



NELSON AIRPORT
Good things start here.

STATEMENT OF INTENT

2020/2021

Amended 04/09/20



INTRODUCTION

This Statement of Intent is presented by the Directors of Nelson Airport Limited (“NAL”) in accordance with section 64 of the Local Government Act 2002.

This Statement of Intent is for the 2020/21 Financial Year to 30 June 2021, 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 20th December 2019 and the specific expectations regarding Director recruitment, Maori considerations in land and water management, the inclusion of SMART targets and reporting on climate risk and carbon emissions. These items, among others, were 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 Final *Statement of Intent*, which is to be delivered to Shareholders prior to the end of the current financial year.

A full copy of the Statement of Intent will be made available via the website within 30 days of delivery to Shareholders (www.nelsonairport.co.nz).

NAL is a Council Controlled Trading Organisation under section 6 of the Local Government Act 2002.

Purpose Statement

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

Executive Summary – Our Strategic Objectives

For the financial period 2021 to 2023, the Statement of Intent concentrates on the following Strategic Objectives:

Environmental Sustainability 	<ul style="list-style-type: none"> • Manage, monitor and report on carbon usage. • Refusing, reusing and recycling of products. • Solar Farm assessment. • Investigate grey-water reuse opportunities. 	Purpose 	<ul style="list-style-type: none"> • To provide world-class infrastructure connecting Te Taihū to the world and supporting regional development.
Health, Safety & Risk 	<ul style="list-style-type: none"> • Top ten risks identified, mitigated and managed. • Continuous improvement in identifying and reducing H&S risks. • Continuous improvement in staff engagement and wellbeing. • No Lost Time Incidents (LTIs). 	People, culture and values 	<ul style="list-style-type: none"> • Create a culture of open communication and respect. • Health and wellbeing "Get Active" programmes. • Build culture up at every level. • One airport, one team. Committed, motivated, "we not me".
Customers 	<ul style="list-style-type: none"> • Maintain and build new relationships, including with local iwi. • Embrace technology to improve customer and stakeholder experience. • Restructure the marketing programme to directly manage outcomes for NAL. • Research to adapt to customer needs. 	Planning and Infrastructure 	<ul style="list-style-type: none"> • Focus on core infrastructure e.g. underground services. • Complete Masterplan, Asset Management Plan and property database. • Consider access to shovel-ready funding. • Manage NRMP process to successful outcome.
Compliance 	<ul style="list-style-type: none"> • Enhance policy management procedures and accountability. • Obtain an unmodified audit opinion from Audit NZ. • Complete CAA audit of Safety Management System (SMS). • Effectively manage airport noise. 	Financial 	<ul style="list-style-type: none"> • Be agile and proactive. • Complete five-yearly airline pricing consultation. • Safeguard debt levels and minimise long-term damage. • Year one - Revenues \$6.3m, EBITDA \$2.3m, Passengers 403,000.

NATURE & SCOPE OF ACTIVITIES



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

NAL 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. The number of passengers through the airport is increasing over time, matching the growth in the region's population and visitor expenditure.

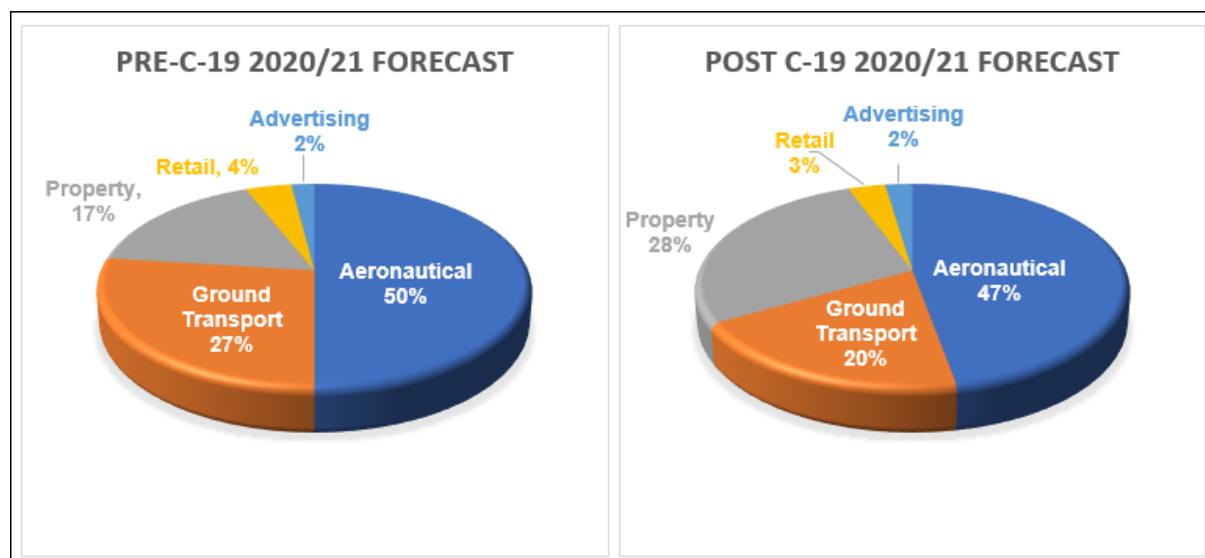
The airport precinct enables air services into and out of the region. It supports about 30 related businesses that service passengers or require access to air services or airport infrastructure.

The airport also has important catalytic effects on the Nelson Tasman region. An efficient, well-connected airport will give an 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. The diagram below illustrates a summarised view of the revenue split, based on the FY21 full year forecasts. The diagram shows the relative percentages of each major revenue stream in forecasts both before and after the COVID-19 pandemic.



The significant fall in both Aeronautical and Ground Transport revenues reflect the decrease in the passenger throughput forecast post COVID-19.

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.

COVID-19

The COVID-19 pandemic swiftly hit the majority of NAL's revenue streams with total revenue falling by 75%. NAL was very agile in its response and has mapped the company's way through FY21 with Capital and Operational Expenditure significantly reduced and/or deferred. NAL will continue to examine every opportunity to increase revenues and efficiencies and save/minimise and defer costs.

The recovery from the COVID-19 pandemic remains uncertain however good gains are being made by New Zealand. Early signs and updates from Air New Zealand suggest that domestic recovery may be better than we had previously expected and the move to Level 1 on 9 June 2020 was a positive move in that direction. Domestic aviation in New Zealand has begun the tentative steps to recovery and the real recovery only begins now we are at Alert Level 1.

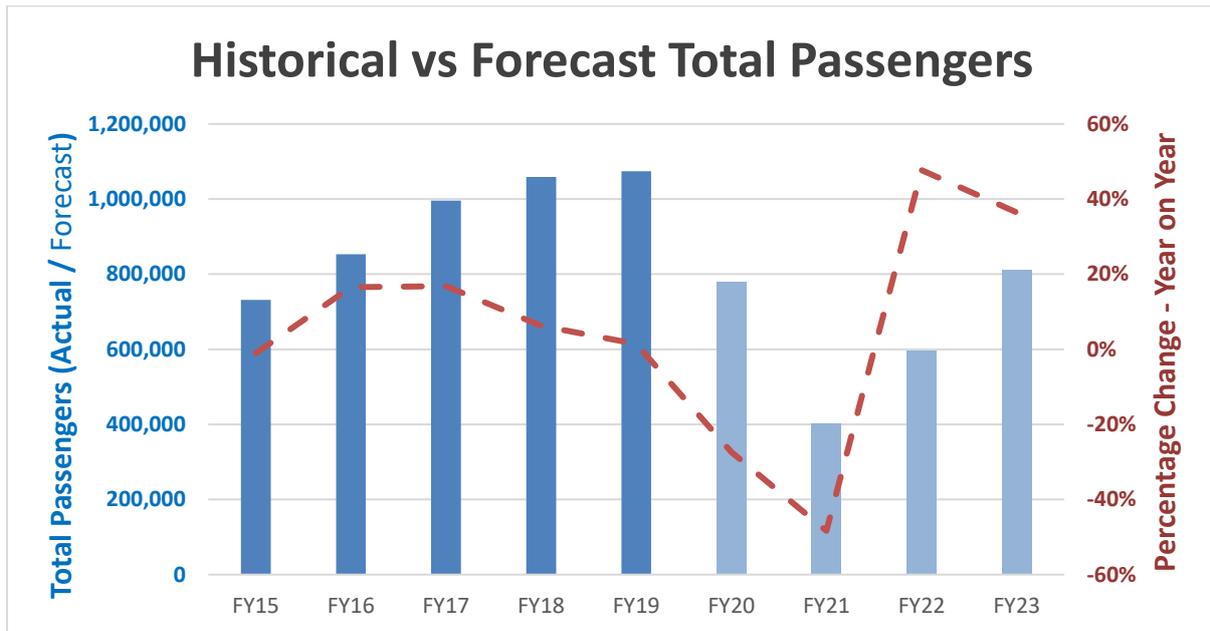
However, it will remain below pre COVID-19 levels given:

- (1) the lack of international connectivity
- (2) a lower level of business travel
- (3) consumer apathy to air travel
- (4) the economic consequences of COVID-19 on consumer confidence.

The graph below shows historical and forecast passenger numbers with the forecast reflecting the latest assumptions for a post COVID-19 recovery.

The passenger forecast has been built using a schedule-based forecasting methodology. This uses the airline's planned schedules, along with historical and estimated load factors applied to enable accurate seasonality profiling.

Our FY21 target is 403,000 passengers, a 48% decrease on FY20. NAL is forecasting a steady recovery to 812,000 passengers for the FY23.



HEALTH, SAFETY AND RISK MANAGEMENT

The safety and wellness of all members of the airport community continues to be our highest priority. NAL's stated Health and Safety Policy objective is Zero Harm and we operate under a 'Just' reporting culture where all staff and stakeholders are encouraged to raise concerns and report incidents directly with NAL management.

Health, Safety and Risk Strategic Objectives - The following diagram summarises NAL's strategic objectives regarding Health, Safety and Risk Management.



Several safety and security initiatives have been implemented or investigated as part of NAL's commitment to continuous improvement. Highlights include:

- Implementation of an automated lightning detection system that warns airside operators of thunderstorms in the vicinity of the airport
- Implementation of a revised code of conduct for apron operations in collaboration with airside partners
- Facilitating monthly Safety and Security meetings with stakeholders to discuss all airport operations, both airside and landside
- Bimonthly Risk Committee Meetings attended by senior NAL management and Board members
- Investigating improved software platforms for managing health, safety and risk management
- Active involvement in the newly created New Zealand Aviation Wildlife Hazard Group, sharing information and knowledge for airport bird control

NAL needs to have the ability to identify and address key risk areas and the agility to quickly close any gaps through:

- Identifying and understanding the risks that matter
- Investing in managing risks that are mission critical to NAL
- Effectively and continually assessing risks across the whole company and driving accountability and ownership
- Demonstrating the effectiveness of risk management to workers, customers, management and regulators

Ongoing review and reporting of risks is carried out as follows:

- Key risks are reviewed by management on a regular basis
- Following management review the key risks are presented to the Board for review
- A senior management team member sponsors each identified key risk
- Risk owners lead reviews of the risk ratings with as much objectivity as possible and facilitate a discussion on how best to manage these risks as low as reasonably practicable
- Enhanced staff awareness of health and safety, combined with robust recording and reporting processes ensure that any new risks are identified, analysed and managed as they arise

NAL has designed a comprehensive Safety Management System in accordance with Civil Aviation Authority rules. The new Safety Management System will coordinate all health, safety and risk management activities and reporting throughout NAL and the wider airport precinct where NAL has health and safety responsibilities. NAL has obtained approval from the Civil Aviation Authority for the implementation plan, which is currently being executed, with full implementation scheduled for completion and Civil Aviation Authority audit by August 2020.

NAL will use the implementation of the new comprehensive Safety Management System to identify and adopt enhanced measures for health and safety.

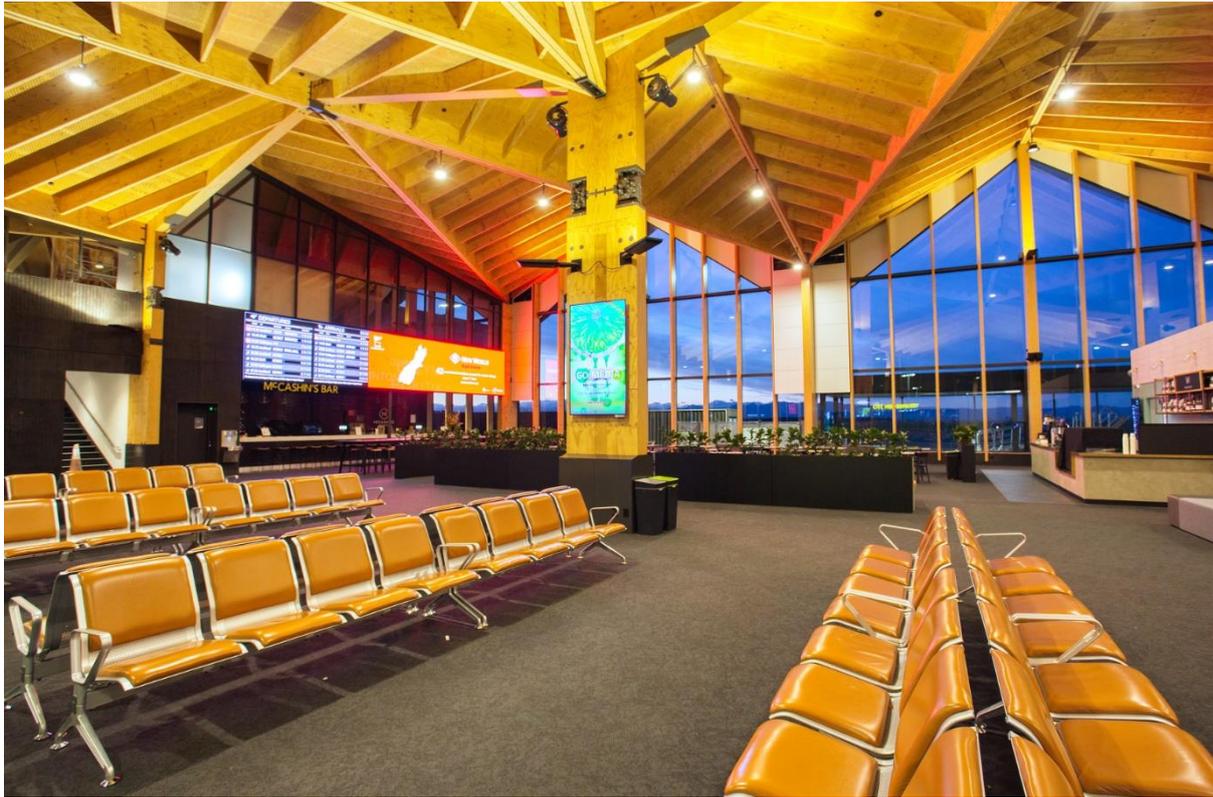
NAL continues to encourage a Smokefree environment with all NAL controlled buildings being 100% Smokefree and the provision of a single, well-defined smoking area at the South end of the new terminal precinct. NAL will engage with the Nelson Marlborough District Health Board to explore options to further encourage a Smokefree environment.

NELSON RESOURCE MANAGEMENT PLAN (NRMP)

The review of the Nelson Resource Management Plan has provided NAL with the opportunity to evaluate the facilities and infrastructure it will need in the future to support regional development and growth considering the airport's economic and social wellbeing obligations to the Te Taihū region. The COVID-19 crisis has highlighted the region's strong dependence on aviation, and protection of future growth is critical to connecting Te Taihū to the world. NAL has engaged economic, forecasting, acoustic engineering, survey, flight navigation, and environmental advisers to analyse and support its evaluation.

INFRASTRUCTURE AND PLANNING

On Saturday 19th October 2019 Nelson Airport's impressive state-of-the-art, iconic and innovative terminal was officially opened by the Right Honourable Jacinda Ardern, Prime Minister of New Zealand. The opening heralded the end of a four-year long journey of this ambitious project. This new facility provides additional opportunities for the business to maximise non-aeronautical revenues as activity levels through the airport continue to grow.



Planning will continue for further commercial development identified in the 2040 Master Plan.

In response to the COVID-19 pandemic NAL reviewed all forecast future capital expenditure. Vital capital expenditure was retained in the forecast with the overall programme reflecting some deferrals and reductions in scope in response to the tighter fiscal environment post COVID-19.

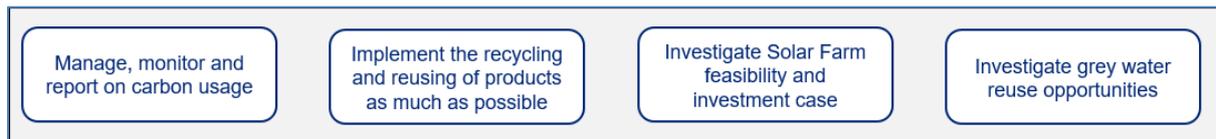
Significant projects prioritised and forecast for the FY21 year include:

- Continue apron upgrades that enhance infrastructure quality, safety and operational efficiency
- Commence a programme for the gradual upgrade of stormwater services and protections against sea level rise
- Complete permanent rental car facilities for onsite operators
- Remove Hangar 3 within the consent limit granted. This project enhances airside safety as the hangar inhibits Airways sightlines to some aerodrome areas
- Provide a permanent air cargo facility solution
- Draft submissions for Nelson Resource Management Plan (Whakamahere Whakatū Nelson Plan)
- Complete an updated Master Plan 2040

SUSTAINABILITY

NAL ensured sustainability was a key consideration throughout the new terminal design and build phases incorporating such features as a timber structure constructed from sustainable local forests and a passive heating/cooling regime incorporating innovative solar chimneys and automatic, natural ventilation of public areas.

The following diagram summarises NAL's Strategic Objectives regarding Environmental Sustainability:



One of the initial goals set out in the sustainability strategy is to become carbon neutral by year end FY20. By purchasing carbon credits and offsetting, this will be achieved. The carbon emissions performance of the business will be measured and progress reported on. Initiatives for on-going carbon reductions are continually being evaluated.

Alternative energy sources are being assessed and the solar panels which were installed on the walkway are being re-deployed to Airport House. All future buildings are to be built with solar capability where possible.

Climate risk will be one of the key risks included in the live risk management process with outlooks and outcomes reported on.

CULTURAL RELATIONSHIPS

NAL is preparing an engagement plan to establish and develop its relationship with local mana whenua iwi. We will develop a strategy that will form the basis to move forward with this engagement process focusing initially on the overall strategy, plans and activities. This will take place through a series of workshops between NAL and iwi to develop concepts and artworks in and around the terminal precinct that tell the stories of local iwi.

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.

Strategic Area	Performance Measure	Target
Infrastructure and Planning	Commence a programme for the gradual upgrade of stormwater services and protections against sea level rise	30 June 2021
	Complete permanent rental car facilities for on-site operators	30 June 2021
	Nelson Resource Management Plan – complete submission	31 December 2020
	Complete updated Master Plan 2020-2040	31 December 2020
People	Lost time injuries	Nil
	Undertake a staff engagement survey	By 30 June 2021
Financial Results	EBITDA	\$2.6m
	Total revenues	\$6.7m
	Capital expenditure	\$4.0m
	Dividends declared	Greater than \$850k
Customers	Implement a customer experience benchmarking plan	Plan completed and benchmark parameters set
	Passengers numbers	403,000
	Iwi engagement	Form a strategy and policy for relationship development
Sustainability	Establish ongoing measurement and reporting of reduction in energy use and waste	June 2021
	A new business case completed for alternative energy source(s)	June 2021
Risk and Compliance	Compliance with Civil Aviation Authority and the Airport Operator Certificate	No Audit findings
	Compliance with audit standards	Unmodified audit opinion

MEDIUM TERM MILESTONES & ACTIVITIES

2021/22-2022/23

Strategy	Activity / Milestone
Customers	Consult on revised aeronautical charges schedule by 30 June 2021
	600,000 passengers pa by June 2022
	Work closely with Air New Zealand under a new service agreement to support passenger growth to the region
Infrastructure	Ongoing airside infrastructure upgrades
	Stormwater services upgrades
Financial	Total Revenues pa \$9.5m by June 2022
	EBITDA pa \$5m by June 2022
Risk and Compliance	Safety Management System approved by the Civil Aviation Authority and fully implemented within the business by 1 February 2021
	Safety culture firmly embedded throughout NAL
	No CAA findings from audits
People	Best practice training & development policy in place and delivering enhanced organisational capability
	A place where people want to work
	An ongoing staff health and wellbeing programme established with good engagement from staff
Sustainability	Further reduction in carbon emissions by reduction of energy use and waste
	Improved recycling practices. This will be achieved by replacing our internal rubbish bins with recycling stations and improved sorting of waste processes.

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

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 NAL meets its objectives as defined in this Statement of Intent
- Ensure 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 monthly 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.

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 registered 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.

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 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 objective

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 with major customers. As per the agreement with airlines the aeronautical charges are updated to reflect the actual cost and configuration of the new terminal development infrastructure.

FY20 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)

	<u>2019/2020</u>	<u>2020/21</u>	<u>2021/22</u>	<u>2022/23</u>
Total Revenues	11.2	6.7	9.5	12.7
Total Operating Expenses	4.6	4.2	4.5	4.7
EBITDA before Other Income/Expenses	6.6	2.5	5.0	8.0
Depreciation and Amortisation	3.2	3.7	3.8	3.7
Finance Expense / (Income)	0.9	1.1	1.1	1.1
Profit/(Loss) before Income Tax	2.6	(2.0)	0.2	3.3
Income Tax	0.7	(0.5)	0.1	1.0
Net Profit/(Loss) after Income Tax	1.8	(1.5)	0.1	2.3

Prospective Summary Statement of Capital Expenditure (\$ million)

	<u>2020/21</u>	<u>2021/22</u>	<u>2022/23</u>
Capital Expenditure Forecast			
Terminal and Landside Development Projects	0.6	0.0	0.0
Aprons, Taxiways and Runway	1.4	0.2	0.0
Landside Roading	0.0	1.4	0.0
Commercial Developments	1.5	2.3	0.2
Security and Rescue Fire Service	0.0	0.3	1.2
Other Capital Expenditure	0.6	0.1	0.2
	<u>4.0</u>	<u>4.3</u>	<u>1.5</u>

Prospective Summary Statement of Financial Position

As at year end

(\$ million)

	<u>2020/21</u>	<u>2021/22</u>	<u>2022/23</u>
Assets			
Current Assets	0.8	1.1	1.3
Property, Plant & Equipment	108.2	108.6	106.4
Intangible Assets	0.1	0.1	0.1
Total Assets	109.2	109.8	107.8
Liabilities			
Current Liabilities	0.9	1.0	1.3
Total Loan Finance	35.7	37.2	33.7
Total Other Non-Current	6.6	6.4	6.2
Total Liabilities	43.2	44.6	41.2
Total Net Assets	66.0	65.2	66.6
Total Equity	66.0	65.2	66.6

Prospective Key Ratios and Indicators

As at year end

	<u>Note</u>	<u>2020/21</u>	<u>2021/22</u>	<u>2022/23</u>
Working Capital (\$ x 1,000,000)	1	(0.0)	0.1	(0.0)
Working Capital Ratio	2	1.0	1.1	1.0
Return on Equity	3	(3.1%)	0.3%	5.0%
Shareholders Funds to Total Assets Ratio	4	0.6	0.6	0.6
Debt to Equity Ratio	5	0.5	0.6	0.5
Leverage Ratio	6	22.0	9.1	4.8

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 before 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-Dividend) before other Income/Expenses)

Prospective Summary Statement of Cashflows
(\$ million)

	<u>2020/21</u>	<u>2021/22</u>	<u>2022/23</u>
Cash Opening Balance	0.2	0.2	0.2
Cash In			
Cash from Operations	7.5	10.7	14.4
Cash drawn from/(repaid to) Loan Facility	3.6	1.6	(3.5)
Total Cash Inflows	<u>11.1</u>	<u>12.2</u>	<u>10.9</u>
Cash Out			
Operational Expenses	4.6	5.0	5.2
Income Tax Paid	0.0	0.1	0.7
Dividends	0.85	0.90	0.95
Capital Expenditure	4.4	5.0	1.8
GST Paid/(Received)	0.0	0.2	1.1
Loan Repayments	1.1	1.1	1.1
Other Assets/Liabilities	0.1	0.0	0.0
Total Cash Outflows	<u>11.0</u>	<u>12.3</u>	<u>10.8</u>
Cash Closing Balance	<u>0.2</u>	<u>0.2</u>	<u>0.2</u>

Notes

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

ACCOUNTING POLICIES

NAL Limited 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

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.

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.