

# NELSON AIRPORT STATEMENT OF INTENT 2021/2022



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# INTRODUCTION

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

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

This Statement of Intent is for the 2021/22 Financial Year to 30 June 2022, and for the two following financial years.

The purpose of this document is to publicly state the objectives, activities and intentions of NAL.

NAL acknowledges the Letter of Expectation from Shareholders dated 7th December 2020, feedback on the draft Statement of Intent that was received from shareholders following their review and the general expectations for Council Controlled Organisations. These items, among others, are incorporated into NAL's comprehensive planning cycle which runs from March to June. The planning cycle encompasses the strategic plan, the business plan, budgets and financial forecasts. The outcome of this integrated planning process is reflected in this Statement of Intent.

A full copy of the Statement of Intent will be made available via NAL's website within 30 days of delivery to Shareholders. [www.nelsonairport.co.nz](http://www.nelsonairport.co.nz)

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## PURPOSE STATEMENT

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

# EXECUTIVE SUMMARY - OUR STRATEGIC OBJECTIVES

For the financial year 2021/22 to 2023/24, the Statement of Intent concentrates on the following Strategic Objectives:

## People, Culture and Values



- Enhance policy framework and accountability.
- Maintain a culture of open communication and respect.
- Health and wellbeing "Get Active Be Well" programmes.
- One airport, one team. Committed, motivated, "we not me".

## Health, Safety and Risk



- Top ten risks identified, mitigated and managed.
- Continuous improvement in identifying and managing all health and safety risks.
- Continuous improvement in staff engagement and wellbeing.
- No lost time injuries or serious harm injuries.
- Build on successful result of CAA Safety Management System audit.

## Infrastructure and Property



- Plan / design / develop core infrastructure e.g. underground services.
- Complete Full Spatial Plan and Asset Management Plan.
- Manage The Nelson Plan process to successful outcome.

## Financial Results



- Maintain reliable and informative accounts and financial reports.
- Manage performance for long-term growth and returns.
- Manage debt levels.
- Review the dividend policy.
- Obtain an unmodified audit opinion from Audit New Zealand.

## Customers and Stakeholders



- Build and maintain meaningful relationships, especially with local iwi.
- Embrace technology to improve customer and stakeholder experience.
- Restructure the marketing programme to directly manage outcomes for NAL.
- Utilise customer research to monitor customers' needs.

## Environmental Sustainability



- Manage, monitor and report on carbon usage.
- Refuse, reuse and recycle products – work to reduce waste in all areas.
- Conduct an assessment of a solar farm at scale.
- Offset at 120% until carbon neutrality achieved.

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# NATURE AND SCOPE OF ACTIVITIES

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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 development and growth of the Nelson Tasman economy. Its operations and services deliver significant benefits to the Nelson Tasman region. Its key service is moving people into and out of the region. Prior to COVID-19, the number of passengers through the airport was progressively increasing, matching the growth in the region's population and visitor expenditure. NAL has shown resilience through the COVID-19 pandemic and it is anticipated that ongoing improvements in the handling of virus cases and development of viable vaccine solutions will result in a return to previously predicted levels of activity within a 4 to 5-year timeframe.

The airport supports some 30 related businesses that service passengers or require access to air services or airport infrastructure.

The airport also has important catalytic effects on the Nelson Tasman region. An efficient, well connected airport gives the area a competitive advantage.

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

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



The revenue streams earned reflect the scope of airport activities. Diagram 1 below illustrates a summarised view of the projected revenue split, based on the latest full year 2021/22 forecast.

In addition to passenger related income, NAL generates revenue from the property it controls. NAL may grant sub-leases of the land, buildings or installations vested in NAL for any purpose that contributes to the safe and efficient operation of the airport.

## REVENUE ANALYSIS

The following diagrams analyse revenues in two different ways.

2021/22 REVENUE FORECAST  
BY REVENUE STREAM

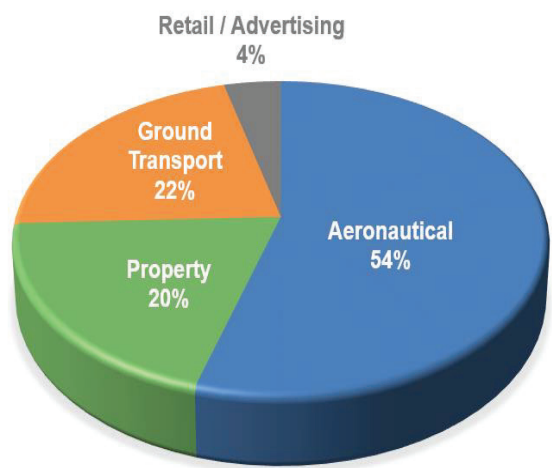


Diagram 1

MAY 2021 REVENUE BY  
DIVERSIFICATION CATEGORIES

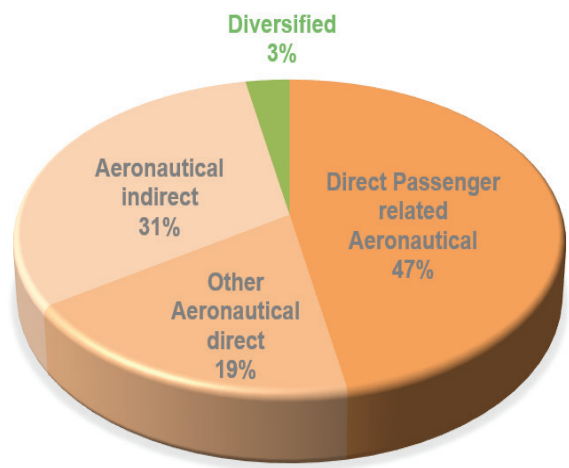


Diagram 2

The business has traditionally looked at revenues as categorised in diagram 1.

Conversations around diversification of income have focused on identifying opportunities to decrease the proportion of the pie that the “Aeronautical” revenues represent. The Aeronautical revenues in diagram 1 are comprised of passenger related aeronautical charges from Regular Passenger Transport operators (Air New Zealand, Originair and Sounds Air) plus landing charges from General Aviation flights (itinerant aircraft and other non-airline planes based at the airport) and aircraft parking charges.

Diagram 2 is showing degrees of diversification from those directly linked to Regular Passenger Transport carriers (the airlines) through to those that are ‘fully diversified’ i.e. have no link to any aeronautical or airport activity. Utilising May actuals provides a ‘snapshot’ of the current situation.

The following list gives examples of each of the diversification categories displayed;

- Direct Passenger-related Aeronautical – revenues directly related to the number of airline passengers processed. These revenues correlate 100% with total passenger numbers.

- Other Aeronautical Direct – revenues directly associated with airfield activity. Such revenues include landing charges for general aviation (non-airline) aircraft, rental of hangars and repair facilities for aircraft.
- Aeronautical Indirect – revenues that have a positive correlation with total passenger numbers over time but not a perfect correlation in the short-term. Such revenues include rental car related revenues, retail, advertising.
- Diversified – Revenues independent of other airport activity.

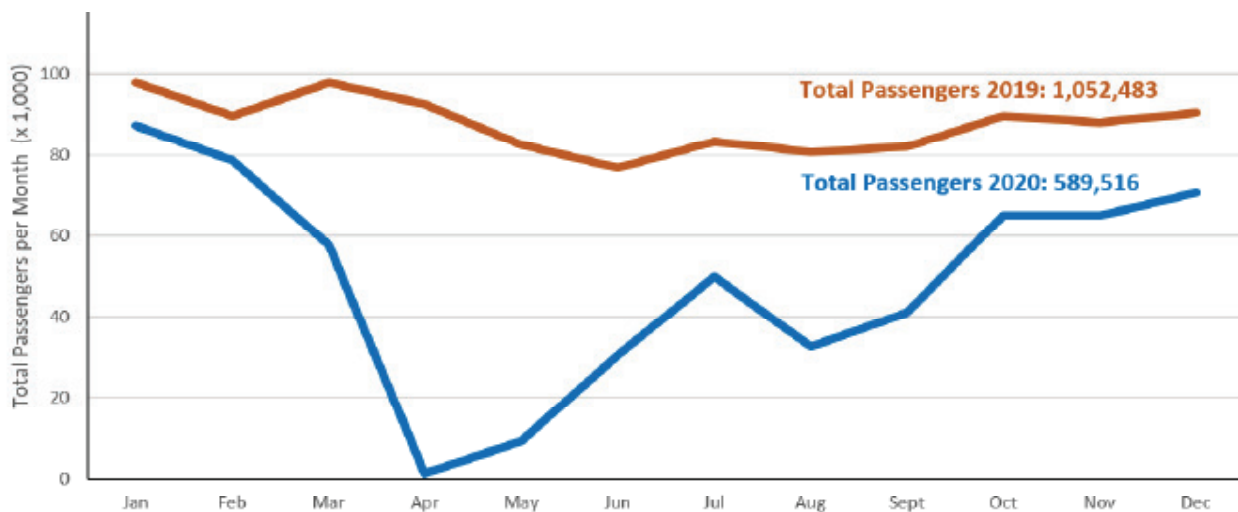
NAL will continue to appraise opportunities for diversification of income in support of resilience, business growth and economic sustainability.

The above analysis provides a benchmark against which to measure future progress in diversification over the medium and long term.

## COVID-19

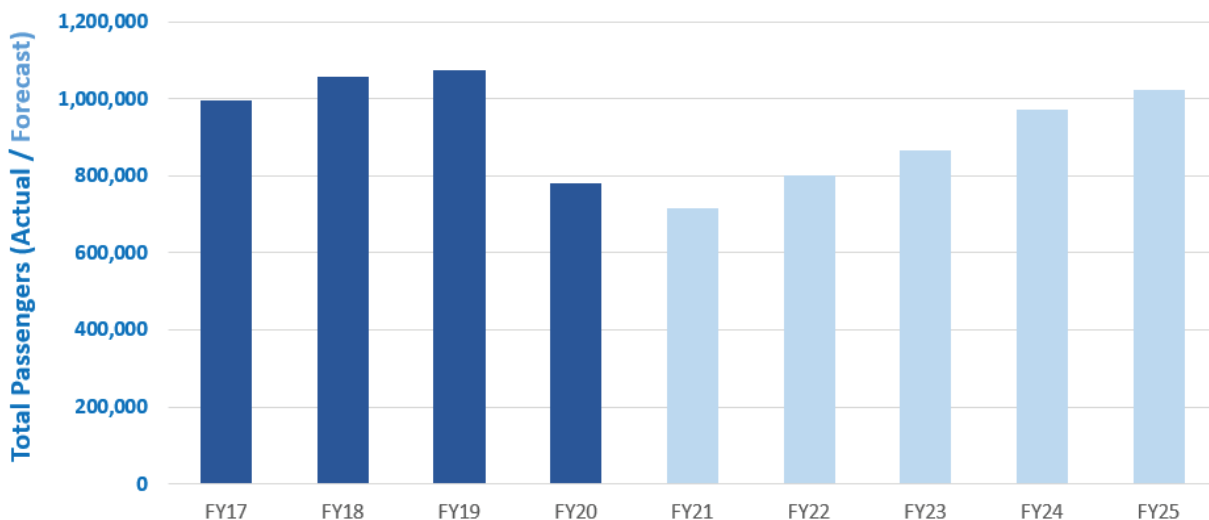
The COVID-19 pandemic continues to have an impact on NAL's business although this has now reduced given the recovery of domestic travel. International travel is slowly returning with the Australia and Cook Islands travel bubble up and running. The graph below shows a monthly comparison of passenger numbers for the 2019 and 2020 calendar years. It should be noted that prior to COVID-19, Jetstar withdrew operations from regional airports, including Nelson at the end of November 2019. In the year to November 2019 Jetstar carried 174,796 passengers through Nelson Airport. Our carriers have ensured the travelling public has retained access to frequent scheduled flights and this combined with the public's propensity to utilise regional domestic flights has enabled a faster than expected recovery.

### PASSENGER COMPARISON 2019 vs 2020 (calendar years)



### HISTORICAL vs FORECAST TOTAL PASSENGERS

Uncertainty remains as New Zealand manages new, more contagious strains of COVID-19 at the borders making planning and investment more challenging. Our initial FY21 target of 403,000 passengers has been revised upwards to 715,000. The forecast for FY22 and beyond reflects a slow recovery due to new COVID-19 strains and ongoing infection levels. We expect this recovery to continue until a widespread vaccination programme has been implemented and proven effective.



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# HEALTH, SAFETY AND RISK MANAGEMENT

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Any aviation business depends on an impeccable safety record to ensure success. NAL is dedicated to ensuring our workplace is accident free and that the health of everyone in our workplace is protected. It is the duty of every Airport employee to be familiar with the company's Health and Safety policies, procedures and practices. NAL insists on, and actively encourages, open and honest reporting of all safety and health hazards and incidents within a 'just safety reporting culture'.

NAL requires all its employees, tenants, contractors and other stakeholders to work both individually and as a team to ensure a safe workplace. Success of the Safety Management System (SMS) across our precinct will only be achieved through collaboration and open communication and a strong safety culture.

We have systems in place to ensure regular audits of the Health and Safety manuals, policies, and procedures and involve all staff who provide input into these matters. We monitor industry activity to remain up to date on best practices and incorporate these into our own practices, where it is possible and practicable to do so. NAL's Health and Safety Policy is formally reviewed and signed off at Board level annually.

Our measurement of success as a company will include an accident free and healthy workplace. Our Employee Assistance Programme (EAP), offered to all staff and their immediate family free of charge, underpins wellbeing and incorporates associated reporting to Board and CEO.

Our newly established comprehensive Safety Management System (SMS) has been audited by the Civil Aviation Authority (CAA) for the first time and has been certified as "present and suitable" with no significant adverse findings. NAL is now focused on continued improvement towards certification by CAA as "operating and effective". Readers will note that this has been set as a target for the 2021/22 year.

NAL continues to facilitate monthly Safety/Security fora with staff and stakeholders, ensuring they are participative and relevant. Relevant safety training is provided to all staff members.

The Board actively reviews a detailed Health and Safety Report at all Board meetings.

NAL maintains a live Risk Register, monitoring and reviewing the key risks regularly and ensuring that resources are available to effectively manage the risks.

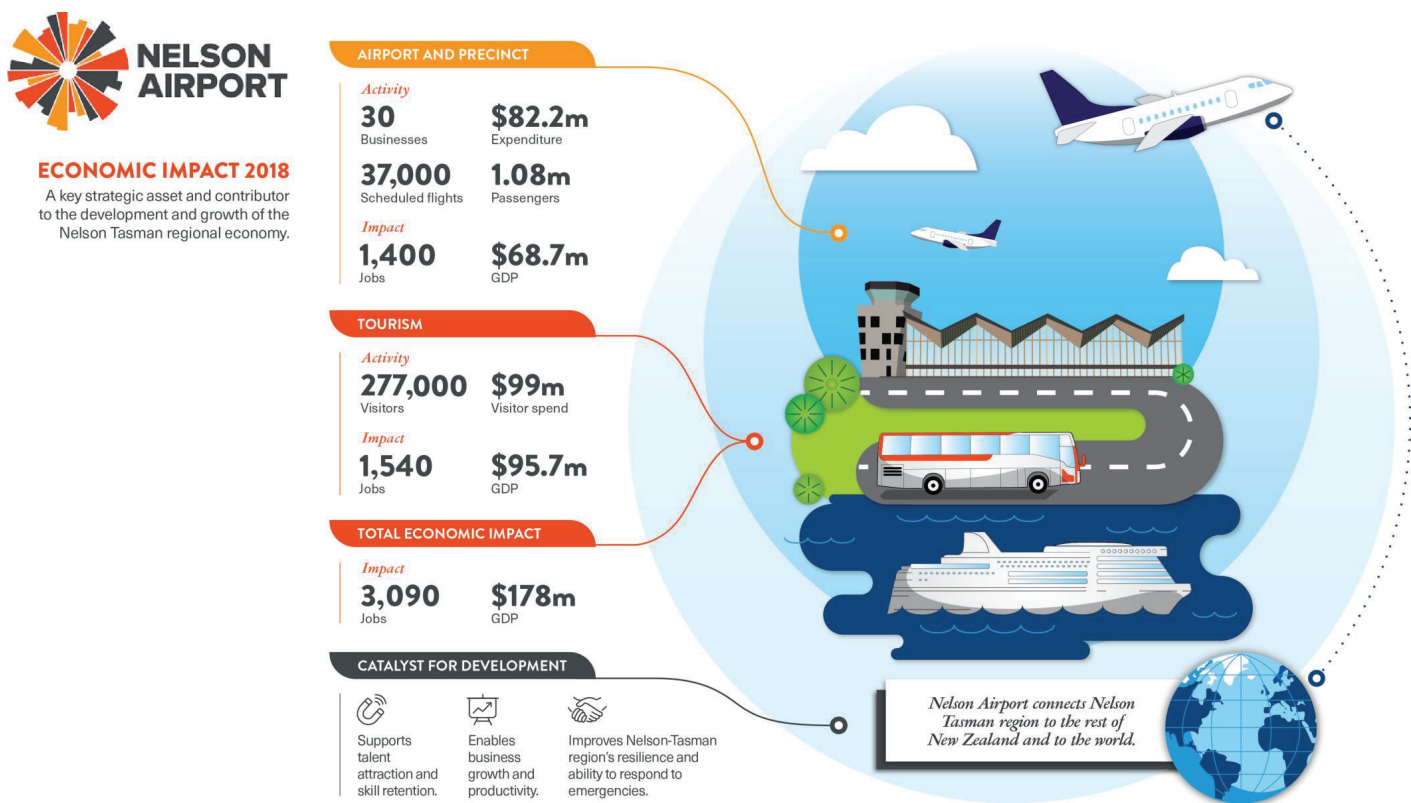


# THE NELSON PLAN

NAL continues to evaluate its facilities and infrastructure and how it can contribute to the success of the region. The Nelson Plan process helps bring focus to that evaluation and allows the airport to present a view of its development and future contribution to the region's economy. Near term demands for cashflow and efficiency need to be balanced with the airport's ability to manage growing passenger numbers, growing demand for space on the airport precinct and potential future options around freight, solar power and alternate modes of transport to the airport and in the air.

The following diagram identifies and highlights Nelson Airport's economic contribution to the local economy.

The figures presented are as at 2018.



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## INFRASTRUCTURE AND PLANNING

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The new terminal has been the recipient of multiple awards. It has also proven to be a functional and efficient airport terminal building. There is now an opportunity to focus on developing the airport and optimising the use of the precinct as well as the terminal itself. Whilst recognising the care required before any major spend can be undertaken in the current environment we cannot stop moving forward.

We have committed to an apron upgrade, a new replacement rescue fire appliance and fire station emergency management centre.

We continue to focus on improving stormwater infrastructure, demolition of the final remains of the old terminal and the development of new cargo facilities, perimeter security and extending the covered airside walkway. Plans are being considered for hangar developments and further support for cyclists and electric cars.

NAL recognises the inextricable link between climate change and infrastructure development and management.

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## CULTURAL RELATIONSHIPS

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NAL recognises the importance of the local mana whenua iwi. We need to better reflect this in our governance and management.

Governance is a matter for shareholders. NAL will investigate, alongside local iwi, an effective way to bring meaningful iwi representation to our governance team.



# SUSTAINABILITY

## Sustainability for the purposes of NAL has been considered in three ways:

1. Economic sustainability - The impact of COVID-19 on the aviation industry and on the wider regional economy has forced us to look carefully at our business and consider its financial resilience.
2. Mitigating our impact on the climate.
3. Mitigating the impacts of climate change on our business.

## ECONOMIC SUSTAINABILITY

The challenges presented by COVID-19 highlighted the dependency that NAL has on aeronautical income.

The revenue analysis on page 5 illustrates the challenge that NAL faces with diversification of income as a tool towards better economic sustainability. Rather than signalling a change in focus from our core business this signals a necessary addition to our business to ensure we remain viable to serve our key clients.

## CLIMATE CHANGE – MITIGATING NAL'S IMPACT

NAL has measured and offset 120% of its Scope 1, 2 & 3 CO<sub>2</sub> emissions from its business operations for the 2020 calendar year period with the following details:

Total emissions = 177.44 t CO<sub>2</sub>-e

Total offsets purchased = 212.93 t CO<sub>2</sub>-e (120%)

| Metric                            | Emissions t CO <sub>2</sub> -e | Percentage  |
|-----------------------------------|--------------------------------|-------------|
| Electricity consumption           | 113.1                          | 64          |
| Waste                             | 22.2                           | 13          |
| Land transport                    | 12.9                           | 7           |
| Fuel and energy related emissions | 12.5                           | 7           |
| Downstream leased assets          | 7.4                            | 4           |
| Air conditioning / refrigerants   | 7.3                            | 4           |
| Air travel and accommodation      | 2.0                            | 1           |
| <b>TOTAL</b>                      | <b>177.4 t</b>                 | <b>100%</b> |

Focusing on NAL's operations, the biggest gains are to be made from reducing our electricity usage and continuing to investigate the use of renewable sources of electricity including solar. We will continue to look for viable options for solar facilities to be used to support a greener electricity use profile.

NAL sees that it has a role to encourage and enable its carriers, tenants and customers to be more sustainable. The gains available through our clients significantly outweigh the opportunities from our own operations. Through the future provision of sustainable alternatives NAL will support the use of bicycles, e-bikes and e-cars. We will provide safe storage for bicycles and charging stations for e-vehicles.

Significant emission reductions will be made in the future when our carriers choose to move to alternate fuels, hydrogen and/or electric aeroplanes. To support this we will investigate the viability of a solar farm to provide electricity for recharging or to potentially make hydrogen as a fuel.

## CLIMATE CHANGE – MITIGATING IMPACT ON NAL

Nelson airport is situated on the coast and is susceptible to flooding and coastal erosion. This situation will be exacerbated by the likely impact of climate change over time.

### FLOODING

The airport experiences surface flooding when a high tide and a low-pressure weather system coincide. NAL is currently looking at stormwater piping upgrades, tidal control valves, stop banks, additional sumps and the use of the lagoon as a retention pond as potential options to reduce the impact of flooding.

NAL has recognised the need to carefully monitor service levels of flood-prone infrastructure. As the service level profiles are understood by NAL they will become important tools in managing this risk. An example might be recognising the number of hours or days per year on average that a taxiway may be unserviceable due to expected inundation and utilising that factor explicitly in forming the business case for related capital works.

### 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 just received an updated coastal erosion analysis from independent experts. This will inform NAL of viable means to manage coastal erosion on airport land and prioritisation of related capital works options.

# OUR 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.

2021/22

| STRATEGIC AREA                    | MEASURE                                                                                    | TARGET                                                                                   |
|-----------------------------------|--------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------|
| <b>People, Culture and Values</b> | Staff wellbeing policy created, consulted with staff and formally signed off by the Board. | By 31 December 2021                                                                      |
|                                   | Board and management to determine and promulgate new values statement.                     | By 31 December 2021                                                                      |
|                                   | Design and implement a staff survey.                                                       | By 30 June 2022                                                                          |
|                                   | Implement new remuneration structure.                                                      | By 31 July 2021                                                                          |
|                                   | Board and CEO oversight of Employee Assistance Programme (EAP) activity.                   | All EAP independent reports reviewed by nominated Board representative and CEO           |
| <b>Health, Safety and Risk</b>    | Nil harm to staff, contractors and visitors.                                               | Nil Serious harm injuries<br>Nil Lost-time injuries                                      |
|                                   | Improve operational safety.                                                                | NAL to facilitate a minimum of 9 Safety/Security meetings                                |
|                                   | Educate NAL staff on human factors in safety to reinforce safety culture.                  | Specific training for all staff                                                          |
|                                   | Further improve implementation of NAL's newly implemented Safety Management System (SMS).  | Obtain audited certification from CAA as "Operating and Effective"                       |
|                                   | Ensure all incidents are investigated appropriately and actions/learnings processed.       | Formal incident investigation training for Airfield & Safety Manager by 31 December 2021 |

| STRATEGIC AREA                      | MEASURE                                                                                                     | TARGET                                                                                                                                                  |
|-------------------------------------|-------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Infrastructure and Property</b>  | Implement Phase I of upgrade of stormwater improvement works for storm surge and sea level rise mitigation. | By 30 June 2022                                                                                                                                         |
|                                     | Complete rental car facilities, including offices and public counters, for on-site rental car operators.    | By 30 June 2022                                                                                                                                         |
|                                     | Construct new purpose-built rescue fire and emergency management centre.                                    | By 30 June 2022                                                                                                                                         |
|                                     | Implement full aerodrome aviation security fence.                                                           | By 30 June 2022                                                                                                                                         |
| <b>Financial Results</b>            | Manage performance to achieve real business growth, maximising return to shareholders.                      | Total Revenues \$13.7m<br><br>Earnings before Interest, Tax and Depreciation (EBITDA or Operating Profit) \$8.0m<br><br>Dividends Policy to be reviewed |
|                                     | Maintain accurate, reliable and informative financial records and reports.                                  | Secure an unmodified audit opinion from Audit New Zealand                                                                                               |
| <b>Customers and Stakeholders</b>   | Actively support airlines and the market to achieve customer growth.                                        | Total passengers 800,000                                                                                                                                |
|                                     | Establish a positive, effective, ongoing relationship with local iwi.                                       | Advocate for establishment of a meaningful representation for local iwi at governance level                                                             |
|                                     | Utilise research to understand NAL's customer profile in the post COVID environment.                        | Implement a customer survey by 31 December 2021                                                                                                         |
| <b>Environmental Sustainability</b> | Continuous improvement in sustainability performance.                                                       | At least one new significant sustainability project completed delivering a step-change in environmental performance/impact                              |
|                                     | Complete coastal protection works where critical to airfield protection.                                    | By 30 June 2022                                                                                                                                         |
|                                     | (see Stormwater improvement works under Infrastructure section above)                                       |                                                                                                                                                         |

# MEDIUM TERM MILESTONES & ACTIVITIES

2022/23 - 2023/24

| STRATEGY                                         | ACTIVITY / MILESTONE                                                                                                                                                                                                                                                                                                                                                                 |
|--------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>People, Culture and Values</b>                | <p>A place where people want to work.</p> <p>No unplanned staff turnover.</p> <p>Best practice training &amp; development policy in place and delivering enhanced organisational capability.</p>                                                                                                                                                                                     |
| <b>Health, Safety and Risk</b>                   | <p>No major findings from Civil Aviation Authority safety or security audits.</p> <p>Investigate pushback configuration on the apron in conjunction with users.</p> <p>Delivery and commissioning of new Rosenbauer rescue fire appliance.</p> <p>Implement domestic security screening as required by legislation while effectively managing the impact on customer experience.</p> |
| <b>Infrastructure and Property</b>               | <p>Complete apron reconfiguration including resurfacing and possible pushback configuration.</p> <p>Complete refurbishment of runway surface including grooving to enhance aeronautical safety.</p> <p>Commence construction of significant southern airfield development including new hangars in response to demand (aircraft and freight activity).</p>                           |
| <b>Financial Results</b>                         | <p>Total Revenues of \$18m per annum by June 2024.</p> <p>EBITDA of \$12m per annum by June 2024.</p> <p>Improved cost of funds supporting debt management, further airport developments and improved dividends.</p>                                                                                                                                                                 |
| <b>Customers and Stakeholders</b>                | <p>Complete a permanent air cargo facility in consultation with airlines.</p> <p>972,000 passengers per annum by June 2024.</p>                                                                                                                                                                                                                                                      |
| <b>Environmental and Economic Sustainability</b> | <p>Further reduction in carbon emissions by reduction of energy use and waste.</p> <p>Complete Phase 2 of stormwater services upgrade and sea level rise mitigation project.</p> <p>Continue to monitor and respond to threats posed by coastal erosion.</p> <p>Continue to target initiatives that deliver diversified revenues.</p>                                                |

## Note

The financial targets included in the tables above are consistent with the Prospective Summary Financial Statements provided in this document.

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## GOVERNANCE

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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 meets its objectives as defined in this 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 five, 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 this 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.

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## THE VALUE OF SHAREHOLDERS INVESTMENT IN NAL

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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 will be undertaken as required from time to time by the Shareholders or Directors.

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# INFORMATION TO BE PROVIDED TO SHAREHOLDERS

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## 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 28th 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 will be published on NAL's website following delivery to 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 1st March
- Comments from Shareholders on draft Statement of Intent, if any, to be provided to NAL by 1st May
- Completed Statement of Intent to be delivered to Shareholders by 30th June after consideration of any Shareholder comments
- Completed Statement of Intent to be made available to the public within one month of delivery to 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 30th 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 30th 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 31st 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 ten 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 ten 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 2016, following a thorough consultation process. The aeronautical charges are updated to reflect the actual cost and configuration of the new terminal development infrastructure.

FY21 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)

|                                       | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
|---------------------------------------|---------|---------|---------|---------|
| Total Revenues                        | 11.2    | 13.7    | 15.2    | 17.6    |
| Total Operating Expenses              | (5.1)   | (5.7)   | (5.8)   | (5.9)   |
| EBITDA before Other Income / Expenses | 6.1     | 8.0     | 9.4     | 11.7    |
| Depreciation and Amortisation         | (3.5)   | (3.6)   | (4.1)   | (4.5)   |
| Other Income / (Expense)              | 3.0     | 0.4     | 0.3     | 0.3     |
| EBIT                                  | 5.6     | 4.8     | 5.6     | 7.4     |
| Finance (Expense) / Income            | (1.1)   | (1.1)   | (1.2)   | (1.3)   |
| Profit before Income Tax              | 4.5     | 3.6     | 4.4     | 6.2     |
| Income Tax                            | (0.6)   | (1.2)   | (1.4)   | (2.0)   |
| Net Profit after Income Tax           | 3.8     | 2.5     | 2.9     | 4.2     |

#### Notes

In the 2020/21 financial year, Other Income includes the non-taxable gain on acquisition of fixed assets of \$2.5m.

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

| Capital Expenditure Forecast             | 2021/22 | 2022/23 | 2023/24 |
|------------------------------------------|---------|---------|---------|
| Aprons, Taxiways and Runway              | 0.4     | 3.5     | 2.6     |
| Commercial Developments                  | 2.0     | 0.2     | 1.3     |
| Solar Electricity Generation             | 0.0     | 0.0     | 1.7     |
| Drainage / Stormwater Works              | 0.5     | 0.0     | 0.1     |
| Landside Roading / Carparks              | 0.3     | 0.4     | 0.0     |
| Security and Rescue Fire Service         | 2.2     | 2.8     | 0.0     |
| Coastal Erosion Prevention / Remediation | 0.7     | 0.0     | 1.4     |
| Other Capital Expenditure                | 1.3     | 0.5     | 0.6     |
|                                          | 7.5     | 7.4     | 7.6     |

## Prospective Summary Statement of Financial Position - As at year end (\$ million)

|                                     | 2021/22 | 2022/23 | 2023/24 |
|-------------------------------------|---------|---------|---------|
| <b>Assets</b>                       |         |         |         |
| Current Assets                      | 1.8     | 2.0     | 2.2     |
| Property, Plant & Equipment         | 113.4   | 116.7   | 119.8   |
| Intangible Assets                   | 0.1     | 0.1     | 0.1     |
| <b>Total Assets</b>                 | 115.3   | 118.8   | 122.1   |
| <b>Liabilities</b>                  |         |         |         |
| Current Liabilities                 | 1.8     | 2.2     | 3.1     |
| Total Loan Finance                  | 35.6    | 37.2    | 36.8    |
| Total Other Non-Current Liabilities | 6.2     | 5.9     | 5.6     |
| <b>Total Liabilities</b>            | 43.6    | 45.2    | 45.5    |
| <b>Total Net Assets</b>             | 71.7    | 73.6    | 76.6    |
| <b>Total Equity</b>                 | 71.7    | 73.6    | 76.6    |

## Prospective Key Ratios and Indicators - As at year end

|                                           | Note | 2021/22 | 2022/23 | 2023/24 |
|-------------------------------------------|------|---------|---------|---------|
| Working Capital (\$ x 1,000,000)          | 1    | (0.1)   | (0.2)   | (0.9)   |
| Working Capital Ratio                     | 2    | 1.0     | 0.9     | 0.7     |
| Return on Equity                          | 3    | 5.1%    | 5.9%    | 8.1%    |
| Shareholders' Funds to Total Assets Ratio | 4    | 0.6     | 0.6     | 0.6     |
| Debt to Equity Ratio                      | 5    | 0.5     | 0.5     | 0.5     |
| Leverage Ratio                            | 6    | 4.4     | 4.0     | 3.1     |
| Interest Cover Ratio                      | 7    | 7.2     | 7.7     | 9.5     |

### Notes

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

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

|                               | 2021/22 | 2022/23 | 2023/24 |
|-------------------------------|---------|---------|---------|
| Cash Opening Balance          | 0.2     | 0.2     | 0.2     |
| <b>Cash In</b>                |         |         |         |
| Cash from Operations          | 15.6    | 17.3    | 20.1    |
| Cash drawn from Loan Facility | 2.8     | 1.7     | 3.6     |
| Other Assets/Liabilities      | 0.5     | 0.0     | 0.0     |
| <b>Total Cash Inflows</b>     | 18.9    | 19.0    | 23.7    |
| <b>Cash Out</b>               |         |         |         |
| Operational Expenses          | 6.1     | 6.3     | 6.4     |
| Income Tax Paid               | 1.5     | 1.3     | 1.8     |
| Dividends                     | 1.05    | 1.13    | 1.20    |
| Capital Expenditure           | 8.8     | 8.5     | 7.9     |
| GST Paid/(Received)           | 0.4     | 0.5     | 1.1     |
| Loan Repayments               | 1.1     | 1.2     | 5.2     |
| <b>Total Cash Outflows</b>    | 18.9    | 19.0    | 23.7    |
| 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.

## ACCOUNTING POLICIES

NAL reports financially under the new 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 30th June.

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

## DIVIDEND POLICY

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 \$321k to \$800k in the ten-year period to 2020. This is dividend growth of 149% over the period or a compound annual growth rate of 10%. Now that the terminal redevelopment has been delivered, it is appropriate for the company to review its policy on dividends. The board are committed to reviewing the current Dividend Policy in the current year.

## PROCEDURE FOR ACQUISITION OF OTHER INTERESTS

If the Directors believe that 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.