



LOOKING FORWARD

ANNUAL REPORT 2020

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OUR BOARD

From left to right
Paul Steere - Chair
Catherine Taylor - Deputy Chair
Matthew McDonald
Mark Greening
Matthew Clarke



DIRECTORS' REPORT

For the Year Ended 30 June 2020

OVERVIEW

The financial year ended June 2020 was very different to recent years.

With the successful completion of the new terminal and its opening by the Prime Minister Right Honourable Jacinda Ardern on the 19th October 2019, we then had to confront the withdrawal of Jetstar from regional routes in December and then in March the effects on travel arising from the global pandemic COVID-19 started to impact on our operations.

We have weathered the challenges well and while further impact may arise from new outbreaks of COVID-19, that aside, the company is well placed for its sustainability and ability to grow as opportunities arise.

KEY POINTS

With Jetstar's withdrawal and the restrictions on travel from COVID-19 lockdown levels 3 & 4, passenger numbers, at 782,000 for the year, were down 27% on the previous year, as was available capacity. April saw only essential approved travel and we were 1.4% of the previous April. As restrictions eased in May, June saw passengers climb back to 40% and then July climbed to 56% of the year previous. A new lockdown level raise in August after year close, saw restricted travel mainly to Auckland but affecting other destinations as well.

We have been prudent in our forecast for the year ahead and notwithstanding the unknown, we believe it is robust with possible upside.



DIRECTORS' REPORT

For the Year Ended 30 June 2020 (continued)

Despite the COVID-19 effect, the company had been performing well in its first eight months and this provided some mitigation to the downturn in the final four months. We completed the year with an EBITDA of \$6.7 million in line with the previous year. The Board resolved to pay a dividend of \$850,000, up 6% on 2019.

We continue to have a good safe working environment, however there were three instances of lost-time injuries totalling four lost days. Risk matters are reported monthly to the board and remedial, or reaction requests if involving third parties, are followed up.

Airline partnerships with Air New Zealand, Originair and Sounds Air continue to be strong, especially so during the COVID-19 period, its implications having a substantial impact for all three carriers.

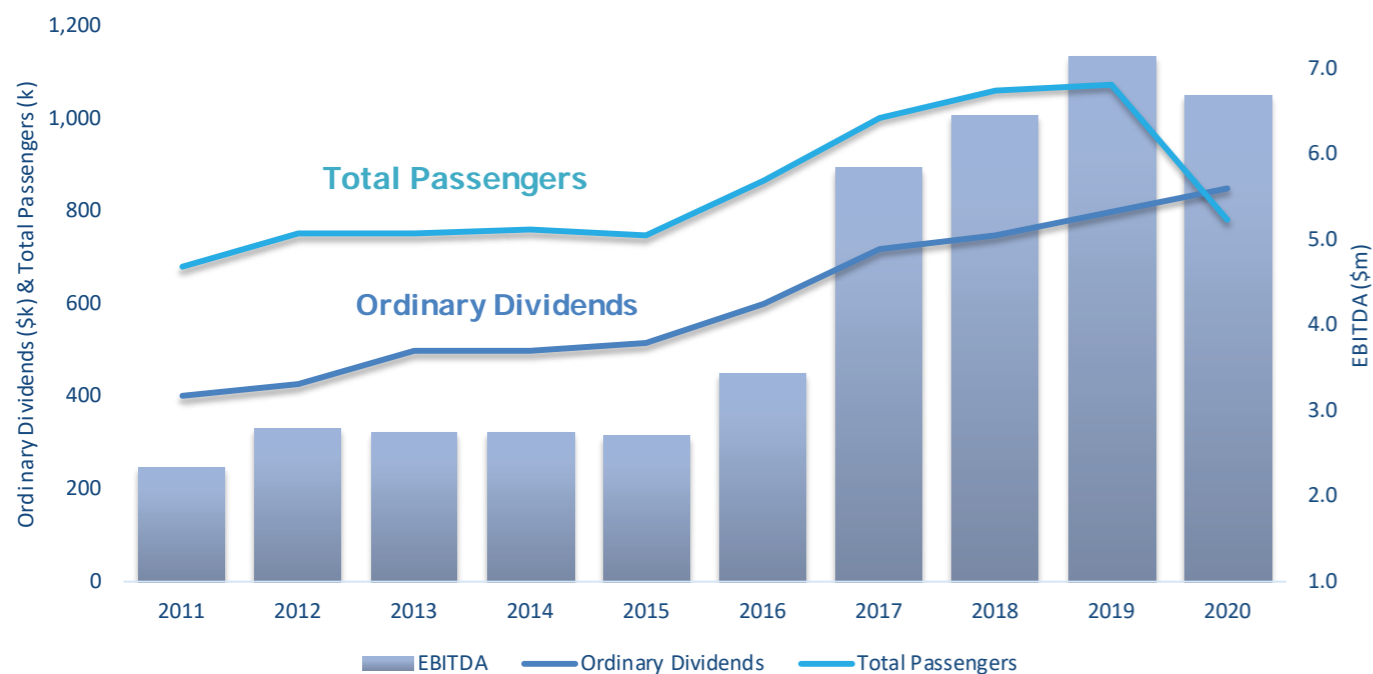
Medium size works consequent upon the completion of the Terminal building still require to be completed, including rental car agency offices and a freight complex. These will be attended to as resources and needs demand.

Work continues on our Sustainability strategy with good progress during the year.



EBITDA, Ordinary Dividends & Total Passengers

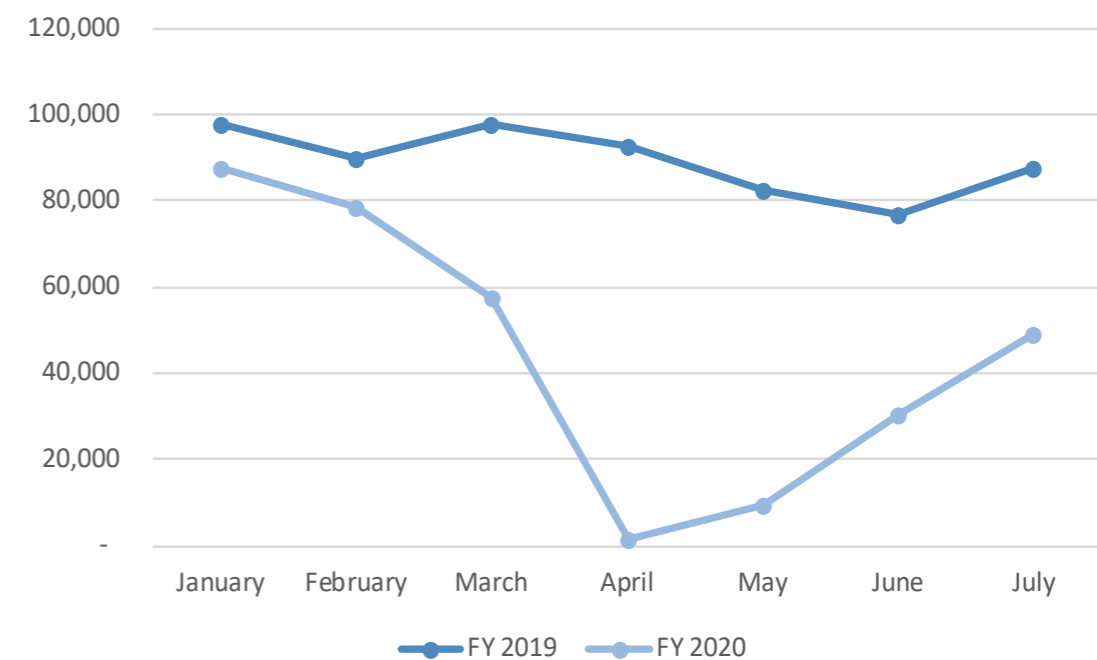
Ten year history



Compound Annual Growth Rates (CAGRs) over the 10-year period are strong:

DIVIDEND 12% PASSENGERS +7% REVENUES 10%

Monthly Passengers through COVID-19 March to June



FINANCIAL

Nelson Airport Limited is pleased to report earnings before interest, tax, depreciation and amortisation (EBITDA) of \$6.7m, in line with the previous year.

Total revenues at \$11.9m were in line with the previous year, reflecting a strong first eight months before the COVID-19 effect struck.

Passenger numbers were down over the previous year by 294k passengers (27%) indicating the withdrawal of Jetstar and then the COVID-19 lockdown restriction effect. Nelson continues to be a highly valuable destination point within the Air New Zealand network and is well supported by Sounds Air and Originair.

While scheduled aeronautical passenger revenue was down \$0.6m on the previous year, property revenues including new tenants were up \$449k and further compensation for COVID-19 effect assisted in reducing the gap on revenues.

The advantage of new commercial depreciation rates provided relief contributing to a reduced taxation burden on this year's results delivering a Net Profit after Tax of \$1.8m compared with \$2.8m in 2019.

Operating and administration expenses were marginally up on the previous year but also reflects savings as we reset during COVID-19.

With confidence in its funding position and having regard for its prudent forecasts for the year ahead, the Board declared an ordinary dividend of \$850k compared to previous years of \$800k.



NELSON AIRPORT OFFICIAL OPENING
19 OCTOBER 2019





NELSON AIRPORT OPENING DAY
22 OCTOBER 2019



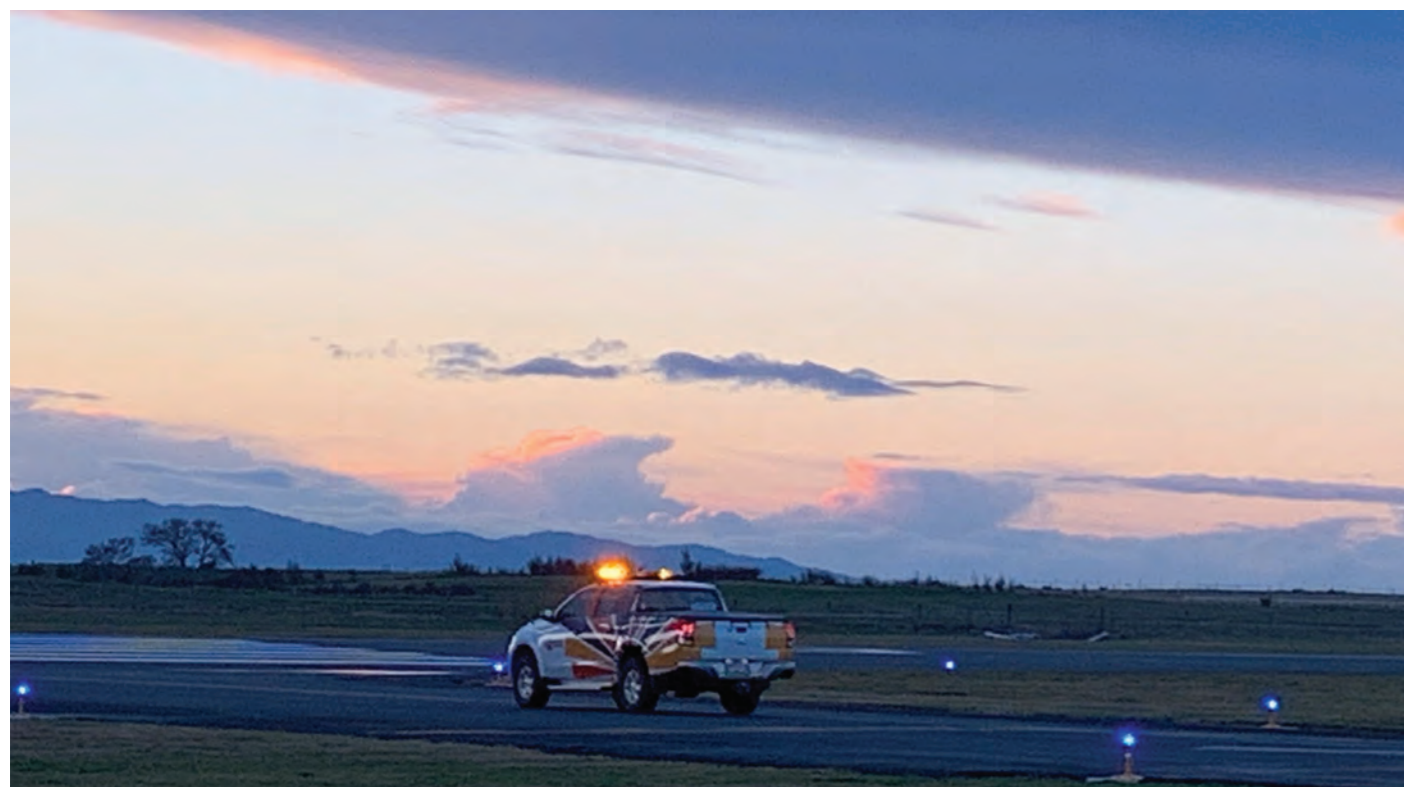
HEALTH & SAFETY AND RISK

Health & safety and risk are priorities for the business. The terminal construction project 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.

The Board regularly reviews the comprehensive Health & Safety Policy which contains 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 the 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 Board.

A Security Audit conducted by The Civil Aviation Authority confirmed Nelson Airport's compliance with the requirements of the Aerodrome Operating Certificate relating to aerodrome certification, operation and use, with no major findings made.



COMPLIANCE

While we maintained a strong focus on compliance, indications of legislative change became a concern.

Consultation started on security screening for regional destinations for airports receiving aircraft of 30 passengers or 120,000 passengers per year. We have plans for such screening should it become necessary, however progress is now on hold due to the COVID-19 impact and we don't expect national decisions on this until later in 2021.

A proposed Civil Aviation Bill initiated some four years ago has been progressed by the current government and while designed to improve safety, security, and efficiency, which has our support, other measures are of concern especially to regional airports. This particularly includes the removal of the airport's ability to set their charges after consultation and the removal of the mandate that allows a commercial approach to be taken by airports. In practical terms this has the possibility of a carrier refusing to pay charges with little recourse for the airport. Lobbying has already been undertaken but again no progress has been made this year and will fall on the new government to ensure equity and sensibility.



SUSTAINABILITY

With the opening of the completed terminal we introduced a variety of measures to improve sustainability.

The terminal infrastructure itself has a low carbon footprint through the extensive use of laminated veneer lumber, natural ventilation combined with solar 'chimneys', provision of conference facilities for reduced transport, utilisation of natural light, additional eVehicle charging stations, provision of a compostable coffee cup shredder and a water bottling station to avoid single-use plastic water bottle needs plus increased cycle racks.

Solar panels have been erected on Airport House and a business case study is underway on further solar arrays.

The 1,100 trees we planted along the cycle path between Monaco and Richmond are now well established.

We have made a commitment on green lease agreements within Air New Zealand, providing for measurement and reduction of energy use and have committed to measuring the company's carbon footprint going forward.



AIR NEW ZEALAND ENGINEERING

The announcement of a national rationalisation of Air New Zealand's aircraft servicing impacting the heavy maintenance for ATRs and Q300s at Nelson came as a surprise at the beginning of the lockdown period.

Its direct impact was on the leased facilities we provide with a wider economic community impact from the deployment of the skills and expertise elsewhere. Advocacy for retention was made by community leaders and ourselves, however the fiscal case for Air New Zealand proved insurmountable. The servicing operation retained the line-maintenance business with the associated benefits to the region.

Discussions continue with Air New Zealand as to their property needs going forward.

The strategic relationship with Air New Zealand, with Nelson seen as a valuable destination, remains strong.



INFRASTRUCTURE

The opening of the new terminal in October saw the successful conclusion of the largest project attempted on the airport precinct. The intuitive nature of the new terminal facilities offers a seamless customer journey and the building is being recognised nationally for its architectural design.

New rental car facilities, airside stormwater upgrades, apron realignment for pushback of aircraft and a new freight consolidation facility are planned as and when resources and demand dictates.



PROPERTY

The airport property portfolio is supported by strong demand, despite COVID-19. High demand supported the property related revenues to come in 12% above budget for the year.

The commitment from Air New Zealand for their new Regional Lounge and offices within the terminal development provided strength to the rental revenue into the COVID-19 pandemic. The departure of a portion of the Air New Zealand Regional Maintenance business will provide challenges and potential opportunities.

Our partner rental car companies and retailers are under stress and we are actively working with these businesses to provide much needed support.

The ongoing development of the airport property portfolio continues to both support and provide diversification from aeronautical revenues.





'CAPTURING COVID-19 HISTORY'
NELSON AIRPORT MAY 2020
PHOTOGRAPHY BY BRENT MCGILVERY
KEY PROPERTY PIX



COVID-19 REACTION & RESPONSE

As the COVID-19 lockdowns loomed in March, the company developed contingency plans to ensure our statutory obligations were met and we remained open and safe. There are substantial standing costs of staffing, cleaning, rates, repairs, communications, rescue fire, screening facilities and control as well as financing costs.

The Board and management worked very closely during this period to manage matters as they arose.

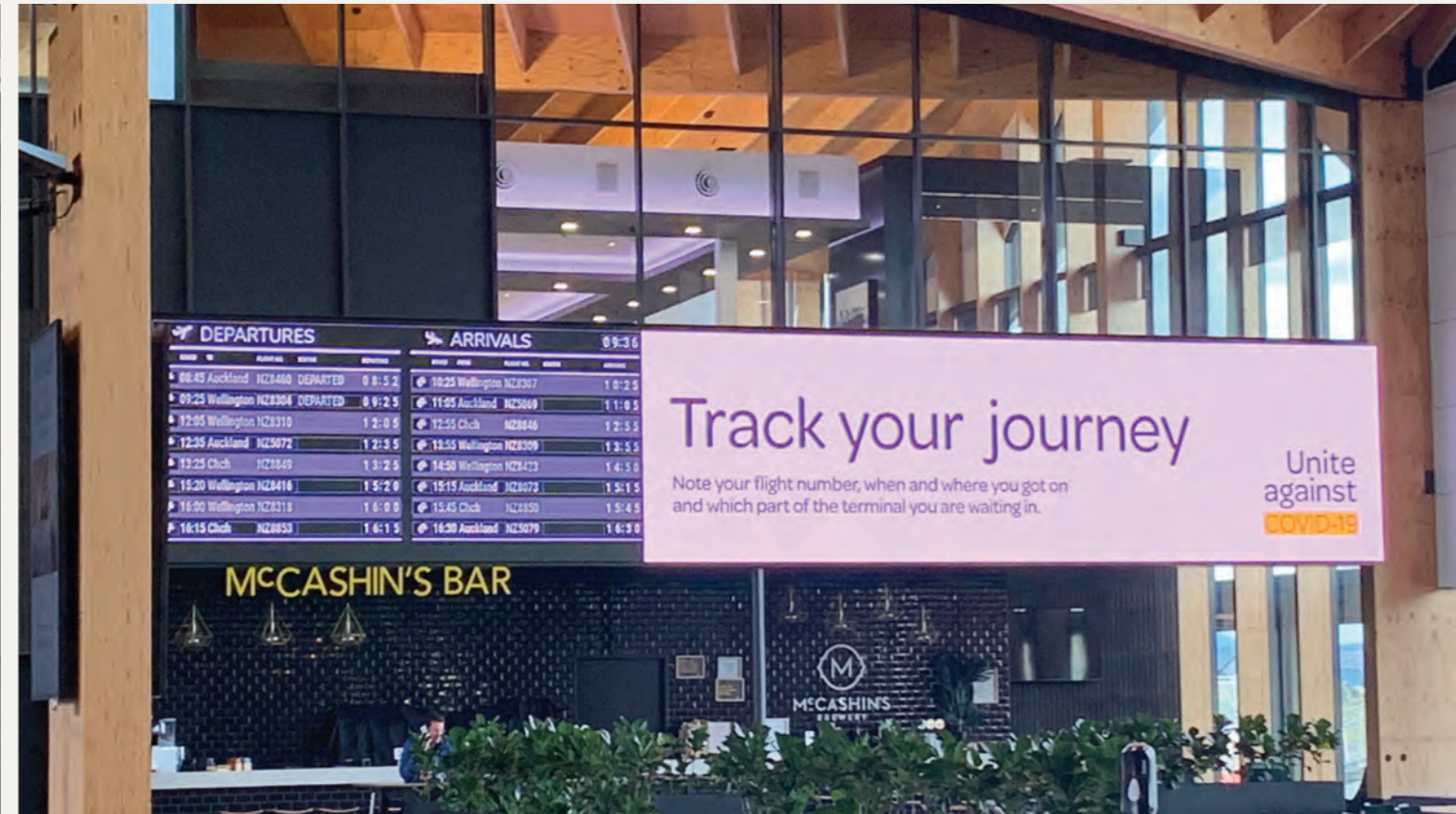
Bank support was confirmed and modelling on a range of forward scenarios was developed. Government fiscal support was taken up and all staff and Directors volunteered a limited time remuneration cut and contingencies were implemented, including a halt on capital works that could be deferred. Scale redundancies were avoided as options for organisation structure were considered and as the lockdown eased.

Government directives and signage were implemented throughout the terminal with our team fully trained on care of passengers and physical distancing.

The Board commends staff for their personal efforts during such a challenging time.



OUR CUSTOMER SERVICE TEAM OPERATING THROUGH COVID-19



THE NELSON PLAN

We have engaged with council officers on the 20-year plan vision and the needs of airport operations.

Given that long term outlook, forecasts for passenger growth, configurations of carrier aircraft, noise levels and likely land needs have all been extensively researched.

There is expected to be extensive change including a paradigm shift in runway and processing needs. We can see an example of that in the recent development of research on pilotless aircraft for which Nelson airport has been selected as the base by an international consortium.

Developments in electric, hybrid and hydrogen powered aircraft are being closely monitored.

While the timing of the release for the Nelson Plan has been delayed, Nelson Airport is conscious of the need for clear public education of the medium and long-term beneficial implications of our 20 - year plan.

WILDLIFE MANAGEMENT

Nelson Airport proactively manages bird population where there is a threat to aviation, using a variety of methods. Bird strikes are reported by each aerodrome based on the number of incidents per aircraft movements, being reported as strikes per 10,000 aircraft movements. The Civil Aviation Authority currently records Nelson Airport as medium risk evidenced by our 5.7 bird strikes per 10,000 aircraft movements and trending downwards. Indeed, in the year under review we saw further declines in the number of bird strikes.

THE NELSON AIRPORT NOISE ENVIRONMENT ADVISORY COMMITTEE

Nelson Airport has had constructive engagement with The Nelson Airport Noise Environment Advisory Committee as the company has continued to improve its reporting to the community on noise issues.

A new procedure to monitor engine testing noise overnight has been developed to ensure compliance with the Nelson Plan.



IWI RELATIONSHIPS

We continue to seek with local mana whenua ways and means for the presentation of artworks depicting the history, contribution and custom of local iwi.

We have engaged Hinerangi Himiona, who is highly regarded for her work on Maori cultural heritage and creative design projects to assist the partnership.

Work is expected to progress in the year ahead.



CUSTOMERS AND MARKETING

Nelson Airport continued with key relationship marketing agreements with both Air New Zealand and the Nelson Regional Development Agency with a focus on targeted airline and destination marketing. This allowed a greater strategic reach to key ports telling the region's story with a high focus on Nelson's connectivity. The reach, specifically through the mix of Air New Zealand channels, allowed the company to speak directly to high value business customers, leisure seekers and those visiting friends and relatives.

Our terminal build has led to greater engagement with our local community and stakeholders through sharing our stories. This has further strengthened the Nelson Airport brand.



OUTLOOK

The year ahead will be one of challenge in rebuilding the passenger flow particularly given the constraints of COVID-19 on domestic and international travel and the risk of further lockdowns.

We anticipate our base case forecast will be exceeded provided further national high-level lockdowns are not imposed.

We look to take advantage of national support packages in that quest and remain confident of continued development in the year ahead.

Paul J Steere
Chair

Catherine Taylor
Deputy Chair

To the readers of Nelson Airport Limited's financial statements and performance information for the year ended 30 June 2020.

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

We have audited:

- the financial statements of the Company on pages 42 to 73, that comprise the statement of financial position as at 30 June 2020, 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 32 to 37.

Opinion

Qualified opinion on the financial statements – Our work was limited because the Company has not completed a fair value assessment for land and improvements

In our opinion, except for the effect of the matter described in the Basis for our qualified opinion section of our report, the financial statements of the Company on pages 42 to 73:

- present fairly, in all material respects:
 - its financial position as at 30 June 2020; 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.

Unmodified opinion on the statement of service performance

In our opinion, the performance information of the Company on pages 32 to 37 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 2020.

Our audit was completed on 30 October 2020. This is the date at which our opinion is expressed.

The basis for our qualified opinion is explained below, and we draw attention to the impact of COVID-19 on the Company. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Basis for our qualified opinion

As stated in the accounting policies in Note 1 (c), the Company measures land and improvements at fair value. The last revaluation to fair value was performed as at 30 June 2018. The New Zealand Equivalent to International Accounting Standard No. 16, Property, Plant and Equipment (NZ IAS 16), requires entities that measure asset classes at fair value to carry out revaluations with sufficient regularity to ensure that the revalued asset classes are not included at a carrying amount that is materiality different to fair value.

As disclosed in note 5 on page 61, the Company has not completed a fair value assessment for land and improvements as at 30 June 2020. Therefore, the Company has not provided us with sufficient appropriate evidence to support that the carrying amount of the land and improvements asset class of \$32.7 million (included within property, plant and equipment) does not differ materially from its fair value. As the Company has not completed a fair value assessment or valuation of these assets, it is impracticable for us to determine whether any adjustment to the carrying value is necessary.

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 qualified opinion.

Emphasis of matter – Impact of COVID-19

Without further modifying our opinion, we draw attention to the disclosures about the impact of COVID-19 on the Company as set out in note 22 on pages 72 to 73 of the financial statements.

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 and performance information that are fairly presented and that comply with generally accepted accounting practice in New Zealand.

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 there is an intention to liquidate the or to cease operations, or there is 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 readers taken on the basis of these financial statements and the performance information.

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 the 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 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 in 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 27, and pages 38 to 41 but does not include the financial statements and 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: International Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

In addition to the audit, we have completed an assurance engagement in relation to the Company's disclosure financial statements pursuant to the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999.

Other than the audit and the assurance engagement, we have no relationship with, or interests in, the Company.



Chris Genet
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand

SERVICE PERFORMANCE REPORT 2019/20

The Company sets various performance goals in its annual Statement of Intent.

These are reported in the following strategic areas.

INFRASTRUCTURE AND PROPERTY

Timely investment in high quality and efficient infrastructure that supports airlines and key stakeholders.



PERFORMANCE MEASURE	TARGET	RESULT
Commission and officially open new terminal building	October 2019	Achieved. The new terminal building was officially opened on 19 October 2019.

ACHIEVED

Develop a new Air NZ cargo facility and waste management facilities	31 December 2020	Achievable. Original plans on hold due COVID-19. Alternative solutions under consideration with funds allocated to 2020/21 capital expenditure budget.
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NOT ACHIEVED COVID AFFECTED

Complete commercial development plan for property expansion	30 September 2019	Land Commercialisation Strategy Report presented to the Board in Feb 2020. The report will be used to inform property opportunities in the post COVID-19 world. Delivery date not achieved.
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NOT ACHIEVED

SERVICE PERFORMANCE REPORT 2019/20

PEOPLE

Putting people at the heart of our business



PERFORMANCE MEASURE	TARGET	RESULT
Lost time injuries	Nil	Not Achieved. Three lost time injuries recorded.

NOT ACHIEVED

Continuous improvement in staff engagement, support and well-being programmes.	Positive staff feedback, engagement and talent attracted to new roles.	Successful first year of the now established, <i>Get Active Be Well</i> staff programme, with 98% uptake. High staff involvement in new terminal opening events. One new role advertised during the period filled successfully. Based on feedback from staff, we are currently developing an improvement programme in this area.
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PARTIALLY ACHIEVED

FINANCIAL RESULTS

Manage financial performance to achieve forecasts and compliance.



PERFORMANCE MEASURE	TARGET	RESULT
EBITDA	\$8.4m	Not achieved. Actual EBITDA achieved of \$6.7m delivered. Prior to the COVID-19 lockdown period the business was on track to exceed the \$8.4m EBITDA target for the 2019/20 year.
NOT ACHIEVED COVID AFFECTED		
Total Revenues	\$13.7m	Not achieved. Actual Revenues achieved of \$11.4m. Prior to the COVID-19 lockdown period the business was on track to exceed the \$13.7m Total Revenues target for the 2019/20 year.
NOT ACHIEVED COVID AFFECTED		
Capital Expenditure (excluding terminal projects)	\$4.2m	Not achieved. Actual capital expenditure achieved \$1.5m. Significant deferral of capital works due COVID-19 pandemic.
NOT ACHIEVED COVID AFFECTED		
Dividends declared	\$800k	Achieved. \$850k dividend declared on 24 June 2020.
ACHIEVED		

CUSTOMERS

Keeping customers at the core and building relationships that enhance the experience and business performance.



PERFORMANCE MEASURE	TARGET	RESULT
Strategic vision and economic contribution to the region understood	Partnerships engaged and investing for the long term	Achieved. Live partnerships established across various sectors including tourism, airline and council.
ACHIEVED		
Passenger numbers	1.043m	Not achieved. Total passengers for the 2019/20 year were 782k. Prior to the COVID-19 lockdown period the business was on track to meet the 1.043m passengers target for the 2019/20 year despite Jetstar's sudden withdrawal from the regional market from December 2019.
NOT ACHIEVED COVID AFFECTED		
Economic assessment report completed and widely communicated	August 2019	Achieved. The Economic Impact Analysis Report was reviewed by the board in May 2019. Thereafter it has been widely communicated.
ACHIEVED		

SUSTAINABILITY

Having a policy that reflects our commitment to sustainable practices in everything we do.



PERFORMANCE MEASURE	TARGET	RESULT
Measure reduction in energy use and waste	April 2020	Achieved. Annual reporting on carbon footprint now established.
ACHIEVED		
Business Case completed for alternative energy sources	April 2020	Achieved. Business case for reinstatement of the solar photo-voltaic array presented to, and approved by the Board in December 2019.
ACHIEVED		

RISK AND COMPLIANCE

Risks managed and best practice guidelines followed.



PERFORMANCE MEASURE	TARGET	RESULT
Compliance with Civil Aviation Authority and the Airport Operator Certificate	No Audit findings	Not Achieved. One minor CAA Security Audit finding noted and immediately resolved.
NOT ACHIEVED		
Compliance with Audit standards	Unmodified audit opinion	Not achieved. A qualified audit opinion was issued as a fair value assessment has not been completed for land and improvements as at 30 June 2020 due to uncertainty caused by COVID-19.
NOT ACHIEVED		
Complete noise management strategy	September 2019	Achieved. Noise Management Strategy developed to improve monitoring and reporting to the local community and as input to the Nelson Resource Management Plan.
ACHIEVED		



ANNUAL REPORT FINANCIALS

For the Year Ended 30 June 2020

ANNUAL REPORT

For the Year Ended 30 June 2020

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 2020.

NATURE OF BUSINESS

Airport operating company.

PURPOSE

To provide world-class infrastructure and facilities connecting Te Taihū to the world and supporting regional development.

Directors holding office in the year:	2020 Remuneration	2019 Remuneration
Paul Steere (Chair)	\$39,615	\$37,269
Catherine Taylor (Deputy Chair, PCG Liaison)	\$26,788	\$25,212
Matthew Clarke	\$24,423	\$23,019
Matthew McDonald	\$24,423	\$23,019
Mark Greening	\$24,423	\$23,019

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) (Finished May 2020)
- Kaynemaile Ltd (Chairman) (Finished Sep 2019)
- Hammok IP Ltd (Director) (Finished Sep 2019)
- Nutcracker Ltd (Director) (Finished Sep 2019)
- Allan Scott Wines (Chairman)
- Omega Innovations Ltd (Director)
- Aquaculture Advisory Group South Pacific Community (Chair)
- NCC Committee for Strategy for the Aged (Chair)

Director Catherine Taylor – Deputy Chair

– Interests:

- Life Flight Trust (Trustee) (Finished Jul 2019)
- New Zealand Diabetes Foundation (Trustee) (Commenced Dec 2019)
- Diabetes New Zealand (Chair)
- International Visitor Conservation and Tourism Levy (IVL) – Investment Advisory Group (Chairperson)
- Energy Efficiency & Conservation Authority (Director/Deputy Chair)
- New Zealand Law Foundation (Trustee)
- John Nesfield Trust (Trustee)
- NZ Transport Agency (Director) (Commenced Sep 2019)

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)
- Port Nelson Ltd (Acting CEO, Commenced Jul 2019, Finished Sep 2019)
- Nelson Diocesan Trust Board (Trustee)

Director Mark Greening – 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	9	10
C Taylor	Deputy Chair	Full Year	9	10
M Clarke	Director	Full Year	10	10
M McDonald	Director	Full Year	10	10
M Greening	Director	Full Year	10	10

Active Committees

Committee	Composition	Meetings Held
Nelson Airport Noise Environment Advisory Committee	Representatives: Nelson Airport Ltd – 1 x Board member and 1 x management; Nelson City Council Compliance Officer – 1; Major commercial airlines – 1; Major aircraft maintenance providers – 1; Airways New Zealand – 1; General aviation – 1 x fixed wing and 1 x rotary wing; Community representatives – 3.	3

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 2020 was as follows:

Remuneration	Number of Employees
\$100,001 - \$110,000	1
\$120,001 - \$130,000	1
\$130,001 - \$140,000	1
\$210,001 - \$220,000	1
\$260,001 - \$270,000	1

Donations

Donations paid during the year were \$300 (2019: \$1,800).

For and on Behalf of the Board

Paul J Steere
Chair

Catherine Taylor
Deputy Chair

STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 30 June 2020

	Note	2020 \$000s	2019 \$000s
Revenue	2	11,884	11,844
Operating costs	3	3,592	3,351
Administration expenses	3	1,563	1,495
Depreciation and Amortisation	3	3,235	2,250
		8,390	7,096
Operating Profit		3,494	4,748
Interest Revenue		6	15
Finance Costs	3	(1,353)	(815)
Net Financing Income		(1,347)	(800)
Profit before Tax		2,147	3,948
Income tax expense	4	380	1,180
Profit after Tax		1,767	2,768
Other Comprehensive Income		-	-
Total Comprehensive Income		1,767	2,768

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

STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2020

	Note	2020 \$000s	2019 \$000s
Opening Retained Earnings		16,433	15,195
Total Profit for the Year		1,767	2,768
Balance of Disposed Asset Transferred from Asset Revaluation Reserve		141	-
Impact of change in Accounting Policy		(2)	-
Distributions to Equity Holders		(870)	(1,530)
Retained Earnings as at Year End		17,468	16,433
Opening Asset Revaluation Reserve		47,692	47,692
Balance on Disposed Asset Transferred to Retained Earnings		(141)	-
Movement in Deferred Tax on Disposed Asset Transferred to Retained		39	-
Asset Revaluation as at Year End		47,591	47,692
Share Capital	10	2,400	2,400
Closing Equity as at Year End		67,460	66,525

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

STATEMENT OF FINANCIAL POSITION

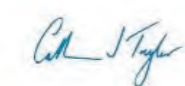
As at 30 June 2020

	Note	2020 \$000s	2019 \$000s
Assets			
Current Assets			
Trade and Other Receivables	7	402	1,042
Cash and Cash Equivalents	8	309	541
Total Current Assets		711	1,583
Non Current Assets			
Property, Plant and Equipment	5	108,051	103,029
Intangible Assets	6	157	88
Total Non Current Assets		108,207	103,116
Total Assets		108,918	104,699
Liabilities			
Current Liabilities			
Trade and Other Payables	12	1,662	3,089
Derivative Financial Liabilities	13	375	291
Current Income Tax Liability		563	207
Employee Entitlements		178	193
Interest Bearing Loans	14	16	-
Total Current Liabilities		2,794	3,780
Non Current Liabilities			
Deferred Tax	4	5,402	5,699
Derivative Financial Liabilities	13	1,243	845
Interest Bearing Loans	14	32,019	27,850
Total Non Current Liabilities		38,665	34,395
Total Liabilities		41,459	38,174
Net Assets			
Equity			
Issued Share Capital	10	2,400	2,400
Retained Earnings		17,468	16,433
Asset Revaluation Reserve		47,591	47,692
Total Equity		67,460	66,525

For and on behalf of the Board



Paul Steere, **Chair**
30 October 2020



Catherine Taylor, **Deputy Chair**
30 October 2020

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

STATEMENT OF CASH FLOWS

For the Year Ended 30 June 2020

	Note	2020 \$000s	2019 \$000s
Cash Flows from Operating Activities			
<i>Cash was provided from:</i>			
Receipts from airport users		11,961	11,426
Interest received		6	15
		11,967	11,441
<i>Cash was disbursed to:</i>			
Payments to suppliers and employees		(4,916)	(4,600)
Interest paid		(871)	0
Income tax paid		(281)	(1,498)
Net GST Movement		198	276
		(5,870)	(5,823)
Net Cash Flows from Operating Activities	15	6,097	5,618
Cash Flows from Investing Activities			
<i>Cash was provided from:</i>			
Sale of property, plant & equipment		2	0
		2	0
<i>Cash was disbursed to:</i>			
Purchase of property, plant & equipment		(9,571)	(20,570)
Purchase of Intangible Assets		(96)	(65)
		(9,667)	(20,635)
Net Cash Flow from Investing Activities		(9,665)	(20,635)
Cash Flows from Financing Activities			
<i>Cash was provided from:</i>			
Increase in term loans		7,350	15,775
		7,350	15,775
<i>Cash was disbursed to:</i>			
Dividends paid		(800)	(750)
Decrease in term loans		(3,214)	-
		(4,014)	(750)
Net Cash Flow from Financing Activities		3,336	15,025
Net increase/(decrease) in cash and cash equivalents		(232)	8
Opening cash and cash equivalents		541	532
Closing cash and cash equivalents		309	541

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 2020

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 Tasman District Council (50%) and Nelson City Council (50%). Neither of these entities has control over Nelson Airport Limited.

The financial statements for Nelson Airport Limited are for the year ended 30 June 2020. The financial statements were authorised for issue by Nelson Airport Limited on 30 October 2020.

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 thousand dollars. This may result in some rounding calculation differences in financial statements and notes. The functional currency of Nelson Airport Limited is New Zealand dollars (NZ\$).

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2020

Application of new and revised International Financial Reporting Standards (IFRSs)

Nelson Airport Limited has applied the following standards and amendments for the first time in its annual reporting period ending 30 June 2020.

IFRS 16 Leases

NZ IFRS 16 Leases removes the classification of leases as either operating leases or finance leases for the lessee (the entity leasing assets from the lessor). Under this standard, all leases for the lessee (excluding short term leases or leases for low value assets) are recognised in the Statement of Financial Position. Lessor accounting remains materially similar to current practice – lessors continue to classify assets as either finance leases or operating leases.

The impact of this standard has the effect of taking the current leases Nelson Airport Limited is committed to and recognising these as leased assets and liabilities at their estimated values at year end. The assets identified were vehicles and equipment which were previously recognised as an operating lease. Depreciation is recognised on the reduction in value of the leased asset over the lifetime of the lease, and payments previously recognised as a rental expense are now apportioned between an interest expense and principal payments on the lease liability.

Nelson Airport Limited has adopted NZ IFRS 16 using the modified retrospective approach – the comparatives for the year ending 30 June 2019 have not been restated, with the difference as at 1 July 2019 between the lease assets and liabilities recognised directly in retained earnings. Nelson Airport Limited has chosen to apply the practical expedients allowed under this reporting standard for the first year of adoption. The impact of adoption is as follows:

	30 June 2020 \$000s	1 July 2019 \$000s
Right-of-use asset (Equipment)	32	47
Lease Liabilities	(36)	(50)
Change in Net Assets	4	(2)

When compared to the accounting policies adopted in the prior comparative period, the adoption of NZ IFRS 16 on Nelson Airport Limited's Statement of Comprehensive Income for the year ended 30 June 2020 is as follows:

	30 June 2020 \$000s	1 July 2019 \$000s
Operating Expenses	(21)	-
Depreciation and Amortisation	16	-
Interest Expense	7	-

The lease liability was measured at the present value of the minimum lease payments, discounted at the interest rate implied in the lease payments after considering the estimated purchase price and residual value of the underlying asset. The interest rates vary from 10% - 19.97%.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2020

Changes in Accounting Policies

Apart from changes due from the adoption of NZ IFRS 16: Leases, 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:

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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2020

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. There is \$3.1m included in the landside infrastructure assets carrying value that was due for revaluation at 30 June 2020, being five years since its last revaluation. The planned revaluation did not take place at 2020 year end due to COVID-19 impact on the revaluation environment. Please see note 5 for details. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2020

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

			Straight line	Diminishing value
Buildings		Terminal	0.0% - 17.5%	
Buildings		Hangars and other buildings	1.6% - 33.3%	8.0% - 33.3%
Airfield Infrastructure		Runways, taxiways and aprons	0.0% - 50.0%	3.0% - 30.0%
Landside Infrastructure		Pavements, utilities and other infrastructure	0.0% - 40.0%	0.0% - 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%

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2020

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% Diminishing value
	10.0% - 12.50% Straight line

Branding	50.0% - 50.0% Diminishing Value
----------	---------------------------------

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

For the Year Ended 30 June 2020

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.

Nelson Airport Limited's general terms of trade are that invoices are to be paid the 20th of the month following invoice. These terms apply to aeronautical charges and are set out in the Aeronautical Conditions of Use which is available via the company's website. The major exceptions to this general rule are;

1. Lease payments for commercial properties which are paid in accordance with the agreed contracted lease terms - normally either monthly, quarterly or six-monthly in advance
2. Revenue from the use of the public carpark areas which is paid on exiting the carpark.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2020

j) Derivative Financial Instruments and hedging activities

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. Nelson Airport Limited has chosen to treat all interest rate derivatives as unhedged. 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 Comprehensive Income. 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 rate forecasts.

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.

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

Revenue is recognised as the amount of consideration expected to be received in exchange for providing services, or transferring promised goods to a customer. There is no change to the timing of revenue recognition arising from the adoption of NZ IFRS 15. NZ IFRS 15 does not apply to revenues other than those from contracts with customers.

Aeronautical charges

Aeronautical charges are recognised as revenue in the period in which the airport facilities are used.

Property revenues

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. Any payments received for periods after balance date are accrued as lease income in advance.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2020

Ground Transport Revenues

Ground transport revenues includes:

- Car parking fees, which are principally recognised as revenue on a cash received basis. The exception to this are fixed parking lease/licence payments, with income for periods after balance date accrued as lease income in advance.
- Revenue from partner rental car companies is recognised as revenue on an accrual basis in accordance with agreements and NZ IFRS 15.

Advertising Revenue

Advertising revenue is recognised on a straight line basis over the term of the lease where the airport is the lessor.

Interest Revenue

Interest income is recognised using the effective interest method.

Government Grants

Government grant revenue is recognised within the Statement of Financial Performance as income, within Other Revenue. The revenue is recognised when all conditions attached with the grant have been fulfilled.

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.

Short Terms Leases and Lease of Low Value Assets

The lease of any short term leases, or assets of a low value are recognised as an expense on a straight line basis over the term of the lease.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2020

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2020

2. OPERATING REVENUE

	2020 \$000s	2019 \$000s
Contract Revenue		
Aeronautical Charges	5,899	6,496
Ground Transport Revenues	2,039	2,107
Advertising Revenue	200	195
Property Revenues	1	-
Sundry Income	1	1
Total Contract Revenue	8,139	8,798
Other Revenue		
Aeronautical Charges	83	105
Ground Transport Revenues	897	1,097
Retail Revenue	356	374
Property Revenues	1,917	1,469
Value of Donated Assets Received	363	-
Wage Subsidy	128	-
Total Other Revenue	3,744	3,046
Total Revenue	11,884	11,844

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2020

3. EXPENSES

a) Operating Costs

	2020 \$000s	2019 \$000s
Employee Entitlements	1,562	1,498
Other Operating Expenses	1,680	1,712
Loss on Disposal of Assets	350	140
	3,592	3,351

b) Administration Costs

	2020 \$000s	2019 \$000s
Auditors Remuneration	40	34
Auditors Remuneration - Disclosure Accounts	16	15
Directors' Fees	140	132
Insurance & Rates	841	690
Other Administration Expenses	526	624
	1,563	1,495

c) Depreciation and Amortisation

	2020 \$000s	2019 \$000s
Depreciation	3,192	2,234
Depreciation - [Right of Use Assets]	16	-
Amortisation of Intangible Assets	27	16
	3,235	2,250

d) Finance Costs

	2020 \$000s	2019 \$000s
Interest Expense	864	-
Interest Expense - Lease Liabilities	7	-
Movement in Unhedged Derivative Financial Liability	482	815
	1,353	815

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2020

4. INCOME TAX

Components of Income Tax Expense

	2020 \$000s	2019 \$000s
Current Tax Expense	299	1,268
Prior Years Tax Under/ (Over) Provided	(91)	4
Deferred Tax Expense	171	(93)
	<u>380</u>	<u>1,180</u>

Relationship between Tax Expense and Accounting Profit

	2020 \$000s	2019 \$000s
Operating Profit Before Taxation	2,147	3,948
Prima Facie Tax @ 28%	601	1,105
Adjustment for Timing & Taxation Differences	122	157
Adjustment for Permanent Differences	5	6
Prior Years Tax Under (Over) Provided	(91)	4
Adjustments for Deferred Tax	(145)	(225)
Adjustments for Deferred Tax - Property, Plant & Equipment	(113)	132
Income Tax Expense	<u>380</u>	<u>1,180</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2020

Deferred Tax

	2020 \$000s	2019 \$000s
Property, Plant and Equipment		
Opening Balance	(6,045)	(5,913)
Charged to Profit & Loss	(317)	(132)
Impact from Reinstatement of Depreciation on Buildings (Charged to Profit & Loss)	429	-
Charged to Asset Revaluation Reserve	39	-
Closing Balance	<u>(5,893)</u>	<u>(6,045)</u>
Employee Entitlements		
Opening Balance	26	26
Charged to Profit & Loss	5	0
Closing Balance	<u>31</u>	<u>26</u>
Derivative Financial Liability		
Opening Balance	318	90
Charged to Other Comprehensive Income	135	228
Closing Balance	<u>453</u>	<u>318</u>
Other Provisions		
Opening Balance	2	5
Charged to Profit & Loss	5	(3)
Closing Balance	<u>7</u>	<u>2</u>
Total	<u>(5,402)</u>	<u>(5,699)</u>

From 1 July 2020 onwards, a change in legislation means that depreciation will be reintroduced on commercial buildings. The impact of this change increases the tax base of Nelson Airport Limited, giving rise to a reduced difference between the carrying cost and tax base. This leads to a reduction in deferred tax, which is recognised as a reduction in Income Tax Expense in the Statement of Comprehensive Income. The value of this reduction in deferred tax due to this change has been calculated to be \$429,000.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2020

5. PROPERTY, PLANT & EQUIPMENT

2020	Land & Improvements \$000s	Buildings \$000s	Airfield Infrastructure \$000s	Landside Infrastructure \$000s	Equipment \$000s	Fixtures & Fittings \$000s	Capital Work in Progress \$000s	Total \$000s
Cost or Valuation								
Balance as at 1 July 2019	32,652	30,528	19,571	12,359	364	239	11,002	106,714
Recognition of finance Leases - Modified	-	-	-	-	61	-	-	61
Reclassification	-	15,925	9	1,706	48	29	(17,810)	(93)
Additions	-	860	12	62	56	23	7,615	8,628
Disposals	-	(9)	(0)	(573)	(11)	(23)	-	(616)
Balance at 30 June 2020	32,652	47,304	19,592	13,554	518	268	807	114,695
Accumulated Depreciation and Impairment Losses								
Balance as at 1 July 2019	-	934	865	1,578	229	79	-	3,685
Recognition of finance Leases - Modified	-	-	-	-	14	-	-	14
Depreciation	-	1,640	958	519	65	26	-	3,208
Disposals	-	(2)	(0)	(235)	(7)	(19)	-	(263)
Balance at 30 June 2019	-	2,573	1,823	1,862	301	86	-	6,644
Net Book Value at 30 June 2020	32,652	44,731	17,770	11,692	217	182	807	108,051

2019	Land & Improvements \$000s	Buildings \$000s	Airfield Infrastructure \$000s	Landside Infrastructure \$000s	Equipment \$000s	Fixtures & Fittings \$000s	Capital Work in Progress \$000s	Total \$000s
Cost or Valuation								
Balance as at 1 July 2018	32,652	8,472	16,190	13,072	520	253	16,638	87,796
Reclassification	-	22,095	3,380	(683)	-	134	(24,969)	(43)
Additions	-	-	1	5	53	2	19,332	19,394
Disposals	-	(38)	-	(35)	(209)	(151)	-	(433)
Balance at 30 June 2019	32,652	30,528	19,571	12,359	364	239	11,002	106,714
Accumulated Depreciation and Impairment Losses								
Balance as at 1 July 2018	-	27	-	1,201	337	181	-	1,745
Depreciation	-	908	865	405	34	22	-	2,234
Disposals	-	-	-	(27)	(142)	(124)	-	(293)
Balance at 30 June 2019	-	934	865	1,578	229	79	-	3,685
Net Book Value at 30 June 2019	32,652	29,593	18,706	10,781	135	160	11,002	103,029

The net carrying amount of property, plant & equipment includes the following amounts held under finance lease: Equipment \$31,941 (2019: nil due to assets being first recognised 1 July 2019).

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2020

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).

A fair value assessment as at 30 June 2020 has not been completed for the land and improvements asset class. Nelson Airport Limited consulted with professional advisors, who recommended the company roll over its asset values for another year at current book values and to undertake a revaluation in 2021. This is because the COVID-19 pandemic has created a high degree of uncertainty in the property market, in terms of building costs, rentals, property yields and general market conditions.

All buildings (with the exception of 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). Additions to landside infrastructure since 2015, including the relevant components of the terminal redevelopment, have been included at cost.

An updated independent valuation was scheduled for year-end 2020. Once the COVID-19 lockdown occurred in the final quarter of 2019/20 the Board considered that Nelson Airport Limited was unable to obtain a reliable valuation as at 30 June 2020. The Board's decision not to obtain a revaluation for landside infrastructure at 30 June 2020 was supported by management and left a \$3.1m portion of the carrying value of landside infrastructure outside of the five-year revaluation cycle and therefore outside Nelson Airport Limited's policy on revaluations. After consultation with professional advisors, Nelson Airport Limited was able to conclude that the fair value of landside infrastructure was not materially different from its carrying value.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2020

The following table summarises the valuation approach 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2020

6. INTANGIBLE ASSETS

2020	Original Cost \$000s	Accum Amortisation \$000s	Opening WDV \$000s	Additions \$000s	Reclassifications \$000s	Disposals \$000s	Amortisation \$000s	Closing WDV \$000s
Software	54	31	23	4	-	0	9	17
Other Intangibles	85	20	64	-	93	-	18	139
Total	139	51	88	4	93	0	27	157

2019	Original Cost \$000s	Accum Amortisation \$000s	Opening WDV \$000s	Additions \$000s	Reclassifications \$000s	Disposals \$000s	Amortisation \$000s	Closing WDV \$000s
Software	33	23	9	22	-	0	8	23
Other Intangibles	41	12	29	-	43	-	8	64
Total	74	35	39	22	43	0	16	88

7. TRADE AND OTHER RECEIVABLES

	2020 \$000s	2019 \$000s	2018 \$000s
Trade Receivables - Contract Revenue	284	594	493
Trade Receivables - Other Revenue	103	136	78
Less: Provision for Impairment	(5)	-	(18)
Accrued Debtors	1	10	18
Prepayments	20	19	31
GST	-	284	560
	402	1,042	1,161

8. CASH AND CASH EQUIVALENTS

	2019 \$000s	2018 \$000s
Cash on Hand	9	12
Bank Balance	300	529
	309	541

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2020

9. FINANCIAL INSTRUMENTS

Financial Assets

	Amortised cost	
	2020 \$000s	2019 \$000s
Cash and Cash Equivalents	309	541
Trade and Other Receivables	387	729
	696	1,270

Financial Liabilities

	Fair value through profit or loss		Amortised cost	
	2020 \$000s	2019 \$000s	2020 \$000s	2019 \$000s
Trade and other Payables	-	-	577	2,125
Derivatives	1,618	1,137	-	-
Finance Lease Liability	36	-	-	-
Loans and Borrowings	-	-	32,000	27,850
	1,654	1,137	32,577	29,975

10. SHARE CAPITAL

Ordinary Shares

All 2,400,000 authorised shares (2019: 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 24 June 2020 a dividend of \$850,000 was declared and accrued at year end, with payment made following balance date on 10 July 2020.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2020

11. CONTINGENT LIABILITIES

There are no material contingent liabilities to record as at the date of this Annual Report.

12. TRADE AND OTHER PAYABLES

	2020 \$000s	2019 \$000s
Trade Payables	550	2,094
Trade Payables (Related Parties)	27	30
Dividends Payable	850	780
Accruals	139	144
GST Liability	52	-
Lease Income in Advance	44	40
	1,662	3,089

13. DERIVATIVE FINANCIAL INSTRUMENTS

	2020 \$000s	2019 \$000s
Derivative Financial Liabilities		
Interest Rate Swaps		
Current Portion	375	291
Non-Current Portion	1,243	845
	1,618	1,137

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 2020 (including swaps in place for future borrowings on a floating interest rate) totalled \$19,000,000 (2019: \$19,000,000). Their fair value was a liability of \$1,618,042 (2019: \$1,136,542).

Nelson Airport Limited has elected to recognise any movement in the interest rate swaps as a movement in profit or loss within finance costs.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2020

14. INTEREST BEARING LOANS

	2020 \$000s	2019 \$000s
Repayable as follows:		
Less Than 1 Year	-	-
Between 1 and 5 Years	32,000	12,075
	32,000	12,075
Finance Lease Liabilities:		
Less Than 1 Year	16	-
Between 1 and 5 Years	19	-
	36	-

Nelson Airport Limited has arranged for a line of credit with Westpac to finance the business during, and post, 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 total interest capitalised as part of the cost of property, plant and equipment was \$397,496 (June 2019: \$852,899).

The total cash outflow paid towards finance leases during the year was \$20,584.

The interest rates applying at balance date were 1.75- 1.95% (June 2019: 3.02% - 3.20%).

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

	2020 \$000s	2019 \$000s
Net Profit for the Year	1,767	2,768
Add/(less) non cash and non operating items:		
(Gain)/Loss on Disposal of assets	350	140
Depreciation and Amortisation	3,235	2,250
Value of Donated Assets Recieved	(363)	-
Movement in deferred taxation	(297)	(93)
Movement in derivative financial instrument	482	815
Tax on asset revaluation	39	-
Movement in working capital:		
(Increase)/Decrease in receivables	356	(441)
Increase/(Decrease) in current tax payable	356	(225)
Increase/(Decrease) in payables	171	404
Net cash flows from operating activities	6,097	5,618

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2020

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 \$629,311 (2019: \$482,004), while receiving income of \$nil (2019: \$403). The balance included as owing in trade payables as at 30 June 2020 was \$21,717 (2019: \$15,642).

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 \$78,561 (2019: \$81,798), while receiving income of \$nil (2019: \$40). The balance included as owing in trade payables as at 30 June 2020 was \$5,717 (2019: \$5,867).

Nelson Regional Development Agency Limited is wholly owned by Nelson City Council. Nelson Airport Limited paid costs of \$26,391 to the Agency (2019: \$34,672). The balance included as owing in trade payables as at 30 June 2020 was \$nil (2019: \$8,625).

Transactions with entities related to key management personnel

Nelson Airport Limited received income of \$173 (2019: \$460) from the Life Flight Trust, of which Catherine Taylor was a Trustee during the year.

Nelson Airport Limited paid \$621 (2019: \$621) to Allan Scott Wines & Estates Ltd, of which Paul Steere was Chairman during the year.

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

	2020	2019
Key management personnel compensation	\$405,117	\$397,918

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.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2020

17. CAPITAL COMMITMENTS

Nelson Airport Limited has the following contractual capital commitments for property, plant and equipment as at 30 June 2020 (2019: \$7,131,978);

Terminal Development \$nil

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

18. OPERATING LEASES

Nelson Airport Limited owns and leases out a number of commercial properties on land around the airport precinct. This includes ground leases for buildings owned by tenants, buildings and terminal space in buildings it owns, and some minor agreements for small spaces such as carparks.

In order to manage the risk to the underlying assets used by these tenants, Nelson Airport Limited employs a dedicated commercial manager to monitor its assets, performs inspections of leased properties, and where appropriate includes in lease agreements return to original state clauses.

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 2020 lease revenue received in association with the non-cancellable operating lease arrangements amounted to \$2,436,939 (2019: \$1,992,593).

Future non-cancellable lease revenue from existing leases:

	2020 \$000s	2019 \$000s
Leases revenue within 12 months	1,730,920	2,361,943
Leases revenue between 1-5 years	5,696,503	5,127,291
Leases revenue thereafter	1,958,788	3,331,315
Total	9,386,211	10,820,549

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2020

19. EVENTS AFTER BALANCE DATE

There have been no significant events after balance date that materially impact Nelson Airport Limited's financial position or viability as a going concern.

20. SHAREHOLDERS' STATEMENT OF INTENT

Nelson Airport Limited was required to deliver a completed Statement of Intent to its shareholders by 30 June 2020 under Part 3(b) of Schedule 8 of the Local Government Act 2002. The 2020/21 Statement of Intent was completed and forwarded to Nelson Airport Limited's shareholders on 1 July 2020.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2020

21. VARIANCE - 2019/20 ACTUALS TO 2019/20 STATEMENT OF INTENT FINANCIAL FORECASTS

Statement of Comprehensive Income

	SOI Forecast (\$m)	2019/20 Actuals (\$m)	Variance (\$m)	Variance (%)	Note
Total Revenues	13.8	11.9	-1.9	-14	1
Total Operating Expenses	5.3	5.2	-0.1	-2	
EBITDA before extraordinary	8.5	6.7	-1.8	-21	2
Depreciation & Amortisation	3.4	3.2	-0.2	-6	
Finance Expense / (Income)	0.8	1.3	0.5	63	3
Profit before Income Tax & Extraordinaries	4.3	2.2	-2.1	-49	
Income Tax	1.3	0.4	-0.9	-69	4
Net Profit after Tax	3.0	1.8	-1.2	-40	4

Notes

1. Significant drop across all revenue items due to COVID-19, plus exit of Jetstar partway through the year.
2. EBITDA has significantly dropped due to COVID-19, largely due to the decrease in revenue items especially aeronautical charges.
3. Unfavourable variance due to the movement in Unhedged Derivative Financial Liability not forecast.
4. Reintroduction of depreciation on buildings has led to unbudgeted recognition of negative tax adjustment in Comprehensive Income.. Also profit is lower due to effects of COVID-19.

Statement of Financial Position

	SOI Forecast (\$m)	2019/20 Actuals (\$m)	Variance (\$m)	Variance (%)	Note
Current Assets	1.7	0.7	-1.0	-59	5
Property, Plant & Equipment	111.5	108.1	-3.4	-3	
Intangible Assets	0.2	0.2	-0.1	-27	
Total Assets	113.5	108.9	-4.5	-4	
Current Liabilities	2.8	2.8	0.0	1	6
Total Loan Finance	35.7	32.0	-3.7	-10	7
Total Other Non-current Liabilities	6.1	6.6	0.5	8	8
Total Liabilities	44.6	41.5	-3.1	-7	9
Total Net Assets	68.9	67.5	-1.4	-2	
Total Equity	68.9	67.5	-1.4	-2	

Notes

5. Accounts receivable was lower due to less aeronautical charges (COVID-19), as well as the bank balance constantly fluctuating.
6. Fluctuating and unexpected items due to COVID-19 e.g. COVID-19 wage subsidy and the tax cash back scheme.
7. Capex expenditure profile delayed v forecast due to COVID-19.
8. Lower deferred tax due to change in depreciation rules - offset by increase in value of derivative liability.
9. [As per above variance].

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2020

21. VARIANCE - 2019/20 ACTUALS TO 2019/20 STATEMENT OF INTENT FINANCIAL FORECASTS

Cashflows

	SOI Forecast (\$m)	2019/20 Actuals Including GST (\$m)	2019/20 Actuals (\$m)	Variance (\$m)	Variance (%)	Note
Cash Opening Balance	0.6	0.5	0.5	0.0	-5	
Cash In						
Cash from Operations	15.8	12.0	13.7	-2.1	-13	11
Cash drawn from Loan Facility	7.7	7.4	7.4	-0.3	-4	12
Total Cash Inflows	23.5	19.3	21.1	-2.4	-10.1	
Cash Out						
Operational Expenses	5.8	5.8	6.2	0.4	6	
Income Tax Paid	1.3	0.3	0.3	-1.0	-78	13
Dividends	0.8	0.8	0.8	0.0	0	
Capital Expenditure	15.4	9.7	11.1	-4.3	-28	12
GST Paid (Received)	-0.8	-0.2	-0.3	0.5	-61	14
Loan Repayments	1.0	3.2	3.2	2.2	220	12
Total Cash Outflows	23.6	19.6	21.3	-2.3	-10	
Cash Closing Balance	0.4	0.3	0.3	-0.1	-23	

Notes

10. The Statement of Intent Forecast is made on a GST inclusive basis whereas the 2019/20 Actuals are displayed on a GST exclusive basis. To provide for meaningful comparison for the variance analysis the 2019/20 figures have been grossed-up to include the GST element (the third column in the table above).
11. Unfavourable variance due to the impact Covid-19 has had on the core fundamental drivers of the organisation.
12. Favourable variance due to all capital expenditure projects being put on hold at year end due to Covid-19.
13. Favourable variance due to the decrease in tax paid - Covid-19.
14. [As per above variances].

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2020

22. COVID-19 DISCLOSURE

On March 11, 2020 the World Health Organisation declared the outbreak of a coronavirus (COVID-19) pandemic and two weeks later the New Zealand Government declared a State of National Emergency. New Zealand went into lockdown at Alert level-4 and subsequently to Alert Level-3. Resulting economic uncertainties are negatively affecting the operations and services of Nelson Airport Ltd (NAL) and its financial performance. The effects of the COVID-19 crisis are anticipated to impact the business for some time.

Having experienced passenger throughput of one million passengers in a twelve-month period NAL is now forecasting passengers in the range of 400k – 500k for the 2020/21 year, with steady growth during that period as a forecast slow but steady recovery occurs.

The diversified revenue mix for NAL means that not all income streams are equally affected by the COVID-19 situation. Aeronautical charges are largely proportional to total passenger throughput numbers and consequently have been severely hit by the lockdown and are forecast to recover no faster than travel demand. NAL is due to reset aeronautical charges for a five-year period through a consultative process at the conclusion of 2021/22. Limited exposure to the international traveller market will mean that NAL's recovery will be closely tied to recovery of the domestic market rather than the international market.

The commercial revenue streams of ground transport, retail and advertising are also closely associated to passenger numbers and, accordingly, show significant reductions with forecast recovery tied to travel demand recovery.

Property revenues consist of both commercial (non-aeronautical) and aeronautical related income streams with some areas appearing unaffected and some leases impacted, to varying degrees, by low passenger throughput and/or lessees' ability to pay. NAL is working closely with lessee partners to ensure an optimal outcome across NAL's property portfolio.

A good understanding of NAL's cost base has supported a number of initiatives and actions to manage NAL's operational and capital expenditure levels in immediate response to the crisis. Some significant cost items such as Rescue Fire Service costs are difficult to scale down with activity as a safety imperative requires that sufficient resources are maintained to provide effective cover for an operating airport and capacity must be maintained in order to support recovery once it does come. NAL staff voluntarily reduced their work hours for the remainder of the 2019/20 year post-crisis in order to deliver immediate savings and various options for the organisation are being considered to continue to respond appropriately to the recovery as it develops. Likewise, Directors voluntarily reduced their Directors fees for the same period as part of the immediate response. As a working airport the high value airfield infrastructure including runways, taxiways and aprons and aircraft gates require regular maintenance to ensure their useful lives and safe serviceability are protected. Insurance costs are also difficult to scale with activity levels although some savings are being secured to provide some additional mitigation.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2020

The recently completed new terminal complex and landside infrastructure is now fully commissioned, if not fully utilised, and accordingly contributes significantly to NAL's depreciation charges. The total assets were subjected to an impairment test as at year-end. The impairment assessment concluded that no impairment write down is required.

NAL continues to utilise the Multi-Option Credit Line provided by Westpac and enjoys some \$7.2m headroom in the facility as at the beginning of September 2020. Westpac has agreed to waive the single covenant of leverage ratio until post a COVID-19 environment enables recovery. NAL forecasts the existing facility as being adequate to provide NAL's working capital needs through the COVID-19 crisis.

In response to the immediate drop in demand and revenues NAL took a number of actions to ensure its continuation as a going concern. Some of these actions included:

- Working closely with all stakeholders to ensure a collaborative approach to support positive business outcomes despite the uncertainties and effects of COVID-19.
- Taking advantage of the Government assistance package where possible. This included applying for the COVID-19 wage subsidy, as the revenue earned by Nelson Airport Limited was sufficiently impacted to be entitled to claim this subsidy. \$130,733 was received in the first subsidy round which began in March 2020. An additional \$74,982 was received in the Wage Subsidy Extension in June 2020. Of these amounts, \$127,653 has been recognised as revenue in the 30 June 2020 period, with the balance of \$78,062 recognised as accrued revenue, which will be recognised as revenue in the 30 June 2021 year (as this portion of the Wage Subsidies covered a pay period subsequent to balance date). No repayments of these payments to the Ministry of Social Development are expected to be required.
- Curtailing expenditure on capital projects underway and forecast, pending re-prioritisation
- Significantly reducing ongoing operational expenditure.
- Building financial models to bracket the range of likely scenarios as New Zealand moves through the COVID-19 recovery phase. Ensuring that NAL has alternative strategy options so it remains a viable entity for all scenarios.
- Sharing this work with the bank and confirming its continued support for NAL.
- Weekly Board updates to ensure prudent governance over the rapidly changing business landscape.

COMPANY DIRECTORY

Directors

Paul Steere — Chair

Catherine Taylor — Deputy Chair

Matthew Clarke

Matthew McDonald

Mark Greening

Registered Office

Nelson Airport Management Offices

Trent Drive, Nelson 7011

Telephone 03-547-3199

Email office@nelsonairport.co.nz

Chief Executive

Robert Evans (Replaced 27 August 2020)

Andy Wotton - Interim Chief Executive

Senior Leadership Team

Sally Russ — Airline Partnerships
and Landside Operations

Stephen Batt — Commercial Manager

Simon Orr — Corporate Services Manager

Auditor

Audit New Zealand on behalf of the Auditor-General

Accountant

Johnston Associates Chartered Accountants

Banker

Westpac Banking Corporation

Lawyer

Ford Sumner Lawyers