

HAWKE'S BAY AIRPORT LTD



ANNUAL REPORT 2012

HAWKE'S BAY AIRPORT LIMITED

DIRECTORY

* **Directors**

John R Palairet (Chairman)
James A Scotland (Deputy Chairman)
Tony M Porter
Stuart J Webster

* **General Manager**

Nigel R Sutton

* **Business Development Manager**

Wayne L Wootton

* **Registered Office**

Terminal Building
Hawke's Bay Airport
P O Box 721
Napier 4140

* **Email Address**

hbairport@xtra.co.nz

* **Web site**

www.hawkesbay-airport.co.nz

* **Bankers:**

Westpac Banking Corporation

* **Solicitors:**

Willis Toomey Robinson

* **Auditors:**

Staples Rodway on behalf of the Auditor General

Front cover photo: Two Bombardier Global Express private jets being refuelled before departure to Honolulu, while an Australian Air Force C130 Hercules takes off to return to Australia.

Chairman's Report

I am pleased to report on the results for Hawke's Bay Airport Ltd, for the year ended 30 June 2012

The completion of the runway extension in July 2011 and the additional aircraft parking area completed in September 2011 has resulted in a significant increase in private international jet traffic, giving a welcome boost to the local economy. While there have been discussions with a number of airlines regarding the provision of domestic jet services, regular scheduled jet services are unlikely to commence in the short term.

The new car park operating system, which was installed in June 2011 has proved to be more reliable and user friendly than the old system. The provision of prepaid cards has also proved to be beneficial to frequent users, thereby avoiding queuing at pay stations on return trips by paying for parking in advance and using the card to enter and exit the car parks.

Following consultation with substantial customers of the airport, landing charges were increased by 46% with effect from 1 January 2012, with further increases of 10% confirmed for the following four years. This was the first significant increase since 1998.

Passenger numbers at 440,704 continued to improve, albeit at a slower rate than the previous year, with an increase of 2.0%; numbers for the 2011 year were 431,903.

The appointment of a Business Development Manager, Wayne Wootton in July 2011 has resulted in the Business Park planning and implementation proceeding at an accelerated pace, with a significant anchor tenant signed up shortly after year end. Construction of infrastructure facilities to service Stage 1 is also now underway. Wayne has also been active in seeking other tenants, managing the existing rental portfolio and continuing dialogue with airlines.

The financial results are summarised below:

	2012	2011
Revenue	\$3,070,757	\$2,550,981
Less operating expenses	<u>\$1,976,855</u>	<u>\$1,480,903</u>
Operating Profit before financing costs	\$1,093,902	\$1,070,078
Finance Income	<u>\$40,330</u>	<u>\$213,103</u>
Profit before income tax	\$1,134,232	\$1,283,181
Income tax expense	\$(318,615)	\$(254,701)
Reported Profit for the period per accounts	\$815,617	\$1,028,480
Deferred tax expense adjustment	-	\$(131,699)
Profit for the period (normalised)	\$815,617	\$896,781

Revenue increased by 20%, mainly due to increased landing charges and car parking, while operating expenses increased by 33%, mainly due to additional depreciation, consultancy fees, staffing and insurance premiums.

The reduced Finance income reflects the reduction in short term investments as capital expenditure on the runway and apron extensions was incurred.

Last year's Income tax expense includes a favourable corrective adjustment to deferred tax, this adjustment has been excluded in arriving at normalised profit for the period.

As illustrated in the Statement of Service Performance the company's financial results are again well ahead of budget, principally due to improved revenue offsetting increased costs, and deferring capital expenditure and the consequent requirement for bank borrowings.

Statement of Intent

The Statement of Intent for the year ended 2012 and the two following years was approved by the shareholders. The Statement of Service Performance reports on the performance relative to specific objectives.

The company is in a very sound financial position and looking forward to a period of increased development.

This has been an extremely busy year for management and board and I am grateful for the time, commitment and expertise of all concerned.

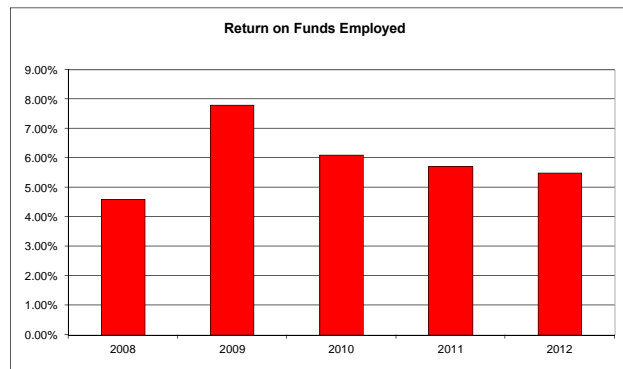
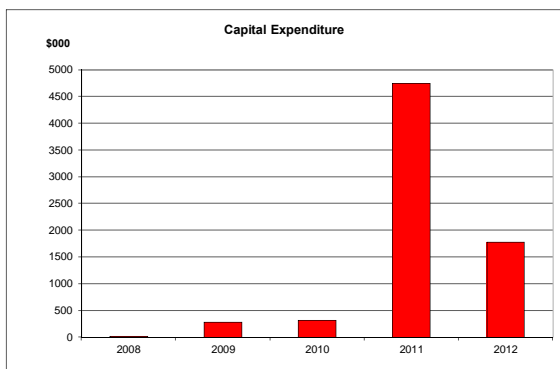
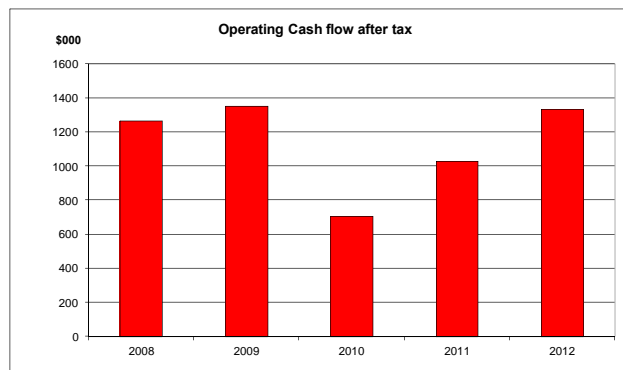
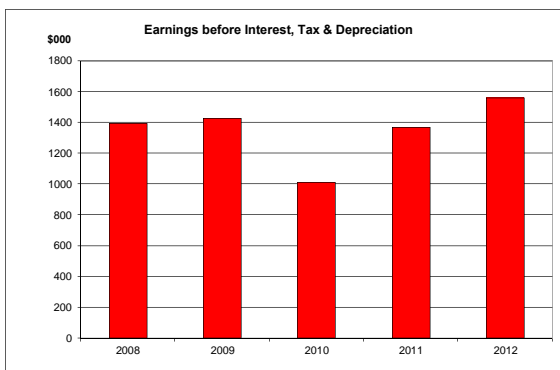
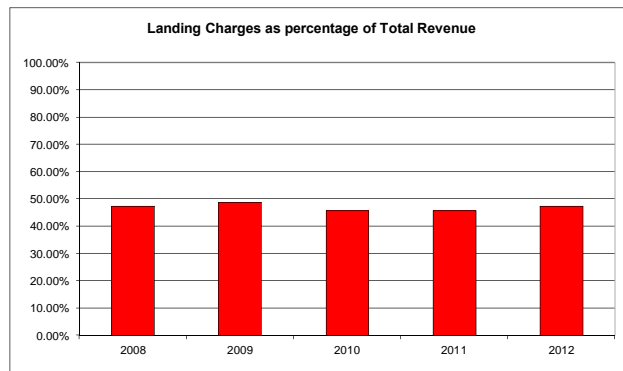
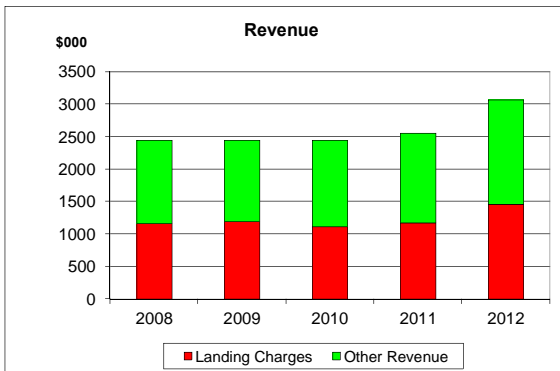
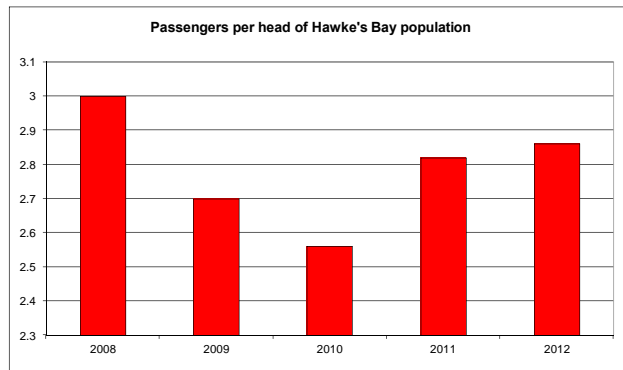
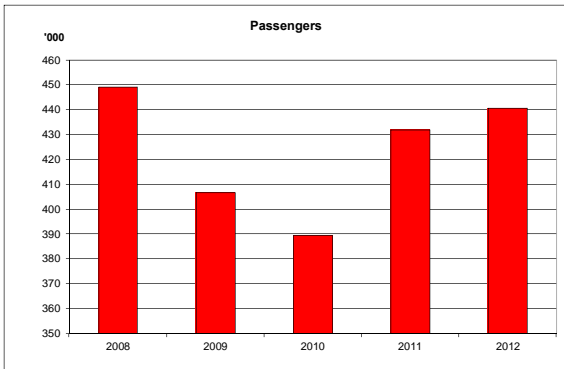


John Palaret

Chairman

Hawke's Bay Airport Ltd

Business Performance Indicators HBAA 2008 to 2009 HBAL 2010 to 2012



HAWKE'S BAY AIRPORT LTD
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012	2011
		\$	\$
Revenue		3,070,757	2,550,981
Less Operating Expenses	1	(1,976,855)	(1,480,903)
Operating Profit before financing costs		<u>1,093,902</u>	<u>1,070,078</u>
Finance income		40,330	213,103
Net Profit before income tax		<u>1,134,232</u>	<u>1,283,181</u>
Income Tax expense	2	(318,615)	(254,701)
Net Profit after income tax		<u>815,617</u>	<u>1,028,480</u>
Other Comprehensive Income		-	-
Total Comprehensive Income		<u><u>815,617</u></u>	<u><u>1,028,480</u></u>

HAWKE'S BAY AIRPORT LTD
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2012

	Note	Issued Capital	Retained earnings	Total Equity
Balance at 1 July 2011		13,789,155	1,295,649	15,084,804
Net profit/(loss) for year		-	815,617	815,617
Other comprehensive income		-	-	-
Total comprehensive income for the period		-	815,617	815,617
Balance at 30 June 2012	5	13,789,155	2,111,266	15,900,421
Balance at 1 July 2010		13,789,155	267,169	14,056,324
Net profit/(loss) for year		-	1,028,480	1,028,480
Other comprehensive income		-	-	-
Total comprehensive income		-	1,028,480	1,028,480
Balance at 30 June 2011	5	13,789,155	1,295,649	15,084,804

HAWKE'S BAY AIRPORT LTD
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012

	Note	2012 \$	2011 \$
Assets			
Property plant and equipment	11	15,728,618	15,226,896
Intangible asset		365	730
Total non-current assets		<u>15,728,983</u>	<u>15,227,626</u>
Trade and other receivables	3	312,486	552,317
Cash and cash equivalents		1,485,603	1,931,647
Total current assets		<u>1,798,089</u>	<u>2,483,964</u>
Total Assets		<u>17,527,072</u>	<u>17,711,590</u>
Equity			
Issued capital		13,789,155	13,789,155
Retained earnings		2,111,266	1,295,649
Total equity		<u>15,900,421</u>	<u>15,084,804</u>
Liabilities			
Deferred tax liability	2	1,251,372	1,203,715
Total non-current liabilities		<u>1,251,372</u>	<u>1,203,715</u>
Trade and other payables	4	343,599	1,396,603
Employee benefits		31,680	26,468
Total current liabilities		<u>375,279</u>	<u>1,423,071</u>
Total liabilities		<u>1,626,651</u>	<u>2,626,786</u>
Total equity and liabilities		<u>17,527,072</u>	<u>17,711,590</u>

These financial statements were authorised for issue by the board on 28 August 2012

On Behalf of Hawke's Bay Airport Ltd

J R Palairet
Chairman

J A Scotland
Director

HAWKE'S BAY AIRPORT LTD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2012

CASH FLOWS FROM OPERATING ACTIVITIES

	Note	2012	2011
		\$	\$
Cash was provided from:			
Revenues		2,991,408	2,535,305
Interest Received		40,330	213,103
		<u>3,031,738</u>	<u>2,748,408</u>
Cash was disbursed to:			
Suppliers and Employees		(1,580,574)	(1,203,770)
Goods & Services Tax		213,781	(232,551)
Income Tax Paid		(330,802)	(281,521)
		<u>(1,697,595)</u>	<u>(1,717,842)</u>
Net Cash Flows from Operating Activities	6	<u>1,334,143</u>	<u>1,030,566</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Cash was provided from:			
Term Investments		-	4,649,595
		<u>-</u>	<u>4,649,595</u>
Cash was disbursed to:			
Capital works		(1,780,187)	(4,749,824)
		<u>(1,780,187)</u>	<u>(4,749,824)</u>
Net Cash Flows from Investing Activities		<u>(1,780,187)</u>	<u>(100,229)</u>
Net Increase/(Decrease) in Cash and Cash equivalents		(446,044)	930,338
Add Opening Cash and Cash equivalents		1,931,647	1,001,309
Closing Cash and Cash equivalents at end of year		<u>1,485,603</u>	<u>1,931,647</u>
Represented by:			
Bank deposit		1,454,864	1,905,078
Cash at Bank		17,376	9,864
Cash in hand		13,364	16,705
		<u>1,485,603</u>	<u>1,931,647</u>

HAWKE'S BAY AIRPORT LTD

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2012

SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

Hawke's Bay Airport Limited is a company incorporated in New Zealand under the Companies Act 1993 and is owned by the Crown: 50%, Napier City Council: 26%, Hastings District Council: 24%. The company is domiciled in New Zealand and its principal place of business is 111 Main North Road, Westshore, Napier. The company operates the Hawke's Bay Airport.

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

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

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.

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.

HAWKE'S BAY AIRPORT LTD

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2012

4) TAXATION:

Income tax expense

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

Current tax

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

Deferred tax

Deferred tax 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.

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.

HAWKE'S BAY AIRPORT LTD

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2012

Financial liabilities

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

10) IMPAIRMENT TESTING OF ASSETS

At each reporting date, the Company reviews the carrying values of its assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the profit or loss. The directors have agreed that there has been no impairment of assets.

11) CHANGES IN ACCOUNTING POLICIES

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

12) 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.
- NZ IFRS 13 Fair Value Measurement is applicable for annual periods beginning on or after 1 January 2013. It defines fair value and provides a single source of fair value measurement and disclosure requirements for use across all NZ IFRSs. The requirements do not extend the use of fair value accounting, but provide guidance on how it should be applied where its use is already required or permitted by another NZ IFRS. The company has not yet considered the impact of the new standard.

HAWKE'S BAY AIRPORT LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2012

	2012	2011
	\$	\$
1. OPERATING EXPENSES		
Other Operating Expenses	1,397,035	1,014,230
Amortisation	365	364
Directors Fees	65,000	65,000
Depreciation	468,169	298,218
(Profit)/Loss on Sale of Assets	511	54,991
Audit Fees - audit of financial statements	12,775	14,000
- financial statements disclosure assistance	-	1,100
Lease of Land	33,000	33,000
	<u>1,976,855</u>	<u>1,480,903</u>
2. TAXATION		
A. CURRENT YEAR RECONCILIATION		
Profit Before Taxation	<u>1,134,232</u>	<u>1,283,181</u>
Taxation @ 28%	317,585	384,955
Adjusted for the effect of:		
Non-Deductible Expenses	1,230	(130,106)
	<u>318,815</u>	<u>254,848</u>
Prior Years (over)/under provision - Current	(200)	(147)
Tax Expense for the year	<u>318,615</u>	<u>254,701</u>
B. COMPRISING		
Current Tax payable	271,158	385,801
Deferred Tax	47,657	(130,953)
Prior Period Tax Adjustment	(200)	(147)
	<u>318,615</u>	<u>254,701</u>
C. PROVISION FOR TAXATION		
Balance @ 1 July	104,134	(1,622)
Less prior year overprovision	(200)	(147)
Less Tax (paid)/refunded	<u>(103,934)</u>	<u>1,769</u>
Balance	(0)	(0)
Add Tax Payable current year	271,158	385,801
Less Provisional Tax paid	(215,572)	(219,199)
Less R WTax on Interest received	<u>(11,296)</u>	<u>(62,468)</u>
Balance @ 30 June	<u>44,290</u>	<u>104,134</u>
D. DEFERRED TAX LIABILITIES		
Holiday Pay	(9,066)	(7,411)
Asset Base differences	859,787	859,787
Depreciation differences	<u>400,651</u>	<u>351,339</u>
	<u>1,251,372</u>	<u>1,203,715</u>

**HAWKE'S BAY AIRPORT LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2012**

	2012 \$	2011 \$
E. DEFERRED TAX RECONCILIATION		
Opening balance	1,203,715	1,334,668
plus deferred tax expense	<u>47,657</u>	<u>(130,953)</u>
Closing balance	<u>1,251,372</u>	<u>1,203,715</u>
F. IMPUTATIONS		
Imputation Credits carried forward	4,023,214	3,781,656
Increase arising from tax paid during the year	<u>331,002</u>	<u>241,558</u>
	<u>4,354,216</u>	<u>4,023,214</u>

3. TRADE AND OTHER RECEIVABLES

Accounts Receivable	203,375	156,782
Prepayments	109,111	63,888
GST Receivable	-	331,647
	<u>312,486</u>	<u>552,317</u>

4. TRADE AND OTHER PAYABLES

General - Trade	131,167	220,839
- Capital Expenditure	105,088	1,036,341
Rentals in Advance	37,554	35,289
GST Payable	25,500	-
Income Tax Payable	<u>44,290</u>	<u>104,134</u>
	<u>343,599</u>	<u>1,396,603</u>

5. SHARES ON ISSUE

1004 ordinary shares fully paid totalling \$13,789,155. All shares have equal voting rights and share equally in dividends and surpluses on winding up.

6. RECONCILIATION OF NET PROFIT AFTER INCOME TAX TO NET CASHFLOWS FROM OPERATING ACTIVITIES

Profit/(Loss) After Taxation	815,617	1,028,480
Add/(Less):		
Non Cash Item - Depreciation	468,169	298,218
- Amortisation	365	364
- Deferred Tax	47,657	(130,953)
- (Profit)/Loss on Sale of Assets	511	54,991
Changes in Accounts Receivable	267,596	(368,581)
Changes in Accounts Payable	(265,772)	148,047
Net Cash flows from Operating Activities	<u>1,334,143</u>	<u>1,030,566</u>

**HAWKE'S BAY AIRPORT LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2012**

7. CONTINGENCIES

There are no known contingent liabilities. (2011: Nil)

8. EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to balance date the company entered into a 21 year lease contract with a Business Park tenant. The lease commencement date is 1 July 2012.

The company also entered into an agreement with Unison Network Limited to construct a stand alone, dedicated electricity supply infrastructure for the use of the tenants of the Business Park on 2 July 2012. Also refer note 12.

There were no other significant events after balance date. (2011: Nil)

9. COMMITMENTS

Operating commitments:

As at 30 June 2012 the Company had entered into a 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 2012 the Company had entered into a three year funding pledge with Hawke's Bay Tourism Ltd to contribute \$20,000 per annum. \$20,000 has been paid during the year leaving \$30,000 committed at 30 June 2012.

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.

	2012	2011
	\$	\$
No longer than 1 year	33,000	33,000
1 -5 years	132,000	132,000
Longer than 5 years	918,500	951,500
	1,085,512	1,116,500

Capital commitments:

There are no capital commitments (2011: \$574,811)

10. 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

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.

HAWKE'S BAY AIRPORT LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2012

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.

Capital risk management

The company manages its capital to ensure it will be able to continue as a going concern while maximising 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.

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 cash and cash equivalents. If interest rates were to increase / (decrease) by 1% the profit and equity of the company would increase / (decrease) by \$14,856 (2011: \$19,000).

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 the entity manages and measures interest rate risk in the reporting period.

HAWKE'S BAY AIRPORT LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2012

11. SCHEDULE OF PROPERTY, PLANT AND EQUIPMENT

COST OR REVALUATION	Balance 1/07/11	Additions	Transfers	Accum Depreciation	Disposals	Balance 30/6/12
	\$	\$	\$	\$	\$	\$
Land and land improvements	2,182,423					2,182,423
Airfield Infrastructure	4,903,287	575,035	4,092,839			9,571,161
Buildings	2,512,587					2,512,587
Plant & Equipment & Furnishings	735,501	19,079			(1,765)	752,815
Car Parks & Roading	1,087,140					1,087,140
Fencing	69,686					69,686
Lighting	162,211					162,211
Office Equipment	6,759	3,850				10,609
Motor Vehicles		34,783				34,783
Work in Progress - Apron	112,915		(112,915)			-
- Runway extension	3,979,924		(3,979,924)			0
- Business Park		295,860				295,860
- Runway Resurfacing		42,638				42,638
	15,752,433	971,245	-	-	(1,765)	16,721,913

ACCUMULATED DEPRECIATION	\$	\$	\$	\$	\$	\$
Land and land improvements	10,926	5,478				16,404
Airfield Infrastructure	166,390	225,841				392,231
Buildings	179,608	90,050				269,658
Plant & Equipment & Furnishings	72,807	93,559			(411)	165,955
Car Parks & Roading	58,102	29,130				87,232
Fencing	8,386	4,204				12,590
Lighting	26,196	13,138				39,334
Office Equipment	3,122	384				3,506
Motor Vehicles		6,385				6,385
Work in Progress - Apron	-					-
- Runway extension	-					-
- Business Park	-					-
- Runway resurfacing	-					-
	525,537	468,169	-	-	(411)	993,295

NET BOOK VALUE	Balance 1/07/11	Additions	Transfers	Depreciation	Disposals	Balance 30/6/12
	\$	\$	\$	\$	\$	\$
Land and land improvements	2,171,497	-		(5,478)		2,166,019
Airfield Infrastructure	4,736,897	575,035	4,092,839	(225,841)		9,178,930
Buildings	2,332,979	-		(90,050)		2,242,929
Plant & Equipment & Furnishings	662,694	19,079		(93,559)	(1,354)	586,860
Car Parks & Roading	1,029,038	-		(29,130)		999,908
Fencing	61,300	-		(4,204)		57,096
Lighting	136,015	-		(13,138)		122,877
Office Equipment	3,637	3,850		(384)		7,103
Motor Vehicles	-	34,783		(6,385)		28,398
Work in Progress - Apron	112,915	-	(112,915)	-		-
- Runway extension	3,979,924	-	(3,979,924)			0
- Business Park		295,860				295,860
- Runway resurfacing		42,638				42,638
	15,226,896	971,245	-	(468,169)	(1,354)	15,728,618

**HAWKE'S BAY AIRPORT LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2012**

12. TRANSACTIONS WITH RELATED PARTIES

The Company has engaged Opus International Consultants Ltd to provide architectural 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 \$55,631 to Opus on normal commercial terms during the financial year. \$9,087 is outstanding. (2011: consulting fees \$14,325, \$1,040 outstanding)

As detailed in note 8, the Company has entered into an agreement with Unison Networks Limited of which John Palaret, the Company's Chairman, is a director. The agreement was negotiated on commercial terms between the parties.

J & N Partners has undertaken a number of secretarial services, Mr Nigel Sutton general manager of the Company is a principal of J & N Partners. The Company paid J & N Partners \$1,619 on normal commercial terms during the financial year. (2011: \$1,198)

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. 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

**HAWKE'S BAY AIRPORT LIMITED
STATEMENT OF SERVICE PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2012**

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 2012

Financial Performance targets

	Actual	Budget
Landing Charges	1,458,346	1,198,900
Other Revenue	1,612,411	1,523,300
Total Revenue	3,070,757	2,722,200
Other Revenue % of Total	52.5%	56.0%
Profit Before Income Tax	1,134,232	791,000
Profit after tax	815,617	550,700
Dividend	0	0

Provide Appropriate Infrastructure

In July 2011 a Business Development Manager was appointed to increase the company's revenue streams and develop the proposed business park.

Deliver high level of customer service

A comprehensive customer survey is periodically carried out to ascertain satisfaction levels and development requirements.

**HAWKE'S BAY AIRPORT LIMITED
ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE 2012**

DIRECTORS

Directors Remuneration

The amount of \$65,000 per annum was paid to members of the board as authorised by the shareholders as follows:-

J R Palairet	26,000
J A Scotland	13,000
T M Porter	13,000
S J Webster	13,000
	65,000

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 2012, the Directors have declared general disclosure of interest in the following entities:

J R Palairet

Unison Networks Ltd	Director
BDO Hawke's Bay Ltd	Consultant
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
Hawke's Bay Regional Investment Co.Ltd	Director - appointed February 2012

T M Porter

Opus International Consultants	Senior Executive
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S J Webster

Sainsbury Logan Williams	Partner
The Village Press Ltd	Director

Employee Remuneration

There are no employees whose remuneration exceeds \$100,000 per annum (2011: Nil)

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 2012**

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 1 to 14, that comprise the statement of financial position as at 30 June 2012, 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 15.

Opinion on the financial statements and performance information

In our opinion:

- the financial statements of the company on pages 1 to 14:
 - 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 2012 and
 - financial performance and cash flows for the year ended on that date;
- the performance information of the company on page 15:
 - 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 2012.

Opinion on 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 28 August 2012. 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 would affect a reader's 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 company's preparation of the 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. 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 also 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' responsibilities arise from the Local Government Act 2002 and the Financial Reporting Act 1993.

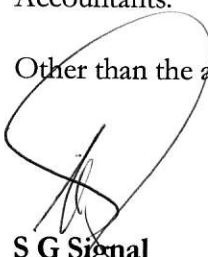
Responsibilities of the Auditor

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 New Zealand Institute of Chartered Accountants.

Other than the audit, we have no relationship with or interests in the company.



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