



# NELSON AIRPORT

THE GATEWAY  
TO TE TAUIHU

# ANNUAL REPORT 2021



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# DIRECTORS REPORT

## NELSON AIRPORT THE GATEWAY TO TE TAUIHU

## OVERVIEW

In keeping with many New Zealand companies, the year to 30 June 2021 was a period of monitoring and adapting our traditional business to promote resilience and recovery from the disruption of Covid-19. For Nelson Airport, that attention extended beyond our direct activities to include consideration of the resilience and recovery of our business partners.

Our business-partner engagement continues to be proactive and strong, with high demand being shown for airport tenancies and several new entrants to the airport community being welcomed during the year.

We are particularly appreciative of the constructive relationships enjoyed with our airlines: Air New Zealand, Originair, Sounds Air and Golden Bay Air.

We are pleased to report that Nelson Airport is performing well as New Zealand navigates these uncertain times. At \$5.5 million, EBITDA for the year represented a solid result and underpinned the Board's resolution to pay a dividend of \$1 million, up 18% from 2020. EBITDA in this Directors' Report excludes gains on acquisition of assets, as well as any movements on asset revaluation.

The Airport's safety culture continues to be healthy, with our Safety Management System (SMS) being audited and certified by the Civil Aviation Authority as part of the progressive SMS-regime rollout throughout the New Zealand aviation sector.

While prudent fiscal management dictated the careful reassessment of our capital works programme, we are pleased to confirm the completion of a significant electrical upgrade to the terminal apron incorporating new floodlighting and protection of the terminal's electrical system from lightning strike.

Future-focused planning is a significant workstream, with considerable resources committed to understanding the planning protections needed to ensure the airport's ability to meet the regions future needs.

In addition to initiatives linked directly to the company's activities, the airport is proactively seeking opportunities to assist its business partners to drive industry-level sustainability.

# OUR BOARD



QUINTON  
HALL

MATTHEW  
CLARKE

PAUL  
STEERE  
CHAIR

CATHERINE  
TAYLOR  
DEPUTY CHAIR

MATTHEW  
McDONALD

# NELSON AIRPORT AWARDS



# COVID-19 RECOVERY

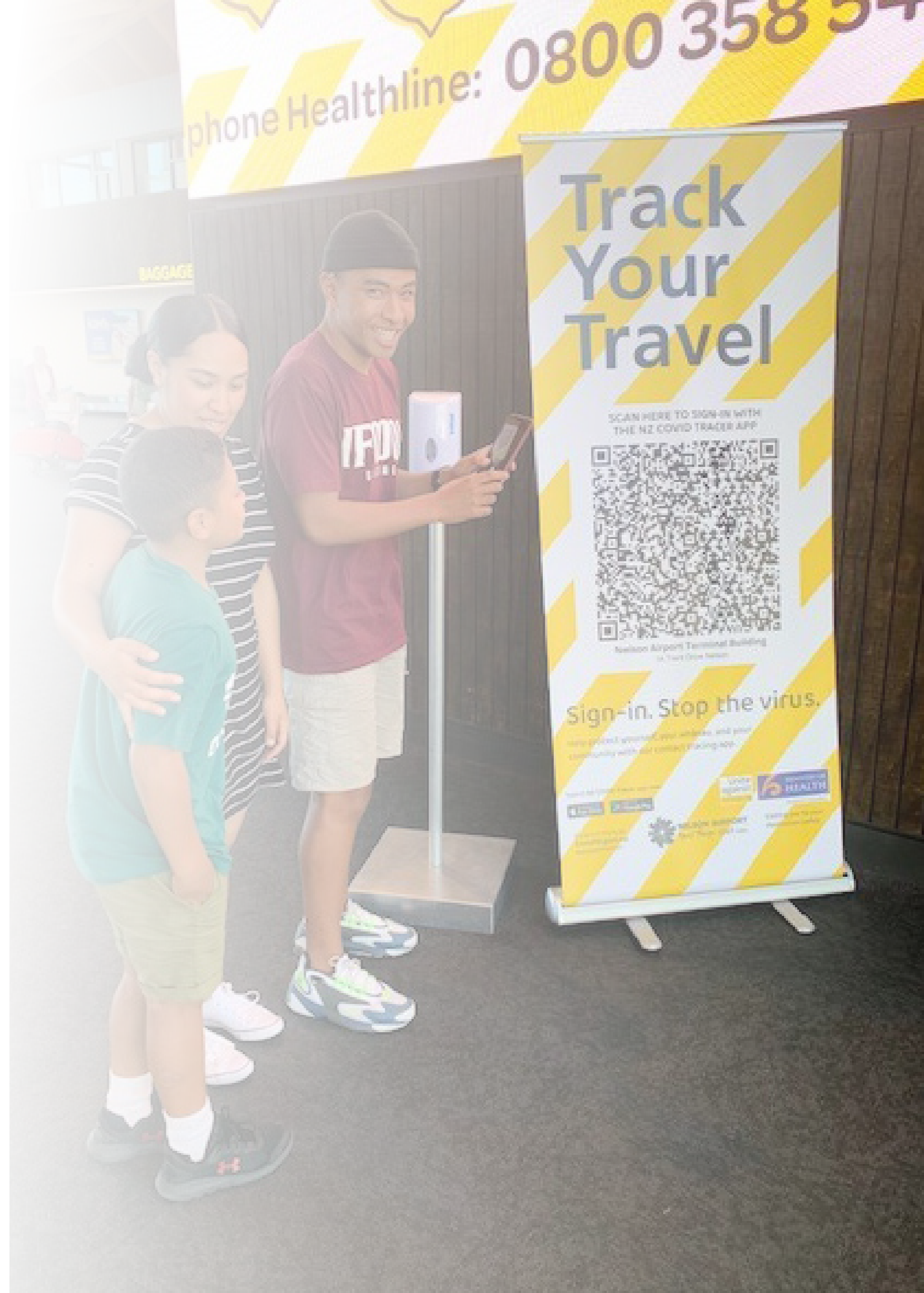
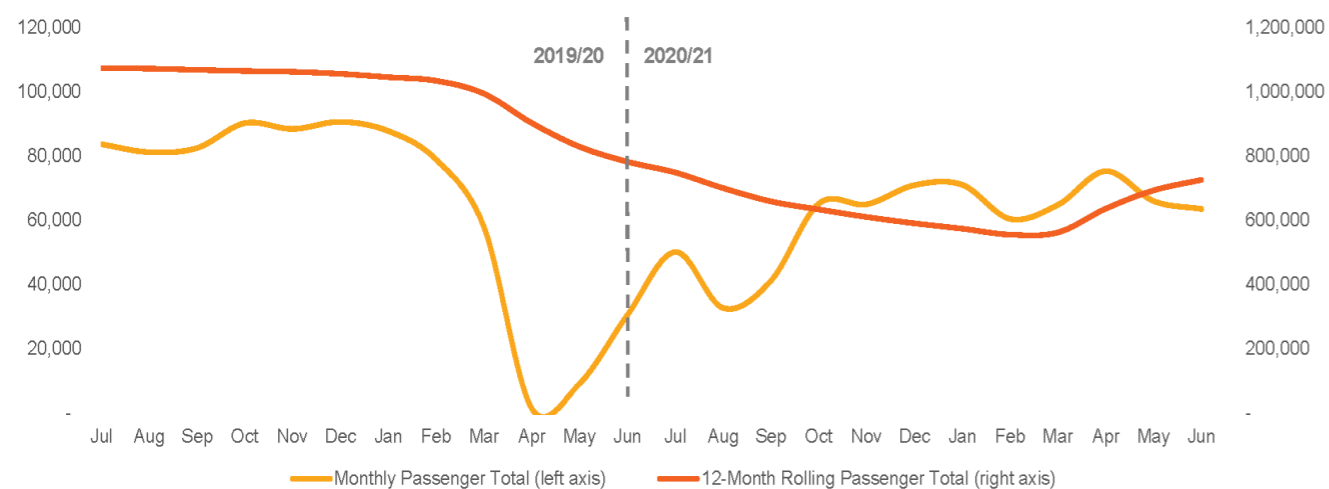
During the year under review, New Zealand experienced four tranches of community outbreaks of Covid-19 with Auckland moving into Alert Level 3 in mid-August 2020, early February 2021 and then again later in the same month. Wellington was moved into Alert Level 3 briefly in late June 2021.

The associated restrictions had a direct impact on passenger movements around New Zealand and consequential impacts on other parts of airport businesses, such as retail spend, car rental and car parking. Nelson Airport had budgeted for one nationwide Alert Level 4 lockdown during the year, an approach that proved to be conservative given the better-than-expected bounce back in domestic travel.

The propensity of Kiwis to fly to and from Nelson mitigated the downside impact of the severe restrictions on international travellers.

With just over 725,000 passenger movements in the year, activity is steadily returning towards pre-Covid levels. The chart below shows airline passenger volumes at Nelson over the two-year period to 30 June 2021 together with a rolling 12-month total that removes seasonal fluctuation from the chart line.

**NELSON AIRPORT - AIRLINE PASSENGER NUMBERS**



# FINANCIAL PERFORMANCE

At \$11.4 million, total operating revenues for the year showed resilience sitting within \$0.5 million of the prior year.

EBITDA performed similarly well at \$5.5 million, \$1.2 million less than the prior period result.

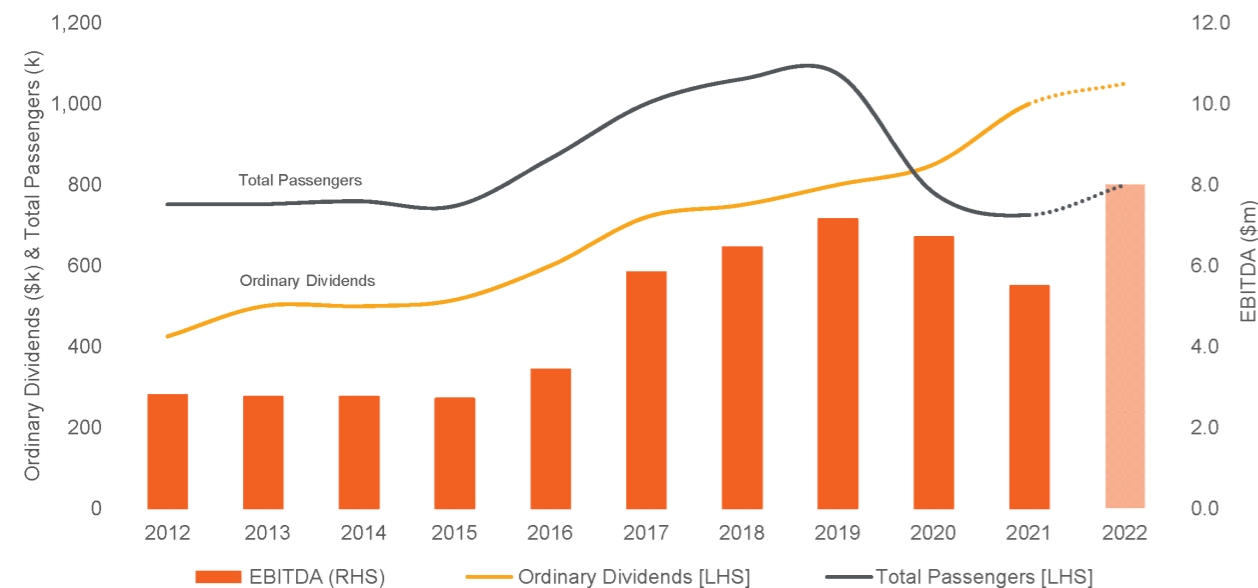
During the year, Nelson Airport committed to reviewing its dividend strategy to ensure appropriate returns to shareholders without risking the availability of funding to support the forecast continued growth and required investment in maintaining our assets.

Despite Covid-19, passenger activity and EBITDA was within 7% and 18% of prior-year levels respectively. The Board was pleased to remain in a position to increase the company's ordinary dividend to shareholders.

The dividend was raised by 18% to \$1 million, a significant milestone in the life of Nelson Airport, illustrative of the resilience of the company and the quality of the community asset it represents.

The chart below summarises results over the past ten financial years together with the budgeted expectation for the year ahead, clearly demonstrating 'the Covid effect'. Rather than forecasting a significant national lockdown during the year ahead, we have forecast the steady recovery of passenger traffic towards pre-Covid levels, which is in keeping with current industry predictions.

## NELSON AIRPORT - KEY PERFORMANCE INDICATORS



## HEALTH, SAFETY & RISK

Effective management of health, safety and risk remains a top priority for Nelson Airport.

A significant maturing and continuous improvement step in this area occurred during the year with the Civil Aviation Authority formally certifying our Safety Management System as ‘present and suitable’.

The Authority’s certification provides strong endorsement of our various policies, procedures and methods for proactively managing health, safety and risk across the business.



## IWI RELATIONSHIPS

We continue to seek genuine engagement with our local Iwi to ensure that the identity and operation of the Airport reflects mana whenua.

We look forward to continuing this important journey.

Ki te Whare Rererangi o “Manukau” kei Whakatū

## COMPLIANCE

At an operational level, regular compliance audits continue to confirm our policy of exceeding minimum compliance requirements is routinely being achieved.

In a broader compliance context, the Civil Aviation Act 1990 and the Airport Authorities Act 1966 are two pieces of legislation defining the unique compliance framework for New Zealand airports. Both Acts have been amended several times but have never been substantially revised.

The Government drafted a new bill to replace the Acts in 2019 and has been consulting on the draft. Combining the two Acts into one is a complex process and airports had several concerns regarding the proposed new bill.

The New Zealand Airports Association (NZAA) has been actively involved in the consultation process on behalf of all New Zealand Airports to ensure the industry has an appropriate voice.





# SUSTAINABILITY

The drive for continuous improvement in our sustainability performance saw new initiatives introduced to build upon the low carbon / energy efficient terminal building and established programme.

During the year we:

had our carbon emissions independently assessed, and offset by 120%

replaced apron floodlights with low-emission LED fixtures

engaged industry experts to assess the potential for utility-scale solar energy generation at the airport

constructed our new 'bike zone' to support cycling to and from the airport

In addition to these actions, we look forward to facilitating aviation industry sustainability initiatives, especially in the developing areas of sustainable aviation fuel, green-hydrogen generation and electric propulsion.

We will continue to seek additional natural offsets within our controllable activities towards a reduction in our carbon creation, rather than external offsets.



## PROPERTY

The rationalisation of Air New Zealand's Regional Maintenance activities at Nelson Airport included the vacation of two significant airport buildings: a 1,000m<sup>2</sup> office building and a 3,500m<sup>2</sup> hangar.

We note our appreciation to Air New Zealand for their professional approach in this project in what was a difficult transition for all parties.

In addition to the vacancies created by Air New Zealand's maintenance rationalisation, the temporary use of Airport House by the Electoral Commission released an additional 1,200m<sup>2</sup> of office space mid-year.

We are pleased to report that strong demand for airport premises saw virtually all vacated space being leased by year end to a combination of new tenants and expanded tenancies for existing tenants.

On the back of the observed resilience in passenger activity, and with support from the airport's rental car partners, the Board committed to the development of a new building to accommodate front-of-house rental car facilities which will be completed in the year ahead.



# INFRASTRUCTURE

During the year, a significant electrical upgrade was completed for the terminal apron.

The upgrade included new lighting towers incorporating low-emission LED floodlights and lightning conductors to protect the terminal's electrical system from lightning strike. The new lighting also made a significant contribution to apron safety during evening and night operations.

In addition to apron enhancement, several important infrastructural works were progressed including:

completion of a new, but temporary, cargo facility for Air New Zealand enabling more efficient operations

completion of a coastal erosion assessment and initiation of planning to implement mitigations

ordering a new rescue fire truck as part of a consolidated procurement by a group of New Zealand airports

installation of a non-return tidal flap to reduce the impact of king tides on the airport's stormwater network



# THE NELSON PLAN

We remain closely engaged with council officers on airport-related inclusions in the Nelson Plan.

**Nelson Airport is a key part of the region's infrastructure. We need to futureproof the Airport so we can continue to play an important role as our regional communities grow in the future.**

Domestic passenger travel is expected to steadily return to pre-Covid levels, and we expect aircraft movements at Nelson Airport to grow at an average rate of 1.4% per year during the period covered by our planning horizon.

Our Master Plan is a living document that is being revised with a 2050 planning horizon. Our focus is on ensuring the region's long-term airport needs are coherently signalled, provided for, and protected by the Nelson Plan.

One of the changes being incorporated into the Draft Plan for future community consultation includes the establishment of a new Airport Zone and three Airport precincts.

The Airport Zone will replace current Industrial zoning and the precincts will more appropriately provide for the ongoing efficient operation of Nelson Airport.

In addition to providing input into the establishment of the Airport Zone and precincts, planning work to determine necessary protections for airfield configuration, noise management and the height of near-airport structures was well advanced during the year. That planning work will be finalised and progress to consultation with community and stakeholders in the year ahead.



## WILDLIFE MANAGEMENT

Control of birds around the airport continues to be a high priority for Nelson Airport. The CAA currently rates Nelson Airport as medium risk and trending upwards.

We are continually reviewing our control techniques to manage the risk of bird strike to aircraft, and the Airport has also joined the NZ Aviation Wildlife Hazard Group which meets regularly to share knowledge on managing wildlife threats to aviation.

## CUSTOMERS AND MARKETING

Our strong relationships with Air New Zealand and the Nelson Regional Development Agency greatly assisted the airport in a challenging year.

Our collaborative approach to marketing with Air New Zealand ensured that Nelson was featured throughout their marketing channels and was top of mind when people were deciding where to fly to next. As part of this collaboration, Nelson had the unique opportunity to trial a new itinerary-creation service called 'Trip Starter'. The trial was very popular, and Nelson received significant airtime through Air New Zealand's channels over the year.

With a focus on supporting events that drive visitation to Nelson, Nelson Airport has been the naming sponsor of the multisport event Nelson Airport K2M for the two years since it started. The growing event saw 42% of participants come from out of town with over 400 participants and supporters choosing to fly to Nelson for the long weekend.

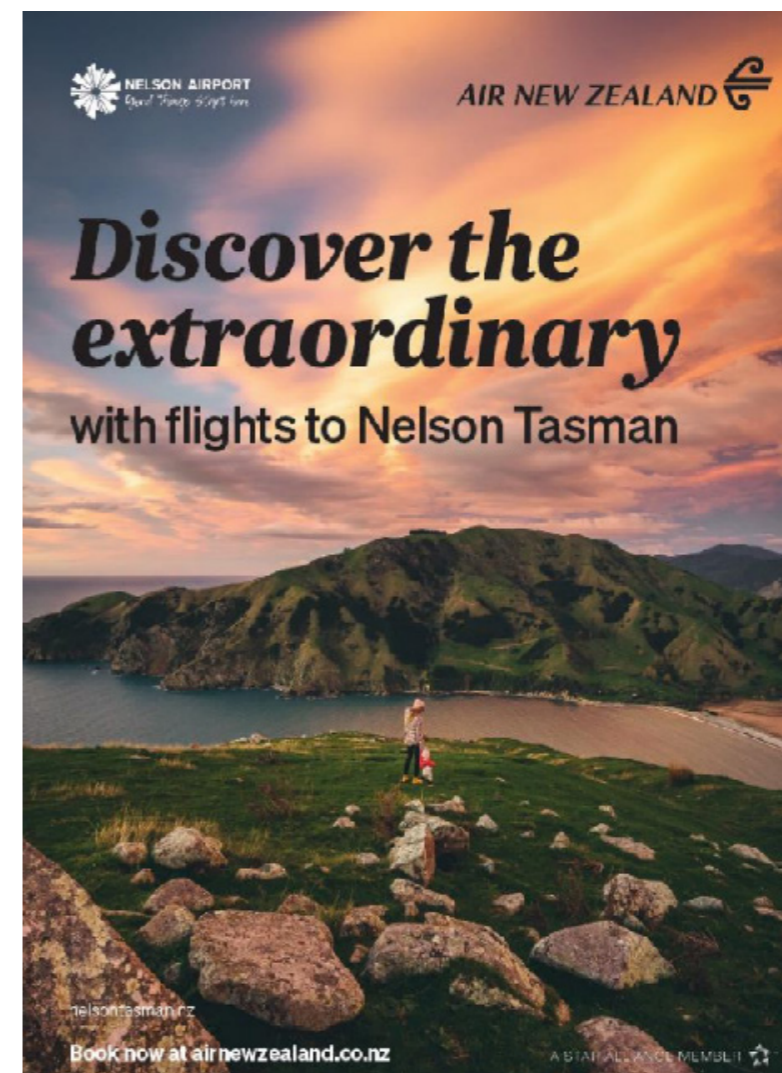
## THE NELSON AIRPORT NOISE ENVIRONMENT ADVISORY COMMITTEE

Nelson Airport has constructively participated in the Nelson Airport Noise Environment Advisory Committee and has continued to improve its reporting to the community on noise issues. A new page on the Nelson Airport website contains information on the relevant noise regulations and includes an online form to allow the public to make noise complaints and enquiries.

A new procedure to monitor engine testing noise overnight has been developed to ensure compliance with the Nelson Plan.



[www.nelsonairport.co.nz/noise-management](http://www.nelsonairport.co.nz/noise-management)



# THE TEAM



The year saw several changes to the governance and leadership team. Mark Greening completed his term on the Board and Rob Evans departed as Chief Executive.

The Board thanks both Mark and Rob for their considerable contributions to our company's progress and development.

Quinton Hall joined the Board in early 2021 bringing a wealth of tourism industry experience, most notably from his tenure as Chief Executive of Ngāi Tahu Tourism.

Andy Wotton accepted a temporary engagement as Interim Chief Executive pending the conclusion of an extensive recruitment process for a permanent appointment. The Board wishes to record its appreciation of Andy's leadership and support during his nine-months tenure.

We are delighted to welcome Simon Barr as Commercial Manager and Bryn Lloyd as Marketing & Landside Manager, both of whom bring additional skills and experiences, further lifting overall competencies.

We additionally welcome Mark Thompson as Chief Executive, joining the team in August 2021. Mark brings experience from an extensive international leadership career in logistics, infrastructure, supply chain, tourism and technology.

In addition to governance and leadership changes, 2021 saw the 'bringing in house' of Nelson Airport's rescue fire resources. Whereas previously the rescue fire function was provided by a third-party company, the owners of that company and Nelson Airport agreed the time was right for the resources to be wholly owned and operated by Nelson Airport.

**The Board commends their executive team for their diligence and aptitude in recent challenging times, and appreciates their commitment to 'good things' continuing in our development and performance.**

# OUTLOOK



The outlook for the year ahead is strong. Our airline partners are focused on strengthening domestic connectivity, with Air New Zealand's Nelson schedule from mid-August offering record numbers of seats in and out of Nelson. Originair announced a new Nelson-Napier direct service to commence in September together with additional Nelson-Palmerston North services.

On the property front, we look forward to completion of the new rental car facility, originally intended with the new terminal but deferred during Covid-19.

Planning-wise, we look forward to community and stakeholder engagement on Airport inclusions in the Nelson Plan – these conversations will go to the very heart of ensuring the Airport's continued ability to support our community development into the future.

**PAUL STEERE**

CHAIR

**CATHERINE TAYLOR**

DEPUTY CHAIR

## Independent Auditor's Report

### To the readers of Nelson Airport Limited's financial statements and performance information for the year ended 30 June 2021

The Auditor-General is the auditor of Nelson Airport Limited (the Company). The Auditor-General has appointed me, Chris Genet, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the performance of the Company on his behalf.

We have audited:

- the financial statements of the Company on pages 41 to 72, that comprise the balance sheet as at 30 June 2021, 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 pages 30 to 35.

### Opinion

#### Qualified opinion on the financial statements – Our work was limited because the Company did not complete a fair value assessment for land and improvements as at 30 June 2020

In our opinion, except for the possible effect of the matter described in the Basis for our qualified opinion section of our report, the financial statements of the Company on pages 41 to 72:

- present fairly, in all material respects:
  - its financial position as at 30 June 2021; and
  - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime.

#### Unmodified opinion on the statement of service performance

In our opinion, the performance information of the Company on pages 30 to 35 presents fairly, in all material respects, the Company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the Company's objectives, for the year ended 30 June 2021.

Our audit was completed on 3 December 2021. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw your attention to the ongoing impact of Covid 19 on the Company. 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

Our audit report on the 30 June 2020 financial statements was qualified because the Company had not completed a fair value assessment for land and improvements as at 30 June 2020. Therefore, the Company did not provide us with sufficient appropriate evidence to support that the carrying amount of the land and improvements asset class of \$32.7 million (included within property, plant and equipment) does not differ materially from its fair value. As the Company did not complete a fair value assessment or valuation of these assets, it was impracticable for us to determine whether any adjustment to the carrying value was necessary as at 30 June 2020.

This year the Company revalued its land and improvement asset class. We are satisfied the revalued carrying amount as at 30 June 2021 is fairly reflected in the financial statements. Due to the limitation of scope over the opening balance of the land and improvements asset class, the asset revaluation movement recognised in the statement of comprehensive revenue and expense for the year ended 30 June 2021 could be misstated.

As a result of the matter described above, we are unable to obtain sufficient audit evidence to support:

- the carrying value of property, plant, and equipment in the statement of financial position as at 30 June 2020; and
- the asset revaluation movement for the year ended 30 June 2021, that has been recognised in the other comprehensive revenue and expense section of the statement of comprehensive revenue and expense, and the statement of changes in equity.

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 qualified opinion.

#### Emphasis of matter – Impact of Covid 19

Without further modifying our opinion, we draw attention to the disclosures about the ongoing impact of Covid-19 on the Company as set out in note 22 on pages 70 to 71 of the financial statements. We draw specific attention to the disclosures in note 1 on page 46 that describes the assumptions and uncertainties in relation to the valuation model used to assess whether the Company's property, plant and equipment is impaired. The Company's estimates of passengers, recovery, and growth rates remain uncertain and dependent on a number of factors with respect to Covid 19. Material changes in these factors might have a material impact on the impairment assessment.

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

The Board of Directors is responsible on behalf of the Company 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 Company 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 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 decisions of readers taken on the basis of these financial statements and the statement of service performance.

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 Company'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 Company 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 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 5 to 25 and 37 to 40 but does not include the financial statements and statement of service performance, 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 Company 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.

In addition to the audit, we have completed an assurance engagement in relation to the Company's disclosure financial statements pursuant to the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999.

Other than the audit and the assurance engagement, we have no relationship with, or interests in, the Company.



Chris Genet

Audit New Zealand

On behalf of the Auditor-General

Christchurch, New Zealand

# SERVICE PERFORMANCE REPORT 2020/2021

The company sets various performance goals in its Annual Statement of Intent.

These are reported in the following strategic areas.



## CUSTOMERS

PERFORMANCE MEASURE	TARGET	RESULT
Iwi engagement	Form a strategy and policy for relationship development	Achieved. Engagement Strategy in place. Work with shareholders to align and deliver the appropriate engagement model
ACHIEVED		
Passengers' numbers	403,000	Achieved. Total passengers for the year to 30th June 2021 was 725,269.
ACHIEVED		
Implement a customer experience benchmarking plan	Plan completed and benchmark parameters set	Not achieved. Customer profiling / segmentation survey to be developed by 31 December 2021.
NOT ACHIEVED		

# SERVICE PERFORMANCE REPORT 2020/2021



## PEOPLE

PERFORMANCE MEASURE	TARGET	RESULT
Lost time injuries	Nil	Not achieved, but a strong focus going forward.
NOT ACHIEVED		
Undertake a staff engagement survey	30 June 2021	Not achieved due to uncertainty around Covid-19 and the proposed holding company. The survey is among a suite of initiatives around people, culture, and values to be delivered in the 2021/22 financial year. See 2021/22 Statement of Intent.
NOT ACHIEVED		



# SERVICE PERFORMANCE REPORT 2020/2021



## INFRASTRUCTURE AND PLANNING

PERFORMANCE MEASURE	TARGET	RESULT
Commence a programme for the gradual upgrade of stormwater services and protections against sea level rise.	30 June 2021	Achieved. Phase 1 commenced with the installation of a new tide flap to mitigate flood risk to Hangar 1.
ACHIEVED		
Complete permanent rental car facilities for on-site operators	30 June 2021	Not achieved. The final decision on relocation was held up due to the uncertainty around Covid-19 and pending a comprehensive safety review of the main and premium carpark area. NAL is now working on a plan to install the permanent facilities in 2021/22.
NOT ACHIEVED		
Nelson Resource Management Plan – complete submission	31 December 2020	Achieved.
ACHIEVED		
Complete updated Master Plan 2020-2040	31 December 2020	Not achieved. Completed to final draft stage but not adopted and published due to revision of Nelson Airport Ltd's input into the Nelson Plan. Has now been updated to a 2050 focus and will be released in conjunction with consultation on Nelson Airport's designations.
NOT ACHIEVED		

# SERVICE PERFORMANCE REPORT 2020/2021



## FINANCIAL RESULTS

PERFORMANCE MEASURE	TARGET	RESULT
EBITDA	\$2.6M	Achieved. EBITDA is \$6.3m reflecting the strong recovery of domestic travel from Covid-19 lockdowns. Refer note 21 of the following Annual Report Financials.
ACHIEVED		
Total revenue	\$6.7m	Achieved. Total revenue is \$13.6m reflecting the strong recovery of domestic travel from Covid-19 lockdowns. Note: \$2.2m Gain Recognised on Acquisition of Assets, as stated in the following Annual Report Financials is included in this result.
ACHIEVED		
Capital expenditure	\$4.0m	Not achieved. Actual capital expenditure achieved is \$1.96m. Reflects deferral of some capital projects into 2021/22 due to Covid-19.
NOT ACHIEVED		
Dividends declared	Greater than \$850k	Achieved. Dividend of \$1,000,000 declared on 30th June 2021.
ACHIEVED		

# SERVICE PERFORMANCE REPORT 2020/2021



## SUSTAINABILITY

PERFORMANCE MEASURE	TARGET	RESULT
Establish ongoing measurement and reporting of reduction in energy use and waste	June 2021	Not achieved. Ongoing measurement of energy use has been established. Waste measurement and reporting remains work in progress.
NOT ACHIEVED		
A new business case completed for alternative energy source(s)	June 2021	Not achieved. Initial investigation to support business case identified new areas and larger scale of potential opportunity which are being assessed.
NOT ACHIEVED		

# SERVICE PERFORMANCE REPORT 2020/2021



## RISK

PERFORMANCE MEASURE	TARGET	RESULT
Compliance with Audit Standards.	Unmodified audit opinion	Not Achieved. Prior-year's modification to the current year's opening balances for some airport land has been carried over to the 2020/21 Annual Report.
NOT ACHIEVED		
Compliance with Civil Aviation Authority and the Airport Operator Certificate	No Audit findings	Not achieved. CAA issued one minor finding relating to Safety Investigation Training for staff. Finding has subsequently been addressed.
NOT ACHIEVED		



**NELSON AIRPORT**  
*Good things start here.*

# ANNUAL REPORT FINANCIALS

FOR THE YEAR ENDED 30 JUNE 2021

# ANNUAL REPORT

For the Year Ended 30 June 2021

The Directors have pleasure in presenting to the shareholders the Annual Report and audited financial statements of Nelson Airport Limited for the year ended 30 June 2021.

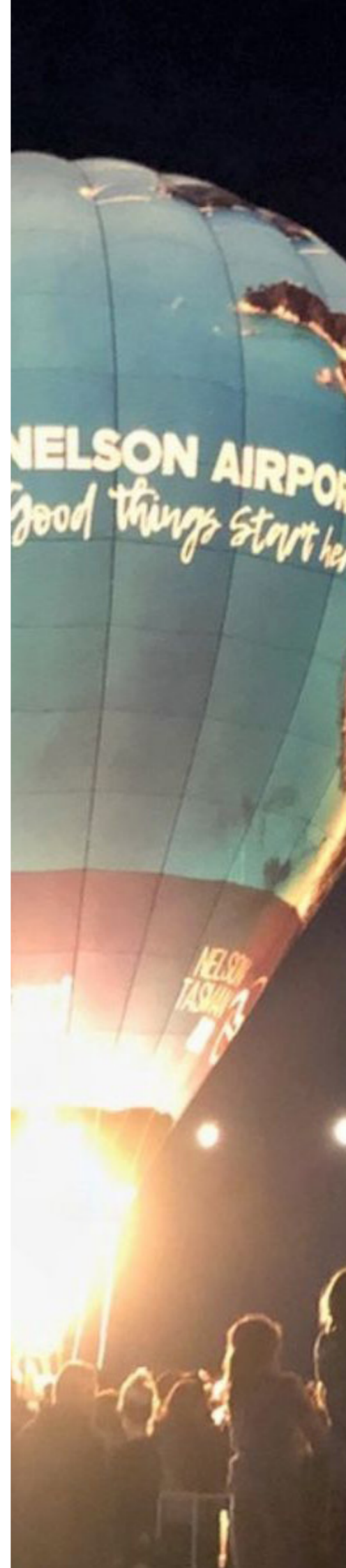
## NATURE OF BUSINESS

Airport operating company.

## PURPOSE

TO PROVIDE WORLD CLASS  
INFRASTRUCTURE AND FACILITIES  
CONNECTING  
TE TAUHU TO THE WORLD  
AND SUPPORTING  
REGIONAL DEVELOPMENT

Directors holding office in the year:	2021 Remuneration	2020 Remuneration
Paul Steere (Chair)	\$41,200	\$39,615
Catherine Taylor (Deputy Chair)	\$27,860	\$26,788
Matthew Clarke	\$25,400	\$24,423
Matthew McDonald	\$25,400	\$24,423
Quinton Hall (Appointed 12/02/2021)	\$9,378	-
Mark Greening (Resigned 10/01/2021)	\$13,677	\$24,423



# DIRECTORS' REGISTER OF INTERESTS

Entries in the interest register during the year include:

## Director Paul Steere – Chairman – Interests:

- New Zealand King Salmon Co Ltd (Director)
- New Zealand King Salmon (Australia) Ltd (Director)
- New Zealand King Salmon Investments Ltd (Director)
- New Zealand King Salmon Exports Limited (Director)
- New Zealand King Salmon USA Inc, an entity incorporated in the USA (Director)
- NZKS Custodian Ltd (Director)
- King Salmon Ltd (Director)
- Maccure Seafoods Ltd (Director)
- Ora King Ltd (Director)
- Southern Ocean Seafoods Ltd (Director)
- Regal Salmon Ltd (Director)
- Southern Ocean Salmon Ltd (Director)
- Allan Scott Wines (Chairman)
- Omega Innovations Ltd (Director)
- Aquaculture Advisory Group South Pacific Community (Chair)
- NCC Committee for Strategy for the Aged (Chair)

## Director Catherine Taylor – Deputy Chair – Interests:

- New Zealand Diabetes Foundation (Trustee)
- Diabetes New Zealand (Chair)
- International Visitor Conservation and Tourism Levy (IVL) – Investment Advisory Group (Chairperson)
- Energy Efficiency & Conservation Authority (Director/Deputy Chair)
- New Zealand Law Foundation (Trustee)
- John Nesfield Trust (Trustee)
- NZ Transport Agency (Director)

## Director Matt Clarke – Interests:

- Wellington International Airport Ltd (Chief Commercial Officer)
- WellingtonNZ (Director)
- Red Wine Properties Ltd (Director and Shareholder)
- Whare Manaakitanga Ltd (Director)
- Henley School Board (Trustee) (Commenced Dec 2020)

## Director Matthew McDonald – Interests:

- Port Nelson Ltd (General Manager, Operations)
- Nelson Diocesan Trust Board (Trustee)

## Director Quinton Hall – Interests:

(Appointed 12/02/2021)

- EQMade Ltd (Director and Shareholder)
- Vertus Group Ltd (Director and Shareholder)
- AQ29 Ltd (Director and Shareholder)

## Director Mark Greening – Interests:

(Resigned 10/01/2021)

- Tasman District Council (Councillor)
- Mark J Greening Consulting (Principal)



## BOARD ATTENDANCE

Board Attendance levels during the year were as follows:

Director	Position	Tenure	Meetings Attended	Of a possible
P Steere	Chair	Full Year	9	10
C Taylor	Deputy Chair	Full Year	9	10
M Clarke	Director	Full Year	10	10
M McDonald	Director	Full Year	10	10
M Greening	Director	Resigned 10/01/21	5	5
Q Hall	Director	Appointed 12/02/21	5	5

### Active Committees

Committee	Composition	Meetings Held
Nelson Airport Noise Environment Advisory Committee	Representatives: Nelson Airport Ltd – 1 x Board member and 1 x management; Nelson City Council Compliance Officer – 1; Major commercial airlines – 1; Major aircraft maintenance providers – 1; Airways New Zealand – 1; General aviation – 1 x fixed wing and 1 x rotary wing; Community representatives – 3.	2

### 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 2021 was as follows:

Remuneration	Number of Employees
\$100,001 - \$110,000	2
\$150,001 - \$160,000	1
\$170,001 - \$180,000	1
\$190,001 - \$200,000	1

### Donations

Donations paid during the year were \$1,425 (2020: \$300).

For and on Behalf of the Board

**PAUL  
STEERE**  
CHAIR

**CATHERINE  
TAYLOR**  
DEPUTY CHAIR

## STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 30 June 2021

	Note	2021 \$000s	2020 \$000s
Revenue	2	13,628	11,884
Operating costs	3	4,364	3,592
Administration expenses	3	1,596	1,563
Depreciation and Amortisation	3	3,461	3,235
Decrease on asset revaluation		1,410	-
<b>Profit before Financing and Investing</b>		<b>10,830</b>	<b>8,390</b>
		<b>2,798</b>	<b>3,494</b>
Interest Revenue		0	6
Movement in Unhedged Derivative Financial Liability - Revenue/ (Expense)	13	902	(482)
Finance costs	3	(1,098)	(871)
<b>Net Financing Income</b>		<b>(196)</b>	<b>(1,347)</b>
Gain on Sale of Fixed Assets		1	-
<b>Investing Income</b>		<b>1</b>	<b>-</b>
<b>Profit before Tax</b>		<b>2,603</b>	<b>2,147</b>
Income tax expense	4	567	380
<b>Profit after Tax</b>		<b>2,035</b>	<b>1,767</b>
<b>Other Comprehensive Income</b>			
Gain on asset revaluation		32,753	-
Tax on asset revaluation		(7,487)	-
<b>Total Other Comprehensive Income</b>		<b>27,301</b>	<b>1,767</b>

The Statement of Accounting Policies and Notes form an integral part of and should be read in conjunction with these financial statements

## STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2021

	Note	2021 \$000s	2020 \$000s
<b>Opening Retained Earnings</b>		<b>17,468</b>	<b>16,433</b>
Total Profit for the Year		2,035	1,767
Balance of Disposed Asset Transferred from Asset Revaluation Reserve		-	141
Impact of change in Accounting Policy		-	(2)
Distributions to Equity Holders		(1,000)	(870)
<b>Retained Earnings as at Year End</b>		<b>18,504</b>	<b>17,468</b>
<b>Opening Asset Revaluation Reserve</b>		<b>47,591</b>	<b>47,692</b>
Gain on Asset Revaluation		25,266	-
Balance on Disposed Asset Transferred to Retained Earnings		-	(141)
Movement in Deferred Tax on Disposed Asset Transferred to Retained Earnings		-	39
<b>Asset Revaluation as at Year End</b>		<b>72,857</b>	<b>47,591</b>
Share Capital	10	2,400	2,400
<b>Closing Equity as at Year End</b>		<b>93,761</b>	<b>67,460</b>

The Statement of Accounting Policies and Notes form an integral part of and should be read in conjunction with these financial statements

# STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Note	2021 \$000s	2020 \$000s
<b>Assets</b>			
<b>Current Assets</b>			
Trade and Other Receivables	7	780	402
Cash and Cash Equivalents	8	41	309
Other Current Assets		66	-
<b>Total Current Assets</b>		<b>887</b>	<b>711</b>
<b>Non Current Assets</b>			
Property, Plant and Equipment	5	139,192	108,051
Intangible Assets	6	170	157
<b>Total Non Current Assets</b>		<b>139,363</b>	<b>108,207</b>
<b>Total Assets</b>		<b>140,250</b>	<b>108,918</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and Other Payables	12	1,803	1,662
Derivative Financial Liabilities	13	329	375
Current Income Tax Liability		70	563
Employee Entitlements		262	178
Interest Bearing Loans	14	16	16
<b>Total Current Liabilities</b>		<b>2,479</b>	<b>2,794</b>
<b>Non Current Liabilities</b>			
Deferred Tax	4	12,909	5,402
Derivative Financial Liabilities	13	387	1,243
Interest Bearing Loans	14	30,713	32,019
<b>Total Non Current Liabilities</b>		<b>44,010</b>	<b>38,665</b>
<b>Total Liabilities</b>		<b>46,489</b>	<b>41,459</b>
<b>Net Assets</b>		<b>93,761</b>	<b>67,460</b>
<b>Equity</b>			
Issued Share Capital	10	2,400	2,400
Retained Earnings		18,504	17,468
Asset Revaluation Reserve		72,857	47,591
<b>Total Equity</b>		<b>93,761</b>	<b>67,460</b>

For and on behalf of the Board



Paul Steere, Chair  
3 December 2021



Catherine Taylor, Deputy Chair  
3 December 2021

The Statement of Accounting Policies and Notes form an integral part of and should be read in conjunction with these financial statements

# STATEMENT OF CASH FLOWS

For the Year Ended 30 June 2021

	Note	2021 \$000s	2020 \$000s
<b>Cash Flows from Operating Activities</b>			
<i>Cash was provided from:</i>			
Receipts from airport users		10,978	11,961
Interest received		0	6
		10,979	11,967
<i>Cash was disbursed to:</i>			
Payments to suppliers and employees		(5,067)	(4,916)
Interest paid		(1,098)	(871)
Income tax paid		(1,041)	(281)
Net GST Movement		78	198
		(7,128)	(5,870)
<b>Net Cash Flows from Operating Activities</b>	15	<b>3,851</b>	<b>6,097</b>
<b>Cash Flows from Investing Activities</b>			
<i>Cash was provided from:</i>			
Sale of property, plant & equipment		2	2
		2	2
<i>Cash was disbursed to:</i>			
Purchase of property, plant & equipment		(1,918)	(9,571)
Purchase of Intangible Assets		(46)	(96)
		(1,964)	(9,667)
<b>Net Cash Flow from Investing Activities</b>		<b>(1,962)</b>	<b>(9,665)</b>
<b>Cash Flows from Financing Activities</b>			
<i>Cash was provided from:</i>			
Increase in term loans		3,760	7,350
		3,760	7,350
<i>Cash was disbursed to:</i>			
Dividends paid		(850)	(800)
Decrease in term loans		(5,066)	(3,214)
		(5,916)	(4,014)
<b>Net Cash Flow from Financing Activities</b>		<b>(2,156)</b>	<b>3,336</b>
Net increase/(decrease) in cash and cash equivalents		(268)	(232)
Opening cash and cash equivalents		309	541
Closing cash and cash equivalents		<b>41</b>	<b>309</b>

The Statement of Accounting Policies and Notes form an integral part of and should be read in conjunction with these financial statements

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

### 1. STATEMENT OF ACCOUNTING POLICIES

#### a) Reporting entity

Nelson Airport Limited is an Airport Company pursuant to Section 3 of the Airport Authorities Act 1996 and is a Council Controlled Trading Organisation under Section 6 of the Local Government Act 2002. Nelson Airport Limited is registered under the Companies Act 1993.

Nelson Airport Limited operates and manages the Nelson regional airport. The major activities are the provision of facilities for aircraft landing and servicing, and the airline and landside processing of passengers and freight to and from the aircraft.

The shares in Nelson Airport Limited are held by both Tasman District Council (50%) and Nelson City Council (50%). Neither of these entities has ultimate control over Nelson Airport Limited.

The financial statements for Nelson Airport Limited are for the year ended 30 June 2021. The financial statements were authorised for issue by Nelson Airport Limited on 3 December 2021.

#### b) Basis of preparation

##### Statement of Compliance

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand as required by the Companies Act 1993. Nelson Airport Limited complies with Parts 3 and 4 of the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999.

Nelson Airport Limited is a reporting entity preparing general purpose financial statements. It has elected to adopt the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) – Reduced Disclosure Regime (RDR), which allows this entity to adopt the reduced disclosure requirements of the For-Profit Accounting Standards. (i.e. Nelson Airport Limited is a Tier 2 entity as issued by New Zealand External Reporting Board (XRB)) on the basis it is a non-large, for-profit, public sector entity.

##### Measurement Base

The financial statements are prepared on the basis of historical cost, except that property, plant and equipment are revalued in accordance with accounting policy 1 c.

##### Functional and Presentation Currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars. This may result in some rounding calculation differences in financial statements and notes. The functional currency of Nelson Airport Limited is New Zealand dollars (NZ\$).

##### Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year.

##### Significant Accounting Estimates and Judgements

The preparation of these financial statements requires Nelson Airport Limited to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Future outcomes could differ from those estimates.

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

As at 30 June 2021, an impairment assessment was carried out to determine the appropriateness of the carrying values of Nelson Airport Limited's assets.

Due to Covid-19, there is some additional uncertainty around forecast passenger numbers and consequently on Nelson Airport Limited's cash flows. Nelson Airport Limited's forecasts are based on its five-year financial forecast model, and a recovery in passenger numbers back to pre-Covid-19 levels after the 2025 financial year.

Nelson Airport Limited's estimates of passengers, recovery and growth rates remain uncertain and dependent on several factors with respect to Covid-19 including any remaining restrictions on domestic and international travel, public demand and behaviour with respect to travel and airline scheduling.

Material changes in any of these factors might have an impact on Nelson Airport Limited's estimates of income and cashflows used to support the valuations, fair value assessments and impairment considerations as at 30 June 2021.

The assessment, effective 30 June 2021, included the following major assumptions:

- Revenue is largely dependent on passenger numbers. Nelson Airport Limited has conservatively projected growth in passenger numbers, with a recovery to pre-Covid-19 levels projected only after the 2025 financial year. A growth rate of 2.5% has been applied to cashflows after the forecast period.
- Forecast free cashflows reflect agreed pricing with airlines following the company's 2021 Airline Pricing Consultation.
- The discount rate (Nelson Airport Limited's pre-taxation Weighted Average Cost of Capital) applied to the company's pre-taxation free cashflows was 8.5%.

The assessment concluded no impairment was required to the carrying value of property, plant and equipment.

The principal areas of judgement in preparing these financial statements are set out below:

##### Valuation of Property, Plant and Equipment

The basis of valuation for Nelson Airport Limited's property, plant and equipment is fair value by independent valuers where the company does not have the internal expertise. The basis of the valuations include assessment of optimised depreciated replacement cost and other market based information in accordance with asset valuation standards. The major inputs and assumptions that are used in the valuations that require judgement include capital replacement values and life assumptions for each asset, and the application of discount rates.

Judgements must be made about whether costs incurred relate to bringing an asset to its working condition for its intended use, and therefore are appropriate for capitalisation as part of the cost of the asset. The determination of the appropriate life for a particular asset requires management to make judgements about, among other factors, the expected future economic benefits of the asset and the likelihood of obsolescence. Revaluations are carried out by independent valuers with sufficient regularity, at least once every five years, to ensure that the carrying value does not materially differ from the fair value at balance date. The carrying value of property, plant and equipment and the valuation methodologies used in the latest revaluation undertaken and the key assumptions and inputs are disclosed in Note 5.



## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

### c) Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and impairment losses, or at fair value with valuations undertaken on a systematic basis with no individual asset included at a valuation undertaken more than five years previously. Valuations will be undertaken within a five-year period where Nelson Airport Limited considers the carrying value may differ materially from the fair value at balance date. Impairment losses are charged to profit or loss, except for properties previously revalued with the revaluation taken to other comprehensive income. For such properties, the impairment is recognised in other comprehensive income up to the amount of any revaluation.

Property, plant and equipment that are revalued, are revalued to their fair value determined by an independent valuation or by management using recognised valuation techniques. Where the assets are of a specialised nature and do not have observable market values in their existing use, optimised depreciated replacement cost is used as the basis of the valuation. This measures net current value as the most efficient, lowest cost which would replace existing assets and offer the same amount of utility in their present use. Where there is an observable market, an income based approach is used.

Land & improvements (including leasehold aerodrome land), buildings, airfield infrastructure, and landside infrastructure assets are measured at fair value. An independent valuer is engaged to provide a valuation if management does not have sufficient expertise to perform the valuation. The fair values are recognised in the consolidated financial statements, and are reviewed at the end of each reporting period to ensure that the carrying values are not materially different from their fair values.

Any revaluation increase arising on the revaluation of land, buildings and infrastructure assets is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising from the revaluation of land, buildings, leasehold improvements and infrastructure assets is charged as an expense in profit or loss to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings and infrastructure assets is charged to profit or loss.







On subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the asset revaluation reserve, net of any related deferred taxes is transferred directly to retained earnings. Plant and equipment is stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. Additions not yet subject to independent valuation, including capital work in progress, are recorded at cost.

The depreciable amount of an asset is determined based on its useful life. Management estimates the following rates and methods of depreciation to reflect the pattern in which the assets' future economic benefits are expected to be consumed by Nelson Airport Limited.

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

The following rates reflect the range applied to various assets within their categorisations:

			Straight line	Diminishing value
<b>Buildings</b>		Terminal	0.0% - 17.5%	10.0% - 67.0%
<b>Buildings</b>		Hangars and other buildings	1.6% - 33.3%	8.0% - 33.3%
<b>Airfield Infrastructure</b>		Runways, taxiways and aprons	0.0% - 50.0%	3.0% - 30.0%
<b>Landside Infrastructure</b>		Pavements, utilities and other infrastructure	0.0% - 40.0%	0.0% - 30.0%
<b>Equipment</b>		Parking meters, security and vehicles	6.7% - 21.0%	8.0% - 67.0%
<b>Fixtures and fittings</b>		Furniture, computers, and fittings	5.0% - 5.0%	10.0% - 80.4%

The residual value, useful lives and depreciation rates of assets are reassessed annually. The above rates have been adjusted to reflect amounts used in the fixed asset register.

Capital work in progress is not depreciated. The total cost is transferred to the relevant asset category on the completion of the project and subsequently depreciated.

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

### d) Intangible Assets

#### Software acquisition and development

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with maintaining computer software are recognised as an expense when incurred.

#### Branding

New branding costs are capitalised on the basis of the costs incurred.

The carrying amount of an intangible asset with a finite life is amortised over its useful life. Amortisation begins when the asset is available for use and ceases at the date the asset is derecognised. The amortisation charge for each period is recognised in the profit or loss.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Computer Software 48.0% - 50.0% Diminishing value

Branding 10.0% - 12.50% Straight line  
50.0% - 50.0% Diminishing Value

### e) Impairment of Non-Current Assets

The carrying amounts of Nelson Airport Limited's assets are reviewed at each balance date to determine whether there is any indication of impairment. If any such impairment exists, the asset's recoverable amount is estimated.

If the estimated recoverable value amount of an asset is less than its carrying amount, the asset is written down to its estimated recoverable amount, and an impairment loss is recognised in the profit or loss.

The recoverable amount of an asset is the higher of the fair value less costs to sell and value in use. Value in use is determined by estimating future cash flows from the use and discounting these to their present value using a pre-tax discount rate that reflects the current market rates and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised to the extent that an impairment loss for that asset was previously recognised in the profit or loss immediately.

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

### f) Trade and other receivables

Trade and other receivables are initially stated at fair value and subsequently stated at their amortised cost using the effective interest method less impairment losses. A provision for impairment of receivables is established when there is objective evidence that Nelson Airport Limited will not be able to collect all the amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying value and the present value of the expected future cash flows discounted using the effective interest method.

Nelson Airport Limited's general terms of trade are that invoices are to be paid the 20th of the month following invoice. These terms apply to aeronautical charges and are set out in the Aeronautical Conditions of Use which is available via the company's website. The major exceptions to this general rule are;

1. Lease payments for commercial properties which are paid in accordance with the agreed contracted lease terms - normally either monthly, quarterly or six-monthly in advance
2. Revenue from the use of the public carpark areas which is paid on exiting the carpark.

### g) Other financial assets

Term investments over 90 days are classified as "other financial assets". They are initially measured at fair value, net of transaction costs. After initial recognition, financial assets in this category are measured at amortised cost using the effective investment method, less impairment. Gains and losses when the asset is impaired are recognised in the profit or loss.

### h) Share capital

#### Ordinary shares

Ordinary shares are classified as equity.

### i) Interest bearing borrowings

Interest bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost using the effective interest method. Borrowing costs directly attributable to the acquisition or construction of a qualifying asset which is determined to be an asset that takes a period of greater than one year to get ready for its intended use are capitalised as part of the cost of the asset.

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

### j) Derivative Financial Instruments and hedging activities

Nelson Airport Limited uses derivative instruments to hedge exposure to interest rate risks arising from financing activities. The portion of the fair value of a non-hedge accounted interest rate derivative that is expected to be realised within 12 months of balance date is classified as current, with the remaining portion of the derivative classified as non-current.

Derivative financial instruments are initially recognised at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value. Nelson Airport Limited has chosen to treat all interest rate derivatives as unhedged. For those instruments which do not qualify for hedge accounting, the gain or loss on re-measurement to fair value is recognised immediately in the Statement of Comprehensive Income. The fair value of an interest rate swap is the estimated amount that Nelson Airport Limited would receive or pay to terminate the swap at balance date, based on current interest rate forecasts.

### k) Employee entitlements

A liability for annual leave is accrued and recognised in the Statement of Financial Position. The liability is calculated on an actual entitlements basis at current rates of pay. These include salaries and wages accrued up to balance date, alternate days earned but not yet taken, and annual leave earned but not yet taken up to balance date.

### l) Trade and other payables

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

### m) Revenue

Revenue is recognised as the amount of consideration expected to be received in exchange for providing services, or transferring promised goods to a customer. There is no change to the timing of revenue recognition arising from the adoption of NZ IFRS 15. NZ IFRS 15 does not apply to revenues other than those from contracts with customers.

#### Aeronautical charges

Aeronautical charges are recognised as revenue in the period in which the airport facilities are used.

#### Property revenues

Nelson Airport Limited leases certain buildings and properties. As Nelson Airport Limited retains substantially all the risks and benefits of ownership these are treated as operating leases. Lease income is recognised in the profit or loss on a straight line basis over the term of the lease. Any payments received for periods after balance date are accrued as lease income in advance.

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

### Ground Transport Revenues

Ground transport revenues includes:

- Car parking fees, which are principally recognised as revenue on a cash received basis. The exception to this are fixed parking lease/licence payments, with income for periods after balance date accrued as lease income in advance.
- Revenue from partner rental car companies is recognised as revenue on an accrual basis in accordance with agreements and NZ IFRS 15.

### Advertising Revenue

Advertising revenue is recognised on a straight line basis over the term of the lease where the airport is the lessor.

### Interest Revenue

Interest income is recognised using the effective interest method.

### Government Grants

Government grant revenue is recognised within the Statement of Financial Performance as income, within Other Revenue. The revenue is recognised when all conditions attached with the grant have been fulfilled.

### n) Expenses

#### Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method and interest receivable on funds invested as it accrues.

#### Dividends

Dividends are recognised when the shareholder's right to receive payment is established.

#### Short Terms Leases and Lease of Low Value Assets

The lease of any short-term leases, or assets of a low value are recognised as an expense on a straight-line basis over the term of the lease.

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

### Income Tax

Income tax expense in relation to the profit or loss for the period comprises current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to the income tax payable in respect to prior years. Current tax is calculated using rates that have been enacted or substantively enacted by balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of an asset and liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, using tax rates that have been enacted or substantively enacted by balance date.

Current tax and deferred tax is charged or credited to the profit or loss, except when it relates to items charged or credited directly to equity, in which case the tax is dealt with in equity and other comprehensive income.

### o) Goods and Services Tax (GST)

All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, Inland Revenue is included as part of receivables or payables in the balance sheet.

The net GST paid to, or received from Inland Revenue, including the GST relating to investing and financing activities, is classified within operating cash flow in the Statement of Cash Flows.

### p) Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position.

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

### 2. REVENUE

	2021 \$000s	2020 \$000s
<b>Contract Revenue</b>		
Aeronautical Charges	5,648	5,899
Ground Transport Revenues	1,920	2,039
Advertising Revenue	128	200
Property Revenues	17	1
Sundry Income	1	1
Total Contract Revenue	7,714	8,139
<b>Other Revenue</b>		
Aeronautical Charges	7	83
Ground Transport Revenues	819	897
Retail Revenue	255	356
Property Revenues	2,532	1,917
Gain Recognised on Acquisition of Assets	2,205	363
Wage Subsidy	96	128
Total Other Revenue	5,914	3,744
<b>Total Revenue</b>	13,628	11,884

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

### 3. EXPENSES

#### a) Operating Costs

	2021 \$000s	2020 \$000s
Employee Entitlements	1,765	1,562
Other Operating Expenses	2,562	1,680
Loss on Disposal of Assets	36	350
	<u>4,364</u>	<u>3,592</u>

#### b) Administration Costs

	2021 \$000s	2020 \$000s
Auditors Remuneration - Financial Statements	37	40
Auditors Remuneration - Disclosure Accounts	16	16
Auditors Remuneration - 2020 Recovery Fee	18	-
Directors' Fees	143	140
Insurance & Rates	752	841
Other Administration Expenses	629	526
	<u>1,596</u>	<u>1,563</u>

#### c) Depreciation and Amortisation

	2021 \$000s	2020 \$000s
Depreciation	3,412	3,192
Depreciation - Right of Use Assets	16	16
Amortisation of Intangible Assets	34	27
	<u>3,461</u>	<u>3,235</u>

#### d) Finance Costs

	2021 \$000s	2020 \$000s
Interest Expense	1,094	864
Interest Expense - Lease Liabilities	4	7
	<u>1,098</u>	<u>871</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

### 4. INCOME TAX

#### Components of Income Tax Expense

	2021 \$000s	2020 \$000s
Current Tax Expense	571	728
Prior Years Tax Under/ (Over) Provided	(24)	(91)
Deferred Tax Expense	20	(258)
	<u>567</u>	<u>380</u>

#### Relationship between Tax Expense and Accounting Profit

	2021 \$000s	2020 \$000s
Operating Profit Before Taxation	2,603	2,147
Prima Facie Tax @ 28%	729	601
Adjustment for Timing & Taxation Differences	(158)	122
Adjustment for Permanent Differences	1	5
Prior Years Tax Under (Over) Provided	(24)	(91)
Adjustments for Deferred Tax	255	(145)
Adjustments for Deferred Tax - Property, Plant & Equipment	(235)	(113)
Income Tax Expense	<u>567</u>	<u>380</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

### Deferred Tax

	2021 \$000s	2020 \$000s
<b>Property, Plant and Equipment</b>		
Opening Balance	(5,893)	(6,045)
Charged to Profit & Loss	235	(317)
Impact from Reinstatement of Depreciation on Buildings (Charged to Profit & Loss)	-	429
Charged to Asset Revaluation Reserve	(7,487)	39
Closing Balance	(13,145)	(5,893)
<b>Employee Entitlements</b>		
Opening Balance	31	26
Charged to Profit & Loss	2	5
Closing Balance	34	31
<b>Derivative Financial Liability</b>		
Opening Balance	453	318
Charged to Profit & Loss	(253)	135
Closing Balance	200	453
<b>Other Provisions</b>		
Opening Balance	7	2
Charged to Profit & Loss	(5)	5
Closing Balance	2	7
<b>Total</b>	(12,909)	(5,402)

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

### 5. PROPERTY, PLANT & EQUIPMENT

2021	Land & Improvements \$000s	Buildings \$000s	Airfield Infrastructure \$000s	Landside Infrastructure \$000s	Equipment \$000s	Motor Vehicles \$000s	Fixtures & Fittings \$000s	Capital Work in Progress \$000s	Total \$000s
<b>Cost or Valuation</b>									
Balance as at 1 July 2020	32,652	47,304	19,592	13,554	518	-	268	807	114,695
Reclassification of Opening Balances	-	(97)	26	(18)	(196)	127	156	-	(2)
Reclassification	-	58	-	5	-	-	29	(92)	-
Additions	-	2,206	132	48	62	52	16	1,478	3,994
Movement in Asset Revaluation	6,014	7,868	5,341	2,614	-	-	-	-	21,837
Disposals	-	(30)	-	(14)	(24)	-	(11)	(729)	(807)
Balance at 30 June 2021	38,666	57,309	25,092	16,188	360	180	458	1,464	139,717
<b>Accumulated Depreciation and Impairment Losses</b>									
Balance as at 1 July 2020	-	2,573	1,823	1,862	301	-	86	-	6,644
Reclassification of Opening Balances	-	(7)	7	(0)	(116)	98	18	-	(0)
Depreciation	-	1,826	960	528	37	15	61	-	3,428
Decrease on Asset Revaluation	-	(2)	27	2,036	-	-	-	-	2,061
Disposals	-	(4)	-	(8)	(20)	-	(8)	-	(41)
Movement in Asset Revaluation	-	(4,337)	(2,817)	(4,413)	-	-	-	-	(11,567)
Balance at 30 June 2021	-	48	0	4	201	113	158	-	524
<b>Net Book Value at 30 June 2021</b>	38,666	57,261	25,092	16,184	159	66	300	1,464	139,192

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

2020	Land & Improvements \$000s	Buildings \$000s	Airfield Infrastructure \$000s	Landside Infrastructure \$000s	Equipment \$000s	Motor Vehicles \$000s	Fixtures & Fittings \$000s	Capital Work in Progress \$000s	Total \$000s
<b>Cost or Valuation</b>									
Balance as at 1 July 2019	32,652	30,528	19,571	12,359	364	-	239	11,002	106,714
Recognition of Finance Leases - Modified Retrospective Approach	-	-	-	-	61	-	-	-	61
Reclassification	-	15,925	9	1,706	48	-	29	(17,810)	(93)
Additions	-	860	12	62	56	-	23	7,615	8,628
Disposals	-	(9)	(0)	(573)	(11)	-	(23)	-	(616)
Balance at 30 June 2020	32,652	47,304	19,592	13,554	518	-	268	807	114,695
<b>Accumulated Depreciation and Impairment Losses</b>									
Balance as at 1 July 2019	-	934	865	1,578	229	-	79	-	3,685
Recognition of Finance Leases - Modified Retrospective Approach	-	-	-	-	14	-	-	-	14
Depreciation	-	1,640	958	519	65	-	26	-	3,208
Disposals	-	(2)	(0)	(235)	(7)	-	(19)	-	(263)
Balance at 30 June 2020	-	2,573	1,823	1,862	301	-	86	-	6,644
<b>Net Book Value at 30 June 2020</b>	32,652	44,731	17,770	11,692	217	-	182	807	108,051

The net carrying amount of property, plant & equipment includes the following amounts held under finance lease: Equipment \$16,191 (2020: \$31,941).

### Valuation

Residential and commercial land was valued as at 30 June 2021 by Duke & Cooke Limited in accordance with the 2009 Australia and New Zealand Valuation Property Standards; the 2017 International Valuation Standards (fair value \$2,646,000).

Leasehold aerodrome land, upon which the airport is situated, was vested by the Crown to be held in trust by Nelson City Council. Nelson Airport Limited has a renewable 60-year lease over this land at a peppercorn rental. The leasehold interest in airport land was valued as at 30 June 2021 by Duke & Cooke Limited in accordance with 2017 International Valuation Standards (fair value \$36,020,000).

Buildings, including the new terminal building, were valued as at 30 June 2021 by Duke & Cooke Limited in accordance with the 2009 Australia and New Zealand Valuation Property Standards; the 2017 International Valuation Standards (fair value \$57,127,969).

Airfield infrastructure was valued as at 30 June 2021 by Beca Limited in accordance with International Valuation Standards (fair value \$25,091,000).

Landside infrastructure was valued as at 30 June 2021 by Beca Limited in accordance with International Valuation Standards (fair value \$16,086,000).

The following table summarises the valuation approaches used by the respective valuers:

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

Asset classification and description	Valuation approach
<b>Land</b>	
Commercial and Residential Land	Commercial and Residential land is valued on a market sales comparison basis.
<b>Leasehold Land</b>	
Lessee's leasehold interest in airport land vested in the Nelson City Council and under peppercorn rental.	Market value existing use approach, using a present value calculation of the benefit of the ground lease over its duration using a discount rate indicated by market activity. This is cross checked with any comparable market sales of leasehold interests.
<b>Buildings</b>	
Specialised buildings used for identified airport activities including terminal	Optimised depreciated replacement cost (ODRC) - the cost of constructing a modern equivalent asset at current market based input cost rates, adjusted for the remaining useful life of the assets (depreciation).
Non-specialised buildings including hangars, offices, garages and storage units	Income Capitalisation Approach - Establish a market rental after considering both existing leasing arrangements and evidence of local industrial market rentals and adjusting for location and building quality.
Residential buildings and buildings other than for identified airport activities	Residential buildings are valued on a market sales comparison basis.
<b>Airfield Infrastructure</b>	
Airside pavements including main runway, taxiways, and aprons	Optimised depreciated replacement cost (ODRC) - the cost of constructing a modern equivalent asset [as described for Specialised Buildings above].
<b>Landside Infrastructure</b>	
Landside pavements including roads and carparks, Utilities including stormwater, wastewater, and supply, Other infrastructure (fencing, lighting).	Optimised depreciated replacement cost (ODRC) - the cost of constructing a modern equivalent asset [as described for Specialised Buildings above].
<b>Equipment</b>	
Parking meters, security equipment, and vehicles.	Cost less depreciation – no valuation obtained.
<b>Fixtures and fittings</b>	
Furniture, office equipment, computers, and fixtures.	Cost less depreciation – no valuation obtained.

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

### 6. INTANGIBLE ASSETS

2021	Original Cost \$000s	Accum Amortisation \$000s	Opening WDV \$000s	Additions \$000s	Reclassifications \$000s	Disposals \$000s	Amortisation \$000s	Closing WDV \$000s
Software	50	33	17	46	-	-	13	50
Other Intangibles	177	38	139	-	2	-	21	121
Total	227	71	157	46	2	-	34	170

2020	Original Cost \$000s	Accum Amortisation \$000s	Opening WDV \$000s	Additions \$000s	Reclassifications \$000s	Disposals \$000s	Amortisation \$000s	Closing WDV \$000s
Software	54	31	23	4	-	0	9	17
Other Intangibles	85	20	64	-	93	-	18	139
Total	139	51	88	4	93	0	27	157

### 7. TRADE AND OTHER RECEIVABLES

	2021 \$000s	2020 \$000s
Trade Receivables - Contract Revenue	576	284
Trade Receivables - Other Revenue	182	103
Less: Provision for Impairment	-	(5)
Accrued Debtors	0	1
Prepayments	22	20
GST	-	-
	780	402

### 8. CASH AND CASH EQUIVALENTS

	2021 \$000s	2020 \$000s
Cash on Hand	11	9
Bank Balance	30	300
	41	309

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

### 9. FINANCIAL INSTRUMENTS

#### Financial Assets

	Amortised cost	
	2021 \$000s	2020 \$000s
Cash and Cash Equivalents	41	309
Trade and Other Receivables	758	387
	799	696

#### Financial Liabilities

	Fair value through profit or loss		Amortised cost	
	2021 \$000s	2020 \$000s	2021 \$000s	2020 \$000s
Trade and other Payables	-	-	497	577
Derivatives	716	1,618	-	-
Finance Lease Liability	19	36	-	-
Loans and Borrowings	-	-	30,710	32,000
	735	1,654	31,207	32,577

### 10. SHARE CAPITAL

#### Ordinary Shares

All 2,400,000 authorised shares (2020: 2,400,000) have been issued, are fully paid up and have no par value. All ordinary shares have equal voting rights and share equally in dividends and surplus on winding up.

#### Kiwi Share

The Minister for the Crown holds a Kiwi Share on behalf of the Crown. A Kiwi Share is one fully paid special rights redeemable preference share having the rights and limitations specified in Clause 3 of the First Schedule of Nelson Airport Limited's constitution.

#### Distributions to Shareholders

Nelson Airport Limited will use its best endeavours to pay an annual ordinary cash dividend to shareholders that is both higher than that declared in the previous financial year and is at a level that delivers an annual growth rate of higher than the Consumer Price Index for the last published annual period.

On 30 June 2021 a dividend of \$1,000,000 was declared and accrued at year end, with payment made following balance date on 12 July 2021.



## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

### 11. CONTINGENT LIABILITIES

There are no material contingent liabilities to record as at the date of this Annual Report.

### 12. TRADE AND OTHER PAYABLES

	2021 \$000s	2020 \$000s
Trade Payables	476	550
Trade Payables (Related Parties)	21	27
Dividends Payable	1,000	850
Accruals	94	139
GST Liability	167	52
Lease Income in Advance	45	44
	<u>1,803</u>	<u>1,662</u>

### 13. DERIVATIVE FINANCIAL INSTRUMENTS

	2021 \$000s	2020 \$000s
<b>Derivative Financial Liabilities</b>		
Interest Rate Swaps		
Current Portion	329	375
Non-Current Portion	387	1,243
	<u>716</u>	<u>1,618</u>

Nelson Airport Limited manages its cash-flow interest rate risk by using floating-to-fixed interest rate swaps. The notional principal amounts of outstanding floating to fixed interest rate swap contracts at 30 June 2021 (including swaps in place for future borrowings on a floating interest rate) totalled \$19,000,000 (2020: \$19,000,000). Their fair value was a liability of \$715,997 (2020: \$1,618,042).

Nelson Airport Limited has chosen not to determine whether the interest rate swaps in place are an effective hedge in mitigating cash flow risk from changes in interest rates. The movement in the interest rate swaps have been recognised as a movement in profit or loss within finance costs.

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

### 14. INTEREST BEARING LOANS

	2021 \$000s	2020 \$000s
<b>Repayable as follows:</b>		
Less Than 1 Year	-	-
Between 1 and 5 Years	30,710	32,000
	<u>30,710</u>	<u>32,000</u>
<b>Finance Lease Liabilities:</b>		
Less Than 1 Year	16	16
Between 1 and 5 Years	3	19
	<u>19</u>	<u>36</u>

Nelson Airport Limited has arranged for a line of credit with Westpac to finance the business during, and post, the construction of the new terminal. This loan is secured by a general security agreement over assets and undertakings of Nelson Airport Limited. The total line of credit with Westpac is \$40 million, to be made available and drawn down when required over the period of construction of the new terminal and landside infrastructure.

The total interest capitalised as part of the cost of property, plant and equipment was \$nil (June 2020: \$397,496).

The total cash outflow paid towards finance leases during the year was \$20,584 (June 2020: \$20,584).

The interest rates applying at balance date were 1.78% – 1.95% (June 2020: 1.75% - 1.95%).

### 15. RECONCILIATION OF REPORTED PROFIT AFTER TAX WITH CASH FLOWS FROM OPERATING ACTIVITIES

	2021 \$000s	2020 \$000s
Net Profit for the Year	2,035	1,767
Add/(less) non cash and non operating items:		
(Gain)/Loss on Disposal of assets	36	350
Depreciation and Amortisation	3,461	3,235
Decrease on Asset Revaluation	1,410	-
Value of Donated Assets Recieved	(2,205)	(363)
Reclassification of Work In Progress as expense	729	-
Movement in deferred taxation	20	(297)
Movement in derivative financial instruments	(902)	482
Tax on asset revaluation	-	39
<i>Movement in working capital:</i>		
(Increase)/Decrease in other current assets	(66)	-
(Increase)/Decrease in receivables	(378)	356
Increase/(Decrease) in current tax payable	(494)	356
Increase/(Decrease) in payables	204	171
Net cash flows from operating activities	<u>3,851</u>	<u>6,097</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

### 16. TRANSACTIONS WITH RELATED PARTIES

#### Transactions with Shareholders

Nelson Airport Limited is jointly owned by Nelson City Council (50%) and Tasman District Council (50%).

Nelson Airport Limited paid rates, maintenance, consents and fees to Nelson City Council amounting to \$532,750 (2020: \$629,311), while receiving income of \$nil (2020: \$nil). The balance included as owing in trade payables as at 30 June 2021 was \$13,202 (2020: \$21,717).

A peppercorn rent in respect of airport land is chargeable to Nelson Airport Limited by Nelson City Council (Refer Note 5).

#### Transactions with entities owned by Shareholders

Nelmac Limited is a 100% subsidiary of Nelson City Council. Nelson Airport Limited paid grounds maintenance and other fees to Nelmac Limited amounting to \$142,118 (2020: \$78,561), while receiving income of \$nil (2020: \$nil). The balance included as owing in trade payables as at 30 June 2021 was \$7,410 (2020: \$5,717).

Nelson Regional Development Agency Limited is wholly owned by Nelson City Council. Nelson Airport Limited paid costs of \$nil to the Agency (2020: \$26,391), while receiving income of \$1,547 (2020: \$nil). The balance included as owing in trade payables as at 30 June 2021 was \$nil (2020: \$nil).

#### Transactions with entities related to key management personnel

Nelson Airport Limited paid \$5,300 (2020: \$nil) to Wellington International Airport Ltd, of which Matt Clarke was Chief Commercial Officer during the year.

Nelson Airport Limited paid \$518 (2020: \$621) to Allan Scott Wines & Estates Ltd, of which Paul Steere was Chairman during the year.

Nelson Airport Limited paid \$1,677 (2020: \$621) to New Zealand King Salmon Co Ltd, of which Paul Steere was a Director during the year.

Nelson Airport Limited paid the following compensation to key management personnel (Directors and the Chief Executive, Robert Evans and Andrew Wotton) for services rendered:

	2021	2020
Key management personnel compensation	\$510,275	\$405,117

With the exception of the peppercorn rent charged by Nelson City Council to Nelson Airport Limited, all related party transactions were charged on normal terms and conditions and outstanding accounts are payable on normal trading terms. No related debts have been written off or provided for as doubtful. All related party balances are unsecured.

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

### 17. CAPITAL COMMITMENTS

Nelson Airport Limited has \$1,172,245 worth of contractual capital commitments for property, plant and equipment as at 30 June 2021 (2020: \$nil).

Capital commitments represent capital expenditure contracted for at balance date but not yet incurred.

### 18. OPERATING LEASES

Nelson Airport Limited owns and leases out a number of commercial properties on land around the airport precinct. This includes ground leases for buildings owned by tenants, buildings and terminal space in buildings it owns, and some minor agreements for small spaces such as carparks.

In order to manage the risk to the underlying assets used by these tenants, Nelson Airport Limited employs a dedicated commercial manager to monitor its assets, performs inspections of leased properties, and where appropriate includes in lease agreements return to original state clauses.

Nelson Airport Limited has non-cancellable operating lease arrangements with lessees of the terminal and other land and buildings of the airport. Due to the variable nature of these agreements the future value of these operating lease payments cannot be reliably estimated.

The lease arrangements are renewed on a periodic basis as disclosed in the lessors' individual contracts and many are subject to regular rent reviews.

In 2021 lease revenue received in association with the non-cancellable operating lease arrangements amounted to \$2,830,012 (2020: \$2,436,939).

Future non-cancellable lease revenue from existing leases:

	2021 \$000s	2020 \$000s
Leases revenue within 12 months	2,703	1,731
Leases revenue between 1-5 years	6,407	5,697
Leases revenue thereafter	1,460	1,959
	<u>10,570</u>	<u>9,386</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

### 19. EVENTS AFTER BALANCE DATE

On 17 and 18 May 2021 Tasman District Council and Nelson City Council resolved to establish a Holding Company, to hold the two Councils shareholdings in Nelson Airport and Port Nelson. The Holding Company will be established in 2022 and Nelson Airport and Port Nelson will be subsidiaries of the new company. No financial impact is expected on either subsidiary through the establishment of the Holding Company, however, a number of benefits are expected including the potential for reduced borrowing cost through the use of the Local Government Funding Agency.

### 20. SHAREHOLDERS' STATEMENT OF INTENT

Nelson Airport Limited was required to deliver a completed Statement of Intent to its shareholders by 30 June 2021 under Part 3(b) of Schedule 8 of the Local Government Act 2002. The 2021/22 Statement of Intent was completed and forwarded to Nelson Airport Limited's shareholders on 30 June 2021.

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

### 21. VARIANCE - 2020/21 ACTUALS TO 2020/21 STATEMENT OF INTENT FINANCIAL FORECASTS

#### Statement of Comprehensive Income

	SOI Forecast (\$m)	2020/21 Actuals (\$m)	Variance (\$m)	Variance (%)	Note
Total Operating Revenues	6.7	11.4	4.7	71	1
Total Operating Expenses	4.2	6.0	1.8	42	2
EBITDA before Other Income/Expenses	2.5	5.5	3.0	119	
Other Income	0.0	2.2	2.2	Nil Forecast	3
Other Expense	0.0	1.4	1.4	Nil Forecast	4
EBITDA	2.5	6.3	3.8	150	
Depreciation & Amortisation	3.7	3.5	-0.2	-6	
Finance Expense / (Income)	1.1	0.2	-0.9	-82	5
Profit before Income Tax	(2.0)	2.6	4.6	-230	
Income Tax	(0.5)	0.6	1.1	-213	
Net Profit after Tax	(1.5)	2.0	3.5	-236	

#### Notes

1. Recovery post the COVID-19 lockdowns surpassed expectations, forecast at a time when uncertainty was prevalent.
2. Operating expenses were based on significantly lower activity levels at forecast.
3. \$2.2m Gain Recognised on Acquisition of Assets not forecast.
4. \$1.4m Decrease on Asset Revaluation not forecast.
5. Favourable variance due to the unforecast movement in Unhedged Derivative Financial Liability.

#### Statement of Financial Position

	SOI Forecast (\$m)	2020/21 Actuals (\$m)	Variance (\$m)	Variance (%)	Note
Current Assets	0.8	0.9	0.1	11	
Property, Plant & Equipment	108.2	139.2	31.0	29	6
Intangible Assets	0.1	0.2	0.1	70	
Total Assets	109.2	140.2	31.0	28	
Current Liabilities	0.9	2.5	1.6	175	7
Total Loan Finance	35.7	30.7	-5.0	-14	8
Total Other Non-current Liabilities	6.6	13.3	6.7	101	9
Total Liabilities	43.2	46.5	3.3	8	
Total Net Assets	66.0	93.8	27.8	42	
Total Equity	66.0	93.8	27.8	42	

#### Notes

6. Valuation as at 30 June 2021 carried out on land, buildings and airside and landside infrastructure, resulting in considerable unforecast gain.
7. Includes declared ordinary dividend of \$1m unpaid at balance date, not accounted for at forecast.
8. Cash inflow in excess of forecast resulted in additional loan repayments.
9. Deferred Tax of \$7.5m charged to Asset Revaluation Reserve not forecast.

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

### 21. VARIANCE - 2020/21 ACTUALS TO 2020/21 STATEMENT OF INTENT FINANCIAL FORECASTS (CONT'D)

#### Statement of Cash Flows

	SOI Forecast (\$m)	2020/21 Actuals (\$m)	2020/21 Actuals Including GST (\$m)	Variance (\$m)	Variance (%)	Note
Cash Opening Balance	0.2	0.3	0.3	0.1	55	10
<b>Cash In</b>						
Cash from Operations	7.5	11.0	12.6	5.1	68	11
Cash drawn from Loan Facility	3.6	3.8	3.8	0.2	4	
Total Cash Inflows	11.1	14.7	16.4	5.3	47	
<b>Cash Out</b>						
Operational Expenses	4.6	5.1	5.5	0.9	20	12
Income Tax Paid	0.0	1.0	1.0	1.0	Nil Forecast	13
Dividends	0.9	0.9	0.9	0.0	0	
Capital Expenditure	4.4	2.0	2.3	-2.1	-49	14
GST Paid (Received)	0.0	(0.1)	0.8	0.8	Nil Forecast	15
Loan Repayments	1.1	6.2	6.2	5.1	460	16
Other	0.1	0.0	0.0	-0.1	-100	
Total Cash Outflows	11.0	15.0	16.6	5.6	51	
Cash Closing Balance	0.2	0.0	0.0	-0.2	-79	

#### Notes

10. The Statement of Intent Forecast is made on a GST inclusive basis whereas the 2020/21 Actuals are displayed on a GST exclusive basis. To provide for meaningful comparison for the variance analysis the 2020/21 figures have been grossed-up to include the GST element (the third column in the table above).

11. Operating cash forecast was based on significantly lower than forecast operational activity levels.

12. Operating expenses were based on significantly lower than forecast operational activity levels.

13. Profit before tax and other extraordinaries, anticipated as a loss in the Statement of Intent, resulted in tax payments not forecast.

14. Capital expenditure profile delayed v forecast due to COVID-19 uncertainty.

15. [As per variances previously noted].

16. Larger cash inflow than forecast provided additional opportunity for loan repayments. Cash balances are maintained at minimal levels whilst the MOCL finance facility remains active.

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

### 22. COVID-19 DISCLOSURE

Aviation is facing one of its most challenging times in the wake of the Covid-19 pandemic. The pace at which we need to respond will test our sector – globally, nationally and locally.

Our airport community in New Zealand is small and connected – and that is a great strength in a crisis. The connectivity and national reach of our aviation system is important to many of our communities.

The Government has stepped in to protect Air New Zealand with a significant financial deal that protects essential routes and allows the company to keep operating. The Government and Air New Zealand have agreed a debt funding agreement through commercial 24-month loan facilities up to \$900 million. The agreement also allows for the conversion of the loan to equity at the request of the Crown. This agreement means that Air New Zealand is able to play its part in making sure Kiwis can return home from overseas and that essential flights and freight lines for goods remain open by ensuring flights continue to and from key destinations. The agreement safeguards the domestic network, with flights assured to all current destinations, including Nelson Airport. Air New Zealand will continue to play an important role in our economic recovery, when the disruption caused by this global pandemic is over.

On 1 July 2020 all of New Zealand was at Alert Level (AL) 1. Between 12 Aug 2020 and 16 August 2021 (12 months) Nelson spent most of its time at AL 1 with three increases to AL 2 in response to Covid-19 in the North Island. On 17 August 2021 all New Zealand moved to AL 4 in response to the Delta variant spreading within the community. On 7 September 2021 all New Zealand, except Auckland, returned to AL 2 while Auckland remained at AL 4. On 21 September 2021 Auckland moved to AL 3 and has remained there until today (with some easing of restrictions). Between 21 September 2021 and today parts of the North Island including Northland & Waikato have also been at AL 3 (with varying restriction levels).

With regards to these financial statements, Covid-19 has specifically impacted certain areas of the financial statements:

- Airline flight schedules have fluctuated, to varying degrees, in response to alert level changes and lockdowns. Aeronautical activity has a flow-on effect on ground transport, advertising, and retail revenues, reflecting some positive correlation. The closure of the international border saw those passengers who would have connected with international flights via Nelson, effectively replaced by additional domestic travellers.
- Nelson Airport's response to the Covid-19 pandemic has marginally increased costs and efforts in some areas including management planning for alternative work methods and changes to operational protocols; personal protective equipment, signage and consumables relating to the response to the requirements of physical distancing; and cleaning costs where additional cleaning measures are required.

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

- Nelson Airport Limited has benefited from receiving the Wage Subsidy provided by the Government, qualifying for the payment for the period from 30 August 2021 to 8 November 2021. After 8 November Nelson Airport Limited no longer qualified for the subsidy due to revenue levels. Nelson Airport Limited also received four resurgence payments for the period from 17 August 2021 to 22 October 2021.
- Nelson Airport Limited utilises robust, detailed financial modelling over a five-year period to forecast future financial performance and debt levels. The modelling facilitates scenario analysis and provides for understanding and managing the likely financial impact of Covid-19 as the pandemic develops. In the longer term, where passenger levels may fluctuate (up or down) the aeronautical charging process ensures the business makes a reasonable return on the aeronautical assets employed. There is no indication from modelling to date that current and planned future levels of debt are unsustainable by the business. The business is underpinned by solid demand for on-airport development opportunities and there is no indication that funding will not be available for good quality development opportunities.
- The directors have carefully considered the carrying value of assets, accounting estimates and other areas of judgement, and determined no impairment was required to the value of property, plant, and equipment due to Covid-19. Where applicable, specific disclosure has been made for account balances affected by Covid-19.

For more information readers may wish to refer to the impairment commentary in Note 1, under the heading of Significant Accounting Estimates and Judgements.

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2021

### 23. STATUTORY DEADLINE FOR COMPLETION AND APPROVAL OF THE 2021 ANNUAL REPORT

The statutory deadline for completion and approval of the 2021 Annual Report was 30 November 2021. The Annual Report for the year to 30 June 2021 was not completed by the statutory deadline due to resource limitations. Final completion and auditing were subject to the respective resources and schedules of both Nelson Airport Ltd and Audit New Zealand. The Annual Report to 30 June 2021 was approved by both parties on 3 December 2021.

# COMPANY DIRECTORY

## DIRECTORS

Paul Steere - Chair  
Catherine Taylor - Deputy Chair  
Matthew Clarke  
Matthew McDonald  
Mark Greening  
Quinton Hall

## REGISTERED OFFICE

Nelson Airport Management Offices  
Trent Drive, Nelson 7011  
Telephone: 03-547-3199 Email: [office@nelsonairport.co.nz](mailto:office@nelsonairport.co.nz)

## SENIOR LEADERSHIP TEAM

As at Annual Report approval date

Chief Executive	Mark Thompson
Airfield and Safety	James Middlewick
Commercial	Simon Barr
Corporate Services	Simon Orr
Marketing & Landside Operations	Bryn Lloyd

## AUDITOR

Audit New Zealand on behalf of the Auditor-General

## ACCOUNTANT

Johnston Associates Chartered Accountants

## BANKER

Westpac Banking Corporation

## LAWYER

Ford Sumner Lawyers

