

# **Invercargill Airport Limited**

## Interim Financial Statements

For the six months ended  
31 December 2019



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**Company Directory**

**Directors who held office at 31 December 2019**

Mr G Lilly

Mr J Green

Mr S O'Donnell

Mr J Franklin

**Management**

Mr N Finnerty - General Manager

**Registered office**

C/- Invercargill City Council

101 Esk Street

Invercargill

**Physical address**

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Invercargill

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**Postal address**

PO Box 1203

Invercargill 9840

**Auditor**

Audit New Zealand

Dunedin

**Bankers**

Westpac

Auckland

**Solicitors**

AWS Legal

151 Spey Street

Invercargill

## **Statement of Accounting Policies**

### **Reporting Entity**

Invercargill Airport Limited (the Company) is a company incorporated in New Zealand under the Companies Act 1993 and is domiciled in New Zealand. The Company is 97.2% owned by Invercargill City Holdings Limited. Hokonui Research and Development Ltd, Waihopai Runaka Holdings Ltd, Te Runaka O Awarua Charitable Trust and Oraka-Aparima Runanga Incorporated Society each hold 0.70% of the share capital.

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

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

The financial statements of the Company are for the six month period ended 31 December 2019. The financial statements were authorised for issue by the Company on 19 February 2020. The Company'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, the Financial Reporting Act 2013 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 equivalent to International Financial Reporting Standards (NZ IFRS RDR). The condensed interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting and the New Zealand equivalents to International Accounting Standard (NZIAS) 34 as it applies to Tier 2 entities.

The accounting policies are consistent with those followed in the preparation of the Company's Financial Statements for the year ended 30 June 2019.

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.

**Statement of Financial Position**

As at 31 December 2019

	Note	2019 \$000	2018 \$000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	3,211	2,239
Trade and other receivables	6	829	453
Inventories		8	6
<b>Total current assets</b>		<u>4,048</u>	<u>2,698</u>
<b>Non-current assets</b>			
Property, plant and equipment	7	19,184	20,831
Investment property	8	4,250	4,060
Construction work in progress		1,164	15
<b>Total non-current assets</b>		<u>24,598</u>	<u>24,906</u>
<b>Total assets</b>		<u><b>28,646</b></u>	<u><b>27,604</b></u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	9	242	210
Retentions		49	49
Employee benefit liabilities	10	83	63
Borrowings	11	380	355
Tax payable		816	(10)
<b>Total current liabilities</b>		<u>1,570</u>	<u>667</u>
<b>Non-current liabilities</b>			
Borrowings	11	842	1,223
Deferred tax liability	12	1,088	1,283
<b>Total non-current liabilities</b>		<u>1,930</u>	<u>2,506</u>
<b>Total liabilities</b>		<u>3,500</u>	<u>3,173</u>
<b>Equity</b>			
Share capital	13	15,920	15,920
Retained earnings	13	4,696	3,981
Additional paid in capital	13	4,530	4,530
<b>Total equity attributable to the equity holders of the company</b>		<u>25,146</u>	<u>24,431</u>
<b>Total liabilities and equity</b>		<u><b>28,646</b></u>	<u><b>27,604</b></u>

**Statement of Comprehensive Income**

For the six months ended 31 December 2019

	Note	2019 \$000	2018 \$000
<b>Income</b>			
Operating revenue		2,936	2,603
Total income		<u>2,936</u>	<u>2,603</u>
<b>Expenditure</b>			
Employee expenses	2	519	363
Depreciation and amortisation	7	857	858
Other expenses	1	979	875
Total operating expenditure		<u>2,355</u>	<u>2,096</u>
Finance income	3	14	12
Finance expenses	3	43	55
Net finance expense		<u>(29)</u>	<u>(43)</u>
<b>Operating surplus/(deficit) before tax</b>		<u>552</u>	<u>464</u>
Income tax expense	4	184	6
<b>Surplus/(deficit) after tax</b>		<u><u>368</u></u>	<u><u>458</u></u>
<b>Other comprehensive income</b>			
Total other comprehensive income		-	-
<b>Total comprehensive income</b>		<u><u>368</u></u>	<u><u>458</u></u>

**Statement of Movements in Equity**

For the six months ended 31 December 2019

	Note	2019 \$000	2018 \$000
<b>Balance at 1 July</b>		24,778	23,973
Total Comprehensive Income for the year	13	368	458
<b>Balance at 31 December</b>		<u><u>25,146</u></u>	<u><u>24,431</u></u>

## Statement of Cash Flows

For the six months ended 31 December 2019

	Note	2019 \$000	2018 \$000
<b>Cash flows from operating activities</b>			
Receipts from customers		2,446	2,461
Interest and interest subsidy received		14	12
Payments to suppliers and employees		(1,540)	(1,250)
Interest paid		(43)	(55)
Income tax (paid) / refund		(2)	5
Goods and services tax [net]		58	12
<b>Net cash from operating activities</b>		<u>933</u>	<u>1,185</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment - Work in Progress		(801)	-
Purchase of property, plant and equipment		(130)	(16)
<b>Net cash from investing activities</b>		<u>(931)</u>	<u>(16)</u>
<b>Cash flows from financing activities</b>			
<b>Net cash from financing activities</b>		<u>-</u>	<u>-</u>
<b>Net (decrease)/increase in cash, cash equivalents and bank overdrafts</b>		<u>2</u>	<u>1,169</u>
Cash, cash equivalents and bank overdrafts at the beginning of the year		3,209	1,070
<b>Cash, cash equivalents and bank overdrafts at the end of the year</b>	5	<u><u>3,211</u></u>	<u><u>2,239</u></u>

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

	2019 \$000	2018 \$000
<b>Reconciliation with reported operating surplus</b>		
Net surplus after tax	368	458
<b>Add/(deduct) non-cash items:</b>		
Depreciation	857	858
Increase/(decrease) in deferred taxation	(94)	6
Increase/(decrease) in current years tax	278	-
	<u>1,041</u>	<u>864</u>
<b>Add/(less) movements in working capital:</b>		
(Increase)/decrease in receivables	(489)	(141)
Increase/(decrease) in accounts payable and accruals	(43)	(13)
Increase/(decrease) in GST/taxation	56	17
	<u>(476)</u>	<u>(137)</u>
<b>Net cash inflow (outflow) from operating activities</b>	<u><u>933</u></u>	<u><u>1,185</u></u>

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.

*Invercargill Airport Limited - Interim Financial Statements*

**Notes to the Financial Statements**

For the six months ended 31 December 2019

<b>1</b>	<b>Other expenses (includes)</b>	<b>2019</b>	<b>2018</b>
		<b>\$000</b>	<b>\$000</b>
	Director fees	70	74
	Auditor's remuneration to Audit New Zealand comprises:		
	audit of financial statements	14	16
<b>2</b>	<b>Employee expenses</b>	<b>2019</b>	<b>2018</b>
		<b>\$000</b>	<b>\$000</b>
	Wages and salaries	505	353
	Defined contribution expenses	14	10
	Total employee expenses	<u>519</u>	<u>363</u>
<b>3</b>	<b>Finance income and expense</b>	<b>2019</b>	<b>2018</b>
		<b>\$000</b>	<b>\$000</b>
	<b>Finance Income</b>		
	Interest income on bank deposits	14	12
	Total finance income	<u>14</u>	<u>12</u>
	<b>Financial expense</b>		
	Interest expense on financial liabilities measured at amortised cost	43	55
	Total financial expenses	<u>43</u>	<u>55</u>
	Net finance costs	<u>(29)</u>	<u>(43)</u>
<b>4</b>	<b>Income tax expense in the Income Statement</b>	<b>2019</b>	<b>2018</b>
		<b>\$000</b>	<b>\$000</b>
	<b>Current tax expense</b>		
	Current period	278	-
	Total current tax expense	<u>278</u>	<u>-</u>
	<b>Deferred tax expense</b>		
	Origination and reversal of temporary differences	(94)	(93)
	Other	-	99
	Total deferred tax expense	<u>(94)</u>	<u>6</u>
	Total income tax expense	<u>184</u>	<u>6</u>



**Notes to the Financial Statements**

For the six months ended 31 December 2019

**Reconciliation of effective tax rate**

	<b>2019</b>	<b>2018</b>
	<b>\$000</b>	<b>\$000</b>
Profit for the year	552	464
Permanent differences	-	-
Profit excluding income tax	552	464
Tax at 28%	155	130
Deferred tax adjustment	29	-
Loss offset	-	(124)
Total income tax expense	184	6
Effective Tax Rate	33%	1%

**5 Cash and cash equivalents**

	<b>2019</b>	<b>2018</b>
	<b>\$000</b>	<b>\$000</b>
Call deposits	2,299	49
Cash and cash equivalents	912	2,190
Cash and cash equivalents in the statement of cash flows	3,211	2,239

**6 Trade and other receivables**

	<b>2019</b>	<b>2018</b>
	<b>\$000</b>	<b>\$000</b>
Trade receivables	829	453
	829	453
Less provision for impairment of receivables	-	-
	829	453

**Notes to the Financial Statements**

For the six months ended 31 December 2019

**7 Property, Plant and Equipment**

**2019 (\$'000)**

	Cost/ revaluation	Accumulated depreciation and impairment charges	Carrying amount	Current year additions - Cost	Current year disposals - Cost	Current year disposals - Depreciation	Current year depreciation	Cost/ revaluation	Accumulated depreciation and impairment charges	Carrying amount
	1-Jul-2019	1-Jul-2019	1-Jul-2019					31-Dec-2019	31-Dec-2019	31-Dec-2019
Land	509	-	509	-	-	-	-	509	-	509
Car parking and fencing	4,029	1,140	2,889	87	-	-	85	4,116	1,225	2,891
Runways and taxiways	14,756	8,319	6,437	-	-	-	407	14,756	8,726	6,030
Terminal and buildings	7,014	858	6,156	-	-	-	105	7,014	963	6,051
Plant and equipment	1,152	518	634	31	-	-	67	1,183	585	598
Motor vehicles	273	182	91	-	-	-	5	273	187	86
Furniture and fittings	4,624	1,429	3,195	12	-	-	188	4,636	1,617	3,019
<b>Total assets</b>	<b>32,357</b>	<b>12,446</b>	<b>19,911</b>	<b>130</b>	<b>-</b>	<b>-</b>	<b>857</b>	<b>32,487</b>	<b>13,303</b>	<b>19,184</b>

**2018 (\$'000)**

	Cost/ revaluation	Accumulated depreciation and impairment charges	Carrying amount	Current year additions	Current year disposals - Cost	Current year disposals - Depreciation	Current year depreciation	Cost/ revaluation	Accumulated depreciation and impairment charges	Carrying amount
	1-Jul-2018	1-Jul-2018	1-Jul-2018					31-Dec-2018	31-Dec-2018	31-Dec-2018
Land	509	-	509	-	-	-	-	509	-	509
Car parking and fencing	4,030	976	3,054	-	-	-	82	4,030	1,058	2,972
Runways and taxiways	14,757	7,505	7,252	-	-	-	407	14,757	7,912	6,845
Terminal and buildings	7,014	648	6,366	-	-	-	105	7,014	753	6,261
Plant and equipment	1,144	385	759	2	-	-	67	1,146	452	694
Motor vehicles	273	170	103	-	-	-	6	273	176	97
Furniture and fittings	4,715	1,071	3,644	-	-	-	191	4,715	1,262	3,453
<b>Total assets</b>	<b>32,442</b>	<b>10,755</b>	<b>21,687</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>858</b>	<b>32,444</b>	<b>11,613</b>	<b>20,831</b>

**Notes to the Financial Statements**

For the six months ended 31 December 2019

<b>8</b>	<b>Investment Property</b>	<b>2019</b>	<b>2018</b>
		<b>\$000</b>	<b>\$000</b>
	Balance at 1 July	4250	4060
	Change in fair value	-	-
	Balance at 31 December	<u>4250</u>	<u>4060</u>

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

The Company's investment properties are valued annually at fair value effective 30 June. For 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.

<b>9</b>	<b>Trade and Other Payables</b>	<b>2019</b>	<b>2018</b>
		<b>\$000</b>	<b>\$000</b>
	Trade payables	136	76
	Accrued expenses	12	30
	GST payable	94	104
	Total trade and other payables	<u>242</u>	<u>210</u>

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.

<b>10</b>	<b>Employee benefit liabilities</b>	<b>2019</b>	<b>2018</b>
		<b>\$000</b>	<b>\$000</b>
	Accrued pay	12	9
	Annual leave	71	54
		<u>83</u>	<u>63</u>
	<b>Comprising:</b>		
	Current	83	63
	Non-current	-	-
	Total employee benefit liabilities	<u>83</u>	<u>63</u>

**Notes to the Financial Statements**

For the six months ended 31 December 2019

<b>11</b>	<b>Borrowings</b>	<b>2019</b>	<b>2018</b>
		<b>\$000</b>	<b>\$000</b>
	Secured loans (Runway Overlay) – related party	380	355
	Total current borrowings	<u>380</u>	<u>355</u>
	Secured loans (Runway Overlay) – related party	842	1,223
	Total non-current borrowings	<u>842</u>	<u>1,223</u>
	Total borrowings	<u><u>1,222</u></u>	<u><u>1,578</u></u>

The average interest rate on the runway overlay loan is 7.0% (2018: 7.0%).

Notes to the Financial Statements

For the six months ended 31 December 2019

12 Deferred Tax Assets and Liabilities

	Balance	Recognised in: Profit or loss	Equity	Balance
	1-Jul-19			31-Dec-19
	\$000	\$000	\$000	\$000
Property, plant and equipment	867	(92)	-	775
Investment property	336	-	-	336
Trade payables and accruals	(21)	(2)	-	(23)
<b>Total movements</b>	<b>1,182</b>	<b>(94)</b>	<b>-</b>	<b>1,088</b>

	Balance	Recognised in: Profit or loss	Equity	Balance
	1-Jul-18			31-Dec-18
	\$000	\$000	\$000	\$000
Property, plant and equipment	1,055	(92)	-	963
Tax losses	(99)	99	-	-
Investment property	339	-	-	339
Trade payables and accruals	(18)	(1)	-	(19)
<b>Total movements</b>	<b>1,277</b>	<b>6</b>	<b>-</b>	<b>1,283</b>

13 Equity

	Attributable to equity holders of the Company			
	Share capital	Additional paid in capital	Retained earnings	Total
	\$000	\$000	\$000	\$000
Balance at 1 July 2018	15,920	4,530	3,523	23,973
Surplus/(deficit) after tax	-	-	458	458
<b>Balance at 31 December 2018</b>	<b>15,920</b>	<b>4,530</b>	<b>3,981</b>	<b>24,431</b>
Balance at 1 July 2019	15,920	4,530	4,328	24,778
Surplus/(deficit) after tax	-	-	368	368
<b>Balance at 31 December 2019</b>	<b>15,920</b>	<b>4,530</b>	<b>4,696</b>	<b>25,146</b>

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 ordinary shares, whether called or uncalled, have equal voting rights and have no par value.

At 31 December 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.

**Notes to the Financial Statements**

For the six months ended 31 December 2019

**14 Capital commitments**

<b>2019</b>	<b>2018</b>
<b>\$000</b>	<b>\$000</b>

**Capital commitments**

Capital expenditure contracted for at balance date but not yet incurred for property, plant and equipment

-	-

**15 Contingencies**

There are no contingent liabilities or assets at 31 December 2019 (2018: Nil).

**16 Events after the Balance Sheet date**

There were no other significant events after balance date.