logan Stone Limited determined the fair value by direct reference to recent market transactions on arm's length terms for properties comparable in size and location, taking into account the highest and best use for the land, in particular the proximity of the car park land to the airport terminal. This is level 2 on the fair value hierarchy - see note 14.

Peter Seed Ltd used a discounted cashflow model as there was an absence of sale of similar properties and this is industry practice. This discounted cashflow was based on future forecast income and expenditure for the aeronautical and non-aeronautical assets. This is level 3 on the fair value hierarchy - see note 14.

At reporting date, if passenger growth forecasts used in the Discounted Cash Flow were +2% or -1% with all other variables held constant, it would increase/(decrease) the value of Property Plant and Equipment by \$3.6m/(\$1.6m).

Additions subsequent to the revaluation are carried at cost.

As shown in the Statement of Changes in Equity there was an additional depreciation charge of \$344,188 (2018: \$344,187) as a result of the prior year revaluations on the Airport Infrastructure & Buildings assets.

9. Investment Property

	Land & Land Improvements	Business Park Infrastructure & Buildings	Capital Work in Progress	Total
<i>At 30 June 2018</i>				
Cost	2,977,203	2,875,214	145,270	5,997,687
Accumulated depreciation and impairment	228,887	1,233,483	-	1,462,370
	2,748,316	1,641,731	145,270	4,535,317
<i>Opening net book value</i>	2,748,316	1,641,731	145,270	4,535,317
Additions	-	-	132	132
Disposals	-	-	-	-
Depreciation	33,619	125,511	-	159,130
Transfers	-	-	-	-
<i>Closing net book value</i>	2,714,697	1,516,220	145,402	4,376,319
<i>At 30 June 2019</i>				
Cost	2,977,203	2,875,214	145,402	5,997,819
Accumulated depreciation and impairment	262,506	1,358,994	-	1,621,500
	2,714,697	1,516,220	145,402	4,376,319

The company is developing a business park complex on the surplus airfield land. The development commenced in 2013. The initial tenant of the business park has prepaid its rentals for the 21 year term of the lease. This income is being recognised over the term of the lease.

As at 30 June 2019 the company has considered whether any new indicators of impairment exist. The recoverable amount of the land has been considered separately for the developed and the undeveloped land.

The recoverable amount of the developed land has been calculated by undertaking a lease capitalisation calculation on the net lease income from existing tenants. The recoverable amount of the prepaid lease has been calculated by undertaking a discounted cash flow calculation based on the lease income for the remainder of the lease term.

The recoverable amount of the undeveloped land has been valued by a third party valuation expert, Logan Stone Ltd. as at 30 June 2019, based on a value per square metre derived from knowledge of recent market transactions.

When the estimated value of the developed land and the valuation of the undeveloped land is combined, the recoverable value is greater than the net book value per the financial statements. Therefore, no impairment exists.

The Company will continue to monitor the ongoing financial performance of the business park at each reporting date to confirm whether previous impairments have reversed or further impairments should be recognised.

10. Reconciliation of Net Profit After Income Tax to Net Cashflows from Operating Activities

	2019 \$	2018 \$
Operating Profit/(Loss) After Taxation	1,496,120	1,444,975
Add/(Less):		
Non Cash Items		
- Depreciation	1,550,531	1,396,041
- Doubtful debts	(52,426)	52,212
- Deferred Tax	(43,522)	(131,865)
Interest Costs Capitalised	(90,322)	-
Changes in Trade and Other Receivables	(46,187)	(234,346)
Changes in Payables and Income in Advance	(193,623)	(839,225)
Net Cash flows from Operating Activities	2,620,571	1,687,793



11. Commitments

Operating commitments:

As at 30 June 2019 the company had 2.5 years remaining of a new five year contract with a provider of rescue fire, grounds maintenance and security services at \$799,000 per annum. This contract runs until 31 December 2021.

The company has entered into a lease agreement to lease land as part of the runway extension for a term of 35 years expiring on 30 April 2045 with ongoing rights of renewal.

	2019 \$	2018 \$
No longer than 1 year	34,000	34,000
1 - 5 years	136,000	136,000
Longer than 5 years	697,000	731,000
	867,000	901,000

Capital commitments:

As at 30 June 2019 the Company is contractually committed to capital expenditure totalling \$9,789,229, with \$9,061,395 of this relating to the terminal redevelopment project and the balance associated with masterplan and carpark development projects.

In the prior year at 30 June 2018 the Company had a contractual commitment of \$11,625,845 in respect of the terminal redevelopment project.

For further information on the new terminal expansion project refer to the Chairmans and Chief Executives report.

12. Contingencies

There are no known contingent liabilities (2018: Nil).

13. Transactions with Related Parties

Hawke's Bay Airport Ltd is owned by Napier City Council, Hastings District Council and the Crown. The company enters into numerous transactions with government departments, Crown entities, State-owned enterprises and other entities controlled by the Crown and pays rates to the Napier City Council.

These transactions are not separately disclosed where they:

- Are conducted on an arm's length basis;
- Result from the normal dealings of the parties; and
- Meet the definition of related party transactions only because of the relationship between the parties being subject to common control or significant influence by the Crown

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 terminal redevelopment project.

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

Amounts paid to key management personnel (Chief Executive, Chief Financial Officer, and the Directors) during the year were \$678,247 (2018: \$451,218).

14. Financial Instruments

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

The main financial instruments are:

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

The Company has no off balance sheet financial instruments.

Fair Value of Financial Instruments

All financial assets and financial liabilities carrying amounts are a reasonable approximation of fair value.

The fair value estimates were determined by the following methodologies and assumptions.

CASH AND CASH EQUIVALENTS: The reported amounts approximate fair value.

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

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

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

Fair value estimation

Assets and liabilities are recorded at fair value 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).

15. Events Subsequent to Balance Date

On Wednesday 25 September 2019 Jetstar announced that it would be ceasing Regional Turboprop air services across regional New Zealand from 30 November 2019 meaning Jetstar will cease its current Auckland – Hawkes Bay flights from that date.

Jetstar's decision to leave the regional market represents a reduction in seat capacity however not necessarily a drop in passenger demand noting that the competitive element introduced by Jetstar stimulated some of the extra demand by introducing elasticity in air fares.

The announcement creates some material uncertainty around the future value of the group's Property, Plant and Equipment as passenger numbers are a significant input into the discounted cash flow model as detailed in note 8.

The group estimates that due to a change in significant inputs the potential future impact on the Net Book Value of Property, Plant and Equipment is a decrease in the range of \$0.95m to \$3.6m.

The above announcement has meant that the financial statements that were issued to the shareholders on 25 September 2019 were withdrawn in order that the above disclosure could be prepared. Due to the timing of the announcement and the process required to be undertaken to draft the above disclosure, the updated financial statements have not been approved by the directors until after 30 September 2019 which is a technical breach of the Local Government Act 2002.

There have been no other events subsequent to balance date. (2018: The company received approval for a major transaction from all of its shareholders enabling a further increase to the terminal expansion of \$4.5m).





Independent Auditors Report

TO THE READERS OF HAWKES BAY AIRPORT LIMITED'S GROUP FINANCIAL
STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2019

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

Our audit was completed on 3 October 2019.
This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw your attention to other matters. 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.

Opinion

We have audited:

- the financial statements of the group on pages 41 to 54, that comprise the statement of financial position as at 30 June 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the group on page 40.

In our opinion:

- the financial statements of the group on pages 41 to 54:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2019; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime; and
- the performance information of the group on page 40 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 2019.

Replacement financial statements, statement of service performance, and audit report

Without modifying our opinion, we draw attention to the fact that the financial statements on pages 41 to 54 and the statement of service performance on page 40 replace the previously issued financial statements and statement of service performance dated 24 September 2019. The previous financial statements and statement of service performance have been replaced because, on 25 September 2019, Jetstar announced that it would be ceasing Hawkes Bay flights from 30 November 2019 creating material uncertainty around the future value of the group's Property, Plant and Equipment as passenger numbers are a significant input into the discounted cash flow model as detailed in note 8. Attention is drawn to note 15 on page 54, which outlines the circumstances in more detail. This audit report replaces the audit report issued on 24 September 2019.

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 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 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 decisions 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 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 1 to 39, but does not include the financial statements and 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 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

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



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