



*The gateway to
Hawke's Bay*

*Te Pūrongo Ā-Tau
Annual Report
2022*



**HAWKE'S BAY
AIRPORT**

*Nau mai rā ki te
hāronga o te kāhu.
Welcome to the home of the soaring hawk.*





Contents

- Gateway to Hawke’s Bay 2
- Chair’s Report 4
- Chief Executive Officer’s Report 6
- Foundations for the Future 9
- Highlights 10
- A Year in Review... 12
- Operations 14
- Commercial 18
- Property 22
- Partners 26
- People 30
- Sustainability 35
- Our People 38
- Financial Statements 40
- Corporate Report 41
- Statement of Service Performance 44
- Consolidated Statement of Comprehensive Income 48
- Consolidated Statement of Changes In Equity 49
- Consolidated Statement of Financial Position 50
- Consolidated Statement of Cash Flows 51
- Notes to the Consolidated Financial Statements 52
- Independent Auditor’s Report 70
- Directory 73



Te Waharoa Ki Te Matau-a-Māui *Gateway to Hawke's Bay*

Hawke's Bay is thriving. Our economy is growing across the board, ideas and innovation abound, and businesses of every shape and size are taking off. Free-flowing connections make our region an easy place to do business, and our burgeoning culinary scene and unique architectural heritage draw thousands of tourists. More people choose to make Hawke's Bay their home every year, attracted by the sunny climate and the lifestyle on offer.

Hawke's Bay Airport is the gateway to our region. We play a vital role in enabling businesses to grow, connecting friends and whānau, and bringing visitors to Hawke's Bay. Our airport provides the first and last impression of Hawke's Bay and we're proud to welcome travellers to a modern, vibrant terminal that truly reflects our region.

With the doors to our terminal open, we're now looking to the horizon. Our aspiration is to create an environment that delivers beyond aviation, to strengthen our resilience and help our region grow.





Te Pūrongo a te Toihau Chair's Report

Hawke's Bay Airport is the gateway to Hawke's Bay and a reflection of the community we serve. As it has been for many organisations, the last year has been one of highs and lows with the lingering impact of the global pandemic continuing to be felt. For Hawke's Bay Airport however, the prolonged Auckland lockdown has meant that more than 50% of our travellers were unable to fly to and from Hawke's Bay for an extended period of time. Coupled with a slow return to pre-COVID passenger numbers, the company's trading financial performance has been disappointing. Yet despite it all, the airport team can be justifiably proud of what they have been able to achieve over the past year.

Our dedication to laying foundations for the future of our business and the region is strong, this includes our commitment to working with mana whenua as a key future partner. Following the opening of the new terminal in August of last year, major works have continued with the complete transformation of the terminal forecourt. Although this has taken longer than expected due to many of the issues that have faced construction projects in the past 12 months, the outcome will be the welcome the airport and the community deserves.

Inside the terminal, Hawke's Bay Airport's first retail store was opened in December 2022. Bellatino's Aeroporto is a renowned Hawke's Bay brand with a local ethos, and the breadth and calibre of goods on offer gives travellers a real taste of Hawke's Bay. The space blends seamlessly into the character of the terminal and strengthens its sense of place. New digital advertising assets in the terminal have improved our commercial revenue, but more importantly, offer fantastic visibility for both local and national businesses wanting to promote to the airport audience.

A key focus for Hawke's Bay Airport is to ensure we connect people, business and regions in meaningful ways. The launch of Originair services in November was a significant milestone in this regard. The Originair service is a welcome addition to the Air New Zealand schedule. We hope to see continued growth and greater connections for them as our domestic airlines strive to respond to increasing customer demand. We missed the presence of the Airport Ambassadors during the uncertain months of early 2022, but we are happy to now have them back in the terminal to meet and greet our customers.

Our commitment to sustainability has remained compelling. Over the course of 2022 we have continued to progress our *Airport Carbon Accreditation* journey, whilst ensuring we capture, analyse, and build on the information that will provide us with a deeper understanding of the impact of climate change on the airport site. Further to our sustainability goals, a strategic focus on the development of a solar farm at the airport remains and has gained immeasurably from the signing of a joint venture with Manawa Energy. Working with our partners, we are now progressing the development with a detailed review of the size and viability of the project. We look forward to moving ahead with Manawa in 2023.

Following the departure of Stuart Ainslie in December after 3.5 years of great service, the Board was delighted to announce the recruitment of our new CEO, Rob Stratford. Rob has a background in infrastructure, freight and logistics and we are confident his extensive experience and expertise will enable him to successfully lead our high-performing team and deliver against the company's aspirations for the airport.

On behalf of the Board, I'd like to thank Stephanie Murphy for her role as interim CEO during the time between Stuart's departure and Rob's arrival. Stephanie's management of and support for the organisation was outstanding, particularly given that she took the reins during the most challenging phase of COVID-19 the airport has seen to date.

Indeed, I am extremely proud of the resilience and dedication shown by all the Hawke's Bay Airport team. With most of the turbulence hopefully behind us, we have hit clear air again and reflecting on what has been achieved, I am very pleased to say that the vision for the airport is being realised, with a renewed focus on a strong build back for the company, our stakeholders and the Hawke's Bay community.

A handwritten signature in blue ink, appearing to read 'Wendie Harvey', written over a horizontal line.

Wendie Harvey
CHAIR



Te Pūrongo a te Tumu Whakarae *Chief Executive* *Officer's Report*

At Hawke's Bay Airport, our purpose is to connect people, business and regions in meaningful ways. This was made more of a challenge over the past 12 months. The Auckland COVID-19 lockdown caused passenger numbers to reduce significantly though the terminal during September, October, and November 2021. Numbers remained lower than usual until mid-April, when people began gaining the confidence to travel again.

This had a significant impact on revenue, which was \$6.734m for the full year. While this is slightly up on the \$6.6m earned in 2021, we also saw an increase in operating costs. Insurance, electricity and rates all increased significantly, and management had to work hard to contain the growing expenditure in 2022 from the development of the new terminal (something they were able to control). The Board and management elected to revalue the airport's assets and investment property in 2022 to fair value which contributed to a \$1.4m positive revaluation increase in the current year. This has resulted in a \$801,347 net profit after tax. Furthermore, the increase in asset value in totality has increased shareholders equity by \$15m. Board and management believe this provides more relevant and reliable information to shareholders about the business' financial position and performance.

2023 looks bright for Hawke's Bay Airport. Where it is taking time for other airports around the country to rebuild, the outlook is sunny for Hawke's Bay. Our flight schedule has returned strongly and is edging close to pre-COVID levels (60,000 passengers per month) which is a fantastic sign of the demand for travel to and from Hawke's Bay. There are several contributing factors to the recovery and of course Hawke's Bay's thriving horticultural and commercial sectors are a big driver, but I strongly believe that one of the major factors behind our rebound is that Hawke's Bay is a wonderful place to live, work, and visit.

Despite the disruption to the travelling public from COVID-19 and the terminal redevelopment during the year, management has been busy executing our strategy. Underpinning this strategy is the need to diversify the business and its revenue streams to provide greater resilience against the external shocks that periodically hit the aviation industry. The first of these strategic projects is the solar farm, followed by the business park and the growth of airfreight services. All three projects are aimed at developing airport infrastructure that serves the needs of the Hawke's Bay region. The airport is a critical piece of infrastructure that acts as a gateway to Hawke's Bay and these initiatives are about forming partnerships with the community and iwi to facilitate business.

Air service development will also play its part as we plan ahead. We want Hawke's Bay to be as connected as possible, and we are working hard to create a strategy that will fulfill this objective. Hawke's Bay is a tourist destination with considerable potential. While it might be less familiar to some New Zealanders and overseas tourists than other domestic destinations, there is pent-up demand for the Hawke's Bay experience. We are beginning to see this again in our passenger numbers.

Completion of the terminal and forecourt has taken longer than anticipated due to supply shortages of materials, COVID-19 workforce shortages, weather events, and design updates. When the final areas of the redevelopment are complete, the business will then focus on delivering critical infrastructure upgrades to the airside apron and progressively upgrading our car parking areas. Both projects were put on hold due to COVID-19.

We have a strong focus on creating a seamless and intuitive customer journey from home to gate. Customer experience is an increasingly important area for any business, and we not only take it seriously but enjoy the process. As the gateway to Hawke's Bay, it is important we represent the region and create a welcoming environment that not only emanates a sense of place but is easy to navigate and understand. This requires having positive experiences at each touchpoint, from website to departure gates, and includes our terminal tenants. To measure our improvement in this space, we are part of the ACI Airport Service Quality departure survey scheme, which our

Airport Ambassadors conduct for us each month. The results captured from this survey and other data sources help us to plan for future improvements to the customer journey.

Health, safety, and security remain our key focus. Like last year, there were no lost time injuries reported at the airport during the year. We also remain committed to our goal of becoming New Zealand's most sustainable airport. Even with the ongoing impact of COVID-19 on the business, we made strong progress toward this goal by securing sustainability-linked funding from ASB; the first of its kind for a New Zealand airport. We also carried out a materiality assessment that engaged stakeholders to understand which issues matter most to them. The results of the assessment will contribute to future sustainability strategy and policy updates.

I want to pass on my appreciation to the Hawke's Bay Airport Board, the Hawke's Bay Airport corporate team, the Airport Fire Service crew, and our very valuable ambassadors for their hard work during a challenging period over the last 12 months. They have welcomed me with open arms, and we all look forward to a bright 2023.



Rob Stratford
CHIEF EXECUTIVE OFFICER





He tūāpapa mō te anamata

Foundations for the future

At Hawke's Bay Airport, we've set ambitious goals for our future and we're working hard toward achieving them. This year, we refreshed our purpose and vision to ensure we have a strong foundation to guide our decision-making. After more than two years of uncertainty, it was time to take a fresh look at what we do and why we operate. We now have a renewed direction, which guides both our work within the business and our relationship with the broader community.

As the gateway to Hawke's Bay, our purpose is simple – to connect people, business and regions. This is at the heart of everything we do and makes a meaningful difference for our region. To deliver on our purpose, we have a vision for Hawke's Bay Airport: a safe, secure and future-looking transport hub for everyone. This refinement of our vision is a simple articulation of our ability to physically connect people through travel, business and partnerships. Safety and security are our utmost priority, which is why our vision leads with this statement. We are always looking to the future of our region and how we can adapt to enable Hawke's Bay to grow and thrive.

Supporting our vision are the five pillars of our business, known as our strategic pou: our people, our operations, our environment, our partnerships and commercial success. Each is driven by a strategic goal, which guides our actions at an operational level.

Ultimately, we believe that everything we do should benefit our region, build resilience, and create safe, meaningful connections.

We connect people, business and regions

Ngā Hirahiratanga Highlights

394k

passengers:
25% below SOI

\$6.7m

revenue:
consistent with FY2021

\$4.3m

EBITDA

\$801k

NPAT

Zero

lost time injuries

100%

terminal occupancy

8

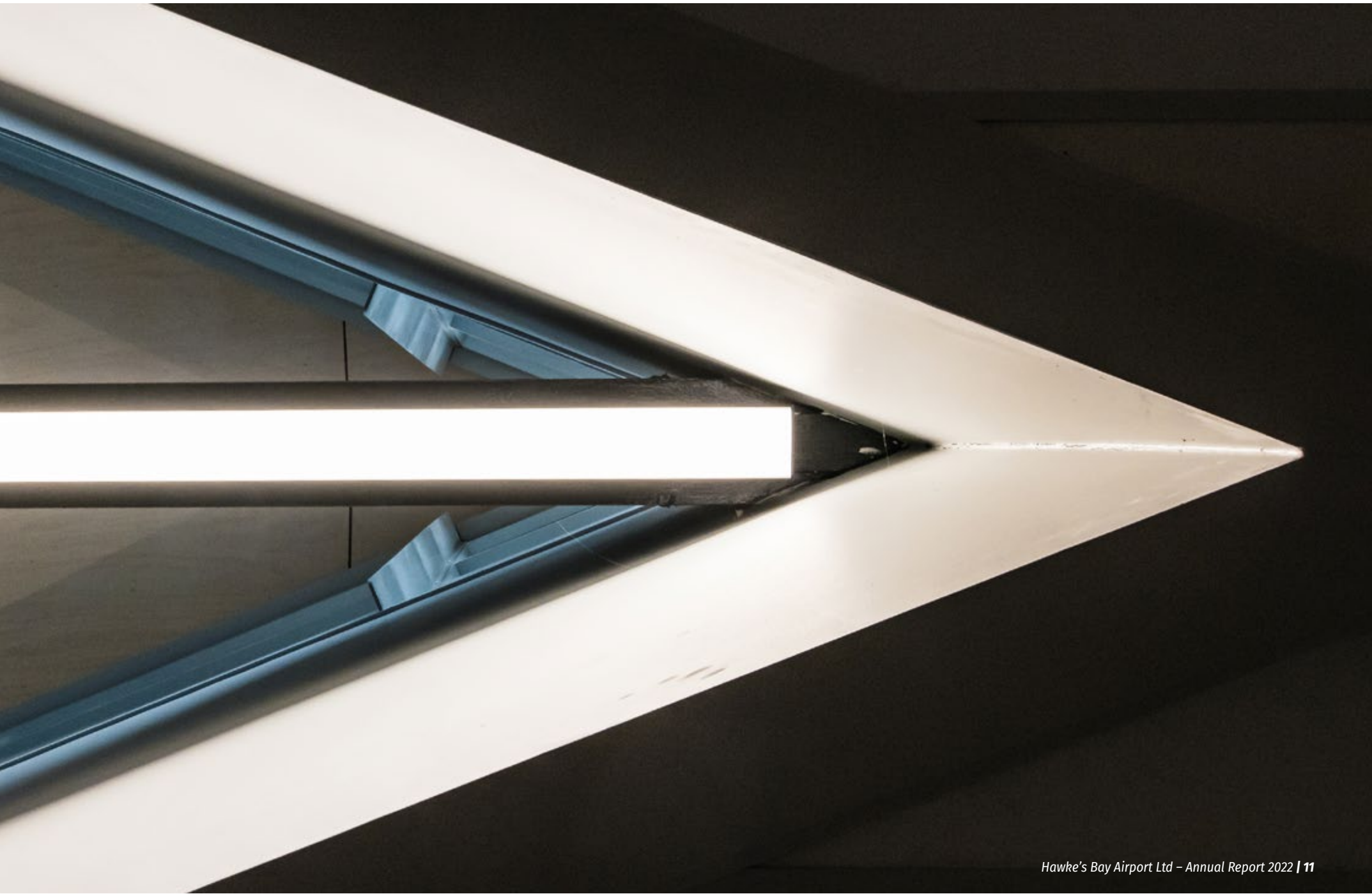
sponsorship
programmes supported

7

car rental options at
the airport – up from 6

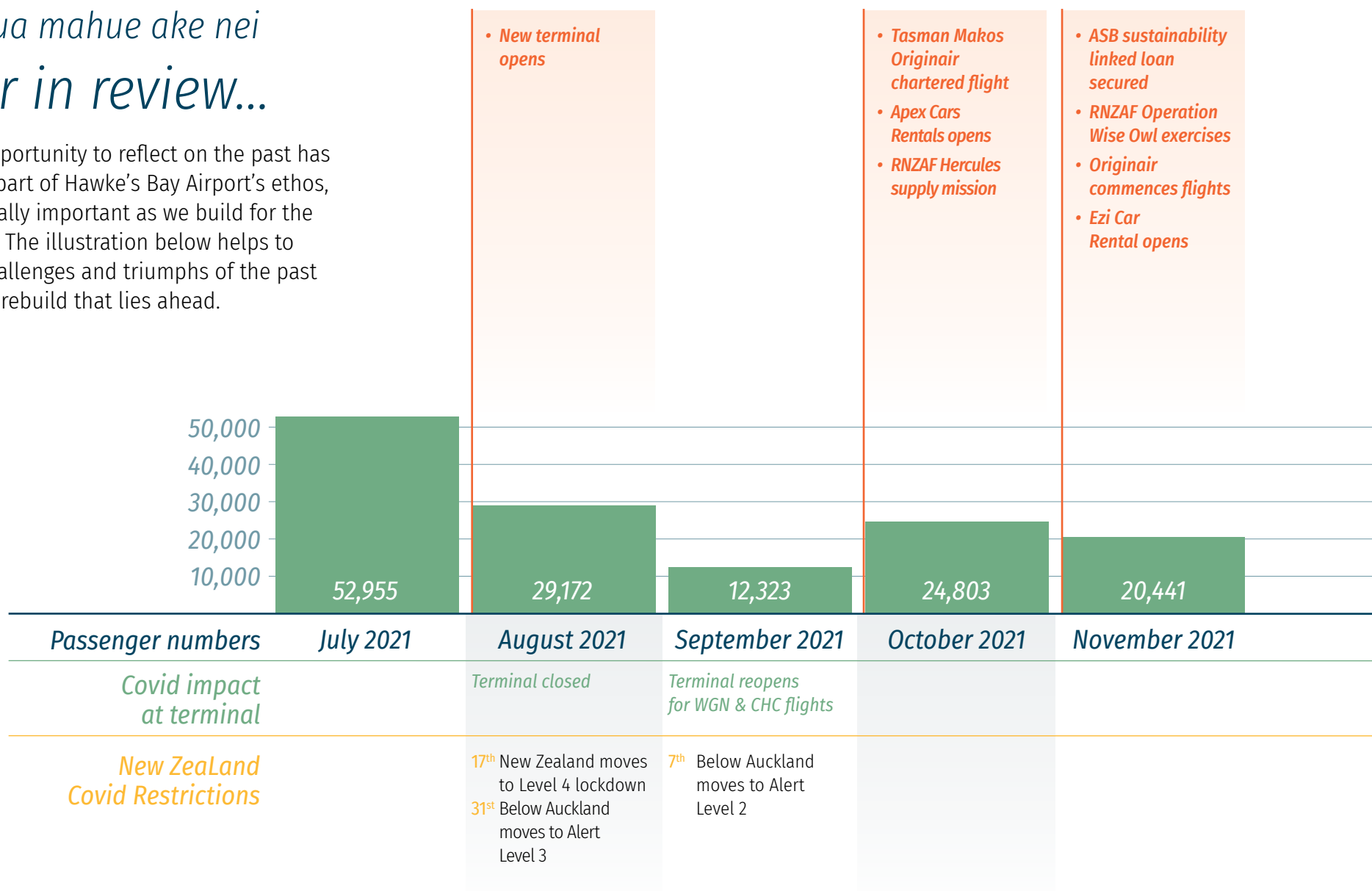
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materiality assessment
undertaken to guide
our ESG strategy



Te tau kua mahue ake nei A year in review...

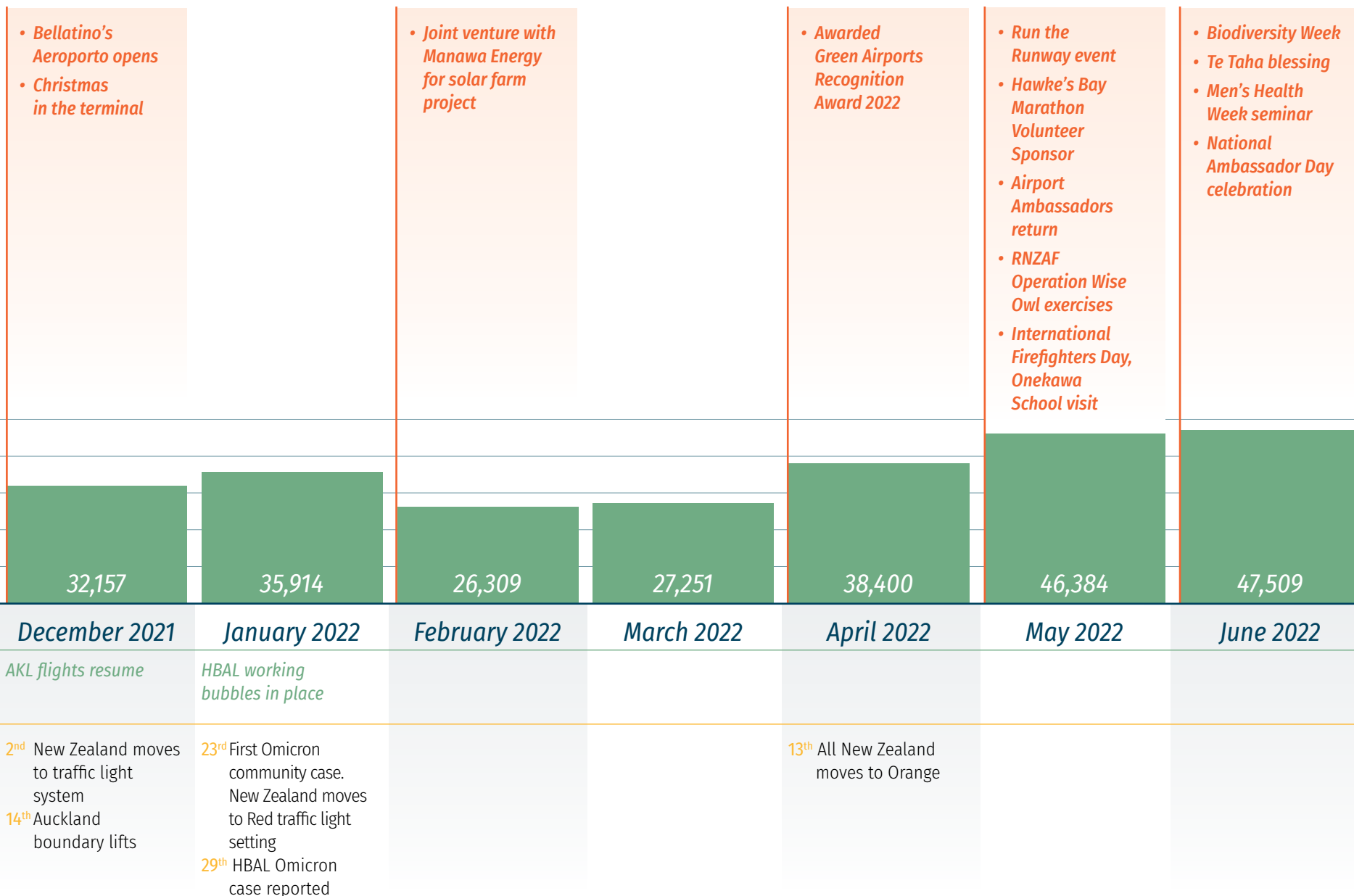
Taking the opportunity to reflect on the past has always been part of Hawke's Bay Airport's ethos, and is especially important as we build for the future ahead. The illustration below helps to depict the challenges and triumphs of the past year, and the rebuild that lies ahead.



- New terminal opens

- Tasman Makos Originair chartered flight
- Apex Cars Rentals opens
- RNZAF Hercules supply mission

- ASB sustainability linked loan secured
- RNZAF Operation Wise Owl exercises
- Originair commences flights
- Ezi Car Rental opens



Ngā Whakahaere
Operations



Strategic Pou:
*Ensuring a safe, rewarding
and delightful journey for
our travellers. Striving for
excellence in everything
we do.*

You're in good hands at Hawke's Bay Airport. Our team is dedicated to providing a safe, secure and intuitive journey for every passenger who comes through our airport.

Airport operations are dynamic by nature, but COVID-19 added an extra layer of complexity this year. Our team rose to the challenge, adapting to change and delivering a seamless operation without compromising safety or service.

The stronger connections built through working with tenants, partners, and contractors to navigate shifting operational requirements also helped us to strengthen the safety and security culture across the airport community.

Safe and secure

Safety and security are embedded at every level of our operation, with every team member – regardless of their position – playing an important role in keeping our airport a safe, healthy and secure environment. We promote a positive safety and security culture, and continuously enhance that culture across the airport.

This year, we introduced strategic changes in the way we approach health and safety. A new overarching policy saw security integrated with safety, while a distinct strategy and policy were put in place for health and wellness.

We also continued to strengthen our capabilities through safety and security training, mindful safety leadership, and increased engagement with our teams and contractors.

The terminal and forecourt redevelopment work has seen a large number of contractors operating in both the airside and landside environment, which has been challenging. Our Operations team was agile, adapting processes to enhance our contractor management and health and safety procedures. We're proud to say that we achieved our aspirational goal of zero harm in 2021, across both staff and contractors.

***Safety and security are
embedded at every level
of our operation***

Contingency plans put to the test

Our operational resilience was put to the ultimate test this year. In January 2022, an early case of Omicron amongst our staff saw our entire corporate team and all but two of our firefighters forced into isolation as close contacts. Having prepared for the situation, a comprehensive contingency plan was swiftly put into action and all those classed as close contacts set up to work remotely. With support from Air New Zealand, our operation continued to function, and thanks to the dedication of our two available firefighters, we were able to maintain the firefighting capability required under CAA regulations.

Once all isolating staff were cleared to return to work, three bubbles were created to strengthen operational resilience in the face of the emerging outbreak. Daily monitoring and temperature checks became standard, and wellness check-ins helped to keep our team connected and supported.

It was a highly challenging situation, but the strength and dedication of our people made all the difference. We're proud of the way the team rose to the occasion, working closely together to navigate the operational challenges presented and keep our airport operating.

Managing our wildlife

Situated next to the coast and nestled amongst wetlands and estuaries, effective wildlife management is a high priority at Hawke's Bay Airport. This year, we continued our use of wildlife management techniques based on an in-depth knowledge of the natural behaviours of bird species commonly found around the airport. Tactics are adapted daily to account for changes in the species in the area, the behaviours of birdlife, and weather patterns. This is supported by analysis of bird strike and near miss reporting, which helps us to identify risk trends. This year, we began capturing more in-depth information about species involved in bird strikes, which has enabled us to identify emerging species risks early.



Hawke's Bay Airport is a member of the New Zealand Aviation Wildlife Hazard Group, which meets regularly to share knowledge of managing wildlife threats to aviation. We maintain close relationships with other airports with similar bird species and challenges and have used their knowledge to introduce and trial other mitigation measures.

Preparing for an emergency

To ensure we are prepared to handle emergency situations, our team undertakes regular training and emergency management exercises. This year the Airport Fire team enlisted the help of a wrecked car to simulate a helicopter fuselage, and held training on how quickly it could be cut into to extract passengers in the event of a helicopter crash.

Our emergency management practices are continually evolving, ensuring that our procedures reflect best practice, our people are equipped with the knowledge and skills they need, and that we can keep every person on our site safe in an emergency.



Protecting our firefighters

Keeping our fire team safe when they might need it most is critical. In 2021, we took delivery of our new firefighting uniforms. The Bristol X-Flex protective uniforms are some of the most ergonomic and protective available, thanks to the use of advanced materials and fabric technology. Both the coats and trousers include carcinogenic protection technology – a New Zealand first for airport firefighting gear.

International Firefighters' Day

Each year on May 4th, we celebrate International Firefighters' Day with a barbeque lunch and a full team get-together. This year, the Fire Team took the opportunity to inspire the next generation of firefighters, inviting the Year 8 and 9 class from Onekawa School for a special airport experience. A behind-the-scenes tour saw the pupils up close with the fire trucks and a private jet at the Skyline hanger – an experience that they will remember for years to come.

Base Hawke's Bay

Our Operations team handles challenges of every size, and this year had its fair share of interesting arrivals at Hawke's Bay Airport. In October, the Royal New Zealand Air Force Hercules touched down for a supply load soon after their evacuation mission from Afghanistan. Spectators in the terminal were able to catch a glimpse of this extraordinary plane as it took off to the north before heading back to base at Ohakea.

In December 2021 and again in May 2022, we had the privilege of hosting Operation Wise Owl, which saw more than 30 RNZAF personnel and five Texan fighter jets based at Hawke's Bay Airport for more than two weeks at a time. The exercise was focused on honing formation flying techniques, and saw the Texans put on a great show in the skies.

*Our people are equipped
with the knowledge
and skills they need*

Te Arumoni

Commercial



Strategic Pou:
*Maximising the returns
across our aeronautical
business whilst delivering
greater value and a strong
sense of place.*

We're committed to growing our business for the benefit of our customers, our shareholders and our region. Despite a challenging commercial environment in 2022, we continued to lay the foundations for a successful future, pursuing new revenue streams, creating new connections, and leveraging our new terminal.

The difficulties of operating amid lockdowns and COVID-19 restrictions strengthened relationships with our commercial partners, as we worked together to adapt to a changing environment. The collective trust and resilience built over the course of the pandemic will be invaluable as our airport community evolves.

Originair takes to the sky

This year saw our sustainable aviation strategy take off, with the launch of Originair services to Palmerston North, Hamilton and Nelson. The launch of the service means greater choice for locals, who can now connect with friends, whānau, education or business in the three centres in around an hour or less, when previously it could take several flights and many hours to reach their destination. The new destinations will also improve access to a wider catchment, including Blenheim from Nelson, Levin or Wanganui from Palmerston North, or Tauranga from Hamilton.

We worked closely with Originair to create an easy landing, developing dedicated office space, promoting their services internally and supporting their operations. We were delighted to welcome the inaugural Originair flight from Nelson to Hawke's Bay in November 2021 and after a brief pause in flights due to COVID-19 disruptions, we are pleased to have them flying out of Hawke's Bay again.

Bellatino's Aeroporto touches down

Passengers flying in and out of Hawke's Bay can now take a taste of our region with them, following the opening of a retail store in the terminal. Bellatino's Aeroporto opened its doors in December 2021, offering gourmet goods, fresh produce, and a range of artisan products. Like Bay Espresso and Roosters Bar, Bellatino's is an iconic Hawke's Bay business known and loved by locals. With a focus on ethical sourcing, sustainability, and local products, the brand is a strong fit with our values. The fit-out of the retail space captures the feel of Hawke's Bay's famous farmers' market and incorporates the vintage pickup truck restored by local enthusiasts Simon Moore and Neville Smith as part of the terminal redevelopment.

Digital advertising skyrockets

Our new digital advertising assets proved their worth this year, providing a new stream of revenue while showcasing a range of local businesses. There are currently ten digital screens distributed throughout the terminal at different customer touchpoints, with space for future growth. Hawke's Bay Airport manages the advertising offering in-house, with a prospectus available to brands and advertising agencies. We offer a strong advertising product that promotes regional and national campaigns and a personal, flexible touch that sets us apart.

***We're working hard to connect
people, regions and businesses***



Creating connections for a growing region

As the gateway to Hawke's Bay, we know that expanding the range of services and connections available at our airport not only broadens travel options for people in our region, but also opens up vital opportunities for growth in tourism and the wider economy.

While route development has historically been led by airlines, we believe that airports are equally well-placed to get new connections off the ground. Together with regional partners, we are working on an aviation development strategy that will service Hawke's Bay's growing population and business community. Built on the premise that new routes must be commercially sustainable, the strategy is guided by industry insights and hard data.

Driving growth in car rentals

Passengers landing at Hawke's Bay Airport now have more choice when it comes to rental cars, with two new rental car companies joining us in 2021. November saw Apex Car Rentals move their operation from Onekawa to the airport, and we welcomed new rental car brand Ezi Car Rental in December, taking the options on offer to customers up to seven car brands. Despite uncertain periods throughout the year, car rental firms identified that Hawke's Bay Airport has the right mix of travellers to make their operations commercially viable.



Elevating customer experience

At Hawke's Bay Airport, we know that the airport terminal is more than just a functional space. It is the backdrop to farewells, reunions and new beginnings, and creates a traveller's first and last impression of the region.

The airport terminal plays an important role in the customer experience, and our new building was designed with this in mind. We are proud to have a modern, vibrant space that reflects the stories of our local history, culture and industry, and we are building on this with the construction of a stunning new forecourt.

With the right physical elements in place, our focus is now on the customer journey – making sure the experience at Hawke's Bay Airport is intuitive, engaging, and memorable for all the right reasons. We're also working hard to bring our space to life with sponsorships, partnerships and activations, as well as special events that bring our community in.

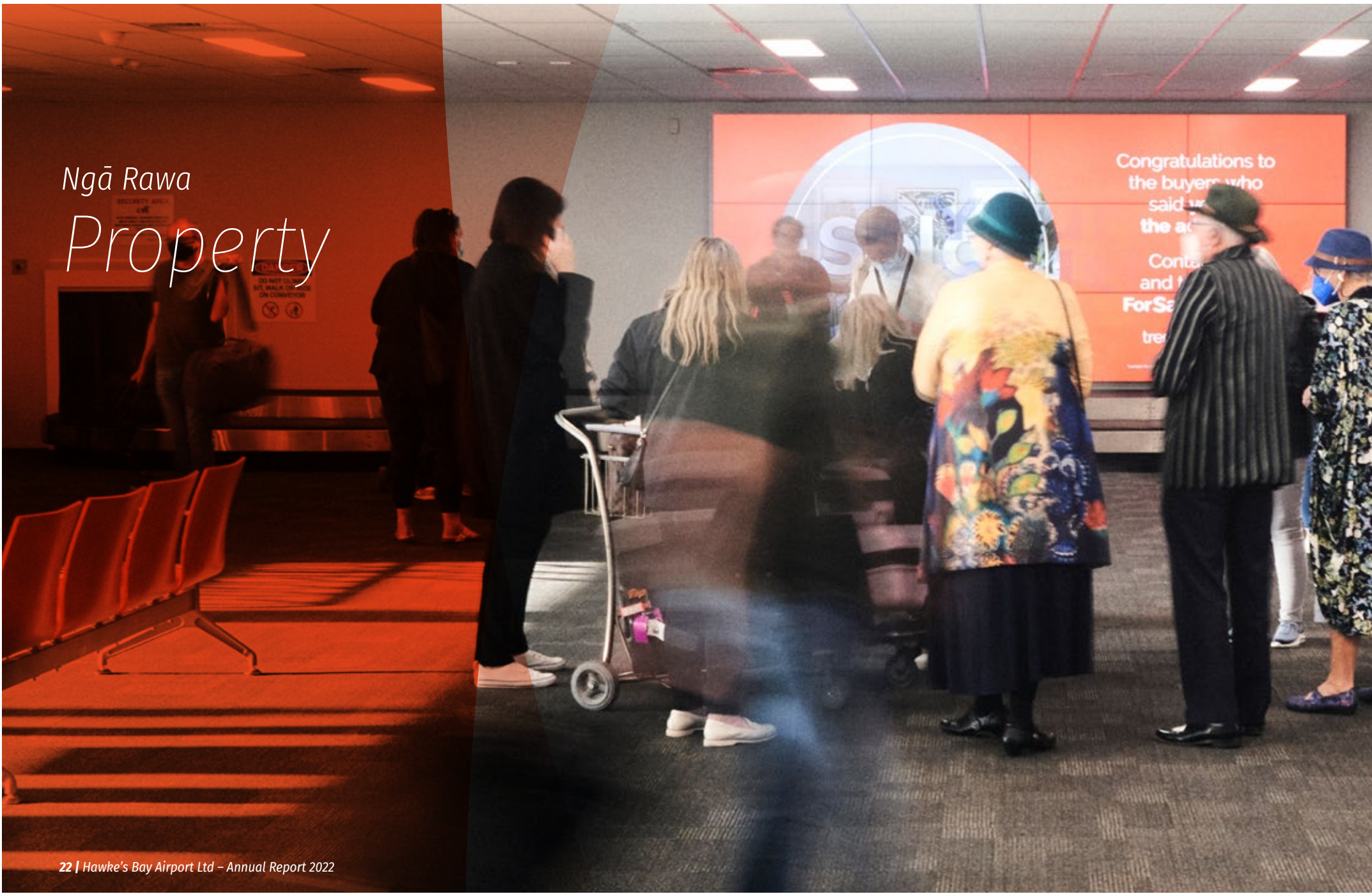
Wine culture

We're proud to showcase our region and its industries throughout our terminal. This year, we unveiled a new installation that does double duty as both an interactive artwork and a commercial asset. The 'Wine Wall' is located on the main thoroughfare between the terminal entrance and the café area and features 370 wine bottles arranged in the shape of a QR code, which when scanned, will take viewers through to a URL. It's a bold and engaging statement that celebrates Hawke's Bay's rich winemaking heritage and can be used to support the further growth of the industry.



We're delivering an airport experience that is intuitive, engaging, and memorable for all the right reasons

Ngā Rawa
Property



Strategic Pou:
*Making the best use of our
land while safeguarding
our airport to optimise
returns and increase value
to our shareholders.*

The story of Hawke's Bay Airport starts with a parcel of flat land raised from Napier's inner harbour in the devastating 1931 Napier Earthquake. Designated a local aerodrome, flights began landing soon after, with a former tram car serving as the first terminal. Fast forward 91 years and Hawke's Bay Airport is a multi-faceted operation with a brand new, multi-million dollar terminal.

Hawke's Bay Airport is a strategic asset for the people of our region and optimising the 230-hectare site on which our airport sits is crucial to growing a successful future. That means finding uses for our land that enhance and build on our airport operations, while also diversifying revenue to safeguard the future of our business.

The airport precinct is already home to a diverse mix of tenants, from aviation businesses to commercial operations and support services. Over the long term, we aim to grow this community into a thriving commercial hub that benefits from an airport on its doorstep.

A fitting welcome to Hawke's Bay

After a challenging build process, we opened our vibrant new airport terminal in 2021. The completion of the building was a major milestone in our long-term strategic plan and marked the start of a new era for Hawke's Bay Airport. With modern facilities, considered spaces, and first-rate café and retail offerings, the new terminal provides an exceptional customer experience. Built with future growth in mind, it will enable us to welcome one million passengers a year.

This year, we have worked hard on the final piece of the puzzle – a beautiful forecourt that provides our passengers with their first impression of Hawke's Bay. The area has been thoughtfully designed to include a 20-metre wide canopy for shade and shelter, public seating, and innovative lighting to illuminate the area when the sun goes down. It is designed to welcome travellers back to and into the region with physical elements that reflect the Hawke's Bay landscape. Gabion baskets, tidal pools, light poles, canopy carvings and native plantings will provide interest throughout the zone, while kuaka sculptures guide passengers from Watchman Road to the terminal.

While the construction of the forecourt has been affected by many of the same challenges as other large projects, it will prove worth the wait.

*From a tram car to a
multi-million dollar terminal,
Hawke's Bay Airport continues
to grow and evolve*



Artist Impression



Artist Impression

Powering ahead with solar energy

We are working hard to diversify our revenue streams, making progress on plans for a large-scale solar farm. The proposed development would be the first large-scale photovoltaic installation on airside land and would make Hawke's Bay Airport the first solar-powered airport in New Zealand.

The development will see solar panels installed on an under-utilised parcel of airport land, generating clean energy and exporting it into the grid, from where it will be purchased by retailers and distributed to the end customer. This project will support and contribute to New Zealand's target of becoming net zero by 2050.

This year, we welcomed Manawa Energy (formerly Trustpower) to the project as our joint venture partner. We are working closely together to finalise the design of the solar farm, including its size and capacity, before progressing to the next stage of the project – undertaking environmental assessments, engaging in community consultation, and seeking resource consent.

Ahuriri Aeropark

In 2021, we announced plans to develop a business park within the airport precinct. The Ahuriri Aeropark will see 10 hectares of airport land transformed into homes for business in a staged development over the medium term. Prospective tenants will have the choice to lease land, or to work with Hawke's Bay Airport to design and build their new base with a long-term commercial lease.

Well-connected via both road and sky, and in close proximity to Napier Port, it's an ideal location for a broad range of businesses. Sustainability will be at the heart of the Aeropark development, with a strong emphasis on sustainable design, durable materials, water conservation, energy efficiency, and the protection of our local biodiversity. We aim to attract a mix of businesses who are like-minded on sustainability, with airport freight, logistics and science-based research hubs seen as a natural fit.

An information memorandum was released to market in July 2021, but the impact of COVID-19 on the aviation industry saw the development put into a holding pattern while we concentrated on core operations. In February 2022, the Aeropark was opened to the market again on the back of steady enquiry. We are now in discussions with a number of potential tenants, and are making progress toward our vision.

Reflection of our region

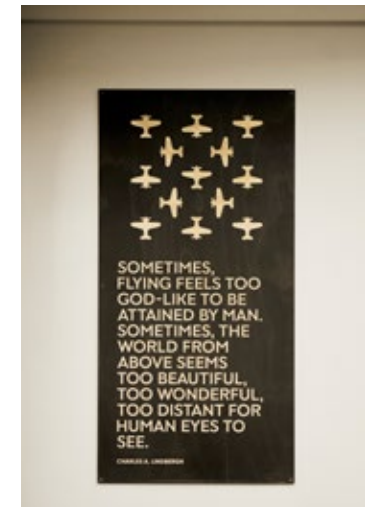
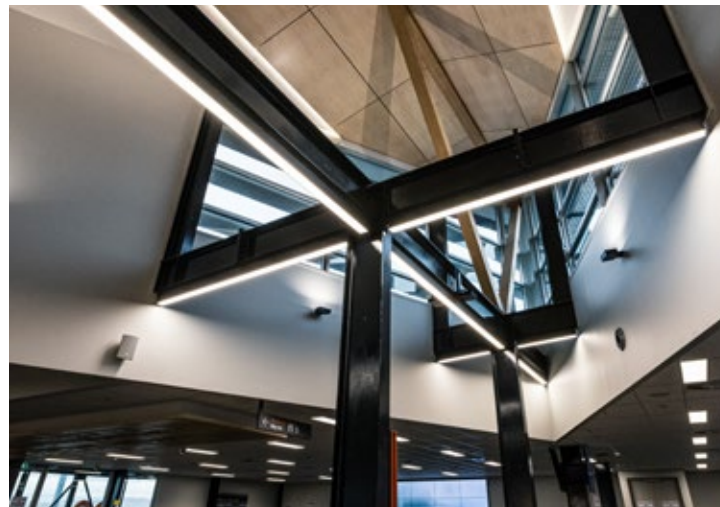
Our new terminal was designed to be a fitting representation of Hawke's Bay's history, vibrancy and future growth. As the first and last touchstone of the region, portraying a true sense of place was integral to the story of the building. In collaboration with Mana Ahuriri, local artist Jacob Scott created the cultural underpinning by way of carved ceiling panels, sculptures and natural elements that welcome, guide and support visitors to the airport.

The structural steel beams throughout the terminal are a nod to the devastating 1931 Napier Earthquake, which saw the ground that Hawke's Bay Airport stands on today raised from the harbour. The visible steel structure is a testament to the strength of the building and the region it represents.

Suspended above the walkway to the Departures area are lines of acoustic panels. Their uniform structure and symmetrical form are reflective of the grapevines that line the Hawke's Bay landscape.

Either side of the bathrooms runs a feature wall in shades of yellow and green. The striking patterns represent the natural colours of Hawke's Bay year-round.

Passengers will also find unique quotes from aviation pioneers sprinkled throughout the terminal, offering a nod to the past to those who discover them.



Ngā Rawa
Partners



Strategic Pou:
Engaging with our customers, stakeholders, business partners and community to grow our airport in a way that benefits everyone. A great place to do business.

We're guided by a belief that our work should enrich the community we're part of. We're proud to be the gateway to Hawke's Bay and are working hard to build partnerships that grow our economy, protect our natural environment, and support our people.

We're part of a network of key organisations within Hawke's Bay, including our councils, mana whenua, Mana Ahuriri, critical infrastructure, Hawke's Bay Tourism, Great Things Grow Here, the Hawke's Bay Chamber of Commerce, ExportNZ Hawke's Bay and more. We work across different sectors, but we're united by a common goal: the growth and prosperity of Hawke's Bay and its people.

Our new terminal is a reflection of this goal, and we are proud to showcase the events, causes, and initiatives that strengthen the social fabric of our community and contribute to the growth and vibrancy of Hawke's Bay.

Investing in our community

It's in our nature to give back, which is why we gladly support a range of local events, charities, and clubs. This year was our fourth as Platinum Sponsor of Biodiversity Hawke's Bay, supporting the organisation in its mission to work on behalf of the community to deliver on the objectives of the Hawke's Bay Biodiversity Strategy 2015 – 2050 to restore and protect our region's natural environment.

This year saw the return of the Hawke's Bay events calendar, and we were pleased to be part of the action as Presenting Partner for the Art Deco Festival, a major event that attracts thousands of people and brings our architectural heritage to life. We also jumped onboard the Hawke's Bay Marathon, a destination event that attracts thousands of runners from across New Zealand and Australia. As the Official Volunteer Partner, our sponsorship enables over 500 locals to make the event a roaring success. In July, we sponsored the ExportNZ ASB Hawke's Bay Export Awards, which celebrates excellence in our regional export sector.

We continued our support of Hawke's Bay Air Ambulance Charitable Trust, delivering essential equipment for the betterment of the service into and out of Hawke's Bay.

We support the future of our tourism industry with scholarships for students at Hawke's Bay's Eastern Institute of Technology. This year, two students studying for the New Zealand Diploma in Tourism and Travel were awarded the Hawke's Bay Airport Tourism Scholarship, receiving \$1000 toward their studies.

We're also pleased to support organisations making a difference for the smaller members of our community. We donate to the Yarny Army, a group of committed knitters who put their skills to use creating winter woollens for babies and underprivileged children.

It's in our nature to give back



Activations take off

This year, we worked alongside a range of partners to bring our new space to life for our passengers and community.

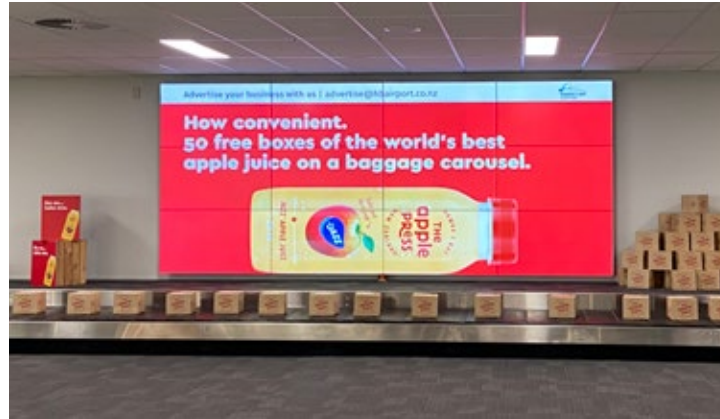
Biodiversity Week: In late May, we marked Biodiversity Week by bringing nature into the terminal, creating an area of natives interspersed with information boards highlighting the mahi of local conservation groups including the Ahuriri Estuary Protection Society, Maraetōtara Tree Trust, the Tukipo Catchment Group and Te Wai Mauri. An area for tamariki was created in collaboration with New Zealand illustrator Ned Barraud, with pages from his children's wildlife book *Where Is It?* printed in large scale for kids to explore and enjoy.

Ranfurlly Shield defence: A chartered Originair flight carrying 18 passionate Tasman Makos fans touched down in late October for a Ranfurlly Shield clash against the Hawke's Bay Magpies. Greeting them on the apron was none other than Magpies mascot Kahu, who offered a warm Hawke's Bay welcome to the fans.

Christmas at the terminal: Regional borders were reopened in November, meaning plenty of families travelling for Christmas. We took it upon ourselves to sprinkle some extra joy into their airport experience on the days leading into Christmas, with youth operatic choir Project Prima Volta singing Christmas carols and elves offering chocolate treats. Sustainable plywood Christmas trees were put up throughout the terminal, and passengers were invited to decorate them with a bauble-shaped sticker bearing their Christmas wish.

Run the Runway: To kick off our new role as Official Volunteer Partner of the Hawke's Bay Marathon, we created a special event. Run The Runway saw sponsors, partners and key supporters of the event invited to run a specially-created 4.1km runway course. It was a hit, with more than 30 runners taking part in this night event and plenty more hoping for a chance to run next year.

The Apple Press baggage belt giveaway: As a fellow partner of the Hawke's Bay Marathon, The Apple Press came to us with an idea to give away boxes of locally-produced apple juice to all arriving passengers via the baggage belt. With the support of Air New Zealand, we created a fun and engaging giveaway for everyone who touched down the day before the marathon.



Mind the gap

Sustainability is at the heart of our business and we are proud to sponsor the regeneration of Te Taha, colloquially known as 'The Gap' - an area of shingle beach in Westshore that forms part of the airport's cross runway.

The project is a collaboration between Biodiversity Hawke's Bay and Te Taiwhenua o Te Whanganui ā Orotu, and is supported by Napier City Council, Hastings District Council and community groups including the Westshore Residents and Development Association, Napier Forest & Bird, and Rotary Club of Ahuriri Sunrise with the Interact Clubs of Napier. The project benefits from the expertise of local ecologists Kay Griffiths (The Conservation Company) and Marie Taylor (Plant Hawke's Bay).

In June 2022, the site was blessed by Te Taiwhenua o Te Whanganui ā Orotū, ready for a community planting. This significant milestone was the first step to regenerating the area with native and endangered plants which will create an ecosystem unique to Napier for many years to come.



*Our work should enrich
the community we're part of*

Ngā Tāngata
People



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

Behind the scenes of our busy airport is a dynamic, tight-knit team of people who keep our operations running smoothly and ensure we provide an exceptional airport experience. We're fortunate to have world-class skills and expertise within our team, and we're committed to doing right by our people. We want Hawke's Bay Airport to be a great place to work; an inclusive environment where our people strive for success.

This year, we welcomed a number of new faces to our leadership team, including a new CEO. We added new strategic roles, building our capability with the future growth of the business in mind. Amidst an ongoing pandemic, we also continued our focus on building the wellness and resilience of our people.

*We're committed
to doing right by our people*

Welcoming new faces

People are the driving force behind Hawke's Bay Airport. This year marked a big change, with CEO Stuart Ainslie stepping down in December 2021 after three and a half years of service. In April, we welcomed Rob Stratford as the airport's new Chief Executive. Rob returns to New Zealand after more than 20 years in Australia, working in executive roles across aviation, transport, energy, waste management and shipping. He brings a strong track record in diversifying revenue, property development and infrastructure projects.

We also welcomed Deb Suisted to the team as our new Operations Manager in January 2022. Deb comes from a diverse background in aviation security, regulation, law enforcement, and emergency management. She is as passionate about safety and security as she is about people, and brings expertise in contingency planning and leading teams through change.

The Airport Fire Service team was joined by new Airport Fire and Operations Officers Josh Burke and Brian Basset. Both bring varied backgrounds and unique skillsets to their roles, and will be strong assets for the Airport Fire team.

New roles are being created to bolster the growing needs of the business, which includes support staff and management positions.

Supporting wellness

We value the wellbeing of our team and this year, we initiated work on a company-wide wellness plan. With our corporate and fire teams based in separate locations at the airport and working on different shift patterns, our goal is to bring the team together. As part of the strategy's development, we are actively trialling different options to find activities and initiatives that work for everyone.

We also built on our Resilience at Work programme this year, providing tools for managing personal or professional challenges.

Men's Health Week

With a large male workforce, we hosted an event in June for Men's Health Week, open to all men on the airport precinct. The irreverent Dr Dave Baldwin, also known as 'The Flying Doctor', led a highly engaging, humorous, and thought-provoking session that highlighted the need for men to look after their health and heed the signs that could otherwise be brushed under the rug. His book *Healthy Bastards* helps to cut through the jargon and get to the heart of men's health issues. In addition to Dr Dave, *The Blokes' Book*, which is a local collaboration by our Chief Fire Officer, is a rich resource on men's health and was given out to all in attendance.

Fighting fit

The Airport Fire Service team is critical to our operation, ensuring the safety of aircraft in every take-off and landing. In addition to always being ready for duty, they perform an array of safety and operational maintenance duties including bird management, pasture management and runway checks.

Every year, our firefighters are required to pass a fitness test in order to remain on duty. It's a gruelling seven-minute test of strength, endurance and speed, but the team passed with flying colours. In late 2021, some of the corporate team decided to test their fitness test too. The results were varied, but there was no shortage of encouragement from their firefighter colleagues.

Welcome return for Airport Ambassadors

Our Airport Ambassadors are pivotal to our customer experience, offering a helping hand wherever passengers may need it. Many have rich career and travel stories which make their interaction with the public all the more engaging, and they make a meaningful difference to thousands of passengers every year.

COVID-19 threw a curve ball into the ambassador programme in 2021 and 2022, with lockdowns and outbreaks forcing a hiatus. After five months, we were able to welcome our ambassadors back to the terminal to meet and greet passengers again. We're grateful for their dedication and celebrated their service with a get-together in the new terminal for National Volunteers' Week in June.

*Our Airport Ambassadors
make a meaningful difference
to thousands of passengers
every year*





A large, semi-transparent graphic of a stylized Maori koru symbol is overlaid on the right side of the page. The background of the entire page is a photograph of an airport terminal at dusk, with warm orange and yellow light from the setting sun and interior lights. The terminal has large glass windows and doors, and a plane tail fin is visible on the right.

Te Whakauka Sustainability

We've set ourselves the goal of achieving carbon neutrality by 2030.

We're on our way to becoming New Zealand's most sustainable airport; setting ambitious goals and pushing the boundaries to reach them.

Our sustainability journey is guided by an overarching framework, which sets out four areas of focus: environmental excellence, financial return, operational efficiency and social opportunity.

We are committed to growing our business in a way that respects the ecosystems around us and leaves a healthy environment for generations to come.

We've set ourselves the goal of achieving carbon neutrality by 2030, mapping out a comprehensive path to decarbonisation. This year, we made steady progress on our net zero journey while also laying the groundwork for solutions to some of our more complex challenges.

We were pleased to see Aotearoa New Zealand's first emissions reduction plan published by the Ministry for the Environment in May 2022. This sets the direction for climate action for the next 15 years, putting us on a path to achieve our long-term net zero targets and contribute to global efforts to limit temperature rise to 1.5 degrees. The plan sets out actions across every sector of the economy, including transport and aviation.

Widening our scope

In 2020, we began our path to net zero emissions, committing to the *Airport Carbon Accreditation* programme. Considered the international gold standard for carbon management within the industry, it sets out a six-level journey to take airports from mapping emissions to carbon neutrality and beyond.

Having achieved Level 1: Mapping and Level 2: Reduction in 2020 and 2021 respectively, we're making strong progress toward our goal. This year, amidst COVID disruptions and financial challenges, we continued to reduce emissions, engage with our stakeholders, and work toward Level 3: Optimisation. Achieving the next level of accreditation requires us to look beyond our own operations and measure impacts across the wider airport precinct, including those of our tenants, airlines and other partners. We have also modelled emissions from travel to and from the airport by passengers, staff, tenants and visitors, as well as emissions from fuel use in aircraft. We are now preparing for ACA's independent verification process, and aim to achieve Level 3 in 2023.

International recognition

This year, we were proud to be one of 12 airports across the world recognised for best practice in sustainability. The Green Airports scheme is run by Airports Council International and acknowledges outstanding environmental accomplishments among its member airports. Carbon management was this year's theme, and Hawke's Bay Airport was awarded a platinum recognition for our switch to carbon neutral electricity.

This change enabled us to power the entire terminal operations including offices, retail spaces, café and lounge cooking, heating, ventilation and cooling, hot water heating, aircraft ground power, ground support equipment, airside operations vehicles, car park and street lighting, security systems, and our stormwater pump station with 100% renewable and certified carbon neutral electricity.

Banking on a sustainable future

In November 2021, Hawke's Bay Airport secured a \$23 million sustainability-linked loan from ASB – a first for a New Zealand airport and for our lender. This required us to commit to key environmental, social and governance targets, with our borrowing costs to be adjusted based on our performance against these targets. Our targets were set in alignment with our *Airport Carbon Accreditation* journey, and our performance against those targets will be reported on annually.

Lighting the way

This year, we embarked on a project that will transition our carpark to more energy-efficient LED lighting. The new lamps use less than half the electricity and have a much longer life expectancy, reducing maintenance and replacement costs. The project is estimated to save just over \$4,000 in energy costs each year and will pay for itself in less than six years. Nineteen LED lamps were installed this year, with the remainder to be upgraded in the coming year.

Our new terminal opened in August 2021, with a raft of improvements including energy efficient LED lighting throughout, improved electricity and water sub-metering, an efficient heat pump heating and cooling systems, and lots of natural daylight.

Our electricity is 100% certified renewable, sourced from three hydro dams, the Flat Hill Wind Farm and solar customers who export electricity to the grid. Our provider Ecotricity measures all greenhouse gases associated with the full lifecycle of these generation sources in accordance with the United Nations Product Protocols and any remaining emissions that can't be avoided are offset by purchasing verified carbon credits, using only New Zealand Native Bush Carbon Credits.

Hawke's Bay Airport was awarded a platinum recognition for our switch to carbon neutral electricity

The future of flight

Climate change is driving a transformational change in aviation, as airlines search for alternatives to lower their emissions footprint. With an abundance of renewable energy sources and a domestic network of short flights, New Zealand is well-placed to be a leader in zero emissions aviation and airports have an important role to play in enabling that change.

We are committed to playing our part and are keeping a close watch on developments in aircraft technology such as battery electric, hydrogen fuel cells and hybrid systems. This will take time for airlines to implement but in future, we may need to provide infrastructure such as megawatt fast chargers and green hydrogen production or storage.

Working on what matters

To further strengthen our Sustainability Framework, we undertook a materiality assessment in late 2021 – a structured process of engaging with stakeholders to understand which issues they consider most important (material). We worked with international sustainability experts thinkstep-anz to ensure the process was rigorous, robust, and met international best practice standards.

A range of internal and external stakeholders were engaged to identify material issues, followed by a survey of more than 100 to rank these issues according to importance. An internal workshop was held to determine the business impact of those issues. The result of the process was a materiality matrix plotting stakeholder ranking against business impact.

Learnings from our materiality assessment will inform a review of our sustainability strategy later this year and ensure we prioritise issues that are most important to our stakeholders. A deeper understanding of our stakeholders will improve our decision-making, as well as our measurement, reporting and disclosures.



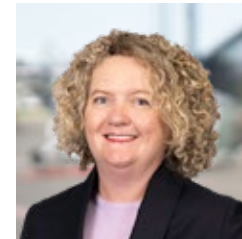
Ō Mātau Tāngata
Our People

As at 30 September 2022

Board of Directors



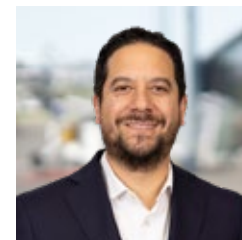
Wendie Harvey
Chair



Sarah Park
Director



Jon Nichols
Director



Craig Barrett
Director



Jonathan Norman
Future Director

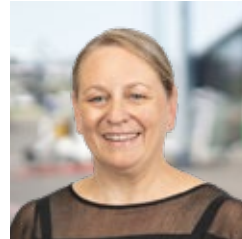
Hawke's Bay Airport Team



Rob Stratford
Chief Executive Officer



Denis Haggitt
Chief Financial Officer



Stephanie Murphy
Airport Planner



Deb Suisted
Operations Manager



Judi Godbold
Customer Experience
& Marketing Manager



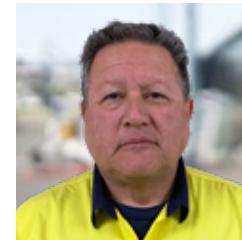
Sara Cartwright
Operations Support



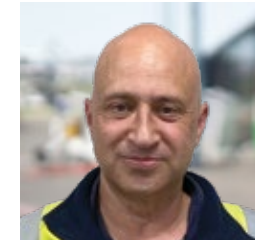
Michelle Duncan
Sustainability Projects
Manager



Damian Corbett
Airside Safety & Security
Manager



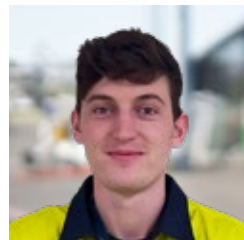
Win Lowe
Airport Fire &
Operations Officer



Bill O'Brien
Airport Fire &
Operations Officer



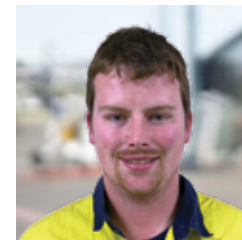
Dan Bergloff-Howe
Airport Fire &
Operations Officer



Karl Howett
Airport Fire &
Operations Officer



Brian Bassett
Airport Fire &
Operations Officer



Josh Burke
Airport Fire &
Operations Officer

Pūrongo Pūtea

Financial Statements

Corporate Report	41
Statement of Service Performance	44
Consolidated Statement of Comprehensive Income	48
Consolidated Statement of Changes In Equity	49
Consolidated Statement of Financial Position	50
Consolidated Statement of Cash Flows	51
Notes to the Consolidated Financial Statements	52
Independent Auditor's Report	70



Corporate Report

For the year ended 30 June 2022

Hawke's Bay Airport Limited (the Company) 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. Hawke's Bay Airport Limited is defined as a Council-controlled organisation pursuant to Part 5 of the Local Government Act 2002. Hawke's Bay Airport provides airport facilities, infrastructure and supporting aeronautical services. The Company earns revenue from aeronautical activities, retail and rental leases, car parking facilities, transport operators, advertising and tenants occupying sites within its business park.

Directors

Board Appointments And Retirements

Sarah Park was reappointed as a Director, effective 1 July 2021.

Craig Barrett was appointed as a Director, effective 21 September 2021.

Jonathan Norman was appointed as a Future Director under the Hawke's Bay Limited Airport - Intern Programme effective 18 June 2021.

Directors Remuneration

The amount of \$106,840 per annum was paid to Directors holding office in the 12 months to 30 June 2022.

W N Harvey	Chairperson	43,402
S N Park	Chairperson -Audit, Finance & Risk Committee	27,500
C Barrett	Director	13,438
J Nichols	Director	22,500
J Norman	Future Director	-
		106,840

No other remuneration or benefits other than normal reimbursement of expenses has been paid or given to Directors.

Board committees

As at 30 June 2022 the Company had an Audit, Finance and Risk Committee, comprised of two Directors, being Sarah Park (Chair), and Jon Nichols. The committee is responsible for overseeing:

- the quality and integrity of our financial statements, reporting, budgets and material investment proposals;
- current risk exposures and the future risk strategy of HBAL, including strategy for capital and liquidity;
- the selection and performance of our external auditors; and
- accounting policies, the effectiveness of internal controls, the financial risk management system and related matters.

Directors' interests

As at 30 June 2022, the Directors have declared general disclosure of interest in the following entities:

W N Harvey

Excellence in Business Solutions Limited	Director/Shareholder
New Zealand Gambling Commission	Commissioner - Resigned 1 November 2021
Eastland Group Limited	Director
Eastland Network Limited	Director
Eastland Port Limited	Director
Eastland Generation Ltd	Director - Appointed 10 December 2021
The Electrical Training Company Limited	Director - Resigned 17 May 2022
Aurora Energy Limited	Director
Fire and Emergency New Zealand	Director
Hawke's Bay Airport Construction Limited	Director
Gisborne Airport Limited	Director
TAB NZ Ltd	Director - Appointed 1 August 2021

S N Park

Scotch & Sparkles Limited	Director/Shareholder
Eurogrow Potatoes Limited	Director
Orbis Diagnostics Limited	Director - Appointed 8 June 2022
Pacific Edge Limited	Director
Pacific Edge Diagnostics New Zealand Limited	Director
Pacific Edge Analytical Services Limited	Director
Board of Trustees of the National Provident Fund	Independent Trustee
Hawke's Bay Airport Construction Limited	Director
Rapid Response Nursing Limited	Director/Shareholder
Even Capital GP Limited	Director/Shareholder
Waiapu Anglican Social Services Trust Board	Independent Chair of Audit & Risk Committee

J E Nichols

Eastland Group Limited	Director
Eastland Network Limited	Director
Eastland Port Limited	Director
Eastland Generation Ltd	Director - Appointed 10 December 2021
Gisborne Airport Limited	Director
Electra Limited and subsidiaries	Director
Electra Services Limited	Director
Nichols Consulting Limited	Director/Shareholder
Palmerston North Airport Limited	Director - Retired 30 September 2021
Hawke's Bay Airport Construction Limited	Director
Hastings District Council	Independent Chair of Risk & Assurance Committee
Maungaharuru-Tangitū Charitable Trust	Independent chair of Audit and Risk Komiti
Ngawha Generation Ltd	Director - Appointed 1 March 2022
Top Energy Ltd	Director - Appointed 1 March 2022

C Barrett

Baker Tilly Waikato Ltd	Director
Obsidian Capital Management Limited	Director
Hineuru Holdings Limited	Director
Kahikatea No 6 Limited	Director
Hineuru Orchard (Waverley) GP Limited	Director
Hautupua GP Limited (Miro Berries)	Director
Miro Trading GP Limited (Miro Berries)	Director
Waikato Regional Economic Development Limited (Te Waka)	Director
Kahutia General Partner Limited	Director
Hineuru Cherri (5H) Extension Limited	Director
Hawke's Bay Airport Construction Ltd	Director - Appointed 26 November 2021
Te Kupenga o Maniapoto	Director
Ag Drive Limited	Director - Appointed 6 December 2021
K3 (GP) Ltd	Director - Appointed 21 February 2021

J Norman

No external Directorships

R Stratford – CEO

Kubis Aviation Pty Ltd	Director
Kubis Karratha Pty Ltd	Director
Kubis Fremantle Pty Ltd	Director
Wilh. Wilhelmsen Investments Pty Ltd	Director

Details of any related party transactions made during the year are shown in Note 19 of the Notes to the Financial Statements.

Board attendance

Director	Position	Tenure	Meetings Attended	Of a Possible
W N Harvey	Chair	Full Year	11	11
S N Park	Director/AFRC Chair	Full Year	10	11
J Nichols	Director	Full Year	11	11
C Barrett	Director	9.5 months	9	9
J Norman	Future Director	Full Year	10	11

Employee remuneration

The number of employees or former employees who received remuneration and other benefits of \$100,000 or more for the year ended 30 June 2022 and prior was as follows:

Remuneration	Number of Employees	
	2022	2021
\$100,001 - \$110,000	1	-
\$140,001 - \$150,000	-	1
\$150,001 - \$160,000	-	1
\$160,001 - \$170,000	1	-
\$180,001 - \$190,000	2	1
\$290,001 - \$300,000	-	1

Chief Executive remuneration

In the financial year ended 30 June 2022, the role of Chief Executive was paid total remuneration of \$298,493. This included an at risk component of \$25,000 related to achievement of key performance indicators directly aligned with the Group's strategy (2021: total remuneration \$296,056, including an at-risk component of \$22,500).

Auditors

The Office of the Auditor General is appointed as auditor under Section 15 of the Public Audit Act 2001 and Section 70 of the Local Government Act 2002. On 3 May 2022 Pam Thompson of Deloitte Limited was appointed to provide these services.

In the prior year Philip Pinckney of Baker Tilly Staples Rodway Audit Limited provided these services.

Dividends

As agreed with shareholders, no dividend will be paid for the financial year ended 30 June 2022 (2021: Nil).

Directors responsibility statement

The Directors are responsible for ensuring that the financial statements and the Statement of Service Performance present fairly the financial position of the Company as at 30 June 2022 and its financial performance and cash flows for the year ended on that date.

The Directors consider that the financial statements of the Company have been prepared using appropriate accounting policies consistently applied, and supported by reasonable judgements and estimates and that all relevant financial reporting and accounting standards have been followed.

Statement of Service Performance

The following is a Statement of Service Performance relating to the key objectives listed in HBAL's Statement of Corporate Intent for the year ending 30 June 2022.

In 2022, we saw COVID-19 still affecting the business as New Zealand moved through various levels of Alert Restrictions. These had a significant negative impact on the business particularly in the period from August 2021 to March 2022 with restricted flights and by extension reduced passenger numbers impacting the airport revenues and the aviation industry at large. As a result of this many of the key Activities and Outcomes could not be achieved.

	<i>Activity and Outcome</i>	<i>Measure</i>	<i>Target/ Date</i>	<i>Progress to Date</i>	<i>Commentary</i>
Operations	1 Operating and effective safety management system	Internal Safety Management System (SMS) tracker updated monthly	Recurring	●	Incidences are tracked daily and reported to the Board on a monthly basis. The SMS Tracker is fully operational.
		To achieve zero lost time injuries	Recurring	●	No lost time injuries reported for FY 2022.
	2 Practical completion of landside forecourt	Practical completion	Aug-21	●	Expected October 2022.
	3 Biannual strategic risk/compliance review	Review implemented	Aug-21 / Feb-22	●	In July 2022 Management has prepared a revised Strategic Risk Register with a further review to be completed in December 22.
	4 Review and refine Wildlife Management Plan	Second phase plan implemented	Nov-21	●	Second phase implementation achieved - all elements of the full Wildlife Management plan are in place and being actioned.
5 Complete roadmap to carbon neutrality	Achieve Level 3 Airport Carbon Accreditation (ACA)	May-22	●	ACA level 3 accreditation was delayed by Airports Council International (ACI) programme ruling that no airport could submit data from 2020, due to COVID-19 impacts. HBAL's ACA level 3 verification audit will occur in November 2022.	

KEY: ● – Completed/Achieved ● – Work in Progress/On track ● – Not Completed/Achieved

	<i>Activity and Outcome</i>	<i>Measure</i>	<i>Target/ Date</i>	<i>Progress to Date</i>	<i>Commentary</i>	
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	Sep-21	●	Project underway. Data collection; objectives defined; project plan being formulated and will be presented to Board as part of the November 2022 Group strategy session.
	7	Use transport strategy to inform preparation of five-year product development roadmap for carpark/ground transport – this should consider capacity, segmentation, commercial, technology and sustainability outcomes as well as supporting capex/opex requirements.	Transport strategy roadmap endorsed by HBAL Board	Jun-22	●	Strategy being developed for the November 2022 Group Strategy Session.
			Capital expenditure /operational expenditure built into financial forecasts.	Jun-22	●	Approved by the board at the July 2022 Board meeting.
	8	Grow in-terminal passenger spend rates by better meeting customer demand.	Improved Airports Service Quality Questionnaire (ASQ) scores and Passenger Spend Rate (PSR) growth.	Jun-22	●	ASQ data wasn't recorded whilst the Ambassadors were stood down due to COVID-19. Process recommenced in May 2022 with scores improving. PSR growth referred to below.
			PSR growth of > 10%	Jun-22	●	Metric wasn't achieved by June 2022 on account of COVID-19.
	9	Build stronger relationships/understanding with all commercial partners	Minimum 2 x meetings per year with each commercial partner	Recurring	●	There have been at least 2 meetings per year with each commercial partner.
	10	Develop a five-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	Sep-21	●	Strategic review (internal versus external management) complete. Five-year strategy to be developed.
			Advertising revenue growth of >40%	Jun-22	●	COVID-19 impacted this metric for FY2022, but revenue growth underway in FY2023.
	11	Work with Napier City Council planners and local iwi to ensure HBAL interests are considered in district plan review	Successful regional collaboration	Recurring	●	HBAL and Mitchell Dayish has submitted material to the Napier City Council in September 2022. This forms the basis for proposed changes to the Napier City Council District plan (NCCDP). Napier City Council has in turn delayed the finalising of the District Plan.
			District plan outcomes support HBAL master plan objectives			

KEY: ● – Completed/Achieved ● – Work in Progress/On track ● – Not Completed/Achieved

	<i>Activity and Outcome</i>	<i>Measure</i>	<i>Target/Date</i>	<i>Progress to Date</i>	<i>Commentary</i>	
Property	12	Continue to refine commercial property strategic plan in alignment with Resource Management Act/Sustainability Framework and market demand.	Activation of HBAL property strategy. Precinct and market collateral in place	Dec-22	●	Launch of Ahuriri Aero Park underway with Management actively seeking new tenants for the business park.
	13	Holistic 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	Jun-22	●	Capital expenditure plan developed and approved by the Board in July 2022 meeting.
	14	Stimulate property development opportunities	>1 major property development initiated	Jun-22	●	Launch of Ahuriri Aero Park underway with Management actively seeking new tenants for the business park.
	15	Advance renewable energy project	Resource consent lodged	May-22	●	Memorandum of Understanding signed with Manawa Energy; resource consent work stream in progress but not yet lodged with Napier City Council.
	16	Proactively engage with Hawke's Bay community, local and central government and other key stakeholders	Supportive environment for wider airport	Recurring	●	Management has had 9 meetings with key community stakeholders including Hawke's Bay regional council, Mana Ahurihi Trust, and Solar Farm offtake partners.
Partners	17	Partnership/collaboration with regional leaders around sustainability outcomes	Ensure airport presence/voice at regional forums	Recurring	●	Member of Hawke's Bay Climate Action Network; HBAL presented its sustainability journey on 29th June 2022; HBAL provided input to Hawke's Bay Regional Councils' (HBRC) regional carbon inventory project delivered by AECOM; HBAL was the only business invited by HBRC to contribute to the Regional Climate Action Plan planning session in August 2022.
	18	Undertake stakeholder and public consultation as part of Napier City Council district plan review	Community to work as one team	Dec-21	●	During the period July 2021 and December 2021, 22 meetings were held with stakeholders. These included Dean Moriarity and Paulina Wilhelm from Napier District Council and Debbie Morahan from Biodiversity Hawke's Bay. Refer to measure 11 above for more context.

KEY: ● – Completed/Achieved ● – Work in Progress/On track ● – Not Completed/Achieved

	<i>Activity and Outcome</i>	<i>Measure</i>	<i>Target/ Date</i>	<i>Progress to Date</i>	<i>Commentary</i>	
Partners	19	Continued collaboration with manawhenua	Regular meetings/engagement. Property partnerships	Recurring	●	Continuing to foster relationship with new Mana Ahuriri Trust chair and wider Iwi leaders. Company committed to understanding how we can improve our cultural competency and better collaborate with manawhenua.
	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.	Dec-22	●	Marketing strategy was delivered with Dunedin Airport in July 2022.
Regional Economic Engagement Strategy complete			Dec-22	●	Developing a marketing strategy for Queenstown and Nelson Airports to be completed by December 2022.	
People	21	Develop cross-functional team capability	Resources/expenses in line with financial forecast	Jun-22	●	Not completed. Estimated to be completed by December 2022.
	22	Proactively engage with staff to ensure engagement and optimise wellbeing in the workplace	Staff engagement and culture survey completed. Wellbeing plan developed and implemented	Oct-21	●	Wellbeing survey and workshops completed. Wellness strategy workshop attended in June 2022 with a Health and Wellness programme drafted. Team activity calendar is implemented to celebrate birthdays and team activities.
	23	Continue to build on success of ambassador programme	>85% of existing ambassadors complete two years of service	Recurring	●	29 out of a starting group of 33 Ambassadors (Feb 2019) are still with HBAL and have completed greater than two years service, notwithstanding being stood down on account of COVID-19 for a period.
	24	Invest in team development and training	Training and development programme	Recurring	●	Appointment two new CAA Senior Persons completed replacing departed CEO and Operations Manager.
Financial	25	Achieve financial and operational targets as per SOI	SOI FY2021-22 with a focus on reducing cost and optimising revenues	Annual	●	Not achieved on account of COVID-19.
	26		PAX movements	527K	●	Not achieved on account of COVID-19.
	27		NPAT	\$209K	●	Metric achieved NPAT +\$801K on account of a change in Accounting Policy. Refer Note 1 of the Financial Statements.
	28		Revenue	\$7.9M	●	Not achieved on account of COVID-19.
	29		EBITDA margin	>47%	●	EBITDA margin of 64% achieved on account of a change in Accounting Policy. Refer Note 1 of the Financial Statements.

KEY: ● – Completed/Achieved ● – Work in Progress/On track ● – Not Completed/Achieved

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2022

	Note	2022 \$	2021 \$ Restated
Aeronautical		4,336,577	3,933,817
Ground Transport		1,631,095	1,811,959
Business Park		423,124	402,768
Other Revenue		343,980	512,664
Total Revenue	5	6,734,776	6,661,208
Less Operating Expenses	6a	(3,853,270)	(2,905,675)
Operating Profit after Operating Expenses		2,881,507	3,755,532
Depreciation	10,16	(2,764,481)	(2,225,272)
Fair value gain on Investment Property	11	1,410,179	1,284,363
Gain/(Loss) on Disposal of Assets	7	2,000	(44,337)
Finance Income		-	25
Finance Expense	6b	(709,138)	(342,103)
Net Profit before income tax		820,066	2,428,208
Income Tax Expense	8	(18,719)	(541,217)
Net Profit after income tax		801,347	1,886,991
Items that will not be reclassified into profit or loss:			
Revaluation of Property, Plant & Equipment, net of deferred tax		5,630,758	-
Change in fair value of derivatives, net of deferred tax	21	338,806	-
Deferred tax on revaluation	8	-	138,336
Total Comprehensive Income		6,770,910	2,025,327

Comparative information has been restated, refer to Note 1.

Consolidated Statement of Changes In Equity

For the year ended 30 June 2022

	Issued Capital	Retained Earnings	Revaluation Reserve	Cash Flow Hedge Reserve	Total Equity
Balance at 1 July 2021 (Restated)	13,789,155	17,516,995	10,709,362	-	42,015,513
Net Profit for the period	-	801,347	-	-	801,347
Revaluation of Property, Plant & Equipment (net of tax)			5,630,758	-	5,630,758
Cash Flow Hedge Reserve - Interest Rate Swaps (net of tax)				338,806	338,806
Reclassification of depreciation on revalued assets (net of tax)	-	355,719	(355,719)	-	-
Total comprehensive income		1,157,066	5,275,039	338,806	6,770,911
Distributions to shareholders (note 12)	-	-	-	-	-
Movement in equity for the period	-	1,157,066	5,275,039	338,806	6,770,911
Balance at 30 June 2022	13,789,155	18,674,061	15,984,401	338,806	48,786,423
Balance at 1 July 2020 (Restated)	13,789,155	15,135,948	11,065,083	-	39,990,185
Net Profit for the period	-	1,886,991	-	-	1,886,991
Reclassification of depreciation on revalued assets	-	494,056	(355,720)	-	138,336
Total comprehensive income	-	2,381,048	(355,720)	-	2,025,327
Distributions to shareholders (note 12)	-	-	-	-	-
Movement in equity for the period	-	2,381,048	(355,720)	-	2,025,327
Balance at 30 June 2021	13,789,155	17,516,995	10,709,362	0	42,015,513

Comparative information has been restated, refer to Note 1.

Consolidated Statement of Financial Position

As at 30 June 2022

Note	2022 \$	2021 \$ Restated	2020 \$ Restated	
Assets				
Trade and other receivables	9	1,193,292	924,671	748,178
Cash and cash equivalents		641,420	420,234	281,818
Derivatives	21	101,563	-	-
Total current assets		1,936,275	1,344,905	1,029,996
Property plant and equipment	10	65,599,000	57,705,256	51,651,424
Investment property	11	15,500,825	14,076,408	12,769,481
Intangibles		-	383	959
Right of use assets	16	172,764	296,637	420,510
Derivatives	21	369,029	-	-
Total non-current assets		81,641,618	72,078,684	64,842,374
Total Assets		83,577,892	73,423,589	65,872,370



WN Harvey
CHAIR



SN Park
DIRECTOR & AUDIT, FINANCE & RISK COMMITTEE CHAIR

Note	2022 \$	2021 \$ Restated	2020 \$ Restated	
Equity				
Issued capital	12	13,789,155	13,789,155	13,789,155
Retained earnings		18,674,061	17,516,995	15,135,947
Reserves	12	16,323,207	10,709,363	11,065,083
Total equity		48,786,423	42,015,513	39,990,185
Liabilities				
Trade and other payables	13	1,179,564	1,932,168	996,511
Employee benefits		101,452	116,620	110,880
Borrowings	14	-	-	18,261,762
Provision for retentions payable	15	273,249	225,697	153,971
Lease liabilities	16	103,461	108,371	105,181
Total current liabilities		1,657,725	2,382,856	19,628,305
Deferred tax liability	8	6,420,960	4,890,955	4,927,000
Rentals in advance	13	809,286	927,308	1,011,552
Borrowings	14	25,800,000	23,000,000	-
Lease liabilities	16	103,498	206,958	315,329
Total non-current liabilities		33,133,744	29,025,221	6,253,881
Total liabilities		34,791,469	31,408,076	25,882,186
Total equity and liabilities		83,577,892	73,423,589	65,872,370

Comparative information has been restated, refer to Note 1.

These financial statements were authorised for issue by the Board on 20 October 2022.
On behalf of Hawke's Bay Airport Limited

Consolidated Statement of Cash Flows

For the year ended 30 June 2022

	2022 \$	2021 \$
Cash flows from operating activities		
<i>Cash was provided from:</i>		
Revenues	6,465,123	6,517,429
Interest received	-	25
	6,465,123	6,517,454
<i>Cash was disbursed to:</i>		
Suppliers and employees	(4,369,879)	(3,100,254)
Goods & Services Tax (Net)	73,027	(12,848)
Interest paid	(718,368)	(491,908)
Income tax paid	(401,918)	(108,339)
	(5,417,138)	(3,713,349)
Net Cash Flows from operating activities	1,047,985	2,804,105
Cash flows to investing activities		
<i>Cash was provided from:</i>		
Sale of fixed assets	2,000	-
<i>Cash was disbursed to:</i>		
Capital works	(3,529,660)	(7,311,166)
Net Cash Flows to Investing Activities	(3,527,660)	(7,311,166)

Cash flows to financing activities

	2022 \$	2021 \$
<i>Cash was provided from:</i>		
Borrowings received	3,000,000	4,738,238
<i>Cash was disbursed to:</i>		
Lease - principal payments	(99,140)	(92,762)
Borrowings repaid	(200,000)	-
Net Cash Flows from finance activities	2,700,860	4,645,476
Net increase in cash and cash equivalents	221,185	138,415
Add opening cash and cash equivalents	420,234	281,819
Closing cash and cash equivalents at end of year	641,420	420,234
<i>Represented by:</i>		
Cash at bank	636,730	416,121
Cash in hand	4,690	4,113
	641,420	420,234

AP

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

Cash and Cash equivalents: Cash and cash equivalents are cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Operating activities: Transactions and other events that are not investing or financing activities.

Investing activities: Activities relating to the acquisition, holding and disposal of non-current assets and of investments, such as securities, not falling within the definition of cash.

Financing activities: Activities which result in changes in the size and composition of the capital structure of the Group, both equity and debt not falling within the definition of cash.

Notes To The Consolidated Financial Statements

For the year ended 30 June 2022

1 Basis of preparation and principles of consolidation

Statement of Compliance

The financial statements have been prepared as required by the Local Government Act 2002 and in accordance with all applicable financial reporting standards and other generally accepted accounting practices in New Zealand. They comply with the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) as appropriate to profit oriented entities applying the Reduced Disclosure Regime (NZ IFRS RDR).

The reporting Group has elected to apply NZ IFRS RDR as it has no public accountability and is not a large for-profit public sector reporting entity

Basis of Consolidation

The consolidated financial statements comprise the financial statements of Hawke's Bay Airport Limited and its wholly owned subsidiary, Hawke's Bay Airport Construction Limited (together, the Group).

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intragroup balances and transactions are eliminated in preparing the consolidated financial statements.

Measurement Base

The financial statements have been prepared on a going concern basis in accordance with historical cost concepts as modified by the revaluation of certain assets and liabilities as identified in specific accounting policies below.

Presentation Currency

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

Critical Accounting Estimates, Assumptions and Judgments

The preparation of financial statements in conformity with NZ IFRS RDR requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Fair value of investment property and investment property under development

The fair value of investment property is determined by real estate valuation experts using recognised valuation techniques and the principles of NZ IFRS 13 Fair Value Measurement.

Changes to market conditions or to assumptions made in the estimation of fair value may result in changes to the fair value of investment property. The carrying value of investment property and the valuation methodology are disclosed in note 11.

(b) Fair value of Property, Plant and Equipment

Critical estimates are included in the fair value of Property, Plant and Equipment. The carrying value of Property, Plant and Equipment and the valuation methodology are disclosed in note 10. Management has exercised its judgement on the selection of depreciation rates, and the classification of financial assets, and the classification of assets between plant property and equipment and investment property.

Significant Accounting Policies

Accounting policies are disclosed in each of the applicable notes to the financial statements and are designated with an **(AP)** symbol.

Correction of Error and Voluntary Change in Accounting Policy

Correction of a prior period error (note a)

In September 2022, as a result of a review of the Fixed Assets Register performed by the Group, it was discovered that a parcel of land that had previously been reported as part of Property, Plant and Equipment, had been relocated within the Master Plan as part of the Business Park. This error has been corrected and each of the affected financial statement line items restated. (This was done in accordance with NZ IAS 8, NZ IAS 16 and NZ IAS 40).

Voluntary change in accounting policy applied retrospectively (note b)

Prior to 30 June 2022, the Group had accounted for its investment property and investment property under development at cost less accumulated depreciation and impairment. (This was done in accordance with NZ IAS 8, and NZ IAS 40).

Whilst cost is a permissible basis for measuring the value of investment property, management decided to voluntarily transition to using fair value as a measurement basis for all of its investment property as at 30 June 2022.

The Group believes that this change will result in the financial statements providing reliable and more relevant information about its financial position and financial performance and is more aligned to practices adopted by industry peers.

The Group has applied this accounting policy change retrospectively.

The voluntary change in accounting policy for investment property has been corrected by restating each of the affected financial statement line items for the prior periods as follows:

Impact upon Consolidated Statement of Financial Position	30 June 2021 (previously reported)	Movement	30 June 2021 (Restated to Fair Value)	30 June 2020 (previously reported)	Movement	1 July 2020 Restated to (Fair Value)
Property plant and equipment (note 10)						
Land and Land improvements	6,079,759	(476,000)	5,603,759	6,077,688	(476,000)	5,601,688
Total Property, plant and equipment (note a)	58,181,256	(476,000)	57,705,256	52,127,424	(476,000)	51,651,424
Investment Property (note 11)						
<i>Land previously recorded as Property, plant and equipment (note b)</i>						
Land and Land Improvements (note a and b)	2,695,559	4,113,127	6,808,686	2,729,179	3,037,361	5,766,540
Business Park Infrastructure & Buildings	1,959,070	5,140,688	7,099,758	2,086,025	4,771,514	6,857,539
Investment Property under development	167,964	-	167,964	145,402	-	145,402
Total Investment Property (note a and b)	4,822,593	9,253,815	14,076,408	4,960,606	7,808,875	12,769,481
Total Assets	64,645,775	8,777,815	73,423,590	58,539,495	7,332,875	65,872,370
Deferred Tax Liability	4,205,952	685,003	4,890,955	4,355,256	571,744	4,927,000
Revaluation Reserve	10,709,362	-	10,709,362	11,065,083	-	11,065,083
Retained Earnings	9,424,186	8,092,809	17,516,995	8,374,815	6,761,133	15,135,948
Total Equity	33,922,703	8,092,809	42,015,512	33,229,052	6,761,133	39,990,185
Impact upon Statement of Consolidated Statement of Comprehensive Income						
	30 June 2021	Increase / (decrease)	30 June 2021 (Restated)			
Fair value adjustment to Investment property	-	1,284,363	1,284,363			
Depreciation write back	-	161,012	161,012			
Net Profit before income tax	982,833	1,445,375	2,428,208			
Income tax expense	(427,519)	(113,698)	(541,217)			
Profit for the period after tax	555,314.00	1,331,677	1,886,991			

2 Changes in accounting policies and application of new accounting policies

Other than outlined in note 1, there have been no other changes in accounting policies and all accounting policies adopted are consistent with the prior year.

New or revised standards or interpretations that have been approved but are not yet effective, have not been adopted by the Group for the annual reporting period ended 30 June 2022.

3 Changes to comparatives

Comparative information has been restated (Refer note 1 for additional information) or reclassified where appropriate, to ensure consistency with presentation in the current period. The prior year cash flow statement has been amended to reclassify interest of \$12,419 pertaining to leases from net cash flows from financing activities to net cash flows from operating activities.

4 Significant transactions and events in the financial year

COVID-19

In 2022, COVID-19 was still affecting the business as New Zealand moved through various levels of Alert Restrictions. This had a significant negative impact on the business particularly in the period from August 2021 to March 2022 with restricted flights and by extension reduced passenger numbers impacting the airport revenues, and the aviation industry at large.

5 Operating revenues

Aeronautical income includes all revenue from landing charges, aircraft parking, concessions, airfield and terminal rentals. Ground Transport revenue includes all income from the car parks and associated transport operators. Business park revenue includes all rental income from tenants occupying sites on the business park investment property. Other revenue includes advertising, use of the conference facilities, subsidies and other revenue. All revenue is net of discounts and rebates.

AP

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of Goods and Services Tax (if applicable), returns, rebates and discounts. Aeronautical income derived from services performed are recognised at a point in time,

this consists mainly of landing charges and leased land rentals. Terminal and concessions are recognised over time. Parking fees are recognised in accordance with the hourly, daily or weekly parking charges over time as the service being provided for the period when the vehicles use the carparks. Lease income is recognised on a straight-line basis over the term of the lease. Rental income is recognised in accordance with NZ IFRS 16.

6a Operating expenses

	2022 \$	2021 \$
Audit Fees - audit of financial statements	88,609	45,845
Directors Fees	106,840	117,458
Employee Benefits	1,516,572	1,209,521
Consultancy Fees	426,706	131,286
Insurance	367,417	214,118
Computer/IT Costs	105,600	118,445
Other Operating Expenses	1,241,526	1,069,001
	3,853,270	2,905,675

6b Finance expenses

	2022 \$	2021 \$
Debt Interest	587,834	290,152
Other Interest	68,153	-
Lease Interest	45,229	48,419
Insurance Financing	7,921	3,532
	709,138	342,103

AP

Borrowing costs are expensed when incurred and are recognised using the effective interest rate. Borrowing costs identified as directly attributable to the construction of the terminal have been capitalised in accordance with NZ IAS 23 where applicable. The capitalisation rate used to determine the amount of borrowing costs to be capitalised is reflective of the weighted average interest rate applicable to the entity's borrowings during the year 2.69% p.a (2021 2.16% p.a).

7 Gain/(loss) on disposal of assets

	2022 \$	2021 \$
Write off of the net book value relating to parts of the old terminal building which were demolished during the financial year.	2,000	(44,337)

AP

When an item of plant property and equipment is disposed of any gain or loss is recognised in the profit or loss calculated at the difference between the sale price and the carrying value of the asset.

8 Taxation

A. Current Year Reconciliation

	2022 \$	2021 \$ Restated
Profit Before Taxation	820,066	2,428,208
Taxation @ 28%	229,618	679,898
Adjusted for the tax effect of:		
Depreciation on revalued assets	-	138,336
Revaluation of investment property (land)	(209,789)	(291,006)
Non deductible expenses	836	10,783
Prior Years (over)/under provision	(1,947)	3,206
Income Tax Expense	18,719	541,217
<i>Comprising</i>		
Current Tax	8,253	438,488
Deferred Tax	10,466	102,729
	18,719	541,217

B. Taxation Payable/(Receivable)

	2022 \$	2021 \$ Restated
Balance at 1 July	365,468	38,931
Prior period adjustment	12,818	24,591
Terminal Tax (paid)	(378,286)	(63,522)
	-	-
Current Tax Payable / (Receivable)	-	413,897
Provisional Tax paid	(23,292)	(44,466)
Resident Withholding Tax paid on interest	(340)	(3,963)
Balance at 30 June	(23,632)	365,468

C. Imputation Credit Account

Imputation Credits carried forward	4,023,779	3,535,558
Decrease arising from tax refunded during the year	(1,714)	-
Increase arising from tax paid during the year	23,292	488,221
Balance at 30 June	4,045,357	4,023,779

D. Deferred Tax Reconciliation

Opening balance	4,890,955	4,927,000
Deferred tax expense	10,466	102,291
Depreciation on revaluation of Property, Plant & Equipment	-	(138,336)
Revaluation of Property, Plant & Equipment	1,387,772	-
Interest rate swaps	131,766	-
Closing balance	6,420,960	4,890,955

Reconciliation of Deferred Tax Expense

Charged to tax expense	10,466	102,729
Credited to other comprehensive income	1,519,538	(138,336)
	1,530,004	(35,607)

	2022 \$	2021 \$ Restated
E. Deferred Tax Analysis		
Holiday Pay	(17,426)	(16,474)
Employee entitlements	(3,528)	-
Intangibles	(47)	(47)
Income in Advance	(262,009)	(285,609)
Runway Refurbishment	267,342	326,947
Capitalised interest	76,045	92,083
Depreciation and revaluation of Property, Plant & Equipment	4,055,645	2,804,060
NZ IFRS 16 - leases	(9,575)	(2,383)
Asset Base and Depreciation Differences	1,380,287	1,333,046
Income Tax Losses	(21,933)	-
Interest Rate Swaps	131,766	-
Revaluation of Investment Property	824,393	639,331
	6,420,960	4,890,955

AP

Income tax expense

Income tax on profits for the period comprises current tax, deferred tax and any adjustment for tax payable in previous periods. Income tax is recognised in profit or loss as tax expense except when it relates to items credited directly to equity, in which case it is recorded in other comprehensive income.

Current tax

Current tax is the expected tax payable on the income for the period based on tax rates and tax laws which are enacted or substantively enacted by the reporting date.

Deferred tax

Deferred tax arises by providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the equivalent amounts used for tax purposes.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the periods when the assets or liabilities giving rise to them are realised or settled.

Deferred tax assets, including those related to the tax effect of income tax losses available to be carried forward are recognised only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences or unused tax losses can be realised. Deferred tax assets are reviewed each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

9 Trade and other receivables

	2022 \$	2021 \$
Accounts & Other Receivable	659,650	487,386
Prepayments	486,463	345,014
Income Tax Receivable - Refer note 8	23,632	-
GST Receivable	19,244	92,271
Other Receivables	4,302	-
	1,193,292	924,671

AP

Trade and other receivables are stated at net realisable value after expected credit losses: 2022 nil. (2021: nil)

Expected credit losses associated with financial assets are carried at amortised cost. At each reporting date, the credit risk on a financial asset is assessed to determine whether there has been a significant increase in the credit risk by considering both forward looking information and the financial history of counterparties to assess the probability of default or likelihood that full settlement is not received. A loss allowance is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the Trade Receivable) that the Group will not be able to collect all of the amounts due under the original terms of the invoice.

AP

Goods and Services Tax

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

10 Property, plant and equipment

	Land & Land Improvements	Airport Infrastructure & Buildings	Other assets	Capital Work in Progress	Total
<i>At 30 June 2021 (restated)</i>					
Fair Value	5,604,725	38,914,054	2,840,091	13,653,31	61,012,183
Accumulated Depreciation	(966)	(1,899,019)	(1,406,942)	-	(3,306,927)
Closing net book value	5,603,759	37,015,035	1,433,149	13,653,313	57,705,256
Opening net book value					
5,603,759	37,015,035	1,433,149	13,653,313	57,705,256	
Additions	-	12,789	-	3,503,034	3,515,823
Disposals	-	-	-	-	-
Depreciation	(966)	(2,376,139)	(263,503)	-	(2,640,609)
Transfers	-	14,116,727	691,282	(14,808,009)	-
Revaluation	2,060,268	4,958,262	-	-	7,018,530
Closing net book value	7,663,061	53,726,674	1,860,928	2,348,338	65,599,000
<i>At 30 June 2022</i>					
Fair Value	7,664,993	58,001,832	3,531,373	2,348,338	71,546,535
Accumulated Depreciation	(1,932)	(4,275,158)	(1,670,445)	-	(5,947,535)
Closing net book value	7,663,061	53,726,674	1,860,928	2,348,338	65,599,000

Property, Plant and Equipment (PPE) Valuation Approach

The valuation of the Group's PPE is completed in accordance with recognised financial reporting and valuation standards and the Group's accounting policies. At the end of each reporting period, the Group makes an assessment of whether the carrying amounts differ materially from fair value and whether a revaluation is required. In order to make this assessment, the Group seeks independent advice from registered independent valuers with specialist expertise in the relevant asset classification. Management review and discuss the key inputs into the valuation with the valuers. Discussion about the valuation process, methodology, key inputs and results are held between Management and the Board. Additions subsequent to any revaluation are carried at cost.

Land and Land Improvements

Land and Land Improvements are valued at Fair Value as defined by NZ IAS 16. Fair Value is determined using Market Value - Highest and Best Alternative Use methodology. Recent market based sales evidence is considered in the assessment. The Land valuation uses Level 3 inputs for the rural land and car park, as per categorisation in the Fair Value Hierarchy. Land was valued by Telfer Young (Susie Penrose - Director, Registered Valuer - BBS (VPM) SPINZ ANZIV) as at 30 June 2022. The results of this valuation conclude that there has been an increase in fair value of land assets relative to the previous years valuations. This valuation increments are credited to the revaluation reserve and included in other comprehensive income as described below.

Airport Infrastructure, Buildings & Other Assets

Airport Infrastructure and Buildings are valued at Fair Value as defined by NZ IAS 16. They include the terminal building, sealed surfaces (runways, apron, taxiways), car park, fencing, utilities, motor vehicles and roading assets. These assets were valued by Peter Seed Ltd as at 30 June 2022, using an income based approach to calculating Fair Value in accordance with NZ IFRS 13 - Fair Value Measurement. The valuation methodology calculated Enterprise Values for aeronautical assets (assets used for passenger transport including terminal) and non-aeronautical assets (retail and commercial lease assets, carparking) from discounted cash flows derived from forecast passenger numbers, revenues, expenditures and capital expenditure. This is level 3 in the Fair Value Hierarchy. Other Assets including vehicles, furnishings and office equipment are held at cost less depreciation.

The results of this review conclude that there has been an increase in the fair value of Airport Infrastructure and Buildings assets relative to the carrying value. The Group has concluded that the increase in fair value is sufficiently material after considering

sensitivity (see below) that a revaluation is warranted in the current year, due to improved trading conditions as the business and travel industry emerge from the COVID-19 pandemic, and the Airport Expansion Project is materially complete. Refer to sensitivity analysis below for potential impact and note 4 for more discussion of COVID-19 implications.

Sensitivity Analysis

Due to the impact of COVID-19 on the Group during the year and following the recovery of the aviation sector from the latest lockdowns, the sensitivity of the discounted cashflow valuation to the key variables of passenger numbers and WACC is calculated. With all other variables held constant, the impact of these changes to the central enterprise value in Peter Seed Ltd's valuation report of \$65.599m is:

	Range	Impact on Value
Passenger Volume	low -11% to high +9%	-\$5.8m to +\$2.7m
WACC	-0.5% to +0.5%	+\$1.0m to -\$0.8m

The passenger related sensitivity range is asymmetrical as it is based on the actual upper and lower passenger forecast ranges used in HBAL's planning and business forecasting. These ranges plus a mid point forecast were used in the 2022 Enterprise Valuation.

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Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs. Subsequent to initial recognition, land and land improvements and airport infrastructure and buildings are carried at fair value less accumulated depreciation and accumulated impairment losses. Capital work in progress is carried at cost and transferred to another category as assets are completed. Other assets are recorded at cost less accumulated depreciation and accumulated impairment losses.

Any revaluation increment is credited to the revaluation reserve and included in other comprehensive income, except to the extent that it reversed a previous decrease of the same asset previously recognised within net profit in the statement of comprehensive income, in which case the increase is recognised within net profit in the statement of comprehensive income.

Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and the depreciation based on the original cost, is transferred from the revaluation reserve to retained earnings. Property, plant and equipment comprises airfield and other infrastructure, car parks, buildings, vehicles and equipment.

Leasehold land

Leasehold land is utilised in accordance with the terms of the various lease agreements including any restrictions. Revaluations are performed annually at year end.

Disposal of property plant and equipment

When an item of plant property and equipment is disposed of any gain or loss is recognised in the profit or loss, calculated at the difference between the sale price and the carrying value of the asset.

Cyclical maintenance upgrades

Significant expenditure involving renewal of runway surface components is capitalised and subject to depreciation at the appropriate rates.

AP

Depreciation

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

The principal depreciation rates, which are consistent with prior year, are as follows:

Airfield Infrastructure: Base	0.71% to 5.56%
Surface	6.67% to 10.00%
Buildings	2.50% to 10.00%
Plant & Equipment	2.90% to 40.00%
Car Park & Roading	1.67% to 5.00%
Fencing	5.00% to 15.00%
Lighting	4.00% to 10.00%
Furniture & Fittings	10.00%
Motor Vehicles	12.50%
Office Equipment	30.00%

11 Investment property

	Land and Land Improvements & Buildings	Business Park Infrastructure	Investment Property under development	Total
At 1 July 2020 (Restated to Fair Value)	5,766,540	6,857,539	145,402	12,769,481
Additions	-	-	22,563	22,563
Net gain from fair value adjustment on Investment Properties	1,042,147	242,216	-	1,284,363
Fair value as at 30 June 2021	6,808,687	7,099,756	167,965	14,076,408
Additions	-	-	14,239	14,239
Net gain from fair value adjustment on Investment Properties	749,245	660,934	-	1,410,179
Fair value as at 30 June 2022	7,557,932	7,760,689	182,204	15,500,825

Investment Property includes the development of a business park under the brand name "Ahuriri Aero Park" along with surplus land earmarked for future development. The Land is demarcated according to the 2040 Airport Master Plan. All Investment Property Land and Land Improvements are valued by an independent valuer, Telfer Young (Susie Penrose - Director, Registered Valuer - BBS (VPM) SPINZ ANZIV) in accordance with International Valuation Standards (IVS) 2013. Land and Land Improvements and Business Park Infrastructure & Buildings are originally recorded at cost and assessed annually by an independent Quantity Surveyor, MILLARD Construction Cost Consultants Limited (Andrew Millard - Director AAIQS, ANZIQS - Registered Quantity Surveyor) using the depreciated replacement cost method.

AP

It is Management that determines the Group's valuation policies and procedures for property valuations. Following the audit committee's approval, an external valuer is selected who is responsible for the external valuations of the Group's property for the annual financial statements. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Valuers are normally rotated approximately every five years.

The Group's investment properties were valued at each of the reporting dates presented, and for the purposes of the restatement due to error (See note 1) and change in the accounting policy by independent professionally qualified valuers who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

Investment Property comprises of Land, Land Improvements, and Business Park infrastructure and buildings, property under development that is held, or to be held, to earn rentals or for capital appreciation or both.

Investment Property is measured initially at cost, including transaction costs. Subsequent to initial recognition, the Group has elected in the current year to recognise Investment Property at fair value, which reflects market conditions at the reporting date (refer Note 1). Gains or losses arising from changes in the fair values of investment property are included in profit or loss in the period in which they arise, including the corresponding tax effect.

Investment Property under development is not revalued annually and is measured initially at cost, including transaction costs.

Fair value is based on active market prices, adjusted, if necessary, for differences in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods, such as recent prices on less active markets or discounted cash flow projections. Valuations are performed as at the financial position date by professional valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. These valuations form the basis for the carrying amounts in the consolidated financial statements.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the cost of the replacement is included in the carrying amount of the property and the fair value is reassessed.

It is the intention that Investment properties are derecognised when they have been disposed of. There have been no disposals in the year ended 30 June 2022. Due to leasehold nature of the land there are restrictions on the ability to dispose of the land.

Where the Group disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price and the adjustment is recorded in the income statement within net gains from fair value adjustment on investment property.

The valuation of all of the investment property and investment property under development uses Level 3 inputs, as per categorisation in the Fair Value Hierarchy.

There were no transfers between Levels 1, 2 or 3 during 2022.

The Group in developing a business park on surplus airfield land has an initial tenant who has prepaid its rentals for the 21 year term of the lease where the lease is being recognised over the term of the lease. The valuation of land and infrastructure is supported by the following valuation techniques:

- Discount rates reflecting current market assessments of the uncertainty in the amount and timing of cash flows;
- Estimated vacancy rates based on current and expected future market conditions after expiry of any current lease;
- Maintenance costs including necessary investments to maintain functionality of the property for its expected useful life;
- Capitalisation rates based on actual location, size and quality of the properties and taking into account market data at the valuation date; and
- Terminal value taking into account assumptions regarding maintenance costs, vacancy rates and market rents.

Investment Property is leased by the Group to tenants under operating leases with rent payable monthly. Rental income from investment properties is recognised on a straight-line basis over the lease term. Where a lease provides for rental increases over the term of the lease, they are recognised on a straight-line basis over the period of the lease to which they relate.

12 Equity

	2022 \$	2021 \$ Restated
Ordinary shares	1004	13,789,155
Cash flow hedge reserve - note 21	338,806	-
Revaluation reserve	15,984,401	10,709,363
Total reserves	16,323,207	10,709,363

All shares have equal voting rights and share equally in dividends and surpluses on winding up.

All shares are fully paid and have no par value.

No dividend was declared or paid during the 2022 financial year (2021: nil).

The revaluation reserve arises on the revaluation of property, plant and equipment. When revalued property, plant and equipment is sold, the portion of the revaluation reserve that relates to that asset is transferred directly to retained earnings.

The cash flow hedge reserve is used to recognise the effective portion of gains or losses on derivatives that are designated and qualify as cash flow hedges.

13 Trade and other payables

	2022 \$	2021 \$
General - Trade	835,210	206,739
- Capital Expenditure	209,285	1,245,389
Rentals in Advance	123,402	88,905
Income in Advance	11,667	25,667
Income Tax Payable	-	365,468
	1,179,564	1,932,168

Rentals in advance due beyond twelve months totals \$809,286 (2021: \$927,308).

14 Borrowings

The Group restructured and extended its borrowing facilities during the financial year as at 30 June 2022. It has a Sustainability Linked Loan facility of up to \$23m, a Revolving Credit facility of up to \$5m and Overdraft Facility of up to \$500,000 available.

The Sustainability Linked Loan facility has an initial three year term (maturity date 22 October 2024) coupled with an evergreen clause of renewal included in the facility agreement. Management intends to request and assumes that the loan facility will be extended past its maturity date.

The Sustainability Linked Loan dovetails into the NZ Government's Funding for Lending Programme which has as the objective of supporting regional growth and helping lenders transition into a low carbon productive economy.

It is part of the Group's overall Sustainability Strategy which allows for incremental decreases in the cost of funding for achieving agreed sustainability performance targets linked to the International Airport Carbon Accreditation Scheme.

The average interest rate on the sustainability linked loan facility for the year ended 30 June 2022 was 2.69% p.a (2021 2.16% p.a).

On 13 May 2022, ASB Bank waived the covenant related to an Event Review (clause 19.3 (a) i) of the revised facility agreement) due to the adverse negative impact experienced in the covenant's requirement of comparing Actual results to Budget which has experienced large distortions on account of the impact of COVID-19.

This has had no impact on the underlying ability of the Group to service its loans under the terms and conditions imposed by ASB Bank.

This covenant was first breached in October 2021 when Auckland went into Level 4 lockdown. The value of the loan was \$23m. This covenant was no longer applicable at 30 June 2022.

The revolving credit facility has a two year term with a right of renewal. The average interest rate on funds drawn during the year was 2.62% (2021: 1.57%).

All facilities extended are secured by a General Security Agreement with ASB Bank.

Summary of Borrowings:

Facility	Commencement Date	Expiry Date	Facility Limit	2022	2021
				\$ Amount Drawn 30/06/2022	\$ Amount Drawn 30/06/2021
ASB Bank - Sustainability Linked Loan	Oct'21	Oct'24	23,000,000	23,000,000	-
ASB Term Loan - Tranche A	Jun'21	Jun'23	11,500,000	-	11,500,000
ASB Term Loan - Tranche B	Jun'21	Jun'24	11,500,000	-	11,500,000
Revolving Credit Facility	Jun'21	Jun'23	5,000,000	2,800,000	-
Overdraft Facility	Oct'20	On Demand	500,000	-	-
Total				25,800,000	23,000,000
Current				-	-
Non Current				25,800,000	23,000,000
				25,800,000	23,000,000

During the year ended 30 June 2022 the ASB Term Loan (Tranche A & B) were restructured into a ASB Bank Sustainability Linked Loan on normal commercial terms.

The Group's borrowings are carried at amortised cost. Interest rates on borrowings are variable.

15 Provision for retentions payable

Various subcontractors engaged on the Terminal Expansion Project are subject to retention clauses within their construction contracts.

Retentions are held in trust by the Group until such time as it is appropriate to release them i.e. either upon practical completion of the works or at the end of the defects liability period.

	2022 \$	2021 \$
Provision at the start of the year	225,697	153,971
Increase to the provision during the year	56,457	96,490
Use of the provision during the year	(8,906)	(24,764)
Provision at the end of the year	273,249	225,697

16 Right of use assets and lease liabilities

a) Amounts recognised in the Balance Sheet

Right of Use Assets

	2022 \$	2021 \$
Land	48,890	48,890
Vehicles	123,873	247,747
	172,764	296,637
Opening Balance	296,637	420,510
Depreciation	(123,873)	(123,873)
Closing Balance	172,764	296,637

Lease Liabilities related to leases are split between current and non-current

	2022 \$	2021 \$
Opening Balance	315,329	420,510
Lease amortisation	(117,600)	(117,600)
Interest	9,230	12,419
Closing Balance	206,959	315,329
Current	103,461	108,371
Non-current	103,498	206,958
	206,959	315,329

There were no additions or disposals to the right-of-use assets during the 2022 financial year (2021: Nil)

b) Amounts recognised in the statement of comprehensive income

Depreciation charge on Right of Use Assets

	2022 \$	2021 \$
Right of Use Assets	123,873	123,873
	123,873	123,873
Interest expense	45,229	48,419

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All leases are accounted for by recognising a right-of-use asset and a lease liability in accordance with NZ IFRS 16, except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Group if it is reasonably certain to access that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated based on a termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the group is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if this is judged to be shorter than the lease term.

When the Group revises its estimate of the term of any lease (for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases, an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in the profit or loss.

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy;
- in all other cases where the renegotiation increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount;
- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in the profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

For contracts that both convey a right to the Group to use an identified asset and require services to be provided to the group by the lessor, the Group has elected to account for the entire contract as a lease, i.e. it allocates any amount of the contractual payments to, and accounts separately for, any services provided by the supplier as part of the contract.

17 Commitments

Operating Commitments:

As at 30 June 2022 the Group had an agreement to lease a fire appliance until June 2023. The lease is included in the lease liabilities note 16.

Capital Commitments:

As at 30 June 2022 the Group is contractually committed to capital expenditure totalling \$787,420 (2021: \$1,740,491) relating to the Terminal Expansion & Forecourt project.

18 Contingencies

There are no known contingent liabilities (2021: nil).

19 Transactions with related parties

Shareholders

Hawke's Bay Airport Ltd is owned by Napier City Council, Hastings District Council and the Crown. The Group enters into numerous transactions with government departments, Crown entities, State-owned enterprises and other entities controlled by the Crown and pays rates to the Napier City Council.

These transactions are not separately disclosed where they:

- Are conducted on an arm's length basis;
- Result from the normal dealings of the parties: and
- Meet the definition of related party transactions only because of the relationship between the parties being subject to common control or significant influence by the Crown

Subsidiaries

Hawke's Bay Airport Limited incorporated a 100% owned subsidiary, Hawke's Bay Airport Construction Limited on 15 March 2019.

Hawke's Bay Airport Construction Limited is the company that contracts to Hawke's Bay Airport Limited to undertake the construction management of the Airport Expansion Project.

During the year there were \$2,589,725 (2021: 6,905,641) of related party transactions with Hawke's Bay Airport Construction Limited. The nature of transactions were in relation to the funding and reimbursement of costs associated with the Airport Expansion Project.

All transactions between Hawke's Bay Airport Limited and Hawke's Bay Airport Construction Limited are eliminated on consolidation.

Key Management Personnel Compensation

	2022 \$	2021 \$
Compensation paid to key management personnel (Directors, Chief Executive and Chief Financial Officer) during the financial year was:	716,288	593,917

The remuneration of directors is agreed annually, after consultation with the shareholders and approved at the Company's annual general meeting. The remuneration of the Chief Executive is determined by the Board and the remuneration of key management personnel is determined by the Chief Executive and recommended to the Board having regard to the performance of individuals and market comparisons.

20 Financial instruments

The Group is party to financial instruments as part of its normal day to day operations.

The main financial instruments are:

- Cash and cash equivalents
- Accounts receivable
- Derivatives
- Trade payables
- Borrowings

The Group has no off balance sheet financial instruments.

Fair Value of Financial Instruments

All financial assets and financial liabilities carrying amounts are a reasonable approximation of fair value.

The fair value estimates were determined by the following methodologies and assumptions.

Cash and cash equivalents: The reported amounts approximate fair value.

Accounts receivables: The reported amount approximates fair value because they are assessed for impairment and all amounts are receivable within three months of balance date.

Derivatives: The reported amounts approximate fair value based on the present value of the estimated future cash flows based on observable yield curves.

Trade payables: The reported amount approximates fair value because they are payable in the short term.

Borrowings: The reported amounts approximate fair value because they are at market interest rates.

Fair Value Estimation

Assets and liabilities are recorded at fair value and are valued according to the fair value hierarchy as follows:

Level 1

Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2

Inputs rather than quoted prices included in level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3

Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

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Financial assets

The Group classifies its financial assets in the following categories: fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVTOCI) or amortised cost. The classification depends on the Group's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date. At balance date, the Group had financial assets classified as amortised cost. Derivatives are measured at fair value and classified as FVTPL if not designated in a hedge accounting relationship. Refer note 21 for Derivatives designated in a hedging relationship.

Amortised cost

Financial assets at amortised cost have contractual terms that give rise to cash flow on specified dates that are solely principal and interest and are held within a business model whose objective is to hold assets in order to collect those contractual cash flows.

The Group's amortised cost financial assets comprise of cash and cash equivalents and accounts receivable.

Purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed.

After initial recognition, amortised cost financial assets are carried at amortised cost using the effective interest method, less impairment.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Financial liabilities

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

21 Derivatives

Derivatives are used to hedge adverse movements in floating interest rates on Group borrowings. Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are classified as 'held for trading' for accounting purposes and are accounted for at fair value through profit or loss. They are presented as current assets or liabilities to the extent they are expected to be settled within 12 months after the end of the reporting period.

The Group's hedging reserves relate to the following hedging instruments

	2022 \$	2021 \$
Cash Flow Hedge Reserve		
Opening Balance 1 July 2021	-	-
Add: Change in Fair value of Hedging Instrument	530,139	-
Less amount reclassified to Profit / Loss	(59,547)	-
	470,592	-
Less Deferred Tax	(131,786)	-
Closing Balance 30 June 2022	338,806	-
Derivative Financial Asset		
Current	101,563	-
Non - current	369,029	-
	470,592	-

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

The Group enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount.

The group does not hedge 100% of its loans, therefore the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps. As all critical terms matched during the year, there is an economic relationship.

Hedge ineffectiveness may occur due to:

- the credit value/debit value adjustment on the interest rate swaps which is not matched by the loan, and
- differences in critical terms between the interest rate swaps and loans.

Hedge ineffectiveness in relation to the interest rate swaps was negligible for 2022.

The Group's main interest rate risk arises from long-term borrowings with variable rates, which expose the group to cash flow interest rate risk.

The Group Policy is to observe minimum and maximum bands of fixed interest rate cover as set out below and apply when core gross external debt exceeds \$10 million.

Period	Minimum hedging	Maximum hedging
0-2 years	40%	90%
2-4 years	20%	70%
4-7 years	0%	50%

The group enters into long-term borrowings at floating rates and swaps them into fixed rates.

The Group's borrowings are carried at amortised cost. The borrowings are periodically contractually repriced (see below) and to that extent are also exposed to the risk of future changes in market interest rates. See note 14.

The exposure of the group's borrowings to interest rate changes and the contractual re-pricing dates of the borrowings at the end of the reporting period are as follows:

Variable rate borrowings	2022 \$	2021 \$
ASB - Sustainability Linked Loan	23,000,000	23,000,000
ASB - Revolving Credit Facility	2,800,000	-
	25,800,000	23,000,000

Instruments used by the group

Interest Rate Swaps with a total notional values of \$12,000,000 are currently in place, representing 46.5% of the loan principal outstanding at 30 June 2022. The fixed interest rates of the swaps range between 2.83% and 3.02% (2021 - n/a) and the variable rates of the loans are between 1.11% and 2.32% (30 day BKBM).

The swap contracts require settlement of net interest receivable or payable every 30 days. The settlement dates coincide with the dates on which interest is payable on the underlying debt.

Cash flow and fair value interest rate risk

Interest rate swaps

Carrying amount (current and non-current asset)	470,592	-
Notional amount	12,000,000	-
Hedge ratio	46.5%	-
Change in fair value of outstanding hedging instruments since 1 July	530,139	-
Change in value of hedged item used to determine hedge effectiveness	561,642	-
Weighted average hedged rate for the year	2.95%	-

	2022 \$	2021 \$
Carrying amount (current and non-current asset)	470,592	-
Notional amount	12,000,000	-
Hedge ratio	46.5%	-
Change in fair value of outstanding hedging instruments since 1 July	530,139	-
Change in value of hedged item used to determine hedge effectiveness	561,642	-
Weighted average hedged rate for the year	2.95%	-

Sensitivity

Profit or loss is sensitive to higher/lower interest income from cash and cash equivalents as a result of changes in interest rates. Other components of equity change as a result of an increase/decrease in the fair value of the cash flow hedges of borrowings.

Impact on: post-tax profit

Interest rates – increase by 100 basis points	138,000	-
Interest rates – decrease by 100 basis points	(138,000)	-

	2022 \$	2021 \$
Interest rates – increase by 100 basis points	138,000	-
Interest rates – decrease by 100 basis points	(138,000)	-

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Derivatives and hedging activities

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are classified as 'held for trading' for accounting purposes and are accounted for at fair value through profit or loss.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into, and they are subsequently remeasured to their fair value at the end of each reporting period. The reported amounts approximate fair value based on the present value of the estimated future cash flows based on observable yield curves.

The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group uses Interest Rate Swaps designating them as Hedges of the risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

At inception of the hedge relationship, the group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The group documents its risk management objective and strategy for undertaking its hedge transactions.

Cash flow hedges that qualify for hedge accounting:

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within other gains/(losses) as part of Total Comprehensive Income Amounts accumulated in equity are to be reclassified in the periods when the hedged item affects profit or loss, as follows:

The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance cost at the same time as the interest expense on the hedged borrowings.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other gains/(losses).

22 Events subsequent to balance date

There were no material events identified subsequent to Balance Date.



Independent Auditor's Report

To the readers of Hawke's Bay Airport Limited's financial statements and performance information for the year ended 30 June 2022

The Auditor-General is the auditor of Hawke's Bay Airport Limited and its subsidiaries ('the Group'). The Auditor-General has appointed me, Pam Thompson, using the staff and resources of Deloitte Limited, to carry out the audit of the financial statements and the performance information of the Group on his behalf.

Opinion

We have audited:

- the financial statements of the Group on pages 48 to 69, that comprise the statement of financial position as at 30 June 2022, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the Group on pages 44 to 47.

In our opinion:

- the financial statements of the Group on pages 48 to 69:
 - o present fairly, in all material respects:
 - its financial position as at 30 June 2022; and
 - its financial performance and cash flows for the year then ended; and
 - o comply with generally accepted accounting practice in New Zealand in accordance with New Zealand's equivalents to International Financial Reporting Standards Reduced Disclosure Regime; and
- the performance information of the Group on pages 44 to 47 presents fairly, in all material respects, the Group's actual performance compared against the performance targets and other measures by which performance was judged in relation to the Group's objectives, for the year ended 30 June 2022.

Our audit was completed on 20 October 2022. This is the date at which our opinion is expressed.

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

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of the Board of Directors for the financial statements and the performance information

The Board of Directors is responsible on behalf of the Group for preparing financial statements and performance information that are fairly presented and that comply with generally accepted accounting practice in New Zealand.

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

In preparing the financial statements and the performance information, the Board of Directors is responsible, on behalf of the company for assessing the company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Local Government Act 2002.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually, or in the aggregate, they could reasonably be expected to influence the decision of readers taken on the basis of these financial statements and the performance information.

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

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

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of the internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We evaluate the appropriateness of the reported performance information within the company's framework for reporting performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

- We obtain sufficient appropriate audit evidence regarding the financial statements and the performance information of the entities or business activities within the Group to express an opinion on the consolidated financial statements and the consolidated performance information. We are responsible for the direction, supervision and the performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify in our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 2 to 43, but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board.

Partners and employees of our firm are considered customers to the Group as we fly into the airport. These services with the Company and its subsidiaries are at arms length and on normal terms within the ordinary course of trading activities. Other than the audit and the services above, we have no relationship with, or interests in, the Group.



Pam Thompson
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ON BEHALF OF THE AUDITOR-GENERAL
WELLINGTON, NEW ZEALAND

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SOLICITORS

Dentons

AUDITORS

Deloitte Limited
On behalf of the Auditor-General
Wellington, New Zealand

