

## Hawke's Bay Airport Limited Statement of Intent

For the year ended 30 June 2012 and the two following years

### 1.0 Objectives

Hawke's Bay Airport Limited (HBAL) objective is to:

- Operate as a successful business delivering sustainable profitability and growth in shareholder value
- Deliver a high level of service to airline operators, the travelling public and users of the airport facilities

### 2.0 Governance

The Board is responsible for the direction and control of the company's activities. The Board guides and monitors the business and affairs of HBAL on behalf of its shareholders the Napier City Council (26%), Hastings District Council (24%) and the Crown (50%).

The Board has four Directors, two appointed by the Napier City Council and the Hastings District Council and two appointed by the Crown.

The Board meets regularly with Management to review the company's performance and reports against the business plan.

The Board reports formally to shareholders twice yearly with the provision of quarterly interim reports.

### 3.0 Nature and Scope of Activities

HBAL's core business is to be an airport operator providing appropriate facilities for all airport users and the travelling public.

HBAL will pursue the following strategy:

- Provide smart and efficient airport and terminal facilities that encourage use by airlines, aviation businesses, passengers and the businesses that serve these groups.
- In the normal course of managing the airport, HBAL will seek to obtain an appropriate commercial rate of return on its assets and keep its costs to a minimum consistent with 1) above and meeting safety and other regulatory standards.
- In conjunction with our airline partners HBAL will explore innovative ways to increase passenger numbers and improve aviation revenue.
- HBAL will actively pursue new approaches and opportunities to maximise concessions and rental income.

- HBAL will proactively develop and secure innovative opportunities for property development on its land.

HBAL has the following key strategic imperatives:

- Preserve the Airport's short and long term ability to operate
- Safety of staff, contractors, passengers and visitors
- Exploit opportunities to earn an appropriate commercial return on all airport assets
- Position the Airport with the capacity to respond to long-term aviation growth
- Exploit other (non-Aviation) business development opportunities
- Structure the Airport and its business to secure and benefit from growth opportunities

#### 4.0 Ratio of Shareholders Funds to Total Assets

The forecast capital structure and ratio of shareholders funds to total assets for the next three years is:

	2012	2013	2014
Shareholders Funds	\$15,595,523	\$16,038,038	\$16,712,324
Total Net Assets	\$16,695,523	\$18,538,038	\$20,712,324
Ratio of Shareholders funds to Total net assets	93%	87%	81%

Significant further potential development, if undertaken, will impact on the ratio of shareholder funds to total assets.

#### 5.0 Performance Targets

HBAL key objectives are to operate as a successful business delivering sustainable growth in long term value to the shareholders.

The strategic objective and the key performance indicators to measure progress towards the achievement of those objectives are detailed below:

Objective	Measure
Deliver sustainable growth in revenue and earnings	See table A – Financial Performance targets
Present strategic plan to shareholders .	Strategic plan presented to shareholders
Provide appropriate infrastructure to meet future needs	Performance to be measured against the strategic plan
Deliver a high level of customer service to all airport users	Customer satisfaction survey undertaken in 2010

## 6.0 Financial Performance Targets

The financial performance targets for the company are:

**Table A**  
Year to 30 June

	2012	2013	2014
	\$	\$	\$
Landing Charges	1,198,900	1,210,400	1,460,600
Other Revenue	1,523,300	1,663,000	1,759,300
<b>Total Revenue</b>	<b>2,722,200</b>	<b>2,873,400</b>	<b>3,219,900</b>
Other Revenue % of Total	56.0%	57.9%	54.6%
<b>Profit Before Income Tax</b>	<b>791,000</b>	<b>636,450</b>	<b>967,550</b>
<b>Profit after tax</b>	<b>550,700</b>	<b>442,515</b>	<b>674,285</b>

### Dividend

No dividend is recommended.

The financial performance targets include jet services commencing mid 2014 although there is still uncertainty as to when they may commence. Should another airline commence competitive services earlier in the forecast period this would have a beneficial impact on results.

The runway extension is expected to be completed by the end of the 2011 financial year although prior to domestic jet scheduled services commencing further expenditure would be required for passenger and baggage screening and security fencing.

### Capital Expenditure

2011/12 Capital Expenditure has been allowed for as follows:

Relocate Rental Car depot	\$470,000
Business Park stage 1 roading	\$1,050,000
Resurface runway 07/25	\$300,000
Resurface taxiways	\$410,000
Replace pumps electrical switchboard	\$30,000
Replace Rescue Fire security gate	\$10,000
Furniture & equipment for new staff appointment	\$10,000
Replace computer	\$4,000
Contingencies	\$25,000
<b>Total</b>	<b>\$2,309,000</b>

## 7.0 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 company's current accounting policies are attached to the Statement of Intent.

## **8.0 Distributions**

Given the likely scale of development and therefore demands on capital for the period covered by this statement it is not anticipated that dividends will be paid to shareholders, however as a general rule any surplus after provision for capital expenditure obligations and provisions would be distributed to shareholders

## **9.0 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 3 months of balance date.
- 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

## **10.0 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.

## **11.0 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.

## **12.0 Estimate of Commercial Value**

The value of shareholders investment in the company as at 30 June 2011 is \$14.9 million.



J R Palairt  
Chairman

**HAWKE'S BAY AIRPORT LTD  
NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**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 as appropriate to profit oriented entities.

**MEASUREMENT BASE**

The financial statements have been prepared under the going concern basis

**PRESENTATION CURRENCY**

These Financial Statements are presented in New Zealand dollars (\$), which is the functional currency of the company, rounded to the nearest dollar.

**GST**

All amounts are shown exclusive of Goods and Services Tax (GST), except for receivables and payables that are stated inclusive of GST.

**PARTICULAR ACCOUNTING POLICIES**

- 1) **REVENUES:**  
Revenues consist mainly of landing charges, car parking fees, terminal and leased land rentals and concessions. They are recognised at the time of provision of services.
- 2) **TRADE AND OTHER RECEIVABLES:**  
Trade and other receivables are stated at net realisable value after provision for doubtful debts.
- 3) **OTHER INVESTMENTS:**  
Consist of Bank term deposits having an original maturity date exceeding three months and are recorded at cost plus accrued interest.
- 4) **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 the 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 is accounted for using the balance sheet method. 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.

**5) CASH FLOW STATEMENT:**

The following definitions have been used for the preparation of the Statement of Cash Flows:

**Cash and Cash equivalents:** Coins, notes, demand deposits, or bank term deposits with a maturity of less than 3 months; for which there is a recognised ready market; and which the Company regards as part of its day-to-day cash management.

**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.

**6) VALUATION OF PROPERTY, PLANT AND EQUIPMENT:**

Property, Plant and Equipment is valued as follows:

Description	Method of Valuation
Land	) At Cost
Infrastructure: Base	)
: Surface	)
Buildings	)
Car Park and Roothing	)
Plant & Equipment, Fencing & Lighting	)
Furniture & Fittings	)
Office Equipment	)

**7) DEPRECIATION:**

Depreciation is charged on a straight-line basis to write off the cost or value of property, plant and equipment over their expected economic lives.

The Principal depreciation rates are as follows

Airfield Infrastructure: Base	0.71% to 5.56%
: Surface	9.09% to 20.00%
Buildings	3.00% to 10.00%
Plant & Equipment	2.90% to 20.00%
Car Park & Roothing	1.67% to 5.00%
Fencing	5.00%
Lighting	4.00% to 10.00%
Furniture & Fittings	10.00%
Office Equipment	20.00%

## 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 the 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.

### *Financial assets at fair value through profit or loss*

A financial asset is classified in this category only when the Company becomes a party to the contractual provisions of the financial asset. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the profit or loss in the period in which they arise. The Company has no financial assets at fair value through the profit or loss in the reported periods.

### *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 listed in the Company's balance sheet are classified as loans and receivables.

### *Held-to-maturity investments*

These investments have fixed maturities, and it is the Company's intention to hold these investments to maturity. Any held-to-maturity investments held by the Company are stated at amortised cost using the effective interest rate method less accumulated impairment losses. Other Investments listed in the Company's balance sheet are classified as Company held-to-maturity investments.

### *Available-for-sale financial assets*

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken to comprehensive income. Cash and cash equivalents are classified as available for sale financial assets.

### *Financial liabilities*

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation. Interest bearing loans and borrowings, Bank overdraft, Trade and other payables and Employee benefits 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 the profit or loss.

**11) CHANGES IN ACCOUNTING POLICIES**

The Company commenced operations on 01 July 2009 acquiring the assets and liabilities of the Hawke's Bay Airport Authority. As 2010 is the first year of operations of the Company there are no comparative figures.

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 July 2009 and have not been adopted early:

- NZ IFRS 9 Financial instruments effective for annual periods beginning on or after 1 January 2013. The Company has not yet considered the impact of the new standard.
- NZ IAS 24 Related party disclosures (revised 2009) effective for annual periods on or after 1 July 2011. This is currently not applicable to the Company and the Company has not yet considered the impact of the new standard.