Hawke's Bay Airport Limited
Statement of Intent

For the year ended 30 June 2017 and the two following years.

1.0 Governance

Governance sits with the Board of Directors of Hawke's Bay Airport Limited, which is responsible for the strategic and overall direction of the organisation. Directors are appointed by the company's shareholders; the Napier City Council (26%), Hastings District Council (24%) and the Crown (50%).

The Board has four Directors, two of whom are appointed by the Napier City Council and the Hastings District Council and two who are appointed by the Crown. The Board meets regularly with Management to review the company's performance and provides quarterly, half yearly and annual business performance reports to shareholders.

2.0 Nature and Scope of Activities

2.1 Mission Statement

The mission of Hawke's Bay Airport Limited is: -

- to provide safe, convenient and appealing services and facilities for airlines, air travellers, employees, our community of tenants, contractors and all other visitors to the airport
- to support regional economic development through strategic infrastructure
- to generate appropriate returns on assets employed and shareholder's equity
- to position the business for growth

2.2 Vision Statement

- Our vision is to be a welcoming gateway to Hawke's Bay and to be recognised as a major contributor to the economic development and social wellbeing of the Hawke's Bay community.

2.3 Values

- We are customer focused
- We are commercially driven
- We are committed to safety
- We think strategically and plan for the long term
- We work as a team
- We act with integrity

2.4 Strategy

Strategic Objective: To maintain operational capability, efficiency, position the business for the future, achieve growth across all revenue streams and manage risk.

Our Strategic Imperatives:

1) Operate an airport that is fit for purpose.
2) Preserve the Airport's ability to operate.
3) Operate HBAL as a successful business, growing revenue, profitability and shareholder value on an annual basis.
4) Proactively manage health and safety risks and provide a safe, healthy and thriving environment through consultation, co-operation and co-ordination between persons conducting a business or undertaking (PCBU) within the Airport community.
5) Maintain and enhance business-critical infrastructure, services and facilities for all users of the Airport.
6) Endeavour to unlock the value of the business park.

HBAL will pursue the following strategy:

1) Prepare a business case for the terminal redevelopment and if appropriate, proceed with construction.
2) Plan for replacement and construction of the Rescue Fire Building.
3) Endeavour to continue the development of the Business Park.
4) Optimise the car parking layout and rental car valeting operations.
5) Continue to strengthen our relationships with all operators of air services and with all tenants and prospects.
6) Improve the customer experience at the Airport for all travellers, meeters and greeters.
7) Maintain active membership and contribution to New Zealand Airports Association.
8) Develop a higher, positive profile for HBAL in the Region.
9) Maintain effective engagement and relationships with key stakeholders and the wider stakeholder community.
10) Maintain operational capability with minimal disruption throughout the terminal development project.

3.0 Key Objectives: Business Plan FY 2016/17

ACTIVITY	OUTCOME	TARGET DATE
Operate a successful business	Achieve Financial Targets	30/06/17
Appropriate Infrastructure	Effect CAPEX Investments	30/06/17
Health & Safety focus	Continual hazard identification	ongoing
	QTRLY internal QA audits	Within 10 days of QTR end
	Bi-annual key risk review	June, December
	Continual incident reporting	ongoing
	SMS implementation	30/06/17
Terminal Redevelopment	Project complete	30/06/18
Replace Rescue Fire Station	Project complete	30/06/18
Optimise Car Parking Layout	Finalise Development Plan	30/06/17
Development of Business Park	1 ha leased per annum	ongoing
Key Customer Relationships	Meetings with key customers	Ongoing
Engage with Stakeholders	Deliver on engagement plan	30/06/17

3.1 Financial Performance Targets

The performance targets include continued growth in passenger numbers and increases in landing charges, rental and concession income. Significant further capital expenditure is proposed which will increase interest and depreciation expenses and the gearing ratio.

	FY2016/17	FY2017/18	FY2018/19
Passenger Numbers	552,080	568,642	585,702
FINANCIAL PERFORMANCE ($)			
Airside Revenue (note 1)	3,050,000	3,141,000	3,654,000
Landside Revenue (note 2)	2,307,000	2,659,000	2,857,000
Business Park Revenue	372,000	467,000	557,000
Group Revenue	5,729,000	6,267,000	7,068,000
Operating Expenses	2,116,000	2,177,000	2,220,000
EBITDA	3,613,000	4,090,000	4,848,000
Depreciation & Amortisation	1,253,000	1,470,000	1,502,000
EBIT	2,360,000	2,620,000	3,345,000
Interest Income	3,629	448	448
Interest Paid (interest charged to P&L)	211,226	450,715	469,272
Profit before Tax	2,152,000	2,170,000	2,876,000
Tax	603,000	608,000	805,000
Profit after Tax	1,549,000	1,562,000	2,071,000
FINANCIAL POSITION			
Net Debt	7,885,000	9,785,000	8,627,000
Total Assets (note 3)	42,879,000	44,943,000	45,614,000
Shareholders Funds (note 4)	28,990,000	29,932,000	31,378,000
Ratio of Shareholders Funds to Total Assets	68%	67%	69%
CASHFLOW SUMMARY			
Operating Cashflow	2,557,000	2,778,000	3,352,000
Capital Expenditure	9,739,000	4,059,000	1,568,000
Dividend	620,000	625,000	828,000
FINANCIAL METRICS			
Return on Equity	5.3%	5.2%	6.6%
Net Gearing Ratio	27.8%	33.3%	28.1%

Note 1: Airside Revenue includes aircraft landing and parking charges
Note 2: Landside Revenue includes car parking, rents, concessions, advertising and other income
Note 3: Total Assets is the total of all current and non-current assets
Note 4: Shareholders Funds is the total of share capital and retained earnings

3.2 Capital Expenditure

	2016/17	2017/18	2018/19
Terminal	7,000,000	3,000,000	
New Entranceway	1,000,000		
Business Park	60,000	60,000	60,000
Land Development		650,000	
Airfield Infrastructure	146,000	60,000	
Apron			836,000
Taxiways			29,000
Runway			6,000
Buildings	112,800	20,000	52,000
Car Parking incl system	1,345,000	269,000	578,800
Security Fencing	70,000		
Office Equipment	5,200		6,200
	9,739,000	4,059,000	1,568,000

4.0 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 that is available on the Company's website; www.hawkesbay-airport.co.nz/about/company/annual report

5.0 Distributions

Despite the likely scale of development and therefore demands on capital for the period covered by this statement, it is anticipated that dividends will continue to be paid to shareholders.

The Board is reviewing its dividend policy and is giving consideration to moving to a policy that relates to an agreed proportion of free cash flow measure rather than net profit after tax (NPAT) as requested by the Crown.

6.0 Information to be provided to Shareholders

Shareholders will receive:

- An annual report including audited financial statements within 3 months of balance date.
- A 6 monthly report including non-audited financial statements within 2 months of balance date.

- A Quarterly Report within 2 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.

7.0 Acquisition Procedures

The acquisition of any interest in a company or organisation will only 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.

8.0 Compensation Sought from Local Body Shareholders

At the request of the shareholders the company may undertake activities that are not consistent with normal commercial objectives.

The company may seek, in these circumstances, a specific subsidy to meet the full commercial cost of providing such activities, however none are contemplated in the planning period.

9.0 Estimate of Commercial Value

The value of Shareholders investment in the company as at 31 December 2015 is $27,183,364.

The non-current assets owned by HBAL were revalued at 30 June 2015 to their current market value resulting in an uplift in value of $9.5 million (net of the deferred tax impact). The individual assets and liabilities included on the balance sheet at 30 June 2016 are therefore not considered by the Directors or Management to be materially different from the current market value.

HBAL will continue to undertake a revaluation approach to its assets on a regular cycle of every 3 [three] years 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.

Tony M Porter
Chairman
Hawke's Bay Airport limited
23 June, 2016