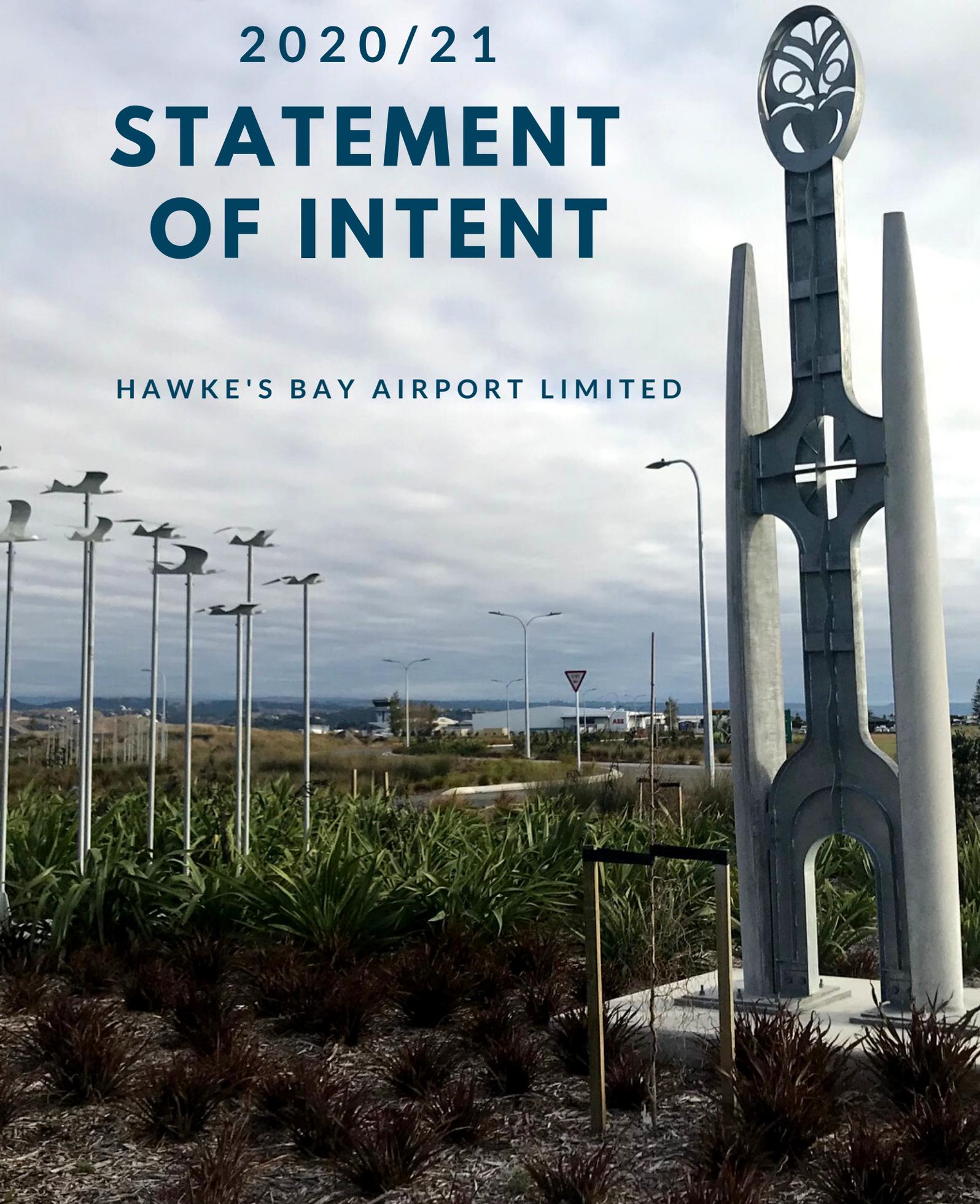


2020/21

STATEMENT OF INTENT

HAWKE'S BAY AIRPORT LIMITED





INTRODUCTION

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

This SOI sets out for HBAL the objectives of the group, the nature and scope of the activities to be undertaken and the performance targets and measures by which the company will be reviewed in relation to its performance.

HBAL's achievements against the objectives outlined in last year's Statement of Intent 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, from 1 July 2020 to 30 June 2023.





ABOUT US

HAWKE'S BAY AIRPORT WAS OFFICIALLY OPENED ON THE 15TH OF FEBRUARY 1964. THE FIRST COMMERCIAL FLIGHT WAS A NATIONAL AIRWAYS CORPORATION DC3 FROM WELLINGTON.

Today Hawke's Bay Airport is the third busiest airport in the North Island and provides an essential role in connecting the region's people and produce with the wider national and international economy.

The Hawke's Bay Region stretches from Wairoa in the north to Waipukurau in the south and at the 2018 New Zealand census had a population of 166,368.

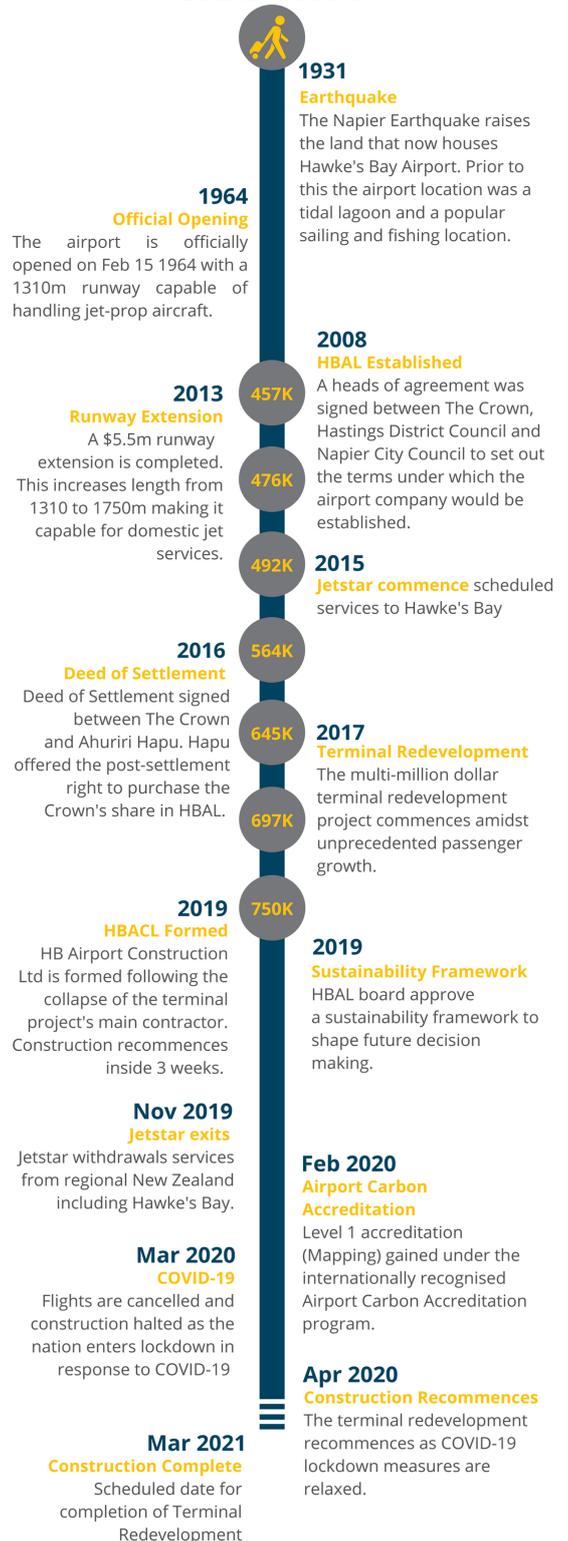
Hawke's Bay has a long and proud history. Māori first settled in around 1250-1300 AD and today represent over 26% of the population. The region's largest iwi (tribe) are Ngāti Kahungunu.

OWNERSHIP AND 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 Council Shareholders 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.

HISTORICAL SNAPSHOT



VISION, MISSION & VALUES



Hawke's Bay Airport's Vision is to be New Zealand's most vibrant and successful regional airport welcoming 1 million passengers by 2030.

We will achieve this by delivering against our Mission of enabling safe, customer focussed and sustainable air transport services in and out of Hawke's Bay.

Our success in working towards this vision will be measured by performance across the five strategic pillars of our business,

This document identifies specific activities and measurable targets for each pillar. These have been developed in alignment with our values and sustainability framework.



STRATEGIC PILLARS



OPERATIONS

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



COMMERCIAL

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



PROPERTY

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



PARTNERS

Engaging with our Customers, Stakeholders, Business Partners and Community to grow our airport in a way which benefits everyone. A great place to do business.



PEOPLE

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

HAWKE'S BAY AIRPORT IS A CRITICAL TRANSPORT HUB, ESSENTIAL TO ENABLING AND CONNECTING BUSINESSES, TOURISTS, RESIDENTS, FREIGHT, MEDICAL SERVICES AND GENERAL AVIATION BOTH DOMESTICALLY AND INTERNATIONALLY.

THE ORGANISATION'S STRATEGIC PLANNING PROCESS IS PREDICATED ON ITS FOCUS ON SUSTAINABILITY AS PART OF ITS DNA.

OUR VALUES

- Safety First
- We look to the Horizon
- Striving for continued Commercial Success
- Care and Respect for our people
- Customer Focused
- Sustainability is part of our DNA
- Environmentally responsible.

SITUATIONAL OVERVIEW & THE FLIGHTPATH TO RECOVERY



The airport environment has shifted considerably over recent months with the withdrawal of Jetstar at the end of 2019 followed by the Covid-19 pandemic in 2020 presenting some material changes to Hawke's Bay Airport's operating landscape.

Prior to Jetstar withdrawing services in November 2019 the airport's annual passenger numbers had surged to a new record of over 752,000.

The reduction in capacity following Jetstar's exit saw a decline in passenger numbers that was initially buffered by additional Air New Zealand services before the impact of Covid-19 became apparent.

The combined impact of Jetstar leaving and the Covid-19 pandemic has driven a reset in the airport's passenger growth forecasts. This work was conducted by independent industry experts who have considered a broad range of factors that will influence the ability for the industry to recover.

As a food producing and processing region, Hawke's Bay is expected to have slightly less exposure to the Covid-19 recession than the rest of New Zealand. Despite this, regional GDP is still forecast to contract by more than four times the contraction experienced in 2009 during the Global Financial Crisis[2]. The impact on the aviation industry is anticipated to be much greater than this and there remains a high level of uncertainty around the length and magnitude of its recovery.

Forecast passenger numbers for FY2021 are 317,923 which represents approximately half of all Air New Zealand's passenger numbers in FY2019. Recovery is forecast to continue through FY2022 and FY2023 with passenger numbers forecast to surpass 540,000 by the end of the 3 year planning period in 2024.

The forecast is at the conservative end of the various scenarios modeled however this is considered appropriate given the significant uncertainty that still exists in the current economic environment.

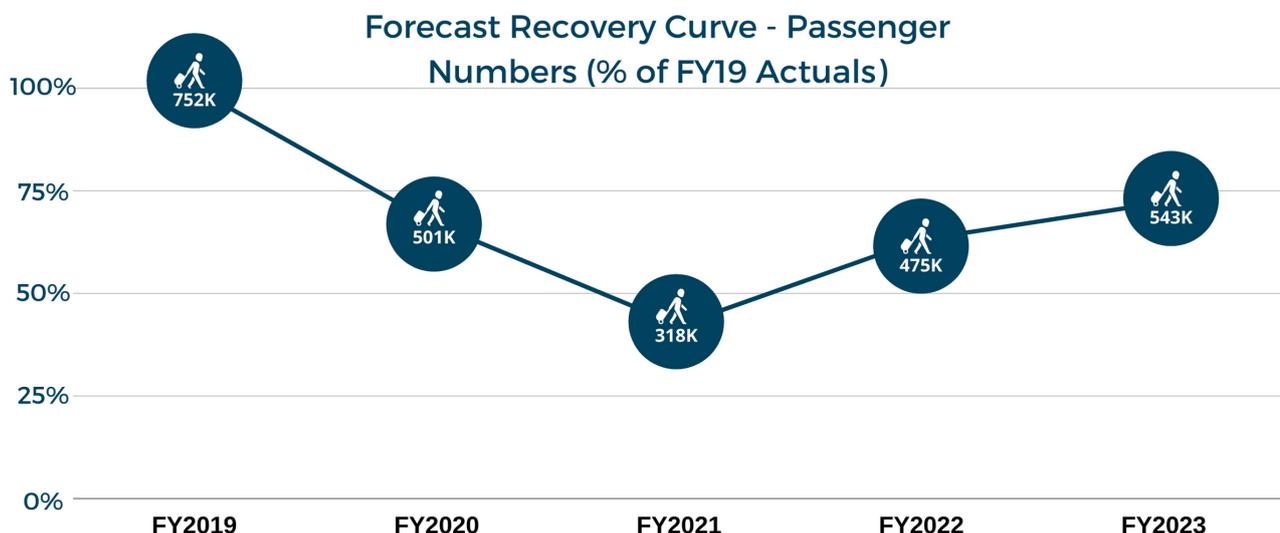
In response to these challenges the airport has moved swiftly to reduce expenditure including the deferment of growth related capex, an organisation wide re-structure and the acceleration of a strategic decision to in-source the airport's rescue fire service.

The airport's strategic focus remains clear and it remains committed to achieving its vision to be New Zealand's most vibrant and successful regional airport.

Central to this will be delivering against its strategic framework and acknowledging the symbiotic nature of the airport's wider ecosystem - For Hawke's Bay Airport to succeed those around it must also prosper.

This will involve the airport working pragmatically and collaboratively where possible to achieve mutually successful and sustainable outcomes.

Partnerships will be key - these will be built within the community and across a broad spectrum of stakeholders including local business, Hawke's Bay Tourism, Air New Zealand, local iwi, central and local government agencies and the wider aviation industry.



[2] Infometrics Economic impact of COVID-19 on HB Region – April 2020



TERMINAL REDEVELOPMENT

The HBAL Board and Management completed a major review of investment in the terminal infrastructure which was approved via a Major Shareholder Transaction resolution during July 2018. This took the total committed terminal expansion expenditure to \$22.4M and increased the terminal footprint by a total of 74%.

During Q1 2019 the Airport's lead construction contractor, Arrow International went into voluntary administration. The HBAL Board and Management worked to establish a wholly-owned subsidiary – Hawke's Bay Airport Construction Limited which enabled the Terminal Expansion to progress with minimal programme and budgetary impact.

The Terminal Construction is now well advanced with Stage 1 (arrivals area) completed in January 2019, Stage 2 (departures area) was completed in November 2019.

The terminal redevelopment includes a number of technological improvements being incorporated to elevate the safety of passengers and staff and the efficiency of the wider operation. There is also provision in the design for future passenger and baggage screening.

Airside electrical infrastructure has been upgraded to enable a revised apron configuration. This includes the installation of energy saving LEDs and additional capacity to support the growing electricity requirements of airside activities.

The landside electrical infrastructure has recently been upgraded to prepare it for future terminal and property related expansion allowing greater capacity and resilience.

The landside forecourt and wider precinct will be also be redeveloped to accommodate a revised ground transport footprint and safer pedestrian access.

In partnership with local Iwi a cultural narrative will be woven through the development. The Region's proud history will be incorporated into the physical environment through the integration of contemporary Maori artwork. The objective being to reinforce the airport's unique sense of place and to connect it with the region's people and surrounding environment.

The construction site was temporarily shut down for 5 weeks during COVID-19 Alert Level 4, however construction resumed on 28th April 2020.

In unhindered conditions it is anticipated that the project will complete in March 2021.



In partnership with with local Iwi a cultural narrative is being woven through the development.

REGIONAL VALUE



Hawke's Bay Airport is a strategic asset for the region and its people. It is an integral component of the transport system and enables opportunities for economic growth and improved connectivity for Hawke's Bay businesses, tourists, regional leadership and community members.

The airport is identified in the Civil Defence Emergency Management Act 2002 as a specified lifeline utility. For a community that is geographically separated from New Zealand's main cities, the airport plays an important and high-profile role and will be a key contributor to the region's Covid-19 recovery.

A 2017 Market Economics report into Hawke's Bay Airport identified the total value of economic activity taking place in the Hawkes Bay Airport environs at \$37.5m^[1] (gross output).

At a combined level (summing all passenger movements and associated effects) the connections enabled by the airport were identified as having an initial impact on local GDP of some \$214.5m^[1]. The primary contributors are business connections (\$97.1m) and tourism spending (\$71.8m).

[1] ME Consulting, October 2017

The airport's Terminal Redevelopment Project which began in 2018 is supporting over 200 jobs with 30 individual sub-contractors engaged - nearly all of them are local Hawke's Bay businesses.

The airport business currently supports over 35 volunteer ambassadors, and also provides key regional sponsorship for the Napier based Art Deco Trust, Biodiversity Hawke's Bay, Yarny Army and Hawke's Bay Air Ambulance Charitable Trust.

Hawke's Bay Airport supports the Matariki REDS vision of making Hawke's Bay NZ's most innovative region, the leading exporter of premium primary produce, and a hub for business growth.

The Matariki - Hawke's Bay Regional Economic Development Strategy (REDS) and Action Plan 2019 applies to the geographical areas of Central Hawke's Bay District, Hastings District, Napier City, Wairoa District and small parts of Rangitikei District and Taupō District. The boundary coincides with the Hawke's Bay Regional Council.



\$332/PAX

Combined economic effect
per passenger of
connections enabled by
Hawke's Bay Airport

ME Consulting, October 2017

COMMERCIAL STRATEGY



THE ADVENT OF COVID-19 HAS HAD A SIGNIFICANT IMPACT ON ALL PASSENGER AND PLANE RELATED REVENUE NOTING THAT THE AIRPORT HAS LONG IDENTIFIED THE RELIANCE ON AERONAUTICAL REVENUE AS A KEY RISK. HBAL HAS IDENTIFIED A NUMBER OF KEY AREAS TO ENABLE GREATER REVENUE DIVERSITY AND RESILIENCE AS PART OF OUR CORE STRATEGY FOCUSING ON COMMERCIAL & PROPERTY

OUR COMMERCIAL STRATEGY AND RECOVERY PLAN IS FOCUSED ON RECOVERY ACROSS ALL AERONAUTICAL REVENUE STREAMS INCLUDING CAR PARKING, RETAIL, ADVERTISING AND AIR SERVICES DEVELOPMENT WITH A SIGNIFICANT FOCUS ON PROPERTY DEVELOPMENT AND RENEWABLE ENERGY.

PROPERTY DEVELOPMENT

The airport is ideally located to accommodate critical infrastructure linkages by air, road and sea. This positions HBAL as a hub for critical transport and logistics and a key enabler of regional infrastructure growth.

Property is one of HBAL's strategic pillars which aims to optimise the use of HBAL land whilst safeguarding the airport, improving returns and increasing shareholder value.

A 20-year Master Plan is being developed to ensure safeguarding of aeronautical growth whilst maximising non-aeronautical returns against our sustainability framework.

The focus is on safeguarding the airport's ability to grow sustainably. This is imperative to ensuring it can continue provide the necessary infrastructure to enable critical air services and the connectivity of the region's people and produce both domestically and internationally.

This work is being aligned with the Napier City Council District Plan review which is currently underway.

The airport's updated masterplan has identified zones of land that have no future aeronautical utility and are available for commercial development.

The airport is now seeking to accelerate the development of this land and other property initiatives to achieve its strategic objectives.

A property development pathway is currently being worked through. This process will review market opportunities and work up precinct plans and supporting infrastructure plan for the site. The objective is to optimise the long-term value of the land in alignment with the region's broader commercial land use strategy.

SOLAR FARM

The airport has been investigating the potential of a renewable energy project on our land for some time and has identified the development of a commercial solar array as an effective way of leveraging the value of land that is restricted in the type of development possible. The objective is to diversify revenue and advance the airport's goal of achieving carbon neutrality.

The project is flexible and will likely be developed in stages. Energy generated will not only meet the airport's direct requirements but be available to supply its current and future tenants. Surplus energy can be sold back to the grid.

To expedite the project HBAL has entered into a Joint Venture agreement with Waipukurau based lines Company Centralines. The JV is currently in the process of procuring a technical partner who will assist in progressing the project to an investment ready stage.



SUSTAINABILITY

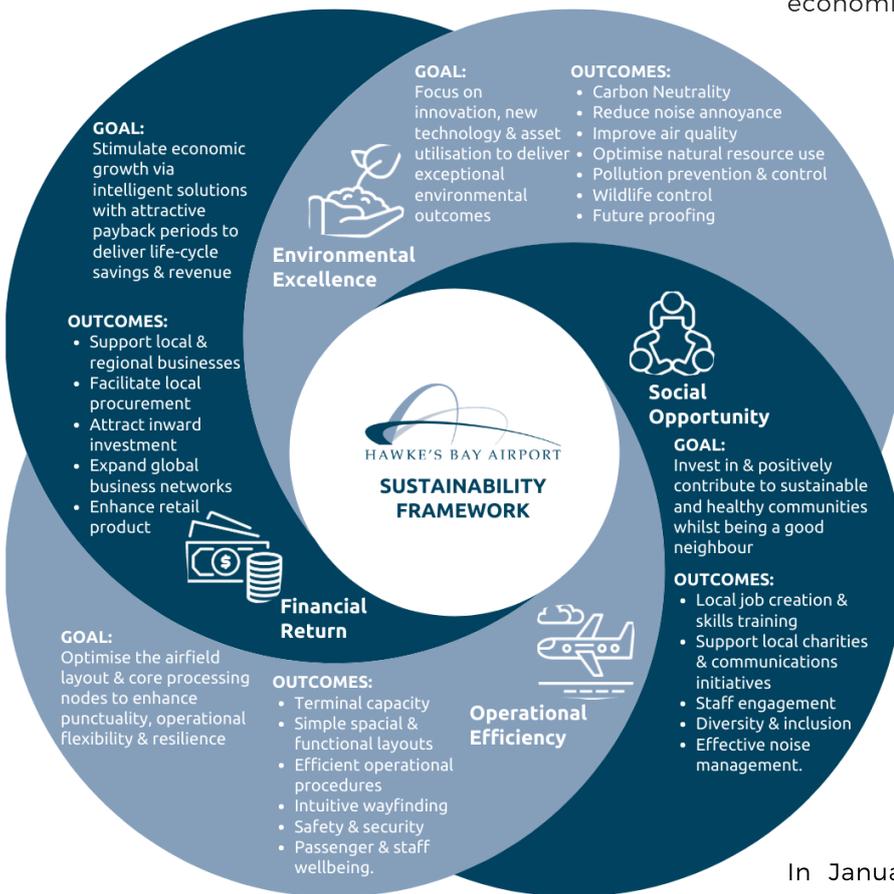


HBAL has committed to a Sustainability Framework which is underpinned by the four key pillars of financial return, environmental excellence, social opportunity and operational excellence.

The sustainability framework is ultimately the foundation for our medium to long term strategic imperatives and airport masterplan placing sustainability at the heart of everything we do.

The key objectives identified in this statement of intent have been mapped against specified SDG's to identify their alignment.

The United Nations Sustainable Development Goals (SDGs) are the 'blueprint' to create a better and more sustainable future for all. The SDG's provide a framework for HBAL to align, measure and explain its actions to operate more responsibly and deliver positive social, environmental and economic impacts.



The company has joined ACI's Airport Carbon Accreditation programme, an independent, internationally recognised programme for carbon reduction at airports. It independently assesses and recognises the efforts of airports to manage and reduce their carbon emissions through 4 levels of certification: 'Mapping', 'Reduction', 'Optimisation' & 'Neutrality'.

In January 2020 the company was successfully accredited at Level 1 Mapping stage with the aim to achieve Level 2 – Reduction by the January 2021.

The feasibility of an on-airport commercial solar project is also being advanced. This aligns with HBAL's carbon neutral aspirations and many industry, national and local goals to transition to renewable energy.

During the Covid-19 recovery period restoring the Airport's financial sustainability will be the priority however there will be an ongoing focus on ensuring that decision making continues to balance all four pillars of the framework.

Through this framework HBAL will measure and explain its actions in accordance with the United Nations Sustainable Development Goals (SDGs).

KEY PROJECTS & CAPITAL EXPENDITURE



		Airport Masterplan	Property & Commercial	Terminal & Apron	Operational Efficiency	Sustainability
FY2020/21	Q1		 Property Development Plan Complete	 Forecourt Works Complete	 In-sourcing of Airport Fire & Safety Team	 Solar Energy Feasibility Complete
	Q2	 Revised Masterplan adopted	 Aero Pricing Review			
	Q3	 Lodge Notice of Requirement	 New Terminal Food & Beverage Complete	 Stage 3 Terminal Expansion Complete	 Revised Conditions of Use Implemented	
	Q4		 New Advertising Infrastructure			
FY2021/22	Q1		 Additional Retail to support local offerings	 Major Airfield Maintenance	 Replace Safety Vehicle	 Stage 1 Solar Energy Development Complete
	Q2	 District Plan Hearings				
	Q3		 Major Property Development		 Procure New Fire Appliance	 Level 2 Airport Carbon Accreditation
	Q4					
FY2022/23	Q1					 Stage 2 Solar Energy Development Complete
	Q2			 Airfield Infrastructure Improvements Runway, Apron & Taxiway Enhancements		
	Q3		 Major Property Development			 Level 3 Carbon Accreditation
	Q4					

KEY OBJECTIVES BUSINESS PLAN 2020/21



TACTICAL FOCUS	ACTIVITY & OUTCOME	MEASURE	TARGET DATE
COVID-19 RECOVERY	1. An uncompromising safety focus and compliance to Covid-19 operational guidelines at all times	Monthly review of Covid-19 management plan, risk and business recovery.	Monthly
	2. Dynamic calibration of financials and business planning.	Monthly review of aeronautical recovery forecasts and resource allocation.	Monthly
	3. Actively encourage pragmatic whole of aviation industry approach to recovery.	HBAL presence at all relevant forums. Regular meetings with relevant aviation stakeholders including Air NZ, Airways and other Airports.	Ongoing
	4. Regional collaboration to champion HB air connectivity as critical part of national tourism strategy.	Develop Regional Air Services Strategy in consultation with HB Tourism	30-Aug 2020
	5. Review economies of scale and in sourcing versus outsourcing of key operational resources.	Review complete and implemented	1-July 2020
	6. Review aeronautical pricing in consultation with major airline partner.	Aeronautical pricing consultation complete and agreed with key parties.	30 December 2020
	7. Optimise returns from existing infrastructure by reviewing product offering and develop differentiated propositions.	Segmented propositions implemented.	31 December 2020
	8. Manage short term in-terminal retail proposition to best meet customer demand whilst preserving viability of third-party operators.	Monthly meetings with retail operator to review passenger feedback and performance	Monthly
	9. Prioritise the safe reinstatement of Airport Ambassador Program	Enhanced Customer Satisfaction/ASQ	Monthly
	10. Proactively monitor wellbeing of staff	Internal welfare survey completed	Quarterly

KEY OBJECTIVES BUSINESS PLAN 2020/21



STRATEGIC IMPERATIVE		ACTIVITY & OUTCOME	MEASURE	TARGET DATE	SDG ALIGNMENT
OPTIMISE SHAREHOLDER VALUE	11.	Achieve financial and operational targets as per SOI	SOI FY2020-21 with a focus on reducing cost and optimising revenues.	30 June 2021	
	12.	Operating and effective safety management system.	Internal SMS Tracker updated monthly	Monthly	
 OPERATIONS	13.	Practical completion of Terminal Redevelopment	Stage 3 Completed	31/03/2021	
	14.	Bi-annual Strategic Risk/Compliance Review	Review Implemented	Biannual	
	15.	Review and Refine Wildlife Management Plan	Second Phase Plan Implemented.	30/11/2020	
	16.	Reduction of Carbon Emissions against established benchmarks.	Achieve Level 2 Airport Carbon Accreditation (ACA)	30/01/2021	
 COMMERCIAL	17.	Improve service levels and returns by leveraging existing infrastructure	Implement research based product segmentation of carpark	31/01/2021	
			Develop and implement revised aeronautical conditions of use.	31/08/2020	
			Complete review of General Aviation Charges in line with industry benchmarks	31/08/2020	

KEY OBJECTIVES BUSINESS PLAN 2020/21



STRATEGIC IMPERATIVE		ACTIVITY & OUTCOME	MEASURE	TARGET DATE	SDG ALIGNMENT
COMMERCIAL CONTINUED	18.	Improve carpark to gate and customer experience and car parking returns	>10% of transactions are ticketless Improved ASQ scores	30/06/2021	
	19.	Revise ground transport strategy to ensure alignment with sustainability framework and new technologies.	Transport Strategy Review Complete	30/09/2020	
	20.	Leverage grants/sponsorship where possible to expedite sustainability outcomes	Network with private and public stakeholders to identify opportunities for collaboration.	Ongoing	
	21.	Grow in-terminal retail engagement and per passenger spend rates.	Procure new retail operator/s. Strong focus on non-price attributes. Maximise Returns from Digital Advertising Assets	30/11/2020	
 PROPERTY	22.	Work closely with NCC planners to ensure HBAL interests are considered in district plan review.	Completed RMA Framework	30/08/2020	
	23.	Refine commercial property strategic plan in alignment with RMA/sustainability framework and market demand.	Property Strategy and Marketing Plan in Place	30/11/2020	
	24.	Stimulate property development opportunities	Proactive engagement and collaboration with key strategic partners	Ongoing	
	25.	Develop guidelines for future development to ensure strategic alignment	HBAL development guidelines approved	31/12/2020	
	26.	Develop renewable energy project.	Feasibility complete for Land Based Renewable Project	31/10/2020	

KEY OBJECTIVES BUSINESS PLAN 2020/21



STRATEGIC IMPERATIVE		ACTIVITY & OUTCOME	MEASURE	TARGET DATE	SDG ALIGNMENT
 <p>PARTNERS</p>	27.	Proactively engage with HB Community, local and central government and other key stakeholders.	Supportive environment for wider airport.	Ongoing	
	28.	Partnership/Collaboration with regional leaders around sustainability outcomes	Ensure airport presence/voice at regional forums.	Ongoing	
	29.	Undertake stakeholder and public consultation as part of NCC district plan review	Community to work as one team.	31/07/2020	
	30.	Continued collaboration with Mana Whenua	Regular meetings/engagement Property Partnerships	Ongoing	
	31.	Collaborate on a plan for the future delivery of air traffic services	Regular meetings with Airways and partner airports	Ongoing	
	32.	Partnership with regional stakeholders to grow Air Services.	Develop Regional Air Services Strategy in partnership with HB Tourism and other stakeholders.	30-Aug 2020	
 <p>PEOPLE</p>	33.	Invest in Teams Development and Training	Training and Development Program	30/06/2021	
	34.	Develop Team Capability	Resources/Expense in line with financial Forecast	30/06/2021	
	35.	Proactively engage with staff to ensure engagement and optimise wellbeing in the workplace.	Staff engagement and culture survey completed.	Quarterly	
	36.	Continue build on success of Ambassador program	>85% of existing Ambassadors complete two years of service	30/06/2021	

FINANCIAL FORECASTS



Aeronautical Revenue Assumptions:

Prior to Covid-19 HBAL was in the midst of a pricing consultation process with Air NZ. A move to a revised per-passenger charging mechanism was proposed to acknowledge increases to HBAL's aeronautical asset values and operating costs.

Given the recent operating environment and the uncertainty around future passenger numbers a decision was made to defer the consultation process until Q1 FY21. The proposed passenger charge is assumed to commence following the completion of the terminal redevelopment.

Other Assumptions/Commentary:

Existing ANZ banking facilities are maintained with additional shareholder loans used to fund the shortfall of HBAL's construction program and working capital requirements. The assumed financing costs associated with these shareholder loans are included in the interest/funding cost line in the P&L and cashflow.

The performance targets include continued growth in passenger numbers, increases in landing charges and associated passenger related revenue. Ongoing capital expenditure relating to the terminal development and associated improvements increasingly impacts interest and depreciation expenses.

Enhanced revenue streams as the terminal development is completed provides for a forecast return to operating surplus in FY23. This is reflected in forecast improvements to the return on equity and net gearing ratios over the three-year SOI period.

Statement of Intent - Headlines & Financial Metrics July 2020 - June 2023

	Jul 20 - Jun 21	Jul 21 - Jun 22	Jul 22 - Jun 23
Passenger Numbers	317,923	475,187	542,993
Forecast Revenue	4,178,546	6,858,612	8,396,705
EBITDA	1,024,680	3,341,806	4,558,867
EBITDA Margin	24.52%	48.72%	54.29%
NPAT	(1,566,945)	(265,630)	636,034
Net Profit after Taxation Margin	(37.50%)	(3.87%)	7.57%
Interest Cover	(2.04)	0.61	2.26
Total Debt	27,003,544	25,504,025	22,964,189
Total Assets	63,305,111	61,402,895	59,772,989
Leverage Ratio	26.4	7.6	5.0
Return on Equity	(5.1%)	(0.9%)	2.0%
Gearing Ratio	47%	46%	43%
Equity %	49%	50%	53%

FINANCIAL FORECASTS



Prospective Summary Statement of Comprehensive Income

July 2020 - June 2023

	Jul 20 - Jun 21	Jul 21 - Jun 22	Jul 22 - Jun 23
<i>Passenger Numbers</i>	317,923	475,187	542,993
Revenue			
Aeronautical	2,116,219	3,939,487	4,688,522
Non-aeronautical	2,062,327	2,919,125	3,708,182
Total Revenue	4,178,546	6,858,612	8,396,705
Operating Expenditure	3,153,866	3,516,807	3,837,837
EBITDA	1,024,680	3,341,806	4,558,867
Depreciation	2,485,131	2,828,674	2,904,683
EBIT	(1,460,451)	513,132	1,654,184
Interest Expense	715,862	843,173	731,915
Profit before Income Tax	(2,176,312)	(330,041)	922,269
Income Tax Expense	(609,367)	(64,412)	286,235
Net Profit after Tax	(1,566,945)	(265,630)	636,034

Prospective Summary Statement of Cashflows

July 2020 - June 2023

	Jul 20 - Jun 21	Jul 21 - Jun 22	Jul 22 - Jun 23
Cashflow From Operations	572,568	3,160,723	4,482,064
Cashflow From Investing	(8,599,907)	(883,000)	(1,097,500)
Financing and Other			
Total Loans Issued	9,934,576	(1,500,000)	(2,500,000)
Interest Payments	(594,545)	(842,692)	(771,751)
Cashflow From Financing	9,340,031	(2,342,692)	(3,271,751)
Net Cash Inflow/(Outflow)	1,294,919	(64,969)	112,813
Opening Bank	(1,178,043)	116,876	51,907
Net Cash Movement	1,294,919	(64,969)	112,813
Closing Bank	116,876	51,907	164,720

FINANCIAL FORECASTS



Prospective Summary Statement of Financial Position July 2020 - June 2023

	Jul 20 - Jun 21	Jul 21 - Jun 22	Jul 22 - Jun 23
Current Assets	732,280	775,738	953,015
Non Current Assets	62,572,831	60,627,157	58,819,974
TOTAL ASSETS	63,305,111	61,402,895	59,772,989
Current Liabilities	406,479	269,412	543,308
Non Current Liabilities			
Total Debt	27,003,544	25,504,025	22,964,189
Total Non Current Liabilities	32,224,247	30,724,728	28,184,892
TOTAL LIABILITIES	32,630,726	30,994,140	28,728,200
NET ASSETS	30,674,385	30,408,755	31,044,789
Capital and Reserves	30,674,385	30,408,755	31,044,789
TOTAL EQUITY	30,674,385	30,408,755	31,044,789

Capital Expenditure

The forecast reductions in aircraft and passenger movements has enabled the majority of HBAL's CAPEX program to be deferred to preserve cashflow during the COVID-19 recovery period. This excludes critical maintenance required to ensure the safety and integrity of airport infrastructure.

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 Ltd. From time to time, HBAL may consider additional capital expenditure programmes if supported by a robust business case and the provision of debt funding.

Prospective Summary Statement of Capital Expenditure

	2020/21	2021/22	2022/23
Airport Masterplan	187,500	125,000	121,500
Property & Commercial	1,265,500	555,000	135,000
Airside Infrastructure & Projects	6,619,413	203,000	296,000
Operational Efficiency	417,800	-	545,000
	8,490,213	883,000	1,097,500

FINANCIAL FORECASTS



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.

Distributions

HBAL is forecasting losses for the first two years of the post Covid-19 recovery period which makes the prospect of any dividend payments unlikely until FY2022/23.

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.

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 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.

Estimate of Commercial Value

The value of Shareholders investment in the company as at 31 December 2019 is \$34,608,456.

The non-current assets owned by HBAL were revalued at 30 June 2019 to their current market value resulting in an uplift in value of \$2.94 million (net of the deferred tax impact).

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 recent withdrawal of JetStar services to the region, the negative impact of Covid-19 on revenues for the next period and the completion of the terminal development in 2020 are seen as a significant events with potential to influence asset value. A revised valuation is subsequently under way with assets to be revalued as at 30 June 2020.



Wendie Harvey
Chairperson
Hawke's Bay Airport limited
27/08/2020

