

2012 Disclosure Financial Statements

Dunedin International Airport Limited



Dunedin International Airport Limited
Identified Airport Activities
Disclosure Financial Statements

1

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company particulars

J McLauchlan, BCom, FCA(PP), AF Inst D (Chairman, Chairman – Audit Committee)
G R Thomas, LLB, AF Inst D (Member – Audit Committee)
K E Grant, BA, LLB, Dip Law, M Inst D
P A Oakley, BCom, M Inst D

Chief Executive

F J McCall, AFNZIM, M Inst D

Business Manager

P Ford, B Com, CA, M Inst D

Operations Manager

R Roberts, BEng (Hons)

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Banker

Westpac
101 George Street
DUNEDIN

Solicitors

Galloway Cook Allan
276 Princes Street
DUNEDIN

Auditor

Mark Bramley of PricewaterhouseCoopers
On behalf of the Auditor-General

airlines using dunedin international airport

FOR THE YEAR ENDED 30 JUNE 2012

Airline

Aircraft Type

DOMESTIC

Air New Zealand	Boeing 737-300
Mount Cook Airline	ATR 72
Air Nelson	Dash 8-300

INTERNATIONAL

Air New Zealand	Airbus 320-200
Virgin Australia	Boeing 737-800
Jetstar	Airbus 320-200

CHARTER, FLIGHT TRAINING AND COMMUTERS

Mainland Air Services	Cessna 152
	Cessna 172
	Piper PA31-350 Chieftain
	Piper PA34-200 Seneca
	Socata TB10 Tobago

FREIGHT SERVICES

New Zealand Post - Airpost	Fairchild Metroliner 23
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chairman and chief executive's report

The Directors have pleasure in presenting the Disclosure Financial Statements of Dunedin International Airport Corporation Limited (the Company) for the year ended 30 June 2012. 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.

1. Board of Directors

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

J McLauchlan, BCom, FCA(PP), AF Inst D (Chairman, Chairman – Audit Committee)
G R Thomas, LLB, AF Inst D (Member – Audit Committee)
K E Grant, BA, LLB, Dip Law, M Inst D
P A Oakley, BCom, M Inst D

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



S J McLauchlan
Chairman
13 December 2012



John McCall
Chief Executive

statement of comprehensive income

For the year-ended 30 June	Notes	2012	2011
Operating revenue		5,901,476	4,463,235
Total revenue		5,901,476	4,463,235
Audit fees	4	12,997	12,406
Directors fees		45,589	47,898
Finance costs – interest expense		1,038,984	978,330
Depreciation		1,806,843	1,711,535
Wages and salaries		610,741	561,981
Other operating expenses		1,650,722	1,689,751
Total expenses		5,165,876	5,001,901
Operating surplus/(deficit) before income tax		735,600	(538,666)
Income tax expense/(credit)	5	505,279	(636,362)
Operating surplus/(deficit) after income tax		230,321	97,696
Other comprehensive income			
Property revaluation	7	11,421,216	-
Cash flow hedges gain/(loss) taken to equity		(53,293)	22,358
Income tax on items of other comprehensive income	5	(3,218,137)	(18,224)
Total comprehensive income/(deficit)		8,380,107	101,829

statement of changes in equity

Equity at the beginning of the year		16,464,622	16,522,301
Comprehensive income/(deficit) for the year		8,380,107	101,829
Less distribution to owners			
- Final dividend	8	(239,976)	(159,508)
Closing equity		24,604,752	16,464,622

These statements are to be read in conjunction with the notes on pages 6 to 25

balance sheet

As at 30 June

	Notes	2012	2011
Shareholders' equity			
Share capital	6	5,328,475	5,328,475
Hedge reserve	7	(689,910)	(636,616)
Revaluation reserve	7	13,047,734	4,844,655
Retained earnings	9	6,918,454	6,928,109
		24,604,752	16,464,622
Current liabilities			
Trade & other payables	10	493,692	503,842
Other liabilities	11	155,119	11,521,664
Provisions	12	576,428	81,135
		1,225,239	12,181,312
Non-current liabilities			
Term loans	14	12,678,036	181,800
Deferred taxation	15	7,381,571	4,163,435
Hedge derivatives	18b	1,076,601	910,701
		21,136,208	5,255,936
Total equity & liabilities		46,966,199	33,901,870
Represented by:			
Current assets			
Trade & other receivables	16	457,034	233,660
Prepayments	17	5,650	-
Cash & cash equivalents	13	1,763,158	11,077
Taxation paid		-	36,360
		2,225,842	281,097
Non-current assets			
Property, plant & equipment	19	44,467,653	33,361,334
Investments	20	-	-
Deferred taxation	15	272,704	259,439
		44,740,357	33,620,773
Total assets		46,966,199	33,901,870

For and on behalf of the directors.



S J McLauchlan
Chairman
13 December 2012



G R Thomas
Director

These statements are to be read in conjunction with the notes on pages 6 to 25

notes to financial statements

For the year-ended 30 June 2012

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 dollar.

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 ("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 Company.

Reporting Entity

Dunedin International Airport Limited (“the Company”) is a company established under the Airport Authorities Act 1966 and registered under the Companies Act 1993. The Company is a reporting entity for the purposes of the Financial Reporting Act 1993.

The Company is a profit-oriented company incorporated and domiciled in New Zealand. Its principal activity is the operation of a commercial airport in Dunedin, New Zealand.

Statement of Compliance

These financial statements have been prepared in accordance with the Financial Reporting Act 1993, the Companies Act 1993, New Zealand generally accepted accounting practice (NZ GAAP), the Airport Authorities Act 1966 and the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999, which includes the requirement to comply with NZ GAAP.

The Company qualifies for Differential Reporting exemptions as it does not have public accountability and it is not large. All available reporting exemptions allowed under the Framework for Differential Reporting have been adopted with the exception of NZ IAS-12 ‘*Income Taxes*’ with which the Company has fully complied.

These financial statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities that qualify for and apply differential reporting concessions, except in so far as the Regulations require reporting solely on the activities of the Company comprising Identified Airport Activities and segment reporting of those Identified Airport Activities under Statement of Standard Accounting Practice 23: Financial Reporting for Segments (SSAP 23).

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

3. SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

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.

Leasing

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

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

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.

The Company as Lessee

Assets held under finance leases are recognised as assets of the Company at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

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

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Foreign Currencies

The financial statements are presented in the currency of the primary economic environment in which the Company operates (its functional currency). For the purpose of the financial statements the results and financial position of the Company are expressed in New Zealand dollars, which is the functional currency of the Company.

Transactions in currencies other than New Zealand dollars are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. The Company does not hold non-monetary assets and liabilities denominated in foreign currencies.

In order to hedge its exposure to certain foreign exchange risks, the Company may enter into forward contracts and options (see below for details of the Company's accounting policies in respect of such derivative financial instruments).

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (ie. 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.

Employee Entitlements

Entitlements to salary and wages and annual leave are recognised when they accrue to employees. This includes the estimated liability for salaries and wages and annual leave as a result of services rendered by employees up to balance date at appropriate rates of pay.

Payments made to a defined contribution retirement benefit scheme are dealt with as an expense when they fall due.

Taxation

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.

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.

Property, Plant and 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 and buildings 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 credited in equity to the properties 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:

	<i>Rate</i>	<i>Method</i>
Runway, apron and taxiway	3% - 6.66%	SL
Buildings	1% - 33.3%	SL
Machinery & plant	10% - 12.5%	DV
Motor Vehicles	20% - 25%	DV
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 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.

Financial Instruments

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Cash and 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.

Receivables

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

Loans and other receivables

Loans and other receivables are financial instruments that are measured at amortised cost using the effective interest method. This type of financial instrument includes cash and bank balances, and demand deposits.

Investments

Investments are recognised and derecognised on a trade date where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at cost, including directly attributable transaction costs.

Investments in equity securities

Investments in equity securities are designated as financial assets at fair value through profit or loss. Any resultant gains or losses are recognised in the income statement.

Financial Liability and Equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Payables

Payables are stated at cost.

Term Loans

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 the Income Statement 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.

Equity Instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments and hedge accounting

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 hedge these exposures.

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.

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 the Income Statement.

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the directors' best estimate of the expenditures required to settle the obligation at the Balance Sheet date, and are discounted to present value when the effect is material

Segment reporting

For the purposes of reporting in accordance with SSAP 23: Financial Reporting for Segments, under the Regulations an industry segment is a distinguishable component of the entity that is engaged in providing products or services that are subject to risks and returns that are different to those of other segments. A geographical segment is a distinguishable component of the entity that is engaged in providing products or services within a particular country or groups of countries and is subject to risks and returns that are different than those of segments operating in other country or groups of countries. The company does report identified activities as required under Airport Authorities Act but these do not meet the industry segment test.

4. AUDIT FEES

	Notes	2012	2011
Audit Fees		12,997	12,406
Fees for audit services - PricewaterhouseCoopers		12,997	-
- Polson Higgs		-	12,406
Fees for human resource and other services paid to the audit service provider - PricewaterhouseCoopers		14,481	-
- Polson Higgs		-	1,478
		27,478	13,884

On behalf of the Auditor General, PricewaterhouseCoopers are the auditors of the Company for the 2012 year. Polson Higgs performed the 2011 audit. Prior to PricewaterhouseCoopers New Zealand becoming the auditor. PricewaterhouseCoopers Australia performed a revenue related consulting assignment with the Company. Fees for this assignment totalled \$82,136 of which \$14,481 was recognised in the 2012 year.

Audit fees for disclosure financial statements were not accrued in the statutory financial reports and are therefore not included above. The estimated fee for the audit of the disclosure financial statements is \$23,000.

5. TAXATION PROVISION

(a) Income tax

Operating surplus/(deficit) before income tax	735,600	(538,666)
Taxation @ 28% (30% 2011)	205,968	(161,600)
<i>Plus / (Less) the tax effect of differences</i>		
Expenses not deductible	7,827	-
Revenue not liable for taxation	(150)	-
Tax losses written back	-	(89,620)
Under / (over) tax provision	291,634	(386,859)
Adjustment for change in tax rates	-	1,717
Tax effect of differences	299,311	(474,762)
Tax expense (credit)	505,279	(636,362)
Effective tax rate	54%	-
Represented by		
Current tax provision	492,014	-
Deferred tax provision	13,265	(636,362)
Income tax expense / (credit)	505,279	(636,362)

A current period adjustment of \$291,634 arose after the Company performed a detailed review of classification of land and building attracting deferred tax. In 2011 the Government announced a change in the Company tax rate from 30% to 28% for the current year.

(b) Tax on Other Comprehensive Income

Property Revaluation Reserve:		
Deferred Tax	(3,235,887)	-
Hedge Reserve:		
Deferred tax	17,750	(3,255)
Adjustment for change in tax rates	-	(14,969)
	(3,218,137)	(18,224)

(c) Imputation Credit Account

Balance available at beginning of the year	1,945,715	1,945,458
Dividends paid	(113,142)	-
Credits attached to dividends received	76	257
Taxation paid	60,000	-
Balance at 30 June	1,892,649	1,945,715

The imputation credit balance relates to Dunedin International Airport Limited as a tax paying entity and includes balances relating to items which may not be reported in these disclosure statements.

6. EQUITY – SHARE CAPITAL

Issued Capital

5,328,475 ordinary authorised and issued shares	5,328,475	5,328,475
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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.

7. RESERVES

a) Hedging Reserve

	2012	2011
Balance at beginning of year	(636,616)	(633,736)
Net Revaluations included in other comprehensive income	(69,218)	15,162
Deferred tax arising on hedges	15,924	(2,581)
Change in tax rates	-	(15,461)
Balance at 30 June	(689,910)	(636,616)

The hedging 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	4,844,655	4,844,655
Property Revaluations included in other comprehensive income	11,421,216	-
Deferred tax arising on revaluations	(3,218,137)	-
Balance at 30 June	13,047,733	4,844,655

The properties revaluation reserve arises on the revaluation of land and buildings. Where revalued land or buildings are sold, the portion of the properties revaluation reserve that relates to that asset, and is effectively realised, is transferred directly to retained profits.

8. DIVIDENDS

Final Dividend	239,976	159,508
Dividends Per Share	4.5 cents	3 cents

9. RETAINED EARNINGS

Balance at beginning of year	6,928,109	6,989,922
Net profit / (loss) for the year	230,321	97,696
Dividend distributions	(239,976)	(159,509)
Balance at 30 June	6,918,454	6,928,109

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10. TRADE & OTHER PAYABLES

Trade payables	427,410	441,573
Accruals	66,282	62,269
	493,692	503,842

The amounts due to customers under construction contracts at 30 June 2012 was \$NIL (2011: 52,933).

11. OTHER LIABILITIES

Current Liabilities

GST payable	107,386	48,994
Other current liabilities	47,733	25,677
Bank loans (see note 14)	-	11,521,664
	155,119	11,596,335

12. PROVISIONS

(a) Annual Leave

Balance at the beginning of the year	81,135	81,471
Amounts used	(67,038)	(63,612)
Amount accrued	57,052	63,276
	71,149	81,135

(b) Provision for Tax

Provisional tax 2012	541,192	
Terminal tax refund 2011	(35,913)	505,279
	576,428	81,135

Annual leave relates to staff leave not yet taken and is expected to be used in the next 12-18 months.

13. CASH

Cash floats	700	950
Westpac cheque account	(87,542)	10,127
Short term deposits are as follows:		
On call – 2.5%	250,000	
6 months due 2 November 2012 – 4.5%	750,000	
6 months due 2 November 2012 – 4.25%	850,000	1,850,000
	1,763,158	11,077

The carrying amount of cash assets approximates their fair value.

14. TERM BORROWINGS (Secured)

Wholesale term loan - term	12,678,036	181,800
Wholesale term loan – current	-	11,521,664

Comparison of Borrowings for the Whole Company

	Statutory Financials 2012	Disclosure Financials 2012
Finance costs	1,483,865	978,330
Borrowings (secured):		
Current	-	-
Non-current	18,000,000	12,678,036
	<u>\$18,000,000</u>	<u>\$12,678,036</u>

(a) Westpac has provided a Wholesale Term Loan of \$18 million (for the whole company) with a maturity date of 1 July 2014 and multi option credit line facility of \$3 million with a maturity date of 30 September 2013. 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 18.

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

- Shareholders funds are not less than 40% of total tangible assets.
- Earnings are not less than 1.7 times funding costs.

Both requirements have been met at 30 June 2012 and monthly during the financial year.

15. DEFERRED TAX

	Opening	Charged	Charged		Closing Balance Sheet	
	Balance	to Equity	to Income	Assets	Liabilities	Net
Property, plant and equipment	(4,163,435)	(3,235,887)	17,751	-	(7,381,571)	(7,381,571)
Employee benefits	19,008		(4,486)	14,522	-	14,522
Revaluations of interest rate swaps	240,432	17,750		258,182	-	258,182
Balance at 30 June 2012	(3,903,995)	(3,218,137)	13,265	272,704	(7,381,571)	(7,108,867)

	Opening	Charged	Charged		Closing Balance Sheet	
	Balance	to Equity	to Income	Assets	Liabilities	Net
Property, plant and equipment	(4,711,720)		548,285	-	(4,163,435)	(4,163,435)
Employee benefits	18,737		270	19,007	-	19,007
Losses carried forward	258,656	(18,224)		240,432	-	240,432
Balance at 30 June 2011	(4,434,327)	(18,224)	548,555	259,439	(4,163,435)	(3,903,996)

	2012	2011
16. TRADE & OTHER RECEIVABLES		
Trade receivables	457,0354	233,660

The directors consider that the carrying amount of the trade receivables approximates their fair value. Debtors overdue by 30 days or more for the whole company at 30 June 20012 were \$95,244, 15.2% of trade receivables (2011, \$44,496, 11%).

17. PREPAYMENTS		
NZ Airports Association membership	5,650	-

18. PROPERTY, PLANT & EQUIPMENT

	Land	Runway, Apron, Taxiway	Buildings	Plant & Equipment	Office Equipment	Motor Vehicles	Total
(a) 2012							
Cost or Valuation	2,435,046	25,973,925	16,260,720	9,383,653	-	560,252	54,613,596
Accumulated Depreciation	-	3,896,925	1,819,099	4,063,044	-	366,875	10,145,943
Balance at end of period	2,435,046	22,077,000	14,441,621	5,320,609	-	193,377	44,467,653
	Land	Runway, Apron, Taxiway	Buildings	Plant & Equipment	Office Equipment	Motor Vehicles	Total
(b) 2011							
Cost or Valuation	2,333,760	18,060,848	11,685,127	9,651,326	-	593,390	42,324,451
Accumulated Depreciation	-	3,098,973	1,600,075	3,846,782	-	417,287	8,963,117
Balance at end of period	2,333,760	14,961,875	10,085,052	5,804,544	-	176,103	33,361,334

(c) Land, buildings and airside pavements were revalued at 30 June 2012 by independent registered valuers, Telfer Young (Canterbury) Limited and Opus International Consultants Limited. The total fair value of these assets at 1 July 2012, the effective date of the revaluation, was \$44,208,487. 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.

(d) If land, land improvements, buildings, building fit-outs, runway, taxiway and apron pavements were stated on the historical cost basis, the carrying value of these classes would be \$25,685,585.

(e) Segment Assets

	Specified Terminal	Airfield	Aircraft and Freight	Total
2012	20,357,676	23,961,977	148,000	44,467,653
2011	16,592,843	16,594,500	173,991	33,361,334

	2012	2011
19. INVESTMENTS		
<i>Non-current investments</i>		
Shares at market value in farmer cooperative		
Companies involved with dairy farm companies	\$Nil	\$Nil

The whole company holds \$849,823 (2011, \$849,823), 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.

20. CONTINGENT LIABILITIES

There were no other contingent liabilities outstanding at 30 June 2012 (2011 nil).

21. CAPITAL AND OTHER COMMITMENTS (whole company)

Capital and other expenditure not provided for in the accounts at 30 June 2012 was \$NIL (2011 \$340,833).

22. FINANCIAL REPORT STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of accounting standards have been issued but as they are not yet compulsory they have not been applied to this set of accounts. The standard to be applied to future financial statements is NZ IFRS 9. NZ IAS 39 is being replaced by IFRS 9 through three phases: phase 1 classification and measurement, phase 2 impairment methodology and phase 3 hedge accounting. The new standard is required to be adopted for the year ended December 2013.

The impact of this standard when adopted is not expected to have a material impact on the financial statements.

23. 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. These are carried out on an arm's length commercial basis. Businesses in which directors and key management personnel have a substantial interest and which provided services/supplies to the Company on an arm's length commercial basis during the year were:

Southern Sinfonia (K Grant – board member) – sponsorship
 Gallaway Cook Allan (K Grant – associate) – legal services
 Tourism Dunedin (J McCall & P Oakley – trustees) – tourism promotions
 Delta Utilities Limited (S McLauchlan – director) – ground maintenance

- (b) 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	
	2012	2011	2012	2011
Gallaway Cook Allan (K Grant – associate)	28,138	19,738	1,085	3,381
Southern Sinfonia (K Grant – board member)	1,150	1,035	-	-
Tourism Dunedin (J McCall & P Oakley – trustees)	11,500	230,134	-	-
Delta Utilities Limited (S McLauchlan – director)	53,8585	59,813	3,799	3,799

- (c) Compensation of key management personnel:

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

	2012	2011
Short-term benefits	637,435	625,820

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.

24. SUBSEQUENT EVENTS (WHOLE COMPANY)

There were no significant events after balance sheet date.

25. SEGMENT INFORMATION

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 two specified airport activities. These activities are defined in the Airport Authorities Act 1966 and subsequent amendments.

30 June 2012

	Airfield	Aircraft & Freight Activities	Specified Terminal	Total
Operating Revenue	<u>3,090,066</u>	<u>51,560</u>	<u>2,759,850</u>	<u>5,901,476</u>
Total revenue	3,090,066	51,560	2,759,850	5,901,476
Expenses				
Operating Expenses (Including Admin Costs)	512,549	10,688	838,201	1,361,437
Employee Benefits Expense	482,733	-	128,008	610,741
Depreciation Expense	858,157	-	948,686	1,806,843
Directors Fees	24,422	150	21,016	45,589
Audit Fees	6,963	43	5,992	12,997
Finance Costs	556,639	3,429	478,916	1,038,984
Runway Maintenance	<u>289,284</u>	<u>-</u>	<u>-</u>	<u>289,284</u>
Total expenses	<u>2,730,747</u>	<u>14,310</u>	<u>2,420,819</u>	<u>5,165,876</u>
Segment operating surplus (deficit) before income tax	<u>359,319</u>	<u>37,250</u>	<u>339,031</u>	735,600
Income tax				<u>505,279</u>
Net operating surplus (deficit) after income tax				<u>230,321</u>
Segment assets	<u>25,191,321</u>	<u>156,328</u>	<u>21,618,550</u>	<u>46,966,199</u>
Average number of full-time staff equivalents	10.25	-	6.50	16.75

There are no significant inter-segment transactions.

30 June 2011

	Airfield	Aircraft & Freight Activities	Specified Terminal	Total
Operating Revenue	<u>2,002,274</u>	<u>50,862</u>	<u>2,410,099</u>	<u>4,463,235</u>
Total revenue	2,002,274	50,862	2,410,099	4,463,235
Expenses				
Operating Expenses (Including Admin Costs)	614,123	13,034	803,533	1,430,691
Employee Benefits Expense	433,534	-	128,447	561,981
Depreciation Expense	854,445	-	857,090	1,711,535
Directors Fees	25,659	158	22,081	47,898
Audit Fees	6,646	41	5,719	12,406
Finance Costs	524,144	3,229	450,957	978,330
Runway Maintenance	<u>259,061</u>	<u>-</u>	<u>-</u>	<u>259,061</u>
Total expenses	<u>2,717,613</u>	<u>16,462</u>	<u>2,267,827</u>	<u>5,001,901</u>
Segment operating surplus (deficit) before income tax	<u>(715,339)</u>	<u>34,400</u>	<u>142,272</u>	(538,666)
Income tax				<u>(636,362)</u>
Net operating surplus (deficit) after income tax				<u>97,696</u>
Segment assets	<u>16,745,846</u>	<u>176,816</u>	<u>16,979,208</u>	<u>33,901,870</u>
Average number of full-time staff equivalents	10.25	-	6.50	16.75

There are no significant inter-segment transactions.

26. 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. The company primarily allocates indirect costs on a share of space attributable to each activity in the terminal building, consistent with the most recent consultation. Each year an analysis is made for space in the terminal building attributed to Identified Airport Activities versus non-Identified Airport Activities.
- Non-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).
 - Interest expense is allocated to segments consistent with the methodology used for debt (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).

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.

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.

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.

27. 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 2011, 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 estimated margin over the swap rate that the company would pay for longer-term debt. The swap rate, and therefore the cost of debt, reflects the market conditions as at 1 July 2011.

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

	2012	2011
	Parameter	Parameter
Marginal Tax Rate	28%	28%
Risk Free Rate	4.64%	4.82%
Asset Beta	0.60	0.60
Equity Beta	0.72%	0.72%
Market Risk Premium	7.10%	7.00%
Post Tax Cost of Equity	8.47%	8.53%
Debt Margin	2.26%	1.86%
Cost of Debt	6.90%	6.68%
Debt to Value Ratio	17.00%	17.00%
Equity to Value Ratio	83.00%	83.00%
Calculated WACC	7.88%	7.90%

Based on these parameters the company estimates that, as at 1 July 2011, the appropriate prospective WACC for its identified airport activities was 7.88% 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:

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

Where

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. ($V = E + D$).

28. METHODOLOGY USED TO DETERMINE AIRPORT AERONAUTICAL CHARGES

The Company's charges were increased from 1 December 2011, the first increase since 2001. Charges were set to fund the shortfall in total revenues from identified airport activities so that an adequate return on capital could be made after recovering the costs of providing identified airport facilities.

All Dunedin International Airport Limited's identified airport activities revenues and costs were used to determine the shortfall 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 following formula.

29. SCHEDULE OF AIRPORT CHARGES

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

$$\text{Landing charge} = a \times b$$

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)	
	2012	2011
0 to 10	\$13.22	\$7.00
10 – 19,999	\$14.15	\$7.49
20 – 39,999	\$15.02	\$7.95
40 – 54,999	\$17.23	\$9.12
55 and greater	\$18.30	\$9.69

Aircraft Parking Charge

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

2012

Aircraft MCTOW (kg)	Charge (excl GST)	
	Free	Thereafter (per day)
0 to 10	First Day	\$15
10 – 19,999	First Day	\$25
20 – 39,999	First Day	\$35
40 – 54,999	First Day	\$45
55 and greater	First 3 days	\$55

2011

Aircraft MCTOW (kg)	Charge (excl GST)	
	Free	Thereafter (per day)
0 to 10	First Day	\$15
10 – 19,999	First Day	\$25
20 – 39,999	First Day	\$35
40 – 54,999	First Day	\$45
55 and greater	First 3 days	\$55

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.

Passenger Charge – International Services

A charge of \$2.69 (2011 \$1.79) per seat (excluding GST) (excluding transit passengers, transfer passengers, infants and positioning crew) on fixed wing aircraft operating an international service is payable to Dunedin International Airport.

Passenger Charge – Domestic Services

A charge of \$2.69 (2011 \$1.71) per seat (excluding GST) (excluding transit passengers, transfer passengers, infants and positioning crew) on fixed wing aircraft operating an international service is payable to Dunedin International Airport.

Landing Statistics

Scheduled Domestic Services

Aircraft MCTOW (kg)	Aircraft Type	Year to 30 June 2012	Year to 30 June 2011
0-3,000	Turbo Prop	-	-
3,001 to 20,000	Turbo Prop	956	648
20,001 – 26,000	Turbo Prop	2,523	2,847
26,001 – 56,000	Jet	-	-
56,001 – 71,000	Jet	1,615	1,529
71,001 and greater	Jet	380	98

Scheduled International Services

Aircraft MCTOW (kg)	Aircraft Type	Year to 30 June 2012	Year to 30 June 2011
0 – 71,000	Jet	-	-
71,001 and greater	Jet	253	260

Other Landings

Aircraft MCTOW (kg)		Year to 30 June 2012	Year to 30 June 2011
All weights		5,166	5,281

30. PASSENGERS

Class of Passenger	Year to 30 June 2012	Year to 30 June 2011
Passengers arriving and departing on domestic flights	790,554	710,845
Passengers arriving and departing on international flights	63,096	65,663

31. PASSENGER CHARGE

An International Departure Fee is payable by departing international passengers calculated at \$25.00 inclusive of GST per passenger aged 12 years and over.

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

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

32. 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 2012	Year to 30 June 2011	Year to 30 June 2012	Year to 30 June 2011
Runway Services	0	0	0	0
Stand Position Services	0	0	0	0
Airbridge Services	0	0	0	0
Baggage Handling Services	0	0	0	0

Un-planned Disruptions

Service	Number of Events		Total Duration (nearest 15 mins)	
	Year to 30 June 2012	Year to 30 June 2011	Year to 30 June 2012	Year to 30 June 2011
Runway Services	0	0	0	0
Stand Position Services	0	0	0	0
Airbridge Services	0	0	0	0
Baggage Handling Services	0	0	0	0

SHAREHOLDER INFORMATION (WHOLE COMPANY)

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

KATHY GRANT

Dunedin City Holdings Limited	Director
Gallaway Cook Allan	Associate
Otago Polytechnic Council	Chairperson
Sport Otago	Board Member
Southern Sinfonia	Board Member

STUART MCLAUCHLAN

A D Instruments Pty Ltd	Director
Cargill Holdings 2002 Limited	Director
City Forests Limited	Director
Aurora Limited	Director
Delta Investments Limited	Director
Delta Utilities Limited	Director
Dunedin Casinos Limited	Director
G S McLauchlan & Co	Partner
HTS110 Limited	Director
Lund South Limited	Director
New Zealand Sports Hall of Fame	Board of Governors
Otago Community Hospice	Chairman
Otago Festival of the Arts	Trustee
Otago/Southland Battalion Group	Honorary Colonel
Pharmac	Chairman
Roxdale Foods Limited	Director
Scenic Circle Hotels Limited	Director
Scott Technology Limited	Chairman
South Canterbury Finance Subsidiaries	Director
Southern District Health Board	Crown Monitor
University of Otago	Pro Chancellor
University of Otago Foundation Studies Limited	Director
USC Investments Limited	Director
UDC Finance Limited	Chairman
X Rock Automation Pty Limited	Director

GEOFFREY THOMAS

Anderson Lloyd Trustee Company Limited	Director
Dunedin Casinos Limited	Director
Drivers Road Trust Company Limited	Director
Fund Managers Canterbury Limited	Director
Fund Managers Holdings Limited	Director
Larnach Castle Limited	Chairman
Principals Advice & Support Limited	Chairman
Taieri Industrial Rental Investments Limited	Director
The Street NZ Limited	Chairman
Upstart Incubator	Chairman
Royal NZ Ballet	Board Member

JOHN McCALL

New Zealand Airports Association	Director
Taieri Gorge Railway Limited	Director
Tourism Dunedin	Trustee

TRISH OAKLEY

Tourism Dunedin	Trustee
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Directors' Interests in Contracts

Details of contracts involving directors' interests entered into during the year ended 30 June 2012 are provided in Note 25 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.

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 2012 are as follows:

Director	Qualification	Responsibilities	Remuneration
Richard F Walls	QSO, JP, F Inst D	Past-Chairman - deceased Oct 2011	12,779
Stuart J McLauchlan	BCom, FCA(PP), AF Inst D	Chairman	22,331
Geoffrey R Thomas	LLB, AF Inst D	Non-Executive Director	17,814
Kathy Grant	BA, LLB, Dip Law	Non-Executive Director	17,814
Patricia A Oakley	BCom	Non-Executive Director	4,454

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	No. Employees
\$130,000-\$150,000	2
\$260,000- \$270,000	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.

For and on behalf of the directors:



S J McLauchlan
Chairman
13 December 2012



G R Thomas
Director



INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF THE IDENTIFIED AIRPORT ACTIVITIES DISCLOSURE FINANCIAL STATEMENTS OF DUNEDIN INTERNATIONAL AIRPORT LIMITED FOR THE YEAR ENDED 30 JUNE 2012

The Auditor-General is the auditor of the Dunedin International Airport Limited (the Company). The Auditor-General has appointed me, Mark Andrew Bramley, using the staff and resources of PricewaterhouseCoopers, to carry out the audit of the Identified Airport Activities Disclosure Financial Statements of the Company on her behalf. In this report we refer to the Company's Identified Airport Activities Disclosure Financial Statements as the 'disclosure financial statements'. The disclosure financial statements comprise both historical and non-financial information.

This independent auditor's report has been prepared solely to discharge the Auditor-General's responsibilities under the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999 (the Regulations).

We have audited the disclosure financial statements of the Company on pages 4 to 25, that comprise the balance sheet as at 30 June 2012, the statement of comprehensive income and the statement of changes in equity for the year ended on that date and the notes to the financial statements that include accounting policies, other explanatory information and matters disclosed in accordance with the Regulations.

Opinion

Disclosure Financial statements

In our opinion:

- the disclosure financial statements of the Company on pages 4 to 25:
 - comply with the guidelines issued under Regulation 17;
 - subject to the Regulations, comply with generally accepted accounting practice in New Zealand;
 - subject to the Regulations, give a true and fair view of the Company's identified:
 - airport activities financial position as at 30 June 2012; and
 - financial performance for the year ended on that date;
- have complied, in all material respects, pursuant to the Regulations.

Other legal requirements

Our audit was completed on 17 December 2012. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities, and we explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the disclosure financial statements are free from material misstatement.



Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the disclosure financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the disclosure financial statements. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the disclosure financial statements whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Company's disclosure financial statements that give a true and fair view of the matters to which they relate. We consider internal control 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.

Our engagement has been conducted in accordance with SAE 3100 *Compliance Engagements* to provide reasonable assurance that the Company has complied with Section 4 of the Regulations for the year ended 30 June 2012.

The Company's financial statements have been subject to audit. The audit opinion on those financial statements of the Company for the year ended 30 June 2012 was unmodified and was dated 17 August 2012.

Our work in respect of amounts and disclosures that were audited under the audit of the financial statement has been limited to agreeing the amounts and disclosures to the underlying records and audited financial statements of the Company.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the adequacy of all disclosures in the disclosure financial statements; and
- the overall presentation of the disclosure financial statements.

We did not examine every transaction, nor do we guarantee complete accuracy of the disclosure financial statements. We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Board of Directors

The Board of Directors is responsible for preparing disclosure financial statements that comply with the Regulations.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the disclosure financial statements and reporting that opinion to you based on our audit. Regulation 6(2) requires the disclosure financial statements to be audited. We are required to report our opinion to you in accordance with Regulation 14.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

In addition to the audit of the disclosure financial statements, we audited the Company's financial statements and we performed advisory services which are compatible with those independence requirements. Other than the audits and these advisory services, we have no relationship with or interests in the Company.

A handwritten signature in blue ink, reading 'Mark Bramley'.

Mark Andrew Bramley
PricewaterhouseCoopers
On behalf of the Auditor-General
Dunedin, New Zealand