Nelson Airport Limited

ANNUAL REPORT 2012

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Nelson Airport Limited

ANNUAL REPORT 2012

Audit Report

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

To the readers of
Nelson Airport Limited's
financial statements and performance information
for the year ended 30 June 2012

The Auditor General is the auditor of Nelson Airport Limited (the company). The Auditor General has appointed me, John Mackey, 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 her behalf.

We have audited:

- the financial statements of the company on pages 12 to 36 that comprise the statement of financial position as at 30 June 2012, 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 12 and 13.

Opinion

Financial statements and performance information

In our opinion:

- the financial statements of the company on pages 12 to 36:
  - comply with generally accepted accounting practice in New Zealand;
  - give a true and fair view of the company's:
    - financial position as at 30 June 2012; and
    - financial performance and cash flows for the year ended on that date;
- the performance information of the company on pages 12 and 13:
  - complies with generally accepted accounting practice in New Zealand; and
  - gives a true and fair view of the achievements measured against the performance targets adopted for the year ended on 30 June 2012.

Opinion on other legal requirements

In accordance with the Financial Reporting Act 1993 we report that, in our opinion, proper accounting records have been kept by the company as far as appears from an examination of those records.

Our audit was completed on 31 August 2012. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities, and we explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and performance information are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and performance information. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and performance information whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the company's preparation of the financial statements and performance information that give a true and fair view of the matters to which they relate. We consider internal control 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.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the adequacy of all disclosures in the financial statements and performance information; and
- the overall presentation of the financial statements and performance information.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and performance information. In accordance with the Financial Reporting Act 1993, we report that we have obtained all the information and explanations we have required. We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Board of Directors

The Board of Directors is responsible for preparing financial statements and performance information that:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the company's financial position, financial performance and cash flows; and
- give a true and fair view of its service performance achievements.

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

The Board of Directors' responsibilities arise from the Local Government Act 2002 and the Financial Reporting Act 1993.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and performance information and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and section 69 of the Local Government Act 2002.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

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

John Mackey
Audit New Zealand
On behalf of the Auditor General
Christchurch, New Zealand

Matters relating to the electronic presentation of the audited financial statements and performance information.

This audit report relates to the financial statements and performance information of the Company for the year ended 30 June 2012 included on the Company's website. The Company's Board of Directors is responsible for the maintenance and integrity of the Company's website. We have not been engaged to report on the integrity of the Company's website. We accept no responsibility for any changes that may have occurred to the financial statements and performance information since they were initially presented on the website.

The audit report refers only to the financial statements and statement of service performance named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements and performance information. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and performance information and related audit report dated 31 August 2012 to confirm the information included in the audited financial statements and performance information presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

Members of the Board

From left to right: Michael Higgins (Director), Kaye McNabb (Chief Executive), Paul McGuinness (Director), Paul Steere (Chair), Judy Fanselow (Director), Annette Milligan (Deputy Chair).

Airport Staff

Kaye McNabb
Chief Executive

Peter van den Bogaardt
Commercial Manager

James Middlewick
Operations Support Officer

Karen Hieatt
Office Administrator

Ruth Draaijer
Administration Assistant

Wayne Klenner
Customer Service
Security Officer

Greg Allen
Customer Service
Security Officer

Sam Kearney
Customer Service
Security Officer

Jas Misiepo
Customer Service
Security Officer

Director's Report

Financial

On behalf of the Directors of Nelson Airport Limited I am pleased to report another excellent performance by the company in the year ended 30 June 2012.

The overall NZ economy continued to be challenging during the year under review and this has a natural restraint on discretionary air travel particularly for those contemplating holidays. To be able to report another record year is distinctive.

Just under 50% of the company's revenue is achieved from landing charges, designed to compensate for facilities provided and a modest return on investment. New rates for landing charges commenced on the 1 July 2011 and are set for a 5 year period. Landing charges are calculated on a growth scenario and it is important for returns that growth be achieved.

It was however a year of two halves with incoming passengers recording a rise of 4.6% in the 6 months to 31 December (largely during the winter period rather than the Rugby World Cup events) and a flat 0.22% in the six months to 30 June 2012 for overall growth of 2.44% on the previous year. It would appear given the tourist stay nights for the region that much of this growth is from business commutes.

Careful attention to all our revenue streams and a continued push for efficiencies in our standing costs resulted in a profit before tax of $2.252 million an increase of 23% on the previous year. The Board congratulates and records its appreciation to our committed and talented staff in achieving this result.

During the year dividends were declared and paid totalling $825,000 (2011: Nil). This consisted of a dividend declared 1 July 2011 for $400,000 relating to the 2011 income year, and a dividend declared and paid 28 June 2012 for $425,000 relating to the 2012 income year. The 2012 dividend represents an increase of 6% on the previous year and some 13% above conventional targets for shareholder dividends.

Nelson Airport Limited continues to perform well by comparison to other airports throughout New Zealand and Australia with our after tax profit of $1.8 million representing a 24% return on opening shareholders' funds and 14% on total Assets of the Company at the beginning of the year. These are excellent returns by comparison with most industries.

Operating revenue increased by 11% on the previous year mainly through the new landing charges and some growth in rentals with parking revenue static. Administration costs increased by 3% on the previous year while operating expenses were held to a 3% increase despite additional senior staff appointments.

Operational

One of the larger Airport projects in recent years took place in February/March with the overlay of the Runway. This was an essential project which was carried out with precision and professionalism by our contractor Fulton Hogan overseen by MWH and our own staff. Some $60,705m^2$ of runway was resurfaced utilizing over 9000 tonnes of asphalt and nearly 500 tonnes of bitumen. The operation was carried out at night to avoid disruption to flight operations and the final costs at $2.84 million were within 96% of budget target.

The Board were pleased to confirm the appointment of Peter van den Bogaardt in the new role of Commercial Manager and James Middlewick as Operations Support Officer. Both these people bring strong experience and skills to our operations plus the initiation of the requirements to manage the growth expected.

Outlook

In the year ahead we expect to continue planning work on expansion needs for the terminal and surrounding infrastructure, more particularly this year the parking needs given the continued growth in patronage throughout our facilities.

We will continue to give support to the Top of the South Aviation Cluster as we seek to encourage new investment on our precincts.

Further work will be undertaken on improving our efficiencies and also on more innovative supply of essentials.

Strategy

The Board completed its Strategic Review and the consequent plan will be available on the company website once new statistics are loaded.

Our Company mission is "To provide a safe, quality focused service as the region's aviation gateway meeting the needs of our Stakeholders."

This mission recognises that

- NAL is a gateway to the Nelson-Tasman region and is an important entity in the region in terms of generating economic activity and GDP
- Economic and efficient air travel – NAL's main reason for being is to provide an excellent service to airlines and customers at an affordable price.
- Solid and sustainable business growth and the generation of a consistent return for shareholders.
- Premium (or excellent) regional aviation infrastructures committed to customer service, stakeholder engagement and operational excellence.

Our overarching Goals have been identified in five key sectors.

- Maintain safety and compliance
- Increase economic returns
- Infrastructure development
- Business diversification and development
- Strong, effective relationships

Thanks

The Board again commends Chief Executive, Kaye McNabb and her team for their dedication, skill and effort in their contribution to the excellent result reported and I also record my appreciation to my fellow Directors for their wise input, experience and commercial professionalism in the Board's stewardship.

Paul Steere, Chairman

"Nelson Airport Limited continues to perform well by comparison to other airports throughout New Zealand and Australia…"

Chief Executive's Report

Financial Performance

Nelson Airport Limited continues to deliver robust financial performance and has once again delivered a very good result for the financial year ended 30 June 2012. Net profit before tax is $2,252,523 and represents a 23% increase on the prior year. All months except January and March 2012 produced the best passenger numbers for corresponding months on record.

Passenger movements through the terminal were 2.44% greater than the prior period. A dividend of $425,000 was paid to shareholders on 28 June 2012 and this was 6.25% greater than the dividend for the previous year. Total assets increased by 6.30% to $12,855,022 and $2.4 million of cash and cash equivalents have been retained to fund the future development requirements of the aerodrome.

Works

The contract to overlay the runway was put out for tender in February 2011 and Fulton Hogan submitted the successful tender on 31 March 2011. The work was programmed to be undertaken in the best possible weather conditions, to avoid disruption to airport operations and weather effects on the long term life of the overlay. Construction took place over sixteen nights in February and March 2012. All work was undertaken at night to avoid disruption to normal airport operations.

The project was delivered on budget and a final sign-off for practical completion was provided by Nelson Airport Limited in March 2012, and to date no defects have been detected.

Safety and Security

The airport Company continues to meet its Civil Aviation Authority certification obligations in operating the airport with successful audits regarding safety and security operational requirements.

Security forums for the aviation and associated industries continue to be held and have proved beneficial in exchanging information to improve airport security.

Staff

The company was fortunate to secure two new senior staff members during the year when Peter van den Bogaardt was appointed to the newly created position of Commercial Manager and James Middlewick replaced Alasdair MacDonald as Operations Support Officer.

Looking forward

The overlay of the runway has left Nelson Airport in an excellent position to deal with the anticipated increase in traffic as passenger numbers increase from tourism and business travellers. Plans to streamline the access to the terminal and increase the car park area to facilitate a smooth flow of vehicles through the terminal precinct are progressing.

Acknowledgments

Nelson Airport Ltd is grateful for the continued support and investment of our major customers, Air New Zealand, its subsidiary Air Nelson, and

Helicopters New Zealand. We also acknowledge the commitment, investment and hard work of the more than 30 businesses which make up the airport community, service our customers and ensure the growth and continued success of this regional asset.

Last but not least I would like to thank the Directors and Shareholders for their continued support.

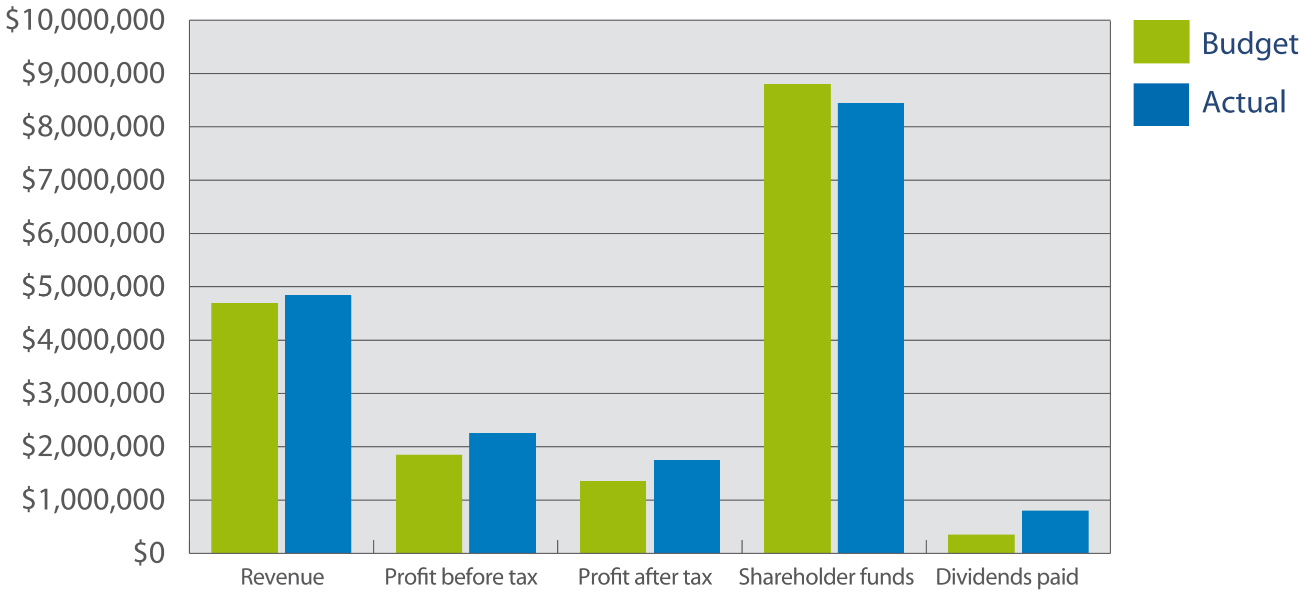
Kaye McNabb

Chief Executive

> "We acknowledge the commitment, investment and hard work of the more than 30 businesses which make up the airport community, service our customers and ensure the growth and continued success of this regional asset."

Statement of Service Performance

Financial Performance Measure



Project Performance Measures

Target	Actual
To pass all Civil Aviation certification audits at a satisfactory standard.	All Audits were passed with no findings. The continuous improvement model was achieved.
To achieve Financial Performance Targets as represented in annual plan.	Income and Expenditure targets were met.
To hold regular meetings of the Nelson Airport Noise Environment Advisory Committee and provide this Committee with the appropriate monitoring information.	Regular meetings of the Nelson Airport Noise Environment Advisory Committee have been held and appropriate monitoring information has been recorded and provided.
To ensure the Company complies with all Employment related legislation.	The Company continues to monitor employment legislation and reviews its contracts accordingly. No breaches have been identified.
To ensure long term airport development requirements are identified as much as possible and advise shareholders of such plans and that an implementation timetable is developed.	A 5 year projection of major development and maintenance expectations has been provided to shareholders.
To continue to support the expansion of the aviation service industry in Nelson through the Nelson Aviation Cluster and the Top of the South Aviation Strategy (TOTS).	Full participation in TOTS opportunity identification and Strategic planning is continuing.
To complete a long term development plan for the airport by April 2011.	The Master Plan 2011 – 2030 has been finalised and published on the Company's website
To take positive steps to record and reduce our carbon footprint.	Nelson Airport Ltd measures and records carbon emissions utilising Carbon Conscious structure and has made positive steps in a number of areas towards reducing carbon emissions.
To redesign terminal traffic access in a manner that takes account of and reduces both security and safety issues by October 2010	A long term strategy and plan for terminal access has been developed and stages towards implementation have been identified.
To complete the company's Strategic Plan by September 2010	The Strategic Plan has been completed and will be published on the Company's website once audited financial data is available for the year ended 30 June 12.
To review emergency preparedness for customer safety and infrastructural assets	Continued monitoring is undertaken by Operations Support.
To work with Nelson Golf Club towards resolving their issues of water storage and practice range location for mutual benefit of both parties	Regular meetings between management and Golf Club officials held. Practice range relocation dependent upon General Aviation activity extension.

Annual Report

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 2012.

Principal Activities

The principal activity of the company is the operation of an airfield together with the provision of general services and facilities directly related to airfield activities. This includes management of property that either enhances the airport business or supports the principal users of the airfield business assets.

Directors holding office in the year	Remuneration
Paul Steere (Chair)	$24,500
Annette Milligan (Deputy Chair)	$15,000
Judith Fanselow	$13,667
Michael Higgins	$13 667
Paul McGuinness	$13,667

Register of interests – Directors and Officers

Entries in the interest register during the year include:

Director – Paul Steere – Chairman – Interests:

The New Zealand King Salmon Co Ltd

New Zealand King Salmon Investments Ltd

The New Zealand King Salmon (Australia) Ltd

Southern Ocean Processors Ltd

Regal Salmon Ltd

Southern Ocean Salmon Ltd

Cambrian (Malaysia) Sdn. Bhd

The New Zealand Red Cross Inc

Nelson Marlborough Institute of Technology (NMIT)

Clean Seas Ltd – Listed on the Australian Stock Exchange

Kaynemaile Ltd

Allan Scott Wines

Director – Annette Milligan – Deputy Chair – Interests:

Ramazzini (Occupational Health Provider)

Network Tasman Ltd – Director (Electricity distribution network)

Director – Judy Fanselow – Interests:

MWH Engineering – (Husband is Manager)

Fanselow Bell Ltd – (Human Resource consultant/provider)

Director – Michael Higgins – Interests:

Baltune Forest (Partner)

Nelson Regional Sewerage Business Unit

Director – Paul McGuinness – Interests:

Tima Holdings Ltd – Director

Tima Consulting Ltd – Director (Software Development & Consulting Services)

Helicopters New Zealand – CFO

Officer – Kaye McNabb – Chief Executive Officer – Interests:

First National Real Estate (Husband is Commercial Sales Consultant)

Employee Remuneration

Employee remuneration and other benefits for the year ended 30 June 2012 is as follows:

Remuneration	Number of Employees
$180,000 - $190,000	1

Donations

Donations paid during the year were Nil (2011: Nil).

For and on Behalf of the Board

Paul Steere
Chair

Annette Milligan
Deputy Chair

Statement of Comprehensive Income

	Note	2012	2011
Revenue	2	4,901,053	4,409,394
Operating costs	3a	2,031,516	1,963,967
Administration expenses	3b	659,127	640,178
		2,690,643	**2,604,145**
Operating Profit		**2,210,410**	**1,805,249**
Interest Revenue		159,310	149,415
Interest Expenditure		(117,197)	(125,021)
Net Financing Income		**42,113**	**24,394**
Gain on Sale of Fixed Assets		-	-
Investing Income		**-**	**-**
Profit before Tax		**2,252,523**	**1,829,643**
Income tax expense	4	488,608	568,277
Profit for the year after tax expense		**1,763,915**	**1,261,366**
Other Comprehensive Income		-	-
Total Comprehensive Income		**1,763,915**	**1,261,366**

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

	Note	Share Capital	Retained Earnings	Total Equity
As at 30 June 2010		**2,400,000**	**3,843,882**	**6,243,882**
Total Comprehensive Income for the year		-	1,261,366	1,261,366
Distributions to Equity Holders	9	-	-	-
As at 30 June 2011		**2,400,000**	**5,105,248**	**7,505,248**
Total Comprehensive Income for the year		-	1,763,915	1,763,915
Distributions to Equity Holders	9	-	(825,000)	(825,000)
As at 30 June 2012		**2,400,000**	**6,044,163**	**8,444,163**

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

	Note	2012	2011
Assets			
Non Current Assets			
Property, Plant and Equipment	5	9,931,175	7,454,283
Intangible Assets	6	89	169
Total Non Current Assets		**9,931,264**	**7,454,452**
Current Assets			
Trade and Other Receivables	7	507,682	547,776
Cash and Cash Equivalents	8&13	2,416,076	744,356
Other Financial Assets	13	-	3,348,110
Total Current Assets		**2,923,758**	**4,640,242**
Total Assets		**12,855,022**	**12,094,694**
Equity			
Issued Share Capital	9	2,400,000	2,400,000
Retained Earnings		6,044,163	5,105,248
Total Equity		**8,444,163**	**7,505,248**
Liabilities			
Non Current Liabilities			
Deferred Tax	4	830,025	1,037,996
Interest Bearing Loans	10&13	3,004,813	-
Total Non Current Liabilities		**3,834,838**	**1,037,996**
Current Liabilities			
Trade and Other Payables	11	271,208	303,504
Current Income Tax Liability		243,680	189,833
Employee Entitlements		60,104	58,113
Interest Bearing Loans	10&13	1,029	3,000,000
Total Current Liabilities		**576,021**	**3,551,450**
Total Liabilities		**4,410,859**	**4,589,446**
Total Equity and Liabilities		**12,855,022**	**12,094,694**

The entity's owners do not have the power to amend the financial statements after issue.

For and on Behalf of the Board.

Paul Steere
Chair
31 August 2012

Annette Milligan
Deputy Chair
31 August 2012

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

	Note	2012	2011
Cash Flows from Operating Activities			
Cash was provided from:			
Receipts from airport users		4,930,826	4,284,533
Interest received		184,235	143,091
		5,115,061	4,427,624
Cash was disbursed to:			
Payments to suppliers and employees		(2,147,240)	(1,994,443)
Interest paid		(116,191)	(124,707)
Income tax paid		(642,732)	(590,798)
Net GST Movement		10,766.	(9,565)
		(2,895,397)	**(2,719,513)**
Net Cash Flows from Operating Activities	**12**	**2,219,664**	**1,708,111**
Cash Flows from Investing Activities			
Cash was provided from:			
Sale of property, plant & equipment		-	42
Decrease in term deposit/other financial assets		3,348,110	-
Cash was disbursed to:			
Increase in term deposit/other financial assets		-	(1,310,619)
Purchase of property, plant & equipment		(3,076,896)	(345,132)
Net Cash Flow from Investing Activities		**271,214**	**(1,655,709)**
Cash Flows from Financing Activities			
Cash was provided from:			
Increase in loans		5,842	-
Cash was disbursed to:			
Dividends paid	9	(825,000)	-
Net Cash Flow from Financing Activities		**(819,158)**	**-**
Net increase/(decrease) in cash and cash equivalents		1,671,720	52,402
Opening cash and cash equivalents		744,356	691,954
Closing cash and cash equivalents		**2,416,076**	**744,356**

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

1. Statement of Accounting Policies

Reporting Entity

Nelson Airport Limited (The Company) 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. The Company 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 processing of passengers and freight to and from the aircraft.

Nelson Airport Limited is jointly controlled by both Tasman District Council (50%) and Nelson City Council (50%). Neither of these entities has the ultimate control over Nelson Airport Limited.

The financial statements for Nelson Airport Limited are for the year ended 30 June 2012. The financial statements were authorised for issue by Nelson Airport Limited on 31 August 2012.

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 and Financial Reporting Act 1993. The Company complies with Parts 3 and 4 of the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999.

The financial statements comply with the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and its interpretations as appropriate to profit oriented entities. The Company is designated as a profit oriented entity.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Measurement Base

The financial statements are presented in New Zealand dollars. The financial statements are prepared on an historical cost basis with the exception of financial instruments.

Changes in Accounting Policies

There has been a change in the Depreciation policy of the Company to allow diminishing value rates to be used for items of Airfield and Buildings. There has also been an increase in the maximum rate permitted under diminishing value for items of Equipment from 39.6% to 50.0%.

The Company has also adopted the following revision to accounting standards during the financial year, which has had only a presentational of disclosure effect:

FRS-44 New Zealand Additional Disclosures and Amendments to NZIFRS to harmonise with IFRS and Australian Accounting Standards (Harmonisation Amendments) – The purpose of the new standard and amendments is to harmonise Australian and New Zealand accounting standards with source IFRS and to eliminate many of the differences between the accounting standards in each jurisdiction.

With the above exception, the accounting policies adopted are consistent with those of the previous financial year.

Operating Segments

As the Company operates in one industry and geographic segment no change in disclosure has been implemented.

Standards, amendments, and interpretations issued that are not yet effective and have not been early adopted

Standards, amendments and interpretations issued but not yet effective that have not been early adopted and which are relevant to the Company, are:

- NZ IFRS 9 Financial Instruments will eventually replace NZ IAS 39 Financial Instruments: Recognition and Measurement. NZ IAS 39 is being replaced through the following three main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology, and Phase 3 Hedge Accounting. Phase 1 has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial assets (its business model) and the contractual cash flow characteristics of the financial assets. The financial liability requirements are the same as those of NZ IAS 39, except for when an entity elects to designate a financial liability at fair value through the surplus or deficit. The new standard is required to be adopted for the year ended 30 June 2014. The Company has not yet assessed the effect of the new standard and expects it will not be early adopted..

Significant Accounting Policies

Property, Plant and Equipment

Owned Assets

Items of property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses. Where material parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the profit or loss.

Subsequent costs

Subsequent costs are added to the carrying amount of an item of property, plant and equipment when that cost is incurred, if it is probable that the future economic benefits embodied in the item will flow to the Company and the cost of that item can be measured reliably. All other costs are recognised in the profit or loss as an expense as incurred.

Depreciation

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 the Company.

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

Airfield	Runways, taxiways and aprons	2.5% - 20.0% Straight line 7.5% - 10.0% Diminishing
Buildings	Terminal and hangars	1.6% - 33.0% Straight line 13.0% - 16.0% Diminishing
Infrastructure assets	Car parks, roads, water supply, storm-water and waste disposal	1.5% - 20.0% Straight line 7.5% - 8.0% Diminishing
Equipment	Parking meters, security and vehicles	6.7% - 21.0% Straight line 10.0% - 50.0% Diminishing
Fixtures and fittings	Furniture, computers, and fittings	5.0 – 12.6% Straight line 14.4% - 80.4% Diminishing

Land and improvements to land are not depreciated.

The residual value and useful life of assets is reassessed annually.

Impairment of non-current assets

The carrying amount of the Company'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.

Recoverable amount 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 class of asset was previously recognised in the profit or loss immediately.

Intangible Assets

Software acquisition and development

Acquired computer software licenses 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.

Amortisation

The carrying amount of an intangible asset with a finite life is amortised on a straight line basis 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	3 – 5years

Trade and other receivables

Trade and other receivables are initially stated measured 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 the Company 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.

Other Financial Assets

Term investments over 90 days are classified as "loans & receivables". 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.

Share Capital

Ordinary Shares

Ordinary shares are classified as equity. Direct costs of issuing shares are shown as a deduction from the proceeds of issue.

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.

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 and annual leave earned to but not yet taken up to balance date.

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.

Revenue

Landing charges

Landing charges are recognised in the profit or loss in the period in which they are earned.

Leases

The Company leases certain buildings and properties. As the Company 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.

Car parking fees

Car Parking fees are recognised in the profit or loss on a cash received basis.

Interest Revenue

Interest income is recognised using the effective interest method.

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 surplus or deficit 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.

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, the Inland Revenue Department (IRD) is included as part of receivables or payables in the balance sheet.

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

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.

2. Operating Income

	2012	2011
Landing Charges	2,411,182	2,002,884
Terminal Leases	569,342	544,067
Building and Ground Lease	1,019,691	965,776
Car Parking Charges	886,225	887,260
Sundry Income	14,613	9,407
	4,901,053	**4,409,394**

3. Expenses

a Operating Costs

	2012	2011
Depreciation	587,807	532,125
Amortisation of Intangible assets	80	158
Employee entitlements	570,949	482,535
Other operational expenses	872,680	948,840
Loss on disposal of fixed assets	-	309
	2,031,516	**1,963,967**

b Administration Costs

	Note	2012	2011
Auditor's remuneration			
Financial Statements Audit - Current Year		23,850	23,850
Financial Statements Audit - Prior Year		-	4,000
Disbursements		3,888	4,079
Directors' fees		80,500	77,486
Provision for impairment of trade receivables	7&13	-	-
Other administration expenses		550,889	530,763
		659,127	**640,178**

4. Income Tax

The Government's Budget in May 2010 provided for a reduction in the rate of corporate income tax from 30% to 28%, effective for years beginning on or after 1 April 2011. The same Budget effectively removed the ability to claim a deduction for tax depreciation on buildings with a useful life of 50 years or more. The impact of both of these changes has been reflected in the tax for the year ended 30 June 2012 and in the deferred tax balances at that date.

Components of tax expense

	2012	2011
Current tax expense	696,579	602,839
Deferred tax expense	(207,971)	(34,562)
	488,608	**568,277**

Relationship between tax expense and accounting profit

	2012	2011
Operating profit before taxation	2,252,523	1,829,643
Prima facie tax @ 28% (2011: 30%)	630,706	548,893
Adjustment for Timing & Taxation Differences	73,979	56,731
Adjustment for Deferred Tax	14,156	(5,063)
Adjustment for Deferred Tax – Building Depreciation	(222,127)	(29,499)
Over Provision for Tax in the Previous Year	(8,106)	(2,785)
Income tax expense	**488,608**	**568,277**

Deferred Tax

	Property plant and equipment	Employee Entitlements	Other Provisions	Total
Balance at 1 July 2010	(1,087,933)	11,500	3,876	(1,072,557)
Charged to Profit & Loss	29,499	(798)	5,860	34,561
Balance at 1 July 2011	(1,058,434)	10,702	9,736	(1,037,996)
Charged to Profit & Loss	222,127	(4,420)	(9,736)	207,971
Balance at 30 June 2012	**(836,307)**	**6,282**	**-**	**(830,025)**

Imputation Credit Account

	2012	2011
Imputation Credits Available for use in subsequent periods	3,510,546	3,167,538

There has been a change in disclosure requirements during the 2012 year. Imputation balances as at year end are calculated to include imputation credits that will be paid or received from the provision of income tax and the payment or receipt of dividends that have been recognised at balance date.

5. Property Plant and Equipment

2012	Original Cost	Opening Accum Depn	Opening WDV	Additions	Disposals	Depn	Closing WDV
Land & Improvements	436,701	88	436,613	-	-	51	436,562
Airfield Infrastructure	3,163,898	1,379,192	1,784,706	2,846,770	-	141,839	4,489,637
Infrastructure	1,518,550	354,065	1,164,485	33,940	-	65,028	1,133,397
Buildings	6,283,094	2,584,778	3,698,316	116,638	-	294,760	3,520,194
Equipment	585,505	351,712	233,793	99,167	-	60,275	272,685
Furniture & Fittings	270,279	177,437	92,842	11,710	-	25,853	78,701
Runway Refurbishment Costs	43,528	-	43,528	(43,528)		-	-
TOTAL FIXED ASSETS	**12,301,556**	**4,847,272**	**7,454,284**	**3,064,697**	**-**	**587,806**	**9,931,175**

2011	Original Cost	Opening Accum Depn	Opening WDV	Additions	Disposals	Depn	Closing WDV
Land & Improvements	436,701	37	436,664	-	-	51	436,613
Airfield Infrastructure	3,148,148	1,299,283	1,848,865	15,750	-	79,909	1,784,706
Infrastructure	1,515,068	290,584	1,224,484	3,482	-	63,481	1,164,485
Buildings	6,116,768	2,287,821	3,828,947	166,326	-	296,957	3,698,316
Equipment	573,856	286,253	287,603	11,649	-	65,459	233,793
Furniture & Fittings	234,453	155,308	79,145	40,272	(307)	26,269	92,842
Runway Refurbishment Costs	-	-	-	43,528	-	-	43,528
TOTAL FIXED ASSETS	**12,024,994**	**4,319,286**	**7,705,709**	**281,008**	**(307)**	**532,125**	**7,454,283**

Included in the 2011 balances was capital work in progress amounting to $43,528. This capital work in progress was made of up of preliminary costs relating to the runway refurbishment that occurred over the months of February and March 2012. Once the total cost of the refurbishment was known the full amount of $2,845,944 was transferred to Airfield Infrastructure.

The Land upon which the airport is situated, was vested by the Crown in Nelson City Council. The Company has a renewable 60 year lease over this land at a peppercorn rental.

At 30 June 2012, all property, plant and equipment are subject to a registered debenture to secure bank loans (Note 10).

6. Intangible Assets

	Computer Software
Balance at 1 July 2010	
Cost	8,475
Accumulated amortisation and impairment	(8,148)
Closing carrying amount 30 June 2010	**327**
Year ended 30 June 2011	
Additions	-
Amortisation Charge	(158)
Closing carrying amount as at 30 June 2011	**169**
Balance at 30 June 2011	
Cost	8,475
Accumulated amortisation and impairment	(8,306)
Closing carrying amount 30 June 2011	**169**
Year ended 30 June 2012	
Additions	-
Amortisation Charge	(80)
Closing carrying amount as at 30 June 2012	**89**
Balance at 30 June 2012	
Cost	8,475
Accumulated amortisation and impairment	(8,386)
Closing carrying amount 30 June 2012	**89**

7. Trade and Other Receivables

	Note	2012	2011
Trade Receivables		434,235	448,077
Trade Receivables (Related Parties)	16	17,914	17,279
Less: Provision for impairment	13	-	-
Accrued Debtors		10,905	38,047
Prepayments		44,628	44,373
		507,682	**547,776**

8. Cash and Cash Equivalents

	Note	2012	2011
Cash on Hand		6,685	6,685
Bank Balance		223,415	333,576
Term Deposits (maturity less than 3 Months)		2,185,976	404,095
	13	**2,416,076**	**744,356**

9. Share Capital

Ordinary Shares

All authorised shares (2,400,000) have been issued and are fully paid up. 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 the Company's constitution.

Distributions to shareholders

As stated in the annual Statement of Corporate Intent the Company will endeavour to pay an annual dividend of the greater of the following amount of the company's profit after tax:

a) 5% of the Opening Shareholders Funds for that year, or

b) $160,000

During the year dividends were declared and paid totalling $825,000 (2011: Nil). This consisted of a dividend declared 1 July 2011 for $400,000 relating to the 2011 income year, and a dividend declared 28 June 2012 for $425,000 relating to the 2012 income year.

10. Interest Bearing Loans

	2012	2011
Repayable as follows:		
Less Than 1 Year	1,029	3,000,000
Between 1 and 5 Years	3,004,813	-
	3,005,842	**3,000,000**

Three $1m loans with Westpac are secured by a registered debenture over assets and undertakings of the Company. Management extended the Multi Option Credit Line agreement with Westpac in 2012 for a further three years to 2015 for each of the individual $1m loans within the agreement.

Interest rates applying at balance date were in the range of 4.00% to 4.48% (2011: 3.65% to 3.75%).

During the year the Company entered into a hire purchase arrangement for the purchase of a Multi-function photocopier. At balance date the term remaining on the agreement was 4 years and 2 months. The interest rate over the life of the hire purchase is 18.96%.

The net carrying amount of the lease at year end is $5,842, and is repayable as follows:

Less Than 1 Year	1,029	-
Between 1 and 5 Years	4,813	-
	5,842	-

11. Trade and Other Payables

	Note	2012	2011
Trade Payables		89,460	99,835
Trade Payables (Related Parties)	16	17,925	44,880
Accruals		36,523	61,473
GST liability		78,141	64,229
Lease income in advance		49,160	33,087
		271,209	**303,504**

12. Reconciliation of reported profit after tax with cash flows from operating activities

		2012	2011
Net profit for the year		1,763,915	1,261,366
Add/(less) non cash and non operating items:			
(Gain)/Loss on Disposal of assets		-	307
Depreciation and Amortisation		587,807	532,283
Impairment of trade receivables		-	-
Movement in deferred taxation		(207,972)	(34,561)
Movement in working capital:			
(Increase)/Decrease in receivables		40,094	(78,830)
Increase/(Decrease) in current tax payable		53,847	12,039
Increase/(Decrease) in payables		(18,027)	15,507
Net cash flows from operating activities		**2,219,664**	**1,708,111**

13. Financial Instruments

Credit Risk

To the extent that the Company has a receivable from another party, there is a credit risk in the event of non performance by that counterparty. Financial instruments which potentially subject the Company to credit risk principally consist of bank balances and trade receivables.

The Company manages its exposure to credit risk. The Company performs credit evaluations on all customers requiring credit and generally does not require collateral. The Company monitors its exposure to trade receivables on a monthly basis.

The Company continuously monitors the credit quality of major financial institutions that are counter parties to its financial instruments and does not anticipate non performance by the counterparty (current Standard & Poor rating for Westpac: AA-/Stable/A-1+).

Maximum exposures to credit risk at balance date are:

Cash and cash equivalents and term deposits

	2012	2011
Cash and cash equivalents	2,416,076	744,356
Short-term deposits with maturities of 4-12 months	-	3,348,110

Trade Receivables

	2012	2011
Trade Receivables	434,235	486,124
Trade Receivables (Related Parties)	17,914	17,279
	452,149	**503,403**

The above maximum exposures are net of any recognised impairment losses on these financial instruments. No collateral is held on the above amounts.

The status of trade receivables at the reporting date is as follows:

	2012		2011	
	Gross receivable	Impairment	Gross receivable	Impairment
Not past due	434,913	-	459,080	-
Past due 0-30 days	12,584	-	26,242	-
Past due 31-90 days	4,429	-	12,223	-
Past due > 90 days	223	-	5,858	-
Trade receivables	**452,149**	**-**	**503,403**	**-**

Provision for Impairment

	2012	2011
At 1 July	-	-
Additional Provision made during the year	-	1,962
Provision reversed during the year	-	-
Receivables written-off during the year	-	(1,962)
Provision for Impairment	-	-

Concentrations of credit risk

The Company's largest customer accounts for 54.4% of total sales (2011: 51.9%) and 55.1% of trade receivables (2011: 51.6%) at balance date. The Company does not have any other significant concentrations of credit risk.

Interest rate risk

The Company has exposure to interest rate risk to the extent that it borrows and invests for a fixed term at fixed rates. The Company manages its investment return by investing in both monthly and six monthly short term deposits. The Company manages its cost of borrowings by re-pricing the short term fixed interest rates on the three term loans of $1,000,000 at staggered intervals.

Credit facilities

The Company has a multi-option facility in place of $5,000,000 of which it has drawn down $3,000,000.

The multi-option facility has the following covenants attached:

a. Interest cover – earnings ratio to be maintained at greater than 2 times funding cost.

b. Equity ratio to be maintained at greater than 40% of adjusted tangible assets.

Re-pricing analysis

The following table identifies the periods in which the financial instruments that are subject to interest rate risk re-price.

	2012 Effective Interest Rate	2012 Within 12 months	2012 Between 1-5 Years	2011 Effective Interest Rate	2011 Within 12 Months	2011 Between 1- 5 years
Assets						
Term Deposits	4.15-4.25%	2,185,976	-	3.00-5.60%	3,752,205	-
Liabilities						
Bank Loans	4.00-4.48%	-	(3,000,000)	3.65-3.75%	(3,000,000)	-

14. Capital Management

The Company's capital is its equity, which comprises share capital and retained earnings. Equity is represented by net assets.

The Company manages its equity as a by-product of prudently managing revenues, expenses, assets, liabilities, investments and general financing dealing to ensure it effectively achieves its objectives and purpose whilst remaining a going concern.

15. Judgement and estimation uncertainty

In preparing these financial statements the Company has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. There are no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

16. Transactions with Related Parties

Transactions with Shareholders

The Company is jointly owned by Nelson City Council (NCC) (50%) and Tasman District Council (TDC) (50%).

The Company paid rates and maintenance costs to the NCC amounting to $286,234 (2011: $296,403) and the balance included as owing in trade payables as at 30 June 2012 was $11,409 (2011: $13,414).

The Company pays a peppercorn rent to the Nelson City Council in respect of airport land (See Note 5).

Transactions with entities owned by Shareholders

Nelmac Limited is a 100% subsidiary of Nelson City Council. The Company paid grounds maintenance and other fees to Nelmac Limited amounting to $83,594 (2011: $99,102) and the balance included as owing in trade payables as at 30 June 2012 was $6,274 (2011: $14,624).

Tourism Nelson Tasman Limited is jointly owned by Nelson City Council and Tasman District Council. The Company paid sponsorship to Tourism Nelson Tasman Limited amounting to $20,390 (2011: $18,085) and the balance included as owing in trade payables as at 30 June 2012 was $449 (2011: $20,125).

Transactions with entities related to key management personnel

During the year the Company incurred expenses to Fanselow Bell Ltd, a human resources firm, in which Judith Fanselow is a director and shareholder. These services cost $17,773 (2011: $43,174) and there was a balance of $242 owing in trade payables as at 30 June 2012 (2011: $16,757).

During the year the Company paid for services with NZ Red Cross Limited in which Paul Steere is a director. These services amounted to $460 (2011: $352) and there was no balance owing in trade payables as at 30 June 2012 (2011: $85).

During the year the Company provided services to Helicopters NZ in which Paul McGuiness was the Chief Financial Officer. These services amounted to $184,057 (2011: $179,313) and there was a balance of $15,779 owing in trade receivables as at 30 June 2012 (2011: $15,771).

During the year the Company purchased and installed a new transformer and power supply from Network Tasman Limited, of which Annette Milligan is a director. This purchase cost $20,615 (2011: $Nil) and there was no balance owing in trade payables as at 30 June 2012 (2011: $Nil).

Short-term employee benefits

	2012	2011
Key management team compensation	330,062	319,438

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 no capital commitments contracted and not provided for as at 30 June 2012 (2011: $2,764,000).

18. 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 contract.

In 2012 lease revenue received in association with the non – cancellable operating lease arrangements amounted to $1,589,033 (2011: $1,496,661).

19. Contingencies

There are no known contingencies as at 30 June 2012 (2011: Nil).

20. Events After Balance Date

There are no known events subsequent to balance date that will materially affect the Annual Report or the performance of Nelson Airport Limited.

21. Shareholders' Statement of Intent

Nelson Airport Limited is required to deliver a completed Statement of Intent to its shareholders by 30 June 2012 under Part 3(b) of Schedule 8 of the Local Government Act 2002. The 2012 Statement of Intent was not completed and delivered to Nelson Airport Limited's shareholders by 30 June 2012.

Directory

Directors

Paul Steere (Chair)
Annette Milligan (Deputy Chair)
Judith Fanselow
Michael Higgins
Paul McGuinness

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Chief Executive

Kaye McNabb

Auditor

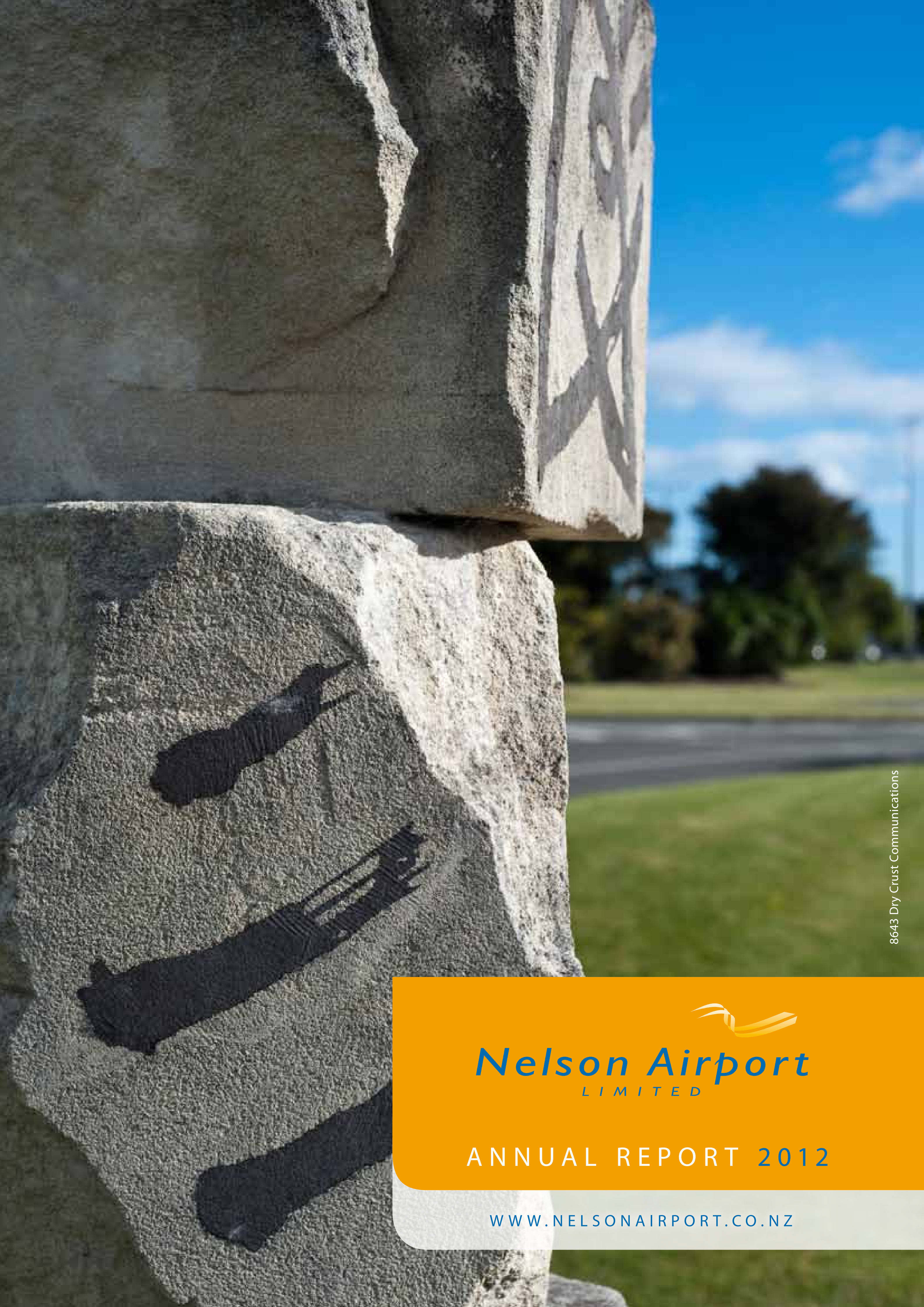
Audit New Zealand on behalf of the Auditor-General

Bankers

Westpac Banking Corporation

Solicitors

Pitt & Moore



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