

2012 ANNUAL REPORT

Dunedin International Airport Limited



Annual Report for the Year ended 30 June 2012

2	Company Particulars
2	Airlines using Dunedin International Airport
3	Chairman's and Chief Executive's Review
8	Statement of Service Performance
11	Trend Statement
12	Statement of Comprehensive Income & Statement of Changes in Equity
13	Balance Sheet
14	Statement of Cash Flows
15	Notes to the Financial Statements
31	Shareholder Information
33	Audit Report

company particulars

Directors

S 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)

Registered Office

Terminal Building
Dunedin International Airport
Private Bag 1922
DUNEDIN

Telephone 03-486 2879
Facsimile 03-486 2813
E-mail admin@dnairport.co.nz
Website www.flydunedin.com

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
----------------------------	-------------------------

chairman and chief executive's report

It has often been said that to understand the future, we must look to our past. This is particularly relevant in 2012 when Dunedin International Airport celebrated its 50th anniversary.

This significant milestone in the Company's history represented an appropriate opportunity to mark the important contribution the airport makes to our visitor economy, to economic development in the City and to people like you, the Company, and the passengers that pass through the terminal on a daily basis, to destinations within New Zealand and beyond.

Whether you travel for business or pleasure, we are sure you will appreciate the legacy left behind by those who developed aviation in Otago, and later on, our airport at Momona. It is therefore with a sense of pride and achievement that the Directors and staff of the Airport present this year's Annual Report.

THE YEAR AT A GLANCE

People

Overall passenger numbers were 853,650, a 9.9% increase on 2011. Of these, 790,554 were domestic passengers, an 11.2% increase on 2011, and 63,096 were international passengers, a modest decline of 3.9% from 2011.

Financial

Total revenue was \$10,314,040, a 21.3% increase on 2011 and 17.1% above budget. Non-aeronautical income comprised 60.8% of this figure.

Shareholders' funds are \$42,103,001, up 51.9% following a five yearly revaluation. An operating surplus after tax of \$1,105,338 compares favourably to \$713,592 in 2011.

Term loan repayments of \$300,000 were made during the course of the year.

A dividend of \$396,000 (4.5c per share) was declared and paid during the year, with a further payment of 7.5c per share (totalling \$660,000) proposed to be made in November 2012.

FINANCIAL PERFORMANCE

It is appropriate that on marking our 50th milestone, we move through another; this year Dunedin International Airport Limited passed the \$10 million revenue threshold, achieving \$10,314,040. This represents a 21.3% increase on last year and is 17.1% above budget.

Aeronautical income was \$3,988,294, a 51% increase on last year's \$2,640,001 and comprised 38.7% of total income compared to 31% for the previous financial year.

Much of the increase in aeronautical revenue is the result of an 11.0% increase in capacity and a resulting 9.9% increase in total passenger numbers which reached 853,650. Domestic passenger numbers grew by 11.2% to 790,554, again attributable to capacity, while international passenger numbers recorded a modest 3.9% decline to 63,096. Airline aircraft movements increased by 6.2%.

Landing charges to airlines were increased from 1 December 2011 following a lengthy and robust process which was carried out within the Commerce Commission's framework. This is the first increase since 2001 and over the ensuing decade we have upgraded the terminal (2005/6) and invested in the runway and gate areas to accommodate new aircraft such as the Airbus A320 and the Boeing 737-800.

Non-aeronautical income remained a significant contributor, rising 7.4% to \$6,274,186. This is derived from passenger activities, concessionaire's payments, property rental, car parking and dairy farming.

Finally, during the year we completed a five-yearly revaluation of assets required as part of our financial reporting requirements. As a result, asset values have increased by \$18.6 million, lifting shareholder equity to \$42,103,001. The revaluation was carried out by independent registered valuers, Opus International Consultants and Telfer Young (Canterbury), specialists in the valuation of infrastructure assets.

INFRASTRUCTURE

Maintenance of our core asset will always be a priority, and this year our airside improvements have been to the apron pavements and drainage system.

The RESA's (Runway End Safety Areas) were completed in November 2011. This important aeronautical infrastructure improvement was undertaken by the Company in order to meet New Zealand and International regulatory requirements.

Planning is underway for the runway overlay which will be completed in 2013. This work has been brought forward due to accelerated deterioration of the existing pavement. Favourable exchange rates and locking in bitumen prices, along with 2013 scheduled maintenance no longer required as a result of the overlay, means a saving of \$1.38 million.

ECONOMIC DEVELOPMENT

We continue to support regional economic activity where there is strategic alignment. This year that included investigative work around air support to the seismic survey ships off the Otago coast.

DAIRY FARMING

Development of our farming activities this year centred on a new herring bone milking shed, designed to increase productivity on our Otokia property. Income was impacted by lower milk prices and came in at \$599,470, below budget by 5.4%.

MORE PEOPLE, FLYING MORE OFTEN, TO AND FROM MORE PLACES

Consistent with our Statement of Intent, a key strategy for the Company is the introduction of new route development, increased capacity and new services.

Execution of this strategy was clearly evidenced this year with the introduction of a daily return service between Dunedin and Auckland via Jetstar. Capacity and competition on this route is critical for both the leisure and business market and with Auckland a key port for the international visitor, it provides further opportunity for the Dunedin visitor economy to connect with international markets. The numbers speak for themselves, in the first year of operations the airline carried just on 100,000 passengers.

TRANS-TASMAN

Since November 2011, all trans-Tasman services have been operated by Air New Zealand and Pacific Blue under an alliance/code-share arrangement. Initially all services used Pacific Blue aircraft but the company has since been rebranded to Virgin Australia. The Dunedin to Brisbane route continues to operate year-round, peaking at six services per week between June and September with seasonal summer holiday services to Sydney and Melbourne.

MAKING THE JOURNEY EASIER

Holiday excitement quickly builds on arrival into the terminal, however if you encounter queue after queue, travelling can lose its edge, particularly if you have small children in tow. An important operational development this year was the introduction of arrival and departure passenger service charges. These replaced the former international departure fee for passengers leaving Dunedin on international flights direct from the airport. The service charge is now included in the fare and remitted to the Company by the airline. Importantly for our customers, it eliminates two queuing phases with the result that passengers may board their plane just a little more relaxed than perhaps previously.

RETAIL MATTERS

Duty Free Stores New Zealand Limited, which operated three duty free outlets and a gift shop at Dunedin International Airport, was sold during the year. Previously a Wellington-based company, ownership has been transferred to LS Travel Retail Asia Pacific - a subsidiary of the major French group Lagardere. Lagardere specialises in global travel retail, with stores in airports and train stations world-wide. A significant player in this market, placing a stake in the New Zealand air travel industry is an undeniable expression of confidence and we look forward to working with Lagardere management to further the potential of its Dunedin operations.

WEBSITE

The Company is acutely aware of the digital environment in which we operate, the dynamic nature of air transportation and the client service offering which our website must deliver. Pleasingly, we see our web traffic up 18.7% for the period May 2011 to May 2012, with significant visitation numbers coming from the Auckland region reflecting increased services out of this market. We continue to look at opportunities presented through this medium to highlight the airport's services and facilities. Keep in touch with us at www.flydunedin.com

CUSTOMER SERVICE

First and last impressions count and no one understands that better than our staff. This is demonstrated in our actions every day, from the small ways in which we help people on their journeys to the more significant initiatives we plan. Both staff and management understand this is an important driver if we are to fulfil our ambition to grow passenger numbers.

Kia Ora Mai accreditation is an important example of this philosophy in action. This tailored programme has been adopted by the Company as it recognises the unique New Zealand service experience, which is very much a part of our passenger interactions.

ENVIRONMENTAL

We continue our focus on sustainable environmental management and operational principles, this year again delivering improvements.

Our water take and waste water disposal system continues to operate well within the resource consent parameters and no solid waste has been sent to the landfill for the past three years. Our worm farm is working particularly well in this respect, turning waste into worm cast which is then used on the airport's gardens - this is evidence of our commitment to sustainable operations.

We have introduced a new effluent system on one of our dairy farms to meet the more stringent environmental requirements. Recognition from both Dairy New Zealand and the Otago Regional Council demonstrates the success of these system changes.

12,362kg of cardboard has been recycled this year, the equivalent of 10,000 banana boxes.

CORPORATE SOCIAL RESPONSIBILITY

Dunedin has a rich history of some of New Zealand's finest artists and we continue to invest in the artistic heritage of tomorrow through carefully selected partnerships.

As naming sponsor of the Otago Art Society's Spring Exhibition, we have watched this exhibition go from strength to strength and are delighted again by the quality of the work presented this year.

We provide support to the Fortune Theatre and the Southern Sinfonia, both organisations which showcase Dunedin's creative talents.

Our celebrated "Artist in the Terminal" is an initiative of which we are proud. Providing vital public exposure, the artists enjoy an increased profile and the opportunity to showcase their work amidst very positive feedback from the public. The works of ten artists were put on display during the year through six exhibitions, made up of four solo exhibitions, one combined (featuring water colour artists over the Christmas period) and one joint exhibition. We also featured a photographic exhibition by Graeme Sydney in conjunction with the publication of his book.

The airport is an important collection point for a number of charities and we continue to facilitate volunteers interacting with passengers during national collection weeks for Daffodil Day, Pink Ribbon Day, Poppy Day and Jandal Day.

Finally we are yet to meet a child who doesn't enjoy a fire engine and what school trip to the airport would be complete without donning a helmet and checking out a fire engine! This year we hosted 16 school visits which in the Company's view are important public interactions.

OUR PEOPLE

During the year two long-serving staff retired, including one of the airport's characters, Gordon McDonald, who has added so much to the airport experience for thousands of passengers over the years. Gordon was a constant calming and guiding presence around the terminal.

After more than 31 years of loyal service maintaining the airport infrastructure, Steve Devlin dropped his nail bag, tossed his hammer and retired.

Both Gordon and Steve will be missed by both fellow employees and members of the travelling public.

The Board and staff sincerely thank both Gordon and Steve for their significant contributions to the operation of our airport and we wish them the very best in their retirement.

FLIGHT PATH DUNEDIN

The 50th anniversary culminated in the launch of the book *Flight Path Dunedin - A History of Aviation*, together with an impressive exhibition in the Dunedin Community Gallery.

Showcasing a day in the life of the airport, and depicting the history of airline uniforms, this popular exhibition is now proudly housed in our terminal for passengers to enjoy over the months ahead.

Written by Dunedin author Jim Sullivan, *Flight Path Dunedin* takes the reader back to the early days of Dunedin aviation including New Zealand's first balloon flight, parachute jump and helicopter flight. Interspersed with hundreds of photographs dating back to aviation's pioneers, it is a publication of which we can all be proud of and which will be an enduring focus of our anniversary celebrations.

RICHARD WALLS - (1937 - 2011)

It is with great sadness that we acknowledge the death on 30th October 2011 of the Company's long-standing chairman Richard Walls. As the company's inaugural chairman, Richard made a more than significant contribution to the development of the airport as the gateway to our city. He was an energetic and supportive chairman with a comprehensive understanding of every aspect of the business and was always a strong advocate for the airport, the city and everything Dunedin has to offer.

At the time of his death he was overseeing the writing of *Flight Path Dunedin* drawing on his considerable understanding of the history of Momona airport. His passion for Dunedin and the airport will continue on through this publication and he will be sadly missed.

BLUE SKIES - LOOKING AHEAD

There can be few industries as challenging as aviation. Intense competition, unabating global financial conditions and the hallmark of sustainability are just some of the competitive pressures driving the industry, demanding innovative solutions and sustained shareholder returns.

At the heart of course is the passenger, but in the middle is the airport business. This year the Company advanced most of its business parameters with notable increases in overall passenger numbers, which in turn was reflected in an increase in revenue and operating surplus.

The focus of the Board and staff has now turned to the 2012/2013 year. With clearly articulated strategies, our focus is now on strong execution, building on the success of this past year to ensure we deliver high quality results across our objectives. This determination will ensure we move through the next 50 years and beyond.



Stuart McLauchlan
Chairman



John McCall
Chief Executive

17 August 2012

statement of service performance

The following is a statement of service performance relating to key specific objectives listed in the Company's Statement of Corporate Intent for the year ending 30 June 2012.

STRATEGIC PRIORITY - FINANCIAL PERFORMANCE

1. Increase the company's revenues and earnings.

a) Financial Performance.

The results achieved for the year compared to budget are as follows:

	ACTUAL \$000	BUDGET \$000
Surplus before taxation	2,148	(266)
Surplus after taxation	1,105	(192)
Return on closing shareholders equity	2.6%	-0.7%
Closing shareholders' equity	42,103	26,544

Revenue for the year was 17.1% above budget and expenses were 9.9% below budget. Aeronautical income was above budget due to an increase in the number of domestic services and an increase in landing charges from 1 December 2011. Non aeronautical income was up 8.8% with increases in revenue from carparking and property rentals.

All costs were kept within budget with reduced airfield, maintenance and interest expenditure. A detailed review of the deferred tax calculation resulted in a prior period tax adjustment of \$421,321.

b) Increase non-aeronautical revenue by:

- Increasing car park revenue and earnings.
 - Car park revenue 15.7% above budget.
- Increasing revenue from conference facilities.
 - Revenue was 15% below budget due to more competition from conference facilities in Dunedin city.
- Partnering with our retail concessionaires to increase their revenue.
 - Continue to receive and monitor monthly retail data from concessionaires and respond as appropriate.
- Aim to achieve 180,000 kilograms of milk solids from dairy farm operations.
 - 179,798 kg MS for year.

c) Increase aeronautical revenue by:

- Partnering with our existing airline customers to increase passenger volume.
 - International passenger numbers down.
 - Domestic passenger numbers up.
- Partnering with our airline customers to introduce new services.
 - Consolidation of new Jetstar service to Auckland and additional Virgin Australia services to Brisbane.
- Partnering with potential airlines to introduce new services.
 - Fostered business relationships with Jetstar and Virgin Australia senior management.

2. Improve the company's equity ratio

- Reduce long term bank debt. Target debt reduction from \$18.35m as at 30 June 2011 to \$17.8m as at 30 June 2012.
 - Debt \$18m at 30 June 2012.

3. Maintain the company's economic sustainability through the mitigation of business risk.

- Ongoing implementation of the Companies risk strategy.
 - Risk Management Software has been installed. High level risks have been identified for each area of our business. These are reported to the Board on a six monthly basis.

STRATEGIC PRIORITY - CORPORATE SOCIAL RESPONSIBILITY

- 1. Be recognised as a positive contributor to the community and where appropriate provide support in areas such as education, the arts, cultural and sporting activities.**
 - Continue with sponsorship of the Otago Art Society Awards.
 - Sponsor the Otago Art Society 2011 Spring Exhibition.
 - Continue with sponsorship of the Southern Sinfonia.
 - Chair sponsorship for the 2012/13 performance season.
 - Undertake further discretionary sponsorship in line with the goals of Corporate Social Responsibility.
 - Support Otago Polytechnic arborist course.
 - Fortune Theatre sponsorship.
 - Host a minimum of ten school/community visits per year.
 - 16 visits hosted during the year.
- 2. Act as an environmentally aware and responsible corporate citizen through the introduction over time of sustainable environmental management and operational principles.**
 - Report to the Otago Regional Council on usage of aircraft de-icer product.
 - Annual Report sent to ORC in December 2011.
 - Recycle cardboard waste generated at the airport.
 - 12,362 kgs of cardboard recycled during the year.
 - Continue to operate the airport worm farm to recycle sludge from the airport sewage treatment plant.
 - All sewage sludge was recycled on the airport by the worm farm.
- 3. Use Otago manufactured and/or supplied goods and services subject to price, quality and other strategic considerations being met.**
 - Embed these considerations in all procurement decisions.
 - Procurement Policy implemented into Company procedures.

STRATEGIC PRIORITY - CUSTOMER SERVICE

- 1. Provide friendly and efficient customer service with a smile to all our airport passengers and visitors.**
 - All Customer Service Staff will be provided with recognised customer service training.
 - Three staff have achieved Kia Ora Mai accreditation.
 - Set up and carry out a Customer Service Survey within the terminal building to monitor customer satisfaction and measure service performance.
 - In dialogue with research broker Canterbury Business Solutions.
 - Set up a customer feedback system to ensure that our business is responsive to our customers' needs.
 - Feedback forms received and analysed.
- 2. Foster and maintain proactive engagements and communication with our business partners and stakeholders.**
 - Develop an Airport Communication Strategy.
 - Draft currently being reviewed by management.

STRATEGIC PRIORITY - HUMAN RESOURCES

- 1. Maintain Management Practices that ensures that the company meets its Health and Safety Obligations.**
 - Complete an annual review of the Health and Safety plan with management and staff input.
 - Health and Safety committee renewed objectives and reviewed Hazard Register.
 - Target zero days lost due to work related accidents.
 - No days lost to date.
 - Hold a minimum of 10 staff meetings.
 - 10 meetings held during the year.
- 2. Act as a good employer by providing equal employment opportunities, good and safe working conditions and opportunities for individual career development for all employees.**
 - Provide relevant training opportunities to ensure staff is fully engaged and competent in their positions.
 - Staff attended internal and external training courses during the year.

STRATEGIC PRIORITY - MARKETING AND BUSINESS DEVELOPMENT

1. Increase air transport activity through Dunedin Airport.

- Initiate a Business Development plan to increase business at Dunedin airport.
 - *Business Development Plan currently being drafted.*
- Partner with our existing and potential airline customers to encourage new route development, increased capacity and new services (particularly focused in increasing trans-Tasman flights)
 - *Communicated with Air New Zealand, Virgin Australia and Jetstar management on services and growth opportunities.*
- Research and identify what differentiates Dunedin from other southern airports by analysing the southern region and using the findings to strengthen Dunedin's position in the market.
 - *Receive and analyse Tourism Future International reports, monthly passenger and aircraft movement data and airport user feedback information to identify Dunedin airport's strengths and weaknesses.*

2. Support regional economic activity which has strategic alignment with the company.

- Partner with organisations which have strategic alignment with the company's objectives.
 - *Chief Executive and Senior Management had meetings with our business partners including:-*
 - *Spotless Catering*
 - *Super Shuttles*
 - *Southern Taxis*
 - *Dunedin Venues Management Ltd*
 - *University of Otago*
 - *Tourism Dunedin*
 - *Tourism Futures International*
 - *Duty Free Stores Ltd and Lagardère Services*
 - *Shell Oil Corporation*

3. Coordinate promotional and marketing activities with Corporate Social Responsibility initiatives whenever possible.

- Embed Corporate Social Responsibility initiatives in our promotional and marketing activity decision making process.
 - *Continued with the "Artist in the Terminal" project.*
 - *Attended 20 community/corporate functions.*
 - *Publication of the 50 year history of the airport, "Flight Path Dunedin".*
 - *Celebration of the 50 year anniversary of the airport with staff, former staff and business associates.*

STRATEGIC PRIORITY - INFRASTRUCTURE

1. Provide, maintain and plan appropriate infrastructure that meets the needs of our customers.

- Maintain the airports CAA Operating Certificate by delivering aeronautical services and infrastructure in accordance with our standards and procedures.
 - *Safety Audit completed August 2011: no findings.*
- Ensure Building Warrants of Fitness are maintained in order to meet our obligations under Section 108 of the Building Act 2004.
 - *New WoF completed, certificate yet to be issued.*
- Meet our Resource Consent conditions for Effluent Discharge and Bore Water.
 - *Annual STP sent to ORC May 2012.*
 - *Effluent Data entered for year.*
 - *New bore consent BM 11.369.01 granted February 2012.*
- No time delays to any commercial scheduled airline operations due to maintenance of airside infrastructure.
 - *Gates 4 and 5 slot drain works completed. Gate 3 apron asphalt replaced.*
 - *No delays to airline services.*

trend statement

For the year-ended 30 June	2012	2011	2010	2009	2008
Revenue					
Operating Revenue:					
Aeronautical	3,988,294	2,640,001	2,813,698	2,941,721	2,579,508
Percentage	38.7%	31.0%	34.5%	39.0%	33.7%
Non-aeronautical	6,274,186	5,842,172	5,280,398	4,750,365	5,298,004
Percentage	60.8%	68.7%	64.7%	62.9%	69.2%
Interest income	11,708	31	54,675	41,535	3
Dividend income	39,002	23,252	8,422	835	787
Gain on investments	850	-	688	(185,643)	(224,622)
Total revenue	10,314,040	8,505,456	8,157,193	7,548,812	7,653,680
Percentage Increase	21.3%	4.3%	8.1%	-1.4%	9.0%
Surplus before tax	2,148,723	120,336	(208,471)	(732,862)	(328,459)
Percentage increase	1,685%	157.7%	71.6%	-123.1%	-306.3%
Net tax paid surplus	1,105,338	713,592	(50,357)	(907,842)	(324,236)
Percentage increase	54.9%	1,517%	94.5%	-179.9%	-199.8%
Shareholders' equity					
Shareholders' equity	42,103,001	27,708,570	27,271,667	31,368,144	33,571,405
Return on shareholders' equity	2.6%	2.5%	-0.2%	-2.9%	-1.0%
Dividends paid	396,000	264,000	-	176,000	-
Dividend rate cents per share	4.5	3	-	2	-
Capital expenditure	2,205,286	769,924	1,357,332	1,053,708	1,088,585
Net operating cashflow	4,597,238	2,554,825	2,336,512	2,596,824	1,960,374
Net asset backing per share	\$4.78	\$3.15	\$3.10	\$3.56	\$3.82
Proprietorship ratio	54.7%	48.7%	46.6%	51.8%	54.2%

statement of comprehensive income

For the year-ended 30 June	Notes	2012	2011
Operating revenue		10,262,480	8,482,205
Interest received		11,708	-
Dividend received		39,002	23,251
Gain/loss on investment		850	-
Total revenue		10,314,040	8,505,456
Audit fees	4	21,437	20,461
Directors fees		75,192	79,000
Finance costs – interest expense		1,483,865	1,577,772
Depreciation		2,699,928	2,532,843
Wages and salaries		1,442,051	1,436,405
Other operating expenses		2,442,844	2,738,639
Total expenses		8,165,317	8,385,120
Operating surplus/(deficit) before income tax		2,148,723	120,336
Income tax expense/(credit)	5	1,043,385	(593,256)
Operating surplus/(deficit) after income tax		1,105,338	713,592
Other comprehensive income			
Property revaluation	7	18,649,983	-
Cash flow hedges gain/(loss) taken to equity		(104,612)	22,358
Income tax on items of other comprehensive income	5	(4,860,278)	(35,047)
Total comprehensive income/(deficit)		14,790,431	700,903

statement of changes in equity

Equity at the beginning of the year		27,708,570	27,271,667
Comprehensive income/(deficit) for the year		14,790,431	700,903
Less distribution to owners			
- Final dividend	8	(396,000)	(264,000)
Closing equity		42,103,001	27,708,570

These statements is to be read in conjunction with the notes on pages 15 to 30

balance sheet
As at 30 June

	Notes	2012	2011
Shareholders' equity			
Share capital	6	8,800,000	8,800,000
Hedge reserve	7	(1,095,539)	(1,020,218)
Revaluation reserve	7	21,672,638	7,912,223
Retained earnings	9	12,725,902	12,016,565
		42,103,001	27,708,570
Current liabilities			
Trade & other payables	10	780,748	834,073
Other liabilities	11	183,492	18,087,616
Provisions	12	1,074,587	133,886
		2,038,827	19,055,575
Non-current liabilities			
Term loans	14	18,000,000	300,000
Deferred taxation	15	13,306,286	8,393,655
Hedge derivatives	18b	1,521,582	1,416,970
		32,827,868	10,110,625
Total equity & liabilities		76,969,696	56,874,770
Represented by:			
Current assets			
Trade & other receivables	16	627,695	402,492
Prepayments	17	9,323	-
Cash & cash equivalents	13	1,763,158	11,077
Taxation paid		-	60,000
		2,400,176	473,569
Non-current assets			
Property, plant & equipment	19	73,237,098	55,096,391
Investments	20	875,986	870,867
Deferred taxation	15	456,436	433,943
		74,569,520	56,401,201
Total assets		76,969,696	56,874,770

For and on behalf of the directors.



S J McLauchlan
Chairman
17 August 2012



G R Thomas
Director

This statement is to be read in conjunction with the notes on pages 15 to 30

statement of cashflows

For the year-ended 30 June

Notes

2012

2011

Cash flow from operating activities

Cash was provided from:

Receipts from customers	10,035,304	8,552,753
Interest received	5,922	31
Dividend received	39,002	23,252

Cash was applied to:

Payments to suppliers	2,521,511	2,916,400
Payments to employees	1,476,696	1,461,926
Interest paid	1,484,783	1,582,885
Taxation paid	-	60,000

Net cash flows from operating activities	23	4,597,238	2,554,825
---	-----------	------------------	------------------

Cash flows from investing activities

Cash was provided from:

Sale of assets	22,391	-
----------------	--------	---

Cash was applied to:

Purchase of shares	4,270	1,319
Purchase of assets	2,167,278	769,924

Net cash flows from investing activities	(2,149,157)	(771,243)
---	--------------------	------------------

Cash flows from financing activities

Cash was applied to:

Repaid loans	300,000	1,550,000
Dividends paid	396,000	264,000

Net cash flows from financing activities	(696,000)	(1,814,000)
---	------------------	--------------------

Net increase/(decrease) in cash held	1,752,081	(30,418)
--------------------------------------	-----------	----------

Plus opening cash brought forward	11,077	41,495
--	---------------	---------------

Cash & cash equivalents held 30 June	13	1,763,158	11,077
---	-----------	------------------	---------------

This statement is to be read in conjunction with the notes on pages 15 to 30

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.

The financial statements have been prepared in accordance with the requirements of the Companies Act 1993 and the Financial Reporting Act 1993.

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.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared in accordance with NZ Generally Accepted Accounting Practice. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). They comply with New Zealand Equivalents to IFRSs (NZ IFRS), and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments.

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

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

4. AUDIT FEES

	Notes	2012 21,437	2011 20,461
Audit Fees			
Fees for audit services - PricewaterhouseCoopers		21,437	-
- Polson Higgs		-	20,461
Fees for human resource and other services paid to the audit service provider - PricewaterhouseCoopers		14,481	-
- Polson Higgs		-	2,430
		35,918	22,891

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.

5. TAXATION PROVISION

(a) Income tax

Operating surplus/(deficit) before income tax	2,148,723	120,336
Taxation @ 28% (30% 2011)	601,642	36,101
<i>Plus / (Less) the tax effect of differences</i>		
Expenses not deductible	12,384	-
Revenue not liable for taxation	(238)	-
Tax losses written back	-	(232,780)
Under / (over) tax provision	429,597	(401,037)
Adjustment for change in tax rates	-	4,460
Tax effect of differences	441,743	(629,357)
Tax expense (credit)	1,043,385	(593,256)
Effective tax rate	48.6%	-
Represented by		
Current tax provision	989,437	-
Deferred tax provision	53,948	(593,256)
Income tax expense / (credit)	1,043,385	(593,256)

A current period adjustment of \$429,597 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	(4,889,569)	-
Hedge Reserve:		
Deferred tax	29,291	(6,260)
Adjustment for change in tax rates	-	(28,787)
	(4,860,278)	(35,047)

(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

6. EQUITY – SHARE CAPITAL

Issued Capital

8,800,000 ordinary authorised and issued shares	8,800,000	8,800,000
---	------------------	-----------

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.

	2012	2011
7. RESERVES		
a) Hedging Reserve		
Balance at beginning of year	(1,020,218)	(1,007,529)
Net Revaluations included in other comprehensive income	(104,612)	22,358
Deferred tax arising on hedges	29,291	(6,260)
Change in tax rates	-	(28,787)
Balance at 30 June	(1,095,539)	(1,020,218)
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	7,912,223	7,912,223
Property Revaluations included in other comprehensive income	18,649,983	-
Deferred tax arising on revaluations	(4,889,568)	-
Balance at 30 June	21,672,638	7,912,223
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	396,000	264,000
	396,000	264,000
Dividends Per Share	4.5 cents	3 cents
9. RETAINED EARNINGS		
Balance at beginning of year	12,016,565	11,566,973
Net profit / (loss) for the year	1,105,337	713,592
Dividend distributions	(396,000)	(264,000)
Balance at 30 June	12,725,902	12,016,565
10. TRADE & OTHER PAYABLES		
Trade payables	660,159	591,621
Accruals	120,589	242,452
	780,748	834,073
The amounts due to customers under construction contracts at 30 June 2012 was \$NIL (2011: 52,933).		
11. OTHER LIABILITIES		
<i>Current Liabilities</i>		
GST payable	135,760	61,939
Other current liabilities	47,732	25,677
Bank loans (see note 14)	-	18,000,000
	183,492	18,087,616

	2012	2011
12. PROVISIONS		
(a) Annual Leave		
Balance at the beginning of the year	133,886	133,326
Amounts used	(112,143)	(106,580)
Amount accrued	99,320	107,140
	121,063	133,886

(b) Provision for Tax

Provisional tax 2012	989,437	
Terminal tax refund 2011	(35,913)	953,524
Balance at 30 June	1,074,587	133,886

Annual leave related 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
Balance at 30 June	1,763,158	11,077

The carrying amount of cash assets approximates their fair value.

14. TERM BORROWINGS (Secured)

Wholesale term loan - term	18,000,000	300,000
Wholesale term loan – current	-	18,000,000

(a) Westpac has provided a Wholesale Term Loan of \$18 million 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	
(a) 2012	Balance	to Equity	to Income	Assets	Liabilities	Net
Property, plant and equipment	(8,393,655)	(4,889,561)	(23,070)	-	(13,306,286)	(13,306,286)
Employee benefits	37,192		(6,799)	30,393	-	30,393
Revaluations of interest rate swaps	396,751	29,292		426,043	-	426,043
Balance at 30 June 2012	(7,959,712)	(4,860,269)	(29,869)	456,436	(13,306,286)	(12,849,850)

	Opening	Charged	Charged		Closing Balance Sheet	
(b) 2011	Balance	to Equity	to Income	Assets	Liabilities	Net
Property, plant and equipment	(8,986,392)		592,737	-	(8,393,655)	(8,393,655)
Employee benefits	36,671		521	37,192	-	37,192
Losses carried forward	431,798	(35,047)		396,751	-	396,751
Balance at 30 June 2011	(8,517,923)	(35,047)	593,258	433,943	(8,393,655)	(7,959,712)

	2012	2011
16. TRADE & OTHER RECEIVABLES		
Trade receivables	627,695	402,492

The directors consider that the carrying amount of the trade receivables approximates their fair value. Debtors overdue by 30 days or more at 30 June 2012 were \$95,244, 15.2% of trade receivables (2011, \$44,496, 11%).

17. PREPAYMENTS		
NZ Airports Association membership	9,323	-

18. FINANCIAL RISK MANAGEMENT

a) Financial Risk Factors

The Company's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by DIAL management and advice from Dunedin City Treasury under policies approved by the Board of Directors. DIAL management identifies, evaluates and hedges financial risks in close co-operation with Dunedin City Treasury. The Board provides written principles for overall risk management, as well as written policies covering specific areas such as interest rate risk, credit risk and use of derivative financial instruments.

b) Interest Rate Risk

Interest rate swaps	(1,521,582)	(1,416,970)
---------------------	-------------	-------------

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 interest rate agreements are held with Westpac. With a variety of start dates the interest rate agreements held at 30 June 2012 exceeds the term debt. Interest rate risk is reviewed on a regular basis.

The Company treasury policy recommends that the levels of the fixed interest hedge should be limited to a series of ranges set within set debt time periods.

0 to 1 year	Between 70% to 90% of expected debt
1 to 2 years	Between 50% to 70% of expected debt
2 to 3 years	Between 40% to 50% of expected debt

The notional principal outstanding with regard to the interest rate swap is:

<i>Effective interest rate</i>		2012	2011
Maturing less than 1 year	7.1%	9,000,000	3,000,000
Maturing between 1 and 5 years	7.2%	5,000,000	14,000,000
Maturing more than 5 years	6.3%	5,000,000	5,000,000
		19,000,000	22,000,000

The interest rate swaps maturing in the 1 to 5 year band of \$14m are replaced by one maturity of \$5m in the 5 year band.

c) Liquidity Risk

Liquidity risk represents the ability of the Company to meet its contractual obligations. The Company evaluates its liquidity requirements on an ongoing basis and actively manages its liquidity risk through

- Arrangement of appropriate backup facilities to the short term borrowing programmes
- Managing a prudent balance of both short and long term borrowing programmes
- Regular review of projected cash flows and debt requirements

In general the Company generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has credit lines in place to cover potential shortfalls.

The maturity profile and effective interest rates of the Company's term borrowings are set out in note 14. The maturity profiles of the Company's financial assets, with the exception of equity investments is as follows:

2012				
	Maturity date 1 year or less	Maturity date more than 1 year and less than or equal to 5 years	Maturity date over 5 years	TOTAL
Financial Assets				
Trade & Other Receivables	637,018	-	-	637,018
Cash & Cash Equivalents	1,763,158	-	-	1,763,158
	2,400,176	-	-	2,400,176

2012				
	Maturity date 1 year or less	Maturity date more than 1 year and less than or equal to 5 years	Maturity date over 5 years	TOTAL
Financial Liabilities				
Trade & Other Payables	2,038,827	-	-	2,038,827
Bank Loans	-	18,000,000	-	18,000,000
Derivative Financial Instruments	332,120	536,254	653,208	1,521,582
	2,370,947	18,536,254	653,208	21,560,409

2011				
	Maturity date 1 year or less	Maturity date more than 1 year and less than or equal to 5 years	Maturity date over 5 years	TOTAL
Trade & Other Receivables	402,492	-	-	402,492
Cash & Cash Equivalents	11,077	-	-	11,077
Tax Paid	60,000	-	-	60,000
	473,569	-	-	473,569

2011				
	Maturity date 1 year or less	Maturity date more than 1 year and less than or equal to 5 years	Maturity date over 5 years	TOTAL
Financial Liabilities				
Trade & Other Payables	1,055,575	-	-	1,055,575
Bank Loans	18,000,000	300,000	-	18,300,000
Derivative Financial Instruments	31,472	1,169,457	216,041	1,416,970
	19,087,047	1,469,457	216,041	20,772,545

d) Credit Risk

Financial instruments which potentially subject the Company to credit risk principally consist of bank balances and accounts receivable. No collateral is held on such items which at 30 June 2012 totalled \$2,400,176 (2011: \$473,570).

Deposits with banks are held with Westpac which has a high quality credit rating.

The Company assesses the credit quality of each customer prior to advancing credit and regularly monitors the aging of its debtors.

Maximum exposures to credit risk is the amount stated in the financial statements and are net of any recognised provision for losses on these financial instruments. No collateral is held on these amounts.

Concentrations of Credit Risk

90.8% of trade debtors are due from seven customers. These receivables are considered to be fully recoverable, see note 16.

The Company is not exposed to any other concentrations of credit risk.

e) Price Risk

The Company is exposed to price risk with respect to landing charges. New landing charges were set on 1 December 2011, following consultation with the airlines

f) Cash Flow Interest Rate Risk

The Company's exposure to cash flow risk through changes in the market interest rates relates primarily to the Company's long term debt obligations with a floating interest rate. The level of debt is disclosed in note (14).

The Company's policy is to manage its interest cost using a mix of fixed and variable rate debt. To manage this mix in a cost efficient manner, the Company enters into interest rate swaps, in which the Company agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. At 30 June 2012, after taking into account the effect of interest rate swaps, approximately 77.8% of the Company's borrowings are at a fixed rate of interest (2011 93%).

At 30 June 2012 the Company had \$4 million of borrowings unhedged. Should interest rates increase/(decrease) by 1% with everything else being held constant the effect on the tax paid profit would be \$29,000/(\$29,000).

g) Capital Management Strategy

The Company manages its capital to ensure that entities in the Company will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Company monitors capital on the basis of the equity ratio. This ratio is calculated as shareholders funds divided by total assets. The Board considers an equity ratio in excess of 50% would be appropriate for the Company. At 30 June 2012 this ratio was 54.7% (2011 47.8%).

h) Categories of Financial Assets and Financial Liabilities

	2012	2011
Financial Assets		
Fair Value Through Profit or Loss (FVTPL)	-	-
Designated as at FVTPL – Shares	875,986	870,867
Loans and Receivables	637,018	402,493
Cash & Cash Equivalents	1,763,158	11,077
Total Financial Assets	3,276,162	1,284,437
Non-Financial Assets	73,693,534	55,530,333
Total Assets	76,969,696	56,814,770
Financial Liabilities		
Derivative Financial Instruments in Hedge Accounting Relationships	1,521,582	1,416,970
Amortised Cost (Including Cash & Cash Equivalents)	18,775,124	19,091,109
Total Financial Liabilities	20,296,706	20,508,079
Non-Financial Liabilities	13,306,286	8,393,655
Total Liabilities	33,602,992	28,901,734

i) Leases

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

Under 1 year	26,356
1 to 5 years	1,730,086
Over 5 years	14,597,162

j) Fair value of Financial Instruments

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 - Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 – Fair value measurements are these derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The following table details the Company's hierarchical classification of financial assets and liabilities measured at fair value as 30 June 2010. Other financial assets and liabilities are measured at amortised cost and not included in this table.

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
2012				
Investments				
Shares at market value in farmer cooperative	875,986			875,986
Derivates				
Hedge Derivatives		1,521,582		1,521,582

19. PROPERTY, PLANT & EQUIPMENT

	Land	Runway, Apron, Taxiway	Buildings	Plant & Equipment	Office Equipment	Motor Vehicles	Total
(a) 2012							
Cost or Valuation							
Balance at beginning of period	12,496,476	18,060,848	20,148,944	17,072,066	97,444	676,769	68,552,547
Purchases	81,538	1,451,628	322,114	256,371	9,911	83,723	2,205,285
Transfers	608,096	(5,516)	(245,080)	(342,793)	(5,766)	(8,941)	-
Disposals	-	-	-	-	-	(54,753)	(54,753)
Revaluation - 30/6/2012	2,418,152	6,466,965	9,243,678	521,188	-	-	18,649,983
Balance at end of period	15,604,262	25,973,925	29,469,656	17,506,832	101,589	696,798	89,353,062
Accumulated Depreciation							
Balance at beginning of period	417,845	3,095,798	2,726,426	6,667,346	74,226	474,515	13,456,156
Depreciation	136,124	803,467	577,214	1,143,137	10,286	29,443	2,699,671
Transfers	197,292	(2,340)	(6,848)	(176,648)	(3,908)	(7,548)	-
Disposals	-	-	-	-	256	(40,119)	(39,863)
	751,261	3,896,925	3,296,792	7,633,835	80,860	456,291	16,115,964
Balance at end of period	14,853,001	22,077,000	26,172,864	9,872,997	20,729	240,507	73,237,098
(b) 2011							
Cost or Valuation							
Balance at beginning of period	12,066,955	17,774,951	20,108,731	16,888,423	110,322	669,899	67,619,281
Purchases	429,521	285,897	36,301	185,866	3,303	6,870	947,758
Transfers	-	-	3,912	(2,223)	(16,181)	-	(14,492)
Balance at end of period	12,496,476	18,060,848	20,148,944	17,072,066	97,444	676,769	68,552,547
Accumulated Depreciation							
Balance at beginning of period	330,687	2,311,656	2,279,624	5,488,855	77,341	449,642	10,937,805
Depreciation	87,158	784,142	442,890	1,181,733	12,047	24,873	2,532,843
Transfers	-	-	3,912	(3,242)	(15,162)	-	(14,492)
	417,845	3,095,798	2,726,426	6,667,346	74,226	474,515	13,456,156

(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 \$72,092,000. 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.

(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 \$42,399,724.

2012

2011

20. INVESTMENTS

Non-current investments

Shares at market value in farmer cooperative

Companies involved with dairy farm companies

875,986

870,867

Of this sum \$849,823 (2011, \$849,823) 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.

21. CONTINGENT LIABILITIES

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

22. CAPITAL AND OTHER COMMITMENTS

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

23. RECONCILIATION OF NET SURPLUS FOR THE YEAR TO CASHFLOWS FROM OPERATING ACTIVITIES

	2012	2011
Net surplus for the year	1,105,338	700,903
<i>Items not involving cashflows</i>		
Depreciation	2,699,928	2,532,843
Increase in value of investments	(850)	-
Increase / (Decrease) in deferred taxation	4,890,138	(558,209)
Deferred tax expense direct to equity	(4,935,599)	(35,047)
<i>Impact of changes in working capital items</i>		
(Increase) / Decrease in trade and other receivables	(225,203)	70,580
Increase / (Decrease) in trade and other payables	22,405	68,901
Less items classified as investing activities	29,557	(225,144)
Increase / (Decrease) in provision for tax	1,013,524	-
Net cash inflows from operating activities	4,597,238	2,554,825

24. JUDGEMENTS AND ESTIMATES

The Company used the following judgements in preparing the financial statements:

25. 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.

26. RELATED PARTY TRANSACTIONS

(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.

There were no significant events after balance sheet date.

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

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
-----------------	---------

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

G R Thomas
Director

17 August 2012



INDEPENDENT AUDITOR'S REPORT
TO THE READERS OF
DUNEDIN INTERNATIONAL AIRPORT LIMITED'S
FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION
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 financial statements and performance information of the Company on her behalf.

We have audited:

- the financial statements of the Company on pages 12 to 30, that comprise the balance sheet as at 30 June 2012, 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 performance information of the Company on pages 8 to 10.

Opinion

Financial statements and performance information

In our opinion:

- the financial statements of the Company on pages 12 to 30:
 - comply with generally accepted accounting practice in New Zealand;
 - comply with International Financial Reporting Standards; and
 - give a true and fair view of the Company's:
 - financial position as at 30 June 2012; and
 - financial performance and cash flows for the year ended on that date;
- the performance information of the Company on pages 8 to 10:
 - complies with generally accepted accounting practice in New Zealand; and
 - gives a true and fair view of the achievements measured against the performance targets adopted for the year ended on 30 June 2012.

Other legal requirements

In accordance with the Financial Reporting Act 1993 we report that, in our opinion, proper accounting records have been kept by the Company as far as appears from an examination of those records.



Our audit was completed on 24 August 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 financial statements and performance information 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 financial statements and performance information. 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 financial statements and performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and performance information whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Company's financial statements and performance information 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.

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 financial statements and performance information; and
- the overall presentation of the financial statements and performance information.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and performance information. In accordance with the Financial Reporting Act 1993, we report that we have obtained all the information and explanations we have required. 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 financial statements and performance information that:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the Company's financial position, financial performance and cash flows; and
- give a true and fair view of its service performance achievements.

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

The Board of Directors' responsibilities arise from the Local Government Act 2002 and the Financial Reporting Act 1993.



Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and performance information and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and section 69 of the Local Government Act 2002.

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 we performed advisory services which are compatible with those independence requirements. Other than the audit 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

Matters relating to the electronic presentation of the audited financial statements and performance information

This audit report relates to the financial statements and performance information of Dunedin International Airport (the Airport) for the year ended 30 June 2012 included on the Airport's website. The Board of Directors are responsible for the maintenance and integrity of the Airport's website. We have not been engaged to report on the integrity of the Airport's website. We accept no responsibility for any changes that may have occurred to the financial statements and performance information since they were initially presented on the website.

The audit report refers only to the financial statements and performance information named above. It does not provide an opinion on any other information which may have been hyperlinked to or from these financial statements and performance information. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and performance information and related audit report dated 24 August 2012 to confirm the information included in the audited financial statements and performance information presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.