

NELSON AIRPORT
Good things start here.



MAKING CONNECTIONS

ANNUAL REPORT FY2019



MAKING CONNECTIONS

Making connections is all about people.

Nelson Airport connects Nelson Tasman to the world. Families and friends make important personal connections through the airport.

Business connectivity facilitates the movement of goods to and from our region through our airport and connects local business with national and international business services.

The airport connects patients to medical services critical to their wellbeing. In times of crisis the airport connects Nelson Tasman to specialist emergency support.

For thousands of locals the airport precinct provides direct employment for their family. Community ownership of the airport ensures an inherent connection with all who live and work in our region.

Nelson Airport
connects Nelson
Tasman to the
world.



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OUR BOARD

- Paul Steere** — Chair
- Catherine Taylor** — Deputy Chair
- Matthew Clarke**
- Matthew McDonald**
- Mark Greening**



OUR MISSION

To provide safe, efficient and innovative services that facilitate aviation growth and the economic prosperity of the Nelson Tasman region.

OUR VISION

To be the best Regional Airport in New Zealand.

*From left: Matthew Clarke, Mark Greening, Matthew McDonald and Catherine Taylor
Right: Paul Steere*

OUR SENIOR
LEADERSHIP TEAM



Robert Evans — Chief Executive
Simon Orr — Corporate Services Manager
Stephen Batt — Commercial Manager

Sally Russ — Business Development
and Marketing Manager
David Scott — Operations
and Assets Manager

*From left: Simon Orr, Robert Evans,
Stephen Batt, Sally Russ and David Scott*

DIRECTORS'/CHIEF EXECUTIVE'S REPORT

For the Year Ended 30 June 2019

Overview

The financial year ended June 2019 was another successful year for Nelson Airport. As the largescale development of the physical assets of the company took place with the opening of the first stage of the new terminal, the day to day business of efficiently operating and growing New Zealand's busiest regional airport continued unabated.

HIGHLIGHTS OF THE LAST 12 MONTHS INCLUDE:



HEALTH AND SAFETY

There were no injuries or incidents that required reporting to WorkSafe and no lost time injuries.



KEY PERFORMANCE

1.076m airline passengers, an increase of 1.5% on the previous year and Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) of \$7.1m, an increase of 11% on the previous year.



AIRLINE PERFORMANCE

Airlines have continued to perform well with the overall load factor increasing by 2% on the previous year to 83%. Domestic travel remains positive for the region.



FIREFIGHTING SAFETY

The removal of non-compliant firefighting foam (PFOS). Nelson Airport was the first airport to formulate and execute a comprehensive plan to remediate equipment, safely dispose of the PFOS and commission equipment with new generation foam.

\$178m

GDP CONTRIBUTION

Economic impact research on the airport's annual contribution to the region was completed and indicates a GDP contribution of \$178m.



ASSOCIATED PROPERTY

Associated property and ground transport services had improved performance resulting from new commercial agreements in terminal leasing and hangars.



SUSTAINABILITY

Development of a strategy and policy that defines the airport's environmental sustainability performance.



TERMINAL BUILD

Stage A of the new terminal was successfully opened in October 2018. New retail offerings and car parking products introduced an improved level of customer experience.



CIVIL AVIATION

Civil Aviation Authority Audits confirmed compliance with all relevant rules and regulations.



TAXIWAY

The \$3.6m taxiway infrastructure upgrade project.

Right: Robert Evans, and Paul J Steere



FINANCIAL

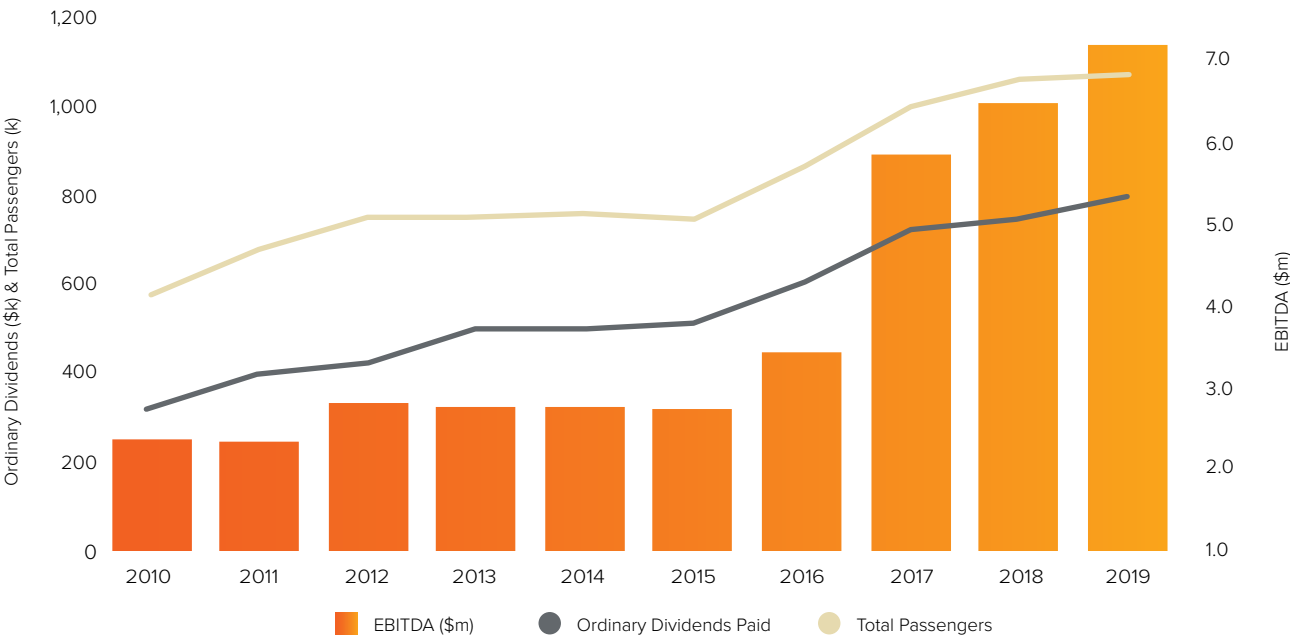
Nelson Airport is pleased to report earnings before interest, tax, depreciation and amortisation (EBITDA) of \$7.1m, up 11% on the previous year's \$6.4m.

- Total revenues are up on the previous year by over \$1.7m, or 17%.
- Passenger numbers were up 1.5% over the previous year with Nelson Airport retaining the milestone of over one million passengers per annum through our terminal.
- Increased passenger numbers and the completion of Stage A of the terminal directly supported growth in aeronautical charges, retail and ground transport revenues.
- Operating and administration expenses have scaled to match the increased levels of activity in all areas of the airport business and campus. The increase in these costs directly supported delivery of the \$2m growth in revenue for the business.
- The ordinary dividend continued its growth trend and has increased by 6.7% over the previous year to \$800,000.

Total revenues are up on the previous year by over \$1.7m, or 17%.

EBITDA, Ordinary Dividends & Total Passengers

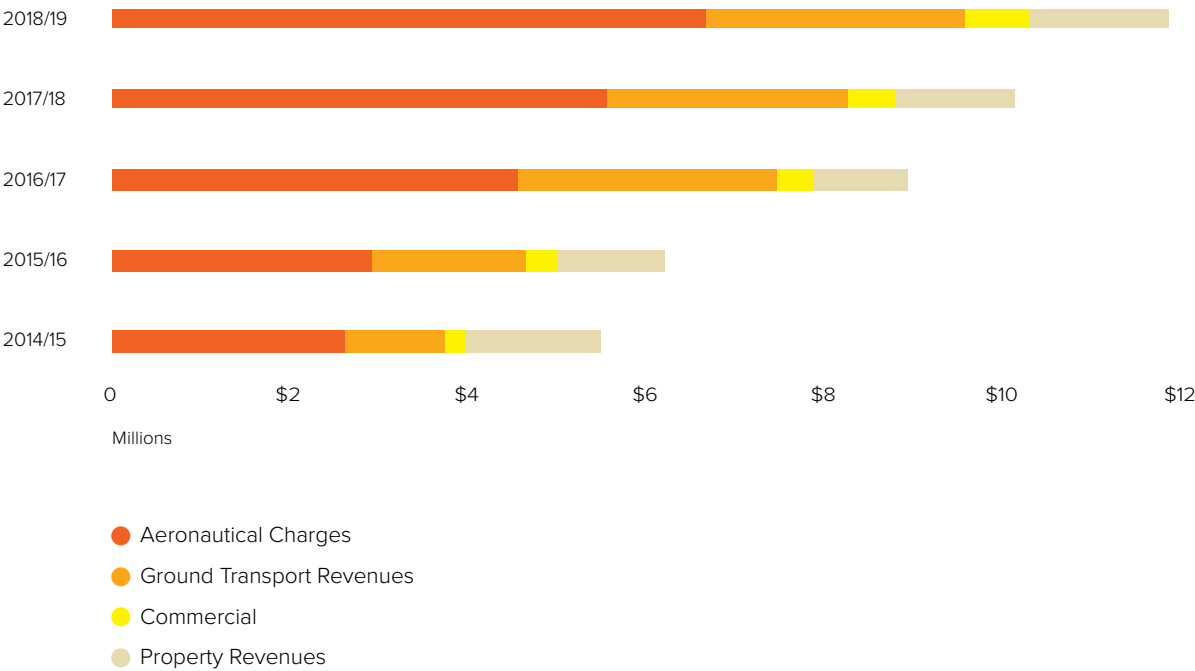
Ten year history



Compound Annual Growth Rates (CAGRs) over the 10-year period are strong:

CAGRS (10 YEARS): DIVIDEND 11% PASSENGERS 7% REVENUES 12%

Five Years Revenue Growth



Nelson Airport's CONTRIBUTION TO THE ECONOMY

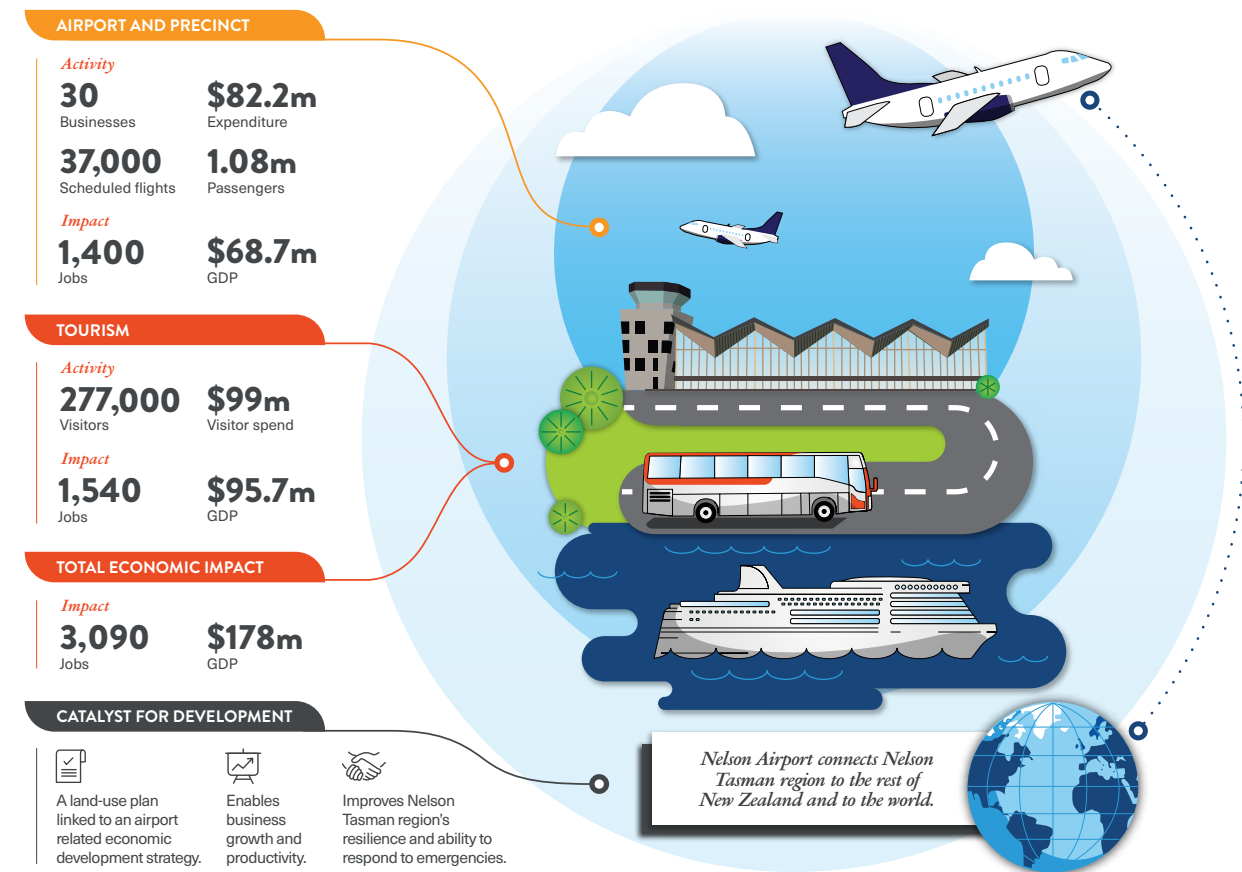
Nelson Airport is a key strategic asset and contributor to the development and growth of the Nelson Tasman economy.

Economic impact analyses completed by research company Martin Jenkins estimated the economic contribution of Nelson Airport to the Nelson Tasman economy, and its broader contribution toward meeting the development aspirations of the Nelson Tasman region.

The Airport's key service is moving people into and out of the region. The number of passengers through Nelson Airport is increasing, matching the growth in the region's population and visitor expenditure.

Economic Impact 2018

A key strategic asset and contributor to the development and growth of the Nelson Tasman regional economy.



HEALTH, SAFETY AND RISK

Health, Safety and Risk is a priority for the business. The terminal construction project has created a significant amount of activity near the public and airport operational areas and Nelson Airport is committed to ensuring the safety of visitors and staff at the airport. There have been no Lost Time injuries for the Airport Company.

The Board regularly reviews the comprehensive Health & Safety Policy which contains the responsibilities of the Board, senior management and staff towards achieving a zero-harm workplace. Regular monthly meetings are held with airport stakeholders to discuss safety concerns and promote a culture of safety and security across operations.

Supporting this, a comprehensive risk management framework has been implemented, which ensures the ongoing recognition, review and management of key risks by Board and management on a regular basis. The Health, Safety and Risk

Committee meets monthly and includes Board and senior management representation as well as operational and any other staff or advisors as required. The Health, Safety and Risk Committee reports regularly to the full Board.

The annual CAA Safety and Security Audits were completed with no negative findings, and these confirmed Nelson Airport's compliance with the requirements of the Aerodrome Operating Certificate relating to aerodrome certification, operation and use.

AVIATION ACTIVITY

KEY HIGHLIGHTS

The 2019 financial year was another growth year with improvement in passenger numbers and load factors across the network.

Key highlights of the 2019 Financial Year were:

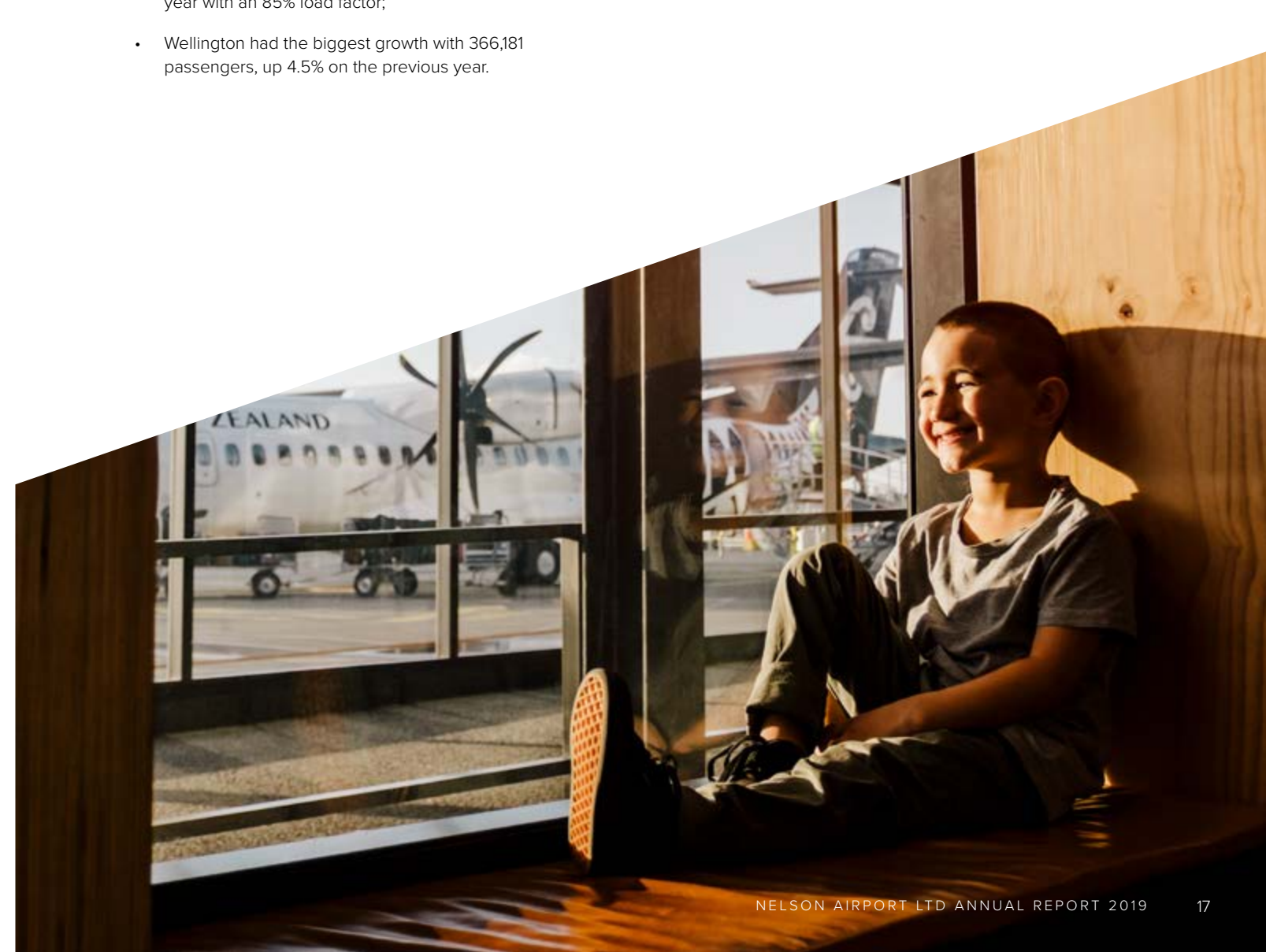
- Total passenger numbers of 1,076,000 for the 12 months - a record for Nelson Airport and a 1.5% increase on the previous financial year;
- Overall load factors increased to 83%, a 2% improvement on the previous year;
- Auckland was the best performing route with total passengers of 486,000, a 1% increase on the previous year with an 85% load factor;
- Wellington had the biggest growth with 366,181 passengers, up 4.5% on the previous year.

LETTER OF INTENT

A Letter of Intent was signed by Nelson Airport and Air New Zealand to reflect a joint commitment to work collaboratively to promote the Nelson Tasman region.

Key objectives of the agreement are to:

- Build destination awareness and intent to travel to the Nelson Tasman region – with a focus on shoulder season travel
- Drive increased conversion to Nelson Tasman through Air New Zealand



NON-AERONAUTICAL REVENUE

The non-aeronautical revenue streams provided by property rentals, ground transport operations, retail and advertising provide an important component of the airport’s total income.

Completion of the new terminal is being looked forward to by both the airport staff and the terminal tenants. It is a significant milestone for Nelson Airport to be able to provide a modern, spacious, state-of-the-art building providing enhanced passenger experiences.

Our relationship with GoMedia has resulted in significant investment in digital media at Nelson Airport. Revenue has increased utilising these new assets and is showing a 17% increase over the previous year. Additional digital signage will come online with completion of the terminal and is attracting interest from both local and national companies.

Property revenue has increased 10% over the previous year, reflecting increases in market rentals. Revenue will increase substantially as the revenues from lettable space in the completed terminal commence later in the year. Tenant

engagement has resulted in a large portion of the property portfolio being subject to new agreements, which provides clarity and certainty for all parties.

Retail revenue has increased by 78% over the previous year, which reflects multiple operators in the new terminal. However, it is anticipated that further increases will occur once the passenger flows transition from their temporary position to the completed terminal design. The addition of a new bar will also add to the retail mix and provide further options for customers.

Substantial completion of the carpark infrastructure has allowed for the introduction of multiple parking products. In addition to parking, Nelson Airport customers are supported by a range of different ground transport operators that provide options to meet all travellers’ needs. Ground transport revenue increased by 10% over the previous year.

INFRASTRUCTURE

The construction of the new terminal and car park is nearing completion. Stage A opened in October 2018 and the official opening is set for October 2019. The completed terminal will set a new standard for customer experience and airline operations.

Access roads and car park works were substantially completed with new product offerings and enhanced technology to improve the customer experience.

In addition to these important projects, upgrades to Taxiway A next to the southern end of the runway strip were completed, which included the installation of taxiway edge lighting for the first time. This upgrade will provide more resilience, increase operational efficiency and facilitate safer aircraft movements.

The new Airways control tower was successfully completed and officially opened in August 2018. The tower was the recipient of the New Zealand Institute of Architects Nelson/ Marlborough Award in the public architecture category.



The new Airways control tower was the recipient of the NZIA Nelson/Marlborough Award in the public architecture category.



STRATEGIC DEVELOPMENT

Nelson Airport’s Strategic Plan sets priorities for managing business growth. The planning process guides the business through a series of steps to determine initiatives to be undertaken over the planning period that support the vision and deliver benefits within the key result areas.

During the year benefits were delivered within all of the key result areas of; Health, Safety and Risk management; Financial Performance; Operations and Security; Value Creation; Organisational Development and; Regulatory Compliance.

SUSTAINABILITY AND ENVIRONMENTAL

Nelson Airport has identified opportunities to improve its environmental sustainability performance and management. This will be achieved by developing a sustainability policy and strategy for energy, waste, water, and carbon emissions. Targets have been developed relating to;

- Carbon neutral operation from FY20 onwards
- Reducing energy consumption, water consumption and waste to landfill by at least 20% by the end of FY24
- Storing emissions – investing in planting new forestry to capture and store carbon emissions
- Avoiding emissions – investing in renewable energy generation projects to replace existing fossil-fuel energy generation
- Reducing emissions – investing in a form of technology that reduces the usual amount of emissions produced

Key environmental features included in the new terminal ensure a better performing asset for the future. The use of laminated veneer lumber (“LVL”) for the structure, natural ventilation, solar chimneys, utilising natural light, electric car charging stations and recycling initiatives in partnership with Air New Zealand are leading the way in a state-of-the-art terminal.

The airport introduced an electric powered car for its fleet.

The increasing likelihood of extreme weather events and associated issues such as coastal erosion continue to feature in business planning and management. The upgrades taking place to roading, drainage and terminals will provide the business greater resilience in the future and mitigate these ongoing challenges.

As part of a nationwide investigation, the Environmental Protection Authority (EPA) issued a Compliance Order in respect of non-compliant storage of a fire fighting foam containing PFOS, which is listed as a hazardous substance under the Hazardous Substances and New Organisms Act 1996. Nelson Airport was the first airport to deliver a detailed PFOS replacement and remediation plan and to upgrade rescue fire appliances and equipment to the new generation foam.

The airport continues to engage with community representatives and stakeholders on noise management as required by the Nelson City Council Resource Management Plan (NRMP). A thorough review of the NRMP, which governs the planning and resource management of Nelson City, is ongoing and will include Nelson Airport’s obligations under the NRMP as they relate to airport noise.

WILDLIFE MANAGEMENT

Nelson Airport proactively manages bird population where there is a threat to aviation, using a variety of methods. Bird strikes are reported by each aerodrome based on the number of incidents per aircraft movements, being reported as strikes per 10,000 aircraft movements. The Civil Aviation Authority currently records Nelson Airport as *low risk* evidenced by our <5 bird strikes per 10,000 aircraft movements.



Nelson Airport Team

PEOPLE

With the continued growth of the business and the associated infrastructure projects underway, staff engagement, training and development, and improved awareness of the environment have been pivotal in keeping up with the daily demands.

The addition of a Property Coordinator and Accounts Officer/ Business Analyst has grown the total FTEs to 17 and will ensure the business can continue to deliver on its growth strategy.

Nelson Airport's efforts in managing the airport safely and efficiently during the construction project and dealing with the demands of expanding airline operations have been well recognised. The dedication, passion, enthusiasm and professionalism of the staff is appreciated by the Board and Shareholders as the transformation of Nelson Airport continues.

Nelson Airport appreciates and recognises the value of the two Council Shareholders who have been unwavering in their support of our growth and future development plans.

Paul J Steere
Chairman

Robert Evans
Chief Executive

CUSTOMER RESEARCH

A wider understanding of our customers and their experience was at the core of our Strategic Plan for FY2019. With a focus on this we completed Nelson Airport’s annual passenger survey to understand our passengers’ profiles and behaviours compared with the previous years.

The results showed that most of our passengers are very satisfied with Nelson Airport’s passenger journey, engagement, products and services and appreciate the continual improvement. Further improvements in sustainability, signage, retail offerings and car parking technology were identified by passengers as requiring our focus.

OUTLOOK

The year ahead will see real advances in the infrastructure upgrades with the completion and opening of the terminal in October 2019. Following this will be the demolition of the remaining cargo terminal and the building of a new cargo facility for Air New Zealand as well as rental car facilities and development of conference facilities.

Airline capacity from existing carriers is expected to be flat and new airlines and routes will be targeted to expand the existing network of six destinations. Growth of non-aeronautical revenues will also be targeted to continue to develop and grow our diversified business.

With completion of the new terminal and car parking, improvements in customer experience and new revenue streams will be key areas of focus with additional retail offerings, increased product choices and an enhanced regional sense of place.

Key environmental features included in the new terminal ensure a better performing asset for the future.

To the readers of Nelson Airport Limited's financial statements and performance information for the year ended 30 June 2019

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

Opinion

We have audited:

- the financial statements of the company on pages 34 to 57, that comprise the statement of financial position as at 30 June 2019, 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 25 to 27.

In our opinion:

- the financial statements of the company on pages 34 to 57:
- present fairly, in all material respects:
- its financial position as at 30 June 2019; 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 on pages 25 to 27 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 2019.

Our audit was completed on 30 September 2019. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Basis for our opinion

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 and performance information that are fairly presented and that comply with generally accepted accounting practice in New Zealand.

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

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

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

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are

differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements and the 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 the internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We evaluate the appropriateness of the reported performance information within the company's framework for reporting 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 in our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 6 to 21 and 24 to 58 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 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

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



Jacques Coetzee
Audit New Zealand
On behalf of the Auditor General
Wellington, New Zealand



SERVICE PERFORMANCE REPORT

2018/19

INFRASTRUCTURE

Timely investment in high quality and efficient infrastructure that supports airlines and key stakeholders.

PEOPLE

Putting people at the heart of our business.



Stage A construction activities completed

Stage A of new terminal opened and operational in October 2018.



Apron works progressed

This included a re-milling and complete refurbishment of two of the taxiways (Southern and Central) as well as the installation of taxiway lighting.



Stage B proposed completion late 2019

Stage B of new terminal remains on target to be completed October 2019.



Staff are engaged and talent is attracted for growth roles

Nelson Airport has developed a framework around staff engagement and well-being around the areas of *Social, Celebrations, Rewards, Health & Well-being, Active and Support*. Within the structure Nelson Airport has a myriad of initiatives, both existing and developing, to support staff engagement. The Personal Development Review process is utilised to monitor and manage staff engagement throughout the business.

Nelson Airport recruited for seven positions during the 2018/19 year with a good response from potential candidates. All positions were filled with qualified candidates in a timely manner.

Community feels informed and engaged



Customer surveys, social media channels, shareholder feedback and direct customer feedback are continually monitored to assess the effectiveness of communications and adjust where necessary. Feedback suggests an informed and engaged community. The monitoring of stakeholder feedback will continue.



No Lost Time Injuries (LTI's)

No lost-time work-related injuries

ACHIEVED

ACHIEVED

SERVICE PERFORMANCE REPORT

2018/19

SUSTAINABILITY

Having a policy that reflects our commitment to sustainable practices in everything we do.



Have a Board approved Sustainability Policy

The Sustainability Policy was created and presented to the Board in June 2019. Final Board approval is expected in the first quarter of 2019/20.

TARGET NOT ACHIEVED

Sustainable features of the new terminal well promoted and understood



Positive feedback received via shareholders, social media and direct from customers indicates a good appreciation of the sustainable features of the new terminal.

Stakeholders aligned with sustainable policy (ie. retail waste)



Nelson Airport has been in communication with key stakeholders around the essential elements of the Draft Sustainability Policy. Engagement from stakeholders has been good and specific joint initiatives are underway such as a programme to utilise a compostable coffee cup shredder.

Although alignment has been achieved Nelson Airport will be continuing to work with stakeholders to ensure opportunities for further alignment/initiatives are identified and jointly delivered.

ACHIEVED

FINANCIAL

Manage financial performance to achieve forecasts and compliance.

\$7m
EBITDA

Achieve Operational EBITDA of \$7m

EBITDA of \$7.15m achieved.

Obtain an unqualified Audit Opinion for the 2017/18 Annual Report



Nelson Airport obtained an unqualified audit opinion for the 2017/18 Annual Report.

ACHIEVED

\$800k
Dividend

Pay a dividend of \$800k

Directors approved a dividend of \$800k. This was in excess of both the prior year dividend and the consumer price index, as per the dividend policy.

SERVICE PERFORMANCE REPORT

2018/19

CUSTOMERS

Keeping customers at the core and building relationships that enhance the experience and business performance.



Attain the 1.1 million passenger milestone

Total passengers for Nelson Airport for the 2018/19 year was 1.1m.

ACHIEVED

Complete the Customer Strategy



Good progress was made on the critical elements of the customer strategy although a single *Customer Strategy* was not completed. The Customer research undertaken will inform the work in FY20.

TARGET NOT ACHIEVED

Economic Impact Research Report commissioned and completed



A comprehensive Economic Impact Research Report, *Nelson Airport's contribution to the Nelson Tasman economy*, completed.

ACHIEVED

RISK AND COMPLIANCE

Risks managed and best practice guidelines followed.



Implement a compliant Safety Management System (SMS)

The implementation programme for the Safety Management System (SMS) requires the approval of the Civil Aviation Authority (CAA) – who is certifying the individual SMS systems for all airports in New Zealand. CAA has approved Nelson Airport's SMS implementation for June 2020. The target was not achieved as implementation did not occur by the current year end.

TARGET NOT ACHIEVED

Plan and resources in place to meet PFOS-related Compliance Order obligations

All outstanding items in the noncompliance order have been satisfied and accepted by the EPA.

ACHIEVED

Sustainability Policy completed and integrated Solar Farm Strategy completed



The significant work done in the sustainability area included a feasibility assessment on a solar farm. Expert advice was obtained with recommendations acknowledging Nelson Airport's Masterplan and other strategies. This work will be completed in early FY20.

TARGET NOT ACHIEVED



ANNUAL REPORT

For the Year Ended 30 June 2019



ANNUAL REPORT

For the Year Ended 30 June 2019

The Directors have pleasure in presenting to the shareholders the Annual Report and audited financial statements of Nelson Airport Limited for the year ended 30 June 2019.

NATURE OF BUSINESS

Airport operating company.

VISION AND MISSION

Nelson Airport Limited's Vision is:

To be the best regional airport in New Zealand.

Nelson Airport Limited's Mission is:

To provide safe, efficient and innovative services and facilities that support aviation growth and the economic prosperity of the Nelson Tasman Region.

Directors holding office in the year:	2019 Remuneration	2018 Remuneration
Paul Steere (Chair)	\$37,269	\$34,000
Catherine Taylor (Deputy Chair, PCG Liaison)	\$25,212	\$23,000
Matthew Clarke	\$23,019	\$21,000
Matthew McDonald	\$23,019	\$21,000
Mark Greening (Appointed 20 December 2017)	\$23,019	\$11,065
Judene Edgar (Resigned 19 December 2017)	\$-	\$9,127

DIRECTORS' REGISTER OF INTERESTS

Entries in the interest register during the year include:

Director Paul Steere – Chairman – Interests:

- New Zealand King Salmon Co Ltd (Director)
- New Zealand King Salmon (Australia) Ltd (Director)
- New Zealand King Salmon Investments Ltd (Director)
- New Zealand King Salmon Exports Limited (Director)
- New Zealand King Salmon USA Inc, an entity incorporated in the USA (Director)
- NZKS Custodian Ltd (Director)
- King Salmon Ltd (Director)
- Maccure Seafoods Ltd (Director)
- Ora King Ltd (Director)
- Southern Ocean Seafoods Ltd (Director)
- Regal Salmon Ltd (Director)
- Southern Ocean Salmon Ltd (Director)
- Nelson Marlborough Institute of Technology (Councillor)
- Hammok IP Ltd (Director)
- Kaynemaile Ltd (Chairman)
- Allan Scott Wines (Chairman)
- Omega Innovations Ltd (Director)
- Aquaculture Advisory Group South Pacific Community (Chair)
- NCC Committee for Strategy for the Aged (Chair-elect) (Commenced Jan 2019)
- Nutcracker Ltd (Director)

Director Catherine Taylor – Deputy Chair – Interests:

- Life Flight Trust (Trustee)
- Diabetes New Zealand Incorporated (Chairperson)
- Energy Efficiency & Conservation Authority (Director/ Deputy Chair)
- New Zealand Law Foundation (Trustee)
- John Nesfield Trust (Trustee) (Commenced Jan 2019)
- Biosecurity Ministerial Advisory Committee (Member)

Director Matt Clarke – Interests:

- Wellington International Airport Ltd (Chief Commercial Officer)
- Wellington Regional Economic Development Agency (Director)
- Red Wine Properties Ltd (Director and Shareholder)
- Whare Manaakitanga Ltd (Director)

Director Matthew McDonald – Interests:

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

Director Mark Greening – Interests:

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



BOARD ATTENDANCE

Board Attendance levels during the year were as follows;

Director	Position	Tenure	Meetings Attended	Of a possible
P Steere	Chair	Full Year	10	12
C Taylor	Deputy Chair	Full Year	11	12
M Clarke	Director	Full Year	12	12
M McDonald	Director	Full Year	10	12
M Greening	Director	Full Year	11	12

Active Committees

Committee	Composition	Meetings Held
Nelson Airport Noise Environment Advisory Committee	2 x resident reps, 1 x Nelson Airport Director, 1 x Nelson Airport Ltd Management rep, 1 x rep from each airline, 1 x Helicopters Users rep, 1 x Airport Other Users rep, 1 x Airways Corp rep, 1 x Nelson City Council rep	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 2019 was as follows:

Remuneration	Number of Employees
\$130,001 - \$140,000	2
\$140,001 - \$150,000	1
\$260,001 – \$270,000	1

Donations

Donations paid during the year were \$1,800 (2018: \$569).

For and on Behalf of the Board

Paul J Steere
Chair

Catherine Taylor
Deputy Chair

STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 30 June 2019

	Note	2019 \$000s	2018 \$000s
Revenue	2	11,844	10,131
Operating costs	3	3,351	2,597
Administration expenses	3	1,495	1,112
Depreciation and amortisation	3	2,250	1,426
		7,096	5,134
Operating Profit		4,748	4,997
Interest Revenue		15	20
Finance Costs	3	(815)	(327)
Net Financing Income		(800)	(307)
Profit before Tax		3,948	4,690
Income tax expense	4	1,180	1,245
Profit after Tax		2,768	3,446
Other Comprehensive Income			
Gain on asset revaluation		-	10,840
Tax on asset revaluation		-	(1,191)
Total Comprehensive Income		2,768	13,095

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

STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2019

	Note	2019 \$000s	2018 \$000s
Opening Retained Earnings		15,195	11,885
Total Profit for the Year		2,768	3,446
Correction of Previously Recognised Revenue	16	-	(136)
Distributions to Equity Holders		(1,530)	-
Retained Earnings as at Year End		16,433	15,195
Opening Asset Revaluation Reserve		47,692	38,043
Gain on Asset Revaluation		-	9,649
Asset Revaluation as at Year End		47,692	47,692
Share Capital	10	2,400	2,400
Closing Equity as at Year End		66,525	65,287

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

STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Note	2019 \$000s	2018 \$000s
Assets			
Current Assets			
Trade and Other Receivables	7	1,042	1,161
Cash and Cash Equivalents	8	541	532
Total Current Assets		1,583	1,694
Non Current Assets			
Property, Plant and Equipment	5	103,029	86,052
Intangible Assets	6	88	39
Total Non Current Assets		103,116	86,090
Total Assets		104,699	87,784
Liabilities			
Current Liabilities			
Trade and Other Payables	12	3,089	3,710
Derivative Financial Liabilities	13	291	158
Current Income Tax Liability		207	432
Employee Entitlements		193	166
Total Current Liabilities		3,780	4,466
Non Current Liabilities			
Deferred Tax	4	5,699	5,792
Derivative Financial Liabilities	13	845	164
Interest Bearing Loans	14	27,850	12,075
Total Non Current Liabilities		34,395	18,031
Total Liabilities		38,174	22,497
Net Assets		66,525	65,287
Equity			
Issued Share Capital	10	2,400	2,400
Retained Earnings		16,433	15,195
Asset Revaluation Reserve		47,692	47,692
Total Equity		66,525	65,287

For and on behalf of the Board



Paul Steere, **Chair**
30 September 2019



Catherine Taylor, **Deputy Chair**
30 September 2019

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

STATEMENT OF CASH FLOWS

For the Year Ended 30 June 2019

	Note	2019 \$000s	2018 \$000s
Cash Flows from Operating Activities			
<i>Cash was provided from:</i>			
Receipts from airport users		11,426	10,102
Interest received		15	22
		11,441	10,124
<i>Cash was disbursed to:</i>			
Payments to suppliers and employees		(4,600)	(3,301)
Interest paid		0	(5)
Income tax paid		(1,498)	(1,692)
Net GST Movement		276	(649)
		(5,823)	(5,647)
Net Cash Flows from Operating Activities	15	5,618	4,477
Cash Flows from Investing Activities			
<i>Cash was provided from:</i>			
Sale of property, plant & equipment		0	-
		0	-
<i>Cash was disbursed to:</i>			
Purchase of property, plant & equipment		(20,570)	(18,614)
Purchase of Intangible Assets		(65)	(4)
		(20,635)	(18,619)
Net Cash Flow from Investing Activities		(20,635)	(18,619)
Cash Flows from Financing Activities			
<i>Cash was provided from:</i>			
Increase in term loans		15,775	12,075
		15,775	12,075
<i>Cash was disbursed to:</i>			
Dividends paid		(750)	-
		(750)	-
Net Cash Flow from Financing Activities		15,025	12,075
Net increase/(decrease) in cash and cash equivalents		8	(2,067)
Opening cash and cash equivalents		532	2,599
Closing cash and cash equivalents		541	532

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

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2019

1. STATEMENT OF ACCOUNTING POLICIES

a) Reporting entity

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

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

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

The financial statements for Nelson Airport Limited are for the year ended 30 June 2019. The financial statements were authorised for issue by Nelson Airport Limited on 30 September 2019.

b) Basis of preparation

Statement of Compliance

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

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

Measurement Base

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

Functional and Presentation Currency

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

Application of new and revised International Financial Reporting Standards (IFRSs)

Nelson Airport Limited has applied the following standards and amendments for the first time in its annual reporting period ending 30 June 2019.

NZ IFRS 9 *Financial Instruments*
NZ IFRS 15 *Revenue from Contracts with Customers*

NZ IFRS 9 *Financial Instruments* addresses the accounting treatment for recognising financial assets, and financial liabilities. All existing interest rate swap arrangements at 30 June 2018 were accounted for as a non-hedge accounted interest rate derivative, and under NZ IFRS 9 these arrangements have been treated in the same manner. Cash and cash and equivalents, and Trade and other receivables were previously designated as Loans and receivables in the 30 June 2018 year – these financial assets are now recognised at amortised cost under NZ IFRS 9. The adoption of this accounting standard has had no material impact on the financial statements, and comparative figures have not been restated.

NZ IFRS 15 *Revenue from Contracts with Customers* provides guidance on how and when revenue will be recognised. Nelson Airport Limited has adopted NZ IFRS 15 using the cumulative method (without applying practical expedients) with the effect of applying this standard recognised at the date of application. For revenue streams to which NZ IFRS 15 applies, revenue recognition has been assessed to be in line with the satisfaction of performance obligations. There has been no material impact on the financial statements from the adoption of this accounting standard.

Changes in Accounting Policies

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

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2019

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

Valuation of property, plant and equipment

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

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

c) Property, plant and equipment

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

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

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

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







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

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

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2019

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

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

			Straight line	Diminishing value
Buildings		Terminal	2% - 17.5%	
Buildings		Hangars and other buildings	1.6% - 33.3%	8.0% - 33.3%
Airfield Infrastructure		Runways, taxiways and aprons	2.5% - 50.0%	4.0% - 30.0%
Landside Infrastructure		Pavements, utilities and other infrastructure	0.0% - 40.0%	0.0% - 30.0%
Equipment		Parking meters, security and vehicles	6.7% - 21.0%	8.0% - 67.0%
Fixtures and fittings		Furniture, computers, and fittings	5.0% - 5.0%	10.0% - 80.4%

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2019

d) Intangible Assets

Software acquisition and development

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

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

Branding

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

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

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

Computer Software	48.0% - 50.0%
Branding	10.0% - 12.50%

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.

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

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

g) Other financial assets

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

h) Share capital

Ordinary shares

Ordinary shares are classified as equity.

i) Interest bearing borrowings

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

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2019

j) Derivative Financial Instruments and hedging activities

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

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

k) Employee entitlements

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

l) Trade and other payables

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

m) Revenue

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

Aeronautical charges

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

Property revenues

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

Ground transport revenues

Ground transport revenues includes:

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

Advertising revenue

Advertising revenue is recognised as revenue in accordance with agreements with customers and NZ IFRS 15.

Interest Revenue

Interest income is recognised using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2019

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.

Income Tax

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

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

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

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

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

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

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

o) Goods and services tax (GST)

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

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

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

p) Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2019

2. OPERATING REVENUE

	2019 \$000s	2018 \$000s
Contract Revenue		
Aeronautical Charges	6,496 -	5,430
Ground Transport Revenues	2,107 -	1,938
Advertising Revenue	195 -	167
Sundry Income	1 -	1
Total Contract Revenue	8,798	7,535
Other Revenue		
Aeronautical Charges	105	61
Ground Transport Revenues	1,097	987
Retail Revenue	374 -	210
Property Revenues	1,469	1,337
Total Other Revenue	3,046	2,596
Total Revenue	11,844	10,131

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2019

3. EXPENSES

a) Operating Costs

	2019 \$000s	2018 \$000s
Loss on Impairment	-	2
Employee Entitlements	1,498	1,223
Other Operating Expenses	1,712	1,363
Loss on Disposal of Assets	140	9
	3,351	2,597

b) Administration Costs

	2019 \$000s	2018 \$000s
Auditors Remuneration	34	33
Auditors Remuneration - Disclosure Accounts	15	-
Directors' Fees	132	120
Insurance & Rates	690	580
Other Administration Expenses	624	378
	1,495	1,112

c) Depreciation and amortisation

	2019 \$000s	2018 \$000s
Depreciation	2,234	1,417
Amortisation of Intangible Assets	16	8
	2,250	1,426

d) Finance Costs

	2019 \$000s	2018 \$000s
Interest Expense	-	5
Movement in Unhedged Derivative Financial Liability	815	322
	815	327

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2019

4. INCOME TAX

Components of Income Tax Expense

	2019 \$000s	2018 \$000s
Current Tax Expense	1,268	1,565
Prior Years Tax Under Provided	4	-
Deferred Tax Expense	(93)	(320)
	1,180	1,245

Relationship between Tax Expense and Accounting Profit

	2019 \$000s	2018 \$000s
Operating Profit Before Taxation	3,948	4,690
Prima Facie Tax @ 28%	1,105	1,313
Adjustment for Timing & Taxation Differences	157	249
Adjustment for Permanent Differences	6	3
Prior Years Tax Under Provided	4	-
Adjustments for Deferred Tax	(225)	(146)
Adjustments for Deferred Tax - Property, Plant & Equipment	132	(174)
Income Tax Expense	1,180	1,245

c) Depreciation and amortisation

	2019 \$000s	2018 \$000s
Property, Plant and Equipment		
Opening Balance	(5,913)	(4,896)
Charged to Profit & Loss	(132)	174
Charged to Other Comprehensive Income	-	(1,191)
Closing Balance	(6,045)	(5,913)
Employee Entitlements		
Opening Balance	26	(8)
Charged to Profit & Loss	0	34
Closing Balance	26	26
Other Provisions		
Opening Balance	95	(17)
Charged to Profit & Loss	225	112
Closing Balance	320	95
Total	(5,699)	(5,792)

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2019

5. PROPERTY, PLANT & EQUIPMENT

2019	Land & Improvements \$000s	Buildings \$000s	Airfield Infrastructure \$000s	Landside Infrastructure \$000s	Equipment \$000s	Fixtures & Fittings \$000s	Capital Work in Progress \$000s	Total \$000s
Cost or Valuation								
Balance as at 1 July 2018	32,652	8,472	16,190	13,072	520	253	16,638	87,796
Reclassification	-	22,095	3,380	(683)	-	134	(24,969)	(43)
Additions	-	-	1	5	53	2	19,332	19,394
Disposals	-	(38)	-	(35)	(209)	(151)	-	(433)
Balance at 30 June 2019	32,652	30,528	19,571	12,359	364	239	11,002	106,714
Accumulated Depreciation and Impairment Losses								
Balance as at 1 July 2018	-	27	-	1,201	337	181	-	1,745
Depreciation	-	908	865	405	34	22	-	2,234
Disposals	-	-	-	(27)	(142)	(124)	-	(293)
Balance at 30 June 2019	-	934	865	1,578	229	79	-	3,685
Net Book Value at 30 June 2019	32,652	29,593	18,706	10,781	135	160	11,002	103,029

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2019

5. PROPERTY, PLANT & EQUIPMENT

2018	Land & Improvements \$000s	Buildings \$000s	Airfield Infrastructure \$000s	Landside Infrastructure \$000s	Equipment \$000s	Fixtures & Fittings \$000s	Capital Work in Progress \$000s	Total \$000s
Cost or Valuation								
Balance as at 1 July 2017	26,064	10,721	16,830	5,328	571	297	5,346	65,158
Reclassification	-	-	-	7,647	-	-	(7,647)	-
Additions	-	2,001	67	97	26	14	18,939	21,144
Movement in Asset Revaluation	6,588	(4,251)	(707)	-	-	-	-	1,630
Disposals	-	-	-	-	(77)	(58)	-	(135)
Balance at 30 June 2018	32,652	8,472	16,190	13,072	520	253	16,638	87,796
Accumulated Depreciation and Impairment Losses								
Balance as at 1 July 2017	-	4,799	3,315	962	362	218	-	9,657
Depreciation	-	401	719	239	45	13	-	1,417
Impairment	-	2	-	-	-	-	-	2
Disposals	-	-	-	-	(70)	(51)	-	(121)
Movement in Asset Revaluation	-	(5,176)	(4,034)	-	-	-	-	(9,210)
Balance at 30 June 2018	-	27	-	1,201	337	181	-	1,745
Net Book Value at 30 June 2018	32,652	8,445	16,190	11,871	183	72	16,638	86,052

Valuation

Residential land was last valued as at 30 June 2018 by Duke & Cooke in accordance with the 2009 Australia and New Zealand Valuation Property Standards; the 2017 International Valuation Standards (fair value \$1,432,000).

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 last valued as at 30 June 2018 by Seagar & Partners (Auckland) Limited in accordance with 2017 International Valuation Standards (fair value \$31,220,000).

All buildings (with the exception of Airport House, which was purchased during the June 2018 year) were last valued as at 30 June 2018 by Duke & Cooke Limited in accordance with the 2009 Australia and New Zealand Valuation Property Standards; the 2017 International Valuation Standards (fair value \$6,430,000).

Airfield infrastructure was last valued as at 30 June 2018 by Opus International Consultants Limited in accordance with International Valuation Standards (fair value \$16,190,000).

Landside infrastructure was last valued as at 30 June 2015 by Opus International Consultants Limited in accordance with International Valuation Standards (fair value \$4,228,000). Due to the development projects in progress at balance date, the Board have been unable to obtain a reliable fair value estimate of the landside infrastructure at 30 June 2019. An updated valuation will be obtained once the development has been completed.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2019

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2019

6. INTANGIBLE ASSETS

2019	Original Cost \$000s	Accum Amortisation \$000s	Opening WDV \$000s	Additions \$000s	Reclassifications \$000s	Disposals \$000s	Amortisation \$000s	Closing WDV \$000s
Software	33	23	9	22	-	0	8	23
Other Intangibles	41	12	29	-	43	-	8	64
Total	74	35	39	22	43	0	16	88

2018	Original Cost \$000s	Accum Amortisation \$000s	Opening WDV \$000s	Additions \$000s	Reclassifications \$000s	Disposals \$000s	Amortisation \$000s	Closing WDV \$000s
Software	28	20	9	4	-	-	4	9
Other Intangibles	41	7	34	-	-	-	5	29
Total	70	27	43	4	-	-	8	39

7. TRADE AND OTHER RECEIVABLES

	2019 \$000s	2018 \$000s
Trade Receivables - Contract Revenue	594	493
Trade Receivables - Other Revenue	136	78
Less: Provision for Impairment	-	(18)
Accrued Debtors	10	18
Prepayments	19	31
GST	284	560
	1,042	1,161

8. CASH AND CASH EQUIVALENTS

	2019 \$000s	2018 \$000s
Cash on Hand	12	15
Bank Balance	529	517
	541	532

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2019

9. FINANCIAL INSTRUMENTS

Financial Assets

	Amortised cost (Loans and receivables 2018)	
	2019 \$000s	2018 \$000s
Cash and Cash Equivalents	541	532
Trade and Other Receivables	729	570
	1,270	1,103

Financial Liabilities

	Fair value through profit or loss		Amortised cost	
	2019 \$000s	2018 \$000s	2019 \$000s	2018 \$000s
Trade and other Payables	-	-	2,125	3,553
Derivatives	1,137	322	-	-
Loans and Borrowings	-	-	27,850	12,075
	1,137	322	29,975	15,628

10. SHARE CAPITAL

Ordinary Shares

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

Kiwi Share

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

Distributions to shareholders

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

On 26 June 2019 a dividend of \$780,000 was declared and accrued at year end, with payment made following balance date on 22 July 2019. Subsequent to balance date an additional \$20,000 dividend was declared, increasing the total ordinary dividend to \$800,000.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2019

11. CONTINGENT LIABILITIES

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

12. TRADE AND OTHER PAYABLES

	2019 \$000s	2018 \$000s
Trade Payables	2,094	3,512
Trade Payables (Related Parties)	30	41
Dividends Payable	780	-
Accruals	144	120
Lease Income in Advance	40	37
	3,089	3,710

13. DERIVATIVE FINANCIAL INSTRUMENTS

	2019 \$000s	2018 \$000s
Derivative Financial Liabilities		
Interest Rate Swaps		
Current Portion	291	158
Non-Current Portion	845	164
	1,137	322

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 2019 (including swaps in place for future borrowings on a floating interest rate) totalled \$19,000,000 (2018: \$19,000,000). Their fair value was a liability of \$1,136,542 (2018: 321,694).

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2019

14. INTEREST BEARING LOANS

	2019 \$000s	2018 \$000s
Repayable as follows:		
Less Than 1 Year	-	-
Between 1 and 5 Years	27,850	12,075
	27,850	12,075

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

The total interest capitalised as part of the cost of property, plant and equipment was \$852,899 (June 2018: \$113,435).

The interest rates applying at balance date were 3.02% - 3.20% (June 2018: 3.35% - 3.46%).

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2019

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

	2019 \$000s	2018 \$000s
Net Profit for the Year	2,768	3,446
<i>Add/(less) non cash and non operating items:</i>		
(Gain)/Loss on Disposal of assets	140	9
Depreciation and Amortisation	2,250	1,426
Donated Assets Disposed of at Estimated Market Value	-	5
Impairment of fixed assets	-	2
Movement in deferred taxation	(93)	870
Prior period adjustment	-	(136)
Movement in derivative financial instrument	815	322
Tax on asset revaluation	-	(1,191)
<i>Movement in working capital:</i>		
(Increase)/Decrease in receivables	(441)	162
Increase/(Decrease) in current tax payable	(225)	(180)
Increase/(Decrease) in payables	404	(257)
Net cash flows from operating activities	5,618	4,477

16. CORRECTION OF ERRORS

During the June 2018 year, Nelson Airport Limited discovered that rental amounts previously recognised as a receivable at balance date in historical financial results related to invoiced amounts covering periods after balance date. The effect of this misstatement was overstated receivables and retained earnings at 30 June 2017, and income over multiple financial periods.

Rather than amend the results for prior financial periods, a prior period adjustment of \$136,158 was recognised in the Statement of Changes in Equity during the previous financial year to correct this misstatement. Revenue for the 12 months ending 30 June 2018, and Receivables as at 30 June 2018 do not repeat the error made in previous years.

17. 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 \$482,004 (2018: \$473,030), while receiving income of \$403 (2018: \$1,121). The balance included as owing in trade payables as at 30 June 2019 was \$15,642 (2018: \$18,008).

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

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2019

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 \$81,798 (2018: \$81,271), while receiving income of \$40 (2018: Nil). The balance included as owing in trade payables as at 30 June 2019 was \$5,867 (2018: \$5,712).

Nelson Regional Development Agency Limited is wholly owned by Nelson City Council. Nelson Airport Limited paid costs of \$34,672 to the Agency (2018: \$80,500), and received income from the Agency of Nil (2018: \$2,605). The balance included as owing in trade payables as at 30 June 2019 was \$8,625 (2018: \$17,250).

Transactions with entities related to key
management personnel

Nelson Airport Limited paid Nil (2018: \$2,398) for services to Wellington International Airport Limited, of which Matt Clarke (Director of Nelson Airport Limited) is Chief Commercial Officer.

The Wellington Regional Economic Development Agency, of which Matt Clarke was a Director was invoiced Nil (2018: \$1,380) by Nelson Airport Limited for services during the year.

Nelson Airport Limited received income of \$460 (2018: \$115) from the Life Flight Trust, of which Catherine Taylor was a Trustee during the year.

Nelson Airport Limited paid \$621 (2018: Nil) to Allan Scott Wines & Estates Ltd, of which Paul Steere was Chairman during the year.

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

	2018	2019
Net Profit for the Year		
Key management personnel compensation	\$397,918	\$381,565

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

18. CAPITAL COMMITMENTS

Nelson Airport Limited has the following contractual capital commitments for property, plant and equipment as at 30 June 2019 (2018: \$21,851,000);

Terminal Development **\$7,131,978**

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

19. OPERATING LEASES

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 2019 lease revenue received in association with the non–cancellable operating lease arrangements amounted to \$1,992,593 (2018: \$971,443).

Future non-cancellable lease revenue from existing leases:			
	2018	2019	
Leases revenue within 12 months	\$2,361,943	\$1,144,155	
Leases revenue between 1-5 years	\$5,127,291	\$1,141,388	
Leases revenue thereafter	\$3,331,315	\$1,087,850	
Total	\$10,820,549	\$3,373,393	

20. EVENTS AFTER
BALANCE DATE

On 25th September 2019 Jetstar announced a consultative proposal to withdraw regional services which includes those servicing Nelson. This withdrawal by Jetstar may reduce the company's future revenue and could have a marginal flow on impact on the valuation of the airport assets. In the latest month Jetstar's aeronautical activity at the airport contributed to an average of 5.5 landings per day. At this stage the financial impact of this withdrawal cannot be quantified as we are continuing to focus on our growth strategy and expect that based on demand, other carriers will increase their services to mitigate some of the impact of Jetstar's withdrawal. The company will continue to review strategies to mitigate any negative effects of this withdrawal and the company remains in a strong position as a going concern.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2019

21. SHAREHOLDERS' STATEMENT OF INTENT

Nelson Airport Limited was required to deliver a completed Statement of Intent to its shareholders by 30 June 2019 under Part 3(b) of Schedule 8 of the Local Government Act 2002. The 2019/20 Statement of Intent was completed and forwarded to Nelson Airport Limited's shareholders on 1 July 2019.

22. VARIANCE - 2018/19 ACTUALS TO 2018/19 STATEMENT OF INTENT FINANCIAL FORECASTS

Statement of Comprehensive Income

	SOI Forecast (\$m)	2018/19 Actuals (\$m)	Variance (\$m)	Variance (%)	Note
Total Revenues	11.7	11.8	0.1	1%	
Total Operating Expenses	4.7	4.7	-	0%	
EBITDA before extraordinary	7.0	7.1	0.1	1%	
Depreciation & Amortisation	2.9	2.3	(0.7)	-22%	1
Finance Expense / (Income)	1.7	0.8	(0.9)	-53%	2
Profit before Income Tax & Extraordinaries	2.3	4.1	1.8	78%	
Income Tax	1.1	1.2	0.1	7%	
Extraordinary write-down	0.3	0.1	(0.2)	-53%	
Net Profit after Tax	0.9	2.8	1.9	208%	

Notes

1. Forecast estimated average depreciation rates for new terminal 6.5% v actual 2.9%

2. Interest forecast capitalised to construction to which the finance relates. Partially offset by movement in value of interest rate swaps, which are rightly not forecast

Balance Sheet

	SOI Forecast (\$m)	2018/19 Actuals (\$m)	Variance (\$m)	Variance (%)	Note
Current Assets	1.6	1.6	(0.0)	-3%	
Property, Plant & Equipment	97.8	103.0	5.2	5%	
Intangible Assets	-	0.1	0.1	N/A	
Total Assets	99.4	104.6	5.2	5%	
Current Liabilities	2.7	3.7	1.0	39%	
Total Loan Finance	36.8	28.7	(8.1)	-22%	3
Total Other Non-current Liabilities	4.7	5.7	1.0	21%	
Total Liabilities	44.2	38.1	(6.1)	-14%	
Total Net Assets	55.2	66.5	11.3	20%	
Total Equity	55.2	66.5	11.3	20%	

Notes

3. Capital Expenditure profile weighted later in actuals (a timing difference)

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2019

Cashflows

	SOI Forecast GST Inclusive (\$m)	Annual Report Actuals GST Inclusive (\$m)	Variance (\$m)	Variance (%)	Note
Cash Opening Balance	0.2	0.5	0.3	166%	
Cash In					
Cash from Operations	13.3	13.2	(0.1)	-1%	
Cash drawn from Loan Facility	24.0	15.8	(8.2)	-34%	5
Total Cash Inflows	37.3	28.9	(8.4)	-22%	
Cash Out					
Operational Expenses	5.1	5.0	(0.1)	-1%	
Income Tax Paid	1.4	1.5	0.1	7%	
Dividends	0.8	0.8	(0.0)	-4%	
Capital Expenditure	30.9	23.6	(7.3)	-24%	5
GST Paid (Received)	(2.9)	(2.0)	1.0	-33%	6
Loan Repayments	1.7	-	(1.7)	-100%	7
Total Cash Outflows	37.0	28.9	(8.1)	-22%	
Cash Closing Balance	0.5	0.5	0.0	4%	

Notes

4. The Statement of Intent Forecast is made on a GST inclusive basis whereas the 2018/19 Actuals are displayed on a GST exclusive basis.

To provide for meaningful comparison for the variance analysis the 2018/19 figures have been grossed-up to include the GST element (the third column in the table above)

5. Favourable variance due to timing difference in expenditure profile for new terminal projects

6. GST impact of timing difference in expenditure profile for new terminal projects

7. Loan repayment figure forecast in Sol was interest payments. Interest was capitalised to the construction for which it was drawn down. There were no repayments of loan capital, either forecast or made for the 2018/19 year

COMPANY DIRECTORY

Directors

Paul Steere — Chair
Catherine Taylor — Deputy Chair
Matthew Clarke
Matthew McDonald
Mark Greening

Registered Office

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

Chief Executive

Robert Evans

Senior Leadership Team

Sally Russ — Business Development
and Marketing Manager
Stephen Batt — Commercial Manager
Simon Orr — Corporate Services Manager
David Scott — Operations
and Assets Manager

Auditor

Audit New Zealand on behalf of the
Auditor-General

Accountant

Johnston Associates Chartered
Accountants Limited

Banker

Westpac Banking Corporation

Lawyer

Ford Sumner Lawyers



