Annual Report 2020

INVERCARGILL AIRPORT

Bright lights in the southern skies

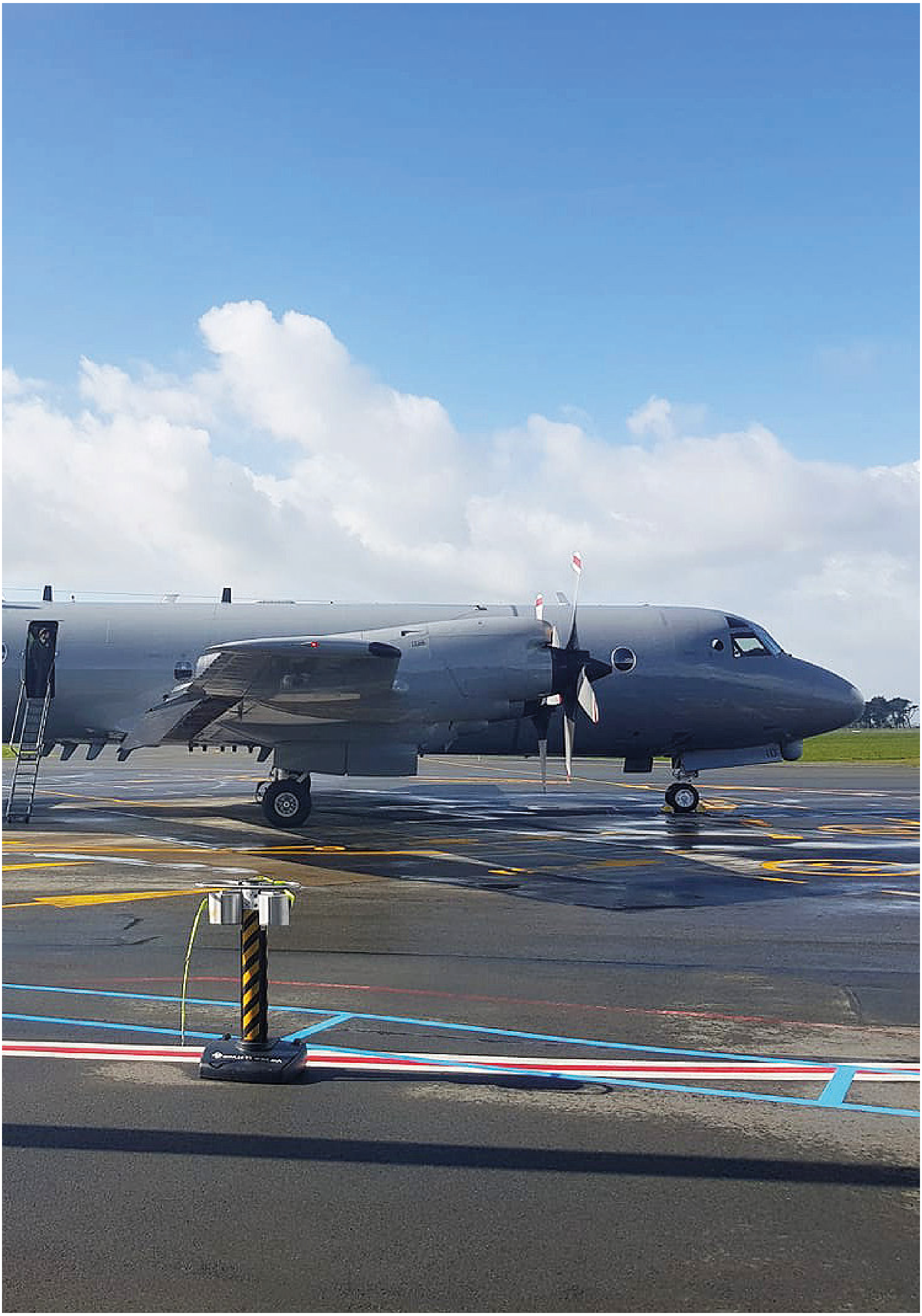


Table of Contents

Approval by Directors

The Directors have approved for issue the financial statements of Invercargill Airport Limited for the year ended 30 June 2020.

G Lilly
Chairman

J D Green
Director

For and on behalf of the Board of Directors
3 November 2020

Directory

Directors who held office during the year ended 30 June 2020
G Lilly - Chairman (from 1 November 2019)
J Green
J Franklin
S O'Donnell (until 4 June 2020)
T Foggo (until 31 October 2019)
T Shadbolt (until 31 October 2019)

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	$
G Lilly (Chairman)	28,700
T Foggo	16,400
J Green	20,500
T Shadbolt	8,200
S O'Donnell	20,500
J Franklin	20,500

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.

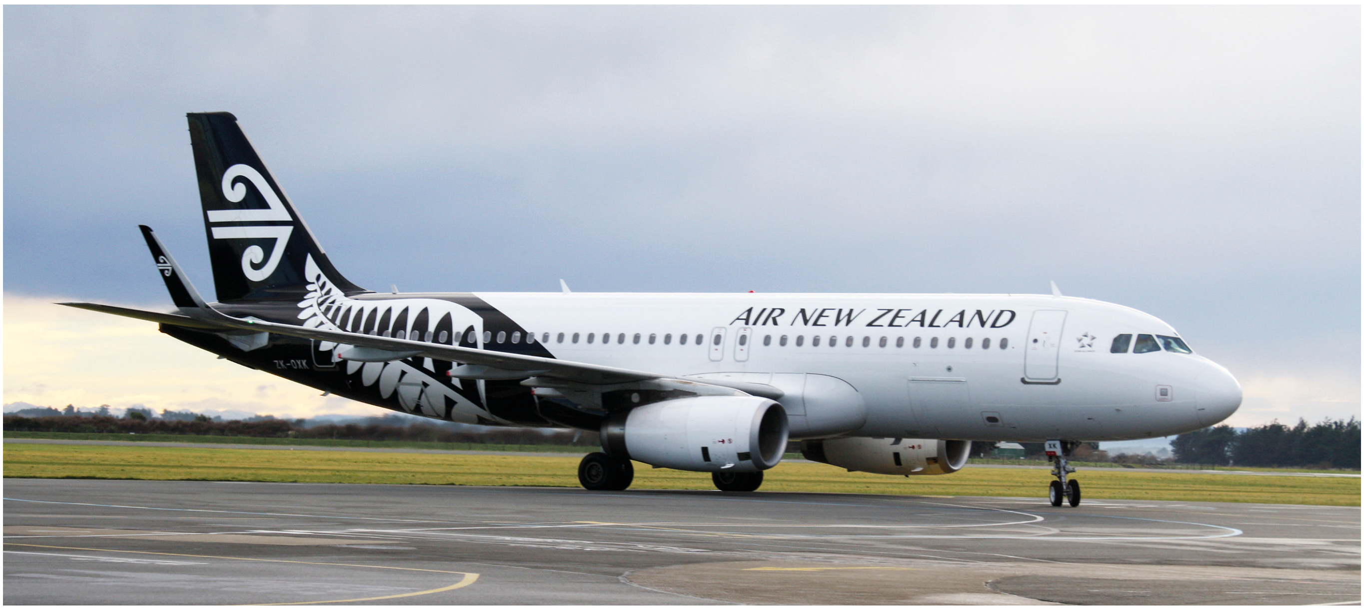
$000	No. of employees
160-170	1

Auditors' Remuneration

Audit fees for the Company totalled $28,188. 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 2020

The 19/20 fiscal year presented Invercargill Airport with a number of new and quite unique opportunities and challenges, through which it has continued to develop its operations and performance to effectively service the air travel needs of Invercargill and Southland.

Following on from the 2018 Agreement between Air New Zealand and Invercargill to trial nonstop jet services between Auckland and Invercargill commencing on 25 August 2019, the start of the year saw Invercargill Airport deeply involved in a program of work to create the facilities needed to support this new aircraft. The work focused on ensuring the airport could meet the security requirements needed to manage an aircraft with over 90 seats and that we had the operational capability to support flights five days a week. The work included integrating Aviation Security passenger security screening, developing a sterile gate lounge and building baggage make up and security screening facilities for bags and freight. We also had to redesign the apron layout to incorporate a strengthened jet stand and pushback operations. We received a grant of $500,000 from the Provincial Growth Fund to support this work and this was very much appreciated.

All this work was successfully completed, on time and within budgets, and the first scheduled A320 aircraft arrived on time on 25 August 2019. It was rewarding that, at the arrival ceremony, Air New Zealand confirmed that forward bookings were very strong, and therefore they now regarded the flight as no longer a trial, but simply an established and ongoing part of their domestic schedule.

With the aircraft arriving into Invercargill late evening, overnighting and departing at 6am the next morning for Auckland, the schedule was ideally timed to facilitate and improve business travel in particular. The nonstop flight to Auckland provided a direct connection to international flights and a new link for domestic leisure travel, which resulted in very good passenger demand. Associated non aeronautical related airport services including parking, rental cars, taxis and shuttles grew also. This, along with the increased aeronautical revenues from the expanded operations, saw the airport company's financial returns outperform the budget and we were on track to have a record trading year on which to establish a new platform for future growth.

The emergence of the COVID 19 coronavirus strain in China in December 2019, and its rapid global spread in 2020, resulted in a small but growing number of cases in New Zealand. During February and March we saw early clusters of significant infection outbreaks, some local. The Government made the decision, after a series of modest restraints on activity, to "go early and go hard" and locked down the country on 25 March 2020. All economic and social activity, except for essential services, stopped and soon afterwards the country's borders closed completely. This had the effect of immediately stopping business activity, and therefore revenues, for many companies including Invercargill Airport. Passenger numbers for April 2020 were 99% below the same month last year. Aviation and tourism businesses were one of the most severely affected sectors of the economy and continue to be at the time of presenting this report. The airport was required to remain open and operational for essential services, and so the cost containment actions possible for the business were constrained.

However management and staff did a very effective job of minimising the dramatic financial impact on the business. With the assistance of the Government's Wages Subsidy Scheme, the financial drain on the business was able to be absorbed without the need for shareholder support or further borrowing, which is commendable. Following five weeks of complete lockdown, and containment of the spread of the virus, restrictions on social and economic activity began to be eased. On 14 May a single daily ATR service from/to Christchurch was reintroduced and air travel started again.

Pre COVID 19, we were heading towards another record year with passenger growth reaching 9% on a rolling year average. We ended the year with 290,432 passenger movements through the airport, which was a 9% decrease over the previous year. The new Invercargill to Auckland route was very popular and had high passenger numbers from day one. After this lockdown we saw flights and passenger movements come back quicker than expected with future bookings looking strong. Associated passenger activity for parking, rental cars and the café begun to slowly re-establish. Shortly after the financial year end, on 6 July, Air New Zealand recommenced Invercargill to Auckland A320 jet services, four days a week, and the Invercargill to Wellington daily service restarted. Following the stronger than expected flight and passenger volumes after the restart, unfortunately level 3 restrictions were reintroduced into Auckland following the re-emergence of COVID 19 in the community, with level 2 restrictions across the rest of the country. We saw a significant reduction in flights to and from Auckland. The direct jet flight was suspended and social distancing was re-introduced on all Air New Zealand flights reducing passenger volumes. At the time of writing the country as a whole is back to level 1, the jet is operating, and we are busy, but the expectation is that the 20/21 year may well continue to have sharp swings in supply and demand which may be very unpredictable.

The focus for the business now is on continuing to grow flights and passenger volumes, stabilising the airports financial performance, and doing all we can to support the suppression of COVID 19 in New Zealand. Reopening the country's borders, and the reestablishment of international tourism flows into New Zealand will support the future performance of our business, but this looks a long way off at this time.

Operationally, it has been a busy year dominated by the introduction of the jet service and the impacts of COVID 19. These events tested our operational capability with new processes and procedures introduced to manage these changes safely. To support jet operations, we restructured the Airport Fire Service and grew the team from 5 to 12 Fire Fighters. We have also taken several external functions, such as customer support and some maintenance, in house. Critical security upgrades were also completed with a full perimeter security fence built and strengthened the use of Airport Identity Cards for airside users. During the COVID lockdown, Airways New Zealand decided to review its business delivery model and gave us notice that they were going to withdraw services from seven airports across NZ, including Invercargill. At the time of writing this report, IAL is engaging expert resource to complete an aeronautical study to understand the potential risks and future options to safely manage the airspace around the Airport.

During the year we completed some significant regulatory and commercial milestones with the renewal of our Aerodrome Operating Certificate on 1 August for four years and three months. This is normally issued for five years, but CAA requested a term change due to the number of airports all expiring at the same time. In August, the Minister of Transport approved and gazetted our application to become a Security Designated Airport to support the jet operations. We also undertook an aeronautical pricing review and completed a three-year landing fee agreement with Air New Zealand that came into force on 1 July 2019. To support the commercial activity and growth of the business, we restructured the leadership team and Julie Jack joined the Airport in the new role of Commercial and Business Development Manager in March 2020.

Health, safety and compliance has been our top priority again this year, particularly with the number of projects we've had going on. We worked very closely with our project teams and the contractors on site to ensure risks were understood to minimise the impacts on our day to day operations. Whilst we had no injuries associated with our projects, unfortunately we had two lost time injury's within the team with one occurring during hot fire training at Christchurch Airport and one during grass management operations.

Several significant governance changes took place during the year. Tommy Foggo, who was a Director for 10 years, and Chairman from 2016, retired at the end of his term in October 2019. His effort and leadership in developing the business through these years, and in particular as part of the terminal replacement project and the initiative to get jet services to Invercargill, is highly valued. It is very appropriate that we thank him for his service to the company and the community in this report. Grant Lilly was appointed Chair in November 2019, with an expectation that his significant aviation and tourism experience will help lead the next stages of Invercargill Airport's growth and development. In June 2020, Scott O'Donnell decided to leave the Board to take up greater responsibilities at HWR. Scott's enthusiasm and vision has been invaluable in supporting the growth of our business. We thank him and wish him good luck with his new role.

Overall, the business concludes the 19/20 financial year in a cautiously steady state, with re-establishment of flights, passenger numbers, and business activity underway. Revenue dropped to $4.8 million down from the $5.4 million budgeted. The introduction of the jet service has seen an increase in depreciation costs from the facilities required to support the service and an increase in employee expenses from the increased airport fire services which has been partially offset with the wage subsidy. Despite the challenges of COVID 19, this resulted in a before tax profit of $281,000, including an investment property revaluation decrease of $50,000, down from the budgeted profit of $466,000. This year's income tax expense includes a significant adjustment to deferred tax due to the reintroduction of tax depreciation on commercial and industrial buildings.

The company's strong balance sheet has enabled it to absorb the significant financial cost of COVID 19's impact. It is pertinent to reflect that the business was growing very strongly and was on track to deliver a record financial performance prior to the "brick wall" stoppage from the COVID 19 lockdown. We are rebuilding steadily, but of course impacted by the enormous uncertainty from potential outside influences. It is expected that it will take a couple of years to recover lost ground, however the business is in good shape to deal with that challenge.

We would also like to thank the Directors of the company, our small team of management and staff, our shareholders and other stakeholders, the Invercargill Airport community and businesses, and the wider communities and businesses of Invercargill and Southland, for the use and support they give their airport. The Airport looks forward to supporting the rebuild of air travel and aviation in Southland in the Post COVID world.

Grant Lilly
Chair

Nigel Finnerty
General Manager

Statement of Financial Position

AS AT JUNE 30, 2020

	NOTE	2020 $000	2019 $000
ASSETS			
Current assets			
Cash and cash equivalents	**6**	3,526	3,209
Trade and other receivables	**7**	199	339
Inventories		8	8
Total current assets		**3,733**	**3,556**
Non-current assets			
Property, plant and equipment	**8**	19,476	19,912
Investment property	**9**	4,200	4,250
Construction work in progress		52	577
Total non-current assets		**23,728**	**24,739**
Total assets		**27,461**	**28,295**
LIABILITIES			
Current liabilities			
Trade and other payables	**10**	254	468
Retentions		49	49
Employee benefit liabilities	**11**	100	56
Borrowings	**12**	842	380
Tax payable		339	540
Total current liabilities		**1,584**	**1,493**
Non-current liabilities			
Borrowings	**12**	-	842
Deferred tax liability	**13**	974	1,182
Total non-current liabilities		**974**	**2,024**
Total liabilities		**2,558**	**3,517**
EQUITY			
Share capital	**14**	15,920	15,920
Retained earnings	**14**	4,453	4,328
Additional paid in capital	**14**	4,530	4,530
Total equity attributable to the equity holders of the company		**24,903**	**24,778**
Equity is attributable to:			
Parent entity	**14**	23,155	23,034
Minority interest	**14**	1,748	1,744
		24,903	**24,778**

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, 2020

	NOTE	2020 $000	2019 $000
INCOME			
Aircraft movement and terminal charges		3,318	3,549
Ground transportation		640	687
Rental income		684	758
Sundry income		200	204
Other gains	1	-	190
Total income		**4,842**	**5,388**
EXPENDITURE			
Employee expenses	3	982	718
Depreciation and amortisation	8	1,785	1,709
Other expenses	2	1,779	1,631
Total operating expenditure		**4,546**	**4,058**
Finance income	4	51	33
Finance expenses	4	77	102
Net finance expense		(26)	(69)
Operating profit / (loss) before tax		**270**	**1,261**
Income tax expense	5	145	456
Profit / (loss) after tax		**125**	**805**
Other comprehensive income			
Total other comprehensive income		-	-
Total comprehensive income		125	805
Total comprehensive income attributable to:			
Equity holders of the Company		121	782
Minority interest		4	23
		125	805

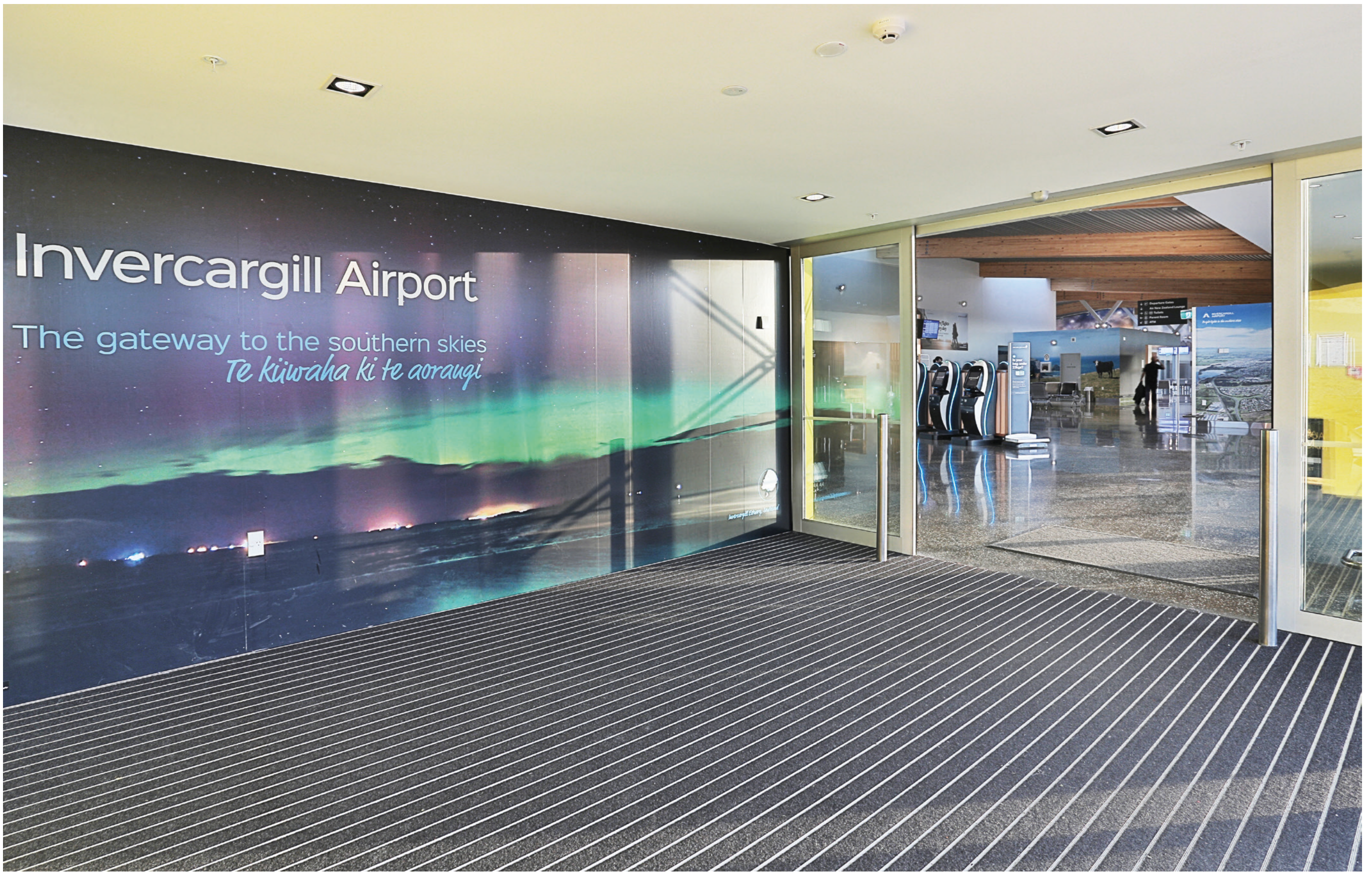
The Statement of Accounting Policies and Notes to the Financial Statements are an integral part of, and should be read in conjunction with the financial statements.

Statement of Changes in Equity

FOR THE YEAR ENDED JUNE 30, 2020

	NOTE	2020 $000	2019 $000
BALANCE AT 1 JULY		24,778	23,973
Total Comprehensive Income for the year	**14**	125	805
Distributions to Shareholders			
Redeemable preference shares redeemed	**14**	-	-
BALANCE AT 30 JUNE		**24,903**	**24,778**
Attributable to:			
Equity holders of the Company		23,155	23,034
Minority interest		1,748	1,744
BALANCE AT 30 JUNE		**24,903**	**24,778**

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, 2020

	NOTE	2020 $000	2019 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		4,990	5,169
Interest and interest subsidy received		51	33
Payments to suppliers and employees		(2,550)	(2,235)
Interest paid		(77)	(102)
Income tax (paid) / refund		(3)	5
Subvention payment		(589)	-
Goods and services tax [net]		(39)	(56)
Net cash from operating activities		**1,783**	**2,814**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of construction work in progress		-	(312)
Purchase of property, plant and equipment		(1,086)	(8)
Net cash from investing activities		**(1,086)**	**(320)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(380)	(355)
Net cash from financing activities		**(380)**	**(355)**
Net (decrease) / increase in cash and cash equivalents		**317**	**2,139**
Cash and cash equivalents at the beginning of the year		3,209	1,070
Cash and cash equivalents at the end of the year	**6**	**3,526**	**3,209**

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

	2020 $000	2019 $000
Reconciliation with reported operating profit		
Net profit after tax	125	805
Add/(deduct) non-cash items		
Depreciation	1,785	1,709
Change in fair value of investment property	50	(190)
Increase/(decrease) in deferred taxation	(208)	(95)
Loss of disposal of property, plant and equipment	6	73
Increase/(decrease) in current taxation	-	551
	1,633	**2,048**
Add/(less) movements in working capital:		
(Increase)/decrease in prepayments	(5)	-
(Increase)/ decrease in receivables	147	(28)
(Increase)/ decrease in inventories	-	(2)
Increase/(decrease) in accounts payable and accruals	123	42
Increase/(decrease) in GST/taxation	(240)	(51)
	25	**(39)**
Net cash inflow (outflow) from operating activities	**1,783**	**2,814**

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 2019	380	842	1,223
Cashflows			
Repayments	(380)	-	(380)
Non-Cash			
Reclassification	842	(842)	-
30 June 2020	842	-	842

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2020

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 2020 were approved and authorised for issue by the Board of Directors on 3 November 2020. 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.

GOVERNMENT GRANTS

Government grants related to assets are recognised by deducting the grant in arriving at the carrying amount of the asset when they become receivable, unless there is an obligation in substance to return the funds if conditions of the grant are not met. If there is such an obligation the grant is initially recorded as grants received in advance and then recognised as a deduction to the asset when the conditions of the grant are satisfied.

Government grants related to income are recognised as revenue or a deduction in expenses when they become receivable, unless there is an obligation in substance to return the funds if conditions of the grant are not met. If there is such an obligation, the grants are initially recorded as grants received in advance and recognised as revenue or a deduction in expenses when conditions of the grant are satisfied.

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. In particular, estimates and assumptions have been used in the following areas:

Determination of the recoverable amount of assets.

Fair value of Investment property. This is discussed in Note 9.

Due to the impact of COVID-19, and its impact on the economy and air travel, an impairment assessment was carried out by Peter Seed of Airbiz, an independent expert effective 30 June 2020. The following major inputs and assumptions were adopted:

- The forecast free cashflows reflect the charges determined following the 2019 aeronautical pricing consultation with airline customers.

- Expected revenues also reflect expected passenger numbers. There is uncertainty around forecast future passenger movements. The forecasts assume a significant reduction in passengers during the 2021 and 2022 financial years with a recovery back to pre-COVID-19 levels occurring in the 2023 financial year.
- The weighted average cost of capital (WACC) used ranges from 4.51% to 5.91% (average WACC rate of 5.33%) depending on the asset class.

The assessment indicated that the value of property plant and equipment was not impaired. The assessment is sensitive to the WACC applied. An impairment arises if the WACC for all asset classes is increased by any amount more than 1.85% (resulting average WACC of 7.17%).

The Company's estimates of passengers, recovery and growth rates remain uncertain and dependent on a number of factors with respect to COVID-19 including restrictions on domestic travel, border controls for international travel, public demand and behaviour with respect to travel and airline scheduling. Material changes in any of these factors might have a material impact on the Company's estimates of income and cashflows used in the valuations and fair value assessments at 30 June 2020.

NEW STANDARDS ADOPTED

The Company has applied the following standards for the first time for the annual reporting period commencing 1 July 2019:

NZ IFRS 16 - Leases

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.

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.

COVID-19 PANDEMIC

On 11 March 2020, the World Health Organisation declared a global pandemic as a result of the outbreak and spread of COVID-19. Following this, the New Zealand Government imposed significant international and domestic travel restrictions. New Zealand went into Level 4 lockdown from 25 March until 27 April and remained in Level 3 lockdown until 13 May. During this period all non-essential travel was suspended which has had a significant impact on the aviation industry and on IAL's business. IAL's passengers numbers for April 2020 were 99% below the same month last year.

The move to Level 2 on 13 May led to some scheduled domestic flights resuming with non-essential travel starting again. The longer-term effects of COVID-19 on IAL's business remain uncertain and the potential impacts of the pandemic on travel continue to evolve rapidly.

In response to the impacts of COVID-19, IAL has taken a number of actions including reducing non-essential or discretionary costs, reviewing capital and operational expenditure with a focus on maintaining critical services and deferring other capital work where possible.

With regards to IAL's annual report, COVID-19 has specifically impacted certain areas of financial reporting. Where the impacts are considered material, they have been disclosed in the relevant notes in the financial statements based on information available at the time of preparation.

1. OTHER GAINS AND LOSSES

	2020 $000	2019 $000
Change in fair value of investment property	-	190
	-	**190**

2. OTHER EXPENSES (INCLUDES)

	2020 $000	2019 $000
Director fees	115	148
Net loss/(gain) on sales of property, plant and equipment	6	73
Change in fair value of investment property	50	-
Auditor's remuneration to Audit New Zealand comprises:		
· audit of financial statements	28	23
· cost recovery for the 2018 financial statements audit	-	3

3. EMPLOYEE EXPENSES

	2020 $000	2019 $000
Wages and salaries	953	698
Defined contribution expenses	29	20
Total employee expenses	**982**	**718**

To support jet operations the Airport Fire Service team was increased from 5 to 12 fire fighters.

The Company received the Government's 12 week wage subsidy. This has been netted against staff costs. The Company also received the Government's 8 week wage subsidy extension. The wage subsidy extension has been recognised as grants in advance at balance date. There is an obligation to repay the wage subsidy extension if the Company no longer meets the criteria for the subsidy during the 8 week period.

4. FINANCE INCOME AND EXPENSE

	2020 $000	2019 $000
Finance Income		
Interest income on bank deposits	51	33
Total finance income	**51**	**33**
Financial expense		
Interest expense on financial liabilities measured at amortised cost	77	102
Total financial expenses	77	102
Net finance costs	**(26)**	**(69)**

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.

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.

	2020 $000	2019 $000
CURRENT TAX EXPENSE		
Current period	353	551
Adjustment for prior periods	-	-
Total current tax expense	**353**	**551**
DEFERRED TAX EXPENSE		
Origination and reversal of temporary differences	(205)	(194)
Adjustment for prior periods	-	99
Impact from reinstatement of depreciation on buildings	(3)	-
Total deferred tax expense	**(208)**	**(95)**
Total income tax expense	**145**	**456**

RECONCILIATION OF EFFECTIVE TAX RATE	2020 $000	2019 $000
Profit for the year	270	1,261
Permanent differences	52	-
Profit excluding income tax	**322**	**1,261**
Tax at 28%	90	353
Deferred tax adjustment	55	103
Under/(over) provided in prior periods		-
Loss offset		-
Total income tax expense	**145**	**456**
Effective Tax Rate	45%	36%

In March 2020, the Government re-introduced the deductibilty of depreciation on buildings for tax purposes for buildings not primarily used for residential accommodation. This amendment applies from 1 April 2020. The impact of this change increases the tax base for these assets, giving rise to a reduced difference between the carrying cost and tax base and results in a reduction in deferrred tax liability and reduction in tax expense. In general, the reduction in deferred tax on buildings only applies to pre-May 2010 buildings, and has therfore not had a significant impact on the accounts.

The current tax expense is calculated on the assumption that tax losses of $1,262,198 (2019: $1,969,510) will be transferred from Invercargill City Council by subvention payment of $353,415 (2019: $551,463) and loss offset of $908,783 ($1,418,047).

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.

	2020 $000	2019 $000
Call deposits	-	49
Cash and cash equivalents	3,526	3,160
Cash and cash equivalents in the statement of cash flows	3,526	3,209

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.

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.

	2020 $000	2019 $000
Trade receivables	71	59
Less allowance for expected credit losses	-	-
Accrued revenue	120	280
Prepayments	5	-
GST receivable	3	-
	199	339

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 $000	NEITHER PAST DUE NOR IMPAIRED $000	PAST DUE BUT NOT IMPAIRED <30 DAYS $000	PAST DUE BUT NOT IMPAIRED >30DAYS $000
2020	71	55	6	10
2019	59	40	15	4

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%-19.2% Straight Line
(b) Furniture and Fittings	9.6%-30% Diminishing Value and 6%-21% Straight Line
(c) Plant	8%-67% Diminishing Value and 6%-67% Straight Line
(d) Crash Fire Vehicle, other vehicles, tractors and mowing equipment	10%-15.6% 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.

2020 ($000)	COST	ACCUMULATED DEPRECIATION AND IMPAIRMENT CHARGES	CARRYING AMOUNT	CURRENT YEAR ADDITIONS - COST	CURRENT YEAR DISPOSALS - COST	CURRENT YEAR DISPOSALS - DEPRECIATION	CURRENT YEAR IMPAIRMENT CHARGES	CURRENT YEAR DEPRECIATION	COST	ACCUMULATED DEPRECIATION AND IMPAIRMENT CHARGES	CARRYING AMOUNT
	1 July 2019								30 June 2020		
Land	509	-	509	-	-	-	-	-	509	-	509
Carpark and fencing	4,029	1,141	2,888	262	7	3	-	175	4,284	1,313	2,971
Runway, apron and taxiway	14,756	8,320	6,436	218	-	-	-	828	14,974	9,148	5,826
Terminal and buildings	7,014	858	6,156	242	-	-	-	217	7,256	1,075	6,181
Plant and equipment	1,152	518	634	47	2	1	-	136	1,197	653	544
Motor vehicles	273	180	93	-	-	-	-	11	273	191	82
Furniture and fittings	4,625	1,429	3,196	585	-	-	-	418	5,210	1,847	3,363
Total assets	**32,358**	**12,446**	**19,912**	**1,354**	**9**	**4**	**-**	**1,785**	**33,703**	**14,227**	**19,476**

2019 ($000)	1 July 2018								30 June 2019		
Land	509	-	509	-	-	-	-	-	509	-	509
Carpark and fencing	4,029	977	3,052	-	-	-	-	164	4,029	1,141	2,888
Runway, apron and taxiway	14,756	7,505	7,251	-	-	-	-	815	14,756	8,320	6,436
Terminal and buildings	7,014	648	6,336	-	-	-	-	210	7,014	858	6,156
Plant and equipment	1,144	385	759	8	-	-	-	133	1,152	518	634
Motor vehicles	273	168	105	-	-	-	-	12	273	180	93
Furniture and fittings	4,716	1,072	3,644	-	91	18	-	375	4,625	1,429	3,196
Total assets	**32,441**	**10,755**	**21,686**	**8**	**91**	**18**	**-**	**1,709**	**32,358**	**12,446**	**19,912**

During the year the Company received a $500,000 grant from the Provincial Growth Fund. The grant was in recognition that Air New Zealand was to commence a 12 month pilot of scheduled jet services from Auckland to Invercargill on 25 August 2019 and the Company needed to rapidly deliver urgent airside and non-airside upgrades to handle the scheduled jet services including:

- construction of facilities to manage increased freight volumes, specialised loading and security screening for baggage and passengers;
- installation of hardstands suitable for A320 and A321 aircraft;
- security designation changes including enhanced physical security arrangements; and
- increased emergency response support

The grant funds have been deducted in arriving at the carrying amount of the asset.

There are no unfulfilled conditions but a contingency for repayment exists for a 10 year term from 31 October 2019 if the Company either:

- sells, disposes or transfers the asset , without the Ministry's prior written consent; or
- the asset will no longer be used for the purpose intended

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.

	2020 $000	2019 $000
Balance at 1 July	4,250	4,060
Change in fair value	(50)	190
Balance at 30 June	**4,200**	**4,250**

The Company's investment properties are valued annually at fair value effective 30 June. For 2020 and 2019, 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 (2019: 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 2020 and 2019 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.

Due to the impact of COVID-19 and the severe market disruption and lack of transactional data, the valuation of investment properties has been reported on the basis of material uncertainty, meaning less certainty and a higher degree of caution should be applied. The following major inputs and assumptions were adopted:

- An explicit allowance for rent rebates has been calculated. This does not include an allowance for operating expenses
- The capitalisation rate adopted on rental car tenancies pre COVID-19 has been softened by 50 points to price in the additional risks.
- With the exception of Hangars 1 and 2, yields have been softened by 25 points.
- Hangars 1 and 2 have a remaining useful life of two years.

A material change in tenancy or a tenants' ability to meet lease payments from those use in the valuation model, may be a material impact on the investment property values.

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.

	2020 $000	2019 $000
Trade payables	111	403
Accrued expenses	77	29
GST payable	-	36
Income in advance	8	-
Grants in advance	58	-
Total trade and other payables	**254**	**468**

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.

	2020 $000	**2019 $000**
Annual leave	100	56
	100	56
Comprising:		
Current	100	56
Non-current	-	-
Total employee benefit liabilities	**100**	**56**

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 are 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.

	2020 $000	**2019 $000**
Current		
Secured loans (runway overlay) – related party	842	380
Total current borrowings	**842**	**380**
Non-current		
Secured loans (runway overlay) – related party	-	842
Total current borrowings	**-**	**842**

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

The effective interest rate on the runway overlay loan is 7.0% (2019: 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 2019 $000	$000	$000	30 June 2020 $000
Property, plant and equipment	867	(180)	-	687
Investment property	336	(14)	-	322
Trade payables and accruals	(21)	(14)	-	(35)
Total movements	**1,182**	**(208)**	**-**	**974**

Recognised deferred tax assets and liabilities	BALANCE	Recognised in: PROFIT OR LOSS	Recognised in: EQUITY	BALANCE
	1 July 2018 $000	$000	$000	30 June 2019 $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**

14. EQUITY

	Attributable to equity holders of the Company					
	SHARE CAPITAL $000	ADDITIONAL PAID IN CAPITAL $000	RETAINED EARNINGS $000	TOTAL $000	MINORITY INTEREST $000	PARENT INTEREST $000
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**
Balance at 1 July 2019	15,920	4,530	4,328	24,778	1,744	23,034
Profit / (loss) after tax	-	-	125	125	4	121
Distributions to Shareholders						
Redeemable preference shares redeemed	-	-	-	-	-	-
Balance at 30 June 2020	**15,920**	**4,530**	**4,453**	**24,903**	**1,748**	**23,155**

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 2020 there were 9,595,308 (2019: 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.

	2020 $000	2019 $000
(a) Invercargill City Holdings Limited		
Expenditure		
Provision of services	60	75
Interest paid	77	102
Loans repaid / (drawndown)	380	355
Loans outstanding at balance date by the Company	842	1,222
(b) Invercargill City Council		
Expenditure		
Provision of services	79	120
Subvention payment	589	-
Loss offset	1,513	-
(c) R M Walton		
Expenditure		
Provision of services	-	26
(d) SouthRoads Limited		
Expenditure		
Provision of services	15	41

No related party transactions have been written off or were forgiven during the 2020 year (2019: nil).

During the 2019 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:	2020 $000	2019 $000
Short term employment benefits	165	155
Directors fees	115	148

16. CAPITAL COMMITMENTS AND OPERATING LEASES

	2020 $000	2019 $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:

	2020 $000	2019 $000
Non-cancellable operating leases as lessor		
Not later than one year	397	406
Later than one year and not later than five years	838	1,077
Later than five years	141	337
Total non-cancellable operating leases	1,376	1,820

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 (2019: Nil).

17. CONTINGENCIES

At 30 June 2020 there were 9,595,308 (2019: 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 2020 (2019:Nil).

During the year the Company received a $500,000 grant from the Provincial Growth Fund. The grant was in recognition that Air New Zealand was to commence a 12 month pilot of scheduled jet services from Auckland to Invercargill on 25 August 2019 and the Company needed to rapidly deliver urgent airside and non-airside upgrades to handle the scheduled jet services.

A contingency for repayment exists for a 10 year term from 31 October 2019 if the Company either:

- sells, disposes or transfers the asset , without the Ministry's prior written consent; or
- the asset will no longer be used for the purpose intended

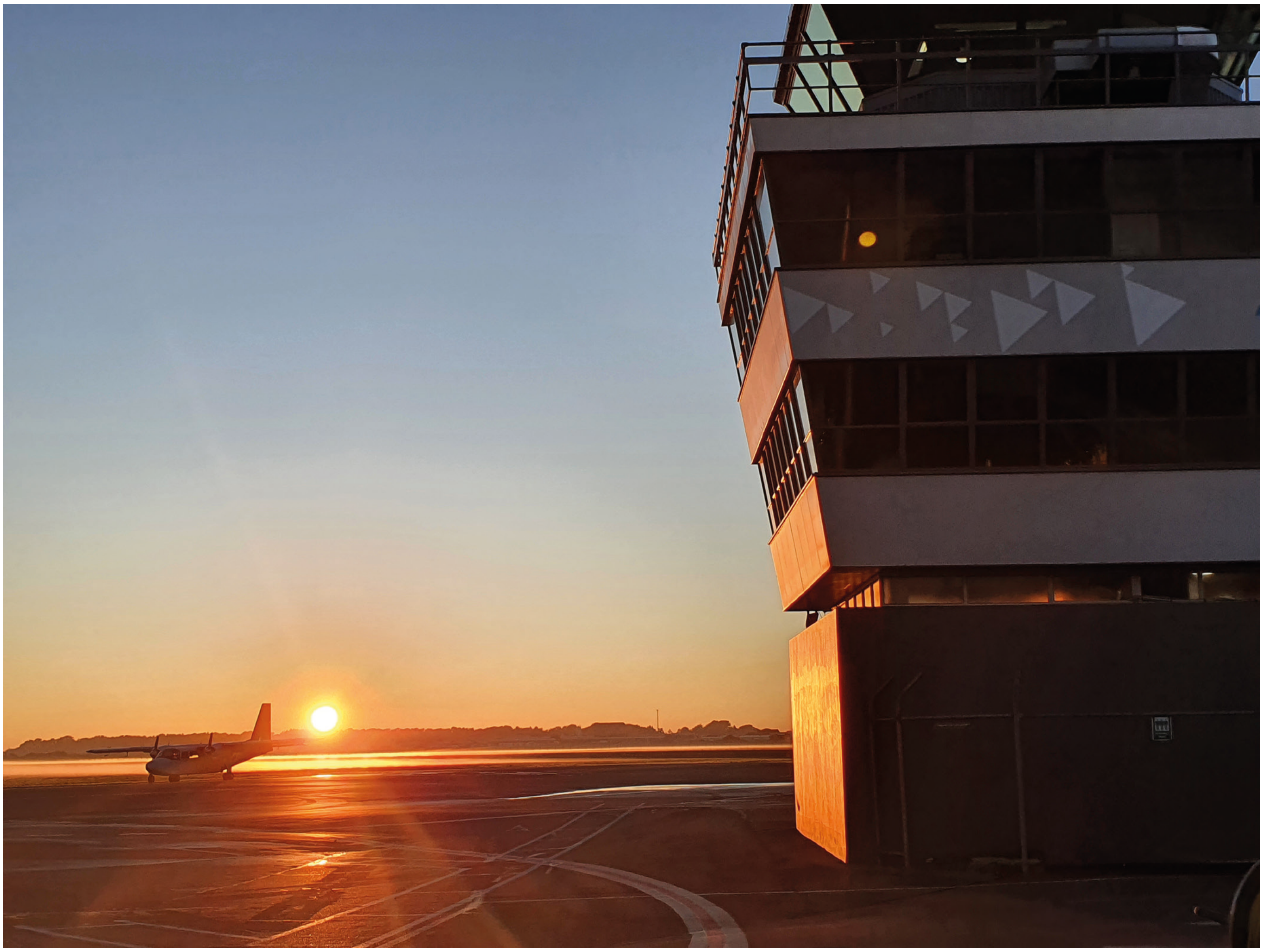
18. EVENTS AFTER THE BALANCE SHEET DATE

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.



Statement of Service Performance

FOR THE YEAR ENDED JUNE 30, 2020

The Statement of Service Performance for Invercargill Airport Limited prepared for the year ended 30 June 2020 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 2020 $000**	**TARGET 2020 $000**	**ACTUAL 2019 $000**	**TARGET 2019 $000**
Net Profit before Tax (NPBT)	270	466	1,261	2
Interest (net)	(26)	(7)	(69)	(745)
Net Profit before Interest and Tax (NPBIT)	296	459	1,330	747
Total Assets	27,461	28,356	28,295	26,851
EBIT %	1.08%	1.62%	4.70%	2.78%
Percentage of Equity to Total Assets				
Share Capital	15,920	17,142	15,920	14,229
Retained Earnings	4,453	5,178	4,328	5,058
Additional Paid in Capital	4,530	4,530	4,530	-
Total Equity	24,903	26,850	24,778	19,287
Total Assets	27,461	28,356	28,295	26,851
%	**90.68%**	**94.69%**	**87.57%**	**71.83%**
Gross Revenue	4,893	5,444	5,421	5,243
Expenditure	4,623	4,978	4,160	5,241
Operating profit/(loss) before tax	270	466	1,261	2
Tax	145	(134)	456	-
Operating profit / (loss) after tax	**125**	**600**	**805**	**2**
Dividend	-	-	-	-
Redemption of preference shares	-	-	-	1,690

NON FINANCIAL:

Safety

- **ZERO LOST TIME INJURIES FOR STAFF**
  NOT ACHIEVED
  There were two lost-time injuries to an IAL employees during the year. One was a minor strained back whilst using weed eating equipment and a Fire Fighter injured a knee whilst completing Hot Fire Training at Christchurch Airport. During the year our Airport Exposition was reviewed and Safety Management System (SMS) incorporated into this document. IAL continues to have a strong focus on Health and Safety across the whole business.

- **A RISK REVIEW IS CONDUCTED ANNUALLY**
  ACHIEVED
  Key risks within the business, including risks to health and safety have been identified and continue to be reviewed throughout the year. The jet service project had risk assessments completed and added to the register. The Airports risks were reviewed with the Civil Aviation Authority (CAA) during our successful Aerodrome Recertification Audit in July 2019. A COVID 19 pandemic plan was developed to manage the risks to our employees and the traveling public. This plan was actively and successfully managed throughout the entire lockdown period.
  Health and Safety and the Airport's SMS continue to be primary risk focus area for IAL.

- **COMPLETION RATE FOR PRIORITY 1 (P1) SAFETY AND HEALTH ACTIONS ACHIEVED WITHIN THE DEFINED TIME PERIODS**
  ACHIEVED
  IAL had 3 P1 incidents during the year all having mitigations put in place quickly and closed out over the period. The top safety risks across the business were again focused on for a month during the year whilst COVID 19 became the focus over the lockdown.

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 the Per and Poly-Fluorinated Alkyl Substances (PFAS) over the year. We have limited our use of firefighting foam and are testing our capability using water. As foam technology improves, we are continuing to investigate alternative non fluorinated options for future use.

Operations

- **RETAIN AERODROME CERTIFICATION VIA ASSESSMENT FROM THE CIVIL AVIATION AUTHORITY**
  ACHIEVED
  IAL has retained its Aerodrome Operators Certificate. IAL successfully completed our 5 yearly Aerodrome Operators Certificate review in July 2019. CAA completed the review over 2 days and renewed our certificate which is now 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 was completed on the upgrades to the terminal, security and apron to support regular A320 Jet Operations. The major work, with the exception of the perimeter security fence, was completed 2 weeks prior to the first flight which allowed time for commissioning the new processes and equipment. The perimeter security fence was granted an exemption by CAA and was completed in May 2020.

Audit Report

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of Invercargill Airport Limited's financial statements and statement of service performance for the year ended 30 June 2020

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 statement of service performance of the Company on his behalf.

Opinion

We have audited:

- the financial statements of the Company on pages 9 to 29, that comprise the statement of financial position as at 30 June 2020, 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 statement of service performance of the Company on pages 30 to 31.

In our opinion:

- the financial statements of the Company on pages 9 to 29:
    - present fairly, in all material respects:
        - its financial position as at 30 June 2020; 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's equivalents to International Financial Reporting Standards Reduced Disclosure Regime; and
- the statement of service performance of the Company on pages 30 to 31 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 2020.

Our audit was completed on 03 November 2020. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw attention to the impact of Covid-19 on the Company. 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.

Emphasis of matter – impact of Covid-19

Without modifying our opinion, we draw attention to the disclosures about the impact of Covid-19 on the Company as set out in the notes on pages 15-17, and 23 to the financial statements. We draw specific attention to the following matters due to the significant level of uncertainty caused by Covid-19:

- ***Sensitivity of the valuation model used in the impairment assessment***

  Pages 15 and 16 describe the sensitivity of the Company's impairment model to changes in major inputs and assumptions. The Company's estimates of passengers, recovery and growth rates remain uncertain due to Covid-19.

- ***Investment property***

  Note 9 on page 23 describes the significant uncertainties communicated by the valuer, related to estimating the fair values of the Company's investment property.

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 statement of service performance

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

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

In preparing the financial statements and the statement of service performance, 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 is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Responsibilities of the Auditor for the audit of the financial statements and the statement of service performance

Our objectives are to obtain reasonable assurance about whether the financial statements and the statement of service performance, 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 statement of service performance.

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

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 statement of service performance, 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 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 statement of service performance within the Company's framework for reporting its 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 statement of service performance 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 statement of service performance, including the disclosures, and whether the financial statements and the statement of service performance 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 during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 4 to 8, but does not include the financial statements and the statement of service performance, and our auditor’s report thereon.

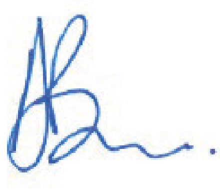
Our opinion on the financial statements and the statement of service performance does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the statement of service performance, 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 statement of service performance 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.

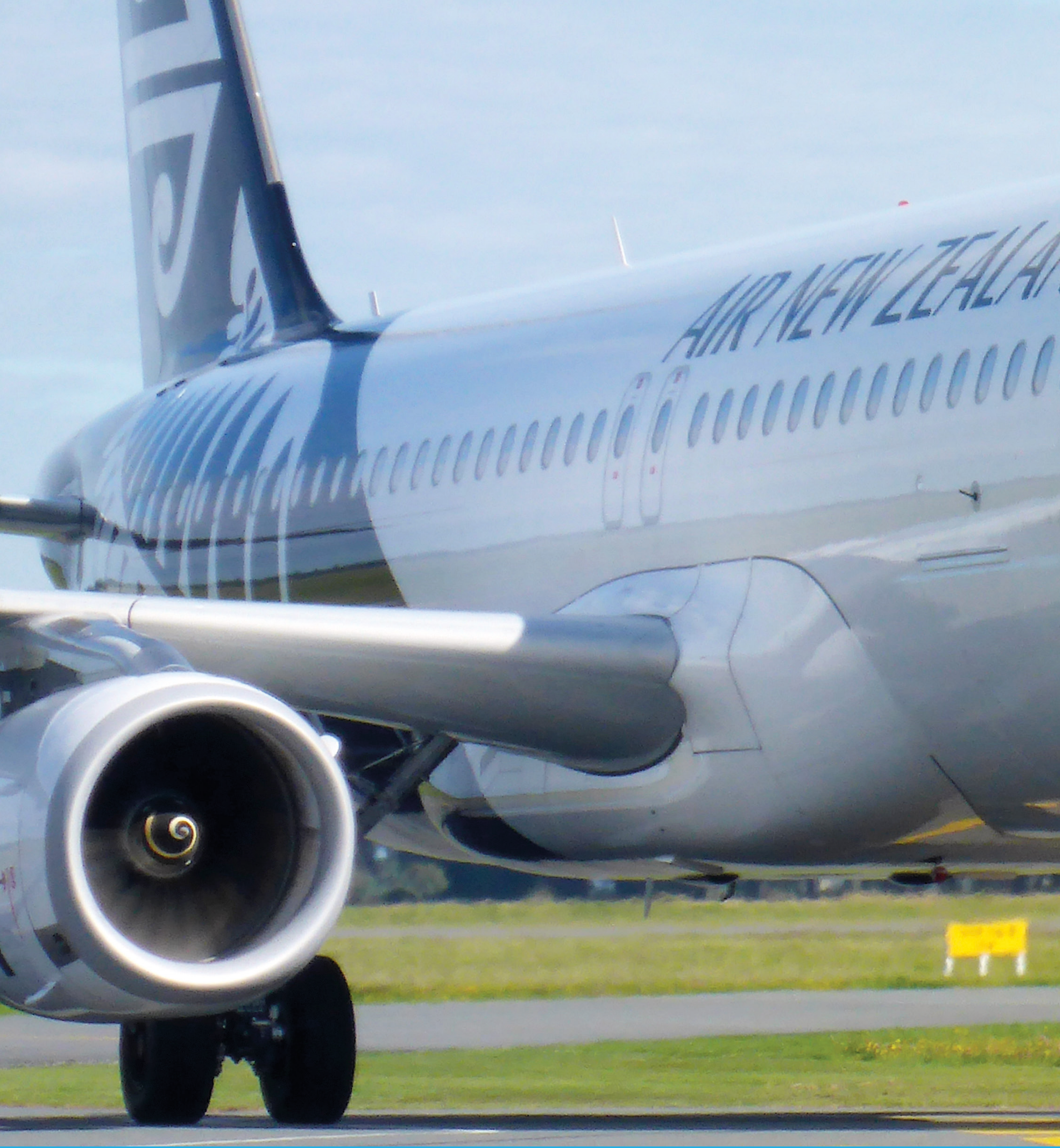
Independence

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: International 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
Christchurch, New Zealand



INVERCARGILL AIRPORT LTD
PO Box 1203, Invercargill 9840 • +64 3 214 0769 • admin@invercargillairport.co.nz
www.invercargillairport.co.nz