



ANNUAL REPORT  
FY2022



# VISION, PURPOSE AND MISSION

**Our Vision:** To be a world-class airport where zero-emissions aircraft operate

**Our Purpose:** To contribute to a sustainable and prosperous Nelson-Tasman

**Our Mission:** Nelson Airport provides sustainable airport infrastructure that connects Nelson-Tasman to the world

Nelson Airport facilitates business opportunities by optimising the use of land and developing commercial facilities

Nelson Airport supports excellent experiences that add to visitor satisfaction







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# DIRECTORS' REPORT

For the Year Ended 30 June 2022

## OVERVIEW

In our report last year, we recorded an expectation of a strong year ahead. Our airline partners were looking to strengthen Nelson's connectivity through increased passenger capacity from Air New Zealand and a new destination service by Originair, along with an increase in Originair and Sounds Air schedules. We had a busy plan of infrastructure projects determined and inquiries for new and additional facilities.

In August 2021, we entered a nationwide lockdown due to community transmission of the Delta variant. Restrictions were particularly onerous for the Auckland region, and the wider effects were felt not just through travel restrictions but also building delays and materials shortages. It wasn't until early December that lockdowns were completely lifted, with the introduction of the Covid-19 Protection Framework in place of the previous Alert Level system. Omicron outbreaks in the region in early 2022 likely deterred visitors. While not able to make up for lockdown lost travel, we have seen a strong rebound from mid-summer through to June year end.

We welcomed Mark Thompson as our Chief Executive Officer last August. His proven experience enabled sound stewardship of the company during the adverse lockdown periods, with new cost savings achieved, additional staff rationalisation plus new specialist staff appointments. Mark has also enunciated a clear vision of growth and best practice targets across all our controllable activities.

We are pleased to finish the year with satisfying financial results plus a 10% lift in dividend.

Our Health, Safety and Wellness strategies continue to gain value. This year a focus has been on the take up of our online Safety Management System (BA365) as used internationally in the aviation industry to record incidents and responses, transparent to all users. We have been pleased to see demonstrated involvement of key tenants.

The Rosenbauer Panther fire truck has passed its build warrant and is on its way from Austria for late September commissioning.

Our property portfolio is growing, despite the early exit of Regional Heavy Maintenance. Our new rental car kiosk should be completed in the first half of this financial year. While disruptive to the parking area as a result of safety requirements during construction, the kiosk will provide a better, more efficient amenity for users and staff.

Substantial time and effort was required during the year (and earlier) considering and supporting the shareholder proposition to effect a holding company for major subsidiaries, limited to a Treasury function allowing future borrowing at preferential rates through the Local Government Funding Agency. Despite that process being followed, we maintained business as usual and, given the final shareholders determination not to proceed, we now move on.



## OUR BOARD

From left to right:

Quinton Hall

Matthew Clarke

Paul Steere (chair)

Catherine Taylor (deputy chair)

Matthew McDonald

Darren Mark (inset)



## Highlights of the last 12 months include:



### Covid Impacts

Delta and Omicron reduced domestic travel and borders were closed to international travellers. However, Nelson Airport operated 365 days of the year with no closures.



### Health, Safety and Risk

We introduced a new Safety Management reporting system, including a phone app allowing direct reporting into the NAL Safety Management System (SMS).



### Firefighting Safety

The purchase of a new Rosenbauer Panther firefighting truck will bring enhanced capability to the Airport Rescue Fire Service. The truck is in transit and due to arrive in November 2022.



### People, Culture and Values

An Employee Engagement Survey was undertaken in 2022, demonstrating a “Good” overall employee engagement rating.



### Finance

A comprehensive expenditure review in response to the significant Covid-related revenue drop reduced the impact on EBITDA and cash performance, supporting an increased dividend, up 10% on the previous year.



### Customers and Stakeholders

A customer satisfaction survey carried out in March and April 2022 showed high overall satisfaction levels, with a net promoter score of 48.



### Infrastructure and Property

Construction began on a new rental car kiosk in front of the terminal.



## PEOPLE, CULTURE AND VALUES

An employee engagement survey was carried out in March 2022 and achieved a participation rate of 95%. The survey results indicated an employee net promoter score (a simple way of measuring how employees feel about an organisation) of 25, giving Nelson Airport Ltd an overall employee engagement rating of “Good”. This result will be used as a benchmark for future surveys, and the goal for the 2022-2023 financial year is to improve this rating to achieve a “Great” result. The survey is being followed up through ongoing engagement with employees as we work towards our strategic objective of being an employer of choice in the region. An action plan has been developed with input from Nelson Airport staff to build on the strengths identified in the survey and address any weaknesses. Monthly all-staff meetings bring employees from different teams together to participate in conversations about the direction and future of the work we do, share information, and make connections.

### Values

Our Values are integral to the way we work at Nelson Airport – they are central to every interaction we have and guide “how” we do things around here. In the past year the values have been developed in collaboration with Nelson Airport employees and we have begun examining our processes, systems, and programmes to ensure these are embedded in everything we do. This work will continue in the next financial year through further development of our Employee Recognition and Performance frameworks to ensure our Values are central to these.

#### OUR VALUES ARE:

- Integrity
- Teamwork
- Continuous Improvement
- Openness
- Safety
- Accountability

### The Team

In 2022 we have welcomed new additions to the Nelson Airport Ltd Board and Senior Leadership Team. Chartered Accountant Darren Mark joined the Board of Directors in July, bringing strong strategic, financial and risk management skills. Jonathan Truslove has taken on the role of Facilities and Assets Manager in the Senior Leadership Team, bringing enhanced expertise and oversight to the management of our property portfolio. The recruitment of a Customer Services Manager, Teki Faletau, and Communications Manager, Beth Catley, have also added to the expertise and experience in the team.

## HEALTH, SAFETY AND RISK

The safety of our customers, employees, tenants, contractors, and other visitors remains our highest priority. We’re pleased to report that there were no employee Lost Time Injuries in the reporting year.

### Safety Management System (SMS)

The implementation of a new safety reporting system across the business, including a phone app, now allows major operational stakeholders to log safety reports and concerns directly into the Nelson Airport SMS. Nelson Airport facilitates monthly Safety and Security Forum meetings with other operators in the airport precinct to discuss shared concerns and promote a culture of safety and security across the airport’s operations. In addition, we have joined the newly created NZ Airports Safety Managers Group.

### Compliance

Regular independent audits of our operations and infrastructure continue to confirm we routinely exceed minimum compliance requirements. Key risks are discussed at every Senior Leadership Team meeting (held fortnightly) and Board meeting (monthly) to ensure ongoing review and management of these risks. The Board tours airport facilities on a quarterly cycle to ensure a high level of understanding of the on-the-ground risks managed by the airport. An upgrade of the airport perimeter security fence is 90% complete. This upgrade brings our security fencing up to international airport standard, exceeding the New Zealand Civil Aviation compliance requirement for regional airport security fencing.



### Wildlife Management

Nelson Airport continues to proactively manage the bird population where it poses a threat to aviation. Over the past year we have purchased a new laser gun to quickly disperse birds away from flight paths and trialled new control methods to reduce food sources for birds in the vicinity of the airport precinct. Bird strikes are reported by each aerodrome based on the number of strikes per 10,000 aircraft movements. The Civil Aviation Authority currently rates Nelson Airport as medium risk, with between 5-10 bird strikes per 10,000 aircraft movements. We are a member of the NZ Aviation Hazard Wildlife group and liaise regularly with relevant local authorities and agencies to reduce off-airport wildlife risk.

### The Nelson Airport Noise Environment Advisory Committee

The committee brings together representatives from the airport, aviation operators and the community for regular meetings to discuss the management of airport noise out into neighbouring residential areas. To support continuous improvement in this area, Nelson Airport has committed to purchase and install a live noise monitor in September 2022. This will provide the basis for greater accuracy and transparency in noise monitoring and reporting in future.





# INFRASTRUCTURE AND PROPERTY



The completion of our 2050 Master Plan this year has set the framework for future airport land use and activity. The Master Plan is an important document for Nelson Airport, outlining our plans for protecting both existing and future core aeronautical activities, informing Nelson City Council's land use planning, and providing information to our neighbours and the wider Nelson-Tasman community about how Nelson Airport may look and operate in future.

## Runway Extension

The ability to safely and sustainably operate, maintain, upgrade and extend facilities and infrastructure is vital for Nelson Airport's role in supporting the region's growth, connectivity, resilience and prosperity. The 2050 Master Plan confirms the long-identified need to extend the runway in order to provide for both current and future aircraft, including next-generation zero emissions aircraft. In April 2022 we began a community conversation about the plans, writing to more than 1000 neighbours and hosting an information drop-in session. While the extension is likely still 10 – 15 years away, we need to begin planning now in order to provide certainty for the future. The runway extension proposal will be protected through an application to the Nelson City Council to amend the planning provisions for the airport. The changes, which include the creation of an airport zone, are intended to protect future airport operations while managing its effects, including controls on airport noise. New noise contours are proposed to more accurately reflect the expected future level of noise generated by the airport out to 2050, as well as provide for a different pattern of noise from aircraft using an extended runway. We are proposing a best-practice mitigation package to reduce the impact of noise on neighbouring properties.



## Airport Property

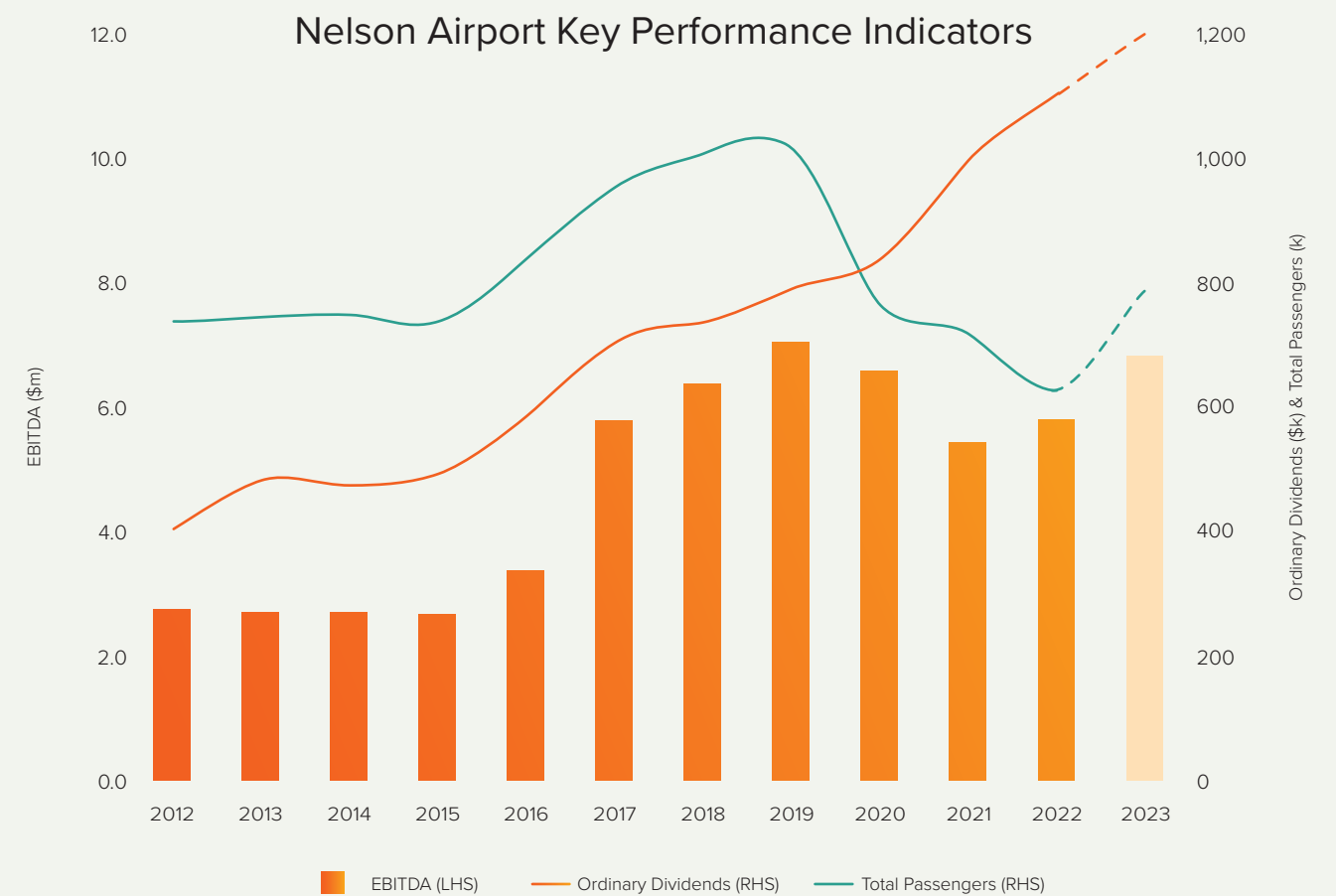
Construction is underway on a new rental car kiosk building, further improving our facilities. The kiosk will accommodate all the front-of-house functions for our rental car tenants and provide a modern customer experience. The kiosk is scheduled to open in October 2022. Other improvements over the year included the resurfacing of a new car park for Air New Zealand staff.

A programme of work to assess the condition and future maintenance requirements of airport-owned buildings, and to ensure their resilience, is ongoing. In the reporting period, two old buildings that had reached the end of their useful life were deconstructed. The buildings were Hangar 3, a World War II-era hangar on Dakota Street, and the last remnant of the old terminal, known as the "Old Freight Shed".

# FINANCIAL RESULTS

The 2022 financial year (FY22) delivered a substantial (23%) drop in passengers compared to budget, due to the ongoing Covid pandemic. Consequently, the business faced a \$1.9 million shortfall in revenues compared to budget - a budget that had forecast a steady recovery from the 2021 financial year that was also hit by significant Covid-related disruption. We responded with a comprehensive capital and operational expenditure review, ensuring all non-essential spending was either deferred, reduced, or removed from the programme. The resulting EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) performance reflects the benefits of the austerity measures taken, with a positive \$5.9m EBITDA. Cash performance also benefited, supporting the declaration of an ordinary dividend for the FY22 year of \$1.1m (10% up on the previous

year) and affording a net repayment against the long-term finance facility of \$350,000. Deferring expenditure, while providing appropriate relief in difficult times, creates a corresponding challenge for subsequent periods in which deferred or de-scoped items must be addressed and this is provided for in budgets and forecasts. Net profit after tax was \$1.9 million, a marginal reduction of 7% on the previous year. The chart below summarises key results over the past 11 financial years with the budgeted expectation for the year ahead, clearly showing the company's Covid journey and the forecast recovery.





# CUSTOMERS AND STAKEHOLDERS

A customer satisfaction survey carried out in March and April 2022 showed a strong rebound from Covid impacts and high customer satisfaction across most areas, with an overall net promoter score of 48 (the SurveyMonkey Global Benchmark is 47). Airport restrooms were rated particularly highly at 90%, followed closely by airline check-in (89%) and overall airport ambience (87%).

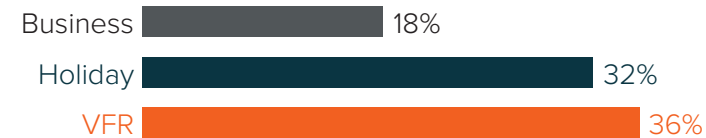
Some of the insights from the survey include an increase in travel to visit friends and relatives and for leisure, with 36% of the Nelson market travelling to visit friends or family and 32% for a holiday. Travel confidence is also high, with 80% of survey respondents wanting to travel within the next six months.

## Survey snapshot

### NSN MARKET



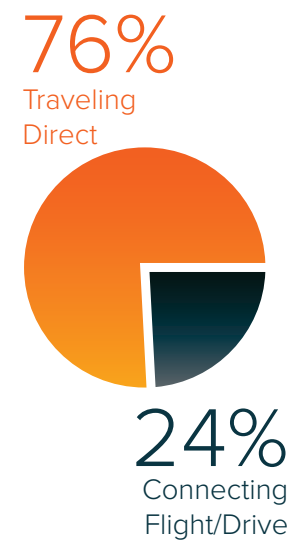
### TRAVEL REASON



### HIGH TRAVEL CONFIDENCE



### DIRECT VS INDIRECT



Travelling passengers are younger than the general Nelson population

Dunedin is the highest unserved route

High customer satisfaction across all areas

Overseas records highest connections

7% Increase in leisure travel and signs of business travel recovery vs 2019 levels

VFR travel is leading the recovery at 36%



## Communications and Marketing

Nelson Airport's audience has continued to grow, with increased subscribers to the quarterly Nelson Airport e-newsletter, and a lift in followers on both Facebook and Instagram. A Memorandum Of Understanding with Air New Zealand was the basis of a successful marketing collaboration, with a video showcasing Nelson-Tasman appearing on in-flight entertainment screens across all Air New Zealand's domestic jets. A campaign partnership with the Tasman Mako to "Fly a Fan" to a Mako away game was ready to roll out when the Omicron outbreak hit. Although it had to be deferred at the time, the promotion will take place in mid-2022 using the already-prepared campaign materials.

In November 2021, we celebrated 100 years of aviation in Nelson with flights and the display of vintage aircraft. The centennial event was well-publicised and attracted an enthusiastic audience despite challenges posed by the weather and Covid public health restrictions.

## Iwi Partnerships

Building and strengthening whanaungatanga (relationships) between Nelson Airport and the eight iwi of Te Taihū is a priority. Engagement with iwi about the 2050 Master Plan and runway extension proposal began in 2022 and will be ongoing. Conversations are also underway towards the formalisation of an airport Kaumātua role to support meaningful representation and engagement on all airport initiatives, activities, and planning. We have engaged an accredited te reo Māori translator to support us in incorporating more te reo Māori across all airport communications, both internal and external, including through bilingual signage. Training for airport employees in te reo Māori me ōna tikanga (Māori language and cultural practices) has begun and will be rolled out further over the coming financial year.



# ENVIRONMENTAL SUSTAINABILITY

Nelson Airport is a strategic asset for the Nelson-Tasman region, so it's vital our operations are sustainable and enduring – and that those of our key partners in the aviation sector are too. As well as benchmarking and improving the environmental credentials of everything we do, we are working closely with the aviation sector to support the transition to a zero-emissions future for travel. Our runway extension proposal is closely linked with this future, as our expert advisors have indicated that next-generation aircraft are likely to require longer runway lengths.

Nelson Airport's terminal building was designed to be highly energy efficient. Instead of mechanical cooling and ventilation, it utilises passive thermal and solar chimneys to keep energy usage to a minimum. A sophisticated building management system (BMS) constantly monitors and responds to multiple internal and external temperature sensors, light meters, rain and wind speed metering. The system responds to these inputs by opening and closing multiple banks of windows, raising and lowering auto-blinds, activating fans and opening or closing the five pairs of solar chimneys. Off-peak electricity is used to warm the underfloor insulated slab, which then emits warmth constantly over the 18 hours a day the terminal is open. The careful thought that went into the terminal's innovative design has been evident in the reporting period through reduced electricity costs. The clever design will provide cost and sustainability benefits every year for the life of the building and its systems.

## Sustainability initiatives over the past year include:

- Emissions independently measured, and 120% offset
- Composting scheme for Nelson Airport and three major airport tenants
- Independent waste audit to assess current volume and type of waste and identify waste minimisation measures
- Investigation into sustainable, alternative heating/cooling system for hangars
- Provision of e-bike charging facilities
- Established Sustainability team

*“Our vision: To be a world-class airport where zero-emissions aircraft operate.”*

## Building Resilience to Climate Change

Our coastal location poses challenges associated with climate change and sea level rise and we recognise the need to respond and adapt to protect airport infrastructure and maintain our region's links with the rest of New Zealand and the world. We have completed some work to increase the airport's resilience already and climate impacts will be a key consideration in all future planning. Work completed or underway includes:

- Investigation of airport precinct stormwater network improvements
- Discussions with Nelson City Council about provision of a stop bank along Jenkins Creek
- Consideration of increased retention pond capacity to reduce flooding impacts
- Design of rock wall revetments for critical areas of the southern perimeter
- Engagement with the Nelson City Council Climate Adaptation community consultation process





*“We may not know exactly what’s coming but we can be ready to respond – to whatever change or challenge may be thrown at us.”*

## OUTLOOK

If the past two years have taught us anything, it’s that trying to predict the future is fraught with pitfalls. However, if we can’t predict we can still plan. We may not know exactly what’s coming but we can be ready to respond – to whatever change or challenge may be thrown at us. Our purpose, **to contribute to a sustainable and prosperous Nelson-Tasman**, grounds our decision-making and actions – we know what we’re here to achieve. Our vision, **to be a world-class airport where zero-emissions aircraft operate**, provides the roadmap we need to follow towards the future we’re committed to building.

The signs of recovery from the past two years of Covid-related disruption are visible. More Kiwis are flying, particularly domestically, and aviation activity is up. Our customer satisfaction survey shows travel confidence is strong in the Nelson market. And New Zealand’s borders are now fully open, providing the opportunity for those who want and need to travel internationally to do so with little restriction.

Over the coming year we will continue improving the services and facilities Nelson Airport provides. The new rental car kiosk will be completed, and our new fire appliance will ensure the Nelson Airport Rescue Fire Service is equipped with top-of-the-line firefighting capability. We want to deliver an even better customer experience and will continue tracking our progress through the annual customer satisfaction survey. And we’ll invest in the future, through:

- An unrelenting focus on the safety of our people, facilities and operations
- Ensuring we are focused on enhancing our carrier partners’ satisfaction with Nelson Airport as a preferred destination and hub
- Developing our alternative revenue streams outside aviation income, making the most of our location, amenities and precinct availability
- Continuous improvement in the sustainability of our operations and those of our partners, including ACI Airport Carbon Accreditation
- Building our resilience to climate change through stormwater improvements and other engineering solutions where required
- A formal planning application to the Nelson City Council for an airport zone and land designation for the runway extension

Our achievements, development and growth would not be possible without the dedication, wisdom and effort of our people, both staff and Board colleagues. In what has been a disruptive and, at times, uncertain year, we commend and appreciate their exertions in delivering the results and vision that continue to underpin our airport reputation and results.



Paul J Steere  
**Chairman**






Darren Mark  
**Director**






# SERVICE PERFORMANCE REPORT 2021/22

The Company sets various performance goals in its Statement of Intent. The following table reports achievement against the goals set in the 2021/22 Statement of Intent.

## People, Culture and Values






Measure	Target	Result
 Staff Wellbeing Policy created, consulted with staff and formally signed off by the Board.	By 31 December 2021.	Achieved. Integrated with the existing Health and Safety Policy.
 Board and management to determine and promulgate new values statement.	By 31 December 2021.	Covid impacted – not achieved. Completed by 30 June 2022.
 Design and implement a staff survey.	By 30 June 2022.	Achieved.
 Implement new remuneration structure.	By 31 July 2021.	Achieved.
 Board and CEO oversight of Employee Assistance Programme (EAP) activity.	All EAP independent reports reviewed by nominated Board representative and CEO.	Achieved. EAP provider will now direct any reports to CEO and Matthew McDonald.

## Customers and Stakeholders

Measure	Target	Result
 Actively support airlines and the market to achieve customer growth.	Total passengers 800,000.	Covid impacted – not achieved. Total passengers 619,000.
 Establish a positive, effective, ongoing relationship with local iwi.	Advocate for establishment of a meaningful representation for local iwi at governance level.	Achieved. Note work to maintain and strengthen the relationship will be ongoing.
 Utilise research to understand NAL's customer profile post the Covid-19 environment.	Implement a customer survey by 31 December 2021.	Covid impacted – not achieved. Survey conducted Mar/Apr 2022.

# SERVICE PERFORMANCE REPORT 2021/22

## Health, Safety and Risk

Measure	Target	Result
 Nil harm to staff, contractors and visitors.	Nil Serious harm injuries. Nil Lost-time injuries.	Achieved. Achieved.
 Improve operational safety.	NAL to facilitate a minimum of nine safety/security meetings.	Achieved.
 Educate NAL staff on human factors in safety to reinforce safety culture.	Specific training for all staff.	Not achieved, requires further scope development to ensure fit for purpose training will be provided.
 Further improve implementation of NAL's newly implemented Safety Management System (SMS).	Obtain audited certification from CAA as "Operating and Effective".	CAA did not schedule audit during the financial year. Not achieved.
 Ensure all incidents are investigated appropriately and actions/learnings processed.	Formal incident investigation training for Airfield and Safety Manager by 31 December 2021.	Achieved.






# SERVICE PERFORMANCE REPORT 2021/22

## Infrastructure and Property

Measure	Target	Result
 Implement Phase I of upgrade of stormwater improvement works for storm surge and sea level rise mitigation.	By 30 June 2022.	Achieved.
 Complete rental car facilities, including offices and public counters, for on-site rental car operators.	By 30 June 2022.	Covid impacted - not achieved due to supply chain delays. Completion scheduled for October 2022.
 Construct new purpose-built rescue fire and emergency management centre.	By 30 June 2022.	Covid impacted - not achieved. Deferred in capex review in response to Covid impacted cashflows. Now planning for a solution in 2024/25.
 Implement full aerodrome aviation security fence.	By 30 June 2022.	Covid impacted - not achieved. Project substantially complete by 30 June, but final completion delayed due supply issues and weather.

# SERVICE PERFORMANCE REPORT 2021/22

## Financial Results

Measure	Target	Result
	Total Revenues \$13.7m.	Covid impacted - not achieved. Total Revenues \$11.7m. Total passengers were 23% under budget for FY22 impacting all passenger-related income streams.
	Manage performance to achieve real business growth, maximising return to shareholders.	Earnings before Interest, Tax and Depreciation (EBITDA or Operating Profit) \$8.0m. Covid impacted – not achieved. EBITDA before Other Income/ Expenses \$5.9m. Some recovery of lost revenue met by cost savings achieved.
	Maintain accurate, reliable and informative financial records and reports.	Dividends Policy to be reviewed. Deferred until holding company model determined. Not achieved.
	Secure an unmodified audit opinion from Audit New Zealand.	Achieved.

## Environmental Sustainability

Measure	Target	Result
 Continuous improvement in sustainability performance.	At least one new significant sustainability project completed delivering a step-change in environmental performance/impact.	Achieved. Terminal tenants onboarded with organic waste composting scheme reducing waste to landfill and supporting organic aerobic compost production.
	Complete coastal protection works where critical to airfield protection.	By 30 June 2022 Not achieved. Design phase of seawall protection completed but construction not started.





# ANNUAL REPORT FINANCIALS

FOR THE YEAR ENDED 30 JUNE 2022







## ANNUAL REPORT

For the Year Ended 30 June 2022

The Directors have pleasure in presenting to the shareholders the Annual Report and audited financial statements of Nelson Airport Limited (“the company”) for the year ended 30 June 2022.

### NATURE OF BUSINESS

Airport operating company.

### VISION AND PURPOSE

#### Nelson Airport Limited’s Vision is:

To be a world class airport where zero emissions aircraft operate.

#### Nelson Airport Limited’s Purpose is:

To contribute to a sustainable and prosperous Nelson Tasman.

Directors holding office in the year:	2022 Remuneration	2021 Remuneration
Paul Steere (Chair)	\$42,555	\$41,200
Catherine Taylor (Deputy Chair)	\$28,752	\$27,860
Matthew Clarke	\$26,214	\$25,400
Matthew McDonald	\$26,214	\$25,400
Quinton Hall	\$26,214	\$9,378
Darren Mark (Appointed 24/05/22)	\$2,187	-

## 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)
- Allan Scott Wines (Chairman) (Ceased March 2022)
- Omega Innovations Ltd (Director)
- Aquaculture Advisory Group South Pacific Community (Chair) (Ceased May 2022)
- NCC Committee for Strategy for All Ages (Chair)

- New Zealand Law Foundation (Trustee)
- John Nesfield Trust (Trustee)
- NZ Transport Agency (Director)

#### Director Matt Clarke – Interests:

- Wellington International Airport Ltd (Chief Executive Officer)
- WellingtonNZ (Director)
- Red Wine Properties Ltd (Director and Shareholder)
- Whare Manaakitanga Ltd (Director)
- Henley School Board (Trustee)

#### Director Matthew McDonald – Interests:

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

#### Director Quinton Hall – Interests:

- EQMade Ltd (Director and Shareholder)
- Vertus Group Ltd (Director and Shareholder)
- AQ29 Ltd (Director and Shareholder)

#### Director Catherine Taylor – Deputy Chair

– Interests:

- Diabetes New Zealand (Chair)
- Diabetes New Zealand Research Foundation (Trustee)
- International Visitor Conservation and Tourism Levy (IVL) – Investment Advisory Group (Chairperson) (Ceased March 2022)
- Energy Efficiency & Conservation Authority (Director/Deputy Chair)





## DIRECTORS' REGISTER OF INTERESTS CONT

Entries in the interest register during the year include:

**Director Darren Mark** – Interests - (Commenced 24/05/2022):

- Findex Nelson / Findex NZ Ltd (Senior Partner)
- Titipounamu Investments Ltd (Director and beneficial Shareholder)
- E R Freeman Ltd (Director)
- Bowater Holdings Ltd (Director)
- Bowater Motors Ltd (Director)
- Bowater Properties Ltd (Director)
- Te Awa Nominees Ltd (Director)
- WHK Services Tasman Ltd (Director)
- West Yates and Partners Nominee Company Ltd (Director)
- Te Oramamaku Holdings Ltd (Director)
- Maitai Trustee Company Ltd (Director) + various other trustee companies in Darren's professional capacity
- Tasman Bays Heritage Trust (Trustee)
- RG & EF MacDonald Trust Board (Trustee)
- Waimea College (Trustee)
- Institute of Directors Nelson/Marlborough Branch (Committee Member)



## BOARD ATTENDANCE

Board Attendance levels during the year were as follows

Director	Position	Tenure	Meetings Attended	Of a possible
P Steere	Chair	Full Year	11	11
C Taylor	Deputy Chair	Full Year	11	11
M Clarke	Director	Full Year	10	11
M McDonald	Director	Full Year	10	11
Q Hall	Director	Full Year	11	11
D Mark	Director	Appointed 24/05/22	1	1

## ACTIVE COMMITTEES

Committee	Composition	Meetings Held
Nelson Airport Noise Environment Advisory Committee	1 x Nelson Airport Board member 1 x Nelson Airport management 1 x Nelson City Council Compliance Officer 1 x Major commercial airlines 1 x Airways New Zealand 1 x General aviation 1 x General aviation fixed wing 1 x General aviation rotary wing 3 x Community representatives	2

### Employee Remuneration

The number of employees or former employees who received remuneration and other benefits of \$100,000 or more for the year ended 30 June 2022 was as follows:

Remuneration	Number of Employees
\$130,001 - \$140,000	1
\$150,001 - \$160,000	1
\$160,001 - \$170,000	1
\$170,001 - \$180,000	1
\$200,001 - \$210,000	1

### Donations

Donations paid during the year were \$275 (2021: \$1,425).

For and on Behalf of the Board

Paul J Steere  
**Chair**

Darren Mark  
**Director**



## STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 30 June 2022

	Note	2022 \$000s	2021 \$000s
Revenue	2	11,733	13,628
Operating costs	3	3,840	4,364
Administration expenses	3	1,978	1,596
Depreciation and amortisation	3	3,507	3,461
Decrease on asset revaluation		111	1,410
		9,436	10,830
<b>Profit before Financing and Investing</b>		<b>2,297</b>	<b>2,798</b>
Interest Revenue		2	0
Movement in Unhedged Derivative Financial Liability - Revenue/(Expense)	13	1,650	902
Finance Costs	3	(1,145)	(1,098)
<b>Net Financing Income</b>		<b>507</b>	<b>(196)</b>
Gain on Sale of Fixed Assets		-	1
<b>Investing Income</b>		<b>-</b>	<b>1</b>
<b>Profit before Tax</b>		<b>2,804</b>	<b>2,603</b>
Income tax expense	4	922	567
<b>Profit after Tax</b>		<b>1,882</b>	<b>2,035</b>
Other Comprehensive Income			
Gain on asset revaluation		6,876	32,753
Tax on asset revaluation		(866)	(7,487)
<b>Total Comprehensive Income</b>		<b>7,891</b>	<b>27,301</b>

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 2022

	Note	2022 \$000s	2021 \$000s
<b>Opening Retained Earnings</b>		<b>18,504</b>	<b>17,468</b>
Total Profit for the Year		1,882	2,035
Balance of Disposed Asset Transferred from Asset Revaluation Reserve		253	-
Distributions to Equity Holders		(1,100)	(1,000)
<b>Retained Earnings as at Year End</b>		<b>19,539</b>	<b>18,504</b>
<b>Opening Asset Revaluation Reserve</b>		<b>72,857</b>	<b>47,591</b>
Gain on Asset Revaluation		6,010	25,266
Balance on Disposed Asset Transferred to Retained Earnings		(351)	-
Movement in Deferred Tax on Disposed Asset Transferred to Retained Earnings		98	-
<b>Asset Revaluation as at Year End</b>		<b>78,614</b>	<b>72,857</b>
Share Capital	10	2,400	2,400
<b>Closing Equity as at Year End</b>		<b>100,553</b>	<b>93,761</b>

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 2022

	Note	2022 \$000s	2021 \$000s
<b>Assets</b>			
<b>Current Assets</b>			
Trade and Other Receivables	7	944	780
Cash and Cash Equivalents	8	141	41
Other Current Assets		65	66
Derivative Financial Assets	13	291	-
<b>Total Current Assets</b>		<b>1,441</b>	<b>887</b>
<b>Non Current Assets</b>			
Property, Plant and Equipment	5	145,388	139,192
Intangible Assets	6	130	170
Derivative Financial Assets	13	643	-
<b>Total Non Current Assets</b>		<b>146,161</b>	<b>139,363</b>
<b>Total Assets</b>		<b>147,602</b>	<b>140,250</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and Other Payables	12	2,127	1,803
Derivative Financial Liabilities	13	-	329
Current Income Tax Liability		271	70
Employee Entitlements		296	262
Interest Bearing Loans	14	30,363	16
<b>Total Current Liabilities</b>		<b>33,057</b>	<b>2,479</b>
<b>Non Current Liabilities</b>			
Deferred Tax	4	13,992	12,909
Derivative Financial Liabilities	13	-	387
Interest Bearing Loans	14	-	30,713
<b>Total Non Current Liabilities</b>		<b>13,992</b>	<b>44,010</b>
<b>Total Liabilities</b>		<b>47,049</b>	<b>46,489</b>
<b>Net Assets</b>		<b>100,553</b>	<b>93,761</b>
<b>Equity</b>			
Issued Share Capital	10	2,400	2,400
Retained Earnings		19,539	18,504
Asset Revaluation Reserve		78,614	72,857
<b>Total Equity</b>		<b>100,553</b>	<b>93,761</b>

For and on behalf of the Board



Paul Steere, **Chair**  
26 October 2022



Darren Mark, **Director**  
26 October 2022

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 2022

	Note	2022 \$000s	2021 \$000s
<b>Cash Flows from Operating Activities</b>			
<i>Cash was provided from:</i>			
Receipts from airport users		11,602	10,978
Interest received		2	0
		11,603	10,979
<i>Cash was disbursed to:</i>			
Payments to suppliers and employees		(5,457)	(5,067)
Interest paid		(1,145)	(1,098)
Income tax paid		(503)	(1,041)
Net GST Movement		16	78
		(7,090)	(7,128)
<b>Net Cash Flows from Operating Activities</b>	15	<b>4,514</b>	<b>3,851</b>
<b>Cash Flows from Investing Activities</b>			
<i>Cash was provided from:</i>			
Sale of property, plant & equipment		-	2
		-	2
<i>Cash was disbursed to:</i>			
Purchase of property, plant & equipment		(3,048)	(1,918)
Purchase of Intangible Assets		-	(46)
		(3,048)	(1,964)
<b>Net Cash Flow from Investing Activities</b>		<b>(3,048)</b>	<b>(1,962)</b>
<b>Cash Flows from Financing Activities</b>			
<i>Cash was provided from:</i>			
Increase in term loans		6,100	3,760
		6,100	3,760
<i>Cash was disbursed to:</i>			
Dividends paid		(1,000)	(850)
Decrease in term loans		(6,466)	(5,066)
		(7,466)	(5,916)
<b>Net Cash Flow from Financing Activities</b>		<b>(1,366)</b>	<b>(2,156)</b>
Net increase/(decrease) in cash and cash equivalents		100	(268)
Opening cash and cash equivalents		41	309
<b>Closing cash and cash equivalents</b>		<b>141</b>	<b>41</b>

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



## 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.

The company operates and manages the Nelson regional airport. The primary activities include supporting a diverse range of businesses that service passenger or aircraft requirements or require access to air services or airport land and building infrastructure.

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

The financial statements for Nelson Airport Limited are for the year ended 30 June 2022. The financial statements were authorised for issue by Nelson Airport Limited on 26 October 2022.

### 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\$).

#### Changes in Accounting Policies

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

#### Significant Accounting Estimates and Judgements

The preparation of these financial statements requires Nelson Airport Limited to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Future outcomes could differ from those estimates.

As at 30 June 2022, an impairment assessment was carried out to determine the appropriateness of the carrying values of Nelson Airport Limited's assets.

Due to Covid-19, there is some additional uncertainty around forecast passenger numbers and consequently on Nelson Airport Limited's cash flows. Nelson Airport Limited's forecasts are based on its 10-year financial forecast model, and a recovery in passenger numbers back to pre-Covid-19 levels during the 2029 financial year.

Nelson Airport Limited's estimates of passengers, recovery and growth rates remain uncertain and dependent on several factors with respect to Covid-19, including any remaining or future restrictions on domestic and international travel, public demand and behaviour with respect to travel and airline scheduling.

Material changes in any of these factors might have an impact, positive or negative, on Nelson Airport Limited's estimates of income and cash flows used to support the valuations, fair value assessments and impairment considerations as at 30 June 2022. The Company has taken a prudent approach to passenger forecasting.

The assessment, effective 30 June 2022, included the following major assumptions:

- Revenue is largely dependent on passenger numbers. The company has conservatively projected growth in passenger numbers, with a recovery to pre-Covid-19 levels projected only during the 2029 financial year. A growth rate of 2.0% has been applied to cashflows after the forecast period.
- Forecast free cashflows for the period FY2023 - FY2026 reflect agreed pricing with airlines following the company's 2021 Airline Pricing Consultation. Following this period, a probable transition to forecast CPI has been applied, consistent with the path of the historical growth rates.
- The discount rate (Nelson Airport Limited's pre-taxation Weighted Average Cost of Capital) applied to the company's pre-taxation free cash flows was 9.8%.

The assessment concluded no impairment was required to the carrying value of property, plant and equipment.

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 includes assessment of optimised depreciated replacement cost and other market-based information in accordance with asset valuation standards. The major inputs and assumptions that are used in the valuations that require judgement include capital replacement values and life assumptions for each asset, and the application of discount rates.

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

#### c) Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and impairment losses, or at fair value with valuations undertaken on a systematic basis



**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 30 June 2022**

with no individual asset included at a valuation undertaken more than five years previously. Valuations will be undertaken within a five-year period where Nelson Airport Limited considers the carrying value may differ materially from the fair value at balance date. Impairment losses are charged to profit or loss, except for properties previously revalued with the revaluation taken to other comprehensive income. For such properties, the impairment is recognised in other comprehensive income up to the amount of any revaluation.

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

Land and 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 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 2022**

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

			Straight line	Diminishing value
<b>Buildings</b>		Terminal	<b>2.1% - 8.5%</b>	
<b>Buildings</b>		Hangars and other buildings	<b>1.43% - 30.0%</b>	
<b>Airfield Infrastructure</b>		Runways, taxiways and aprons	<b>0.0% - 50.0%</b>	
<b>Landside Infrastructure</b>		Pavements, utilities and other infrastructure	<b>0.0% - 50.0%</b>	
<b>Equipment</b>		Parking meters, security and vehicles		<b>8.0% - 67.0%</b>
<b>Fixtures and fittings</b>		Furniture, computers, and fittings		<b>10.0% - 80.4%</b>

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 2022**

**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:

	Straight line	Diminishing value
Computer Software		48.0% - 50.0%
Branding	10.0% - 12.50%	50.0% - 50.0%

**e) Impairment of Non-Current Assets**

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

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

The recoverable amount of an asset is the

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

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

**f) Trade and Other Receivables**

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

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 30 June 2022**

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 interest 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.

**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 profit or loss. 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.



## NOTES TO THE FINANCIAL STATEMENTS

### For the Year Ended 30 June 2022

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#### **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 Revenue**

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.

#### **Ground Transport Revenue**

Ground transport revenue includes:

- Car parking fees, which are principally recognised as revenue on a cash received basis. The exception to this is 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 Term 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 2022

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#### **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 are 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 include cash on 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 2022

2. REVENUE

	2022 \$000s	2021 \$000s
<b>Contract Revenue</b>		
Aeronautical Charges	5,794	5,648
Ground Transport Revenues	1,733	1,920
Advertising Revenue	214	128
Property Revenues	2	17
Sundry Income	26	1
Total Contract Revenue	7,770	7,714
<b>Other Revenue</b>		
Aeronautical Charges	-	7
Ground Transport Revenues	822	819
Retail Revenue	292	255
Property Revenues	2,644	2,532
Gain Recognised on Acquisition of Assets	-	2,205
Sundry Income	78	-
Wage Subsidy	126	96
Total Other Revenue	3,963	5,914
<b>Total Revenue</b>	<b>11,733</b>	<b>13,628</b>

NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended 30 June 2022

3. EXPENSES

a) Operating Costs

	2022 \$000s	2021 \$000s
Employee Entitlements	1,967	1,765
Other Operating Expenses	1,847	2,562
Loss on Disposal of Assets	25	36
	3,840	4,364

b) Administration Costs

	2022 \$000s	2021 \$000s
Auditors Remuneration - Financial statements	39	37
Auditors Remuneration - Disclosure Accounts	17	16
Auditors Remuneration - Prior Year Fee Recovery	16	18
Directors' Fees	152	143
Insurance & Rates	830	752
Other Administration Expenses	924	629
	1,978	1,596

c) Depreciation and amortisation

	2022 \$000s	2021 \$000s
Depreciation	3,453	3,412
Depreciation - Right of Use Assets	13	16
Amortisation of Intangible Assets	40	34
	3,507	3,461

d) Finance Costs

	2022 \$000s	2021 \$000s
Interest Expense	1,144	1,094
Interest Expense - Lease Liabilities	2	4
	1,145	1,098



NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended 30 June 2022

4. INCOME TAX

Components of Income Tax Expense

	2022 \$000s	2021 \$000s
Current Tax Expense	627	571
Prior Years Tax Under / (Over) Provided	78	(24)
Deferred Tax Expense	217	20
	922	567

Relationship between Tax Expense and Accounting Profit

	2022 \$000s	2021 \$000s
Operating Profit Before Taxation	2,804	2,603
Prima Facie Tax @ 28%	785	729
Adjustment for Timing & Taxation Differences	(254)	(158)
Adjustment for Permanent Differences	96	1
Prior Years Tax Under Provided	78	(24)
Adjustments for Deferred Tax	456	255
Adjustments for Deferred Tax - Property, Plant & Equipment	(239)	(235)
Income Tax Expense	922	567

NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended 30 June 2022

Deferred Tax

	2022 \$000s	2021 \$000s
<b>Property, Plant and Equipment</b>		
Opening Balance	(13,145)	(5,893)
Charged to Profit & Loss	239	235
Charged to Other Comprehensive Income	(866)	(7,487)
Closing Balance	(13,733)	(13,145)
<b>Employee Entitlements</b>		
Opening Balance	34	31
Charged to Profit & Loss	7	2
Closing Balance	41	34
<b>Derivative Financial Liability</b>		
Opening Balance	200	453
Charged to Profit & Loss	(462)	(253)
Closing Balance	(262)	200
<b>Other Provisions</b>		
Opening Balance	2	7
Charged to Profit & Loss	(1)	(5)
Closing Balance	1	2
<b>Total</b>	(13,992)	(12,909)



NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended 30 June 2022

5. PROPERTY, PLANT & EQUIPMENT

2022	Land & Improvements	Buildings	Airfield Infrastructure	Landside Infrastructure	Equipment	Motor Vehicles	Fixtures & Fittings	Capital Work in Progress	Total
	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
<b>Cost or Valuation</b>									
Balance as at 1 July 2021	38,666	57,309	25,092	16,188	360	180	458	1,464	139,717
Reclassification - WIP	-	218	1,458	87	78	-	-	(1,842)	-
Additions	-	52	1	101	72	-	5	3,099	3,329
Movement in Asset Revaluation	3,782	477	(1,302)	515	-	-	-	-	3,472
Disposals	-	-	-	(5)	(58)	(29)	(8)	(407)	(506)
Balance at 30 June 2022	42,448	58,056	25,249	16,887	452	151	455	2,313	146,012
<b>Accumulated Depreciation and Impairment Losses</b>									
Balance as at 1 July 2021	-	48	0	4	201	113	158	-	524
Depreciation	-	1,596	1,187	558	54	17	54	-	3,466
Decrease on asset revaluation	-	3,486	1,568	79	-	-	-	-	5,134
Disposals	-	-	-	-	(40)	(29)	(6)	-	(74)
Movement in Asset Revaluation	-	(5,035)	(2,754)	(638)	-	-	-	-	(8,426)
Balance at 30 June 2022	-	96	1	3	216	101	206	-	624
<b>Net Book Value at 30 June 2022</b>	<b>42,448</b>	<b>57,960</b>	<b>25,247</b>	<b>16,884</b>	<b>237</b>	<b>50</b>	<b>249</b>	<b>2,313</b>	<b>145,388</b>

NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended 30 June 2022

2021	Land & Improvements	Buildings	Airfield Infrastructure	Landside Infrastructure	Equipment	Motor Vehicles	Fixtures & Fittings	Capital Work in Progress	Total
	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
<b>Cost or Valuation</b>									
Balance as at 1 July 2020	32,652	47,304	19,592	13,554	518	-	268	807	114,695
Reclassification of Opening Balances	-	(97)	26	(18)	(196)	127	156	-	(2)
Reclassification	-	58	-	5	-	-	29	(92)	-
Additions	-	2,206	132	48	62	52	16	1,478	3,994
Movement in Asset Revaluation	6,014	7,868	5,341	2,614	-	-	-	-	21,837
Disposals	-	(30)	-	(14)	(24)	-	(11)	(729)	(807)
Balance at 30 June 2021	38,666	57,309	25,092	16,188	360	180	458	1,464	139,717
<b>Accumulated Depreciation and Impairment Losses</b>									
Balance as at 1 July 2020	-	2,573	1,823	1,862	301	-	86	-	6,644
Reclassification of Opening Balances	-	(7)	7	(0)	(116)	98	18	-	(0)
Depreciation	-	1,826	960	528	37	15	61	-	3,428
Decrease on asset revaluation	-	(2)	27	1,384	-	-	-	-	1,410
Disposals	-	(4)	-	(8)	(20)	-	(8)	-	(41)
Movement in Asset Revaluation	-	(4,337)	(2,817)	(3,761)	-	-	-	-	(10,916)
Balance at 30 June 2021	-	48	0	4	201	113	158	-	524
<b>Net Book Value at 30 June 2021</b>	<b>38,666</b>	<b>57,261</b>	<b>25,092</b>	<b>16,184</b>	<b>159</b>	<b>66</b>	<b>300</b>	<b>1,464</b>	<b>139,192</b>

The net carrying amount of property, plant and equipment includes the following amounts held under finance lease: Equipment \$2,827 (2021: \$16,191).



**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 30 June 2022**

**Valuation**

Residential and commercial land was valued as at 30 June 2022 by Duke & Cooke Limited in accordance with International Financial Reporting Standards, NZ International Accounting Standards, specifically NZ IAS16, the Australia and New Zealand Guidance Papers for Valuers and Property Professionals, and International Valuation Standards (fair value \$3,048,000).

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 valued as at 30 June 2022 by Duke & Cooke Limited in accordance with International Financial Reporting Standards, NZ International Accounting Standards, specifically NZ IAS16, the Australia and New Zealand Guidance Papers for Valuers and Property Professionals, and International Valuation Standards (fair value \$39,400,000).

Buildings were valued as at 30 June 2022 by Duke & Cooke Limited in accordance with International Financial Reporting Standards, NZ International Accounting Standards, specifically NZ IAS16, the Australia and New Zealand Guidance Papers for Valuers and Property Professionals, and International Valuation Standards (fair value \$57,644,398).

Airfield infrastructure was valued as at 30 June 2022 by Beca Limited in accordance with International Valuation Standards, NZ International Accounting Standards, specifically NZ IAS16, and Property Institute of New Zealand Guidance Papers for Valuers and Property Professionals (fair value \$25,244,518).

Landside infrastructure was valued as at 30 June 2022 by Beca Limited in accordance with International Valuation Standards, NZ International Accounting Standards, specifically NZ IAS16, and Property Institute of New Zealand Guidance Papers for Valuers and Property Professionals (fair value \$16,753,948).

Both Duke & Cooke Limited and Beca Limited are independent registered valuers.

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

Asset classification and description	Valuation approach
<b>Land</b>	
Commercial and Residential Land	Commercial and Residential land is valued on a market sales comparison basis, with one property valued on a hypothetical subdivision approach.
<b>Leasehold Land</b>	
Lessee's leasehold interest in airport land vested in the Nelson City Council and under peppercorn rental	Market value existing use approach, 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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 30 June 2022**

Asset classification and description	Valuation approach
<b>Buildings</b>	
Specialised buildings used for identified airport activities including terminal	Optimised depreciated replacement cost (ODRC) - the cost of constructing a modern equivalent asset at current market-based input cost rates, adjusted for the remaining useful life of the assets (depreciation). Indexing has been used as part of the ODRC method used to revalue specialised buildings by Duke and Cooke.
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.
<b>Airfield Infrastructure</b>	
Airside pavements including main runway, taxiways, and aprons	Optimised depreciated replacement cost (ODRC) - the cost of constructing a modern equivalent asset [as described for Specialised Buildings above].  The unit rates calculated as part of the FY21 revaluation has been indexed as at 30 June 2022 based on Beca Limited's in-house forecasts.
<b>Landside Infrastructure</b>	
Landside pavements including roads and carparks. Utilities including stormwater, wastewater and supply. Other infrastructure (fencing, lighting etc.)	Optimised depreciated replacement cost (ODRC) - the cost of constructing a modern equivalent asset [as described for Specialised Buildings above].  The unit rates calculated as part of the FY21 revaluation has been indexed as at 30 June 2022 based on Beca Limited's in-house forecasts.
<b>Equipment</b>	
Parking meters, security equipment, and vehicles	Cost less depreciation – no valuation obtained.
<b>Fixtures and Fittings</b>	
Furniture, office equipment, computers, and fixtures	Cost less depreciation – no valuation obtained.



NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended 30 June 2022

6. INTANGIBLE ASSETS

2022	Original Cost \$000s	Accum Amortisation \$000s	Opening WDV \$000s	Additions \$000s	Reclassifications \$000s	Disposals \$000s	Amortisation \$000s	Closing WDV \$000s
Software	96	46	50	-	-	-	20	30
Other Intangibles	180	59	121	-	-	-	20	100
Total	275	105	170	-	-	-	40	130

2021	Original Cost \$000s	Accum Amortisation \$000s	Opening WDV \$000s	Additions \$000s	Reclassifications \$000s	Disposals \$000s	Amortisation \$000s	Closing WDV \$000s
Software	50	33	17	46	-	-	13	50
Other Intangibles	177	38	139	-	2	-	21	121
Total	227	71	157	46	2	-	34	170

7. TRADE AND OTHER RECEIVABLES

	2022 \$000s	2021 \$000s
Trade Receivables - Contract Revenue	716	576
Trade Receivables - Other Revenue	182	182
Accrued Debtors	1	0
Prepayments	45	22
	944	780

8. CASH AND CASH EQUIVALENTS

	2022 \$000s	2021 \$000s
Cash on Hand	8	11
Bank Balance	132	30
Term Deposits (term less than 3 months)	-	-
	141	41

NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended 30 June 2022

9. FINANCIAL INSTRUMENTS

	Fair value through profit or loss		Amortised cost	
	2022 \$000s	2021 \$000s	2022 \$000s	2021 \$000s

Financial Assets

Cash and Cash Equivalents	-	-	141	41
Derivatives	934	-	-	-
Trade and Other Receivables	-	-	898	758
	934	-	1,038	799

Financial Liabilities

Trade and other Payables	-	-	681	497
Derivatives	-	716	-	-
Finance Lease Liability	3	19	-	-
Loans and Borrowings	-	-	30,360	30,710
	3	735	31,041	31,207

10. SHARE CAPITAL

Ordinary Shares

All 2,400,000 authorised shares (2021: 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 30 June 2022 a dividend of \$1,100,000 was declared and accrued at year end, with payment made following balance date on 8 July 2022.

11. CONTINGENT LIABILITIES

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



NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended 30 June 2022

12. TRADE AND OTHER PAYABLES

	2022 \$000s	2021 \$000s
Trade Payables	643	476
Trade Payables (Related Parties)	38	21
Dividends Payable	1,100	1,000
Accruals	118	94
GST Liability	178	167
Income Received in Advance	49	45
	2,127	1,803

13. DERIVATIVE FINANCIAL INSTRUMENTS

	2022 \$000s	2021 \$000s
<b>Derivative Financial Assets</b>		
Interest Rate Swaps		
Current Portion	291	-
Non-Current Portion	643	-
	934	-
<b>Derivative Financial Liabilities</b>		
Interest Rate Swaps		
Current Portion	-	329
Non-Current Portion	-	387
	-	716

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 2022 (including swaps in place for future borrowings on a floating interest rate) totalled \$19,000,000 (2021: \$19,000,000). Their fair value at balance date was an asset of \$934,165 (2021: liability of \$715,997).

The weighted average fixed interest rate on swaps held at balance date was 3.63% (2021: 3.63%).

Nelson Airport Limited has chosen not to determine whether the interest rate swaps in place are an effective hedge in mitigating cash flow risk from changes in interest rates. The movement in the interest rate swaps has been recognised as a movement in profit or loss within finance costs.

NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended 30 June 2022

14. INTEREST BEARING LOANS

	2022 \$000s	2021 \$000s
<b>Repayable as follows:</b>		
Less Than 1 Year	30,360	-
Between 1 and 5 Years	-	30,710
	30,360	30,710
<b>Finance Lease Liabilities</b>		
Less Than 1 Year	3	16
Between 1 and 5 Years	-	3
	3	19

Nelson Airport Limited arranged for a line of credit with Westpac to finance the business during and post the construction of the new terminal and associated landside infrastructure completed 2020.

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 as required.

The interest rate applying to the loan facility at balance date was 3.70% (2021: 1.78% - 1.95%).

The total cash outflow paid towards finance leases during the year was \$17,443 (2021: \$20,584).



NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended 30 June 2022

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

	2022 \$000s	2021 \$000s
Net Profit for the Year	1,882	2,035
<b>Add/(less) non cash and non operating items:</b>		
(Gain)/Loss on Disposal of assets	25	36
Depreciation and Amortisation	3,507	3,461
Decrease on asset revaluation	111	1,410
Value of Donated Assets Received	-	(2,205)
Reclassification of Work In Progress as expense	407	729
Movement in deferred taxation	217	20
Movement in derivative financial instrument	(1,650)	(902)
<b>Movement in working capital:</b>		
(Increase)/Decrease in other current assets	1	(66)
(Increase)/Decrease in receivables	(164)	(378)
Increase/(Decrease) in current tax payable	202	(494)
Increase/(Decrease) in payables	(23)	204
<b>Net cash flows from operating activities</b>	<b>4,514</b>	<b>3,851</b>

NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended 30 June 2022

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 \$563,199 (2021: \$532,750), while receiving income of \$4,600 (2021: nil). The balance included as owing in trade payables as at 30 June 2022 was \$31,579 (2021: \$13,202).

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 \$102,815 (2021: \$142,118), while receiving income of nil (2021: nil). The balance included as owing in trade payables as at 30 June 2022 was \$6,206 (2021: \$7,410).

Nelson Regional Development Agency Limited is wholly owned by Nelson City Council. Nelson Airport Limited paid costs of nil to the Agency (2021: nil), while receiving income of nil (2021: \$1,547). The balance included as owing in trade payables as at 30 June 2022 was nil (2021: nil).

**Transactions with entities related to key management personnel**

Nelson Airport Limited paid \$2,515 (2021: nil) to Findex NZ Ltd, of which Darren Mark was Senior Partner during the year.

Nelson Airport Limited paid the following compensation to key management personnel (Directors and the Chief Executive, Mark Thompson, Andrew Wotton and Simon Barr who was acting CEO from 1/07/21 - 21/08/21) for services rendered:

	2022	2021
Key management personnel compensation	\$403,978	\$510,275

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

17. CAPITAL COMMITMENTS

Nelson Airport Limited has \$1,231,692 worth of contractual capital commitments for property, plant and equipment as at 30 June 2022 (2021: \$1,172,245).

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



**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended 30 June 2022

**18. OPERATING LEASES**

Nelson Airport Limited owns and leases out several 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 2022 lease revenue received in association with the non-cancellable operating lease arrangements amounted to \$3,394,777 (2021: \$2,830,012).

<b>Future non-cancellable lease revenue from existing leases</b>	<b>2022 \$000s</b>	<b>2021 \$000s</b>
Lease revenue within 12 months	\$2,583	\$2,703
Lease revenue between 1-5 years	\$5,751	\$6,407
Lease revenue thereafter	\$1,039	\$1,460
<b>Total</b>	<b>\$9,373</b>	<b>\$10,570</b>

**19. EVENTS AFTER BALANCE DATE**

On 13 September 2022 Nelson Airport Limited received an offer from Westpac Bank with options to extend the current \$40m loan facility for a further two or three year period. This offer remains open at the date of this report.

On 29 September 2022 shareholders voted to establish a Holding Company to hold the two Councils' shareholdings in Nelson Airport Ltd and Port Nelson Ltd. The Company's forecasts and plans at year-end assumed that the Company would not be part of a Holding Company Group and funding would continue to be via existing arrangements.

On 16 October 2022 Catherine Taylor, director and deputy chair, retired from the board of Nelson Airport Limited.

On 17 October 2022 Emma Ihaia joined the board of Nelson Airport Limited as a director.

**20. SHAREHOLDERS' STATEMENT OF INTENT**

The company was required to deliver a completed Statement of Intent to its shareholders by 30 June 2022 under Part 3(b) of Schedule 8 of the Local Government Act 2002. The 2022/23 Statement of Intent was completed and forwarded to Nelson Airport Limited's shareholders on 30 June 2022.

**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended 30 June 2022

**21. VARIANCE - 2021/22 ACTUALS TO 2021/22  
STATEMENT OF INTENT FINANCIAL FORECASTS**

**Statement of Comprehensive Income**

	<b>Sol Forecast (\$m)</b>	<b>2021/22 Actuals (\$m)</b>	<b>Variance (\$m)</b>	<b>Variance (%)</b>	<b>Note</b>
Total Revenues	13.7	11.7	-1.9	-14	1
Total Operating Expenses	(5.7)	(5.8)	-0.2	3	
EBITDA before Other Income / Expenses	8.0	5.9	-2.1	-26	
Depreciation & Amortisation	(3.6)	(3.5)	0.1	-3	
Other Income / (Expense)	0.4	(0.1)	-0.5	-131	2
EBIT	4.8	2.3	-2.5	-52	
Finance (Expense) / Income	(1.1)	0.5	1.6	-145	3
Profit before Income Tax	3.6	2.8	-0.8	-23	
Income Tax	(1.2)	(0.9)	0.2	-21	
Net Profit after Tax	2.5	1.9	-0.6	-24	

*Notes*

- Forecast assumed a post-Covid environment with increased revenue growth on prior year. Significant drop across all revenue items due to re-emergence of Covid in the community during the period and its impact on air travel.*
- The positive move in the value of the interest rate swap derivatives was included in Other Income in the Sol forecast (at \$0.4m) but reclassified to Finance Income in the Annual Report (see note 3 below). Building impairments at year-end contributed a further \$0.1m to the unfavourable variance.*
- Favourable variance of \$0.4m due to the forecast movement in interest rate swaps being classified within Finance costs in the Annual Report v Other Income in the Sol (see note 2 above). Additionally the actual increase in value of the interest rate swaps, exceeding forecast, delivered an additional \$1.3m positive variance.*



NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended 30 June 2022

21. VARIANCE - 2021/22 ACTUALS TO 2021/22 STATEMENT OF INTENT FINANCIAL FORECASTS (CONT)

Statement of Financial Position

	Sol Forecast (\$m)	2021/22 Actuals (\$m)	Variance (\$m)	Variance (%)	Note
Current Assets	1.8	1.4	-0.3	-19	
Property, Plant & Equipment	113.4	145.4	32.0	28	4
Intangible Assets	0.1	0.1	0.0	0	
Total Other Non-current Assets	0.0	0.7	0.6	Nil Forecast	5
Total Assets	115.3	147.6	32.3	28	
Current Liabilities	1.8	33.1	31.2		6
Total Non-Current Loan Finance	35.6	0.0	-35.6		6
Total Other Non-current Liabilities	6.2	14.0	7.8	126	7
Total Liabilities	43.6	47.0	3.4	8	
Total Net Assets	71.7	100.6	28.9	40	
Total Equity	71.7	100.6	28.9	40	

Notes

4. Sol forecast was carried out prior to 2021 year-end revaluations. Valuations subsequently resulted in an unforeseen significant revaluation gain to land, buildings and infrastructure assets of \$32.8m.
5. Significant unforecast movement in the value of derivative financial swaps. Their fair value at balance date was an asset of \$934,165 (2021: liability of \$715,997).
6. Capex expenditure profile delayed vs forecast due to Covid following a comprehensive review of all expenditure, resulting in a \$5m lower balance of the loan finance v forecast. Loan finance balance at 30 June 2022 classified as current liability due to the current loan agreement running until 30 June 2023.
7. Sol forecast was carried out prior to 2021 valuations. Deferred Tax of \$7.5m charged to Asset Revaluation Reserve in 2021 and an additional \$0.9m in 2022, which was not forecast. Additionally the difference in the classification of the movement in the value of the interest rate swaps partially offsets the variance (see note 5).

NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended 30 June 2022

21. VARIANCE - 2021/22 ACTUALS TO 2021/22 STATEMENT OF INTENT FINANCIAL FORECASTS (CONT)

Statement of Cash Flows

	Sol Forecast (\$m)	2021/22 Actuals (\$m)	2021/22 Actuals Including GST (\$m)	Variance (\$m)	Variance (%)	Note
Cash Opening Balance	0.2	0.0	0.0	-0.2	-80	8
Cash In						
Cash from Operations	15.6	11.6	13.3	-2.3	-15	9
Cash drawn from Loan Facility	2.8	6.1	6.1	3.3	121	10
Other Assets / Liabilities	0.5	0.0	0.0	-0.5	-100	
Total Cash Inflows	18.9	17.7	19.4	0.5	3	
Cash Out						
Operational Expenses	6.1	5.5	5.9	-0.2	-3	11
Income Tax Paid	1.5	0.5	0.5	-1.0	-66	12
Dividends	1.1	1.0	1.0	0.0	-5	
Capital Expenditure	8.8	3.0	3.5	-5.3	-60	13
GST Paid (Received)	0.4	(0.0)	0.8	0.4	103	
Loan Repayments	1.1	7.6	7.6	6.5	574	14
Total Cash Outflows	18.9	17.6	19.3	0.4	2	
Cash Closing Balance	0.2	0.1	0.1	-0.1	-33	

Notes

8. The Sol Forecast is made on a GST inclusive basis whereas the 2021/22 Actuals are displayed on a GST exclusive basis. To provide for meaningful comparison for the variance analysis the 2021/22 figures have been grossed-up to include the GST element (the third column in the table above).
9. Unfavourable variance due to the impact Covid had on passenger numbers travelling during the year and the consequential flow-on impact on all passenger-related revenue streams.
10. Cash balances are maintained at minimal levels whilst the MOCL finance facility remains active. As a result both loan facility cash inflows and outflows vary significantly from budget.
11. Some recovery of lost revenue mitigated by cost savings.
12. Favourable variance due to lower revenue from Covid factors reducing taxable profit.
13. A comprehensive review to all expenditure undertaken in response to the Covid pandemic impacting passenger volumes. Capital expenditure items deferred, reduced or removed from the programme as a result of this response.
14. Cash balances are maintained at minimal levels whilst the MOCL finance facility remains active. As a result both loan facility cash inflows and outflows vary significantly from budget.



## 22.COVID-19 DISCLOSURE

Aviation is continuing to face challenging times in the wake of the Covid-19 pandemic. The impact is felt globally, nationally and locally.

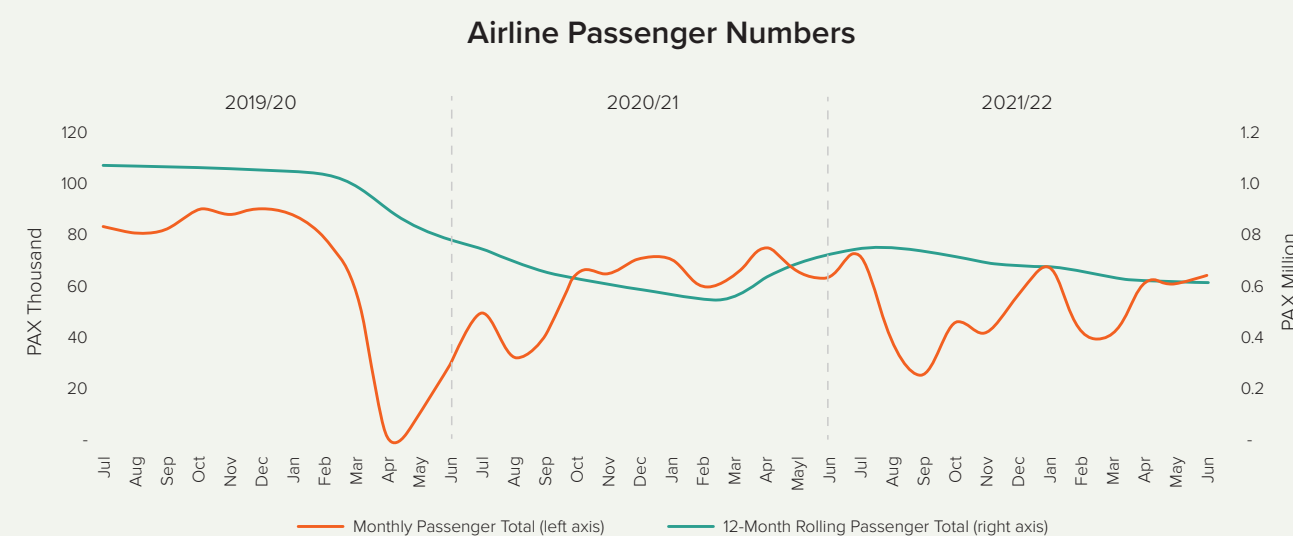
Our airport community in New Zealand is small and connected – and that is a great strength in a crisis. The connectivity and national reach of our aviation system is important to many of our communities.

The Government stepped in to protect Air New Zealand with a significant financial deal that protects essential routes and allows the company to keep operating. The Government and Air New Zealand have agreed a debt funding agreement and for the conversion of the loan to equity at the request of the Crown. This agreement means Air New Zealand is able to play its part in making sure Kiwis can return home from overseas and essential flights and freight lines for goods remain open by ensuring flights continue to and from key destinations. The agreement safeguards the domestic network, with flights assured to all current destinations,

including Nelson Airport. Air New Zealand will continue to play an important role in our economic recovery, when the disruption caused by this global pandemic is over.

From the beginning of the year until December 2021, New Zealand was operating under the Covid-19 Alert Level System, with all of New Zealand being at Alert Level 1 as the year opened. For the period up until December 2021, there were various alert level changes, regionally focussed, in response to local outbreaks. On 2 December 2021 all of New Zealand moved to the Covid-19 Protection Framework, also known as the traffic light system. Under the traffic light system that prevailed until January 2022, the country saw restrictions imposed at a regional level with varying boundary adjustments around Auckland and varying requirements for vaccinations and negative tests. From 26 January 2022 the Government introduced Omicron Phases with different approaches to testing, isolation and mask wearing as case numbers grew. After various changes, all of New Zealand moved to Orange on 13 April 2022.

The net result of the impact of the above, along with the history since the start of the Covid outbreak, can be seen clearly in the following graph of passenger numbers:



With regards to these financial statements, Covid-19 has specifically impacted certain areas of the financial statements:

- Airline flight schedules have fluctuated to varying degrees in response to alert level and traffic light changes and associated rules. Aeronautical activity has a flow-on effect on ground transport, advertising and retail revenues, reflecting significant positive correlation.
- Nelson Airport's response to the Covid-19 pandemic has marginally increased costs and efforts in some areas including management planning for alternative work methods and changes to operational protocols, personal protective equipment, signage and consumables relating to the response to the requirements of physical distancing, and cleaning costs where additional cleaning measures are required.
- The company benefited from receiving \$204,609 Covid-related payments from the Government during the year. These payments comprised the wage subsidy during the period from September to November 2021, resurgence payments during the period from September to December 2021 as well as the one-off transition payment in December 2021.

- The company utilises robust, detailed financial modelling over a 10-year period to forecast future financial performance and debt levels. The modelling facilitates scenario analysis and provides for understanding and managing the likely financial impact of Covid-19 as the pandemic develops. In the longer term, where passenger levels may fluctuate (up or down), the aeronautical charging process ensures the business makes a reasonable return on the aeronautical assets employed. There is no indication from modelling to date that current and planned future levels of debt are unsustainable by the business. The business is underpinned by solid demand for on-airport development opportunities and there is no indication that funding will not be available for good quality development opportunities.
- The directors have carefully considered the carrying value of assets, accounting estimates and other areas of judgement, and determined no impairment was required to the value of property, plant, and equipment due to Covid-19.

### Independent Auditor's Report

#### To the readers of Nelson Airport Limited's financial statements and performance information for the year ended 30 June 2022

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 performance information of the company on his behalf.

#### Opinion

We have audited:

- the financial statements of the company on pages 30 to 61, that comprise the statement of financial position as at 30 June 2022, 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 20 to 23.

#### In our opinion:

- the financial statements of the company on pages 30 to 61:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2022; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime; and
- the performance information of the company on pages 20 to 23 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 2022.

Our audit was completed on 26 October 2022. This is the date at which our opinion is expressed.

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

### Basis for our opinion

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

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

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

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

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

New Zealand. The Board of Directors is also responsible for preparing the performance information for the company.

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

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

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

#### Responsibilities of the auditor for the audit of the financial statements and the performance information

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

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



For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the company's statement of intent.

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

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

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

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

Our responsibilities arise from the Public Audit Act 2001.

#### Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 2 to 19, 24 to 29, and 64 to 65, but does not include the financial statements and the performance information, and our auditor's report thereon.

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

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

#### Independence

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

In addition to the audit, we have carried out an assurance engagement in relation to the Company's disclosure financial statements pursuant to the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999, which are compatible with those independence requirements.

Other than the audit and this 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



# COMPANY DIRECTORY

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## Directors

Paul Steere - Chair  
Catherine Taylor - Deputy Chair  
Darren Mark  
Matthew Clarke  
Matthew McDonald  
Quinton Hall

## Registered Office

Nelson Airport Management Offices  
Trent Drive, Nelson 7011  
Telephone 03-547-3199  
Email [office@nelsonairport.co.nz](mailto:office@nelsonairport.co.nz)

## Senior Leadership Team

As at 30 June 2022

Mark Thompson - Chief Executive  
James Middlewick - Airfield and Safety  
Simon Barr - Commercial  
Simon Orr - Corporate Services  
Jonathan Truslove - Facilities and Assets  
Bryn Lloyd - Marketing and Landside  
Operations

## Auditor

Audit New Zealand on behalf of the Auditor-  
General

## Accountant

Johnston Associates Chartered Accountants

## Banker

Westpac Banking Corporation

## Lawyer

Ford Sumner Lawyers

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