

Nelson Airport

Annual Report 2018



NELSON AIRPORT
Good things start here.





**Change
Is Good.**





We believe that Nelson Airport is the place where people come together to start something good.

Our airport is a hub.

It's where people start their business trips; it's where young travellers begin world adventures; and it's where people visiting the region start their holiday. Nelson Airport is the place where good things start. That's why our brand message is 'Good things start here.' This is positive, emotive and aspirational.

We believe that whether you're leaving the airport, or arriving, it's going to be the start of something good.

Nelson Airport is New Zealand's most popular regional airport and one of the most desirable places to visit and do business in.

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Directors and Management Team

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

Our Board



Paul Steere
(Chair)



Catherine Taylor
(Deputy Chair)



Matthew Clarke



Matthew McDonald



Mark Greening

Our Management Team



Robert Evans
Chief Executive



Simon Orr
Corporate Services
Manager



Stephen Batt
Commercial Manager



Sally Russ
Business Development
and Marketing Manager



James Middlewick
Compliance Manager



David Scott
Operations and Asset
Manager

Directors'/Chief Executive's Report

For the Year Ended 30 June 2018

Overview

The financial year ended June 2018 was another hugely significant year for NAL. As the large-scale development of the physical assets of the company took place, the day to day business of efficiently operating and growing New Zealand's busiest regional airport continued unabated.

Highlights of the last 12 months



Key performance indicators demonstrate the company recorded another strong performance with EBITDA of \$6.4m, an increase of 10% on the previous year.



1.06m

Improved performance with 1.06m airline passengers, an increase of 6% on the previous year.

81%

Airline Performance

Airlines have continued to perform well with the overall load factor increasing by 4% on the previous year to 81%. New Plymouth was added as a new route by Originair.



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



Safe

Health and Safety indicators show a safe working environment and improved practices including incident identification and safe work observations. There were no injuries or incidents that required reporting to WorkSafe.

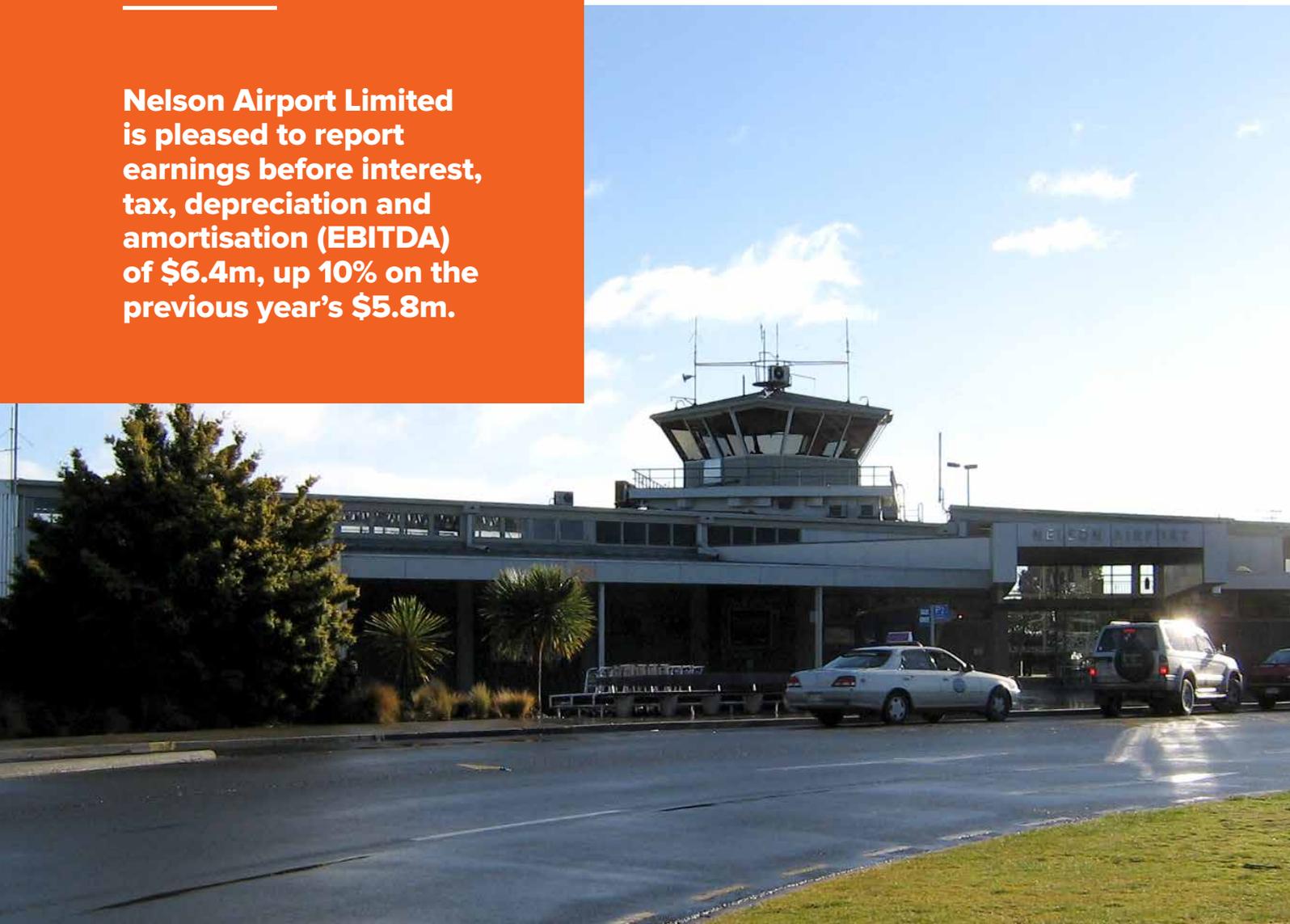


Air New Zealand Regional Maintenance expanded its Nelson operation with services for overseas airlines adding Fiji Airways to the list of international airlines that the facility services.

Terminal and car parking construction works have changed the visual landscape considerably. Stage A of the new terminal will open in mid-October 2018.



Nelson Airport Limited is pleased to report earnings before interest, tax, depreciation and amortisation (EBITDA) of \$6.4m, up 10% on the previous year's \$5.8m.



Financial

The EBITDA performance contributed to an increase in profit after tax of 12% to \$3.4m.

Total revenues are up on the previous year by over \$1m, or 11%.

Passenger numbers were up 6% over the prior year with Nelson Airport retaining the milestone of one million passengers per annum through our terminal. This is an extraordinary achievement for a New Zealand regional airport.

Increased passenger numbers directly supported significant growth in aeronautical charges and ground transport revenues.

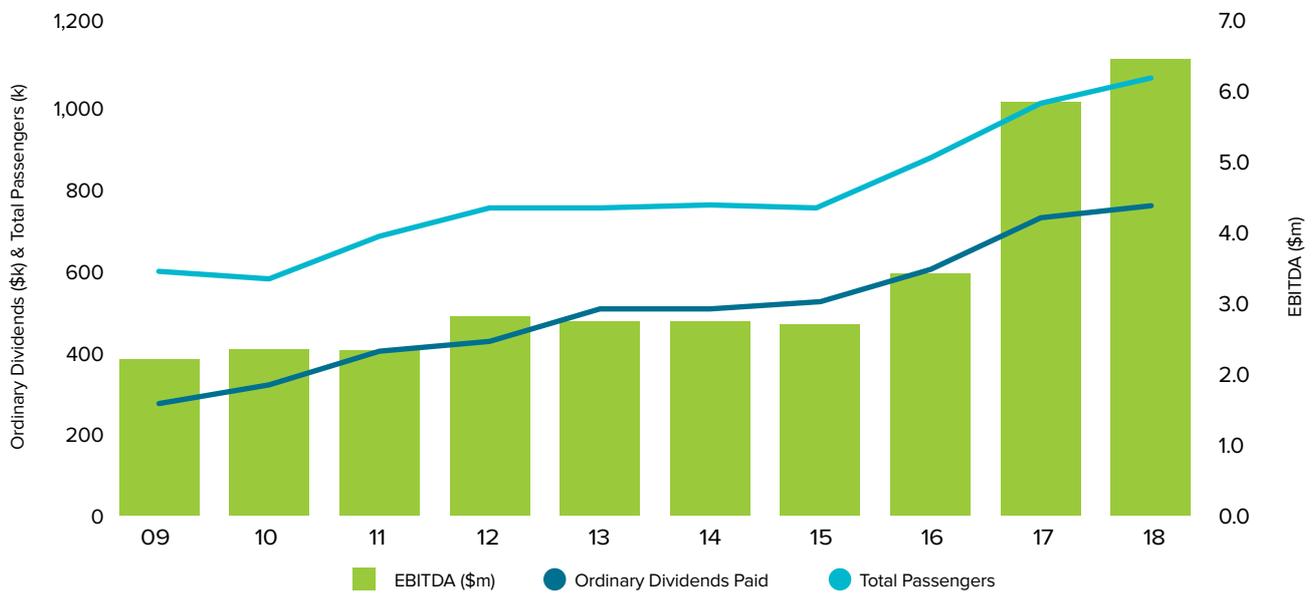
Operating and administration expenses have scaled to match the increased levels of activity in all areas of the airport business and campus. The \$0.4m increase in these costs directly supported delivery of the \$1m growth in revenue for the business.

The ordinary dividend increased by 4.2% over the prior year to \$750,000.

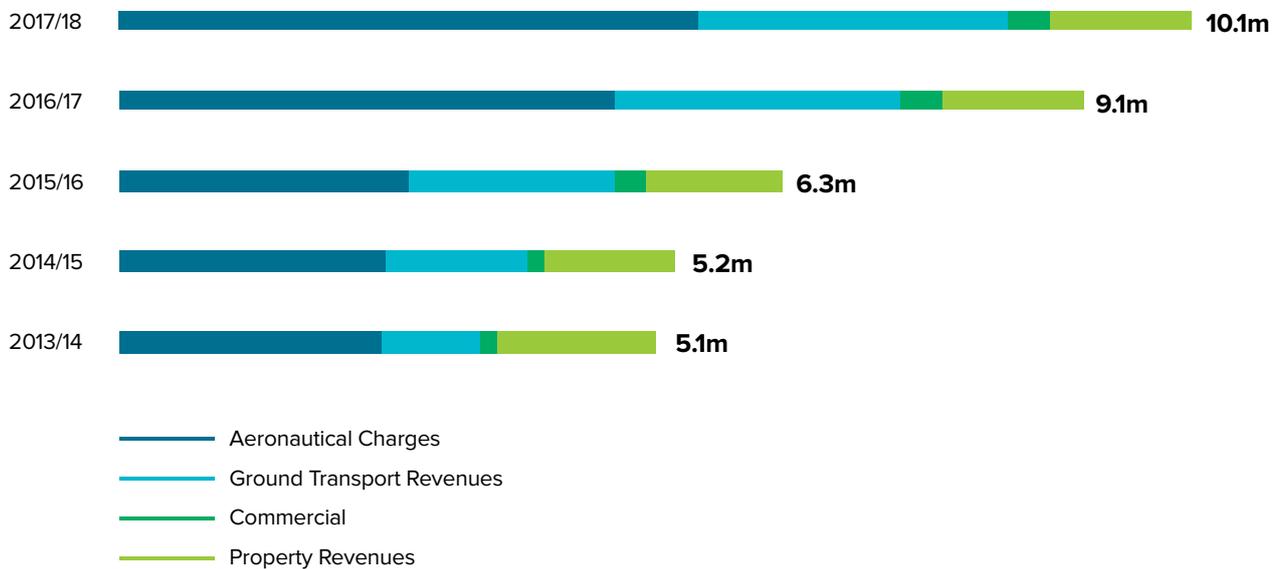
Performance

EBITDA, Ordinary Dividends & Total Passengers

Ten year history



Five Years Revenue Growth



The terminal construction project has created a significant amount of activity near the public and airport operational areas, and Nelson Airport is committed to ensuring the safety of visitors and staff at the airport.

Health, Safety and Risk

Health, Safety and Risk are high priorities for the business. The terminal construction project has created a significant amount of activity near the public and airport operational areas, and Nelson Airport is committed to ensuring the safety of visitors and staff at the airport. There have been no Lost Time Injuries on site works and one Lost Time Injury for a staff member in the terminal. This incident was minor in nature and was not required to be notified to WorkSafe New Zealand.

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

Supporting this, a comprehensive Risk Management framework has been implemented, which ensures the ongoing recognition, review and management of key risks by Board and management on a regular basis. The Health, Safety and Risk Committee meets monthly and includes Board and senior management representation as well as operational and any other staff or advisors as required. The Health, Safety and Risk Committee reports regularly to the full Board.

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

Aviation Activity

Another growth year with improvement in passenger numbers and load factors across the network. Other than a slower than expected June month (the June 2017 British and Irish Lions Supporter's Tour created additional demand), 11 of the 12 months were up on the previous year.

Key highlights of the 2018 Financial Year were:

- Total passenger numbers of 1,061,000 for the 12 months - a record for Nelson Airport and a 6% increase on the previous financial year;
- Overall load factors increased to 81%, a 4% improvement on the previous year;
- Auckland was the best performing route with total passengers of 482,000, a 9% increase on the previous year with an 84% load factor;
- The introduction of New Plymouth by Originair

The \$0.8m (17%) increase in aeronautical revenues results both from the increase in passenger numbers and from continuing scheduled increases in aeronautical charges implemented on 1 July 2017.

Air New Zealand Regional Maintenance expanded its customer base adding Fiji Airways to the list of international airlines now serviced by the facility. This business makes an important contribution not only to Nelson Airport but also to the wider community with the creation of over 200 jobs for highly skilled engineers and associated support staff.

We have also harnessed close working partnerships with other economic development agencies and tourism bodies, partner airports, and smaller regional carriers to fulfil growth aspirations. Our relationships with these agencies and businesses play an important role in enabling the growth of Nelson Airport and the associated businesses that leverage from this growth.



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 acquisition of Airport House (formally HNZ) in October 2017 will provide flexibility for operations and a blue-chip opportunity for additional non-aeronautical revenue during and post the airport redevelopment.

Virgin Australia entered a Lease of apron space for parking of their ATR fleet. These aircraft are also being maintained by Air New Regional Maintenance and are expected to remain in Nelson for the next 12 months.

The advertising revenue recorded a relatively small increase of 1% due to the impact of the construction programme and the challenges faced with the reluctance of businesses to enter agreements on a terminal building scheduled to be demolished. Outsourcing the advertising business to Go Media will bring to the business and infrastructure state of the art digital platforms to enhance and grow this business exponentially in future years.

Property revenue was maintained at the previous year's level as management utilised Airport House to support the terminal construction project. This facility will be an important location for the transition of smaller airline operations over the next 12 months and will provide flexibility to the airport business in the short term. Long term leasing negotiations are well advanced for when this facility is no longer needed as part of the redevelopment project.

Retail revenue decreased by 4.7% on the previous year. The growth in passenger volumes has not been matched by retail growth largely due to overtrading conditions of the single retail outlet.

The announcement of leading international airport retailer Lagardere Travel Retail to provide expert retail services will give the airport a significant boost in overall retail revenue when the terminal opens, as will additional food and beverage outlets by Spotless and well-known local coffee brand Sublime.

Despite major works and peak time capacity constraints, ground transport revenues again grew on the back of the increased passenger movements. With 75% of the new landside infrastructure completed, several differentiated products become viable and will be introduced over the next 12 months which will enhance customer experience and improve revenue streams.

Infrastructure

The construction of the new terminal and car park has been significantly advanced with 75% of the total project now completed. The focus during this year has been the completion of the landside transport and access, parking access control system and Stage A of the terminal.

Naylor Love has led the project and, with fellow main subcontractors Gibbons Construction and Fulton Hogan, the project is now starting to look like the vision developed some 3 years ago. It is also pleasing to report on the noticeable number of local contractors who are taking part in delivering this significant project of regional importance.

In addition to this important project, improvements in passenger walkway safety as well as upgrades to Taxiway A next to the southern end of the runway strip are also being undertaken.

The Airways Control Tower is 90% complete and air navigation operations from the new tower will commence in September 2018.

The construction of the new terminal and car park has been significantly advanced with 75% of the total project now completed.



Strategic Development

Nelson Airport'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 to be achieved.

For the financial period to June 2018 the key result areas that delivered benefits to customers, stakeholders and Shareholders were:

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

Environmental

Key environmental features included in the new terminal design are now detailed in design to ensure a better performing asset for the future. The LVL timber structure, natural ventilation, solar chimneys, utilising natural light, electric car charging stations and recycling initiatives in partnership with Air New Zealand are leading the way in a state-of-the-art terminal.

Two significant weather events challenged the business with damaging coastal erosion closing the perimeter walkway and adding additional

pressures on aging infrastructure. The upgrades taking place to roading, drainage and terminals will provide the business far greater resilience in the future and mitigate these ongoing challenges. Coastal erosion has caused significant damage to our security fencing around the perimeter walkway and a programme to replace the fencing to meet Civil Aviation Authority approval is currently being worked through. Management has further implemented measures to improve resilience to future events with added monitoring, communication tools and recovery protocols.

As part of a nationwide investigation, the Environmental Protection Authority (EPA) issued a Compliance Order in respect of non-compliant storage of a fire fighting foam containing Perfluorooctanesulfonic acid (PFOS), which is listed as a hazardous substance under the HSNO Act 1996. Nelson Airport has completed a detailed PFOS Management Plan for the disposal and replacement of the PFOS chemical and is awaiting approval from EPA for the implementation of this plan.

The airport continues to engage with community representatives and stakeholders on noise management in respect of the Nelson City Council Resource Management Plan (NRMP). A thorough review of the NRMP which governs the environmental issues of Nelson City is ongoing and will include NAL's current obligations under the NRMP as they relate to airport noise.

Wildlife Management

Nelson Airport proactively manages bird population on the aerodrome and has reduced the bird strike incident rates in the financial year. Bird strikes are reported by each aerodrome based on the number of incidents divided by the aircraft movements, being reported as strikes per 10,000 aircraft movements.



The Civil Aviation Authority records Nelson Airport as a low risk category rating evidenced by our <5 bird strikes per 10,000 movements.

People

With the extraordinary growth of the business and the associated infrastructure projects underway, staff engagement, training and development, and improved awareness of the environment have been pivotal in keeping up with the daily demands. Adding to the challenges were two significant weather events that tested our systems and recovery management. The airport team responded well to the challenges and has made a commitment to continually improving our performance and resilience in these areas.

The addition of David Scott as Manager Operations and Assets has brought a wealth of international airline and airport experience to the business. This role also has a key focus area around customer experience which we are striving to further improve on each day.

The dedication, passion, enthusiasm and professionalism of the staff is appreciated by the Board and Shareholders as the transformation of Nelson Airport continues.

The airport's role in the region's development and prosperity will set us on the path to achieve our vision to be the best regional airport in New Zealand.

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

Stakeholder Engagement

Nelson Airport's annual stakeholder survey was carried out in June 2018 to measure the relationships with key stakeholders compared with the previous year. The results showed that most key stakeholders are very satisfied, and the engagement and relationships are continually improving.

Nelson Airport's efforts in managing the airport safely and efficiently during the construction project and dealing with the demands of expanding airline operations have been well recognised.

Outlook

The year ahead will see real advances in the infrastructure upgrades with the opening of Stage A in October 2018, the establishment of 90% of the landside infrastructure, taxiway upgrade works and the opening of a new Airways Control Tower. Following this the demolition of the existing terminal will take place and the commencement of Stage B of the new terminal. These improvements will deliver much needed capacity for improved customer experience and revenue growth opportunities. The airport's role in the region's development and prosperity will set us on the path to achieve our vision to be the best regional airport in New Zealand.

Paul J Steere
Chairman

Robert Evans
Chief Executive

Auditor's Report

To the readers of Nelson Airport Limited's financial statements and performance information for the year ended 30 June 2018.

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

Opinion

We have audited:

- the financial statements of the company on pages 27 to 52, that comprise the statement of financial position as at 30 June 2018, 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 18 to 20.

In our opinion:

- the financial statements of the company on pages 27 to 52:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2018; and
 - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime; and
- the performance information of the company on pages 18 to 20 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 2018.

Our audit was completed on 17 September 2018. 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 our opinion

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

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

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

Responsibilities of the Board of Directors for the financial statements and the performance information

The Board of Directors is responsible on behalf of the company for preparing financial statements 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 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 9 to 15, 24 to 26 and 53, but does not include the financial statements and the performance information, and our auditor's report thereon.

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

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

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

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



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

Service Performance Report 2017/18

Aeronautical

Deliver an aeronautical business development plan which underpins existing capacity, develops new opportunities for growth and supports “fly direct” connectivity.

\$5.5m

Total aeronautical revenue

Achieve total aeronautical revenues for the 2017/18 year of \$5m.

Total aeronautical revenues achieved were \$5.5m.

Infrastructure

Develop an airport precinct that promotes and supports future growth and stimulates financial performance – on time and on budget.



Commission Stage A of terminal redevelopment by April 2018.

Stage A commissioning rescheduled to October 2018.

1.06m

Passengers

Achieve total passenger throughput for the 2017/18 year of 1,073,000.

Total passenger throughput achieved in the 2017/18 year was 1,061,088, 1% less than target. However total throughput was 6.1% higher than 2016/17.



Apron redevelopment commenced by June 2018.

Redevelopment has commenced with consultants working on options and design.



Deliver additional seating capacity to underpin new passenger target.

Total available seats increased by 1.4% from 1,293,517 in the 2016/17 year to 1,311,544 in 2017/18.



Taxiway Alpha rehabilitation completed by June 2018.

Work on taxiway Alpha South rehabilitation is well underway with consultants providing detailed reports on current condition and options for rehabilitation and design.

Service Performance Report 2017/18

Commercial

Actively manage commercial agreements and relationships to ensure non-aero stakeholders thrive at Nelson Airport.

\$4.64m

Non-aeronautical revenue

Achieve non-aeronautical revenues for the 2017/18 year of \$4.7m.

The company achieved non-aeronautical revenues of \$4.64m, 1.3% below target. Non-aeronautical revenue was influenced by the delays in Stage A terminal construction with incremental revenues associated with the opening of Stage A being deferred accordingly.



Deliver dividend growth in excess of CPI movement.

Achieved. Annual CPI 1.5%, dividend growth 4.2%.

\$6.4m

EBITDA

Achieve earnings before interest, tax, depreciation and amortisation (EBITDA) for the 2017/18 year of \$6.2m.

Earnings before interest, tax, depreciation and amortisation (EBITDA) achieved for the 2017/18 year were \$6.4m.

Governance

Continually enhance the Governance and Management of the Airport to deliver the objectives of the Shareholders, Board and the local community.

Top 10

Top 10 risks individually reviewed by the Board by June 2018.

Achieved.



Achieve no lost-time injuries.

One lost-time injury.



Maintain a bird-strike rate of <5 per 10,000 movements.

The 12-month average bird strike rate per 10,000 aircraft movements was 4.9 for Nelson Airport as at June 2018.

Service Performance Report 2017/18

Organisational Development

Provide an environment of health, wellness and a culture that fosters the development of people who work at the airport.



Implement initiatives specifically targeted at supporting staff health and well-being.

Achieved. Initiatives include monthly one to one performance reviews and company contributions to entry costs for staff entering health related events such as Nelson Half Marathon and Abel Tasman Cycle Challenge.



Complete personal profiling for all staff.

Two leadership workshops held during the year, with personal profiling to follow.

Operations

Proactively manage clean, safe, secure and friendly facilities, services and infrastructure.

ZERO HARM

Achieve zero harm for safety performance across airport operations and terminal construction projects.

Achieved. Zero harm reported for airport operations and terminal construction projects.



Hold a minimum of two Noise Committee meetings.

Achieved. Meetings held in August 2017 and March 2018.

CAA

Annual CAA Audit completed with no findings.

Achieved. CAA Security Audit completed on 26 September 2017 with no findings.







Annual Report

For the Year Ended 30 June 2018

Annual Report

For the Year Ended 30 June 2018

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 2018.

Nature of Business

Airport operating company.

Vision and Mission

Nelson Airport Limited's Vision is:

To be the best Regional Airport in New Zealand.

Nelson Airport Limited's Mission is:

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

Directors holding office in the year	2018 Remuneration	2017 Remuneration
Paul Steere (Chair)	\$34,000	\$30,630
Catherine Taylor (Deputy Chair, PCG Liaison)	\$23,000	\$20,427
Matthew Clarke	\$21,000	\$18,747
Matthew McDonald	\$21,000	\$4,569
Mark Greening (Appointed 20 December 2017)	\$11,065	\$-
Judene Edgar (Resigned 19 December 2017)	\$9,127	\$18,747
Paul McGuinness (Resigned 29 March 2017)	\$-	\$15,435

Directors' Register of Interests:

Entries in the interest register during the year include:

Director Paul Steere – Chairman – Interests:

New Zealand King Salmon Co Ltd (Director)
New Zealand King Salmon (Australia) Ltd (Director)
New Zealand King Salmon Investments Ltd (Director)
New Zealand King Salmon Exports Limited (Director)
New Zealand King Salmon USA Inc, an entity incorporated in the USA (Director)
NZKS Custodian Ltd (Director)
King Salmon Ltd (Director)
Maccure Seafoods Ltd (Director)
Ora King Ltd (Director)
Southern Ocean Seafoods Ltd (Director)
Regal Salmon Ltd (Director)
Southern Ocean Salmon Ltd (Director)
Nelson Marlborough Institute of Technology (Councillor)
Hammok IP Ltd (Director)
Kaynemaile Ltd (Chairman)
Allan Scott Wines (Chairman)
Omega Innovations Ltd (Director)
Aquaculture Advisory Group South Pacific Community (Chair)
Nelson Golf Club (Director) – Resigned January 2018

Director Catherine Taylor – Deputy Chair – Interests:

Life Flight Trust (Trustee)
Biosecurity Ministerial Advisory Committee (Member)

Diabetes New Zealand Incorporated (Chairperson)

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)
Whare Manaakitanga Ltd (Director)

Director Matthew McDonald – Interests:

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

Director Judene Edgar (Resigned December 2017) – Interests:

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)
Reporter for Waimea Weekly Newspaper
Saxton Field Committee (Chair)

Director Mark Greening (Appointed December 2017) – Interests:

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

Board Attendance

Board Attendance levels during the year were as follows;

Director	Position	Tenure	Meetings Attended	Of a possible
P Steere	Chair	Full Year	12	12
C Taylor	Deputy Chair	Full Year	11	12
M Clarke	Director	Full Year	11	12
M McDonald	Director	Full Year	11	12
J Edgar	Director	Jul '17 – Dec '17	4	5
M Greening	Director	Dec '17 – Jun '18	7	7

Active Committees

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

Employee Remuneration

The number of employees or former employees who received remuneration and other benefits of \$100,000 or more for the year ended 30 June 2018 was as follows:

Remuneration	Number of Employees
\$120,001 - \$130,000	1
\$130,001 - \$140,000	1
\$260,001 – \$270,000	1

Donations

Donations paid during the year were \$569 (2017: \$850).

For and on Behalf of the Board



Paul Steere
Chair



Catherine Taylor
Deputy Chair

Statement of Comprehensive Income

For the Year Ended 30 June 2018

	Note	Budget* (\$)	2018 (\$)	2017 (\$)
Revenue	2	10,070,740	10,131,059	9,118,891
Operating costs	3	4,588,381	4,022,493	3,801,865
Administration expenses	3	1,000,473	1,111,536	977,959
		5,588,854	5,134,029	4,779,824
Operating Profit		4,481,886	4,997,029	4,339,066
Interest Revenue		-	20,290	55,390
Finance Costs	3	-	(326,880)	(3,607)
Net Financing Income		-	(306,590)	51,783
Gain on Sale of Fixed Assets		-	-	-
Investing Income		-	-	-
Profit before Tax		4,481,886	4,690,439	4,390,849
Income tax expense	4	1,428,072	1,244,653	1,311,091
Profit after Tax		3,053,814	3,445,786	3,079,758
Other Comprehensive Income				
Cash flow hedges			-	-
Tax on cash flow hedges			-	-
Gain on asset revaluation			10,839,548	-
Tax on asset revaluation			(1,190,564)	-
Total Comprehensive Income			13,094,770	3,079,758

*Note: Budget figures are per the Nelson Airport Limited 2017/2018 Operating Budget approved by the Board on 28 June 2017.

Statement of Changes in Equity

For the Year Ended 30 June 2018

	Note	2018 (\$)	2017 (\$)
Opening Retained Earnings		11,885,069	9,525,312
Total Profit for the Year		3,445,786	3,079,758
Correction of Previously Recognised Revenue	15	(136,158)	-
Distributions to Equity Holders		-	(720,000)
Retained Earnings as at Year End		15,194,697	11,885,069
Opening Asset Revaluation Reserve		38,043,443	38,043,443
Gain on Asset Revaluation		9,648,984	-
Asset Revaluation as at Year End		47,692,427	38,043,443
Opening Cash Flow Hedge Reserve		-	-
Net Movement in Hedges		-	-
Cash Flow Hedge as at Year End		-	-
Share Capital	9	2,400,000	2,400,000
Closing Equity as at Year End		65,287,124	52,328,512

Statement of Financial Position

As at 30 June 2018

	Note	2018 (\$)	2017 (\$)
Assets			
Current Assets			
Trade and Other Receivables	7	1,161,098	763,315
Cash and Cash Equivalents	8	532,459	2,599,075
Other Financial Assets		-	-
Total Current Assets		1,693,557	3,362,390
Non Current Assets			
Property, Plant and Equipment	5	86,051,595	55,501,278
Intangible Assets	6	38,763	42,704
Provisions	12	-	-
Total Non Current Assets		86,090,358	55,543,981
Total Assets		87,783,915	58,906,371
Liabilities			
Current Liabilities			
Trade and Other Payables	10	3,709,771	906,371
Derivative Financial Liabilities	12	157,907	-
Current Income Tax Liability		432,371	612,492
Employee Entitlements		166,205	137,388
Provisions	12	-	-
Total Current Liabilities		4,466,253	1,656,251
Non Current Liabilities			
Deferred Tax	4	5,791,751	4,921,608
Derivative Financial Liabilities	12	163,787	-
Interest Bearing Loans	13	12,075,000	-
Total Non Current Liabilities		18,030,537	4,921,608
Total Liabilities		22,496,791	6,577,859
Net Assets		65,287,124	52,328,512
Equity			
Issued Share Capital	9	2,400,000	2,400,000
Retained Earnings		15,194,697	11,885,069
Cash Flow Hedge Reserve		-	-
Asset Revaluation Reserve		47,692,427	38,043,443
Total Equity		65,287,124	52,328,512

For and on Behalf of the Board



Paul Steere
Chair
29 August 2018



Catherine Taylor
Deputy Chair
29 August 2018

Statement of Cash Flows

For the Year Ended 30 June 2018

	Note	2018 (\$)	2017 (\$)
Cash Flows from Operating Activities			
Cash was provided from:			
Receipts from airport users		10,102,068	9,253,632
Interest received		22,086	57,186
		10,124,154	9,310,818
Cash was disbursed to:			
Payments to suppliers and employees		(3,300,587)	(3,581,824)
Interest paid		(5,186)	(3,607)
Income tax paid		(1,692,246)	(1,305,339)
Net GST Movement		(649,107)	48,755
		(5,647,126)	(4,842,016)
Net Cash Flows from Operating Activities	14	4,477,028	4,468,802
Cash Flows from Investing Activities			
Cash was provided from:			
Decrease in term deposit/other financial assets		-	1,100,000
Sale of property, plant & equipment		-	-
		-	1,100,000
Cash was disbursed to:			
Increase in term deposit/other financial assets		-	-
Purchase of property, plant & equipment		(18,614,161)	(3,800,391)
Purchase of Intangible Assets		(4,480)	(35,340)
		(18,618,642)	(3,835,731)
Net Cash Flow from Investing Activities		(18,618,642)	(2,735,731)
Cash Flows from Financing Activities			
Cash was provided from:			
Increase in term loans		12,075,000	-
		12,075,000	-
Cash was disbursed to:			
Dividends paid		-	(720,000)
Decrease in term loans		-	-
		-	(720,000)
Net Cash Flow from Financing Activities		12,075,000	(720,000)
Net increase/(decrease) in cash and cash equivalents		(2,066,614)	1,013,071
Opening cash and cash equivalents		2,599,074	1,586,003
Closing cash and cash equivalents		532,460	2,599,074

Notes to the Financial Statements

For the Year Ended 30 June 2018

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 2018. The financial statements were authorised for issue by Nelson Airport Limited on 29 August 2018.

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% - 33.0%	
Buildings		Hangars and other buildings	1.6% - 33.3%	8.0% - 20.0%
Airfield Infrastructure		Runways, taxiways and aprons	2.5% - 50.0%	4.0% - 30.0%
Landside Infrastructure		Pavements, utilities and other infrastructure	1.5% - 20.0%	6.0% - 30.0%
Equipment		Parking meters, security and vehicles	6.7% - 21.0%	8.0% - 67.0%
Fixtures and fittings		Furniture, computers, and fittings	5.0% - 5.0%	10.0% - 80.4%

 Straight Line

 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 was based on the assumption that it was to be decommissioned by March 2018 in conjunction with new terminal developments. However this is now expected to be October 2018.

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.



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) Derivative Financial Instruments

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

Derivative financial instruments are initially recognised at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value. For those instruments which do not qualify for hedge accounting, the gain or loss on re-measurement to fair value is recognised immediately in the statement of revenue and expenses. The fair value of an interest rate swap is the estimated amount that Nelson Airport Limited would receive or pay to terminate the swap at balance date, based on current interest rates.

K) Employee entitlements

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

Notes to the Financial Statements

L) Trade and other payables

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

M) Revenue

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.

N) Expenses

Net financing costs

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

Dividends

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

Income Tax

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

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

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

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

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

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.

O) Goods and services tax (GST)

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

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

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

P) Cash and cash equivalents

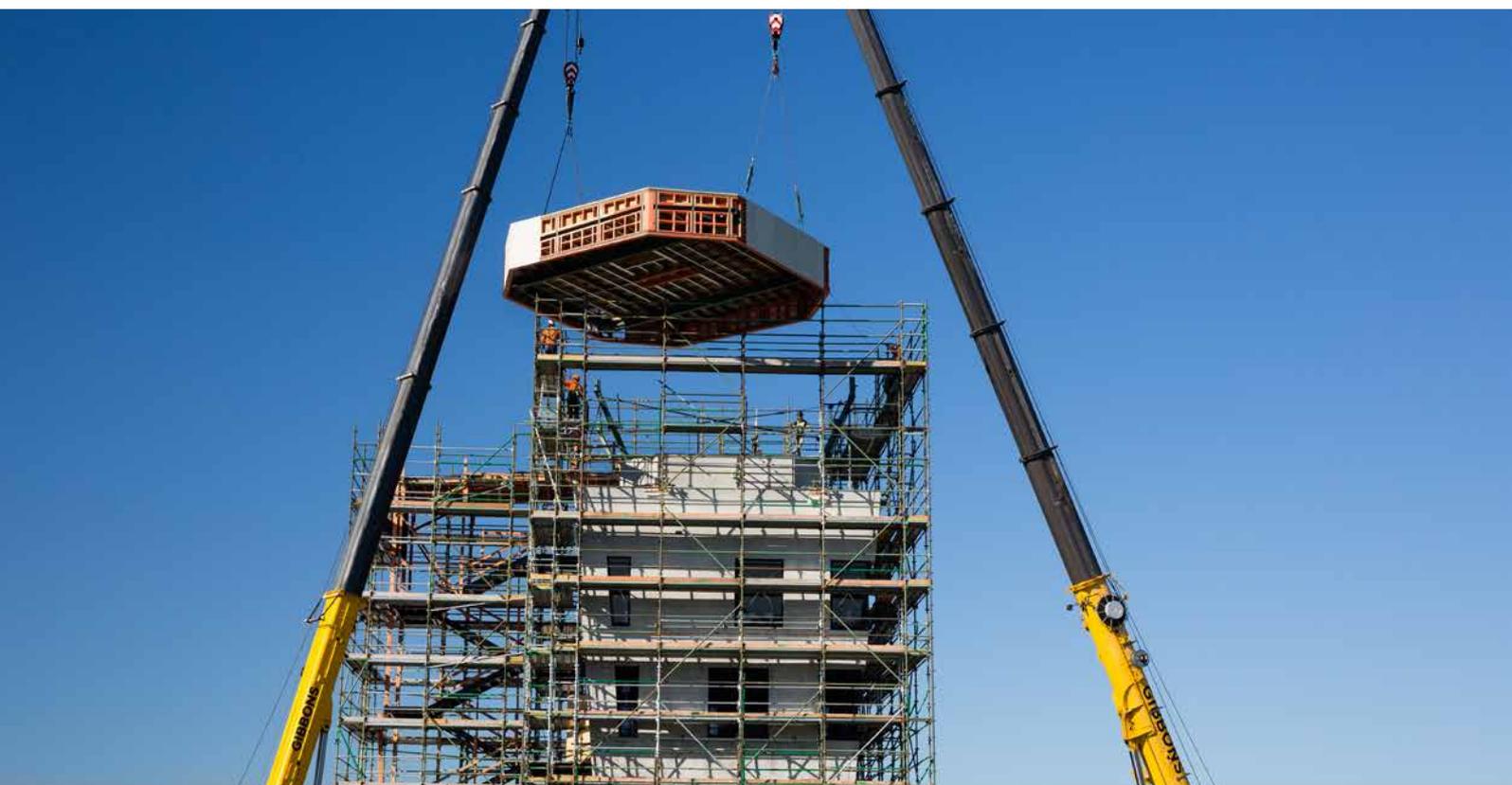
Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position.



2. Operating Revenue

Operating Income

	2018 (\$)	2017 (\$)
Aeronautical Charges	5,490,523	4,684,172
Ground Transport Revenues	2,925,310	2,699,456
Retail Revenue	210,375	220,835
Advertising Revenue	167,207	165,998
Property Revenues	1,337,129	1,344,999
Sundry Income	516	3,432
	10,131,059	9,118,891



3. Expenses

A) Operating Costs

	2018 (\$)	2017 (\$)
Depreciation	1,417,361	1,437,475
Amortisation of Intangible Assets	8,415	7,519
Loss on Impairment	1,825	-
Employee Entitlements	1,222,628	1,070,176
Other Operating Expenses	1,363,490	1,235,535
Loss on Disposal of Assets	8,774	51,158
	4,022,493	3,801,864

B) Administration Costs

	2018 (\$)	2017 (\$)
Auditors Remuneration	33,000	32,000
Directors' Fees	120,439	104,015
Insurance & Rates	579,968	531,157
Other Administration Expenses	378,129	310,787
	1,111,536	977,959

C) Finance Costs

	2018 (\$)	2017 (\$)
Interest Expense	5,186	3,607
Movement in Unhedged Derivative Financial Liability	321,694	-
	326,880	3,607

4. Income Tax

Components of Income Tax Expense

	2018 (\$)	2017 (\$)
Current Tax Expense	1,565,076	1,542,497
Deferred Tax Expense	(320,421)	(231,406)
	1,244,655	1,311,091

Relationship between Tax Expense and Accounting Profit

	2018 (\$)	2017 (\$)
Operating Profit Before Taxation	4,690,439	4,390,849
Prima Facie Tax @ 28%	1,313,323	1,229,438
Adjustment for Timing & Taxation Differences	249,109	313,059
Adjustment for Permanent Differences	2,644	-
Adjustments for Deferred Tax	(146,215)	17,550
Adjustments for Deferred Tax - Property, Plant & Equipment	(174,206)	(248,956)
Income Tax Expense	1,244,655	1,311,091

Deferred Tax

	2018 (\$)	2017 (\$)
Property, Plant and Equipment		
Opening Balance	(4,896,198)	(5,145,154)
Charged to Profit & Loss	174,206	248,956
Charged to Other Comprehensive Income	(1,190,564)	-
Closing Balance	(5,912,556)	(4,896,198)
Employee Entitlements		
Opening Balance	(8,186)	(4,868)
Charged to Profit & Loss	33,990	(3,318)
Closing Balance	25,804	(8,186)
Cash Flow Hedges		
Opening Balance	-	-
Charged to Other Comprehensive Income	-	-
Closing Balance	-	-
Other Provisions		
Opening Balance	(17,224)	(2,992)
Charged to Profit & Loss	112,225	(14,232)
Closing Balance	95,001	(17,224)
Total	(5,791,751)	(4,921,608)



5. Property, Plant and Equipment

2018	Land & Improvements (\$)	Buildings (\$)	Airfield Infrastructure (\$)	Landside Infrastructure (\$)	Equipment (\$)	Fixtures & Fittings (\$)	Capital Work in Progress (\$)	Total (\$)
Cost or Valuation								
Balance as at 1 July 2017	26,064,466	10,720,753	16,830,299	5,327,634	570,815	297,480	5,346,466	65,157,913
Reclassification	-	-	-	7,647,114	-	-	(7,647,114)	-
Additions	-	2,001,439	66,866	96,923	25,902	13,629	18,939,132	21,143,891
Movement in Asset Revaluation	6,587,534	(4,250,620)	(707,165)	-	-	-	-	1,629,749
Disposals	-	-	-	-	(77,194)	(58,132)	-	(135,326)
Balance at 30 June 2018	32,652,000	8,471,572	16,190,000	13,071,671	519,523	252,977	16,638,484	87,796,227
Accumulated Depreciation and Impairment Losses								
Balance as at 1 July 2017	-	4,799,311	3,315,430	961,978	361,516	218,400	-	9,656,634
Depreciation	-	401,105	718,721	238,838	45,466	13,231	-	1,417,361
Impairment	-	1,825	-	-	-	-	-	1,825
Disposals	-	-	-	-	(70,461)	(50,929)	-	(121,390)
Movement in Asset Revaluation	-	(5,175,648)	(4,034,151)	-	-	-	-	(9,209,799)
Balance at 30 June 2018	-	26,593	-	1,200,816	336,521	180,702	-	1,744,631
Net Book Value at 30 June 2018	32,652,000	8,444,979	16,190,000	11,870,855	183,002	72,275	16,638,484	86,051,595

2017	Land & Improvements (\$)	Buildings (\$)	Airfield Infrastructure (\$)	Landside Infrastructure (\$)	Equipment (\$)	Fixtures & Fittings (\$)	Capital Work in Progress (\$)	Total (\$)
Cost or Valuation								
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
Accumulated Depreciation and Impairment Losses								
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
Net Book Value at 30 June 2017	26,064,466	5,921,442	13,514,869	4,365,656	209,299	79,080	5,346,466	55,501,278

Valuation

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

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

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

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

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

Landside infrastructure was last valued as at 30 June 2015 by Opus International Consultants Limited in accordance with International Valuation Standards (fair value \$4,228,000). Due to the development projects in progress at balance date, the Board have been unable to obtain a reliable fair value estimate of the landside infrastructure at 30 June 2018. An updated valuation will be obtained once the development has been completed.

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

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

6. Intangible Assets

2018	Original Cost (\$)	Accum Amortisation (\$)	Opening WDV (\$)	Additions (\$)	Disposals (\$)	Amortisation (\$)	Closing WDV (\$)
Software	69,767	27,064	42,703	4,474	-	8,414	38,763

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

7. Trade and Other Receivables

	2018 (\$)	2017 (\$)
Trade Receivables	570,413	714,755
Less: Provision for Impairment	(17,714)	-
Accrued Debtors	17,883	7,277
Prepayments	30,822	41,283
GST	559,694	-
Other Receivables	-	-
	<u>1,161,098</u>	<u>763,315</u>

8. Cash and Cash Equivalents

	2018 (\$)	2017 (\$)
Cash on Hand	15,275	7,655
Bank Balance	517,184	91,420
Term Deposits (term less than 3 Months)	-	2,500,000
	532,459	2,599,075

9. 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 25 July 2018, a previously proposed dividend of \$750,000 was declared, with payment made following balance date.

10. Trade and Other Payables

	2018 (\$)	2017 (\$)
Trade Payables	3,511,885	369,493
Trade Payables (Related Parties)	40,970	25,039
Dividends Payable	-	-
Accruals	119,661	359,698
GST Liability	-	89,412
Lease Income in Advance	37,255	62,727
	<u>3,709,771</u>	<u>906,371</u>

11. Contingent Liabilities

At balance date Nelson Airport Limited was in discussion with the lead terminal development contractor regarding price variations on the development project. The parties remain in discussion at publishing date regarding any adjustment.

12. Derivative Financial Instruments

	2018 (\$)	2017 (\$)
Derivative Financial Liabilities		
Interest Rate Swaps	-	-
Current Portion	157,907	-
Non-Current Portion	163,787	-
	<u>321,694</u>	<u>-</u>

13. Interest Bearing Loans

	2018 (\$)	2017 (\$)
Repayable as follows:		
Less Than 1 Year	-	-
Between 1 and 5 Years	12,075,000	-
	12,075,000	-

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

The interest rates applying at balance date were 3.35% - 3.46% (June 2017: No loan borrowings at year end).

Nelson Airport Limited manages its cash-flow interest rate risk by using floating-to-fixed interest rate swaps. The notional principal amounts of outstanding floating to fixed interest rate swap contracts at 30 June 2018 (including swaps in place for future borrowings on a floating interest rate) totalled \$19,000,000 (2017: Nil). Their fair value was a liability of \$321,694 (2017: Nil).



14. Reconciliation of Reported Profit After Tax with Cash Flows from Operating Activities

	2018 (\$)	2017 (\$)
Net Profit for the Year	3,445,786	3,079,758
<i>Add/(less) non cash and non operating items:</i>		
(Gain)/Loss on Disposal of assets	8,774	51,158
Depreciation and Amortisation	1,425,776	1,444,994
Donated Assets Disposed of at Estimated Market Value	5,167	-
Impairment of trade receivables	-	-
Impairment of fixed assets	1,825	-
Movement in deferred taxation	870,143	(231,404)
Prior period adjustment	(136,158)	-
Movement in derivative financial instrument	321,694	-
Tax on asset revaluation	(1,190,564)	-
<i>Movement in working capital:</i>		
(Increase)/Decrease in receivables	161,910	136,538
Increase/(Decrease) in current tax payable	(180,122)	237,156
Increase/(Decrease) in payables	(257,203)	(249,398)
Net cash flows from operating activities	4,477,027	4,468,802

15. Correction of Errors

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

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

16. Transactions with Related Parties

Transactions with Shareholders

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

Nelson Airport Limited paid rates, maintenance, consents and fees to Nelson City Council amounting to \$473,030 (2017: \$514,570), while receiving income of \$1,121 (2017: \$9,670). The balance included as owing in trade payables as at 30 June 2018 was \$18,008 (2017: \$17,397).

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 \$81,271 (2017: \$95,908) and the balance included as owing in trade payables as at 30 June 2018 was \$5,712 (2017: \$7,642).

Nelson Regional Development Agency Limited is wholly owned by Nelson City Council. Nelson Airport Limited paid costs of \$80,500 to the Agency (2017: \$34,500), and received income from the Agency of \$2,605 (2017: \$5,556). Nil is included in accounts receivable (2017: \$207), and \$17,250 (2017: Nil) in account payable as at 30 June 2018.

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 \$9,597 (2017: \$9,124), and \$2,300 (2017: Nil) was paid for various services.

Nelson Airport Limited paid \$2,398 (2017: Nil) for services to Wellington International Airport Limited, in which Matt Clarke was as their Chief Commercial Officer.

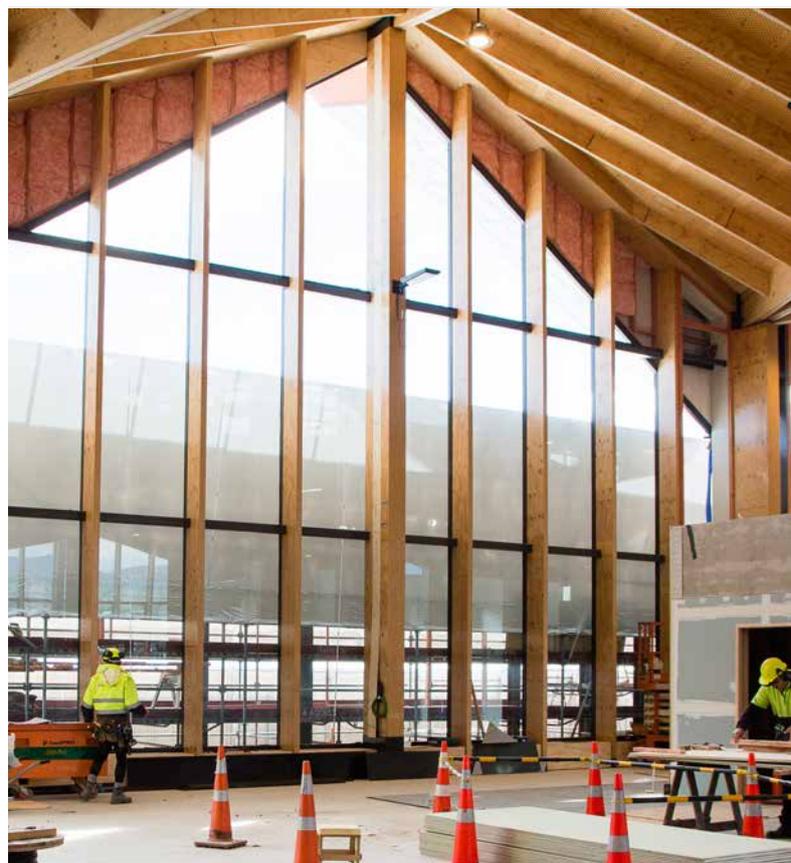
The Wellington Regional Economic Development Agency, in which Matt Clarke was a Director was invoiced \$1,380 (2017: Nil) by Nelson Airport Limited for services during the year.

Nelson Airport Limited received income of \$115 (2017: Nil) from the Life Flight Trust, in which Catherine Taylor was a Trustee during the year.

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

	2018	2017
Key management personnel compensation	\$381,565	\$353,828

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.



17. Capital Commitments

Nelson Airport Limited has the following contractual capital commitments for property, plant and equipment as at 30 June 2018 (2017: \$29,566,500);

Terminal Development	\$21,851,000
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Capital commitments represent capital expenditure contracted for at balance date but not yet incurred.

18. Operating Leases

Nelson Airport Limited has non-cancellable operating lease arrangements with lessees of the terminal and other land and buildings of the airport. Due to the variable nature of these agreements the future value of these operating lease payments cannot be reliably estimated.

The lease arrangements are renewed on a periodic basis as disclosed in the lessors' individual contracts and many are subject to regular rent reviews.

In 2018 lease revenue received in association with the non-cancellable operating lease arrangements amounted to \$971,443 (2017: \$1,014,768).

Future non-cancellable lease revenue from existing leases:

	2018	2017
Leases revenue within 12 months	\$1,144,155	\$1,838,744
Leases revenue between 1-5 years	\$1,141,388	\$2,143,992
Leases revenue thereafter	\$1,087,850	\$1,280,300
Total	\$3,733,393	\$5,263,036

19. Events After Balance Date

On 25 July 2018 the Board declared that a dividend of \$750,000 be paid to shareholders of Nelson Airport Limited.

Apart from the above, there are no significant events after balance date that have affected the financial position of Nelson Airport Limited.

20. Shareholders' Statement of Intent

Nelson Airport Limited was required to deliver a completed Statement of Intent to its shareholders by 30 June 2018 under Part 3(b) of Schedule 8 of the Local Government Act 2002. The 2018 Statement of Intent was completed and forwarded to Nelson Airport Limited's shareholders on 3 July 2018.

Company Directory

Directors

Paul Steere (Chair)

Catherine Taylor

Matthew Clarke

Matthew McDonald

Mark Greening (appointed 20 December 2017)

Registered Office

Nelson Airport Management Offices
Trent Drive
Nelson
7011

Telephone 03-547-3199

Email office@nelsonairport.co.nz

Chief Executive

Robert Evans

Managers

Commercial:	Stephen Batt
Corporate Services:	Simon Orr
Operations and Assets:	David Scott
Business Development and Marketing:	Sally Russ
Compliance:	James Middlewick

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
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