

## *Consolidated Annual Report For the Year Ended 30 June 2003*

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*Highlights*

- \* **Net Surplus up 84% to \$210,746.**
  
- \* **Passenger Numbers up 8.7% to 201,402.**
  
- \* **Construction of fully enclosed Baggage Reclaim area with Baggage Carousel.**
  
- \* **Commencement of services by Origin Pacific.**
  
- \* **Introduction of Domestic Express service by Air New Zealand.**
  
- \* **Public Car Park extended.**

# *Invercargill Airport Limited*

## *Chairman's Report for the Year Ending 30 June 2003*

### **Financial Results**

The before tax operating profit for the financial year ended 30 June 2003 was \$210,746. This compares with an operating profit of \$114,394 for the previous financial year.

The increased profit is due to additional revenue from landing charges and franchises following a year of record passenger numbers.

During the year Capital Expenditure totalled \$479,026 which consisted predominantly of the upgrade of the baggage reclaim area and the car park extension.

### ***This Year's Highlights***

#### **Passenger Numbers**

On 30 September 2002 Origin Pacific commenced a two return flights a day service on the Invercargill/Christchurch sector. This was followed by the introduction of a Domestic Express service from Air New Zealand on 1 November 2002 which resulted in the availability of cheaper flights and more flexible booking systems on the domestic sectors. As a consequence of these two events there has been a significant increase in passenger numbers. Inbound and outbound passenger number for the 12 month period ending 30 June 2003 totalled 201,402 which is 8.7% higher than the previous financial year ending June 2002.

Annual passenger numbers grew steadily in the early 1990s and reached a peak of 194,000 in the 12 month period ending March 1995. Following the removal of jet services by Air New Zealand and Ansett New Zealand in 1995 passenger numbers declined steadily to a low point of 158,736 for the 12 month period ending March 2000. That period was also affected by Ansett New Zealand strike. Since that low point it is pleasing to note that annual passenger numbers have risen by 27% in just over three years.

#### **Upgrade of Baggage Reclaim Area**

In last year's report I indicated that the Board was evaluating modification to the baggage reclaim area to make it more user friendly. This was a major exercise and, after consideration of several alternatives, the Board approved the construction of a fully enclosed baggage reclaim area incorporating a baggage carousel.

Construction commenced in early March and was completed by mid May. The new baggage claim area and carousel is of sufficient size to accommodate growth in the number and type of aircraft using Invercargill Airport. Total cost of this upgrade was approximately \$400,000.

#### **Carpark Extension**

To meet the forecast increased passenger numbers resulting from the introduction of services by Origin Pacific and the Domestic Express fare structure from Air New Zealand, an extension to the existing carpark was carried out in November/December 2002. The extension also included an unsealed overspill carpark within an extended security fence. Whilst this extension has satisfied the increased demand the capacity has been severely tested on several occasions. The total cost of the carpark extension and security fence relocation was approximately \$90,000.

#### **Invercargill City Council District Plan**

Following the Reference lodged with the Environment Court by Invercargill Airport Ltd, I am pleased to advise that the Invercargill City Council and Invercargill Airport Ltd have resolved their outstanding differences which has culminated in the signing of a Consent Memorandum

It is anticipated that this Consent Memorandum will be ratified by the Environment Court in the near future.

## *Chairman's Report for the Year Ended 30 June 2003*

### **Runway Extension Initiatives**

During the year Venture Southland have continued their initiative of promoting the introduction of trans-Tasman flights into Invercargill which includes seeking funding for a runway extension to enable airlines to operate direct trans-Tasman services at full payload without refuelling stops.

Whilst this initiative has strong local support the required funding of over \$ 4 million for the runway extension and ancillary works is considerable. Invercargill Airport Ltd is supportive of a runway extension but it does not have the cash reserves to fund such capital works and also maintain the existing infrastructure.

### **Outlook**

With the current number of flights operated by Air New Zealand and Origin Pacific together with their low-cost fare structures, we are anticipating passenger number to continue increasing in the short term. This growth should also be assisted by more passengers flying to Australia (via Christchurch) under the new low cost fares initiatives recently announced by Air New Zealand, Qantas and new entrant Pacific Blue. The long term rate of growth of passenger numbers will depend on the strength of the local and national economy, which affects business and leisure travel, together with a hopeful recovery in inbound tourism.

To cater for the predicted increased passenger numbers, the Board is considering another extension to the unsealed overspill carpark together with a further review of its carpark charging methodology. This was reviewed 12 months ago when the option of a differential charging methodology incorporating an automated paystation was considered. At that time because of the large capital costs of introducing that system together with the inconvenience to users, it was decided by the Board to put such a change on hold. However

as an alternative the Board is considering increasing the flat rate car parking fee from \$2 to \$3 to assist in recovering the cost of extending the car park to cater for peak times. Although a \$3 parking charge is still low for travellers leaving their car in the carpark for an extended period, the Board considers this encourages Southlanders to use Invercargill airport rather than other alternatives.

A continuation of the increase in passenger numbers and aircraft diversions/charters is placing additional demand on the available terminal space and aircraft parking areas. Consequently the Board is considering options for modest extensions to the terminal building and the aircraft parking area should they be required to satisfy this increased demand.

### **Conclusion**

The company has ended a year of steady growth on a positive note and is looking forward to meeting the challenges of a continuation of this growth with its subsequent demands on the airport infrastructure.

During the year Gary Kirk retired by rotation from the Board and was replaced by Kathie Henderson. I would like to express my sincere thanks to Gary for his considerable contribution during his time as a Director and I also welcome Kathie to the Board.

I would also like to express my appreciation to the management team and my fellow directors for their contribution and support during the year.



**For and on behalf of the Directors**  
**N D McRae**

# *Invercargill Airport Limited*

## *5 Year Summary*

	2003	2002	2001	2000	1999
<b>Revenue</b>	1,246,029	1,106,663	1,103,288	1,014,691	1,102,161
<b>Expenditure</b>	1,035,283	992,269	1,020,246	977,989	975,413
<b>Surplus (Deficit)</b>	210,746	114,394	83,042	36,702	126,748
<b>Taxation &amp; Adjustments</b>	–	157,122	(27,360)	(11,834)	(33,038)
<b>Revaluations</b>	–	3,453,103	–	–	–
<b>Shareholder's Funds</b>	7,575,525	7,364,777	3,640,158	3,584,476	3,559,608
<b>Current Assets</b>	259,727	218,222	290,994	269,533	304,282
<b>Non-current Assets</b>	7,716,810	7,548,915	4,336,729	4,157,182	4,334,650
<b>Total Assets</b>	7,976,537	7,767,137	4,627,723	4,426,715	4,638,932
<b>Current Liabilities</b>	401,012	402,360	630,443	512,477	561,396
<b>Non-Current Liabilities</b>	–	–	357,122	329,762	517,928
<b>Total Liabilities</b>	401,012	402,360	987,565	842,239	1,079,324
<b>Net Assets</b>	7,575,525	7,364,777	3,640,158	3,584,476	3,559,608
<b>NPBIT: Total Assets</b>	2.82%	1.92%	2.90%	1.87%	4.04%
<b>NPAIT: Total Assets</b>	2.64%	3.50%	1.20%	0.56%	2.02%
<b>NPBIT: Shareholders Funds</b>	2.97%	2.03%	3.68%	2.31%	5.26%
<b>NPAIT: Shareholders Funds</b>	2.78%	3.69%	1.53%	0.59%	2.63%
<b>Shareholders Funds: Total Assets</b>	94.97%	94.82%	78.66%	80.98%	76.66%
<b>Passenger Numbers</b>	201,402	185,285	182,808	161,125	168,650

# *Invercargill Airport Limited*

## *Statement of Financial Performance For the Year Ended 30 June 2003*

<i>Income</i>	<i>Note</i>	<i>Con 2003</i>	<i>Parent 2003</i>	<i>Con 2002</i>	<i>Parent 2002</i>
Operating Revenue		1,243,174	1,243,174	1,102,759	1,102,759
Interest Revenue		2,935	2,855	3,970	3,904
		<u>1,246,109</u>	<u>1,246,029</u>	<u>1,106,729</u>	<u>1,106,663</u>
Less Operating Expenses	1	<u>1,035,384</u>	<u>1,035,283</u>	<u>992,379</u>	<u>992,269</u>
Operating Surplus/(Deficit) before Taxation		210,725	210,746	114,350	114,394
Less Provision for Taxation	2	<u>0</u>	<u>0</u>	<u>(7)</u>	<u>(2)</u>
<b>Net Surplus/(Deficit) after Taxation</b>		<b><u>210,725</u></b>	<b><u>210,746</u></b>	<b><u>114,357</u></b>	<b><u>114,396</u></b>

*The accompanying accounting policies and notes form part of these financial statements*

## *Statement of Movements in Equity For the Year Ended 30 June 2003*

	<i>Con 2003</i>	<i>Parent 2003</i>	<i>Con 2002</i>	<i>Parent 2002</i>
Total Equity at the Beginning of the Period	7,368,054	7,364,779	3,643,472	3,640,158
Net Surplus/(Deficit) after Taxation	<u>210,725</u>	<u>210,746</u>	<u>114,357</u>	<u>114,396</u>
Total Recognised Revenues and Expenses	210,725	210,746	114,357	114,396
Revaluation Reserve	0	0	3,453,103	3,453,103
Deferred Tax Adjustment (Note 8)	<u>0</u>	<u>0</u>	<u>157,122</u>	<u>157,122</u>
<b>Total Equity at the End of the Period</b>	<b><u>7,578,779</u></b>	<b><u>7,575,525</u></b>	<b><u>7,368,054</u></b>	<b><u>7,364,779</u></b>

*The accompanying accounting policies and notes form part of these financial statements*

# Invercargill Airport Limited

## Statement of Financial Position For the Year Ended 30 June 2003

		<i>Con</i> 2003	<i>Parent</i> 2003	<i>Con</i> 2002	<i>Parent</i> 2002
<b>Shareholder's Equity</b>					
Ordinary Share Capital	3	3,324,560	3,324,560	3,324,560	3,324,560
Retained Earnings		801,116	797,862	590,384	587,114
Revaluation Reserve		3,453,103	3,453,103	3,453,103	3,453,103
<b>TOTAL RESERVES</b>		<b><u>7,578,779</u></b>	<b><u>7,575,525</u></b>	<b><u>7,368,047</u></b>	<b><u>7,364,777</u></b>
<b>Represented by:</b>					
<b>Current Assets</b>					
Cash on Hand		0	0	0	0
Bank -Current Account		47,564	47,406	64,527	64,468
Short-term Investments		72,430	69,234	33,315	30,000
Stock on Hand		16,353	16,353	20,669	20,669
Sundry Debtors	4	126,734	126,734	103,085	103,085
		263,081	259,727	221,596	218,222
<b>Non-Current Assets</b>					
Fixed Assets	5	7,716,710	7,716,710	7,548,815	7,548,815
Investments		0	100	0	100
		7,716,710	7,716,810	7,548,815	7,548,915
<b>TOTAL ASSETS</b>		<b>7,979,791</b>	<b>7,976,537</b>	<b>7,770,411</b>	<b>7,767,137</b>

# *Invercargill Airport Limited*

## *Statement of Financial Position For the Year Ended 30 June 2003*

	<i>Note</i>	<i>Con 2003</i>	<i>Parent 2003</i>	<i>Con 2002</i>	<i>Parent 2002</i>
<i>Current Liabilities</i>					
Sundry Creditors	6	130,997	130,997	108,890	108,890
GST		8,105	8,105	11,564	11,560
Current Portion of Term Debt	7	260,000	260,000	280,000	280,000
Retentions		1,910	1,910	1,910	1,910
		<hr/>	<hr/>	<hr/>	<hr/>
		401,012	401,012	402,364	402,360
<i>Non-Current Liabilities</i>					
Deferred Taxation	8	0	0	0	0
Term Loan	7	0	0	0	0
		<hr/>	<hr/>	<hr/>	<hr/>
		0	0	0	0
		<hr/>	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES		401,012	401,012	402,364	402,360
		<hr/>	<hr/>	<hr/>	<hr/>
NET ASSETS		<u>7,578,779</u>	<u>7,575,525</u>	<u>7,368,047</u>	<u>7,364,777</u>



ND McRae  
CHAIRMAN

IF Capitaneas  
DIRECTOR

**Date: 23 September 2003**



# *Invercargill Airport Limited*

## *Statement of Cash Flows For the Year Ended 30 June 2003*

<i>Note</i>	<i>Con 2003</i>	<i>Parent 2003</i>	<i>Con 2002</i>	<i>Parent 2002</i>
<i>Cash Flows from Operating Activities</i>				
<i>Cash was Provided From:</i>				
Receipts from Customers	1,218,814	1,218,814	1,085,803	1,085,803
Interest Revenue	2,935	2,855	3,970	3,904
GST (Net)	0	0	7,289	7,282
Taxation	0	0	0	0
	<hr/>	<hr/>	<hr/>	<hr/>
	1,221,749	1,221,669	1,097,062	1,096,989
<i>Cash was Disbursed to:</i>				
Payments to Suppliers	683,387	683,287	657,036	656,926
Interest Expenditure	14,440	14,440	34,887	34,887
Taxation	0	0	0	0
GST (Net)	3,455	3,455	0	0
	<hr/>	<hr/>	<hr/>	<hr/>
	701,282	701,182	691,923	691,813
Net Cash Flow from Operating Activities	520,466	520,487	405,139	405,176
<i>Cash Flow from Investing Activities</i>				
<i>Cash was Provided From:</i>				
Proceeds from Asset Sales	711	711	14,981	14,981
	<hr/>	<hr/>	<hr/>	<hr/>
	711	711	14,981	14,981
<i>Cash was Disbursed to:</i>				
Purchase of Fixed Assets	479,026	479,026	65,124	65,124
	<hr/>	<hr/>	<hr/>	<hr/>
Net Cash Flow from Investing Activities	(478,315)	(478,315)	(50,143)	(50,143)

# Invercargill Airport Limited

## Statement of Cash Flows For the Year Ended 30 June 2003

	<i>Con</i> 2003	<i>Parent</i> 2003	<i>Con</i> 2002	<i>Parent</i> 2002
<i>Cash Flows from Financing Activities</i>				
<i>Cash was Provided from:</i>				
Short Term Borrowing	260,000	260,000	0	0
	<u>260,000</u>	<u>260,000</u>	<u>0</u>	<u>0</u>
<i>Cash was Disbursed to:</i>				
Repayment of Term Borrowing	280,000	280,000	440,000	440,000
Purchase of Share Capital	0	0	0	0
	<u>280,000</u>	<u>280,000</u>	<u>440,000</u>	<u>440,000</u>
Net Cash Flow from Financial Activities	(20,000)	(20,000)	(440,000)	(440,000)
Net Increase/ (Decrease) in Cash Held	22,152	22,172	(85,004)	(84,967)
Plus Opening Cash Held	<u>97,842</u>	<u>94,468</u>	<u>182,846</u>	<u>179,435</u>
<b>Ending Cash Carried Forward</b>	<b><u>119,994</u></b>	<b><u>116,640</u></b>	<b><u>97,842</u></b>	<b><u>94,468</u></b>
<b>Ending Cash Carried Forward</b>				
Cash on Hand	0	0	0	0
Bank Account	47,564	47,406	64,527	64,468
Short-term Investments	<u>72,430</u>	<u>69,234</u>	<u>33,315</u>	<u>30,000</u>
	<b><u>119,994</u></b>	<b><u>116,640</u></b>	<b><u>97,842</u></b>	<b><u>94,468</u></b>

# *Invercargill Airport Limited*

## *Statement of Accounting Policies For the Year Ended 30 June 2003*

### **REPORTING ENTITY**

Invercargill Airport Limited is a company registered under the Companies Act 1993. The Company is a Local Authority Trading Enterprise as defined in Section 594B of the Local Government Act 1974.

The Invercargill Airport Limited Group consists of Invercargill Airport Limited and its wholly owned subsidiary, Southern Tourism Limited.

Southern Tourism Limited is a Company registered under the Companies Act 1993.

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

Invercargill Airport Limited's shareholding is in the following proportions:

New Zealand Government	45%
Invercargill City Council	55%

### **Measurement Base**

The financial statements have been prepared on an historical cost basis.

### **PARTICULAR ACCOUNTING POLICIES**

The following particular accounting policies which materially affect the measurement of results and financial position have been applied:

#### **1 Basis of Consolidation - Purchase Method**

The consolidated financial statements include Invercargill Airport Limited and its subsidiary. The subsidiary is accounted for using the purchase method which involves adding corresponding assets, liabilities, revenues and expenses on a line by line basis.

# *Invercargill Airport Limited*

## *Statement of Accounting Policies For the Year Ended 30 June 2003*

### **2 Fixed Assets**

- Land and Fencing
- Vehicles and Plant
- Runway and Taxiway
- Furniture and Fittings
- Terminal and Buildings

All fixed assets are valued at cost, less accumulated depreciation where applicable, except for Runway and Taxiway assets are valued using Optimised Depreciated Replacement Cost valuation methodology.

### **3 Depreciation**

Fences	6.65%	SL
Runway, Apron and Taxiway		
Top surface	8.3%	SL
Basecourse and sub-base	1.0%	SL
Roads, Carparks and Stopbanks	3.0%	SL
Terminal Building	3.0%	SL
Other Buildings	3.0%	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

### **4 Accounts Receivable**

Accounts receivable are stated at expected realisable value after providing for doubtful and uncollectable debts.

### **5 Goods and Services Tax**

The Financial Statements have been prepared exclusive of Goods and Services Tax (GST) with the exception of receivables and payables which are stated with GST included. Where GST is irrecoverable as an input tax then it is recognised as part of the related asset or expense.

### **6 Taxation**

The taxation charge against profits for the period is the estimated liability in respect of that profit after allowance for permanent differences.

The liability method of accounting for deferred tax is followed. The partial basis is used. Future taxation benefits attributable to taxation losses or timing differences are only recognised when there is virtual certainty of realisation.

# *Invercargill Airport Limited*

## *Statement of Accounting Policies For the Year Ended 30 June 2003*

### **7 *Stock on Hand***

Stocks are valued on the basis of the lower of cost, determined on a "first in, first out" basis, and net realisable value. This valuation includes allowances for slow moving and obsolete stocks.

### **8 *Financial Instruments***

The company is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, short-term deposits, debtors, creditors and loans. All financial instruments are recognised in the statement of financial position and all revenues and expenses in relation to financial instruments are recognised in the statement of financial performance.

### **9 *Investments***

Investments, including those in subsidiaries, are stated at the lower of cost and net realisable value. Any decreases are recognised in the Statement of Financial Performance.

### **10 *Statement of Cash Flows***

"Cash" means cash balances on hand, held in bank accounts, demand deposits and other highly liquid investments in which the Company invests as part of its day-to-day cash management.

"Operating Activities" include cash received from all income sources of the Company and records the cash payments made for the supply of goods and services.

"Investing Activities" are those activities relating to the acquisition and disposal of non-current assets.

"Financing Activities" comprise the change in equity and debt capital structure of the Company.

### **11 *Changes in Accounting Policies***

There were no changes in accounting policies for the year ended 30 June, 2003.

# Invercargill Airport Limited

## Notes to the Financial Statements For the Year Ended 30 June 2003

### 1 NET OPERATING SURPLUS

	<i>Con</i> 2003	<i>Parent</i> 2003	<i>Con</i> 2002	<i>Parent</i> 2002
<i>After Charging</i>				
Operating Expenses	681,755	681,654	621,686	621,576
Bad Debts	0	0	0	0
Interest	14,440	14,440	34,887	34,887
Directors Fees	30,000	30,000	30,000	30,000
Depreciation	302,889	302,889	299,906	299,906
Audit Fees	6,300	6,300	5,900	5,900
(Profit)Loss on Sale	(711)	(711)	0	0

### 2 TAXATION

The following details the calculation of the taxation charge for the period including the effects of permanent and timing differences:

	<i>Con</i> 2003	<i>Parent</i> 2003	<i>Con</i> 2002	<i>Parent</i> 2002
Net Surplus/(Deficit) before Taxation	210,725	210,746	114,350	114,349
Taxation for period at 33%	69,539	69,546	37,735	37,750
Plus/(Less) Permanent Differences	(69,539)	(69,539)	(90,598)	(90,598)
Group Loss Offset	0	(7)	0	(15)
Plus/(Less) Timing Differences	0	0	52,863	52,863
Taxation Charge	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

#### Income Tax Charge is Represented by:

Tax Payable in respect of Current Year	0	0	0	0
Deferred Tax	<u>0</u>	<u>0</u>	<u>(7)</u>	<u>(2)</u>
Taxation Payable	<u>0</u>	<u>0</u>	<u>(7)</u>	<u>(2)</u>

Taxable losses of \$365,459 which have a tax effect of \$120,601 have been recognised in these financial statements by reducing the deferred tax liability. Subsequent realisation of the benefit is subject to the requirements of income tax legislation being met.

Unrecognised tax losses of \$54,382, tax effect \$17,946, are available to carry forward and offset against future taxable income.

# *Invercargill Airport Limited*

## *Notes to the Financial Statements For the Year Ended 30 June 2003*

<b>3 SHARE CAPITAL</b>	<i>Parent/ Con 2003</i>	<i>Parent/ Con 2002</i>
Authorised Capital		
3,324,560 Ordinary Shares of \$1 each	3,324,560	3,324,560
Issued and Paid up Capital		
3,324,560 Ordinary Shares of \$1 each	3,324,560	3,324,560
Opening Balance	3,324,560	3,324,560
Issued and Paid Up During the Year	0	0
Closing Balance	3,324,560	3,324,560
<b>4 SUNDRY DEBTORS</b>	<i>Parent/ Con 2003</i>	<i>Parent/ Con 2002</i>
Trade Debtors	126,734	103,085
	126,734	103,085

# Invercargill Airport Limited

## Notes to the Financial Statements For the Year Ended 30 June 2003

### 5 NON-CURRENT ASSET

The following is a summary of Fixed Assets and the movements during the year.

	<i>Cost</i>	<i>Accum Deprec.</i>	<i>Book Value 30/06/2003</i>	<i>Book Value 30/06/2002</i>
Land and Fencing	717,779	74,181	643,598	565,653
Runway and Taxiway	5,458,418	399,798	5,058,620	5,258,625
Terminal and Buildings	2,057,639	370,193	1,687,446	1,465,225
Vehicles and Plant	481,185	215,421	265,764	211,212
Furniture and Fittings	148,542	87,260	61,282	48,100
	<u>8,863,563</u>	<u>1,146,853</u>	<u>7,716,710</u>	<u>7,548,815</u>

The Directors consider that the latest rating valuation of \$3,493,725 for land and buildings, supplied by Beca Valuations as at 1 September, 2002 to be fair value.

### 6 SUNDRY CREDITORS

	<i>Con 2003</i>	<i>Parent 2003</i>	<i>Con 2002</i>	<i>Parent 2002</i>
Trade Creditors	117,144	117,144	95,037	95,037
Employee Entitlements	13,853	13,853	13,853	13,853
	<u>130,997</u>	<u>130,997</u>	<u>108,890</u>	<u>108,890</u>

### 7 FLOATING LOAN

	<i>Parent/ Con 2003</i>	<i>Parent/ Con 2002</i>
Within One Year	260,000	280,000
One to Two Years	0	0

Loans are secured by debenture over the assets of the Company. When the Term Loan matured on 6 November, 2002 the decision was taken to carry the debt forward as a floating loan with the Bank of New Zealand. The average interest rate payable at 30 June, 2003 was 7.08% (2002 7.36%)



# Invercargill Airport Limited

## Notes to the Financial Statements For the Year Ended 30 June 2003

### 8 DEFERRED TAX

	<i>Con</i> 2003	<i>Parent</i> 2003	<i>Con</i> 2002	<i>Parent</i> 2002
Opening Balance	0	0	157,122	157,122
Increase/(Decrease) during the year	<u>0</u>	<u>0</u>	<u>(157,122)</u>	<u>(157,122)</u>
Closing Balance	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

Accounting for deferred tax has been completed on a partial basis as the Company is a going concern and the cumulative timing differences and their related income tax liabilities will not crystallise for a considerable period. A deferred tax liability \$735,820 has not been recognised because it is not expected to reverse in the foreseeable future.

### 9 IMPUTATION CREDIT ACCOUNT

	<i>Con</i> 2003	<i>Parent</i> 2003	<i>Con</i> 2002	<i>Parent</i> 2002
Opening Balance	0	0	0	0
Taxation Payments Made	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Less Taxation Refunds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Closing Balance	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

### 10 RELATED PARTY TRANSACTIONS

Invercargill Airport Limited has significant dealing with the Invercargill City Council, which has a major involvement in the ongoing operation of the Airport.

Details of transactions during the year are as follows:

	<b>2003</b>	<b>2002</b>
Operating Revenue	0	494
Operating Expenditure	165,427	163,138
Assets purchased from Invercargill City Council	0	18,000
Balance outstanding to the Invercargill City Council at 30 June	25,827	13,780
Balance outstanding from the Invercargill City Council at 30 June	0	71
Bond Contracts Ltd provided services	17,490	38,001

No debt has been forgiven

No Directors or Senior Executives have entered into related party transactions

# Invercargill Airport Limited

## Notes to the Financial Statements For the Year Ended 30 June 2003

### 11 RECONCILIATION OF NET CASH FLOW FROM OPERATING ACTIVITIES WITH REPORTED OPERATING SURPLUS

	<i>Con</i> 2003	<i>Parent</i> 2003	<i>Con</i> 2002	<i>Parent</i> 2002
Reported Surplus/(Deficit)	210,725	210,746	114,350	114,394
<b>Add Back/(Subtract) Non Cash Items</b>				
Depreciation	302,889	302,889	299,906	299,906
Gain/(Loss) on Asset Disposals	7,533	7,533	(8,847)	(8,847)
Provision for Taxation	0	0	0	0
Provision for Deferred Maintenance	0	0	0	0
	<u>310,422</u>	<u>310,422</u>	<u>291,059</u>	<u>291,059</u>
	521,147	521,168	405,409	405,453
<b>Add/(Less) Movement in Other Working Capital</b>				
(Increase)/Decrease in Stock	4,316	4,316	(5,670)	(5,670)
(Increase)/Decrease in Sundry Debtors	(23,649)	(23,649)	(6,525)	(6,525)
Increase/(Decrease) in Sundry Creditors	22,107	22,107	4,634	4,634
Increase/(Decrease) in GST	(3,455)	(3,455)	7,291	7,284
Increase/(Decrease) in Retentions	0	0	0	0
	<u>(681)</u>	<u>(681)</u>	<u>(270)</u>	<u>(277)</u>
<b>NET CASH INFLOW/(OUTFLOW)</b>	<u>520,466</u>	<u>520,487</u>	<u>405,139</u>	<u>405,176</u>

## *Notes to the Financial Statements For the Year Ended 30 June 2003*

### 12 *FINANCIAL INSTRUMENTS*

#### *Credit Risk*

Financial instruments which potentially subject the Company to a credit risk consist principally of bank deposits and receivables. Bank deposits are placed with high credit quality financial institutions.

Security is not required for the provision of goods and services but regular monitoring of balances outstanding is undertaken.

#### *Interest Rate Risk*

The Company is not exposed to interest rate risk.

#### *Foreign Exchange and Currency Risk*

The Company is not exposed to foreign exchange or currency risk.

#### *Off Balance sheet Financial Instruments*

The Company does not have any off-balance sheet financial instruments.

#### *Fair Values*

The Directors consider the fair value of each class of financial instrument is the same as the carrying value in the Statement of Financial Position.

### 13 *POST BALANCE DATE EVENTS*

There are no post balance date events to report.

### 14 *CONTINGENT LIABILITIES*

There are no known contingent liabilities at 30 June 2003 (2002 Nil).

### 15 *COMMITMENTS*

There are no commitments as at 30 June 2003 (2002 Nil).

# Invercargill Airport Limited

## Notes to the Financial Statements For the Year Ended 30 June 2003

### 16 PERFORMANCE MEASURES

The Statement of Corporate Intent for Invercargill Airport Limited prepared for year ending 30 June, 2003 set a number of financial performance measures. The targets and the Company's achievements in relation to those targets are set out in the following table.

Performance Measures		2002		2003		2004
		Target	Actual	Target	Actual	Target
1	Net Profit before interest and Tax: Total Assets	1.50%	1.92%	1.65%	2.82%	2.75%
2	Net Profit after Interest and Tax: Total Assets	0.30%	1.47%	1.00%	2.64%	1.58%
3	Net Profit before Interest and Tax: Shareholders Funds	1.80%	2.03%	1.74%	2.97%	2.79%
4	Net Profit after Interest and Tax: Shareholders Funds	0.40%	1.55%	1.05%	2.78%	1.60%
5	Shareholder Funds: Total Assets	83.00%	94.82%	95.06%	94.97%	98.58%

Southern Tourism Limited has not completed a 2003 Statement of Corporate Intent due to its size of operation and thus no targets were set.

# *Invercargill Airport Limited*

## *Statutory Information*

### ***DIRECTORS REMUNERATION***

Mr ND McRae (Chairman)	\$	11,250
Mr IF Capitaneas	\$	6,250
Mr DFE Harrington	\$	6,250
Mr GJ Kirk	\$	2,083
Mrs KS Henderson	\$	4,167

### ***RECOMMENDED DIVIDEND***

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

### ***DIRECTORS' AND OFFICERS' LIABILITY INSURANCE***

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

### ***DONATIONS***

The Company has made no donations during the period.

### ***AUDITORS' REMUNERATION***

Auditors fees of \$6,300 were payable during the year. There were no other fees payable for other services provided by the Auditor.

### ***USE OF COMPANY INFORMATION BY DIRECTORS***

During the period the Board received no notice from Directors of the company requesting to use 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***

No staff members received remuneration and other benefits exceeding \$100,000 during the period.

## *Statutory Information*

### **REMUNERATION AND OTHER BENEFITS TO DIRECTORS**

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

- In any capacity other than Director
- 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 Directors has an interest in Company shares held, acquired or disposed of during the period.



**REPORT OF THE AUDITOR-GENERAL  
TO THE READERS OF THE FINANCIAL STATEMENTS OF  
Invercargill Airport Limited  
FOR THE YEAR ENDED 30 JUNE 2003**

We have audited the financial statements and performance information on pages 6 to 20. The financial statements provide information about the past financial performance and financial position of Invercargill Airport Limited and group as at 30 June 2003. The performance information specifies the performance targets and other measures by which the performance of Invercargill Airport Limited and group can be judged in relation to its objectives. This information is stated in accordance with the accounting policies set out on pages 11 to 13.

**Responsibilities of the Board of Directors**

Section 276 of the Local Government Act 2002 requires the Board of Directors (the Board) to comply with sections 594Z to 594ZC of the Local Government Act 1974 for the year ended 30 June 2003. Section 594Z of the Local Government Act 1974 and the Financial Reporting Act 1993 require the Board to prepare financial statements in accordance with generally accepted accounting practice in New Zealand that give a true and fair view of the financial position of Invercargill Airport Limited and subsidiary as at 30 June 2003 and the results of their operations and cash flows for the year ended on that date. Section 594Z also requires the Board to report the performance targets and other measures by which the performance of Invercargill Airport Limited and its subsidiary can be judged in relation to their objectives.

**Auditor's responsibilities**

Section 15 of the Public Audit Act 2001 and Section 594ZC of the Local Government Act 1974 require the Auditor-General to audit the financial statements and the performance information presented by the Board. It is the responsibility of the Auditor-General to express an independent opinion on the financial statements and the performance information and report that opinion to you.

The Auditor-General has appointed Bede Kearney, of Audit New Zealand, to undertake the audit.

**Basis of opinion**

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements and performance information. It also includes assessing:

- u the significant estimates and judgements made by the Board in the preparation of the financial statements and performance information; and
- u whether the accounting policies are appropriate to Invercargill Airport Limited and group's circumstances, consistently applied and adequately disclosed.

## ***Auditor's Report***

We conducted our audit in accordance with the Auditing Standards published by the Auditor-General, which incorporate the Auditing Standards issued by the Institute of Chartered Accountants of New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditor acting on behalf of the Auditor-General, we have no relationship with or interests in Invercargill Airport Limited or its subsidiary.

### **Unqualified opinion**

We have obtained all the information and explanations we have required.

In our opinion:

- u proper accounting records have been kept by Invercargill Airport Limited and group
- u as far as appears from our examination of those records;
  
- u the financial statements of Invercargill Airport Limited and group on pages 6 to 19:
  - comply with generally accepted accounting practice in New Zealand; and
  - give a true and fair view of:
    - \* Invercargill Airport Limited and group's financial position as at 30 June 2003; and
    - \* the results of its operations and cash flows for the year ended on that date; and
- u the performance information of Invercargill Airport Limited and group on page 20 gives a true and fair view of the achievements in relation to the performance targets and other measures adopted for the year ended 30 June 2003.

Our audit was completed on 25 September 2003 and our unqualified opinion is expressed as at that date.



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



# *Invercargill Airport Limited*

## *Company Directory*

### ***DIRECTORS***

Mr ND McRae (Chairman)

Mr IF Capitaneas

Mr DFE Harrington

Mr KJ Kirk to 31 October, 2002

Mrs KS Henderson from 1 November, 2002

### ***MANAGEMENT***

Mr JA Walsh (General Manager and  
Company Secretary)

Mr EL Forsyth (Operations Manager)

### ***REGISTERED OFFICE***

C/o Invercargill City Council  
101 Esk Street  
INVERCARGILL

### ***POSTAL ADDRESS***

Private Bag 90104  
INVERCARGILL

Phone (03) 214 0769

Fax (03) 214 0768

### ***AUDITOR***

Audit New Zealand  
DUNEDIN

### ***BANKERS***

Bank of New Zealand  
INVERCARGILL

### ***SOLICITORS***

Preston Russell Law  
92 Spey Street  
INVERCARGILL