
Annual Report
2008
ZK-SJC
AIR NEW ZEALAND
Dunedin
International
Airport
LIMITED
Annual Report 2008

Dunedin International Airport Limited

Annual Report for the Year ended 30 June 2008

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Company Particulars

Directors

R F Walls, QSO, JP, F Inst D (Chairman)
S J McLauchlan, BCom, CA(PP), AF Inst D (Member – Audit Committee)
G R Thomas, LLB
K Grant, BA, LLB, Dip Law

Chief Executive

F J McCall, AFNZIM

Business Manager

P Ford, B Com, CA

Operations Manager

R Roberts, BEng (Hons)

Registered Office

Terminal Building
Dunedin International Airport
Private Bag 1922
DUNEDIN

Telephone 03-486 2879
Facsimile 03-486 2813
E-mail admin@dnairport.co.nz
Website www.dunedinairport.co.nz

Bankers

Westpac
101 George Street
DUNEDIN

Solicitors

Gallaway Cook Allan
276 Princes Street
DUNEDIN

Auditors

Graham William Crombie of Polson Higgs
On behalf of the Auditor-General

Airlines using Dunedin International Airport

For the year ended 30 June 2008

Airline	Aircraft Type
Domestic	
Air New Zealand	Boeing 737-300
Mount Cook Airline	ATR 72
Air Nelson	Dash 8-300
International	
Air New Zealand	Airbus 320-200
Charter,Flight training and Commuters	
Mainland Air Services	Cessna 152
	Piper PA31-350 Chieftain
	Piper PA34-200 Seneca
	Socata TB10 Tobago
Freight Services	
New Zealand Post - Airpost	Fairchild Metroliner 23
	Piper PA32-300

DIAL Annual Report 2008 The Year in Review

Although the year has presented many challenges to the air transport industry globally, the company achieved record revenues and continues to focus on consolidating on the progress of recent years and preparing for the future.

- Total passenger numbers at 708,506, compare to 701,975 last year, an increase of 0.9%.
- Domestic passenger numbers at 638,219, compare to 622,229 last year, an increase of 2.6%.
- International passenger numbers at 70,287 compare to 79,746, a decrease of 11.9%
- Total revenue is $7,653,680, an increase of 9% on last year and 17.5% above budget.
- The after tax deficit of $324,236 compares to a surplus of $324,847 last year, a decrease of 200%. This reflects the impact of an increase in depreciation costs relating to the revaluation of the Company's assets and increased maintenance expenditure on apron pavements.
- Shareholders' funds at $33,571,405 compares to $22,276,762 last year, an increase of 50.7% due to the revaluation of the Company's assets on 1 July 2007 by $14.5 million.
- Non-aeronautical income, at 69.2% of total revenue, compares to last year's figure of 62.4%.
- In line with budget no dividend has been declared for 2008.

The company has had another successful year with total revenue reaching a record high of $7,653,680. This is $1,137,277 above budget and is a continuation of the strong growth experienced through management initiatives and actions realised over this period.

The decrease in Freedom Air flights over the period adversely impacted on both aeronautical and non-aeronautical revenues. The new Air New Zealand trans-Tasman flights, which replaced those operated by Freedom at the end of March, resulted in an overall increase in flights, with three return flights per week to Sydney and four return flights per week to Brisbane. The flights to Melbourne will again operate during the 2008-09 summer.

The company regards the introduction of full Air New Zealand services on the trans-Tasman and the addition of Dunedin to its international schedules as a positive step for the future. We will actively work with Air New Zealand and Tourism Dunedin to increase passenger numbers on the Sydney flights so that the ultimate objective of 'Project Gateway' - a daily return service - is achieved as soon as possible. It is encouraging that Air New Zealand has made a significant investment in leasing space and equipping flight-kitchen facilities at the airport.

Aeronautical revenues remained stable during the year. Non-aeronautical revenues continue to grow and it is important that the company continues to focus on these to mitigate constraint risks on aeronautical revenue.

The after-tax deficit of $324,236 was not unexpected due to higher interest and depreciation expense associated with the terminal redevelopment but was an improvement on budget.

The year has seen international passengers decline by 11.9% from 79,746 last year to 70,287 this year. This decline is directly linked to the decrease in frequency and capacity provided.

Domestic passenger numbers have grown 2.6% from 622,229 last year to 638,219 this year.

During the year Air New Zealand altered their flight schedule, adding capacity and increasing direct flights to and from Wellington and Auckland with a slight reduction in those to and from Christchurch. A small increase in revenue from landing charges reflects these changes and the heavier aircraft used on Auckland and Wellington routes.

Pacific Blue's introduction, from 1 July 2008, of a daily domestic flight to and from Christchurch (with connections to Auckland and Wellington) will re-introduce competition within the market. This is something that Dunedin has lacked since the demise of Ansett/Qantas New Zealand and, more recently, Origin Pacific.

The major risk for the company of decreasing passenger numbers will be driven by external factors, including the general economic situation in New Zealand, job losses from any major businesses moving out of the city or closing down, higher interest rates and lower discretionary income. All are major concerns.

The commitment of the company, with its partners The Dunedin City Council, the Otago Chamber of Commerce and Tourism Dunedin, to 'Project Gateway' remains a key driver for growth in international passenger numbers. This project has achieved the major 'step change' in terms of numbers of direct flights and passengers to and from Australia. However, with the decline in flights and passenger numbers it is important that the company continues to work on growth in this area to ensure long term sustainability of funding. The project itself needs an element of re-focussing to take advantage of the short-term visitor marketing campaign being undertaken by Tourism NZ in Australia.

The continued challenge for the company is to maintain growth rates in the future by potentially increasing the number of destinations that can be directly reached from Dunedin (e.g. South Pacific) and/or increasing the flight schedule to better suit the business traveller (e.g. Melbourne and Sydney). In a period of transition and uncertainty, both risks and opportunities are available for the company.

Corporate Social Responsibility

ENVIRONMENTAL

Our terminal heating and cooling system has now won two significant awards – an Energy Efficiency & Conservation Authority (ECCA) award and the Association of Consulting Engineers New Zealand (ACENZ) Gold Award for its design and environmentally responsible approach.

The heat is extracted from bore water that is pumped up from 60-metres underground before being re-injected into the same underground aquifer. This is a sensible and low impact use of a naturally resource and also offers considerable operating cost savings over conventional systems.

The recently installed $600,000 membrane waste water filtration plant has come in for praise from the Otago Regional Council and is generally exceeding the stringent operational standards set for it in the resource consent. As a result we are now discharging recreational standard water into the Taieri Main Drain, which flows down to Lakes Waipori and Waihola.

Our cardboard recycling programme continues to collect much of the cardboard disposed of at the airport. About 22-tonnes of cardboard was sent for recycling over the two past years.

Water conservation is also an important part of DIAL's careful environmental approach. The use of automatic taps in the terminal bathrooms has brought about significant savings in water use.

We also played our part in World Environment Day on 6 June, selling native seedlings to passengers to go some way to offsetting their carbon footprint for their travel on that day. The proceeds went to the 300-hectare-plus Orokonui Ecosanctuary being developed near Dunedin.

Another important environmental step we have taken is to switch to power supplier Meridian Energy, a carbon neutral electricity supplier.

The company continues to work closely with the Rhododendron Trust which is undertaking extensive plantings at the airport. To date about 1000 rhododendrons have been planted.

COMMUNITY CONTRIBUTION

Visits from schools and clubs continue to be an important part of DIAL's community involvement. In a similar vein, one of the larger scale visits during the year involved the 'Special Rigs for Special Kids' Run on 26 September 2007 which saw dozens of big rigs and dozens more happy kids hosted by the airport.

We continue to be keen supporters of the Otago Art Society's Spring Awards and sponsors of the Southern Sinfonia.

Our relationship with the Otago Museum continues to strengthen with further development of their 'Windows on Otago's Natural History' display on the mezzanine floor of the terminal. An albatross in full wing now soars above the escalators in the terminal building and a second display has been installed in the arrivals section of the International Terminal.

During the year, community fundraising events such as Daffodil Day, ANZAC Day poppy sales, and a Surf Lifesaving awareness day have been hosted in the Terminal Building.

Operational Matters

PACIFIC BLUE

Pacific Blue began domestic services to Dunedin on 1 July 2008. Although the actual start date fell outside the period of this annual report, considerable work was undertaken in the lead-up including preparation of the check-in area, setting up boarding gates and completing an apron extension for ground handling equipment and passengers.

APRON REHABILITATION PROGRAMME

We have completed the first year of a five-year Apron Rehabilitation Programme. The initial focus has been on improving apron drainage and adding three concrete tug pads.

PAVEMENT MONITORING

Hand-in-hand with the apron programme we have continued to monitor the state of the airside pavements. This is particularly important given the increasing number of heavier aircraft using Dunedin International Airport.

The 190m runway extension, completed in the early 1990s, is now the oldest piece of pavement at the airport and will need overlaying within the next three years.

We are continuing to assess the need for runway extensions to cope with future market expansion, which will represent a significant capital expenditure for the airport sometime in the future.

DAIRY FARM

Despite dry conditions during summer and autumn, the dairy farm continued to perform well. Milk solids payouts have also remained buoyant, although there has had to be a write-down in the value of the shares held in Fonterra. Production across both farms was up from 177,337 Kg / Milk Solids to 182,359 Kg / Milk Solids, an increase of 2.8%.

CHANGEOVER FROM FREEDOM TO AIR NEW ZEALAND

After a long relationship with Dunedin International Airport, Freedom Air ceased operations on 31 March. All its services were replaced by parent company Air New Zealand's full service product on the Sydney and Brisbane routes, with seasonal services being continued to Melbourne.

AIRPORT ZONE

Formalisation of the new Airport Zone in the Dunedin District Plan is moving towards its conclusion. The zone provides for appropriate airport related activities to establish and operate at the airport, to a standard more consistent with the amenity and environmental standards established under the District Plan.

An appeal by Air New Zealand sent the matter to the Environment Court, but has since been settled by negotiation. At time of writing this report, we have been advised by the Dunedin City Council that the Airport Zone has been formally adopted and notified, and came into effect on 1 September.

RENTAL CAR FACILITIES

Our plan to relocate and consolidate the rental car servicing facilities on to one site to the south of the car park has been delayed awaiting commitment from rental car companies. This plan will provide them with better facilities immediately adjacent to the vehicle pick-up and drop-off parking area at the south end of the terminal.

This disappointing delay continues to hold up the coherent redevelopment of the main car park on which the present rental car servicing depots are sited. Their removal would not only provide another 100 urgently required car parks for travellers, but enable the main entranceway to the car park to be rationalized and brought to a standard matching the terminal redevelopment, replacing the existing hodgepodge which often causes confusion for drivers.

SECURITY

The main change to security in the past financial year was the introduction of non-passenger screening for all airside personnel on 31 March.

We are currently involved in an industry-wide security review as part of a Ministry of Transport Domestic Security Review, instigated following an incident on a Blenheim to Christchurch flight when a female passenger pulled a knife and tried to get into the aircraft cockpit. This review has potentially significant implications for the company in terms of terminal infrastructure.

THE BOARD

Long serving board member Lindsay Brown retired from his position on 31 December 2007.

Over a period of nine years, Lindsay made a significant contribution to the work of the board and to the company. He brought a wealth of experience to the table and made an immeasurable contribution to the company when it faced the adverse impact of the collapse of Qantas New Zealand (previously Ansett) and the more positive challenge of successfully financing and building a new terminal.

Mrs. Kathy Grant, an associate in the legal practice of, Gallaway Cook Allan was appointed to the board by the Crown to replace Mr. Brown and took up her position on 1 January 2008. Mrs. Grant chaired the Council of the Dunedin College of Education prior to its merger with the University of Otago in 2007 is a member of the University of Otago Council and the Board of Sport Otago.

The Board is satisfied with the state of the company's affairs.

We remain confident of our approach to meeting the challenges that lie ahead in an ever turbulent aviation environment, in the interests of our airlines and airport users, and the city and region we serve.

Richard Walls
Chairman

John McCall
Chief Executive

statement of service performance

The following is a statement of service performance relating to specific objectives listed in the Company's Statement of Corporate Intent for the year ending 30 June 2008.

FINANCIAL PERFORMANCE

The results achieved for the year compared to budget are as follows:

	ACTUAL	BUDGET
Surplus before taxation	(328,459)	(906,052)
Operating surplus after taxation	(324,236)	(595,505)
Return on closing shareholders equity	-1.0%	-2.8%
Closing shareholders' equity	33,571,405	21,445,769

Revenue for the year was 17.5% above budget and expenses were 7.5% above budget. Aeronautical income was 5% above budget due to an increase in the number of jet services operated by Air New Zealand from February 2008. All costs were kept within budget, except for an increase in depreciation relating to the revaluation of the Company's assets by $14.5 million on 1 July 2007. Maintenance expenditure on apron pavements, roading, consultancy and administration expenses were also above budget for the year.

TOURISM

To actively participate with regional tourism and travel organisations and operators and airlines to market Dunedin and the southern region as a destination for international and domestic visitors with Dunedin International Airport as the air transport gateway.

The Company is a financial member of the Tourism Industry Association and Dunedin Host. The Chief Executive is actively involved in the local tourism industry as a member of the Board of Tourism Dunedin, a director of Taieri Gorge Railway Limited and as a member of The Project Gateway Control Group.

PROJECT GATEWAY

In partnership with the Dunedin City Council, the Otago Chamber of Commerce and Tourism Dunedin continue to work to fulfill the objectives of Project Gateway and to consider new initiatives that will increase the number of visits by Australian residents to Dunedin and the region.

The Chief Executive is a member of the Project Gateway Control group, which meets regularly to implement the objectives of Project Gateway. Project Gateway seeks the introduction of direct daily return passenger and freight services from Dunedin to Australia.

AIRSIDE PAVEMENTS

To continue with a management strategy that maintains airside pavement assets which satisfy safety and economic requirements.

Airside pavements were maintained in good condition during the year to satisfy safety, operational and economic requirements. The first year of a 5 year plan to upgrade apron pavements and drainage has been completed.

OPPORTUNITIES

To continue to seek new opportunities which promote the use of the airport and adds value to the business.

During the year the non-aeronautical part of the business has grown and increased revenues achieved. Management has continued to have open dialogue with airline and charter operators who may be potential users of Dunedin International Airport. Also the Company has had dialogue with the Dunedin City Council on their plan change for the new 'Airport Zone' which will facilitate new business development opportunities.

CUSTOMER SERVICE

To provide facilities to ensure that the Company can be responsive to meeting the expectations of its customers in terms of the provision of airport facilities and services.

The new terminal continues to provide customer facilities which has facilitated our responsiveness and delivery of services to customers. During the year facilities have been developed for Pacific Blue customers.

PERFORMANCE

To undertake continual reviews of the operating strategies, financial performance and service delivery of the Company.

The Board of Dunedin International Airport Limited has met monthly (except for January) to review the operating strategies and financial performance of the Company. The Board has reviewed the Company's actual results against strategic plans and financial budgets. A business plan and a Statement of Intent were provided to shareholders.

To monitor financial performance against rates of return established by the shareholders of the Company.

The Company's annual Business Plan and Statement of Intent include forecasted rates of return which are forwarded to shareholders for review and approval. Quarterly, six monthly and annual reports measure the Company's performance against the forecasted rates of return and these have been provided to the shareholders.

To ensure that the reporting requirements of shareholders are met.

In addition to the half year and annual reports the Company has produced quarterly reports, a Statement of Intent and a Business Plan for shareholders

TRAINING

To continue with employee training and education programmes that ensure that employees are able to meet the changing needs of the Company and its customers in terms of customer service, safety and security.

During the year both internal and external staff training programmes have been undertaken. Management training, customer service, First Aid and hot fire training are examples of training courses attended by staff.

SOCIAL AND ENVIRONMENTAL

To continually review the Company's operations to identify any potential environmental issues.

During the year, in accordance with Consent requirements, the company has continued to monitor and report its compliance performance to the Otago Regional Council. The Company continues to expand its environmentally sustainable initiatives such as recycling.

To maintain management practices to ensure that the Company meets its employment and health and safety objectives.

The staff Health and Safety committee has met during the year to review health and safety objectives and make recommendations to management. Monthly staff meetings have been held and identified items of health and safety that need to be brought to management's attention.

trend statement

For the year-ended 30 June	2008	2007	2006	2005	2004
Revenue	1	1	1		
Operating Revenue:					
Aeronautical	**2,579,508**	2,547,439	2,551,526	2,474,990	2,349,822
Percentage	**33.7%**	36.3%	38.5%	39.7%	39.2%
Non-aeronautical	**5,298,791**	4,382,205	3,960,680	3,646,315	3,515,431
Percentage	**69.2%**	62.4%	59.8%	58.4%	58.7%
Interest Income	**3**	38,286	882	25,012	71,029
Gain on Investments	**(224,622)**	52,550	111,413	95,718	54,813
Total Revenue	**7,653,680**	7,020,480	6,624,501	6,242,035	5,991,095
Percentage Increase	**9.0%**	6.0%	6.1%	4.2%	14.2%
Surplus Before Tax	**(328,459)**	159,208	1,184,394	2,362,709	2,610,784
Percentage Increase	**-306.3%**	-86.6%	-49.4%	-9.5%	24.5%
Net Tax Paid Surplus	**(324,236)**	324,847	922,213	1,423,991	1,684,500
Percentage Increase	**-199.8%**	-64.8%	-35.2%	-15.5%	33.9%

Shareholders'Equity

Shareholders' Equity	**33,571,405**	22,276,765	21,913,851	23,967,038	23,529,047
Return on Shareholders' Equity	**-1.0%**	1.5%	4.2%	5.9%	7.2%
Dividends Paid	**-**	335,000	765,000	986,000	711,000
Dividend Rate Cents per Share	**-**	3.8	8.7	11.2	8.1
Capital Expenditure	**1,088,585**	3,072,520	15,322,313	11,075,917	1,149,081
Net Operating Cashflow	**1,960,374**	2,716,407	2,257,421	2,600,848	2,685,682
Net asset backing per share	**$3.82**	$2.53	$2.49	$2.72	$2.67
Proprietorship Ratio	**54.2%**	45.3%	45.7%	71.5%	97.5%

[1] The Company has adopted IFRS reporting with a transition date of 1July 2005. 2006 financial statements have been restated to comply with IFRS. The main adjustment is the application of the deemed cost option for land and buildings which resulted in the restatement of the valuation reserve to zero by reclassifying $11.4 m from this reserve to retained earnings. The other key changes include the recognition in the balance sheet of the fair values of interest rate swaps and a change in the method of calculating deferred tax. At the date of transition to NZIFRS assets increased minimally due to the recognition of interest rate swaps at fair values. Liabilities increased by $2.3m due to the change in accounting for deferred tax.

income statement

For the year-ended 30 June	Notes	2008	2007
Operating revenue		7,877,512	6,929,469
Interest received		3	38,286
Dividend received		787	175
Gain/loss on investment		(224,622)	52,550
Total revenue		**7,653,680**	7,020,480
Audit Fees	4	15,367	13,261
Directors Fees		65,542	60,000
Finance Costs – Interest Expense		1,841,594	1,784,071
Depreciation		2,435,790	2,132,402
Loss on disposal of assets		86,480	7,744,
Wages and Salaries		1,220,946	1,149,977
Other Operating Expenses		2,316,420	1,713,817
Total Expenses		**7,982,139**	6,861,272
Operating Surplus/(Deficit) Before Income Tax		**(328,459)**	159,208
Income Tax Expense/(Credit)	5	(10,899)	68,348
Less Deferred Tax adjustment to reflect change in tax rates		6,676	(233,987)
Operating Surplus/(Deficit) After Income Tax		**(324,236)**	324,847
Earnings per share		**-3.7cents**	3.7 cents

statement of changes in equity

Equity at the beginning of the year		**22,276,765**	21,913,851
Recognised revenues and expenses			
Cash Flow Hedges Gain/(Loss) taken to equity		(255,729)	358,908
Deferred Tax adjustment to reflect change in tax rates		-	14,159
Net surplus/(deficit) for the year		(324,236)	324,847
Property Revaluation (net)	7	11,874,605	-
Total recognised income and (expense) for the year		**11,294,640**	697,914
Less Distribution to owners	8		
- Final Dividend		-	335,000
Closing Equity		**33,571,405**	22,276,765

These statements is to be read in conjunction with the notes on pages 14 to 29

balance sheet

For the year-ended 30 June,

	Notes	2008	2007
Shareholders Equity			
Share capital	6	8,800,000	8,800,000
Hedge Reserve	7	195,628	451,357
Revaluation Reserve	7	11,874,605	-
Retained Earnings	9	12,701,172	13,025,408
		33,571,405	22,276,765
Current Liabilities			
Trade & Other Payables	10	638,304	760,215
Current liabilities	11	173,865	87,522
Provisions	12	129,376	112,663
Cash & Cash Equivalents	13	130,457	1,004,934
		1,072,002	1,965,334
Non Current Liabilities			
Term Loans	14	22,000,000	22,000,000
Deferred Taxation	15	5,343,424	2,887,604
		27,343,424	24,887,604
Total Equity & Liabilities		**61,986,831**	49,129,703
Represented by:			
Current assets			
Trade & Other Receivables	16	926,112	483,299
Hedge Derivative	17	279,469	652,534
		1,205,581	1,135,833
Non Current Assets			
Property, Plant & Equipment	18	59,470,955	46,367,447
Investments	19	1,030,180	1,245,988
Deferred taxation	15	280,115	380,435
		60,781,250	**47,993,870**
Total Assets		**61,986,831**	**49,129,703**

For and on behalf of the directors.

R F Walls
Chairman
22 August 2008

S J McLauchlan
Director

This statement is to be read in conjunction with the notes on pages 14 to 29

statement of cashflows

For the year-ended 30 June

	Notes	2008	2007
Cash flow from operating activities			
Cash was provided from:			
Receipts from customers		7,434,701	7,106,174
Interest received		-	38,594
Dividend received		787	-
Income tax refund		-	423,062
Cash was applied to:			
Payments to suppliers		2,437,393	3,085,600
Payments to employees		1,176,094	-
Interest paid		1,861,627	1,765,823
Net cash flows from operating activities	22	**1,960,374**	2,716,407
Cash flows from investing activities			
Cash was provided from			
Sale of assets		15,111	1,610
Cash was applied to:			
Purchase of shares		8,813	-
Purchase of assets		1,092,195	4,318,614
Net cash flows from investing activities		**(1,085,897)**	(4,317,004)
Cash flows from financing activities			
Cash was provided from			
Loans advanced		-	1,760,000
Cash was applied to:			
Dividends paid		-	335,000
Net cash flows from financing activities		**-**	1,425,000
Net increase/(decrease) in cash held		874,477	(175,597)
Plus opening cash brought forward		**(1,004,934)**	(829,337)
Cash & Cash Equivalents held 30 June	**13**	**(130,457)**	(1,004,934)

This statement is to be read in conjunction with the notes on pages 14 to 29

notes to financial statements

For the year-ended 30 June 2008

1. ESTABLISHMENT

Dunedin Airport Limited, a public company, was established under the Airport Authorities Act 1966 and incorporated on 30 September 1988. The Company changed its name to Dunedin International Airport Limited on 22 December 1999.

The Company purchased assets from the Dunedin Airport Authority on 1 November 1989 and commenced trading 1 November 1989.

2. REPORTING ENTITY

The financial statements presented here are for the reporting entity Dunedin International Airport Limited (the Company).

Dunedin International Airport Limited was established under the Airport Authorities Act 1966 and incorporated in New Zealand under the Companies Act 1993.

The registered address of the Company is Terminal Building, Dunedin International Airport, Momona, Dunedin.

The financial statements have been prepared in accordance with the requirements of the Companies Act 1993 and the Financial Reporting Act 1993.

These financial statements are presented in New Zealand dollars because that is the currency of the primary economic environment in which the Company operates. The financial statements are rounded to the nearest dollar.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared in accordance with NZ Generally Accepted Accounting Practice. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). They comply with New Zealand Equivalents to IFRSs (NZ IFRS), and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments.

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

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and GST.

Revenue from services rendered is recognised when it is probable that the economic benefits associated with the transaction will flow to the entity. The stage of completion at balance date is assessed based on the value of services performed to date as a percentage of the total services to be performed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Leasing
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Company as Lessor
Amounts due from lessees under finance leases are recorded as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging a lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Company as Lessee
Assets held under finance leases are recognised as assets of the Company at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Foreign Currencies
The financial statements are presented in the currency of the primary economic environment in which the Company operates (its functional currency). For the purpose of the financial statements the results and financial position of the Company are expressed in New Zealand dollars, which is the functional currency of the Company.

Transactions in currencies other than New Zealand dollars are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. The Company does not hold non-monetary assets and liabilities denominated in foreign currencies.

In order to hedge its exposure to certain foreign exchange risks, the Company may enter into forward contracts and options (see below for details of the Company's accounting policies in respect of such derivative financial instruments).

Borrowing Costs
All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Employee Entitlements
Entitlements to salary and wages and annual leave are recognised when they accrue to employees. This includes the estimated liability for salaries and wages and annual leave as a result of services rendered by employees up to balance date at appropriate rates of pay.

Payments made to a defined contribution retirement benefit scheme are dealt with as an expense when they fall due.

Taxation
The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Property, Plant and Equipment
Property, Plant and Equipment are those assets held by the Company for the purpose of carrying on its business activities on an ongoing basis.

Land and buildings are stated in the balance sheet at their revalued amounts, being the fair value at the date of revaluation, less any accumulated depreciation and subsequent impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the balance sheet date.

Any revaluation increase is credited in equity to the properties revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in the carrying amount arising on the revaluation is charged to profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Plant and Equipment are stated at cost less any subsequent accumulated depreciation and any accumulated impairment losses.

Self-constructed assets include the direct cost of construction to the extent that they relate to bringing the Property, Plant and Equipment to the location and condition for their intended service.

Depreciation is charged so as to write off the cost of assets, other than land and capital work in progress, on the straight-line basis. Rates used have been calculated to allocate the asset's cost less estimated residual value over their estimated remaining useful lives.

Depreciation of capital work in progress commences when the assets are ready for their intended use.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation rates and methods used are as follows:

	Rate	*Method*
Runway, apron and taxiway	3% - 6.66%	SL
Buildings	1% - 33.3%	SL
Machinery & plant	10% - 12.5%	DV
Motor Vehicles	20% - 25%	DV
Fixtures, fittings, office and computer equipment	20% - 40%	DV

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is derocognised.

At transition date the carrying value of the land, runway, apron, taxiway, rental housing and buildings were transferred at deemed cost in accordance with NZ IFRS 1. Amounts in the revaluation reserve were transferred to retained earnings on transition.

Impairment of assets

At each balance sheet date, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Financial Instruments
Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Receivables
Receivables are stated at cost less any allowances for estimated irrecoverable amounts.
Loans and other receivables

Loans and other receivables are financial instruments that are measured at amortised cost using the effective interest method. This type of financial instrument includes cash and bank balances, and demand deposits.

Investments

Investments are recognised and derecognised on a trade date where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at cost, including directly attributable transaction costs.

Investments in equity securities
Investments in equity securities are designated as financial assets at fair value through profit or loss. Any resultant gains or losses are recognised in the income statement.

Financial Liability and Equity
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Payables
Payables are stated at cost.

Term Loans
Term loans are initially recorded at fair value net of directly attributable transaction costs and are measured at subsequent reporting dates at amortised cost. Finance charges, premiums payable on settlement or redemption and direct costs are accounted for on an accrual basis to the Income Statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Equity Instruments
Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments and hedge accounting

The Company's activities expose it primarily to the financial risks of changes in interest rates resulting in variation of cash flows on floating rate debt. The Company uses interest rate swaps to hedge these exposures.

The Company does not use derivative financial instruments for speculative purposes. However, derivatives that do not qualify for hedge accounting, under the specific NZ IFRS rules, are accounted for as trading instruments.

The use of financial derivatives of the Company is governed by the interest rate hedge accounting policy approved by the Board of directors. The policies provide written principles on the use of financial derivatives.

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition derivative financial instruments are remeasured to fair value.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in the Income Statement. For a cash flow hedge amounts deferred in equity are recognised in the Income Statement in the same period in which the hedged item affects net profit or loss.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the Income Statement as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the Income Statement for the period.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value with unrealised gains or losses reported in the Income Statement.

Provisions
A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the directors' best estimate of the expenditures required to settle the obligation at the Balance Sheet date, and are discounted to present value when the effect is material

4. AUDIT FEES

	Notes	2008	2007
Audit Fees		13,092	11,061
Fees paid to auditors for other assurance related assignments		2,275	2,200
		15,367	13,261
Fees for human resource services		3,645	1,127
		19,012	14,388

5. TAXATION PROVISION

(a) **Income tax**

	2008	2007
Operating surplus/(deficit) before income tax	(328,459)	159,208
Taxation @ 33%	(108,391)	52,539
Plus / (Less) the tax effect of differences		
Revenue not liable for taxation	74,125	(17,342)
Expenditure not deductible for taxation	10,574	13,343
Under / (over) tax provision in prior years	12,793	19,808
Tax effect of differences	97,492	15,809
Tax expense	**(10,899)**	68,348
Effective tax rate	3.3%	43%
Represented by		
Deferred tax provision	(23,692)	48,540
Under / (over) tax provision in prior years	12,793	19,808
Income tax	**(10,899)**	68,348

(b) Deferred tax adjustment to reflect change in tax rates 2008 $(6,676), 2007 $(233,987)

(c) The Company has tax losses to carry forward of $812,339. This has been recognised as a deferred tax asset of $243,702 (note 15).

(d) Imputation Credit Account

	2008	2007
Balance available at beginning of the year	2,454,001	2,826,920
Taxation payments made / (refunds received)	-	(207,919)
Credits attached to dividends paid	-	(165,000)
Balance at end of the year	2,454,001	2,454,001

6. EQUITY – SHARE CAPITAL

Issued Capital

	2008	2007
8,800,000 ordinary shares	8,800,000	8,800,000

All shares have equal voting rights and share equally in dividends and any surplus on winding up.

7. RESERVES

A) Hedging Reserve

Balance at beginning of year	451,357	78,290
Net revaluations	(373,065)	535,675
Deferred tax arising on hedges	117,336	(176,767)
Effect of change in tax rate	-	14,159
Balance at 30 June	**195,628**	451,357

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of the cash flow hedging instruments relating to interest payments that have not yet occurred.

B) Revaluation Reserve

Balance at beginning of year	-	-
Property revaluations	11,874,605	-
Balance at 30 June	**11,874,605**	-

The properties revaluation reserve arises on the revaluation of land and buildings. Where revalued land or buildings are sold, the portion of the properties revaluation reserve that relates to that asset, and is effectively realised, is transferred directly to retained profits.

8. DIVIDENDS

	2008	2007
Final Dividend	-	335,000
	-	335,000
Dividends Per Share	-	3.8 cents

9. RETAINED EARNINGS

Balance at beginning of year	13,025,408	13,035,561
Net profits for the year	(324,236)	324,847
Dividend distributions	-	(335,000)
Balance at 30 June	**12,701,172**	13,025,408

10. TRADE & OTHER PAYABLES

Trade payables	606,121	537,724
Accruals	32,183	222,491
	638,304	760,215

The amounts due to customers under construction contracts at 30 June 2008 was $387,065 (2007: $390,679).

11. OTHER LIABILITIES

	2008	2007
Current Liabilities		
GST payable	60,677	48,689
Other current liabilities	113,188	38,833
	173,865	87,522

12. PROVISIONS

Annual Leave		
Balance at the beginning of the year	112,663	98,301
Amounts used	(89,216)	(68,324)
Amount accrued	105,929	82,686
Balance at the end of the year	**129,376**	112,663

Annual leave related staff leave not yet taken and is expected to be used in the next 12-18 months.

13. CASH & BANK OVERDRAFT

Cash floats	1,000	1,000
Westpac cheque account	48,543	64,066
Short term advance	(180,000)	(1,070,000)
	(130,457)	(1,004,934)

Cash and short-term advances comprise cash held by the group and short-term bank advances with a maturity of three months or less. The carrying amount of these assets approximates their fair value. Short term advances are drawn at call advance rates.

14. TERM BORROWINGS (Secured)

Wholesale term loan	**22,000,000**	22,000,000

Westpac has provided a Wholesale Term Loan of $22 million and multi option credit line facility of $3.0 million, both have a maturity date of 31 December 2009. The Westpac Banking Corporation holds as security for the advances a first mortgage over the property of the Company and a negative pledge over all other assets. The company uses interest rate swaps to manage its exposure to interest rate movements. These are detailed in note 17.

15. DEFERRED TAX

(a) 2008

	Opening Balance	Charged to Equity	Charged to Income	Assets	Closing Balance Sheet Liabilities	Net
Property, plant and equipment	(2,686,427)	(2,677,697)	104,541	-	(5,259,583)	(5,259,583)
Employee benefits	33,880	-	2,533	36,413	-	36,413
Losses carried forward	346,555	-	(102,853)	243,702	-	243,702
Revaluations of interest rate swaps at 33c	(59,586)	59,586	-	-	-	-
Revaluations of interest rate swaps at 30c	(141,591)	57,750	-	-	(83,841)	(83,841)
Balance at 30 June 2008	**(2,507,169)**	**(2,560,361)**	**4,221**	**280,115**	**(5,343,424)**	**(5,063,309)**

(a) 2007

	Opening Balance	Charged to Equity	Charged to Income	Assets	Closing Balance Sheet Liabilities	Net
Property, plant and equipment	(2,658,135)	-	(28,292)	-	(2,686,427)	(2,686,427)
Employee benefits	29,358	-	4,522	33,880	-	33,880
Losses carried forward	-	-	346,555	346,555	-	346,555
Revaluations of interest rate swaps at 33c	(38,562)	(21,024)	-	-	(59,586)	(59,586)
Revaluations of interest rate swaps at 30c	-	(141,591)	-	-	(141,591)	(141,591)
Balance at 30 June 2007	(2,667,339)	(162,615)	322,785	380,435	(2,887,604)	(2,507,169)

16. TRADE & OTHER RECEIVABLES

	2008	2007
Trade receivables	**926,112**	483,299

The directors consider that the carrying amount of the trade receivables approximates their fair value. Debtors overdue by 30 days or more at 30 June 2008 were $67,447, 7.3% of trade receivables (2007, $94,640, 19.6%).

17. FINANCIAL RISK MANAGEMENT

a) Financial Risk Factors

The Company's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by DIAL management and advice from Dunedin City Treasury under policies approved by the Board of Directors. DIAL management identifies, evaluates and hedges financial risks in close co-operation with Dunedin City Treasury. The Board provides written principles for overall risk management, as well as written policies covering specific areas such as interest rate risk, credit risk and use of derivative financial instruments.

b) Interest Rate Risk	2008	2007
Interest rate swaps	**279,469**	652,534

The Company uses interest rate swaps to manage its exposure to interest rate movements on its multi option facility borrowings by swapping a proportion of those borrowings from floating rates to fixed rates. The interest rate agreements are held with Westpac.

The company treasury policy recommends that the levels of the fixed interest hedge should be limited to a series of ranges set within set debt time periods.

0 to 1 year	Between 70% to 90% of expected debt
1 to 2 years	Between 50% to 70% of expected debt
2 to 3 years	Between 40% to 50% of expected debt

The notional principal outstanding with regard to the interest rate swap is:

Effective interest rate		2008	2007
Maturing less than 1 year	6.52%	-	5,000,000
Maturing between 1 and 5 years	6.86%	17,000,000	8,000,000
Maturing after 5 years	6.27%	-	5,000,000
		17,000,0000	18,000,000

c) Liquidity Risk

Liquidity risk represents the ability of the company to meet its contractual obligations. The Company evaluates its liquidity requirements on an ongoing basis and actively manages its liquidity risk through

- Arrangement of appropriate backup facilities to the short term borrowing programmes
- Managing a prudent balance of both short and long term borrowing programmes
- Regular review of projected cash flows and debt requirements

In general the Company generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has credit lines in place to cover potential shortfalls.

The maturity profile and effective interest rates of the Company's term borrowings are set out in note 14. The maturity profiles of the Company's financial assets, with the exception of equity investments is as follows:

2008				
	Maturity date 1 year or less	Maturity date more than 1 year and less than or equal to 5 years	Maturity date over 5 years	TOTAL
Financial Assets				
Trade & Other Receivables	926,112	-	-	926,112
Derivative Financial Instruments	89,440	208,049	(18,020)	279,469
	1,015,552	208,049	(18,020)	1,205,581

2008				
	Maturity date 1 year or less	Maturity date more than 1 year and less than or equal to 5 years	Maturity date over 5 years	TOTAL
Financial Liabilities				
Trade & Other Payables	941,545	-	-	941,545
Term Debt	-	22,000,000	-	22,000,000
Cash & Cash Equivalents	130,457	-	-	130,457
	1,072,002	22,000,000	-	23,072,002

2007	Maturity date 1 year or less	Maturity date more than 1 year and less than or equal to 5 years	Maturity date over 5 years	TOTAL
Financial Assets				
Trade & Other Receivables	483,299	-	-	483,299
Derivative Financial Instruments	88,041	439,430	125,063	652,534
	571,340	439,430	125,063	1,135,833

2007	Maturity date 1 year or less	Maturity date more than 1 year and less than or equal to 5 years	Maturity date over 5 years	TOTAL
Financial Liabilities				
Trade & Other Payables	960,400	-	-	960,400
Term Debt	-	22,000,000	-	22,000,000
Cash & Cash Equivalents	1,004,934	-	-	1,004,934
	1,965,334	22,000,000	-	23,965,334

d) Credit Risk
Financial instruments which potentially subject the Company to credit risk principally consist of bank balances and accounts receivable. No collateral is held on such items.

Maximum exposures to credit risk is the amount stated in the financial statements and are net of any recognised provision for losses on these financial instruments. No collateral is held on these amounts.

Concentrations of Credit Risk
88.3% of trade debtors are due from four customers. These receivables are considered to be fully recoverable, see note 16.

The Company is not exposed to any other concentrations of credit risk.

e) Price Risk
The Company is exposed to price risk with respect to landing charges. The current landing charges schedule has been in place since 1 January 2001 and was due for review on 1 June 2006. Consultation will commence with the airlines to review these charges within the next 12 months. An increase in landing charges would bring the following increases in revenue with everything else being held constant.

% Increase	Revenue Increase
1%	26,000
2%	52,000
3%	78,000

f) Cash Flow Interest Rate Risk
The Company's exposure to cash flow risk through changes in the market interest rates relates primarily to the Company's long term debt obligations with a floating interest rate. The level of debt is disclosed in note (14).

The Company's policy is to manage its interest cost using a mix of fixed and variable rate debt. To manage this mix in a cost efficient manner, the Company enters into interest rate swaps, in which the Company agree to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. At 30 June 2008, after taking into account the effect of interest rate swaps, approximately 77% of the Company's borrowings are at a fixed rate of interest (2007 59%).

At 30 June 2008 the Company had $5 million of borrowings unhedged. Should interest rates increase/(decrease) by 1% with everything else being held constant the effect on the tax paid profit would be $35,000/($35,000).

g) Capital Management Strategy
The Company manages its capital to ensure that entities in the Company will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Company monitors capital on the basis of the equity ratio. This ratio is calculated as shareholders funds divided by total assets. The Board considers an equity ratio in excess of 50% would be appropriate for the Company. At 30 June 2008 this ratio was 54.2% (2007 45.3%).

h) Categories of Financial Assets and Financial Liabilities

Financial Assets	**2008**	**2007**
Fair Value Through Profit or Loss (FVTPL)	-	-
Designated as at FVTPL – Shares	1,030,180	1,245,988
Derivative Financial Instruments in Hedge Accounting Relationships	279,469	652,534
Loans and Receivables	926,112	483,299
Total Financial Assets	2,235,761	2,381,821
Non-Financial Assets	59,751,070	46,747,882
Total Assets	61,986,831	49,129,703
Financial Liabilities		
Loans and Receivables Designated at at FVTPL	22,941,545	22,960,400
Amortised Cost (Including Cash & Cash Equivalents)	130,457	1,004,934
Total Financial Liabilities	23,072,002	23,965,334
Non-Financial Liabilities	5,343,424	2,887,604
Total Liabilities	28,415,426	26,852,938

i) Leases
The Company has various operating leases with tenants at the airport. Minimum lease receivables under non-cancellable operating leases are as follows:

Under 1 year	$114,133
1 to 5 years	$337,036
Over 5 years	$121,775

j) The carrying amount of assets and liabilities equates to their fair value.

18. PROPERTY, PLANT & EQUIPMENT

(a) 2008

	Land	Runway, Apron, Taxiway	Buildings	Plant & Equipment	Office Equipment	Motor Vehicles	Total
Cost or Valuation							
Balance at beginning of period	7,078,254	12,838,653	16,080,755	16,246,034	167,548	665,673	53,076,917
Purchases	19,236	208,280	486,452	328,786	5,698	40,133	1,088,585
Revaluation	3,684,168	4,704,347	2,572,068	688,578	-	-	11,649,161
Sales	-	-	(84,881)	(191,561)	(75,590)	(35,672)	(387,704)
Balance at end of period	10,781,658	17,751,280	19,054,394	17,071,837	97,656	670,134	65,426,959
Accumulated Depreciation							
Balance at beginning of period	338,140	2,361,609	1,289,109	2,215,322	109,203	396,087	6,709,470
Depreciation	41,683	763,943	391,023	1,202,132	20,800	31,319	2,450,900
Revaluation	(153,648)	(2,361,609)	(218,925)	(168,960)	-	-	(2,903,142)
Sales	-	-	(10,727)	(183,317)	(71,508)	(35,672)	(301,224)
	226,175	763,943	1,450,480	3,065,177	58,495	391,734	5,956,004
Balance at end of period	10,555,483	16,987,337	17,603,914	14,006,660	39,161	278,400	59,470,955

(b) 2007

	Land	Runway, Apron, Taxiway	Buildings	Plant & Equipment	Office Equipment	Motor Vehicles	Total
Cost or Valuation							
Balance at beginning of period	11,018,532	9,505,025	15,658,059	13,254,695	152,873	462,989	50,052,173
Purchases	372,008	35,135	-	2,443,479	43,010	178,888	3,072,520
Sales	-	-	-	(23,624)	(67,222)	-	(90,846)
Balance at end of period	11,390,540	9,540,160	15,658,059	15,674,550	128,661	641,877	53,033,847
Accumulated Depreciation							
Balance at beginning of period	370,947	1,753,089	957,155	1,085,990	107,567	340,743	4,615,491
Depreciation	133,540	608,520	372,426	967,404	16,479	34,033	2,132,402
Sales	-	-	-	(16,456)	(65,037)	-	(81,493)
	504,487	2,361,609	1,329,581	2,036,938	59,009	374,776	6,666,400
Balance at end of period	10,886,053	7,178,551	14,328,478	13,637,612	69,652	267,101	46,367,447

(c) Land, buildings and airside pavements were revalued at 1 July 2007 by an independent registered valuer, Telfer Young (Canterbury) Limited. The total fair value of these assets at 1 July 2007, the effective date of the revaluation, was $60,266,000. Land was valued by reference to market sales, market comparison and investment valuation. Buildings were valued by using the Optimised Depreciated Replacement Cost (O.D.R.C.) methodology. The specialised assets being runway, taxiways, aprons and infrastructure assets were valued using the Optimised Depreciated Replacement Cost (O.D.R.C.) methodology

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	2008	2007

19. INVESTMENTS

Non-current investments		
Shares at market value in farmer cooperative Companies involved with dairy farm companies	1,030,180	1,245,988

Of this sum $1,015,740 (2007, $1,229,404) is represented by shares in Fonterra Co-operative Group. These shares are required to be held by the Company based on production and can only be realised when production reduces or the Company ceases dairying operations.

20. CONTINGENT LIABILITIES

There were no other contingent liabilities outstanding at 30 June 2008 (2007 nil)

21. CAPITAL COMMITMENTS

Capital expenditure not provided for in the accounts at 30 June 2008 was $124,824 (2007 nil).

22. RECONCILIATION OF NET SURPLUS FOR THE YEAR TO CASHFLOWS FROM OPERATING ACTIVITIES

	2008	2007
Net surplus (deficit) for the year	(324,236)	324,847
Items not involving cashflows		
Depreciation	2,450,901	2,132,402
Net loss on disposal of property, plant & equipment	71,369	7,744
Increase in value of investments	224,622	(52,550)
Deferred taxation	(4,223)	(160,170)
Deferred tax expense direct to equity	-	(162,611)
Impact of changes in working capital items		
(Increase) / Decrease in trade and other receivables	(442,815)	181,208
Increase / (Decrease) in trade and other payables	(18,855)	(1,380,762)
Less items classified as investing	3,611	1,246,091
Increase/(Decrease) in provision for taxation	-	580,208
Net cash inflows from operating activities	1,960,374	2,716,407

23. JUDGEMENTS AND ESTIMATES

The Company used the following judgements in preparing the financial statements:
The tax losses carried forward as a deferred tax asset will be utilised in the future when the Company makes a taxable profit. This deferred tax asset of $243,702 is likely to be realised beyond 30 June 2008 as the Company is forecasting operating surpluses within the next 5 years.

24. FINANCIAL REPORTING STANDARDS

The following financial Reporting Standards have been issued but are not yet effective and have not been adopted in the preparation of the financial statements:

NZ IAS1	Presentation of Financial Statements
NZ IFRS4	Insurance Contracts
NZ IFRS8	Operating Segments
NZ IAS23	Borrowing Costs

The impact of these standards when they are adopted are not expected to have a material impact on the financial statements.

25. RELATED PARTY TRANSACTIONS

(a) The shareholders of the Company are The Crown and Dunedin City Holdings Limited, which is wholly owned by the Dunedin City Council. Each owns 50%.

The Company undertakes many transactions with State Owned Enterprises, Government Departments and Dunedin City Council Controlled enterprises. These are carried out on an arm's length commercial basis. Businesses in which directors have a substantial interest and which provided services/supplies to the Company on an arm's length commercial basis during the year were:

Dunedin City Council (R F Walls – elected member) – rates and services
Galloway Cook Allan (Kathy Grant – associate) – legal services

(b) Transactions with entities in which directors have an interest with details of purchases for the year and balances owing at 30 June being as follows:

	Annual Purchases		Owing at 30 June	
	2008	2007	2008	2007
Dunedin City Council (R Walls – councillor)	202,533	197,690	-	-
Galloway Cook Allan (K Grant – associate)	38,095	36,378	367	2,400

(c) Compensation of key management personnel:

The remuneration of directors and other members of key management during the year was:

	2008	2007
Short-term benefits	537,600	517,000

The remuneration of directors is agreed annually, after consultation with the shareholders, and approved at the Company's annual meeting.

The remuneration of the Chief Executive is determined by the Board and the remuneration of key management personnel is determined by the Chief Executive having regard to the performance of individuals and market trends.

26. EVENTS AFTER BALANCE SHEET DATE

There were no significant events after balance sheet date.

Shareholder Information

INTERESTS REGISTER

The following are particulars of general disclosures of interest given by the Company directors and key management personnel pursuant to section 140(2) of the Companies Act 1993

RICHARD WALLS

Dunedin City Council	Elected Member
Forever Fashion Ltd. (50% shareholder)	Director
The Aramoana Relief Trust Inc.	Chairman
The Otago Cricket Trust Inc.	Trustee

KATHY GRANT

Gallaway Cook Allan	Associate
Sport Otago	Board Member
University of Otago	Councillor

STUART MCLAUCHLAN

A D Instruments Pty Ltd.	Director
Aurora Ltd.	Director
Cargill Holdings 2002 Ltd.	Director
Citi Bus Ltd.	Director
City Forests Ltd.	Director
Delta Ltd.	Director
Dunedin Casinos Ltd.	Director
Dunedin City Holdings Ltd.	Director
G S McLauchlan & Co.	Partner
Highlanders Rugby Trust Ltd.	Chairman
Lund South Ltd.	Director
New Zealand Sports Hall of Fame	Board of Governors
Scenic Circle Hotels Ltd.	Director
Scott Technology Ltd.	Chairman
University of Otago	Councillor

GEOFFREY THOMAS

Anderson Lloyd Trustee Company Ltd.	Director
Dunedin Casinos Ltd.	Director
Drivers Road Trust Company Ltd.	Director
Fund Managers Canterbury Ltd.	Director
Fund Managers Holdings Ltd.	Director
Larnach Castle Ltd.	Director
Principals Advice & Support Ltd.	Director
Taieri Industrial Rental Investments Ltd.	Director
The Street NZ Ltd.	Director
Upstart Incubator	Director

JOHN MCCALL

Taieri Gorge Railway Ltd	Director
Tourism Dunedin	Trustee

Directors' Interests in Contracts
Details of contracts involving directors' interests entered into during the year ended 30 June 2008 are provided in Note 25 to the Financial Statements. All transactions were conducted on an arms' length commercial basis.

Directors' Insurance

In accordance with section 162 of the Companies Act 1993 and the Constitution, Dunedin International Airport Limited has arranged policies of Directors' Liability Insurance which, together with a deed of indemnity, ensure that the directors incur no monetary loss as a result of actions undertaken by them as directors, provided that they operate within the law.

Principal Activities of the Company

The Company's principal activity is the operation of Dunedin International Airport. Areas of land adjacent to the airport held for possible expansion purposes are dairy farmed in partnership with a sharemilker. The Company also owns a small residential housing estate on land adjoining the airfield to the north.

State of Affairs

The directors note that the financial position of the Company remains sound and the state of the Company's affairs is satisfactory.

Remuneration of the Directors

The directors of Dunedin International Airport Limited and their remuneration for the year ended 30 June 2008 are as follows:

Director	Qualification	Responsibilities	Remuneration
Richard F Walls	QSO, JP, F Inst D	Chairman	$21,375
Stuart J McLauchlan	BCom, CA(PP), AF Inst D	Non-Executive Director	$14,875
Lindsay J Brown	BCom	Non-Executive Director (retired 31 December 2007)	$6,750
Geoffrey R Thomas	LLB	Non-Executive Director	$14,875
Kathy Grant	BA, LLB, Dip Law	Non-Executive Director (appointed 1 January 2008)	$7,667

Mr S J McLauchlan retires by rotation in accordance with the Constitution of the Company and, being eligible, offers himself for re-election.

Directors' Benefits

No director of Dunedin International Airport Limited has, since the end of the previous financial year, received or become entitled to receive a benefit other than a benefit included in the total remuneration received or due and receivable by the directors shown in the financial statements. There were no notices from directors of the Company requesting to use company information received in their capacity as directors which would not otherwise have been available to them.

Employee Remuneration

The number of employees whose remuneration and benefits are within specified bands are as follows:

Remuneration Range	No. Employees
$120,000-$130,000	2
$210,000- $220,000	1

The directors are not aware of any other matters or circumstances since the end of the financial year not otherwise dealt with in this report or the Company's financial statements that has significantly or may significantly affect the operation of Dunedin International Airport Limited, the results of those operations or the state of affairs of the Company.

For and on behalf of the directors:

R F Walls
Chairman
22 August 2008

S J McLauchlan
Director

PolsonHiggs
BUSINESS ADVISORS

AUDIT REPORT
TO THE READERS OF
DUNEDIN INTERNATIONAL AIRPORT LIMITED'S
FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION
FOR THE YEAR ENDED 30 JUNE 2008

The Auditor-General is the auditor of Dunedin International Airport Limited (the company). The Auditor-General has appointed me, Graham William Crombie, using the staff and resources of Polson Higgs, to carry out the audit of the financial statements and performance information of the company, on his behalf, for the year ended 30 June 2008.

Unqualified Opinion

In our opinion:

- The financial statements of the company on pages 10 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 2008; and
    - the results of its operations and cash flows for the year ended on that date.
- The performance information of the company on pages 8 to 9 gives a true and fair view of the achievements measured against the performance targets adopted for the year ended 30 June 2008.
- Based on our examination the company kept proper accounting records.

The audit was completed on 22 August 2008, and is the date at which our opinion is expressed.

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

Basis of Opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed our audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements and performance information did not have material misstatements, whether caused by fraud or error.

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

Our audit involved performing procedures to test the information presented in the financial statements and performance information. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Board of Directors;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement and performance information disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and performance information.

We evaluated the overall adequacy of the presentation of information in the financial statements and performance information. We obtained all the information and explanations we required to support our opinion above.

Responsibilities of the Board of Directors and the Auditor

The Board of Directors is responsible for preparing the financial statements in accordance with generally accepted accounting practice in New Zealand. The financial statements must give a true and fair view of the financial position of the company as at 30 June 2008 and the results of its operations and cash flows for the year ended on that date. The Board of Directors is also responsible for preparing performance information that gives a true and fair view of the service performance achievements for the year ended 30 June 2008. The Board of Directors' responsibilities arise from the Local Government Act 2002 and the Financial Reporting Act 1993.

We are responsible for expressing an independent opinion on the financial statements and performance information and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 70 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 Institute of Chartered Accountants of New Zealand.

In addition to the audit we have carried out assignments in the area of human resources, which are compatible with those independence requirements. Other than the audit and these assignments, we have no relationship with or interest in the Airport.

Polson Higgs

Graham William Crombie,
Polson Higgs
On behalf of the Auditor-General,
Dunedin, New Zealand

Matters Relating to the Electronic Presentation of the Audited Financial Statements and Performance information

This audit report relates to the financial statements and performance information of Dunedin International Airport Limited for the year ended 30 June 2008 included on the Dunedin International Airport Limited's website. The Dunedin International Airport Limited's Board of Directors is responsible for the maintenance and integrity of the Dunedin International Airport Limited's website. We have not been engaged to report on the integrity of the Dunedin International Airport Limited's website. We accept no responsibility for any changes that may have occurred to the financial statements and performance information since they were initially presented on the website.

The audit report refers only to the financial statements and performance information named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements and performance information. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and performance information and related audit report dated 22 August 2008 to confirm the information included in the audited financial statements and performance information presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.