Annual Report 2019

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 2019.

T Foggo Chairman	J D Green Director

For and on behalf of the Board of Directors
20 August 2019

Directory

DIRECTORS WHO HELD OFFICE DURING THE YEAR ENDED 30 JUNE 2019

Mr T Foggo - Chairman

Mr R Walton (to 31 October 2018)

Mr J Green

Mr T Shadbolt

Mr S O'Donnell

Mr J Franklin (from 1 November 2018)

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	**$**
T Foggo (Chairman)	49,200
R Walton	8,200
J Green	24,600
T Shadbolt	24,600
S O'Donnell	24,600
J Franklin	16,400

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 15 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***
150-160	1

AUDITORS' REMUNERATION

Audit fees for the Company totalled $23,230. 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.

Executive Report

INVERCARGILL AIRPORT LIMITED CHAIRMAN AND GENERAL MANAGER'S REPORT 2019

We are pleased to report on the performance of Invercargill Airport Limited for the financial year that ended on 30 June 2019, the twenty second year of trading for the Airport Company.

It has been a very busy and exciting year for the Airport. The year has been one of change since the announcement of the new Invercargill to Auckland direct jet service starting on 25 August 2019.

In December 2018 the company's focus changed when Air New Zealand announced that they would be introducing the longest flight in New Zealand. IAL would become the first regional airport to introduce a domestic jet service for many years. Operationally, this will be the biggest change for the airport in many years. To operate the service the Airport has had to complete a major upgrade to incorporate passenger and baggage security screening. Additional facilities including a secure lounge, a passenger screening lane including x-ray machines, a baggage screening area, freight areas and a new hardstand for jet parking were all required. We have also transitioned from a non-secure airport to a security designated airport with the associated regulatory changes required by the Civil Aviation Authority (CAA). This project will remain a focus for the airport and will continue to dominate our effort for the rest of 2019. We're looking forward to the first jet arriving on 25 August and then integrating it into our daily operation.

The year has seen continued passenger growth. Whilst aircraft movements remained reasonably static, we have seen an increase in the passenger numbers across all routes. The increase in passenger numbers has been driven, in part, by market stimulation with a positive change in airfare prices in and out of Invercargill and growth of business and tourism in the region. Stewart Island continues to grow as a destination with more tourists going there each year. This has contributed to record passenger numbers through the Airport. We have had over 321,000 passenger movements, a 4.6% increase over the previous year. This has helped contribute to a strong financial performance for the year with revenue growing to $5.38 million delivering an after-tax profit of $805,000 compared to a $302,000 profit for the same period last year. The pre-tax profit for the year, before investment property revaluations was $1,071,000 compared to a $331,000 profit for the same period last year.

The company did not redeem any Redeemable Preference Shares during the year, and this has saved the company interest costs of approximately $540,000 on the anticipated redemptions for the year. In conjunction with Invercargill City Holdings Limited (ICHL) the Company has been conducting a strategic review which includes consideration of the Company's capital structure. It was agreed with ICHL that no redemptions would occur during the year pending the outcome of the strategic review.

Operationally we have had a busy year. The Oyster Festival was a highlight again with two A320 aircraft bringing over 340 passengers to town for the event. For the first time we had Auckland passengers staying in Invercargill for two nights. This also provided an opportunity for Southlanders to fly north for the weekend. To facilitate this, we had to set up temporary security screening for outgoing passengers' baggage. With the support of the Aviation Security Services from Queenstown and the other airport users, this went very smoothly and demonstrated we could provide this service if required.

Health, safety and compliance has again been our top priority with a focus on reviewing, identifying and mitigating our highest hazards and risks. With several major projects going on, we have worked with key stakeholders to understand the potential impacts these changes may have on our operation and added them into our risk register. We will continue to review our risks as these projects mature to ensure our operation remains safe.

Our five year Aerodrome Operators Certificate expired in 2019. CAA conducted a "deep dive" review of our operation and renewed our Certificate until October 2023. CAA were pleased to see that our Safety

Management System had continued to develop and it was now key to the safe operation of the airport.

We are also pleased to report that no environmental incidents occurred at the airport this year. The New Zealand wide focus on some of the components of fire-fighting foam continued over the year. Whilst IAL's foam was compliant with current standards, we continued to work with the Environmental Protection Agency and industry to fully understand the issues and potential impacts on our emergency response.

The Board had one change during the year with Mr Martin Walton retiring from the board after 11 years of involvement with the Airport. Martin has been a tireless contributor to the governance of the Airport, and we wish him all the best in his next endeavours. We welcomed Mr Jason Franklin to the Board in October. It was a stable year for the Airport Management Team.

The Board would like to acknowledge the Team for their ongoing hard work and commitment to supporting the airports operation. Despite it being a very challenging period, the Airport has had another successful year of development and growth.

It has been an exciting year for the airport with continued growth in air travel into and out of Southland. The Board would like acknowledge and thank our shareholders and the many stakeholders for their continued support of our journey to becoming New Zealand's leading full service Regional Airport, with a thriving Airport community connecting Southland to the world.

T M Foggo
Chairman of Directors
Invercargill Airport Ltd

N R Finnerty
General Manager
Invercargill Airport Ltd

Statement of Financial Position

As at June 30, 2019

	Note	2019 $000	2018 $000
Assets			
Current assets			
Cash and cash equivalents	6	3,209	1,070
Trade and other receivables	7	339	311
Inventories		8	6
Tax receivable		-	16
Total current assets		3,556	1,403
Non-current assets			
Property, plant and equipment	8	19,912	21,686
Investment property	9	4,250	4,060
Construction work in progress		577	15
Total non-current assets		24,739	25,761
Total assets		28,295	27,164
Liabilities			
Current liabilities			
Trade and other payables	10	468	241
Retentions		49	49
Employee benefit liabilities	11	56	46
Borrowings	12	380	355
Tax payable		540	-
Total current liabilities		1,493	691
Non-current liabilities			
Borrowings	12	842	1,223
Deferred tax liability	13	1,182	1,277
Total non-current liabilities		2,024	2,500
Total liabilities		3,517	3,191
Equity			
Share capital	14	15,920	15,920
Retained earnings	14	4,328	3,523
Additional paid in capital	14	4,530	4,530
Total equity attributable to the equity holders of the company		24,778	23,973
Equity is attributable to:			
Parent entity	14	23,034	22,252
Minority interest	14	1,744	1,721
		24,778	23,973

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, 2019

	Note	2019 $000	2018 $000
Income			
Aircraft movement and terminal changes		3,549	3,323
Ground transportation		687	642
Rental income		758	728
Sundry income		204	143
Other gains	1	190	225
Total income		5,388	5,061
Expenditure			
Employee expenses	3	718	745
Depreciation and amortisation	8	1,709	1,718
Other expenses	2	1,631	1,539
Total operating expenditure		4,058	4,002
Finance income	4	33	18
Finance expenses	4	102	521
Net finance expense		(69)	(503)
Operating profit/(loss) before tax		1,261	556
Income tax expense	5	456	254
Profit/(loss) after tax		805	302
Other comprehensive income			
Total other comprehensive income		-	-
Total comprehensive income		805	302
Total comprehensive income attributable to:			
Equity holders of the Company		782	294
Minority interest		23	8
		805	302

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, 2019

	Note	2019 $000	2018 $000
Balance at 1 July		23,973	25,306
Total Comprehensive Income for the year	14	805	302
Distributions to Shareholders			
Redeemable preference shares redeemed	14	-	(1,635)
Balance at 30 June		24,778	23,973
Attributable to:			
Equity holders of the Company		23,034	22,252
Minority interest		1,744	1,721
Balance at 30 June		24,778	23,973

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, 2019

	Note	2019 $000	2018 $000
Cash flows from operating activities			
Receipts from customers		5,169	5,085
Interest and interest subsidy received		33	18
Payments to suppliers and employees		(2,235)	(2,306)
Interest paid		(102)	(521)
Income tax (paid) / refund		5	(4)
Goods and services tax [net]		(56)	11
Net cash from operating activities		2,814	2,283
Cash flows from investing activities			
Purchase of construction work in progress		(312)	-
Purchase of property, plant and equipment		(8)	(291)
Net cash from investing activities		(320)	(291)
Cash flows from financing activities			
Repayment of borrowings		(355)	(332)
Redemption of shares		-	(1,635)
Net cash from financing activities		(355)	(1,967)
Net (decrease)/increase in cash and cash equivalents		2,139	25
Cash and cash equivalents at the beginning of the year		1,070	1,045
Cash and cash equivalents at the end of the year	6	3,209	1,070

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.

Reconciliation of net profit/(loss) to net cash inflows (outflows) from operating activities

	2019 $000	2018 $000
Reconciliation with reported operating profit		
Net profit after tax	805	302
Add/(deduct) non-cash items:		
Depreciation	1,709	1,718
Change in fair value of investment property	(190)	(225)
Increase/(decrease) in deferred taxation	(95)	254
Loss of disposal of property, plant and equipment	73	-
Increase/(decrease) in current taxation	551	-
	2,048	1,747
Add/(less) movements in working capital:		
(Increase)/decrease in receivables	(28)	249
(Increase)/decrease in inventories	(2)	(1)
Increase/(decrease) in accounts payable and accruals	42	(21)
Increase/(decrease) in GST/taxation	(51)	7
	(39)	234
Net cash inflow (outflow) from operating activities	2,814	2,283

Reconciliation of changes in liabilities arising from financing activities

The changes in the liabilities arising from financing activities can be classified as follows:

	Short-term borrowings $000	Long-term borrowings $000	Total $000
1 July 2018	355	1,223	1,578
Cashflows			
Repayments	(355)	-	(355)
Non-Cash			
Reclassification	380	(380)	-
30 June 2019	380	843	1,223

Notes to the Financial Statements

For the year ended June 30, 2019

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 2019 were approved and authorised for issue by the Board of Directors on 20 August 2019. 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 recognised as the amount of consideration expected to be received in exchange for transferring promised goods or services to a customer.

Aircraft movement and terminal charges are recognised over time as the passenger travels or uses the airport facilities and the Company provides the service to the customer.

Car parking revenue is earned by charging customers a fee for the use of the airport carpark. The revenue earned is recognised over time as the service is used.

Rent and lease income is recognised on a straight line basis over the term of the lease.

Interest income is recognised using the effective interest method.

Sundry income is recognised over time as the Company provides the goods or services to the customer.

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.

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.

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

The Company has applied the following standards for the first time for the annual reporting period commencing 1 July 2018:

NZ IFRS 9 - Financial Instruments
NZ IFRS 15 - Revenue from Contracts with Customers

The Company has changed its accounting policies to reflect the new standards but the adoption has had no material effects on the financial statements. Accordingly, there has been no change to opening equity.

In accordance with the transition provisions of IFRS 9, comparative figures have not been restated in these financial statements.

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 except for those arising from the adoption of the new standards. All accounting policies have been consistently applied throughout the period covered by these financial statements.

1 Other gains and losses

	2019	2018
	$000	$000
Change in fair value of investment property	190	225
	190	225

2 Other expenses (includes)

	2019	2018
	$000	$000
Director fees	148	148
Net loss/(gain) on sales of property, plant and equipment	73	(2)
Auditor's remuneration to Audit New Zealand comprises:		
· audit of financial statements	23	23
· cost recovery for the 2018 financial statements audit	3	-

3 Employee expenses

	2019	2018
Wages and salaries	698	724
Defined contribution expenses	20	21
Total employee expenses	718	745

4 Finance income and expense

	2019	2018
Finance Income		
Interest income on bank deposits	33	18
Total finance income	33	18
Financial expense		
Interest expense on financial liabilities measured at amortised cost	102	521
Total financial expenses	102	521
Net finance costs	(69)	(503)

5 Income tax expense in the Income Statement

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.

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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.

	2019	2018
	$000	**$000**
Current tax expense		
Current period	551	-
Adjustment for prior periods	-	-
Total current tax expense	-	-
Deferred tax expense		
Origination and reversal of temporary differences	(194)	(139)
Adjustment for prior periods	99	-
Other	-	393
Total deferred tax expense	(95)	254
Total income tax expense	456	254

Reconciliation of effective tax rate	**2019**	**2018**
	$000	**$000**
Profit for the year	1,261	556
Permanent differences	-	-
Profit excluding income tax	1,261	556
Tax at 28%	353	156
Deferred tax adjustment	103	98
Under/(over) provided in prior periods	-	-
Loss offset	-	-
Total income tax expense	456	254
Effective Tax Rate	36%	46%

6 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.

	2019	2018
	$000	$000
Call deposits	49	56
Cash and cash equivalents	3,160	1,014
Cash and cash equivalents in the statement of cash flows	3,209	1,070

7 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 expected credit losses.

A provision for impairment of receivables is between the asset's carrying amount and the present value of estimated future cash flows, discounted using the effective interest method.

	2019	2018
	$000	$000
Trade receivables	59	52
Less allowance for expected credit losses	-	-
Accrued revenue	280	259
	339	311

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 15.

The Company applies the simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance. The measurement of expected credit losses is a function of the probability of default, loss given default and the exposure at default.

The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

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	Past due but not impaired >30days
	$000	$000	$000	$000
2019	59	40	15	4
2018	52	36	16	-

8 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	
- Carpark and fencing	1%-21% Straight Line
- Runway, Apron and Taxiway (Base-course and sub-base)	3% Straight Line
- Top Surface (Runway)	8.3% Straight Line
- Top Surface (Apron and Taxiway)	6.7% Straight Line
- Roads, carparks and stop banks	3% Straight Line

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

2019 ($'000)

	Cost	Accumulated depreciation and impairment charges	Carrying amount	Current year additions - Cost	Current year disposals - Cost
	1 July 2018	1 July 2018	1 July 2018		
Land	509	-	509	-	-
Carpark and fencing	4,029	977	3,052	-	-
Runway, apron and taxiway	14,756	7,505	7,251	-	-
Terminal and buildings	7,014	648	6,336	-	-
Plant and equipment	1,144	385	759	8	-
Motor vehicles	273	168	105	-	-
Furniture and fittings	4,716	1,072	3,644	-	91
Total assets	32,441	10,755	21,686	8	91

2018 ($'000)

	Cost	Accumulated depreciation and impairment charges	Carrying amount	Current year additions - Cost	Current year disposals - Cost
	1 July 2017	1 July 2017	1 July 2017		
Land	509	-	509	-	-
Carpark and fencing	3,942	815	3,127	87	-
Runway, apron and taxiway	14,746	6,691	8,055	10	-
Terminal and buildings	7,014	438	6,576	-	-
Plant and equipment	1,142	251	891	26	24
Motor vehicles	269	154	115	4	-
Furniture and fittings	4,712	690	4,023	3	-
Total assets	32,335	9,039	23,296	130	24

Current year disposals - Depreciation	Current year impairment charges	Current year depreciation	Cost	Accumulated depreciation and impairment charges	Carrying amount
			30 June 2019	30 June 2019	30 June 2019
-	-	-	509	-	509
-	-	164	4,029	1,141	2,888
-	-	815	14,756	8,320	6,436
-	-	210	7,014	858	6,156
-	-	133	1,152	518	634
-	-	12	273	180	93
18	-	375	4,625	1,429	3,196
18	-	1,709	32,358	12,446	19,912

Current year disposals - Depreciation	Current year impairment charges	Current year depreciation	Cost	Accumulated depreciation and impairment charges	Carrying amount
			30 June 2018	30 June 2018	30 June 2018
-	-	-	509	-	509
-	-	162	4,029	977	3,052
-	-	814	14,756	7,505	7,251
-	-	210	7,014	648	6,366
2	-	136	1,144	385	759
-	-	14	273	168	105
-	-	382	4,716	1,072	3,644
2	-	1,718	32,441	10,755	21,686

9 Investment Property

Land is held by the Company for long term strategic purposes and is not held for resale.

Investment properties are land and buildings that are not occupied by the Company and is held for long term rental yield, where the Company intends to maximise the return on the land and buildings.

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.

	2019	2018
	$000	$000
Balance at 1 July	4,060	3,835
Change in fair value	190	225
Balance at 30 June	4,250	4,060

The Company's investment properties are valued annually at fair value effective 30 June. For 2019 and 2018, 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 two years (2018: next 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 2019 and 2018 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

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method. Trade and other payables are non-interest bearing and are normally settled within 30 day terms.

	2019	2018
	$000	$000
Trade payables	403	119
Accrued expenses	29	30
GST payable	36	92
Total trade and other payables	468	241

11 Employee benefit liabilities

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.

	2019	2018
	$000	$000
Annual leave	56	46
	56	46
Comprising:		
Current	56	46
Non-current	-	-
Total employee benefit liabilities	56	46

12 Borrowings

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

Borrowings is included as non-current liablitities except for those with maturities less than 12 months from the reporting date, which are classified as current liabilties.

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

	2019	2018
	$000	$000
Current		
Secured loans (Runway Overlay) – related party	380	355
Total current borrowings	380	355
Non-current		
Secured loans (Runway Overlay) – related party	842	1,223
Total current borrowings	842	1,223

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

The effective interest rate on the runway overlay loan is 7.0% (2018: 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 2018			30 June 2019
	$000	$000	$000	$000
Property, plant and equipment	1,055	(188)	-	867
Tax losses	(99)	99	-	-
Investment property	339	(3)	-	336
Trade payables and accruals	(18)	(3)	-	(21)
Total movements	1,277	(95)	-	1,182

Recognised deferred tax assets and liabilities	Balance	Recognised in: Profit or loss	Recognised in: Equity	Balance
	1 July 2017			30 June 2018
	$000	$000	$000	$000
Property, plant and equipment	1,243	(188)	-	1,055
Tax losses	(492)	393	-	(99)
Investment property	290	49	-	339
Trade payables and accruals	(18)	-	-	(18)
Total movements	1,023	254	-	1,277

14 Equity

	Attributable to equity holders of the	Company				
	Share capital	Additional paid in capital	Retained earnings	Total	Minority Interest	Parent Interest
	$000	$000	$000	$000	$000	$000
Balance at 1 July 2017	17,555	4,530	3,221	25,306	1,718	23,588
Profit/(loss) after tax	-	-	302	302	8	294
Distributions to Shareholders						
Redeemable preference shares redeemed	(1,635)	-	-	(1,635)	(5)	(1,630)
Balance at 30 June 2018	**15,920**	**4,530**	**3,523**	**23,973**	**1,721**	**22,252**
Balance at 1 July 2018	15,920	4,530	3,523	23,973	1,721	22,252
Profit/(loss) after tax	-	-	805	805	23	782
Distributions to Shareholders						
Redeemable preference shares redeemed	-	-	-	-	-	-
Balance at 30 June 2019	15,920	4,530	4,328	24,778	1,744	23,034

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 2019 there were 9,595,308 (2018: 9,595,308) 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 Related party transactions

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

	2019	2018
	$000	$000
(a) Invercargill City Holdings Limited		
Expenditure		
Provision of services	75	60
Interest paid	102	521
Loans repaid/(drawndown)	355	332
Loans outstanding at balance date by the Company	1,222	1,578
(b) Invercargill City Council		
Expenditure		
Provision of services	120	117
(c) R M Walton		
Expenditure		
Provision of services	26	3

No related party transactions have been written off or were forgiven during the 2019 year (2018: nil).

During the 2018 year Invercargill Airport Limited purchased services from RM Walton. Mr Walton was a director until 31 October 2018.

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:	2019	2018
	$000	$000
Short term employment benefits	155	157
Directors Fees	148	148

16 Capital commitments and operating leases

	2019	2018
	$000	$000
Capital commitments		
Capital expenditure contracted for at balance date but not yet incurred for property, plant and equipment.	652	-

Operating leases as lessor

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.

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:

	2019	2018
	$000	$000
Non-cancellable operating leases as lessor		
Not later than one year	406	456
Later than one year and not later than five years	1,077	1,306
Later than five years	337	500
Total non-cancellable operating leases	1,820	2,262

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 (2018: Nil).

17 Contingencies

At 30 June 2019 there were 9,595,308 (2018: 9,595,308) 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 the 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.

There are no other contingent liabilities or assets at 30 June 2019 (2018:Nil).

18 Events after the Balance Sheet date

There were no other significant events after balance date.

19 Financial Instruments

- *Receivables*
  Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for expected credit losses.
- *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 Company has an unconditional right to defer settlement of the liability at least 12 months after the balance date.

INVERCARGILL AIRPORT

Statement of Service Performance

For the year ended June 30, 2019

The Statement of Service Performance for Invercargill Airport Limited prepared for the year ended 30 June 2019 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 2019 $000**	**Target 2019 $000**	**Actual 2018 $000**	**Target 2018 $000**
Net Profit before Tax (NPBT)	1,261	2	556	178
Interest (net)	(69)	(745)	(503)	(778)
Net Profit before Interest and Tax (NPBIT)	1,330	747	1,059	956
Total Assets	28,295	26,851	27,164	30,500
EBIT %	4.70%	2.78%	3.90%	3.14%
Percentage of Equity to Total Assets				
Share Capital	15,920	14,229	15,920	15,924
Retained Earnings	4,328	5,058	3,523	4,877
Additional Paid in Capital	4,530	-	4,530	-
Total Equity	24,778	19,287	23,973	20,801
Total Assets	28,295	26,851	27,164	30,500
%	87.57%	71.83%	88.25%	68.20%
Gross Revenue	5,421	5,243	5,079	5,268
Expenditure	4,160	5,241	4,523	5,090
Operating profit/(loss) before tax	1,261	2	556	178
Tax	456	-	254	50
Operating profit/(loss) after tax	805	2	302	128
Dividend	-	-	-	-
Redemption of preference shares	-	1,690	1,635	1,630

Non Financial:

Safety

• Zero lost time injuries for staff
Not Achieved
There was one lost-time injury to an IAL employee during the year, this was a minor twisted ankle where lost time was a precautionary measure. IAL was the first regional Airport in New Zealand to have our Safety Management System (SMS) certified by the Civil Aviation Authority. The Health, Safety and Wellness policy was reviewed in February as part of the annual SMS Management review. IAL continues to have a strong focus on Health and Safety across the whole business.

• 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 continue to be reviewed throughout the year. The upcoming Jet Service has been assessed for risks and these have been added to IAL's risk register.

Health and Safety and the Airport's SMS continue to be primary risk focus areas for IAL.

• Completion rate for priority 1 (P1) safety and health actions achieved within the defined time periods.
Achieved
IAL had 8 P1 (Actions closed within 7 days) incidents during the year and all actions were completed within the defined timeframes. When they occur, priority 1 safety and health incidents become a focus for business, and they are actioned quickly to mitigate the risk. Each of the top safety risks across the business were the focused on for a month during the year. The potential risks and mitigations generated from these deep dives reduced our risk profile.

Environmental

• No notifiable environmental incidents on airport property
Achieved
There were no notifiable environmental incidents recorded at the Airport over the year.

There was continued focus on Per and Poly-Fluorinated Alkyl Substances (PFAS) used in firefighting foam and its risk to the environment and people. Whilst IAL has no exposure to PFAS, we have limited our use of foam during training across the year and continue to look at alternatives firefighting foams. IAL will continue to work with stakeholders, including the Environmental Protection Agency, to increase our understanding and minimise any potential risks..

Operations

• Retain aerodrome certification via assessment from the Civil Aviation Authority
Achieved
IAL has retained its Aerodrome Operators Certificate. The Airport continued to conduct scheduled internal auditing against the relevant CAA rules to ensure it remained compliant. CAA conducted an safety audit in April 2019 and completed the annual security inspection during the year. There were no findings arising from these checks.

The current operating certificate remains valid until 31 July 2019. Our 5 yearly Aerodrome Operator Certification assessment was planned for the first week of July 2019. This was successfully completed, and a new Aerodrome Operator Certificate was issued. The new certificate is valid until 31 October 2023.

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 were reviewed during the year with no significant issues identified.

Work commenced on upgrading the terminal and apron to support regular A320 Jet Operations. The major changes focus on providing security screening for passengers and their baggage and hardstand parking for the jet as it overnights at the airport. These upgrades have casued no significant disruption to airport operations.

Audit Report

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of Invercargill Airport Limited's financial statements and performance information for the year ended 30 June 2019

The Auditor-General is the auditor of Invercargill Airport Limited (the Company). The Auditor-General has appointed me, Andy Burns, 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 9 to 28, that comprise the statement of financial position as at 30 June 2019, 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 29 to 30.

In our opinion:

- the financial statements of the Company on pages 9 to 28:
    - present fairly, in all material respects:
        - its financial position as at 30 June 2019; 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 with reduced disclosure requirements; and
- the performance information of the Company on pages 29 to 30 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 2019.

Our audit was completed on 20 August 2019. 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, we comment on other information, and we explain our independence.

Basis for our 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 are 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 readers taken on the basis of these financial statements and the performance information.

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 8, 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.

Andy Burns
Audit New Zealand
On behalf of the Auditor-General
Dunedin, New Zealand

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