

# NELSON AIRPORT LTD STATEMENT OF INTENT 2022/2023



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

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## INTRODUCTION

Nelson Airport Limited ("NAL") is a Council Controlled Trading Organisation under section 6 of the Local Government Act 2002.

This Final Statement of Intent is presented by the Directors of NAL in accordance with section 64 of the Local Government Act 2002.

This Final Statement of Intent is for the 2022/23 Financial Year to 30 June 2023, and for the two following financial years.

The purpose of this document is to publicly state the objectives, strategies and targets of NAL at this time.

NAL acknowledges the Statement of Expectation from Shareholders dated 24th November 2021. Following review of this document, this Final Statement of Intent, due 30<sup>th</sup> June 2022, reflects NAL's response to issues raised by the shareholders.

NAL notes that there were no additional requirements advised by shareholders following issue of the 2022/23 Draft Statement of Intent in February 2022.

## NATURE AND SCOPE OF ACTIVITIES

NAL was incorporated in 1996 and purchased the assets and undertakings of the Nelson Regional Airport Authority in March 1999.

The Airport is a key strategic asset and contributor to the prosperity and growth of the Nelson Tasman economy. Its commercial operations and services deliver significant benefits to the Nelson Tasman region. Its primary service is moving people into and out of the region safely and efficiently. Prior to COVID-19, the number of passengers through the airport was more than one million annually, however, because of lockdowns that volume has reduced to 610,000 (forecast) for the 2021/22 financial year. NAL has shown resilience through the COVID-19 pandemic by remaining open for business and it is anticipated that ongoing increases in vaccination rates and growing understanding of the virus will result in a return to previously predicted levels of activity within a four to five-year timeframe.

Through Air New Zealand, Nelson Airport has direct links with the key cities of Auckland, Wellington, and Christchurch. Other carriers including Originair, Sounds Air and Golden Bay Air provide direct provincial links to the North Island cities of Napier, Palmerston North and Hamilton, as well as the Kapiti Coast and short hops to "local" destinations Tākaka and Karamea in the north of the South Island.

The Airport supports a diverse range of businesses that service passengers or require access to air services or Airport land and building infrastructure.

The Airport connects Nelson Tasman to the rest of New Zealand and the world. With the region's high dependency on air access and relative isolation from road and sea connections, the Airport is critical to delivering on the region's development and growth aspirations. In particular, the Airport contributes to the:

- growth and efficiency of business
- attraction and retention of talent
- resilience of the region and its ability to respond to emergencies



- opportunity to facilitate investment in sustainable green energy sources for future aircraft and road fleet requirements

NAL may also grant sub-leases of the land, buildings or installations vested in NAL for any purpose complementary to the ongoing safe and efficient operation of the Airport.

## PLANNING ASSUMPTIONS

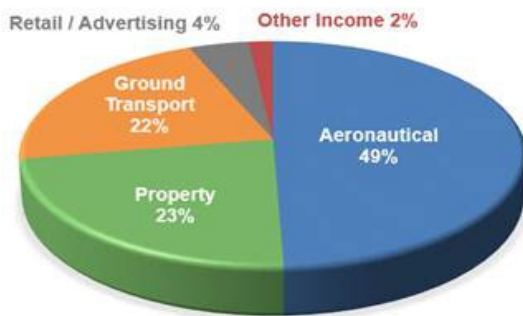
### REVENUE ANALYSIS

The revenue streams earned reflect the scope of Airport activities. The diagrams below illustrate a summarised view of the forecast revenue split in the 2021/22 financial year, and the budgeted revenue split for the 2022/23 financial year.

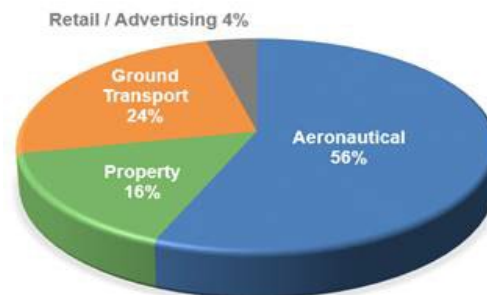
In addition to passenger-related income, NAL generates revenue from the property it controls. NAL’s property revenues are predominately fixed, and the below 2022/23 revenue forecast diagram highlights the increased proportion of Aeronautical revenue year-on-year over the other streams, as passenger numbers are expected to increase appreciably following the COVID affected period of 2021/22.

However, with the Development Plan being progressed in FY23 and the completion of the Master Plan 2050 NAL are looking to develop and market new commercial opportunities to ensure its reliance on aeronautical activity is reduced over time.

2021/22 REVENUE FORECAST BY REVENUE STREAM



2022/23 REVENUE FORECAST BY REVENUE STREAM



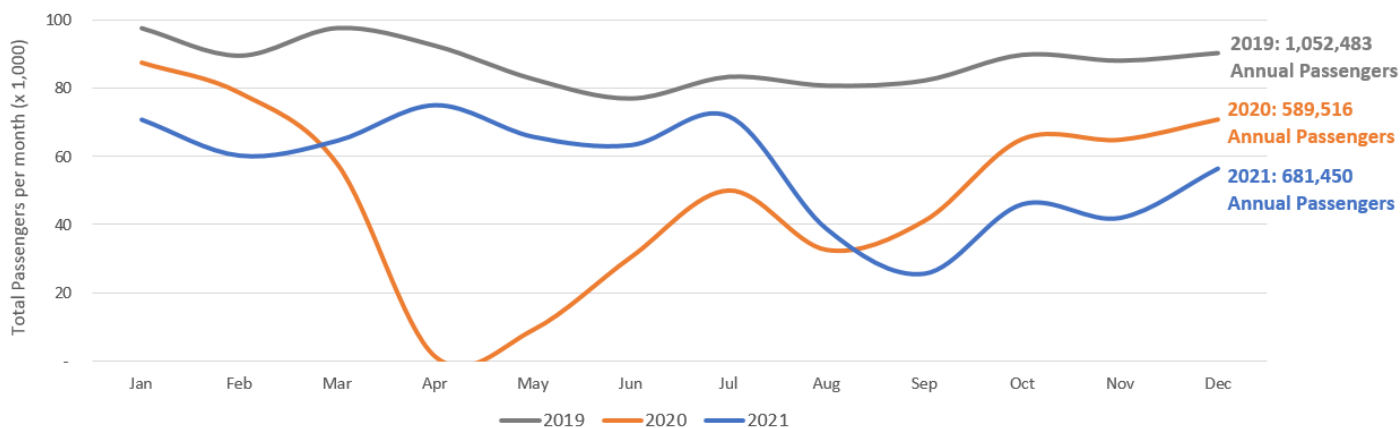
### COVID-19

The COVID-19 pandemic continues to have an impact on NAL’s business as aviation faces one of its most challenging times with the outbreak of the Omicron variant and the fact that new variants of the virus will remain in the community for an underdetermined period.

Airline flight schedules have fluctuated in response to alert level changes, lockdowns, and border closures. Consumer propensity to travel is also suppressed, with many business travellers either reluctant to travel or their corporate travel policy restricted to only essential travel. Most major events in New Zealand have also been cancelled (concerts/cultural gatherings/sporting matches etc) which has led consumers to defer future bookings until the last minute or choose not to risk travelling.

The Government has stepped in to protect Air New Zealand with a targeted aid package to protect essential routes and allow the company to keep operating. This aid means Air New Zealand can play its part in making sure Kiwis can return home from overseas and that essential flights and freight lines 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.

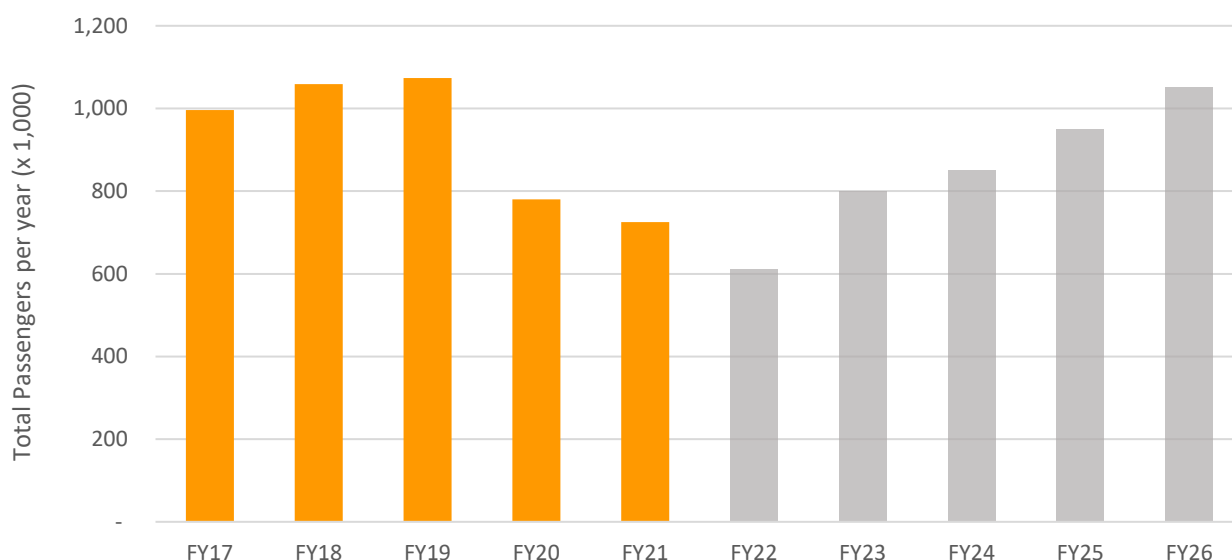
### PASSENGER COMPARISON – LATEST THREE CALENDAR YEARS



### HISTORICAL VS FORECAST TOTAL PASSENGERS

NAL has recognised the significant uncertainties around the ongoing COVID-19 pandemic and the impact on air travel demand. Our 2021/22 financial year budget of 800,000 passengers was revised down to 610,000 due to Auckland’s four-month lockdown and the introduction of the Omicron variant to New Zealand causing a significant decline in travel. The forecast for the 2022/23 financial year anticipates steep growth of 33% as the domestic economy begins its return to normal, assuming no further restrictions/lockdowns or new impactful COVID variants. From 2023/24 and beyond, the forecast continues to grow but at a lesser rate as travel slowly returns to pre-COVID levels in 2025/26.

## Historical vs Forecast Total Passengers



## HEALTH, SAFETY AND RISK MANAGEMENT

Civil Aviation Rules require NAL to have an approved Safety Management System in place. Our recently introduced Safety Management System was successfully audited. NAL continues to evolve the system which allows for easier reporting of events and provides a better overview of the Health and Safety environment at any given time. Continual improvement is a pillar of the system, and we will continue to strive for advancements in managing safety.

Health and Safety is also a top priority for NAL. Our stated safety goal is Zero Harm and we strive to ensure the safety and wellbeing of all who visit the Airport, whether they be employees, stakeholders, the public or contractors.

COVID-19 has presented unique challenges and has forced constant evolution of safety-related procedures to protect Airport staff and other Airport users and maintain operational capability. Nelson Airport has worked closely with government and industry to reduce the risk of infection amongst staff and passengers. As the situation evolves, Nelson Airport will continue to monitor developments and react quickly, effectively, and efficiently to ensure protection against the virus.

Regular communication is vital to Airport safety, especially in areas of overlapping duties. NAL will continue to hold regular safety and security discussions with stakeholders to drive improvements where businesses co-exist. NAL is also an active member of the Safety Managers Forum recently created by the NZ Airports Association.

NAL has identified the key risks facing the business and these are regularly reviewed by the Senior Leadership Team and the Board to ensure they remain relevant, are appropriately managed and to determine whether any new risks are facing the airport.

## THE NELSON PLAN

In late 2021, Nelson City Council announced a pause to the Nelson Plan. Prior to that announcement, NAL had substantially completed work to support proposed revision of the planning measures applying to the Airport and its environs. That revision would establish an Airport zone in the District Plan together with updated provisions and mechanisms to futureproof the Airport.

To ensure appropriate and timely planning measures are in place to enable the Airport to accommodate emerging aviation technologies, sustainability initiatives, and expected levels of activity into the future in an efficient and effective manner, NAL will be lodging a Plan Change and Notice of Requirement to achieve the planning outcomes that were being sought through the Nelson Plan process.

## INFRASTRUCTURE AND PLANNING

Building on progress made in recent years, NAL is focussed on proactive management of its assets and continued investment in the resilience of its infrastructure.

We have strengthened our proactive asset management capability through the recruitment of a dedicated Asset and Facilities Manager.

The scope of our enhancement focus is wide-ranging and spans iterative improvement of stormwater management and new coastal protection initiatives through to detailed investigation of utility-scale green-energy production and new facilities for a broad range of tenants.



We look forward to opening a new building in 2022 to accommodate front-of-house functions for our on-Airport rental car operators. The facility will complement the terminal and assist in reinforcing fantastic first and lasting impressions for visitors to the Nelson region. Smart passive heating and cooling features will promote energy efficiency and provisioning for current and future EV charging demand has been incorporated.

NAL is responding to strong demand for premises at the Airport with active engagement across a diverse range of sectors. Recent COVID-related impacts on aviation businesses throughout the country (and the world) have confirmed the need for airports to seek and foster diversified revenue streams, de-linked from aviation. We are deliberately focussing on diversified revenue opportunities in addition to the more traditional channels of Airport activity.

## **CULTURAL RELATIONSHIPS**

NAL embraces the need to work in closer partnership with local iwi. Initial engagement has commenced, and NAL is committed to creating an effective relationship that will bring meaningful representation to all our initiatives going forward. Our priority in FY23 is to establish an iwi engagement model as a platform to provide assurance NAL is committed to effecting this change.

## **ENVIRONMENTAL SUSTAINABILITY**

NAL is continually seeking to reduce the impact our operations have on the environment. Our carbon footprint is independently measured and 120% of emissions are offset. We recognise this is not a perfect solution however and strive to reduce our emissions wherever possible. The formation of a Sustainability Group from within the management team has been tasked with identifying where improvements could be made to further improve our environmental sustainability. We also plan to start the process of Airport Carbon Accreditation, which is the only independent, global, airport-specific carbon standard which relies on internationally recognised methodologies.

NAL has begun investigating options for a solar farm on Airport land, and discussions have been held with NZ-based hydrogen fuel developers. We are also part of an industry group tasked with assisting airlines with the transition to zero emission aircraft, whether that be electric, hydrogen or sustainable fuels propulsion.

The Nelson Tasman 2021 - 2026 Destination Management Plan highlights the green credentials of the region, including 18 tourism businesses that have invested in minimising environmental impacts and have achieved zero carbon certification. These businesses (including NAL) have created the first four-day Carbon Zero itinerary in NZ (possibly the world) in the Nelson Tasman region. Not only is the travel light on the environment, but it also educates visitors on how they can reduce their carbon footprint for future travel.

NAL has measured and offset 120% of its CO<sub>2</sub> emissions from its business operations for the six-month period January to June 2021 with the following details:

Total emissions = 111.75 t CO<sub>2</sub>-e

Total offsets purchased = 133.68 t CO<sub>2</sub>-e (excluding 0.43 t CO<sub>2</sub>-e of pre-purchased flight offsets)



Metric	Emissions t CO <sub>2</sub> -e	Percentage
Electricity consumption	58.96	53%
Waste	17.84	16%
Land transport	9.63	9%
Fuel and energy related emissions	18.09	16%
Downstream leased assets	5.79	5%
Air travel and accommodation	1.12	1%
Purchased goods and services	0.33	<1%
<b>TOTAL</b>	<b>111.75 t</b>	<b>100%</b>

## CLIMATE CHANGE – RESILIENCE PROGRAMME

Nelson Airport is susceptible to flooding and coastal erosion. This situation will be exacerbated by the likely accelerating impact of climate change and recent data reporting both sea rise and land sinking in the Airport locality.

### FLOODING

The Airport experiences surface flooding when a high tide, heavy rain and a severe low-pressure weather system coincide. NAL has installed a non-return valve in one stormwater pipe previously susceptible to tidal inflow which has led to property inundation in the past. NAL is also currently investigating stormwater pipe upgrades in conjunction with airside pavement works and is in discussions with Nelson City Council to construct a stop bank along Jenkins Creek. Improvements to the capacity of the retention pond is another potential option under review to reduce the risk of flooding.

### COASTAL EROSION

Based on the coast, the Airport land is subject to coastal erosion and has already lost land along its western and southern boundaries. We continue to monitor and retreat or protect in the face of this erosion. NAL has commissioned the design of rock wall revetments for the critical areas of the southern perimeter identified in an independent assessment.

## OUR 2022/23 BUSINESS PLAN

NAL has developed strategic areas to improve business performance and encourage growth. These strategies are underpinned by a series of activities and key performance indicators.

### OUR VISION

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

### OUR PURPOSE

- To contribute to a sustainable and prosperous Nelson Tasman





## MISSION STATEMENT

- 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

## VALUES STATEMENT

Everything we do supports a culture of inclusiveness, diversity and openness and we live by our values below:

- **Safety** *"the condition of being protected from or unlikely to cause danger, risk, or injury"*

Safety is our top priority, informing every decision we make and the daily activities we perform.

- **Integrity** *"the quality of being honest and having strong moral principles"*

We are honest, open, ethical, and fair in all of our actions, respecting our customers and colleagues alike, even when no one is watching.

- **Teamwork** *"the combined action of a group, especially when effective and efficient"*

We work together, using our collective skills and expertise to meet the needs of our customers and to help Nelson Airport succeed.

- **Continuous Improvement** *"a thing that makes something better or is better than something else"*

We constantly challenge ourselves to explore opportunities to improve the quality and efficiency of the business.

**Openness** *"willing to consider new ideas; unprejudiced"*

We're open to new ideas and opinions, encourage curiosity, and embrace change and innovation.

- **Accountability** *"the condition of being responsible for your actions"*

We hold ourselves accountable for the outcomes of our actions, good and bad.



## OBJECTIVES

2022/23 – 2024/25

STRATEGIC AREA	OBJECTIVES
<b>People, Culture and Values</b>	Be an Employer of Choice in the region.
<b>Health, Safety and Risk</b>	Provide a safe and secure Airport in accordance with CAA and HSWA rules, underpinned by a strong safety culture.
<b>Infrastructure and Property</b>	Invest in and maintain buildings and infrastructure that support our strategic and commercial objectives and protect us against the effects of climate change.
<b>Financial Results</b>	Ensure strong financial performance and expand and diversify revenue streams to reduce reliance on aeronautical activities.
<b>Customers and Stakeholders</b>	Build strong relationships with airlines, shareholders, Tasman and Nelson communities and Iwi and other Māori organisations.
<b>Environmental Sustainability</b>	Reduce our carbon emissions and waste by investing in future green energy and waste reduction/recycling opportunities and facilitate other stakeholders to do the same.



## OUR STRATEGIES

For the financial years 2022/23 to 2024/25, the Statement of Intent concentrates on the following Strategies:

<p><b>People, Culture and Values</b></p> 	<ul style="list-style-type: none"><li>• Provide a safe and secure Airport in accordance with Civil Aviation Act Rules</li><li>• Live our values in everything we do</li><li>• Be proud of our culture of openness, inclusiveness, and diversity</li><li>• Have a highly engaged workforce</li></ul>	<p><b>Health, Safety and Risk</b></p> 	<ul style="list-style-type: none"><li>• Comply with CAA<sup>1</sup> and HSWA<sup>2</sup> legislation and ensure appropriate strategies and policy are firmly entrenched in the company's culture</li><li>• Ensure everyone takes responsibility for identifying and mitigating risks including natural hazards and climate change</li></ul>
<p><b>Infrastructure and Property</b></p> 	<ul style="list-style-type: none"><li>• Establish and manage an Asset Management Programme to provide a long-term, fit-for-purpose asset base</li><li>• Invest in commercial opportunities that provide attractive returns on capital and complement Airport activities</li><li>• Create an Airport precinct that promotes opportunities for our communities to enhance the airport experience</li></ul>	<p><b>Financial Results</b></p> 	<ul style="list-style-type: none"><li>• Establish a Dividend Policy which maximises dividend distributions in line with a prudent debt: equity ratio that provides for the ongoing growth and development of the Airport</li><li>• Provide timely and relevant KPIs to measure the health and wealth of the business</li><li>• Establish SMART<sup>3</sup> objectives across all areas of the business</li><li>• Diversify revenue streams to reduce reliance on aeronautical activities</li></ul>

<sup>1</sup> Civil Aviation Act 1990

<sup>2</sup> Health and Safety at Work Act 2015

<sup>3</sup> Specific, Measurable, Achievable, Relevant, and Time-Bound

## Customers and Stakeholders



- Build strong relationships with airlines, shareholders, Tasman and Nelson communities and Iwi and other Māori organisations
- Deliver excellent customer service to all travellers and visitors to the Airport
- Be innovative in all things we do

## Environmental Sustainability



- Reduce our carbon emissions and waste by investing in future green energy and recycling opportunities
- Invest in opportunities that deliver carbon neutral or better outcomes
- Invest in infrastructure improvements that will protect against climate change
- Proactively seek opportunities to contribute to the environmental performance of our customers and stakeholders





## FY23 TARGETS

STRATEGIC AREA	MEASURE	TARGET
<b>People, Culture and Values</b>	Annual employee engagement survey to be undertaken	Move from "Good" to "Great" result
	Manage staff turnover and unplanned absenteeism	Nil unplanned staff turnover
	Implement a formal training programme for employees	30 hrs/FTE of personal development
<b>Health, Safety and Risk</b>	Meet all our obligations and standards under Civil Aviation Act Rules	No "major" findings
	Have a behavioural based safety culture where everyone is responsible for safety on the Airport and uses the SMS daily	Top 10 risk register reviewed fortnightly by Senior Leadership Team One key risk reviewed at every Board meeting Board Safety walks scheduled quarterly
	Have an NAL-facilitated Health and Safety Committee in place	Minimum of 9 safety meetings with all major airside and landside PCBU <sup>4</sup>
	Provide best practice safety services	Deliver new Rosenbauer rescue fire appliance and associated training programme
<b>Infrastructure and Property</b>	Develop an asset management system to manage the condition, criticality, and life cycle of all assets	Asset management system in place by 30 June 2023
	Attract commercial investment in developments that deliver our vision	Deliver Rental Car Kiosk and Go Rental project by 30 June 2023
<b>Financial Results</b>	Manage financial performance to ensure we are optimising returns	Total Operating Revenues \$14.3m EBITDA <sup>5</sup> \$7.0m
	Diversify revenue streams to provide resilience to macro activities outside our control	Add at least one non-aeronautical revenue stream
	Annual Audit	Achieve an unqualified audit opinion

<sup>4</sup> Person Conducting a Business or Undertaking

<sup>5</sup> Earnings before interest, taxes, depreciation, and amortisation



STRATEGIC AREA	MEASURE	TARGET
<b>Customers and Stakeholders</b>	Deliver an exceptional customer experience for those visiting the Airport in any capacity	Improvement on FY22 Customer Satisfaction Survey Score from "Good" to "Excellent"
	Engage cultural advisor and consult on all major Airport developments	Establish iwi engagement model by 30 June 2023
<b>Environmental Sustainability</b>	Pursue sustainability initiatives that deliver our goal to be carbon neutral by 2030	CO <sub>2</sub> e per-passenger reduction Level 1 Airport Carbon Accreditation
	Enhance oversight of noise levels as set out in the Nelson Resource Management Plan	Introduce an industry compliant monitoring system for engine testing noise
	Zero carbon emission	20% improvement in carbon emissions pre offset

## GOVERNANCE

The Board's approach to governance of NAL is to preserve and enhance Shareholder value in the long term.

The Board is responsible for the Strategic Plan and Statement of Intent and is accountable to the Shareholders within the framework provided by the constitution of NAL, the provisions of the Companies Act 1993 and the Local Government Act 2002.

The Board must:

- Ensure that NAL uses its best endeavours to meet its objectives as defined in the Statement of Intent
- Ensure that NAL complies with its legal obligations
- Make any decisions as to policy that is not the preserve of general management and day to day administration
- Employ the Chief Executive including entering into a performance management agreement, reviewing performance, and setting remuneration
- Ensure sound financial management of NAL
- Ensure NAL meets all health and safety obligations

The Board consists of a minimum of four and a maximum of six, non-executive Directors appointed by the Shareholders in accordance with the Constitution.

The Board meets at least nine times per year. The individual Directors' attendance record is maintained and reported in the Annual Report.



NAL employs sound financial management and systems providing reports to the Board on monthly and year-to-date performance. The Board also receives a Chief Executive's Report at each Board Meeting which addresses issues related to NAL's performance against its objectives.

All Directors will use their best endeavours to ensure NAL achieves the objectives as defined in this document and will comply with the requirements of its constitution and the Statement of Intent.

All Board Members comply with the New Zealand Institute of Directors' Code of Proper Practice for Directors.

Fees for the Board are set by the Shareholders in accordance with a policy jointly approved by Nelson City Council and Tasman District Council.

## **THE VALUE OF SHAREHOLDERS' INVESTMENT IN NAL**

The commercial value of the Shareholders' investment in the Company is considered by the Directors to be not less than the Shareholders' funds as disclosed in the Statement of Financial Position published in the last Annual Report.

The fair value of assets is supported by valuations of land, buildings, infrastructure, and the leasehold interest in the aerodrome land by independent registered valuers as required.

A reassessment of the value of the Shareholders' investment in NAL may be undertaken as required from time to time by the Shareholders or Directors.

## **INFORMATION TO BE PROVIDED TO SHAREHOLDERS**

### **GENERAL**

NAL operates on a 'no surprises' basis in respect of significant Shareholder-related matters, especially on matters likely to cause community or political concerns, to the extent possible in the context of commercial sensitivity and confidentiality obligations.

### **HALF-YEARLY REPORT**

To be delivered to Shareholders by 28 February.

The half-yearly report will include:

- A Directors' report which includes commentary on NAL's operations and performance against non-financial performance measures
- A condensed Statement of Comprehensive Income
- A condensed Statement of Changes in Equity
- A condensed Statement of Financial Position
- A condensed Statement of Cash Flows
- Appropriate Notes to the condensed Financial Statements



The half-yearly report (The Interim Report) will be published on NAL's website following delivery to and adoption by the Shareholders.

When presenting the half-yearly report, the Board will indicate any significant movement expected in the final year-end position.

## STATEMENT OF INTENT

- Draft to be delivered to Shareholders by 1 March 2022
- Comments from Shareholders on draft Statement of Intent, if any, to be provided to NAL by 1 May
- Final Statement of Intent to be delivered to Shareholders by 30 June following consideration of any Shareholder comments
- Final Statement of Intent to be made available to the public following adoption by the Shareholders

The Statement of Intent will contain prospective financial information in the form of forecasts for the current year and following two years. The financial forecasts will include a summary Statement of Comprehensive Income; Statement of Financial Position; Cashflow Statement; Earnings Before Interest and Tax (EBIT); Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA); Debt to Equity Ratio; Working Capital; Capital Expenditure; Return on Equity; and Ratio of Shareholders' Funds to Total Assets.

## ANNUAL REPORT

- To be delivered to Shareholders by 30 September and not less than 20 working days before the date fixed for holding the Annual Shareholders' Meeting
- To be made available to the public by 30 September

Within three months after the end of the financial year, the Board will deliver an audited Annual Report which fulfils the requirements of the Local Government Act 2002 and is prepared to comply with the requirements of the Financial Reporting Act 2013.

The Annual Report will include:

- A Directors' Report including a summary of the financial results, a review of operations, a comparison of performance in relation to objectives and any recommendation as to dividend
- A Statement of Comprehensive Income disclosing actual and budgeted revenue and expenditure and comparative actual figures from the previous year
- A Statement of Changes in Equity with actuals and comparative figures from the previous year
- A Statement of Financial Position with actuals and comparative figures from the previous year
- A Statement of Cash Flows with actuals and comparative figures from the previous year





- An Auditor's Report on the above statements and the measure of performance in relation to objectives

### **ANNUAL SHAREHOLDERS' MEETING**

- Annual Shareholders' Meeting to be held by 31 December
- Annual Report to be delivered to Shareholders not less than 20 working days prior to the Annual Shareholders' Meeting
- Written Notice of Meeting to be delivered by not less than 10 working days before the meeting

Written notice of the time and place of a meeting of Shareholders will be sent to every Shareholder and to every Director and Auditor of NAL not less than 10 working days before the meeting. The notice must be in accordance with the requirements of Schedule 1 of the Companies Act 1993.

### **PROSPECTIVE SUMMARY FINANCIAL STATEMENTS**

NAL adopts *General Purpose Financial Reporting* utilising the revaluation model based on the accounting concept of *Fair Value*. The Prospective Summary Financial Statements have been prepared utilising the concept of *Fair Value*.

Aeronautical charges form approximately half of NAL's revenues. Aeronautical charges were reset by NAL for a five-year period effective from 1 July 2021, following a thorough consultation process.

FY22 figures have been provided for comparison purposes and are provisional, being based on recent forecasts.

NAL has secured a \$40m commercial loan facility from Westpac, the terms of which have been agreed between the parties. A portion of the interest cost of the facility is floating and a portfolio of interest rate swaps has been secured to mitigate interest rate risk. The level of swaps put in place was to cover approximately half of the forecast debt over the period to March 2025.



## PROSPECTIVE FINANCIAL STATEMENTS

### Prospective Summary Statement of Comprehensive Income (\$ million)

	2021/22	2022/23	2023/24	2024/25
Total Operating Revenues	11.6	14.3	16.0	19.4
Total Operating Expenses	(5.4)	(7.4)	(6.5)	(6.7)
EBITDA before Other Income / Expenses	6.2	7.0	9.5	12.8
Other Income / (Expense)	(2.0)	(0.0)	(0.1)	(0.1)
EBITDA	4.2	6.9	9.4	12.7
Depreciation and Amortisation	(3.5)	(3.7)	(4.0)	(4.5)
EBIT	0.7	3.2	5.4	8.2
Finance (Expense) / Income	(1.1)	(1.6)	(2.0)	(2.5)
Profit before Income Tax	(0.5)	1.6	3.4	5.8
Income Tax	(0.8)	(0.8)	(1.3)	(2.0)
Net Profit after Income Tax	(1.2)	0.9	2.1	3.7

### Prospective Summary Statement of Financial Position - As at Year End (\$ million)

	2022/23	2023/24	2024/25
<b>Assets</b>			
Current Assets	1.3	1.5	1.7
Property, Plant and Equipment	141.7	153.6	163.0
Intangible Assets	0.1	0.1	0.0
<b>Total Assets</b>	143.2	155.2	164.7
<b>Liabilities</b>			
Current Liabilities	2.6	2.8	3.1
Total Loan Finance	36.6	47.5	54.4
Total Other Non-Current Liabilities	12.8	12.9	13.0
<b>Total Liabilities</b>	52.0	63.2	70.5
<b>Total Net Assets</b>	91.1	91.9	94.3
<b>Total Equity</b>	91.1	91.9	94.3



## Prospective Summary Statement of Cashflows (\$ million)

Capital Expenditure Forecast	2022/23	2023/24	2024/25
Cash Opening Balance	0.2	0.2	0.2
<b>Cash In</b>			
Cash from Operations	16.4	18.2	22.2
Cash drawn from Loan Facility	6.8	14.9	17.0
Other Assets/Liabilities	0.4	0.0	0.0
<b>Total Cash Inflows</b>	<b>23.7</b>	<b>33.1</b>	<b>39.1</b>
<b>Cash Out</b>			
Operational Expenses	7.6	7.4	7.2
Income Tax Paid	1.2	1.1	1.8
Dividends	1.1	1.2	1.3
Capital Expenditure	11.9	16.7	16.0
GST Paid/(Received)	0.3	0.7	0.4
Interest and Loan Repayments	1.6	6.0	12.5
<b>Total Cash Outflows</b>	<b>23.7</b>	<b>33.1</b>	<b>39.1</b>
Cash Closing Balance	0.2	0.2	0.2

### Note

Cash balances will be maintained at minimal levels whilst the MOCL finance facility remains active.

## Prospective Summary Statement of Capital Expenditure (\$ million)

Capital Expenditure Forecast	2022/23	2023/24	2024/25
Aprons, Taxiways and Runway	2.5	2.8	0.7
Commercial Developments	2.7	11.5	1.5
Drainage / Stormwater Works	1.0	1.0	0.0
Landside Roding / Carparks	0.7	0.4	0.0
Security and Rescue Fire Service	1.4	0.0	11.5
Coastal Erosion Prevention / Remediation	0.4	0.0	0.0
Other Capital Expenditure	1.1	0.2	0.2
	<b>9.8</b>	<b>15.8</b>	<b>13.9</b>



## Prospective Key Ratios and Indicators - As at Year End

	Note	2022/23	2023/24	2024/25
Working Capital (\$ x 1,000,000)	1	(1.3)	(1.3)	(1.3)
Working Capital Ratio	2	0.5	0.5	0.6
Return on Equity	3	1.0%	2.3%	4.0%
Shareholders' Funds to Total Assets Ratio	4	0.6	0.6	0.6
Debt to Equity Ratio	5	0.4	0.5	0.6
Leverage Ratio	6	5.3	5.0	4.3
Interest Cover Ratio	7	4.4	4.8	5.1

### Notes

1. Working Capital = (Current Assets - Current Liabilities)  
Cash balances will be maintained at minimal levels whilst the MOCL finance facility remains active.
2. Working Capital Ratio = (Current Assets / Current Liabilities)  
Cash balances will be maintained at minimal levels whilst the MOCL finance facility remains active.
3. Return on Equity = (Net Profit after Tax / Total Shareholders' Equity)
4. Shareholders' Funds to Total Assets Ratio = (Total Shareholders' Equity / Total Assets)
5. Debt to Equity Ratio = (Total third-party debt at year end / Total Shareholders' Equity)
6. Leverage Ratio = (Total third-party debt at year end / EBITDA before other Income/Expenses)
7. Interest Cover Ratio = (EBITDA before other Income/Expenses / Net Finance Costs)

## ACCOUNTING POLICIES

NAL reports financially under the *Accounting Standards Framework* implemented by the *Financial Accounting External Reporting Board* to effect changes enacted by the new *Financial Reporting Act 2013*. For financial reporting purposes NAL is a *for-profit public sector entity*. By virtue of the size of the business, and by election, NAL reports under the *Reduced Disclosure Regime* to *Tier 2* requirements.

From the 2015/16 financial year, NAL has undertaken *General Purpose Financial Reporting* utilising the revaluation model based on the accounting concept of *Fair Value*. Significant valuation work was undertaken towards this end and underpins the reporting of Property, Infrastructure and Leasehold Interest at fair value.

NAL regularly reports internally on a monthly accounting cycle with actuals for the Balance Sheet and Income Statement being presented to management and the Board monthly. Progress against budgets and forecasts is regularly monitored internally and reported against.

The reporting entity for accounting and financial reporting purposes is Nelson Airport Limited. Nelson Airport Limited has a balance date of 30 June.

Accounting policies are set out in detail in NAL's Annual Report which is available from Nelson Airport Ltd's website: [www.nelsonairport.co.nz](http://www.nelsonairport.co.nz).

## DIVIDEND POLICY

NAL's current Dividend Policy states that NAL 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.





NAL's dividend policy has seen dividends grow in real terms, increasing from \$400k to \$1m in the 10-year period to 2021. This is dividend growth of 150% over the period or a compound annual growth rate of 10%.

Once the terminal redevelopment had been delivered, the Directors thought it appropriate for the company to review its policy on dividends and scheduled a review to occur in the current year. The ultimate corporate structure, with NAL as part of a Infrastructure Holdings Limited, is yet to be determined. The Dividend Policy review will follow the outcome. It is the intention of the board to establish a dividend policy which will maximise the annual dividend payment to shareholders whilst remaining within a prudent debt: equity limit that provides for the ongoing growth and development of the Airport.

### **PROCEDURE FOR ACQUISITION OF OTHER INTERESTS**

If the Directors believe NAL should invest in or otherwise acquire any interest in any other organisation, they will obtain the prior approval of the Shareholders by special resolution, unless the total cost is less than \$50,000. In this case, prior approval will not be required but Shareholders will be advised in writing within 14 days.

### **COMPENSATION FROM LOCAL AUTHORITIES**

There is no indication of any matter or activities for which NAL may seek compensation from any Local Authority.

