

INTERIM REPORT

For the six months ended
31 December 2012

Dunedin
International
Airport
Limited



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, M Inst D
G R Thomas, LLB, AF Inst D (Audit Committee Member)
P A Oakley, BCom, M Inst D

CHIEF EXECUTIVE

F J McCall, AFNZIM, M Inst D

BUSINESS MANAGER

P Ford, B Com, CA, M Inst D

OPERATIONS MANAGER

R Roberts, B Eng (Hons)

REGISTERED OFFICE

Terminal Building, Dunedin International Airport, Momona, Dunedin

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Website www.flydunedin.com

BANKERS

Westpac, 101 George Street, Dunedin

SOLICITORS

Gallaway Cook Allan, 276 Princes Street, Dunedin

AUDITORS

Mark Bramley of PricewaterhouseCoopers
on behalf of the Auditor-General

DUNEDIN INTERNATIONAL AIRPORT LIMITED
CHAIRMAN'S REPORT
For the six months ended 31 December 2012

It is my pleasure to present the six month results for Dunedin International Airport ending 31 December 2012.

In our last review we wrote of the dynamic nature of the aviation industry and the past six months continues to reflect this. Despite the on-going challenges of the economic, regulatory and competitive environment, the company delivered improved financial performance arising from increased revenues and prudent management of expenses.

This positive performance sits against the backdrop of the on-going impact following the Christchurch earthquakes. This affects both business and leisure traffic and was the main contributor to a reduction of 2% in domestic seat capacity and 0.8% in domestic passengers.

International capacity and passengers by contrast increased by 8% and 3.9% respectively. Despite negative growth in Australian visitors to New Zealand, it is encouraging that Dunedin International Airport is experiencing increases in Australian and other overseas residents arriving or departing on our international services. Overseas residents make up 51% of the total number of our international passengers.

Aeronautical income was 1.6% below budget for the six months due to a decrease in the number of domestic services but partially offset with increased international services.

Non-aeronautical income was 8.2% above budget, with increases in terminal concession fees and rentals. In addition, car park revenue remains a positive contributor.

We continue to place emphasis on supporting our clients with timely information and this is reflected in our website visitation, particularly via mobile platforms.

The Company continues to operate the very successful 'Artist in the Terminal' initiative with exhibition space booked more than a year ahead. In addition we maintain our involvement with other organisations in the Otago community that align to our social responsibility objectives.

The half year at a glance:

- Total passenger movements of 434,797 compared to 436,578 for the same period in 2011, a decrease of 0.4%. Domestic passenger movements of 399,415 compared to 402,561, a decrease of 0.8%.
- International passenger movements increased to 35,382 from 34,017, up 4.0%.
- Gross revenue of \$5,943,396 compares to \$4,791,134 for the same period in 2011.
- Aeronautical revenue of \$2,540,620 compares to \$1,701,219, for the same period in 2011.
- Non-aeronautical revenue of \$3,402,777 compares to \$3,089,915, an increase of 10.1% on last year and is derived from international passenger charges, concessionaires, property, car parking and dairy farming.
- Expenditure for the six months of \$3,963,685 compares to \$4,106,195 for the same period in 2011, a decrease of 3.5%.

- The operating surplus of \$1,413,344 after taxation compares to \$493,156 for the same period in 2011.
- A dividend of \$660,000 was paid to shareholders in November 2012.
- The financial statements have been prepared in accordance with New Zealand equivalents to International Financial Reporting Standards (NZIFRS) and International Financial Reporting Standards (IRFS).

Infrastructure

During the period planning and design work was completed for the rehabilitation of our runway pavement. The latest annual inspection carried out by specialist consultants identified accelerated deterioration of the pavement and following a full engineering and economic analysis, it was decided to bring forward the pavement overlay by two years. This decision resulted in a cost saving of approximately \$1.38 million arising from favourable exchange rates, locking in bitumen prices and elimination of 2013 scheduled maintenance no longer required because of the overlay.

Commitment to customer service

Consistent with our on-going objective in improving service levels for customers, the operation of dedicated taxi ranks commenced during the period with Southern Taxis from 1 July and Dunedin Taxis from 1 December. All other taxi operators are only permitted to pick-up pre-booked passengers.

In November 2012, three new automatic pay stations were installed inside the terminal. This operation includes vehicle number plate recognition and self-service exit facilities. Enabling car park users to pre-pay their parking before leaving the terminal facilitates easier and less congested exit from the car park.

During this period the company also entered into an agreement to purchase the business (including the land and buildings) of the Momona Garage and Service Station. The business has a retail agreement with Gasoline Alley Services and our purchase ensures a reliable fuel supply for airport tenants, the public and importantly, with a 24 hour card pump, the fast growing rental car industry operating at the airport.

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 issued.

The Company continues to observe its socially responsible and environmental responsibilities.

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.



Stuart McLauchlan
CHAIRMAN

26 February 2013

SUMMARY OF FINANCIAL RESULTS
for the six months to 31 December 2012

	Unaudited 6 months to 31 December 2012	Unaudited 6 months to 31 December 2011	Audited Year to 30 June 2012
Operating Revenue	5,900,787	4,765,929	10,263,330
Interest & Dividend Income	42,609	25,205	50,710
Gross Revenue	5,943,396	4,791,134	10,314,040
Surplus/(Deficit) before taxation	1,979,711	684,940	2,148,723
Net Tax Paid Surplus/(Deficit)	1,413,344	493,156	1,105,338
Return on Shareholders Equity (annualised)	6.6%	3.6%	2.6%
Capital Expenditure	952,956	750,651	2,205,286
Dividend Paid	660,000	396,000	39,600
Net Asset backing for share	\$4.89	\$3.13	\$4.78
Proprietorship ratio	56.4%	49%	54.7%

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 2012	Unaudited 6 months to 31 December 2011	Audited 12 months to 30 June 2012
Operating Revenue	5,900,787	4,761,042	10,255,572
Interest Received	23,320	458	11,708
Dividend Received	19,289	24,747	39,002
Depreciation Recovered	-	4,887	7,758
Total Revenue	5,943,396	4,791,134	10,314,040
Audit Fees	34,869	10,719	21,437
Directors Fees	39,500	40,145	75,192
Interest Paid – Term	773,547	743,929	1,483,865
Wages and Salaries	732,493	748,529	1,442,051
Depreciation	1,176,941	1,340,733	2,699,698
Operating Expenses	1,201,824	1,222,139	2,442,844
Loss on Disposal	4,512	257	231
Total Expenses	3,963,685	4,106,195	8,165,317
Operating Surplus before Income Tax	1,979,711	684,940	2,148,723
Income Tax	554,319	191,783	613,788
Tax Prior Year Adjustment	12,048	-	8,366
Deferred Tax Adjust Re Rate	-	-	421,231
Operating Surplus After Income Tax	1,413,344	493,156	1,105,338
Other Comprehensive Income:			
Property Revaluation	-	-	18,649,983
Unrealised Gain / (Loss) on Cash Flow Hedge	204,418	(312,747)	(104,612)
Income Tax on Items of Other Comprehensive Income	(57,237)	87,569	(4,860,278)
Total Other Comprehensive Income / (Deficit)	147,181	(225,178)	13,685,093
Total Comprehensive Income	1,560,525	267,978	14,790,431

STATEMENT OF CHANGES IN EQUITY

Equity at the Beginning of Year	42,103,001	27,708,570	27,708,570
Comprehensive Income for period	1,560,525	267,978	14,790,431
Distributions to owners:-			
Final Dividend	(660,000)	(396,000)	396,000
Closing Equity	43,003,526	27,580,548	42,103,001

The accompanying notes form an integral part of these financial statements

BALANCE SHEET
as at 31 December

	Unaudited at 31 December 2012	Unaudited at 31 December 2011	Audited at 30 June 2012
Shareholders Equity			
Share Capital	8,800,000	8,800,000	8,800,000
Hedge Reserve	(948,358)	(1,245,396)	(1,095,539)
Revaluation Reserve	21,672,638	7,912,223	21,672,638
Retained Earnings	13,479,246	12,113,721	12,725,902
	43,003,526	27,580,548	42,103,001
Current Liabilities			
Payables and Accruals	842,110	902,964	1,085,302
Provision for Taxation	328,428	390,186	953,524
	1,170,538	1,293,150	2,038,826
Non Current Liabilities			
Interest Rate Hedge Derivatives	1,317,164	1,729,717	1,521,582
Deferred Taxation	12,753,793	7,673,740	13,306,287
Term Loans	18,000,000	18,000,000	18,000,000
	32,070,957	27,403,457	32,827,869
Total Equity & Liabilities	<u>76,245,021</u>	<u>56,277,155</u>	<u>76,969,696</u>
Represented by:			
Current Assets			
Cash & Cash Equivalents	1,699,748	7,202	1,763,158
Receivables and Prepayments	832,569	828,375	637,018
Taxation Paid	-	60,000	-
	2,532,317	895,577	2,400,176
Non Current Assets			
Fixed Assets	72,835,126	54,506,442	73,237,098
Investments	877,578	875,136	875,986
Deferred Taxation	-	-	456,436
	73,712,704	55,381,578	74,569,520
Total Assets	<u>76,245,021</u>	<u>56,277,155</u>	<u>76,969,696</u>

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 2012	Unaudited 6 Months to 31 December 2011	Audited Year to 30 June 2012
Note			
Cash Flows from Operating Activities			
Cash was provided from:			
Receipts from Customers	5,699,450	4,335,159	10,035,304
Interest Received	29,106	458	5,922
Dividends Received	19,289	24,747	39,002
Cash was applied to:			
Payments to Suppliers	1,353,863	1,440,533	2,251,511
Payments to Employees	726,151	733,182	1,476,696
Interest Paid	772,335	744,604	1,484,783
Taxation Paid	1,344,757	-	-
Net Cash Flows from Operating Activities	1,550,739	1,442,045	4,597,238
Cash Flows from Investing Activities			
Cash was provided from:			
Sale of Assets	400	5,000	22,391
Cash was applied to:			
Purchase of Shares	1,593	4,269	4,270
Purchase of Fixed Assets	952,956	750,651	2,167,278
Net Cash Flows from Investing Activities	(954,149)	(749,920)	(2,149,157)
Cash Flows from Financing Activities			
Cash was applied to:			
Dividend Paid	660,000	396,000	396,000
Loans Repaid	-	300,000	300,000
Net Cash Flows from Financing Activities	(660,000)	(696,000)	(696,000)
Net Increase/(Decrease) in Cash Held	(63,410)	(3,875)	1,752,081
Plus Opening Cash Brought Forward	1,763,158	11,077	11,077
Closing Cash Held 31 December 2011	1,699,748	7,202	1,763,158

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 2012

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.

2. Fixed Assets

	Cost	Accumulated Depreciation	Book Value 31/12/2012	Book Value 31/12/2011	Book Value 30/06/2012
At Valuation:					
Land & Improvements	14,872,917	99,544	14,773,373	8,258,449	14,853,001
Runway, Apron, Taxiway	22,535,635	438,115	22,097,520	18,751,642	22,077,000
Buildings	26,205,889	278,319	25,927,570	16,647,329	26,172,864
At Cost:					
Office Equipment	104,517	83,439	21,078	26,079	20,729
Vehicles	696,606	467,314	229,292	226,047	240,507
Plant & Equipment	10,684,543	898,250	9,786,293	10,596,896	9,872,997
Total	75,100,107	2,264,981	72,835,126	54,506,442	73,237,098

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

	<i>6 Months to</i> 31 December 2012	<i>6 Months to</i> 31 December 2011	<i>Year to</i> 30 June 2012
Operating Surplus/(Deficit) after Taxation	1,413,344	267,978	1,105,338
Items not involving Cashflows			
Increase in value of investments	-	-	(850)
Depreciation	1,176,941	1,340,733	2,699,928
Deferred Taxation	(96,057)	(198,403)	4,890,138
Deferred tax expensed direct to equity	90,794	-	(4,935,599)
Impact of changes in working capital items			
(Increase)/Decrease in Accounts Receivable	(195,551)	(425,883)	(225,203)
Increase/(Decrease) in Accounts Payable	(243,193)	(152,611)	22,405
Less items classified in investing activities	29,557	220,045	29,557
Increase/(Decrease) in Provision for Tax	(625,096)	390,186	1,013,524
Net Cash Flows from Operating Activities	1,550,739	1,442,045	4,597,238