NELSON AIRPORT ANNUAL REPORT 2016

NELSON AIRPORT
Connecting Business and Leisure

COMPANY DIRECTORY

DIRECTORS

Paul Steere (Chair)

Paul McGuinness (Deputy Chair)

Matthew Clarke

Catherine Taylor

Judene Edgar

REGISTERED OFFICE

Nelson Airport
Airport Terminal
Trent Drive
Nelson

Telephone 03-547-3199
Facsimile 03-547-3194
Email office@nelsonairport.co.nz

CHIEF EXECUTIVE

Robert Evans

MANAGERS

Corporate Services: Simon Orr

Operations: James Middlewick

Sales and Marketing: Sally Russ

AUDITOR

Audit New Zealand on behalf of the Auditor-General

ACCOUNTANT

Johnston Associates Chartered Accountants Limited

BANKERS

Westpac Banking Corporation

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OUR VISION

To be the best Regional Airport in New Zealand

OUR MISSION

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

OUR BOARD

DIRECTORS


Paul Steere
(Chair)


Paul McGuinness
(Deputy Chair)


Matthew Clarke


Catherine Taylor


Judene Edgar

OUR STAFF


Robert Evans
Chief Executive

"It has been a year of extraordinary change in Aviation Services"

DIRECTORS'/CEO'S REPORT

FOR THE YEAR ENDED 30 JUNE 2016

OVERVIEW

Air New Zealand expanded its Nelson engineering and maintenance services to overseas airlines, with Air Calédonie being the first to send an ATR for servicing.

It has been a year of extraordinary change in aviation services with the startup of Jetstar, Kiwi Regional Airlines and Originair flying additional services and new routes out of Nelson from mid-year, bringing much needed capacity growth and increased competition.

The company recorded its best performing year with record passenger numbers and a strong financial performance.

With support from Council shareholders and major airlines, the airport redevelopment gained significant momentum with completion of developed design for the terminal and car park precincts by the end of June.

A number of minor infrastructure upgrades were successfully completed to support the growth in passengers and provide added safety and security.

The five yearly aeronautical pricing consultation process was successfully completed with the new charges commencing on 1 July 2016.

Associated property and ground transport services improved performance resulting from new commercial agreements and the additional uplift in passengers.

Jetstar performed very well with services to Auckland and Wellington.

DIRECTORS'/CEO'S REPORT CONTINUED

FOR THE YEAR ENDED 30 JUNE 2016

FINANCIAL

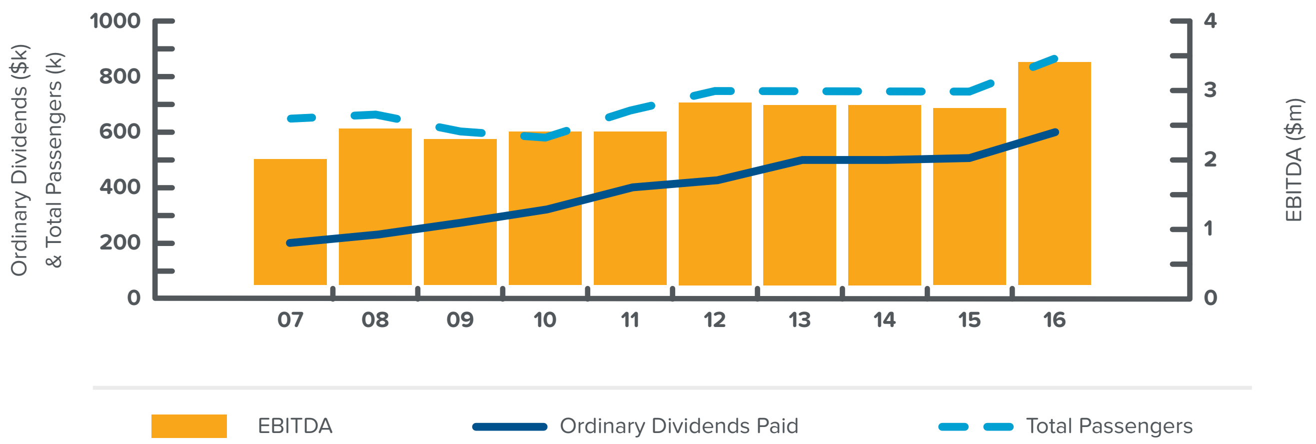
Nelson Airport Limited is pleased to report earnings before interest, tax, depreciation and amortisation (EBITDA) of $3.4m, a new record for the company and up 17% on the previous year's $2.9m.

2015/16 saw the successful introduction of accounting and reporting based on a revaluation model incorporating the valuation of significant assets at their fair value. Impairment of $0.24m was recorded against the current terminal to acknowledge its limited useful life in light of the new terminal development. The recognition of fair values and associated impairment delivered a one-off gain on asset revaluation of $38.0m net of taxation, underpinning Total Comprehensive Income of $39.2m.

- Revenue streams were up on the prior year in all sectors with major contributions coming from aeronautical income, car parking and rental cars.
- Property related interests reflected increased revenues through active management of lease renewals, rent reviews and new agreements.
- Passenger numbers were up 16% for the year at 865,000 and capacity (seats) was up by 19% to reach 1.2m – both records for the airport.
- Operating costs increased due to the impairment recognised for the existing terminal facilities and additional resources required in response to new airline business.
- Administration costs were up 3% and included additional consultants engaged to grow commercial activities and improve returns along with recruitment costs for a Commercial Manager to fill the consultant's role going forward.
- The five yearly aeronautical pricing consultation process recorded higher than expected costs, however the outcome has resulted in a significant increase in the aeronautical charges that reflects a more appropriate return on assets.
- The new aeronautical pricing includes a return on the costs of the new terminal and other associated infrastructure upgrades when commissioned.

EBITDA, Ordinary Dividends & Total Passengers

Ten year history



DIRECTORS'/CEO'S REPORT CONTINUED

FOR THE YEAR ENDED 30 JUNE 2016

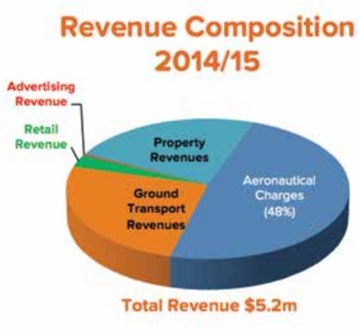
AVIATION ACTIVITY

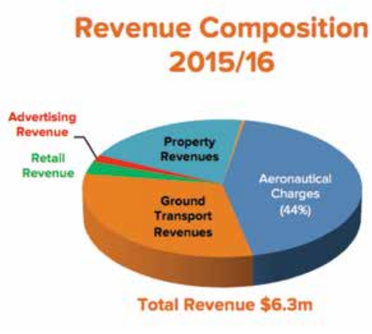
The year saw extraordinary growth in passenger numbers with the introduction of Jetstar, Kiwi Regional Airlines and Originair around December. Whilst Kiwi Regional Airlines exited the market soon after commencement and Originair had some teething problems on startup, Jetstar made a significant impact on Auckland and Wellington route capacity and passenger throughput. Air New Zealand responded well to the additional capacity and also closed the year out with record numbers. Along with the contribution from Sounds Air and air2there, passenger numbers reached 865,000 which is a record for Nelson Airport. For a period Nelson operated six airlines to eight destinations within New Zealand.

Air New Zealand Regional Maintenance expanded its customer base to complete its first overseas contract for Air Calédonie and plans were announced for continued expansion of this expertise which provides strong economic value for the region and growth in specialised high value employment.

The business has implemented a targeted marketing plan and established close working relationships with local tourism and economic development bodies, partner airports, airlines and other tourist bureaus to work collaboratively for future growth in our region. Targeted total passenger throughput for the 2016/17 year is 1,000,000.

For general aviation, helicopters and itinerant flying Nelson continues as a popular airport with business and high value tourism driving additional charter and private jet operations.





Total revenue has increased as has the proportion of non-aeronautical revenue as a percentage of the total. This is notwithstanding a 9% increase in aeronautical revenue.

NON AERONAUTICAL REVENUE

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

During the year the advertising portfolio was brought back in-house contributing significant net growth in revenue while also connecting the business directly to the community and its customers. This has been a resounding success with improved revenue from advertising of over 500%. This function also supports marketing and business development initiatives with the airlines.

The rental car business was successfully market tested through a tender for the first time in many years. We also introduced a new entrant in Europcar during this process, increasing our in-terminal providers to six.

The car parking charges were reviewed along with the implementation of some minor adjustments and product changes delivering improved revenue.

These initiatives contributed to an overall increase in ground transport revenues of 47%.

The additional passenger throughput had a positive effect on food and beverage sales and along with the addition of a kiosk has resulted in a 27% increase in retail revenues.

Despite the lease expiry and subsequent exit from Hangar 3 by Helicopters New Zealand, property recorded a 5% increase in revenue through proactive management of lease renewals and rent reviews.

HEALTH & SAFETY

Our goal remains zero harm in the workplace. An independent review of the health & safety systems has been conducted to ensure the airport company aligns with the changes to the health and safety legislation enacted in April 2016. This has resulted in a greater understanding of the requirements for both employees and Board members and the appropriate processes continue to be developed.

Staff utilisation of the online Health and Safety reporting and monitoring system has continued, and we had no Lost Time Injuries during the year. A health and safety representative was elected by staff and has undertaken external training for the role.

"Staff engagement with health and safety development is continuous and reflects a continuous improvement culture which the Board reviews and monitors."

Airport growth has resulted in a much busier apron than in past years. A monthly Apron Safety Forum has been established with attendance from all airlines and other important airside stakeholders to promote safety and security.

Staff engagement with health and safety development is continuous and reflects a continuous improvement culture which the Board reviews and monitors.

INFRASTRUCTURE

As a result of the extraordinary passenger growth the car parking payment system was replaced after 12 years of service, new curbside drop off and pick up lanes introduced and overflow parking areas expanded to manage the growth while at the same time providing a safer transition for customers moving between car parks and the terminal. While these changes are essentially temporary in nature, the new payment system will be reusable when the carpark is redeveloped.

Temporary airline check-in counters and baggage belts were installed for the new airlines and while achieving their purpose have contributed to even more congestion in the departure area, which will only be relieved by the new terminal development. Air New Zealand was provided with some additional space to expand their Regional Lounge but this is still below the airline's expectations for a premier customer service delivery model.

The new terminal and car park developed design stage was completed and the project is now well advanced into the detailed design phase. Council shareholders have given their approval for the investment as the planned development constitutes a major transaction under The Companies Act 1993 and the company's own constitution and therefore requires unanimous shareholder approval. It is also reassuring that the Company can carry the investment on its balance sheet and fund it from revenue growth without shareholder funding whilst forecasting growing dividends. The current programme has construction of the new terminal commencing early 2017.

STRATEGIC DEVELOPMENT

The success of the strategic review led by management and supported by the Board has delivered a stronger and fitter business model. The success of this strategic change is evidenced by the financial and non-financial performance for the year. The planning structure that has delivered this is outlined below:

THE BUSINESS HAS DRIVEN KEY THEMES FOR BUSINESS GROWTH BASED ON:

- Building improved customer relationships
- Developing visionary infrastructure plans
- Diversifying revenue mix and increasing returns
- Fostering a culture of operational safety, flexibility and efficiency
- Improving engagement with our people and stakeholders

The rebrand of the company has increased our presence in the minds of the community and along with the efforts of the staff has delivered a greater understanding of the airport's role in the region's economic prosperity. We continue to embrace new communication platforms to provide relevant information and leverage marketing spend effectively. Our partnerships with key stakeholders, airlines and the new Nelson Regional Development Agency are all important factors in a cohesive and well supported Strategic Plan.

Nelson City Council is working on a full review of all of its plans developed under the Resource Management Act 1991. Nelson's RMA Plans include the Nelson Regional Policy Statement, Nelson Air Quality Plan and the Nelson Resource Management Plan which incorporates the district plan, regional plan and regional coastal plan. Nelson Airport is actively engaged in this process and is working collaboratively with Council to ensure the airport's future growth and development in all facets of the business are considered.

ENVIRONMENTAL

The airport is continually striving to improve its environmental performance. The solar panels continue to perform well and LED lighting is installed as old fittings reach the end of their life. Recycling throughout the airport has grown with greater passenger numbers. Key environmental features are included in the new terminal design to ensure we have a better performing asset such as solar energy generated natural ventilation, use of natural light and electric car charging stations amongst other initiatives.

The airport continues to engage with community representatives and stakeholders on noise issues and noise levels remain below those allowed in the Nelson City Council Resource Management Plan.

PEOPLE

The unforeseen growth from new airline entrants and its flow-on effect has placed significant pressure on airport staff. They have risen to the challenge and strived for continual improvement in all areas of the airport. The business expanded its resources during the year with the recruitment of a Terminal Services Manager and is in the process of recruiting a Commercial Manager.

The stakeholder survey carried out during the year highlighted that our key relationships are vastly improving through our efforts to better connect and communicate through a partnership approach to the business. The staff can reflect on a positive contribution to this improvement.

The dedication, passion, enthusiasm and professionalism of the staff is appreciated by the Board and our shareholders and as we embark on the transformation of the airport we look forward to their ongoing commitment.

We greatly appreciate and recognise the value of the two Council shareholders who have been unwavering in their support of our growth and future development plans.

DIRECTORS'/CEO'S REPORT CONTINUED

FOR THE YEAR ENDED 30 JUNE 2016

STAKEHOLDER ENGAGEMENT

A stakeholder survey was carried out in March with the objective of understanding our engagement and relationships with key stakeholders. The results showed that the majority of stakeholders are very satisfied and the engagement and relationships have improved over the 12 months.

A passenger survey was carried out in May with a sample size of 1,800 terminal users canvassed to gain insights and knowledge regarding travel behaviours. These results are very useful for informing the terminal design, feedback to airlines and other tenants, visitor data on tourists and to monitor standards and service delivery within the terminal.

OUTLOOK

The year ahead will see the commencement of the infrastructure upgrades which will ultimately set the airport up for the next 20 years of growth. Whilst these works will present challenges on a daily basis, the business has been preparing itself well, and is fitter and stronger to meet them. We will deliver a project that will continue to grow the airport's role in the region's development and prosperity and which will set us on the path to achieve our Vision to be the best regional airport in New Zealand.

Robert Evans
Chief Executive Officer

Paul Steere
Chairman

KEY RELATIONSHIPS

"...we recognise and appreciate the value of the two Council shareholders; Air New Zealand; Jetstar; Air New Zealand Regional Maintenance; Sounds Air; our car rental partners; Spotless NZ (The Café); Helicopters New Zealand; Civil Aviation Authority; Airways Corporation; Rescue Helicopters; Air2there; the flying schools and all our airline and commercial partners."

INDEPENDENT AUDITOR'S 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 2016.

The Auditor-General is the auditor of Nelson Airport Limited (the company), The Auditor-General has appointed me, Bede Kearney, 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.

OPINION ON THE FINANCIAL STATEMENTS AND THE PERFORMANCE INFORMATION

WE HAVE AUDITED:

- the financial statements of the company on pages 15 to 35, that comprise the statement of financial position as at 30 June 2016, 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 9 to 11.

IN OUR OPINION:

- The financial statements of the company:
  + present fairly, in all material respects:
    + its financial position as at 30 June 2016; and
    + its financial performance and cash flows for the year then ended; and
  + comply with generally accepted accounting practice in New Zealand in accordance with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime.
- the performance information of the company presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company's objectives for the year ended 30 June 2016.

Our audit was completed on 14 October 2016. 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 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 the performance information are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and the performance information. If we had found material misstatements that were not corrected, we would hove 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 in the performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and the performance information, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the company's financial statements and performance information 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.

INDEPENDENT AUDITOR'S REPORT CONTINUED

AN AUDIT ALSO INVOLVES EVALUATING:

- the appropriateness of accounting policies used and whether they hove been consistently applied;
- the reasonableness of the significant accounting estimates and judgements mode by the Board of Directors;
- the appropriateness of the reported performance information within the company's framework for reporting performance;
- the adequacy of the disclosures in the financial statements and in the performance information; and
- the overall presentation of the financial statements and the performance information.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and the performance information. Also, we did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

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 the preparation and fair presentation of financial statements for the company that comply with generally accepted accounting practice in New Zealand. The Board of Directors is also responsible for preparation of the performance information for the company.

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

The Boord of Directors is 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 is also responsible for the publication of the financial statements and the performance information, whether in printed or electronic form.

RESPONSIBILITIES OF THE AUDITOR

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

INDEPENDENCE

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

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

Bede Kearney
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand

SERVICE PERFORMANCE REPORT 2015/16

CUSTOMERS & REVENUE

Deliver Earnings before Interest, Tax, Depreciation & Amortisation (EBITDA) of $3.0m.
EBITDA of $3.4m achieved. This established a new earnings record for Nelson Airport Ltd.

Deliver an increase in Ground Transport Revenues for 2015/16, over July 2015 annualised rate, of 8%.
The increase delivered over July 2015 annualised is 39%.

Improve advertising revenue in 2015/16 by 50% over 2014/15.
Advertising revenue was taken in house from October 2015, having previously been outsourced. After bringing this function in house the business delivered an increase in advertising revenues of 510% over 2014/15.

815,000 passengers through the airport.
Total passenger count through the airport for the 2015/16 year was 865,000. This is an increase of 16% over 2014/15.

ENVIRONMENT & OPERATIONS

Facilitate at least four Nelson Airport Noise Environment Advisory Committee meetings.
The Company set up four meetings for the Nelson Airport Noise Environment Advisory Committee. Due to lack of third party attendees three of these meetings failed to attract a quorum. The committee has resolved to move to a schedule of two meetings per year or as required if an urgent matter arises.

Reduce bird-strike incidents by 5%.
Actual bird strikes increased by 11, equating to a 39% increase over 2014/15.

The majority of bird strikes in the 2015/16 year involved small birds, of less risk to aviation than larger varieties. The airport is currently handling record flight numbers thus increasing the potential for bird strikes. The airport uses benchmarking reporting from Civil Aviation Authority to monitor our bird strike rate. The Civil Aviation Authority currently classifies Nelson Airport as low risk but trending upward.

The Company has put considerable resources into managing the risk of birdstrike. Gas cannons remotely controlled by Airways staff in the control tower are now in routine use. The airport rescue fire service is operating bird deterrent pyrotechnics at unprecedented levels. NAL remains active in identifying and providing input into plans in the wider community that may impact the bird strike risk, such as submitting on the Rabbit Island/Moturoa Reserve Management Plan and involvement in Nelson Golf Club's process to investigate the installation of a significant water storage facility (storage pond) on golf club land. Culling is conducted as required but is constrained by the proximity to the public walkway.

Achieve Civil Aviation Authority Audit reports with no findings.
Two Civil Aviation Authority Audits were held during the 2015/16 year, one safety and one security. There were no findings for either audit.

Incur no Lost Time Injuries (LTI's).
No lost time injuries were sustained during the 2015/16 year.

INFRASTRUCTURE & ASSETS

Complete Master Plan to 2035 by June 2016.
The Master Plan was in its final stages as at 30 June 2016 and was approved on 26th July 2016.

Complete detailed design of Ground Transport Facilities by June 2016.
Developed design was completed by 30 June 2016 with detailed design commencing July 2016.

Complete detailed design of redeveloped Terminal and Airways Control Tower by June 2016.
Developed design for the terminal was completed by 30 June 2016 with detailed design commencing July 2016. Concept design for Airways' Control Tower was completed by 30 June 2016 with Request for Proposals for design and build issued by August 2016.

PEOPLE & CORPORATE SERVICES

Staff performance review process implemented by December 2015.
Staff performance review system established and in place by December 2015.

SERVICE PERFORMANCE REPORT 2015/16 CONTINUED

Risk management framework, including risk registers, developed by June 2016.
Risk registers were not developed by June 2016. NAL instigated a major review of Health and Safety, including risk management. A new Health and Safety Charter and Policy are in development and a broad-brush risk analysis workshop was held by the business during the 2015/16 year as one of the initiatives within the wider Health and Safety programme review. Work will continue during the 2016/17 year to established a fully comprehensive risk management framework.

FINANCIAL PERFORMANCE TARGETS

Total revenue of $5.6m.
Total Revenue $6.3m for the 2015/16 year. A new record for Nelson Airport Ltd.

Earnings before interest and tax (EBIT) of $2.3m.
EBIT achieved was $1.6m however this is calculated on a Fair Value basis whereas the target of $2.3m was set utilising depreciation based on historical cost (as was the practice at the time). For a meaningful comparison the original target requires adjustment to calculation on a Fair Value basis.

The EBIT target adjusted to Fair Value, by applying actual depreciation, is $1.6m. Actual EBIT achieved, utilising the same depreciation figure, was $1.6m. The EBIT achieved is after recognising loss on impairments of $430.8k. $238k of the impairments relate to plans to replace the existing terminal with a new facility and the associated write down of the existing facility which is now assumed to have a significantly reduced life as it is planned to be demolished. At the time the above target was set the Terminal Development Project was in its Explore and Options Phase and no terminal related impairment was assumed.

Profit after tax of $1.7m.
Profit after tax was $1.2m however this was calculated on a Fair Value basis whereas the target of $1.7m was set utilising depreciation based on historical cost (as was the practise at the time). For a meaningful comparison the original target requires adjustment to calculation on a Fair Value basis.

The Profit after tax target adjusted to Fair Value, by applying actual depreciation, is $1.0m. The actual profit after tax achieved, utilising the same depreciation figure was $1.2m.

The profit after tax figure achieved was after recognising loss on impairments of $430.8k. $238k of the impairments relate to plans to replace the existing terminal with a new facility and the associated write down of the existing facility which is now assumed to have a significantly reduced life due to facing demolition. At the time the above target was set the Terminal Development Project was in its Explore and Options Phase and therefore no terminal related impairment was assumed.

Capital Expenditure $2.8m.
Capital additions for the 2015/16 year totalled $2.2m. The majority of this ($1.9m) related to capital works in progress with over 90% of that spend relating to the new terminal development and related landside projects. During the 2014/15 year the terminal development project saw completion of concept design and near completion of developed design.

Return on Equity of 18%.
Return on Equity at 30 June 2016, post revaluations and recognising Total Comprehensive Income, is 78%. This high return is driven by revaluation gains net of taxation of $38.0m, recorded in the current year on the adoption of Fair Value Accounting. The challenge for the business now is to steadily grow Return on Equity without the one-time windfall of other comprehensive income enjoyed on adoption of fair values.

Total ordinary dividend of $587.6k.
Total ordinary dividend declared and paid of $600k.

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2016

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 2016.

NATURE OF BUSINESS

Airport operating company.

VISION AND MISSION

In November 2015 the Company revised its Vision and Mission in light of the new brand, brand values and the strategic plan.

THE COMPANY'S VISION IS:

To be the best regional airport in New Zealand.

THE COMPANY'S MISSION IS:

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

DIRECTORS HOLDING OFFICE IN THE YEAR REMUNERATION

Paul Steere (Chair)	$27,027
Paul McGuinness (Deputy Chair)	$17,267
Matthew Clarke	$15,895
Catherine Taylor	$15,767
Judene Edgar	$15,895

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 Limited – Director
New Zealand King Salmon Investments Limited – Director
NZKS Custodian Limited – Director
Maccure Seafoods Limited – Director
King Salmon Limited – Director
Ora King Limited – Director
The New Zealand King Salmon (Australia) Limited – Director
Southern Ocean Seafoods Limited – Director
Regal Salmon Limited – Director
Southern Ocean Salmon Limited – Director
The New Zealand Red Cross Inc – Trustee
Nelson Marlborough Institute of Technology (NMIT) – Councillor
Clean Seas Limited – (Chairman), Listed on the Australian Stock Exchange
Kaynemaile Limited – Director
Allan Scott Wines & Estates Limited – (Chairman)
Nelson Golf Club – Director
Omega Innovations Limited - Director

DIRECTOR - MATTHEW CLARKE

Interests:

Wellington International Airport Limited – Chief Commercial Officer
Wellington Regional Economic Development Agency - Director
Red Wine Properties Limited – Director and Shareholder
Grow Wellington Limited - Director

DIRECTOR - CATHERINE TAYLOR

Interests:

Life Flight Trust – Chairperson
Building Practitioners Board – Member
Biosecurity Ministerial Advisory Committee – Member

DIRECTOR - JUDENE EDGAR

Interests:

Cawthron Institute Trust Board – Secretary
Cawthron Foundation – Secretary
Tasman District Council – Councillor
Tasman Regional Sports Events Trust – Trustee
Tasman Fundraising and Development Limited – Director and Shareholder
David Verhagen Consulting Limited – Director & Shareholder

BOARD ATTENDANCE

BOARD ATTENDANCE LEVELS DURING THE YEAR WERE AS FOLLOWS;

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

ACTIVE COMMITTEES

Committee	Composition	Meetings Held
Audit Committee	Board Members	2
Nelson Airport Noise Environment Advisory Committee	2 x Resident Reps, 1 x Nelson Airport Ltd Director, 1 x Nelson Airport Ltd Management Rep, 1 x Air NZ Rep, 1 x Helicopters Users Rep, 1 x Airport Other Users Rep, 1 x Airways Corporation Ltd Rep, 1 x Nelson City Council Rep	1

EMPLOYEE REMUNERATION

The number of employees or former employees who received remuneration and other benefits of $100,000 or more for the year ended 30 June 2015 was as follows:

Remuneration	Number of Employees
$210,001 - $220,000	1

DONATIONS

Donations paid during the year were $nil (2015: $347).

PUBLICATION OF ANNUAL REPORT

The 2015/16 annual accounts and Service Performance Report for Nelson Airport Limited were approved by the Board of Directors on 30 August 2016. Delivery of the Annual Report to Shareholders and publication of the same did not occur before the statutory deadline of 30 September 2016. The annual accounts and Service Performance Report included in the Annual Report are unchanged from those approved by the Board on 30 August 2016.

For and on Behalf of the Board

Paul Steere
Chair

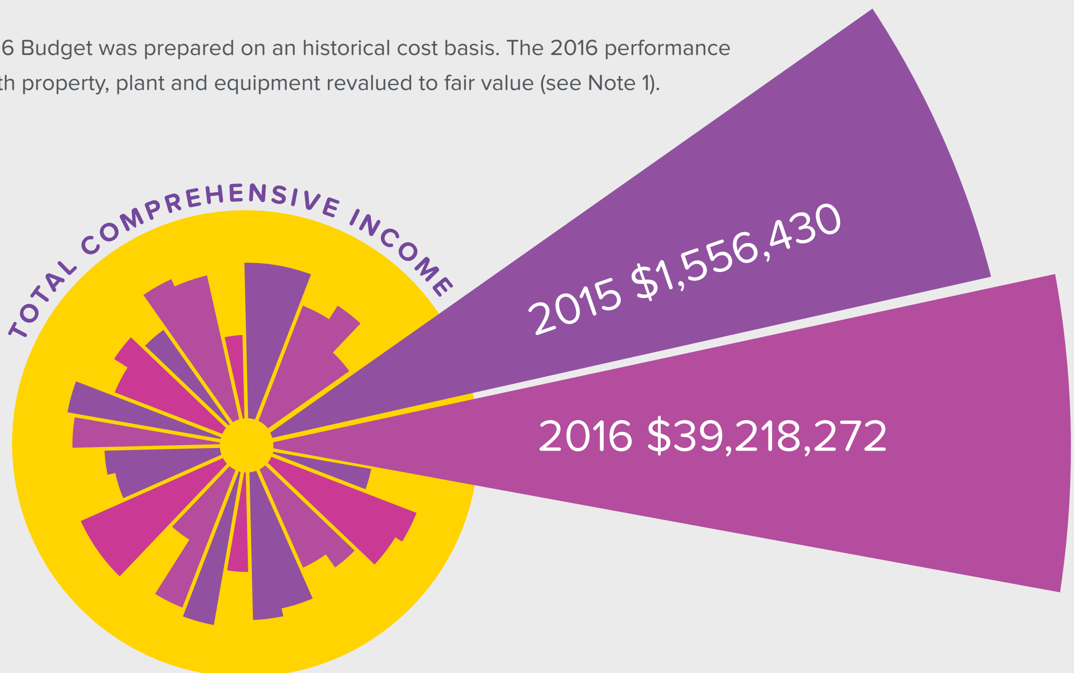
Paul McGuinness
Deputy Chair

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2016

	Note	Budget*	2016	2015
Revenue	2	5,620,830	6,307,268	5,246,808
Operating costs	3	2,473,270	3,792,191	2,283,601
Administration expenses	3	824,030	917,220	888,216
		3,297,300	4,709,412	3,171,818
Operating Profit		**2,323,530**	**1,597,856**	**2,074,990**
Interest Revenue		49,870	93,918	156,345
Interest Expenditure		-	(156)	(70,120)
Net Financing Income		**49,870**	**93,762**	**86,225**
Gain on Sale of Fixed Assets		-	25	40
Investing Income		**-**	**25**	**40**
Profit before Tax		**2,373,400**	**1,691,643**	**2,161,256**
Income tax expense	4	665,030	516,815	604,826
Profit after Tax		**1,708,370**	**1,174,829**	**1,556,430**
Other Comprehensive Income				
Gain on asset revaluation			42,925,402	-
Tax on asset revaluation			(4,881,959)	-
Total Comprehensive Income			**39,218,272**	**1,556,430**

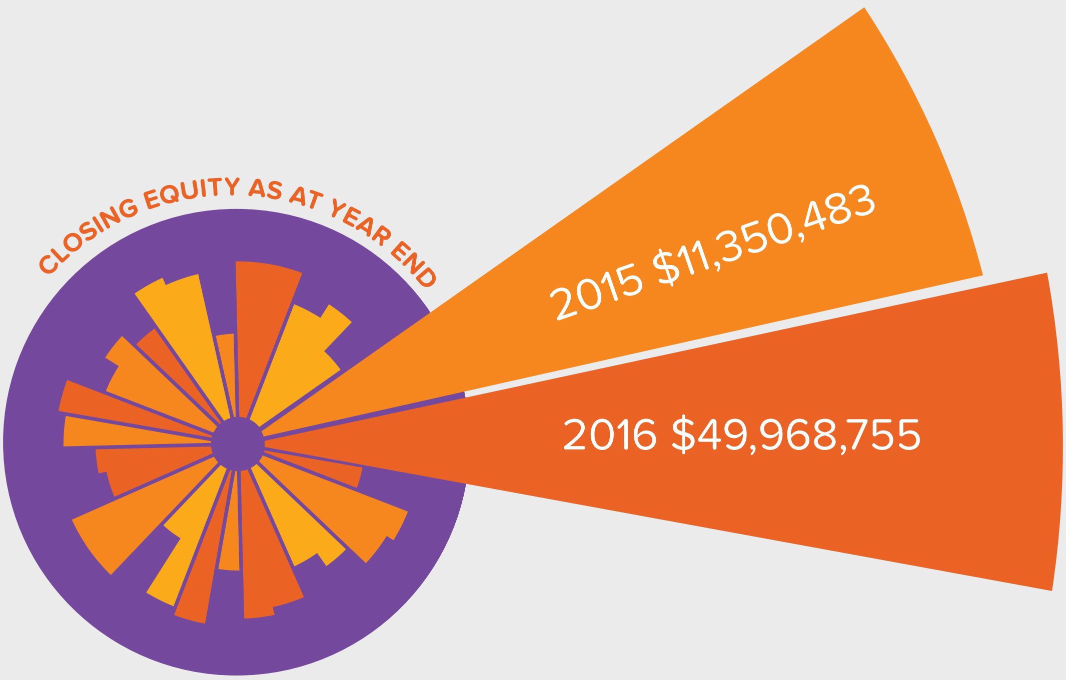
*Note: the 2016 Budget was prepared on an historical cost basis. The 2016 performance is reported with property, plant and equipment revalued to fair value (see Note 1).



STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016	2015
Opening Retained Earnings		**8,950,483**	**7,909,553**
Total Profit for the Year		1,174,829	1,556,430
Distributions to Equity Holders	10	(600,000)	(515,500)
Retained Earnings as at Year End		**9,525,312**	**8,950,483**
Opening Asset Revaluation Reserve		**-**	**-**
Gain on Asset Revaluation		38,043,443	-
Asset Revaluation as at Year End		**38,043,443**	**-**
Share Capital	10	2,400,000	2,400,000
Closing Equity as at Year End		**49,968,755**	**11,350,483**



STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

	Note	2016	2015
Assets			
Current Assets			
Trade and Other Receivables	7	899,854	667,701
Cash and Cash Equivalents	8	1,586,003	656,557
Other Financial Assets	9	1,100,000	2,300,000
Total Current Assets		**3,585,857**	**3,624,258**
Non Current Assets			
Property, Plant and Equipment	5	52,813,409	9,535,452
Intangible Assets	6	15,935	5,331
Total Non Current Assets		**52,829,344**	**9,540,783**
Total Assets		**56,415,201**	**13,165,041**
Liabilities			
Current Liabilities			
Trade and Other Payables	12	817,650	899,812
Current Income Tax Liability		375,338	202,351
Employee Entitlements		100,443	70,923
Interest Bearing Loans	11	-	1,892
Total Current Liabilities		**1,293,432**	**1,174,978**
Non Current Liabilities			
Deferred Tax	4	5,153,014	639,579
Total Non Current Liabilities		**5,153,014**	**639,579**
Total Liabilities		**6,446,446**	**1,814,557**
Net Assets		**49,968,755**	**11,350,483**
Equity			
Issued Share Capital	**10**	**2,400,000**	**2,400,000**
Retained Earnings		9,525,312	8,950,483
Asset Revaluation Reserve		38,043,443	-
Total Equity		**49,968,755**	**11,350,483**

For and on behalf of the Board

Paul Steere
Chair
30 August 2016

Paul McGuinness
Deputy Chair
30 August 2016

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016	2015
Cash Flows from Operating Activities			
Cash was provided from:			
Receipts from airport users		6,073,317	5,189,206
Interest received		95,714	172,532
		6,169,031	5,361,738
Cash was disbursed to:			
Payments to suppliers and employees		(2,317,393)	(2,525,445)
Interest paid		(156)	(70,120)
Income tax paid		(712,352)	(645,715)
Net GST Movement		(45,202)	8,239
		(3,075,103)	(3,233,041)
Net Cash Flows from Operating Activities	13	**3,093,928**	**2,128,698**
Cash Flows from Investing Activities			
Cash was provided from:			
Decrease in term deposit/other financial assets		3,500,000	3,584,756
Sale of property, plant & equipment		179	158
		3,500,179	3,584,914
Cash was disbursed to:			
Increase in term deposit/other financial assets		(2,300,000)	(2,300,000)
Purchase of property, plant & equipment		(2,231,424)	(850,354)
Purchase of Intangible Assets		(15,845)	(344)
		(4,547,269)	(3,150,698)
Net Cash Flow from Investing Activities		**(1,047,090)**	**434,216**
Cash Flows from Financing Activities			
Cash was provided from:		-	-
		-	-
Cash was disbursed to:			
Dividends paid	10	(1,115,500)	-
Decrease in term loans		(1,892)	(3,001,604)
Net Cash Flow from Financing Activities		**(1,117,392)**	**(3,001,604)**
Net increase/(decrease) in cash and cash equivalents		929,446	(438,691)
Opening cash and cash equivalents		656,557	1,095,248
Closing cash and cash equivalents		**1,586,003**	**656,557**

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

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 and landside processing of passengers and freight to and from the aircraft.

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

The financial statements for Nelson Airport Limited are for the year ended 30 June 2016. The financial statements were authorised for issue by Nelson Airport Limited on 30 August 2016.

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

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

MEASUREMENT BASE

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

FUNCTIONAL AND PRESENTATION CURRENCY

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar. The functional currency of the company is New Zealand dollars (NZ$).

CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year with the exception of the following:

i) initial application to revalue plant and equipment that is revalued in accordance with accounting policy (c); and;

ii) Leasehold aerodrome land has been recognised and measured at fair value in the financial statements in accordance with accounting policy (c). Previously this has been disclosed only by way of a note to the financial statements. This is to reflect the value in use in relation to the land and provides greater relevance to the financial information presented.

SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of these financial statements requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Future outcomes could differ from those estimates. The principal areas of judgement in preparing these financial statements are set out below:

i) Valuation of property, plant and equipment

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

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

ii) Changes in accounting estimates and judgements

The following accounting estimates and judgements have changed since the previous financial year:

DEPRECIATION ON TERMINAL BUILDING

Due to future development of a new terminal, the remaining useful life of the existing terminal building has been reduced to 3 years. This results in increased depreciation of $195,412 in the current financial year. $241,163 depreciation per year is expected in 2017 and 2018.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost less accumulated depreciation and impairment losses, or at fair value with valuations undertaken on a systematic basis with no individual asset included at a valuation undertaken more than five years previously. Impairment losses are charged to profit or loss, except for properties previously revalued with the revaluation taken to other comprehensive income. For such properties, the impairment is recognised in other comprehensive income up to the amount of any revaluation.

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

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

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

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

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

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.

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2016

Buildings	Terminal, hangars and other buildings	1.6% - 33.3% Straight line 8.0% - 20.0% Diminishing value
Airfield Infrastructure	Runways, taxiways and aprons	2.5% - 50.0% Straight line 4.0% - 30.0% Diminishing value
Landside Infrastructure	Pavements, utilities and other infrastructure	1.5% - 20.0% Straight line 7.5% - 30.0% Diminishing value
Equipment	Parking meters, security and vehicles	6.7% - 21.0% Straight line 8.4% - 67.0% Diminishing value
Fixtures and fittings	Furniture, computers, and fittings	5.0% - 12.6% Straight line 10.0% - 80.4% Diminishing value

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

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

INTANGIBLE ASSETS

SOFTWARE ACQUISITION AND DEVELOPMENT

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

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

The carrying amount of an intangible asset with a finite life is amortised on a diminishing value 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 48.0% - 50% DV

IMPAIRMENT OF NON-CURRENT ASSETS

The carrying amounts 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.

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

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

TRADE AND OTHER RECEIVABLES

Trade and other receivables are initially stated at fair value and subsequently stated at their amortised cost using the effective interest method less impairment losses. A provision for impairment of receivables is established when there is objective evidence that 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2016

OTHER FINANCIAL ASSETS

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

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

AERONAUTICAL CHARGES

Aeronautical 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 profit or loss for the period comprises current tax and deferred tax.

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2016

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2016

2 – OPERATING INCOME

	2016	2015
Aeronautical Charges	2,769,011	2,544,683
Ground Transport Revenues	1,938,326	1,318,065
Retail Revenue	192,415	151,349
Advertising Revenue	105,903	17,364
Property Revenues	1,277,937	1,213,301
Sundry Income	23,676	2,046
	6,307,268	5,246,808

During the 2016 year the Company has reclassified revenue in line with the above categories in order to achieve better alignment with the organisational structure and strategy. 2015 year revenues have been reclassified accordingly in the above table for comparative reasons.

3 – EXPENSES

A) OPERATING COSTS

	2016	2015
Depreciation	1,395,224	634,026
Amortisation of Intangible Assets	5,241	3,432
Loss on Impairment	430,797	-
Employee Entitlements	766,983	654,973
Other Operating Expenses	1,193,912	990,421
Loss on Disposal of Fixed Assets	34	749
	3,792,191	2,283,601

B) ADMINISTRATION COSTS

	2016	2015
Auditors Remuneration	26,134	25,538
Directors' Fees	94,168	85,795
Provision for Impairment of Trade Receivables	-	2,147
Other Administration Expenses	796,918	774,736
	917,220	888,216

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2016

4 – INCOME TAX

COMPONENTS OF INCOME TAX EXPENSE

	2016	2015
Current Tax Expense	885,339	670,529
Deferred Tax Expense	(368,524)	(65,703)
	516,815	604,826

RELATIONSHIP BETWEEN TAX EXPENSE AND ACCOUNTING PROFIT

	2016	2015
Operating Profit Before Taxation	1,691,643	2,161,256
Prima Facie Tax @ 28%	473,660	605,152
Adjustment for Timing & Taxation Differences	411,679	65,377
Adjustments for Deferred Tax	15,232	7,595
Adjustments for Deferred Tax - Property, Plant & Equipment	(383,756)	(73,298)
Income Tax Expense	516,815	604,826

DEFERRED TAX

	2016	2015
Property, Plant and Equipment		
Opening Balance	(646,951)	(720,249)
Charged to Profit & Loss	383,756	73,298
Charged to Other Comprehensive Income	(4,881,959)	-
Closing Balance	(5,145,154)	(646,951)
Employee Entitlements		
Opening Balance	6,219	13,746
Charged to Profit & Loss	(11,087)	(7,527)
Closing Balance	(4,868)	6,219
Other Provisions		
Opening Balance	1,153	1,221
Charged to Profit & Loss	(4,145)	(68)
Closing Balance	(2,992)	1,153
Total	**(5,153,014)**	**(639,579)**

5 – PROPERTY PLANT AND EQUIPMENT

2016	Land & Improvements	Buildings	Airfield Infrastructure	Landside Infrastructure	Equipment	Fixtures & Fittings	Capital Work in Progress	Total
Cost or Valuation								
Balance as at 1 July 2015	704,055	7,135,624	5,724,634	1,556,075	750,442	303,935	266,688	16,441,453
Reclassification	(230,223)	(714,812)	17,220	217,126	(11,807)	(24,032)	-	(746,528)
Additions	100,800	32,374	-	5,396	109,805	30,368	1,900,022	2,178,765
Disposals	-	-	-	-	-	(2,000)	-	(2,000)
Revaluation	25,489,834	3,340,278	11,073,353	3,021,937	-	-	-	42,925,402
Balance at 30 June 2016	26,064,466	9,793,464	16,815,207	4,800,534	848,440	308,271	2,166,710	60,797,092
Accumulated Depreciation and Impairment Losses								
Balance as at 1 July 2015	2,951	3,677,373	1,865,349	556,832	562,314	241,182	-	6,906,001
Reclassification	(2,951)	(682,494)	14,890	(8,891)	(43,050)	(24,032)	-	(746,528)
Depreciation	-	418,598	715,964	188,254	57,547	14,862	-	1,395,225
Impairment	-	276,094	3,246	19,197	-	-	132,259	430,797
Disposals	-	-	-	-	-	(1,812)	-	(1,812)
Balance at 30 June 2016	-	3,689,571	2,599,449	755,393	576,811	230,200	132,259	7,983,683
Net Book Value at 30 June 2016	26,064,466	6,103,893	14,215,758	4,045,141	271,629	78,071	2,034,451	52,813,409

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2016

2015	Land & Improvements	Buildings	Airfield Infrastructure	Landside Infrastructure	Equipment	Fixtures & Fittings	Capital Work in Progress	Total
Cost or Valuation								
Balance as at 1 July 2014	699,598	6,481,472	5,724,634	1,546,428	691,745	280,770	130,206	15,554,853
Reclassification	-	-	-	-	-	-	-	-
Additions	4,457	654,152	-	9,647	58,697	24,032	136,482	887,467
Disposals	-	-	-	-	-	(867)	-	(867)
Revaluation	-	-	-	-	-	-	-	-
Balance at 30 June 2015	704,055	7,135,624	5,724,634	1,556,075	750,442	303,935	266,688	16,441,453
Accumulated Depreciation and Impairment Losses								
Balance as at 1 July 2014	1,808	3,414,754	1,594,706	511,107	520,459	229,141	-	6,271,975
Reclassification	-	-	-	-	-	-	-	-
Depreciation	1,143	262,619	270,643	45,725	41,855	12,041	-	634,026
Impairment	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Balance at 30 June 2015	2,951	3,677,373	1,865,349	556,832	562,314	241,182	-	6,906,001
Net Book Value at 30 June 2015	701,104	3,458,251	3,859,285	999,243	188,128	62,753	266,688	9,535,452

Residential land was last valued as at 30 June 2015 by Duke & Cooke in accordance with the 2012 Australia and New Zealand Valuation Property Standards; the 2013 International Valuation Standards (fair value $965,000). The Directors are satisfied that there has not been a material movement in the fair value as at 30 June 2016.

Leasehold aerodrome land, upon which the airport is situated, was vested by the Crown to be held in trust by Nelson City Council. The Company has a renewable 60 year lease over this land at a peppercorn rental. The leasehold interest in airport land was last valued as at 30 June 2015 by Seagar & Partners (Auckland) Limited¬ in accordance with 2013 International Valuation Standards (fair value $24,998,666). The Directors are satisfied that there has not been a material movement in the fair value as at 30 June 2016.

All Buildings were last valued as at 30 June 2015 by Duke & Cooke in accordance with the 2012 Australia and New Zealand Valuation Property Standards; the 2013 International Valuation Standards (fair value $6,490,115). The Directors are satisfied that there has not been a material movement in the fair value as at 30 June 2016.

Airfield Infrastructure and Landside Infrastructure was last valued as at 30 June 2015 by Opus International Consultants Limited in accordance with International Valuation Standards (fair value $19,159,721). The Directors are satisfied that there has not been a material movement in the fair value as at 30 June 2016.

The following table summarises the valuation approach and key assumptions used by the respective valuers:

Asset classification and description	Valuation approach	Key valuation assumptions	+/-5% Valuation Impact
Land			
Commercial and Residential Land	Commercial and Residential land is valued on a market sales comparison basis.	-	+ / - $48,250
Leasehold Land			
Lessee's leasehold interest in airport land vested in the Nelson City Council and under peppercorn rental.	Market value existing use approach – comprising of: Assessment of the underlying land value of the leased land upon its approved use; Assessment of the market rental of the underlying freehold land by reference to prevailing ground rental rates, adjusted for the terms and conditions of the lease; Assessment of expected future growth rates in land values and ground rentals; Present value calculation of the benefit over the duration of the ground lease using a discount rate indicted by market activity; Supporting market data including the sale of any comparable leasehold interests.	Underlying freehold land value rates as follows: Precinct 1 (Commercial Activity) - $1,250,000 per hectare; Precinct 2 (Trent Drive Entrance) - $750,000 per hectare; Precinct 3 (Centre Airport) - $270,000 per hectare; Precinct 4 (Bolt Road) - $500,000 per hectare; Precinct 5 (Open Space) - $90,000 per hectare Growth rates 2% per annum; Discount Rate 7%	+/- $1,250,000
Buildings			
Specialised buildings used for identified airport activities including terminal	Optimised depreciated replacement cost (ODRC) - the cost of constructing a modern equivalent asset at current market based input cost rates, adjusted for the remaining useful life of the assets (depreciation).	Modern equivalent asset rates ranging from $16 to $2,850 per m^2.	+/- $311,206
Residential buildings and buildings other than for identified airport activities	Residential buildings are valued on a market sales comparison basis.		+ / - $13,300
Airfield Infrastructure			
Airside pavements including main runway, taxiways, and aprons	Optimised depreciated replacement cost (ODRC - the cost of constructing a modern equivalent asset [as described for Buildings above].	Product of replacement asset x unit cost plus allowance for professional fees and finance charges	+ / - $744,250
Landside Infrastructure			
Landside pavements including roads and carparks, Utilities including stormwater, wastewater, and supply, Other infrastructure (fencing, lighting).	Optimised depreciated replacement cost (ODRC - the cost of constructing a modern equivalent asset [as described for Buildings above].	Product of replacement asset x unit cost plus allowance for professional fees and finance charges	+ / - $211,400
Equipment			
Parking meters, security equipment, and vehicles.	Not applicable – measured at cost less accumulated depreciation.	-	-
Fixtures and fittings			
Furniture, office equipment, computers, and fixtures.	Not applicable – measured at cost less accumulated depreciation.	-	-

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2016

6 – INTANGIBLE ASSETS

2016	Original Cost	Accum Amortisation	Opening WDV	Additions	Disposals	Amortisation	Closing WDV
Software	19,635	14,304	5,331	15,845	-	5,241	15,935

2015	Original Cost	Accum Amortisation	Opening WDV	Additions	Disposals	Amortisation	Closing WDV
Software	19,290	10,872	8,418	345	-	3,432	5,331

7 – TRADE AND OTHER RECEIVABLES

	2016	2015
Trade Receivables	711,012	565,834
Less: Provision for Impairment	-	(2,481)
Accrued Debtors	19,885	19,286
Prepayments	168,957	40,534
Other Receivables	-	44,528
	899,854	667,701

8 – CASH AND CASH EQUIVALENTS

	2016	2015
Cash on Hand	7,655	6,685
Bank Balance	578,348	149,872
Term Deposits (maturity less than 3 Months)	1,000,000	500,000
	1,586,003	656,557

9 – OTHER FINANCIAL ASSETS

	2016	2015
Short Term Deposits (maturity within 3 months of balance date)	1,100,000	1,500,000
Short Term Deposits (maturity within 4 - 12 months of balance date)	-	800,000
	1,100,000	2,300,000

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2016

10 – SHARE CAPITAL

ORDINARY SHARES

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

KIWI SHARE

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

DISTRIBUTIONS TO SHAREHOLDERS

As stated in the annual Statement of 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, and

b) that it will be no less than the previous years dividend.

On 30 June 2015, a year-end dividend of $515,500 was declared. This was paid on 20 July 2015.

On 28 June 2016, a year-end dividend of $600,000 was declared and subsequently paid by year end.

11 – INTEREST BEARING LOANS

	2016	2015
Repayable as follows:		
Less Than 1 Year	-	1,892
Between 1 and 5 Years	-	-
	-	1,892
Less Than 1 Year	-	1,892
Between 1 and 5 Years	-	-
	-	1,892

During 2011 the Company entered into a hire purchase arrangement for the purchase of a Multi-function photocopier. At the beginning of the year the term remaining on the agreement was 1 year. The interest rate over the life of the hire purchase is 18.96%.

This was repaid during the year.

12 – TRADE AND OTHER PAYABLES

	2016	2015
Trade Payables	627,526	194,618
Trade Payables (Related Parties)	18,160	10,584
Dividends Payable	-	515,500
Accruals	64,245	40,313
GST Liability	40,658	85,861
Lease Income in Advance	67,061	52,936
	817,650	899,812

13 – RECONCILIATION OF REPORTED PROFIT AFTER TAX WITH CASH FLOWS FROM OPERATING ACTIVITIES

	2016	2015
Net Profit for the Year	1,174,829	1,556,430
Add/(less) non cash and non operating items:		
(Gain)/Loss on Disposal of assets	9	709
Depreciation and Amortisation	1,400,465	637,458
Impairment of trade receivables	-	(2,481)
Impairment of fixed assets	430,797	-
Movement in deferred taxation	4,513,434	(65,703)
Tax on asset revaluation	(4,881,959)	-
Movement in working capital:		
(Increase)/Decrease in receivables	(232,153)	(39,061)
Increase/(Decrease) in current tax payable	172,990	24,816
Increase/(Decrease) in payables	515,517	16,530
Net cash flows from operating activities	**3,093,928**	**2,128,698**

14 – 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 NCC amounting to $394,869 (2015:$388,214) and the balance included as owing in trade payables as at 30 June 2016 was $11,795 (2015:$10,584).

A peppercorn rent in respect of airport land is chargeable to the Company by NCC (Refer 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 $85,723 (2015:$105,846) and the balance included as owing in trade payables as at 30 June 2016 was $6,365 (2015:$7,288).

Tourism Nelson Tasman Limited is owned by Nelson City Council. The Company paid costs of $46,000 to Tourism Nelson Tasman Limited in 30 June 2016 (2015: $34,740) and the balance included as owing in trade payables as at 30 June 2016, was Nil (2015: Nil). The Company also received income of $2,220 in 30 June 2016 (2015: Nil) and $911 is included in accounts receivable as at 30 June 2016 (2015: Nil).

TRANSACTIONS WITH ENTITIES RELATED TO KEY MANAGEMENT PERSONNEL

During the year the Company paid for services with NZ Red Cross Limited in which Paul Steere was a director during the year. These services amounted to $450 (2015: $691) and the balance owing in trade payables as at 30 June 2016 was $120 (2015: $795).

The Company paid the following compensation to key management personnel for services rendered:

	2016	2015
Key management personnel compensation	$309,804	$285,385

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.

15 – CAPITAL COMMITMENTS

Nelson Airport Limited has the following contractual capital commitments for property, plant and equipment as at 30 June 2016 (2015: $229,340);

Ground Transport Upgrade	$29,600

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

16 – 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 and many are subject to regular rent reviews.

In 2016 lease revenue received in association with the non–cancellable operating lease arrangements amounted to $1,495,227 (2015:$ 1,677,493).

Lease revenue for future years is expected as follows:

Due within 12 months	Due Between 1-5 years	Due thereafter	Total
$218,174	$3,348,938	$1,941,942	$5,509,054

17 – CONTINGENCIES

A tenant on the airport has an option to renew their ground lease in October 2017 or require the landlord (Nelson Airport Limited) to purchase the leasehold improvements made to the property. The maximum estimated obligation has been estimated to be $2m. No provision in relation to the possible obligation has been recognised in the financial statements as the tenant has given no indication of their intention to exercise this right.

18 – EVENTS AFTER BALANCE DATE

There are no significant events after balance date that have affected the financial position of the company.

19 – SHAREHOLDERS' STATEMENT OF INTENT

Nelson Airport Limited was required to deliver a completed Statement of Intent to its shareholders by 30 June 2016 under Part 3(b) of Schedule 8 of the Local Government Act 2002. The 2016 Statement of Intent was completed and forwarded to Nelson Airport Limited's shareholders on 29 June 2016.

NELSON AIRPORT