

# Dunedin International Airport Limited

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## INTERIM REPORT

for the six months ended 31 December 2011

# DUNEDIN INTERNATIONAL AIRPORT LIMITED

## COMPANY PARTICULARS

### DIRECTORS

S J McLauchlan, BCom, FCA(PP), AF Inst D  
(Chairman & Audit Committee Chairman)  
K E Grant, BA, LLB, Dip Law  
G R Thomas, LLB, AF Inst D (Audit CommitteeMember)

### CHIEF EXECUTIVE

F J McCall, AFNZIM, M Inst D

### BUSINESS MANAGER

P Ford, B Com, CA

### OPERATIONS MANAGER

R Roberts, B Eng (Hons)

### REGISTERED OFFICE

Terminal Building, Dunedin International Airport, Momona, Dunedin

**Postal** Private Bag 1922, Dunedin

**Telephone** 03 486-2879

**Facsimile** 03 486-2813

**E-mail** admin@dnairport.co.nz

**Website** [www.flydunedin.com](http://www.flydunedin.com)

### BANKERS

Westpac, 101 George Street, Dunedin

### SOLICITORS

Gallaway Cook Allan, 276 Princes Street, Dunedin

### AUDITORS

Michael Peter Rondel of Polson Higgs & Co  
on behalf of the Auditor-General

**DUNEDIN INTERNATIONAL AIRPORT LIMITED**  
**CHAIRMAN'S REPORT**  
**For the six months ended 31 December 2011**

It is pleasing to report the unaudited operating surplus after tax of \$493,156, compared to the budgeted surplus of \$137,233. New revenues and prudent control of expenses both contributed to this result.

The six months was a most interesting period for the company with both new opportunities and challenges to normal business contributing to the results. New opportunities came from the commencement of Jetstar services between Auckland and Dunedin in July 2011 and the Rugby World Cup matches played both in Dunedin and Invercargill. These opportunities were countered with the on-going impact of the Christchurch earthquakes on both business and leisure traffic between Dunedin and Christchurch and the negative impact on the South Island international visitor market. There was also reluctance for locals to take domestic and international flights during the Rugby World Cup, preferring to stay at home and enjoy the event. It is encouraging to report total domestic passengers up 8.4%, however total international passengers were down 3.5%. While this reduction in international passengers is disappointing, a positive trend, and of significance to Dunedin and the region, is the increasing number of Australian and other overseas residents arriving or departing from the airport. For the year ended 30 September 2011, they were 50% of the total number of international passengers, up 11.6% on the previous year.

Aeronautical income was 10.2% above budget for the six months due to a 6.4% increase in the number of domestic services, a 6.7% increase in international services and one month of increased landing charges.

Non-aeronautical income was 5.5% above budget, with increases in Terminal Rentals, Dairy Farm and Carpark revenues being the main contributors.

Our website [www.flydunedin.com](http://www.flydunedin.com) continues to attract an increasing number of 'hits' and is an important part of our marketing initiatives as well as a source of information for passengers and others. This was particularly evident leading up to and during the Rugby World Cup.

The period also saw the continuation of the 'Artist in the Terminal'. This initiative sets out to deliver an enhanced and multi-dimensional experience to travellers and visitors when in our terminal and is proving to be well received by terminal users. Local artists are selected to exhibit their works for a set period and the exhibition space is now fully booked for more than a year ahead.

- Total passenger movements of 436,578 compares to 406,567 for the same period in 2010, an increase of 7.4%. Domestic passenger movements increased to 402,561 from 371,299, up 8.4%, however international passenger movements decreased to 34,017 from 35,268, down 3.5%.
- Gross revenue of \$4,791,134 compares to \$4,333,428 for the same period in 2010, an increase of 10.6%.
- Aeronautical revenue of \$1,701,219 compared to \$1,366,351, an increase of 24.5% on last year reflecting the commencement of a daily Jetstar return service between Auckland and Dunedin in mid July 2011.

- Non-aeronautical revenue of \$3,089,915 compares to \$2,967,077, an increase of 4.1% on last year derived from international departure fees/passenger charges, concessionaires, property, car parking and dairy farming.
- Expenditure for the six months of \$4,106,195 compares to \$4,238,255, a decrease of 3.1%.
- The operating surplus of \$493,156 after taxation compares to an operating deficit of \$14,171 for the same period in 2010.
- The financial statements have been prepared in accordance with New Zealand equivalents to International Financial Reporting Standards (NZIFRS) and International Financial Reporting Standards (IRFS).

## **Developments**

During the period we entered into consultation with the airlines to review landing charges, which had remained unchanged since January 2001. Following a comprehensive disclosure of information to the airlines and consideration of their feedback we implemented increased charges from 1 December 2011.

From November 2011 all trans-Tasman services were operated by Air New Zealand and Pacific Blue under the alliance/code-share approved arrangement between the airlines. All services use Pacific Blue aircraft. In December 2011 Pacific Blue was rebranded to Virgin Australia. Year round services continue to operate on the Dunedin/Brisbane route and seasonal services over the summer holiday period were operated to Sydney and Melbourne.

The international departure fee for passengers departing on international flights direct from the airport was replaced by an arrival and departure passenger service charge from 1 August 2011. This charge is included in the airfare, collected by the airline and remitted to Dunedin International Airport Limited. Passengers now enjoy an improved airport experience as this change has eliminated two queuing phases for passengers during their departure processing.

In July 2010 a new business arrangement commenced with the Jucy Group opening its second South Island airport operation. Jucy have both cars and camper vans available for hire at the airport and we are especially pleased to now have camper vans available as part of the rental vehicle choice at the airport. This we believe will attract additional 'fly drive' visitors to our region.

The completion in November 2011 of the RESA (runway end safety area) was a significant and important aeronautical safety infrastructure project undertaken by the company in order to meet New Zealand and International regulatory requirements. To gain regulatory approval for the northern RESA a unique approach to the design was required as a key arterial road and a stock movement track both bisect the RESA.

The construction of a new herringbone milking shed, on one of the two milking platforms of the dairy farm, was commenced in December 2011. The new shed will replace a very old and inefficient shed and will contribute to increased productivity from dairy farming operations.

## **Statutory and Community Matters**

During the period under review the company has met all of its statutory responsibilities with no non-conformance or abatement notices issues against it.

The Company continues to observe its responsibilities and awareness of environmental and community related matters.

## **General**

Although an interim dividend is not being paid at this time, it is intended to pay a final dividend.

The directors are satisfied with the state of the company's affairs.

Following a period of growth post the GFC period, air transport globally is again showing signs of some retraction. At this time it is unclear how this will impact in the New Zealand and Australian markets, which are the key contributors to the company's business.

It is appropriate that we record the most unfortunate passing in late October 2011, of our long standing chairman Richard Walls. Richard was the company's inaugural chairman, a position he held for nearly twenty two years. He was an energetic and supportive chairman with a comprehensive understanding of every aspect of the business and at the time of his death, he was overseeing the writing of a book to record and celebrate the airport's 50<sup>th</sup> anniversary in May this year. The company's directors and staff pass on their sincere condolences to his wife June and all members of his family.

**Stuart MacLauchlan**  
**CHAIRMAN**

20 February 2012

**SUMMARY OF FINANCIAL RESULTS**  
for the six months to 31 December

	<b>Unaudited 6 months to 31 December 2011</b>	<b>Unaudited 6 months to 31 December 2010</b>	<b>Audited Year to 30 June 2011</b>
Operating Revenue	4,785,789	4,317,762	8,482,205
Interest & Dividend Income	5,345	15,666	23,251
Gross Revenue	4,791,134	4,333,428	8,505,456
Surplus/(Deficit) before taxation	684,940	95,173	(120,336)
Net Tax Paid Surplus/(Deficit)	493,156	(14,171)	(713,592)
 <b>Return on Shareholders Equity</b>			
<b>(annualised)</b>	<b>3.6%</b>	<b>-0.1%</b>	<b>2.5%</b>
Capital Expenditure	750,651	591,874	769,924
Dividend Paid	396,000	264,000	264,000
Net Asset backing for share	\$3.13	\$3.07	\$3.15
Proprietorship ratio	49%	47.1%	48.7%

*The accompanying notes form an integral part of these financial statements*

**STATEMENT OF COMPREHENSIVE INCOME**  
for the six months to 31 December

	Unaudited 6 months to 31 December 2011	Unaudited 6 months to 31 December 2010	Audited 12 months to 30 June 2011
Operating Revenue	4,761,042	4,317,762	8,482,205
Interest Received	458	-	-
Dividend Received	24,747	15,666	23,251
Depreciation Recovered	4,887	-	-
<b>Total Revenue</b>	<b>4,791,134</b>	<b>4,333,428</b>	<b>8,505,456</b>
Audit Fees	10,719	10,230	20,461
Directors Fees	40,145	39,500	79,000
Interest Paid – Term	743,929	788,676	1,577,772
Depreciation	1,340,733	1,274,106	2,532,843
Operating Expenses	1,970,669	2,125,743	4,175,044
Total Expenses	4,106,195	4,238,255	8,385,120
<b>Operating Surplus before Income Tax</b>	<b>684,940</b>	95,173	120,336
Income Tax	191,783	109,344	(593,256)
<b>Operating Surplus After Income Tax</b>	<b>493,156</b>	(14,171)	713,592
<b>Other Comprehensive Income:</b>			
Unrealised Gain / (Loss) on Cash Flow Hedge	(312,747)	91,733	22,358
Income Tax on Items of Other Comprehensive Income	87,569	(27,521)	(35,047)
Total Other Comprehensive Income / (Deficit)	(225,178)	64,212	(12,689)
<b>Total Comprehensive Income</b>	<b>267,978</b>	50,041	700,903

**STATEMENT OF CHANGES IN EQUITY**

Equity at the Beginning of Year	27,708,570	27,271,667	27,271,667
Comprehensive Income for period	267,978	50,041	700,903
Distributions to owners:- Final Dividend	(396,000)	(264,000)	(264,000)
<b>Closing Equity</b>	<b>27,580,548</b>	27,057,708	27,708,570

*The accompanying notes form an integral part of these financial statements*

**BALANCE SHEET**  
as at 31 December

	Unaudited at 31 December 2011	Unaudited at 31 December 2010	Audited at 30 June 2011
<b>Shareholders Equity</b>			
Share Capital	8,800,000	8,800,000	8,800,000
Hedge Reserve	(1,245,396)	(943,316)	(1,020,218)
Revaluation Reserve	7,912,223	7,912,223	7,912,223
Retained Earnings	12,113,721	11,288,801	12,016,565
	<b>27,580,548</b>	27,057,708	27,708,570
<b>Current Liabilities</b>			
Payables and Accruals	902,964	1,137,904	19,055,575
Provision for Taxation	390,186	-	-
	1,293,150	1,137,904	19,055,575
<b>Non Current Liabilities</b>			
Interest Rate Hedge Derivatives	1,729,717	1,347,594	1,416,970
Deferred Taxation	7,673,740	8,654,787	8,393,655
Term Loans	18,000,000	19,250,000	300,000
	27,403,457	29,252,381	10,110,625
<b>Total Equity &amp; Liabilities</b>	<b><u>56,277,155</u></b>	<b><u>57,447,993</u></b>	<b><u>56,874,770</u></b>
Represented by:			
<b>Current Assets</b>			
Cash & Cash Equivalents	7,202	3,946	11,077
Receivables and Prepayments	828,375	453,771	402,492
Taxation Paid	60,000	-	60,000
	895,577	457,717	473,569
<b>Non Current Assets</b>			
Fixed Assets	54,506,442	56,120,645	55,096,391
<b>Investments</b>	<b>875,136</b>	<b>869,631</b>	<b>870,867</b>
Deferred Taxation	-	-	433,943
	55,381,578	56,990,276	56,401,201
<b>Total Assets</b>	<b><u>56,277,155</u></b>	<b><u>57,447,993</u></b>	<b><u>56,874,770</u></b>

*The accompanying notes form an integral part of these financial statements*



**STATEMENT OF CASHFLOWS**  
for the six months to 31 December

	Unaudited 6 Months to 31 December 2011	Unaudited 6 Months to 31 December 2010	Audited Year to 30 June 2011
<b>Cash Flows from Operating Activities</b>			
Cash was provided from:			
Receipts from Customers	4,335,159	4,337,063	8,552,753
Interest Received	458	-	31
Dividends Received	24,747	15,666	23,252
Cash was applied to:			
Payments to Suppliers and Employees	2,173,715	2,151,592	4,378,326
Interest Paid	744,604	782,729	1,582,885
Taxation Paid	-	-	60,000
<b>Net Cash Flows from Operating Activities</b>	<b>1,442,045</b>	1,418,408	2,554,825
<b>Cash Flows from Investing Activities</b>			
Cash was provided from:			
Sale of Assets	5,000	-	-
Cash was applied to:			
Purchase of Shares	4,269	83	1,319
Purchase of Fixed Assets	750,651	591,874	769,924
<b>Net Cash Flows from Investing Activities</b>	<b>(749,920)</b>	(591,957)	(771,243)
<b>Cash Flows from Financing Activities</b>			
Cash was applied to:			
Dividend Paid	396,000	264,000	264,000
Loans Repaid	300,000	600,000	1,550,000
<b>Net Cash Flows from Financing Activities</b>	<b>(696,000)</b>	(864,000)	(1,814,000)
Net Increase/(Decrease) in Cash Held	(3,875)	(37,549)	(30,418)
Plus Opening Cash Brought Forward	11,077	41,495	41,495
<b>Closing Cash Held 31 December 2011</b>	<b>7,202</b>	3,946	11,077

*The accompanying notes form an integral part of these interim financial statements.*

# ABRIDGED NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

## 1. Accounting Policies for Dunedin International Airport Limited

### A. 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 NZ GAAP 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.

### B. Significant Accounting Policies

#### **Basis of Accounting**

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

The accounting policies are listed in full in the annual report of the company and on the company website [www.flydunedin.com](http://www.flydunedin.com).

## 2. Fixed Assets

	Cost	Accumulated Depreciation	Book Value 31/12/2011	Book Value 31/12/2010	Book Value 30/06/2011
<b>At Valuation:</b>					
Land & Improvements	8,684,571	426,122	8,258,449	12,085,600	12,078,631
Runway, Apron, Taxiway	22,244,749	3,493,107	18,751,642	15,354,929	14,965,050
Buildings	19,571,296	2,923,967	16,647,329	17,624,614	17,422,518
<b>At Cost:</b>					
Office Equipment	101,589	75,510	26,079	26,715	23,218
Vehicles	692,208	466,161	226,047	214,862	202,254
Plant & Equipment	17,994,411	7,397,515	10,596,896	10,813,925	10,404,720
<b>Total</b>	<b>69,288,824</b>	<b>14,782,382</b>	<b>54,506,442</b>	<b>56,120,645</b>	<b>55,096,391</b>

### 3. Reconciliation of Net Surplus after Taxation to Cash Flows from Operating Revenue

	<i>6 Months to 31 December 2011</i>	<i>6 Months to 31 December 2010</i>	<i>Year to 30 June 2011</i>
<b>Operating Surplus/(Deficit) after Taxation</b>	<b>267,978</b>	(14,171)	(700,903)
Items not involving Cashflows			
Depreciation	1,340,733	1,274,106	2,532,843
Deferred Taxation	(198,403)	109,343	(593,256)
Impact of changes in working capital items			
(Increase)/Decrease in Accounts Receivable	(425,883)	19,301	(70,580)
Increase/(Decrease) in Accounts Payable	(152,611)	151,230	68,901
Less items classified in investing activities	220,045	(121,401)	(225,144)
Increase/(Decrease) in Provision for Tax	390,186	-	
<hr/>			
Net Cash Flows from Operating Activities	1,442,045	1,418,408	2,554,825
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