Disclosure Financial Statements for Financial Year Ended 30 June 2021

Contents

DIRECTORS' REPORT

The Directors have pleasure in presenting the Disclosure Financial Statements of Nelson Airport Limited (the Company) for the year ended 30 June 2021. These statements present the results of the Identified Airport Activities of the Company and additional information and have been prepared for the purposes of, and in accordance with, the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999, as amended in 2014.

1. Board of Directors

The Directors of the Company during the year under review were:

Paul Steere (Chair)

Catherine Taylor (Deputy Chair)

Matthew Clarke

Matthew McDonald

Mark Greening (resigned 10/01/2021)

Quinton Hall (appointed 12/02/2021)

2. Principal Activities of the Company

The principal activity of the Company during the year was airport operator.

NAL was incorporated in 1996 and purchased the assets and undertakings of the Nelson Regional Airport Authority in March 1999.

NAL is a key strategic asset and contributor to the development and growth of the Nelson Tasman economy. Our operations and services deliver significant benefits to the Nelson Tasman region. Its key service is moving people into and out of the region. Prior to Covid-19, the number of passengers through the airport was progressively increasing, matching the growth in the region's population and visitor expenditure. NAL has shown resilience through the Covid-19 pandemic and it is anticipated that ongoing improvements in the handling of virus cases and the ongoing development of viable vaccine solutions will result in a return to previously predicted levels of activity within a four to five-year timeframe.

For and on behalf of the Board

Paul Steere
Chair
27 April 2022

Catherine Taylor
Deputy Chair
27 April 2022

STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 30 June 2021

	Note	2021 $000s	2020 $000s
Revenue	3	7,496	7,782
Operating costs	4	3,539	2,679
Administration expenses	4	1,219	1,242
Depreciation and amortisation	4	2,861	2,625
Decrease on asset revaluation	6	325	-
		7,944	6,545
Profit before Financing and Investing		**(448)**	**1,236**
Interest Revenue		0	5
Movement in Unhedged Derivative Financial Liability -	14	653	(349)
Finance Costs	4	(796)	(632)
Net Financing Income		**(143)**	**(975)**
Gain on Sale of Fixed Assets		1	-
Investing Income		1	-
Profit before Tax		**(591)**	**261**
Income tax expense	5	(123)	(35)
Profit after Tax		**(468)**	**295**
Other Comprehensive Income			
Asset revaluation movement due to assets reclassified to/(from) aero		(587)	**-**
Tax on asset reserve reclassification		(130)	**-**
Gain on asset revaluation		25,179	**-**
Tax on asset revaluation		(5,694)	**-**
Total Comprehensive Income		**18,302**	**295**

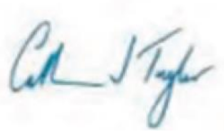
The Statement of Accounting Policies and Notes form an integral part of and should be read in conjunction with these financial statements

STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Note	2021 $000s	2020 $000s
Assets			
Current Assets			
Trade and Other Receivables	8	667	336
Cash and Cash Equivalents	9	24	252
Other Current Assets		66	-
Total Current Assets		**757**	**588**
Non Current Assets			
Property, Plant and Equipment	6	112,253	89,116
Intangible Assets	7	112	103
Total Non Current Assets		**112,365**	**89,218**
Total Assets		**113,122**	**89,806**
Liabilities			
Current Liabilities			
Trade and Other Payables	13	522	675
Derivative Financial Liabilities	14	238	271
Current Income Tax Liability		6	39
Employee Entitlements		220	142
Interest Bearing Loans	15	14	14
Total Current Liabilities		**1,000**	**1,142**
Non Current Liabilities			
Deferred Tax	5	10,751	5,100
Derivative Financial Liabilities	14	281	900
Interest Bearing Loans	15	27,755	27,630
Total Non Current Liabilities		**38,787**	**33,631**
Total Liabilities		**39,787**	**34,773**
Net Assets		**73,335**	**55,034**
Equity			
Issued Share Capital	11	1,920	1,920
Retained Earnings		11,492	11,960
Asset Revaluation Reserve		59,923	41,154
Total Equity		**73,335**	**55,034**

Paul Steere
Chair
27 April 2022



Catherine Taylor
Deputy Chair
27 April 2022

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STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 June 2021

	Note	2021 $000s	2020 $000s
Opening Retained Earnings		**11,960**	**11,710**
Total Profit for the Year		(468)	295
Impact of change in Accounting Policy		-	(2)
Distributions to Equity Holders		0	(43)
Retained Earnings as at Year End		**11,492**	**11,960**
Opening Asset Revaluation Reserve		41,154	41,154
Gain on Asset Revaluation		19,486	-
Asset revaluation movement due to assets reclassified to/(from) aero		(717)	-
Asset Revaluation as at Year End		**59,923**	**41,154**
Share Capital	11	1,920	1,920
Closing Equity as at Year End		**73,335**	**55,034**

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

CASH FLOW STATEMENT

For the financial year ended 30 June 2021

	Note	2021 $000s	2020 $000s
Cash Flows from Operating Activities			
Cash was provided from:			
Receipts from airport users		7,023	7,849
Interest received		0	5
		7,023	7,854
Cash was disbursed to:			
Payments to suppliers and employees		(3,963)	(4,060)
Interest paid		(796)	(632)
Income tax paid		(82)	(98)
Net GST Movement		25	260
		(4,817)	(4,530)
Net Cash Flows from Operating Activities	16	**2,206**	**3,324**
Cash Flows from Investing Activities			
Cash was provided from:			
Sale of property, plant & equipment		2	0
		2	0
Cash was disbursed to:			
Purchase of property, plant & equipment		(2,510)	(8,647)
Purchase of Intangible Assets		(6)	(79)
		(2,517)	(8,727)
Net Cash Flow from Investing Activities		**(2,515)**	**(8,727)**
Cash Flows from Financing Activities			
Cash was provided from:			
Increase in term loans		3,799	9,720
		3,799	9,720
Cash was disbursed to:			
Dividends paid		(43)	(280)
Decrease in term loans		(3,674)	(2,286)
		(3,718)	(2,566)
Net Cash Flow from Financing Activities		**81**	**7,155**
Net increase/(decrease) in cash and cash equivalents		(228)	1,752
Opening cash and cash equivalents		252	(1,500)
Closing cash and cash equivalents		**24**	**252**

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 DISCLOSURE FINANCIAL STATEMENTS

For the financial year ended 30 June 2021

1. General Information

Nelson Airport Limited (the Company) operates and manages Nelson Airport. The shares in Nelson Airport Limited are held by Tasman District Council (50%) and Nelson City Council (50%). Neither of these council entities has control over Nelson Airport Limited.

The Company is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is Nelson Airport Management Offices, Trent Drive, Nelson, 7011.

These financial statements have been approved for issue by the Board of Directors on 27 April 2022. The Company's owners do not have the power to amend these financial statements once issued.

The disclosure financial statements are presented in accordance with the Airport Authorities Act 1966 as amended by the Airport Authorities Amendment Act 2000 and the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999 ("The Regulations"), as amended in 2014.

The disclosure financial statements are for the reporting entity's Identified Airport Activities. Identified Airport Activities are defined as:

Airfield activities means the activities undertaken (including the facilities and services provided) to enable the landing and take-off of aircraft and includes:

a) The provision of any one or more of the following:

- (i) airfields, runways, taxiways, and parking aprons for aircraft
- (ii) facilities and services for air traffic and parking apron control
- (iii) airfield and associated lighting
- (iv) services to maintain and repair airfields, runways, taxiways and parking aprons for aircraft
- (v) rescue, fire, safety and environmental hazard control services
- (vi) airfield supervisory and security services

b) The holding of any facilities and assets (including land) acquired or held to provide airfield activities in the future (whether or not used for any other purpose in the meantime).

Aircraft and freight activities means the activities undertaken (including the facilities and services provided) to enable, within a security area or areas of the relevant airport, the servicing and maintenance of aircraft and the handling of freight transported, or to be transported, by aircraft and includes:

a) The provision within a security area or areas of the relevant airport, of any one or more of the following:

- (i) hangars
- (ii) facilities and services for the refuelling of aircraft, flight catering and waste disposal
- (iii) facilities and services for the storing of freight
- (iv) security, customs and quarantine services for freight

b) The holding of any facilities and assets (including land) acquired or held to provide aircraft and freight activities in the future (whether or not used for any other purpose in the meantime).

Specified passenger terminal activities (specified terminal) means the activities undertaken (including the facilities and services provided) in relation to aircraft passengers while those passengers are in a security area or areas of the relevant airport; and includes:

- **a)** The provision, within a security area or security areas of the relevant airport of any one or more of the following:
  - (i) passenger seating areas, thoroughfares and airbridges
  - (ii) flight information and public address systems
  - (iii) facilities and services for the operation of customs, immigration and quarantine checks and control
  - (iv) facilities for the collection of duty-free items
  - (v) facilities and services for the operation of security and Police services
- **b)** Any activities undertaken (including the facilities and services provided) in a passenger terminal to enable the check-in of aircraft passengers, including services for baggage handling:
- **c)** The holding of any facilities and assets (including land) acquired or held to provide specified passenger terminal activities in the future (whether or not used for any other purpose in the meantime).

The numbers presented in these financial statements are for the Identified Airport Activities unless it is stated “Whole Company”.

2. Statement of Accounting Policies

a) 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, except for the matter disclosed in note 30.

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 2(b).

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.

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 6

b) 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.

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

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

c) Intangible assets

Software acquisition and development

Acquired computer software licences that benefit multiple reporting periods 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	50.0% - 50.0%	Diminishing value
Branding	10.0% - 12.50%	Straight line
	50.0% - 50.0%	Diminishing value

d) 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.

e) 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.

f) 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.

g) Share capital

Ordinary shares

Ordinary shares are classified as equity.

h) 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.

i) 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.

j) 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.

k) 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.

l) 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.

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 is fixed parking lease/licence payments, with income for periods after balance date accrued as lease income in advance.

- Revenue from partner rental car companies which 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.

m) 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 term 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.

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.

n) 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.

o) Cash and cash equivalents

Cash and cash equivalents include 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.

p) Segment reporting

For the purposes of reporting in accordance with section 8(3) of the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999, as amended in 2014, Nelson Airport Limited reports on the industry segments as airfield activities, aircraft and freight activities, and specified terminal passenger activities. These have been treated as operating segments to meet the requirements of the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999, as amended in 2014, and the Airport Authorities Act 1966.

q) Allocation methodologies

The disclosure financial statements are prepared in accordance with the Airport Authorities Act 1966 and present only the Identified Airport Activities for Nelson Airport Limited. In order to report the financial results of the Identified Airport Activities, the company performs allocations on shared expenditure, expenses, assets, debt and equity balances. The allocation rules used require the use of judgement and assumptions to determine the values recorded in the disclosure financial statements and are consistent with the methodology used to determine the price charged for Airfield and Aero-terminal activities. Changes to assumptions will result in changes to the disclosure financial statements.

The allocation methodologies used in the disclosure financial statements are summarised in note 23 of the additional information required by the disclosure regulations set out in the Act.

3. Revenue

	2021 $000s	2020 $000s
Contract Revenue		
Aeronautical Charges	5,648	5,899
Sundry Income	1	1
Total Contract Revenue	5,649	5,900
Other Revenue		
Aeronautical Charges	7	83
Property Revenues	1,676	1,382
Gain Recognised on Acquistion of Assets	90	316
Wage Subsidy	74	100
Total Other Revenue	1,847	1,881
Total Revenue	7,496	7,782

4. Expenses

a) Operating Costs

	2021 $000s	2020 $000s
Employee Entitlements	1,427	1,261
Other Operating Expenses	2,086	1,403
Loss on Disposal of Assets	27	15
	3,539	2,679

b) Administration Costs

	2021 $000s	2020 $000s
Auditors Remuneration - Financial statements	30	33
Auditors Remuneration - Disclosure Accounts	13	16
Auditors Remuneration - 2020 Fee Recovery	14	-
Directors' Fees	115	116
Insurance & Rates	599	685
Other Administration Expenses	447	393
	1,219	1,242

c) Depreciation and amortisation

	2021 $000s	2020 $000s
Depreciation	2,824	2,593
Depreciation - Right of Use Assets	13	14
Amortisation of Intangible Assets	24	19
	2,861	2,625

d) Finance Costs

	2021 $000s	2020 $000s
Interest Expense	793	626
Interest Expense - Lease Liabilities	4	6
	796	632

5. Income Tax

Components of Income Tax Expense

	2021 $000s	2020 $000s
Current Tax Expense	49	169
Prior Years Tax Under/(Over) Provided	-	(83)
Deferred Tax Expense	(172)	(121)
	(123)	(35)

Relationship between Tax Expense and Accounting Profit

	2021 $000s	2020 $000s
Operating Profit Before Taxation	(591)	261
Prima Facie Tax @ 28%	(165)	73
Adjustment for Timing & Taxation Differences	214	92
Adjustment for Permanent Differences	1	4
Prior Years Tax Under/(Over) Provided	-	(83)
Adjustments for Deferred Tax	182	(104)
Adjustments for Deferred Tax - Property, Plant & Equipment	(354)	(17)
Income Tax Expense	(123)	(35)

Deferred Tax

	2021 $000s	2020 $000s
Property, Plant and Equipment		
Opening Balance	(5,457)	(5,473)
Charged to Profit & Loss	354	(379)
Impact from Reinstatement of Depreciation on Buildings (Charged to Profit & Loss)	-	396
Charged to Asset Revaluation Reserve	(5,823)	-
Closing Balance	(10,925)	(5,457)
Employee Entitlements		
Opening Balance	25	21
Charged to Profit & Loss	3	4
Closing Balance	28	25
Deriviative Financial Liability		
Opening Balance	328	230
Charged to Proift & Loss	(183)	98
Closing Balance	145	328
Other Provisions		
Opening Balance	3	1
Charged to Profit & Loss	(2)	2
Closing Balance	1	3
Total	(10,751)	(5,100)

6. Property, Plant and 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
Cost or Valuation									
Balance as at 1 July 2020	27,373	41,495	19,592	4,360	428	-	240	751	94,240
Reclassification - Opening Balances	-	(88)	26	(27)	(170)	122	136	-	-
Reclassification - to/from Non-Aero	(1,069)	12	-	1,302	16	(1)	1	3	266
Reclassification - WIP	-	42	-	-	-	-	26	(68)	-
Additions	-	74	132	25	61	52	14	1,422	1,780
Movement in Asset Revaluation	4,845	6,085	5,341	917	-	-	-	-	17,189
Disposals	-	(26)	-	(0)	(21)	-	(9)	(706)	(763)
Balance at 30 June 2021	31,150	47,594	25,092	6,577	314	174	408	1,403	112,712
Accumulated Depreciation and Impairment Losses									
Balance as at 1 July 2020	-	2,254	1,823	716	259	-	72	-	5,125
Reclassification of Opening Balances	-	(7)	7	(4)	(109)	96	16	-	(0)
Reclassification - to/from Non-Aero	-	(0)	-	180	11	(0)	1	-	191
Depreciation	-	1,578	960	201	29	13	55	-	2,837
Decrease on asset revaluation	-	(9)	27	308	-	-	-	-	325
Disposals	-	(4)	-	(0)	(18)	-	(7)	-	(29)
Movement in Asset Revaluation	-	(3,773)	(2,817)	(1,400)	-	-	-	-	(7,990)
Balance at 30 June 2021	-	39	0	2	172	109	137	-	459
Net Book Value at 30 June 2021	31,150	47,556	25,092	6,576	142	65	271	1,403	112,253

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
Cost or Valuation									
Balance as at 1 July 2019	27,373	26,817	19,571	3,910	305	-	211	8,126	86,313
Recognition of Finance Leases - Modified Retrospective Approach	-	-	-	-	55	-	-	-	55
Reclassification	-	13,950	9	486	38	-	28	(14,587)	(76)
Additions	-	737	12	4	37	-	20	7,212	8,023
Disposals	-	(9)	(0)	(40)	(7)	-	(18)	-	(74)
Balance at 30 June 2020	27,373	41,495	19,592	4,360	428	-	240	751	94,240
Accumulated Depreciation and Impairment Losses									
Balance as at 1 July 2019	-	818	865	617	201	-	63	-	2,564
Recognition of Finance Leases - Modified Retrospective Approach	-	-	-	-	13	-	-	-	13
Depreciation	-	1,438	958	138	50	-	24	-	2,606
Disposals	-	(2)	(0)	(38)	(5)	-	(14)	-	(59)
Balance at 30 June 2020	-	2,254	1,823	716	259	-	72	-	5,125
Net Book Value at 30 June 2020	27,373	39,241	17,770	3,644	169	-	168	751	89,116

Valuation (Whole Company)

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:

Asset classification and description	Valuation approach
Land Commercial and Residential Land	Commercial and Residential land is valued on a market sales comparison basis.
Leasehold Land 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.
Buildings 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.
Airfield Infrastructure 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].
Landside Infrastructure 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].
Equipment Parking meters, security equipment, and vehicles.	Cost less depreciation – no valuation obtained.
Fixtures and fittings Furniture, office equipment, computers, and fixtures.	Cost less depreciation – no valuation obtained.

7. Intangible Assets

2021	Original Cost $000s	Accum Amortisation $000s	Opening WDV $000s	Additions $000s	Reclassifi-cations to/from Non-Aero $000s	Reclassifi-cations of Opening balances $000s	Disposals $000s	Amortisation $000s	Closing WDV $000s
Software	43	27	16	6	(0)	-	-	7	15
Other Intangibles	104	17	86	-	26	-	-	16	97
Total	147	44	103	6	26		-	24	112

2020	Original Cost $000s	Accum Amortisation $000s	Opening WDV $000s	Additions $000s	Reclassifi-cations to/from Non-Aero $000s	Reclassifi-cations $000s	Disposals $000s	Amortisation $000s	Closing WDV $000s
Software	47	25	22	3	-	-	(0)	9	16
Other Intangibles	27	7	20	-	-	76	-	10	86
Total	75	33	42	3	-	76	(0)	19	103

8. Trade and Other Receivables

	2021 $000s	2020 $000s
Trade Receivables - Contract Revenue	571	283
Trade Receivables - Other Revenue	82	37
Accrued Debtors	0	-
Prepayments	13	16
Other Receivables	-	0
	667	336

9. Cash and Cash Equivalents

	2021 $000s	2020 $000s
Bank Balance	24	252
	24	252

10. Financial Instruments

Financial Assets

	Amortised cost 2021 $000s	Amortised cost 2020 $000s
Cash and Cash Equivalents	24	252
Trade and Other Receivables	653	320
	678	572

Financial Liabilities

	Fair value through profit or loss		Amortised cost	
	2021 $000s	2020 $000s	2021 $000s	2020 $000s
Trade and other Payables	-	-	345	479
Derivatives	518	1,172	-	-
Finance Lease Liability	17	31	-	-
Loans and Borrowings	-	-	27,752	27,613
	535	1,203	28,097	28,092

11. Share Capital

Ordinary shares

All authorised shares for the Whole Company (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. The Disclosure Financial Statements recognise a portion of this dividend, based on the Net Profit after Tax recognised in these statements as a percentage of the Net Profit after Tax for the Whole Company. No dividend is recognised if the result for the Disclosure accounts is a loss.

12. Contingent Liabilities

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

13. Trade and Other Payables

	2021 $000s	2020 $000s
Trade Payables	331	452
Trade Payables (Related Parties)	14	27
Dividends Payable	-	43
Accruals	62	105
GST Liability	90	22
Lease Income in Advance	25	26
	522	675

14. Derivative Financial Instruments

	2021 $000s	2020 $000s
Derivative Financial Liabilities		
Interest Rate Swaps		
Current Portion	238	271
Non-Current Portion	281	900
	518	1,172

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 for the Whole Company 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.

15. Interest Bearing Loans

	2021 $000s	2020 $000s
Repayable as follows:		
Less Than 1 Year	-	-
Between 1 and 5 Years	27,752	27,613
	27,752	27,613
Finance Lease Liabilities		
Less Than 1 Year	14	14
Between 1 and 5 Years	3	17
	17	31

Nelson Airport Limited has an arrangement 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 for the Whole Company with Westpac is $40 million, to be made available and drawn down when required.

The total interest capitalised as part of the cost of property, plant and equipment was $nil (June 2020: $348,206).

The total cash outflow paid towards finance leases during the year was $17,591 (June 2020: $17,872).

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

16. Reconciliation of Reported Profit After Tax with Cash Flows from Operating Activities

	2021 $000s	2020 $000s
Net Profit for the Year	(468)	295
Add/(less) non cash and non operating items:		
(Gain)/Loss on Disposal of assets	27	15
Depreciation and Amortisation	2,861	2,625
Decrease on asset revaluation	325	-
Value of Donated Assets Received	(90)	(316)
Reclassification of Work In Progress as expense	706	-
Movement in deferred taxation	(172)	(121)
Movement in derivative financial instrument	(653)	349
Movement in working capital:		
(Increase)/Decrease in other current assets	(66)	-
(Increase)/Decrease in receivables	(331)	333
Increase/(Decrease) in current tax payable	(33)	(12)
Increase/(Decrease) in payables	100	156
Net cash flows from operating activities	**2,206**	**3,324**

17. Transactions with Related Parties (Whole Company)

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 6).

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.

18. Capital Commitments (Whole Company)

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.

19. Operating Leases (Whole Company)

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
Total	**10,570**	**9,386**

20. Events After Balance Date

The Covid-19 Pandemic

At balance date, and to date, the Company has recognised the significant uncertainties around the ongoing Covid-19 pandemic and the impact on air travel demand. The Company conducted scenario analysis against different Covid-19 recovery stories to ensure the forecast five-year performance supported the company during a significantly worsening and ongoing pandemic. Further the Company devised and implemented cost saving and deferred expenditure initiatives to manage the risk and continues to do so. Notwithstanding the significant impact of Covid-19 on the business the view of the directors is that the business retains strong business fundamentals. The directors are confident that the Company is well paced to continue operating as a going concern pending the ultimate return of more usual levels of trading.

Forecast Change of Ownership pathway

During 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 is expected to be established in 2022 and Nelson Airport Ltd and Port Nelson Ltd will be subsidiaries of the new company.

New CEO takes-up Appointment

Mark Thompson started as the new Chief Executive Officer for Nelson Airport Ltd in August 2021. Mr Thompson brings experience from an extensive international leadership career in logistics, infrastructure, supply chain, tourism and technology.

21. 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.

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 of New Zealand moved to AL 4 and from 31 August various regions around the country were subjected to changes in alert levels until 2 December 2021 when the Government signalled an end to the *Alert Level System* and the move to the *Traffic Light System*. The Government declared a national State of Emergency due to the Covid-19 pandemic in March 2020, which has been extended multiple times and remains active.

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.

- 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 eight resurgence payments for the period from 17 August 2021 to 17 December 2021 and a transition payment in December.

- 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 2, under the heading of Significant Accounting Estimates and Judgements.

IDENTIFIED AIRPORT ACTIVITIES REPORTING

23. Segment Information

The preparation of the disclosure financial statements requires the identification and presentation of aeronautical activities, as presented above. In addition to this the Company is required to present segmented information for Identified Airport Activities. These activities are defined in the Airport Authorities Act 1966 (and subsequent amendments). The Identified Airport Activities are as follows:

(i) Airfield activities:

(ii) Aircraft and freight activities:

(iii) Specified passenger terminal activities

Management have assessed the aeronautical activities of the Company against these definitions and allocated them as appropriate.

The Company is located in one geographic segment in Nelson, New Zealand, and operates in the airport industry. The Company earns revenue from aeronautical activities and other charges and rents associated with operating an airport.

Segment Information (Continued)

For the Year Ended 30 June 2021

	Airfield $000s	Aircraft and Freight $000s	Specified Terminal $000s	Total $000s
External Revenue				
Airport Charges	2,993	7	2,655	5,655
Property Revenues	114	1,273	289	1,676
Interest Revenue	0	0	0	0
Value of Donated Assets Received	90	-	-	90
Gain on Disposal of Fixed Asset	0	0	0	1
Wage Subsidy	26	8	41	74
Sundry Income	1	0	0	1
Total Revenue	**3,224**	**1,288**	**2,985**	**7,497**
Expenses				
Loss on Impairment	216	16	94	325
Employee Entitlements	647	189	590	1,427
Other Operating Expenses	985	270	830	2,086
Loss on Disposal of Assets	2	1	25	27
Administrative Expenses	541	312	366	1,219
Depreciation	1,079	213	1,531	2,824
Depreciation - Right of Use Assets	8	2	3	13
Amortisation of Intangible Assets	12	4	7	24
Movement in Unhedged Derivative Financial Liability	(29)	(1)	(624)	(653)
Finance Costs	39	3	754	796
Total Expenses	**3,501**	**1,011**	**3,576**	**8,088**
Segment Profit Before Tax	**(277)**	**278**	**(591)**	**(591)**
Income Tax Expense				(123)
Profit after Tax				**(468)**
Additions of Property, plant & equipment included in Segment Assets (000s)	208	55	162	425
Average number of full-time staff equivalents	4.4	1.2	6.0	11.5

Comparison to Amounts Disclosed in Audited Annual Report

	Disclosure Accounts $000s	Annual Report $000s
Statement of Comprehensive Income		
Total Revenue	7,497	10,831
Profit After Tax	(468)	2,035
Total Comprehensive Income	18,302	27,301
Statement of Financial Position		
Total Assets	113,122	140,250
Total Liabilities	39,787	46,489

For the Year Ended 30 June 2020

	Airfield $000s	Aircraft and Freight $000s	Specified Terminal $000s	Total $000s
External Revenue				
Airport Charges	3,111	83	2,788	5,982
Property Revenues	92	1,036	254	1,382
Interest Revenue	2	1	2	5
Value of Donated Assets Received	12	6	298	316
Wage Subsidy	32	10	58	100
Sundry Income	0	1	0	1
Total Revenue	**3,249**	**1,138**	**3,399**	**7,786**
Expenses				
Loss on Impairment	-	-	-	-
Employee Entitlements	479	159	624	1,261
Other Operating Expenses	715	126	562	1,403
Loss on Disposal of Assets	3	1	11	15
Administrative Expenses	555	283	403	1,242
Depreciation	1,061	203	1,329	2,593
Depreciation - Right of Use Assets	8	2	4	14
Amortisation of Intangible Assets	12	3	4	19
Movement in Unhedged Derivative Financial Liability	15	0	333	349
Finance Costs	30	2	600	632
Total Expenses	**2,878**	**778**	**3,869**	**7,526**
Segment Profit Before Tax	**371**	**360**	**(471)**	**261**
Income Tax Expense				(35)
Profit after Tax				**295**
Additions of Property, plant & equipment included in Segment Assets (000s)	241	29	15,052	15,321
Average number of full-time staff equivalents	4.4	1.5	8.1	14.0

Comparison to Amounts Disclosed in Audited Annual Report

	Disclosure Accounts $000s	Annual Report $000s
Statement of Comprehensive Income		
Total Revenue	7,786	11,884
Profit After Tax	295	1,767
Total Comprehensive Income	295	1,767
Statement of Financial Position		
Total Assets	89,806	108,918
Total Liabilities	34,773	41,459

24. Allocation Methodology used in the preparation of these statements

a) Revenue categories

Revenue falls into one of the following categories:

i. **Aeronautical charges**
Aeronautical revenues consist of charges for the movement of aircraft and passengers, aircraft parking and longer-term aircraft storage charges. The long-term aircraft storage charges are classified as *Aircraft and freight activities* whilst the balance of the aeronautical revenue is allocated between *Airfield activities* and *Specified Terminal* in accordance with the Aeronautical pricing model as outlined in the Consultation Pricing Decision document of 30 June 2016.

ii. **Property revenues**
Includes a mix of ground leases and building leases with locations from airside to well clear of the airside boundary on landside. This revenue category contributes to all categories within the *Identified Airport Activities* requiring every lease to be individually assessed and allocated based on location and use. Revenues and costs that are not directly dedicated to single leases are allocated to individual leases by first allocating to a property or building then further allocated within the property/building according to the correct classification of the individual leases/licences.

iii. **Sundry income**
A minor category including less than $1,000 of aeronautical related income.

b) Expenditure categories and allocation

i. **Operating expenditure**
Direct operating costs, that have been incurred solely for Identified Airport Activities (IAA) are allocated within the sub-categories accordingly. Expenditure that relates to both IAA and non-IAA activities, or over different activities within the IAA categories, are analysed on a case by case basis and allocated accordingly. Operating expenditure relating directly to an asset, including a property or building, is allocated as per the underlying asset. Costs of a Corporate nature, such as generation of the Annual Report, are appropriately allocated over *all* assets, including those not related to *Identified Airport Activities*. Staff costs are individually allocated over their respective areas of responsibility according to individual analysis of each position.

ii. **Non-operating income and expenditure**
Depreciation, amortisation and losses on disposal are allocated as per the underlying asset to which they relate. Small value debt write-offs are individually analysed to ascertain their correct respective allocations. Income Tax has been recalculated on the profit from IAA activities, allowing for differences in treatment of transactions between accounting and tax profit. Interest received, interest paid and the movement in the valuation of the interest swaps secured to hedge the new terminal finance facility has been apportioned between IAA and –non-IAA activities using the ratio of IAA to non-IAA costs in the development of the new airport terminal and associated spending (including the construction of the carpark).

c) Allocation of assets

The balancing account for the Statement of Financial Position is the interest bearing loans, on the basis that funds would be borrowed from funding providers to finance asset programs not covered by operating surpluses. Receivables and other current assets, other than cash, are individually analysed, to transaction line level, to ascertain the correct allocation. Individual fixed assets, as opposed to asset classes, are individually analysed to ascertain correct allocation. As well as being allocated between the *Identified Airport Activities* sub-categories some assets also have an appropriate portion excluded being allocated to non-*Identified Airport Activities*. As stated above depreciation, amortisation and any losses on disposal or other write-downs are allocated as per the allocation of the underlying asset. Regarding land the airport has been divided into sectors based on use/purpose and appropriate allocation methodologies devised for the individual sectors.

The sectors utilised for the aerodrome reserve land are consistent with those established for valuation purposes by registered valuers Duke & Cooke Limited.

d) Allocation of debt

As with the current assets, current liabilities are individually analysed, to transaction line level, to ascertain the correct allocation. Liabilities related to individual staff are allocated as per the allocation of the respective staff members in the Income Statement. Dividends payable in the Whole Company have been apportioned on an approximate ratio between IAA and non-IAA profit. Income Tax Paid has also been apportioned on the same approximate ratio, with the difference between the calculated Income Tax Payable and the tax paid showing as Income Tax Payable on the Statement of Financial position. An assessment is done on GST balances to allocate the tax payable or receivable on the same basis as the underlying transactions to which they relate. Deferred Taxation has been recalculated on the various transactions (accruals, fixed assets) designated to be Identified Airport Activities. Multi-Option Credit Line (MOCL) and the Interest Rate Swap Derivative Financial Liability have been apportioned using the ratio of IAA to non-IAA costs in the development of the new airport terminal. In addition to the amount of the MOCL balance apportioned to IAA, the balancing amount for the Statement of Financial Position (after all balances have been determined) has been classified as an additional non-current Interest Bearing Loan balance.

e) Allocation of equity

The equity position of the Identified Airport Activities is allocated with reference to the following for those activities:

i. The opening level of equity.

ii. Adjustments for movements due to net profit less dividends.

iii. Adjustments for any movements in reserves due to the revaluation of assets.

iv. Adjustments for any capital issued or repaid.

v. Adjustments for the reclassification of assets between aeronautical and non-aeronautical areas.

25. Weighted Average Cost of Capital

a) WACC estimation

NAL does not require a specific cost of capital (WACC) to be established for the normal financial management of its business as it has relatively few discretionary investment and financing decisions to consider. A WACC is established when required for pricing consultations with airlines. Estimating WACC requires considerable judgment. WACCs are not constant but change continuously to reflect external factors such as the level of interest rates and company specific factors, which include the nature of the services the company offers its customers, its contracts with suppliers and customers and its policies for changing prices.

NAL applied a post-tax WACC model consistent with the Commerce Commission's approach for the information disclosure regime applicable to the large airports, adjusted as appropriate for NAL's business characteristics. The Commerce Commission applied the Brennan-Lally version of the Capital Asset Pricing Model to determine its WACC estimates for the airports regulated under the Commerce Act. This methodology provides for WACC to be calculated as follows:

WACC = rd * (1 – Tc) * d + re * e
<u>And</u>
rd = rfr + debt premium
re = rfr * (1-Tc) + MRP * equity beta [with equity beta = asset beta * (1+d/e)]
<u>Where</u>
rfr = risk free rate
dp = the Company's pre-tax cost of debt.
Tc = the corporate tax rate
d = the company's debt as a proportion of total assets
re = the Company's post -tax cost of equity.
e = the company's equity as a proportion of total assets

NAL estimated its weighted average cost of capital (WACC) for identified airport activities as at 1 July 2016, being the commencement of the current pricing period, which ends on 30 June 2021. The following table summarises the key parameters applied by NAL to estimate its post-tax WACC at 1 July 2016.

		2016
		Parameter
Risk free rate – 5-year Government Stock	rfr	2.12%
Market risk premium	MRP	7.00%
Company tax rate	Tc	28.0%
Debt / (Debt + Equity)	d	40.0%
Debt premium and Debt issue costs	dp	1.90%
Business risk factor (asset beta)	a	0.65
Cost of Debt	rd	4.02%
Post tax cost of Equity	re	9.40%
Calculated WACC – mid point		**6.62%**
Calculated WACC – 75th percentile		**7.63%**

Changes to the Commerce Commission's input variables for the large airports to recognise the differences for NAL were:

- ***Asset beta*** – this was increased from 0.6 to 0.65 for NAL due to the greater risk exposure borne by NAL from a market that does not have the same extent of diversification as the large airports.
- ***Cost of debt*** – an increased allowance was recognised because NAL cannot source external funds at the same costs as the large airports.
- ***Debt ratio*** – this was set at 40% which reflects the approximate actual ratio that will result when NAL sources external funding for the TDP construction.

The company revises its WACC periodically to coincide with its aeronautical pricing consultation processes.

b) NAL's WACC decision

NAL continually seeks to actively, and appropriately, manage the risks of its business to achieve long term outcomes for airport users and its shareholders. NAL's view is that its approach to WACC must strike the right balance for NAL and its airline partners and incentivise the best long-term outcomes for all parties.

NAL initially proposed that its WACC would be set at the 75th percentile of the WACC range shown above. While NAL considers that the methodology, and NAL's initial proposal, reflects the appropriate approach for NAL, NAL also sought to achieve a consulted outcome that is acceptable to both NAL and the airlines. NAL therefore adopted, a compromise WACC for the pricing period of 7.0% for application in the building block model.

26. Methodology used to determine Airport Charges

The Airport Authorities Act 1966 requires airport companies to consult with airlines prior to setting charges payable by the airlines for identified airport activities. NAL undertook consultations with the substantial customer airlines operating at Nelson Airport to set charges for the period from 1 July 2016 to 30 June 2021.

a) Overview

NAL believes that, in general, aeronautical charges and how they are levied should follow a number of broad principles, namely:

- Airport and airline customers should be provided with a safe and efficient operating environment.
- Charges should, ideally, closely mimic the behaviour of prices observed in competitive markets.
- Airports should be provided with incentives to achieve efficiency gains.
- Both the airport and its customers should share in achieved efficiency gains.
- The airport should be provided with incentives to invest capital prudently and efficiently.
- The airport earns an appropriate return for its shareholders on assets utilised to provide aeronautical services.

These principles largely reflect those established for the larger airports under the Commerce Act 1986. While NAL is not subject to the information disclosure regime in the Commerce Act it had regard to the Commerce Commission's Determinations for the regulated airports. In particular, NAL endeavoured to be consistent with the Commerce Commission's Input Methodologies (IM) for the larger airports where these were appropriate for NAL.

b) Calculation of required revenue

NAL utilised the building block model (BBK) to determine the appropriate level of required revenue for the pricing period, and therefore to enable new pricing to be determined. The BBK is a well understood conventional model and is used by the Commerce Commission in the information disclosure regime.

The BBK provides that:

$$Required\ Revenue = Return\ on\ Capital + Operating\ Costs + Depreciation + Tax + or - Asset\ revaluations$$

Where

$$Return\ on\ Capital = Pricing\ Asset\ Base * Weighted\ Average\ Cost\ of\ Capital$$

c) Pricing approach and charging structure

i) Airfield charges

Historically airfield costs were recovered by way of a charge per tonne of maximum certified take-off weight (MCTOW). Weight charges were usually progressive with heavier aircraft paying heavier per tonne charges. The rationale for this approach was that heavier aircraft, with heavier wheel weights, were assumed to cause greater pavement damage than lighter aircraft.

In more recent years charging on a per passenger basis for airfield activities has become more common at other airports. Given the relatively homogeneous mix of predominantly turboprop traffic at Nelson Airport, NAL believed that a charge determined by aircraft weight has become outdated for RPT airlines.

NAL concluded that adopting a passenger-based charge for airfield services was more appropriate for the new pricing period because:

- It is consistent with the manner in which passenger airlines achieve their revenue;
- It would therefore ensure that NAL received its charges when the airlines are paid by passengers,
- It would result in NAL and airlines bearing the same risk of market disruptions; and
- It could incentivise airlines to add new services because airlines will pay lower total charges for these services until they become established.

ii) Terminal pricing (for relevant areas of the terminal)

Terminal charges previously comprised a charge levied per departing passenger aircraft seat. NAL separately identified the assets and operating costs associated with the previous terminal and introduced a separate per passenger movement charge for the terminal commencing from 1 July 2016. This was appropriate for the same reasons that passenger-based charging was appropriate for airfield services.

iii) Terminal pricing following commissioning of new terminal

Charges for the new terminal are also applied on a per passenger basis. The BBK model applied by NAL sought to recover charges for the new terminal as it became operational with the proposed prices reflecting forecast:

- Commissioning dates for two distinct stages of the new terminal;
- Terminal design requirements agreed with airlines, and other parties, at the time of consultation; and
- The expected construction costs.

During consultation it was agreed that the proposed pricing, at the conclusion of the consultation, would be adjusted during the pricing period to incorporate the final project area and cost numbers, and by applying the final version of the pricing model that arose from the consultation (i.e. the calculation process would not need to be reconsidered).

That is, further consultation would not be necessary on these calculations for the duration of the pricing period.

27. Schedule of Airport Charges

a) Regular air transport operations

A flight forming part of a series of flights performed by aircraft for the transport of passengers, cargo or mail between the Airport and one or more points in New Zealand, where the flights are so regular and frequent as to constitute a systematic service, whether or not in accordance with a published timetable, and which are operated in such a manner that each flight is open to use by members of the public.

b) Maximum certified take-off weight (MCTOW)

For an aircraft the lower of its maximum certified take-off weight as specified by the manufacturer (or as approved by the Civil Aviation Authority) and the maximum authorised operating weight as specified by the company.

c) Landing charge – fixed wing regular passenger transport services

A charge of $7.45 (excl GST) per embarking and disembarking passenger on fixed wing aircraft operating a domestic service. (2020: $7.45)

d) Landing charge – other fixed wing movements

A landing charge of $16.13 (excl GST) per landed tonne (based on MCTOW for aircraft type) is payable in respect of each arriving fixed wing aircraft that is not on a fixed wing regular passenger transport service. (2020: $16.13)

e) Landing charge – helicopters/rotary wing movements

For each rotary wing aircraft arriving on any part (excluding the runway and /or taxiways) of Nelson Airport a charge of $25.00 (excl GST) per landing is payable. (2020: $25.00)

or

For rotary wing aircraft utilising the runway and/or taxiways the higher of $16.13 (excl GST) per landed tonne (based on MCTOW for aircraft type) or $25.00 (excl GST).

f) Aircraft parking charges

For each general aviation aircraft parked in a designated aircraft parking area for a period in excess of 24 hours, an aircraft parking charge based on the aircraft MCTOW is payable per calendar day or part thereof as set out in the table below.

Aircraft MCTOW (kg)	Year to 30 June 2021 Charge (excl GST)	Year to 30 June 2020 Charge (excl GST)
0 – 9,999	$15.00	$15.00
10,000 – 19,999	$25.00	$25.00
20,000 – 39,999	$35.00	$35.00
40,000 – 54,999	$45.00	$45.00
55,000 and greater	$55.00	$55.00

For the purpose of aircraft parking charges, “designated aircraft parking area” means an aircraft parking area owned or leased by the Company other than an aircraft parking area which is subject to a lease or license granted by the Company.

28. Landing Statistics

The aircraft landing statistics, as required by the Airport Authorities Amendment Act 1997, are based on aircraft arrivals.

a) Scheduled domestic services

Aircraft MCTOW (kg)	Aircraft Type	Year to 30 June 2021	Year to 30 June 2020
0 to 20,000	C208	1,084	828
	DH8C	4,768	5,458
	JS32	535	153
	PC12	149	145
	Other	0	12
20,000 – 26,000	ATR72	2,748	2,691

b) Other landings

Aircraft MCTOW (kg)	Year to 30 June 2021	Year to 30 June 2020
All weights	6,974	6,045

c) Passengers

Class of Passenger	Year to 30 June 2021	Year to 30 June 2020
Passengers arriving and departing on scheduled domestic flights	725,269	779,743

29. Interruptions to Services

Interruption to services, as required by the Airport Authorities (Airport Companies Information Disclosure) regulations 1999, is set out below.

a) Planned disruptions

	Number of Events		Total Duration (to nearest 15 minutes)	
	Year to 30 June 2021	Year to 30 June 2020	Year to 30 June 2021	Year to 30 June 2020
Runway Services	-	-	-	-
Stand Position Services	-	-	-	-
Baggage Handling Services	-	-	-	-

b) Un-planned disruptions

	Number of Events		Total Duration (to nearest 15 minutes)	
	Year to 30 June 2021	Year to 30 June 2020	Year to 30 June 2021	Year to 30 June 2020
Stand Position Services	-	-	-	-
Runway Services	-	-	-	-
Baggage Handling Services	-	-	-	-

30. Statutory Deadline for Completion and Auditing of Disclosure Financial Statement

The statutory deadline for completion and auditing of the Disclosure Financial Statements is advised in the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999. The regulations state that the statements must be completed and audited within five months of the Company's balance date, in the case of Nelson Airport Limited this is by 30 November each year. The above Disclosure Financial Statements for Nelson Airport Limited are for the year to 30th June 2021. Completion of the statements and auditing of the same were 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 Limited and Audit New Zealand.

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Assurance Report

To the Directors of Nelson Airport Limited

Report on Nelson Airport Limited's disclosure financial statements for the year ended 30 June 2021

The Auditor-General is the auditor of Nelson Airport Limited (the company). The company is required by the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999 (the Regulations) to prepare disclosure financial statements for the company's identified airport activities.

The Auditor-General has appointed me, Chris Genet, using the staff and resources of Audit New Zealand, to provide a conclusion, in accordance with the Regulations, on the company's disclosure financial statements. The disclosure financial statements comprise:

- financial statements only for the identified airport activities, and not for the other activities of the company, prepared in accordance with generally accepted accounting practice; and
- additional information as specified in section 9 and Schedule 2 of the Regulations.

Qualified conclusion

It is our conclusion that except for the effect of the matter described in the *Basis for our qualified conclusion section* of our report, the disclosure financial statements on pages 2 to 36 are fairly reflected, in all material respects with the Regulations, and comply, in all material respects, with generally accepted accounting practice in New Zealand.

Our work was completed on 27 April 2022. This is the date at which our qualified conclusion is expressed.

The basis for our qualified conclusion is explained below, and we draw your attention to the ongoing impact of Covid-19 on the company. In addition, we explain the limitations and use of this report, the responsibilities of the Board of Directors and our responsibilities, and explain our independence.

Basis for our qualified conclusion

Our assurance report on the 30 June 2020 disclosure 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 as at 30 June 2020 of $27.4 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 disclosure 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 income for the year ended 30 June 2021 could be misstated.

As a result of the matters 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 gain on asset revaluation movement for the year ended 30 June 2021, that has been recognised in the other comprehensive income section of the statement of comprehensive income, and the statement of changes in equity.

Emphasis of matter – Impact of Covid-19

Without further modifying our conclusion, we draw attention to the disclosures about the ongoing impact of Covid-19 on the company as set out in note 22 to the disclosure financial statements. We draw specific attention to the disclosures in note 2 on page 8 that describe 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.

Limitations and use of this report

This independent assurance report has been prepared solely for the Directors of the company in accordance with our responsibilities under the Regulations. We disclaim any assumption of responsibility for any reliance on this report to any persons or users other than the Directors of the company, or for any purpose other than that for which it was prepared.

The Regulations require the disclosure financial statements to include financial statements only for the company's identified airport activities, which are part of the annual financial statements that we have previously audited. Other than as expressly stated below, we have not carried out any additional procedures on the financial statements for the company's identified airport activities since signing our audit report on the company's annual financial statements on 3 December 2021 which contained a qualified opinion for the same matter included in our qualified conclusion above. Explanation of the scope of our audit engagement on the company's annual financial statements and performance information is contained in that audit report.

Because of the inherent limitations in evidence gathering procedures, it is possible that fraud, error or non-compliance might occur and not be detected.

Responsibilities of the Board of Directors

The Board of Directors is responsible for preparing disclosure financial statements that comply with the guidelines issued under the Regulations, and subject to the Regulations, 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 the preparation of disclosure financial statements that are free from material misstatement, whether due to fraud or error.

The Board of Directors is also responsible for the publication of the disclosure financial statements, whether in printed or electronic form.

Our responsibilities

We are responsible for expressing an independent conclusion on the disclosure financial statements and reporting that conclusion to you based on our work. Our responsibility arises from the Regulations and from the Public Audit Act 2001.

We have carried out our engagement in accordance with the International Standard on Assurance Engagements (New Zealand) 3000 (Revised): *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* which has been issued by the External Reporting Board. A copy of this standard is available on the External Reporting Board's website.

Our work has been carried out to obtain reasonable assurance about whether the disclosure financial statements are free from material misstatement, and have been prepared in accordance with the Regulations, in all material respects. Material non-compliance with the Regulations relates to differences or omissions of amounts and disclosures that would affect an overall understanding of the disclosure financial statements. If we had found material non-compliance that was not corrected, we would have referred to the non-compliance in our conclusion.

The Regulations require the disclosure financial statements to include financial statements for the company's identified airport activities, which are only part of the annual financial statements that we have previously audited.

The financial statements for the company's identified airport activities included in the disclosure financial statements have been extracted from the underlying accounting records of the company, and our work on them was limited to:

- Obtaining an understanding of how the company has met the requirements of the Regulations to determine its identified airport activities.
- Obtaining an understanding of how the company has determined its allocation methodology which has been used to allocate shared expenditure, assets, debt and equity balances.
- Evaluating how the allocation methodology has been applied by testing the allocation of shared expenditure, assets, debt and equity balances.

- Agreeing the amounts and disclosures in the disclosure financial statements to the company's underlying records, and to the company's audited annual financial statements, where appropriate.

We also performed procedures to obtain evidence about the amounts and disclosures in the additional information included in the disclosure financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the additional information, whether due to fraud or error or non-compliance with the Regulations. In making those risk assessments, we considered internal control relevant to the company's preparation of the additional information in order to design 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 did not examine every transaction, nor do we guarantee complete accuracy of the disclosure financial statements. Also we did not evaluate the security and controls over the electronic publication of the disclosure financial statements.

Independence and quality control

When carrying out this engagement, we complied with the Auditor-General's:

- independence and other ethical requirements, which incorporate the independence and ethical requirements of Professional and Ethical Standard 1 issued by the New Zealand Auditing and Assurance Standards Board; and

- quality control requirements, which incorporate the quality control requirements of Professional and Ethical Standard 3 (Amended) issued by the New Zealand Auditing and Assurance Standards Board.

Other than this engagement carried out under the Regulations, and our audit of the company's annual financial statements and performance information, we have no relationship with or interests in the company.

C Genet

Chris Genet
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand