

# **Invercargill Airport Limited**

Half Year Report  
including Interim Financial Statements

For the six months ended  
31 December 2018



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## **Company Directory**

### **Directors who held office at 31 December 2018**

Mr TM Foggo  
Mr RM Walton  
Mr J Green  
Mr T R Shadbolt  
Mr S O'Donnell

### **Management**

Mr N Finnerty - General Manager

### **Registered office**

C/- Invercargill City Council  
101 Esk Street  
Invercargill

### **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  
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 2018. The financial statements were authorised for issue by the Company on 19 February 2019. The entities directors do not have the right to amend the financial statements after issue.

### **Basis of preparation**

The financial statements of the Company have been prepared in accordance with the requirements of the Local Government Act 2002, 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 2018.

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 2018

	Note	2018 \$000	2017 \$000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	2,239	553
Trade and other receivables	7	453	585
Inventories		6	5
Tax receivable		10	14
<b>Total current assets</b>		<u>2,708</u>	<u>1,157</u>
<b>Non-current assets</b>			
Property, plant and equipment	8	20,831	22,480
Investment property	9	4,060	3,835
Construction work in progress		15	15
<b>Total non-current assets</b>		<u>24,906</u>	<u>26,330</u>
<b>Total assets</b>		<u><b>27,614</b></u>	<u><b>27,487</b></u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	10	210	161
Retentions		49	49
Employee benefit liabilities	11	63	51
Borrowings	12	355	500
<b>Total current liabilities</b>		<u>677</u>	<u>761</u>
<b>Non-current liabilities</b>			
Borrowings	12	1,223	3,985
Deferred tax liability	13	1,283	1,484
<b>Total non-current liabilities</b>		<u>2,506</u>	<u>5,469</u>
<b>Total liabilities</b>		<u>3,183</u>	<u>6,230</u>
<b>Equity</b>			
Share capital	14	15,920	16,550
Retained earnings	14	3,981	4,707
Additional paid in capital	14	4,530	-
Total equity attributable to the equity holders of the company		<u>24,431</u>	<u>21,257</u>
<b>Total liabilities and equity</b>		<u><b>27,614</b></u>	<u><b>27,487</b></u>

## Statement of Comprehensive Income

For the six months ended 31 December 2018

	Note	2018 \$000	2017 \$000
<b>Income</b>			
Operating revenue		2,603	2,410
Other gains	1	-	84
Total income		2,603	2,494
<b>Expenditure</b>			
Employee expenses	3	363	394
Depreciation and amortisation	8	858	858
Other expenses	2	875	878
Total operating expenditure		2,096	2,130
Finance income	4	12	76
Finance expenses	4	55	364
Net finance expense		(43)	(288)
<b>Operating surplus/(deficit) before tax</b>		464	76
Income tax expense	5	6	41
<b>Surplus/(deficit) after tax</b>		458	35
<b>Other comprehensive income</b>			
Total other comprehensive income		-	-
<b>Total comprehensive income</b>		458	35

## Statement of Movements in Equity

For the six months ended 31 December 2018

	Note	2018 \$000	2017 \$000
<b>Balance at 1 July</b>		23,973	22,227
Total Comprehensive Income for the year	15	458	35
<i>Contributions from Shareholders</i>			
Redeemable preference shares issued and paid up	15	-	-
<i>Distributions to Shareholders</i>			
Redeemable preference shares redeemed	15	-	(1,005)
<b>Balance at 31 December</b>		24,431	21,257

## Statement of Cash Flows

For the six months ended 31 December 2018

	Note	2018 \$000	2017 \$000
<b>Cash flows from operating activities</b>			
Receipts from customers		2,461	2,388
Interest and interest subsidy received		12	10
Depreciation subsidy received		-	84
Payments to suppliers and employees		(1,250)	(1,404)
Interest paid		(55)	(298)
Income tax (paid) / refund		5	(3)
Goods and services tax [net]		12	3
<b>Net cash from operating activities</b>	<b>15</b>	<b>1,185</b>	<b>780</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment - Work in Progress		-	(142)
Purchase of property, plant and equipment		(16)	(40)
Purchase of short term investments		-	-
<b>Net cash from investing activities</b>		<b>(16)</b>	<b>(182)</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		-	(84)
Redemption of shares		-	(1,005)
<b>Net cash from financing activities</b>		<b>-</b>	<b>(1,089)</b>
<b>Net (decrease)/increase in cash, cash equivalents and bank overdrafts</b>		<b>1,169</b>	<b>(491)</b>
Cash, cash equivalents and bank overdrafts at the beginning of the year		1,070	1,044
<b>Cash, cash equivalents and bank overdrafts at the end of the year</b>	<b>6</b>	<b>2,239</b>	<b>553</b>

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

## Notes to the Financial Statements

For the six months ended 31 December 2018

<b>1</b>	<b>Other gains and losses</b>	<b>2018</b>	<b>2017</b>
		<b>\$000</b>	<b>\$000</b>
	Derecognition of term loan	-	84
	Change in fair value of investment property	-	-
		<u>-</u>	<u>84</u>
<b>2</b>	<b>Other expenses (includes)</b>	<b>2018</b>	<b>2017</b>
		<b>\$000</b>	<b>\$000</b>
	Director fees	74	74
	Net loss/(gain) on sales of property, plant and equipment	-	-
	Operating lease expenses	-	-
	Auditor's remuneration to Audit New Zealand comprises:		
	· audit of financial statements	16	14
	· other audit-related services		-
<b>3</b>	<b>Employee expenses</b>	<b>2018</b>	<b>2017</b>
		<b>\$000</b>	<b>\$000</b>
	Wages and salaries	363	394
	Total employee expenses	<u>363</u>	<u>394</u>
<b>4</b>	<b>Finance income and expense</b>	<b>2018</b>	<b>2017</b>
		<b>\$000</b>	<b>\$000</b>
	<b>Finance Income</b>		
	Interest expense subsidised by ICHL	-	66
	Interest income on bank deposits	12	10
	Total finance income	<u>12</u>	<u>76</u>
	<b>Financial expense</b>		
	Interest expense on financial liabilities measured at amortised cost	55	364
	Total financial expenses	<u>55</u>	<u>364</u>
	Net finance costs	<u>(43)</u>	<u>(288)</u>
<b>5</b>	<b>Income tax expense in the Income Statement</b>	<b>2018</b>	<b>2017</b>
		<b>\$000</b>	<b>\$000</b>
	<b>Current tax expense</b>		
	Current period	-	-
	Adjustment for prior periods	-	-
	Total current tax expense	<u>-</u>	<u>-</u>
	<b>Deferred tax expense</b>		
	Origination and reversal of temporary differences	(93)	(96)
	Other	99	137
	Total deferred tax expense	<u>6</u>	<u>41</u>
	Total income tax expense	<u>6</u>	<u>41</u>



**Notes to the Financial Statements**

For the six months ended 31 December 2018

**Reconciliation of effective tax rate**

	<b>2018</b>	<b>2017</b>
	<b>\$000</b>	<b>\$000</b>
Profit for the year	464	76
Permanent differences		-
Profit excluding income tax	464	76
Tax at 28%	130	21
Loss offset	(124)	-
Under/(over) provided in prior periods	-	20
Total income tax expense	6	41
Effective Tax Rate	1%	54%

**6 Cash and cash equivalents**

	<b>2018</b>	<b>2017</b>
	<b>\$000</b>	<b>\$000</b>
Call deposits	49	56
Cash and cash equivalents	2,190	497
Cash and cash equivalents in the statement of cash flows	2,239	553

**7 Trade and other receivables**

	<b>2018</b>	<b>2017</b>
	<b>\$000</b>	<b>\$000</b>
Trade receivables	453	585
	453	585
Less provision for impairment of receivables	-	-
	453	585

## Notes to the Financial Statements

For the six months ended 31 December 2018

### 8 Property, Plant and Equipment

#### 2018 (\$'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-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
Total assets	32,442	10,755	21,687	2	-	-	858	32,444	11,613	20,831

#### 2017 (\$'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-2017	1-Jul-2017	1-Jul-2017					31-Dec-2017	31-Dec-2017	31-Dec-2017
Land	509	-	509	-	-	-	-	509	-	509
Car parking and fencing	3,942	815	3,127	43	-	-	80	3,985	895	3,090
Runways and taxiways	14,747	6,691	8,056	10	-	-	407	14,757	7,098	7,659
Terminal and buildings	7,014	438	6,576	-	-	-	105	7,014	543	6,471
Plant and equipment	1,142	251	891	5	24	2	68	1,123	317	806
Motor vehicles	269	154	115	4	-	-	7	273	161	112
Furniture and fittings	4,712	690	4,022	2	-	-	191	4,714	881	3,833
Total assets	32,335	9,039	23,296	64	24	2	858	32,375	9,895	22,480

## Notes to the Financial Statements

For the six months ended 31 December 2018

<b>9 Investment Property</b>	<b>2018</b>	<b>2017</b>
	<b>\$000</b>	<b>\$000</b>
Balance at 1 July	4060	3835
Acquisitions	-	-
Change in fair value	-	-
Balance at 31 December	<u>4060</u>	<u>3835</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 2018 and 2017, 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 (2017: next year), hence the open market evidence valuation has been adjusted by management to be valued on a discounted cashflow basis of their remaining expected earnings. The 2018 and 2017 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>10 Trade and Other Payables</b>	<b>2018</b>	<b>2017</b>
	<b>\$000</b>	<b>\$000</b>
Trade payables	76	61
Directors fee payable	-	-
Accrued expenses	30	13
GST payable	104	87
Total trade and other payables	<u>210</u>	<u>161</u>

Trade and other payables are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of trade and other payables approximate their fair value.

<b>11 Employee benefit liabilities</b>	<b>2018</b>	<b>2017</b>
	<b>\$000</b>	<b>\$000</b>
Accrued pay	9	8
Annual leave	54	43
Other liabilities	-	-
	<u>63</u>	<u>51</u>
<b>Comprising:</b>		
Current	63	51
Non-current	-	-
Total employee benefit liabilities	<u>63</u>	<u>51</u>

**Notes to the Financial Statements**

For the six months ended 31 December 2018

<b>12</b>	<b>Borrowings</b>	<b>2018</b>	<b>2017</b>
		<b>\$000</b>	<b>\$000</b>
	Secured loans (Runway Extension) – related party	-	168
	Secured loans (Runway Overlay) – related party	355	332
	Secured loans (Other) – related party	-	-
	Total current borrowings	355	500
	Secured loans (Runway Extension) – related party	-	2,407
	Secured loans (Runway Overlay) – related party	1,223	1,578
	Secured loans (Other) – related party	-	-
	Total non-current borrowings	1,223	3,985
	Total borrowings	1,578	4,485

The runway extension loan was reclassified as equity in the 30 June 2018 Annual Report.

The average interest rate on the runway overlay loan is 7.0% (2017: 7.0%).

## Notes to the Financial Statements

For the six months ended 31 December 2018

### 13 Deferred Tax Assets and Liabilities

	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>

	Balance	Recognised in: Profit or loss	Equity	Balance
	1-Jul-17			31-Dec-17
	\$000	\$000	\$000	\$000
Property, plant and equipment	1,243	(99)	-	1,144
Tax losses	(492)	137	-	(355)
Investment property	710	-	-	710
Trade payables and accruals	(18)	3	-	(15)
<b>Total movements</b>	<b>1,443</b>	<b>41</b>	<b>-</b>	<b>1,484</b>

### 14 Equity

	Attributable to equity holders of the Company			
	Share capital	Additional paid in capital	Retained earnings	Total
	\$000	\$000	\$000	\$000
<b>Balance at 1 July 2017</b>	17,555	-	4,672	22,227
Surplus/(deficit) after tax	-	-	35	35
<i>Contributions from Shareholders</i>				
Redeemable preference shares issued and paid up	-	-	-	-
<i>Distributions to Shareholders</i>				
Redeemable preference shares redeemed	(1,005)	-	-	(1,005)
<b>Balance at 31 December 2017</b>	<b>16,550</b>	<b>-</b>	<b>4,707</b>	<b>21,257</b>
<b>Balance at 1 July 2018</b>	15,920	4,530	3,523	23,973
Surplus/(deficit) after tax	-	-	458	458
<i>Contributions from Shareholders</i>				
Redeemable preference shares issued and paid up	-	-	-	-
<i>Distributions to Shareholders</i>				
Redeemable preference shares redeemed	-	-	-	-
<b>Balance at 31 December 2018</b>	<b>15,920</b>	<b>4,530</b>	<b>3,981</b>	<b>24,431</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 2018 there were 9,595,308 (2017: 10,225,308) 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 2018

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

	2018 \$000	2017 \$000
<b>Reconciliation with reported operating surplus</b>		
Net surplus after tax	458	35
<b>Add/(deduct) non-cash items:</b>		
Depreciation	858	858
Impairment of runway	-	-
Revaluation of runway	-	-
Net (profit)/loss on sale of fixed assets	-	-
Increase/(decrease) in deferred taxation	6	41
Increase/(decrease) in current years tax	-	-
	<u>864</u>	<u>899</u>
<b>Add/(less) movements in working capital:</b>		
(Increase)/decrease in receivables	(141)	(24)
(Increase)/decrease in inventories	-	-
(Increase)/decrease in prepayments	-	-
Increase/(decrease) in accounts payable and accruals	(13)	(131)
Increase/(decrease) in GST/taxation	17	1
	<u>(137)</u>	<u>(154)</u>
Net cash inflow (outflow) from operating activities	<u>1,185</u>	<u>780</u>

### 16 Capital commitments

#### Capital commitments

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

2018 \$000	2017 \$000
-	-

### 17 Contingencies

There are no contingent liabilities or assets at 31 December 2018 (2017: Nil).

### 18 Events after the Balance Sheet date

There were no other significant events after balance date.