



**NAPIER**  
CITY COUNCIL  
*Te Kaunihera o Ahuriri*

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# PROSPEROUS NAPIER COMMITTEE

## Open Agenda Supplementary Item

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Meeting Date: Thursday 17 March 2022

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Time: Following the Napier People and Places Committee

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Venue: Via Zoom (Audio Visual Link)

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*Livestreamed via Council's Facebook site*

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# AGENDA ITEMS

## 3. HAWKE'S BAY AIRPORT LIMITED - DRAFT STATEMENT OF INTENT 2022/23

<i>Type of Report:</i>	Legal and Operational
<i>Legal Reference:</i>	Local Government Act 2002
<i>Document ID:</i>	1442532
<i>Reporting Officer/s &amp; Unit:</i>	Adele Henderson, Director Corporate Services

### 3.1 Purpose of Report

To present the Hawke's Bay Airport Limited Draft Statement of Intent for the 2022/23 year.

#### Officer's Recommendation

The Prosperous Napier Committee:

- a. Receive the Hawke's Bay Airport Limited Draft Statement of Intent for the 2022/23 year (Doc Id 1442854) and provide comment and feedback from Napier City Council

### 3.2 Background Summary

The Hawke's Bay Airport Limited (HBAL) is a Council Controlled Organisation (CCO). It is a company incorporated under the Companies Act and is owned by the Crown, Hastings District Council and Napier City Council. Napier City Council has a 26% shareholding.

The Local Government Act 2002 requires Council Controlled Organisations (CCO) to submit a Statement of Intent to their shareholders for consideration.

The Draft Statement of Intent presented by HBAL satisfies all the requirements as set out in Schedule 8 of the Local Government Act, and also clearly sets out the nature and scope of the HBAL activities and performance targets.

The Board Chair Wendie Harvey and Acting Chief Executive Stephanie Murphy will be at the meeting to present the Draft Statement of Intent and answer Councillors' questions.

### 3.3 Issues

No issues.

### 3.4 Significance and Engagement

This matter does not trigger Council's Significance and Engagement Policy or other consultation requirements.

### 3.5 Implications

#### Financial

N/A

**Social & Policy**

The Draft Statement of intent is comprehensive and details its key objectives across their five strategic pou.

**Risk**

N/A

**3.6 Options**

The options available to Council are as follows:

- a. Receive the 2022/23 Draft HBAL Statement of Intent and provide any feedback as required.
- b. Council can also request directors of HBAL to consider changes to the Statement of Intent if it wishes. The directors of HBAL would then need to consider the request alongside the feedback from the other two shareholders.
- c. If HBAL decided that it did not wish to make the changes requested by Council as its shareholder, Council has recourse through Schedule 8 (5) of the Local Government Act. Council can by resolution, require the board to modify the statement of intent if Council deemed it necessary. However given NCC's minority shareholding in HBAL, it would need majority shareholder consensus to enforce this option.

**3.7 Development of Preferred Option**

The preferred option is for the 2022/23 Revised Draft Statement of Intent to be received and any suggested changes passed on to the HBAL Board.

**3.8 Attachments**

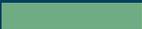
- 1 Hawke's Airport Draft Statement of Intent for the 2022/23 year (Doc Id 1442854) [↓](#)

# 2022/23



# STATEMENT OF INTENT

HAWKE'S BAY AIRPORT LIMITED



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

## STATEMENT OF INTENT 2022/23

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### Prepared by:

Hawke's Bay Airport Limited

Address:

111 Main North Road

Napier, 4110

Postal Address:

PO Box 721

Napier, 4140

Ph: (06) 834 0742

Web: [www.hawkesbay-airport.co.nz](http://www.hawkesbay-airport.co.nz)

Date: As at March 2022

# INTRODUCTION

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

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

The SOI is a public and legally required document, reviewed and agreed annually with shareholders, and covers a three-year period. This SOI covers the period from 1 July 2021 to 30 June 2025. HBAL is a council-controlled trading organisation ("CCTO") for the purposes of the Local Government Act 2002.

# OWNERSHIP & GOVERNANCE

HBAL was incorporated in 2009. Governance sits with the Board of Directors, which is responsible for the strategic and overall direction of the business. Directors are appointed by the company's shareholders: Napier City Council (26%), Hastings District Council (24%), and the Crown (50%). The Board has four directors, two of whom are appointed by Napier City Council and Hastings District Council and two of whom are appointed by the Crown. The Board meets regularly with HBAL leadership to review the company's performance and provides quarterly, half-yearly and annual business performance reports to shareholders. Refer to Appendix A.



# ABOUT US

## NATURE AND SCOPE OF ACTIVITIES

### Location

HBAL is situated approximately 10 minutes from Napier City's central business district (CBD), 20 minutes from Hastings and 30 minutes to Havelock North. The Hawke's Bay region stretches from Wairoa in the north to Waipukurau in the south. At the 2018 New Zealand Census, the region had a population of 166,368.

### Operations

HBAL is the third busiest airport in the North Island and plays an essential role in connecting the region's people and produce with the wider national and international economy via scheduled passenger services. HBAL'S primary activity is the safe and efficient operation of Hawke's Bay Airport, facilitating direct flights to Auckland, Wellington, Christchurch (serviced by Air New Zealand) and Nelson, Palmerston North and Hamilton (serviced by Originair). This includes the provision of appropriate and sound aeronautical infrastructure and associated facilities. In August 2021, HBAL opened a newly expanded terminal with improved passenger facilities. HBAL is also required to ensure the operational resilience of the airport as a lifeline utility, under the Civil Defence Emergency Management Act 2002.



### Company Value

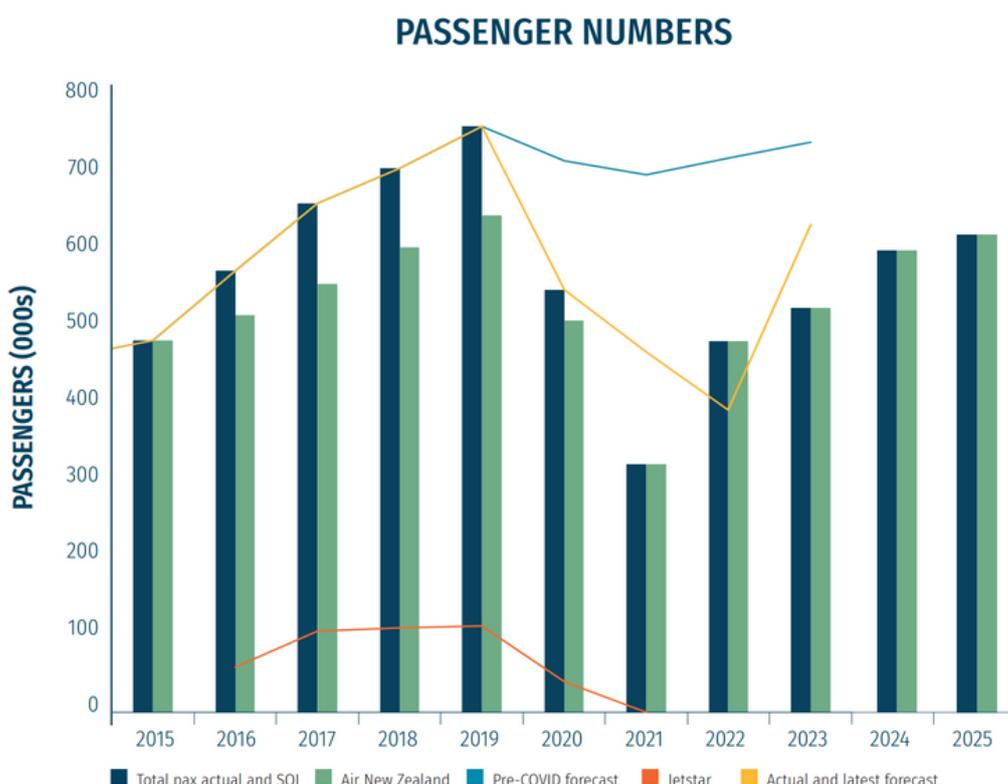
As at 30 June 2021, HBAL's land, land improvements and buildings were valued at \$61.6m. This valuation was supported by external valuations completed by Peter Seed Limited and Telfer Young Limited. HBAL's total land holding is 230ha, comprising a composition of leasehold (in perpetuity from Napier City Council and Hastings District Council) and freehold tenure.

### Outlook

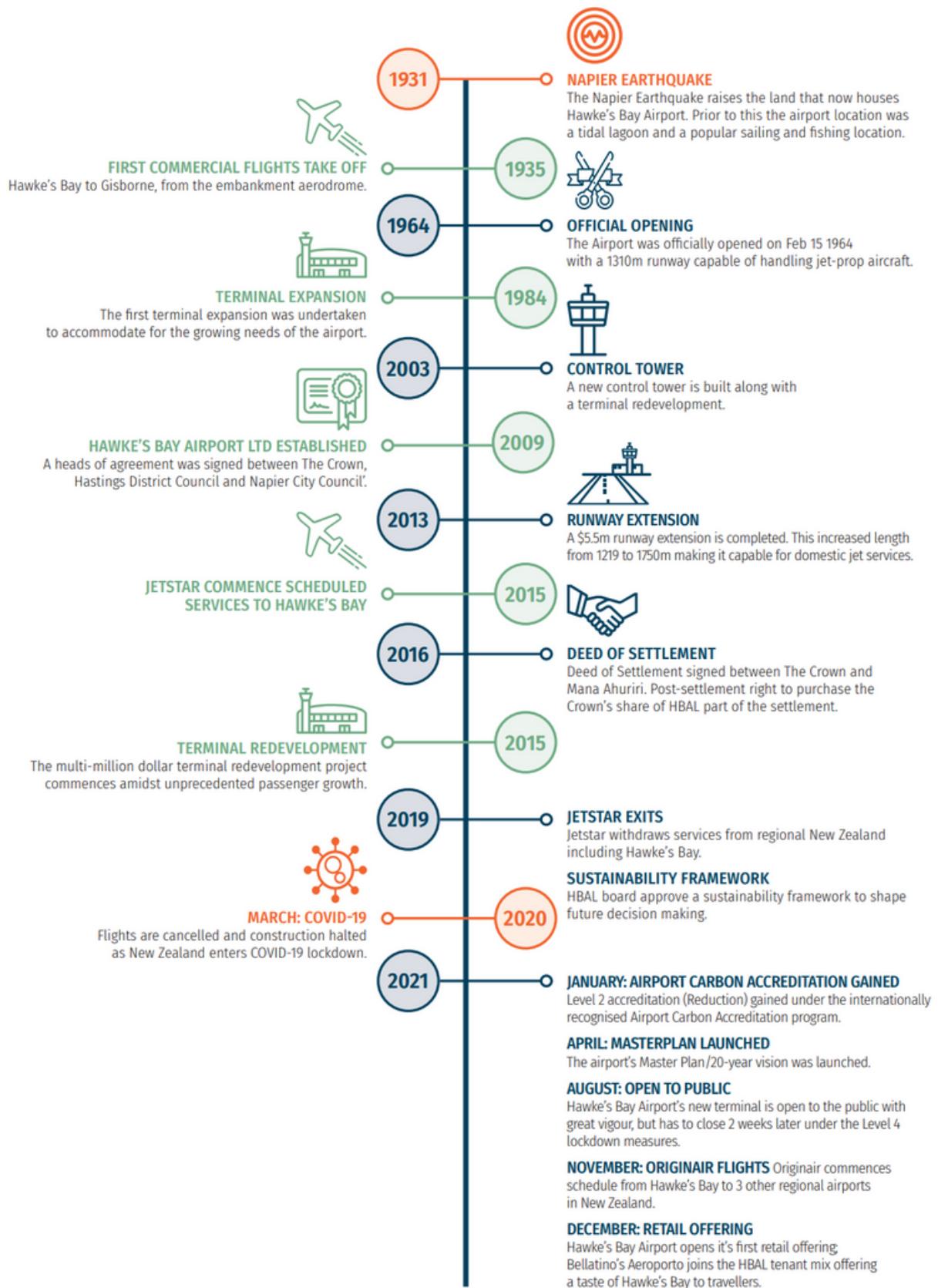
An area of prime importance for HBAL is the continued work on strengthening its core business through a strong focus on both expanding opportunities for new and additional services with Air New Zealand and exploring opportunities for the expansion of connections with the rest of New Zealand via other airlines.

In addition to scheduled passenger services, general aviation is also an essential component of HBAL's aviation mix. HBAL's total aircraft movements, as at June 2019, were approx. 24,000, of which approx. 9,000 were general aviation.

The following provides a snapshot of our past and future passenger numbers.



# OUR JOURNEY HISTORICAL SNAPSHOT



# DIVERSIFICATION AND GROWTH STRATEGY

HBAL's heavy reliance on aeronautically-driven revenue has been identified as a significant risk to the business. Broadening and increasing profitability through a diversified portfolio is essential to ensuring the business can withstand the impacts of any significant adverse events on the aviation sector (for example, the withdrawal of Jetstar services from Hawke's Bay in 2019 or the COVID pandemic).

## 20-Year Vision

HBAL launched its Master Plan in May 2021, setting out a 20-year vision [1] for the company. This was the result of approximately two years' work to determine HBAL's future aeronautical requirements and ensure these are protected. Completing this project enabled HBAL to determine the land available for future commercial development and identify opportunities for revenue diversification.

## Land

HBAL is strategically located with direct connections to air, road, rail and sea, making it ideally suited for a business park. In July 2021, HBAL brought Ahuriri Aeropark [2] to market. As with other airport commercial land offerings, the proposition is likely to appeal to commercial/light industries that require land and air connections (for example, freight and logistics, travel, trade and tourism-based industries). HBAL's existing anchor tenant ABB is an example of this, using air connections frequently.

HBAL is mindful of the Napier and Hastings Sub-Regional Industrial Land Strategy and its offering is in line with that strategy. HBAL has also been actively involved in Napier City Council's draft district plan review and spatial planning project.

As land becomes scarce in the areas traditionally designated for commercial and light industry use, Ahuriri Aeropark will become a prime alternative offering. The development complements the work being undertaken by Napier City Council [3] and Hastings District Council [4] to attract businesses to Hawke's Bay under Matariki [5], the Hawke's Bay Regional Economic Development Strategy ("HBREDS"), in which HBAL continues to be actively involved.

[1] <https://hawkesbay-airport.co.nz/about/our-future/>

[2] <https://hawkesbay-airport.co.nz/our-business/property/profile-and-vision/>

[3] <https://www.napier.govt.nz/napier/business/economic-development/>

[4] <https://www.hastingsdc.govt.nz/economic-development/>

[5] <https://www.hbreeds.nz/>

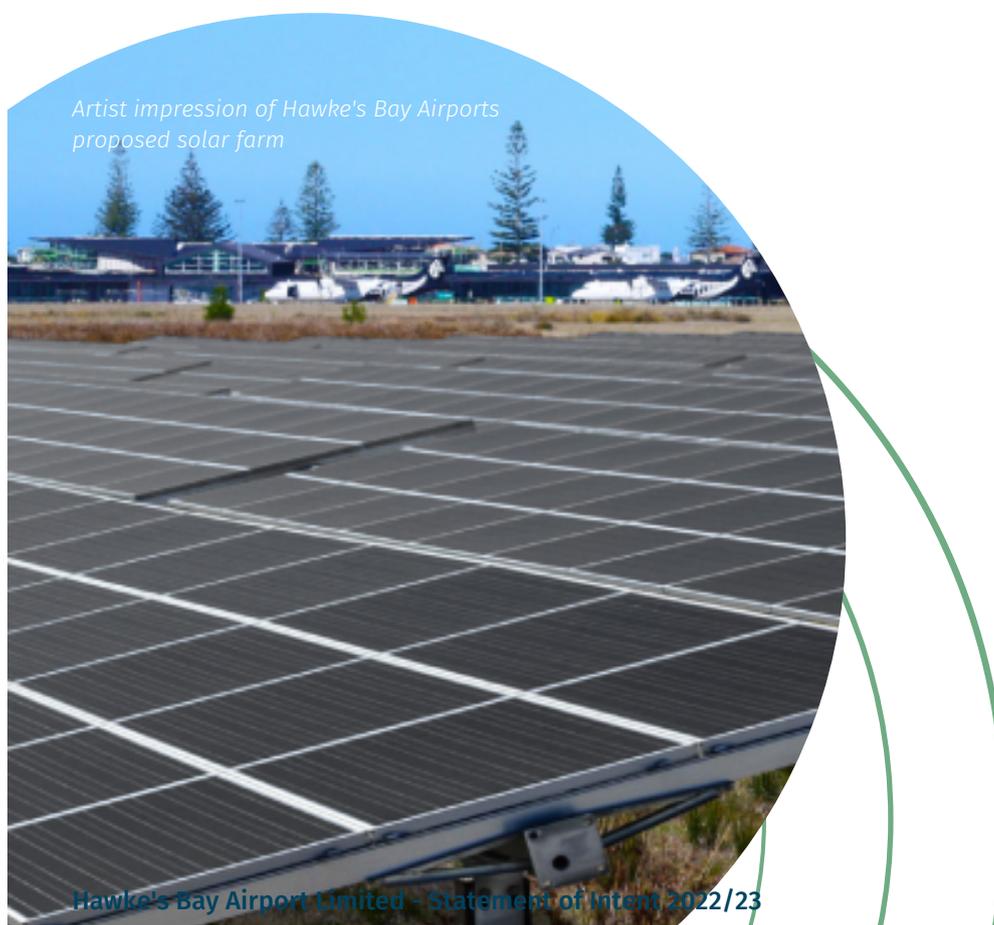


### Proposed Solar Farm Project

HBAL continues to progress its proposed solar farm project on site. The focus of this project to date has been on securing a commercial partner to assist with funding the project's development, with a view to progressing the project to consents and construction. Noting shareholders' expectations of prudent governance, planning, resourcing and financial management of the project, HBAL has put in place appropriate oversight and expertise through its governance structure and resourcing. In addition to building HBAL's non-aeronautical revenue stream, this project will also contribute to its goal of carbon neutrality.

Appropriate land development and the proposed solar farm project, along with terminal-based revenue (food and beverage concessions, rental car agency tenancies, and advertising), will provide non-aeronautical revenue that can insulate the business should there be future periods where aeronautical revenue is compromised.

<https://www.hawkesbay-airport.co.nz/assets/Docs/HBAL/Proposed-Solar-Farm-project.pdf>



*Artist impression of Hawke's Bay Airports proposed solar farm*

# PURPOSE AND VISION

In late 2021, the HBAL Board of Directors reviewed and subsequently refreshed the strategic plan for the company, identifying key focus areas needed to deliver its vision.

HBAL is driven by its purpose: to connect people, business, and the Hawke's Bay region in meaningful ways. Its vision is of a safe, secure and intuitive transport hub for everyone, with sustainability at its heart. HBAL's work toward this vision is guided by five strategic pou (pillars), its values, and a comprehensive sustainability framework.

## PURPOSE

We connect people, business  
and regions

## VISION

We are a safe, secure and future  
looking transport hub for  
everyone

# STRATEGIC POU AND VALUES

In addition to our revised Purpose and Vision, we have also revised our Strategic Pou and Values.

## STRATEGIC POU

<b>Our Operations</b>	<b>Our People</b>	<b>Our Environment</b>	<b>Our Partnerships</b>	<b>Commercial Success</b>
We ensure a safe, secure and intuitive customer journey for all. We strive for excellence and evolve with change	We treat our people with respect, empower them with knowledge and allow them flourish in an inclusive environment. We are a learning organisation	We make wise decisions with airport land to safeguard the future, creating long term resilience and sustainability. We have a strong sense of place	We are a reflection of our region. We foster meaningful relationships with our customers, partners, mana whenua and the community to support positive growth	We maximise commercial returns across all areas, to ensure value for our stakeholders and the wider community
<i>You're in safe hands</i>	<i>A great place to work</i>	<i>We are guardians of the land</i>	<i>Creating meaningful connections</i>	<i>A profitable, sustainable business</i>

## OUR VALUES

<b>We look to the horizon</b>	<b>Safe and secure</b>	<b>Strive for success</b>	<b>Customer centric</b>	<b>Environmentally responsible</b>
We care for today and plan for tomorrow through collaboration with stakeholders, partners, mana whenua and the wider community	The safety and security of our environment and our customers, is our top priority	We strive for excellence in everything we do and support others to succeed	We believe in the power of customer experience at every touchpoint, creating positive impressions of our airport and our region	We are committed stewards of our environment

# KEY OBJECTIVES

The following outlines HBAL's key objectives for FY22/23 and beyond.

OUR OPERATIONS	
We ensure a safe, secure and intuitive customer journey for all. Striving for excellence and evolving with change. <i>You're in safe hands</i>	
Objectives	Key Performance Measures
Develop a "whole of airport" safety and security culture	Maintain our CAA Part 139 operating certificate
	Nil harm to staff, contractors or customers
	Nil security incidents in accordance with CAR Part 12
Proactively manage wildlife hazards	Review Wildlife Management Plan
Ensure our key infrastructure is fit for purpose and resilient	Review aeronautical infrastructure requirements
Provide our customers with engaging service and diverse adaptive offerings	Implement our Customer Experience Strategy
Embrace technology to drive performance	Review and implement relevant online and on ground technology advancements

## Success looks like...

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

OUR PEOPLE	
We treat our people with respect, empower them with knowledge and allow them to flourish in an inclusive environment. We are a learning organisation. <i>A great place to work</i>	
Objectives	Key Performance Measures
Be a great place to work	Ensure all our team are engaged with HBAL's vision, purpose and goals
	Continue to implement our wellbeing programme
Grow our team capabilities and embrace change to enable success	Develop cross-functional team capabilities and succession planning
	Ensure our team have development plans in place and work with them to grow to their full potential

## Success looks like...

A positive, dynamic culture that enables people to thrive. HBAL's people are healthy, balanced, and engaged in realising HBAL's vision for the future. HBAL is known as a great place to work and its people are its biggest advocates.

# KEY OBJECTIVES

## CONTINUED

OUR ENVIRONMENT	
<p>We make wise decisions with airport land to safeguard the future, creating long term resilience and sustainability. We have a strong sense of place.</p> <p><i>We are guardians of the land</i></p>	
Objectives	Key Performance Measures
Recognise the unique environment in which we operate	Work with our stakeholders on the Proposed Ahuriri Regional Park long term planning to ensure the continued safe and efficient operation of Hawke's Bay Airport
Continue our journey to carbon neutrality	Achieve Level 3 Airport Carbon Accreditation (ACA)
Advance renewable energy project	Business case presented to Board for approval to proceed with solar farm project

### Success looks like...

An airport that respects and protects the natural environment in which it operates. The Ahuriri Aeropark precinct attracts businesses that share a commitment to a sustainable future. HBAL is a regional leader in sustainability.

OUR PARTNERSHIPS	
<p>We are a reflection of our region. We foster meaningful relationships with our customers, partners, mana whenua and the community to support positive growth</p> <p><i>Creating meaningful connections</i></p>	
Objectives	Key Performance Measures
Continue to develop and strengthen our partnerships	Implement our stakeholder engagement strategy
Continue to work alongside and collaboratively with mana whenua	Regular kanohi-ki-te-kanohi meetings/hui with key representatives from mana whenua
Continue to develop and implement sustainable aeronautical growth	Partner with other regional airports, airlines, and tourism sector to grow Hawke's Bay as a destination

### Success looks like...

An airport connected to its community. HBAL's people have strong, genuine, and productive relationships with key customers, mana whenua, local government, and community leaders. HBAL is actively engaged in local government planning and community initiatives. HBAL's partnerships across the region are reflected and celebrated within the airport environs.

<b>COMMERCIAL SUCCESS</b>	
Maximise commercial returns across all areas, to ensure value for our stakeholders and the wider community <i>A profitable, sustainable business</i>	
<b>Objectives</b>	<b>Key Performance Measures</b>
Grow non-aeronautical revenue	+ 30% year on year
Enhance financial performance	Revenue - \$9m EBITDA margin - 53% NPAT - \$258k Passengers - 520k
Create a modern, sustainable business hub that brings like-minded businesses together	Agree and implement our Property Development Strategy
	Progress RMA Planning Framework via Napier City Council District Plan review to enable appropriate property development at HBAL
Customer experience strategy implemented and adoption by tenants	Increased customer spend rates

**Success looks like...**

A financially sound, resilient, and growing airport that supports connections in and out of Hawke’s Bay. HBAL is a profitable business with a broad revenue base, including multiple non-aeronautical revenue streams. It is actively working with others for the collective benefit of its industry, its region, and its community.

**Summary**

HBAL has faced a number of significant challenges in recent years, but remains focused on its vision and committed to its strategic priorities. It has a strong plan in place for the future, and is actively pursuing revenue diversification.



# FINANCIAL FORECASTS

The performance targets expressed here are predicated on a recovery in domestic air travel from mid-2022 as the impact of Omicron eases and borders reopen. They are based on passenger forecasts completed in December 2021 which assume a recovery, with passenger numbers predicted to reach pre-COVID levels in late 2023 once international passenger movements are restored following the reopening of the border.

The move to a per passenger charging mechanism was adopted in October 2020 to acknowledge HBAL's aeronautical asset values and operating costs. Given the uncertainty prevalent in 2020, the per passenger charge was designed to be subject to annual review of weighted average cost of capital ("WACC") and passenger volumes. This provides a mechanism to address any under-recovery in future years, within the overall five-year pricing window.

Passenger volumes are expected to normalise during this SOI period, allowing HBAL to maximise passenger-related revenue streams from its completed terminal. This provides for a return to profit by FY23, along with substantial improvement in both return on equity and gearing levels over the coming years.

## Statement of Intent - Headlines and Financial Metrics

### July 2022 - June 2025

	Jul 22 - Jun 23	Jul 23 - Jun 24	Jul 24 - Jun 25
Passenger Numbers	519,994	595,523	615,032
Forecast Revenue	9,030,568	10,521,723	11,103,764
EBITDA	4,787,427	5,889,320	6,239,691
EBITDA Margin	53.01%	55.97%	56.19%
NPAT	257,541	917,352	1,224,960
Net Profit after Taxation Margin	2.85%	8.72%	11.03%
Interest Coverage	3.5	4.6	6.1
Total Debt	26,200,000	24,400,000	22,400,000
Total Assets	65,470,501	64,643,174	63,946,567
Return on Equity	0.8%	2.7%	3.5%
Gearing Ratio	44%	42%	39%
Equity %	52%	54%	55%

**Prospective Summary Statement of Comprehensive Income**

July 2022 - June 2025

	Jul 22 - Jun 23	Jul 23 - Jun 24	Jul 24 - Jun 25
<i>Passenger Numbers</i>	519,994	595,523	615,032
Revenue			
Aeronautical	5,178,742	6,177,097	6,643,685
Non-aeronautical	3,851,826	4,344,627	4,460,080
<b>Total Revenue</b>	<b>9,030,568</b>	<b>10,521,723</b>	<b>11,103,764</b>
Operating Expenditure	4,243,140	4,632,404	4,864,073
<b>EBITDA</b>	<b>4,787,427</b>	<b>5,889,320</b>	<b>6,239,691</b>
Depreciation	3,235,666	3,380,074	3,433,249
<b>EBIT</b>	<b>1,551,761</b>	<b>2,509,246</b>	<b>2,806,441</b>
Interest Expense	1,116,287	1,157,368	1,027,330
<b>Profit before Income Tax</b>	<b>435,474</b>	<b>1,351,878</b>	<b>1,779,111</b>
Income Tax Expense	177,933	434,526	554,151
<b>Net Profit after Tax</b>	<b>257,541</b>	<b>917,352</b>	<b>1,224,960</b>

**Prospective Summary Statement of Financial Position**

July 2022 - June 2025

	Jul 22 - Jun 23	Jul 23 - Jun 24	Jul 24 - Jun 25
Current Assets	966,360	1,064,108	1,115,750
Non Current Assets	64,504,141	63,579,067	62,830,817
<b>TOTAL ASSETS</b>	<b>65,470,501</b>	<b>64,643,174</b>	<b>63,946,567</b>
Current Liabilities	659,746	1,154,662	1,723,079
Non Current Liabilities			
Total Debt	26,200,000	24,400,000	22,400,000
Other Non Current Liabilities	5,157,029	5,084,375	5,084,375
<b>TOTAL LIABILITIES</b>	<b>32,016,775</b>	<b>30,639,037</b>	<b>29,207,454</b>
<b>NET ASSETS</b>	<b>33,453,726</b>	<b>34,004,137</b>	<b>34,739,113</b>
Capital and Reserves	33,453,726	34,004,137	34,739,113
<b>TOTAL EQUITY</b>	<b>33,453,726</b>	<b>34,004,137</b>	<b>34,739,113</b>

**Prospective Summary Statement of Cashflows**

July 2022 - June 2025

	Jul 22 - Jun 23	Jul 23 - Jun 24	Jul 24 - Jun 25
Cashflow From Operations	4,479,601	5,508,069	5,910,926
Cashflow From Investing	(3,044,191)	(2,455,455)	(2,691,160)
<b>Financing and Other</b>			
Total Loans Issued	(350,000)	(1,800,000)	(2,000,000)
Interest Payments	(1,113,596)	(1,156,913)	(1,021,171)
Cashflow From Financing	(1,463,596)	(3,059,941)	(3,221,489)
Net Cash Inflow/(Outflow)	(28,185)	(7,327)	(1,723)
Opening Bank	53,755	25,570	18,243
Net Cash Movement	(28,185)	(7,327)	(1,723)
Closing Bank	25,570	18,243	16,520

HBAL acknowledges the world and domestic economies continue to be impacted by the pandemic and other world events. Whilst we are confident our contingency plans performed well when recently tested by COVID-19, the company will find it financially difficult to sustain prolonged periods of significantly reduced passenger numbers. We will ensure our shareholders are updated with regular updates of actual and projected results. Market volatility in traditional service areas serves to reinforce our earnings diversification strategy.



# CAPITAL EXPENDITURE

HBAL continues to invest in its infrastructure in line with passenger numbers, Civil Aviation Authority security requirements and identified opportunities to grow its non-aeronautical revenue base, such as its commercial precinct. The key revenue assumptions for property and solar development are subject to further analysis, therefore capex allowances have been allowed only for planning development and enabling capex until the business cases are fully assessed. As an example, allowances have been included for advancing and implementing property precinct plans. From time to time, HBAL may consider additional capital expenditure programmes if supported by a robust business case and funding capability.

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

## Prospective Summary of Capital Expenditure

	2022/23	2023/24	2024/25
Airside Infrastructure & Projects	931,000	895,000	1,985,000
Landside Infrastructure & Commercial	415,000	365,000	175,000
Property & Planning	866,500	360,000	250,000
Operational Efficiency	854,000	870,000	300,000
	<b>3,066,500</b>	<b>2,490,000</b>	<b>2,710,000</b>

# ACCOUNTING POLICIES

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

[www.hawkesbay-airport.co.nz/assets/Docs/Company-Reports/Hawkes-Bay-Airport-20-21-Annual-Report.pdf](http://www.hawkesbay-airport.co.nz/assets/Docs/Company-Reports/Hawkes-Bay-Airport-20-21-Annual-Report.pdf)

# DISTRIBUTIONS

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

Currently, a positive net profit after tax result is forecast for the upcoming 2022/23 financial year and subsequent periods. These forecasts are included in this SOI and are conditional on New Zealand's ultimate recovery from COVID-19.

In arriving at any dividend recommendation, the directors will consider:

- The scale of the company's capital expenditure programme and therefore demands on capital for the period covered by this statement;
- The company's financial performance and the cash flows generated from operations, including impact of the terminal expansion project;
- The ratio of the company's shareholder funds to its assets;
- The company's ability to raise debt finance and the terms thereof;
- The risks associated with the uncertainty of airline schedules in the short and medium term.

Any final dividend declared will be paid no later than 31 December.

# INFORMATION TO BE PROVIDED TO SHAREHOLDERS

Shareholders will receive:

- An annual report including audited financial statements within three months of balance date;
- Six-monthly report including non-audited financial statements within two months of balance date;
- A quarterly report within two months of the end of each quarter;
- A Statement of Intent submitted for shareholders' consideration in accordance with the Local Government Act 2002;
- Other interim financial reports as agreed with the shareholders;
- Reports on matters of material interest to shareholders. Shareholders will continue to be kept informed of key developments, consistent with the Crown's 'no surprises' policy.

## ACQUISITION PROCEDURES

The acquisition of any interest in a company or organisation will be considered when it is consistent with the long-term commercial objectives of the company. Any material acquisition will be the subject of consultation with shareholders. Major transactions as defined by the Companies Act 1993 will require shareholder approval.

## COMPENSATION SOUGHT FROM LOCAL BODY SHAREHOLDERS

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

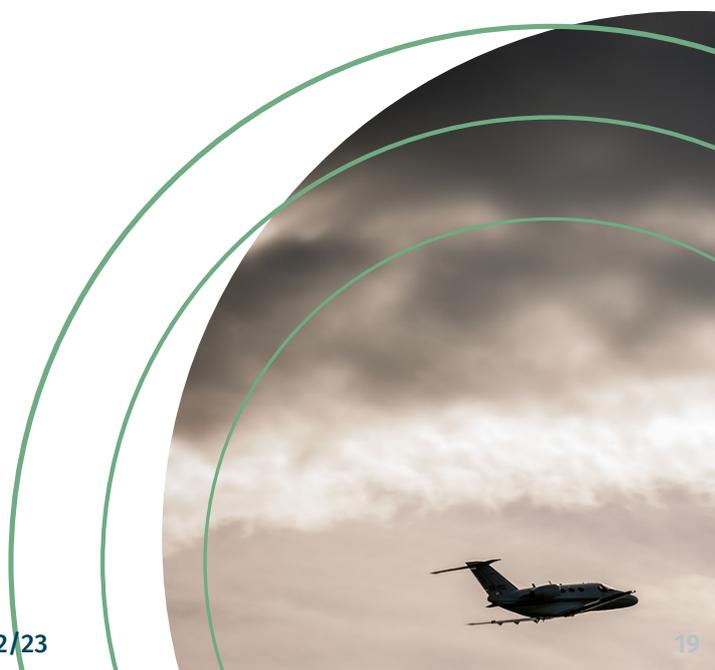
## ESTIMATE OF COMMERCIAL VALUE

The value of shareholders' investment in HBAL as at 31 December 2021 is \$33,524,000.

The property, plant, equipment and investment property (non-current assets) owned by HBAL were revalued at 30 June 2021 to their current market value of \$61.6M.

HBAL will continue to undertake a revaluation approach to its assets on a regular cycle or when there has been a significant change in the market, to consider the gap between current book values of the assets and liabilities versus the commercial value of the business.

The completion of the terminal expansion project in 2021 and the impact of COVID-19 on revenues are significant events with potential to influence asset value.



# APPENDIX A:

## BOARD OF DIRECTORS ROLE AND GOVERNANCE OBJECTIVES

### Role of the Board of Directors and governance objectives

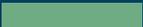
In carrying out its principal function, the Board's specific responsibilities and objectives include:

- a) Ensuring that the company has adequate management resources to achieve its objective, to support the CEO, and has a satisfactory plan for management succession in place;
- b) Reviewing and approving the strategic, business and financial plans prepared by management and developing a depth of knowledge of the company's business so as to understand and question the assumptions upon which such plans are based and to reach an independent judgement on the probability that such plans can be achieved;
- c) Reviewing and approving material transactions not in the ordinary course of the company's business;
- d) Reviewing operating information to understand at all times the state of health of the company;
- e) Considering management recommendations on key issues, including acquisitions and divestments, restructuring, funding and significant capital expenditure;
- f) Approving policies on and overseeing the management of strategic business risks, safety, sustainability, occupational health, and environmental issues with the following aims:
  - i. To manage risk throughout the company's operation in order to protect its shareholders, employees, assets, earnings and reputation;
  - ii. To comply with all relevant legislation;
  - iii. To encourage employees to actively participate in the management of environmental and occupational health and safety issues,
  - iv. To employ consultants where required to raise standards or improve existing conditions,
  - v. To use energy and other resources efficiently, and
  - vi. To encourage the adoption of similar standards by the company's principal suppliers, contractors and distributors;
- g) Approving and fostering a corporate culture which requires management and every employee to operate to the highest level of ethical and professional behaviour;
- h) Setting and monitoring adherence to major policies, including capital investment, treasury, accounting and financial, executive remuneration, and delegated authority limits;
- i) Approving the appointments by, or at the request of, the company (including its affiliates) to the boards of subsidiary and associate companies;
- j) Monitoring the company's performance against its approved strategic, business and financial plans and overseeing the company's operating results on a regular basis so as to evaluate whether the business is being properly managed;
- k) Ensuring ethical behaviour by the company, the Board and management, including compliance with the company's constitution, the relevant laws, and the relevant auditing and accounting principles;

- l) Reporting to shareholders on its stewardship. Information is to be communicated to shareholders through:
- i. The annual report, which is distributed to all shareholders. The Board is to ensure that the annual report includes relevant information about the operations of the consolidated entity during the year, changes in the state of affairs of the consolidated entity and details of future developments, in addition to other disclosures required by the Companies Act and financial reporting requirements;
  - ii. Results announcements regarding the annual, quarterly and half-yearly results;
  - iii. Annual statement of intent;
  - iv. Media releases;
  - v. The annual meeting, and other shareholder meetings called to obtain approval for Board actions as appropriate. The company will provide notification of shareholder meetings at least 20 working days prior to the meeting and not later than 15 months after the previous meeting; and
  - vi. The company's website.
- m) Ensuring that shareholders can easily communicate with the company, including providing shareholders with the option to receive communications electronically;
- n) Ensuring that the company's shareholder reporting meets the requirements of the Owner's Expectation Manual which can be found on the Treasury's website <https://treasury.govt.nz/publications/guide/owners-expectations>, including:
- i. Ensuring that financial reporting is balanced, clear and objective. The Board should explain to shareholders how operational and financial targets are measured;
  - ii. Ensuring that the company provides non-financial disclosures to shareholders at least annually. These should consider environmental, economic and social sustainability factors and practices;
  - iii. Ensuring that the company reports to shareholders on material risks facing the business and how these are being managed. Reporting should disclose how the company manages its health and safety risks and the performance and management of those risks;
  - iv. Ensuring that the company discloses any internal audit functions.
- o) Select and (if necessary) replace the CEO;
- p) Assess, from time to time, its own effectiveness in carrying out these functions and the other responsibilities of the Board.



**HAWKE'S BAY AIRPORT LIMITED**  
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[www.hawkesbay-airport.co.nz](http://www.hawkesbay-airport.co.nz)