Annual Report 2016

INVERCARGILL AIRPORT

Bright lights in the southern skies

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Approval by Directors

The Directors have approved for issue the financial statements of Invercargill Airport Limited for the year ended 30 June 2016.

AJ O'Connell
Chairman

R M Walton
Director

For and on behalf of the Board of Directors.
23 September 2016

Directory

DIRECTORS WHO HELD OFFICE DURING THE YEAR ENDED 30 JUNE 2016

Mr AJ O'Connell - Chairman

Mr TM Foggo

Mr RM Walton

Mr J Green

Mr T Shadbolt

MANAGEMENT

Mr N Finnerty - General Manager

REGISTERED OFFICE

C/- Invercargill City Council
101 Esk Street
Invercargill 9810

PHYSICAL ADDRESS

106 Airport Avenue
Invercargill

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Fax (03) 218 6939

POSTAL ADDRESS

PO Box 1203
Invercargill 9840

AUDITOR

Audit New Zealand
Dunedin

BANKERS

Westpac

SOLICITORS

AWS Legal
151 Spey Street
Invercargill 9810

Statutory Information

DIRECTORS' REMUNERATION

Invercargill Airport Limited	**$**
A J O'Connell (Chairman)	70,117
T M Foggo	23,700
R M Walton	23,700
J Green	23,700
T Shadbolt	23,700

There was no remuneration or other benefits paid to Directors during the year for any of the following:

- Compensation for loss of office.
- Guarantees given by the Company for debts incurred by a Director.
- Entering into a contract to do any of the above.

DIRECTORS' INTERESTS

Except for Related Parties disclosures in note 16 of the notes to the financial statements, during the year, no Directors had an interest in any transaction or proposed transaction with the Company.

USE OF COMPANY INFORMATION BY DIRECTORS

No Director of the Company has disclosed, used or acted on information that would not otherwise be available to a Director.

SHAREHOLDING BY DIRECTORS

No Director has an interest in any of the Company shares held, acquired or disposed of during the year.

DIRECTORS' AND OFFICERS' INDEMNITY INSURANCE

The Company has insured all its Directors and Executive Officers against liabilities to other parties that may arise from their positions.

EMPLOYEES' REMUNERATION

One employee of the Company received remuneration and other benefits of $100,000 or greater during the year.

$'000	***No. of employees***
130 - 140	1

AUDITORS' REMUNERATION

Audit fees for the Company totalled $21,340. Details of fees payable are contained in Note 10.

RECOMMENDED DIVIDEND

Due to essential capital expenditure commitments the Directors are not recommending the payment of a dividend.

Chairman's Review

The highlight of the year was no doubt the opening of the new Terminal Building. We were very pleased to be able to draw this project to a successful conclusion and we were especially pleased to see the pride of the wider community in the new gateway to the region.

The year has again been a busy one with the terminal development taking a lot of energy and resource whilst ensuring the day to day operations continued smoothly. Changes to the senior management during the year added another challenge as we recruited, appointed and then settled new staff into their roles. Despite all the changes it is encouraging that once again the company has improved its position from this time last year and the future is a very positive one.

Financial Performance

The financial statements record an after tax profit of $800,000 compared to a $745,000 profit for the same period last year. These figures include revaluations and impairments.

The pre-tax profit for the year, before investment property revaluations and the runway impairment is a profit of $530,000 compared to a $229,000 profit for the same period last year.

Whilst it is pleasing to see the improvement in the underlying results, increased depreciation, due to the large capital developments undertaken in the last two years, does mask how far the company has come financially. The company generated operating cash flows of $1.884m for the current year compared to $0.566m last year. The increased operating cash flow is really the best indicator of how far the company has come to achieving its objective of becoming financially sustainable in the long term.

Another good indicator of the financial progress that has been made is the complete reversal in the current year of the impairment on the company's airside assets. This impairment was based on the company not receiving a deemed market return on the airside investment. This reversal further demonstrates the progress that has been made.

Passenger Numbers

During the year Air New Zealand has continued to upgrade its aircraft into Invercargill from the 50 seat Q300 to the 68 seat ATR600. We have seen a slight increase of 1.8% in the scheduled operators landings and total passenger numbers lifting to 289,836, an increase of approximately 4.3%.

Air New Zealand has recently announced changes to its schedule. These changes will slightly increase the seating capacity into Invercargill and we would expect to see moderate growth in passenger movements over the coming year.

Infrastructure

The year has seen the completion of the new terminal building. This project has been hugely successful for the company and we have received a great deal of positive feedback. It was a great privilege to have a formal opening for the facility on the 14th April and having the terminal opened by the Prime Minister, the Right Honourable John Key. The new terminal provides a very solid foundation for the company and is a very important infrastructure asset for the Southland region.

Now that the terminal development is behind us our focus has moved to addressing the other aging infrastructure at the airport. The old hangars and the increased demand for rental car facilities at the airport are becoming top of mind issues that need to be addressed.

Safety, Security and Compliance

The Safety Management System continues to be an essential management tool and evolves as more information becomes available.

We are particularly pleased to be able to report that the terminal project was completed with zero lost time injuries. This was a great result for such a large project and was only achieved by ensuring that safety standards were maintained at all times. All parties involved in both the construction project and operators at the airport need to be congratulated on this achievement.

The company has maintained its Aerodrome Operators Certificate during the year undergoing a CAA Security audit in June that resulted in no findings or recommendations.

We are also pleased to report that no environmental incidents occurred at the airport this year.

We remain committed to our airport being one of the safest and most efficient regional airports in New Zealand providing everyone who uses the facility with an experience that exceeds their expectations.

Stakeholders and Customers

We have been through a period of great change as the Terminal was redeveloped. We are very appreciative of the co-operation of our Stakeholders and Customers who have worked with us during this time. For those working in or around the terminal it has been a disruptive period and we acknowledge their understanding and efforts to ensure daily operations continued uninterrupted during construction.

We also thank the Air New Zealand management and staff for their support, they have been very proactive and great supporters of our redevelopment. We firmly believe their input has resulted in a better end result.

To all our customers, thank you for your support and custom over the past year, we appreciate your business and look forward to working with you again over the coming year.

Staff Changes

During the year two senior managers left the company to advance their careers. Angus Johnston our Operations Manager left to take up a position as the Apron Safety Manager with Christchurch Airport and Chloe Surridge our General Manager to become the Wellington Airport Manager for Air New Zealand. Whilst it is disappointing to lose good people it is great to see them moving on to bigger roles to further develop their careers. We wish them both the very best in their new roles and thank them for the valuable contribution they both made to the company.

With Chloe Surridge's departure came the appointment of our new General Manager, Nigel Finnerty. We were extremely pleased with the calibre of the applicants for the role and were pleased to appoint Nigel, a born and bred Southlander, to the position. Nigel came to us from the New Zealand Aluminium Smelters Ltd and has had extensive senior leadership experience that will serve the company well.

The second key appointment for the year was Dan Coe to the position of Operations Manager. Dan came to us from the Airforce and has great airside operational experience that will be of great value to the company.

We welcome Nigel and Dan to the company and look forward to working closely with them.

Acknowledgements

It has been another rewarding year for the company. The pace of change has continued to be rapid and we must give special thanks to our recently departed General Manager Chloe Surridge who again this year ensured daily operations continued without a hitch whilst addressing the issues arising from the redevelopment process. Chloe made a very significant contribution to the company, not only this year but in all her time as General Manager of the airport.

Not only have the staff had to deal with the disruption of the terminal development again this year, they have also seen changes in the senior management, yet throughout the year they have been responsive to the operational needs of the company and very supportive to both Nigel and Dan as they settled into their new roles. The airport team's contribution was greatly appreciated.

We have lived and breathed the terminal development project for many years now and it was extremely pleasing to bring this project to a final conclusion. Operationally the new facility is working very well and we have received a flood of positive feedback on the development. We must acknowledge that the success of this project has not just happened by chance. We are very appreciative of the efforts of Peter Soundy and the Peak Projects team who have worked with us right from the start. Warren and Mahoney delivered a design that was not only functional but a great gateway to the region and Amalgamated Builders and Fulton Hogan ensured that the project was delivered to a high standard. We are very appreciative of the efforts from not only those singled out above but from all those that played a part in delivering this project successfully.

I would also like to express my thanks to my fellow board members. The company is very fortunate to have a very experienced and skilled board and this experience base has contributed in no small way to the progress that has been made.

We are very satisfied that the company has made great progress to address its aging infrastructure and financial sustainability. We acknowledge the support of our major shareholder Invercargill City Holdings Ltd that has contributed significant equity to allow this to happen. Without this support the company would not have made the progress it has, we owe a great deal of thanks to them for their foresight and confidence placed in the company.

For and on behalf of the Board,

A J O'Connell

Chairman of Directors

Invercargill Airport Ltd

Audit Report

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

To the readers of Invercargill Airport Limited's financial statements and performance information for the year ended 30 June 2016

The Auditor-General is the auditor of Invercargill Airport Limited (the company). The Auditor-General has appointed me, Ian Lothian, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the performance information of the company on her behalf.

Opinion on the financial statements and the performance information

We have audited:

- the financial statements of the company on pages 12 to 41, that comprise the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the company on pages 42 to 44.

In our opinion:

- the financial statements of the company:
    - present fairly, in all material respects:
        - its financial position as at 30 June 2016; and
        - its financial performance and cash flows for the year then ended; and
    - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime.
- the performance information of the company presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company's objectives, for the year ended 30 June 2016.

Our audit was completed on 23 September 2016. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities, and explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and the performance information are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and the performance information. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and in the performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and the performance information, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the company's financial statements and performance information in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the appropriateness of the reported performance information within the company's framework for reporting performance;
- the adequacy of the disclosures in the financial statements and in the performance information; and
- the overall presentation of the financial statements and the performance information.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and the performance information. Also, we did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

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

Responsibilities of the Board of Directors

The Board of Directors is responsible for the preparation and fair presentation of financial statements for the company that comply with generally accepted accounting practice in New Zealand. The Board of Directors is also responsible for preparation of the performance information for the company.

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

enable the preparation of financial statements and the performance information that are free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for the publication of the financial statements and the performance information, whether in printed or electronic form.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and the performance information and reporting that opinion to you based on our audit. Our responsibility arises from the Public Audit Act 2001.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

Other than the audit, we have no relationship with or interests in the company.

Ian Lothian
Audit New Zealand
On behalf of the Auditor-General
Dunedin, New Zealand

Statement of Accounting Policies

REPORTING ENTITY

Invercargill Airport Limited (the Company) is a company incorporated in New Zealand under the Companies Act 1993 and is domiciled in New Zealand. The Company is 97.20% owned by Invercargill City Holdings Limited. Hokonui Research and Development Ltd, Waihopai Runaka Holdings Ltd, Te Runaka O Awarua Charitable Trust and Oraka-Aparima Runanga Incorporated Society each hold 0.70% of the share capital.

The Company is a Council Controlled Trading Organisation as defined in Section 6(1) of the Local Government Act 2002.

The primary objective of the Company is to operate the Invercargill airport and associated assets. Accordingly, the Company has designated itself as a profit orientated entity for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZIFRS).

The financial statements for the year ended 30 June 2016 were approved and authorised for issue by the Board of Directors on 23 September 2016. The entities directors do not have the right to amend the financial statements after issue.

BASIS OF PREPARATION

The financial statements of the Company have been prepared in accordance with the requirements of the Local Government Act 2002 and the Companies Act 1993.

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) and comply with the New Zealand equivalents to International Financial Reporting Standards - Reduced Disclosure Regime (NZ IFRS RDR).

The Company is a Tier 2 for-profit entity and has elected to report in accordance with the NZ IFRS Reduced Disclosure Regime on the basis that it does not have public accountability and is not a large for-profit public sector entity.

The accounting policies that have been applied to these financial statements are based on the External Reporting Board A1, Accounting Standards Framework (For-profit Entities Update).

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand ($'000) except when otherwise indicated. The functional currency of the Company is New Zealand dollars.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the Statement of Comprehensive Income.

REVENUE

Revenue is measured at the fair value of consideration received.

Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at balance date, based on the actual service provided as a percentage of the total services to be provided.

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be reliably estimated and there is no continuing management involvement with the goods.

Interest income is recognised using the effective interest method.

INCOME TAX

Income tax expense in relation to the surplus or deficit for the period comprises current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using rates that have been enacted or substantively enacted by balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, using tax rates that have been enacted or substantively enacted by balance date.

Current tax and deferred tax is charged or credited to the Statement of Comprehensive Income, except when it relates to items charged or credited directly to equity, in which case the tax is dealt with in equity.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position.

TRADE AND OTHER RECEIVABLES

Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the effective interest method.

INVENTORIES

Inventories (such as spare parts and other items) held for distribution or consumption in the provision of services that are not supplied on a commercial basis are measured at the lower of cost and current replacement cost.

Inventories held for use in the production of goods and services on a commercial basis are valued at the lower of cost and net realisable value. The cost of purchased inventory is determined using the FIFO method.

The write down from cost to current replacement cost or net realisable value is recognised in the Statement of Comprehensive Income

FINANCIAL ASSETS

Where applicable the Company classifies its investments in the following categories:

Financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

- *Financial Assets at Fair Value through Profit or Loss*
  Financial assets at fair value through profit or loss are financial assets held for trading which are acquired principally for the purpose of selling in the short term with the intention of making a profit. Derivatives are also categorised as held for trading unless they are designated as hedges.
- *Loans and Receivables*
  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets.

  Loans and receivables are included in receivables in the Statement of Financial Position.
- *Held-to-Maturity Investments*
  Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity.
- *Available-for-Sale Financial Assets*
  Available-for-sale financial assets, comprising principally marketable equity securities, are

non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category, including interest and dividend income, are presented in the income statement within other income or other expenses in the period in which they arise.

The Company classifies its financial assets (excluding derivatives) as loans and receivables. Loans and receivables are classified as "trade and other receivables" in the Statement of Financial Position.

- *Impairment of Financial Assets*
  At each Statement of Financial Position date, the Company assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. Any impairment losses are recognised in the Statement of Comprehensive Income.

FINANCIAL INSTRUMENTS

- *Receivables*
  Trade and other receivables are recognised initially at fair value. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.
- *Cash and cash equivalents*
  Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant amount of risk of changes in value.
- *Trade and Other Payables*
  Trade and other payables are initially measured at fair value, and subsequently measured at amortised cost using the effective interest method.
- *Borrowings*
  Borrowings are recognised initially at fair value, net of any transaction costs incurred. Borrowings are subsequently stated at amortised cost; any differences between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

  Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability at least 12 months after the balance date.

LEASES

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are charged to the Statement of Comprehensive Income over a straight-line basis over the period of the lease.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is shown at cost, less accumulated depreciation and impairment losses.

Certain items of property, plant and equipment that had been revalued to fair value on or prior to 1 July 2005, the date of transition to NZ IFRS are measured on the basis of deemed cost, being the revalued amount at the date of transition.

Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Company and the cost of the item can be measured reliably.

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the Statement of Comprehensive Income.

Subsequent Costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Company and the cost of the item can be measured reliably.

Depreciation

Depreciation is provided on all property, plant and equipment other than land, at rates that will write off the cost of the assets to their estimated residual values over their useful lives.

The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

(a)	Buildings	3% Straight Line
(b)	Furniture and Fittings	10% - 13% Diminishing Value and 6% - 17.5% Straight Line
(c)	Plant	8% - 50% Diminishing Value and 6% - 30% Straight Line
(d)	Crash Fire Vehicle, other vehicles, tractors and mowing equipment	10% - 13% Diminishing Value
(e)	Other Airport Assets	
	- Fences	5% - 7% Straight Line
	- Runway, Apron and Taxiway (Base-course and sub-base)	3.0% Straight Line
	- Top Surface (Runway)	8.3% Straight Line
	- Top Surface (Apron and Taxiway)	6.7% Straight Line
	- Roads, carparks and stop banks	3.0% Straight Line

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

CAPITAL WORK IN PROGRESS

Work in progress includes the cost of direct materials and direct labour used in putting replacement and new systems and plant in their present location and condition. It includes accruals for the proportion of work completed at the end of the period. Capital work in progress is not depreciated.

INVESTMENT PROPERTY

Properties leased to third parties under operating leases are classified as investment property unless the property is held to meet service delivery objectives, rather than to earn rentals or for capital appreciation.

Investment property is measured initially at its cost, including transaction costs.

After initial recognition, the Company measures all investment property at fair value as determined annually by an independent valuer.

Gains or losses arising from a change in the fair value of investment property are recognised in the Statement of Comprehensive Income.

IMPAIRMENT OF ASSETS

The carrying amounts of the Company's assets, other than investment property, are reviewed at each balance date to determine whether there is any indication that an asset may be impaired. If any such indication exists the assets recoverable amount is estimated in order to determine the extent of the impairment loss (if any).

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss and any subsequent reversal are recognised in the Statement of Comprehensive Income. If an impairment loss is reversed, the carrying value of the asset is stated at no more than what its carrying value would have been had the earlier impairment not occurred.

EMPLOYEE BENEFITS

Short-Term Benefits

Employee benefits that the Company expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, retiring and long service leave entitlements expected to be settled within 12 months, and sick leave.

Obligations for contributions to defined contribution superannuation schemes are recognised as an expense in the Statement of Comprehensive Income as incurred.

BORROWINGS

Borrowings are initially recognised at their fair value. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

BORROWING COSTS

Borrowing costs are recognised as an expense in the period in which they are incurred.

GOODS AND SERVICES TAX (GST)

All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax, then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department ("IRD") is included as part of receivables or payables in the Statement of Financial Position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In preparing these financial statements, the Company has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates, assumptions and critical judgements in applying accounting policies that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

- Determination of the recoverable amount of the runway and taxiway assets. This is discussed in Note 8 of these financial statements.

NEW STANDARDS ADOPTED

There have been no new standards adopted during the financial year. The company has not elected to early adopt any new standards or interpretations that are issued but not yet effective.

NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

Standards, amendments and interpretations issued but not yet effective that have not been early adopted, and which are relevant to the company, are:

Except for changes detailed below there are no other standards or interpretations that have been issued but not yet effective, that have been currently assessed as being applicable to the Company.

Amendments to NZ IFRS 9 - Financial instruments

The amendment comes into effect for fiscal years beginning on or after 1 January 2018.

The final version of NZ IFRS 9 Financial Instruments brings together the classification and measurement, impairment and hedge accounting phases of the International Accounting Standards Board's project. The standard will replace NZ IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of NZ IFRS 9.

Early adoption is permitted. The Company intends to adopt NZ IFRS 9 on its effective date and has yet to assess its full impact.

CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies during the period. All accounting policies have been consistently applied throughout the period covered by these financial statements.

Statement of Financial Position

As at June 30, 2016

	Note	2016 $000	2015 $000
Assets			
Current assets			
Cash and cash equivalents	6	680	270
Trade and other receivables	7	320	549
Inventories		2	4
Tax receivable		6	-
Total current assets		1,008	823
Non-current assets			
Property, plant and equipment	8	24,325	16,687
Investment property	9	3,778	4,000
Construction work in progress		322	3,739
Total non-current assets		28,425	24,426
Total assets		29,433	25,249
Liabilities			
Current liabilities			
Trade and other payables	10	271	897
Retentions		208	198
Employee benefit liabilities	11	26	48
Borrowings	12	478	458
Total current liabilities		983	1,601
Non-current liabilities			
Borrowings	12	4,569	5,049
Deferred tax liability	13	1,212	830
Total non-current liabilities		5,781	5,879
Total liabilities		6,764	7,480
Equity			
Share capital	14	18,355	14,255
Retained earnings	14	4,314	3,514
Total equity attributable to the equity holders of the company		22,669	17,769
Equity is attributable to:			
Parent entity	14	19,796	14,918
Minority interest	14	2,873	2,851
		22,669	17,769

The Statement of Accounting Policies and Notes to the Financial Statements are an integral part of, and should be read in conjunction with the financial statements.

Statement of Comprehensive Income

For the year ended June 30, 2016

	Note	2016 $000	2015 $000
Income			
Operating revenue		4,280	3,092
Other gains	1	1,042	1,113
Total income		5,322	4,205
Expenditure			
Employee expenses	3	635	606
Depreciation and amortisation	8	1,439	897
Other expenses	2	1,914	1,448
Total operating expenditure		3,988	2,951
Finance income	4	192	230
Finance expenses	4	344	390
Net finance expense		(152)	(160)
Operating surplus/(deficit) before tax		1,182	1,094
Income tax expense	5	382	349
Surplus/(deficit) after tax		**800**	**745**
Other comprehensive income			
Total other comprehensive income		-	-
Total comprehensive income		**800**	**745**
Total comprehensive income attributable to:			
Equity holders of the Company		778	724
Minority interest		22	21
		800	745

Statement of Changes in Equity

For the year ended June 30, 2016

	Note	2016 $000	2015 $000
Balance at 1 July		17,769	9,994
Total Comprehensive Income for the year	14	800	745
Contributions from Shareholders			
Shares issued and paid up	14	-	-
Redeemable preference shares issued and paid up	14	4,100	7,030
Distributions to Shareholders			
Dividends paid/declared	14	-	-
Balance at 30 June		22,669	17,769
Attributable to:			
Equity holders of the Company		19,796	14,918
Minority interest		2,873	2,851
Balance at 30 June		22,669	17,769

The Statement of Accounting Policies and Notes to the Financial Statements are an integral part of, and should be read in conjunction with the financial statements.

Statement of Cash Flows

For the year ended June 30, 2016

	Note	2016 $000	2015 $000
Cash flows from operating activities			
Receipts from customers		4,161	3,034
Interest and interest subsidy received		17	32
Payments to suppliers and employees		(2,498)	(1,944)
Interest paid		(169)	(192)
Income tax (paid) / refund		(5)	(1)
Goods and services tax [net]		378	(363)
Net cash from operating activities	15	1,884	566
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		-	-
Proceeds from sale of short term investments		-	-
Purchase of construction work in progress		2,920	(1,979)
Purchase of property, plant and equipment		(8,204)	(5,657)
Purchase of short term investments		-	-
Net cash from investing activities		(5,284)	(7,636)
Cash flows from financing activities			
Repayment of borrowings		(290)	(360)
Proceeds from equity (share issue)		4,100	7,030
Net cash from financing activities		3,810	6,670
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		410	(401)
Cash, cash equivalents and bank overdrafts at the beginning of the year		270	671
Cash, cash equivalents and bank overdrafts at the end of the year	6	680	270

The Statement of Accounting Policies and Notes to the Financial Statements are an integral part of, and should be read in conjunction with the financial statements.

Notes to the Financial Statements

For the year ended June 30, 2016

1 Other gains and losses	2016	2015
	$000	$000
Derecognition of term loan	168	168
Reversal of prior impairment loss	874	945
	1,042	1,113

2 Other expenses (includes)	2016	2015
	$000	$000
Director fees	167	155
Net loss/(gain) on sales of property, plant and equipment	-	-
Impairment of property, plant and equipment	-	-
Auditor's remuneration to Audit New Zealand comprises:		
· audit of financial statements	21	21
· other audit-related services	-	-
· other audit fees	-	5

3 Employee expenses	2016	2015
	$000	$000
Wages and salaries	635	606
Total employee expenses	635	606

4 Finance income and expense

	2016 $000	2015 $000
Finance Income		
Interest expense subsidised by ICHL	175	198
Interest income on bank deposits	17	32
Total finance income	192	230
Financial expense		
Interest expense on financial liabilities measured at amortised cost	344	390
Total financial expenses	344	390
Net finance costs	(152)	(160)

5 Income tax expense in the Income Statement

	2016 $000	2015 $000
Current tax expense		
Current period	-	-
Adjustment for prior periods	-	-
Total current tax expense	-	-
Deferred tax expense		
Origination and reversal of temporary differences	20	130
Adjustment for prior periods	-	-
Other	362	219
Total deferred tax expense	382	349
Total income tax expense	382	349

Reconciliation of effective tax rate	**2016**	**2015**
	$000	**$000**
Profit for the year	1,182	1,094
Permanent differences	-	-
Profit excluding income tax	1,182	1,094
Tax at 28%	331	306
Under/(over) provided in prior periods	51	43
Total income tax expense	382	349
Effective Tax Rate	29%	32%

6 Cash and cash equivalents	**2016**	**2015**
	$000	**$000**
Call deposits	55	62
Cash and cash equivalents	625	208
Cash and cash equivalents in the statement of cash flows	680	270

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7 Trade and other receivables

	2016	2015
	$000	$000
Trade receivables	320	201
GST receivable	-	348
Less provision for impairment of receivables	-	-
	320	549

Trade receivables are non-interest bearing and are generally on terms of 30 days. For terms and conditions relating to related party receivables, refer to note 16.

As at 30 June, the ageing analysis of trade receivables is, as follows:

	Total	Neither past due nor impaired	Past due but not impaired <30 days
	$000	$000	$000
2016	320	237	83
2015	201	180	21

See note 20 on credit risk of trade receivables, which explains how the Company manages trade receivables.

8 Property, Plant and Equipment

2016 ($'000)

	Cost	Accumulated depreciation and impairment charges	Carrying amount	Current year additions - Cost	Current year disposals - Cost
	1 July 2015	1 July 2015	1 July 2015		
Land	509	-	509	-	-
Fencing	2,105	559	1,546	1,688	-
Runways and taxiways	14,251	5,957	8,294	480	-
Terminal and buildings	3,733	54	3,679	2,990	-
Plant and equipment	550	469	81	881	393
Motor vehicles	269	122	147	-	-
Furniture and fittings	2,483	52	2,431	2,172	38
Total assets	23,900	7,213	16,687	8,211	431

2015 ($'000)

	Cost	Accumulated depreciation and impairment charges	Carrying amount	Current year additions	Current year disposals - Cost
	1 July 2014	1 July 2014	1 July 2014		
Land	509	-	509	-	-
Fencing	2,085	491	1,594	20	-
Runways and taxiways	14,251	6,121	8,130	-	-
Terminal and buildings	1,535	1,502	33	3,648	1,450
Plant and equipment	803	777	26	67	320
Motor vehicles	271	104	167	-	2
Furniture and fittings	199	194	5	2,443	159
Total assets	19,653	9,189	10,464	6,178	1,931

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Current year disposals - Depreciation	Current year impairment charges	Current year depreciation	Cost	Accumulated depreciation and impairment charges	Carrying amount
			30 June 2016	30 June 2016	30 June 2016
-	-	-	509	-	509
-	-	97	3,793	656	3,137
-	(874)	794	14,731	5,877	8,854
-	-	174	6,723	228	6,495
393	-	69	1,038	145	893
-	-	17	269	139	130
30	-	288	4,617	310	4,307
423	(874)	1,439	31,680	7,355	24,325

Current year disposals - Depreciation	Current year impairment charges	Current year depreciation	Cost	Accumulated depreciation and impairment charges	Carrying amount
			30 June 2015	30 June 2015	30 June 2015
			509	-	509
		68	2,105	559	1,546
	(945)	781	14,251	5,957	8,294
1,450		2	3,733	54	3,679
317		9	550	469	81
2		20	269	122	147
159		17	2,483	52	2,431
1,928	(945)	897	23,900	7,213	16,687

These comments should be read in conjunction with the previous two pages.

The aeronautical assets of Invercargill Airport Limited are shown at cost less accumulated depreciation and impairment. An annual impairment assessement using discounted cash flow methodology was carried out by Airbiz Aviation Strategies Limited, an independent expert effective 30 June. This resulted in an increase of $874,000 (2015: $945,000), being a reversal of the accumulated impairment from prior years.

The following valuation assumptions were adopted;

- The forecast free cash flows reflect the charges determined following the 2015 aeronautical pricing consultation with airline customers (2015: 2014 aeronautical pricing consultation with airline customers). Expected revenues also reflect expected passenger numbers and other contractual revenues.
- The forecast free cash flows reflect the company's business and asset management plans.
- The forecasts do not include future reseal capex as it is assumed that future reseals would be priced so the net present value (NPV) is zero.
- The continuing value has been estimated as the forecast optimised depreciated replacement cost of the aeronautical assets at the end of the explicit cash flow forecast period.
- The corporate tax rate used is 28%.
- The weighted average cost of capital (WACC) used is 5.86% (2015: 6.76%).

9 Investment Property

	2016 $000	2015 $000
Balance at 1 July	4,000	4,080
Change in fair value	(222)	(80)
Balance at 30 June	3,778	4,000

Investment property comprises a number of commercial properties that are leased to third parties.

The Company's investment properties are valued annually at fair value effective 30 June. For 2016 and 2015, all investment properties were valued based on open market evidence except for two properties being less than 20% of the portfolio value. These two properties are planned to be replaced within the next year (2015: two years), hence the open market evidence valuation has been adjusted by management to be valued on a discounted cashflow basis of their remaining expected earnings. The 2016 and 2015 open market evidence valuation was performed by Robert Todd, an independent valuer from Thayer Todd Valuations Limited. The valuer is an experienced valuer with extensive market knowledge in the types of investment properties owned by the Company.

10 Trade and Other Payables

	2016 $000	2015 $000
Trade payables	190	329
Directors fee payable	4	4
Accrued expenses	47	564
Amounts due to other related parties	-	-
GST payable	30	-
Total trade and other payables	271	897

Terms and conditions of the above financial liabilities:
Trade and other payables are non-interest bearing and are normally settled on 30-day terms.
Other payables are non-interest bearing and have an average term of six months.
For terms and conditions relating to related party payables, refer to note 16.

For explanations on the Company's credit risk management processes, refer to Note 20

11 Employee benefit liabilities

	2016 $000	2015 $000
Accrued pay	-	17
Annual leave	26	31
	26	48
Comprising:		
Current	26	48
Non-current	-	-
Total employee benefit liabilities	26	48

12 Borrowings

	2016 $000	2015 $000
Current		
Secured loans (Runway Extension) – related party	168	168
Secured loans (Runway Overlay) – related party	310	290
Total current borrowings	478	458
Non-current		
Secured loans (Runway Extension) – related party	2,659	2,828
Secured loans (Runway Overlay) – related party	1,910	2,221
Total non-current borrowings	4,569	5,049

The loans are secured by debenture over the assets of the Company.

The average interest rate on the runway extension loan is 5.83% (2015: 6.27%). Interest has been waived until the commencement of international flights at the airport, however an interest cost and a subsidies revenue has been recognised in the accounts. The interest waiver can be changed at the discretion of the lender, Invercargill City Holdings Limited.

Loan repayments are made through the offset of depreciation on the runway extension through Invercargill City Holdings Limited. This is currently $168,426 (2015: $168,426) per annum. The repayment terms beyond one year are contingent on the commencement of scheduled international flights.

The average interest rate on the runway overlay loan is 7.0% (2015: 7.0%).

13 Deferred Tax Assets and Liabilities

		Recognised in:		
	Balance	Profit or loss	Equity	Balance
Recognised deferred tax assets and liabilities				
	1 July 2015			**30 June 2016**
	$000	**$000**	**$000**	**$000**
Property, plant and equipment	1,334	80	-	1,414
Tax losses	(1,245)	362	-	(883)
Investment property	756	(62)	-	694
Trade payables and accruals	(15)	2	-	(13)
Total movements	830	382	-	1,212

		Recognised in:		
	Balance	Profit or loss	Equity	Balance
Recognised deferred tax assets and liabilities				
	1 July 2014			**30 June 2015**
	$000	**$000**	**$000**	**$000**
Property, plant and equipment	1,202	132	-	1,334
Tax losses	(1,464)	219	-	(1,245)
Investment property	756	-	-	756
Trade payables and accruals	(13)	(2)	-	(15)
Total movements	481	349	-	830

14 Equity

	Attributable to equity holders of the Company					
	Share capital	Revaluation reserve	Retained earnings	Total	Minority Interest	Parent Interest
	$000	$000	$000	$000	$000	$000
Balance at 1 July 2014	7,225	-	2,769	9,994	2,830	7,164
Surplus/(deficit) after tax	-	-	745	745	21	724
Other comprehensive income						
Contributions from Shareholders						
Shares issued and paid up	-	-	-	-	-	-
Redeemable preference shares issued and paid up	7,030	-	-	7,030	-	7,030
Balance at 30 June 2015	**14,255**	**-**	**3,514**	**17,769**	**2,851**	**14,918**
Balance at 1 July 2015	14,255	-	3,514	17,769	2,851	14,918
Surplus/(deficit) after tax	-	-	800	800	22	778
Other comprehensive income						
Contributions from Shareholders						
Shares issued and paid up	-	-	-	-	-	-
Redeemable preference shares issued and paid up	4,100	-	-	4,100	-	4,100
Balance at 30 June 2016	**18,355**	**-**	**4,314**	**22,669**	**2,873**	**19,796**

The Company has 3,324,560 ordinary shares that have been issued and fully paid at $1.00.
The Company issued 49,868,679 ordinary shares during 2013 that have been fully paid at $0.06.
All shares, whether called or uncalled, have equal voting rights and have no par value.

At 30 June 2016 there were 12,030,000 (2015: 7,930,000) redeemable preference shares (RPS) on issue. Each share has a par value of $1 and is redeemable by the board of the Company giving a 30 day redemption notice. The RPS carry a preferential dividend entitlement, do not carry voting rights and carry an optional interest entitlement on redemption at a rate equal to 5% above the ninety (90) day Bank Bill Settlement Rate. The RPS rank ahead of the ordinary shares in the event of a liquidation. The redemption is only at the discretion of Invercargill Airport Limited (the issuer). The holders of the RPS do not have the option to demand redemption of the RPS face value. As Invercargill Airport Limited does not have a present obligation to redeem the shares the RPS have been classified as an equity instrument.

15 Reconciliation of net surplus/(deficit) to net cash inflows (outflows) from operating activities

	2016 $000	2015 $000
Reconciliation with reported operating surplus		
Net surplus after tax	800	745
Add/(deduct) non-cash items:		
Depreciation	1,439	897
Net (profit)/loss on Impairment of Property, Plant and Equipment	(874)	(945)
Net (profit)/loss on sale of fixed assets	-	4
Derecognition of term loan	(168)	(168)
Change in fair value of investment property	222	80
Increase/(decrease) in deferred taxation	382	349
	1,001	217
Add/(less) movements in working capital:		
(Increase)/decrease in receivables	(119)	(56)
(Increase)/decrease in inventories	2	27
Increase/(decrease) in accounts payable and accruals	(173)	(3)
Increase/(decrease) in GST/taxation	373	(364)
	83	(396)
Net cash inflow (outflow) from operating activities	1,884	566

16 Related party transactions

The Company is 97.2% owned by Invercargill City Holdings Limited and its ultimate parent is the Invercargill City Council.

	2016 $000	2015 $000
(a) Invercargill City Holdings Limited		
Revenue		
Provision of services	-	-
Interest subsidy received	175	198
Derecognition of Loan	168	168
Revenue outstanding at balance date to the Company	-	-
Expenditure		
Provision of services	60	60
Interest paid	344	390
Loans repaid/(drawndown)	459	528
Expenditure outstanding at balance date by the Company	-	-
Loans outstanding at balance date by the Company	5,047	5,507
(b) Invercargill City Council		
Revenue		
Provision of services	-	-
Outstanding at balance date to the Company	-	-
Expenditure		
Provision of services	95	88
Outstanding at balance date by the Company	-	-
(c) AJO Management Limited		
Revenue		
Provision of services	-	-
Outstanding at balance date to the Company	-	-
Expenditure		
Provision of services	70	65
Outstanding at balance date by the Company	4	4

	2016 $000	2015 $000
(d) R M Walton		
Revenue		
Provision of services	-	-
Outstanding at balance date to the Company	-	-
Expenditure		
Provision of services	19	3
Outstanding at balance date by the Company	-	-

No related party transactions have been written off or were forgiven during the 2016 year (2015: nil).

During the 2016 and 2015 years Invercargill Airport Limited purchased services from AJO Management Limited, a management company, in which AJ O'Connell is the Director. These services included director fees.

During the 2016 and 2015 years Invercargill Airport Limited purchased services from RM Walton (Director).

Key management personnel include the Directors and General Manager. Short-term employment benefits consists of salaries and does not include any costs for the following, post-employment benefits, other long-term benefits and termination benefits as they are not provided by the Company.

Key management personnel compensation comprises:	2016 $000	2015 $000
Short term employment benefits	181	148
Directors Fees	167	155

17 Capital commitments and operating leases

	2016	2015
	$000	$000
Capital commitments		
Capital expenditure contracted for at balance date but not yet incurred for property, plant and equipment.	463	3,337

Operating leases as lessor

The Company leases its investment property under operating leases. The majority of these leases have a non-cancellable term of 36 months. The future aggregate minimum lease payments to be collected under non-cancellable operating leases are as follows:

	2016	2015
	$000	$000
Non-cancellable operating leases as lessor		
Not later than one year	366	224
Later than one year and not later than five years	1,148	310
Later than five years	886	292
Total non-cancellable operating leases	2,400	826

There are no restrictions placed on the Company by any of the leasing arrangements.

Operating leases as lessee

The Company does not have any operating leases where it is the lessee (2015: Nil).

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18 Contingencies

There are no contingent liabilities or assets at 30 June 2016 (2015: Nil).

19 Events after the Balance Sheet date

There were no other significant events after balance date.

20 Financial Instruments

Financial Instruments - Risk

The Company has exposure to the following risks from its use of financial instruments:

- **Credit risk**
- **Liquidity risk**
- **Market risk**

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company has a series of policies to manage the risks associated with financial instruments. The Company is risk averse and seeks to minimise exposure from its treasury activities. The Company has established Company approved Liability Management and Investment policies. These policies do not allow any transactions that are speculative in nature to be entered into.

- **Credit risk**

Credit risk is the risk that a counterparty will default on its obligation causing the Company to incur a financial loss.

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and short-term investments and trade receivables. Cash and short-term investments are placed with banks with high credit ratings assigned by international credit-rating agencies, or other high credit quality financial institutions.

The Company has no significant concentrations of credit risk. The Company invests funds only in deposits with registered banks.

• Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Company aims to maintain flexibility in funding by keeping committed credit lines available.

In meeting its liquidity requirements, the Company maintains a target level of investments that must mature within the next 12 months.

The Company manages its borrowings in accordance with its funding and financial policies.

The following table details the exposure to liquidity risk as at 30 June 2016:

	Maturity Dates < 1 year $000	**1-3 years** $000	**> 3 years** $000	**Total** $000
Financial Assets				
Cash and cash equivalents	680	-	-	680
Trade and other receivables	320	-	-	320
	1,000	-	-	1,000
Financial Liabilities				
Trade and other payables	479	-	-	479
Employee benefit liabilities	26	-	-	26
Borrowings - secured loans	478	1,024	3,545	5,047
	983	1,024	3,545	5,552

The interest rates on the Company's borrowings are disclosed in note 12.

The following table details the exposure to liquidity risk as at 30 June 2015:

	Maturity Dates < 1 year $000	**1-3 years** $000	**> 3 years** $000	**Total** $000
Financial Assets				
Cash and cash equivalents	270	-	-	270
Trade and other receivables	549	-	-	549
	819	-	-	819
Financial Liabilities				
Trade and other payables	1,095	-	-	1,095
Employee benefit liabilities	48	-	-	48
Borrowings - secured loans	458	979	4,070	5,507
	1,601	979	4,070	6,650

• **Market risk.**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments.

Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is not exposed to currency risk, as it does not enter into foreign currency transactions.

Interest Rate Risk

Interest Rate Risk : Fair Value Interest Rate Risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The interest rates on the Company's secured borrowings are disclosed in note 12.

The Company has no other significant exposure to interest rate risk.

The financial assets and liabilities are exposed to interest rate risk as follows:

Financial Assets	
Cash and cash equivalents	Variable interest rates
Trade and other receivables	Non interest bearing
Short term investments	Variable interest rates
Financial Liabilities	
Trade and other payables	Non interest bearing
Borrowings - secured loans	Variable and fixed interest rates

Interest Rate Risk : Cash Flow Interest Rate Risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Borrowings and investments issued at variable interest rates expose the Company to cash flow interest rate risk.

- Sensitivity analysis on Financial Instruments

Cash and cash equivalents included deposits at call which are at floating interest rates. Sensitivity to a 0.5% movements in rates is immaterial as these cash deposits are very short term.

Statement of Service Performance

For the year ended June 30, 2016

The Statement of Service Performance for Invercargill Airport Limited prepared for the year ended 30 June 2016 set a number of financial performance measures. The targets and the Company's achievement, as reported under IFRS, in relation to those targets are set out in the following table.

Financial:

	Actual 2016 $000	Target 2016 $000	Actual 2015 $000	Target 2015 $000
Net Profit before Tax (NPBT)	1,182	511	1,094	557
Interest (net)	(152)	(341)	(160)	(187)
Net Profit before Interest and Tax (NPBIT)	1,334	852	1,254	744
Total Assets	29,433	29,795	25,249	27,268
EBIT %	4.53%	2.86%	4.97%	2.73%
Percentage of Equity to Total Assets				
Equity	22,669	22,389	17,769	20,709
Total Assets	29,433	29,795	25,249	27,268
%	77.02%	75.14%	70.38%	75.95%
Operating Revenue	5,322	4,348	4,205	3,667
Expenditure	3,988	3,496	2,951	2,923
Results from Operating Activities	1,334	852	1,254	744
Net Finance Income	(152)	(341)	(160)	(187)
Operating surplus/(deficit) before tax	1,182	511	1,094	557
Tax	382	143	349	156
Retained Earnings	800	368	745	401
Dividend	-	-	-	-

Non Financial:

Safety

• Zero lost time injuries for staff

Achieved

The 2015/16 year has been a safe year for the Airport with no lost time injuries over the period. During the year IAL has focused on improving the systems developed to ensure the Terminal Project was completed safely. Over the last 5 months of the year this focus continued, but was broadened to encompass the whole business. This included reviewing the Airport hazard register, focusing on site wide health and safety improvement opportunities, improving the management of contractors across the whole site and developing a project to understand the implications of the changes coming from the new Health and Safety at Work act 2016. This work will continue into the 2016/17 financial year.

• Implementation of the new Safety Management System

Not Achieved

The Safety Management System (SMS) implementation continued over the period with a review completed of the initial SMS, testing of supporting business solutions and ongoing auditing of our systems and process. A number of improvement opportunities were identified during the year. These have been prioritised and are being incorporated into the way we work at the Airport. The integration of SMS and a site wide IAL health and safety system will be priority work in 2016/17.

Environmental

• No notifiable environmental incidents on airport property

Achieved

There were no notifiable environmental incidents at the Airport during the reporting period. The focus during the year was the incident free completion of the terminal development project. Other focuses included IAL's active involvement in the district planning process and the management of the old terminal demolition materials on the airport grounds.

Operations:

• Retain aerodrome certification via assessment from the Civil Aviation Authority

Achieved

IAL has retained its Aerodrome Operators Certificate. During the year the Airport continued to conduct monthly internal auditing against the relevant CAA rules to ensure it remained compliant. CAA undertook an external security audit of the airport in June with no findings or recommendations recorded. Our current operating certificate remains valid until 31 July 2019.

Non Financial continued:

Infrastructure:

• No significant disruption to airport operations due to infrastructure failure

Achieved

Despite significant changes to the airports infrastructure during the year, there were not significant disruptions impacting operations. The work, particularly on the apron, to tie it into the new terminal was closely managed and controlled with all stakeholders supporting smooth operations. The grass runway conditions were constantly monitored during the winter season to ensure they were open at every possible opportunity.

• Completion of the new terminal building

Achieved

The new terminal achieved practical completion on 12 February 2016 and it was formally opened by the Prime Minister, the Right Honourable John Key, on 13 April 2016. The terminal has been operating under a Certificate of Public Use and it is anticipated that the building will achieve Code of Compliance by year end. The terminal is operating well and it draws many favourable comments from both the stakeholders and the public.

• Implementation of the Asset Management System

Not Achieved

Progress on the implementation of an Asset Management System has progressed over the period. There has been ongoing work identifying suitable software platforms, the introduction of a number of service level agreements for equipment related to the new terminal and major asset condition reviews for inclusion in the capital and asset plans. Work on understanding the scope of asset management requirements needed at IAL has progressed during the period and this work will continue in the 2016/17 year.

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