



NELSON AIRPORT
Good things start here.

ANNUAL REPORT
TE PŪRONGO Ā-TAU
2023



PHOTO BY JACKSON, 14
WINNER YOUTH CATEGORY
NELSON AIRPORT PLANE SPOTTING COMPETITION 2023

VISION, PURPOSE AND MISSION

Our Vision - Tō Tātou Tirohanga Whakamua

To be a world-class airport where zero-emissions aircraft operate.

Kia noho hei taunga rererangi o te ao e whakahaere ana i ngā waka rererangi kore tuku.

Our Purpose - Tō Tātou Whāinga Matua

To contribute to a sustainable and prosperous Nelson-Tasman.

Kia tāpae atu ki a Whakatū-Aorere hei wāhi whakauka, tōnui hoki.

Our Mission - Tā tātou kaupapa

Nelson Airport provides sustainable airport infrastructure that connects Nelson-Tasman to the world.

E whakarato ana te Taunga Rererangi o Whakatū i ngā hanganga taunga rererangi e noho ai a Whakatū-Aorere ki te ao whānui.

Nelson Airport facilitates business opportunities by optimising the use of land and developing commercial facilities.

E whakahaere ana te Taunga Rererangi o Whakatū i ngā ara pakihi mā te arotau i te whakamahinga o te whenua me te whanake whare arumoni.

Nelson Airport supports excellent experiences that add to visitor satisfaction.

E tautoko ana te Taunga Rererangi o Whakatū i ngā wheako pai e whakanui ana i ngā painga ki ngā manuhiri.

OUR VALUES - Ō TĀTOU UARA

Integrity

Teamwork

Continuous Improvement

Openness

Safety

Accountability

Ngākau Pono

Mahitahi

Whakapai ake

Ngākaunui

Marutau

Noho haepapa



PHOTO BY BARRY WHITNALL
RUNNER UP, OPEN CATEGORY
NELSON AIRPORT PLANE SPOTTING COMPETITION 2023



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DIRECTORS' REPORT

TE PŪRONGO A NGĀ KAITOHU

For the Year Ended 30 June 2023

OVERVIEW - TIROHANGA WHĀNUI

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.

While we foresaw an increase in New Zealanders' desire to travel as public health measures lifted, their determination to reconnect with the people and places they love has outstripped all expectations. The uncertainty of the previous era of Covid restrictions has passed and the opportunity to travel with confidence has seen large numbers taking flights to see those they've been separated from, and to experience a wider world than has been possible for some time.

This has been a year of laying the groundwork for a prosperous and sustainable future. We've cultivated the green shoots of recovery in our market, nurturing the delicate growth in demand as it strengthens. We've begun the groundwork to enable the future we want for Nelson Airport – one of strong relationships and connections with our partners and community, of a sustainable future for air travel, and a vibrant and thriving regional economy.

We've put a big effort into reconnecting with our stakeholders and our wider region, bringing people into the world of Nelson Airport whether they are travellers or not, and offering richer experiences through promotion and marketing to connect us with different sectors of our community. Examples include our Nelson Anniversary Ice-Cream Social, the Walk the Runway charity fundraiser, and the Nelson Airport Plane Spotting Photography competition.

Our unrelenting focus on health and safety has continued, and partnerships with airport stakeholders remain critical to ensuring the entire airport whānau is committed to the highest standards of safety for our employees, customers, tenants, suppliers, and partners.

This year, our shareholders established Infrastructure Holdings Limited for Nelson Airport Ltd and Port Nelson Airport Ltd, to allow both companies to benefit from preferential borrowing rates through the Local Government Funding Agency. This has been a significant piece of work and special thanks to all the subsidiary companies' finance teams for making this happen.

Significant achievements from the year include the strong financial result, with \$16.7 million operating revenues and \$9.6m EBITDA, the completion and blessing of our new rental car kiosk building and the start of construction on a new back-of-house facility for GO Rentals, the lodging of our Project 2-Zero planning application to enable future airport operations including an extended runway, as well as the sale of Hangar 2 to Global Generation for renovation and reuse as an aircraft fittings manufacturing facility.

An "Excellent" customer satisfaction rating in our annual customer survey was a rewarding outcome from the work that has gone in to building on our customer service offer, including changes to the terminal layout, the introduction of a dedicated Customer Service – Manaaki Kiritaki desk and the addition of a kids play area and plug-in workstation.

We are also very happy to have begun in-depth work on our iwi engagement strategy, with planning workshops held and the development of a partnership framework well underway.



OUR BOARD

From left to right:

Darren Mark

Matthew McDonald

Quinton Hall

Matthew Clarke

Emma Ihaia

HIGHLIGHTS OF THE LAST 12 MONTHS INCLUDE



Customers and Stakeholders

A customer satisfaction survey carried out in March and April 2023 showed increased overall satisfaction levels, with a net promoter score of 52.



Firefighting Safety

A new Rosenbauer Panther firefighting truck was successfully introduced into service, increasing NAL's ability to respond to an incident and providing greater protection for our firefighters. We also increased our firefighting personnel numbers.



Health, Safety and Risk

We successfully gained re-certification following an in-depth Civil Aviation Authority safety audit. We have also increased reporting of hazards and incidents from our tenants and operators.



Project 2-Zero

Project 2-Zero progressed to lodgement of Notice of Requirement and Private Plan Change.



Finance

Financial performance was strong compared with the previous year, prior year forecasts and the FY23 budget. Operating profit (EBITDA), at \$9.6m, was \$2.7m (39%) higher than budget. Total revenues, at \$16.7m, were up \$5m (43%) on prior year performance and \$2.4m (17%) above budget. EBITDA was further supported by strong cost control seeing total operating expenses come in under budget by \$0.3m (4%).



People, Culture and Values

In April 2023, Nelson Airport Ltd made a significant decision to bring cleaning services in-house, leading to the introduction of new roles and providing valuable employment opportunities within the company. This move also reinforced our commitment to fair wages by ensuring that all employees in these new roles are paid above the living wage.



Infrastructure and Property

The new Rental Car Kiosk in front of the terminal was completed and the comprehensive refurbishment of the old WWII building known as Hangar 2 was initiated. A new base of operations for GO Rentals began construction in June and will be completed in FY24.

PEOPLE, CULTURE AND VALUES

TĀNGATA, AHUREA ME NGĀ UARA

Values

Our Values are integral to the way we work at Nelson Airport – they are central to every interaction we have and guide “how” we do things around here.

Over the past year, we taken significant steps to align our processes, systems, and programmes with our established values, ensuring they are deeply embedded in every aspect of our operations. This commitment to living our values has been a focal point of our efforts.

Looking ahead to the next financial year, we will build on this momentum by further developing our Employee Recognition and Performance frameworks. This strategic approach will ensure that our values take centre stage in all our engagement conversations.

By continuing to integrate these principles into our day-to-day practices, we aim to foster a strong and cohesive organisational culture that empowers our workforce and enriches the experiences of our stakeholders.

OUR VALUES ARE:

- Integrity
- Teamwork
- Continuous Improvement
- Openness
- Safety
- Accountability

The Team

In the 2023 year, there were changes within Nelson Airport Ltd’s board and senior leadership team. Emma Ihaia was appointed as a board director in October 2022. Emma, an accomplished economist, brings a wealth of financial expertise, further strengthening the board.

Recognising the evolving needs of the business, we introduced two new positions. The first was the Support Services Manager, responsible for the HR and IT requirements of the company. Tania Mitchell, a current employee, assumed this role, leveraging her extensive experience as an administrative professional.

The second addition was the Senior Rescue Fire Officer, tasked with leading the committed team of the Airport Rescue Fire Service. This significant responsibility has been entrusted to Matt van der Heyden, a long-standing member of the Airport Rescue Fire Service and a dedicated member of Fire and Emergency New Zealand’s Volunteer Fire Brigades.

These strategic appointments highlight our commitment to addressing the company’s growth and operational needs with qualified and experienced professionals. Through such enhancements to our team, we aim to ensure Nelson Airport Ltd continues to excel in its mission to serve and innovate within the aviation industry.



HEALTH, SAFETY AND RISK

HAUORA, HAUMARU ME TE TŪRARU

The safety of our customers, employees, tenants, contractors, and other visitors remains our highest priority. We are pleased to report there were no employee Lost Time Injuries in the reporting year.

Safety Management System (SMS)

Our SMS was reviewed as part of a Civil Aviation Authority re-certification audit. Our aerodrome operating certificate was successfully reissued following this audit. We regularly hold both airside and landside safety meetings with tenants and operators and have seen increased reporting of incidents and hazards by third parties. Following feedback from car rental operators, we instigated major changes to the car park to improve safety with speed calming measures and improved driver sightlines. We continue to strive for improvements to our Safety Management System (SMS) and regularly attend industry safety forums with the NZ Airports Association and Airways.

Compliance

The board receive a comprehensive Health and Safety report each month and conduct site walks to ensure they understand the operational risks faced by the airport. An upgrade of the security fencing for the entire airport perimeter to international airport standard was completed this year, and the introduction of the Rosenbauer Panther fire truck lifted the airport response two fire categories above that required by Civil Aviation Authority Rules. We also conducted two independent external audits of our operations and compliance, which did not return any major issues.

Wildlife Management

Bird strikes are reported by each aerodrome based on the number of strikes per 10,000 aircraft movements. Nelson Airport continues to proactively manage the bird population where it poses a threat to aviation. Over the past year we have introduced new control methods to reduce food sources for birds in the vicinity of the airport precinct. These measures appear to have been largely successful and will be continued.

We are a member of the NZ Aviation Hazard Wildlife group and liaise regularly with relevant local authorities and agencies to reduce off-airport wildlife risk.

The Nelson Airport Noise Environment Advisory Committee

The committee brings together representatives from the airport, aviation operators and community representatives for regular meetings to discuss the management of airport noise into neighbouring residential areas. As part of our commitment to continuous improvement in managing noise, Nelson Airport purchased and installed a live noise monitor on Point Road. This has allowed greater accuracy and transparency in noise monitoring and reporting.



INFRASTRUCTURE AND PROPERTY

HANGANGA ME NGĀ RAWA

The initial phase of the Airport Asset Management software begins the systematic coordination of activities and practices by which we will optimally and sustainably manage our assets, their performance, risks and expenditure over their life cycles.

Notable improvements we've made to our infrastructure and property over the financial year include:

- The new Rental Car Kiosk was completed and significantly enhanced the facilities we offer our rental vehicle tenants.
- Coastal defence work in the form of a new rockwall was constructed along part of Jenkins Creek as part of our climate resilience work.
- An area at the southern end of the terminal was refurbished and restored to operational use for Air New Zealand cargo operations and our aviation school tenants.

Runway Extension

As noted in the 2022 Annual Report, the ability to safely and sustainably operate, maintain, upgrade and extend facilities and infrastructure is vital for Nelson Airport's role in supporting the region's growth, connectivity, resilience and prosperity.

During the year under review, Project 2-Zero was launched to facilitate the rollout of the airport's 2050 Master Plan. Project 2-Zero aims to alter Nelson Airport's existing designations and zoning in the Nelson Resource Management Plan to provide the necessary planning approvals to support Nelson Airport's future operations – including the ability to extend the airport's main existing runway to the north within the next 10 – 15 years.



The project achieved an important milestone in June with the public notification of the airport's Notice of Requirement and Private Plan Change.

Airport Property

An exciting new development was confirmed during the year which saw construction of a new base of operations begin for GO Rentals. The new facility is expected to be completed within the next financial year.

FINANCIAL RESULTS

NGĀ HUA PŪTEA

Financial performance was strong compared with prior year performance, FY23 forecasts and FY23 budget.

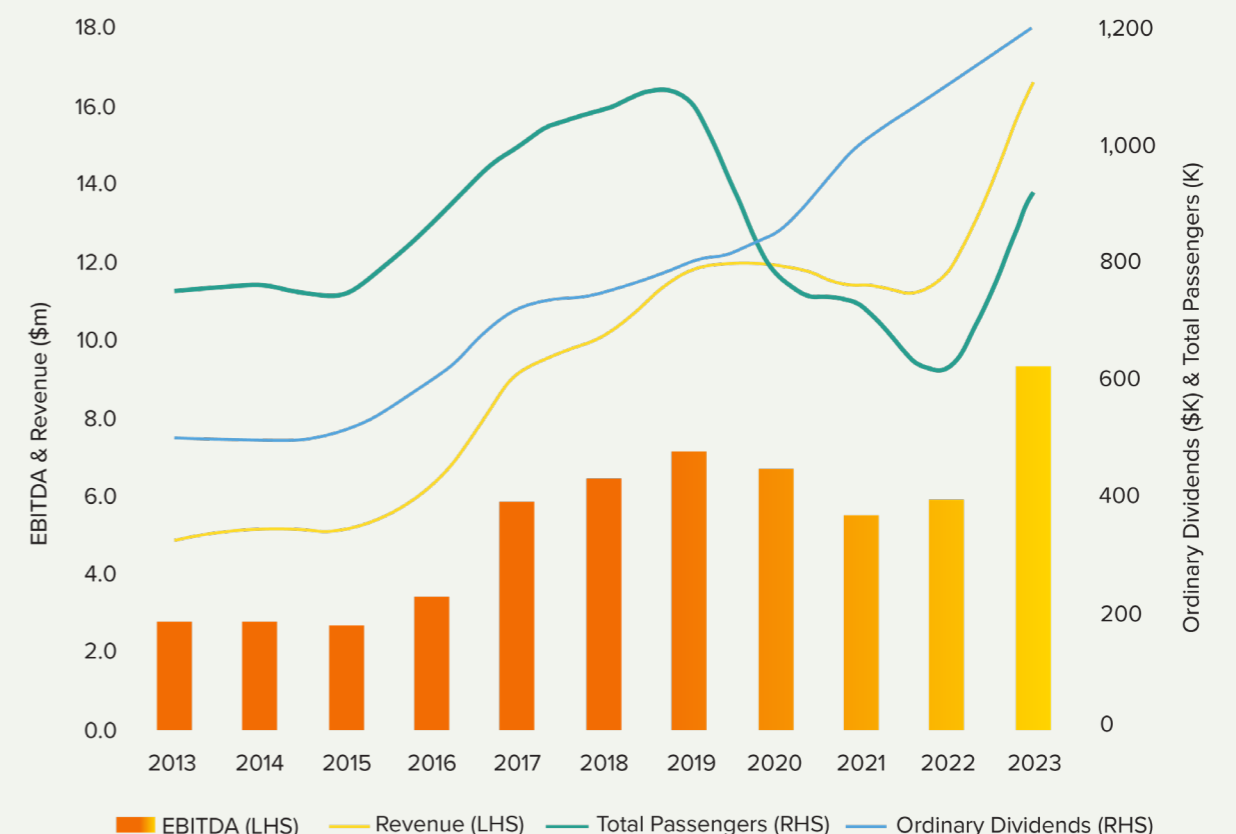
Total Revenues, at \$16.7m, were up \$5m (43%) on the previous year and were \$2.4m (17%) above budget. The year saw a continued, and better than budgeted, recovery of passenger numbers post-pandemic with good seasonally-adjusted growth prevailing from the second quarter through to the third quarter. The fourth quarter (the end of the year) saw a relative plateauing of seasonally-adjusted growth. Total passenger numbers for FY23 reached a total of 915,200, compared with the prior year's total of 619,000 and pre-Covid levels of more than 1 million. All passenger-related revenue streams benefitted from the higher than forecast passenger growth.

Tight cost control saw Total Operating Expenses come in under budget by \$0.3m (4%). A sale of the historic Hangar 2 to a local business which services aircraft to provide high-end fitout resulted in the transfer of ongoing responsibility for related repair and maintenance costs to the new building owner, as well as bringing a new tenancy onto the airport precinct.

The increased and over-budget revenues and cost savings both impacted Operating Profit (EBITDA) positively, which at \$9.6m was \$2.7m (39%) above budget.

The strong financial performance supported the declaration and payment of an FY23 dividend and the directors were pleased to declare an ordinary dividend of \$1.2m, which showed 9% growth on the prior year.

NELSON AIRPORT - KEY PERFORMANCE INDICATORS



CUSTOMERS AND STAKEHOLDERS

NGĀ KIRITAKI ME TE HUNGA WHAI PĀNGA

A customer satisfaction survey carried out in March and April 2023 showed improved customer satisfaction overall from the previous financial year. The overall net promoter score of 52 was a four-point increase on the 2022 result and lifted Nelson Airport's customer satisfaction rating from "Favourable" to "Excellent" in line with the NPS scoring hierarchy. Airline check-in topped the facility ratings at 92%, followed closely by airport restrooms (91%) and the airport Customer Service desk at 90%.

The survey showed an increase in leisure travel (up 5% year on year) and Christchurch business travel (up 11%). Overseas connections were also up (7%). Travel confidence remained high, with 78% of survey respondents wanting to fly again within the next six months.



Survey snapshot

NSN MARKET



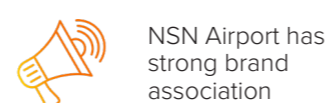
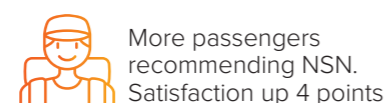
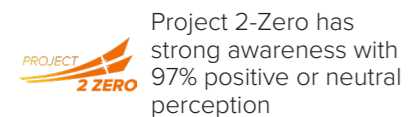
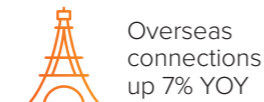
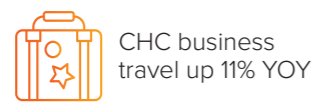
TRAVEL REASON



HIGH TRAVEL CONFIDENCE



DIRECT VS INDIRECT



Communications and Marketing

Nelson Airport's audience has continued to grow, with a lift in followers on both Facebook and Instagram and the addition of airport TikTok and LinkedIn accounts.

In collaboration with the Nelson Regional Development Agency, Uniquely Nelson and Sounds Air, we carried out a winter destination marketing campaign that included promotional prize packages including flights to Nelson, as well as promotion of the region's attractions and activities during the traditionally quiet winter months.

A Memorandum of Understanding with Air New Zealand has also seen the start of joint marketing activity, with advertising in the July Kia Ora magazine soon to be followed up with online advertising and promotion.

Nelson Airport has made the most of its partnerships with sponsors for mutually beneficial marketing opportunities, including the October 2022 Fly a Fan promotion with the Tasman Mako, and a popular July 2023 campaign with Big Brothers Big Sisters where Nelson Airport "carpet"-themed T-shirts were sold as a fundraiser for the charity. Other marketing collaborations in the year included a Plane Spotting Photography competition, where Nelson Airport tenants were involved as prize sponsors.

Iwi Partnerships

We have established an iwi partnerships working group. The group has been involved in three planning workshops to develop our Māori Partnership Plan for the airport. The airport has continued to work to increase the visibility of te reo Māori at the airport, primarily through bilingual signage. Training for airport employees in te reo Māori me ōna tikanga (Māori language and cultural practices) has continued this year, and ongoing staff development is planned for the coming year.

ENVIRONMENTAL SUSTAINABILITY

WHAKAUKA TAIAO

We are committed to improving our sustainability performance and have conducted emissions audits to provide a baseline measurement from which we can benchmark improvements. We are active in industry and government forums that are driving the decarbonisation of aviation, and we aim to enable our key stakeholders and tenants to improve their sustainability performance. Aotearoa is well placed to be a leader in zero emissions flight with an abundance of renewable energy and short distance domestic destinations, and airports have a vital role to play in enabling the growth of sustainable aviation.

Sustainability initiatives over the past year include:

- Emissions independently measured, and 120% offset
- Composting scheme continued for Nelson Airport Ltd and two major airport tenants. Almost 11,000kg of organic waste from the terminal was sent for composting in FY23
- Application for Level 1 of Airport Carbon Accreditation with Airports Council International
- Membership of Sustainable Aviation Aotearoa, a government group established to explore pathways for aviation decarbonisation

Building Resilience to Climate Change

Surrounded by water, our location will always present challenges as we plan and develop for climate change and sea level rise whilst also improving our operational resilience. The August 2022 weather events presented a challenge, however the airport remained operational with the exception of one 30-minute period.

Notable works this year include:

- Investigation of airport precinct stormwater network improvements
- Discussions with Nelson City Council about provision of a stop bank along Jenkins Creek
- Consideration of increased stormwater basin capacity to reduce flooding impacts
- Design of rock wall revetments for critical areas of the southern perimeter
- Engagement with the Nelson City Council Climate Adaptation community consultation process

“THIS HAS BEEN A YEAR OF LAYING THE GROUNDWORK FOR A PROSPEROUS AND SUSTAINABLE FUTURE.”



“WE STRIVE TO DELIVER
PROSPERITY AND SUSTAINABILITY
TO THE REGION EVERY DAY.”

OUTLOOK

TE ANGANGA

After beating our forecasts in 2023 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.

There have been significant successes along the way. In the coming financial year our focus will be on building our resilience in all areas of the business. We will continue to build the foundations for a meaningful and enduring partnerships with local iwi and the wider community as we all wrestle with the challenges of both climate change and new social economic behaviours.

Specifically, we will be working hard to:

1. Gain approval for our Project 2-Zero plan change and notice of requirement, which is a key component of our preparation for a zero-carbon future for aviation
2. Agree an enduring partnership plan with iwi
3. Develop new infrastructure to improve resilience against weather events that cause flooding
4. Continue to invest in new commercial opportunities under our development plan
5. Critique the customer experience further
6. Complete further landside enhancements to complement the new terminal
7. Improve our safety culture through further engagement with tenants and contractors
8. Commence redesign and upgrade of the airside apron area.

Our purpose, **to contribute to a sustainable and prosperous Nelson-Tasman**, continues to underpin our decision-making and actions – we know what we’re here to achieve. Our vision, **to be a world-class airport where zero-emissions aircraft operate**, keeps our eyes firmly on the future we’re committed to cultivating.



Quinton Hall
Chair



Darren Mark
Audit and Risk Chair

SERVICE PERFORMANCE REPORT 2022/23

The company sets various performance goals in its Statement of Intent. The following table reports achievement against the goals set in the 2022/23 Statement of Intent.

Customers and Stakeholders

Measure	Target	Result
 Deliver an exceptional customer experience for those visiting the airport in any capacity	Improvement on FY22 Customer Satisfaction Survey Score from "Good" to "Excellent"	Achieved. NAL achieved a score of "Excellent" from the prior year's score of "Favourable". ²
 Engage cultural advisor and consult on all major Airport developments	Establish iwi engagement model by 30 June 2023	Achieved.




² The Target should have read "Customer Satisfaction Survey Score from Favourable to Excellent" as the final FY22 rating was Favourable. Net Promoter Score scale: >0 = "good"; >20="favourable"; >50="excellent"; >80="world class".

Financial Results

Measure	Target	Result
 Manage financial performance to ensure we are optimising returns	Total Operating Revenues \$14.3m EBITDA \$7.0m	Achieved
 Diversify revenue streams to provide resilience to macro activities outside our control	Add at least one non-aeronautical revenue stream	Not achieved
 Annual Audit	Achieve an unqualified audit opinion	Achieved

SERVICE PERFORMANCE REPORT 2022/23

Health, Safety and Risk

Measure	Target	Result
 Meet all our obligations and standards under Civil Aviation Act Rules	No "major" findings	Achieved
 Have a behavioural based safety culture where everyone is responsible for safety on the airport and uses the Safety Management System (SMS) daily	Top 10 risk register reviewed fortnightly by Senior Leadership Team One key risk reviewed at every Board meeting	Achieved Not achieved. Key risks were reviewed by the board throughout the year however a key risk was not presented to every Board meeting.
 Have an NAL-facilitated Health and Safety Committee in place	Minimum of 9 safety meetings with all major airside and landside PCBU ¹	Achieved
 Provide best practice safety services	Deliver new Rosenbauer rescue fire appliance and associated training programme	Achieved



¹ Person Conducting a Business or Undertaking

SERVICE PERFORMANCE REPORT 2022/23

People, Culture and Values




Measure	Target	Result
 Annual employee engagement survey to be undertaken	Move from "Good" to "Great" result	Not achieved
 Manage staff turnover and unplanned absenteeism	Nil unplanned staff turnover	Not achieved due to the resignation of an SLT leader to pursue a business opportunity.
 Implement a formal training programme for employees	30 hrs/FTE of personal development	Not achieved but increased training and development across the organisation.

Infrastructure and Property

Measure	Target	Result
 Develop an asset management system to manage the condition, criticality, and life cycle of all assets	Asset management system in place by 30 June 2023	Achieved
 Attract commercial investment in developments that deliver our vision	Deliver Rental Car Kiosk and GO Rentals project by 30 June 2023	Achieved the delivery of the Rental Car Kiosk Building. Consenting complexities led to the rescheduling of the Go Rentals facilities beyond the year end. Combined target not achieved.

SERVICE PERFORMANCE REPORT 2022/23

Environmental Sustainability

Measure	Target	Result
 Pursue sustainability initiatives that deliver our goal to be carbon neutral by 2030	CO2e per-passenger reduction Level 1 Airport Carbon Accreditation	Achieved Not achieved due to reporting changes. On track for FY24.
 Enhance oversight of noise levels as set out in the Nelson Resource Management Plan	Introduce an industry compliant monitoring system for engine testing noise	Achieved
 Zero carbon emission	20% improvement in carbon emissions pre offset	Not achieved - unable to secure 100% renewable energy supply.

The greenhouse gas (GHG) emission measurement is prepared using the principles of ISO 14064-1:2018 (Part 1) and the World Resource Institute's GHG Protocol's Corporate Accounting and Reporting Standard, to the extent of the emissions measured.

The calculation method used to quantify the GHG emissions was the activity data multiplied by the appropriate emission factor: Tonnes CO2e (tCO2e) = Total GHG activity x appropriate emission factor.

The consolidation approach used to determine the activities included in the carbon inventory is the operational control basis, whereby Nelson Airport only measures emissions it deems to have operational control.

Properties owned by Nelson Airport where the tenant or operator has control of operating and environmental policies are excluded. Additional material emissions excluded from the carbon inventory include Scope 3 emissions relating to aircraft, passenger commute to the airport, visiting vehicle operations at Nelson Airport, external contractors' emissions and additionally well-to-tank emissions relating to the production, processing and delivery of fuel and electricity.

Organisational and operational boundaries are set according to ISO 14064-1. The following emissions have been measured:

SERVICE PERFORMANCE REPORT 2022/23

Service Performance Report Target

Zero Carbon Emission - 20% improvement in carbon emissions in comparison to prior year	CO2e emissions per passenger reduction measure in comparison to prior year
<p>Scope 1:</p> <p>Direct GHG emissions that occur from sources owned and/or controlled by Nelson Airport.</p> <ul style="list-style-type: none"> stationary combustion (petrol, diesel, LPG) mobile combustion (petrol, diesel) 	<p>Scope 1:</p> <p>This measure includes terminal building emissions only, as this is the only location passengers pass through. We have chosen not to include scope 1 emissions in this measure as these are less directly attributable to the consumption from passenger travelling through our terminal building.</p>
<p>Scope 2:</p> <p>Indirect emissions from the generation of purchased electricity consumed by Nelson Airport.</p> <ul style="list-style-type: none"> electricity consumption controlled by Nelson Airport 	<p>Scope 2:</p> <p>Indirect emissions from the generation of purchased electricity consumed by Nelson Airport.</p> <ul style="list-style-type: none"> electricity consumption controlled by Nelson Airport (Terminal building only)
<p>Scope 3:</p> <p>Indirect GHG emissions from business transportation.</p> <ul style="list-style-type: none"> business travel (flights, accommodation, taxi use, rental cars, reimbursed mileage) staff commuting <p>Indirect GHG emissions from products used by Nelson Airport.</p> <ul style="list-style-type: none"> waste generated in operations (waste to landfill and compost, wastewater to water treatment plants) transmission and distribution losses for electricity working from home water supply <p>Indirect GHG emissions associated with the use of products from Nelson Airport.</p> <ul style="list-style-type: none"> electricity consumption <u>not</u> controlled by Nelson Airport waste generated by tenants in operations (waste to compost) 	<p>Scope 3:</p> <p>Indirect GHG emissions from products used by Nelson Airport.</p> <ul style="list-style-type: none"> waste generated in operations (waste to landfill) transmission and distribution losses for electricity (Terminal building only) <p>Indirect GHG emissions associated with the use of products from Nelson Airport.</p> <ul style="list-style-type: none"> electricity consumption <u>not</u> controlled by Nelson Airport (Terminal building only - tenants)

SERVICE PERFORMANCE REPORT 2022/23

Zero Carbon Emission - 20% improvement in carbon emissions in comparison to prior year	2023	2022	CO2e emissions per passenger reduction measure in comparison to prior year	2023	2022
Total Gross GHG Emissions measured tCO2e	192.03	195.85	Total GHG Emissions measured (tCO2e)	127.14	131.48
			Total passengers	915,173	619,085
			tCO2e per passenger	0.000139	0.000212

The reporting scopes and corresponding measures include the emissions for which sufficient measurement data is available and encompass the activities where there is the greatest ability to reduce emissions.

Total 2023 Passenger numbers have increased significantly from 2022 due to increased demand post the lifting of Covid-19 restrictions.

There is a level of inherent uncertainty in reporting greenhouse gas (GHG) emissions. This is due to a level of scientific uncertainty as well as estimation uncertainty involved in the measurement processes.

Emissions inventory for scope 1 and scope 2 activities, and additionally scope 3 activities relating to waste, wastewater and downstream electricity are captured from purchase information. Some estimation and assumption are required for other scope 3 activities relating to staff commuting and staff working from home. GHG emission factors were generally sourced from New Zealand's Ministry for the Environment 2023. Where appropriate emission factors were not available, other reliable sources such as international government agencies or published research were used.



ANNUAL REPORT FINANCIALS

TE PŪRONGO PŪTEA Ā-TAU

FOR THE YEAR ENDED 30 JUNE 2023





ANNUAL REPORT

For the Year Ended 30 June 2023

The Directors have pleasure in presenting to the shareholders the Annual Report and audited financial statements of Nelson Airport Limited (“the company”) for the year ended 30 June 2023.

NATURE OF BUSINESS

Airport operating company.

VISION AND PURPOSE

Nelson Airport Limited’s Vision is:

To be a world class airport where zero emissions aircraft operate.

Nelson Airport Limited’s Purpose is:

To contribute to a sustainable and prosperous Nelson Tasman.

Directors holding office in the year:	2023 Remuneration	2022 Remuneration
Paul Steere (Chair – retired by rotation 31/10/22)	\$15,651	\$42,555
Quinton Hall (Chair – appointed 01/11/22)	\$39,034	\$26,214
Catherine Taylor (Deputy Chair – retired by rotation 16/10/22)	\$9,335	\$28,752
Darren Mark (Chair Audit & Risk Committee – appointed 1/10/22)	\$28,790	\$2,187
Matthew Clarke	\$27,746	\$26,214
Matthew McDonald	\$27,746	\$26,214
Emma Ihaia (appointed 17/10/22)	\$19,234	-

DIRECTORS’ REGISTER OF INTERESTS

Entries in the interest register during the year include:

Director Paul Steere – Chair (*Retired by rotation 31 October 2022*) – Interests:

- New Zealand King Salmon Co Ltd (Director)
- New Zealand King Salmon (Australia) Ltd (Director)
- New Zealand King Salmon Investments Ltd (Director)
- New Zealand King Salmon Exports Limited (Director)
- New Zealand King Salmon USA Inc, an entity incorporated in the USA (Director)
- NZKS Custodian Ltd (Director)
- King Salmon Ltd (Director)
- Maccure Seafoods Ltd (Director)
- Ora King Ltd (Director)
- Southern Ocean Seafoods Ltd (Director)
- Regal Salmon Ltd (Director)
- Southern Ocean Salmon Ltd (Director)
- Omega Innovations Ltd (Director)
- NCC Committee for The City for all Ages Strategy (Chair)

Director Catherine Taylor – Deputy Chair (*Retired by rotation 16 October 2022*) – Interests:

- Diabetes New Zealand (Chair)
- Diabetes New Zealand Research Foundation (Trustee)
- Energy Efficiency & Conservation Authority (Director/Deputy Chair)
- New Zealand Law Foundation (Trustee)
- John Nesfield Trust (Trustee)

Director Matt Clarke – Interests:

- Wellington International Airport Ltd (Chief Executive Officer)
- WellingtonNZ (Director)
- Red Wine Properties Ltd (Director and Shareholder) (*Ceased December 2022*)
- Whare Manaakitanga Ltd (Director)
- Henley School Board (Trustee) (*Ceased October 2022*)
- New Zealand Airports Association (Chair) (*Appointed December 2022*)

Director Matthew McDonald – Interests:

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

Director Quinton Hall – Chair (*Appointed Chair 1 November 2022*) – Interests:

- EQMade Ltd (Director and Shareholder)
- Vertus Group Ltd (Director and Shareholder)
- AQ29 Ltd (Director and Shareholder)
- Jucy Group 2002 Ltd (Director) (*Appointed April 2023*)



DIRECTORS' REGISTER OF INTERESTS CONT



Director Darren Mark – Audit & Risk

Committee Chair - Interests:

- Findex Nelson / Findex NZ Ltd (Senior Partner)
- Titipounamu Investments Ltd (Director and beneficial Shareholder)
- E R Freeman Ltd (Director)
- Bowater Holdings Ltd (Director)
- Bowater Motors Ltd (Director)
- Bowater Properties Ltd (Director)
- Te Awa Nominees Ltd (Director)
- WHK Services Tasman Ltd (Director)
- West Yates and Partners Nominee Company Ltd (Director)
- Te Oramamaku Holdings Ltd (Director)
- Maitai Trustee Company Ltd (Director) + various other trustee Co's in Darren's professional capacity

- Tasman Bays Heritage Trust (Trustee)
- RG & EF MacDonald Trust Board (Trustee)
- Waimea College (Trustee) (Ceased August 2022)
- Institute of Directors Nelson/Marlborough Branch (Committee Member) (Ceased December 2022)

Director Emma Ihaia (Appointed 17 October 2022) -

Interests:

- Castalia Strategic Advisors (Senior Advisor)
- Electricity Invercargill Limited (Trustee)
- Fifeshire Foundation (Trustee)
- Link Economics Limited (Sole Director and Shareholder)
- Pylon Limited (Director)

ACTIVE COMMITTEES

Committee	Composition	Meetings Held
Nelson Airport Noise Environment Advisory Committee	Representatives: Nelson Airport Ltd – 2 x management; Nelson City Council – 1; Scheduled commercial airlines – 1; Airways New Zealand – 1; General aviation – 1 x fixed wing and 1 x rotary wing; Community representatives – 3; Aviation maintenance provider – 1.	2

Employee Remuneration

The number of employees or former employees who received remuneration and other benefits of \$100,000 or more for the year ended 30 June 2023 was as follows:

Remuneration	Number of Employees
\$120,001 - \$130,000	1
\$160,001 - \$170,000	2
\$190,001 - \$200,000	1
\$270,001 - \$280,000	1

BOARD ATTENDANCE

Board Attendance levels during the year were as follows

Director	Position	Tenure	Meetings Attended	Of a possible
P Steere	Chair	Ceased 31/10/22	4	4
Q Hall	Chair	Appointed 01/11/22	10	10
C Taylor	Deputy Chair	Ceased 16/10/22	1	3
D Mark	Chair Audit & Risk	Full Year	10	10
M Clarke	Director	Full Year	9	10
M McDonald	Director	Full Year	10	10
E Ihaia	Director	Appointed 17/10/22	7	7

For and on Behalf of the Board

Quinton Hall
Chair

Darren Mark
Chair Audit and Risk

STATEMENT OF COMPREHENSIVE INCOME

TAUĀKĪ WHIWHINGA WHĀNUI

For the Year Ended 30 June 2023

	Note	2023 \$000s	2022 \$000s
Revenue	2	16,699	11,733
Increase on asset revaluation		38	-
Subtotal of revenue		16,737	11,733
Operating costs	3	5,326	3,840
Administration expenses	3	1,763	1,978
Depreciation and amortisation	3	4,238	3,507
Decrease on asset revaluation		-	111
Subtotal of expenditure		11,328	9,436
Profit before Financing and Investing		5,409	2,297
Interest Revenue		14	2
Movement in Unhedged Derivative Financial Liability - Revenue/(Expense)	14	105	1,650
Finance Costs	3	(1,448)	(1,145)
Net Financing Income		(1,329)	507
Gain on Sale of Fixed Assets		23	-
Investing Income		23	-
Profit before Tax		4,103	2,804
Income tax expense	4	1,394	922
Profit after Tax		2,709	1,882
Other Comprehensive Income			
Gain on asset revaluation		755	6,876
Tax on asset revaluation		(212)	(866)
Total Comprehensive Income		3,253	7,891

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

TAUĀKĪ PANONI I TE MANA TAURITE

For the Year Ended 30 June 2023

	Note	2023 \$000s	2022 \$000s
Opening Retained Earnings		19,539	18,504
Total Profit for the Year		2,709	1,882
Balance of Disposed Asset Transferred from Asset Revaluation Reserve		94	253
Distributions to Equity Holders		(1,200)	(1,100)
Retained Earnings as at Year End		21,142	19,539
Opening Asset Revaluation Reserve		78,614	72,857
Gain on Asset Revaluation		544	6,010
Balance on Disposed Asset Transferred to Retained Earnings		(131)	(351)
Movement in Deferred Tax on Disposed Asset Transferred to Retained Earnings		37	98
Asset Revaluation as at Year End		79,064	78,614
Share Capital	10	2,400	2,400
Closing Equity as at Year End		102,605	100,553

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

TAUĀKĪ TŪNGA AHUMONI

For the Year Ended 30 June 2023

	Note	2023 \$000s	2022 \$000s
Assets			
Current Assets			
Trade and Other Receivables	7	975	944
Cash and Cash Equivalents	8	172	141
Other Current Assets		88	65
Derivative Financial Assets	13	675	291
Total Current Assets		1,909	1,441
Non Current Assets			
Property, Plant and Equipment	5	145,198	145,388
Intangible Assets	6	100	130
Derivative Financial Assets	13	365	643
Total Non Current Assets		145,663	146,161
Total Assets		147,572	147,602
Liabilities			
Current Liabilities			
Trade and Other Payables	12	2,470	2,127
Current Income Tax Liability		1,418	271
Employee Entitlements		538	296
Interest Bearing Loans	14	26,802	30,363
Total Current Liabilities		31,227	33,057
Non Current Liabilities			
Deferred Tax	4	13,739	13,992
Total Non Current Liabilities		13,739	13,992
Total Liabilities		44,966	47,049
Net Assets		102,605	100,553
Equity			
Issued Share Capital	10	2,400	2,400
Retained Earnings		21,142	19,539
Asset Revaluation Reserve		79,064	78,614
Total Equity		102,605	100,553

For and on behalf of the Board



Quinton Hall
Chair
27 September 2023



Darren Mark
Chair Audit and Risk
27 September 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 CASH FLOWS

TAUĀKĪ RERENGA PŪTEA

For the Year Ended 30 June 2023

	Note	2023 \$000s	2022 \$000s
Cash Flows from Operating Activities			
<i>Cash was provided from:</i>			
Receipts from airport users		16,682	11,602
Interest received		14	2
		16,696	11,603
<i>Cash was disbursed to:</i>			
Payments to suppliers and employees		(6,207)	(5,457)
Interest paid		(1,448)	(1,145)
Income tax paid		(712)	(503)
Net GST Movement		50	16
		(8,318)	(7,090)
Net Cash Flows from Operating Activities	15	8,378	4,514
Cash Flows from Investing Activities			
<i>Cash was provided from:</i>			
Sale of property, plant & equipment		28	-
		28	-
<i>Cash was disbursed to:</i>			
Purchase of property, plant & equipment		(3,709)	(3,048)
Purchase of Intangible Assets		(4)	-
		(3,713)	(3,048)
Net Cash Flow from Investing Activities		(3,685)	(3,048)
Cash Flows from Financing Activities			
<i>Cash was provided from:</i>			
Increase in term loans		9,812	6,100
		9,812	6,100
<i>Cash was disbursed to:</i>			
Dividends paid		(1,100)	(1,000)
Decrease in term loans		(13,374)	(6,466)
		(14,474)	(7,466)
Net Cash Flow from Financing Activities		(4,662)	(1,366)
Net increase/(decrease) in cash and cash equivalents		31	100
Opening cash and cash equivalents		141	41
Closing cash and cash equivalents		172	141

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

NOTES TO THE FINANCIAL STATEMENTS

TĀPIRI KI TE TAUĀKĪ AHUMONI

For the Year Ended 30 June 2023

1. STATEMENT OF ACCOUNTING POLICIES

a) Reporting entity

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

The company operates and manages the Nelson regional airport. The primary activities include supporting a diverse range of businesses that service passenger or aircraft requirements or require access to air services or airport land and building infrastructure.

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

The financial statements for Nelson Airport Limited are for the year ended 30 June 2023. The financial statements were authorised for issue by Nelson Airport Limited on 27 September 2023.

b) Basis of preparation

Statement of Compliance

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

Nelson Airport Limited is a reporting entity preparing general purpose financial statements. It has elected to adopt the New Zealand Equivalents to International Financial Reporting

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

Measurement Base

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

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.

NOTES TO THE FINANCIAL STATEMENTS

TĀPIRI KI TE TAUĀKĪ AHUMONI

For the Year Ended 30 June 2023

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 5.

c) Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and impairment losses, or at fair value with valuations undertaken on a systematic basis with no individual asset included at a valuation undertaken more than five years previously. Valuations will be undertaken within a five-year period where Nelson Airport Limited considers the carrying value may differ materially from the

NOTES TO THE FINANCIAL STATEMENTS

TĀPIRI KI TE TAUĀKĪ AHUMONI

For the Year Ended 30 June 2023

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 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.

NOTES TO THE FINANCIAL STATEMENTS

TĀPIRI KI TE TAUĀKĪ AHUMONI

For the Year Ended 30 June 2023

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.

NOTES TO THE FINANCIAL STATEMENTS

TĀPIRI KI TE TAUĀKĪ AHUMONI

For the Year Ended 30 June 2023

d) Intangible Assets

Software Acquisition and Development

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

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

Branding

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

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

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

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

e) Impairment of Non-Current Assets

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

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

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

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

f) Trade and Other Receivables

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

NOTES TO THE FINANCIAL STATEMENTS

TĀPIRI KI TE TAUĀKĪ AHUMONI

For the Year Ended 30 June 2023

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

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

g) Other Financial Assets

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

h) Share Capital

Ordinary Shares

Ordinary shares are classified as equity.

i) Interest Bearing Borrowings

Interest bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost using the effective interest method. Borrowing costs directly attributable to the

acquisition or construction of a qualifying asset which is determined to be an asset that takes a period of greater than one year to get ready for its intended use are capitalised as part of the cost of the asset.

j) Derivative Financial Instruments and Hedging Activities

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

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

k) Employee Entitlements

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

NOTES TO THE FINANCIAL STATEMENTS

TĀPIRI KI TE TAUĀKĪ AHUMONI

For the Year Ended 30 June 2023

l) Trade and Other Payables

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

m) Revenue

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

Aeronautical Charges

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

Property Revenue

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 Revenue

Ground transport revenue 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 is recognised as revenue on an accrual basis in accordance with agreements and NZ IFRS 15.

Advertising Revenue

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

Interest Revenue

Interest income is recognised using the effective interest method.

Government Grants

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

n) Expenses

Net Financing Costs

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

Dividends

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

Short 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.

NOTES TO THE FINANCIAL STATEMENTS

TĀPIRI KI TE TAUĀKĪ AHUMONI

For the Year Ended 30 June 2023

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.

o) Goods and Services Tax (GST)

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

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

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

p) Cash and Cash Equivalents

Cash and cash equivalents 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.

NOTES TO THE FINANCIAL STATEMENTS
TĀPIRI KI TE TAUĀKĪ AHUMONI
For the Year Ended 30 June 2023

2. REVENUE

	2023 \$000s	2022 \$000s
Contract Revenue		
Aeronautical Charges	9,187	5,794
Ground Transport Revenues	3,197	1,733
Advertising Revenue	249	214
Property Revenues	-	2
Sundry Income	0	26
Total Contract Revenue	12,633	7,770
Other Revenue		
Ground Transport Revenues	1,360	822
Retail Revenue	411	292
Property Revenues	2,294	2,644
Sundry Income	1	78
Wage Subsidy	-	126
Total Other Revenue	4,066	3,963
Total Revenue	16,699	11,733

NOTES TO THE FINANCIAL STATEMENTS
TĀPIRI KI TE TAUĀKĪ AHUMONI
For the Year Ended 30 June 2023

3. EXPENSES

a) Operating Costs

	2023 \$000s	2022 \$000s
Employee Entitlements	2,592	1,967
Other Operating Expenses	2,524	1,847
Loss on Disposal of Assets	210	25
	5,326	3,840

b) Administration Costs

	2023 \$000s	2022 \$000s
Auditors Remuneration - Financial Statements	64	38
Auditors Remuneration - Disclosure Accounts	20	17
Auditors Remuneration - Prior Year Fee Recovery	-	16
Directors' Fees	167	152
Insurance & Rates	863	830
Other Administration Expenses	649	924
	1,763	1,978

c) Depreciation and amortisation

	2023 \$000s	2022 \$000s
Depreciation	4,201	3,453
Depreciation - Right of Use Assets	3	13
Amortisation of Intangible Assets	34	40
	4,238	3,507

d) Finance Costs

	2023 \$000s	2022 \$000s
Interest Expense	1,448	1,144
Interest Expense - Lease Liabilities	0	2
	1,448	1,145

NOTES TO THE FINANCIAL STATEMENTS
TĀPIRI KI TE TAUĀKĪ AHUMONI
For the Year Ended 30 June 2023

4. INCOME TAX

Components of Income Tax Expense

	2023 \$000s	2022 \$000s
Current Tax Expense	1,859	627
Prior Years Tax Under / (Over) Provided	-	78
Deferred Tax Expense	(465)	217
	1,394	922

Relationship between Tax Expense and Accounting Profit

	2023 \$000s	2022 \$000s
Operating Profit Before Taxation	4,103	2,804
Prima Facie Tax @ 28%	1,149	785
Adjustment for Timing & Taxation Differences	468	(254)
Adjustment for Permanent Differences	242	96
Prior Years Tax Under Provided	-	78
Adjustments for Deferred Tax	9	456
Adjustments for Deferred Tax - Property, Plant & Equipment	(474)	(239)
Income Tax Expense	1,394	922

NOTES TO THE FINANCIAL STATEMENTS
TĀPIRI KI TE TAUĀKĪ AHUMONI
For the Year Ended 30 June 2023

Deferred Tax

	2023 \$000s	2022 \$000s
Property, Plant and Equipment		
Opening Balance	(13,773)	(13,145)
Charged to Profit & Loss	474	239
Charged to Other Comprehensive Income	(212)	(866)
Closing Balance	(13,510)	(13,773)
Employee Entitlements		
Opening Balance	41	34
Charged to Profit & Loss	9	7
Closing Balance	50	41
Derivative Financial Liability		
Opening Balance	(262)	200
Charged to Profit & Loss	(30)	(462)
Closing Balance	(291)	(262)
Other Provisions		
Opening Balance	1	2
Charged to Profit & Loss	11	(1)
Closing Balance	12	1
Total	(13,739)	(13,992)

NOTES TO THE FINANCIAL STATEMENTS
TĀPIRI KI TE TAUĀKĪ AHUMONI
For the Year Ended 30 June 2023

5. 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	42,448	58,056	25,249	16,887	452	151	455	2,313	146,012
Reclassification	-	2,093	609	561	225	1,264	36	(4,788)	(0)
Additions	-	8	8	2	104	32	-	3,377	3,532
Movement in Asset Revaluation	-	(309)	662	410	-	-	-	-	762
Disposals	-	-	(51)	(156)	(19)	(99)	(5)	(96)	(426)
Balance at 30 June 2023	42,448	59,848	26,477	17,703	763	1,348	486	806	149,880
Accumulated Depreciation and Impairment Losses									
Balance as at 1 July 2022	-	96	1	3	216	101	206	-	624
Reclassification of Opening Balances	-	-	-	-	-	-	-	-	-
Depreciation	-	1,586	1,705	695	82	92	44	-	4,205
Decrease on asset revaluation	-	278	-	-	-	-	-	-	278
Disposals	-	-	(0)	0	(17)	(97)	(1)	-	(115)
Movement in Asset Revaluation	-	(309)	-	-	-	-	-	-	(309)
Balance at 30 June 2023	-	1,651	1,707	698	281	97	249	-	4,682
Net Book Value at 30 June 2023	42,448	58,197	24,771	17,005	481	1,251	238	806	145,198

NOTES TO THE FINANCIAL STATEMENTS
TĀPIRI KI TE TAUĀKĪ AHUMONI
For the Year Ended 30 June 2023

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	38,666	57,309	25,092	16,188	360	180	458	1,464	139,717
Reclassification - WIP	-	218	1,458	87	78	-	-	(1,842)	-
Additions	-	52	1	101	72	-	5	3,099	3,329
Movement in Asset Revaluation	3,782	477	(1,302)	515	-	-	-	-	3,472
Disposals	-	-	-	(5)	(58)	(29)	(8)	(407)	(506)
Balance at 30 June 2022	42,448	58,056	25,249	16,887	452	151	455	2,313	146,012
Accumulated Depreciation and Impairment Losses									
Balance as at 1 July 2021	-	48	0	4	201	113	158	-	524
Depreciation	-	1,596	1,187	558	54	17	54	-	3,466
Decrease on asset revaluation	-	3,486	1,568	79	-	-	-	-	5,134
Disposals	-	-	-	-	(40)	(29)	(6)	-	(74)
Movement in Asset Revaluation	-	(5,035)	(2,754)	(638)	-	-	-	-	(8,426)
Balance at 30 June 2022	-	96	1	3	216	101	206	-	624
Net Book Value at 30 June 2022	42,448	57,960	25,247	16,884	237	50	249	2,313	145,388

The net carrying amount of property, plant and equipment includes the following amounts held under finance lease: Equipment \$6,901 (2022: \$2,827).

NOTES TO THE FINANCIAL STATEMENTS

TĀPIRI KI TE TAUĀKĪ AHUMONI

For the Year Ended 30 June 2023

Valuation

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.

NOTES TO THE FINANCIAL STATEMENTS

TĀPIRI KI TE TAUĀKĪ AHUMONI

For the Year Ended 30 June 2023

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.
Buildings Specialised buildings used for identified airport activities including terminal Non-specialised buildings including hangars, offices, garages and storage units	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. 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.

NOTES TO THE FINANCIAL STATEMENTS
TĀPIRI KI TE TAUĀKĪ AHUMONI
For the Year Ended 30 June 2023

6. INTANGIBLE ASSETS

2023	Original Cost \$000s	Accum Amortisation \$000s	Opening WDV \$000s	Additions \$000s	Reclassifications \$000s	Disposals \$000s	Amortisation \$000s	Closing WDV \$000s
Software	96	66	30	4	-	-	13	20
Other Intangibles	180	79	100	-	-	-	20	80
Total	275	145	130	4	-	-	34	100

2022	Original Cost \$000s	Accum Amortisation \$000s	Opening WDV \$000s	Additions \$000s	Reclassifications \$000s	Disposals \$000s	Amortisation \$000s	Closing WDV \$000s
Software	96	46	50	-	-	-	20	30
Other Intangibles	180	59	121	-	-	-	20	100
Total	275	105	170	-	-	-	40	130

7. TRADE AND OTHER RECEIVABLES

	2023 \$000s	2022 \$000s
Trade Receivables - Contract Revenue	854	716
Trade Receivables - Other Revenue	60	182
Accrued Debtors	0	1
Prepayments	60	45
	975	944

8. CASH AND CASH EQUIVALENTS

	2023 \$000s	2022 \$000s
Cash on Hand	10	8
Bank Balance	162	132
	172	141

NOTES TO THE FINANCIAL STATEMENTS
TĀPIRI KI TE TAUĀKĪ AHUMONI
For the Year Ended 30 June 2023

9. FINANCIAL INSTRUMENTS

	Fair value through profit or loss		Amortised cost	
	2023 \$000s	2022 \$000s	2023 \$000s	2022 \$000s
Financial Assets				
Cash and Cash Equivalents	-	-	172	141
Derivatives	1,040	934	-	-
Trade and Other Receivables	-	-	914	898
	1,040	934	1,086	1,038
Financial Liabilities				
Trade and other Payables	-	-	889	681
Finance Lease Liability	7	3	-	-
Loans and Borrowings	-	-	26,795	30,360
	7	3	27,684	31,041

10. SHARE CAPITAL

Ordinary Shares

All 2,400,000 authorised shares (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 Minister of Transport 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 2023 a dividend of \$1,200,000 was declared and accrued at year end, with payment made following balance date on 4 July 2023.

11. CONTINGENT LIABILITIES

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

NOTES TO THE FINANCIAL STATEMENTS
TĀPIRI KI TE TAUĀKĪ AHUMONI
For the Year Ended 30 June 2023

12. TRADE AND OTHER PAYABLES

	2023 \$000s	2022 \$000s
Trade Payables	855	643
Trade Payables (Related Parties)	33	38
Dividends Payable	1,200	1,100
Accruals	136	118
GST Liability	215	178
Income Received in Advance	30	49
	2,470	2,127

13. DERIVATIVE FINANCIAL INSTRUMENTS

	2023 \$000s	2022 \$000s
Derivative Financial Assets		
Interest Rate Swaps		
Current Portion	675	291
Non-Current Portion	365	643
	1,040	934

Nelson Airport Limited manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. The notional principal amounts of outstanding floating to fixed interest rate swap contracts at 30 June 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 has been recognised as a movement in profit or loss within finance costs.

NOTES TO THE FINANCIAL STATEMENTS
TĀPIRI KI TE TAUĀKĪ AHUMONI
For the Year Ended 30 June 2023

14. INTEREST BEARING LOANS

	2023 \$000s	2022 \$000s
Repayable as follows:		
Less Than 1 Year	26,795	30,360
Between 1 and 5 Years	-	-
	26,795	30,360
Finance Lease Liabilities		
Less Than 1 Year	7	3
Between 1 and 5 Years	-	-
	7	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).

NOTES TO THE FINANCIAL STATEMENTS

TĀPIRI KI TE TAUĀKĪ AHUMONI

For the Year Ended 30 June 2023

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

	2023 \$000s	2022 \$000s
Net Profit for the Year	2,709	1,882
Add/(less) non cash and non operating items:		
(Gain)/Loss on Disposal of assets	187	25
Depreciation and Amortisation	4,238	3,507
Decrease on asset revaluation	(38)	111
Value of Donated Assets Received	-	(2,205)
Reclassification of Work In Progress as expense	96	407
Movement in deferred taxation	(465)	217
Movement in derivative financial instrument	(105)	(1,650)
Movement in working capital:		
(Increase)/Decrease in other current assets	(23)	1
(Increase)/Decrease in receivables	(31)	(164)
Increase/(Decrease) in current tax payable	1,147	202
Increase/(Decrease) in payables	662	(23)
Net cash flows from operating activities	8,378	4,514

NOTES TO THE FINANCIAL STATEMENTS

TĀPIRI KI TE TAUĀKĪ AHUMONI

For the Year Ended 30 June 2023

16. TRANSACTIONS WITH RELATED PARTIES

Transactions with Shareholders

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

Nelson Airport Limited paid rates, maintenance, consents and fees to Nelson City Council amounting to \$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 5).

Transactions with entities owned by Shareholders

Nelmac Limited is a 100% subsidiary of Nelson City Council. Nelson Airport Limited paid grounds maintenance and other fees to Nelmac Limited amounting to \$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 McDonald 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.

17. CAPITAL COMMITMENTS

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.

NOTES TO THE FINANCIAL STATEMENTS

TĀPIRI KI TE TAUĀKĪ AHUMONI

For the Year Ended 30 June 2023

18. OPERATING LEASES

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:

Future non-cancellable lease revenue from existing leases	2023 \$000s	2022 \$000s
Lease revenue within 12 months	\$2,976	\$2,583
Lease revenue between 1-5 years	\$5,169	\$5,751
Lease revenue thereafter	\$566	\$1,039
Total	\$8,710	\$9,373

19. EVENTS AFTER BALANCE DATE

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.

20. SHAREHOLDERS' STATEMENT OF INTENT

The company was required to deliver a completed Statement of Intent to its shareholders by 30 June 2023 under Part 3(b) of Schedule 8 of the Local Government Act 2002. The 2023/24 Statement of Intent was completed and forwarded to Nelson Airport Limited's shareholders on 3 July 2023.

NOTES TO THE FINANCIAL STATEMENTS

TĀPIRI KI TE TAUĀKĪ AHUMONI

For the Year Ended 30 June 2023

21. VARIANCE - 2022/23 ACTUALS TO 2022/23 STATEMENT OF INTENT FINANCIAL FORECASTS

Statement of Comprehensive Income

	Sol Forecast (\$m)	2022/23 Actuals (\$m)	Variance (\$m)	Variance (%)	Note
Total Revenues	14.3	16.7	2.4	17	1
Total Operating Expenses	(7.4)	(7.1)	0.3	(4)	2
EBITDA before Other Income / Expenses	7.0	9.6	2.7	39	
Depreciation & Amortisation	(3.7)	(4.2)	(0.5)	14	3
Other Income / (Expense)	(0.0)	0.0	0.1	Nil Variance	
EBIT	3.2	5.4	2.2	69	
Finance (Expense) / Income	(1.6)	(1.3)	0.2	(15)	
Profit before Income Tax	1.6	4.1	2.5	164	
Income Tax	(0.8)	(1.4)	(0.6)	84	
Net Profit after Tax	0.9	2.7	1.8	202	

Explanatory Notes

1. Recovery post Covid-19 surpassed expectations, forecast at a time when uncertainty remained prevalent.
2. Forecast deconstruction of hangar did not transpire.
3. Sol Forecast carried out prior to FY22 year-end asset revaluations and fixed-asset review. Subsequent revaluations and asset review resulted in an increase in depreciation in FY23.

NOTES TO THE FINANCIAL STATEMENTS

TĀPIRI KI TE TAUĀKĪ AHUMONI

For the Year Ended 30 June 2023

21. VARIANCE - 2022/23 ACTUALS TO 2022/23 STATEMENT OF INTENT FINANCIAL FORECASTS (CONT)

Statement of Financial Position

	Sol Forecast (\$m)	2022/23 Actuals (\$m)	Variance (\$m)	Variance (%)	Note
Current Assets	1.3	1.9	0.6	43	4
Property, Plant & Equipment	141.7	145.2	3.5	2	5
Intangible Assets	0.1	0.1	0.0	2	
Total Assets	143.2	147.6	4.4	3	
Current Liabilities	2.6	5.8	55.4	2,121	6
Total Loan Finance	36.6	(26.8)	(63.4)	(173)	6
Total Other Non-current Liabilities	12.8	13.7	0.9	7	7
Total Liabilities	52.0	45.0	(7.1)	(14)	
Total Net Assets	91.1	102.6	11.5	13	
Total Equity	91.1	102.6	11.5	13	

Notes

- Current portion of the fair value of derivative financial swaps at year-end greater than forecast.
- Sol forecast was carried out prior to 2022 valuations. Valuations subsequently resulted in an unforeseen significant revaluation gain to land, buildings and infrastructure assets.
- Loan finance balance at 30 June 2023 classified as current liability due to the current loan agreement running until 30 June 2024.
- Sol forecast was carried out prior to 2022 valuations. Resulted in an increase to Deferred Tax not forecast.

NOTES TO THE FINANCIAL STATEMENTS

TĀPIRI KI TE TAUĀKĪ AHUMONI

For the Year Ended 30 June 2023

21. VARIANCE - 2022/23 ACTUALS TO 2022/23 STATEMENT OF INTENT FINANCIAL FORECASTS (CONT)

Statement of Cash Flows

	Sol Forecast (\$m)	2022/23 Actuals (\$m)	2022/23 Actuals Including GST (\$m)	Variance (\$m)	Variance (%)	Note
Cash Opening Balance	0.2	0.1	0.1	(0.1)	(28)	8
Cash In						
Cash from Operations	16.4	16.7	19.2	2.8	17	9
Cash drawn from Loan Facility	6.8	9.8	9.8	3	44	10
Other Assets / Liabilities	0.4	0.0	0.0	(0.4)	(100)	
Total Cash Inflows	23.7	26.5	29	5.3	23	
Cash Out						
Operational Expenses	7.6	6.2	6.7	(0.9)	(12)	11
Income Tax Paid	1.2	0.7	0.7	(0.5)	(40)	
Dividends	1.1	1.1	1.1	0.0	0	
Capital Expenditure	11.9	3.7	4.3	(7.6)	(64)	12
GST Paid (Received)	0.3	(0.1)	1.4	1.1	404	13
Loan Repayments	1.6	14.8	14.8	13.2	838	14
Total Cash Outflows	23.7	26.5	29.0	5.3	23	
Cash Closing Balance	0.2	0.2	0.2	0.0	(22)	

Notes

- The Statement of Intent Forecast is made on a GST inclusive basis whereas the 2022/23 Actuals are displayed on a GST exclusive basis. To provide for meaningful comparison for the variance analysis the 2022/23 figures have been grossed-up to include the GST element (the third column in the table above).
- Operating cash forecast was based on significantly lower than forecast operational activity levels.
- Cash balances are maintained at minimal levels whilst the MOCL finance facility remains active. As a result, both loan facility cash inflows and outflows vary significantly from forecast. Favourable variance due to lower revenue from Covid factors reducing taxable profit.
- Forecast deconstruction of hangar did not transpire.
- Capital expenditure profile delayed v forecast for selected projects.
- [As per variances previously noted].
- Larger cash inflow than forecast provided additional opportunity for loan repayments. Cash balances are maintained at minimal levels whilst the MOCL finance facility remains active.

Independent Auditor's Report

To the readers of Nelson Airport Limited's financial statements and performance information for the year ended 30 June 2023

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

Opinion

We have audited:

- the financial statements of the company on pages 30 to 59, that comprise the statement of financial position as at 30 June 2023, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the company on pages 20 to 25.

In our opinion:

- the financial statements of the company:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2023; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime; and
- the performance information of the company presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company's objectives for the year ended 30 June 2023.

Our audit was completed on 27 September 2023. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw your attention to inherent uncertainties in the measurement of greenhouse gas emissions. In addition, we outline the responsibilities of the Board of Directors (the Board) and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Emphasis of Matter – Inherent uncertainties in the measurement of greenhouse gas emissions

The company has chosen to include measures of its greenhouse gas (GHG) emissions in its performance information. Without modifying our opinion and considering the public interest in climate change related information, we draw attention to pages 23 to 25 of the annual report, which outlines the inherent uncertainty in the reported GHG emissions. Quantifying GHG emissions is subject to inherent uncertainty because the scientific knowledge and methodologies to determine the emissions factors and processes to calculate or estimate quantities of GHG sources is still evolving, as are GHG reporting and assurance standards.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing

(New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

The Board of Directors is responsible on behalf of the company for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Board of Directors is also responsible for preparing the performance information for the company.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the company for assessing the company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the company or to cease operations or has no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Local Government Act 2002.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the company's statement of intent.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We evaluate the appropriateness of the reported performance information within the company's framework for reporting its performance.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 2 to 19, 26 to 29, and 62 to 63, but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the company in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners including International Independence Standards) (New Zealand) (PES 1) issued by the New Zealand Auditing and Assurance Standards Board.

In addition to the audit, we have carried out an assurance engagement in relation to the company's disclosure financial statements pursuant to the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999, which are compatible with those independence requirements.

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



Chris Genet

Audit New Zealand

On behalf of the Auditor-General

Christchurch, New Zealand

COMPANY DIRECTORY TE PAPATOHU

Directors

Quinton Hall - Chair
Darren Mark – Chair Audit & Risk
Matthew Clarke
Matthew McDonald
Emma Ihaia

Registered Office

Nelson Airport Management Offices
Trent Drive, Nelson 7011
Telephone 03-547-3199
Email office@nelsonairport.co.nz

Senior Leadership Team

As at 30 June 2023

Chief Executive Officer	Mark Thompson
Chief Financial Officer	Simon Orr
Safety and Sustainability	James Middlewick
Commercial	Simon Barr
Communications and Marketing	Beth Catley
Facilities and Assets	Jonathan Truslove
Support Services	Tania Mitchell
Customer Services Manager	Siosateki Faletau

Auditor

Audit New Zealand on behalf of the Auditor-General

Accountant

Johnston Associates Chartered Accountants

Banker

Westpac Banking Corporation

Lawyer

Ford Sumner Lawyers



