

DRAFT
**STATEMENT
OF INTENT**
2021/22
**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, the nature and scope of the activities to be undertaken and the performance targets and other measures by which the performance of the company may be assessed in relation to its objectives.

HBAL's achievements against the objectives outlined in last year's 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 2021 to 30 June 2024.





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.

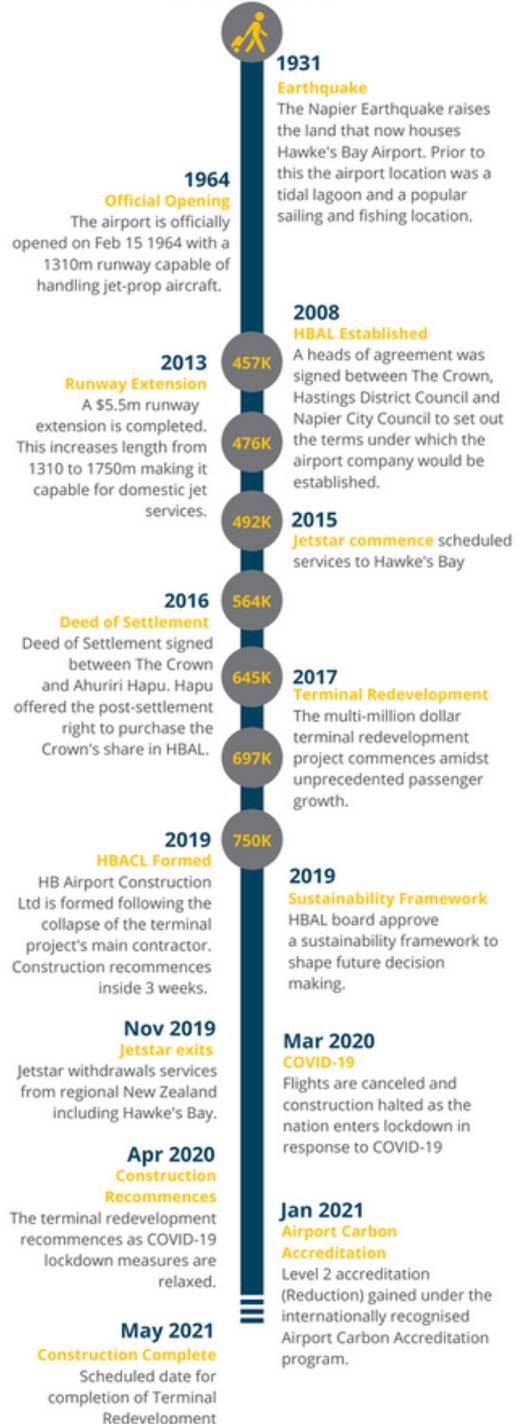
Hawke's Bay has a long and proud history. Māori first settled in around 1250-1300 AD and today represent over 26% of the population. The region's largest iwi (tribe) are Ngāti Kahungunu.

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 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.

Hawke's Bay Airport's Vision is to be New Zealand's most vibrant and successful regional airport.

We will achieve this by delivering against our Mission of enabling safe, customer focused and sustainable land and 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.



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

Hawke's Bay Airport is situated approximately 10 minutes from Napier City's Central Business District (CBD) and 20 minutes from Hastings. The airport is predominantly serviced by Air New Zealand generating record growth of 750K passenger movements in the 2018/19 year.

The withdrawal of Jetstar turboprop services in Q2 2019 and catastrophic impact of COVID during 2020 pushed passenger numbers back to pre Jetstar numbers.

It is estimated that 87% of movements are to other NZ cities. Approximately ten per-cent of movements relate to international passengers – inbound and outbound which have reduced to zero since COVIDs first impact in April 2020.

Hawke's Bay Airport continues to evolve by adjusting to the various processes and procedures necessary to ensure the effective and safe management of travelling New Zealanders and staff throughout our facilities.

With some uncertainty around the timing of the reopening of NZ borders, we are committed to working with our key stakeholders and business partners such as Air New Zealand to ensure the recovery of domestic and international air travel. Albeit we have seen recovery bounce back 30% stronger than anticipated on our key domestic trunk routes, we forecast our recovery with a degree of reserved optimism. With strong demand for domestic travel we anticipate a much quicker return to profitability and passenger numbers than anticipated in the preceding Statement of Intent.

An area of prime importance for HBAL is the continued work on strengthening our core business through a strong focus on both expanding opportunities for new and additional services with Air New Zealand and exploring opportunities for the expansion of connections with the rest of New Zealand. We are also cognisant of the regional economic benefit of attracting airline competition to the region and the need to maintain cost-effective services for our airline partners and passengers.

While the probability of a second major airline entering the market in the next 1 - 5 years is seen as low, airline competition remains a desirable outcome for the region and HBAL is partnering with local bodies on the development of a regional air services strategy.

Passenger forecasts were revised late December 2020 with November 2020 indicating passenger numbers at 63% of the same month in 2019. Removing the effect of the departure of Jetstar the passenger numbers for November 2020 were 72% of 2019. The FY21 year end is expected to deliver somewhere between 420K to 450K passengers with an increase of approx. 20% expected by FY22 year end.

Passenger split is understood to be approximately 45% business, 35% leisure and 20% visitors of friends and relatives.

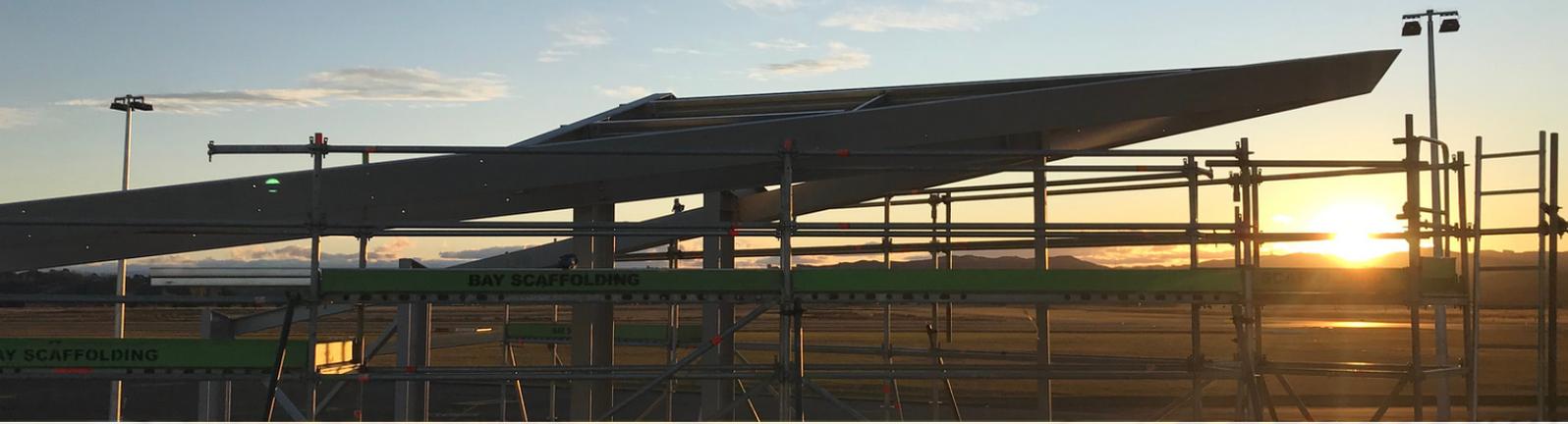
COVID cases during 2020 were lower and the NZ economy performed a lot better than expected apart from the tourism and international education sector. Forecast assumptions are based on trans-Tasman borders and a slower International border re-opening in the latter part of 2021.

The passenger growth assumptions adopted for the FY2022 – 2024 period of this SOI have been informed in consultation with industry forecasting experts and reviewed specifically in light of the inconsistency in forward demand, lack of international travel and secondary economic impacts emerging from COVID.

In the medium-term additional passenger growth will be moderated by the availability of Air NZ's existing fleet. The forecast assumes some growth from smaller regional airlines.

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

We are currently forecasting a positive Net Profit After Tax result for the upcoming 2021/22 financial year and subsequent periods. These forecasts are included in this Statement of Intent and will remain conditional on New Zealand and the wider international community's continuing success in the battle against Covid-19.



TERMINAL REDEVELOPMENT

We are excited to be opening a brand-new terminal facility to the public during 2021 providing enhanced amenity, with ample room for growth and capacity to meet future regulatory changes. The new facility will invoke a strong sense of place reflecting our regional identity. The terminal was last refurbished in 2003.

The project completion will also see the conclusion of revised forecourt to enhance safety, security, passenger and vehicle flow.

During Q1 2019 the Airport's lead construction contractor, Arrow International went into voluntary administration. HBAL Board and Management established a wholly-owned subsidiary - Hawke's Bay Airport Construction Limited enabling the Terminal Expansion to progress with the existing sub-contractors, with minimal programme and budgetary impact.

The Terminal Construction is well underway with Stage 1 completed in January 2019, Stage 2 completed in November 2019 and the final Stage 3 due to complete May 2021. The upgraded terminal will cater for annual passengers of between 1-1.1 million passengers per annum.

The next significant infrastructure development is the expansion of apron aircraft parking stands which was planned to commence in FY21/22 but has been deferred to FY24/25 as a result of the revised aeronautical forecast.

The site was temporarily shut down for 5 weeks during Covid-19 Alert Level 4, however, construction resumed on 28th April 2020 with the airport keen to minimise the financial risks associated with protracted delays. The construction project supports over 200 local construction jobs. The revised program now identifies a completion date of May 2021.

HBAL Management continue to work closely in collaboration with Te Whenua, in particular Mana Ahuriri with the airport described recently as 'the marae for all', emphasising its importance to not only economic development but community wellbeing.

HBAL Management remain confident that the Terminal Capacity being delivered in May 2021 will cater for anticipated future passenger growth, regulatory requirements such as passenger and baggage security, and enhanced passenger amenities



REGIONAL VALUE

Hawke's Bay is a specialised regional economy with a relatively stable population. The region is New Zealand's largest producer of apples, pears, stone fruit and squash. Hawke's Bay farms produce premium beef and lamb, which is exported to markets around the world and is the oldest and second largest wine-growing region.

Hawke's Bay is a beautiful part of Aotearoa New Zealand, with amazing landscapes and natural resources creating a unique environment. This plays a big part in attracting innovative people and business to the Hawke's Bay region.

Airports around the world have been shown to play an increasingly important role in the economic life of regions and nations with far reaching economic effects. Their impact is felt beyond the direct supply chains of airports themselves. In fact, airports provide connections. At the core, these connections are about mobility – moving people and freight/cargo between points thereby enabling businesses and entrepreneurs to connect, share ideas, link production processes, generate wealth and lift the standard of living.

As a strategic regional asset, Hawkes Bay Airport enables opportunities for economic growth and improved connectivity for Hawke's Bay businesses, community members and tourists, and is identified 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.

During mid 2021 management intend to complete a full economic review of the benefits to the broader region from air services to and from Hawkes Bay Airport and our aspirations for airport based property and renewable energy development.

The current GDP growth forecast for FY21-FY25 (as at Dec 2020)[2] is strong which provides a basis for solid domestic and outbound international travel when the border re-opens. Accelerating GDP growth expectations for the next three years would benefit Hawke's Bay Airports post-COVID recovery growth.

Hawkes Bay Airport is a key contributor to the Economic Growth of the Region and 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 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.



[1] ME Consulting, October 2017

[2] CIAL December 2020 Forecast Report

COMMERCIAL STRATEGY

THE AIRPORT HAS LONG IDENTIFIED ITS HEAVY RELIANCE ON AERONAUTICAL AND PASSENGER DERIVED REVENUE AS A RISK. THE IMPACT OF COVID-19 AND THE WITHDRAWAL OF JETSTAR HAS GRAPHICALLY REINFORCED THE NEED FOR HBAL TO ADVANCE ITS NON-AERONAUTICAL COMMERCIAL ASPIRATIONS TO IMPROVE REVENUE RESILIENCE.

For this reason, the commercial development of airport property and other land derived revenue streams is a key area of focus for the business in 2021-22.

Work is already well advanced in development of property precinct plan to ensure an appropriately aligned development mix on the 223 Ha of airport land. This will enable a pipeline of prospective developments for non-aeronautical land use to be in place by the end of 2021.

Hawkes 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.

With the airport located in close proximity to the port, main roads north/south through the region and rail, and external factors such as the potential for increased freight movement and Napier City experiencing very limited availability of land suitable for commercial/light industrial use, the airport is working to bring a commercial property proposition to market this year

In line with the Napier & Hastings District sub-regional industrial land strategy it is envisaged that HBAL will progress land development opportunities with reference to the region's wider economic development and spatial planning objectives.

The airport is identified as an important industrial location for freight and logistics and potentially providing some industrial land supply for Napier. Opportunities exist for collaboration with Mana Ahuriri for land to the north of the airport.

These initiatives are intended to build on the commercial revenue streams already generated through the operation of the airport terminal (e.g. food and beverage concessions, car parking and rental car agency tenancies), but without the risk of being decimated by periods of airport closure and limited aircraft landing, as occurred in 2020.

Work has been completed on a 20-year Master Plan to determine the most appropriate resource environmental planning framework to shape the long-term strategic direction for HBAL.

Key workstreams include noise boundaries, aeronautical and non-aeronautical land use, terminal, runways and taxiway capacity. This work is being aligned with the Napier City Council District Plan review which is underway.

LARGE SCALE 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.



**Grow our
non-aero
revenues to
>25%**

SUSTAINABLE FUTURES



Whilst restoring the Airport's financial sustainability post Covid-19 has been our top priority, sustainability has also remained an important focus. We continue to work towards the goals and deliver outcomes in alignment with the Sustainability Framework and the UN SDG's as outlined in our previous SOI.

The HBAL Board of Directors have committed to a Sustainability Framework which is underpinned by the four key pillars of Financial Return, Environmental Excellence, Social Opportunity and Operational Efficiency. The sustainability framework is ultimately the foundation to our medium to long term strategic imperatives and airport masterplan placing sustainability at the Heart of everything we do.



Through our sustainability framework Hawke's Bay Airport has placed a strong focus on renewable energy, waste reduction, sustainability and pursuing carbon neutrality.

The Company has committed to a long-term carbon reduction target to achieve **Net zero scope 1 and 2 carbon emissions by 2030**, supporting government's target to be net zero by 2050.

We have continued our journey with the internationally recognised Airport Carbon Accreditation programme, achieving Level 2 Reduction in January 2021 by demonstrating reductions in carbon intensity per passenger over time. We are part of 330 airports world-wide reducing carbon and increasing sustainability.





Solar Farm Feasibility

We are making good progress in our achieving our goals for sustainable operations, however a strategic game changer for the Organisation is its current initiative involving the development of a large-scale solar farm on airside land to the west of the runway.

We are working collaboratively with our partner Centralines to progress the business case for this project. The proposed solar farm will not only deliver renewable energy to HBAL, helping achieve our carbon neutral aspirations, but also potentially supply approximately 4000 homes and provide a local source of renewable energy to our regional businesses, many of whom have a growing demand for energy, and renewable energy in particular. HBAL's solar farm will enable regional decarbonisation and improve resilience of electricity supply to the region.



Green Property Development

Buildings have a significant role to play in bringing about a low carbon economy. Research shows the construction and operation of buildings and infrastructure is responsible for around 20% of New Zealand's domestic emissions.

HBAL acknowledges the opportunity to achieve low carbon buildings at the design stage and supports the Green Building Council's zero carbon road map. We will work with new property tenants to:

- Measure and report operational carbon emissions from our new buildings
- Consider carboNZero building operations certification where appropriate



Climate Related Risk

While responding to the Covid-19 crisis was top of mind during 2020, we are conscious that climate change and its impacts remain the greatest threat facing the world today. Aviation as a sector has significant challenges ahead, not least with the rise of flight shame and negative publicity around flying.

Action must be taken at all levels from individuals, companies and governments. HBAL has a role to play, demonstrating leadership and taking action to reduce the environmental impact of our organisation.



Our attention has turned towards understanding the climate change risk facing the organisation. We commissioned independent advice on the physical climate risks affecting the site and plan to invest in additional monitoring for key metrics such as ground water levels. We continue to work alongside the local councils and other key infrastructure providers to better understand and prepare for impacts of a changing climate.

Well Being

The organisation continues to place strong importance being a good corporate citizen and employer. During this year we will complete a staff survey and review flexible working arrangements. We are proud to continue the first regional airport community-based volunteer Ambassador programme with over 30 ambassadors engaged in our programme since 2018.



KEY PROJECTS & CAPITAL EXPENDITURE

		Airport Masterplan	Property & Commercial	Terminal & Apron	Operational Efficiency	Sustainability
FY2021/22	Q1		 Precinct Property Development Plan	 Forecourt Works Complete	 Surface Transport Strategy Review	
	Q2		 		
	Q3	 Lodge Notice of Requirement	 Major Airfield Maintenance (Taxiway/Aprons)	Infrastructure Development Plan	Stage 1 Solar Energy Development Complete**
	Q4					
		318K				
FY2022/23	Q1	 District Plan Notification	 New Advertising Infrastructure		 Procure New Fire Appliance	 Stage 2 Solar Energy Development Complete**
	Q2					
	Q3	 District Plan Hearings	 Major Property Development**			 Level 3 Carbon Accreditation
	Q4					
		475K				
FY2023/24	Q1			 Landside Infrastructure Improvements		
	Q2					
	Q3		 Major Property Development**		 Car Park Technology Improvements	
	Q4					
		543K				

** Subject to business case meeting internal investment/risk profile

KEY OBJECTIVES BUSINESS PLAN 2021/22

STRATEGIC IMPERATIVE		ACTIVITY & OUTCOME	MEASURE	TARGET DATE	SDG ALIGNMENT
 OPERATIONS	1.	Operating and effective safety management system	Internal SMS Tracker updated monthly To achieve Zero Lost Time Injuries	Recurring	
	2.	Practical completion of Landside Forecourt	Stage 3 Completed	31/08/2021	
	3.	Bi-annual Strategic Risk/Compliance Review	Review Implemented	Biannual	
	4.	Review and Refine Wildlife Management Plan	Second Phase Plan Implemented.	30/11/2021	
	5.	To complete roadmap to carbon neutrality	Achieve Level 3 Airport Carbon Accreditation (ACA)	31/05/2022	
 COMMERCIAL	6.	Research transport demand profile of existing/potential airport users and complete ground transport strategy to inform precinct and product development. This should consider all modes of transport (public/private)	Implement research based product segmentation of carpark	30/09/2021	
	7.	Use transport strategy to inform preparation of 5 year product development roadmap for carpark/ground transport - this to consider capacity, segmentation, commercial, technology and sustainability outcomes as well as supporting Capex/Opex requirements.	Transport Strategy Roadmap Endorsed by HBAL Board Capex/Opex built into financial forecasts.	30/06/2022	

KEY OBJECTIVES BUSINESS PLAN 2021/22

STRATEGIC IMPERATIVE		ACTIVITY & OUTCOME	MEASURE	TARGET DATE	SDG ALIGNMENT
COMMERCIAL CONTINUED	8.	Grow in-terminal passenger spend rates by better meeting customer demand.	Improved ASQ scores and PSR growth PSR growth of > 10%	30/06/2022	
	9.	Build stronger relationships/understanding with all commercial partners	Minimum 2x meetings per year with each commercial partner	Ongoing	
	10.	Develop 5 year advertising strategy against the objective of positioning the airport as a blue-chip advertising opportunity for local/national campaigns. Grow advertising revenues via the successful implementation of new digital assets via existing sales structure	Strategic Review Complete Advertising revenue growth of >40%	31/09/2021	
	11.	Work with NCC planners and local iwi to ensure HBAL interests are considered in district plan review.	Successful regional collaboration District plan outcomes support HBAL master plan objectives	Recurring	
	12.	Continue to refine commercial property strategic plan in alignment with RMA/sustainability framework and market demand.	Activation of HBAL property strategy. Precinct & Market Collateral in place	31/12/2021	
PROPERTY	13.	Wholistic study of existing and future airport utilities (three waters, roading and electricity) undertaken and granular understanding of development milestones, trigger points and costs generated.	Utilities/Infrastructure Capex Plan in place	June 2022	
	14.	Stimulate property development opportunities	>1 Major Property Development initiated	June 2022	
	15.	Advance renewable energy project.	Resource consent granted.	31/05/2022	
	16.	Proactively engage with HB Community, local and central government and other key stakeholders.	Supportive environment for wider airport.	Recurring	

KEY OBJECTIVES BUSINESS PLAN 2021/22

STRATEGIC IMPERATIVE		ACTIVITY & OUTCOME	MEASURE	TARGET DATE	SDG ALIGNMENT
 <p>PARTNERS</p>	17.	Partnership/Collaboration with regional leaders around sustainability outcomes	Ensure airport presence/voice at regional forums.	Recurring	
	18.	Undertake stakeholder and public consultation as part of NCC district plan review	Community to work as one team.	Dec 2021	
	19	Continued collaboration with Mana Whenua	Regular meetings/engagement Property Partnerships	Recurring	
	20.	Galvanise regional collaboration to effectively develop, resource and deliver an airline route development strategy for Hawke's Bay	Develop Regional Air Services Strategy in partnership with HB Tourism and other stakeholders. Regional Economic Engagement Strategy Complete	Dec 2022	
 <p>PEOPLE</p>	21.	Develop cross team functional capability.	Resources/Expense in line with financial forecast	30/06/2022	
	22.	Proactively engage with staff to ensure engagement and optimise wellbeing in the workplace.	Staff engagement and culture survey completed.	31/10/2021	
	23.	Continue build on success of Ambassador program	>85% of existing Ambassadors complete two years of service	Recurring	
	24.	Invest in Teams Development and Training	Training & Development Program	Recurring	
<p>FINANCIAL</p> 	25.	Achieve financial and operational targets as per SOI	SOI FY2021-22 with a focus on reducing cost and optimising revenues	End June 2022	
	26.	PAX Movements	527K		
	27.	NPAT	\$44K		
	28.	Revenue	\$7.8M		
	29.	EBITDA Margin	>47%		

FINANCIAL FORECASTS

Aeronautical Revenue Assumptions:

The performance targets expressed here are predicated on a continuation of the recovery in domestic air travel that is being experienced at the time of compiling this Statement of Intent. They are based on passenger forecasts completed during December 2020 which assume a continued recovery, with passenger numbers predicted to reach pre-Covid levels in late 2022 once international passenger movements are restored following the re-opening of the border.

During mid 2020 HBAL concluded a pricing consultation process with Air NZ. A move to a per-passenger charging mechanism was adopted as appropriate to acknowledge HBAL's aeronautical assets values and operating costs. The new per passenger charge commenced in October 2020 and will step up again on completion of the terminal redevelopment.

The full benefits of the completion of the terminal expansion project and the associated enhanced passenger related revenue streams will commence during this SOI period. This provides for a return to profit by FY22, along with substantial improvement in both return on equity and gearing levels.

Statement of Intent - Headlines & Financial Metrics

July 2021 - June 2024

	Jul 21 - Jun 22	Jul 22 - Jun 23	Jul 23 - Jun 24
Passenger Numbers	526,865	605,804	658,899
Forecast Revenue	7,802,463	9,357,499	10,486,237
EBITDA	3,728,321	5,009,627	5,818,863
EBITDA Margin	47.78%	53.54%	55.49%
NPAT	44,079	815,630	1,347,062
Net Profit after Taxation Margin	0.56%	8.72%	12.85%
Interest Coverage	5.8	6.9	7.6
Total Debt	25,500,000	23,500,000	20,500,000
Total Assets	64,552,736	63,888,092	62,414,654
Leverage Ratio	6.8	4.7	3.5
Return on Equity	0.1%	2.4%	3.9%
Gearing Ratio	44%	41%	38%
Equity %	52%	53%	56%

FINANCIAL FORECASTS

Prospective Summary Statement of Comprehensive Income

July 2021 - June 2024

	Jul 21 - Jun 22	Jul 22 - Jun 23	Jul 23 - Jun 24
<i>Passenger Numbers</i>	526,865	605,804	658,899
<i>Revenue</i>			
Aeronautical	4,334,694	5,288,752	6,075,616
Non-aeronautical	3,467,769	4,068,747	4,410,621
Total Revenue	7,802,463	9,357,499	10,486,237
<i>Operating Expenditure</i>	4,074,142	4,347,872	4,667,374
EBITDA	3,728,321	5,009,627	5,818,863
<i>Depreciation</i>	3,039,247	3,208,002	3,247,291
EBIT	689,075	1,801,626	2,571,571
<i>Interest Expense</i>	588,965	668,806	700,652
Profit before Income Tax	100,110	1,132,820	1,870,920
<i>Income Tax Expense</i>	56,031	317,189	523,857
Net Profit after Tax	44,079	815,630	1,347,062

Prospective Summary of Financial Position

July 2021 - June 2024

	Jul 21 - Jun 22	Jul 22 - Jun 23	Jul 23 - Jun 24
<i>Current Assets</i>	919,964	1,005,821	1,077,675
<i>Non Current Assets</i>	63,632,772	62,882,271	61,336,979
TOTAL ASSETS	64,552,736	63,888,092	62,414,654
<i>Current Liabilities</i>	711,107	1,674,685	2,465,663
<i>Non Current Liabilities</i>			
Total Debt	25,500,000	23,500,000	20,500,000
Other Non Current Liabilities	5,497,980	5,380,380	5,307,726
TOTAL LIABILITIES	31,709,087	30,555,065	28,273,389
NET ASSETS	32,843,650	33,333,028	34,141,265
<i>Capital and Reserves</i>	32,843,650	33,333,028	34,141,266
TOTAL EQUITY	32,843,650	33,333,028	34,141,266

FINANCIAL FORECASTS

Prospective Summary Statement of Cashflows

July 2021- June 2024

	Jul 21 - Jun 22	Jul 22 - Jun 23	Jul 23 - Jun 24
Cashflow From Operations	3,441,699	4,826,231	5,718,318
Cashflow From Investing	(2,633,465)	(2,464,515)	(1,727,443)
Financing and Other			
Total Loans Issued	0	(661,792)	(675,208)
Interest Payments	(586,500)	0	0
Cashflow From Financing	(586,500)	(2,661,792)	(4,095,575)
Net Cash Inflow/(Outflow)	221,734	(300,075)	(104,701)
Opening Bank	(199,624)	22,110	(277,965)
Net Cash Movement	221,734	(300,075)	(104,701)
Closing Bank	22,110	(277,965)	(382,665)

Capital Expenditure

HBAL continues to invest in its infrastructure in line with passenger numbers, Civil Aviation security requirements and identified opportunities to grow its non-aeronautical revenue base such as its commercial precinct. The key revenue assumptions for property and solar development are subject to further analysis and therefore capex allowances have been allowed only for planning development and enabling capex until the business cases are fully assessed.

As an example, allowances have been included for advancing and implementing the property precinct plans. From time to time, HBAL may consider additional capital expenditure programmes if supported by a robust business case and funding capability.

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

Prospective Summary of Capital Expenditure

	2021/22	2022/23	2023/24
Airside Infrastructure & Projects	1,069,000	591,000	132,000
Landside Infrastructure & Commercial	550,000	625,000	725,000
Property & Planning	560,000	371,500	100,000
Operational Efficiency	422,000	815,000	770,000
Sustainability Related	105,000	80,000	-
	2,706,000	2,482,500	1,727,000

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 believes that its strong focus on strategies of revenue diversification and resilience underpin a sound foundation for revenue recovery and balance sheet growth. These strategies will create enhanced financial returns and maximise value to shareholders through an appropriate balance of dividends and reinvestment. We are currently forecasting a positive Net Profit After Tax result for the upcoming 2021/22 financial year and subsequent periods. These forecasts are included in this Statement of Intent and will remain conditional on New Zealand and the wider international community's continuing success in the battle against Covid-19. In arriving at any dividend recommendation, the Directors will consider:

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

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

Information to be provided to Shareholders

Shareholders will receive:

- An annual report including audited financial statements within 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.

FINANCIAL FORECASTS

Estimate of Commercial Value

The value of Shareholders investment in the company as at 31 December 2020 is \$33,179,752.

The Property, Plant, Equipment and Investment Property (non-current assets) owned by HBAL were revalued at 30 June 2020 to their current market value of \$51.8M.

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

The completion of the terminal redevelopment during 2021 and the impact of Covid-19 on revenues, are significant events with potential to influence asset value.



Wendie Harvey
Chairperson
Hawke's Bay Airport limited
30/06/21