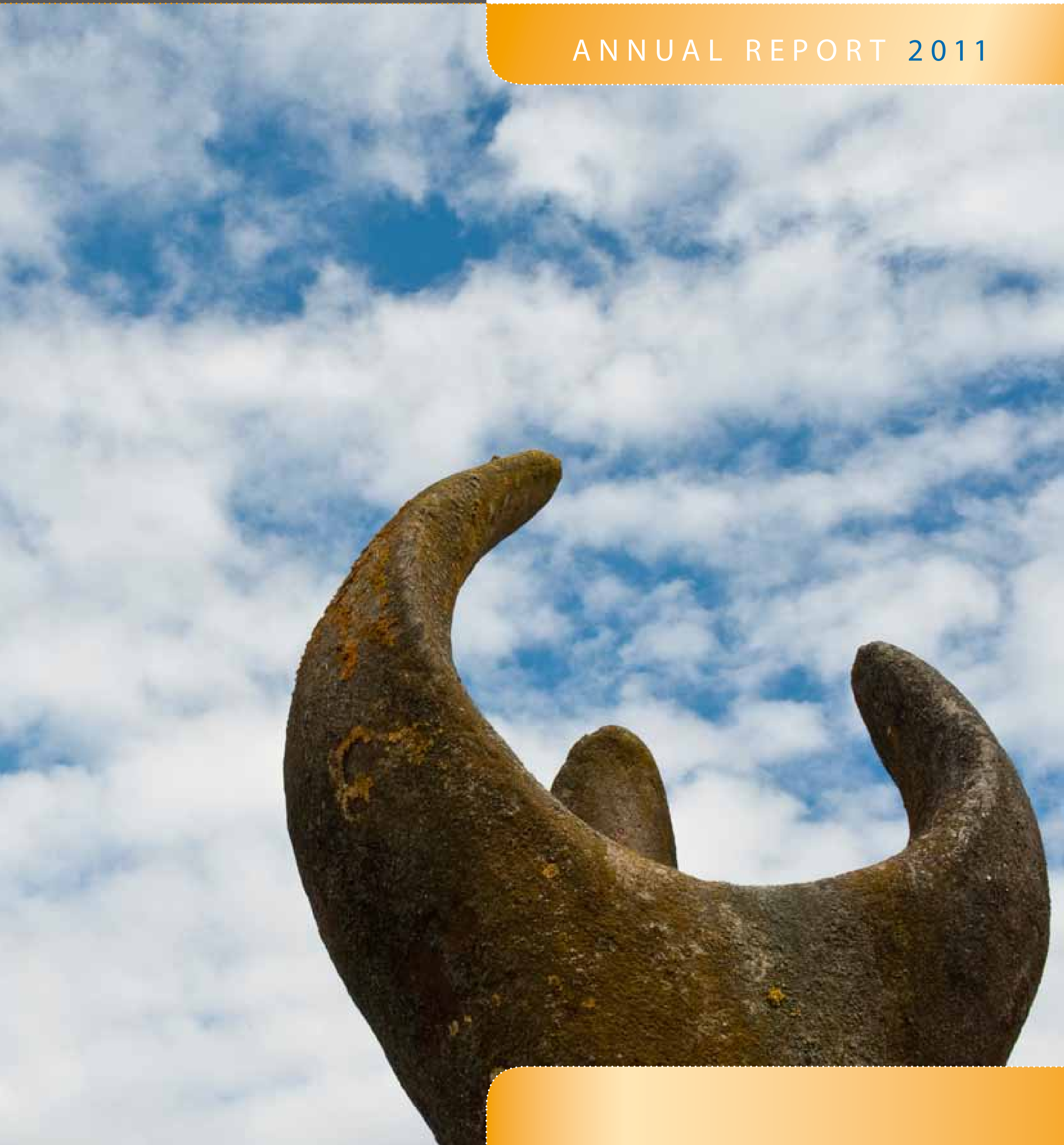
Nelson Airport
LIMITED

ANNUAL REPORT 2011



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Nelson Airport
EXIT ONLY

8022 Dry Crust Communications

Nelson Airport
LIMITED

ANNUAL REPORT 2011

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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 2011

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 38 that comprise the statement of financial position as at 30 June 2011, 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 on the financial statements and performance information

In our opinion:

- the financial statements of the company on pages 12 to 38:
  - 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 2011; 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 2011.

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 12 September 2011. 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 2011 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 12 September 2011 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

Alasdair Macdonald
Operations Support

Karen Hieatt
Office Administrator

Ruth Draaijer
Administration Assistant

Vaughan Raymond
Customer Service
Security Officer

Greg Allen
Customer Service
Security Officer

Sam Kearney
Customer Service
Security Officer

Wayne Klenner
Customer Service
Security Officer

Director's Report

Financial

The Directors of Nelson Airport Limited are very pleased to report another excellent performance by the company in the year ended 30th June 2011.

Airport Companies are universally stretched by the necessity to provide facilities which ensure the safe and satisfying experience of all users at peak hours, not least of all competing travel providers vying for a competitive edge, while ensuring full compliance with a myriad of regulatory conditions and mitigating effects on nearby residents. Often this results in capital works and facilities that are under utilised for much of their use and the lower payback of revenue streams.

Nelson Airport is fortunate that its facilities are more optimal and it enjoys significant traffic continuing to be New Zealand's fourth largest in terms of passenger aircraft movements. All this arises from the attraction of visitors to the region, a high business and commuting traffic and the provision of Head Office and Engineering facilities for Air Nelson and Helicopters New Zealand.

This advantage is not taken lightly with particular attention being paid to a positive experience for users, egress transport facilities, safety requirements plus noise and bird control while ensuring that costs are well managed and capital works foreseen and planned for.

It is no surprise then, that the stewardship of the airport reflects top returns on capital and assets by comparison to other airports throughout New Zealand and Australia as measured by independent surveys.

We are pleased to report a profit after taxation of $1.261 million and to declare a dividend to our shareholders of $400,000 – some 10% above target objective and a 25% increase over the dividend for last year.

That in itself is a milestone with accumulated tax paid dividends now totaling $2.47million which exceeds the original share capital of $2.4 million seeded with the Company in 1999.

Profit before taxation at $1.829 million was a credible 29.1% return on opening shareholders' funds and 16% on opening assets for the year.

The year saw an 11% rise in passenger throughput to in excess of 750,000, indicating the attractiveness of the region and the competitive nature of airfares that entices these additional users.

Every month saw new passenger records set with the sole exception of September 2010 which in itself was the highest since 2005 when large conferences were hosted in Nelson.

Operating revenue increased by 5% on the previous year though landing revenue was stable with greater yield efficiencies noticeable from our main carriers however the increased passenger number saw a commensurate rise in parking revenue and increased tenancy and market reviews saw a respectable increase in this revenue stream. Operating expenses and administration increased slightly as a result of recruitment for a senior development position, unexpected repairs and maintenance, water costs and waste disposal plus a rise in depreciation provision.

Outlook

New landing charges were successfully introduced from 1st July 2011 following consultation and the company has provided for a major runway upgrade in the coming late summer. The company looks forward to its role in welcoming Rugby World Cup patronage and further record summer passenger numbers. Commencing later in the coming year, the company will beginning an extensive programme to upgrade parking and terminal facilities - this programme will be designed for modular implementation spread over several years ensuring that our facilities remain modern, relevant and designed to facilitate the growing throughput we expect in the medium to long term.

The Company has also recently appointed a Commercial Development Manager to resource its growth intentions and widening responsibilities.

It is important that the community receive good value for its investment and also that the Company be able to develop and manage its affairs within its own resources without calling on shareholders.

Looking to encourage ancillary airline service activities, new complementary tenants for air transport based activity, and improving services for passenger throughput while supporting Nelson as a top destination are expected to be advanced in the year ahead.

Thanks

The Board commends Chief Executive, Kaye McNabb and her team for their dedication, skill and effort in their contribution to the excellent result reported and I appreciate the wisdom and guidance of my fellow Directors in the Board's stewardship.

Paul Steere, Chairman

Chief Executive's Report

Financial Performance.

Despite landings being slightly down in the last financial year both operating income and expenditure were up providing an after tax profit of $1,261,366.

All months except September produced the best passenger numbers for corresponding months on record. We are confident that steady passenger growth will continue with both Air Nelson and Tourism initiatives being supported by population increases. Total passenger movements through the terminal for the year showed a healthy 11% increase on the previous year at 758,250. A review of landing charges was undertaken and new charges set with effect from the beginning of the 2011/2012 financial year.

Works

The completion of the McLaren Drive extension has seen the building of 4 more private hangars providing 3500m^2 of additional hangar space on the airfield. Air New Zealand has continued to upgrade their facility with a complete new fit out for Hangar 2. The Rod and Custom Club building was purchased and moved to make way for a significant new tourism venture. A substantial upgrade of the drainage on the northern airfield was undertaken to alleviate water logging during the more frequent heavy rain events.

The terminal furniture was recovered or replaced where appropriate and a makeover of the observation deck lounge was undertaken.

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 were held and have proved beneficial in exchanging information to improve airport security .

One arrest was made at the airport during the year on a security matter.

There were no lost time injuries affecting staff and no workplace illnesses were identified.

Staff

We welcomed a new staff member during the past year when Karen Hieatt took up the Office Administrator vacancy which occurred when Janine Stephens moved to a higher position with another company.

The environment

The cardboard and paper recycling and waste reduction programme continues to be supported collecting much of those products disposed of at the airport

The energy use analysis and reduction programme has been recorded and monitored by Carbon Zero and both terminal and street lighting are being replaced with low energy fittings on an on going basis. The entrance way was enhanced by the installation of artworks created by Darryl Frost on the interior walls and the pillars outside the entrance.

Looking forward

The draft Master Plan has been released for consultation. Tenders have been let and the engineering design completed for major runway maintenance works including a full overlay. This work is scheduled to commence in February 2012.

Planning, towards welcoming a significant increase in passengers for the Rugby World Cup and Masters Games, is almost complete.

We are confident of continued growth in passenger numbers and the wider aviation industry. Aviation has been identified as a significant producer of GDP in the region and strategic planning to advance opportunities in the industry is in progress.

Acknowledgments

We are thankful for the continued support and investment of our major customers, Air New Zealand, its subsidiary Air Nelson, and Helicopters New Zealand.

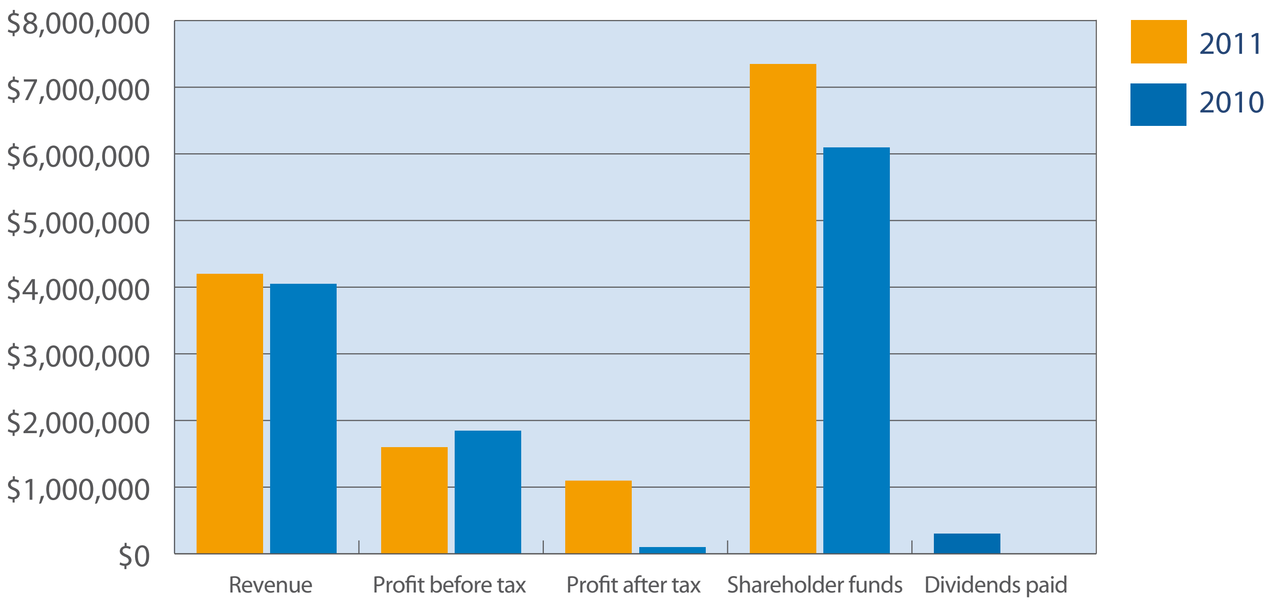
We must also acknowledge the commitment, investment and hard work of the more than 30 businesses which make up the airport community, service our customers and ensure the success of this regional asset.

Kaye McNabb

Chief Executive

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.	Draft Plan released May 2011 for consultation.
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 development of the company's Strategic Plan has been delayed to allow recognition of and integration with the Long Term Development Plan to be taken into consideration.

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 2011.

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)	$22,950
Annette Milligan (Deputy Chair)	$14,750
Judith Fanselow	$13,262
Michael Higgins	$13,262
Paul McGuinness	$13,262

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

Director – Annette Milligan – Deputy Chair – Interests:

Ramazzini (Occupational Health Provider)
Network Tasman Ltd – Director (Electricity distribution network)

Director – Judy Fanselow – Interests:
Fanselow Bell Ltd – (Human Resource consultant/provider)
MWH Engineering – (Husband is Manager)

Director – Michael Higgins – Interests:
Tasman District Council
Nelson Regional Sewerage Business Unit
TDC Enterprises Committee – Motueka Airfield

Director – Paul McGuinness – Interests:
Nelson Aero Club – Financial Member
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 2011 is as follows:

Remuneration	Number of Employees
$170,000 – $180,000	1

Donations

Donations paid during the year were Nil (2010: $110).

For and on Behalf of the Board

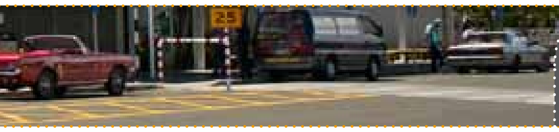
Paul Steere
Chair

Annette Milligan
Deputy Chair

Statement of Comprehensive Income

	Note	2011	2010
Revenue	2	4,409,394	4,187,789
Operating costs	3a	1,963,967	1,761,673
Administration expenses	3b	640,178	569,456
		2,604,145	**2,331,129**
Operating Profit		**1,805,249**	**1,856,660**
Interest Revenue		149,415	121,278
Interest Expenditure		(125,021)	(115,803)
Net Financing Income		**24,394**	**5,475**
Gain on Sale of Fixed Assets		-	103,058
Investing Income		**-**	**103,058**
Profit before Tax		**1,829,643**	**1,965,193**
Income tax expense	4	568,277	1,822,614
Profit for the year after tax expense		**1,261,366**	**142,579**
Other Comprehensive Income		-	-
Total Comprehensive Income		**1,261,366**	**142,579**

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 2009		**2,400,000**	**4,022,424**	**6,422,424**
Total Comprehensive Income for the year		-	142,579	142,579
Distributions to Equity Holders	9	-	(321,121)	(312,121)
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**

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	2011	2010
Assets			
Non-Current Assets			
Property, Plant and Equipment	5	7,454,283	7,705,709
Intangible Assets	6	169	327
Total Non-Current Assets		**7,454,452**	**7,706,036**
Current Assets			
Trade and Other Receivables	7	547,776	468,946
Cash and Cash Equivalents	8 & 13	744,356	691,954
Other Financial Assets	13	3,348,110	2,037,491
Total Current Assets		**4,640,242**	**3,198,391**
Total Assets		**12,094,694**	**10,904,427**
Equity			
Issued Share Capital	9	2,400,000	2,400,000
Retained Earnings		5,105,248	3,843,882
Total Equity		**7,505,248**	**6,243,882**
Liabilities			
Non-Current Liabilities			
Deferred Tax	4	1,037,996	1,072,557
Interest Bearing Loans	10 & 13	-	3,000,000
Total Non-Current Liabilities		**1,037,996**	**4,072,557**
Current Liabilities			
Trade and Other Payables	11	303,504	343,733
Current Income Tax Liability		189,833	177,794
Employee Entitlements		58,113	66,461
Interest Bearing Loans	10 & 13	3,000,000	-
Total Current Liabilities		**3,551,450**	**587,988**
Total Liabilities		**4,589,446**	**4,660,545**
Total Equity and Liabilities		**12,094,694**	**10,904,427**

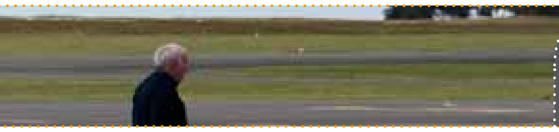
The entity's owners do not have the power to amend the financial statements after issue.

For and on Behalf of the Board.

Paul Steere
Chair
12 September 2011

Annette Milligan
Deputy Chair
12 September 2011

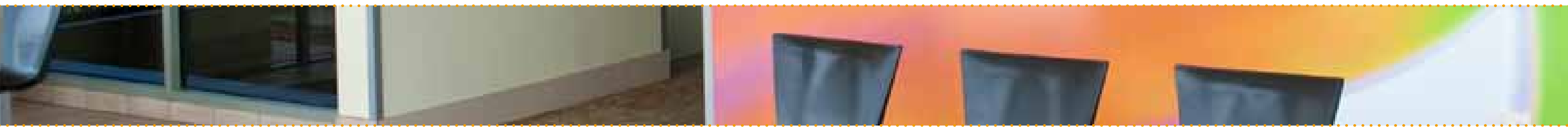
The statement of Accounting Policies and Notes form an integral part of and should be read in conjunction with these financial statements.



Statement of Cash Flows

	Note	2011	2010
Cash Flows from Operating Activities			
Cash was provided from:			
Receipts from airport users		4,284,533	4,187,148
Interest received		**143,091**	**121,278**
		4,427,624	4,308,426
Cash was disbursed to:			
Payments to suppliers and employees		(1,994,443)	(1,904,161)
Interest paid		(124,707)	(115,803)
Income tax paid		(590,798)	(585,097)
Net GST Movement		(9,565)	-
		(2,719,513)	**(2,605,061)**
Net Cash Flows from Operating Activities	**12**	**1,708,111**	**1,703,365**
Cash Flows from Investing Activities			
Cash was provided from:			
Sale of property, plant & equipment		42	111,145
Cash was disbursed to:			
Increase in term deposit/other financial assets		(1,310,619)	(76,454)
Purchase of property, plant & equipment		(345,132)	(1,892,848)
Net Cash Flow from Investing Activities		**(1,655,709)**	**(1,858,157)**
Cash Flows from Financing Activities			
Cash was disbursed to:			
Loan Repayments		-	-
Dividends paid	9	-	(321,121)
Net Cash Flow from Financing Activities		**-**	**(321,121)**
Net increase/(decrease) in cash and cash equivalents		52,402	(475,913)
Opening cash and cash equivalents		691,954	1,167,867
Closing cash and cash equivalents		**744,356**	**691,954**

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 2011. The financial statements were authorised for issue by Nelson Airport Limited on 26 August 2011.

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

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.
- FRS-44 New Zealand Additional Disclosures and Amendments to NZ IFRS to harmonise with IFRS and Australian Accounting Standards (Harmonisation Amendments).
  These were issued in May 2011 with the purpose of harmonising Australia and New Zealand's accounting standards with source IFRS and to eliminate many of the differences between the accounting standards in each jurisdiction. The amendments must first be adopted for the year ended 30 June 2012. The Company has not yet assessed the effects of FRS-44 and the Harmonisation Amendments.

Significant Accounting Policies

Property Plant and Equipment

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
Buildings	Terminal and hangars	1.6% - 33.0% Straight line
Infrastructure assets	Car parks, roads, water supply, storm-water and waste disposal	1.5% - 20.0% Straight line 7.5% Diminishing
Equipment	Parking meters, security and vehicles	6.7% - 21.0% Straight line 10.0% - 39.6% 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 indications 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 - 5 Years

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 "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 their fair value with gains or losses on measurement 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

	2011	2010
Landing Charges	2,002,884	2,003,768
Terminal Leases	544,067	481,998
Building and Ground Lease	965,776	846,420
Car Parking Charges	887,260	840,978
Sundry Income	9,407	14,625
	4,409,394	**4,187,789**

3. Expenses

a) Operating costs

	2011	2010
Depreciation	532,125	498,253
Amortisation of Intangible assets	158	303
Employee entitlements	482,535	460,296
Other operational expenses	948,840	802,821
Loss on disposal of fixed assets	309	-
	1,963,967	**1,761,673**

b) Administration costs

		2011	2010
Auditor's remuneration			
Financial Statements Audit - Current Year		23,850	22,920
Financial Statements Audit - Prior Year		4,000	2,150
Disbursements		4,079	3,110
Directors' fees		77,486	72,000
Provision for impairment of trade receivables	7&13	-	-
Other administration expenses		530,763	469,276
		640,178	**569,456**

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 2010 and in the deferred tax balances at that date.

Components of tax expense

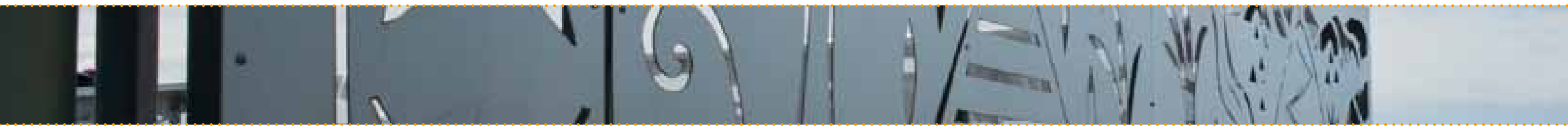
	2011	2010
Current tax expense	602,839	596,457
Deferred tax expense	(34,562)	1,226,156
	568,277	**1,822,614**

Relationship between tax expense and accounting profit

	2011	2010
Operating profit before taxation	1,829,643	1,965,193
Prima facie tax @ 30%	548,893	589,558
Adjustment for Timing & Taxation Differences	56,731	6,900
Adjustment for Deferred Tax	(5,063)	(677)
Adjustment for Deferred Tax – Building Depreciation	(29,499)	1,226,833
Over Provision for Tax in the Previous Year	(2,785)	-
Income tax expense	**568,277**	**1,822,614**

Deferred Tax

	Property, plant and equipment	Employee Entitlements	Other Provisions	Total
Balance at 1 July 2009	138,900	9,514	5,185	153,599
Charged to Profit & Loss	(1,226,833)	1,986	(1,309)	(1,266,157)
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 30 June 2011	**(1,058,434)**	**10,702**	**9,736**	**1,037,996**



Imputation Credit Account

	2011	2010
Balance at the beginning of the year	2,380,571	1,933,097
Plus		
Income Tax paid	611,457	585,097
Less		
Income Tax Refunded	(14,323)	-
Imputation credits attached to dividends paid	-	(137,623)
Balance at the end of the year	**2,977,705**	**2,380,571**

5. Property Plant and Equipment

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**

2010	Original Cost	Opening Accum Depn	Opening WDV	Additions	Disposals	Depn	Closing WDV
Land & Improvements	444,413	-	444,413	-	(7,711)	37	436,664
Airfield Infrastructure	3,118,384	1,219,750	1,898,634	29,764	-	79,533	1,848,865
Infrastructure	1,201,371	233,789	967,582	313,697	-	56,795	1,224,484
Buildings	4,703,088	1,987,910	2,715,178	1,413,680	(615)	299,297	3,828,947
Equipment	468,679	241,330	227,349	105,554	(39)	45,261	287,603
Furniture & Fittings	204,012	137,978	66,034	30,441	-	17,330	79,145
Total Fixed Assets	**10,139,946**	**3,820,757**	**6,319,190**	**1,893,137**	**(8,365)**	**498,253**	**7,705,709**

Included in the above balances are capital work in progress amounting to $43,528 as at 30 June 2011 (2010: $Nil).

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 2011, 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 2009	
Cost	8,475
Accumulated amortisation and impairment	(7,845)
Closing carrying amount 30 June 2009	**630**
Year ended 30 June 2010	
Additions	-
Amortisation Charge	(303)
Closing carrying amount as at 30 June 2010	**327**
Balance at 30 June 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**

7. Trade and Other Receivables

		2011	2010
Trade Receivables		448,077	302,284
Trade Receivables (Related Parties)		17,279	16,999
Less: Provision for impairment	13	-	-
Accrued Debtors		38,047	34,349
Prepayments		44,373	115,314
		547,776	**468,946**

8. Cash and Cash Equivalents

		2011	2010
Cash on Hand		6,685	6,685
Bank Balance		333,576	106,927
Term Deposits (maturity less than 3 Months)		404,095	578,342
	13	**744,356**	**691,954**

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

There were no dividends declared during the year (2010: $321,121).

A net dividend of $400,000 was declared after balance date but before the signing of this annual report.

10. Interest Bearing Loans

Secured Bank Loans	2011	2010
Repayable as follows:		
Less Than 1 Year	3,000,000	-
Between 1 and 5 Years	-	3,000,000
	3,000,000	**3,000,000**

The loans are secured by a registered debenture over assets and undertakings of the Company.

Management extended the Multi Option Credit Line agreement with Westpac in 2009 for a further four years to 2012 for each of the individual $1m loans within the agreement. Management have received a letter of intent from Westpac Bank which provides for an extension of the Multi Option Credit line for a further three years from March 2012.

Interest rates applying at balance date were in the range of 3.65% to 3.75% (2010: 3.85% to 4.05%).

11. Trade and Other Payables

	Note	2011	2010
Trade Payables		99,835	211,726
Trade Payables (Related Parties)	16	44,880	(15,802)
Accruals		61,473	38,524
GST liability		64,229	43,957
Lease income in advance		33,087	33,860
Payments in Trust		-	31,468
		303,504	**343,733**

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

	2011	2010
Net profit for the year	1,261,366	142,579
Add/(less) non cash and non-operating items:		
(Gain)/Loss on Disposal of assets	307	(103,058)
Depreciation and Amortisation	532,283	498,556
Impairment of trade receivables	-	-
Movement in deferred taxation	(34,561)	1,226,156
Movement in working capital:		
(Increase)/Decrease in receivables	(78,830)	(79,266)
Increase/(Decrease) in current tax payable	12,039	11,360
Increase/(Decrease) in payables	15,507	(7,038)
Net cash flows from operating activities	**1,708,111**	**1,703,365**

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+,BNZ: AA/Stable/A-1+).

Maximum exposures to credit risk at balance date are:

Cash and cash equivalents and term deposits

	2011	2010
Cash and cash equivalents	744,356	691,954
Short-term deposits with maturities of 4-12 months	3,348,110	2,037,491

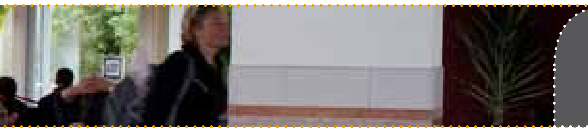
Runway Refurbishment Reserve Funds

Of the total amount held in cash and term deposits, $2,891,942 (comprised entirely from other short-term deposits) was held in reserve for the runway refurbishment.

Trade Receivables

	2011	2010
Trade Receivables	486,124	336,633
Trade Receivables (Related Parties)	17,279	16,999
	503,403	**353,632**

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:

	2011		2010	
	Gross receivable	Impairment	Gross receivable	Impairment
Not past due	459,080	-	339,966	-
Past due 0-30 days	26,242	-	14,400	-
Past due 31-90 days	12,223	-	(293)	-
Past due > 90 days	5,858	-	(441)	-
Trade receivables	**503,403**	**-**	**353,632**	**-**

Provision for Impairment

	2011	2010
At 1 July	-	17,913
Additional Provision made during the year	1,962	-
Provision reversed during the year	-	(17,913)
Receivables written-off during the year	(1,962)	-
Provision for Impairment	-	-

Concentrations of credit risk

The Company's largest customer accounts for 51.9% of total sales (2010: 52.3%) and 51.6% of trade receivables (2010: 60.0%) 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 ratio to be maintained at greater than 2 times.

b. Equity ratio to be maintained at greater than 40%.

Re-pricing analysis

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

	2011 Effective Interest Rate	2011 Within 12 months	2011 Between 1 – 2 Years	2010 Effective Interest Rate	2010 Within 12 Months	2010 Between 1 - 2 years
Assets						
Term Deposits	3.00-5.60%	3,752,205	-	3.00 - 5.40%	2,615,833	-
Liabilities						
Bank Loans	3.65-3.75%	(3,000,000)	-	3.85 - 4.05%	-	(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 $296,403 (2010: $236,988) and the balance included as owing in trade payables as at 30 June 2011 was $13,414 (2010: ($21,704).

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 $99,102 (2010: $79,252) and the balance included as owing in trade payables as at 30 June 2011 was $14,624 (2010: $5,901).

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 $43,174 (2010: $2,093) and there was a balance of $16,757 owing in trade payables as at 30 June 2011 (2010: Nil).

During the year the company paid for services with NZ Red Cross Limited in which Paul Steere is a director. These services amounted to $352 (2010: $476) and there was a balance of $85 owing in trade payables as at 30 June 2011 (2010: $175).

Transactions with Related Parties

During the year the company paid for services to the Aero Club in which Paul McGuiness is a shareholder. These services amounted to $2,000 (2010: Nil) and there was no balance owing in trade payables as at 30 June 2011 (2010: $Nil). The company also provided services to the Aero Club during the year amounting to $17,707 (2010: $19,649) and there was a balance of $1,508 owing in trade receivables as at 30 June 2011 (2010: 1,554).

During the year the company provided services to Helicopters NZ in which Paul McGuiness was the Chief Financial Officer. These services amounted to $179,313 (2010: $65,599) and there was a balance of $15,771 owing in trade receivables as at 30 June 2011 (2010: $15,445).

Short-term employee benefits

	2011	2010
Key management team compensation	319,438	273,582

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 the following capital commitments contracted but not provided for as at balance date:

	2011	2010
Terminal Carpet	90,000	-
Runway Overlay & Supervision	2,674,000	-
	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 2011 lease revenue received in association with the non – cancellable operating lease arrangements amounted to $1,496,661 (2010: $1,316,638).

19. Contingencies

There are no known contingencies as at 30 June 2011 (2010: Nil).

20. Events after Balance Date

A net dividend of $400,000 was approved on 26 July 2011 (2010: $321,121) amounting to 16.67 cents per share (2010: 13.38 cents per share).

Management has received a letter of intent, dated 11 August 2011, for the extension of the Multi Option Credit Line agreement with Westpac for a further three years to April 2015 for each of the individual $1m loans within the agreement.

21. Shareholders' Statement of Intent

Nelson Airport Limited is required to deliver a completed Statement of Intent to its shareholders by 30 June 2011 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 2011.

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

Bank of New Zealand

Solicitors

Pitt & Moore

Nelson Airport
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