Annual Report 2017

INVERCARGILL AIRPORT

Bright lights in the southern skies

INVERCARGILL AIRPORT

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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 2017.

T M Foggo	R M Walton
Chairman	Director

For and on behalf of the Board of Directors
7 August 2017

Directory

DIRECTORS WHO HELD OFFICE DURING THE YEAR ENDED 30 JUNE 2017

Mr AJ O'Connell - Chairman
(until 30 November 2016)

Mr TM Foggo - Chairman
(from 30 November 2016)

Mr RM Walton

Mr J Green

Mr T Shadbolt

Mr S O'Donnell
(Appointed 1 December 2016)

MANAGEMENT

Mr N Finnerty - General Manager

REGISTERED OFFICE

C/- Invercargill City Council
101 Esk Street
Invercargill 9810

PHYSICAL ADDRESS

106 Airport Avenue
Invercargill

Phone (03) 218 6367
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	20,500
T M Foggo (Chairman)	38,950
R M Walton	24,600
J Green	24,600
T Shadbolt	24,600
S O'Donnell	14,350

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.

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.

INVERCARGILL AIRPORT

Chairman's Review

I am pleased to report on the performance of Invercargill Airport Ltd for the financial year ended 30 June 2017, the twentieth year of trading for the Airport Company

The year has again been a busy one with the "bedding in" of the new terminal after the opening in April 2016. The terminal is now operating very well with the public and all of those working in it enjoying the benefits of having such a quality asset. There were a number of changes to staff and accountabilities across the business with a restructure of responsibilities and the addition of one new role to support safety, compliance and customer experience. Operationally we have had a steady year with a slight increase in passenger numbers. A highlight was the turnaround of three A320 aircraft for the Oyster Festival held in May. Over 520 passengers were processed in and out of the airport in a day which required Aviation Security, apron management and coordination across many airport users to achieve a very good outcome.

The year has once again been a very positive one with an improved position over last year.

HEALTH, SAFETY AND COMPLIANCE

The Board approved our new Health, Safety and Wellness Policy and Statement during the year. The implementation of the policy is ongoing and is now supported by a new role. The Safety, Compliance and Customer Experience Manager is rolling the policy across the entire business, engaging with all stakeholders to enhance the zero-harm culture. We met our objective to record zero lost time injuries during the year.

The company has maintained its Aerodrome Operators Certificate during the year undergoing a CAA Security audit in May. There was one finding from that audit that has since been closed.

We are also pleased to report that no environmental incidents occurred at the airport this year. The environmental risk of the site was reduced with the removal of the old terminal demolition rubble. This was used by the ICC to support critical stop bank refurbishment in our area.

Population of the Risk Management framework continued during the year, with a focus on identifying operational risks. The framework will enable the Airport Company to identify and review key risks on a semi-annual basis.

On 20 June we had a full-scale emergency exercise to test the preparedness of airport and emergency services to respond to a significant incident. The exercise simulated the crash of a Q300 aircraft coming off the runway and provided all participants with the opportunity to test their systems and processes in real time. Whilst there were several improvement opportunities identified the exercise was deemed to be very successful.

FINANCIAL PERFORMANCE

The financial statements record an after tax profit of $358,000 compared to $800,000 for the same period last year. Again, this year, there was no impairment on the company's airside assets.

The pre-tax profit for the year, before investment property revaluations and the runway impairment is a profit of $532,000 compared to $530,000 for the same period last year.

The company made the first Redeemable Preference Share (RPS) redemption during the year of 800,000 shares. These were split on a pro-rata basis between the two RPS shareholders, Invercargill City Holdings

Limited and Oraka Aparima Runaka Holdings Limited. The total cost of the redemption was $977,000 including interest.

PASSENGER NUMBERS

Air New Zealand continued to review its aircraft mix servicing Invercargill with more ATR's coming on the route. We have seen a slight decrease of 2.1% in Air New Zealand's landings in 2016 due to this change in aircraft mix. Total passenger numbers have grown to 294,832 from 289,836 in 2016, an increase of approximately 1.7%.

Air New Zealand changed the flight schedules in October 2016 to provide enhanced connectivity to its network. This increased the number of flights to Invercargill by one. We have also been designated as the alternative airport for Queenstown and have seen a number of diverted jet flights landing. We expect to see more of these over the coming year.

With the current focus on Stewart Island as a destination, there has been a significant increase in both flights and passenger numbers. We expect to see continued growth in this market.

INFRASTRUCTURE

The year has focused on the safe and efficient operation of the new terminal. Since opening in April 2016, the terminal has performed very well with unanimous approval from everyone who uses it. As with all significant infrastructure projects there have been some settling in issues which have been progressed over the year. The terminal is now very functional and provides the modern gateway Southland needs.

The completion of the terminal has allowed the company to focus on other infrastructure requirements. This included putting fibre through to the terminal building, assessing the need for new hangars for general aviation aircraft and supporting businesses and significant maintenance projects on several of our existing assets. The focus is now on developing appropriate asset management processes for all our infrastructure supported by capital and major maintenance plans. To support this work, a new role of Projects and Infrastructure Manager has been established with this work as a primary focus.

STAKEHOLDERS AND CUSTOMERS

Since the completion of the terminal, regular engagement with our stakeholders and customers has been a focus. We undertook our annual engagement survey with customers, passengers and visitors which provided valuable insights into how our business is perceived by those users. Several focus areas including providing a children's playground and improving the parking system reliability have been addressed. We have also hosted many community groups, school visits and special interest groups through the airport with an emphasis on showcasing the capability of the new terminal.

The Airport has also been actively involved with the Tourism Stream of the Southland Regional Development Strategy (SoRDS). We have been working closely with the SoRDS team and Air New Zealand to support the development of concrete initiatives and marketing campaigns to drive traffic into our region.

To all our stakeholders and customers, thank you for your support of the Airport over the past year and we look forward to continuing the airport's growth over the coming year.

INVERCARGILL AIRPORT

STAFF CHANGES

During the year there were several changes to both the structure and personnel in the company. The business is asset intensive, highly regulated and has a large customer usage so roles have been introduced to focus on ensuring these areas are effectively and efficiently managed.

Whilst the Airport Fire Service structure has remained unchanged, two new fire officers have joined the team to fill gaps left by a promotion and a resignation. There is a significant training requirement for new Fire Officers, which has tested our systems. There are now 10 direct employees in the company, up from nine in 2016.

Ensuring all our people have the right training has seen the introduction of a new training matrix and reporting system that allows us to demonstrate compliance with the relevant regulations. This system will ensure that critical training is always up to date and that training plans can be individually developed for all team members.

ACKNOWLEDGEMENTS

On behalf of the Airport Company's Board and Management team, we would like to acknowledge and thank our customers, suppliers, shareholders and other stakeholders for their continued support throughout the year. We wish to especially recognise and thank Joe O'Connell who retired from the Board on 30 November after seven years service as a Director of the Airport Company and Chairman of the Board. Joe has made a significant contribution during his time on the Board and guided the company through some very interesting and exciting times. His significant governance experience, project management skills, negotiating power and commercial acumen have added significant value to the business. We also welcome Scott O'Donnell to the Board with effect from 1 December 2016.

I also thank my fellow Directors for their support and our new General Manager Nigel Finnerty and his team for their continued dedication and achievements.

It has been a very busy year with a new team at the helm and a new terminal to bring into service. It has not only been a year of growth but also a year focused on the future with a number of exciting business initiatives and infrastructure opportunities in the pipeline. It has also been a year of settling after the pressure of delivering the premier "Gateway to Southland". The company has a clear vision with the resources and people in place to achieve the future we are anticipating, for the benefit of all our Stakeholders and wider Invercargill and Southland community.

For and on behalf of the Board,

T M Foggo

Chairman of Directors

Invercargill Airport Ltd

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the shareholders of Invercargill Airport Limited's financial statements and performance information for the year ended 30 June 2017

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 his behalf.

Opinion

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 2017, 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 43.

In our opinion:

- the financial statements of the Company on pages 12 to 41:
    - present fairly, in all material respects:
        - its financial position as at 30 June 2017; and
        - its financial performance and cash flows for the year then ended;
    - 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 on pages 42 to 43 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 2017.

Our audit was completed on 7 August 2017. This is the date at which our opinion is expressed.

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

Basis for opinion

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

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

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

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

The Board of Directors are responsible on behalf of the Company for preparing financial statements and performance information that are fairly presented and that comply with generally accepted accounting practice in New Zealand.

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

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

The Board of Directors' responsibilities arise from the Local Government Act 2002, and the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999.

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

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

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

For the performance information, our procedures were limited to checking that the information agreed to the Company's statement of intent.

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

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

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of the internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- We evaluate the appropriateness of the reported performance information within the Company's framework for reporting performance.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

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

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors are responsible for the other information. The other information comprises the information included on pages 5 to 7, but does not include the financial statements and performance information, and our auditor's report thereon.

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

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

Independence

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

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

Ian Lothian

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 (NZ IFRS).

The financial statements for the year ended 30 June 2017 were approved and authorised for issue by the Board of Directors on 7 August 2017. The entity's 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 profit or loss for the period comprises current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to 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.

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.

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.

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 makes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses. These estimates and assumptions may differ from the subsequent actual results. The estimates and associated assumptions have been based on historical experience and other factors 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.
- Fair value of Investment Property. This is discussed in Note 9.

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.

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

Statement of Financial Position

As at June 30, 2017

	Note	2017 $000	2016 $000
Assets			
Current assets			
Cash and cash equivalents	6	1,045	680
Trade and other receivables	7	561	320
Inventories		5	2
Tax receivable		12	6
Total current assets		1,623	1,008
Non-current assets			
Property, plant and equipment	8	23,296	24,325
Investment property	9	3,835	3,778
Construction work in progress		13	322
Total non-current assets		27,144	28,425
Total assets		28,767	29,433
Liabilities			
Current liabilities			
Trade and other payables	10	314	271
Retentions		175	208
Employee benefit liabilities	11	39	26
Borrowings	12	500	478
Total current liabilities		1,028	983
Non-current liabilities			
Borrowings	12	4,069	4,569
Deferred tax liability	13	1,443	1,212
Total non-current liabilities		5,512	5,781
Total liabilities		6,540	6,764
Equity			
Share capital	14	17,555	18,355
Retained earnings	14	4,672	4,314
Total equity attributable to the equity holders of the company		22,227	22,669
Equity is attributable to:			
Parent entity	14	19,344	19,796
Minority interest	14	2,883	2,873
		22,227	22,669

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, 2017

	Note	2017 $000	2016 $000
Income			
Rendering of services		3,972	3,764
Rental income		632	516
Other gains	1	225	1,042
Total income		4,829	5,322
Expenditure			
Employee expenses	3	650	635
Depreciation and amortisation	8	1,717	1,439
Other expenses	2	1,569	1,914
Total operating expenditure		3,936	3,988
Finance income	4	166	192
Finance expenses	4	470	344
Net finance expense		(304)	(152)
Operating profit/(loss) before tax		589	1,182
Income tax expense	5	231	382
Profit/(loss) after tax		358	800
Other comprehensive income			
Total other comprehensive income		-	-
Total comprehensive income		358	800
Total comprehensive income attributable to:			
Equity holders of the Company		348	778
Minority interest		10	22
		358	800

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 Changes in Equity

For the year ended June 30, 2017

	Note	2017 $000	2016 $000
Balance at 1 July		22,669	17,769
Total Comprehensive Income for the year	14	358	800
Contributions from Shareholders			
Shares issued and paid up	14	-	-
Redeemable preference shares issued and paid up	14	-	4,100
Distributions to Shareholders			
Dividends paid/declared	14	(800)	-
Balance at 30 June		22,227	22,669
Attributable to:			
Equity holders of the Company		19,344	19,796
Minority interest		2,883	2,873
Balance at 30 June		22,227	22,669

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, 2017

	Note	2017 $000	2016 $000
Cash flows from operating activities			
Receipts from customers		4,420	4,161
Interest and interest subsidy received		21	17
Payments to suppliers and employees		(2,323)	(2,498)
Interest paid		(326)	(169)
Income tax (paid) / refund		(6)	(5)
Goods and services tax [net]		53	378
Net cash from operating activities	15	1,839	1,884
Cash flows from investing activities			
Purchase of property, plant and equipment		(364)	(5,284)
Net cash from investing activities		(364)	(5,284)
Cash flows from financing activities			
Repayment of borrowings		(310)	(290)
Proceeds from equity (share issue)		-	4,100
Redemption of shares		(800)	-
Net cash from financing activities		(1,110)	3,810
Net (decrease)/increase in cash and cash equivalents		365	410
Cash and cash equivalents at the beginning of the year		680	270
Cash and cash equivalents at the end of the year	6	1,045	680

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, 2017

1 Other gains and losses	**2017**	**2016**
	$000	**$000**
Derecognition of term loan	168	168
Change in fair value of investment property	57	-
Reversal of prior impairment loss	-	874
	225	1,042

2 Other expenses (includes)	**2017**	**2016**
	$000	**$000**
Director fees	148	167
Net loss/(gain) on sales of property, plant and equipment	4	-
Auditor's remuneration to Audit New Zealand comprises:		
· audit of financial statements	22	21

3 Employee expenses	**2017**	**2016**
	$000	**$000**
Wages and salaries	632	617
Defined contribution expenses	18	18
Total employee expenses	650	635

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4 Finance income and expense	2017	2016
	$000	$000
Finance Income		
Interest expense subsidised by ICHL	145	175
Interest income on bank deposits	21	17
Total finance income	166	192
Financial expense		
Interest expense on financial liabilities measured at amortised cost	470	344
Total financial expenses	470	344
Net finance costs	(304)	(152)

5 Income tax expense in the Income Statement	2017	2016
	$000	$000
Current tax expense		
Current period	-	-
Adjustment for prior periods	-	-
Total current tax expense	-	-
Deferred tax expense		
Origination and reversal of temporary differences	(160)	20
Adjustment for prior periods	-	-
Other	391	362
Total deferred tax expense	231	382
Total income tax expense	231	382

Reconciliation of effective tax rate	2017	2016
	$000	$000
Profit for the year	589	1,182
Permanent differences	-	-
Profit excluding income tax	589	1,182
Tax at 28%	165	331
Deferred tax adjustment	66	-
Under/(over) provided in prior periods	-	51
Total income tax expense	231	382
Effective Tax Rate	39%	29%

6 Cash and cash equivalents

	2017	2016
	$000	$000
Call deposits	56	55
Cash and cash equivalents	989	625
Cash and cash equivalents in the statement of cash flows	1,045	680

7 Trade and other receivables

	2017	2016
	$000	$000
Trade receivables	561	320
	561	320

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
2017	561	558	3
2016	320	237	83

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

8 Property, Plant and Equipment

2017 ($'000)

	Cost	Accumulated depreciation and impairment charges	Carrying amount	Current year additions - Cost	Current year disposals - Cost
	1 July 2016	1 July 2016	1 July 2016		
Land	509	-	509	-	-
Fencing	3,793	656	3,137	149	-
Runways and taxiways	14,731	5,877	8,854	15	-
Terminal and buildings	6,723	228	6,495	291	-
Plant and equipment	1,038	145	893	140	36
Motor vehicles	269	139	130	-	-
Furniture and fittings	4,617	310	4,307	109	13
Total assets	31,680	7,355	24,325	704	49

2016 ($'000)

	Cost	Accumulated depreciation and impairment charges	Carrying amount	Current year additions	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

Current year disposals - Depreciation	Current year impairment charges	Current year depreciation	Cost	Accumulated depreciation and impairment charges	Carrying amount
			30 June 2017	30 June 2017	30 June 2017
-	-	-	509	-	509
-	-	159	3,942	815	3,127
-	-	814	14,746	6,691	8,055
-	-	210	7,014	438	6,576
32	-	138	1,142	251	891
-	-	15	269	154	115
1	-	381	4,712	690	4,023
33	-	1,717	32,335	9,039	23,296

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

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 annually. This resulted in an increase of $- (2016: $874,000), being a reversal of the accumulated impairment from prior years.

The following valuation assumptions were adopted;

o The forecast free cash flows reflect the charges determined following the 2016 aeronautical pricing consultation with airline customers (2016: 2015 aeronautical pricing consultation with airline customers). Expected revenues also reflect expected passenger numbers and other contractual revenues.
o The forecast free cash flows reflect the company's business and asset management plans.
o 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.
o 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.
o The corporate tax rate used is 28%.
o The weighted average cost of capital (WACC) used is 5.98% (2016: 5.86%).

9 Investment Property

	2017	2016
	$000	$000
Balance at 1 July	3,778	4,000
Change in fair value	57	(222)
Balance at 30 June	3,835	3,778

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 2017 and 2016, all investment properties were valued based on the income approach and comparable sales approach except for two properties being less than 20% of the portfolio value. These two properties are planned to be replaced within the next year (2016: next year), 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 2017 and 2016 valuations were performed by Robert Todd, an independent valuer from Thayer Todd Valuations Limited. The valuer is an experienced valuer who holds a recognised and relevant professional qualification and has extensive market knowledge in the types of investment properties owned by the Company.

10 Trade and Other Payables

	2017	2016
	$000	$000
Trade payables	198	190
Directors fee payable	-	4
Accrued expenses	32	47
Amounts due to other related parties	-	-
GST payable	84	30
Total trade and other payables	314	271

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

	2017	2016
	$000	$000
Accrued pay	-	-
Annual leave	39	26
	39	26
Comprising:		
Current	39	26
Non-current	-	-
Total employee benefit liabilities	39	26

12 Borrowings

	2017	2016
	$000	$000
Current		
Secured loans (Runway Extension) – related party	168	168
Secured loans (Runway Overlay) – related party	332	310
Total current borrowings	500	478
Non-current		
Secured loans (Runway Extension) – related party	2,491	2,659
Secured loans (Runway Overlay) – related party	1,578	1,910
Total non-current borrowings	4,069	4,569

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

The average interest rate on the runway extension loan is 5.13% (2016: 5.83%). 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 (2016: $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% (2016: 7.0%).

13 Deferred Tax Assets and Liabilities

Recognised deferred tax assets and liabilities	Balance	Recognised in: Profit or loss	Recognised in: Equity	Balance
	1 July 2016			**30 June 2017**
	$000	**$000**	**$000**	**$000**
Property, plant and equipment	1,414	(171)	-	1,243
Tax losses	(883)	391	-	(492)
Investment property	694	16	-	710
Trade payables and accruals	(13)	(5)	-	(18)
Total movements	1,212	231	-	1,443

Recognised deferred tax assets and liabilities	Balance	Recognised in: Profit or loss	Recognised in: Equity	Balance
	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

14 Equity

	Attributable to equity holders of the Company				
	Share capital	**Retained earnings**	**Total**	**Minority Interest**	**Parent Interest**
	$000	**$000**	**$000**	**$000**	**$000**
Balance at 1 July 2015	14,255	3,514	17,769	2,851	14,918
Profit/(loss) 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**
Balance at 1 July 2016	18,355	4,314	22,669	2,873	19,976
Profit/(loss) after tax	-	358	358	10	348
Other comprehensive income					
Contributions from Shareholders					
Shares issued and paid up	-	-	-	-	-
Redeemable preference shares issued and paid up	-	-	-	-	-
Distributions to Shareholders					
Redeemable preference shares redeemed	(800)	-	(800)	-	(800)
Balance at 30 June 2017	**17,555**	**4,672**	**22,227**	**2,883**	**19,344**

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 2017 there were 11,230,000 (2016: 12,030,000) 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 profit/(loss) to net cash inflows (outflows) from operating activities

	2017	2016
	$000	$000
Reconciliation with reported operating profit		
Net profit after tax	358	800
Add/(deduct) non-cash items:		
Depreciation	1,717	1,439
Net (profit)/loss on Impairment of Property, Plant and Equipment	-	(874)
Derecognition of term loan	(168)	(168)
Change in fair value of investment property	(57)	222
Increase/(decrease) in deferred taxation	231	382
	1,723	1,001
Add/(less) movements in working capital:		
(Increase)/decrease in receivables	(240)	(119)
(Increase)/decrease in inventories	(3)	2
Increase/(decrease) in accounts payable and accruals	(46)	(173)
Increase/(decrease) in GST/taxation	47	373
	(242)	83
Net cash inflow (outflow) from operating activities	1,839	1,884

16 Related party transactions

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

	2017	2016
	$000	$000
(a) Invercargill City Holdings Limited		
Revenue		
Interest subsidy received	145	175
Derecognition of Loan	168	168
Expenditure		
Provision of services	60	60
Interest paid	470	344
Loans repaid/(drawndown)	478	459
Loans outstanding at balance date by the Company	4,569	5,047
(b) Invercargill City Council		
Expenditure		
Provision of services	107	95
(c) AJO Management Limited		
Expenditure		
Provision of services	-	70
Outstanding at balance date by the Company	-	4
(d) R M Walton		
Expenditure		
Provision of services	-	19

No related party transactions have been written off or were forgiven during the 2017 year (2016: nil).

During the 2016 year 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 year 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:	**2017**	**2016**
	$000	**$000**
Short term employment benefits	138	181
Directors Fees	148	167

17 Capital commitments and operating leases	**2017**	**2016**
	$000	**$000**
Capital commitments		
Capital expenditure contracted for at balance date but not yet incurred for property, plant and equipment.	329	463

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:

	2017	**2016**
	$000	**$000**
Non-cancellable operating leases as lessor		
Not later than one year	326	366
Later than one year and not later than five years	986	1,148
Later than five years	598	886
Total non-cancellable operating leases	1,910	2,400

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 (2016: Nil).

18 Contingencies

There are no contingent liabilities or assets at 30 June 2017 (2016: 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 2017:

	Maturity Dates			
	< 1 year	**1-3 years**	**> 3 years**	**Total**
	$000	**$000**	**$000**	**$000**
Financial Assets				
Cash and cash equivalents	1,045	-	-	1,045
Trade and other receivables	561	-	-	561
	1,606	-	-	1,606
Financial Liabilities				
Trade and other payables	489	-	-	489
Employee benefit liabilities	39	-	-	39
Borrowings - secured loans	501	1,072	2,996	4,569
	1,029	1,072	2,996	5,097

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 2016:

	Maturity Dates			
	< 1 year	**1-3 years**	**> 3 years**	**Total**
	$000	**$000**	**$000**	**$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

• **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, 2017

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 2017 $000	Target 2017 $000	Actual 2016 $000	Target 2016 $000
Net Profit before Tax (NPBT)	589	219	1,182	511
Interest (net)	(304)	(587)	(152)	(341)
Net Profit before Interest and Tax (NPBIT)	893	806	1,334	852
Total Assets	28,767	28,149	29,433	29,795
EBIT %	3.10%	2.86%	4.53%	2.86%
Percentage of Equity to Total Assets				
Equity	22,227	21,753	22,669	22,389
Total Assets	28,767	28,149	29,433	29,795
%	77.27%	77.28%	77.02%	75.14%
Operating Revenue	4,829	4,905	5,322	4,348
Expenditure	3,936	4,099	3,988	3,496
Results from Operating Activities	893	806	1,334	852
Net Finance Income	(304)	(587)	(152)	(341)
Operating profit/(loss) before tax	589	219	1,182	511
Tax	231	61	382	143
Retained Earnings	358	158	800	368
Dividend	-	-	-	-
Redemption of preference shares	800	1,575	-	305

Non Financial:

Safety

• Zero lost time injuries for staff
Achieved
There were no lost-time injuries to IAL employees during the year. A new Health, Safety and Wellness policy was developed and rolled out. The policy highlights our commitments to Health, Safety and Wellness for team with a clear vision that "IAL are committed to achieving a zero-harm work place. We believe that we can take steps to ensure everyone working or using our Airport is safe from work related injury or illness." A new Safety/Compliance and Customer Services Manager role was introduced with the focus on understanding and growing the health and safety culture across the airport. The role has focused on contractor safety, risk identification and building robust systems to support our health and safety processes. This work will continue into the 2017/18 financial year.

• A risk review is conducted annually by the Board and Management.
Achieved
Key risks within the business, including risks to health and safety, have been identified and have ongoing review. During the year, there has been risk identification and review across the operational areas of the business. Health and safety has been the primary risk focus for both the Board and Management with critical risks identified and mitigation plans progressed.

Environmental

• No notifiable environmental incidents on airport property
Achieved
There were no notifiable environmental incidents recorded at the Airport over the year. During the period, several environmental hazards were removed from site including the old terminal demolition material, redundant chemicals and old equipment. The ring drain system around the perimeter of the airport was cleaned as part of the 5-yearly maintenance programme with no significant defects found.

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 May. There was one finding focused on the need to provide security awareness training for non IAL terminal staff. This has since been closed. Our current operating certificate remains valid until 31 July 2019.

Infrastructure

• No significant disruption to airport operations due to infrastructure failure
Achieved
There have been no significant disruptions to airport operations due to IAL owned or managed infrastructure failures. The condition of all the airside assets was reviewed during the year with no significant issues identified. The 10-year sealed surfaces maintenance plan was updated reflecting the current known condition. Areas of the grass runways were "mole ploughed" to improve drainage. This has been successful in reducing the closures of these runways. Further similar work is planned over the next year.

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