NELSON AIRPORT
Good things start here.

Disclosure Financial Statements for Financial Year Ended 30 June 2023

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DIRECTORS' REPORT

The Directors have pleasure in presenting the Disclosure Financial Statements of Nelson Airport Limited (the Company) for the year ended 30 June 2023. 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	retired by rotation 31 October 2022
Catherine Taylor	retired by rotation 16 October 2022
Quinton Hall	
Matthew Clarke	
Matthew McDonald	
Darren Mark	
Emma Ihaia	appointed 17 October 2022

2. PRINCIPAL ACTIVITES OF THE COMPANY

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

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

The Company is a key strategic asset and contributor to the development and growth of the Nelson Tasman economy. The Company's operations and services deliver significant benefits to the Nelson Tasman region. The Company's 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. The 2022-2023 financial year has exceeded our expectations, with pent-up travel demand driving higher passenger numbers than forecast and resulting in a strong result for the year.

After beating our forecasts in the 2022-2023 financial year we expect a more challenging year ahead with our domestic economy under pressure to perform against a backdrop of high interest rates and low economic growth. We expect the headwinds to slow travel growth as both domestic and international travel return to some sort of normal. Our primary objectives have not changed, and we strive to deliver prosperity and sustainability to the region every day.

For and on behalf of the Board

Quinton Hall
Chair
30 November 2023

Darren Mark
Director, Audit & Risk Committee Chair
30 November 2023

STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 30 June 2023

	Note	2023 $000s	2022 $000s
Revenue	3	10,652	7,699
Increase on asset revaluation		12	-
Subtotal of Revenue		**10,663**	**7,699**
Operating costs	4	4,338	3,108
Administration expenses	4	1,331	1,574
Depreciation and amortisation	4	3,530	2,850
Decrease on asset revaluation		-	137
		9,199	7,670
Profit before Financing and Investing		**1,464**	**29**
Interest revenue		11	1
Movement in unhedged derivative financial liability - revenue / (expense)	14	76	1,195
Finance costs	4	(1,049)	(830)
Net Financing Income		**(962)**	**366**
Gain on sale of fixed assets		22	-
Investing Income		**22**	**-**
Profit before Tax		**525**	**396**
Income tax expense	5	530	147
Profit after Tax		**(6)**	**248**
Other Comprehensive Income			
Asset revaluation movement due to assets reclassified to / (from) aero		109	(1,825)
Tax on asset reserve reclassification		(72)	(368)
Gain on asset revaluation		816	4,608
Tax on asset revaluation		(229)	(524)
Total Comprehensive Income		**619**	**2,139**

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 2023

	Note	2023 $000s	2022 $000s
Assets			
Current Assets			
Trade and other receivables	8	867	739
Cash and cash equivalents	9	126	104
Other current assets		88	65
Derivative financial assets	14	488	211
Total Current Assets		**1,570**	**1,119**
Non-Current Assets			
Property, plant and equipment	6	114,214	114,042
Intangible assets	7	70	87
Derivative financial assets	14	264	466
Total Non-Current Assets		**114,548**	**114,595**
Total Assets		**116,118**	**115,714**
Liabilities			
Current Liabilities			
Trade and other payables	13	886	683
Current income tax liability		583	27
Employee entitlements		456	246
Interest bearing loans	15	26,840	27,868
Total Current Liabilities		**28,764**	**28,824**
Non-Current Liabilities			
Deferred tax	5	11,561	11,566
Total Non-Current Liabilities		**11,561**	**11,566**
Total Liabilities		**40,325**	**40,389**
Net Assets		**75,793**	**75,324**
Equity			
Issued share capital	11	1,920	1,920
Retained earnings		11,758	11,842
Asset revaluation reserve		62,115	61,563
Total Equity		**75,793**	**75,324**

For and on behalf of the Board

Quinton Hall
Chair
30 November 2023

Darren Mark
Director, Audit & Risk Committee Chair
30 November 2023

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 financial year ended 30 June 2023

	Note	2023 $000s	2022 $000s
Opening Retained Earnings		11,842	11,492
Total profit for the year		(6)	248
Balance of disposed asset transferred from asset revaluation reserve		72	251
Distributions to equity holders		(150)	(150)
Retained Earnings as at Year End		**11,758**	**11,842**
Opening Asset Revaluation Reserve		61,563	59,923
Gain on asset revaluation		588	4,083
Asset revaluation movement due to assets reclassified to / (from) aero		36	(2,193)
Balance of disposed asset transferred to retained earnings		(100)	(349)
Movement in deferred tax on disposed asset transferred to retained earnings		28	98
Asset Revaluation as at Year End		**62,115**	**61,563**
Share capital	11	1,920	1,920
Closing Equity as at Year End		**75,793**	**75,324**

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 financial year ended 30 June 2023

	Note	2023 $000s	2022 $000s
Cash Flows from Operating Activities			
Cash was provided from:			
Receipts from airport users		10,539	7,663
Interest received		11	1
		10,550	7,664
Cash was disbursed to:			
Payments to suppliers and employees		(5,159)	(4,239)
Interest paid		(1,049)	(830)
Income tax paid		(281)	(106)
Net GST movement		3	33
		(6,486)	(5,142)
Net Cash Flows from Operating Activities	16	**4,064**	**2,523**
Cash Flows from Investing Activities			
Cash was provided from:			
Sale of property, plant and equipment		27	-
		27	-
Cash was disbursed to:			
Purchase of property, plant and equipment		(2,887)	(2,541)
Purchase of intangible assets		(3)	-
		(2,891)	(2,541)
Net Cash Flow from Investing Activities		**(2,864)**	**(2,541)**
Cash Flows from Financing Activities			
Cash was provided from:			
Increase in term loans		7,106	4,530
		7,106	4,530
Cash was disbursed to:			
Dividend paid		(150)	(0)
Decrease in term loans		(8,133)	(4,432)
		(8,283)	(4,432)
Net Cash Flow from Financing Activities		**(1,178)**	**98**
Net increase / (decrease) in cash and cash equivalents		22	80
Opening cash and cash equivalents		104	24
Closing cash and cash equivalents		**126**	**104**

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

1. GENERAL INFORMATION

Nelson Airport Limited (the Company) operates and manages Nelson Airport. The shares in Nelson Airport Limited during the financial year were held by Tasman District Council (50%) and Nelson City Council (50%). Neither of these council entities has ultimate 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, New Zealand.

These financial statements have been approved for issue by the Board of Directors on 30 November 2023. 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.

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 2023, an impairment assessment was carried out to determine the appropriateness of the carrying values of Nelson Airport Limited's assets.

Nelson Airport Limited's forecasts are based on its 10-year financial forecast model, which includes assumptions regarding the residual effects of the diminishing but ongoing Covid-19 pandemic.

Relevant factors include any remaining or future 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, positive or negative, on Nelson Airport Limited's estimates of income and cash flows used to support the valuations, fair value assessments and impairment considerations as at 30 June 2023. The Company has taken a prudent approach to passenger forecasting.

The assessment, effective 30 June 2023, included the following major assumptions:

- Revenue is largely dependent on passenger numbers. The company has conservatively projected growth in passenger numbers, with a recovery to pre-Covid-19 levels projected only during the 2029 financial year. A growth rate of 2.0% has been applied to cashflows after the forecast period.

- Forecast free cashflows for the period FY2023 - FY2026 reflect agreed pricing with airlines following the company's 2021 Airline Pricing Consultation. Following this period, a probable transition to forecast CPI has been applied, consistent with the path of the historical growth rates.

- The discount rate (Nelson Airport Limited's pre-taxation Weighted Average Cost of Capital) applied to the company's pre-taxation free cash flows was 9.8%.

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 includes 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, a market-based approach is used.

Land and improvements (including leasehold interest in the 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 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% - 3.7%	
Buildings		Hangars and other buildings	0.0% - 33.3%	
Airfield Infrastructure		Runways, taxiways and aprons	0.0% - 100.0%	
Landside Infrastructure		Pavements, utilities and other infrastructure	0.0% - 100.0%	
Equipment		Parking meters, security and vehicles		8.0% - 67.0%
Fixtures and Fittings		Furniture, computers, and fittings		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 amortisation rates of major classes of intangible assets have been estimated as follows:

	Straight line	Diminishing value
Computer Software		50.0%
Branding	10.0% - 12.50%	8.0% - 50.0%

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

Any 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 interest 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 are 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 on 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 passenger terminal 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 22 of the additional information required by the disclosure regulations set out in the Act.

3. REVENUE

	2023 $000s	2022 $000s
Contract Revenue		
Aeronautical charges	9,187	5,794
Sundry income	0	15
Total Contract Revenue	**9,187**	**5,810**
Other Revenue		
Property revenue	1,465	1,724
Sundry income	-	62
Wage subsidy	-	104
Total Other Revenue	**1,465**	**1,890**
Total Revenue	**10,652**	**7,699**

4. EXPENSES

a) Operating Costs

	2023 $000s	2022 $000s
Employee entitlements	2,178	1,651
Other operating expenses	2,106	1,438
Loss on disposal of assets	54	18
	4,338	**3,108**

b) Administration Costs

	2023 $000s	2022 $000s
Auditor's remuneration – financial statements	50	30
Auditor's remuneration – disclosure accounts	16	13
Auditor's remuneration – prior year fee recovery	-	13
Directors' fees	132	120
Insurance and rates	655	636
Other administration expenses	478	763
	1,331	**1,574**

c) Depreciation and Amortisation

	2023 $000s	2022 $000s
Depreciation	3,506	2,817
Depreciation – right of use assets	3	11
Amortisation of intangible assets	21	22
	3,530	**2,850**

d) Finance Costs

	2023 $000s	2022 $000s
Interest expense	1,049	829
Interest expense – lease liabilities	0	1
	1,049	**830**

5. INCOME TAX

a) Components of Income Tax Expense

	2023 $000s	2022 $000s
Current tax expense	764	63
Prior years tax under / (over) provided	-	64
Deferred tax expense	(234)	20
Income Tax Expense	**530**	**147**

b) Relationship between Tax Expense and Accounting Profit

	2023 $000s	2022 $000s
Operating Profit before Taxation	525	396
Prima facie tax @ 28%	147	111
Adjustment for timing and taxation differences	385	(146)
Adjustment for permanent differences	232	98
Prior years tax under / (over) provided	-	64
Adjustments for deferred tax	12	329
Adjustments for deferred tax – property, plant and equipment	(245)	(309)
Income Tax Expense	**530**	**147**

c) Deferred Tax

	2023 $000s	2022 $000s
Property, Plant and Equipment		
Opening balance	(11,411)	(10,925)
Charged to profit and loss	245	309
Charged to retained earnings - disposal of assets	-	98
Charged to asset revaluation reserve	(229)	(892)
Closing balance	(11,394)	(11,411)
Employee Entitlements		
Opening balance	34	28
Charged to profit and loss	10	6
Closing balance	44	34
Derivative Financial Liability		
Opening balance	(189)	145
Charged to profit and loss	(21)	(335)
Closing balance	(211)	(189)
Other Provisions		
Opening balance	1	1
Charged to profit and loss	(0)	(1)
Closing balance	1	1
Total	**(11,561)**	**(11,566)**

6. PROPERTY, PLANT & EQUIPMENT

2023	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 2022	30,698	49,060	25,249	7,029	381	151	409	1,616	114,593
Reclassification – to/from non-aeronautical	(152)	1,543	-	(126)	(18)	-	12	1	1,259
Reclassification – work in progress	-	203	609	274	194	1,238	28	(2,547)	-
Additions	-	7	8	-	87	32	-	1,618	1,752
Movement in asset revaluation	-	-	662	166	-	-	-	-	828
Disposals	-	-	(51)	-	(16)	(99)	(5)	(96)	(267)
Balance as at 30 June 2023	30,546	50,813	26,477	7,343	627	1,323	445	591	118,166
Accumulated Depreciation and Impairment Losses									
Balance as at 1 July 2022	-	83	1	2	180	101	183	-	551
Reclassification – to/from non-aeronautical	-	0	-	(0)	(2)	-	6	-	4
Depreciation	-	1,333	1,705	275	67	88	40	-	3,509
Disposals	-	-	(0)	-	(14)	(97)	(1)	-	(112)
Balance as at 30 June 2023	-	1,417	1,707	277	231	92	228	-	3,952
Net Book Value as at 30 June 2023	**30,546**	**49,397**	**24,771**	**7,065**	**397**	**1,231**	**216**	**591**	**114,214**

2022	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 2021	31,150	47,594	25,092	6,577	314	174	408	1,403	112,712
Reclassification – to/from non-aeronautical	(3,187)	1,091	-	176	(2)	(1)	(1)	(0)	(1,922)
Reclassification – work in progress	-	218	1,458	19	65	-	-	(1,761)	-
Additions	-	45	1	4	56	-	5	2,381	2,491
Movement in asset revaluation	2,735	111	(1,302)	253	-	-	-	-	1,797
Disposals	-	-	-	(1)	(52)	(23)	(3)	(407)	(485)
Balance as at 30 June 2022	30,698	49,060	25,249	7,029	381	151	409	1,616	114,593
Accumulated Depreciation and Impairment Losses									
Balance as at 1 July 2021	-	39	0	2	172	109	137	-	459
Reclassification – to/from non-aeronautical	-	(1)	-	0	(1)	(0)	(0)	-	(3)
Depreciation	-	1,329	1,187	204	45	15	49	-	2,828
Decrease on asset revaluation	-	3,276	1,568	46	-	-	-	-	4,890
Movement in asset revaluation	-	(4,560)	(2,754)	(250)	-	-	-	-	(7,564)
Disposals	-	0	-	0	(35)	(23)	(2)	-	(60)
Balance as at 30 June 2022	-	83	1	2	180	101	183	-	551
Net Book Value as at 30 June 2022	**30,698**	**48,977**	**25,247**	**7,027**	**201**	**50**	**226**	**1,616**	**114,042**

Valuation (Whole Company)

Residential and commercial land was valued as at 30 June 2022 by Duke & Cooke Limited in accordance with International Financial Reporting Standards, NZ International Accounting Standards, specifically NZ IAS16, the Australia and New Zealand Guidance Papers for Valuers and Property Professionals, and International Valuation Standards (fair value $3,048,000).

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 2022 by Duke & Cooke Limited in accordance with International Financial Reporting Standards, NZ International Accounting Standards, specifically NZ IAS16, the Australia and New Zealand Guidance Papers for Valuers and Property Professionals, and International Valuation Standards (fair value $39,400,000).

Buildings were valued as at 30 June 2022 by Duke & Cooke Limited in accordance with International Financial Reporting Standards, NZ International Accounting Standards, specifically NZ IAS16, the Australia and New Zealand Guidance Papers for Valuers and Property Professionals, and International Valuation Standards (fair value $57,644,398).

Airfield infrastructure was valued as at 30 June 2022 by Beca Limited in accordance with International Valuation Standards, NZ International Accounting Standards, specifically NZ IAS16, and Property Institute of New Zealand Guidance Papers for Valuers and Property Professionals (fair value $25,244,518).

Landside infrastructure was valued as at 30 June 2022 by Beca Limited in accordance with International Valuation Standards, NZ International Accounting Standards, specifically NZ IAS16, and Property Institute of New Zealand Guidance Papers for Valuers and Property Professionals (fair value $16,753,948).

Both Duke & Cooke Limited and Beca Limited are independent registered valuers.

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, with one property valued on a hypothetical subdivision approach.
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.

Asset classification and description	Valuation approach
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). Indexing has been used as part of the ODRC method used to revalue specialised buildings by Duke and Cooke.
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.
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]. The unit rates calculated as part of the FY21 revaluation has been indexed as at 30 June 2022 based on Beca Limited's in-house forecasts.
Landside Infrastructure Landside pavements including roads and carparks. Utilities including stormwater, wastewater and supply. Other infrastructure (fencing, lighting etc.)	Optimised depreciated replacement cost (ODRC) - the cost of constructing a modern equivalent asset [as described for Specialised Buildings above]. The unit rates calculated as part of the FY21 revaluation has been indexed as at 30 June 2022 based on Beca Limited's in-house forecasts.
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

2023	Original Cost $000s	Accum Amortisation $000s	Opening WDV $000s	Additions $000s	Reclassifications to/from Non-aero $000s	Disposals $000s	Amortisation $000s	Closing WDV $000s
Software	49	40	9	3	0	-	5	7
Other Intangibles	134	56	79	-	0	-	16	63
Total	183	96	87	3	0	-	21	70

2022	Original Cost $000s	Accum Amortisation $000s	Opening WDV $000s	Additions $000s	Reclassifications to/from Non-aero $000s	Disposals $000s	Amortisation $000s	Closing WDV $000s
Software	49	34	15	-	(0)	-	6	9
Other Intangibles	138	41	97	-	(2)	-	16	79
Total	187	75	112	-	(2)	-	22	87

8. TRADE AND OTHER RECEIVABLES

	2023 $000s	2022 $000s
Trade receivables – contract revenue	777	684
Trade receivables – other revenue	39	18
Accrued debtors	-	1
Prepayments	51	36
	867	**739**

9. CASH AND CASH EQUIVALENTS

	2023 $000s	2022 $000s
Bank Balance	126	104
	126	**104**

10. FINANCIAL INSTRUMENTS

	Fair value through profit or loss		**Amortised cost**	
	2023 $000s	2022 $000s	2023 $000s	2022 $000s
Financial Assets				
Cash and cash equivalents	-	-	126	104
Derivatives	753	676	-	-
Trade and other receivables	-	-	816	702
	753	**676**	**943**	**806**
Financial Liabilities				
Trade and other payables	-	-	541	274
Finance lease liability	5	3	-	-
Loans and borrowings	-	-	26,834	27,864
	5	**3**	**27,375**	**28,138**

11. SHARE CAPITAL

Ordinary shares

All 2,400,000 authorised shares for the Whole Company (2022: 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 Ministry of Transport holds a Kiwi Share on behalf of the Crown. The 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 2023 a dividend of $1,200,000 (whole company) was declared and accrued at year end, with payment made following balance date on 4 July 2023. 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 AND CONTINGENT ASSETS (WHOLE COMPANY)

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

13. TRADE AND OTHER PAYABLES

	2023 $000s	2022 $000s
Trade payables	520	257
Trade payables (related parties)	21	17
Dividend payable	150	150
Accruals	58	87
GST liability	123	140
Income received in advance	14	32
	886	**683**

14. DERIVATIVE FINANCIAL INSTRUMENTS

	2023 $000s	2022 $000s
Derivative Financial Assets		
Interest rate swaps		
Current portion	488	211
Non-current portion	264	466
	753	**676**
Derivative Financial Liabilities		
Interest rate swaps		
Current portion	-	-
Non-current portion	-	-
	-	**-**

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 2023 (including swaps in place for future borrowings on a floating interest rate) totalled $19,000,000 (2022: $19,000,000). Their fair value at balance date was an asset of $1,039,520 (2022: asset of $934,165).

The weighted average fixed interest rate on swaps held at balance date was 3.63% (2022: 3.63%).

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

	2023 $000s	2022 $000s
Repayable as follows:		
Less than 1 year	26,834	27,864
Between 1 and 5 years	-	-
	26,834	**27,864**
Finance Lease Liabilities		
Less than 1 year	5	3
Between 1 and 5 years	-	-
	5	**3**

Nelson Airport Limited arranged for a line of credit with Westpac to finance the business during and post the construction of the new terminal and associated landside infrastructure completed 2020.

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 $35 million, to be made available and drawn down as required. The interest rate applying to the loan facility at balance date was 7.20% (2022: 3.70%). The total cash outflow paid towards finance leases during the year was $4,069 (2022: $17,443).

The balance of term loans as at 30 June 2023 per the disclosure financial statements is $26.83 million, which is greater than the total amount owed by the whole company to external parties of $26.80 million. This position is driven by operating surpluses in non-aeronautical activities such as carparking, retail and advertising revenue. The portion of the balance above the whole of company loan balance effectively represents an internal loan between aeronautical and non-aeronautical activities.

The external loan was originally drawn down to fund the construction of the new terminal, which relates primarily to aeronautical activities. Subsequent retained surpluses from non-aeronautical activities have facilitated operating cash flows to be utilised to repay down the whole of company interest bearing loan. This has also increased the internal loan between the activities.

The value of the internal loan between aeronautical and non-aeronautical activities is reviewed annually.

16. RECONCILIATION OF REPORTED PROFIT AFTER TAX TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	2023 $000s	2022 $000s
Net Profit for the Period	(6)	248
Add / (less) non-cash and non-operating items:		
(Gain) / loss on disposal of assets	32	18
Depreciation and amortisation	3,530	2,850
Reversal of impairment on asset revaluation	(12)	-
Net decrease on asset revaluation	-	137
Reclassification of work in progress as expense	96	407
Movement in deferred taxation	(306)	20
Movement in derivative financial instrument	(76)	(1,195)
Movement in working capital:		
(Increase) / decrease in other current assets	(23)	1
(Increase) / decrease in receivables	(128)	(72)
Increase / (decrease) in current tax payable	555	21
Increase / (decrease) in payables	402	87
Net cash flows from operating activities	**4,064**	**2,523**

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 $612,859 (2022: $563,199), while receiving income of $nil (2022: $4,600). The balance included as owing in trade payables as at 30 June 2023 was $21,648 (2022: $31,579).

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 $78,076 (2022: $102,815), while receiving income of nil (2022: nil). The balance included as owing in trade payables as at 30 June 2023 was $11,286 (2022: $6,206).

Nelson Regional Development Agency Limited is wholly owned by Nelson City Council. Nelson Airport Limited paid costs of $6,153 to the Agency (2022: nil), while receiving income of nil (2022: nil). The balance included as owing in trade payables as at 30 June 2023 was $403 (2022: nil).

Transactions with entities related to key management personnel

Nelson Airport Limited paid $28,790 (2022: $2,515) to Findex NZ Ltd, of which Darren Mark was Senior Partner during the year.

Nelson Airport Limited paid $238 (2022: $92) to New Zealand Transport Agency, of which Catherine Taylor was a Director during the year.

Nelson Airport Limited paid $2,075 (2022: $nil) to Vertus Group Ltd, of which Quinton Hall was the Director and Shareholder during the year.

Nelson Airport Limited paid $17,789 (2022: $60,657) to NZ Airports Association, of which Matthew Clarke was a Chair during the year.

Nelson Airport Limited paid the following compensation to key management personnel (Directors and the Chief Executive, Mark Thompson) for services rendered:

	2023	2022
Key management personnel compensation	$415,071	$403,978

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 $1,141,007 worth of contractual capital commitments for property, plant and equipment as at 30 June 2023 (2022: $1,231,692).

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 several 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 2023 lease revenue received in association with the non–cancellable operating lease arrangements amounted to $3,207,278 (2022: $3,394,777).

Future non-cancellable lease revenue from existing leases:

	2023 $000s	2022 $000s
Leases revenue within 12 months	2,976	2,583
Leases revenue between 1-5 years	5,169	5,751
Leases revenue thereafter	566	1,039
	8,710	**9,373**

20. EVENTS AFTER BALANCE DATE (WHOLE COMPANY)

On 1 July 2023 Nelson Airport Ltd became part of the Infrastructure Holdings Ltd Group, with the ownership of Nelson Airport Ltd's ordinary shares transferring from the two Council Shareholders (Nelson City and Tasman District Councils) to Infrastructure Holdings Ltd.

On 4 July 2023 NAL paid the ordinary dividend declared during the 2023 financial year of $1,200,000 to Nelson City and Tasman District Councils. On the same date NAL paid an Interim Dividend to Infrastructure Holdings Ltd (IHL). The Interim Dividend, of $100,000, was declared in the 2024 financial year and paid on 4 July 2023.

IDENTIFIED AIRPORT ACTIVITIES REPORTING

21. 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; and

(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 financial year ended 30 June 2023

	Airfield	Aircraft and Freight	Specified Terminal	Total
	$000s	$000s	$000s	$000s
Revenue				
Airport charges	4,449	-	4,738	9,187
Property revenues	69	1,103	293	1,465
Interest revenue	5	2	4	11
Movement in unhedged derivative financial asset	3	0	73	76
Increase on revaluation	5	4	3	12
Gain on disposal of fixed asset	21	0	1	22
Sundry income	0	0	0	0
Total Revenue	**4,552**	**1,110**	**5,111**	**10,773**
Expenses				
Employee entitlements	1,221	178	779	2,178
Other operating expenses	1,053	302	751	2,106
Loss on disposal of assets	52	0	2	54
Administrative expenses	630	304	397	1,331
Depreciation	1,958	393	1,155	3,506
Depreciation – right of use assets	2	0	1	3
Amortisation of intangible assets	10	4	7	21
Finance costs	47	2	1,000	1,049
Total Expenses	**4,973**	**1,183**	**4,092**	**10,248**
Segment Profit Before Tax	**(421)**	**(73)**	**1,019**	**525**
Income Tax Expense				530
Profit After Tax				**(6)**
Additions of property, plant & equipment included in segment assets	2,245	99	341	2,685
Average number of full-time equivalent (FTE) employees	10.7	1.3	7.6	19.7

Comparison to Amounts Disclosed in Audited Annual Report

	Disclosure Accounts	Annual Report
	$000s	$000s
Statement of Comprehensive Income		
Total revenue	10,773	16,879
Profit after tax	(6)	2,709
Total comprehensive income	619	3,253
Statement of Financial Position		
Total assets	116,118	147,572
Total liabilities	40,325	44,966

SEGMENT INFORMATION (continued)

For the year financial year 30 June 2022

	Airfield	Aircraft and Freight	Specified Terminal	Total
	$000s	$000s	$000s	$000s
Revenue				
Airport charges	2,841	-	2,954	5,794
Property revenues	97	1,340	287	1,724
Interest revenue	1	0	1	1
Movement in unhedged derivative financial asset	52	1	1,141	1,195
Wage subsidy	54	7	43	104
Sundry income	27	12	38	77
Total Revenue	**3,071**	**1,361**	**4,463**	**8,895**
Expenses				
Loss on impairment	58	21	58	137
Employee entitlements	988	135	529	1,651
Other operating expenses	388	194	856	1,438
Loss on disposal of assets	4	1	13	18
Administrative expenses	926	269	379	1,574
Depreciation	1,299	422	1,096	2,817
Depreciation – right of use assets	7	1	3	11
Amortisation of intangible assets	11	4	7	22
Finance costs	39	2	789	830
Total Expenses	**3,719**	**1,050**	**3,731**	**8,500**
Segment Profit Before Tax	**(648)**	**311**	**733**	**396**
Income Tax Expense				147
Profit After Tax				**248**
Additions of property, plant & equipment included in segment assets	1,510	250	112	1,872
Average number of full-time equivalent (FTE) employees	9.0	1.0	6.0	16.1

Comparison to Amounts Disclosed in Audited Annual Report

	Disclosure Accounts	Annual Report
	$000s	$000s
Statement of Comprehensive Income		
Total revenue	8,895	13,385
Profit after tax	248	1,882
Total comprehensive income	2,139	7,891
Statement of Financial Position		
Total assets	115,714	147,602
Total liabilities	40,389	47,049

22. 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 Table 1, Section 9.1 of the Initial Pricing Proposal (IPP) document dated 10 February 2021, and the Revised Pricing Proposal (RPP) document dated 21 May 2021.

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**
Consists of other income not considered aeronautical charges or property revenues.

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. 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 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.

23. WEIGHTED AVERAGE COST OF CAPITAL

a) WACC estimation

The Company does not require a specific weighted average 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.

The Company 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 x (1 – TC) x (D/V) + rE x (E/V)

Where:
rD = The Company's pre-tax cost of debt
TC = The company tax rate
D = The value of the Company's debt
rE = The Company's post-tax cost of equity
E = The value of the Company's equity
V = The Company's total enterprise value, i.e. (V = E+D)

The Company estimated its WACC for identified airport activities as at 1 July 2021, being the commencement of the current pricing period, which ends on 30 June 2026 to be 6.05%. The following table summarises the key parameters applied by the Company to estimate its post-tax WACC at 1 July 2021.

	2021 Parameter	2016 Parameter
Company marginal tax rate	28.0%	28.0%
Risk free rate – 5 year	0.43%	2.12%
Asset beta	0.75	0.65
Equity beta	1.08	1.08
Market risk premium	7.0%	7.0%
Post tax cost of equity	9.06%	9.40%
Debt margin and debt issue costs	1.7%	1.9%
Cost of debt	2.13%	4.42%
Debt to value ratio	40%	40%
Equity to value ratio	60%	60%
Weighted Average Cost of Capital (WACC)	**6.05%**	
Weighted Average Cost of Capital (WACC) – mid point		**6.62%**
Weighted Average Cost of Capital (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*** – two adjustments have been made which increase the beta from 0.6 to 0.75
    - An increase of 0.1 to recognise the absence of an allowance for pandemic risk in the Commerce Commission's estimate. During development of the Input Methodologies (IM) the Commission sought market information from the airports to justify an allowance, however the airports were unable to meet the standard of evidence expected by the Commission. It is evident from the Covid-19 pandemic that this is a material risk for airports and consequently the beta should reflect this risk.
    - An increase of 0.05 for NAL to reflect 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 has been provided because NAL will not be able to source external funds at the same costs as the large airports.
- ***Debt ratio*** – this has been set at 40% which reflects the approximate actual ratio that arising from the external funding obtained to finance the terminal development construction.

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

b) NAL's WACC decision

The Company 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 the Company and its airline partners and incentivise the best long-term outcomes for all parties.

NAL initially proposed that its WACC would be set at 6.05%. While the Company considers that the methodology and the Company's initial proposal reflects the appropriate approach for the Company, the Company also sought to achieve a consulted outcome that is acceptable to both the Company and the airlines. The Company therefore adopted a compromise WACC for the pricing period of 5.50%. (2016 - 2021: 7.00%)

24. 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. The Company undertook consultations with the substantial customer airlines operating at Nelson Airport to set charges for the period from 1 July 2021 to 30 June 2026.

a) Overview

The Company 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 the Company 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, the Company endeavored to be consistent with the Commerce Commission's IM's for the larger airports where these were appropriate for the Company.

b) Calculation of required revenue

The Company 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

From 2016 the Company amended its charging structure to introduce a per passenger movement charge for base airfield assets and services to align airport and airline objectives, from a common key revenue driver. A passenger charge approach ensures the Company, and the airlines share market risk while providing airlines with an incentive to introduce new services as the market grows. The Company retained this approach for the new pricing period beginning 1 July 2021.

The charging structure comprises:

- A per passenger movement charge for airlines providing regular air transport operations;
- A landed MCTOW charge for aircraft using the runway that are not regular air transport operations; and
- A fixed landing charge for helicopters/rotary wing aircraft not using the runway.

25. 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 $9.75 (excl GST) per embarking and disembarking passenger on fixed wing aircraft operating a domestic service (2022: $9.00).

d) Landing charge – other fixed wing movements

For the period 1 July 2022 to 30 June 2023:

A landing charge of $16.90 (excl GST) per landed tonne (based on MCTOW for aircraft type) is payable in respect of each arriving fixed wing aircraft not exceeding 2,000kg that is not a fixed wing regular air transport operator (2022: $16.51).

or

A landing charge of $18.36 (excl GST) per landed tonne (based on MCTOW for aircraft type) is payable in respect of each arriving fixed wing aircraft exceeding 2,000kg that is not a fixed wing regular air transport operator (2022: $17.21).

e) Landing charge – helicopters/rotary wing movements

For the period 1 July 2022 to 30 June 2023:

A landing charge of $25.00 (excl GST) per landing is payable in respect of each arriving helicopter/rotary wing aircraft not exceeding 6,400 kg (2022: $25.00).

or

A landing charge of $18.36 (excl GST) per landed tonne (based on MCTOW for aircraft type) is payable in respect of each arriving helicopter/rotary wing aircraft exceeding 6,400 kg (2022: $17.21).

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 2023 Charge (excl GST)	Year to 30 June 2022 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.

26. 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 2023	Year to 30 June 2022
0 to 20,000	C208	959	940
	DH8C	5,337	5,135
	JS32	768	536
	PC12	251	176
20,000 – 26,000	ATR72	3,554	2,096

b) Other landings

Aircraft MCTOW (kg)	Year to 30 June 2023	Year to 30 June 2022
All weights	6,951	6,506

c) Passengers

Class of Passenger	Year to 30 June 2023	Year to 30 June 2022
Passengers arriving and departing on scheduled domestic flights	915,173	619,085

27. 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 2023	Year to 30 June 2022	Year to 30 June 2023	Year to 30 June 2022
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 2023	Year to 30 June 2022	Year to 30 June 2023	Year to 30 June 2022
Stand Position Services	1	-	2 hours	-
Runway Services	1	-	15 minutes	-
Baggage Handling Services	-	-	-	-

On August 20th 2022, the main runway was closed due surface flooding following heavy rain for approximately 20 minutes. Additionally, same day, the stand position services of gates 10 and 11 and in addition taxiway alpha in the vicinity of A3 was unusable for approximately 2 hours due surface flooding.

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 2023

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.

Unqualified conclusion

It is our conclusion that the disclosure financial statements on pages 2 to 35 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 30 November 2023. This is the date at which our conclusion is expressed.

The limitations and use of this report is explained below. In addition, we explain the responsibilities of the Board of Directors (the Board) and our responsibilities and explain our independence.

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 27 September 2023, which contained an unmodified opinion. 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 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 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 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) 3100 (Revised): *Compliance Engagements* 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