ANNUAL REPORT

2018

dunedin AIRPORT

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OUR

COMPANY PARTICULARS

DIRECTORS

Stuart J McLauchlan
BCom, FCA(PP), AFInstD (Chairman)

Tony Allison
BCom, BA, CA, CMInstD

Patricia (Trish) A Oakley
BCom, CMInstD

Mark F Rogers
A(Hons), CMInstD, MNZIM

COMMITTEES

Audit Committee
Chairperson - Tony Allison,
Stuart McLauchlan

Remuneration Committee
Chairperson- Trish Oakley,
Mark Rogers

Health and Safety Committee
Chairperson – Mark Rogers,
Stuart McLauchlan, Trish Oakley,
Tony Allison

CHIEF EXECUTIVE

R Roberts
BEng (Hons) , MInstD

GENERAL MANAGER COMMERCIAL

C Cope
BCom, Dip Grad, CA, MInstD

GENERAL MANAGER INFRASTRUCTURE & SERVICE DELIVERY

S Casey

GENERAL MANAGER BUSINESS DEVELOPMENT

M Crawford
BA, BCom , MInstD

REGISTERED OFFICE

Terminal Building
Dunedin International Airport
Private Bag 1922
DUNEDIN

Phone	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

Julian Tan of Audit NZ
On behalf of the Auditor-General

AIRLINES

FOR THE YEAR ENDED 30 JUNE 2018

AIRLINE	AIRCRAFT TYPE
DOMESTIC	
Air New Zealand	Airbus 320-200
Air New Zealand	Boeing 737-300
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

OUR PLACE

DUNEDIN, NEW ZEALAND

It's hard to imagine that one destination can have some of the best and most unique wildlife viewing in the world, an impressive array of heritage architecture and be home to world class fashion designers. But there is such a destination, Dunedin.

Dunedin, New Zealand's first city is set amidst a magical landscape edged by the sea. Here the streets hum vibrantly with colour and culture, and the beauty of nature can still be found - everywhere. It is a thriving city of rare charm.

OUR

DIRECTORS

Tony Allison
Bcom, BA, CA, CMinstD (Chairperson – Audit Committee).

Stuart J McLauchlan
BCom, FCA(PP), AF Inst D (Chairman, Member – Audit Committee)

Patricia (Trish) A Oakley
BCom, M Inst D (Chairperson - Remuneration Committee)

Mark F Rogers
BA(Hons), M Inst D, MNZIM (Chairperson – Health and Safety Committee)

OUR

EXECUTIVE LEADERSHIP TEAM

GENERAL MANAGER COMMERCIAL

C Cope
BCom, Dip Grad, CA, MInstD

GENERAL MANAGER BUSINESS DEVELOPMENT

M Crawford
BA, BCom, MInstD

GENERAL MANAGER INFRASTRUCTURE & SERVICE DELIVERY

S Casey

CHIEF EXECUTIVE

R Roberts
BEng (Hons), MInstD

OZONE
OZONE
OZONE

THE

YEAR AT A GLANCE

TOTAL PASSENGERS

1,030,512

5.9% UP

INTERNATIONAL

DOWN 3.6%

44,166

DOMESTIC

UP 6.4%

986,346

INTERNATIONAL CAPACITY

DOWN 5.1%

DOMESTIC CAPACITY

UP 4.5%

BUSIEST MONTH ON RECORD

MARCH 2018

95,163

FINANCIAL SUMMARY

This summary should be read in conjunction with the full financial statements in section 2 or online at www.dunedinairport.co.nz

OPERATING REVENUE

16.5M

16.9% UP

OPERATING SURPLUS AFTER TAX

UP 41.1%

3.3M

AERO REVENUE

39.9% UP

7.3M

TOTAL DECLARED DIVIDEND FOR THE YEAR

$1,408,000

SHAREHOLDERS FUNDS

UP 3.7%

61.8M

NON AERO REVENUE

+Others

UP 6.4%

9.3M

CHAIRMAN AND CEO'S REPORT

The Directors and Management are pleased to present this year's Annual Report. Dunedin Airport has seen another year of significant growth. It has been a very exciting and rewarding year, and we are looking forward with great optimism.

Reflecting back on the year, we must pay thanks to our team who have worked tirelessly in delivering some significant projects to improve the experience for our growing numbers of customers and team. We seek out new team members who align with our ever-present values, which is essential to deliver our value-based leadership model. The next few years present challenges for us all, but we feel comfortable and confident that we have the right mix on board to ensure we deliver success together.

CONNECTING OUR PLACE, TO MORE PEOPLE, IN THE BEST WAY EVERYDAY

OUR BRAND VALUES OF

BE YOU | BETTER TOGETHER | CAN DO | MAKE IT EASY | WE CARE | MAKE IT HAPPEN

TO MAKE SAFETY & SECURITY OUR FIRST PRIORITY

TO BE ENVIRONMENTALLY RESPONSIBLE

TO OPTIMISE THE COMMERCIAL RETURN TO OUR SHAREHOLDERS

INCREASE PASSENGER NUMBERS

TO DEVELOP & STRENGTHEN OUR PARTNERSHIPS

PROVIDE THE BEST CUSTOMER EXPERIENCE

TO BE A GREAT PLACE TO WORK

TO CONNECT & ENGAGE WITH OUR PLACE

In terms of passenger numbers, 2017 - 2018 was another record year for the airport.

In January 2018 we welcomed our one millionth passenger. This was a major milestone and represented a 45% increase in passenger movements through the airport over the last ten years. The total numbers of passengers for the year was 1,030,512 which represents an increase of 5.9% on the previous year and follows on from a 7.0% increase in the 2016 – 2017 year.

This year's domestic capacity has increased by 4.5% (1,208,758 seats) with a corresponding increase in passengers of 6.4% to 986,346 compared to the previous year.

International capacity declined by 5.1% with a corresponding decline in international passenger numbers by 3.6% during this period to 44,166.

There remains strong demand for services through Dunedin Airport. Last year we reported that our busiest month on record was March 2017, with 87,730 passengers.

This record was surpassed three times this year, with March 2018 at 95,163, our new busiest month on record.

Dunedin Airport's total revenue increased by 16.9% to $16,522,000 and the after-tax operating surplus was $3,725,000, surpassing last year by $954,000, or 41.1%.

Aeronautical revenue of $7,287,000, which constituted 44.1% of total revenue, was 39.9% ahead of the previous year. In March 2017 we commenced consultation with our airline customers on airport charges for regular passenger transport (RPT) operators at Dunedin Airport. It is a legislative requirement under The Airport Authorities Act 1966 that all airport companies consult over charges with all substantial customers, before any new or altered charges are implemented. The previous landing charges consultation occurred in 2011. The consultation process was successfully concluded in June 2017 with updated airport charges taking effect from 1 July 2017. These changes, in addition to increasing passenger numbers, had a significant positive impact on the 2017 – 2018 aeronautical revenue.

Non-aeronautical income (excluding interest income, dividends received, gain on sale of fixed assets, and fair value movements of investments) increased 6.4% above last year to $9,273,000. This revenue stream is derived from passenger activities, retail, property, car parking and the airport's dairy farming operations and constitutes 56.1% of our total revenue.

The dividend declared at the 2017 Annual General Meeting and distributed to shareholders during the 2018 financial year remained in line with the previous year and forecasts at $1,408,000.

Dunedin Airport shareholders' funds increased by $2,222,000, or 3.7%, to $61,781,000. This increase is the result of the current year operating surplus, offset by dividend distributions.

Notwithstanding current year capital expenditure of $3,468,000, early in the 2017 – 2018 financial year it became apparent that the timing of budgeted capital expenditure was not indicative of the likely timing of incurred costs. Notable variances include a 2018 financial year budget for the Terminal Expansion Project (refer narration below) of $6,700,000 compared to a 2018 spend of $600,000, and a 2018 budget of $2,800,000 for the carpark expansion (refer narration below) compared to a 2018 spend of $1,700,000. Both variances represent timing deferrals into the 2019 financial year.

CONNECTING MORE PEOPLE

We were very proud to see our one millionth passenger arrive into Dunedin on the 31st January. It was an amazing team effort that enabled us to celebrate this important occasion in a very "Dunedin" way! Each passenger from flight NZ675 from Auckland was treated to Dunedin gifts including Emersons beer, Ocho chocolate and other local goodies. All gifts were either donated or heavily discounted which was a wonderful demonstration of the many partnerships Dunedin Airport has within the City. The 1 millionth passenger received a gift of two tickets to the Pink Concert donated by Dunedin Venues Management Limited including flights to Dunedin which were provided by Air New Zealand.

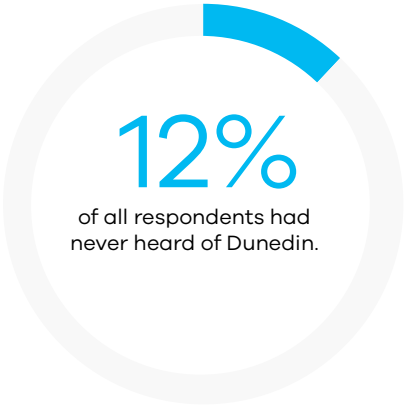
Our strategy remains focused on sustaining and growing trans-Tasman services to and from the region along with increasing frequency into the other main centres of Auckland, Wellington and Christchurch. In early April 2018, Air New Zealand announced that they would not be seeking to apply for renewal of the alliance agreement between themselves and Virgin Australia. In the past most of our work with our trans-Tasman airline partners was with Air New Zealand on both sides of the Tasman. Since the announcement both airlines have adjusted their trans-Tasman schedules and reviewed their strategies on the highly competitive trans-Tasman routes. We are treating our existing services as a new route, and new relationship, and we aim to provide all that we can to support and grow both frequency and destinations to and from our region.

Our trans-Tasman passenger numbers remain under pressure. This is the result of a number of factors including competing and cost-effective international destinations, awareness of the Virgin Australia product in New Zealand, and a frequency of less than a daily service which will always affect volume and market presence.

These remain challenges for us in this market and our aim is always to improve our international passenger trends against these market challenges. The importance of a strong destination message in the Australian market, and in particular the Queensland market, cannot be overstated. It is more important than ever that Dunedin City, with its new Destination Plan, and our neighbouring regions come together to put our compelling destination to the Australian market and the rest of the world in such a way that it cannot be ignored. This requires strong and trusting partnerships where we can invest together for the greater good.

As part of our trans-Tasman work with Enterprise Dunedin, we undertook Dunedin destination awareness research in the Queensland market. Through our aviation consultants, a panel survey was conducted involving 1,300 people from the Brisbane, Ipswich, Toowomba and Sunshine Coast areas. Some of the key findings from the research are shown to the right.

This survey will be conducted again in September 2018 following the completion of the Winter campaign activity in the Queensland market.



Prior to the announcement of the disestablishment of the Air New Zealand and Virgin Australia alliance, we worked alongside Air New Zealand to drive demand on our Brisbane service. We collaborated on a number of campaigns to promote Dunedin in the Queensland market and to encourage travel to our region from our market into Queensland. We will be continuing this work through the Virgin Australia commercial, sales and marketing teams in the coming year. In June we invested in our first partnership promotional campaign with Virgin Australia. We look forward to working closely with the Virgin Australia team to continue to drive demand for this service.

Our strategy for growth also focused on our domestic services and the market that supports them. Over this financial year we have seen solid growth in our Auckland services, a significant change from the reduction in services that occurred in 2014. This year we saw the following movements materialise in our Auckland services:

NOVEMBER 2017
three direct Auckland services, six days of the week

APRIL 2018
three direct Auckland services, seven days of the week

MAY 2018
four direct Auckland services, five days of the week.

The timing and frequency of these services not only allow our market to be connected through Auckland to the rest of the world but brings visitors from the world into our amazing City and region.

Over the year we have been involved in collaborative campaign work with Air New Zealand to promote our City and region. We have been very proud to have the opportunity to create awareness of our City as a destination through the strength and reach of the Air New Zealand brand. Various channels were utilised as part of the domestic campaign work including magazine articles profiling Dunedin, billboards promoting the additional services, radio advertising and promotions via Air New Zealand social media channels. We will continue to drive demand for services in and out of our region and work with our airline and other partners to create further growth.

Dunedin Images: Thanks to Enterprise Dunedin.

BETTER TOGETHER

2018 has been an amazing year for the City, with more events, both national and international, coming to Dunedin. In Easter this year Forsyth Barr Stadium welcomed the world class entertainer Ed Sheeran, who performed three concerts. Dunedin came together in the lead up to these concerts to ensure our visiting concert goers experienced not only a great entertainer, but a great destination. Air New Zealand provided an additional 4,400 seats to bring visitors in and out of the City over this period.

This year we have strengthened and initiated partnerships with several organisations and events within the region:

In May this year Dunedin hosted TRENZ, the most significant international travel trade event in New Zealand. This was the first time the event had been hosted in Dunedin. Over 300 travel buyers, sellers and over 40 media from all over the world attended the four day event. Dunedin Airport was proud to be a sponsor of TRENZ and worked with the City to ensure the event was a success.

Dunedin Airport continues to sponsor one of our City's beloved and treasured birds, the Yellow-Eyed Penguin. This iconic yet endangered bird needs all the help it can get, and we are very proud to be involved with the Trust. Further, in the upcoming year our team will be assisting the Trust with the important work they do in the field. Another great example of our commitment to our partnerships.

iD DUNEDIN FASHION WEEK

In partnership with Air New Zealand, we continued our support of iD Fashion as a major sponsor of this event. We were very fortunate that Air New Zealand brought two online media (who have over two million followers) over from Shanghai for the event. They spent five days in Dunedin and were able to experience the fashion, heritage and food the City has to offer.

We continue our partnership with Tourism Waitaki as an ambassador of the Alps to Ocean Cycle Trail. Dunedin Airport is proud to be the ambassador for the Otematata to Duntroon section of the trail.

For the third year running we were a sponsor of the OUSA Beer and Food Festival held in November 2017 at the Forsyth Barr Stadium. We were honoured to have members of the Air New Zealand Executive attend the event as our guests. This event has continued to go from strength to strength and is quickly becoming recognised as New Zealand's best craft beer festival.

In 2018 we sponsored the second year of the Wild Dunedin Festival. This is a great event that brings together over 50 wildlife organisations and attractions from in and around Dunedin. We also funded an advertisement in Good magazine to showcase the event.

We have continued to focus on strengthening relationships with our community and identifying opportunities to share information about the airport and how we work with our partners. We initiated a stakeholder relationship survey which we sent to 40 of our partners. The results were extremely positive and indicated the trust and strength of our stakeholder relationships.

Our CEO, Richard Roberts, has continued the Airports engagement with the City and region, by presenting information on different aspects of the airport to community groups and organisations. The opportunity this gives us to inform people in a very personal and authentic way of both the day to day operations and strategies of our airport has been very well received by the community.

TXP
TERMINAL EXPANSION PROJECT

OUR AIRPORT

The unprecedented growth in passengers through our airport, and the consequential congestion at peak times of the day, continued to strengthen the case for further investment into our airport infrastructure. The future 20-year master plan has now been completed, with the plan outlining the infrastructure planning pathway over the next two decades. The master plan passenger forecast for the year 2036, predicts an annual passenger volume of 1.74 million passengers based on conservative forecasting methods.

The continued pressure on the outbound passenger processing facilities in the current terminal building has required us to commence the Terminal Expansion Project (TXP) this year. After bringing together a strong and focused consultant team and having undertaken extensive consultation with our airline and strategic partners, the Board approved implementation of the Terminal Expansion business case in June 2018.

The project will add approximately 1,200m2 of floor area to the terminal building. The security screening area will be increased by 157% and the post screening boarding lounge area will be increased by nearly twice the size of the current space. The project is scheduled to get under way in late 2018 with a completion date in the latter part 2019. Included in this project will be the replacement of the two ageing passenger airbridges. The completed redevelopment has been designed for passenger growth out to 2026, with conceptual plans for further development to 2036 completed as part of this process.

The project will bring significant challenges to our day to day operations. As always, we remain focused on our vision of doing what we do, in the best way, every day. As such a key element of the planning and execution of this project will be ensuring our passengers receive the best customer experience possible.

The continued growth in passenger numbers has seen the first stage of the carpark extension completed with the addition of 283 parking spaces. The design and business case for stage two, incorporating an additional 300 parking spaces, is currently being developed along with options for long and short-term offerings. In addition, we will consider electric vehicles (EV) demand and associated provision of parking services.

In accordance with the outcomes of a Civil Aviation Authority mandated review of our Airport Emergency Service (AES) staffing, undertaken back in 2016, the recruitment and onboarding of 11 additional airport firefighters commenced this year. We have employed and trained 10 additional AES staff members so far with just one position left to fill.

In line with the increase in the AES team there was a need to redevelop the Airport Fire Station. This was completed in July of this year. During the redevelopment the opportunity was taken to earthquake strengthen the building and install modern ventilation

systems to provide a cleaner and safer working environment for our team.

Our continued approach to invest in the airside pavement infrastructure saw the replacement of the asphalt surface on one of our aircraft stands. In line with our runway maintenance plan we continue to monitor and maintain our most important asset, our runway. We are now four years into our runway maintenance plan since the previous overlay in 2013. At the end of the six-year runway maintenance programme the expected useful life in the runway will be approximately 10 years, extending the period to our next full overlay out until FY29/30.

This year the senior leadership team was strengthened with one additional FTE position and one contracted position. We successfully recruited a Customer Experience Manager and also engaged a contractor to assist us with the implementation of the CAA mandated Safety Management System (SMS).

In the previous 12 months, the dairy industry has taken a significant setback with the discovery of Mycoplasma Bovis in a large number of herds around the country. To date Dunedin Airport and our sharemilkers have not been affected by the disease in our dairy herds as demonstrated by milk sample testing completed by Fonterra to date. The Ministry for Primary Industries have committed to an ambitious plan to eradicate Mycoplasma Bovis from the country. We will continue to work with MPI and our sharemilkers on this issue.

Air New Zealand opened a redeveloped and refurbished Dunedin Airport Lounge in November. To acquire more space, Air New Zealand extended the lounge into the previous Dunedin Airport board room. The new lounge has been well received by Air New Zealand customers and is a welcome addition to the Dunedin Airport customer experience.

Due to the Koru lounge expansion affecting our Meeting Room space we also redeveloped this facility, which we opened in February 2018. The meeting room areas have been reconfigured to one large room (with a dividing wall to create two smaller rooms), a board room and two interview rooms. We believe this new layout will be a much more efficient use of the space and will be a more user-friendly proposition in the market.

We were very excited to welcome another excellent food and beverage partner to the airport this year. The Airspresso group operate in Queenstown and New Plymouth Airports, as well as own several hospitability businesses in New Plymouth and London. They opened "Fuel to Fly" in the terminal lounge on the 1st July, taking over the previous operation.

We also welcomed another news and books offering into the airport, with the Lagadere group opening a Relay store in their airside retail space.

WE CARE

Outstanding compliance and safety performance over the past 12 months continues to demonstrate Dunedin Airports' commitment in maintaining a safe and compliant environment. No major findings were raised by our regulatory bodies, which include the Civil Aviation Authority, Ministry of Primary Industries, New Zealand Customs Service and the Otago Regional Council.

CAA are in the process of implementing a change from the current Quality Management System (QMS) that airports work under to a new Safety Management System (SMS). With the rapid technological change and growth in the global aviation industry the move away from the current QMS (which is a reactive based system) to the new SMS will be welcomed. The SMS will be a more pro-active, structured and prognostic approach to the way we manage safety risks. As a Group One airport the original Implementation date for SMS was the 1st of February 2018 however, due to 2 significant changes in personal in the past 12 months, we applied for and were granted an extension to the implementation date by CAA until the 20th of March 2019.

Wildlife Hazard Management remains a key area of focus with respect to the safety of our airfield operations. We did not achieve our wildlife strike target of less than five strikes per 10,000 aircraft movements. The higher than desired strike rate may be either the result of increased reporting by aircraft of actual/potential wildlife activity or real increases in wildlife activity on the airport and surrounding environs. During the 2018 financial year, we commissioned an international wildlife hazard management expert (AVISURE) to provide further assessment on strike risk, target levels and advice on mitigation strategies. The completed report is due in quarter three of 2018. A wildlife recording, and reporting system has been purchased which will allow mapping of all wildlife interventions on the aerodrome.

We continued working on our asbestos survey with all airport buildings surveys being completed. Some of our older, ancillary buildings were shown to contain some asbestos. Management plans have been put in place for these buildings. We have completed the removal of garages and sheds containing asbestos and moved onto some other minor remedial work within our residential dwellings. We will continue to have open dialogue with all affected stakeholders.

Tenant based recycling was introduced in early 2018 with comingled plastics and glass being added to the current cardboard recycling. The introduction of the additional recycling has seen a

7% increase in the diversion of recyclable products from going to landfill. The coming year will see full recycling introduced in to the public areas of the airport.

We pride ourselves on understanding our customer's needs and expectations of service at our airport through delivering regular customer surveys. We continue to carry out ongoing customer service surveys through the terminal WIFI and present results on a quarterly basis to our team and wider airport community. The results continue to demonstrate a good quality of service across all our customer touchpoints.

This year we also instigated quarterly mystery shops of our retail partners. These results are shared with our retail partners and enable us to look at ways to improve our Airport customer experience.

MAKE IT HAPPEN

One of our greatest challenges is ensuring that any addition to our airport team continually aligns with our simple, yet strong company values. This is crucially important to our business in order that we maintain our high levels of authentic engagement and service delivery to all our partners and customers.

This year has seen an increase in the size of our team by over 40% as the airport grows its business and extends its operating window. This increase has been driven mainly by a significant increase in our Airport Emergency Services team to comply with new CAA rule requirements, but we have also increased our senior management team to give more structure and management oversight of our customer focussed services.

As a team, an airport and a community, we are better together. We care, and we value our relationships. We are proactive with a can-do attitude. We are ourselves – proud, southern people.

DUNEDIN INTERNATIONAL AIRPORT LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

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STATEMENT OF SERVICE PERFORMANCE

The Company sets various performance goals in its annual Statement of Intent. These are reported as:

GOALS

TO MAKE SAFETY & SECURITY OUR FIRST PRIORITY

INCREASE PASSENGER NUMBERS

TO BE A GREAT PLACE TO WORK

TO BE ENVIRONMENTALLY RESPONSIBLE

TO DEVELOP & STRENGTHEN OUR PARTNERSHIPS

TO CONNECT & ENGAGE WITH OUR PLACE

TO OPTIMISE THE COMMERCIAL RETURN TO OUR SHAREHOLDERS

PROVIDE THE BEST CUSTOMER EXPERIENCE

It is Dunedin Airport's objective to be a successful business. This success is measured by setting a number of Goals and Objectives, identified at the start of each year. These objectives will be measurable and our performance against these objectives will be reported annually.

SAFETY & COMPLIANCE

GOALS	OBJECTIVES	RESULT	
TO MAKE SAFETY & SECURITY OUR FIRST PRIORITY	**To work with our staff and stakeholders to maximise safety on site for all staff and visitors.**		ACHIEVED
	Hold a minimum of 2 airport Health and Safety Committee meetings each year.	Two Health and Safety Committee Meetings took place. One meeting took place with a newly elected committee operating under a new Terms of Reference.	
	Review the Health and Safety Plan with the Health and Safety Committee each year. Review health and safety objectives with the Health and Safety Committee each year.	The new committee reviewed; the plan, objectives and hazards. The previous plan was extended to make any future changes align with a new Safety Management System (SMS) currently being built. Objectives were minimised and aligned to the company values.	
	Attend a minimum of 2 of our stakeholder's Health and Safety meetings each year.	In this reporting period, the airport Safety and Compliance Manager has had a one-on-one meeting with stakeholder staff responsible for Health and Safety, as well as attending Health and Safety meetings of both our major domestic airline partners. The airport Safety and Compliance Manager has attended numerous meetings with high stakeholder engagement where safety was a central consideration.	
	Report on health and safety management and provide statistical data to the company's monthly board meetings.	Health and Safety management is reported via: • Monthly Board reports with both statistical data and commentary via a H&S dashboard. • Safety Alerts / memos issued to relevant stakeholders. • Quarterly Board Health and Safety committee reporting period, with increased oversight at a governance level.	
	DIAL staff Lost Time Incident Frequency Rate (LTIF) target of zero.	In the reporting period, no injuries were sustained that resulted in lost time.	

SAFETY & COMPLIANCE

GOALS	OBJECTIVES	RESULT	
TO MAKE SAFETY & SECURITY OUR FIRST PRIORITY	**Maintain our CAA Part 139 operating certificate.**		
	Successfully achieve compliance in our annual CAA safety and security audits with no major findings.	The annual CAA Security Audit undertaken during the reporting period reported no major findings.	ACHIEVED
	Conduct an annual internal audit of our CAA safety and security systems.	The annual internal audit was completed in May 2018. Minor findings identified were addressed.	
	Proactively manage Wildlife Hazards		
	Strike rate of less than 5 per 10,000 aircraft movements.	The 12-month moving average strike rate for the period ending June 2018 was 7.5 per 10,000 aircraft movements. This results in Dunedin Airport being classified as medium risk by the Civil Aviation Authority (CAA), due to the slight upward trend in strike rate.	NOT ACHIEVED
	Near-miss strike rate of less than 10 per 10,000 aircraft movements.	CAA have now ceased reporting on the Near-miss rate per 10,000 aircraft movements. The airport commissioned the expertise of an international airport wildlife hazard management agency (AVISURE), to undertake a complete wildlife risk assessment and critical review of the airport's wildlife hazard management practices. This work commenced in the 2018 financial year and will be finalised in 2019 financial year.	

SAFETY & COMPLIANCE

GOALS	OBJECTIVES	RESULT	
TO MAKE SAFETY & SECURITY OUR FIRST PRIORITY	**Maintain food hygiene standards at Momona Garage.**		ACHIEVED
	Maintain grade 'A' food hygiene certificate.	The Dunedin City Council (DCC) carried out the annual inspection of the Momona Garage and a Grade A was issued on 31 July 2017. This is due for renewal in August 2018.	
TO BE ENVIRONMENTALLY RESPONSIBLE	**Maintain our obligations on any current resource consents in place.**		
	Report as required to the Otago Regional Council each year on bore water consent RM 11.369.01.	The annual report for consent RM 11.369.01 for bore water was issued to the Otago Regional Council (ORC) in August 2017. Additionally, the current year report was submitted in August 2018. Both reports were accepted with no issues raised.	
	Report as required to the Otago Regional Council on sewage discharge consent 2004.309.	Monthly reporting and an annual report for consent 2004.309 for sewage discharge was issued to the ORC in July 2018 covering the 2018 financial year. The report was accepted. The ORC remains engaged with the airport on some exceedances in Phosphorus and Ammoniacal Nitrogen levels during the reporting period. The ORC commended the airport for our proactive stance in remedying these issues. No enforcement or improvement notices have been raised.	
	Maintain voluntary annual reporting to the Otago Regional Council on de-icing fluid usage at the airport.	2018 report on de-icing fluid usage will be submitted at the end of Winter. The 2017 usage report was submitted and accepted by the ORC.	
	Maintain high quality dairy farming practices.		
	No 'Critical' findings raised by any Fonterra dairy farm inspections.	Both of the airports dairy farms were inspected by Fonterra in April 2018 with no critical findings.	

FINANCIAL

GOALS	OBJECTIVES	RESULT	
TO OPTIMISE COMMERCIAL RETURN TO OUR SHAREHOLDERS	**Achieve increased revenues from non-aeronautical activities compared to the previous year.**		
	Increase total non-aeronautical revenue by a minimum of 2.0%.	Non-aeronautical income (excluding interest income, dividends received, gain on sale of fixed assets, and gains on fair value movements of investments) was 6.4% above last year. The primary reason for this increase was an 8.6% increase in revenue from the airport owned garage as fuel prices continued to rise. Airport owned dairy farms recorded a 13.6% increase in revenue against prior year as a result of the dairy industry rebounding from 2016 historical lows. This was in the context of total farm milk production decreasing by 1.0% Additionally, parking revenue increased 2.7% against prior years as a result of an increase in the number of domestic flights and passengers. There was no increase in parking fees during the year.	ACHIEVED
	On-going monitoring and refinement of the company's risk strategy.		
	Monthly financial report to the Board.	Monthly and Quarterly Financial Reports were circulated to the Board for review and comment.	
	Quarterly financial statements, cash flows and aircraft and passenger activity to the Board and Shareholders.	Quarterly Shareholder Reports including financial statements, cash flows, aircraft and passenger movements are reviewed and approved by the Board prior to being sent to shareholders.	ACHIEVED
	Six monthly risk analysis undertaken and reported to the Board.	In the first half of the year we conducted a full review of our corporate and operational business risks and associated reporting which was not completed until March 2018. As such, the Risk Analysis Report was not prepared for the six months ended December 2017. The Risk Analysis Report for the six months ended June 2018 was distributed and analysed. Six monthly Statutory Compliance Reports were circulated to the Board for review and comment.	NOT ACHIEVED

BUSINESS DEVELOPMENT

GOALS	OBJECTIVES	RESULT	
INCREASE PASSENGER NUMBERS	**Partner with our airline, airport, City and tourism industry.**		
	Conduct stakeholder engagement surveys once a year with our major airlines, City and industry partners to review the strength of the relationships.	A stakeholder relationship survey was conducted this year. This survey was sent to 40 stakeholders. The results were very positive and indicated collaborative and strong relationships between Dunedin Airport and our stakeholders.	ACHIEVED
	Invest in strategic route development opportunities.	We continue to work with our airline partners to sustain our trans-Tasman service and identify new route opportunities both on the Tasman and domestically. We have met with our airline partners regularly and shared with them market information to demonstrate demand in the market for additional trans-Tasman services. This year we engaged aviation consultants to present to the Dunedin City Holdings Board to reiterate the importance of sustaining and growing our Tasman service.	
	Invest in a minimum of 2 promotional campaigns a year jointly with airlines and our industry partners.	We invested in approximately 24 campaigns with our airline and industry partners focusing on both promotion of domestic and trans-Tasman services in and out of Dunedin.	

BUSINESS DEVELOPMENT

GOALS	OBJECTIVES	RESULT	
TO DEVELOP & STRENGTHEN OUR PARTNERSHIPS	**Implement initiatives to improve the performance of non-aeronautical activities.**		ACHIEVED
	Conduct stakeholder engagement surveys once a year with our major non-aeronautical business partners to review the strength of the relationships.	A stakeholder relationship survey was conducted this year. This survey was sent to 40 stakeholders. The results were very positive and indicated collaborative and strong relationships between Dunedin Airport and our stakeholders.	
	Develop and maintain productive relationships with our non-aeronautical business partners and identify opportunities to implement initiatives to improve business performance.	A Marketing Manager was employed in July last year. This role has been instrumental in ensuring regular communication and collaboration with our Airport retail, food and beverage partners, along with identifying ways to increase revenue through our conference centre. A new food and beverage partner, Airspresso, joined the Airport this year, a great addition to our Airport offering. We continue to focus on creating stronger and more collaborative relationships with our airport partners.	

OUR CUSTOMERS

GOALS	OBJECTIVES	RESULT	
TO PROVIDE THE BEST CUSTOMER SERVICE EXPERIENCE	**Provide high standards of service to our customers and recognise the role the airport plays in connecting our customers to the Dunedin experience.**		ACHIEVED
	Produce quarterly reports from our continuous customer satisfaction surveys.	Customer services surveys are run continuously through the terminal WiFi and results are tracked quarterly and reported back to our Airport team and our business/ airline partners.	
	Strive for continuous improvement across all areas of customer service.	An average rating of "good" or better across all areas of customer service was achieved.	
	Ensure all airside infrastructure maintenance causes no delays to airline operations.		
	No delays to regular scheduled passenger operations.	All airside work is controlled under an approved Method of Work Plan (MOWP) which resulted in no delays to any aircraft operations with any of our airline partners due to airside maintenance work. There was one airport attributable delay to airline operations during the reporting period caused by a faulty sensor on an airbridge.	
	Ensure the future of the airport is protected.		
	Promote the airports needs for inclusion in the Second-Generation District Plan (2GP).	We have done no further work on the 2GP this year. The council are in deliberation and the next step will see Council release draft proposals.	
	Create, maintain and protect the Airport Master Plan.	The reviewed Airport Master Plan was completed in 2018 and approved by the Board. We must now consider how to present the plan to our shareholders and community.	

OUR PEOPLE

GOALS	OBJECTIVES	RESULT	
TO BE A GREAT PLACE TO WORK	**To provide relevant training to our staff.**		ACHIEVED
	Ensure recurrent safety training for all staff is provided.	All Required recurrent safety and compliance training for staff has been undertaken which Includes but is not limited to: • First Aid refresher training. • Basic Life Support/Pre-Hospital Emergency Care (PHEC) training for AES staff (refreshers and new staff). • Rescue Fire Annual Competency training. • Rescue Fire Annual Hot Fire training. • NZQN Level 3 & Level 4 Health & Safety representative training. • Elevated work platform (EWP) training. • Fire extinguisher training.	
	Invest a minimum of 0.1% of prior year operating revenue to staff training.	$92,270 was invested in staff training during the year.	
	To recognise and review staff performance.		
	Each staff member to have a formal annual performance review.	All staff members had their Annual Employee Performance Review completed in 2018 financial year.	

OUR PEOPLE

GOALS	OBJECTIVES	RESULT	
TO BE A GREAT PLACE TO WORK	**Ensure that our staff are engaged with the company's Vision, Purpose and Values.**		
	Conduct an annual staff engagement survey.	This year the airport has been in recruitment mode, bringing on a significant number of new members to the team before the end of 2018. The number of employees increased by over 40%. In advance of undertaking the staff engagement survey we questioned the value vs purpose of the staff engagement survey, including through consultation with our HR consultants, due to the high proportion of short term employees. Based on our assessment of this advice we decided it was better to postpone the staff engagement survey until February 2019 to ensure more meaningful results.	NOT ACHIEVED
	Strive for continuous improvement across all areas of staff engagement.	As employers we are always striving for continued development in staff engagement. This is achieved by constant all of staff communications, staff meetings and our investment in training.	ACHIEVED

OUR COMMUNITY

GOALS	OBJECTIVES	RESULT	
TO CONNECT & ENGAGE WITH OUR PLACE	**Provide sponsorship to community events and organisations.**		ACHIEVED
	Invest 0.25% of prior year operating revenue to sponsorship.	This year we distributed $59,900 to the following organisations/events: DCC - TRENZ OUSA Beer and Food Festival 2017 Yellow Eyed Penguin Trust Wild Dunedin Festival 2018 Tourism Waitaki Christmas Choirs Momona Playcentre iD Fashion Event 2018	
	Engage with our community and share information.		
	Conduct a minimum of 10 school or community group visits per year.	13 organised community airport visits were facilitated this year by our airport customer service and Airport Emergency Services teams who welcomed more than 510 adults and children to the airport. These visits continue to be an important part of our community engagement strategy and create a stronger connection between the airport, City and region.	
	Arrange for the Airport team to work within the community once a year.	During the Christmas period the Airport team engaged with the local Momona playcentre to bring some Christmas cheer to both the playcentre helpers and children. This included Christmas gifts, Santa on a Rescue Fire truck and morning tea.	
	Initiate opportunities to speak to the community, stakeholders and organisations.	A number of public speaking engagements have been undertaken this year by CEO and GM Business Development.	

OUR COMMUNITY

GOALS	OBJECTIVES	RESULT	
TO CONNECT & ENGAGE WITH OUR PLACE	**Act as a socially and environmentally responsible corporate citizen.**		ACHIEVED
	Develop and implement sustainable practices for our waste streams.	Implementation of back of house recycling streams commenced in March 18. Average landfill diversion rate for the Jun- Feb period was 18.5% and the average diversion rate for the Mar-Jul period was 25.8% for the airport waste stream, an increase of over 7%. Full front of house recycling is due for implementation during FY18/19. The Momona village recycling continued to perform well with an increase from 54% to 67% of all waste being recycled.	
	Use NZ manufactured and/ or supplied goods where possible.		
	In accordance with the Procurement Policy, NZ manufactured or supplied goods will be used wherever possible.	Dunedin Airport only has procurement relationships with organisations outside of New Zealand with the following companies: • Three Consulting of Sydney for Aviation Strategy and Route Business case. • Tourism Futures – Dunedin Aviation Monitoring Report.	

SHAREHOLDERS

GOALS	OBJECTIVES	RESULT	
TO CONNECT & ENGAGE WITH OUR PLACE	**Consult with shareholders on matters to be included in the company's Statement of Intent.**		ACHIEVED
	Prepare annually the company's Statement of Intent having given consideration to shareholders expectations.	The Company's Statement of Corporate Intent was submitted to both shareholders for review and comment and subsequently approved in a timely manner as required.	
	Consult with shareholders at the earliest possible time on matters where conflict may or could result.		
	Report to and consult with shareholders on matters where the company's and shareholders requirements are in conflict.	No such areas of conflict arose during the year.	
	On a "no surprises" basis advise shareholders promptly of any substantive matter that has the potential to impact negatively on shareholders and the company with a particular focus on matters of interest to the media.		
	Report to shareholders within 24 hours substantive matters which have the potential to impact negatively on shareholders and the company with a particular focus on matters of interest to the media.	Dunedin Airport maintained communication with its shareholders through regular quarterly reporting.	

trend statement

For the year-ended 30 June	2018	2017	2016	2015	2014
Revenue	$000	$000	$000	$000	$000
Operating Revenue:					
Aeronautical	**7,287**	5,208	4,715	4,630	4,691
Percentage	44.1%	36.9%	35.8%	36.4%	37.3%
Non-aeronautical	**9,273**	8,718	8,188	8,206	8,130
Percentage	56.1%	61.7%	62.2%	64.5%	64.6%
Interest income	20	17	18	47	15
Dividend income	72	69	99	30	40
Gain/(Loss) on sale of assets	-	11	-	-	-
(Loss)/Gain on investments	(130)	107	138	(191)	(285)
Total revenue	**16,522**	14,130	13,159	12,722	12,591
Percentage Increase	16.9%	7.4%	3.4%	1.0%	1.1%
Surplus before tax	**4,761**	3,161	2,681	2,477	2,428
Percentage increase	50.6%	17.9%	8.3%	2.0%	(23.9%)
Net tax paid surplus	**3,275**	2,321	1,958	1,706	1,849
Percentage increase	41.1%	18.6%	14.7%	(7.7%)	(23.5%)
Shareholders' equity					
Shareholders' equity	**61,781**	59,559	46,456	45,920	45,372
Return on shareholders' equity	**5.3%**	3.9%	4.2%	3.7%	4.1%
Dividends paid	1,408	1,408	1,408	1,280	1,130
Dividend rate cents per share	**16.0**	16.0	16.0	14.5	12.8
Capital expenditure	3,468	3,252	316	70	492
Net operating cashflow	5,778	4,825	4,620	4,625	5,128
Net asset backing per share	**$7.02**	$6.87	$5.28	$5.22	$5.16
Equity ratio	**69.7%**	67.9%	66.1%	63.1%	59.6%

statement of comprehensive income

For the year-ended 30 June	Notes	2018	2017
		$000	$000
Operating revenue	4	16,560	13,926
Interest received		20	17
Dividend received		72	69
(Loss)/gain on investment		(130)	107
Gain on sale of property, plant & equipment		-	11
Total revenue		**16,522**	**14,130**
Audit fees		55	57
Directors fees		98	98
Finance costs – interest expense		469	464
(Gain)/Loss on hedge instruments		(60)	(63)
Depreciation	3	2,957	2,872
Wages and salaries		2,264	1,894
Other operating expenses		5,978	5,648
Total expenses		**11,761**	**10,970**
Operating surplus/(deficit) before income tax		**4,761**	**3,160**
Income tax expense	5a	1,486	839
Operating surplus/(deficit) after income tax		**3,275**	**2,321**
Other comprehensive income			
Items that may be subsequently reclassified to profit and loss:			
Hedges amortised to expense		139	65
Cash flow hedges gain/(loss) taken to hedge reserve		(10)	52
Income tax on these items including prior period adjustments		(51)	(50)
Items that will not be subsequently reclassified to profit and loss:			
Gain on revaluation of property, plant and equipment		-	15,829
Income tax on these items including prior period adjustments		277	(3,706)
Total comprehensive income/(deficit)		**3,630**	**14,511**

statement of changes in equity

Equity at the beginning of the year	**59,559**	**46,456**
Comprehensive income/(deficit) for the year	3,630	14,511
Transactions with owners		
- Dividend paid	(1,408)	(1,408)
Closing equity	**61,781**	**59,559**

balance sheet

As at 30 June	Notes	2018	2017
		$000	$000
Shareholders' equity			
Share capital	6	8,800	8,800
Hedge reserve	7a	(49)	(127)
Revaluation reserve	7b	34,073	33,796
Retained earnings	8	18,957	17,090
		61,781	59,559
Current liabilities			
Trade & other payables	9	2,210	1,357
Other liabilities		113	458
Tax payable	5b	846	650
Employee Entitlements		183	174
Hedge derivatives	15a	138	-
Short-term advance	11	350	750
		3,840	3,389
Non-current liabilities			
Term loans	11	8,000	9,100
Deferred taxation	5c	14,969	15,697
Hedge derivatives	15a	67	305
		23,036	25,102
Total equity & liabilities		**88,657**	**88,050**
Represented by:			
Current assets			
Trade & other receivables	12	1,216	781
Prepayments	13	17	-
Cash & cash equivalents	10	699	788
Stock on hand	14	43	53
		1,975	**1,623**
Non-current assets			
Property, plant & equipment	3	85,259	84,747
Investments	16	1,306	1,409
Deferred taxation	5c	117	271
		86,682	86,427
Total assets		**88,657**	**88,050**

Authorised for and on behalf of the directors.

S J McLauchlan
Chairman
20 September 2018

P A Oakley
Director

statement of cashflows

For the year-ended 30 June	Notes	2018	2017
		$000	$000
Cash flow from operating activities			
Cash was provided from:			
Receipts from customers		16,123	13,850
Interest received		20	17
Dividend received		72	69
Cash was applied to:			
Payments to suppliers		6,114	5,678
Payments to employees		2,217	1,876
Interest paid		470	465
Taxation paid		1,636	1,093
Net cash flows from operating activities		**5,778**	**4,824**
Cash flows from investing activities			
Cash was provided from:			
Sale of property, plant and equipment		-	20
Cash was applied to:			
Purchase of shares		27	140
Purchase of property, plant and equipment		2,932	3,392
Net cash flows from investing activities		**(2,959)**	**(3,510)**
Cash flows from financing activities			
Cash was provided from:			
Net loan drawdown		-	750
Cash was applied to:			
Net loan repayment		1,500	-
Dividends paid		1,408	1,408
Net cash flows from financing activities		**(2,908)**	**(658)**
Net increase/(decrease) in cash held		(89)	656
Plus opening cash brought forward		**788**	**132**
Cash & cash equivalents held 30 June	10	**699**	**788**

notes to financial statements

For the year-ended 30 June 2018

1. REPORTING ENTITY

The financial statements presented here are for the reporting entity Dunedin International Airport Limited (the Company).

The Company was established under the Airport Authorities Act 1966 and incorporated in New Zealand under the Companies Act 1993. The Company is a Council Controlled Trading Organisation as defined in the Local Government Act 2002.

The financial statements have been prepared in accordance with the requirements of the Local Government Act 2002.

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).

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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.

3. 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
Runway, apron and taxiway	3% - 6.66%	SL
Buildings	1% - 33.3%	SL
Machinery & plant	4% - 10%	DV & SL
Motor Vehicles	9.5% - 25%	DV & SL
Fixtures, fittings, office and computer equipment	20% - 40%	DV

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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognised.

(a) 2018	Land	Runway, Apron, Taxiway	Buildings	Plant & Equipment	Office Equipment	Motor Vehicles	WIP	Total
Cost or Valuation	$000	$000	$000	$000	$000	$000	$000	$000
Balance at beginning of period	17,955	25,090	30,526	12,261	205	437	89	86,563
Purchases	-	-	114	250	63	-	3,041	3,468
Transfers	-	-	457	243	-	-	(700)	-
Revaluations	-	-	-	-	-	-	-	-
Disposals / Woffs	-	-	-	-	-	-	-	-
Balance at end of period	17,955	25,090	31,097	12,754	268	437	2,430	90,031
Accumulated Depreciation								
Balance at beginning of period	30	-	33	1,366	157	229	-	1,815
Depreciation	56	1,071	893	879	38	20	-	2,957
Transfers	-	-	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-	-	-
Disposals / Woffs	-	-	-	-	-	-	-	-
	86	1,071	926	2,245	195	249	-	4,772
Balance at end of period	17,869	24,019	30,171	10,509	73	188	2,430	85,259

(b) 2017	Land	Runway, Apron, Taxiway	Buildings	Plant & Equipment	Office Equipment	Motor Vehicles	WIP	Total
Cost or Valuation	$000	$000	$000	$000	$000	$000	$000	$000
Balance at beginning of period	15,211	28,190	25,484	10,960	202	803	-	80,850
Purchases	-	-	-	230	3	42	3,250	3,525
Transfers		-	2,000	1,161	-	-	(3,161)	-
Revaluations	2,744	(3,100)	3,043	(90)	-	-	-	2,597
Disposals / Woffs	-	-	-	-	-	(409)	-	(409)
Balance at end of period	17,955	25,090	30,527	12,261	205	436	89	86,563
Accumulated Depreciation								
Balance at beginning of period	1,032	4,935	2,693	3,184	125	606	-	12,575
Depreciation	95	1,276	710	737	32	23	-	2,873
Transfers	-	-	-	-	-	-	-	-
Revaluations	(1,097)	(6,211)	(3,370)	(2,555)	-	-	-	(13,233)
Disposals / Woffs	-	-	-	-	-	(400)	-	(400)
	30	-	33	1,366	157	229	-	1,815
Balance at end of period	17,925	25,090	30,493	10,895	48	208	90	84,748

(c) Land, buildings and airside pavements were revalued at 30 June 2017 by independent registered valuers, Telfer Young (Canterbury) Limited and Opus International Consultants Limited. The total fair value of these assets at 30 June 2017, the effective date of the revaluation, was $76,678,000. 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.

4. OPERATING REVENUE

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and GST.

Revenue from services rendered is recognised when it is probable that the economic benefits associated with the transaction will flow to the entity. The stage of completion at balance date is assessed based on the value of services performed to date as a percentage of the total services to be performed.

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.

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.

	2018	2017
	$000	$000
Operating lease rental revenue (including overhead recoveries)	**2,722**	**2,545**

5. 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.

(a) Income tax

Operating surplus/(deficit) before income tax	4,761	3,160
Taxation @ 28%	1,333	885
Plus / (Less) the tax effect of differences		
Expenses not deductible	119	7
Loss/(gain) on investments	54	(30)
Hedge instruments	-	18
Prior period adjustment	(20)	(40)
Tax expense	**(1,486)**	**(840)**
Effective tax rate	31.2%	26.7%
Represented by		
Current tax provision	(1,833)	(1,486)
Deferred tax provision	347	646
Income tax expense	**(1,486)**	**(840)**

	2018 $000	2017 $000
(b) Provision for Tax		
Balance at beginning of year	(650)	(256)
Current tax provision	(1,844)	(1,436)
Terminal tax payment (refund)	(42)	(114)
Provisional tax paid	1,678	1,207
Prior period adjustment	12	(51)
Balance at 30 June	**(846)**	**(650)**

(c) 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	Charged	Prior Period Adjustment			Closing Balance Sheet	
2018 ($000)	Balance	to Equity	to Income	Equity	Income	Assets	Liabilities	Net
Property, plant and equipment	(15,697)	-	451	277	-	-	(14,968)	(14,968)
Employee benefits	40	-	4	-	-	44	-	44
Provisions	106	-	(100)	-	10	16	-	16
Revaluations of interest rate swaps	125	3	(17)	(54)	-	57	-	57
Balance at 30 June	**(15,425)**	**3**	**338**	**223**	**10**	**117**	**(14,968)**	**(14,851)**

	Opening	Charged	Charged	Prior Period Adjustment			Closing Balance Sheet	
2017 ($000)	Balance	to Equity	to Income	Equity	Income	Assets	Liabilities	Net
Property, plant and equipment	(12,492)	(3,706)	500	-	1	-	(15,697)	(15,697)
Employee benefits	40	-	(15)	-	15	40	-	40
Provisions	-	-	106	-	-	106	-	106
Revaluations of interest rate swaps	136	(50)	(36)	-	76	126	-	126
Balance at 30 June	**(12,316)**	**(3,756)**	**555**	**-**	**92**	**272**	**(15,697)**	**(15,425)**

6. EQUITY – SHARE CAPITAL

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.
Issued Capital
8,800,000 (2017: 8,800,000) ordinary authorised and issued shares.

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.

	2018 $000	2017 $000

7. RESERVES

a) Hedge Reserve

Balance at beginning of year	(127)	(194)
Cash flow hedges (loss)/gain	(10)	52
Hedges amortised to expense	139	65
Net movement in deferred tax arising on hedges	(51)	(50)
Balance at 30 June	**(49)**	**(127)**

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.

b) Revaluation Reserve

Balance at beginning of year	33,796	21,673
Revaluations included in comprehensive income	-	15,829
Net movement in deferred tax arising on revaluations	277	(3,706)
Balance at 30 June	**34,073**	**33,796**

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.

8. RETAINED EARNINGS

Balance at beginning of year	17,090	16,177
Operating surplus/(deficit) after income tax	3,275	2,321
Dividends paid	(1,408)	(1,408)
Balance at 30 June	**18,957**	**17,090**

9. TRADE & OTHER PAYABLES

Trade payables	1,752	1,104
Accruals	458	253
Balance at 30 June	**2,210**	**1,357**

Payables are stated at cost.

10. CASH

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.

Cash floats	6	6
Westpac cheque account	693	782
Balance at 30 June	**699**	**788**

The carrying amount of cash assets approximates their fair value.

11. TERM LOANS (Secured)

Term loans are initially recorded at fair value net of directly attributable transaction costs and are measured at subsequent reporting dates at amortised cost. 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.

	2018	2017
	$000	$000
Multi option credit facility	8,000	9,100
Short term advance facility	350	750
Balance at 30 June	**8,350**	**9,850**
Classified as:		
Current liability	350	750
Non-current liability	8,000	9,100
Balance at 30 June	**8,350**	**9,850**

(a) Westpac has provided a multi option credit line facility of $15,500,000 with a maturity date of 31 October 2019. Interest is payable on the drawn down balance at BKBM plus a 1.05% margin (to the extent the Company does not have an interest rate swap – see Note 15). 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. These are detailed in Note 15.

Westpac has also provided a short-term advance of $350,000. Interest is payable on the advance at 3.0%. The advance is on call.

(b) Banking covenants relating to the facility are:

- Shareholders funds are not less than 40% of total tangible assets.
- Earnings (E.B.I.T.) are not less than 1.75 times funding costs.

Reconciliation to Cashflows from Financing Activities

Opening Balance	9,850	9,100
Net loans (repayment)/drawdown	(1,500)	750
Movement in fair value	-	-
Closing Balance	**8,350**	**9,850**

12. TRADE & OTHER RECEIVABLES

Receivables are stated at cost less any allowances for estimated irrecoverable amounts.

	2018	2017
	$000	$000
Trade receivables	**1,216**	**781**

The directors consider that the carrying amount of the trade receivables approximates their fair value. Receivables overdue by 30 days or more at 30 June 2018 were **$270,000, 22%** of trade receivables (2017, $138,000, 18%).

13. PREPAYMENTS

Risk management software	17	-
	17	**-**

14. STOCK ON HAND

Stock on hand represents petrol and other stock for the Momona Garage are valued at the lower of cost (using the FIFO method) and net realisable value. Any write-down from cost to net realisable value is recognised in the surplus or deficit in the period of the write-down.

Opening Balance	53	49
Purchases	1,635	1,460
Cost of Sales (Included within Other Operating Expenditure)	(1,646)	(1,455)
Closing Balance	**43**	**53**

15. FINANCIAL RISK MANAGEMENT

a) Interest Rate Risk

The Company's activities expose it primarily to the financial risks of changes in interest rates resulting in variation of cash flows on floating rate debt. The Company uses interest rate swaps to manage its exposure to interest rate movements on its multi option facility borrowings by swapping a proportion of those borrowings from floating rates to fixed rates.

The Company does not use derivative financial instruments for speculative purposes. However, derivatives that do not qualify for hedge accounting, under the specific NZ IFRS rules, are accounted for as trading instruments.

The use of financial derivatives of the Company is governed by the interest rate hedge accounting policy approved by the Board of Directors. The policies provide written principles on the use of financial derivatives.

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition derivative financial instruments are remeasured to fair value. Fair value is derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in the Income Statement. For a cash flow hedge amounts deferred in equity are recognised in the Income Statement in the same period in which the hedged item affects net profit or loss.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the Income Statement as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the Income Statement for the period.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value with unrealised gains or losses reported in profit or loss.

	2018	2017
	$000	$000
Interest rate swaps		
- maturing less than 1 year	(138)	-
- maturing 1 to 5 years	(67)	(304)
	(205)	**(304)**

b) Categories of Financial Assets and Financial Liabilities

Financial Assets

Fair Value Through Profit or Loss (FVTPL)	1,306	1,409
Loans and Receivables	1,233	781
Cash & Cash Equivalents	699	788
Total Financial Assets	**3,238**	**2,978**

Financial Liabilities

Derivative Financial Instruments in Hedge Accounting Relationships	205	305
Amortised Cost	8,350	9,850
Total Financial Liabilities	**8,555**	**10,155**

16. INVESTMENTS

Investments in equity securities are designated as financial assets at fair value through profit or loss. Fair value is derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. Any resultant gains or losses are recognised in profit or loss.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Non-current investments

Shares at market value in farmer cooperative Companies involved with dairy farm companies	1,306	1,409

Of this sum **$1,268,000** (2017, $1,373,000) is represented by shares in Fonterra Co-operative Group. These shares are required to be held by the Company based on production and can only be realised when production reduces, or the Company ceases dairying operations.

17. CONTINGENT LIABILITIES

There were no contingent liabilities outstanding at 30 June 2018 (2017 $NIL).

18. CAPITAL AND OTHER COMMITMENTS

Capital and other expenditure not provided for in the accounts at 30 June 2018 was **$724,000** (2017 $137,000). This capital commitment relates to the completion of the Airport Emergency Services fire station redevelopment ($128,000) and the airport carpark expansion project ($596,000).

19. FINANCIAL REPORTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

All mandatory new or amended accounting standards or interpretations were adopted in the current year. None had a material impact on the financial statements.

The Company has not yet assessed the impact of the following new standards or interpretations on issue which have yet to be adopted:
· NZ IFRS 9 *Financial Instruments*;
· NZ IFRS 15 *Revenue from Contracts with Customers*; and
· NZ IFRS 16 *Leases*

NZ IFRS 9 *Financial Instruments* is effective for annual periods beginning on or after 1 January 2018. NZ IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities and relaxes the current NZIAS 39 requirements for hedge accounting. The Company is yet to assess NZ IFRS 9's full impact. The Company intends to apply the standard from the period ending 30 June 2019.

NZ IFRS 15 *Revenue from Contracts with Customers* is effective for annual periods beginning on or after 1 January 2018. NZ IFRS 15 establishes principles for reporting useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The Company has not yet assessed the full impact of NZIFRS 15. The Company intends to apply the standard from the period ending 30 June 2019.

NZ IFRS 16 *Leases* is effective for periods beginning on or after 1 January 2019. NZ IFRS 16 sets out the principles for the recognition, measurements, presentation and disclosure of leases. The Company has yet to assess the full impact of NZIFRS 16. The Company intends to apply the standard from the period ending 30 June 2020.

Aside from the three standards specified above, the Company does not expect the standards and amendments not yet adopted will have a material impact on the financial statements.

20. RELATED PARTY TRANSACTIONS

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%.

(a) 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:

	Annual Purchases		Owing at 30 June	
	2018	2017	**2018**	2017
	$000	$000	$000	$000
Dunedin Venues Management Limited	14	13	1	-
Delta Utilities Limited	42	51	-	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:

- Otago/Southland Employers Association (S McLauchlan – director) – membership
- Tourism Waitaki (M Crawford - director) – sponsorship
- Delta Utilities Limited (T Allison - director) – ground maintenance
- Scenic Circle Hotels Limited (S McLauchlan – director) – stakeholder accommodation
- New Zealand Airports Association (R Roberts – director) - membership

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		Owing at 30 June	
	2018	2017	**2018**	2017
	$000	$000	$000	$000
Otago/Southland Employers Association	2	1	-	-
Tourism Watiaki	6	-	-	-
Delta Utilities Limited	42	51	-	4
Scenic Circle Hotels Limited	4	2	-	1
New Zealand Airports Association	16	31	-	-

(c) Compensation of key management personnel:

The remuneration of directors and other members of key management during the year was:

	2018	2017
	$000	$000
Total	807	807

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 balances owing at 30 June being as follows:

	Annual Purchases		Owing at 30 June	
	2018	2017	**2018**	2017
	$000	$000	$000	$000
Dunedin City Council rates & services	315	292	-	4

21. LEASE COMMITMENTS

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 Company as Lessor

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

	2018	2017
	$000	$000
Under 1 year	1,819	1,673
1 to 5 years	4,064	2,861
Over 5 years	1,257	657

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.

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

	2018	2017
	$000	$000
Under 1 year	1	7
1 to 5 years	1	6

22. SUBSEQUENT EVENTS

Subsequent to 30 June 2018, the Board of Dunedin International Airport Limited formally approved a $13.3m expansion of the Airports outbound passenger processing facilities. The expansion will add approximately 1,200m2 of floor area to the terminal building. The expansion is planned to commence in October 2018 and has a forecast completion date of December 2019.

shareholder information

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

STUART MCLAUCHLAN

Analogue Digital Limited	Chairman
B Pac Clinical Solutions Limited	Chairman
Cargill Hotel 2002 Limited	Director
Compass Agribusiness Management Limited	Chairman
Dunedin Casinos Limited	Director
Extra Eight Limited	Director
G S McLauchlan & Co	Partner
Institute of Directors Otago Branch	Committee Member
Marsh Advisory Board	Member
New Zealand on Air	Director
New Zealand Sports Hall of Fame	Board of Governors
Ngai Tahu Tourism Board	Director
Openwave Systems (New Zealand) Limited	Director
Otago Community Hospice	Chairman
Otago/Southland Employers Association	Director
Pharmac	Chairman
Rosebery Holdings Limited	Director
Scenic Circle Hotels Limited (and Group)	Director
Scott Technology Limited	Chairman
University of Otago Foundation Trust	Member
University of Otago Foundation Studies Limited	Chairman
UDC Finance Limited	Chairman
Woodworks Southern Limited	Director

TONY ALLISON

AA Cleaners (Otago) Limited	Director
Delta Utility Services Limited	Director
Institute of Directors Otago Branch	Committee Member
SCG Finance Limited	Director
Smiths City Finance	Director
Smiths City Group Limited	Director
Smiths City Properties Limited	Director
Smiths City (Southern) Limited	Director

TRISH OAKLEY

Dunedin Casino Charitable Trust	Trustee
Institute of Directors Otago Branch	Committee Member
Royal New Zealand Ballet	Trustee
University of Otago	Council Member

MARK ROGERS

Aoraki Development and Promotions Limited	Chairman
AquaPro Plumbing and Drainage	Advisory Board Member
Chris Broadhead Construction Group	Advisory Board Chairman
Institute of Directors Canterbury Branch	Committee Member
MVHB Professional Services Limited	Director
Men at Work Group	Advisory Board Chairman
Ourgroupit Limited	Director
South Canterbury District Health Board	Board Member

RICHARD ROBERTS

New Zealand Airports Association	Director
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 2018 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 two sharemilkers. 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 2018 are as follows:

Director	Qualification	Responsibilities	Remuneration
Stuart J McLauchlan	BCom, FCA(PP), AFInstD	Chairman	32,000
Patricia A Oakley	BCom, CMInstD	Chairperson – Remuneration Committee	22,500
Mark Rogers	BA (Hons), CMInstD, MNZIM	Chairperson – Health and Safety Committee	22,500
Tony Allison	BCom, BA, CA, CMInstD	Chairperson – Audit Committee	22,500

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.

Employee Remuneration
The number of employees whose remuneration and benefits are within specified bands are as follows:

Remuneration Range	2018 No. Employees	2017 No. Employees
$100,000 - $110,000	-	1
$110,000 - $120,000	2	-
$120,000 - $130,000	-	-
$130,000-$140,000	-	1
$140,000-$150,000	1	1
$250,000-$260,000	1	1

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.

S J McLauchlan
Chairman

P A Oakley
Director

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of Dunedin International Airport Limited's financial statements and statement of service performance for the year ended 30 June 2018

The Auditor-General is the auditor of Dunedin International Airport Limited (the company). The Auditor-General has appointed me, Julian Tan, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the statement of service performance of the company on his behalf.

Opinion

We have audited:

- the financial statements of the company in section 2, pages 16 to 29, that comprise the balance sheet as at 30 June 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the statement of service performance of the company in section 2, pages 2 to 14.

In our opinion:

- the financial statements of the company in section 2, pages 16 to 29:
    - present fairly, in all material respects:
        - its financial position as at 30 June 2018; and
        - its financial performance and cash flows for the year then ended; and
    - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime; and
- the statement of service performance of the company in section 2, pages 2 to 14 presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company's objectives, for the year ended 30 June 2018.

Our audit was completed on 20 September 2018. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the statement of service performance, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors for the financial statements and the statement of service performance

The Board of Directors is responsible on behalf of the company for preparing the financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Board of Directors is also responsible for preparing the statement of service performance for the company.

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

In preparing the financial statements and the statement of service performance, the Board of Directors is responsible on behalf of the company for assessing the company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to liquidate the company or to cease operations, or there is no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Local Government Act 2002.

Responsibilities of the auditor for the audit of the financial statements and the statement of service performance

Our objectives are to obtain reasonable assurance about whether the financial statements and the statement of service performance, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures,

and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements and the statement of service performance.

We did not evaluate the security and controls over the electronic publication of the financial statements and the statement of service performance.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the statement of service performance, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of the internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit 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 evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- We evaluate the appropriateness of the reported service performance information within the company's framework for reporting performance.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the statement of service performance or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements and the statement of service performance, including the disclosures, and whether the financial statements and the statement of service performance represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify in our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in section 1, pages 1 to 21 and section 2, pages 15 and 30 to 31, but does not include the financial statements and statement of service performance, and our auditor's report thereon.

Our opinion on the financial statements and the statement of service performance does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the statement of service performance, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the statement of service performance or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the company in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

In addition to the audit, we have completed a regulatory audit of the company's disclosure financial statements for the year ended 30 June 2017 pursuant to the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999.

Other than the audit and the regulatory audit, we have no relationship with, or interests in, the company.

Julian Tan
Audit New Zealand
On behalf of the Auditor-General
Dunedin, New Zealand

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AIRPORT