Hawke's Bay Airport Ltd Annual Report

For the year ended 30 June 2014

HAWKE'S BAY AIRPORT

Hawke's Bay Airport Ltd Annual Report

For year ended 30 June 2014

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Hawke's Bay Airport Ltd Directory

DIRECTORS

Tony Porter (Chairman)

Jim Scotland (Deputy Chairman)

Stuart Webster

John Palairet (Retired 30/06/14)

Sarah Park (Appointed 01/07/14)

From left: Jim Scotland, Stuart Webster, John Palairet, Tony Porter

CHIEF EXECUTIVE

Nick Story

COMMERCIAL MANAGER

Wayne Wootton

ACCOUNTANT

Vanessa East

From left: Nick Story, Vanessa East, Wayne Wootton

REGISTERED OFFICE

Terminal Building
Hawke's Bay Airport
111 Main North Road
PO Box 721
NAPIER 4140

BANKERS

ANZ Bank New Zealand Ltd

SOLICITORS

Willis Toomey Robinson Scannell Hardy

AUDITORS

Staples Rodway on behalf of the Auditor General

Hawke's Bay Airport Ltd
PO Box 721, Napier 4140
admin@hawkesbay-airport.co.nz
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Chairman's Report

Tony Porter
Chairman

I am pleased to report on the performance of Hawke's Bay Airport Ltd, for the financial year ended 30 June, 2014, the fifth year of trading for the Airport Company.

Financial Performance

The Airport Company achieved revenue of $4,010,477 which was 2.2% above budget and an increase of 10.1% on the previous year. Operating Expenses increased by $583,000 or 27.7% and included increased depreciation charges, management restructuring and other one-off costs.

Following a review of the future prospects for the business park as at financial year end, an impairment charge of $696,400 was expensed as a pre-tax charge to the Statement of Comprehensive Income.

These factors combined to reduce the company's Operating Profit before Financing Costs to $661,875. Net Profit after Tax and Total Comprehensive Income for the year totalled $394,031.

My report includes a more detailed breakdown of the financial results.

People

The year has been one of significant change for the Company. A management restructuring process was undertaken and a new position of chief executive was created to meet the Board's objective for greater stakeholder, community and customer engagement and continued growth across all revenue streams. Nick Story was appointed to the role and joined the company in August 2013.

After 20 years of service as General Manager, Nigel Sutton left the company in October 2013. Nigel had overseen considerable development of the Airport and strong growth in passenger numbers during his time with the Company. On behalf of the Board, I wish to thank Nigel for his long service and his contribution to the Company.

On 30 June 2014, John Palairet retired as Chairman of the Board and as a Director of the Company after 16 years of service to the Airport Company and its predecessor Airport Authority. I would like to acknowledge and thank John for his significant contribution and in particular, his stewardship of the Airport's corporatisation process, new governance structure, significant growth in revenue, profitability and passenger numbers, our strong balance sheet and the management restructuring process.

We welcome the appointment of Sarah Park to the Board.

Premises

Refurbishment of level one of the main terminal building was completed in March 2014, modernising airport management offices, amenity areas and the board and meeting room facilities available for hire. A lift was also installed to improve access to the Air New Zealand Koru Lounge, Company offices and meeting rooms.

50th Anniversary

The Airport celebrated its 50th Anniversary over the weekend of February 22nd and 23rd and together with the Napier Aero Club, hosted a very successful air event and static display involving WW2 and vintage aircraft. These events coincided with aircraft flyovers which were part of the 2014 Art Deco Weekend activities. The Board wish me to acknowledge and thank the Napier Aero Club for their contribution.

Regional Airport of the Year Award

In addition to its 50th Anniversary, Hawke's Bay Airport Ltd also celebrated the Interspace New Zealand Regional Airport of the Year Award, received at the New Zealand Airports Association annual conference in Marlborough in October 2013.

Passenger Numbers

Passenger numbers continued to rise and at 456,672 for the year, surpassed the previous year's record by 1.23%. Passenger numbers for 2013 were 451,128 and for 2012, 440,704.

Air New Zealand are up-scaling their aircraft servicing Hawke's Bay, from the Q300 with 50 seat capacity, to the ATR72 with 68 seat capacity. This will result in an overall increase in seating capacity of 8.2% or 49,200 seats per annum, predominantly satisfying increased demand on the Auckland sector.

Customer and Stakeholder Engagement

To improve our understanding of the needs of Airport users, the Company initiated a significant customer research project in partnership with students from the EIT School of Tourism and Hospitality. The research outcomes were more comprehensive than on previous occasions and provide an evidence base to support infrastructure development projects presently in the planning phase.

Summary of Financial Results

	2014	2013
	$	$
Revenue – Airside	2,099,085	1,860,763
Revenue – Landside	1,592,250	1,507,920
Revenue – Business Park	319,142	272,443
Total Revenue	**4,010,477**	**3,641,126**
Less Operating Expenses	(2,652,202)	(2,069,331)
Less Provision for Impairment	(696,400)	
Operating Profit before Finance	**661,875**	**1,571,795**
Finance Income	3,931	20,703
Finance Expense	(111,596)	(39,526)
Profit before Income Tax	**554,210**	**1,552,972**
Income Tax Expense	(160,179)	(434,022)
Net Profit after Tax	**394,031**	**1,118,950**

Revenue increased by $369,000 or 10.1% due to increased landing charges, increased car parking activity and increased rental and concession income. Operating Expenses increased by $583,000 or 27.7% and included increased depreciation charges from the prior year capital investment and runway reseal, costs associated with the management restructuring and other one-off costs. Excluding the impairment charge, Operating Profit was $1,358,275 which was 5.0% above budget.

The carrying value of the business park classified in the Accounts as Investment Property as at financial year end was reviewed for impairment.

Following an assessment of the current business environment and future trading prospects for the business park, Directors determined that the recoverable value as at financial year end from the business park asset was less than its carrying value. Consequently, an impairment charge of $696,400 was expensed to the Statement of Comprehensive Income and the net book value of Investment Property assets was written down by the same amount. The impairment charge has reduced Net Profit after Tax and Total Comprehensive Income to $394,031.

Reduced Finance Income reflected the reduction in short term investments and the increased Finance Expense related to interest paid on borrowings, principally to fund the resurfacing of the main runway which was undertaken in early 2013. However bank borrowings decreased by $992,596 during the year, due to the partial repayment of a portion of this funding.

The Company paid its second dividend of $447,580 to all shareholders in November 2013, representing a 37% increase on the dividend paid the previous year.

Statement of Intent

The Statement of Intent for the Year Ended June 2015 and the two following years was approved by the Company's shareholders in June. This document includes an overview of the Company's strategy, key objectives, financial performance targets and capital expenditure plan.

Statement of Service Performance

As illustrated in the Statement of Service Performance, the Company exceeded its total revenue target for the year and although income from Landing Charges was $19,000 or 0.9% below budget, other revenue as a percentage of total revenue was 5.9% above budget.

The company maintained a good health and safety performance throughout the year.

The focus on attracting potential occupants and developers to the Business Park continued, with the Airport Company securing one new tenant during the year in review.

As already noted, passenger numbers continued their growth trend line and Air New Zealand introduced new seating capacity on the Auckland sector.

A comprehensive market research project was undertaken with the outcomes providing a number of interesting insights and opportunities for the continued development of the Airport.

Strategic Plan

The Airport Company refreshed its Strategic Plan during the year. The process included determining strategic priorities and activity plans for the short to medium term to achieve the company's goals.

The company is in a strong financial position, is well resourced and looks forward to continued growth and the significant development of passenger-orientated infrastructure.

Tony Porter
Chairman
Hawke's Bay Airport Limited

Statement of Comprehensive Income

For the year ended 30 June 2014

	Note	2014	2013
		$	$
Revenue	1	4,010,477	3,641,126
Less Operating Expenses	2	(2,652,202)	(2,069,331)
Less Provision for Impairment	9	(696,400)	-
Operating Profit Before Financing Costs		661,875	1,571,795
Finance Income		3,931	20,703
Finance Expense		(111,596)	(39,526)
Net Profit before income tax		554,210	1,552,972
Income Tax Expense	3	(160,179)	(434,022)
Net Profit after income tax		394,031	1,118,950
Other Comprehensive Income		-	-
Total Comprehensive Income		394,031	1,118,950

Statement of Changes in Equity

For the year ended 30 June 2014

	Note	Issued Capital	Retained Earnings	Total Equity
Balance at 1 July 2013		**13,789,155**	**2,903,916**	**16,693,071**
Total comprehensive income			394,031	394,031
Distributions to shareholders			(447,580)	(447,580)
Movement in equity for the period			(53,549)	(53,549)
Balance at 30 June 2014		**13,789,155**	**2,850,367**	**16,639,522**
Balance at 1 July 2012		**13,789,155**	**2,111,266**	**15,900,421**
Total comprehensive income			1,118,950	1,118,950
Distributions to shareholders			**(326,300)**	**(326,300)**
Movement in equity for the period			792,650	792,650
Balance at 30 June 2013		**13,789,155**	**2,903,916**	**16,693,071**

Statement of Financial Position

As at 30 June 2014

	Note	2014 $	2013 $
Assets			
Property plant and equipment	8	18,100,086	18,096,644
Investment property	9	3,966,134	4,710,532
Intangibles		6,403	8,260
Total non-current assets		22,072,623	22,815,436
Trade and other receivables	4	432,870	356,080
Cash and cash equivalents		149,475	487,637
Total current assets		582,345	843,717
Total Assets		22,654,968	23,659,153
Equity			
Issued capital	5	13,789,155	13,789,155
Retained earnings		2,850,367	2,903,916
Total equity		16,639,522	16,693,071
Liabilities			
Deferred tax liability	3	1,788,281	1,685,814
Rentals in advance	7	1,517,413	1,602,503
Total non-current liabilities		3,305,694	3,288,317
Borrowings	6	2,011,160	3,003,756
Trade and other payables	7	686,146	644,577
Employee benefits		12,446	29,432
Total current liabilities		2,709,752	3,677,765
Total liabilities		6,015,446	6,966,082
Total equity and liabilities		22,654,968	23,659,153

These financial statements were authorised for issue by the Board on 30 September 2014
On Behalf of Hawke's Bay Airport Ltd

T Porter
Chairman

J Scotland
Director

Statement of Cash Flows

For the year ended 30 June 2014

	Note	2014 $	2013 $
Cash flows from operating activities			
Cash was provided from:			
Revenues		3,861,626	5,302,595
Interest Received		3,931	20,703
Goods & Services Tax (Net)		(23,932)	30,141
		3,841,625	5,353,439
Cash was disbursed to:			
Suppliers and Employees		(1,842,597)	(1,448,420)
Interest Paid		(111,596)	(3,812)
Income Tax Paid		(27,253)	(49,847)
		(1,981,446)	(1,502,079)
Net Cash Flows from Operating Activities	10	1,860,179	3,851,360
Cashflows from investing activities			
Cash was disbursed to:			
Capital Works		(758,166)	(7,526,782)
Net Cash Flows from Investing Activities		(758,166)	(7,526,782)
Cashflows from financing activities			
Cash was provided from:			
Borrowings		7,405	3,003,756
Cash was disbursed to:			
Dividends Paid		(447,580)	(326,300)
Debt Repayment		(1,000,000)	-
Net Cash Flows from Finance Activities		(1,440,175)	2,677,456
Net increase/(decrease) in cash and cash equivalents		**(338,162)**	**(997,966)**
Add Opening Cash and Cash equivalents		487,637	1,485,603
Closing Cash and Cash equivalents at end of year		**149,475**	**487,637**
Represented by:			
Bank deposit		742	459,627
Cash at Bank		141,103	14,603
Cash in hand		7,631	13,407
		149,475	**487,637**

Significant Accounting Policies

Reporting Entity

Hawke's Bay Airport Limited is a company incorporated in New Zealand under the Companies Act 1993 and is owned by the Crown: 50%, Napier City Council: 26%, Hastings District Council: 24%.

The company is domiciled in New Zealand and its principal place of business is 111 Main North Road, Westshore, Napier. The Company operates the Hawke's Bay Airport.

Hawke's Bay Airport Limited is defined as a Council-Controlled Trading Organisation pursuant to Part 5 of the Local Government Act 2002.

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

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 company, rounded to the nearest dollar.

Critical Accounting Estimates, Assumptions and Judgements

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

Management has exercised its judgement on the impairment assessment of property plant and equipment and investment property.

GST

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

Particular Accounting Policies

1) REVENUES:
Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the company's activities. Revenue is shown net of Goods and Services Tax (if applicable), returns, rebates and discounts. The company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the company and when specific criteria have been met for each of the company's activities. Revenues consist mainly of landing charges, car parking fees, terminal and leased land rentals and concessions. Lease income is recognised on a straight line basis over the term of the lease.

2) TRADE AND OTHER RECEIVABLES:
Trade and other receivables are stated at net realisable value after provision for doubtful debts.

3) OTHER INVESTMENTS: Consist of bank term deposits having an original maturity date exceeding three months and are recorded at cost plus accrued interest.

4) TAXATION:

Income tax expense

Income tax on profits for the period comprises current tax, deferred tax and any adjustment for tax payable in previous periods. Income tax is recognised in 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.

5) CASH FLOW STATEMENT:

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 Company, both equity and debt not falling within the definition of cash.

6) VALUATION OF PROPERTY, PLANT AND EQUIPMENT:

Property, Plant and Equipment

Property plant and equipment are stated at historical cost recognising the value the assets were acquired from the Hawke's Bay Airport Authority on 1 July 2009 adjusted for additions at cost and depreciation at appropriate rates. Property, plant and equipment comprises airfield and other infrastructure, buildings and equipment.

Assets under construction

The cost of assets under construction is recorded at incurred cost as at balance date.

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.

7) INVESTMENT PROPERTY:

Investment property, which is property held to earn rentals and/or for capital appreciation, is initially recognised at cost, including transaction costs. Costs include all expenditure relating to infrastructure development and construction. Investment property is depreciated using the cost model allowed under NZ IAS 40. Investment properties include all aspects of the business park development adjacent to the airport.

Particular Accounting Policies (cont.)

8) 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.

The principal depreciation rates are as follows:

Airfield Infrastructure:
Base 0.71% to 5.56%
Surface 6.67% to 10.00%

Business Park Infrastructure
0.00% 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%

Office Equipment
30.00%

9) INTANGIBLES

Intangibles comprise computer software that is not an integral part of the related hardware. This software has either been purchased or developed internally and is initially recorded at cost. Subsequent costs are included in the software's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The costs of maintaining the software are charged to profit or loss. Software is amortised over three years using the straight line method.

10) FINANCIAL INSTRUMENTS RECOGNITION AND MEASUREMENT

Financial instruments are initially measured at fair value plus transactions costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit or loss

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are stated at amortised cost using the effective interest rate method less accumulated impairment losses. Trade and other receivables and cash and cash equivalents listed in the Company's statement of financial position are classified as loans and receivables.

Held-to-maturity investments

These investments have fixed maturities, and it is the Company's intention to hold these investments to maturity. Any held-to-maturity investments held by the Company are stated at amortised cost using the effective interest rate method less accumulated impairment losses. The company has no held-to-maturity investments.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken to comprehensive income. The company has no available-for-sale financial assets.

Financial liabilities

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

11) IMPAIRMENT TESTING OF ASSETS

At each reporting date, the Company reviews the carrying values of its assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to profit or loss.

12) CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies in the reported periods.

13) NZ IFRS ISSUED BUT NOT YET EFFECTIVE

The following new standards, amendments to standards and interpretations have been issued, but are not yet effective and have not been adopted early:

- NZ IFRS 9 Financial instruments is effective for annual periods beginning on or after 1 January 2015. NZ IFRS 9 is part of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. The standard introduces amended requirements for classifying and measuring financial assets and liabilities. The Company has not yet considered the impact of the new standard.

Notes to the Accounts

For the year ended 30 June 2014

	2014 $	2013 $
1. OPERATING REVENUES		
Landing Charges	2,096,961	1,853,229
Carparking Charges	1,115,408	1,084,405
Rents and Concessions	676,407	627,108
Other Revenue	121,701	76,384
	4,010,477	3,641,126
2. OPERATING EXPENSES		
Amortisation	1,857	463
Audit Fees - audit of financial statements	17,995	14,200
- financial statements disclosures	-	1,505
- human resources assistance	4,294	-
- emergency accounting services*	51,098	-
Directors Fees	67,500	65,000
Depreciation	784,307	600,276
Gain/(Loss) on Sale of Assets	8,000	2,483
Lease of Land	33,000	33,000
Other Operating Expenses	1,684,151	1,352,404
	2,652,202	2,069,331

*Staples Rodway were engaged to provide emergency accounting support following changes in Management personnel. This was undertaken by staff not engaged in the audit process.

3. TAXATION

A. Current Year Reconciliation		
Profit Before Taxation	554,210	1,552,972
Prima Facie Taxation @ 28%	155,179	434,832
Adjusted for the effect of:		
Non-Deductible Expenses	5,000	(390)
	160,179	434,442
Prior Years (over)/under provision	-	(420)
Income Tax Expense	160,179	434,022
Comprising		
Current Tax	57,712	-
Deferred Tax	102,467	434,442
Prior Period Tax Adjustment	-	(420)
	160,179	434,022
B Taxation Payable/(Receiveable)		
Balance @ 1 July	(5,977)	44,290
Prior Year (over)/under provision	-	(420)
Terminal Tax (paid)/refunded	5,977	(43,870)
	-	-
Current Tax Payable	57,712	-
Provisional Tax paid	(32,000)	(181)
RWT paid on Interest	(1,049)	(5,796)
Balance at 30 June	24,663	(5,977)
C. Imputation Credit Account		
Imputation Credits carried forward	4,277,589	4,354,216
IRD Adjustment to Opening Balance	(3,457,030)	-
Decrease arising from tax refunded during the year	(5,977)	
Increase arising from tax paid during the year	33,049	50,267
Applied to Dividends paid	(174,059)	(126,894)
Balance at 30 June	673,572	4,277,589

Notes to the Accounts
For the year ended 30 June 2014

	2014 $	2013 $
D. Deferred Tax Reconcilaition		
Opening balance	1,685,814	1,251,372
Deferred tax expense	102,467	434,442
Closing balance	1,788,281	1,685,814
E. Deferred Tax Analysis		
Holiday Pay	(3,485)	(8,237)
Impairment Provision	(194,992)	-
Intangibles	(47)	-
Income in Advance	(450,809)	(474,530)
Runway Refurbishment	744,161	803,766
Asset Base and Depreciation Differences	1,693,453	1,694,838
Income Tax Losses	-	(330,023)
	1,788,281	1,685,814
4. TRADE AND OTHER RECEIVABLES		
Accounts Receivable	319,918	236,532
Prepayments	112,952	113,571
Income Tax Receivable	-	5,977
	432,870	356,080

5. ISSUED CAPITAL	shares on issue		
Ordinary shares	1004	13,789,155	13,789,155

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

6. BORROWINGS

The company has a flexible cost of funds facility (up to $1m) and a short-term advance facility (up to $4m) available from the ANZ Bank. At balance date the short-term advance was drawn down to the extent of $2,000,000 (2013; $3,000,000) and the Flexible Facility $11,160 (2013; $3,756). Both facilities are reviewable within twelve months therefore classified as current liabilities. The interest rate is currently 5.02% p.a. (2013; 4.2% p.a.). The facilities are secured by a General Security Agreement.

7. TRADE AND OTHER PAYABLES

General - Trade	231,953	189,583
- Capital Expenditure	269,109	292,415
Rentals in Advance	134,100	125,352
GST Payable	26,321	37,227
Income Tax Payable	24,663	
	686,146	644,577

Rentals in advance due beyond twelve months totals $1,517,413, (2013: $1,602,503).

Notes to the Accounts

For the year ended 30 June 2014

8. PROPERTY, PLANT AND EQUIPMENT

	Balance 1/07/13	Additions	Transfers	Depreciation	Disposals	Balance 30/6/14
Cost or Valuation	$	$	$	$	$	$
Land and land improvements	2,283,362	-				2,283,362
Airfield Infrastructure	12,679,462	50,294	-			12,729,756
Buildings	2,512,587	528,214				3,040,801
Plant & Equipment & Furnishings	765,889	16,624			-	782,513
Car Parks & Roading	1,087,140	45,874				1,133,014
Fencing	69,686	-				69,686
Lighting	162,211	-				162,211
Office Equipment	14,060	34,105				48,165
Motor Vehicles	34,783	-				34,783
	19,609,180	675,111	-	-	-	20,284,291
Accumulated Depreciation	$	$	$	$	$	$
Land and land improvements	21,927			5,463		27,390
Airfield Infrastructure	669,662			415,453		1,085,115
Buildings	359,462			97,676		457,138
Plant & Equipment & Furnishings	258,190			95,836	-	354,026
Car Parks & Roading	116,283			30,368		146,651
Fencing	16,783			4,193		20,976
Lighting	52,432			13,098		65,530
Office Equipment	4,495			2,625		7,120
Motor Vehicles	13,342			6,957		20,299
	1,512,576	-	-	671,669	-	2,184,245
Net Book Value	$	$	$	$	$	$
Land and land improvements	2,261,475	-	-	(5,463)		2,255,972
Airfield Infrastructure	12,009,800	50,294	-	(415,453)		11,644,641
Buildings	2,153,125	528,214	-	(97,676)		2,583,663
Plant & Equipment & Furnishings	507,699	16,624	-	(95,836)	-	428,487
Car Parks & Roading	970,857	45,874	-	(30,368)		986,363
Fencing	52,903	-	-	(4,193)		48,710
Lighting	109,779	-	-	(13,098)		96,681
Office Equipment	9,565	34,105	-	(2,625)	-	41,045
Motor Vehicles	21,441	-	-	(6,957)		14,484
	18,096,644	675,111	-	(671,669)	-	18,100,046

Notes to the Accounts
For the year ended 30 June 2014

9. INVESTMENT PROPERTY

	Balance 1/07/13	Additions	Transfers	Depreciation	Disposals	Balance 30/6/14
Cost	$	$	$	$	$	$
Land and land improvements	2,977,203	-	-			2,977,203
Water & Sewerage	621,816	40,807				662,623
Buildings	695,687	23,830				719,517
Car Parks & Roading	437,336	-	-			437,336
Fencing	14,130	-				14,130
Lighting	42,112	-				42,112
	4,788,284	64,637	-	-	-	4,852,921
Accumulated Depreciation	$	$	$	$	$	$
Land and land improvements	56,572			51,357		107,929
Water & Sewerage	9,681			23,691		33,372
Buildings	7,288			26,450		33,738
Car Parks & Roading	3,228			8,747		11,975
Fencing	290			706		997
Lighting	692			1,684		2,377
	77,752		-	112,635	-	190,387
Net Book Value	$	$	$	$	$	$
Land and land improvements	2,920,631	-	-	(51,357)		2,869,274
Water & Sewerage	612,135	40,807	-	(23,691)		629,251
Buildings	688,399	23,830	-	(26,450)		685,779
Car Parks & Roading	434,108	-	-	(8,747)		425,361
Fencing	13,840	-	-	(706)		13,133
Lighting	41,420	-	-	(1,684)		39,735
	4,710,532	64,637	-	(112,635)	-	4,662,534
Less Provision for Impairment			-	(696,400)		(696,400)
	4,710,532	64,637	-	(809,035)		3,966,134

The company is developing a business park complex on the surplus airfield land. Stage 1 of the development was completed during the 2013 financial year.

The initial tenant of the business park has prepaid its rentals for the 21-year term of the lease. This income is being recognised over the term of the lease.

The directors have assessed the investment for impairment based on the recoverable value of the investment property compared to its carrying value.

The recoverable value is based on the asset's value in use derived from the present value of the future cashflows expected to be generated by the business park.

As the value in use is less than the current carrying value, the Directors have determined the need for an impairment charge.

The key assumptions adopted are as follows:

- Site leasing will be progressive over the next 15 years
- Cashflows have been CPI adjusted by 2% and discounted at 8.5% post tax.

Notes to the Accounts

For the year ended 30 June 2014

10. RECONCILIATION OF NET PROFIT AFTER INCOME TAX TO NET CASHFLOWS FROM OPERATING ACTIVITIES		2014 $	2013 $
Profit/(Loss) After Taxation		394,031	1,118,950
Add/(Less):			
Non Cash Items	- Depreciation	784,307	600,276
	- Amortisation	1,857	463
	- Deferred Tax	102,467	434,442
	- Provision for Impairment	696,400	-
	- (Profit)/Loss on Disposal on of Assets	8,000	2,483
Changes in Trade & Other Receivables		(70,813)	1,668,871
Changes in Payables & Income in Advance		(56,070)	25,875
Net Cash flows from Operating Activities		1,860,179	3,851,360

11. COMMITMENTS

Operating commitments:

As at 30 June 2014 the company had 2.5 years remaining of five-year contract with a provider of rescue fire, grounds maintenance and security services at $364,704 per annum. This contract runs until 31 December 2016.

As at 30 June 2014 the company had three years remaining of a three-year contract with Hawke's Bay Tourism to contribute $20,000 per annum.

The company has entered into a lease agreement to lease land as part of the runway extension for a term of 35 years expiring on 30 April 2045 with a perpetual right of renewal.

	2014 $	2013 $
No longer than 1 year	33,000	33,000
1 -5 years	132,000	132,000
Longer than 5 years	852,500	885,500
	1,017,500	1,050,500

Capital commitments:

There are no capital commitments at balance date (2013: 0)

12. CONTINGENCIES

There are no known contingent liabilities. (2013: 0)

Notes to the Accounts
For the year ended 30 June 2014

13. TRANSACTIONS WITH RELATED PARTIES

Hawke's Bay Airport Ltd is owned by Napier City Council, Hastings District Council and the Crown. The company 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

The company engaged Unison Networks Ltd to provide electricity supply to the new business park site. Mr John Palairet, chairman of the company, is also a director of Unison Networks Ltd. The company paid Unison $0 (2013; $2,873,000) for this work.

The Company has engaged Opus International Consultants Ltd to provide engineering and other consulting services. Mr Tony Porter, a director of the Company, holds a senior management position and has a minor shareholding in Opus. The Company paid consultancy fees of $43,074 to Opus on normal commercial terms during the financial year. (2013: consulting fees $69,493, $5,664 outstanding).

J & N Partners has undertaken a number of secretarial services. Mr Nigel Sutton general manager of the Company until 30 September 2013 is a principal of J & N Partners. The Company paid J & N Partners $1,052 on normal commercial terms during the financial year. (2013: $1,911).

14. FINANCIAL INSTRUMENTS

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

The main financial instruments are:

- Cash and cash equivalents
- Trade and other receivables
- Trade and other payables
- Borrowings

The Company has no off balance sheet financial instruments.

Risk Management Policies

The Company has an investment policy which limits the amount of funds deposited with any one financial institution.

Credit Risk Exposure

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the company incurring a financial loss. This usually occurs when debtors fail to settle their obligations owing to the entity.

Maximum exposure to credit risk (accounts receivable, cash and cash equivalents and other investments) is disclosed in the body of the financial statements. These amounts are recorded net of any provision for possible losses. The Company is not exposed to any significant concentrations of credit risk.

Liquidity Risk

Liquidity risk is the risk that the company may encounter difficulties raising funds to meet commitments associated with financial instruments. Liquidity risk arises on trade and other payables and employee benefits.

The company manages liquidity risk by monitoring forecast cash flows and maintaining adequate cash reserves and borrowing limits.

Notes to the Accounts
For the year ended 30 June 2014

Capital risk management
The company manages its capital to ensure it will be able to continue as a going concern while maximizing the return to shareholders. The capital structure consists of issued capital and retained earnings.

Fair Value of Financial Instruments
For loans and receivables, held to maturity investments, available for sale 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.
Trade and other receivables: The reported amount approximates fair value because they are assessed for impairment and all amounts are receivable within three months of balance date.
Trade and other 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 and due within 12 months.

Interest Rate Risk
Interest rate risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The company is sensitive to interest rates in relation to its borrowings, cash and cash equivalents. If interest rates were to increase / (decrease) by 1% the profit and equity of the company would increase / (decrease) by $18,618 (2013: $25,530).

In doing the calculation the assumption is that the rate change would be as at the beginning of the period and no other rate changes would be effective during the period.

There has been no change to the company's exposure to interest rate risk or the way it manages and measures interest rate risk in the reporting period.

15. EVENTS SUBSEQUENT TO BALANCE DATE
There have been no events subsequent to balance date requiring disclosure.

Statement of Service Performance

For the year ended 30 June 2014

The following is a statement of service performance relating to key specific objectives listed in the Company's Statement of Corporate Intent for the year ending 30 June 2014.

Financial Performance Targets

	Actual	Budget	Var
	$	$	%
Landing Charges	2,096,961	2,116,099	- 0.9
Other Revenue	1,913,516	1,807,124	5.9
Total Revenue	4,010,477	3,923,223	2.2
Other Revenue % of total	47.7%	46.1%	1.6
Profit before Income Tax	554,210	1,205,282	- 54.0
Profit after Tax	394,031	865,003	- 54.4
Dividend Paid	447,580	350,000	27.9

Other Performance Targets

Business Park

The objective was to secure one new tenant for the Business Park during the year. This was achieved and there were discussions with a number of prospective tenants. Following an assessment of the current business environment and future trading prospects for the business park, the Directors determined that the recoverable value of the business park asset is less than the carrying value. Consequently, an impairment charge of $696,400 was expensed as a pre-tax charge to the Statement of Comprehensive Income which reduced the company's net profit after tax and comprehensive income by the same amount.

Growth in Passenger Numbers

The objective was to achieve passenger growth above 3%, however passenger numbers grew at a slower rate of 1.23% during the year.

Customer Service

With regard to the customer's overall experience at Hawke's Bay Airport, research indicated that over 50% of travellers rated their experience as 'average', with customer insights identifying the opportunities for improved services, atmosphere and 'sense of place' which would enhance the overall customer experience and provide a more memorable gateway to and from the Hawke's Bay Region. These insights support the Airport Company's terminal development plans.

Health & Safety

There were no injuries to staff or visitors reported during the year, therefore we continue to meet our objective of zero harm to staff or visitors.

Directors and Officers Remuneration and Interests

For the year ended 30 June 2014

DIRECTORS

Directors Remuneration

The amount of $65,000 per annum was paid to members of the Board for the six months to 31 December 2013.
From 1 January 2014 Director Remuneration was increased to $70,000 p.a. as authorised by the shareholders as follows:-

J R Palairet	27,000
J A Scotland	13,500
T M Porter	13,500
S J Webster	13,500
	67,500

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

ENTRIES IN THE INTERESTS REGISTER

As at 30 June 2014, the Directors have declared general disclosure of interest in the following entities:

J R Palairet

Unison Networks Ltd	Director
ETEL Ltd	Director

J A Scotland

Port of Napier Ltd	Chairman
Scotland Services Ltd	Director/Shareholder
Ahuriri Properties Ltd	Director
Landmac Holdings Ltd	Director
The Crown Hotel (2006) Ltd	Director
3R Group Ltd	Chairman
Hawkes Bay Regional Investment Company Ltd	Director

T M Porter

Opus International Consultants	Senior Executive

S J Webster

Sainsbury Logan Williams	Partner
The Village Press Ltd	Director

Employee Remuneration

Employee Remuneration and other benefits exceeding $100,000

	2014	2,013
$100,000 - $110,000	2	1
$110,001 - $120,000	-	-
$120,001 - $130,000	1	-

Independent Auditor's Report

staplesrodway
CHARTERED ACCOUNTANTS

TO THE READERS OF HAWKE'S BAY AIRPORT LIMITED'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2014

The Auditor-General is the auditor of Hawke's Bay Airport Limited (the company). The Auditor-General has appointed me, Stuart Signal, using the staff and resources of Staples Rodway Hawke's Bay, to carry out the audit of the financial statements and performance information of the company on her behalf.

We have audited:

- the financial statements of the company on pages 6 to 19, that comprise the statement of financial position as at 30 June 2014, 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 company on page 20.

Opinion

Financial statements and performance information

In our opinion:

- the financial statements of the company on pages 6 to 19:
  - comply with generally accepted accounting practice in New Zealand;
  - comply with International Financial Reporting Standards, and
  - give a true and fair view of the company's:
    - financial position as at 30 June 2014 and
    - financial performance and cash flows for the year ended on that date
- the performance information of the company on page 20:
  - complies with generally accepted accounting practice in New Zealand; and
  - gives a true and fair view of the achievements measured against the performance targets adopted for the year ended on 30 June 2014.

Other legal requirements

In accordance with the Financial Reporting Act 1993 we report that, in our opinion, proper accounting records have been kept by the company as far as appears from an examination of those records.

Our audit was completed on 30 September 2014. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities, and we explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and performance information are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and performance information. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and performance information whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the company's financial statements and performance information that give a true and fair view of the matters to which they relate. We consider internal control 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 company's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the adequacy of all disclosures in the financial statements and performance information; and
- the overall presentation of the financial statements and performance information.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and performance information. Also we did not evaluate the security and controls over the electronic publication of the financial statements and performance information.

In accordance with the Financial Reporting Act 1993, we report that we have obtained all the information and explanations we have required. We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Board of Directors

The Board of Directors is responsible for preparing financial statements and performance information that:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the company's financial position, financial performance and cash flows; and
- give a true and fair view of its service performance achievements.

The Board of Directors is responsible for such internal control as it determines is necessary to enable the preparation of financial statements and performance information that are free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for the publication of the financial statements and performance information, whether in printed or electronic form.

The Board of Directors' responsibilities arise from the Local Government Act 2002 and the Financial Reporting Act 1993.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and performance information and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and section 69 of the Local Government Act 2002.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

During the year, in addition to the audit, we have carried out assignments in the areas of emergency accounting services and HR recruitment assistance for the company. These assignments were managed to ensure those independence requirements were met. Other than the audit and these assignments, we have no relationship with or interests in the company.

S G Signal
Staples Rodway Hawke's Bay Partnership
Hastings, New Zealand
On behalf of the Auditor-General

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