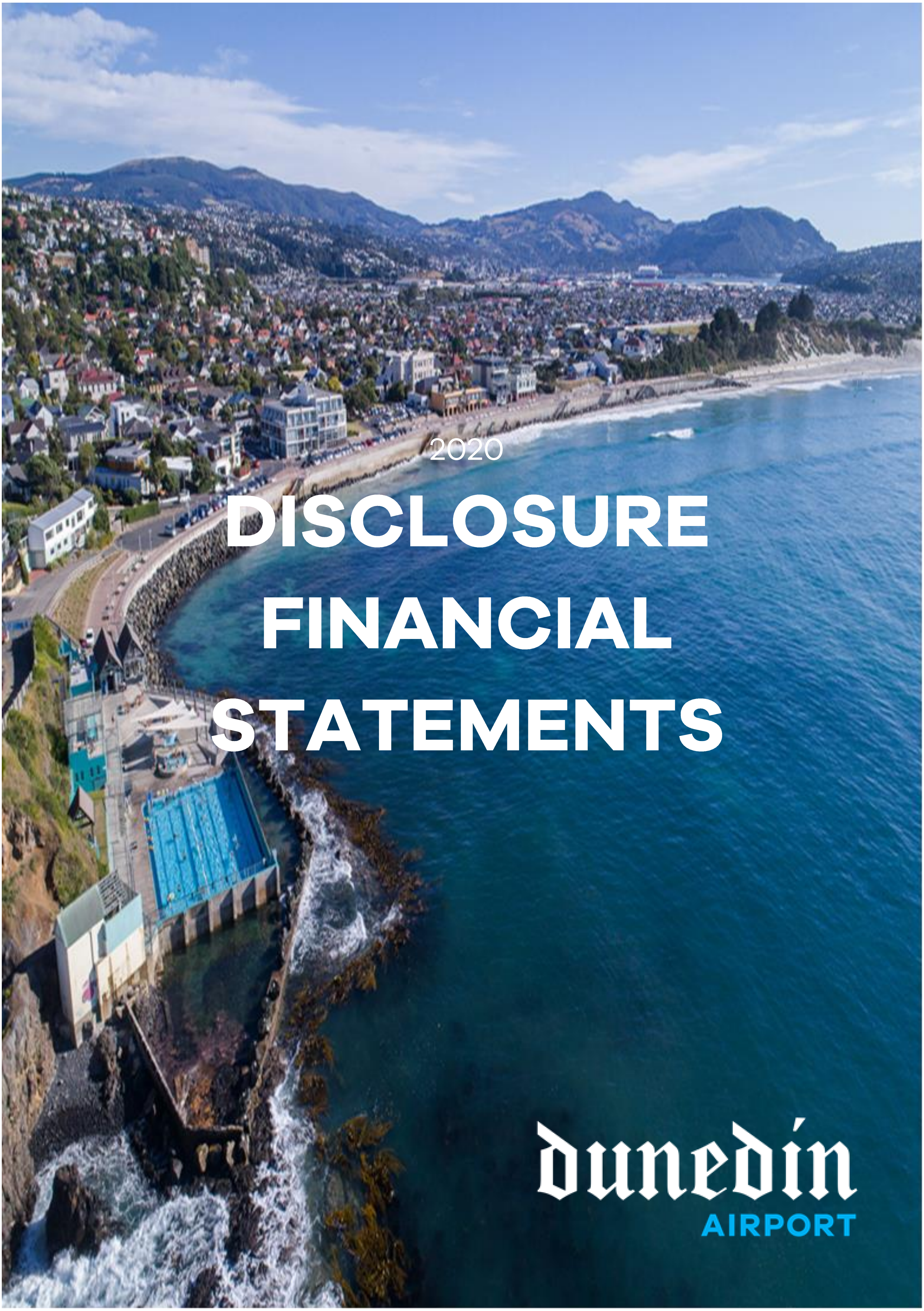
2020

# DISCLOSURE FINANCIAL STATEMENTS



dunedin AIRPORT

# company particulars

## Directors
Tony Allison (Chairman – appointed 1 November 2018)
Jonathan Cameron (Appointed 1 November 2018)
Patricia (Trish) Oakley (Resigned 31 October 2019)
Mark Rogers (Resigned 31 October 2019)
Darin Cusack (Appointed 1 November 2019)
Rachel Brooking (Appointed 1 November 2019)

## Chief Executive
R Roberts

## General Manager Commercial
C Cope

## General Manager Infrastructure & Service Delivery
G Pleasants

## General Manager Business Development
M Crawford

## Registered Office
Terminal Building
Dunedin International Airport
Private Bag 1922
DUNEDIN

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

## Banker
Westpac
101 George Street
DUNEDIN

## Solicitors
Gallaway Cook Allan
123 Vogel Street
DUNEDIN

## Auditor
Rudie Tomlinson of Audit New Zealand
On behalf of the Auditor-General

## Airlines

### FOR THE YEAR ENDED 30 JUNE 2020

| Airline | Aircraft Type |
|---|---|
| **DOMESTIC** | |
| Air New Zealand | Airbus 320CEO, A320NEO, A321NEO |
| Mount Cook Airline | ATR 72 |
| Air Nelson | Dash 8-300 |
| Jetstar | Airbus 320-200 |
| **INTERNATIONAL** | |
| Virgin Australia | Boeing 737-800 |
| **CHARTER, FLIGHT TRAINING AND COMMUTERS** | |
| Mainland Air Services | Cessna 152 |
| | Piper PA31-350 Chieftain |
| | Piper PA34-200 Seneca |
| | Socata TB10 Tobago |

## Chairman's report

The Directors have pleasure in presenting the Disclosure Financial Statements of Dunedin International Airport Limited (the Company) for the year ended 30 June 2020. These statements present the results of the aeronautical operations of the Company and additional information and have been prepared for the purposes of, and in accordance with the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999, as amended in 2014.

### 1. Board of Directors

The Directors of the Company during the year under review were:

Tony Allison (Chairman – appointed 1 November 2018)
Jonathan Cameron (Appointed 1 November 2018)
Patricia (Trish) Oakley (Resigned 31 October 2019)
Mark Rogers (Resigned 31 October 2019)
Darin Cusack (Appointed 1 November 2019)
Rachel Brooking (Appointed 1 November 2019)

### 2. Principal Activities of the Company

The principal activity of the Company during the year was airport operator.

There has been no material change in the Company's business that the Company is engaged in, during the year that is material to an understanding of the Company's business.

For and on behalf of the Board

Tony Allison
**Chairman**

30 November 2020

## statement of comprehensive income

**For the year-ended 30 June**

| | Notes | 2020 $000 | 2019 $000 |
|---|---|---|---|
| Operating revenue | 4 | 7,473 | 8,881 |
| **Total revenue** | | **7,473** | **8,881** |
| Audit fees | 5 | 43 | 41 |
| Directors fees | | 63 | 64 |
| Finance costs – interest expense | | 541 | 474 |
| Gain/(Loss) on Hedge Instruments | | | (138) |
| Depreciation | | 2,398 | 2,274 |
| Employee Benefit Expense | | 2,342 | 2,224 |
| Runway maintenance | | 559 | 330 |
| Other operating expenses | | 2,111 | 1,922 |
| **Total expenses** | | **8,057** | **7,191** |
| **Operating surplus/(deficit) before income tax** | | **(584)** | **1,690** |
| Income tax expense/(benefit) | 6a | (1,128) | 475 |
| **Operating surplus/(deficit) after income tax** | | **544** | **1,215** |
| **Other comprehensive income** | | | |
| Ineffective hedges amortised to expense | | - | - |
| Revaluation of Property, Plant and Equipment | | 4,376 | - |
| Cash flow hedges gain/(loss) taken to equity | | (58) | (435) |
| Income tax expense (benefit) on items of other | | | |
| Comprehensive Income | 6b | (1,256) | 46 |
| **Total comprehensive income/(deficit)** | | **3,606** | **826** |

## statement of changes in equity

| **For the year-ended 30 June** | Notes | 2020 $000 | 2019 $000 |
|---|---|---|---|
| **Equity at the beginning of the year** | | **31,591** | **31,225** |
| Comprehensive income/(deficit) for the year | | 3,606 | 826 |
| Less distribution to owners | | | |
| - Final dividend | 10 | - | (459) |
| **Closing equity** | | **35,197** | **31,591** |

These statements are to be read in conjunction with the notes on pages 8 to 31

## balance sheet
### As at 30 June

| | Notes | 2020 $000 | 2019 $000 |
|---|---|---|---|
| **Shareholders' equity** | | | |
| Share Capital | 8 | 5,328 | 5,328 |
| Hedge Reserve | 9a | (323) | (281) |
| Revaluation reserve | 9b | 22,452 | 19,348 |
| Retained earnings | 11 | 7,740 | 7,196 |
| | | **35,197** | **31,591** |
| **Current liabilities** | | | |
| Trade & other payables | 12 | 1,218 | 3,632 |
| Short Term Advance | 14 | 4,500 | 2,250 |
| Other liabilities | | - | - |
| Tax payable | | (133) | 244 |
| Provisions | | 311 | 275 |
| Hedge Derivatives | | 20 | - |
| | | **5,916** | **6,401** |
| **Non-current liabilities** | | | |
| Term loans | 14 | 14,438 | 8,199 |
| Deferred taxation | 7 | 13,607 | 13,768 |
| Hedge derivatives | | 429 | 389 |
| | | **28,474** | **22,356** |
| **Total equity & liabilities** | | **69,587** | **60,348** |
| **Represented by:** | | | |
| **Current assets** | | | |
| Trade & other receivables | 15 | 356 | 1,052 |
| Prepayments | 16 | - | - |
| Cash & cash equivalents | 13 | 975 | 473 |
| | | **1,331** | **1,525** |
| **Non-current assets** | | | |
| Property, plant & equipment | 17 | 68,018 | 58,671 |
| Deferred taxation | 7 | 238 | 152 |
| | | **68,256** | **58,823** |
| **Total assets** | | **69,587** | **60,348** |

For and on behalf of the directors.

T Allison
Chairman
30 November 2020

J Cameron
Director

These statements are to be read in conjunction with the notes on pages 8 to 31

**Dunedin International Airport Limited**
**Disclosure Financial Statements**

## Statement of Cash Flows
**As at 30 June**

| | Notes | 2020 $000 | 2019 $000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash was provided from: | | | |
| Receipts from customers | | 8,164 | 8,696 |
| Interest received | | 4 | 8 |
| Cash was applied to: | | | |
| Payments to suppliers | | 5,127 | (101) |
| Payments to employees | | 2,370 | 2,110 |
| Interest paid | | 538 | 587 |
| Taxation paid/(received) | | (666) | 547 |
| Net cash flows from operating activities | | 799 | 5,561 |
| **Cash flows from investing activities** | | | |
| Cash was applied to: | | | |
| Sale/(Purchase) of assets | | (8,786) | (7,410) |
| Net cash flows from investing activities | | (8,786) | (7,410) |
| **Cash flows from financing activities** | | | |
| Cash was provided from: | | | |
| Increase in Loans | | 8,489 | 2,082 |
| Cash was applied to: | | | |
| Repaid Loans | | - | - |
| Dividends Paid | | - | 459 |
| Net cash flows from financing activities | | 8,489 | 1,623 |
| **Net increase/(decrease) in cash held** | | **502** | **(226)** |
| **Plus opening cash brought forward** | | **473** | **699** |
| **Cash and cash equivalents held at 30 June** | 13 | **975** | **473** |

These statements are to be read in conjunction with the notes on pages 8 to 31

## 1. ESTABLISHMENT

Dunedin Airport Limited, is a NZ registered and domiciled company which 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.

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 thousand ($'000).

The disclosure financial statements are presented in accordance with the Airport Authorities Act 1966 as amended by the Airport Authorities Amendment Act 1997 and the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999 as amended in 2014 (the "Regulations").

The disclosure financial statements are for the reporting entity's Identified Airport Activities. Identified Airport Activities are defined as:

**Airfield activities** means the activities undertaken (including the facilities and services provided) to enable the landing and take-off of aircraft and includes:

a) The provision of any one or more of the following:
(i) Airfields, runways, taxiways, and parking aprons for aircraft
(ii) facilities and services for air traffic and parking apron control
(iii) Airfield and associated lighting
(iv) Services to maintain and repair airfields, runways, taxiways and parking aprons for aircraft
(v) Rescue, fire, safety and environmental hazard control services
(vi) Airfield supervisory and security services

b) The holding of any facilities and assets (including land) acquired or held to provide airfield activities in the future (whether or not used for any other purpose in the meantime).

**Aircraft and freight activities** means the activities undertaken (including the facilities and services provided) to enable, within a security area or areas of the relevant airport, the servicing and maintenance of aircraft and the handling of freight transported, or to be transported, by aircraft and includes:

a) provision within a security area of areas or the relevant airport, of any one or more of the following:
(i) Hangars
(ii) Facilities and services for the refuelling of aircraft, flight catering and waste disposal
(iii) Facilities and services for the storing of freight
(iv) Security, customs and quarantine services for freight

b) holding of any facilities and assets (including land) acquired or held to provide aircraft and freight activities in the future (whether or not used for any other purpose in the meantime).

**Specified passenger terminal activities (specified terminal)** means the activities undertaken (including the facilities and services provided) in relation to aircraft passengers while those passengers are in a security area or areas of the relevant airport and includes:

a) provision, within a security area or security areas of the relevant airport of any one or more of the following:
(i) Passenger seating areas, thoroughfares and air bridges
(ii) Flight information and public address systems
(iii) Facilities and services for the operation of customs, immigration and quarantine checks and control
(iv) Facilities for the collection of duty-free items
(v) Facilities and services for the operation of security and police services

b) Any activities undertaken (including the facilities and services provided) in a passenger terminal to enable the check in of aircraft passengers, including services for baggage handling.

c) The holding of any facilities and assets (including land) acquired or held to provide specified passenger terminal activities in the future (whether or not used for any other purpose in the meantime) but does not include the provision of any space for retail activities. Each segment also includes an allocation of supporting infrastructure. Also included in each of the above Identified Airport Activities are assets specifically held for use in that activity.

The numbers presented in these financial statements are for the Identified Airport Activities unless it is stated they are for the "Whole Company".

**Statement of Compliance**

These financial statements have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP) and the Regulations, which includes the requirement to comply with NZ GAAP.

Under the Accounting Standards Framework, the Company is eligible to apply Tier 2 For-profit Accounting Standards (New Zealand equivalents to International Financial Reporting Standards – Reduced Disclosure Regime ('NZ IFRS RDR')) on the basis that it does not have public accountability and is not a large for-profit public sector entity. Therefore, these financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand and comply with NZ IFRS RDR.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments and certain items of property, plant and equipment.

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

**COVID-19 Pandemic**

On 11 March 2020 the World Health Organisation declared a global pandemic as a result of the outbreak and spread of COVID-19. Following this the New Zealand government imposed significant restrictions around travel including quarantining of international travellers arriving in New Zealand.

COVID-19 has had a significant impact on the aviation industry and on the Company's business. While New Zealand has returned to unrestricted domestic travel, there are significantly reduced volumes of domestic flights and passenger numbers. Furthermore, international travel to / from Dunedin remains restricted.

With regards to these financial statements, COVID-19 has specifically impacted certain areas of the financial statements. The directors have carefully considered the carrying value of assets, accounting estimates and other areas of judgement. Where applicable, specific disclosure has been made for account balances affected by COVID-19.

There remains ongoing uncertainty around the forecast levels of domestic and international air travel. The Company has forecast significant reductions in passenger movements for the year ending 30 June 2021.

Notwithstanding the significant impact of COVID-19 the directors are of the view that the Company's business fundamentals remain strong. The company has taken steps to reduce its cost structure, including the reduction of operating expenditure including organisational restructuring, salary reductions and reduced working hours.

In addition, the Company has also undertaken a range of measures to enhance its liquidity and overall financial flexibility. The Company has agreed with its banking group an increase in its banking facilities from $22,000,000 to $28,000,000. The Company has also obtained a temporary waiver of certain bank covenants for the next test date being December 2020 and obtained revised bank covenants for subsequent test dates.

These measures mean the directors are confident the Company is well placed to continue operating as a going concern until more usual levels of trading conditions return.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### New Standards, Interpretations and Amendments Adopted by the Company

All mandatory new or amended accounting standards were adopted in the current year. These include NZ IFRS 16 *Leases* and related amendments. None had a material impact on these financial statements.

Impact of initial application of NZ IFRS 16 Leases

In the current year, the Company has applied NZ IFRS 16 *Leases* effective from 1 July 2019. The standard deals with the recognition, measurement, presentation and disclosure of leases and replaces NZ IAS 17 Leases. The new standard introduces a single model for lessees which recognises all leases on the balance sheet through an asset representing the rights to use the leased item during the lease term and a lease liability to recognise the obligation to make lease payments. This removes the distinction between operating and finance leases and aims to provide users of the financial statements relevant information to assess the effect that leases have on the balance sheet, income statement and cash flows of an entity.

Lessor accounting remains largely unchanged from NZ IAS 17.

The company reviewed leases where the Company is the lessee and the leases primarily relate to leases for photocopiers and EFTPOS terminals.

The company adopted NZ IFRS 16 using the modified retrospective approach with the Right of Use (ROU) asset being equal to the lease liability as at commencement date for all existing leases at 1 July 2019.

The company has made use of the practical expedient available on transition to NZ IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with NZ IAS 17 will continue to be applied to those leases entered or modified before 1 July 2019. Comparative numbers have not been restated.

*Impact on Lessee Accounting*

NZ IFRS 16 changes how the group accounts for leases previously classified as operating leases under NZ IAS 17, which were off-balance-sheet.
Applying NZ IFRS 16, for all leases (except as notes below), the Company:

- Recognises ROU assets and lease liabilities in the balance sheet, initially measured at the present value of future lease payments;
- Recognises depreciation at the ROU assets and interest on lease liabilities in the statement of comprehensive income; and
- Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the statement of comprehensive income.

Lease incentives are recognised as part of the measurement of the ROU assets and lease liabilities whereas under NZ IAS 17 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expense on a straight-line basis.

Under NZ IFRS 16, ROU assets are tested for impairment in accordance with NZ IAS 36 Impairment. This replaces the previous requirements to recognise a provision for onerous lease contracts.

For short-term leases and leases of low-value assets, the Company has opted to recognise a lease expense on a straight-line basis as permitted by NZ IFRS 16. This expenses is presented within other operating expenses in the statement of comprehensive income.

Financial impact of adopting NZ IFRS 16

The Company has applied the following practical expedients when applying NZ IFRS 16 to leases previously classified as operating leases under NZ IAS 17:

- Not recognising ROU assets and liabilities if the underlying leased asset is considered a low value asset; and
- Not reassessing whether a contract contains a lease

Reconciliation of lease commitments to opening lease liability as at 1 July 2019:

| | $000 |
|---|---|
| Operating lease commitments at 30 June 2019 | 1 |
| Recognition exemption for: | |
| Low-value leases | (1) |
| **Lease liabilities recognised at 1 July 2019** | **-** |

## 4. Operating Revenue

Landing charges are charged on a per passenger or airplane weight basis for landing and disembarking the airport. Departure fess are charged on a per passenger basis. The charges cover runway costs, airport services and other miscellaneous services that are the Company is required to provide while a plane is on the ground under civil aviation rules. Revenue is recognised net of any rebates paid to airlines under incentive agreements. The revenue earned is recognised over-time due to the counterparty simultaneously receiving the benefit as the Company provides the services.

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 recognized on a straight-line basis over the lease term.

Revenue from operating lease rental revenue is outside the scope of NZ IFRS 15 and as such there is no impact on the revenue recognition of operating lease rental revenue.
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.

| **Operating Revenue** | **Specified Terminal $000** | **Airfield $000** | **Aircraft & Freight $000** | **Total $000** |
|---|---|---|---|---|
| **2020** | | | | |
| Revenue from Contracts with Customers (Over Time): | | | | |
| Landing Charges and Departure Fees | 2,383 | 3,997 | - | 6,380 |
| Other Income: | | | | |
| Operating Lease Rental | 653 | 4 | 174 | 831 |
| Other Revenue | 7 | 4 | 43 | 54 |
| Government Grants | 57 | 150 | 1 | 208 |
| | **3,100** | **4,155** | **218** | **7,473** |
| **2019** | | | | |
| Revenue from Contracts with Customers (Over Time): | | | | |
| Landing Charges and Departure Fees | 3,075 | 4,935 | - | 8,010 |
| Other Income: | | | | |
| Operating Lease Rental | 615 | - | 181 | 796 |
| Other Revenue | 8 | 7 | 60 | 75 |
| | **3,698** | **4,942** | **241** | **8,881** |

## 5. AUDIT FEES

| **Audit Fees** | **2020 $000** | **2019 $000** |
|---|---|---|
| Audit New Zealand | | |
| Fees for audit services | 28 | 26 |
| Fees for audit of disclosure accounts | 15 | 15 |
| | **43** | **41** |

On behalf of the Auditor General, Audit New Zealand are the auditors of the Company.

## 6. TAXATION PROVISION

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.

| | 2020 $000 | 2019 $000 |
|---|---|---|
| **(a) Income tax** | | |
| Operating surplus/(deficit) before income tax | (584) | 1,691 |
| Taxation @ 28% | (163) | 473 |
| *Plus / (Less) the tax effect of differences* | | |
| Expenses not deductible | 3 | 2 |
| (Gain)/Loss on Investments | - | - |
| Creation/reversal of temporary differences | (968) | - |
| Hedge Instruments | - | - |
| Income tax expense | **(1,128)** | **475** |
| Effective tax rate | 27.47% | 28.12% |
| Represented by: | | |
| Current tax provision | 393 | (957) |
| Deferred tax provision | (1,521) | 482 |
| Income tax expense | **(1,128)** | **475** |
| **(b) Tax on Other Comprehensive Income** | | |
| Property Revaluation Reserve: | | |
| Deferred Tax | (1,271) | - |
| Hedge Reserve: | | |
| Deferred tax | 15 | 46 |
| | (1,256) | 46 |

## 7. DEFERRED TAX

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.

| | Opening | | Charged | Closing Balance Sheet | | |
|---|---|---|---|---|---|---|
| **(a) 2020 ($000)** | **Balance** | **to Equity** | **to Income** | **Assets** | **Liabilities** | **Net at 30 June 2020** |
| Property, plant and equipment | (13,768) | - | 161 | - | (13,607) | (13,607) |
| Employee benefits | 43 | - | 70 | 113 | - | 113 |
| Revaluations of interest rate swaps | 109 | 38 | (23) | 124 | - | 124 |
| Losses Carried Forward | - | - | - | - | - | - |
| **Balance** | **(13,616)** | **38** | **208** | **237** | **(13,607)** | **(13,370)** |

| | Opening | | Charged | Closing Balance Sheet | | |
|---|---|---|---|---|---|---|
| **(a) 2019 ($000)** | **Balance** | **to Equity** | **to Income** | **Assets** | **Liabilities** | **Net at 30 June 2019** |
| Property, plant and equipment | (12,446) | - | (1,322) | - | (13,768) | (13,768) |
| Employee benefits | 71 | - | (28) | 43 | - | 43 |
| Revaluations of interest rate swaps | 19 | (46) | 136 | 109 | - | 109 |
| Losses Carried Forward | - | - | - | - | - | - |
| **Balance** | **(12,356)** | **(46)** | **(1,214)** | **152** | **(13,768)** | **(13,616)** |

## 8. SHARE CAPITAL

| | 2020 $000 | 2019 $000 |
|---|---|---|
| *Issued Capital* | | |
| 5,328,475 ordinary authorised and issued shares | **5,328** | **5,328** |

All shares have equal voting rights and share equally in dividends and any surplus on winding up. There are no par values for these shares.

## 9. RESERVES

### a) Hedging Reserve

| | | |
|---|---|---|
| Balance at beginning of year | (281) | 108 |
| Hedges amortised to expense | - | - |
| Net movement in deferred tax arising on hedges | 15 | 46 |
| Cash flow hedges (loss)/gain | (57) | (435) |
| Balance at 30 June | **(323)** | **(281)** |

The hedge 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.

| | 2020 $000 | 2019 $000 |
|---|---|---|
| **b) Revaluation Reserve** | | |
| Balance at beginning of year | 19,348 | 19,348 |
| Revaluations included in comprehensive income | 4,375 | - |
| Net movement in deferred tax arising on revaluations | (1,271) | - |
| Balance at 30 June | **22,452** | **19,348** |

The revaluation reserve arises on the revaluation of land, buildings and airside pavements. Where revalued assets are sold, the portion of the properties revaluation reserve that relates to that asset, and is effectively realised, is transferred directly to retained profits. The 2018-year net movement in deferred tax reflects a prior period adjustment regarding the 2017-year treatment of non-depreciable land.

## 10. DIVIDENDS

| | | |
|---|---|---|
| Final Dividend | - | 459 |
| Dividends Per Share (cents): | **-** | **8.6** |

Under the methodology applied in preparing these disclosure financial statements, as a result of the operating deficit before income tax generated by the entity's Identified Airport Activities, nil dividends have been allocated to these disclosure accounts.

## 11. RETAINED EARNINGS

| | | |
|---|---|---|
| Balance at beginning of year | 7,196 | 6,440 |
| Operating Surplus/(Deficit) after Income Tax | 544 | 1,215 |
| Dividend distributions | - | (459) |
| Balance at 30 June | **7,740** | **7,196** |

## 12. TRADE & OTHER PAYABLES

Trade payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method. Trade payables are unsecured and are usually paid within 30 days of recognition.

| | | |
|---|---|---|
| Trade payables | 853 | 3,244 |
| Accruals | 365 | 388 |
| | **1,218** | **3,632** |

## 13. CASH & CASH EQUIVALENTS

In the statement of cashflows, cash and cash equivalents includes cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

| | 2020 $000 | 2019 $000 |
|---|---|---|
| Cash floats | 6 | 6 |
| Westpac cheque account | 969 | 467 |
| Balance at 30 June | **975** | **473** |

## 14. TERM BORROWINGS (Secured)

Term loans are initially recorded at fair value net of directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Finance charges, premiums payable on settlement or redemption and direct costs are accounted for on an accrual basis to profit or loss 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.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period to get ready for its intended use or sale) are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

| | | |
|---|---|---|
| Multi-Option Credit Facility | 14,438 | 8,199 |
| Short Term Borrowings | 4,500 | 2,250 |
| Balance at 30 June | **18,938** | **10,449** |

**Comparison of Borrowings for the Whole Company**

| | Statutory Financials 2020 $000 | Disclosure Financials 2020 $000 | Disclosure Financials 2019 $000 |
|---|---|---|---|
| Finance Costs | 541 | 541 | 474 |
| Borrowings (Secured): | | | |
| Current | 4,500 | 4,500 | 2,250 |
| Non-Current | 14,750 | 14,438 | 8,199 |
| Total Borrowings | 19,250 | **18,938** | **10,449** |

**(a)** Westpac has provided a multi option credit line facility of $22,000,000 increasing to $25,000,000 at any time with 48 hours' notice, $26,500,000 before 30 November 2020, and $28,000,000 before 30 April 2021 if required by the Company (2019: $22,000,000) with a maturity date of 30 November 2022. Interest is payable on the drawn down balance at BKBM plus a 1.05% margin (to the extent that the company does not have an interest rate swap). As part of the credit line facility, Westpac has provided a short-term advance of $4,500,000. Interest is payable on the advance at the Westpac short term interest rate which ranged between 3.1% and 1.6% during the 2020 year. The advance is on call. 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.

**(b)** Banking covenants relating to the term loan are:

For the six-month period to 31 December 2020:
- No covenants.

For the six-month period to 30 June 2021:
- Earnings (E.B.I.T.) are not less than 1.1 times funding costs.

For the periods post 30 June 2021:
- Earnings (E.B.I.T.) are not less than 1.75 times funding costs.

## 15. TRADE & OTHER RECEIVABLES

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for expected credit losses. The Company applies the simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance. The measurement of expected credit losses is a function of the probability of default, loss given default and the exposure at default.

The expected credit losses on trade and other receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Payment terms are typically the 20th day of the month following invoice date.

| | 2020<br>$000 | 2019<br>$000 |
|---|---|---|
| Trade receivables | **356** | **1,052** |

Due to the impacts of COVID-19 on the Company and its customers, an assessment was undertaken on trade debtors to assess customers' ability to meet repayments including a high-level assessment on the ability to trade in the future. As a result of this, the Company has updated its provision for doubtful debts for an increase in expected credit losses of $111,000 (2019: Nil).

## 16. PREPAYMENTS

| | 2020<br>$000 | 2019<br>$000 |
|---|---|---|
| Rental Relief in Advance | - | - |
| Balance at 30 June | **-** | **-** |

## 17. PROPERTY, PLANT & 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, buildings, runway, apron, taxiways, and certain items of plant and equipment 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 recognised in other comprehensive income and accumulated in the 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 including borrowing costs 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 |
|---|---|---|
| Land and land improvements | 0% - 12.5% | DV & SL |
| Runway, apron and taxiway | 0% - 6.7% | DV & SL |
| Buildings | 1% - 33.3% | DV & SL |
| Machinery & plant | 4% - 67% | DV & SL |
| Motor Vehicles | 7% - 25% | DV & SL |
| Fixtures, fittings, office and computer equipment | 7.5% - 40% | DV & SL |

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 de-recognition 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 derecognised.

**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.

| **(a) 2020 ($000)** | **Land** | **Runway, Apron, Taxiway** | **Buildings** | **Plant & Equipment** | **Office Equipment** | **Motor Vehicles** | **Work in Progress** | **Total** |
|---|---|---|---|---|---|---|---|---|
| Cost or Valuation | 3,562 | 26,480 | 28,941 | 11,683 | 237 | 532 | 73 | 71,509 |
| Accumulated Depreciation | - | (3,235) | (1,850) | (2,395) | (145) | (241) | - | (7,867) |
| Revaluation | 295 | 2,133 | 1,514 | 434 | - | - | - | 4,376 |
| **Balance at end of period** | 3,857 | 25,378 | 28,605 | 9,722 | 92 | 291 | 73 | **68,018** |

| **(b) 2019 ($000)** | **Land** | **Runway, Apron, Taxiway** | **Buildings** | **Plant & Equipment** | **Office Equipment** | **Motor Vehicles** | **Work in Progress** | **Total** |
|---|---|---|---|---|---|---|---|---|
| Cost or Valuation | 3,499 | 25,433 | 18,400 | 8,043 | 195 | 500 | 8,267 | 64,337 |
| Accumulated Depreciation | - | (2,141) | (1,193) | (1,968) | (149) | (215) | - | (5,666) |
| Revaluation | - | - | - | - | - | - | - | - |
| **Balance at end of period** | 3,499 | 23,292 | 17,207 | 6,075 | 46 | 285 | 8,267 | **58,671** |

**(c)** Land, buildings and airside pavements were revalued at 30 June 2020 by independent registered valuers, Telfer Young (Canterbury) Limited and WSP New Zealand Limited. The total fair value of these assets at 30 June 2020, the effective date of the revaluation, was $84,706,800. 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.

Included in the Building category is the Terminal Expansion Project (TXP). This development was commissioned in March 2020. Due to the proximity of practical completion to financial year end, the TXP was excluded from the buildings valued and carried at O.D.R.C. Based on the movement in Capital Goods Prices Indices between the date the TXP costs were tendered and 30 June 2020, the Company is satisfied that the carrying value of the TXP at 30 June 2020 approximates its fair value.

As at 30 June 2020, an impairment assessment was carried out to determine the appropriateness of the carrying values of the company's aeronautical assets. Due to COVID-19, there is uncertainty around forecast domestic and international air travel and consequently on the Company's cash flows. The Company has forecast a significant reduction in passengers during the commencement of the financial year 2020-21 and a slow recovery back to pre-COVID-19 levels.

The Company's estimates of passengers, recovery and growth rates remain uncertain and dependent on a number of factors with respect to COVID-19 including any remaining restrictions on domestic travel, border controls for international travel, public demand and behaviour with respect to travel and airline scheduling.

Material changes in any of these factors might have a material impact on the Company's estimates of income and cashflows used to support the valuations, fair value assessments and impairment considerations at 30 June 2020.
The assessment, effective 30 June 2020, included the following major assumptions:

- Revenue is largely dependent on passenger numbers. The company has conservatively projected growth in passenger numbers, with a recovery to pre-Covid-19 levels projected only after the 2025 financial year. A growth rate of 2.5% has been applied to cashflows subsequent to the forecast period.
- Forecast free cashflows reflect agreed pricing with airlines following the company's 2017 Airline Pricing Consultation.
- The discount rate applied to the company's pre-taxation free cashflows was 5.83%.

Whilst the result of the assessment indicated that the company's aeronautical assets were not impaired, the assessment is sensitive to changes in both the growth and discount rates. A decrease in the growth rate to below 1.13% or an increase in the discount rate to above 6.98%, could see an impairment arise.

**(d) Segment Assets**

| | Specified Terminal $000 | Airfield $000 | Aircraft & Freight $000 | Total $000 |
|---|---|---|---|---|
| **2020** | | | | |
| Additions | 6,982 | 1,136 | 6 | 8,124 |
| Net Book Value | 39,708 | 26,726 | 1,584 | 68,018 |
| **2019** | | | | |
| Additions | 6,828 | 2,046 | - | 8,874 |
| Net Book Value | 31,542 | 25,948 | 1,181 | 58,671 |

## 18. CONTINGENT LIABILITIES

There were no other contingent liabilities outstanding at 30 June 2020 (2019: $Nil).

## 19. CAPITAL AND OTHER COMMITMENTS (WHOLE COMPANY)

Capital and other expenditure not provided for in the accounts at 30 June 2020 was $186,200 (2019: $6,621,000). This capital commitment relates to the completion of the Terminal Expansion Project (TXP) of $186,200 (2019: $6,460,500) The 2019 balance also included the extension of the Gate 5 apron ($160,500).

## 20. FINANCIAL REPORTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following new standards, interpretation and amendments on issue which have not been applied in preparation of these financial statements:

- Amendments to NZ IAS 1 and NZ IAS 8 – This standard sets out amendments to clarify the requirements for the definition of material in NZ IAS 1 Presentation of Financial Statements and NZ IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.
- NZ IFRS 17 – Insurance Contracts becomes effective for annual periods commencing on or after 1 January 2021 and has not been adopted early. It provides consistent principles for all aspects of accounting for insurance contracts. This standard will not have a significant impact on the Company financial statements.

## 21. RELATED PARTY TRANSACTIONS (WHOLE COMPANY)

**(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.

Businesses which have common ownership, and which provided services/supplies to the Company during the year were:

- Dunedin Venues Management Limited (Dunedin City Holdings Limited controlled) – corporate membership
- Delta Utilities Limited (Dunedin City Holdings Limited controlled) – ground maintenance

Transactions with entities with common ownership with details of purchases for the year and balances owing at 30 June being as follows:

| | 2020 $000 | 2019 $000 | 2020 $000 | 2019 $000 |
|---|---|---|---|---|
| Dunedin Venues Management Limited | 12 | 13 | - | - |
| Delta Utilities Limited | 54 | 51 | 4 | 4 |

**(b)** Businesses in which directors and key management personnel have a substantial interest and which provided services/supplies to the Company during the year were:

- Delta Utilities Limited (T Allison - director) – ground maintenance
- Institute of Directors Otago Southland Branch (P A Oakley – chairperson, T Allison committee member) – membership and training
- Tourism Waitaki (M Crawford - director) – sponsorship
- Airways Corporation (D Cusack – director) – landing data and apron lighting project management

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

| | Annual Purchases (GST Inclusive) | | Owing at 30 June (GST Inclusive) | |
|---|---|---|---|---|
| | 2020 $000 | 2019 $000 | 2020 $000 | 2019 $000 |
| Delta Utilities Limited | 54 | 51 | 4 | 4 |
| New Zealand Airports Association | - | 37 | - | - |
| Institute of Directors – Otago Southland Branch | 2 | 9 | - | - |
| Tourism Waitaki | 5 | - | - | - |
| Airways Corporation | 55 | N/A | 1 | N/A |

For Directors appointed during the 2020 financial year, no 2019 financial year comparative has been noted in the table above, as during the 2019 financial year, there was no relationship between the newly appointed Director and the Company.

**(c)** Compensation of key management personnel:
The remuneration of directors and other members of key management during the year was:

| | 2020 $000 | 2019 $000 |
|---|---|---|
| Short-term benefits | 860 | 806 |

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.

**(d)** Transactions with shareholders with details of purchases for the year and balance owing at 30 June being as follows:

| | Annual Purchases | | Owing at 30 June | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| | **$000** | **$000** | **$000** | **$000** |
| Dunedin City Council rates & services | 317 | 301 | - | - |

## 22. LEASE COMMITMENTS (WHOLE COMPANY)

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 below note includes all lease commitments held by the Company.

**The Company as Lessor**

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.

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

| | **2020** | **2019** |
|---|---|---|
| | **$000** | **$000** |
| Under 1 year | 2,582 | 2,296 |
| 1 to 2 years | 2,237 | 1,566 |
| 2 to 3 years | 1,595 | 1,382 |
| 3 to 4 years | 914 | 903 |
| 4 to 5 years | 513 | 480 |
| Over 5 years | 213 | 268 |

**The Company as Lessee**

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

(ii) The Company has various operating leases for office equipment. Minimum lease commitments under non-cancellable operating leases are as follows:

| | **2020** | **2019** |
|---|---|---|
| | **$000** | **$000** |
| Under 1 year | 1 | 1 |
| 1 to 5 years | 3 | - |

## 23. SUBSEQUENT EVENTS

Subsequent to year end the Company applied for, and received the Governments Extended Eight Week Wage Subsidy.

## 24. SEGMENT INFORMATION

For the purposes of reporting in accordance with NZ IFRS 8: Operating Segments, section 8(3) of the Regulations prescribe the industry segments as airfield activities, aircraft and freight activities and specified terminal passenger activities, as defined in note 2, above. These do not necessarily meet the definition of "operating segments" per NZ IFRS 8 itself but have been treated as operating segments to meet the requirements of the Regulations.

**Dunedin International Airport Limited**
**Disclosure Financial Statements**

The company is located in one geographic segment in Dunedin, New Zealand, and operates in the airport industry. The company earns revenue from aeronautical activities and other charges and rents associated with operating an airport.

Management have assessed the activities of Dunedin International Airport Limited and allocated them to segments as required by the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999.

The Company is required to present segmented information for three specified airport activities. These activities are defined in the Regulations.

| 2020 | Airfield | Aircraft & Freight Activities | Specified Terminal | Total |
|---|---|---|---|---|
| | $000 | $000 | $000 | $000 |
| Operating Revenue | 4,155 | 218 | 3,100 | 7,473 |
| **Expenses** | | | | |
| Audit Fees | 17 | 1 | 25 | 43 |
| Directors Fees | 25 | 1 | 37 | 63 |
| Finance Costs | 212 | 10 | 319 | 541 |
| Ineffective Hedges | - | - | - | - |
| Depreciation | 1,219 | 78 | 1,101 | 2,398 |
| Employee Benefit Expense | 1,686 | 9 | 647 | 2,342 |
| Runway Maintenance | 559 | - | - | 559 |
| Other Operating Expenses | 806 | 38 | 1,267 | 2,111 |
| Total expenses | 4,524 | 137 | 3,396 | 8,057 |
| **Segment operating surplus (deficit) before income tax** | (370) | 81 | (296) | (584) |
| Income tax expense/ (credit) | | | | (1,128) |
| **Net operating surplus (deficit) after income tax** | | | | 544 |
| **Total assets** | 27,558 | 1,605 | 40,424 | 69,587 |
| Average Number of Full-Time Staff Equivalents | 21.0 | 1.1 | 9.6 | 31.7 |

**2019**

| | Airfield | Aircraft & Freight Activities | Specified Terminal | Total |
|---|---|---|---|---|
| | $000 | $000 | $000 | $000 |
| Operating Revenue | 4,941 | 242 | 3,698 | 8,881 |
| **Expenses** | | | | |
| Audit Fees | 18 | 1 | 22 | 41 |
| Directors Fees | 29 | 1 | 34 | 64 |
| Finance Costs | 209 | 10 | 255 | 474 |

| | | | | |
|---|---|---|---|---|
| Ineffective Hedges | (61) | (3) | (74) | (138) |
| Depreciation | 1,195 | 78 | 1,001 | 2,274 |
| Employee Benefit Expense | 1,640 | 10 | 574 | 2,224 |
| Runway Maintenance | 330 | - | - | 330 |
| Other Operating Expenses | 762 | 45 | 1,115 | 1,922 |
| Total expenses | 4,122 | 142 | 2,927 | 7,191 |
| **Segment operating surplus (deficit) before income tax** | 819 | 100 | 771 | 1,690 |
| Income tax expense/ (credit) | | | | 475 |
| **Net operating surplus (deficit) after income tax** | | | | 1,215 |
| **Total assets** | 27,276 | 1,194 | 31,878 | 60,348 |
| Average number of full-time staff equivalents | 18.6 | 1.0 | 10.2 | 29.8 |

## 25. ALLOCATION METHODOLOGY USED IN THE PREPARATION OF THESE STATEMENTS

Expenditure Categories and Allocation

Expenditure falls into one of the following categories:

- Direct operational costs are incurred solely by Identified Airport Activities, or another business unit of the airport, and have been allocated directly to the area affected.
- Indirect operational costs are either incurred by a number of Identified Airport Activities, or in conjunction with other business units. Indirect operational costs have been allocated to the Identified Airport Activities on the following basis:
  - Depreciation allocated across segments consistent with the methodology used for assets (see below).
  - Taxation is allocated based on a consistent allocation methodology applied to the relevant assessable expenses, for asset allocation (see below) and expenses (see above).
  - Marketing costs are allocated based on the proportion of all other expenditure, where as other indirect operating expenditure is allocated based on the terminal floor space.
  - Administrative expenses are allocated on the proportion of total assets.
  - Interest expenses are assumed to be 100% aeronautical. They are allocated between segments in proportion to the allocation of aeronautical assets allocated to each segment.
  - Ineffective hedges are assumed to be 100% aeronautical. They are allocated between segments in proportion to the allocation of aeronautical assets allocated to each segment.

Expense items are generally analysed at the business unit level, however further analysis is conducted where significant costs within a business unit are known to have a different driver.

Allocation of Assets

The company maintains a detailed property, plant and equipment register. Each asset has been either coded directly to an Identified Airport Activity, a non-Identified Airport Activity or allocated using a specific rule. Where assets are allocated to a number of segments, they have been apportioned between the affected activities using an activity-based cost methodology or the nearest proxy to it. Material asset classes and apportionment approaches are:

- Terminal property, plant and equipment, including land and buildings, have been generally apportioned on the basis of an area analysis of terminal usage.
- Land held for future airport development has been allocated between the various activities based on its intended future use.
- Roads have been allocated using an estimation of their primary purpose and usage, excluding through traffic.
- Wastewater assets have been allocated on the basis of water usage across the business units.
- Direct assets, those which are directly allocated to an airport activity based on their nature.
- Remaining common assets (including administrative assets) are allocated to each segment in proportion to the allocation of all property, plant and equipment.

Allocation of Debt

Under the methodology applied in preparing these disclosure financial statements debt becomes the balancing figure in the disclosure financials and is therefore impacted by the profitability of each specified activity. Debts are allocated to segment consistent with the methodology used for assets.

Allocation of Equity

The equity position of each segment is calculated with reference to the following:

- The opening level of equity.
- Adjustment for movements due to net profit less dividends in the segment.
- Adjustments for any capital issued or repaid.

## 26. WEIGHTED AVERAGE COST OF CAPITAL

The Company has estimated the prospective weighted average cost of capital (WACC) for its identified airport activities as at 1 July 2019, being the commencement of the current disclosure period.

The Company has applied a post-tax WACC model. The post investor tax version of the capital asset pricing model (CAPM) has been used to estimate the appropriate cost of equity capital. The debt premium has been based on the spread between yield on a benchmark corporate bond and the risk-free rate that the company would pay for longer-term debt. The risk-free rate, and therefore the cost of debt, reflects the market conditions as at 1 July 2018.

The following table summarises the key parameters used in the company WACC model:

| | 2020 Parameter | 2019 Parameter |
|---|---|---|
| Marginal Tax Rate | 28% | 28% |
| Risk Free Rate | 1.61% | 2.16% |
| Asset Beta | 0.60 | 0.60 |
| Equity Beta | 0.74 | 0.74 |
| Market Risk Premium | 7.00% | 7.00% |
| Post Tax Cost of Equity | 6.34% | 6.74% |
| Debt Margin | 0.92% | 0.33% |
| Cost of Debt | 2.73% | 2.69% |
| Debt to Value Ratio | 19.00% | 19.00% |
| Equity to Value Ratio | 81.00% | 81.00% |
| Calculated WACC | 5.65% | 5.83% |

Based on these parameters the company estimates that, as at 1 July 2019, the appropriate prospective WACC for its identified airport activities was 5.65% (2019: 5.83%) on a nominal after-tax basis.
The Company revises its WACC periodically to coincide with its aeronautical consultation processes or as required prior to a major aeronautical investment. The calculation of WACC for a particular portion of a company is subject to variables that require expert assessment and judgement.
The Company uses a generally-accepted approach to the calculation of the WACC. This represents the weighted average costs of equity (adopting the simplified version of the Brennan-Lally CAPM) plus the cost of debt, net of corporate tax deductions, as follows:

$$WACC = r_D \times (1 - T_C) \times (D/V) + r_E \times (E/V)$$

$r_D$=The Company's pre-tax cost of debt.
$T_C$ = The corporate tax rate.
D=The value of the Company's debt.
$r_E$=The Company's post –tax cost of equity.
E=The value of the Company's equity.
V=The Company's total enterprise value, i.e. ( V = E + D).

## 27. METHODOLOGY USED TO DETERMINE AIRPORT AERONAUTICAL CHARGES

Charges are set to fund the shortfall in total revenues from identified airport activities so that an adequate return on capital can be made after recovering the costs of providing identified airport facilities.

All Dunedin International Airport Limited's identified airport activities revenues and costs are used to determine the revenue required from airport charges.

Revenues and expenses were identified and allocated among two facility categories:

- Airport Terminal
- Airfield, Runway and Apron

The terminal component of landing charges were set to balance the funding requirements for the Airport Terminal.

The runway component of landing charges were set to balance funding for the Airfield and Apron facilities.

**Regular Air Transport Operations**
A flight forming part of a series of flights performed by aircraft for the transport of passengers, cargo, or mail between the Airport and one or more points in New Zealand or in any other country or territory, where the flights are so regular and frequent as to constitute a systematic service, whether or not in accordance with a published timetable, and which are operated in such a manner that each flight is open to use by members of the public.

**Maximum Certified Take-off Weight (MCTOW)**
For an aircraft the lower of its maximum certified take-off weight as specified by the manufacturer (or as approved by the Civil Aviation Authority) and the maximum authorised operating weight as specified by the company.

**Landing Charge – Runway Component**
A landing charge is payable in respect of each arriving aircraft on a Regular Air Transport Operation and is calculated in accordance with the below formula.

## 28. SCHEDULE OF AIRPORT CHARGES

Airport charges are levied on an aircraft arrival basis on the following formula:

### Regular Air Transport Operation Charges:
The following charges are payable per each Disembarking and Embarking Passenger (excluding Infants) on Turboprop or Jet (as applicable) arriving or departing through the Dunedin Airport terminal:

| | |
|---|---|
| **Airfield Component:** | |
| Jet Aircraft | $5.91/passenger |
| Turboprop Aircraft | $3.74/passenger |
| **Terminal Component:** | |
| Jet Aircraft | $2.57/passenger |
| Turboprop Aircraft | $2.57/passenger |

### General Aviation Charges:

Landing charge = **a** x **b**

Where **a** is the MCTOW of the aircraft and **b** is the $ rate per tonne of MCTOW as set out in the table below.

| Aircraft MCTOW (tonne) | $ Rate per tonne (excl GST) | |
|---|---|---|
| | As at 30 June 2020 | As at 30 June 2019 |
| 0 to 10 | $17.22 | $17.22 |
| 10 – 19.999 | $18.43 | $18.43 |
| 20 – 39.999 | $19.56 | $19.56 |
| 40 – 54.999 | $22.06 | $22.06 |
| 55 and greater | $23.43 | $23.43 |

### Aircraft Parking Charge

For each aircraft parked in a designated aircraft parking area for a period in excess of 6 hours an aircraft parking charge is payable per calendar day or part thereof as set out in the table below.

### As at 30 June 2020

| Aircraft MCTOW (tonne) | Charge per Day (excl GST) | |
|---|---|---|
| | As at 30 June 2020 | As at 30 June 2019 |
| 0 to 10 | $150 | $150 |
| 10 – 19.999 | $220 | $220 |
| 20 – 39.999 | $325 | $325 |
| 40 – 54.999 | $375 | $375 |
| 55 and greater | $500 | $500 |

For the purposes of aircraft parking charges, "designated aircraft parking area" means an aircraft parking area owned or leased by the Company other than an aircraft parking area which is subject to a lease or license granted by the Company.

### Landing Statistics

**Scheduled Domestic Services**

| Aircraft MCTOW (kg) | Aircraft Type | Year to 30 June 2020 | Year to 30 June 2019 |
|---|---|---|---|
| 0-3,000 | Turbo Prop | - | - |
| 3,001 to 20,000 | Turbo Prop | 41 | 45 |
| 20,001 – 26,000 | Turbo Prop | 2,206 | 2,461 |
| 26,001 – 56,000 | Jet | - | - |
| 56,001 – 71,000 | Jet | - | - |
| 71,001 and greater | Jet | 1,898 | 2,692 |

**Scheduled International Services**

| Aircraft MCTOW (kg) | Aircraft Type | Year to 30 June 2020 | Year to 30 June 2019 |
|---|---|---|---|
| 0 – 71,000 | Jet | - | - |
| 71,001 and greater | Jet | 126 | 174 |

**Other Landings**

| Aircraft MCTOW (kg) | Year to 30 June 2020 | Year to 30 June 2019 |
|---|---|---|
| All weights | 6,577 | 5,773 |

## 29. PASSENGERS

| Class of Passenger | Year to 30 June 2020 | Year to 30 June 2019 |
|---|---|---|
| Passengers arriving and departing on domestic flights | 759,324 | 1,035,237 |
| Passengers arriving and departing on international flights | 34,232 | 42,238 |

## 30. PASSENGER CHARGE

The International Departure Fee has been set to contribute to the funding of facilities at Dunedin International Airport Limited.

Since 1 August 2011, the international departure fee has been included in the ticket price and Dunedin International Airport Limited receive $11.11 plus GST per arriving and departing passenger.

## 31. INTERRUPTIONS TO SERVICES

Interruption to services as required by the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999 is set out below.

### Planned Disruptions

| Service | Number of Events | | Total Duration (nearest 15 mins) | |
|---|---|---|---|---|
| | Year to 30 June 2020 | Year to 30 June 2019 | Year to 30 June 2020 | Year to 30 June 2019 |
| Runway Services | - | - | - | - |
| Stand Position Services | - | - | - | - |
| Airbridge Services | - | - | - | - |
| Baggage Handling Services | - | 1 event | - | 15 mins |

### Un-planned Disruptions

| Service | Number of Events | | Total Duration (nearest 15 mins) | |
|---|---|---|---|---|
| | Year to 30 June 2020 | Year to 30 June 2019 | Year to 30 June 2020 | Year to 30 June 2019 |
| Runway Services | 1 | - | 1 hr 30 mins | - |
| Stand Position Services | - | - | - | - |
| Airbridge Services | - | - | - | - |
| Baggage Handling Services | - | - | - | - |

## 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

**TONY ALLISON**

| | |
|---|---|
| AA Cleaners (Otago) Limited | Director |
| Night 'n Day Foodstores Limited | Chair – advisory board |
| Delta Utility Services Limited | Director |
| Institute of Directors Otago Branch | Committee Member |
| Otago Polytechnic | Chairman |
| SCG Finance Limited | Director |
| Smiths City (2020) Limited | Director |
| Visionalli Limited | Director |

**TRISH OAKLEY – resigned 31 October 2019**

| | |
|---|---|
| Dunedin Casino Charitable Trust | Trustee |
| Forsyth Barr Limited | Employee/Shareholder |
| Institute of Directors - National Council | Council Member |
| Institute of Directors - Otago Southland Branch | Chairperson |
| Pomegranate Trust | Trustee |
| Royal New Zealand Ballet | Trustee |
| University of Otago | Council Member |

**MARK ROGERS – resigned 31 October 2019**

| | |
|---|---|
| Adventure Development Limited | Chairperson |
| Aoraki Development and Promotions Limited | Chairperson |
| Institute of Directors - Canterbury Branch | Committee Member |
| MVHB Professional Services Limited | Director |
| Men at Work Group | Advisory Board Chairperson |
| Ourgroupit Limited | Director |
| South Canterbury District Health Board | Board Member |
| The Rogers Family Trust | Trustee |
| Waitaki District Health Service Limited | Director |
| Westroads Limited | Director |

**JONATHAN CAMERON – appointed 1 November 2018**

| | |
|---|---|
| Destination Great Lake Taupo | Board Member |
| Elevate Capital Partners Limited | Director |
| I.D.A.ShonCo Limited | Director |
| Tourism Investment Partners Limited | Director |
| Veterinary Enterprises Group Limited | Director |

**DARIN CUSACK - appointed 1 November 2019**

| | |
|---|---|
| Airways Corporation of New Zealand Limited | Director |
| Absolute Solutions Group Limited | Director |
| Auckland Transport Group | Independent Chair - Project Control |
| CSC Group Limited | Director and Partner |
| The Zak & Zed Family Trust | Trustee |

**RACHEL BROOKING - appointed 1 November 2019**

| | |
|---|---|
| CGCA Jackson Limited | Director |
| Labour Party | List Candidate |
| Resource Management System Review | Member |
| University Bookshop (Otago) Limited | Director |

**RICHARD ROBERTS**

| | |
|---|---|
| Dickr Investments Limited | Director |
| Dunedin Railways Limited | Director |

**MEGAN CRAWFORD**

| | |
|---|---|
| Theomin Gallery Committee | Committee Member |
| Tourism Waitaki | Director |

**Directors' Interests in Contracts**

Details of contracts involving directors' interests entered into during the year ended 30 June 2020 are provided in Note 20 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 and Momona Garage.

**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 2020 are as follows:

| Director | Remuneration |
|---|---|
| Tony Allison | 30,404 |
| Chairperson (appointed Chairperson 1 November 2019) | |
| | |
| Patricia A Oakley | |
| Chairperson – Remuneration Committee (resigned 31 October 2019) | 7,500 |
| | |
| Mark Rogers | |
| Chairperson – Health and Safety Committee (resigned 31 October 2019) | 7,500 |
| Chairperson – Audit Committee (resigned 31 October 2019) | |
| | |
| Jonathan Cameron | 21,463 |
| Chairperson – Audit Committee (appointed 1 November 2019) | |
| | |
| Darin Cusack | 13,963 |
| Chairperson – Health and Safety Committee (appointed 1 November 2019) | |
| | |
| Rachel Brooking | 13,963 |
| Chairperson – Remuneration Committee (appointed 1 November 2019) | |

**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.

**Executive Remuneration**

Executive remuneration is made up of one component: fixed remuneration. Fixed remuneration consists of base salary and benefits.

There are no defined performance-based components of executive remuneration.

Actual salary paid includes holiday pay paid as per New Zealand legislation.

Benefits include the Company's contribution to KiwiSaver, fuel card and road user charges (as applicable) and a contribution to home broadband.

A summary of the executive members salary and benefits are included in the table below:

| | 2020 | | | | 2019 | | |
|---|---|---|---|---|---|---|---|
| **Employee** | **Salary** | **Benefits** | **Total** | | **Salary** | **Benefits** | **Total** |
| Richard Roberts | $271,147 | $12,688 | $283,835 | | $253,045 | $13,694 | $266,739 |
| Chris Cope | $153,876 | $9,263 | $163,139 | | $149,692 | $9,235 | $158,927 |
| Megan Crawford | $124,892 | $8,252 | $133,144 | | $122,735 | $8,631 | $131,366 |
| Stu Casey* | $115,757 | $10,448 | $126,205 | | $132,472 | $11,203 | $143,675 |
| Glen Pleasants* | $30,461 | $3,683 | $34,144 | | | | |

* Stu Casey resigned from the Company effective 17 March 2020 as was replaced by Glen Pleasants.

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.

T Allison
Chairman

J Cameron
Director

# Independent Assurance Report

## To the Directors of Dunedin International Airport Limited

## Report on Dunedin International Airport Limited's disclosure financial statements for the year ended 30 June 2020

The Auditor-General is the auditor of Dunedin International Airport Limited (the company). The company is required by the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999 (the Regulations) to prepare disclosure financial statements for the company's identified airport activities.

The Auditor-General has appointed me, Rudie Tomlinson, using the staff and resources of Audit New Zealand, to provide a conclusion, in accordance with the Regulations, on the company's disclosure financial statements. The disclosure financial statements comprise:

- financial statements only for the identified airport activities, and not for the other activities of the company, prepared in accordance with generally accepted accounting practice; and
- additional information as specified in section 9 and Schedule 2 of the Regulations.

## Unqualified conclusion

It is our conclusion that the disclosure financial statements on pages 5 to 31 are fairly reflected, in all material respects with the Regulations, and comply, in all material respects, with generally accepted accounting practice in New Zealand.

Our work was completed on 30 November 2020. This is the date at which our conclusion is expressed.

The limitations and use of this report is explained below, and we draw attention to the impact of Covid-19 on the company. In addition, we explain the responsibilities of the Board of Directors and our responsibilities, and explain our independence.

## Emphasis of matter – impact of Covid-19

Without modifying our conclusion, we draw attention to the disclosures about the impact of Covid-19 on the company as set out in the notes on page 10 to the disclosure financial statements. We draw specific attention to the following matter due to the significant level of uncertainty caused by Covid-19:

- ***Sensitivity of the valuation model used in the impairment assessment***

  Page 21 describes the sensitivity of the company's impairment model to changes in major inputs and assumptions. The company's estimates of passengers, recovery and growth rates remain uncertain and dependent on a number of factors with respect to Covid-19.

## Limitations and use of this report

This independent assurance report has been prepared solely for the Directors of the company in accordance with our responsibilities under the Regulations. We disclaim any assumption of responsibility for any reliance on this report to any persons or users other than the Directors of the company, or for any purpose other than that for which it was prepared.

The Regulations require the disclosure financial statements to include financial statements only for the company's identified airport activities, which are part of the annual financial statements that we have previously audited. Other than as expressly stated below, we have not carried out any additional procedures on the financial statements for the company's identified airport activities since signing our audit report on the company's annual financial statements on 12 November 2020 which contained an unmodified opinion with an emphasis of matter raised on the impact of Covid-19. Explanation of the scope of our audit engagement on the company's annual financial statements and performance information is contained in that audit report.

Because of the inherent limitations in evidence gathering procedures, it is possible that fraud, error or non-compliance might occur and not be detected.

## Responsibilities of the Board of Directors

The Board of Directors is responsible for preparing disclosure financial statements that comply with the guidelines issued under the Regulations, and subject to the Regulations, comply with generally accepted accounting practice in New Zealand.

The Board of Directors is responsible for such internal control as it determines is necessary to enable the preparation of disclosure financial statements that are free from material misstatement, whether due to fraud or error.

The Board of Directors is also responsible for the publication of the disclosure financial statements, whether in printed or electronic form.

## Our responsibilities

We are responsible for expressing an independent conclusion on the disclosure financial statements and reporting that conclusion to you based on our work. Our responsibility arises from the Regulations and from the Public Audit Act 2001.

We have carried out our engagement in accordance with the International Standard on Assurance Engagements (New Zealand) 3000 (Revised): Assurance Engagements Other Than Audits or Reviews

of Historical Financial Information which has been issued by the External Reporting Board. A copy of this standard is available on the External Reporting Board's website.

Our work has been carried out to obtain reasonable assurance about whether the disclosure financial statements are free from material misstatement, and have been prepared in accordance with the Regulations, in all material respects. Material non-compliance with the Regulations relates to differences or omissions of amounts and disclosures that would affect an overall understanding of the disclosure financial statements. If we had found material non-compliance that was not corrected, we would have referred to the non-compliance in our conclusion.

The Regulations require the disclosure financial statements to include financial statements for the company's identified airport activities, which are only part of the annual financial statements that we have previously audited.

The financial statements for the company's identified airport activities included in the disclosure financial statements have been extracted from the underlying accounting records of the company, and our work on them was limited to:

- Obtaining an understanding of how the company has met the requirements of the Regulations to determine its identified airport activities.
- Obtaining an understanding of how the company has determined its allocation methodology which has been used to allocate shared expenditure, assets, debt and equity balances.
- Evaluating how the allocation methodology has been applied by testing the allocation of shared expenditure, assets, debt and equity balances.
- Agreeing the amounts and disclosures in the disclosure financial statements to the company's underlying records, and to the company's audited annual financial statements, where appropriate.

We also performed procedures to obtain evidence about the amounts and disclosures in the additional information included in the disclosure financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the additional information, whether due to fraud or error or non-compliance with the Regulations. In making those risk assessments, we considered internal control relevant to the company's preparation of the additional information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

We did not examine every transaction, nor do we guarantee complete accuracy of the disclosure financial statements. Also we did not evaluate the security and controls over the electronic publication of the disclosure financial statements.

## Independence and quality control

When carrying out this engagement, we complied with the Auditor-General's:

- independence and other ethical requirements, which incorporate the independence and ethical requirements of Professional and Ethical Standard 1 issued by the New Zealand Auditing and Assurance Standards Board; and

- quality control requirements, which incorporate the quality control requirements of Professional and Ethical Standard 3 (Amended) issued by the New Zealand Auditing and Assurance Standards Board.

Other than this engagement carried out under the Regulations, and our audit of the company's annual financial statements and performance information, we have no relationship with or interests in the company.

Rudie Tomlinson
Audit New Zealand
On behalf of the Auditor-General
Dunedin, New Zealand