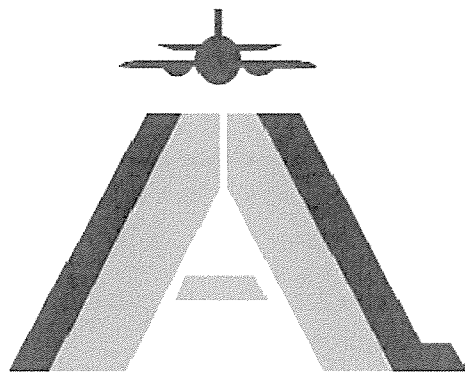


# **Invercargill Airport Limited**

Annual Report  
For the year ended 30 June 2011



# Table of contents

	<b>Page</b>
Company Directory	3
Chairman's Report	4
5 Year Summary	6
Statutory information	7
Report of the Auditors	8
Approval by Directors	10
Statement of Financial Position	11
Statement of Comprehensive Income	12
Statement of Cash Flows	13
Accounting Policies	14
Note to the Financial Statements	19
Statement of Service Performance	30

# Company Directory

## Directors who held office during the year ended 30 June 2011

Mr MS Cook (Appointed 19 Jul 07) - Chairman (1 Jan 08)  
Mr AJ O'Connell (Appointed 1 Nov 09)  
Mr TM Foggo (Appointed Nov 06)  
Mr RM Walton (Appointed 1 Jan 08)

## Management

Mrs C Scala - General Manager (23 Dec 10)  
Mr B Grimwood - Business Operations Manager  
Mr E L Forsyth - Projects Manager

## Registered office

c/o Invercargill City Council  
101 Esk Street  
Invercargill

## Physical address

106 Airport Avenue  
Invercargill  
Phone (03) 214 0769  
Fax (03) 218 6939

## Postal address

PO Box 1203  
Invercargill 9840

## Auditor

Audit New Zealand  
Christchurch

## Bankers

Bank of New Zealand  
Invercargill

## Solicitors

AWS Legal  
151 Spey Street  
Invercargill

## Chairman's Report

It has been a reasonably challenging year for the company as a number of significant tasks have been worked through. Major areas that were addressed included the completion of the expansion of the car parking and pick up areas, secondly we needed to defend the airport's decision to extend its areas of influence arising out of the extension of the runway and finally giving consideration to how we would approach a refurbishment of the terminal building.

The financial report is prepared using the New Zealand International Financial Reporting Standards which require revaluations of property, plant and equipment. As a result of this requirement, the true trading position of the company can become lost. This has been very evident in this past financial years where the company also undertook the resurfacing of the runway.

### **Financial Results**

The financial statements record an after tax operating profit for the financial year ended June 2011 of \$443,000. This is an improvement of \$1,125,000 on the operating loss from the previous year, of \$682,000, however these figures include revaluations and impairment calculations.

The pre-tax profit for the year, excluding the impairments from the revaluation of the investment properties and runway, is a profit of \$48,000. This is a decrease of \$628,000 on the prior year.

The operating revenue of \$2,205,000 is 17.6% (\$471,000) down from the 2010 financial year however the prior years figures included \$464,000 associated with the runway overlay contributions which were treated as income for the first time in that year.

As stated last year the company's ability to influence revenue under the current operating model is limited and alternative revenue streams are essential in the future.

The operating expenditure of \$2,208,000 is 3.5% (\$80,000) lower than last year when impairment costs are excluded. It does however include costs of \$204,000 associated with Invercargill City District Plan changes.

### **Appointment of General Manager**

The beginning of 2011 saw a change in the airport management team with the appointment of General Manager, Chloe Scala.

Her previous position was as Hotel Director for Carnival Cruise Lines, an American company. She relocated to New Zealand in December 2010 and has since taken on the aviation industry along with all the challenges that it presents. The board joins me in welcoming Chloe to her new role.

### **Passenger Numbers**

The total number of passengers using the airport was 281,633, an increase of 6.6% from the previous year.

Total aircraft landings were 9,238, an increase of 2.5% from the previous year.

The increase in passenger numbers and comparatively smaller increase in aircraft landings is indicative of airlines maximizing efficiencies in load factors within the difficult economic climate.

### **Scheduled Services**

In 2010, the board recognized that ensuring good relationships with its airline customers needed to be a primary focus for the year ahead. IAL has maintained strong relationships with domestic service providers and the company looks forward to proactively seeking a greater range of domestic routes as and when the national economic situation improves.

### **CAA Safety and Security Audit Reports**

The CAA carried out a Safety Audit and a Security Audit during the year. All areas examined during the audits were found to be in compliance with the CAA Rules.

### **Invercargill City District Plan**

The Invercargill City District Plan provisions which relate to Invercargill Airport were reviewed in 2010. This was a continuation of the review of the future management of all Invercargill Airport Strategic Resources that began in May 2008 with the commencement of a review of the Airport Master Plan.

On 20 July 2010, Invercargill Airport Limited (IAL) lodged the following documents with the Invercargill City Council.

## Chairman's Report (continued)

- Notice of Requirement (NOR) to alter the existing Aerodrome Designation (Designation #72);
- NOR to alter the existing Obstacle Limitation Surfaces (Designation #73);

This was a private Plan Change request to amend the existing Airport Operation Sub-Area and Airport Protection Sub-Area boundaries and District Plan objectives, policies and rules.

The cost of ensuring the protection of the Airport's present and future operations through the District Plan change process was \$203,725.

### **Car Parking**

A project to extend the existing car park was completed in April 2011. This created an additional 90 parks, taking the total number to 406, an increase of 29%.

In 2011, car park revenue increased by 10% to \$346,416. This is reflective of the increase in car parking space available as well as the number of passengers using the airport. The introduction of a free parking time is being trialled.

### **Landscaping**

Following in the footsteps of the re-designed road layout and car park extension, extensive landscaping was undertaken.

The terminal building surrounds now have a distinctly southern feel with native NZ shrubs and plantings.

### **Our Customers**

I would like to thank Stewart Island Flights and Air New Zealand for their on-going support of Invercargill Airport. Thanks also to all our other customers; Southern Wings, the car rental companies, other people involved in the aviation business, our tenants and the public.

### **Conclusion**

The board has ended another year of satisfactory performance under uncertain economic conditions.

While the next year will continue to be challenging for the aviation industry, it is clear that we must be pro-active in maintaining our customer relationships to ensure that we are in a strong position to take up new opportunities when they arise.

Our customers require the confidence that airport operations are protected and without this, it would be impossible to plan for the airport's future. However, the cost of the District Plan process to ensure the protection of current and future airport operations has had a considerable impact on the financial result of the company.

This year has also signalled the beginning of a renewed focus on the look and feel of the airport terminal building. The board have taken a community first approach to ensure that any redevelopment, or refurbishment, that may occur in 2011/12 will reflect the views of the people who use and support the airport. It was also with this in mind that a public survey on the airport facilities was conducted by the company.

The survey was received favourably by the Southland community and while it was clear that many felt that the airport terminal needed modernising, what was appreciated, was the number of suggestions and ideas put forward to help shape the passenger airport experience.

My appreciation is extended to Chloe and her management team and staff, as well as my fellow directors, for their contribution and support during the year.

I would also like to extend my thanks to both COMU (representing the government's interests) and the board of Invercargill City Holdings Limited for their support and contribution to the affairs of the company over this period of time.

For and on behalf of the Directors

**M.S.Cook**

**Chairman of Directors**

**Invercargill Airport Limited**

## 5 Year Summary

	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
	<b>000's</b>	<b>000's</b>	<b>000's</b>	<b>000's</b>	<b>000's</b>
	<b>NZ IFRS</b>	<b>NZ IFRS</b>	<b>NZ IFRS</b>	<b>NZ IFRS</b>	<b>NZ IFRS</b>
Revenue	3,288	2,919	2,621	3,141	2,548
Expenditure	2,703	3,460	2,451	2,114	1,993
Surplus (Deficit) before tax	585	(541)	170	1,027	555
Taxation and Adjustments	142	141	51	323	123
Revaluations	216	(360)	80	735	350
Shareholder's funds	6,810	6,367	7,049	6,930	6,226
Current assets	640	1,329	1,521	1,418	956
Non-current assets	14,510	14,200	10,864	10,776	10,325
<b>Total assets</b>	<b>15,150</b>	<b>15,529</b>	<b>12,385</b>	<b>12,194</b>	<b>11,281</b>
Current liabilities	701	979	909	513	358
Non-current liabilities	7,639	8,183	4,427	4,751	4,697
<b>Total liabilities</b>	<b>8,340</b>	<b>9,162</b>	<b>5,336</b>	<b>5,264</b>	<b>5,055</b>
Net assets	6,810	6,367	7,049	6,930	6,226
NPBIT: Total assets	5.51%	-3.37%	0.77%	7.97%	4.66%
NPAIT: Total assets	2.92%	-4.39%	0.96%	5.77%	3.83%
NPBIT: Shareholders funds	12.26%	-8.21%	1.35%	14.03%	8.45%
NPAIT: Shareholders funds	6.51%	-10.71%	1.69%	10.16%	6.94%
NPBIT: Shareholders Funds (exclude Revaluation Reserve)	12.26%	-8.21%	1.35%	14.03%	8.45%
NPAIT: Shareholders Funds (exclude Revaluation Reserve)	6.51%	-10.71%	1.69%	10.16%	6.94%
Shareholders Funds: Total Assets	44.95%	41.00%	56.92%	56.83%	55.19%
Passenger numbers (actual)	281,633	264,136	268,561	280,731	259,798

The figures for 2008 and 2007 are for the group.

## Statutory information

### Directors' Remuneration

#### Invercargill Airport Ltd

Mr MS Cook (Appointed 19 Jul 07) - Chairman (1 Jan 08)	\$30,500
Mr AJ O'Connell (Appointed 1 Nov 09)	\$18,300
Mr TM Foggo (Appointed Nov 06)	\$18,300
Mr RM Walton (Appointed 1 Jan 08)	\$18,300

### Recommended dividend

In order to continue strengthening the Company's cash position to provide for future runway maintenance, the Directors are not recommending the payment of a dividend.

### Directors' and Officer's liability insurance

The Company has effected Directors' and Officer's Liability Insurance for the period.

### Donations

The Company has made no donations during the period.

### Use of Company information by Directors

During the period, the Board received no notice from Directors of the Company requesting to use the Company information received in their capacity as Directors which would not otherwise be available to them.

### Interests in transactions

During the period, no Directors had an interest in any transaction or proposed transaction with the Company.

### Employee remuneration

<i>Salary</i>	<i>Number employees</i>
\$190,000 - \$200,000	1

### Remuneration and other benefits to Directors

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

- Compensation for loss of office
- Loans by the Company to a Director
- Guarantees given by the Company for debts incurred by a Director
- Entering into a contract to do any of the above

### Shareholdings by Directors

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

# Report of the Auditors

## To the readers of the financial statements of Invercargill Airport Limited and Group for the year ended 30 June 2011

The Auditor-General is the auditor of Invercargill Airport Limited (the company). The Auditor-General has appointed me, Bede Kearney, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and statement of service performance of the company on her behalf.

We have audited:

- the financial statements of the company on pages 11 to 29, that comprise the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the statement of service performance of the company on page 30.

### Opinion on the financial statements and the statement of service performance

In our opinion:

- the financial statements of the company on pages 11 to 29:
  - comply with generally accepted accounting practice in New Zealand;
  - comply with International Financial Reporting Standards; and
  - give a true and fair view of the company's:
    - financial position as at 30 June 2011; and
    - financial performance and cash flows for the year ended on that date; and
- the statement of service performance of the company on page 30:
  - complies with generally accepted accounting practice in New Zealand; and
  - gives a true and fair view of the company's service performance achievements measured against the performance targets adopted for the year ended 30 June 2011.

### Opinion on other legal requirements

In accordance with the Financial Reporting Act 1993 we report that, in our opinion, proper accounting records have been kept by the company as far as appears from an examination of those records.

Our audit was completed on 30 September 2011. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities, and explain our independence.

### Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and statement of service performance are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and statement of service performance. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and statement of service performance. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and statement of service performance whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the company's preparation of the financial statements and statement of service performance that give a true and fair view of the matters to which they relate. We consider internal control 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.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the adequacy of all disclosures in the financial statements and statement of service performance; and
- the overall presentation of the financial statements and statement of service performance.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and statement of service performance. In accordance with the Financial Reporting Act 1993, we report that we have obtained all the information and explanations we have required. We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion

## Report of the Auditors (continued)

### **Responsibilities of the Board of Directors**

The Board of Directors is responsible for preparing financial statements and a statement of service performance that:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the company's financial position, financial performance and cash flows; and
- give a true and fair view of its service performance.

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

The Board of Directors' responsibilities arise from the Local Government Act 2002 and the Financial Reporting Act 1993.

### **Responsibilities of the Auditor**

We are responsible for expressing an independent opinion on the financial statements and statement of service performance and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and section 69 of the Local Government Act 2002.

### **Independence**

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.


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




Bede Kearney  
Audit New Zealand  
On behalf of the Auditor-General  
Christchurch, New Zealand

## Approval by Directors

The Directors have approved for issue the financial statements of Invercargill Airport Limited for the year ended 30 June 2011.



MS Cook  
Chairman



RM Walton  
Director

For and on behalf of the Board of Directors

30 September 2011

# Statement of Financial Position

As at 30 June 2011

	Note	Company	
		Actual 2011 \$000	Actual 2010 \$000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	83	521
Short-term investments	7	397	598
Trade and other receivables	8	129	172
Inventories		31	38
Income tax receivable		-	-
Total current assets		640	1,329
<b>Non-current assets</b>			
Property, plant and equipment	9	10,610	10,545
Investment property	10	3,900	3,655
Total non-current assets		14,510	14,200
<b>Total assets</b>		<b>15,150</b>	<b>15,529</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	11	266	536
Employee benefit liabilities	12	46	52
Borrowings	13	389	391
Income tax payable		-	-
Total current liabilities		701	979
<b>Non-current liabilities</b>			
Borrowings	13	6,774	7,460
Deferred tax liability	14	865	723
Total non-current liabilities		7,639	8,183
<b>Total liabilities</b>		<b>8,340</b>	<b>9,162</b>
<b>Net assets</b>		<b>6,810</b>	<b>6,367</b>
<b>Equity</b>			
Ordinary share capital	15	3,325	3,325
Retained earnings	15	3,485	3,042
Revaluation reserves	15	-	-
<b>Total equity attributable to the entity</b>	<b>15</b>	<b>6,810</b>	<b>6,367</b>

## Statement of Comprehensive Income

For the year ended 30 June 2011

	Note	Company	
		Actual 2011 \$000	Actual 2010 \$000
<b>Income</b>			
Operating revenue	1	2,205	2,676
Other gains/(losses)	2	838	(54)
Total income		3,043	2,622
<b>Expenditure</b>			
Terminal expenses		419	380
Airfield expenses		772	1,628
Building expenses		58	74
Administration expenses		959	1,063
Total operating expenditure	3	2,208	3,145
Results from operating activities		835	(523)
Finance income	4	245	297
Finance expense	4	495	315
Net finance income		(250)	(18)
<b>Operating net profit/(loss) before tax</b>		585	(541)
Income tax expense	5	142	141
<b>Net profit/(loss) after tax attributable to equity holders of the entity</b>		443	(682)
Other comprehensive income	15	0	0
<b>Total comprehensive income</b>	15	443	(682)

## Statement of Changes in Equity

For the year ended 30 June 2011

	Note	Company	
		Actual 2,011 \$000	Actual 2,010 \$000
Balance at 1 July		6,367	7,049
Net profit/(loss) for the year	15	443	(682)
Total recognised income/(expense) for the year ended 30 June	15	443	(682)
Balance as at 30 June		6,810	6,367

# Statement of Cash Flows

For the year ended 30 June 2011

	Company	
	Actual 2011 \$000	Actual 2010 \$000
	<b>Note</b>	
<b>Cash flows from operating activities</b>		
Receipts from customers	2,381	2,808
Interest received	245	(18)
Payments to suppliers and employees	(1,882)	(1,807)
Interest paid	(495)	-
Income tax refund/(paid)	-	(26)
Goods and services tax (net)	13	13
Net cash from operating activities	<b>16</b>	<b>970</b>
<b>Cash flows from investing activities</b>		
Sale of short-term investment	201	4
Purchase of property, plant and equipment	(355)	(5,194)
Purchase of investment property	(27)	-
Net cash from investing activities	<b>(181)</b>	<b>(5,190)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	-	4,013
Repayment of borrowings	(519)	-
Dividends paid	-	-
Net cash from financing activities	<b>(519)</b>	<b>4,013</b>
<b>Net (decrease)/increase in cash, cash equivalents and bank overdrafts</b>	<b>(438)</b>	<b>(207)</b>
Cash, cash equivalents and bank overdrafts at the beginning of the year	521	728
<b>Cash, cash equivalents and bank overdrafts at the end of the year</b>	<b>6</b>	<b>521</b>

# Accounting Policies

## Reporting Entity

Invercargill Airport Limited ("the Company") is a Council controlled trading organisation as defined in the local Government Act 2002 and is registered under the Companies Act 1993. The Company is 55% owned by the Invercargill City Holdings Limited and its ultimate parent is Invercargill City Council (the Council). The New Zealand Government owns the remaining 45% of the share capital of the Company.

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 of the Company are for the year ended 30 June 2011. The financial statements were authorised for issue by the Company on 30 September 2011.

## Basis of preparation

The financial statements of the Company have been prepared in accordance with the requirements of the Companies Act 1993, the Financial Reporting Act 1993 and the Airport Authorities Act 1966.

These financial statements have been prepared in accordance with NZ GAAP. They comply with NZ IFRS, and other applicable Financial Reporting Standards, as appropriate for profit orientated entities.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The financial statements have been prepared on a historical cost basis, modified by the revaluation of runways and taxiways, and investment property.

The financial statements are presented in New Zealand dollars and 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.

Grant revenue is recognised as revenue when it becomes receivable unless there is an obligation to return the funds if conditions are not met.

## Borrowing costs

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

## Income Tax

Income tax expense in relation to the surplus or deficit 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.

## Accounting Policies (continued)

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 recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the company can control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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 substantially 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.

### Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

### Cash and cash equivalents

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

### Investment Policy

Available for sale investments are term deposits initially recognised at fair value. After initial recognition these investments are measured at their fair value, with gains and losses recognised directly in equity, except for impairment losses which are recognised in the Statement of Comprehensive Income.

On derecognition the cumulative gain or loss previously recognised in equity is recognised in the Statement of Comprehensive Income. At each Statement of Financial Position date the Company assesses whether there is any objectable evidence that the investment is impaired.

### 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 consumables) 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.

Inventories held for use in the production of goods and services on a commercial basis are valued at the lower of cost and net realisable value. The cost of purchased inventory is determined using the FIFO method.

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

### Financial assets

The Company classifies its financial assets (excluding derivatives) as loans and receivables.

Financial assets and liabilities are initially measured at fair value plus transaction costs.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

After initial recognition they are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or derecognised are recognised in the Statement of Comprehensive Income. Loans and receivables are classified as "trade and other receivables" in the Statement of Financial Position.

## Accounting Policies (continued)

### **Impairment of financial assets**

At each balance 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.

### **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.

### **Property, plant and equipment**

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

### **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. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to retained earnings.

### **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.

## Accounting Policies (continued)

Depreciation is provided on either a straight-line or diminishing value basis on all property, plant and equipment other than land which is not depreciated. Depreciation is set at rates that will write off the cost (or valuation) 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:

Fences	1% - 6.65%	SL
Runway, Apron and Taxiway	3.00%	SL
Top surface	8.30%	SL
Basecourse and sub-base	1.00%	SL
Roads, Carparks and Stopbanks	3.00%	SL
Terminal Building	3.00%	SL
Other Buildings	3.00%	SL
Crash Fire Vehicle, Other Vehicles, Tractors and Mowing Equipment	10% - 12%	DV
Plant – General	7.50% - 50%	DV
Furniture and Fittings	9.50% - 33%	DV

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

### Revaluation

Those asset classes that are revalued are valued on a valuation cycle as described on the basis below. All other asset classes are carried at depreciated historical cost. The carrying values of revalued items are reviewed at each balance date to ensure that those values are not materially different to fair value.

### Valuation

Invercargill Airport Limited's assets are valued at cost, less accumulated depreciation and impairment except for Runway, Apron and Taxiway (Runway assets) which are revalued every three to five years. For the purposes of financial reporting the Runway assets are treated as one asset. The valuation of the Runway assets is performed using the discounted cashflow methodology over the assets as a whole and values apportioned to each component on a pro rate basis or on the basis of a review of the physical conditions of component parts.

#### *Accounting for revaluations:*

The Company accounts for revaluations of property, plant and equipment on an individual asset or component basis and impairment applied at this level also.

The results of revaluing are credited or debited to an asset revaluation reserve for each asset. Where this results in a debit balance in the asset revaluation reserve, this balance is expensed in the Statement of Comprehensive Income.

Any subsequent increase on revaluation that off-sets a previous decrease in value recognised in the Statement of Comprehensive Income will be recognised first in the Statement of Comprehensive Income up to the amount previously expensed, and then credited to the revaluation reserve for that asset.

### Impairment of non-financial assets

Goodwill and indefinite life intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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.

The value in use for cash-generating assets is the present value of expected future cash flows.

If an asset's carrying amount exceeds its recoverable amount the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets, the impairment loss is recognised against the revaluation reserve for that asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the Statement of Comprehensive Income.

For assets not carried at a revalued amount, the total impairment loss is recognised in the Statement of Comprehensive Income.

The reversal of an impairment loss on a revalued asset is credited to the revaluation reserve. However, to the extent that an impairment loss for that asset was previously recognised in the Statement of Comprehensive Income, a reversal of the impairment loss is also recognised in the Statement of Comprehensive Income.

For assets not carried at a revalued amount (other than goodwill) the reversal of an impairment loss is recognised in the Statement of Comprehensive Income.

## Accounting Policies (continued)

### Employee benefits

#### *Short-term benefits*

Employee benefits that the Group 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.

### Borrowings

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

### Good and Service 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 has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations or future events 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 in relation to determining the fair values of the runway and taxiway assets is discussed in note 9 of these financial statements.

### NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

In preparing these financial statements in accordance with NZ IFRS, the following standards have been issued but are not applicable at this time.

- NZ IFRS 9 Financial Instruments will eventually replace NZ IAS 39 Financial Instruments : Recognition and Measurement.

The new standard is required to be adopted for the year ended 30 June 2014. Invercargill Airport Limited has not yet assessed the effect of the new standard and expects it will not be early adopted

# Note to the financial statements

## 1 Operating revenue

	Note	Company	
		2011	2010
		\$000	\$000
Sale of goods		88	95
Rendering of services		1,741	2,218
Rental income		376	363
		<u>2,205</u>	<u>2,676</u>

## 2 Other gains and losses

	Note	Company	
		2011	2010
		\$000	\$000
Rental income from property subleases		133	138
Derecognition of term loan		168	168
Change in fair value of investment property		216	(360)
Impairment reversal	9	321	-
		<u>838</u>	<u>(54)</u>

## 3 Operating expenditure

Terminal, administration and airfield expenses include:

	Note	Company	
		2011	2010
		\$000	\$000
Director fees		85	64
Operating lease expenses		8	10
Depreciation	9	601	641
Impairment	9	-	857
Wages and salaries		589	780
Auditor's remuneration to Audit New Zealand comprises:			
• audit of financial statements		21	21
• other audit-related services		-	-

## 4 Finance income and expense

	Note	Company	
		2011	2010
		\$000	\$000
<b>Finance Income</b>			
Interest expense subsidised by ICHL		212	249
Interest income on bank deposits		33	48
Total finance income		<u>245</u>	<u>297</u>
<b>Finance Expense</b>			
Interest on Loan		495	315
Total finance expense		<u>495</u>	<u>315</u>
Net financial income		<u>(250)</u>	<u>(18)</u>

## Note to financial statements (continued)

### 5 Income tax expense in the income statement

	<b>Company</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$000</b>	<b>\$000</b>
<b>Current tax expense</b>		
Current period	-	-
Adjustment for prior periods	-	7
Total current tax expense	-	7
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	176	134
Impact of reduction in tax rates on deferred taxation	(34)	-
Total deferred tax expense	142	134
Total income tax expense	142	141
<b>Reconciliation of effective tax rate</b>		
Profit for the period before income tax expense	585	(541)
Income tax using the Company's domestic tax rate – 30%	176	(162)
Tax exempt income	-	-
Impact of reduction in tax rate	(34)	(62)
Change in recognised temporary differences *	-	365
Total income tax expense	142	141

No deferred taxation expenses have been directly recognised to equity

	<b>Company</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$000</b>	<b>\$000</b>
<b>Imputation credits</b>		
Imputation credits at 1 July	854,062	827,230
New Zealand tax payments, net of refunds	-	26,832
Imputation credits at 30 June	854,062	854,062

\* The change in recognised temporary differences relates to taxation adjustments triggered by government changes to depreciation on buildings.

## Note to financial statements (continued)

### 6 Cash and cash equivalents

	<b>Company</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$000</b>	<b>\$000</b>
Cash on hand	26	34
Bank current account	11	443
Short term bank deposits	46	44
Cash and cash equivalents in the statement of cash flows	<u>83</u>	<u>521</u>

The carrying value of cash and cash equivalents approximates their fair value.

### 7 Short-term investments

	<b>Company</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$000</b>	<b>\$000</b>
Available for sale	<u>397</u>	<u>598</u>
	<u>397</u>	<u>598</u>

The effective interest rate on short-term investments in 2011 was 4.77 percent (2010: 4.53). The deposits had an average maturity of 91 days (2010: 122).

### 8 Trade and other receivables

	<b>Company</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$000</b>	<b>\$000</b>
Trade receivables	125	139
Sundry debtors	1	31
Prepayments	3	2
	<u>129</u>	<u>172</u>
Less provision or impairment of receivables	-	-
	<u>129</u>	<u>172</u>

The carrying value of trade and other receivables approximate their fair value.  
There is no concentration of credit risk with respect to receivables.

There are no movements in the provision for impairment of receivables, which has a balance of zero.

## Note to financial statements (continued)

### 9 Property, plant and equipment

2011

	Cost/ revaluation	Accumulated depreciation and impairment	Carrying amount	Current year additions	Current year disposals	Transfer from Work In Progress	Current impairment charges	Current depreciation	Cost/ revaluation	Accumulated depreciation and impairment charges	Carrying amount
	1-Jul-10	1-Jul-10	1-Jul-10						30-Jun-11	30-Jun-11	30-Jun-11
Land	509	-	509	-	-	-	-	-	509	-	509
Fencing	1,735	(229)	1,505	299	(2)	-	-	(65)	2,032	(294)	1,738
Runways and taxiways	11,291	(4,067)	7,223	25	-	-	321	(430)	11,316	(4,176)	7,140
Terminal and buildings	1,526	(589)	937	9	-	-	-	(51)	1,535	(640)	895
Plant and equipment	711	(526)	185	16	(7)	-	-	(40)	720	(566)	154
Motor vehicles	287	(135)	152	-	(3)	-	-	(13)	285	(148)	137
Furniture and fittings	191	(158)	33	10	(3)	-	-	(3)	198	(161)	37
Total assets	16,251	(5,706)	10,545	360	(15)	-	321	(601)	16,596	(5,985)	10,610

2010

	Cost/ revaluation	Accumulated depreciation and impairment	Carrying amount	Current year additions	Current year disposals	Transfer from Work In Progress	Current impairment charges	Current depreciation	Cost/ revaluation	Accumulated depreciation and impairment charges	Carrying amount
	1-Jul-09	1-Jul-09	1-Jul-09						30-Jun-10	30-Jun-10	30-Jun-10
Land	509	-	509	-	-	-	-	-	509	-	509
Fencing	1,224	(181)	1,044	510	-	-	-	(49)	1,735	(229)	1,505
Runways and taxiways	6,728	(2,739)	3,989	4,563	-	-	(857)	(472)	11,291	(4,067)	7,223
Terminal and buildings	1,525	(540)	985	1	-	-	-	(49)	1,526	(589)	937
Plant and equipment	692	(471)	221	19	-	-	-	(55)	711	(526)	185
Motor vehicles	197	(123)	75	90	-	-	-	(12)	287	(135)	152
Furniture and fittings	180	(154)	26	11	-	-	-	(4)	191	(158)	33
Total assets	11,056	(4,207)	6,849	5,194	-	-	(857)	(641)	16,251	(5,705)	10,545

A fair value assessment of the Runway asset was conducted as part of the Company's transition to NZ IFRS at 1 July 2005. This resulted in a significant writedown in the value of the Runway asset value at that date. At each consecutive balance date since the management and directors have assessed whether the carrying value of the Runway asset was materially different to its fair value in completing the financial statements. For 2011 the management and directors have reviewed the underlying assumptions and noted that these have changed substantially from last year's analysis - with substantial change in the revenue streams and long term discount rate (**10%**) applying. This assessment was reviewed by Ernst Young. On the basis of the assessment conducted for 2011, management and the directors have concluded that the carrying value of the Runway asset now reflects fair value.

## Note to financial statements (continued)

### 10 Investment property

	<b>Company</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$000</b>	<b>\$000</b>
Balance at 1 July	3,655	4,015
Acquisitions	27	-
Transfer from property, plant and equipment	2	-
Change in fair value	216	(360)
Balance at 30 June	<u>3,900</u>	<u>3,655</u>

Investment property comprises a number of commercial land and buildings that are leased to third parties.

The Company's investment properties are valued annually at fair value effective 30 June. All investment properties were valued based on open market evidence. The 2011 valuation was performed by Trevor Thayer, an independent valuer from Thayer Todd Valuations Limited. Trevor Thayer is an experienced valuer with extensive market knowledge in the types of investment properties owned by the Company.

### 11 Trade and other payables

	<b>Company</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$000</b>	<b>\$000</b>
Trade payables	(7)	(37)
Directors fee payable	-	-
Accrued expenses	273	573
Income in advance	-	-
Total trade and other payables	<u>266</u>	<u>536</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.

### 12 Employee benefit liabilities

	<b>Company</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$000</b>	<b>\$000</b>
Accrued pay	10	10
Annual leave	36	42
Other liabilities	-	-
<b>Current employee liabilities</b>	<u>46</u>	<u>52</u>

## Note to financial statements (continued)

### 13 Borrowings

	<b>Company</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$000</b>	<b>\$000</b>
<b>Current</b>		
Secured loans (Runway Extension) – related party	168	168
Secured loans (Runway Overlay) – related party	221	223
	<u>389</u>	<u>391</u>
<b>Non-current</b>		
Secured loans (Runway Extension) – related party	3,502	3,670
Secured loans (Runway Overlay) – related party	3,272	3,790
	<u>6,774</u>	<u>7,460</u>

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

The average interest rate on the runway extension loan is 5.51 percent (2010: 6.21). Interest has been waived until the commencement of international flights at the airport, however an interest cost and a subsidies revenue has been recognised in the accounts. The interest waiver can be changed at the discretion of the lender, Invercargill City Holdings Limited.

Loan repayments are made through the offset of depreciation on the runway extension through Invercargill City Holdings Limited. This is currently \$168,426 (2010: \$168,426) per annum. The repayment terms beyond one year are contingent on the commencement of scheduled international flights.

The average interest rate on the runway overlay loan is 7.0 percent (2010: 6.02).

## Note to financial statements (continued)

### 14 Deferred tax assets and liabilities

#### Recognised deferred tax assets and liabilities

Group and Parent	Assets		Liabilities		Net	
	2011	2010	2011	2010	2011	2010
	\$000	\$000	\$000	\$000	\$000	\$000
Property, plant and equipment	-	-	1,072	1,034	(1,072)	(1,034)
Trade payables and accruals	17	20	-	-	17	20
Investment property	-	-	756	724	(756)	(724)
Tax (assets)/liabilities	17	20	1,828	1,758	(1,811)	(1,738)
Set off of tax	946	1,015	-	-	946	1,015
Net tax (assets)/liabilities	963	1,035	1,828	1,758	(865)	(723)

#### Movements in temporary differences during the year

	Balance	Recognised in	Balance	Recognised in	Balance
	1-Jul-09	profit or loss	30-Jun-10	profit or loss	30-Jun-11
	\$000	\$000	\$000	\$000	\$000
Property, plant and equipment	168	(1,202)	(1,034)	(38)	(1,072)
Impact of Losses	-	1,015	1,015	(69)	946
Investment property	(774)	50	(724)	(32)	(756)
Trade payables and accruals	17	3	20	(3)	17
Total movements	(589)	(134)	(723)	(142)	(865)

## Note to financial statements (continued)

### 15 Equity

#### Company

Note	Attributable to equity holders of the			Total equity
	Share capital	Company	Retained	
		Revaluation		
	\$000	reserve	\$000	\$000
		\$000		
Balance at 1 July 2010	3,325	-	3,042	6,367
Total recognised income and expense			443	443
<b>Balance at 30 June 2011</b>	<b>3,325</b>	<b>-</b>	<b>3,485</b>	<b>6,810</b>
Balance at 1 July 2009	3,325		3,724	7,049
Total recognised income and expense			(682)	(682)
<b>Balance at 30 June 2010</b>	<b>3,325</b>	<b>-</b>	<b>3,042</b>	<b>6,367</b>

The Company has 3,324,560 ordinary shares that have been issued and fully paid.

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

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

Note	Company	
	2011	2010
	\$000	\$000
Reported profit/(loss)	443	(682)
<b>Add/(deduct) non-cash items:</b>		
Impairment	(321)	857
Derecognition of term loan	(168)	(168)
Change in fair value of investment property	(216)	360
Deferred taxation	142	134
Depreciation	9	641
Gain/(loss) on asset disposals	3	-
	41	1,824
<b>Add/(less) movements in other working capital:</b>		
(Increase)/decrease in stock	7	(13)
(Increase)/decrease in trade and other receivables	43	(6)
(Increase)/decrease in income tax receivable	-	(20)
Increase/(decrease) in trade and other payables	(272)	(133)
	(222)	(172)
Net cash inflow/(outflow) from operating activities	262	970

## Note to financial statements (continued)

### 17 Related party transactions

The Company is 55% owned by the Invercargill City Holdings Limited and its ultimate parent is Invercargill City Council (the Council), Bond Contracts Limited and Powernet are also part of the Invercargill City Holdings Limited group. MS Cook (Chairman) is also a director of Invercargill City Holdings Limited.

Details of transactions during the year are as follows:

	<b>2011</b>	<b>2010</b>
	<b>\$000</b>	<b>\$000</b>
Invercargill City Council - Operating revenue	-	-
Invercargill City Council - Operating expenditure	39	24
Balance outstanding to the Invercargill City Council at 30 June	-	-
Invercargill City Holdings Company Loan	7,163	7,851
Repayment of Invercargill City Holdings Company Loan	688	168
Revenue received from Invercargill City Holdings Limited	212	249
Interest paid to Invercargill City Holdings Limited	495	315
WHK South provided services	31	26
PowerNet Limited provided services	18	13
Bert Walker Sportsworld provided services	-	5
AJO Management Ltd provided services	31	14

During the year Invercargill Airport Limited purchased services from WHK South, an accounting firm, in which MS Cook is a principal. These services cost \$30,500 (2010 \$25,600) including director fees, and were supplied on normal commercial terms. There is a nil balance (2010 \$nil) outstanding at year-end.

During the year Invercargill Airport Limited purchased electrical services from PowerNet, an electrical infrastructure company, in which RM Walton is the Chief Executive Officer. These services cost \$18,300 (2010 \$12,800) including director fees, and were supplied on normal commercial terms. There is a nil balance (2010 \$nil) outstanding at year-end.

During the year Invercargill Airport Limited purchased nil services from Bert Walker Sportsworld Limited, a management company, in which AB McKenzie is the Chairman. These services cost \$nil (2010 \$4,267) including director fees, and were supplied on normal commercial terms. There is a nil balance (2010 \$nil) outstanding at year-end.

During the year Invercargill Airport Limited purchased services from AJO Management Limited, a management company, in which AJ O'Connell is the Director. These services cost \$31,178 (2010 \$13,888) including director fees, and were supplied on normal commercial terms. There is a nil balance (2010 \$nil) outstanding at year-end.

There are close family members of key management personnel employed by Invercargill Airport Limited. The terms and conditions of those arrangements are no more favourable than Invercargill Airport Limited would have adopted if there were no relationship to key management personnel.

## Note to financial statements (continued)

### 17 Related party transactions

Key management personnel compensation comprises:

	<b>Company</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$000</b>	<b>\$000</b>
Short term employment benefits	339	515
Directors remuneration	85	64

Key management personnel include the Directors, Chief Executive, Acting General Manager and Projects 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.

For the year ended 30 June 2011, the Airport made 1 (2010: 1) severance payment to an employee totalling \$35,473 (2010: \$97,056)

### 18 Capital commitments

There are no capital commitments as at 30 June 2011 (2010: \$nil).

#### Operating leases as lessor

The Group 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:

	<b>Company</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$000</b>	<b>\$000</b>
<b>Non-cancellable operating leases as lessor</b>		
Not later than one year	146	318
Later than one year and not later than five years	214	292
Later than five years	32	50
Total non-cancellable operating leases	<u>392</u>	<u>660</u>

### 19 Contingent liabilities

There are no contingent liabilities or assets at 30 June 2011 (2010: Nil).

## Note to the Financial Statements (continued)

### **20 Events after the balance date**

There were no significant events after balance date.

### **21 Financial instrument risk**

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.

#### **Market risk**

##### ***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***

The interest rates on the Company's secured borrowings are disclosed in note 13 and the interest rates on cash and cash equivalents are disclosed in note 6.

The Company and Group have no other significant exposure to interest rate risk.

#### **Credit risk**

Credit risk is the risk that a third party will default on its obligation to the Company, causing the Company to incur a loss. The Company has no significant concentrations of credit risk.

The Company invests funds only in deposits with registered banks and local authority stock and its investment policy limits the amount of credit exposure to any one institution or organisation.

#### **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.

## Note to the Financial Statements (continued)

### 22 Statement of Service Performance

The Statement of Service Performance for Invercargill Airport Limited prepared for the year ended 30 June 2011 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.

Performance Measures		2010		2011	
		Target	Actual - IFRS	Target	Actual - IFRS
1	Net Profit before Interest & Tax (operating surplus): Total Assets	*	-3.37%	2.96%	5.51%
2	Net Profit after Interest & Tax (surplus): Total Assets	*	-4.39%	0.45%	2.92%
3	Net Profit before Interest & Tax (operating surplus): Shareholders Funds	4.99%	-8.21%	10.89%	12.26%
4	Net Profit after Interest & Tax (surplus): Shareholders Funds	0.45%	-10.71%	1.66%	6.51%
5	Shareholder Funds: Total Assets	46.72%	41.00%	27.20%	44.95%
6	Projected Equity	7,730	6,367	3,387	6,810
7	Operating Revenue	2,478	2,622	2,523	3,043
	Expenditure	2,092	3,145	2,154	2,208
	Results from Operating Activities	386	(523)	369	835
	Net Finance Income	(351)	(18)	(313)	(250)
	Operating surplus/(deficit) before tax	35	(541)	56	585
	Tax	0	141	0	142
	Retained Earnings	35	(682)	56	443
	Dividend	-	-	-	-
		35	(682)	56	443

\* These targets were not set in the Statement of Intent; however, were reported against.

IAL did not meet the following other stated goals:

- The ratio of airside revenue is less than 50% of company receipts
- Invercargill are hosts to NZAF

All other goals have been achieved and the goals above are still being actively pursued.