Hawke's Bay Airport Ltd Annual Report

For the year ended 30 June 2017

HAWKE'S BAY AIRPORT

Hawke's Bay Airport Ltd Annual Report

For the year ended 30 June 2017

CONTENTS

Hawke's Bay Airport Ltd Directory

Directors

Tony Porter
(Chairman)

Sarah Park
(Chair of the Audit and Finance Committee)

Taine Randell

Wendie Harvey

Chief Executive

Nick Story

Operations Manager

Olivia Pierre

Commercial Manager

Dean Smith

Infrastructure Manager

Graham Eagles

Registered Office

Terminal Building
Hawke's Bay Airport
111 Main North Road
PO Box 721
NAPIER 4140

Bankers

ANZ Bank New Zealand Ltd

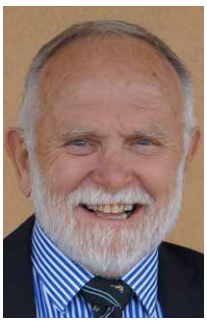
Solicitors

Willis Legal

Kensingston Swan

Auditors

Staples Rodway Audit Limited on behalf of the Auditor General



Tony Porter
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HAWKE'S BAY AIRPORT LTD
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admin@hawkesbay-airport.co.nz
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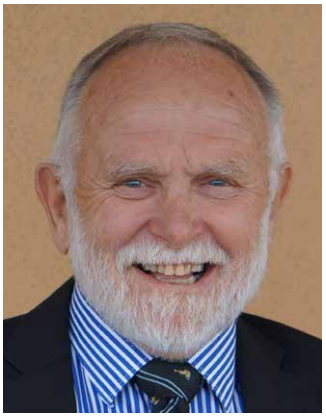
Chairman and CEO's Report



Tony Porter
Chairman

Nick Story
Chief Executive

We are pleased to report on the performance of Hawke's Bay Airport Limited, for the financial year ended 30 June 2017.

It has been another exciting year for the Airport Company. Record growth in our passenger and aircraft movements contributed to in excess of 652,000 passenger movements through the Airport for the first time in the Company's history. This enabled us to deliver another strong financial performance for the year with revenue growing to $6.1m and a record net profit after tax of $1.7m.

A summary of the Airport Company's performance against our Statement of Service Performance as detailed in our Statement of Intent for the year ending 30 June 2017, is included on page 10 of our Annual Report.

Highlights

Growth in Passengers and Aircraft Movements

Passenger Movements

Total passenger movements increased by 15%, or 85,995 to reach 652,426 for the full year. This contrasts very favourably with our long-term average annual growth rate of 3 % p.a., which we had experienced for a number of years prior to the arrival of two new airlines in 2015.

The increase in passenger numbers was driven by the continuing growth in Air New Zealand's business throughout the year, coupled with the full 12 month impact of Jetstar's scheduled services operating between Hawke's Bay and Auckland. In addition, Sounds Air are now well established at the Airport. They commenced scheduled services between Marlborough and Hawke's Bay in November 2015, and operate 6 arrival and departure services each week.

Aircraft Movements

Scheduled aircraft movements including Air New Zealand, Jetstar and Sounds Air totalled 14,256 for the full year, an increase of 11% on the prior year. Growth in aircraft movements means more choice for air travellers because of the increased number of flights to and from the region.

Financial Performance

The Airport Company achieved all its financial performance targets for the year. The total revenue of $6,112,835 represents an increase of 16% on the previous year ($5,269,654) and was $384,085 or 7% ahead of budget. The significant growth in both passengers and visitors to the airport together with new services and products has translated into increased revenue from landing charges, car parking and concessions.

Operating Expenses at $2,249,918 for the full year, were 6% above the budget of $2,116,248. The increase reflects the significant increase in the cost of the Airport's Rescue Service resulting from the lift in service requirements following a task resource review initiated by the Civil Aviation Authority (CAA). Our increased expenses also arise from the remuneration costs associated with the new staff who we recruited to support and sustain the growth that we are experiencing in the business.

Despite expenditure being above budget for the year, our revenue growth saw EBITDA for the full year at $3,862,917 which was $444,404 or 13% ahead of the previous year and $250,415 or 7% ahead of budget.

NPAT for full year at $1,717,610 was 11% ahead of budget of $1,549,000 and $313,704 or 22% ahead of the previous year. The Return on Equity was 6%. The Company's gearing ratio at 0% was well below the budget expectation of 28%, due to the delayed start to the terminal redevelopment project.

Bank borrowing was reduced by $900,000 during the year, resulting in nil term debt at balance date. The Company was pleased to be able to repay all of its borrowings, particularly as it also funded an additional $2.4m of capital projects during the year.

Dividend to Shareholders

The Company paid a record fully imputed dividend of $562,000 to Shareholders in December 2016.

Our People

To enable an appropriate level of personnel resourcing to manage the Airport Company's existing and future growth and the achievement of our organisational objectives, we were delighted to make appointments to 3 new roles during the year. Graham Eagles was appointed as Infrastructure Manager, Olivia Pierre as Operations Manager and Dean Smith as Commercial Manager.

Infrastructure

Terminal Building

We recognise that the Airport is a critical enabler of the region's economic growth. This, together with the significant growth in our passenger movements and future aspirations for the business, have featured heavily in our planning for the redevelopment of the terminal.

The detailed design of the terminal redevelopment has now been substantially completed. It is anticipated that tender documents will be issued to main contractors in September, with construction commencing on site in October/November 2017.

The project is scheduled for completion in February 2019.

New Entranceway to Airport

Enabled by a project funding partnership with Hawke's Bay Airport Ltd and Napier City Council, NZTA awarded a contract for a range of intersection improvements at the Watchman Road/Meeanee Quay intersection on SH2. The project involves a new roundabout at the intersection, the widening and strengthening of Watchman Road and a new roadway across Hawke's Bay Airport's land. Watchman Road will be the route to and from the airport, with the existing Airport entrance to be retained for emergency exit use only. The project is due for completion in 2018.

Car Parking

The number of car parks available at the Airport was increased by approximately 25% during the year. This was achieved by extending the secure carparking area to the south, which added 150 new car parks.

Car park maintenance works undertaken during the year included the resurfacing of the original car parking area as well as the northern end of the main carpark. As a result, 70% of the airport's total car parking area has now been resurfaced. The remaining 30% is programmed for redevelopment over the next 18-24 months as we progressively implement the car parking master plan.

Health & Safety

The Airport Company continued to focus on proactively managing health and safety risks and strongly encouraging the Airport community to actively consult, co-operate and co-ordinate on any matters affecting themselves and others. The quarterly internal audits focused on testing elements of the safety management system.

Most importantly, Hawke's Bay Airport achieved zero harm and zero lost time injuries during the year.

Security

Hawke's Bay Airport was reclassified by CAA as a Security Designation Tier II Airport during the year, which necessitated some additional works to provide an enhanced level of airside security. The new security features include airside lighting of a brighter intensity, an increase in the height of perimeter fencing, enhanced signage and identification processes to ensure the legitimate purpose of airline personnel, contractors and others accessing the airside security area.

Customer Focus and Stakeholder Engagement

We continued to meet our objective for regular meetings with our Shareholders. This included formal presentations in support of our interim and annual reporting and our Statement of Intent, and also informal meetings and discussions with Shareholder representatives at regular intervals.

We enjoy regular engagement with our neighbouring Westshore Residents and Development Association and other community groups. We also host a number of school visits to the Airport.

Statement of Intent

The Statement of Intent for the Year Ended 30 June 2018 and the two following years, was approved by the Company's Shareholders. This document includes an overview of the Company's strategy, key objectives, financial performance targets and capital expenditure plan and is published on our website.

Acknowledgements

On behalf of the Airport Company's Board and Management team, we would like to acknowledge and thank our shareholders and all our stakeholders for their continued support throughout the year.

We welcomed our new Director, Wendie Harvey, on to the Board on 1 July, 2016. Wendie succeeded Jim Scotland who retired from the Board at the end of our preceding financial year. Wendie has already made a significant contribution to the Airport Company's governance, enabled in particular, by her human resources, health and safety and risk management expertise and experience. Together with Directors Sarah Park and Taine Randall, we are very fortunate to have a highly skilled, experienced and dedicated Board in place to ensure the effective governance of the Airport Company.

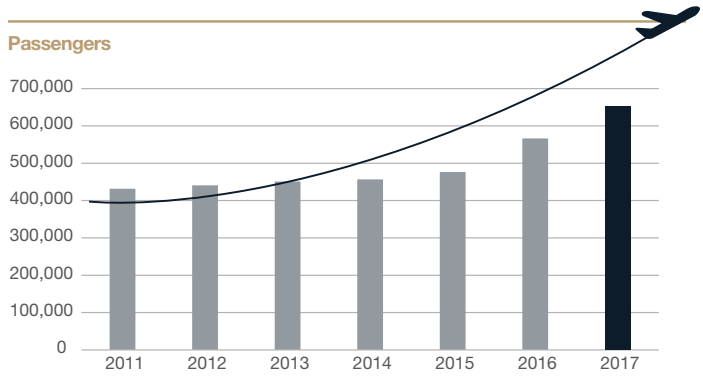
We also thank our Management team for its continued dedication and achievements. It has been another exciting year of unprecedented growth for the Airport Company, as we progressed a number of exciting infrastructure development projects and business development initiatives. Our current activities are designed to sustain our growth momentum and to position the Airport Company for the bright future we anticipate.

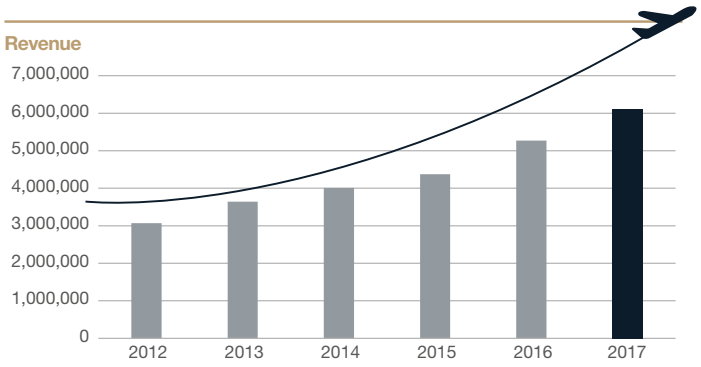
Tony Porter
Chairman
Hawke's Bay Airport Limited

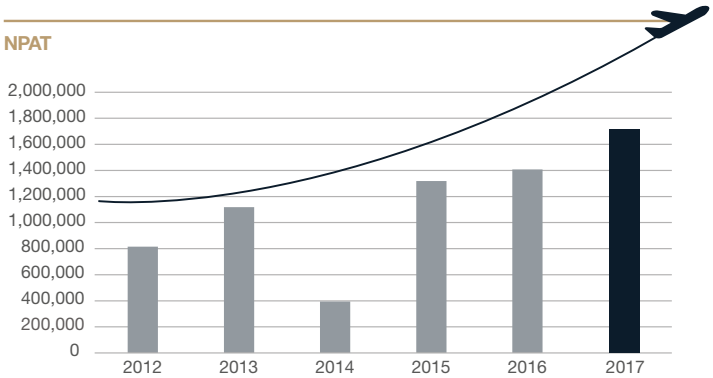
Nick Story
Chief Executive
Hawke's Bay Airport Ltd

Performance graphs

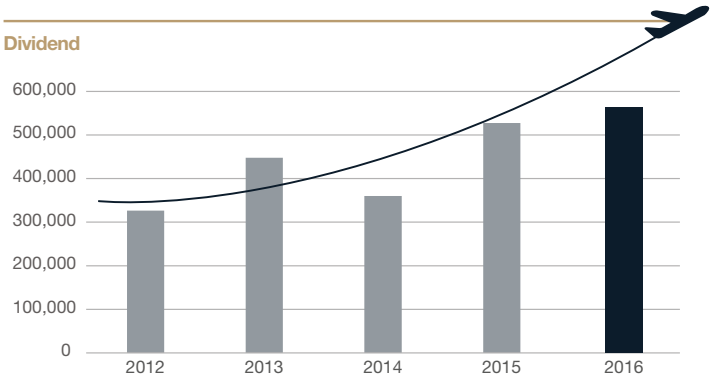
For the year ended 30 June 2017

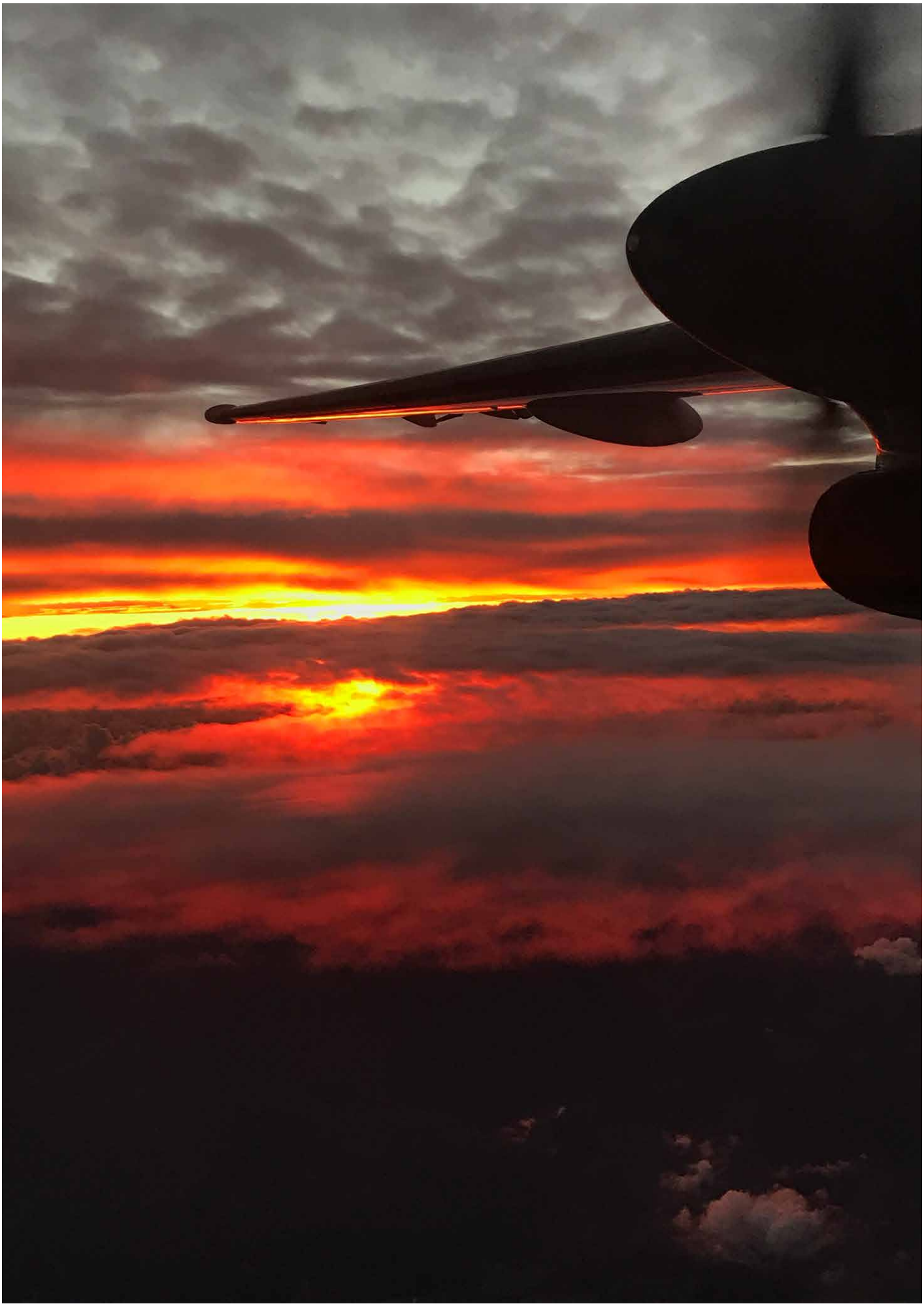






Note: 2014 included an impairment charge of $696,400





Directors Report

For the year ended 30 June 2017

Directors

Directors Remuneration

The amount of $87,500 per annum was paid to members of the board for the twelve months to 30 June 2017.

T M Porter	34,250
S N Park	17,750
T C Randell	17,750
W N Harvey	17,750
	87,500

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 2017 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 2017, the Directors have declared general disclosure of interest in the following entities:

T M Porter	
Opus International Consultants	Shareholder
S N Park	
Scotch & Sparkles Ltd	Director/Shareholder
Focus Genetics Management Ltd	Director
Focus Genetics Partnership Limited	Director
Hereworth School Trust Board	Trustee
T C Randell	
Hawkes Bay Regional Investment Company	Director
Fiordland Lobster Company Ltd	Director
Australian Lobster Company (GP) Ltd	Director
Salco GP Ltd	Director
FLC Trustee Ltd	Director
Deltop Holdings Ltd	Director
ZSB Holdings Ltd	Director/Shareholder
Kahungunu Asset Holding Company Ltd	Director
Kaitiaki Land Services Ltd	Director
KAHC Investments Ltd	Director
Te Aranga Ltd	Director
Te Wairoa Ltd	Director
Kiwigarden Ltd	Director

W N Harvey	
Centralines Limited	Director
Excellence in Business Solutions Limited	Director/Shareholder
Port of Napier Limited	Director
Quality Roading Serviced Limited	Director
New Zealand Gambling Commission	Commissioner
The Electrical Training Company Limited	Director
Tangihanga Joint Venture	Director

Employee Remuneration

Employee Remuneration and other benefits exceeding $100,000

	2017	2016
$100,000 - $110,000	-	1
$110,001 - $120,000	-	-
$120,001 - $130,000	1	-
$130,001 - $140,000	-	-
$140,001 - $150,000	-	-
$150,001 - $160,000	-	-
$160,001 - $170,000	-	-
$170,001 - $180,000	-	-
$180,000 - $190,000	-	1
$190,000 - $200,000	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. Stuart Signal of 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 2017 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.

Statement of Service Performance

For the year ended 30 June 2017

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 2017.

Activity	Measure	Status*
CAA recertification	Renewal of Aerodrome Operating Certificate	●
Operate a Successful Business	Achieve Performance Targets:	
	• Revenue	●
	• EBITDA	●
	• NPAT	●
	• Return on Equity - Annualised	●
	• Gearing	●
	• Dividend	●
	• Development of Business Park	●
Appropriate Infrastructure	Progress planning for:	
	• Terminal redevelopment	●
	• New rescue fire station	●
	• Additional carparks	●
	• Rental Car Valet Facility	●
Health and Safety	Zero harm and Zero LTI	●
Customer Focus	Regular engagement with customers	●
Stakeholder Engagement	4 Meetings per annum with Shareholders	●

KEY

● *Meets or Exceeds target* ● *Within 10% of target* ● *10% or more below target*

Further commentary in respect of the objectives measured above is given in the Chairman and CEO's report on pages 4 to 5.

Statement of Comprehensive Income

For the year ended 30 June 2017

	Note	2017	2016
		$	$
Aviation		3,812,114	3,539,656
Carparking		1,855,247	1,407,717
Business Park		299,903	200,080
Other Revenue		145,571	122,202
Total Revenue	**1**	**6,112,835**	**5,269,654**
Less Operating Expenses	**2**	**(2,249,918)**	**(1,851,141)**
Operating Profit Before Financing Costs and Depreciation		**3,862,917**	**3,418,513**
Depreciation		(1,302,797)	(1,272,788)
Finance Income		2,747	8,927
Finance Expense		(44,350)	(60,515)
Net Profit before income tax		**2,518,517**	**2,094,137**
Income Tax Expense	**3**	(800,907)	(690,231)
Net Profit after income tax		**1,717,610**	**1,403,906**
Items that will not be reclassified into profit or loss:			
Deferred tax on revaluation	**3**	96,262	96,372
Total Comprehensive Income		**1,813,872**	**1,500,278**

Statement of Changes in Equity

For the year ended 30 June 2017

	Issued Capital	Retained Earnings	Revaluation Reserve	Total Equity
Balance at 1 July 2016	**13,789,155**	**5,029,518**	**9,219,676**	**28,038,349**
Profit for the period	-	1,717,610	-	1,717,610
Reclassification of depreciation on revalued assets	-	343,794	(343,794)	-
Movement in deferred tax on revaluation reserve	-	-	96,262	96,262
Total comprehensive income		**2,061,404**	**(247,532)**	**1,813,872**
Distributions to shareholders (note 5)	-	(562,000)	-	(562,000)
Movement in equity for the period	-	1,499,404	(247,532)	1,251,872
Balance at 30 June 2017	**13,789,155**	**6,528,922**	**8,972,144**	**29,290,221**
Balance at 1 July 2015	**13,789,155**	**3,808,795**	**9,467,492**	**27,065,442**
Profit for the period	-	1,403,906	-	1,403,906
Reclassification of depreciation on revalued assets	-	344,188	(344,188)	-
Movement in deferred tax on revaluation reserve	-	-	96,372	96,372
Total comprehensive income		**1,748,094**	**(247,816)**	**1,500,278**
Distributions to shareholders (note 5)	-	(527,371)	-	(527,371)
Movement in equity for the period	-	1,220,723	(247,816)	972,907
Balance at 30 June 2016	**13,789,155**	**5,029,518**	**9,219,676**	**28,038,349**

Statement of Financial Position

As at 30 June 2017

	Note	2017	2016
Assets		$	$
Property plant and equipment	8	30,611,704	29,601,204
Investment property	9	4,627,960	4,599,306
Intangibles		3,364	7,020
Total non-current assets		**35,243,028**	**34,207,531**
Trade and other receivables	4	615,320	590,140
Cash and cash equivalents		695,568	514,755
Total current assets		**1,310,888**	**1,104,895**
Total assets		**36,553,916**	**35,312,426**
Equity			
Issued capital		13,789,155	13,789,155
Retained earnings		6,528,922	5,029,518
Revaluation reserve		8,972,144	9,219,676
Total equity	5	**29,290,221**	**28,038,349**
Liabilities			
Deferred tax liability	3	3,806,233	3,989,812
Rentals in advance	7	1,264,506	1,349,495
Borrowings	6	-	900,000
Total non-current liabilities		**5,070,739**	**6,239,307**
Trade and other payables	7	2,097,358	965,376
Employee benefits		95,599	69,394
Total current liabilities		**2,192,957**	**1,034,770**
Total liabilities		**7,263,695**	**7,274,077**
Total equity and liabilities		**36,553,916**	**35,312,426**

These financial statements were authorised for issue by the board on 29 August 2017 on behalf of Hawke's Bay Airport Limited

TM Porter
Chairman

SN Park
Director

Statement of Cash Flows

For the year ended 30 June 2017

	Note	2017	2016
Cash flows from operating activities		$	$
Cash was provided from:			
Revenues		6,066,889	5,157,852
Interest Received		2,747	8,927
Goods & Services Tax (Net)		(32,486)	(26,502)
		6,037,150	5,140,278
Cash was disbursed to:			
Suppliers and Employees		(2,017,948)	(1,916,559)
Interest Paid		(44,994)	(71,332)
Income Tax Paid		(236,000)	(678,171)
		(2,298,942)	(2,666,062)
Net Cash Flows from Operating Activities	**10**	3,738,208	2,474,216
Cashflows from investing activities			
Cash was disbursed to:			
Capital Works		(2,095,395)	(1,576,969)
Net Cash Flows from Investing Activities		(2,095,395)	(1,576,969)
Cashflows from financing activities			
Cash was disbursed to:			
Dividends Paid		(562,000)	(527,371)
Debt Repayment		(900,000)	(500,000)
Net Cash Flows from Finance Activities		(1,462,000)	(1,027,371)
Net increase/(decrease) in cash and cash equivalents		180,813	(130,124)
Add Opening Cash and Cash equivalents		514,755	644,879
Closing Cash and Cash equivalents at end of year		**695,568**	**514,755**
Represented by:			
Cash at Bank		685,785	507,574
Cash in hand		9,783	7,181
		695,568	**514,755**

Notes to the Accounts

For the year ended 30 June 2017

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.

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. They also comply with International Financial Reporting Standards.

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 company, 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 company'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.

Management has exercised its judgment on the impairment assessment of Investment Property, and in the assessment of the recoverable amounts of Capital Work in Progress.

Notes to the Accounts

For the year ended 30 June 2017

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 company's activities. Revenue is shown net of Goods and Services Tax (if applicable), returns, rebates and discounts. The company 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 company'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 Company, both equity and debt not falling within the definition of cash.

5 Valuation Of Property, Plant And Equipment

Property, Plant and Equipment

In 2015 property plant and equipment was revalued from their original cost when the assets were acquired from the Hawke's Bay Airport Authority on 1 July 2009.

The change in accounting policy was adopted so that the net book value of the assets at 30 June 2015 fairly reflects the underlying value of the Company's assets.

The revaluations were completed by independent valuers who have assessed the fair value of the assets. Any revaluation increment was 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 property 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 Company 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 instruments are initially measured at fair value plus transactions costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are stated at amortised cost using the effective interest rate method less accumulated impairment losses. Trade and other receivables and cash and cash equivalents listed in the Company's statement of financial position are classified as loans and receivables.

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

10 Impairment Testing of Assets

At each reporting date, the Company 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.

Notes to the Accounts

For the year ended 30 June 2017

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 Company 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

There have been no changes in accounting policies in the reported periods.

14 NZ IFRS Issued But Not Yet Effective

The following new standards, amendments to standards and interpretations have been issued, but are not yet effective and have not been adopted early:

- NZ IFRS 9 Financial instruments is effective for annual periods beginning on or after 1 January 2018. NZ IFRS 9 is part of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. The standard introduces amended requirements for classifying and measuring financial assets and liabilities. The Company has completed a high level assessment of the impact of this new standard but does not expect it to have a material impact on the financial performance of the business. This standard will be applied by the Company in the financial statements for the year ending 30 June 2019.
- NZ IFRS 15 Revenue addresses recognition of revenue from contracts with customers. It replaces the current revenue recognition guidance in IAS 18 Revenue and IAS 11 Construction contracts and is applicable to all entities with revenue. It sets out a five step model for revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company has completed a high level assessment of this new standard. Due to the non-complex nature of the landing fees, lease income and other revenue earned, the Company does not consider that NZ IFRS15 will have a material impact from the current revenue recognition policy.

  This standard will be applied by the Company in the financial statements for the year ending 30 June 2019.
- NZ IFRS 16 Leases NZ IFRS 16, 'Leases', replaces the current guidance in NZ IAS 17. Under NZ IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under NZ IAS 17, a lessee was required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). NZ IFRS 16 now requires a lessee to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. Included is an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting for leases under NZ IFRS 16 is almost the same as NZ IAS 17.

  The standard is effective for accounting periods beginning on or after 1 January 2019.

  The Company has completed a high level assessment and notes that in respect of the lease agreements where the company is a lessee (this mainly relates to the lease of additional land at the end of the runway), this will result in these assets being added to the balance sheet with a corresponding liability being recognised.

  This standard will be applied by the Company in the financial statements for the year ending 30 June 2020.

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.

	2017	2016
2. Operating Expenses	**$**	**$**
Amortisation	-	-
Audit Fees - audit of financial statements	15,640	44,708
Directors Fees	87,500	70,000
(Gain)/Loss on Sale of Assets	-	-
Lease of Land	31,167	34,167
Employee benefits	542,486	340,321
Other Operating Expenses	1,573,126	1,361,945
	2,249,918	1,851,141

3. Taxation

A. Current Year Reconciliation		
Profit Before Taxation	2,518,517	2,094,137
Prima Facie Taxation @ 28%	705,185	586,358
Adjusted for the effect of:		
Depreciation on revalued assets	96,262	96,372
Non deductible expenses	(539)	1,462
Prior Years (over)/under provision	-	6,039
Income Tax Expense	800,907	690,231
Comprising		
Current Tax	887,832	770,181
Deferred Tax	(86,925)	(79,950)
	800,907	690,231

B. Taxation Payable/(Receivable)		
Balance at 1 July	291,416	201,905
Reclassification to deferred tax	392	-
Prior Year (over)/under provision	-	6,039
Terminal Tax (paid)/refunded	(236,000)	(207,944)
Current Tax Payable	887,832	764,142
Provisional Tax paid	-	(470,227)
RWT paid on Interest	(770)	(2,499)
Balance at 30 June	942,870	291,416

Notes to the Accounts

For the year ended 30 June 2017

	2017	2016
C. Imputation Credit Account	**$**	**$**
Imputation Credits carried forward	1,378,020	906,814
IRD Adjustment to Opening Balance		
Decrease arising from tax refunded during the year	-	(4,134)
Increase arising from tax paid during the year	239,268	680,429
Applied to Dividends paid	(218,555)	(205,089)
Balance at 30 June	1,398,733	1,378,020
D. Deferred Tax Reconciliation		
Opening balance	3,989,812	4,166,134
Deferred tax expense	(183,579)	(176,322)
Closing balance	3,806,233	3,989,812
Reconciliation of Deferred Tax Expense		
Reclassified from current tax	(392)	-
Credited to tax expense	(86,925)	(79,950)
Charged to other comprehensive income	(96,262)	(96,372)
	(183,579)	(176,322)
E. Deferred Tax Analysis		
Holiday Pay	(12,266)	(4,929)
Impairment Provision	(194,992)	(194,992)
Intangibles	(47)	(47)
Income in Advance	(380,009)	(403,609)
Runway Refurbishment	565,367	624,972
Revaluation of PPE	2,224,400	2,320,662
Asset Base and Depreciation Differences	1,603,780	1,647,755
Income Tax Losses	-	-
	3,806,233	3,989,812

4. Trade and other receivables

Accounts Receivable	433,565	387,619
Provision for doubtful debts	(81)	(2,464)
Prepayments	181,835	204,986
	615,320	590,140

The aging of accounts receivable balance based on contractual terms is shown below:

Current	424,418	388,320
Past due but not impaired	9,067	(3,166)
Impaired	81	2,464
Total	433,565	387,619

5. Equity	Shares on issue	2017 $	2016 $
Ordinary shares	1004	13,789,155	13,789,155

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 08 December 2016 a dividend of $559.76 cents per share was paid to the holders of ordinary shares (2016 $525.27 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 assets is transferred directly to retained earnings.

6. Borrowings

The company has a flexible cost of funds facility up to $2.5m, (2016: up to $1m) and a short term advance facility up to $nil (2016: up to $0.9m) available from the ANZ Bank. At balance date the short term advance was fully repaid and cancelled (2016; $900,000) and the Flexible Facility was undrawn (2016; $0).

The interest rate on the short term advance was 3.38% p.a. in the prior year.

The facilities are secured by a General Security Agreement.

7. Trade and other payables

General - Trade	436,290	246,991
- Capital Expenditure	538,554	272,368
Rentals in Advance	108,603	111,572
GST Payable	71,042	43,028
Income Tax Payable	942,870	291,416
	2,097,358	965,376

Rentals in advance due beyond twelve months totals $1,264,505 (2016: $1,349,495).

Notes to the Accounts

For the year ended 30 June 2017

8. Property, Plant and Equipment

	Historical cost 30/06/16	Revaluation 30/06/16	Balance 30/06/16	Additions	Depreciation	Disposals	Balance 30/6/17
Cost or Valuation	$	$	$	$	$	$	$
Land and Land Improvements	2,344,515	3,222,847	5,567,362	-	-	-	5,567,362
Airport Infrastructure & Buildings	16,992,577	6,377,774	23,370,351	807,542	-	-	24,177,893
Other	1,123,012	-	1,123,012	72,341	-	(14,629)	1,180,724
Capital Work in Progress	1,258,571	-	1,258,571	1,294,427	-		2,552,998
	21,718,675	9,600,621	31,319,296	2,174,310	-	(14,629)	33,478,976
Accumulated Depreciation	$	$	$	$	$	$	$
Land and Land Improvements	30,894	(29,413)	1,481	-	1,480	-	2,961
Airport Infrastructure & Buildings	2,917,038	(1,910,305)	1,006,733	-	1,024,096	-	2,030,829
Other	709,877	-	709,877	-	123,604	-	833,481
Capital Work in Progress	-	-	-	-	-	-	-
	3,657,810	(1,939,718)	1,718,092	-	1,149,180	-	2,867,272
Net Book Value	$	$	$	$	$	$	
Land and Land Improvements	2,313,621	3,252,260	5,565,881	-	(1,480)	-	5,564,401
Airport Infrastructure & Buildings	14,075,539	8,288,079	22,363,618	807,542	(1,024,096)	-	22,147,063
Other	413,135	-	413,135	72,341	(123,604)	(14,629)	347,243
Capital Work in Progress	280,648	-	1,258,571	1,294,427	-	-	2,552,998
	17,082,942	11,540,339	29,601,204	2,174,310	(1,149,180)	(14,629)	30,611,704

As shown in the Statement of Changes in Equity there was an additional depreciation charge of $343,794 (2016: $344,188) as a result of the revaluations on the Airport Infrastructure & Buildings assets, therefore if these assets were stated at historical cost they would have a opening net book value at 1 July 2016 of $14,075,539 (1 July 2015: $14,738,084) and a depreciation charge for the year of $680,302 (2016: $662,545), resulting in a closing net book value at historical cost of $14,202,779 at 30 June 2017 (2016 $14,075,539).

As at 30 June 2015 the Land was valued by an independent valuer - Logan Stone Limited. The Airport Infrastructure & Buildings were valued by an independent valuer - PricewaterhouseCoopers.

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 arms 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.

PricewaterhouseCoopers 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 each asset. This is level 3 on the fair value hierarchy - see note 14.

- Cashflows have been CPI adjusted and discounted at a rate of 7.6% post tax.
- The terminal value for the carpark assets have been calculated using a terminal growth rate of 2%.
- The terminal value for the aeronautical assets is calculated based on the fixed asset value for those assets at the end of the discrete project period.

9. Investment Property

	Balance 30/06/16	Additions	Transfer from Capital WIP	Depreciation	Disposals	Balance 30/6/17
Cost	$	$	$	$	$	$
Land and land improvements	2,977,203	-	-	-	-	2,977,203
Business Park Infrastructure and Buildings	2,759,282	71,624	5,000	-	-	2,835,906
Capital Work in Progress	12,740	110,647	(5,000)	-	-	118,387
	5,749,225	182,271	-	-	-	5,931,497
Accumulated Depreciation	$	$	$	$	$	$
Land and land improvements	195,306	-	-	33,581	-	228,887
Business Park Infrastructure and Buildings	258,213	-	-	120,036	-	378,249
Capital Work in Progress	-	-	-	-	-	-
	453,519	-	-	153,617	-	607,136
Net Book Value	$	$	$	$	$	$
Land and land improvements	2,781,897	-	-	(33,581)	-	2,748,316
Business Park Infrastructure and Buildings	2,501,070	71,624	5,000	(120,036)	-	2,457,657
Capital Work in Progress	12,740	110,647	(5,000)	-	-	118,387
	5,295,706	182,271	5,000	(153,617)	-	5,324,360
Less Provision for Impairment	(696,400)	-		-	-	(696,400)
	4,599,306	182,271	-	(153,617)	-	4,627,960

The company is developing a business park complex on the surplus airfield land. Stage 1 of the development was completed during the 2013 financial year.

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.

The direct operating expenses (rates and electricity), other than depreciation shown above, in respect of the business park were $36,503 for the year (2016: $37,887).

As at 30 June 2017 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. A lease capitalisation rate of 8% has been used, as this is considered to be reflective of current market rates.

The recoverable amount of the undeveloped land has been assessed by a third party valuation expert based on a value per square meter derived from knowledge of recent market transactions.

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

Notes to the Accounts

For the year ended 30 June 2017

10. Reconciliation of net profit after income tax to net cashflows from operating activities	2017 $	2016 $
Operating Profit/(Loss) After Taxation	1,717,610	1,403,906
Add/(Less):		
Non Cash Items - Depreciation	1,302,797	1,272,788
- Amortisation	-	-
- Deferred Tax	(86,925)	(79,950)
- (Profit)/Loss on Disposal on/of Assets	-	-
Changes in Trade & Other Receivables	(25,180)	(158,562)
Changes in Payables & Income in Advance	761,783	36,034
Net Cash flows from Operating Activities	3,670,084	2,474,216

11. Commitments

Operating commitments:

As at 30 June 2017 the company had 4.5 years remaining of a new five year contract with a provider of rescue fire, grounds maintenance and security services at $760,000 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 a perpetual right of renewal.

	2017	2016
	$	$
No longer than 1 year	33,000	33,000
1 -5 years	132,000	132,000
Longer than 5 years	754,208	787,208
	919,208	952,208

Capital commitments:

At 30 June 2017 the Company had a contractual commitment of $1,256,000 in respect of the new entranceway (2016: $393,864 in respect of the terminal expansion project).

For further information on the new terminal expansion project refer to the Chairman and Chief Executive Officer's report.

12. Contingencies

There are no known contingent liabilities. (2016: Nil)

Notes to the Accounts

For the year ended 30 June 2017

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

The Company has engaged Opus International Consultants Ltd to provide engineering and other consulting services.

Mr Tony Porter, the Chairman of the Company, has a minor shareholding in Opus.

The Company paid consultancy fees of $394,563 to Opus on normal commercial terms during the financial year (2016: consulting fees $293,850), of this amount $18,970 was outstanding at balance date (2016: $155,190) These have been both capital and operating in nature.

As included in note 11, of the contractual capital commitments at the previous balance date amounted to $143,942, there were no commitments in the current year.

Amounts paid to key management personnel (Chief Executive and the Directors) during the year were $283,970 (2016: $274,500).

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
- Trade and other receivables
- Trade and other payables
- Borrowings
- Employee benefits

The Company has no off balance sheet financial instruments.

Risk Management Policies

The Company's investment policy objective is to maximise investment income within a prudent level of investment risk. Any financial investments, representing cash for working capital purposes, must be invested for no longer than 180 days to ensure the funds remain available to meet future cash flow requirements. Investments must only be placed with a New Zealand-registered bank with a Standard & Poors Credit Rating of AA-.

Credit Risk Exposure

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the company incurring a financial loss. This usually occurs when debtors fail to settle their obligations owing to the entity.

Maximum exposure to credit risk (accounts receivable and cash and cash equivalents) is disclosed in the body of the financial statements. These amounts are recorded net of any provision for possible losses.

The Company is not exposed to any significant concentrations of credit risk.

Liquidity Risk

Liquidity risk is the risk that the company may encounter difficulties raising funds to meet commitments associated with financial instruments. Liquidity risk arises on borrowings, trade and other payables and employee benefits.

The company manages liquidity risk by monitoring forecast cash flows and maintaining adequate cash reserves and borrowing limits.

Capital risk management

The company manages its capital to ensure it will be able to continue as a going concern while maximising the return to shareholders. The capital structure consists of issued capital, reserves and retained earnings.

Fair Value of Financial Instruments

For loans and receivables, held to maturity investments, available for sale 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.

Trade and other 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 and other 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.

Interest Rate Risk

Interest rate risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The company is sensitive to interest rates in relation to its borrowings, cash and cash equivalents. If interest rates were to increase / (decrease) by 1% the profit and equity of the company would increase / (decrease) by $9,000 (2016: $14,000).

In doing the calculation the assumption is that the rate change would be as at the beginning of the period and no other rate changes would be effective during the period.

There has been no change to the company's exposure to interest rate risk or the way it manages and measures interest rate risk in the reporting period.

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

There are no events subsequent to balance date.

Independent auditor's report

To the shareholders of Hawke's Bay Airport Limited's financial statements and performance information

For the year ended 30 June 2017

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

Opinion

We have audited:

- the financial statements of the company on pages 11 to 27, that comprise the statement of financial position as at 30 June 2017, 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 company on page 10.

In our opinion:

- the financial statements of the company on pages 11 to 27:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2017; and
    - its financial performance and cash flows for the year then ended;
  - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to International Financial Reporting Standards. They also comply with International Financial Reporting Standards.
- the performance information of the company on page 10 presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company's objectives, for the year ended 30 June 2017.

Our audit was completed on 29 August 2017 This is the date at which our opinion is expressed.

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

Basis of 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 company for preparing financial statements and performance information that are fairly presented and that comply with generally accepted accounting practice in New Zealand.

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

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the company for assessing the company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to liquidate the company 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 shareholders taken on the basis of these financial statements and the performance information.

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

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

- we identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of the internal control.

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CHARTERED ACCOUNTANTS

- 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 company's internal control.
- we evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- we evaluate the appropriateness of the reported performance information within the company's framework for reporting performance.
- we conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company 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 3-9, 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 company 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 company.

S G Signal
Staples Rodway Audit Limited
on behalf of the Auditor General
Hastings, New Zealand

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