

2010

**SUMMARISED  
ANNUAL REPORT**

Dunedin  
International  
Airport  
Limited



## highlights



### FLY DUNEDIN.COM TAKES OFF

FlyDunedin.com is attracting a high hit rate as visitors make online bookings and source flight information.

### PACIFIC BLUE INCREASE BRISBANE FLIGHTS

We welcome the announcement by Pacific Blue that they will commence a fourth service each week between Dunedin and Brisbane in September 2010.

	2010	2009
<b>TOTAL PASSENGER NUMBERS</b>	778,190	770,206
<b>DOMESTIC PASSENGERS</b>	728,689	719,787
<b>INTERNATIONAL PASSENGERS</b>	49,501	50,419
<b>TOTAL REVENUE</b>	\$8,157,193	\$7,548,812
<b>SHAREHOLDERS' FUNDS</b>	\$27,271,667	\$31,368,144
<b>BANK TERM DEBT</b>	\$19.85m	\$22m
<b>AFTER TAX DEFICIT</b>	\$50,357	\$907,842

## chairman and chief executive's report



*Brisbane by night*

### THE YEAR IN REVIEW

The year has presented any number of challenges to the air transport industry globally and in New Zealand. The global economic downturn has driven a step change to the way the industry meets market conditions. Intense competition between airline carriers to fill seats has resulted in record low fares. Airlines are turning challenges into opportunities; the advent of long-haul low cost carriers being just one. Legacy airlines are introducing innovative new seating options and other onboard services particularly on 'long-haul' routes with Air New Zealand up there with the best in delivering these experiences to passengers. This market stimulation has driven modest industry growth and improved business confidence.

Total revenue of \$8,157,193 is both above budget and an increase on last year. Global and domestic economic conditions saw reduced travel in the first half of the year, however a noticeable and pleasing improvement in travel was evident in the second half.

Aeronautical revenues while 9.5% above budget were down 4.4% on last year, reflecting the reduced international services operated by Air New Zealand and the replacement of some domestic jet services with smaller turbo-prop services. The commencement of Pacific Blue's three international services per week reduced the overall impact.

Non-aeronautical revenues increased strongly; 39.4% above budget and by 11.2% on last year. Improved trading in the second six month period for terminal concessions and increased revenues from the company's car parking, property and dairy farm operations were the key contributors to this result.

The after-tax deficit of \$50,357 is a significant improvement on the budgeted deficit of \$1,544,006, but not unexpected given that trading conditions improved considerably during the year with above budget revenues from terminal concession revenues, international airline services and the company's dairy farming activities.

During the year Air New Zealand made many frequency and capacity adjustments to its domestic flight schedules and the aircraft flying these in response to changing market demand.

In August 2009, Pacific Blue discontinued their middle of the day, daily domestic service to Auckland through Christchurch and operated it as a direct return service in the early evening between Auckland and Dunedin. Air New Zealand adjusted their schedule to compete with Pacific Blue. The overall Dunedin capacity adjustment by Air New Zealand was in line with that which occurred across their domestic network. The consequential effect of these changes reduced revenue from landing charges.

Domestic passenger numbers grew 1.2% from 719,787 last year to 728,689 this year. The first six months of the year saw a reduction in passengers of 3.4% compared to the same period for the previous year. The second six months however, saw a recovery with strong growth and particularly over March and April which were "stand-out" months.

International passenger numbers were down 1.8% from 50,419 last year to 49,501 this year. The reduction was not unexpected due to Air New Zealand's announcement in early 2009 that they would operate a reduced frequency and seasonal based services from Dunedin. Their services to Brisbane operated from May to October and Sydney and Melbourne operated during December and January only.

The announcement by Pacific Blue that they would operate three return services per week on this route from September 2009 was especially pleasing. Under Freedom Air, the Brisbane route has proven most successful with year round demand and the Pacific Blue services are again proving this with December and January being the peak demand months.

We reported last year that the flow-on effects from the reduction in Air New Zealand's international services had a significant impact on the airport community with some of our concessionaires and service providers having to downsize their businesses with staff lay-offs and reduced working hours. While international services have not returned to the levels when Freedom Air was operating, it is pleasing to report that the airport community is most encouraged by the start-up of the Pacific Blue services.

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

During the year 'Project Gateway' focused on growth in international passenger numbers from Australia. In support of the emphasis on attracting Australians to visit New Zealand the company worked collaboratively with Tourism Dunedin, its airline partners and Tourism New Zealand in the Australian market place.

As we have said previously, direct services providing quick and easy access from Australia 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 stated last year our belief that it was only a matter of time before a new airline would enter the trans-Tasman market to fill the gaps left by Air New Zealand's withdrawal to offering only a seasonal timetable.

And so, it proved.

In June we welcomed the announcement by Pacific Blue that they would commence a fourth service each week between Dunedin and Brisbane on 17 September 2010 and the announcement by Air New Zealand that they will extend their summer season flights to Sydney and Melbourne beginning December 2010 to operate through to the end of March 2011 rather than the end of January.

## CORPORATE SOCIAL RESPONSIBILITY

### Environmental

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 operate and enhance wherever possible across its business environmental sustainable initiatives such as recycling, waste water treatment and worm farming activities.

Our cardboard and paper recycling programme which commenced four years ago continues to collect much of the cardboard and paper products disposed of at the airport. We now recycle more than 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 and the Otago Polytechnic Arboriculture Course for tree maintenance on the airport as part of the Polytechnic Student Training Programme.

### 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. We have also hosted visits by professional and business membership organisations.

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

Worms play an important part in the company's environmental management. In November 2009 a mean-spirited theft that left the pupils of St. Patrick's School in South Dunedin without their worm farm project came to management's attention. We offered to get the schools project back on track and early in the 2010 school year delivered to St. Patrick's a new worm farm, fully functional with 'airport worms'.

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 third year of a five-year Apron Rehabilitation Programme. During the summer construction season a new slot drain was constructed and the asphalt pavement of gate two and the concrete pavement sections where aircraft park on gate one was replaced. Rehabilitation of gate one is now fully completed and allows unlimited use by aircraft such as the B737-800 and A320.

### Pavement Monitoring

The ongoing maintenance of airside pavements is a priority for the company. The annual survey by independent pavement professionals as well as daily inspections by company personnel are vital to ensuring that these key assets are ready and capable of supporting the company's business and at the same time meet regulated compliance under the Civil Aviation Rules.

We are currently a little beyond the mid-point in the life of the runway and taxi-way asphalt surfaces and this brings increasing maintenance due to ageing and stress cracking of the pavement. Monitoring and maintaining pavements is particularly important given the daily frequency and increasing number of heavier aircraft using Dunedin International Airport. Air New Zealand's replacement of their domestic fleet of B737-300 with the heavier and larger A320 aircraft commencing early 2011 will place increasing demands on airside pavements.

### Dairy Farm

The 2009/2010 season followed a similar pattern to the previous season with a cool spring followed by dry conditions during summer and autumn. Milk solids payouts were an improvement on the 2008/2009 season and there was a small gain in the value of the shares held in Fonterra. Production across both farms was up on last year – 188,014 kg/milk solids compared to 176,224 kg/milk solids, an increase of 6.7%.

### Rental Car Facilities

The planned relocation and consolidation of the rental car servicing facilities on one site to the north of the terminal precinct was undertaken during the year and successfully achieved after several years of delay. The old rental car servicing facilities located within the main car park precinct have been removed and the coherent redevelopment of the car park can now be completed.

### Car Park Facilities

The earlier than expected redevelopment of one of the former rental car company sites enabled the creation of 22 new parking spaces. The company now has a total of 1035 managed car park spaces – 767 public car park spaces, 133 rental car spaces and 135 airport staff and tenant spaces. The car park remains under pressure and is often at capacity.

The provision of further car parking capacity therefore remains a priority for the company. In the year ahead around a further 75 parking spaces will be developed on the remaining sites previously occupied by the rental car service depots.

The current airport master plan provides for the development of a further 200 parking spaces within the car park precinct identified in the plan. Based on forecasted traffic growth for the airport it is expected that some develop of this capacity will be required around 2015-2017.

### Security

Security within the aviation system is a matter that continues to require the company's full attention, and rightly so. While our aviation system in New Zealand remains in a "low threat" environment it is vital that we give it every attention to maintain this level of threat. The company's management is involved in a "working group" with our industry regulator, the Civil Aviation Authority, reviewing current rules, regulations and operating practices to ensure

that as an industry we are fully compliant with international standards and best practice and that the system can be used with a high level of confidence in the security system.

### EVENTS SUBSEQUENT TO YEAR END

It is always pleasing to report on positive matters and we are able to do this again this year. Unfortunately, disappointment also requires reporting.

The announcement by Pacific Blue that they are to increase their international services between Dunedin and Brisbane to four return services weekly is most welcome and encouraging.

In contrast, Pacific Blue's decision to withdraw completely from the New Zealand domestic market from 18 October 2010 is disappointing. The withdrawal of their daily direct return service between Dunedin and Auckland will be effective at the earlier date of 15 September 2010.

Based on current market demand for direct services between Dunedin and Auckland the capacity reduction of 2520 seats per week on this route will result in a capacity shortfall particularly, over the busy October to December period in front of us and this is of concern to the company.

At the time of announcing their annual result Air New Zealand announced also that they would increase capacity between Dunedin and Auckland by 46% in February 2011. While this is most welcome, the seats available will still be below the capacity currently available on the route.

As part of our interest in supporting the "arts" and to enhance the traveller's experience when using the airport, we are launching our "Artist in the Terminal" project in mid September. The first exhibition will be by talented local artist, Sam Foley. Sam's exhibition will be followed by another local artist, Kerry Fenton-Johns in November.

Looking ahead the major risk for the company remains the uncertainty around the economic recovery both in our region, nationally and abroad. While air transport has shown remarkable resilience throughout the global finance crisis, there have been significant financial losses experienced across the industry and even though there are now encouraging signs of incremental growth, the overall industry and the company, remains exposed to a sensitive market place.

### THE BOARD

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 and taking the opportunities that they present, in the interests of our airlines and airport users, and the city and region we serve. In line with budget no dividend has been declared for the year ended 30 June 2010 however, a dividend of 3 cents per share totalling \$264,000 is proposed to be paid in November 2010.



R F Walls  
Chairman  
September 2010



F J McCall  
Chief Executive

## company particulars

### DIRECTORS

R F Walls, QSO, JP, FNZIM, FInstD (Chairman)

S J McLauchlan, BCom, FCA(PP), AFInstD  
(Chairman – Audit Committee)

G R Thomas, LLB, AFInstD  
(Member – Audit Committee)

K Grant, BA, LLB, DipLaw

### CHIEF EXECUTIVE

F J McCall, AFNZIM

### BUSINESS MANAGER

P Ford, BCom, CA

### OPERATIONS MANAGER

R Roberts, BEng(Hons)

### REGISTERED OFFICE

Terminal Building, Dunedin International Airport,  
Momona, Dunedin, New Zealand

Postal Private Bag 1922, Dunedin 9054

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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

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

## summary financial report

These are summary financial statements of Dunedin International Airport Limited for the year ended 30 June 2010. The specific disclosures included in this Summary Financial Report have been extracted from the full financial reports dated 20 August 2010. The full financial report dated 20 August 2010 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 2010. 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 20 August 2010.

2010  
\$2009  
\$

## statement of comprehensive income

Operating revenue	8,157,193	7,548,812
Finance costs	1,527,946	1,610,665
Operating deficit before income tax	(208,471)	(732,862)
Income tax/(credit)	(158,114)	174,980
<b>Operating surplus/(deficit) after income tax</b>	<b>(50,357)</b>	<b>(907,842)</b>
Other comprehensive income:		
Property revaluation	(8,995)	–
Cashflow hedges gain/(loss) taken to equity	(119,628)	(1,599,170)
Deferred tax adjustment to reflect depreciation change	(3,917,497)	479,751
<b>Total comprehensive income/(deficit)</b>	<b>(4,096,477)</b>	<b>(2,027,261)</b>

## statement of changes in equity

<b>Equity at the beginning of the year</b>	<b>31,368,144</b>	<b>33,571,405</b>
Comprehensive income/(deficit) for the year	(4,096,477)	(2,027,261)
Less distribution to owners – final dividend	–	176,000
<b>Closing equity</b>	<b>27,271,667</b>	<b>31,368,144</b>

2010  
\$2009  
\$

## balance sheet

AS AT 30 JUNE

Shareholders' equity	27,271,667	31,368,144
Current liabilities	986,675	703,351
Non-current liabilities	30,275,720	28,511,101
<b>Total equity and liabilities</b>	<b>58,534,062</b>	<b>60,582,596</b>

Represented by:

Current assets	514,568	1,600,828
Non-current assets	58,019,494	58,981,768
<b>Total assets</b>	<b>58,534,062</b>	<b>60,582,596</b>

For and on behalf of the directors.



R F Walls  
Chairman  
20 August 2010



S J McLauchlan  
Director

## statement of cash flows

Net cash flows from operating activities	2,336,512	2,596,824
Net cash flows from investing activities	(1,377,338)	(1,058,046)
Net cash flows from financing activities	(2,150,000)	(176,000)
Net increase/(decrease) in cash held	(1,190,826)	1,362,778
Plus opening cash brought forward	1,232,321	(130,457)
<b>Cash held 30 June</b>	<b>41,495</b>	<b>1,232,321</b>

## audit report

**TO THE READERS OF  
DUNEDIN INTERNATIONAL AIRPORT LIMITED  
SUMMARY FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010**

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 20 August 2010.

**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.



**MICHAEL PETER RONDEL**  
**POLSON HIGGS**  
On behalf of the Auditor-General  
Dunedin, New Zealand  
20 August 2010



Dunedin  
International  
Airport