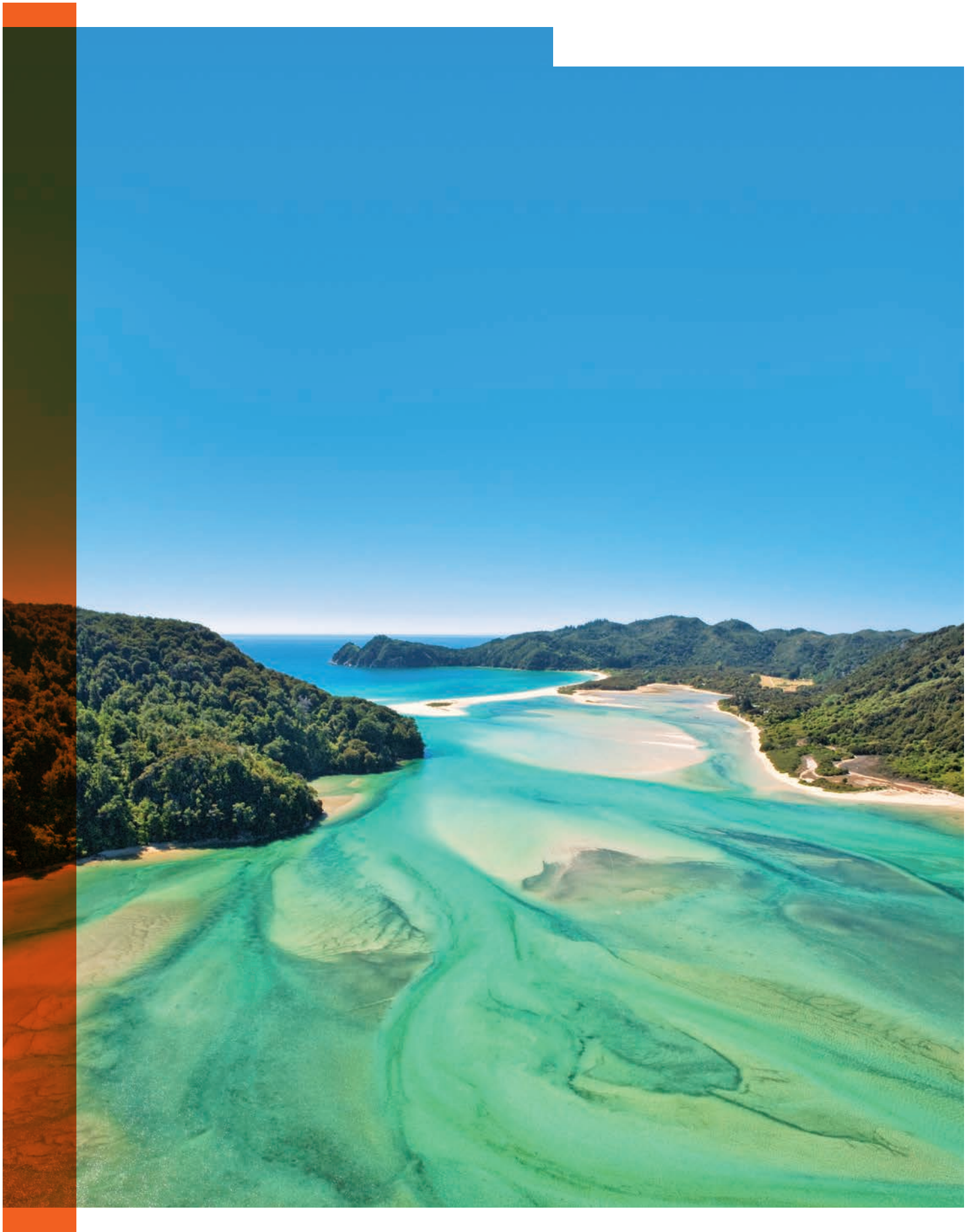


# ANNUAL REPORT 2017 NELSON AIRPORT LIMITED

CELEBRATING 1 MILLION PASSENGERS



**NELSON AIRPORT**  
*Good things start here.*



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# OUR BOARD

## OUR MISSION

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

## OUR VISION

To be the best Regional Airport in New Zealand

## DIRECTORS



Paul Steere  
(Chair)



Catherine Taylor  
(Deputy Chair)



Matthew Clarke



Judene Edgar



Matthew McDonald



Paul McGuinness  
(Retired)

## OUR STAFF



Robert Evans  
Chief Executive



Simon Orr  
Corporate Services  
Manager



Stephen Batt  
Commercial  
Manager



Sally Russ  
Sales and  
Marketing Manager



James Middlewick  
Operations Manager



Simon Trillo  
Terminal Manager

# DIRECTORS' / CHIEF EXECUTIVE'S REPORT

FOR THE YEAR ENDED 30 JUNE 2017

Nelson Airport Limited recorded its best performing year with passenger numbers reaching 1 million and a strong financial performance.

New Civil Aviation Authority security measures were implemented around the airfield perimeter and controlled access gates.

Nelson Airport Limited has continued to progress and refine its Health and Safety practices including incident identification, mitigation and reporting. There were no injuries requiring reporting to Worksafe nor time off. Adherence to our Health and Safety culture is explicit in our terminal and precinct build project.

Air New Zealand Regional Maintenance expanded its Nelson operation with services for overseas airlines adding Virgin Australia ATRs to the existing Air Calédonie fleet of ATRs.

Nelson Airport Limited's management team has expanded its expertise with additional resources and established improved larger office and meeting facilities.

Air New Zealand and Jetstar have performed strongly adding much needed capacity and competition to key routes.

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

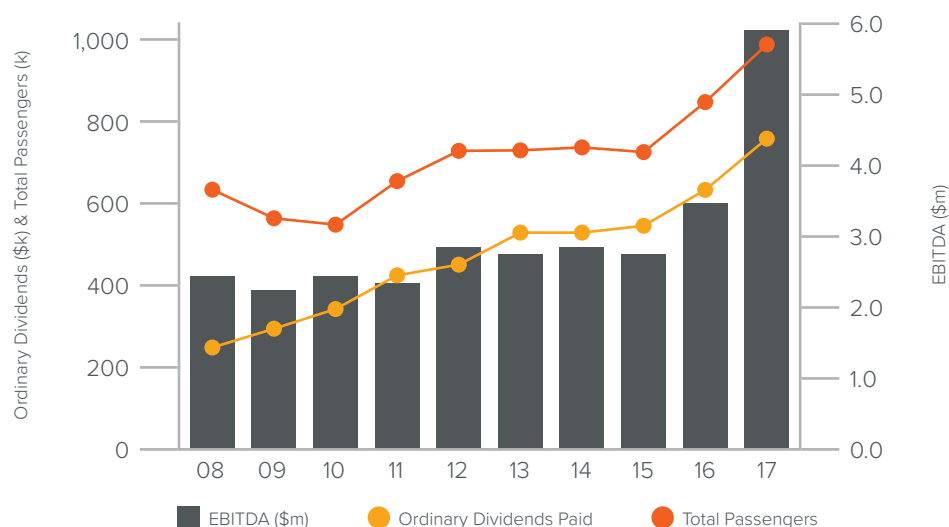
The new terminal and car parking contract was let, with the main construction works commencing in May. The physical relocation of underground services began in February 2017.

## DIRECTORS'/CEO'S REPORT FOR THE YEAR ENDED 30 JUNE 2017

### FINANCIAL

#### EBITDA, ORDINARY DIVIDENDS & TOTAL PASSENGERS

Ten year history



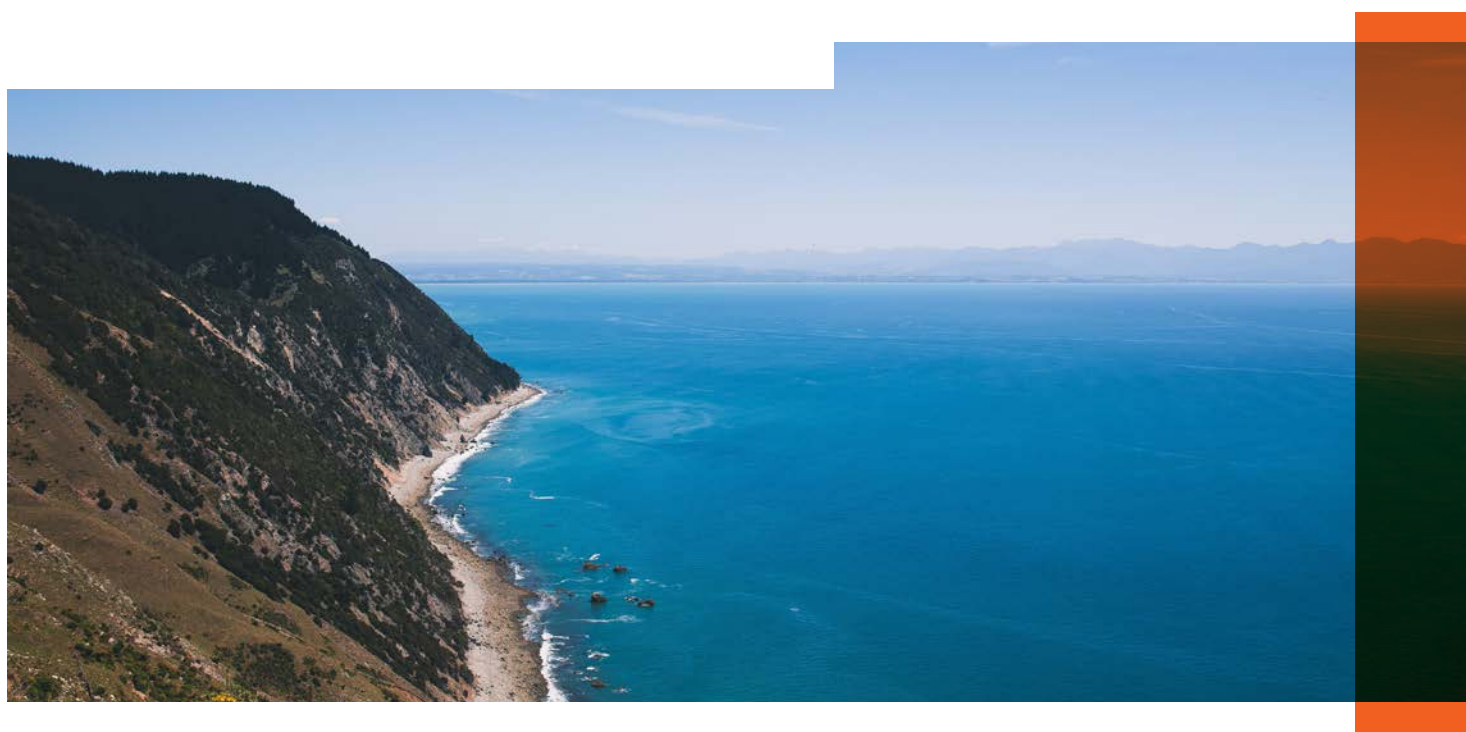
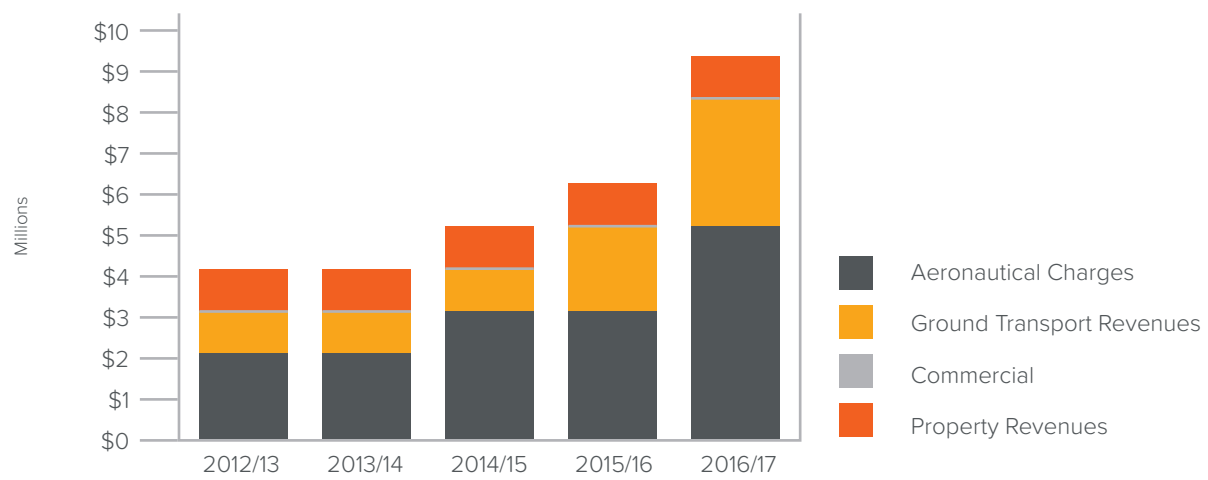
Nelson Airport Limited is pleased to report earnings before interest, tax, depreciation and amortisation (EBITDA) of \$5.8m, a new record for Nelson Airport Limited and up 71% on the previous year's \$3.4m.

The EBITDA performance contributed to a more than doubling of profit after tax to \$3m. The profit after tax fed directly to total comprehensive income with no impairment or revaluation gains or losses recorded for the year.

- All business revenue streams are up on the previous year with an average increase of 45%.
- Passenger numbers were up 16% over the prior year with Nelson Airport attaining the milestone of one million passengers through the terminal. This is an extraordinary achievement for a New Zealand regional airport.
- Increased passenger numbers directly supported growth in aeronautical charges, ground transport revenues and retail revenue.
- Operating and administration expenses were challenged with increased levels of activity in all areas of the airport business and precinct. The \$0.2m increase in these costs directly supported delivery of the \$2.8m growth in revenue for the business.
- The ordinary dividend increased by 20% over the prior year to a new record level of \$720,000.

# DIRECTORS'/CEO'S REPORT FOR THE YEAR ENDED 30 JUNE 2017

## FIVE YEARS REVENUE GROWTH



## DIRECTORS'/CEO'S REPORT FOR THE YEAR ENDED 30 JUNE 2017



### AVIATION ACTIVITY

This year again saw extraordinary growth in passenger numbers with competition on the Auckland and Wellington routes heating up and strong demand for the Christchurch services due to the challenges of road access at present. This dynamic along with a strong summer holiday season saw passenger numbers reach 1,000,373 for the 12 months in late June which is a record for Nelson Airport and a significant milestone in Nelson Airport Limited's history. This was a 16% increase on the previous financial year and demonstrates the popularity of the region for visitors and the local's high propensity for travel.

The \$1.9m (69%) increase in aeronautical revenues results both from the increase in passenger numbers and from the introduction of increased aeronautical charges from 1 July 2016 that were set following extensive consultation with the major airlines.

Air New Zealand Regional Maintenance expanded its customer base adding Virgin Australia ATRs to the existing Air Caledonie fleet.

Nelson Airport Limited entered into a three year Marketing Services Agreement with the Nelson Regional Development Agency to work collaboratively for future growth in our region. Nelson Airport Limited also harnessed close working partnerships with other economic development agencies and tourism bodies, linked airports, and smaller regional carriers to fulfil growth aspirations.

The general aviation area of fixed wing and helicopters continues to thrive from the growth in engineering and maintenance requirements, flight training and tourism.

### 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.

The advertising revenue continued to grow with an increase over the last financial year of 57%. This good result was despite challenges faced with the reluctance to enter into expensive advertisements on a terminal building scheduled to be demolished in the short term.

Property revenue had a moderate increase of 5% on the previous year. For tenants in the existing terminal, rent reviews have been deferred pending new agreements for the new terminal.

Retail revenue grew 15% on the previous year despite the challenges that an aging terminal presents.

Ground transport revenues continued to grow. Demand from the rental car market was fueled by the Kaikoura earthquake and the success of new partners at Nelson Airport. Passenger service vehicles saw a significant increase reflecting improved commercial terms coupled with larger passenger volumes. Combined staff and casual carpark revenue benefited from overall airport growth.



## DIRECTORS'/CEO'S REPORT FOR THE YEAR ENDED 30 JUNE 2017

### HEALTH & SAFETY

Health and Safety is a priority for our business. The commencement of the terminal construction project has created a significant amount of activity in close proximity to the public and airport operational areas, and Nelson Airport Limited is committed to ensuring the safety of visitors and staff at the airport.

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

A Risk Management framework has been implemented which ensures key risks are reviewed by Board and management on a regular basis.

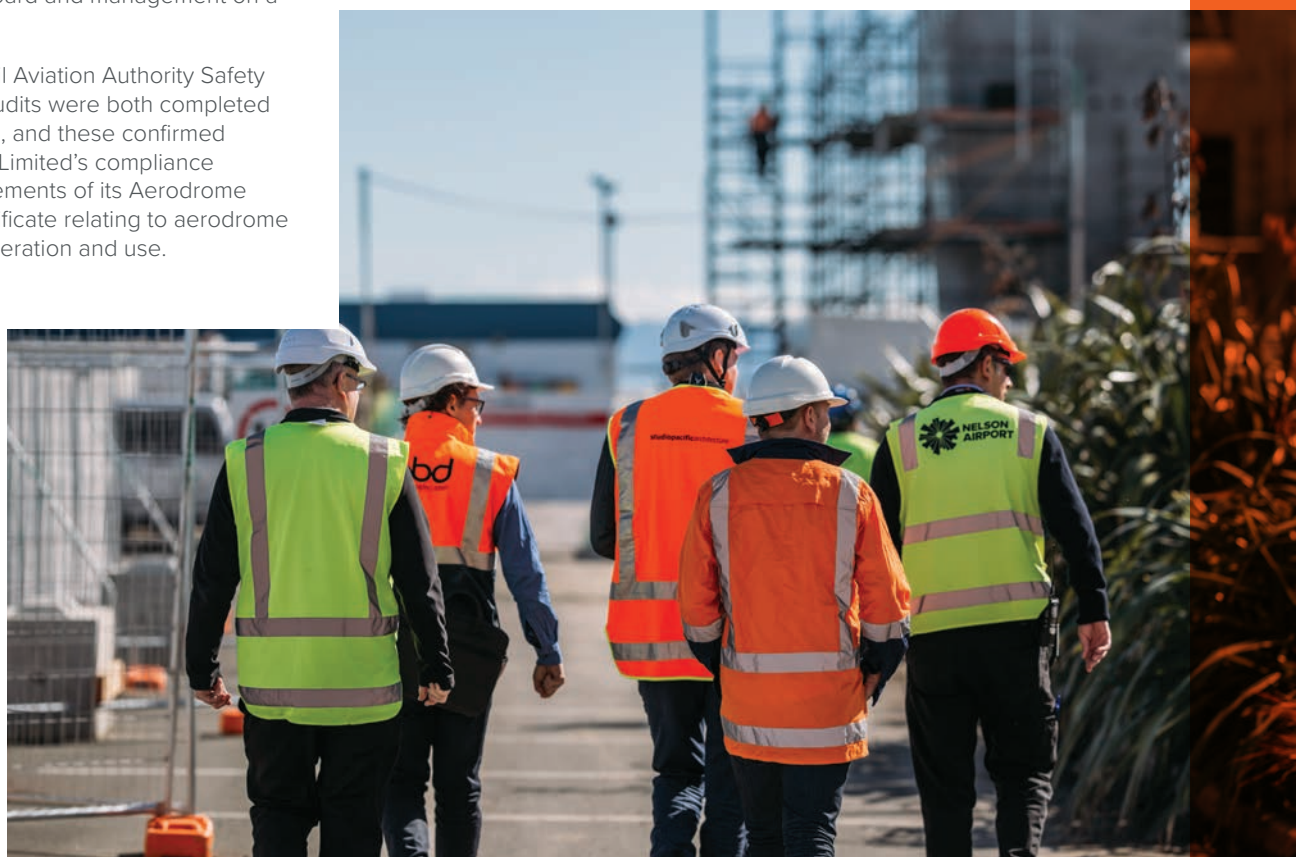
The annual Civil Aviation Authority Safety and Security Audits were both completed with nil findings, and these confirmed Nelson Airport Limited's compliance with the requirements of its Aerodrome Operating Certificate relating to aerodrome certification, operation and use.

### INFRASTRUCTURE

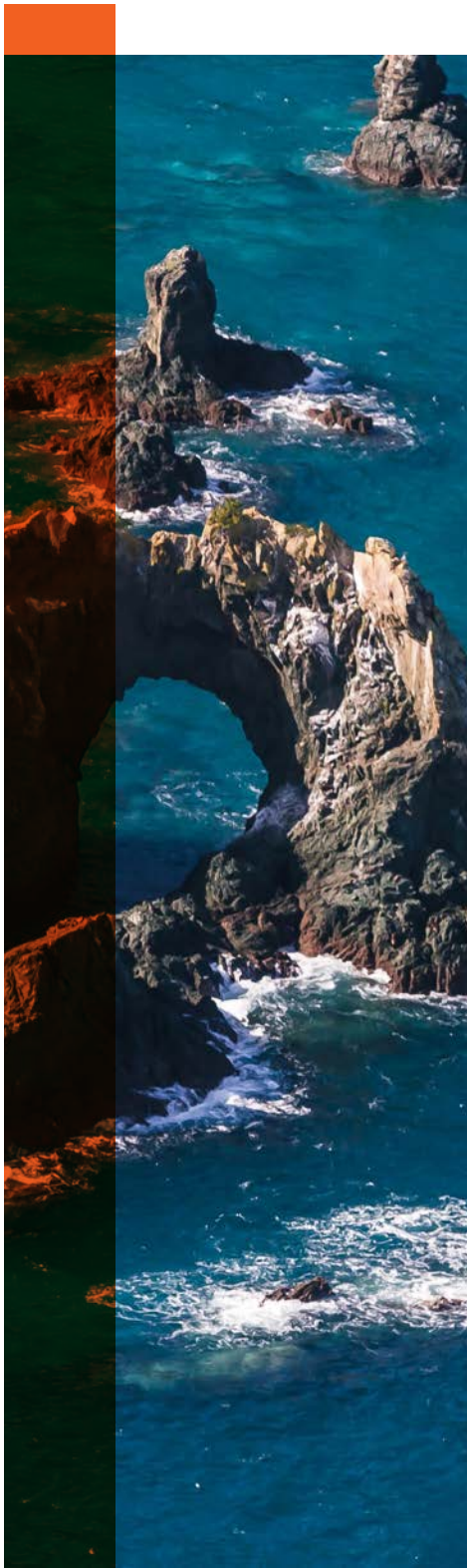
The new terminal and car park have been the main focus during this year with the completion of detailed design, third party lending approvals, tendering and negotiation of the contract.

The successful contractor was Naylor Love who formed a partnership with Gibbons Construction and Fulton Hogan for the delivery of these critical projects. On 29 May 2017 onsite works officially commenced with a programmed opening date of April 2019.

In addition to these two important projects, the airside apron is being redesigned to accommodate future growth for aircraft parking and improve passenger safety.



# DIRECTORS'/CEO'S REPORT FOR THE YEAR ENDED 30 JUNE 2017



## STRATEGIC DEVELOPMENT

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

For the financial period to June 2017 the focus areas were:

- An enhanced Health and Safety regime
- Commencement of the new terminal's construction
- Progression of ground transport and apron infrastructure developments
- Maintaining existing and growing future airline capacity
- Continuing to engage with key stakeholders and the community

The business has the following key result areas that deliver benefits to customers, stakeholders and shareholders:

- Health, safety and risk management
- Financial performance
- Operations and security
- Value creation
- Organisational development
- Regulatory compliance

## The Strategic Plan

The Strategic Plan is a three year document which articulates the strategies and those initiatives which support them. This will also inform the Statement of Intent.

## Master Plan

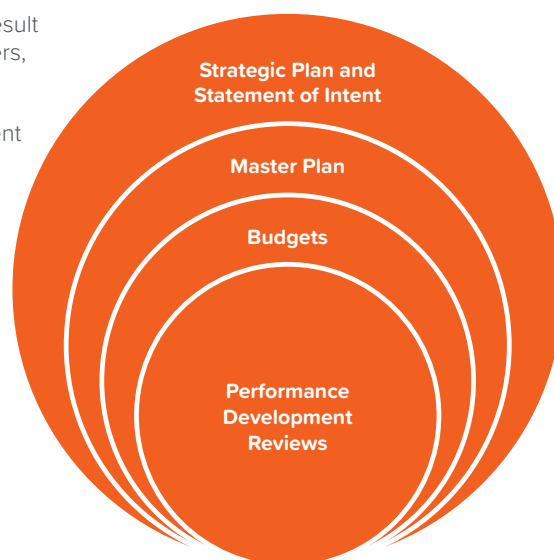
The Master Plan enables Nelson Airport Limited to set up the campus to achieve our strategic objectives.

## Budgets

Budgets document the investment required to deliver the strategies, the financial outcomes expected for next 12 months and a road map for achievement.

## Performance Development Reviews

Job descriptions and performance development reviews articulate the roles and expectations for staff for the year.



# DIRECTORS'/CEO'S REPORT

## FOR THE YEAR ENDED 30 JUNE 2017

### ENVIRONMENTAL

Key environmental features have been included in the new terminal design to ensure we have a better performing asset for the future. The laminated veneer lumber (LVL) timber structure, natural ventilation using solar chimneys, utilisation of natural light, electric car charging stations and recycling initiatives in partnership with Air New Zealand are leading the way in a state of the art terminal.

Nelson Airport Limited 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

To ensure that airport staff can manage the extraordinary growth of the business and the associated infrastructure projects there has been an emphasis on ensuring staff are appropriately trained and ready to keep up with the changing environment. The airport team has responded well to the challenges, receiving positive customer feedback and displaying a commitment to continually improve performance.

The addition of a part time public relations and communications advisor has been instrumental in connecting with the community and stakeholders to keep everyone updated as developments occur, and in telling the stories about the people who work here and the achievements of the business such as the 1 millionth passenger.

The dedication, passion, enthusiasm and professionalism of the staff is appreciated by the Board and our shareholders. 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 Nelson Airport Limited's growth and future development plans.

### STAKEHOLDER ENGAGEMENT

A second stakeholder survey was carried out in June 2017 to measure our relationships with key stakeholders compared with the previous year. The results showed that the majority of key stakeholders are very satisfied and the engagement and relationships are continually improving. Our efforts in supporting a challenging Health and Safety environment and dealing with the demands of rapidly expanding airlines and engineering services have been well recognised. The staff can reflect on a positive contribution to this improvement.

### OUTLOOK

The year ahead will see real advances in the terminal and carpark redevelopment. Whilst these works will present challenges on a daily basis the business is prepared. We will continue to deliver a project that will grow the airport's role in the region's development and prosperity and which will set Nelson Airport Limited on the path to achieve its vision to be the best regional airport in New Zealand.



Robert Evans  
Chief Executive Officer

Paul Steere  
Chairman



# AUDITOR'S REPORT

TO THE READERS OF NELSON AIRPORT LIMITED'S  
FINANCIAL STATEMENTS AND PERFORMANCE  
INFORMATION FOR THE YEAR ENDED 30 JUNE 2017

AUDIT NEW ZEALAND  
Mana Arotake Aotearoa

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

## OPINION

We have audited:

- the financial statements of the company on pages 21 to 41, that comprise the statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in equity, statement of financial position 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 14 to 15.

In our opinion:

- The financial statements of the company on pages 21 to 41:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2017; 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 on pages 14 to 15 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 2017.

Our audit was completed on 31 August 2017. This is the date at which our opinion is expressed.

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

## BASIS FOR OPINION

We carried out our audit in accordance with the Auditor General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

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

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

## RESPONSIBILITIES OF THE BOARD OF DIRECTORS FOR THE FINANCIAL STATEMENTS AND THE PERFORMANCE INFORMATION

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

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

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

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

## RESPONSIBILITIES OF THE AUDITOR FOR THE AUDIT OF THE FINANCIAL STATEMENTS AND THE PERFORMANCE INFORMATION

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

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

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the budget approved by the company's board.



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

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

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We evaluate the appropriateness of the reported performance information within the company's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

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

Our responsibilities arise from the Public Audit Act 2001.

## OTHER INFORMATION

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 6 to 11 and 18 to 20, but does not include the financial statements and the performance information, and our auditor's report thereon.

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

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact.

## INDEPENDENCE

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

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



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

# SERVICE PERFORMANCE REPORT 2016/17

## AERONAUTICAL

Deliver an aeronautical plan which underpins existing capacity, allows for new opportunities for growth and supports direct connectivity.

**Achieve total aeronautical revenues for the 2016/17 year of \$4.6m.**

Total aeronautical revenues achieved were \$4.7m.

**Achieve total passenger throughput for the 2016/17 year of 1,006,000.**

Total passenger throughput achieved in the 2016/17 year was 1,000,373.

**Complete an aeronautical marketing plan by December 2016.**

The aeronautical marketing plan was completed by December 2016.

## INFRASTRUCTURE

Develop an airport precinct that promotes smooth, safe and efficient passenger operations, supports growth and stimulates acceptable economic return

**Complete detailed design and procurement of contractors for new terminal and landside developments by June 2017.**

Detailed design was completed for landside in September 2016 and for terminal construction in December 2016.

On 11 May 2017 the Board resolved to appoint Naylor Love as the contractor for the new terminal development projects with contract award immediately following on 15 May 2017.

**Construction on new terminal developments to commence by May 2017.**

Preliminary works for the new terminal developments started in February 2017 with commencement on the relocation of underground services. The new terminal and carparking construction contract was let with main construction works commencing in May 2017.

**Apron capacity review and design to cater for future demand to be completed by December 2016.**

The apron capacity review and design was completed by December 2016.

**Complete Asset Management Plan by June 2017.**

Asset Management Plan is underway and expected to be completed by December 2017.

## ECONOMIC

With continued investment, establish the financial framework which delivers a satisfactory return to shareholders whilst managing safety and risk in a socially responsible way.

**Achieve non-aeronautical revenues for the 2016/17 year of \$3.8m.**

Nelson Airport Limited achieved non-aeronautical revenues of \$4.4m.

**Achieve earnings before interest, tax, depreciation and amortisation (EBITDA) for the 2016/17 year of \$5.2m.**

Earnings before interest, tax, depreciation and amortisation (EBITDA) achieved for the 2016/17 year were \$5.8m.

**Formulate a dividend policy to implement alongside fair value accounting.**

A new dividend policy was adopted and included in the Statement of Intent for the 2017/18 year.

## GOVERNANCE

Continually enhance the governance and management of the Airport to deliver the objectives of the shareholders, Board and the local community.

**Implement an enhanced Health and Safety Management System by August 2017.**

Nelson Airport Limited established a Health and Safety Management System Board Charter and drafted a new Health and Safety Policy. A Risk Management Committee has been established and

## SERVICE PERFORMANCE REPORT 2016/17

meets monthly. The Board review significant key risks, on a rolling basis, throughout the year. A cloud based Safety Monitor System has been implemented. A Safety Management System implementation plan has been established in response to planned changes to Civil Aviation Authority regulations. During the continued development of the health and safety management system Nelson Airport Limited has retained the services of an independent health, safety and risk management consultant.

### Complete a broad-brush risk assessment by September 2016.

The broad brush risk assessment was completed in November 2016.

### Achieve no lost-time injuries.

No lost-time injuries.

### Maintain a birdstrike rate of <5 per 10,000 movements.

The 12 month moving average bird strike rate per 10,000 aircraft movements at March 2017 (the latest report available at July 2017) was 4.2 for Nelson Airport.

### Implement airline conditions of use agreements by August 2017.

New comprehensive conditions of use established by the business and implemented in July 2017.

## ORGANISATIONAL DEVELOPMENT

Provide an environment and culture together with support that fosters the development of people who work at the airport.

### Complete performance and developmental reviews bi-annually – to June 2016 and to January 2017.

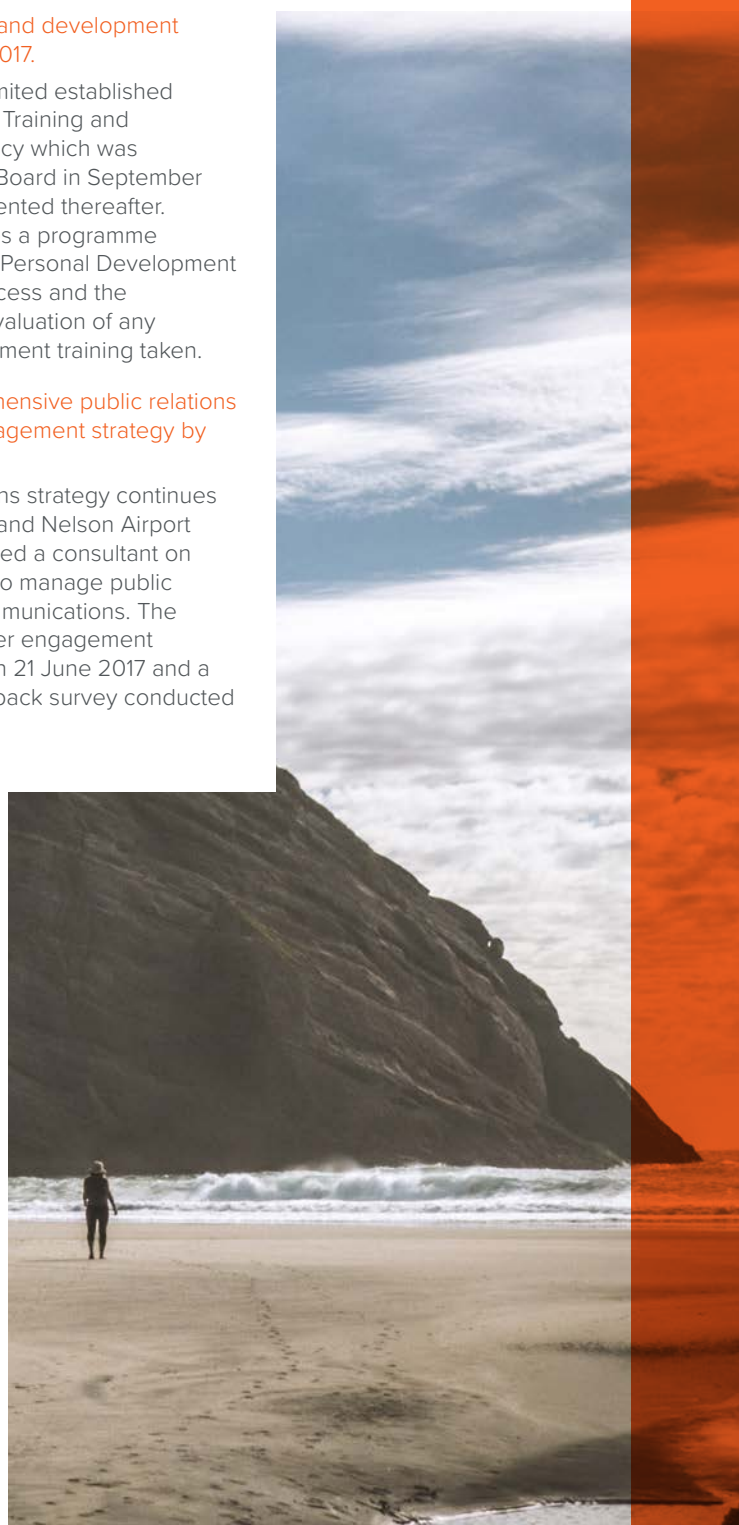
All staff reviews completed in line with the established six-monthly cycle.

### Implement a training and development programme by July 2017.

Nelson Airport Limited established a comprehensive Training and Development Policy which was approved by the Board in September 2016 and implemented thereafter. The policy outlines a programme incorporating the Personal Development Review (PDR) process and the monitoring and evaluation of any personal development training taken.

### Implement a comprehensive public relations and stakeholder engagement strategy by August 2017.

The public relations strategy continues to be developed and Nelson Airport Limited has retained a consultant on a part time basis to manage public relations and communications. The annual stakeholder engagement event was held on 21 June 2017 and a stakeholder feedback survey conducted in June 2017.









# ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2017



# ANNUAL REPORT

## FOR THE YEAR ENDED 30 JUNE 2017

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 2017.

### NATURE OF BUSINESS

Airport operating company.

### VISION AND MISSION

Nelson Airport Limited's Vision is:

To be the best Regional Airport in New Zealand.

Nelson Airport Limited's Mission is:

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



<b>Directors holding office in the year</b>	<b>2017 Remuneration</b>	<b>2016 Remuneration</b>
Paul Steere (Chair)	\$30,630	\$27,027
Catherine Taylor (Deputy Chair)	\$20,427	\$15,767
Matthew Clarke	\$18,747	\$15,895
Judene Edgar	\$18,747	\$15,895
Matthew McDonald (Commenced 29 March 2017)	\$4,569	-
Paul McGuinness (Resigned 29 March 2017)	\$15,435	\$17,267



# ANNUAL REPORT

## FOR THE YEAR ENDED 30 JUNE 2017

### DIRECTORS' REGISTER OF INTERESTS:

Entries in the interest register during the year include:

#### Director Paul Steere – Chairman – Interests:

New Zealand King Salmon Co Ltd (Director)  
New Zealand King Salmon (Australia) Ltd (Director)  
New Zealand King Salmon Investments Ltd (Director)  
New Zealand King Salmon Exports Limited (Director)  
New Zealand King Salmon USA Inc, an entity incorporated in the USA (Director)  
NZKS Custodian Ltd (Director)  
King Salmon Ltd (Director)  
Maccure Seafoods Ltd (Director)  
Ora King Ltd (Director)  
Southern Ocean Seafoods Ltd (Director)  
Regal Salmon Ltd (Director)  
Southern Ocean Salmon Ltd (Director)  
Nelson Marlborough Institute of Technology (Councillor)  
Clean Seas Ltd – Listed on the Australian Stock Exchange (Chairman)  
Kaynemaile Ltd (Director)  
Allan Scott Wines (Chairman)  
Nelson Golf Club (Director)  
Omega Innovations Ltd (Director)

#### Director Paul McGuinness – Deputy Chair (Retired):

No Interests

#### Director Catherine Taylor – Deputy Chair – Interests:

Life Flight Trust (Chairperson)  
Building Practitioners Board (Member)  
Biosecurity Ministerial Advisory Committee (Member)  
Diabetes New Zealand Incorporated (Director)  
Energy Efficiency & Conservation Authority (Director/Deputy Chair)  
New Zealand Law Foundation (Trustee)

#### Director Matt Clarke – Interests:

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

#### Director Judene Edgar – Interests:

Tasman District Council (Councillor)  
Tasman Regional Sports Events Trust (Trustee)  
Tasman Fundraising and Development Ltd (Director and Sole Shareholder)  
David Verhagen Consulting Limited (Director and Shareholder)  
Academic Facilitator for the Southern Institute of Technology  
Habitat for Humanity Nelson Limited (Director)  
Waimea Weekly Newspaper (Reporter)

#### Director Matthew McDonald – Interests:

Port Nelson Ltd (Infrastructure Manager)



# BOARD ATTENDANCE

## BOARD ATTENDANCE LEVELS DURING THE YEAR WERE AS FOLLOWS

Director	Position	Tenure	Meetings Attended	Of a possible
P Steere	Chair	Full Year	10	12
P McGuinness	Deputy Chair	Jul '16 – Mar '17	8	8
C Taylor	Deputy Chair	Full Year	11	12
M Clarke	Director	Full Year	10	12
J Edgar	Director	Full Year	12	12
M McDonald	Director	Mar '17 – Jun '17	4	4

## ACTIVE COMMITTEES

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

## PUBLICATION OF ANNUAL REPORT

The 2016/17 annual accounts and Service Performance Report for Nelson Airport Limited were approved by the Board of Directors on 30 August 2017. Delivery of the Annual Report to Shareholders and publication of the same did not occur before the statutory deadline of 30 September 2017. The annual accounts and Service Performance Report included in the Annual Report are unchanged from those approved by the Board on 30 August 2017.

## 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 2017 was as follows:

Remuneration	Number of Employees
\$120,001 - \$130,000	1
\$240,001 – \$250,000	1

## DONATIONS

Donations paid during the year were \$850 (2016: nil).

For and on Behalf of the Board



Paul Steere  
Chair



Catherine Taylor  
Deputy Chair



# STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2017

	Note	Budget*	2017	2016
Revenue	2	8,381,492	9,118,891	6,307,268
Operating costs	3	3,522,209	3,801,864	3,792,191
Administration expenses	3	869,198	977,959	917,220
		<u>4,391,407</u>	<u>4,779,824</u>	<u>4,709,412</u>
<b>Operating Profit</b>		<b><u>3,990,085</u></b>	<b><u>4,339,066</u></b>	<b><u>1,597,856</u></b>
Interest Revenue		1,400	55,390	93,918
Interest Expenditure		(107,800)	(3,607)	(156)
<b>Net Financing Income</b>		<b><u>(106,400)</u></b>	<b><u>51,783</u></b>	<b><u>93,762</u></b>
Gain on Sale of Fixed Assets		-	-	25
<b>Investing Income</b>		<b><u>-</u></b>	<b><u>-</u></b>	<b><u>25</u></b>
<b>Profit before Tax</b>		<b><u>3,883,685</u></b>	<b><u>4,390,849</u></b>	<b><u>1,691,643</u></b>
Income tax expense	4	1,959,708	1,311,091	516,815
<b>Profit after Tax</b>		<b><u>1,923,977</u></b>	<b><u>3,079,758</u></b>	<b><u>1,174,829</u></b>
<b>Other Comprehensive Income</b>				
Gain on asset revaluation			-	42,925,402
Tax on asset revaluation			-	(4,881,959)
<b>Total Comprehensive Income</b>			<b><u>3,079,758</u></b>	<b><u>39,218,272</u></b>

\*Note: Budget figures are per the Nelson Airport Limited 2016/2017 Operating Budget approved by the Board on 28 June 2016.

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2017


	Note	2017	2016
<b>Opening Retained Earnings</b>		<b>9,525,312</b>	<b>8,950,483</b>
Total Profit for the Year		3,079,758	1,174,829
Distributions to Equity Holders	10	(720,000)	(600,000)
<b>Retained Earnings as at Year End</b>		<b>11,885,069</b>	<b>9,525,312</b>
<b>Opening Asset Revaluation Reserve</b>		<b>38,043,443</b>	-
Gain on Asset Revaluation		-	38,043,443
<b>Asset Revaluation as at Year End</b>		<b>38,043,443</b>	<b>38,043,443</b>
Share Capital	10	2,400,000	2,400,000
<b>Closing Equity as at Year End</b>		<b>52,328,512</b>	<b>49,968,755</b>

# STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017	2016
<b>Assets</b>			
<b>Current Assets</b>			
Trade and Other Receivables	7	763,315	899,854
Cash and Cash Equivalents	8	2,599,075	1,586,003
Other Financial Assets	9	-	1,100,000
<b>Total Current Assets</b>		<b>3,362,390</b>	<b>3,585,857</b>
<b>Non Current Assets</b>			
Property, Plant and Equipment	5	55,501,278	52,813,409
Intangible Assets	6	42,703	15,935
<b>Total Non Current Assets</b>		<b>55,543,981</b>	<b>52,829,344</b>
<b>Total Assets</b>		<b>58,906,371</b>	<b>56,415,201</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and Other Payables	11	906,371	817,650
Current Income Tax Liability		612,492	375,338
Employee Entitlements		137,388	100,443
<b>Total Current Liabilities</b>		<b>1,656,251</b>	<b>1,293,432</b>
<b>Non Current Liabilities</b>			
Deferred Tax	4	4,921,608	5,153,014
<b>Total Non Current Liabilities</b>		<b>4,921,608</b>	<b>5,153,014</b>
<b>Total Liabilities</b>		<b>6,577,859</b>	<b>6,446,446</b>
<b>Net Assets</b>		<b>52,328,512</b>	<b>49,968,755</b>
<b>Equity</b>			
Issued Share Capital	10	2,400,000	2,400,000
Retained Earnings		11,885,069	9,525,312
Asset Revaluation Reserve		38,043,443	38,043,443
<b>Total Equity</b>		<b>52,328,512</b>	<b>49,968,755</b>

For and on Behalf of the Board



Paul Steere  
Chair  
30 August 2017



Catherine Taylor  
Deputy Chair  
30 August 2017

# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017	2016
<b>Cash Flows from Operating Activities</b>			
Cash was provided from:			
Receipts from airport users		9,253,632	6,073,317
Interest received		57,186	95,714
		9,310,818	6,169,031
Cash was disbursed to:			
Payments to suppliers and employees		(3,581,824)	(2,317,393)
Interest paid		(3,607)	(156)
Income tax paid		(1,305,339)	(712,352)
Net GST Movement		48,755	(45,202)
		(4,842,016)	(3,075,103)
<b>Net Cash Flows from Operating Activities</b>	13	<b>4,468,802</b>	<b>3,093,928</b>
<b>Cash Flows from Investing Activities</b>			
Cash was provided from:			
Decrease in term deposit/other financial assets		1,100,000	3,500,000
Sale of property, plant & equipment		-	179
		1,100,000	3,500,179
Cash was disbursed to:			
Increase in term deposit/other financial assets		-	(2,300,000)
Purchase of property, plant & equipment		(3,800,391)	(2,231,424)
Purchase of Intangible Assets		(35,340)	(15,845)
		(3,835,731)	(4,547,269)
<b>Net Cash Flow from Investing Activities</b>		<b>(2,735,731)</b>	<b>(1,047,090)</b>
<b>Cash Flows from Financing Activities</b>			
Cash was provided from:			
		-	-
		-	-
Cash was disbursed to:			
Dividends paid	10	(720,000)	(1,115,500)
Decrease in term loans		-	(1,892)
		(720,000)	(1,117,392)
<b>Net Cash Flow from Financing Activities</b>		<b>(720,000)</b>	<b>(1,117,392)</b>
Net increase/(decrease) in cash and cash equivalents		1,013,071	929,446
Opening cash and cash equivalents		1,586,003	656,557
Closing cash and cash equivalents		<b>2,599,074</b>	<b>1,586,003</b>

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 2017

## 1. STATEMENT OF ACCOUNTING POLICIES

### A) REPORTING ENTITY

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

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

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

The financial statements for Nelson Airport Limited are for the year ended 30 June 2017. The financial statements were authorised for issue by Nelson Airport Limited on 30 August 2017.

### B) BASIS OF PREPARATION

#### Statement of Compliance

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

Nelson Airport Limited is a reporting entity preparing general purpose financial statements. It has elected to adopt the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) – Reduced Disclosure Regime (RDR), which

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

#### Measurement Base

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

#### Functional and Presentation Currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar. This may result in some \$1 rounding calculation differences in financial statements and notes. The functional currency of Nelson Airport Limited is New Zealand dollars (NZ\$).

#### Changes in Accounting Policies

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

#### Significant Accounting Estimates and Judgements

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

## NOTES TO THE FINANCIAL STATEMENTS

### **Valuation of property, plant and equipment**

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

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

### **C) PROPERTY, PLANT AND EQUIPMENT**

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

value at balance date. Impairment losses are charged to profit or loss, except for properties previously revalued with the revaluation taken to other comprehensive income. For such properties, the impairment is recognised in other comprehensive income up to the amount of any revaluation.

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

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 Nelson Airport Limited.

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

Buildings	Terminal	20.0% - 57.1% Diminishing Value
Buildings	Hangars and other buildings	1.6% - 5.0% Straight line 8.0% - 13.0% 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

## NOTES TO THE FINANCIAL STATEMENTS

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. The estimated useful life of the existing terminal is based on the assumption that it will be decommissioned by March 2018 in conjunction with new terminal developments.

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

### D) INTANGIBLE ASSETS

#### **Software acquisition and development**

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

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

#### **Branding**

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

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

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

Computer Software:  
48.0% - 50.0% DV

Branding:  
10.0% SL

### E) IMPAIRMENT OF NON-CURRENT ASSETS

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### F) TRADE AND OTHER RECEIVABLES

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

### G) OTHER FINANCIAL ASSETS

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

### H) SHARE CAPITAL

#### Ordinary shares

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

### I) INTEREST BEARING BORROWINGS

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

### J) EMPLOYEE ENTITLEMENTS

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

### K) 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.



## NOTES TO THE FINANCIAL STATEMENTS

### L) REVENUE

#### **Aeronautical charges**

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

#### **Leases**

Nelson Airport Limited leases certain buildings and properties. As Nelson Airport Limited retains substantially all the risks and benefits of ownership these are treated as operating leases. Lease income is recognised in the profit or loss on a straight line basis over the term of the lease.

#### **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.

### M) EXPENSES

#### **Net financing costs**

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

#### **Dividends**

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

#### **Income Tax**

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

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

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

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

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



## NOTES TO THE FINANCIAL STATEMENTS

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.

### N) GOODS AND SERVICES TAX (GST)

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

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

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

### O) 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

### 2. OPERATING INCOME

	2017	2016
Aeronautical Charges	4,684,172	2,769,011
Ground Transport Revenues	2,699,456	1,938,326
Retail Revenue	220,835	192,415
Advertising Revenue	165,998	105,903
Property Revenues	1,344,999	1,277,937
Sundry Income	3,432	23,676
	9,118,891	6,307,268

### 3. EXPENSES

#### A) OPERATING COSTS

	2017	2016
Depreciation	1,437,475	1,395,224
Amortisation of Intangible Assets	7,519	5,241
Loss on Impairment	-	430,797
Employee Entitlements	1,070,176	766,983
Other Operating Expenses	1,235,535	1,193,912
Loss on Disposal of Assets	51,158	34
	3,801,864	3,792,191

#### B) ADMINISTRATION COSTS

	2017	2016
Auditors Remuneration	32,000	26,134
Directors' Fees	104,015	94,168
Other Administration Expenses	841,944	796,918
	977,959	917,220

## NOTES TO THE FINANCIAL STATEMENTS

### 4. INCOME TAX

#### COMPONENTS OF INCOME TAX EXPENSE

	2017	2016
Current Tax Expense	1,542,497	885,339
Deferred Tax Expense	(231,406)	(368,524)
	<u>1,311,091</u>	<u>516,815</u>

#### RELATIONSHIP BETWEEN TAX EXPENSE AND ACCOUNTING PROFIT

	2017	2016
Operating Profit Before Taxation	4,390,849	1,691,643
Prima Facie Tax @ 28%	1,229,438	473,660
Adjustment for Timing & Taxation Differences	313,059	411,679
Adjustments for Deferred Tax	17,550	15,232
Adjustments for Deferred Tax - Property, Plant & Equipment	(248,956)	(383,756)
Income Tax Expense	<u>1,311,091</u>	<u>516,815</u>

#### DEFERRED TAX

	2017	2016
<b>Property, Plant and Equipment</b>		
Opening Balance	(5,145,154)	(646,951)
Charged to Profit & Loss	248,956	383,756
Charged to Other Comprehensive Income	-	(4,881,959)
Closing Balance	<u>(4,896,198)</u>	<u>(5,145,154)</u>
<b>Employee Entitlements</b>		
Opening Balance	(4,868)	6,219
Charged to Profit & Loss	(3,318)	(11,087)
Closing Balance	<u>(8,186)</u>	<u>(4,868)</u>
<b>Other Provisions</b>		
Opening Balance	(2,992)	1,153
Charged to Profit & Loss	(14,232)	(4,145)
Closing Balance	<u>(17,224)</u>	<u>(2,992)</u>
<b>Total</b>	<u><b>(4,921,608)</b></u>	<u><b>(5,153,014)</b></u>

## NOTES TO THE FINANCIAL STATEMENTS

### 5. PROPERTY, PLANT & EQUIPMENT

2017	Land & Improvements	Buildings	Airfield Infrastructure	Landside Infrastructure	Equipment	Fixtures & Fittings	Capital Work in Progress	Total
<b>Cost or Valuation</b>								
Balance as at 1 July 2016	26,064,466	10,447,616	16,815,207	4,810,181	907,137	322,333	2,166,710	61,533,650
Reclassification	-	273,137	-	474,928	835	937	(749,836)	1
Additions	-	-	15,092	42,525	39,778	16,208	4,097,187	4,210,790
Disposals	-	-	-	-	(376,935)	(41,998)	(167,595)	(586,528)
Balance at 30 June 2017	26,064,466	10,720,753	16,830,299	5,327,634	570,815	297,480	5,346,466	65,157,913
<b>Accumulated Depreciation and Impairment Losses</b>								
Balance as at 1 July 2016	-	4,343,723	2,599,449	765,040	635,508	244,262	132,259	8,720,241
Depreciation	-	455,588	715,981	196,938	53,445	15,524	-	1,437,475
Disposals	-	-	-	-	(327,437)	(41,386)	(132,259)	(501,082)
Balance at 30 June 2017	-	4,799,311	3,315,430	961,978	361,516	218,400	-	9,656,634
<b>Net Book Value at 30 June 2017</b>	<b>26,064,466</b>	<b>5,921,442</b>	<b>13,514,869</b>	<b>4,365,656</b>	<b>209,299</b>	<b>79,080</b>	<b>5,346,466</b>	<b>55,501,278</b>

#### Restatement of 30 June 2016 Property Plant & Equipment Comparative Table

The above comparative for the year ended 30 June 2016 has been restated to reflect the correct treatment of accumulated depreciation on the reclassification of assets between classes in the 2016 financial year. Both the cost/valuation of assets, and the related accumulated depreciation have increased by \$736,558, with a nil effect on the net book or carrying value stated. This restatement only affects the 30 June 2016 table above, and has no other effect on the financial statements presented (including the Statement of Financial Position).



## NOTES TO THE FINANCIAL STATEMENTS

2016	Land & Improvements	Buildings	Airfield Infrastructure	Landside Infrastructure	Equipment	Fixtures & Fittings	Capital Work in Progress	Total
<b>Cost or Valuation</b>								
Balance as at 1 July 2015	704,055	7,135,624	5,724,634	1,556,075	750,442	293,965	266,688	16,431,483
Reclassification	(230,223)	(60,660)	17,220	226,773	46,890	-	-	-
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
<b>Balance at 30 June 2016</b>	<b>26,064,466</b>	<b>10,447,616</b>	<b>16,815,207</b>	<b>4,810,181</b>	<b>907,137</b>	<b>322,333</b>	<b>2,166,710</b>	<b>61,533,650</b>
<b>Accumulated Depreciation and Impairment Losses</b>								
Balance as at 1 July 2015	2,951	3,677,373	1,865,349	556,832	562,314	231,212	-	6,896,031
Reclassification	(2,951)	(28,342)	14,890	756	15,647	-	-	-
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)
<b>Balance at 30 June 2016</b>	<b>-</b>	<b>4,343,723</b>	<b>2,599,449</b>	<b>765,040</b>	<b>635,508</b>	<b>244,262</b>	<b>132,259</b>	<b>8,720,241</b>
<b>Net Book Value at 30 June 2016</b>	<b>26,064,466</b>	<b>6,103,893</b>	<b>14,215,758</b>	<b>4,045,141</b>	<b>271,629</b>	<b>78,071</b>	<b>2,034,451</b>	<b>52,813,409</b>

### VALUATION

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 2017.

Leasehold aerodrome land, upon which the airport is situated, was vested by the Crown to be held in trust by Nelson City Council. Nelson Airport Limited has a renewable 60 year lease over this land at a peppercorn rental.

The leasehold interest in airport land was last valued as at 30 June 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 2017.

All buildings were last valued as at 30 June 2015 by Duke & Cooke Limited 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 2017.

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 2017.

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

## NOTES TO THE FINANCIAL STATEMENTS

Asset classification and description	Valuation approach	Key valuation assumptions	+/-5% Valuation Impact
<b>Land</b>			
Commercial and Residential Land	Commercial and Residential land is valued on a market sales comparison basis.	-	+ / - \$48,250
<b>Leasehold Land</b>			
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 indicated 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
<b>Buildings</b>			
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 <sup>2</sup> .	+/- \$311,206
Residential buildings and buildings other than for identified airport activities	Residential buildings are valued on a market sales comparison basis.		+ / - \$13,300
<b>Airfield Infrastructure</b>			
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
<b>Landside Infrastructure</b>			
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
<b>Equipment</b>			
Parking meters, security equipment, and vehicles.	Not applicable – measured at cost less accumulated depreciation.	-	-
<b>Fixtures and fittings</b>			
Furniture, office equipment, computers, and fixtures.	Not applicable – measured at cost less accumulated depreciation.	-	-

## NOTES TO THE FINANCIAL STATEMENTS

### 6. INTANGIBLE ASSETS

2017	Original Cost	Accum Amortisation	Opening WDV	Additions	Disposals	Amortisation	Closing WDV
Software	35,480	19,545	15,935	35,335	1,048	7,519	42,703

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

### 7. TRADE AND OTHER RECEIVABLES

	2017	2016
Trade Receivables	714,755	711,012
Accrued Debtors	7,277	19,885
Prepayments	41,283	168,957
	<u>763,315</u>	<u>899,854</u>

### 8. CASH AND CASH EQUIVALENTS

	2017	2016
Cash on Hand	7,655	7,655
Bank Balance	91,420	578,348
Term Deposits (term less than 3 Months)	2,500,000	1,000,000
	<u>2,599,075</u>	<u>1,586,003</u>

### 9. OTHER FINANCIAL ASSETS

	2017	2016
Short Term Deposits (maturity within 3 months of balance date)	-	1,100,000
Short Term Deposits (maturity within 4 - 12 months of balance date)	-	-
	<u>-</u>	<u>1,100,000</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 10. SHARE CAPITAL

#### ORDINARY SHARES

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

#### KIWI SHARE

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

#### DISTRIBUTIONS TO SHAREHOLDERS

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

On 28 June 2017, a year-end dividend of \$720,000 was declared and paid by year end.

### 11. TRADE AND OTHER PAYABLES

	2017	2016
Trade Payables	369,493	627,526
Trade Payables (Related Parties)	25,039	18,160
Accruals	359,698	64,245
GST Liability	89,412	40,658
Lease Income in Advance	62,727	67,061
	<u>906,371</u>	<u>817,650</u>

### 12. CONTINGENT LIABILITY - PURCHASE OF HNZ BUILDING

HNZ New Zealand Limited (HNZ) currently own and occupy a building in the airport precinct which includes offices, an airport terminal and hangarage. HNZ occupy the site under a ground lease with Nelson Airport Limited. The ground lease expires on 12th October 2017 unless renewed under a right of renewal for a further period of 20 years. HNZ has advised Nelson Airport Limited that it will not be exercising its right of renewal. This notice triggers an obligation under the lease for Nelson Airport Limited to purchase the improvements at fair market value, a figure yet to be agreed between the parties. Nelson Airport Limited anticipates taking vacant possession of the building on 13th October 2017. The transaction when concluded will result in a net cash outflow for Nelson Airport Limited and recognition of a corresponding non-current asset.



## NOTES TO THE FINANCIAL STATEMENTS

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

	2017	2016
Net Profit for the Year	3,079,758	1,174,829
<i>Add/(less) non cash and non operating items:</i>		
(Gain)/Loss on Disposal of assets	51,158	9
Depreciation and Amortisation	1,444,994	1,400,465
Impairment of trade receivables	-	-
Impairment of fixed assets	-	430,797
Movement in deferred taxation	(231,404)	4,513,434
Tax on asset revaluation	-	(4,881,959)
<i>Movement in working capital:</i>		
(Increase)/Decrease in receivables	136,538	(232,153)
Increase/(Decrease) in current tax payable	237,156	172,990
Increase/(Decrease) in payables	(249,398)	515,517
<b>Net cash flows from operating activities</b>	<b>4,468,802</b>	<b>3,093,928</b>

## 14. TRANSACTIONS WITH RELATED PARTIES

### TRANSACTIONS WITH SHAREHOLDERS

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

Nelson Airport Limited paid rates and maintenance costs to Nelson City Council amounting to \$514,570 (2016:\$394,869), while receiving income of \$9,670 (2016: Nil). The balance included as owing in trade payables as at 30 June 2017 was \$17,397 (2016:\$11,795).

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

### TRANSACTIONS WITH ENTITIES OWNED BY SHAREHOLDERS

Nelmac Limited is a 100% subsidiary of Nelson City Council. Nelson Airport Limited paid grounds maintenance and other fees to Nelmac Limited amounting to \$95,908 (2016:\$85,723) and the balance included as owing in trade payables as at 30 June 2017 was \$7,642 (2016:\$6,365).

Tourism Nelson Tasman Limited is owned by Nelson City Council. Nelson Airport Limited paid costs of Nil to Tourism Nelson Tasman Limited (2016: \$46,000) and the balance included as owing in trade payables as at 30 June 2016, was Nil (2016: Nil). Nelson Airport Limited also received income of Nil (2016: \$2,220) and Nil is included in accounts receivable as at 30 June 2017 (2016: \$911).

Nelson Regional Development Agency Limited is wholly owned by Nelson City Council. Nelson Airport Limited paid costs of \$34,500 to the Agency (2016: Nil), and received income from the Agency of \$5,556 (2016: Nil). \$207 is included in accounts receivable as at 30 June 2017 (2016: Nil).

### TRANSACTIONS WITH ENTITIES RELATED TO KEY MANAGEMENT PERSONNEL

Nelson Airport Limited also received income from the Nelson Golf Club, in which Paul Steere was a director during the year. The income received amounted to \$9,124 (2016: Nil).

During the year Nelson Airport Limited paid for services with Nelson Marlborough Institute of Technology, in which Paul Steere was a Councillor during the year. The amounts paid total \$11,440 (2016: Nil).

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

	2017	2016
Key management personnel compensation	\$353,828	\$309,804

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

## 15. CAPITAL COMMITMENTS

Nelson Airport Limited has the following contractual capital commitments for property, plant and equipment as at 30 June 2017 (2016: \$29,600);

Terminal Development	\$29,550,000
Other Airport Development	\$16,500
	<b>\$29,566,500</b>

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 contracts and many are subject to regular rent reviews.

In 2017 lease revenue received in association with the non-cancellable operating lease arrangements amounted to \$1,014,768 (2016: \$1,495,227).

Future non-cancellable lease revenue from existing leases:

Leases revenue within 12 months	\$1,838,744
Leases revenue between 1-5 years	\$2,143,992
Leases revenue thereafter	\$1,280,300
<b>Total</b>	<b>\$ 5,263,036</b>

## 17. EVENTS AFTER BALANCE DATE

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

## 18. SHAREHOLDERS' STATEMENT OF INTENT

Nelson Airport Limited was required to deliver a completed Statement of Intent to its shareholders by 30 June 2017 under Part 3(b) of Schedule 8 of the Local Government Act 2002. The 2017 Statement of Intent was completed and forwarded to Nelson Airport Limited's shareholders on 29 June 2017.

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# COMPANY DIRECTORY

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## DIRECTORS

Paul Steere (Chair)

Paul McGuinness (Deputy Chair) (retired 29 March 2017)

Catherine Taylor (Deputy Chair from 29 March 2017)

Matthew Clarke

Judene Edgar

Matthew McDonald (appointed 29 March 2017)

## REGISTERED OFFICE

Nelson Airport Management Offices  
Trent Drive  
Nelson

Telephone 03-547-3199

Email [office@nelsonairport.co.nz](mailto:office@nelsonairport.co.nz)

## CHIEF EXECUTIVE

Robert Evans

## MANAGERS

Commercial: Stephen Batt

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

## BANKER

Westpac Banking Corporation

## LAWYER

Ford Sumner Lawyers







**NELSON AIRPORT**  
*Good things start here.*