



FOR THE TWELVE MONTHS ENDED 30 JUNE 2009

## SUMMARISED ANNUAL REPORT

## company particulars

### DIRECTORS

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

### CHIEF EXECUTIVE

F J McCall, AFNZIM

### 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 9054  
Telephone 03 486-2879  
Facsimile 03 486-2813  
E-mail [admin@dnairport.co.nz](mailto:admin@dnairport.co.nz)  
Website [www.dunedinairport.co.nz](http://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 & Co  
on behalf of the Auditor-General

## chairmans report

**TOTAL PASSENGER NUMBERS** at 770,206, compare to 708,506 last year, an increase of 8.7%.

**DOMESTIC PASSENGER NUMBERS** at 719,787, compare to 638,219 last year, an increase of 12.8%.

**INTERNATIONAL PASSENGER NUMBERS** at 50,419 compare to 70,287, a decrease of 28.3%

**TOTAL REVENUE** is \$7,548,812, a decrease of 1.4% on last year and a decrease of 6.7% against budget.

**SHAREHOLDERS' FUNDS** at \$31,368,144 compares to \$33,571,405 last year, a decrease of 6.6%.

**AFTER TAX DEFICIT** of \$907,842 compares to a deficit of \$324,236 last year, an increase of 180.0%. This reflects the reduction in revenues received from international services, and the reduction in value of Fonterra shares (\$185,643).

**INCREASED MAINTENANCE EXPENDITURE** on apron pavements.

**NON-AERONAUTICAL INCOME**, at 63.5% of total revenue, compares to last year's figure of 69.2%.

In line with budget **NO DIVIDEND** has been declared for 2009.

### THE YEAR IN REVIEW

The year has presented many challenges to the air transport industry globally and the company has not been immune to the economic downturn that in turn, has driven a step change to the way the industry meets market conditions.

Total revenue of \$7,548,812 is both below budget and less than last year. Global and domestic economic conditions resulted in noticeably reduced travel in the second half of the year.

Aeronautical revenues pleasingly increased by 12.4% for the year reflecting the entry of Pacific Blue into the Dunedin market. On the other hand, non-aeronautical revenues decreased by 9.6% due to the withdrawal of several international services by Air New Zealand, resulting in a significant reduction in revenue from departure fees and duty free sales.

The after-tax deficit of \$907,842 was above the budgeted deficit, but not unexpected given the trading conditions already referred to, and the reduced value of the shares in Fonterra of \$185,643 held by the company in relation to its dairy farming activities.

Domestic passenger numbers have grown 12.8% from 638,219 last year to 719,787 this year. As already referred to, this is due to the introduction of domestic services by Pacific Blue and the consequent stimulation of the travel market that competition brings.

Growth was particularly strong during the first half of the year. However, as the difficult economic climate began to bite, it predictably slowed in the second half of the year.

The year saw Air New Zealand make frequent changes to its domestic flight schedules and the aircraft flying them. Jet services were introduced for some flights on the Christchurch route in place of turboprop, the number of jet services to Auckland was reduced, and some Wellington services changed from jet to turbo-prop aircraft. Overall, the reduction of capacity by Air New Zealand was in line with that which occurred across its domestic

network. The consequential effect of these changes reduced revenue from landing charges.

International passengers further declined from 70,287 last year to 50,419 this year, a decrease of 28.3%. This was a direct result of the lower frequency and capacity, varying from five to one flights per week, provided by Air New Zealand on its trans-Tasman services. Air New Zealand subsequently announced its intention to only operate limited services from Dunedin to Brisbane, Sydney and Melbourne on a seasonal basis. In the absence of any advice from Air New Zealand at time of reporting, there is no certainty that any of its trans-Tasman services will be extended beyond 31 January 2010.

These severe reductions have been extremely disappointing to the company, and indeed as the adverse public reaction showed, to those in the region the airport serves. This is especially so, given that in the three year period to 30 June 2007, Air New Zealand's subsidiary, Freedom Air, carried a total of more than 263,000 passengers – an average of about 88,000 passengers per year – on routes on which they, and subsequently Air New Zealand itself, had no competition.

We were also disappointed that, notwithstanding the economic downturn and the need for Air New Zealand to be nimble in responding to operating imperatives, the trans-Tasman services offered from Dunedin following the withdrawal of Freedom were never fully integrated into Air New Zealand's marketing and booking systems. The available capacity out of Dunedin was therefore not as fully utilised as it could have been.

The flow-on effects from the reduction in Air New Zealand's international services also had a significant impact on the airport community. Some of our concessionaires and service providers are solely reliant on international activity and regrettably had no option but to downsize their businesses accordingly with many jobs lost and reduced working hours for others.

#### LOOKING TO THE FUTURE

In common with the rest of New Zealand, Dunedin has experienced a downturn in visitor numbers from several of New Zealand's traditional inbound tourism markets.

Nevertheless, there is optimism that as global economic conditions relax and the threat of the H1N1 Flu recedes – something that has badly affected travel from Asia – it will be leisure travellers who lead the recovery in the aviation and tourism industries.

Twenty years ago, Dunedin was not even on "the tourist map". The economic development programme and marketing initiatives launched by the Dunedin City Council in the late 1980s which, for the first time provided an integrated platform to promote the area's attractions, were the springboard to change. Today, tourism is one of the city's major industries, as indeed it is for the south in general.

The company has every confidence that opportunities are opening to grow passenger numbers through the airport.

The city continues to invest in tourism and additionally is making major capital investments in projects such as the Forsyth Barr Stadium, the redevelopment of the Dunedin Centre to cater for more and larger conferences than has been previously possible, and improved roading in places such as the Peninsula.

New tourism products are also coming on stream. The initiative of Tourism Dunedin and its 32 tourism

business participants to attract visitors from within New Zealand with its 'Passport To Love The Dunedin Difference' is an excellent initiative already showing positive results

The company remains committed along with its partners the Dunedin City Council, the Otago Chamber of Commerce and a revitalised Tourism Dunedin, to 'Project Gateway'.

During the year a full review of 'Project Gateway' confirmed its focus on growth in international passenger numbers from Australia should continue. This fits well with the considerable emphasis that Tourism New Zealand is placing on the Australian market and, in particular, short stay holidays.

Direct services providing quick and easy access to the regions of New Zealand have an important role to play, just as they have for New Zealanders wishing to travel to Australia.

We have never wavered in our belief that the full potential of the latent demand we first established in 1995, for regular direct services between Dunedin and Australia, remains to be tapped and that it was only a matter of time before a new airline would enter the market to fill the gaps left by Air New Zealand's withdrawal to offering only a seasonal timetable,

We therefore welcomed the announcement by Pacific Blue in June that they would commence three services each week between Dunedin and Brisbane on 3 September 2009, confirming our belief and we look forward to further new arrivals in the year ahead.

## CORPORATE SOCIAL RESPONSIBILITY

### Environmental

The membrane waste water filtration plant continues to exceed the stringent operational standards set for it in the resource consent. The discharge into the Taieri Main Drain, which flows down to Lakes Waipori and Waihola, is to the recreational bathing standard. Instead of being consigned to landfill, sludge now remains at the plant and is retained in a series of drying beds in which tiger worms convert the sludge into vermicast. The vermicast has been tested and shown to be a high quality fertiliser, which is now used on the airport gardens.

Our cardboard and paper recycling programme which commenced three years ago continues to collect much of the cardboard and paper products disposed of at the airport. We recycle between 10 and 12 tonnes annually.

Water and electricity conservation continues to be an important part of DIAL's careful environmental approach. Management systems monitor and record daily consumption allowing comparative analysis to be undertaken.

The company continues to work closely with the Dunedin Rhododendron Trust which is undertaking extensive plantings at the airport. During the year further beds have been prepared alongside the terminal access road and to the north of the terminal. These will be planted with rhododendrons and other species during September.

### COMMUNITY CONTRIBUTION

Visits from preschools, schools and clubs continue to be an important part of the company's community involvement. Several travel and tourism tertiary students groups have visited the airport as part of their studies and have been given a behind the scenes look into airport operations.

The company's management has undertaken several engagements to speak to groups and clubs with an interest in the airport and has also delivered lectures at the University of Otago.

In conjunction with the Otago Polytechnic, the company hosted an international exchange student from Germany for four months' work experience. This proved both valuable to the company and for the exchange student who played a key role in developing our 'Fly Dunedin.com' campaign.

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

During the year, community fundraising events such as Daffodil Day, Child Cancer Appeal, Breast Cancer Pink Ribbon Day, ANZAC Day poppy sales, and Surf Lifesaving Awareness Day have been hosted in the Terminal Building.

#### **OPERATIONAL MATTERS**

##### **Apron Rehabilitation Programme**

We have completed the second year of a five-year Apron Rehabilitation Programme. During the summer construction season we constructed a new slot drain and replaced the asphalt pavement of gate one. The concrete pavement sections where aircraft park on gate one will be replaced during the 2009/2010 construction season. This will then complete the rehabilitation programme for gate one and allow unlimited use by aircraft such as the B737-800 and A320.

##### **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 daily frequency and increasing number of heavier aircraft using Dunedin International Airport.

Last year we reported that 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. There has been no change to this and the work remains in our maintenance programme and is expected to be carried out during the 2010/2011 year.

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. We are also currently assessing the runway requirements for existing trans-Tasman international services operated by aircraft such as the B737-800 which is currently load restricted for take-off due to our runway length.

##### **DAIRY FARM**

The 2008/2009 season commenced under difficult conditions with a cool spring and was again followed with dry conditions during summer and autumn. Milk solids payouts were significantly lower than the previous year and there was again a further write-down in the value of the shares held in Fonterra. Production across both farms was down on last year – 176,224 kg/milk solids compared to 182,359 kg/milk solids, a decrease of 3.4%.

### RENTAL CAR FACILITIES

The planned relocation and consolidation of the rental car servicing facilities on one site to the south of the car park was abandoned following unsuccessful negotiations with the rental car companies. A revised proposal for a site to the north of the terminal precinct with reduced developments costs has been proposed to the rental car companies. Subject to agreement, it is expected that development work on this site will commence later this year.

The delay of more than two years to this project has been most disappointing because until the existing rental car servicing facilities can be moved from the current locations, the coherent redevelopment of the main car park remains frustratingly uncompleted.

### CAR PARK FACILITIES

The company has a total of 1013 managed car park spaces on the airport – 745 public car park spaces, 133 rental car spaces and 135 airport staff and tenant spaces. The carpark remains under pressure and is often at capacity.

The provision of additional car parking facilities therefore remains a priority for the company. During the year, it developed a new, sealed car park of 102 spaces for airport staff. This released the space previously occupied by a staff car park to provide a further 117 public car parking spaces.

Once the three rental car service depots, which are within the car park precinct, are relocated, a further development of about 100 spaces will take place with the opportunity to improve traffic and pedestrian flows within the car park.

### SECURITY

Following a serious incident on a Blenheim to Christchurch flight, the previous government initiated a review of domestic aviation security by the Ministry of Transport. The review had the potential to add considerable cost to the provision of aviation security at airports and the company was potentially exposed to significant capital expenditure to meet revised requirements.

At the time of the change of the government, the review was not complete, but continued under the new government with the aviation industry being given a further opportunity to put its views to the new minister. In May, the Minister notified the outcome which largely satisfied the industry and in the meantime, does not require further investment by the company to satisfy regulatory compliance.

### EVENTS SUBSEQUENT TO YEAR END

It is pleasing to report two positive matters that have occurred since the period reported on.

On the domestic routes, Air New Zealand has recently announced added capacity with increased direct jet services between Dunedin and Auckland.

In August of this year the company launched its new marketing brand 'Fly Dunedin.com' with the positioning statement "Take the easy way out", in conjunction with our new website.

Historically, airport operators have typically applied little resource to marketing and promotion of their airport

facilities and business, and we have been no different. Our new website is a step change from where we have been in the past. It focuses on promoting travel from the airport and clearly shows the choices offered to travellers, allowing them to book flights directly from our home-page on both Air New Zealand and Pacific Blue. The website is supported by an e-marketing data base and accesses social media platforms.

The major risk for the company remains the potential for declining passenger numbers from reduced travel demand in the event that current economic conditions continue for some time and the impact of the swine flu pandemic. The pandemic seems to be affecting some of New Zealand's long distance markets while, conversely, boosting travel from Australia.

#### THE BOARD

The board is satisfied with the state of the company's affairs. While the turbulence we encountered during the year was greater than expected, we remain confident of our approach to meeting the challenges that lie ahead, in the interests of our airlines and airport users, and the city and region we serve.



Richard Walls  
Chairman



John McCall  
Chief Executive

## summary financial report

These are summary financial statements of Dunedin International Airport Limited for the year ended 30 June 2009. The specific disclosures included in this Summary Financial Report have been extracted from the full financial reports dated 21 August 2009. The full financial report dated 21 August 2009 has been prepared in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZIFRS).

The full financial statements upon which this Summary Financial Report is based on have been prepared to comply with the NZ GAAP and the *Financial Reporting Act 1993*. This summary financial report complies with FRS 43: Summary Financial Statements. The presentation currency is New Zealand dollars and is rounded to the nearest dollar.

This Summary Financial Report cannot be expected to provide as complete an understanding as provided by the full financial report of the financial performance, financial position and cashflows of the company.

An unqualified audit opinion has been received on the full financial report for the year ended 30 June 2009. A copy of the full company financial statements may be obtained by contacting airport administration on 03 486 2879 or by visiting the company's website at [www.flydunedin.com](http://www.flydunedin.com).

This Summary Financial Report has been examined by our auditor for consistency with the full financial report. An unqualified opinion has been received. These summary financial statements were approved for issue by the directors on 21 August 2009.

## income statement

	2009	2008
	\$	\$
Operating revenue	7,548,812	7,653,680
Finance costs	1,610,665	1,841,594
Operating surplus before income tax	(732,862)	(328,459)
Income tax/(credit)	174,980	(10,899)
Less deferred tax adjustment to reflect change in tax rates	-	6,676
<b>Operating surplus after income tax</b>	<b>(907,842)</b>	<b>(324,236)</b>

## statement of changes in equity

<b>Equity at the beginning of the year</b>	<b>33,571,405</b>	22,276,765
<b>Recognised revenues and expenses</b>		
Cash flow hedges gain/(loss) taken to equity	(1,119,419)	(255,729)
Net surplus/(deficit) for the year	(907,842)	(324,236)
Property revaluation (net)	-	11,874,605
<b>Total recognised income and (expense) for the year</b>	<b>2,027,261</b>	11,294,640
Less distribution to owners		
– Final dividend	176,000	-
<b>Closing equity</b>	<b>31,368,144</b>	33,571,405

## balance sheet

	2009 \$	2008 \$
Shareholders' equity	<b>31,368,144</b>	33,571,405
Current liabilities	<b>703,351</b>	1,072,002
Non-current liabilities	<b>28,511,101</b>	27,343,424
<b>Total equity and liabilities</b>	<b>60,582,596</b>	61,986,831
Represented by:		
Current assets	<b>1,600,828</b>	1,205,581
Non-current assets	<b>58,981,768</b>	60,781,250
<b>Total assets</b>	<b>60,582,596</b>	61,986,831

For and on behalf of the directors.

R F Walls  
Chairman  
21 August 2009

S J McLauchlan  
Director

## statement of cash flows

FOR THE YEAR ENDED 30 JUNE

Net cash flows from operating activities	<b>2,596,824</b>	1,960,374
Net cash flows from investing activities	<b>(1,058,046)</b>	(1,085,897)
Net cash flows from financing activities	<b>(176,000)</b>	-
Net increase/(decrease) in cash held	<b>1,362,778</b>	874,477
Plus opening cash brought forward	<b>(130,457)</b>	(1,004,934)
<b>Cash held 30 June</b>	<b>1,232,321</b>	(130,457)

## audit report

**TO THE READERS OF  
DUNEDIN INTERNATIONAL AIRPORT LIMITED  
SUMMARY FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009**

We have audited the summary financial statements as set out on these pages.

**Unqualified Opinion**

In our opinion, the information reported in the summary financial statements complies with FRS 43: Summary Financial Reports and is consistent with the full financial statements from which it is derived and upon which we expressed an unqualified audit opinion in our report dated 21 August 2009.

**Basis of Opinion**

The audit was conducted in accordance with the Auditor-General's Auditing Standards, which include New Zealand Auditing Standards. In addition to the audit, Polson Higgs performed human resources consulting. Other than the audit and these assignments, we have no relationship with, or interest in, the Airport.

**Responsibilities of the Board of Directors and the Auditor**

The board is responsible for preparing the summary financial statements and we are responsible for expressing an opinion on those statements.



**GRAHAM WILLIAM CROMBIE  
POLSON HIGGS**  
On behalf of the Auditor-General  
Dunedin, New Zealand

21 August 2009

