Annual Report 2018

INVERCARGILL AIRPORT

Bright lights in the southern skies

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Approval by Directors

The Directors have approved for issue the financial statements of Invercargill Airport Limited for the year ended 30 June 2018.

T M Foggo
Chairman

R M Walton
Director

For and on behalf of the Board of Directors
26 September 2018

Directory

DIRECTORS WHO HELD OFFICE DURING THE YEAR ENDED 30 JUNE 2018

Mr TM Foggo - Chairman

Mr RM Walton

Mr J Green

Mr T Shadbolt

Mr S O'Donnell

MANAGEMENT

Mr N Finnerty - General Manager

REGISTERED OFFICE

C/- Invercargill City Council
101 Esk Street
Invercargill 9810

PHYSICAL ADDRESS

106 Airport Avenue
Invercargill

Phone (03) 218 6367
Fax (03) 218 6939

POSTAL ADDRESS

PO Box 1203
Invercargill 9840

AUDITOR

Audit New Zealand
Dunedin

BANKERS

Westpac

SOLICITORS

AWS Legal
151 Spey Street
Invercargill 9810

Statutory Information

DIRECTORS' REMUNERATION

Invercargill Airport Limited	*$*
T M Foggo (Chairman)	49,200
R M Walton	24,600
J Green	24,600
T Shadbolt	24,600
S O'Donnell	24,600

There was no remuneration or other benefits paid to Directors during the year for any of the following:

- Compensation for loss of office.
- Guarantees given by the Company for debts incurred by a Director.

DIRECTORS' INTERESTS

Except for Related Parties disclosures in note 16 of the notes to the financial statements, during the year, no Directors had an interest in any transaction or proposed transaction with the Company.

USE OF COMPANY INFORMATION BY DIRECTORS

No Director of the Company has disclosed, used or acted on information that would not otherwise be available to a Director.

SHAREHOLDING BY DIRECTORS

No Director has an interest in any of the Company shares held, acquired or disposed of during the year.

DIRECTORS' AND OFFICERS' INDEMNITY INSURANCE

The Company has insured all its Directors and Executive Officers against liabilities to other parties that may arise from their positions.

EMPLOYEES' REMUNERATION

One employee of the Company received remuneration and other benefits of $100,000 or greater during the year.

$'000	*No. of employees*
150-160	1

AUDITORS' REMUNERATION

Audit fees for the Company totalled $22,639. 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.

Chairman and General Manager's Report

We are pleased to report on the performance of Invercargill Airport Ltd for the financial year ended 30 June 2018, the twenty first year of trading for the Airport Company.

It has been another good year for the Airport. Additional aircraft movements and changes in aircraft type provided more seats which contributed to record passenger numbers through the Airport. We have had over 307,000 passenger movements and this has contributed to a strong financial performance for the year with revenue growing to $5 million delivering an after-tax profit of $302,000.

Operationally we have had a steady year. The highlight again was the smooth turnaround of two A320 aircraft for the Oyster Festival held in May. Over 360 passengers came through the airport with our security screening facilities working very well. We also had our first international arrival with a Qantas 737 landing at short notice at the airport. Our southern "can do" attitude was tested with some quick changes to airport operation to facilitate its arrival into New Zealand with the Border Agencies having to come from Dunedin and Queenstown to support the disembarkation.

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

HEALTH, SAFETY AND COMPLIANCE

Safety continued to be our top priority as we focus on proactively identifying and managing health and safety risks. Several new initiatives were introduced or refined during the year. These included:

- The Health, Safety and Wellness Policy and Statement was reviewed and updated,
- The health and safety management system was improved to allow all employees to view all recorded incidents in more detail
- The Airport wide safety team identified and targeted several high-risk activities
- The site induction processes were updated
- Standard Operating Procedures (SOPs) were developed for high-risk activities
- The Airport Community started reporting health and safety incidents directly into our systems

Our target was to have zero lost time injuries for our people and we're pleased to report our staff and contractors achieved this goal over the 12-month period.

The company maintained its Aerodrome Operators Certificate during the year undergoing a Civil Aviation Authority (CAA) surveillance audit in October, a Security audit in April and a Safety Management System audit in May.

A focus for the year has been the development of a CAA compliant Safety Management System (SMS). CAA completed the audit in May and approved our SMS on 29 June. We are the first regional airport in New Zealand to achieve this certification.

We are also pleased to report that no environmental incidents occurred at the airport this year. There has been a New Zealand wide focus on some of the components of fire fighting foam. This has been led by the Environmental Protection Agency and we have been working with them to fully understand the issue and the potential impacts on the airport.

FINANCIAL PERFORMANCE

The financial statements record an after-tax profit of $302,000 compared to a $189,000 profit for the same period last year.

The pre-tax profit for the year, before investment property revaluations was $331,000 compared to a $363,000 profit for the same period last year. The Company had no impairment for the year.

The company completed two Redeemable Preference Share (RPS) redemptions during the year totalling 1,634,692 shares. Invercargill City Holding Limited now is the single RPS holder as all Oraka Aparima Runaka Holdings shares were redeemed. The total cost of the redemption was $2,029,657 including interest. We plan to redeem 1,690,000 shares in 2018/19.

PASSENGER NUMBERS AND AIRCRAFT MOVEMENTS

Total passenger movements increased by 4.2%, or 12,476, to reach 307,308 for the year. This compares very favourably with the historic average growth rate of approximately 1% p.a.

The increase in passenger numbers has been driven by the continued growth of the Air New Zealand business, increased numbers of flights and the ongoing change in the mix of aircraft providing more seats. There has also been some market stimulation with changes to the mix in air fares in and out of Invercargill. There have been more Grabaseats and reduced fares to more destinations.

Scheduled aircraft movements including Air New Zealand and Stewart Island Flights totalled 9,838 for the full year. This is an increase of 88 movements or 0.9% over 2017. Air New Zealand has reinstated some of the mid-afternoon flights that had been removed in the past. This means air travellers have more choice as the frequency of flights has increased. Stewart Island is still a growing destination and we expect to see an increase in flight movements over the next few years.

INFRASTRUCTURE

Terminal Building

The year has focused on optimising the operation of the terminal building and has included improving the passenger experience, understanding the flow through the terminal and engaging with service groups to grow community knowledge of the airport. This, along with refining our offering to the travelling public have all been targeted during the year.

Maintenance

Several larger maintenance projects were progressed during the year with the General Aviation (GA) apron partially resurfaced, the rental car carpark completely resurfaced, a non-skid layer added to the surface of the terminal veranda, 1.2 kilometres of perimeter security fencing installed, several landside gardens replanted and the taxiway holding point lights illuminated.

Future Infrastructure Needs

To support long-term growth in our region and the Southland Regional Development Strategic goal of increasing our population by 10,000 people by 2025, we must provide sustainable air connectivity to the world. Over the last six months we identified potential growth opportunities and infrastructure requirements for the airport out to 2030. During the first half of 2018/19 a detailed plan will be developed and progressed as part of the airport's investment programme

STAKEHOLDERS AND CUSTOMERS

Customer Survey

During the year a strong emphasis was placed on refining the operation of the new terminal and providing an improved customer experience. Refinement of the Southern Lights Cafe' offerings, changes to the seating arrangements in the terminal, increased visibility of meeting room facilities and general enhancements to the terminal ambience were all targeted. A comprehensive internal and external Net Prompter Score (NPS) survey was commissioned to understand the needs and expectations of the airport's stakeholders. The outcome of the survey indicated that, whilst there are opportunities for improvement, in general our stakeholders believed we were meeting or exceeding their expectations.

As the Gateway to Southland, we are committed to supporting our region and the communities that thrive here. We have been actively involved in the delivery of Southland Regional Development Strategy (SoRDS) and have successfully worked with the Air New Zealand team to increase the number of people choosing Southland as a destination.

We would like to thank the airport community, customers, service providers, contractors and stakeholders for their support of Invercargill Airport over the last year and contributing to the reputation that our business has in the Southland community.

OUR TEAM

Whilst the Board was unchanged for the year, the Airport Team had one change with Mr Dan Coe moving to Dunedin Airport. Mr Daniel Alexander moved from the Infrastructure and Projects Manager role to become the Operations Manager in early 2018.

With the introduction of the Safety Management System, our training focus has been on growing our knowledge and understanding of these processes. Confidence in the use of the system and the delivery of outcomes has improved over the year and it is now an integral business tool.

The Board would like to acknowledge the Team for their ongoing hard work, commitment to excellence and drive to achieve our vision.

ACKNOWLEDGEMENTS

We would like to thank our Board for their vision and governance support. A clear plan for the future has been developed and we look forward to bringing this to life.

It has been an exciting year with real growth in air travel into and out of Southland. Southland and Invercargill have some amazing opportunities about to be realised which will change the face of our region. We are excited to be a part of this change and are ready to support the region's growth and prosperity.

The year ahead will see real advances across the whole business particularly in the infrastructure space. We have a pipeline of projects and initiatives that will continue to drive us towards our vision to be New Zealand's leading full service airport with a thriving community connecting Southland to the world.

For and on behalf of the Board,

T M Foggo
Chairman of Directors
Invercargill Airport Ltd

N R Finnerty
General Manager
Invercargill Airport Ltd

Statement of Accounting Policies

REPORTING ENTITY

Invercargill Airport Limited (the Company) is a company incorporated in New Zealand under the Companies Act 1993 and is domiciled in New Zealand. The Company is 97.20% owned by Invercargill City Holdings Limited. Hokonui Research and Development Ltd, Waihopai Runaka Holdings Ltd, Te Runaka O Awarua Charitable Trust and Oraka-Aparima Runanga Incorporated Society each hold 0.70% of the share capital.

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

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

The financial statements for the year ended 30 June 2018 were approved and authorised for issue by the Board of Directors on 26 September 2018. The entity's directors do not have the right to amend the financial statements after issue.

BASIS OF PREPARATION

The financial statements of the Company have been prepared in accordance with the requirements of the Local Government Act 2002 and the Companies Act 1993.

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) and comply with the New Zealand equivalents to International Financial Reporting Standards - Reduced Disclosure Regime (NZ IFRS RDR).

The Company is a Tier 2 for-profit entity and has elected to report in accordance with the NZ IFRS Reduced Disclosure Regime on the basis that it does not have public accountability and is not a large for-profit public sector entity.

The accounting policies that have been applied to these financial statements are based on the External Reporting Board A1, Accounting Standards Framework (For-profit Entities Update).

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand ($'000) except when otherwise indicated. The functional currency of the Company is New Zealand dollars.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the Statement of Comprehensive Income.

REVENUE

Revenue is measured at the fair value of consideration received.

Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at balance date, based on the actual service provided as a percentage of the total services to be provided.

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be reliably estimated and there is no continuing management involvement with the goods.

Interest income is recognised using the effective interest method.

INCOME TAX

Income tax expense in relation to the profit or loss for the period comprises current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using rates that have been enacted or substantively enacted by balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, using tax rates that have been enacted or substantively enacted by balance date.

Current tax and deferred tax is charged or credited to the Statement of Comprehensive Income, except when it relates to items charged or credited directly to equity, in which case the tax is dealt with in equity.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

TRADE AND OTHER RECEIVABLES

Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the effective interest method.

INVENTORIES

Inventories (such as spare parts and other items) held for distribution or consumption in the provision of services that are not supplied on a commercial basis are measured at the lower of cost and current replacement cost.

The write down from cost to current replacement cost or net realisable value is recognised in the Statement of Comprehensive Income

FINANCIAL ASSETS

Where applicable the Company classifies its investments in the following categories:

Financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

- *Financial Assets at Fair Value through Profit or Loss*
  Financial assets at fair value through profit or loss are financial assets held for trading which are acquired principally for the purpose of selling in the short term with the intention of making a profit. Derivatives are also categorised as held for trading unless they are designated as hedges.
- *Loans and Receivables*
  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets.

  Loans and receivables are included in receivables in the Statement of Financial Position.
- *Held-to-Maturity Investments*
  Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity.
- *Available-for-Sale Financial Assets*
  Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

  Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category, including interest and dividend income, are presented in the income statement within other income or other expenses in the period in which they arise.

The Company classifies its financial assets (excluding derivatives) as loans and receivables. Loans and receivables are classified as "trade and other receivables" in the Statement of Financial Position.

- *Impairment of Financial Assets*
  At each Statement of Financial Position date, the Company assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. Any impairment losses are recognised in the Statement of Comprehensive Income.

FINANCIAL INSTRUMENTS

- *Receivables*
  Trade and other receivables are recognised initially at fair value. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.
- *Cash and cash equivalents*
  Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant amount of risk of changes in value.
- *Trade and Other Payables*
  Trade and other payables are initially measured at fair value, and subsequently measured at amortised cost using the effective interest method.
- *Borrowings*
  Borrowings are recognised initially at fair value, net of any transaction costs incurred. Borrowings are subsequently stated at amortised cost; any differences between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

  Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability at least 12 months after the balance date.

LEASES

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are charged to the Statement of Comprehensive Income over a straight-line basis over the period of the lease.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is shown at cost, less accumulated depreciation and impairment losses.

Certain items of property, plant and equipment that had been revalued to fair value on or prior to 1 July 2005, the date of transition to NZ IFRS are measured on the basis of deemed cost, being the revalued amount at the date of transition.

Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Company and the cost of the item can be measured reliably.

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the Statement of Comprehensive Income.

Subsequent Costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Company and the cost of the item can be measured reliably.

Depreciation

Depreciation is provided on all property, plant and equipment other than land, at rates that will write off the cost of the assets to their estimated residual values over their useful lives.

The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

(a)	Buildings	3% Straight Line
(b)	Furniture and Fittings	10% - 13% Diminishing Value and 6% - 17.5% Straight Line
(c)	Plant	8% - 50% Diminishing Value and 6% - 30% Straight Line
(d)	Crash Fire Vehicle, other vehicles, tractors and mowing equipment	10% - 13% Diminishing Value
(e)	Other Airport Assets	
	- Carpark and fencing	1% - 21% Straight Line
	- Runway, Apron and Taxiway (Base-course and sub-base)	3.0% Straight Line
	- Top Surface (Runway)	8.3% Straight Line
	- Top Surface (Apron and Taxiway)	6.7% Straight Line
	- Roads, carparks and stop banks	3.0% Straight Line

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

CAPITAL WORK IN PROGRESS

Work in progress includes the cost of direct materials and direct labour used in putting replacement and new systems and plant in their present location and condition. It includes accruals for the proportion of work completed at the end of the period. Capital work in progress is not depreciated.

INVESTMENT PROPERTY

Properties leased to third parties under operating leases are classified as investment property unless the property is held to meet service delivery objectives, rather than to earn rentals or for capital appreciation.

Investment property is measured initially at its cost, including transaction costs.

After initial recognition, the Company measures all investment property at fair value as determined annually by an independent valuer.

Gains or losses arising from a change in the fair value of investment property are recognised in the Statement of Comprehensive Income.

IMPAIRMENT OF ASSETS

The carrying amounts of the Company's assets, other than investment property, are reviewed at each balance date to determine whether there is any indication that an asset may be impaired. If any such indication exists the assets recoverable amount is estimated in order to determine the extent of the impairment loss (if any).

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss and any subsequent reversal are recognised in the Statement of Comprehensive Income. If an impairment loss is reversed, the carrying value of the asset is stated at no more than what its carrying value would have been had the earlier impairment not occurred.

EMPLOYEE BENEFITS

Short-Term Benefits

Employee benefits that the Company expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, retiring and long service leave entitlements expected to be settled within 12 months, and sick leave.

Obligations for contributions to defined contribution superannuation schemes are recognised as an expense in the Statement of Comprehensive Income as incurred.

BORROWING COSTS

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

GOODS AND SERVICES TAX (GST)

All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax, then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department ("IRD") is included as part of receivables or payables in the Statement of Financial Position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In preparing these financial statements, the Company makes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses. These estimates and assumptions may differ from the subsequent actual results. The estimates and associated assumptions have been based on historical experience and other factors that are believed to be reasonable under the circumstances. The estimates, assumptions and critical judgements in applying accounting policies that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

- Determination of the recoverable amount of the runway and taxiway assets. This is discussed in Note 9.
- Fair value of Investment Property. This is discussed in Note 10.

NEW STANDARDS ADOPTED

There have been no new standards adopted during the financial year. The company has not elected to early adopt any new standards or interpretations that are issued but not yet effective.

NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

Standards, amendments and interpretations issued but not yet effective that have not been early adopted, and which are relevant to the company, are:

Except for changes detailed below there are no other standards or interpretations that have been issued but not yet effective, that have been currently assessed as being applicable to the Company.

Amendments to NZ IFRS 9 - Financial instruments

The amendment comes into effect for fiscal years beginning on or after 1 January 2018.

The final version of NZ IFRS 9 Financial Instruments brings together the classification and measurement, impairment and hedge accounting phases of the International Accounting Standards Board's project. The standard will replace NZ IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of NZ IFRS 9.

Early adoption is permitted. The company intends to adopt NZ IFRS 9 on its effective date and has yet to assess its full impact.

CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies during the period. All accounting policies have been consistently applied throughout the period covered by these financial statements.

Statement of Financial Position

As at June 30, 2018

	Note	2018 $000	2017 $000
Assets			
Current assets			
Cash and cash equivalents	7	1,070	1,045
Trade and other receivables	8	311	561
Inventories		6	5
Tax receivable		16	12
Total current assets		1,403	1,623
Non-current assets			
Property, plant and equipment	9	21,686	23,296
Investment property	10	4,060	3,835
Construction work in progress		15	13
Total non-current assets		25,761	27,144
Total assets		27,164	28,767
Liabilities			
Current liabilities			
Trade and other payables	11	241	314
Retentions		49	175
Employee benefit liabilities	12	46	39
Borrowings	13	355	332
Total current liabilities		691	860
Non-current liabilities			
Borrowings	13	1,223	1,578
Deferred tax liability	14	1,277	1,023
Total non-current liabilities		2,500	2,601
Total liabilities		3,191	3,461
Equity			
Share capital	15	15,920	17,555
Retained earnings	15	3,523	3,221
Additional paid in capital	15	4,530	4,530
Total equity attributable to the equity holders of the company		23,973	25,306
Equity is attributable to:			
Parent entity	15	22,252	23,588
Minority interest	15	1,721	1,718
		23,973	25,306

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

Statement of Comprehensive Income

For the year ended June 30, 2018

	Note	2018 $000	2017 $000
Income			
Rendering of services		4,163	3,972
Rental income		673	632
Other gains	2	225	57
Total income		5,061	4,661
Expenditure			
Employee expenses	4	745	650
Depreciation and amortisation	9	1,718	1,717
Other expenses	3	1,539	1,569
Total operating expenditure		4,002	3,936
Finance income	5	18	21
Finance expenses	5	521	326
Net finance expense		(503)	(305)
Operating profit/(loss) before tax		556	420
Income tax expense	6	254	231
Profit/(loss) after tax		302	189
Other comprehensive income			
Total other comprehensive income		-	-
Total comprehensive income		302	189
Total comprehensive income attributable to:			
Equity holders of the Company		294	184
Minority interest		8	5
		302	189

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, 2018

	Note	2018 $000	2017 $000
Balance at 1 July		25,306	25,917
Total Comprehensive Income for the year	15	302	189
Contributions from Shareholders			
Shares issued and paid up	15	-	-
Distributions to Shareholders			
Redeemable preference shares redeemed	15	(1,635)	(800)
Balance at 30 June		23,973	25,306
Attributable to:			
Equity holders of the Company		22,252	23,588
Minority interest		1,721	1,718
Balance at 30 June		23,973	25,306

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, 2018

	Note	2018 $000	2017 $000
Cash flows from operating activities			
Receipts from customers		5,085	4,420
Interest and interest subsidy received		18	21
Payments to suppliers and employees		(2,306)	(2,323)
Interest paid		(521)	(326)
Income tax (paid) / refund		(4)	(6)
Goods and services tax [net]		11	53
Net cash from operating activities	16	2,283	1,839
Cash flows from investing activities			
Purchase of property, plant and equipment		(291)	(364)
Net cash from investing activities		(291)	(364)
Cash flows from financing activities			
Repayment of borrowings		(332)	(310)
Redemption of shares		(1,635)	(800)
Net cash from financing activities		(1,967)	(1,110)
Net (decrease)/increase in cash and cash equivalents		25	365
Cash and cash equivalents at the beginning of the year		1,045	680
Cash and cash equivalents at the end of the year	7	1,070	1,045

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.

1 Restatement of comparative information

A review was undertaken on the runway extension loan between Invercargill Airport Limited and Invercargill City Holdings Limited. It was determined that the loan should be reclassified as a capital contribution. A review was also undertaken on the deferred tax treatment on investment property during the reporting period. It was identified that deferred tax had not correctly been accounted for on some investment land.

These matters have been rectified by restating each of the affected financial statement line items for prior periods as follows:

	30 June 2017			30 June 2016		
Statement of Financial Position (Extract)	**Previous Amount $000**	**Adjustment $000**	**Restated Amount $000**	**Previous Amount $000**	**Adjustment $000**	**Restated Amount $000**
Current borrowings	(500)	168	(332)	(478)	168	(310)
Non-current borrowings	(4,069)	2,491	(1,578)	(4,569)	2,660	(1,909)
Deferred tax liability	(1,443)	420	(1,023)	(1,212)	420	(792)
Net Assets	**22,227**	**3,079**	**25,306**	**22,669**	**3,248**	**25,917**
Retained earnings	(4,672)	1,451	(3,221)	(4,314)	1,282	(3,032)
Additional paid in capital	-	(4,530)	(4,530)	-	(4,530)	(4,530)
Total Equity	**(22,227)**	**(3,079)**	**(25,306)**	**(22,669)**	**(3,248)**	**(25,917)**

	30 June 2017		
Statement of Comprehensive Income (Extract)	**Previous Amount $000**	**Adjustment $000**	**Restated Amount $000**
Other gains	(225)	168	(57)
Finance income	(166)	145	(21)
Finance expenses	470	(144)	326
Profit before income tax	**589**	**(169)**	**420**
Profit after tax	358	(169)	189
Total Comprehensive Income	**358**	**(169)**	**189**
Total comprehensive income attributable to:			
Equity holders of the company	348	(164)	184
Minority interest	10	(5)	5
	358	**(169)**	**189**

2 Other gains and losses

	2018	2017
	$000	$000
Change in fair value of investment property	225	57
	225	57

3 Other expenses (includes)

	2018	2017
	$000	$000
Director fees	148	148
Net loss/(gain) on sales of property, plant and equipment	(2)	4
Auditor's remuneration to Audit New Zealand comprises:		
· audit of financial statements	23	22

4 Employee expenses

	2018	2017
	$000	$000
Wages and salaries	724	632
Defined contribution expenses	21	18
Total employee expenses	745	650

5 Finance income and expense

	2018	2017
	$000	$000
Finance Income		
Interest income on bank deposits	18	21
Total finance income	18	21
Financial expense		
Interest expense on financial liabilities measured at amortised cost	521	326
Total financial expenses	521	326
Net finance costs	(503)	(305)

6 Income tax expense in the Income Statement

	2018 $000	2017 $000
Current tax expense		
Current period	-	-
Adjustment for prior periods	-	-
Total current tax expense	-	-
Deferred tax expense		
Origination and reversal of temporary differences	(139)	(160)
Adjustment for prior periods	-	-
Other	393	391
Total deferred tax expense	254	231
Total income tax expense	254	231

Reconciliation of effective tax rate

	2018 $000	2017 $000
Profit for the year	556	420
Permanent differences	-	-
Profit excluding income tax	556	420
Tax at 28%	156	118
Deferred tax adjustment	98	113
Under/(over) provided in prior periods	-	-
Total income tax expense	254	231
Effective Tax Rate	46%	55%

7 Cash and cash equivalents

	2018 $000	2017 $000
Call deposits	56	56
Cash and cash equivalents	1,014	989
Cash and cash equivalents in the statement of cash flows	1,070	1,045

8 Trade and other receivables

	2018	2017
	$000	$000
Trade receivables	311	561
	311	561

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 18.

As at 30 June, the ageing analysis of trade receivables is, as follows:

	Total	Neither past due nor impaired	Past due but not impaired <30 days
	$000	$000	$000
2018	311	296	15
2017	561	558	3

See note 22 on credit risk of trade receivables, which explains how the Company manages trade receivables.

9 Property, Plant and Equipment

2018 ($'000)

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

2017 ($'000)

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

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

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

10 Investment Property

	2018	2017
	$000	$000
Balance at 1 July	3,835	3,778
Change in fair value	225	57
Balance at 30 June	4,060	3,835

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.

11 Trade and Other Payables

	2018	2017
	$000	$000
Trade payables	119	198
Accrued expenses	30	32
GST payable	92	84
Total trade and other payables	241	314

Terms and conditions of the above financial liabilities:
Trade and other payables are non-interest bearing and are normally settled on 30-day terms.
Other payables are non-interest bearing and have an average term of six months.
For terms and conditions relating to related party payables, refer to note 16.

For explanations on the Company's credit risk management processes, refer to Note 22.

12 Employee benefit liabilities

	2018 $000	2017 $000
Accrued pay	-	-
Annual leave	46	39
	46	39
Comprising:		
Current	46	39
Non-current	-	-
Total employee benefit liabilities	46	39

13 Borrowings

	2018 $000	2017 $000
Current		
Secured loans (Runway Overlay) – related party	355	332
Total current borrowings	355	332
Non-current		
Secured loans (Runway Overlay) – related party	1,223	1,578
Total non-current borrowings	1,223	1,578

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

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

14 Deferred Tax Assets and Liabilities

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

Recognised deferred tax assets and liabilities	Balance	Recognised in: Profit or loss	Equity	Balance
	1 July 2016			**30 June 2017**
	$000	**$000**	**$000**	**$000**
Property, plant and equipment	1,414	(171)	-	1,243
Tax losses	(883)	391	-	(492)
Investment property	274	16	-	290
Trade payables and accruals	(13)	(5)	-	(18)
Total movements	792	231	-	1,023

15 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 2016	18,355	4,530	3,032	25,917	1,713	24,204
Profit/(loss) after tax	-	-	189	189	5	184
Other comprehensive income						
Contributions from Shareholders						
Shares issued and paid up	-	-	-	-	-	-
Distributions to Shareholders						
Redeemable preference shares redeemed	(800)	-	-	(800)	-	(800)
Balance at 30 June 2017	**17,555**	**4,530**	**3,221**	**25,306**	**1,718**	**23,588**
Balance at 1 July 2017	17,555	4,530	3,221	25,306	1,718	23,588
Profit/(loss) after tax	-	-	302	302	8	294
Other comprehensive income						
Contributions from Shareholders						
Shares issued and paid up	-		-	-	-	-
Distributions to Shareholders						
Redeemable preference shares redeemed	(1,635)	-	-	(1,635)	(5)	(1,630)
Balance at 30 June 2018	**15,920**	**4,530**	**3,523**	**23,973**	**1,721**	**22,252**

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 2018 there were 9,595,308 (2017: 11,030,000) redeemable preference shares (RPS) on issue. Each share has a par value of $1 and is redeemable by the board of the Company giving a 30 day redemption notice. The RPS carry a preferential dividend entitlement, do not carry voting rights and carry an optional interest entitlement on redemption at a rate equal to 5% above the ninety (90) day Bank Bill Settlement Rate. The RPS rank ahead of the ordinary shares in the event of a liquidation. The redemption is only at the discretion of Invercargill Airport Limited (the issuer). The holders of the RPS do not have the option to demand redemption of the RPS face value. As Invercargill Airport Limited does not have a present obligation to redeem the shares the RPS have been classified as an equity instrument.

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

	2018	2017
	$000	**$000**
Reconciliation with reported operating profit		
Net profit after tax	302	189
Add/(deduct) non-cash items:		
Depreciation	1,718	1,717
Change in fair value of investment property	(225)	(57)
Increase/(decrease) in deferred taxation	254	231
	1,747	1,891
Add/(less) movements in working capital:		
(Increase)/decrease in receivables	249	(240)
(Increase)/decrease in inventories	(1)	(3)
Increase/(decrease) in accounts payable and accruals	(21)	(45)
Increase/(decrease) in GST/taxation	7	47
	234	(241)
Net cash inflow (outflow) from operating activities	2,283	1,839

17 Changes in liabilities arising from financing activities

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

	Short-term borrowings	Long-term borrowings	Total
	$000	**$000**	**$000**
1 July 2017	332	1,578	1,910
Cashflows			
Repayments	(332)	-	(332)
Non-Cash			
Reclassification	355	(355)	-
30 June 2018	355	1,223	1,578

18 Related party transactions

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

	2018	2017
	$000	$000
(a) Invercargill City Holdings Limited		
Expenditure		
Provision of services	60	60
Interest paid	521	326
Loans repaid/(drawndown)	332	310
Loans outstanding at balance date by the Company	1,578	1,910
(b) Invercargill City Council		
Expenditure		
Provision of services	117	107
(c) R M Walton		
Expenditure		
Provision of services	3	-

No related party transactions have been written off or were forgiven during the 2018 year (2017: nil).

During the 2018 year Invercargill Airport Limited purchased services from RM Walton (Director).

Key management personnel include the Directors and General Manager. Short-term employment benefits consists of salaries and does not include any costs for the following, post-employment benefits, other long-term benefits and termination benefits as they are not provided by the Company.

Key management personnel compensation comprises:	2018	2017
	$000	$000
Short term employment benefits	157	138
Directors Fees	148	148

19 Capital commitments and operating leases

	2018	2017
	$000	$000
Capital commitments		
Capital expenditure contracted for at balance date but not yet incurred for property, plant and equipment.	-	329

Operating leases as lessor

The Company leases its investment property under operating leases. The majority of these leases have a non-cancellable term of 36 months. The future aggregate minimum lease payments to be collected under non-cancellable operating leases are as follows:

	2018	2017
	$000	$000
Non-cancellable operating leases as lessor		
Not later than one year	456	326
Later than one year and not later than five years	1,306	986
Later than five years	500	598
Total non-cancellable operating leases	2,262	1,910

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 (2017: Nil).

20 Contingencies

At 30 June 2018 there were 9,595,308 (2017:12,030,000 redeemable preference shares (RPS) on issue. Each share has a par value of $1 and is redeemable by the board of the Company giving a 30 day redemption notice. The RPS carry a preferential dividend entitlement, do not carry voting rights and carry an optional interest entitlement on redemption at a rate equal to 5% above the ninety (90) day Bank Bill Settlement Rate. The RPS rank ahead of the ordinary shares in the event of a liquidation. The redemption is only at the discretion of 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 2018 (2017:Nil).

21 Events after the Balance Sheet date

There were no other significant events after balance date.

22 Financial Instruments

Financial Instruments - Risk

The Company has exposure to the following risks from its use of financial instruments:

- **Credit risk**
- **Liquidity risk**
- **Market risk**

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company has a series of policies to manage the risks associated with financial instruments. The Company is risk averse and seeks to minimise exposure from its treasury activities. The Company has established Company approved Liability Management and Investment policies. These policies do not allow any transactions that are speculative in nature to be entered into.

- **Credit risk**

Credit risk is the risk that a counterparty will default on its obligation causing the Company to incur a financial loss.

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and short-term investments and trade receivables. Cash and short-term investments are placed with banks with high credit ratings assigned by international credit-rating agencies, or other high credit quality financial institutions.

The Company has no significant concentrations of credit risk. The Company invests funds only in deposits with registered banks.

- **Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Company aims to maintain flexibility in funding by keeping committed credit lines available.

In meeting its liquidity requirements, the Company maintains a target level of investments that must mature within the next 12 months.

The Company manages its borrowings in accordance with its funding and financial policies.

The following table details the exposure to liquidity risk as at 30 June 2018:

	Maturity Dates < 1 year $000	1-3 years $000	> 3 years $000	Total $000
Financial Assets				
Cash and cash equivalents	1,070	-	-	1,070
Trade and other receivables	311	-	-	311
	1,381	-	-	1,381
Financial Liabilities				
Trade and other payables	241	-	-	241
Employee benefit liabilities	46	-	-	46
Borrowings - secured loans	355	787	435	1,577
	642	787	435	1,864

The interest rates on the Company's borrowings are disclosed in note 13.

The following table details the exposure to liquidity risk as at 30 June 2017:

	Maturity Dates < 1 year $000	1-3 years $000	> 3 years $000	Total $000
Financial Assets				
Cash and cash equivalents	1,045	-	-	1,045
Trade and other receivables	561	-	-	561
	1,606	-	-	1,606
Financial Liabilities				
Trade and other payables	489	-	-	489
Employee benefit liabilities	39	-	-	39
Borrowings - secured loans	332	736	842	1,910
	860	736	842	2,438

• **Market risk.**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments.

Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is not exposed to currency risk, as it does not enter into foreign currency transactions.

Interest Rate Risk

Interest Rate Risk : Fair Value Interest Rate Risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The interest rates on the Company's secured borrowings are disclosed in note 13.

The Company has no other significant exposure to interest rate risk.

The financial assets and liabilities are exposed to interest rate risk as follows:

Financial Assets	
Cash and cash equivalents	Variable interest rates
Trade and other receivables	Non interest bearing
Short term investments	Variable interest rates
Financial Liabilities	
Trade and other payables	Non interest bearing
Borrowings - secured loans	Variable and fixed interest rates

Interest Rate Risk : Cash Flow Interest Rate Risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Borrowings and investments issued at variable interest rates expose the Company to cash flow interest rate risk.

- Sensitivity analysis on Financial Instruments

Cash and cash equivalents included deposits at call which are at floating interest rates. Sensitivity to a 0.5% movements in rates is immaterial as these cash deposits are very short term.

Statement of Service Performance

For the year ended June 30, 2018

The Statement of Service Performance for Invercargill Airport Limited prepared for the year ended 30 June 2018 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 2018 $000	**Target 2018 $000**	**Actual 2017 $000**	**Target 2017 $000**
Net Profit before Tax (NPBT)	556	178	420	219
Interest (net)	(503)	(778)	(305)	(587)
Net Profit before Interest and Tax (NPBIT)	1,059	956	725	806
Total Assets	27,164	30,500	28,767	28,149
EBIT %	3.90%	3.14%	2.52%	2.86%
Percentage of Equity to Total Assets				
Share Capital	15,920	15,924	17,555	17,445
Retained Earnings	3,523	4,877	3,221	4,308
Additional Paid in Capital	4,530	-	4,530	-
Total Equity	23,973	20,801	25,306	21,753
Total Assets	27,164	30,500	28,767	28,149
%	88.25%	68.20%	87.97%	77.28%
Gross Revenue	5,079	5,268	4,682	5,093
Expenditure	4,523	5,090	4,262	4,874
Operating profit/(loss) before tax	556	178	420	219
Tax	254	50	231	61
Operating profit/(loss) after tax	302	128	189	158
Dividend	-	-	-	-
Redemption of preference shares	1,635	1,630	800	1,575

Non Financial:

Safety

• Zero lost time injuries for staff
Achieved
There were no lost-time injuries to IAL employees during the year. The Health, Safety and Wellness policy was revised and updated in February to provide our expectations on investigating events and reinforcing the "shared accountability" culture within the business. IAL continues to have a strong focus on Health and Safety.

CAA completed an audit of the airports Safety Management System (SMS) in May 2018. This resulted in one minor finding. The finding has been closed and IAL's SMS was accepted by CAA on 24 June 2018. IAL is the first regional airport to achieve certification.

• A risk review is conducted annually by the Board and Management.
Achieved
Key risks within the business, including risks to health and safety have been identified and continue to be reviewed throughout the year. Health and Safety and the Airport's SMS were the primary risk focus areas for the year.

Environmental

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

There has been a New Zealand wide focus on Per and Poly-Fluorinated Alkyl Substances (PFAS) used in firefighting foam and its risk to the environment and people. The Airport has worked with the Environmental Protection Agency (EPA) to understand the potential impacts of these substances in our environment and on our operations. IAL will continue to work with stakeholders to increase our understanding and minimise any potential risks.

Operations

• Retain aerodrome certification via assessment from the Civil Aviation Authority
Achieved
IAL has retained its Aerodrome Operators Certificate. During the year the Airport continued to conduct scheduled internal auditing against the relevant CAA rules to ensure it remains compliant. CAA also undertook an operational surveillance audit in October 2017 and an external security audit in April 2018. There were no findings.

Our current operating certificate remains valid until 31 July 2019.

Infrastructure

• No significant disruption to airport operations due to infrastructure failure
Achieved
There have been no significant disruptions to airport operations due to IAL owned or managed infrastructure failures. The condition of all the airside assets were reviewed during the year with no significant issues identified.

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of Invercargill Airport Limited's financial statements and performance information for the year ended 30 June 2018

The Auditor-General is the auditor of Invercargill Airport Limited (the Company). The Auditor-General has appointed me, Ian Lothian, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the performance information of the Company on his behalf.

Opinion

We have audited:

- the financial statements of the Company on pages 10 to 37, that comprise the statement of financial position as at 30 June 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the Company on pages 38 to 39.

In our opinion:

- the financial statements of the Company on pages 10 to 37:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2018; 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 the New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime; and
- the performance information of the Company on pages 38 to 39 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 2018.

Our audit was completed on 26 September 2018. This is the date at which our opinion is expressed.

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

Basis for our opinion

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 3 to 9, but does not include the financial statements and performance information, and our auditor's report thereon.

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

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

Independence

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

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

Ian Lothian
Audit New Zealand
On behalf of the Auditor-General
Dunedin, New Zealand

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