2015

ANNUAL REPORT

dunedin
AIRPORT


RASCALS

SECTION 1

SECTION 2

OUR

COMPANY PARTICULARS

DIRECTORS

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

K E Grant
BA, LLB, Dip Law, CF Inst D (Chairperson – Audit Committee)

P A Oakley
BCom, M Inst D

M F Rogers
BA(Hons), M Inst D, MNZIM

CHIEF EXECUTIVE

R Roberts
BEng (Hons)

GENERAL MANAGER FINANCE & BUSINESS PERFORMANCE

P Ford
BCom, CA, M Inst D

GENERAL MANAGER INFRASTRUCTURE & SERVICE DELIVERY

D Debono
BAvMan

MARKETING AND COMMUNICATIONS MANAGER

M Crawford
BA BCom

REGISTERED OFFICE

Terminal Building
Dunedin International Airport
Private Bag 1922
DUNEDIN

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

BANKER

Westpac
101 George Street
DUNEDIN

SOLICITORS

Gallaway Cook Allan
276 Princes Street
DUNEDIN

AUDITOR

Scott Tobin of Audit NZ
On behalf of the Auditor-General

AIRLINES

FOR THE YEAR ENDED 30 JUNE 2015

AIRLINE	AIRCRAFT TYPE
DOMESTIC	
Air New Zealand	Airbus 320-200
Air New Zealand	Boeing 737-300
Mount Cook Airline	ATR 72
Air Nelson	Dash 8-300
Jetstar	Airbus 320-200
INTERNATIONAL	
Virgin Australia	Boeing 737-800
CHARTER, FLIGHT TRAINING AND COMMUTERS	
Mainland Air Services	Cessna 152
	Cessna 172
	Piper PA31-350 Chieftain
	Piper PA34-200 Seneca
	Socata TB10 Tobago
FREIGHT SERVICES	
New Zealand Post - Airpost	Fairchild Metroliner 23

OUR PLACE

DUNEDIN, NEW ZEALAND

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

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

OUR PLACE

DUNEDIN, NEW ZEALAND

An historic university town, Dunedin spreads around a sheltered harbour. The city is regarded as having the finest examples of Victorian and Edwardian architecture in the Southern Hemisphere. Spires and towers of notable neo-Gothic buildings and stately homes make up Dunedin's cityscape. As New Zealand's eco-tourism capital, the city is renowned for its proximity to incredible wildlife. The Otago Peninsula, a brief drive from the city centre, is home to a colony of the world's rarest and smallest penguins, the only mainland breeding colony of the royal albatross, rare New Zealand sea lions and the magnificent Larnach Castle. Visit the world's steepest street, Baldwin Street, adding to the world of opportunities that awaits the active at heart.

The seaside settlements of Karitane and Port Chalmers provide the perfect setting to escape the city for the day or visit the haunting rocky tors and tussock of Middlemarch, our hinterland and the starting point for the Otago Central Rail Trail. Take a trip to Moeraki and experience the magnificent boulders, one of the South Island's most fascinating natural attractions.

Dunedin, one of the world's great small cities


POST-
EUROPE

THE
YEAR AT A GLANCE

TOTAL PASSENGERS
861,982
1% UP

INTERNATIONAL
DOWN 17.9%
52,715

DOMESTIC
UP 2.6%
809,267

INTERNATIONAL CAPACITY
DOWN 25.2%

DOMESTIC CAPACITY
UP 2.2%

BUSIEST MONTH ON RECORD
MARCH 2015
78,167

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

OPERATING REVENUE
12.7M
1% UP

OPERATING SURPLUS AFTER TAX
DOWN 7.7%
1.7M

AERO REVENUE
DOWN 1.3%
4.6M

TOTAL DECLARED DIVIDEND FOR THE YEAR
UP 10%
$1,408,000

SHAREHOLDERS FUNDS
UP 1.2%
45.9M

BETTER TOGETHER
PARTNERSHIPS SIGNED WITH: DUNEDIN CITY COUNCIL, AIR NEW ZEALAND, OTAGO SOUTHLAND EMPLOYERS ASSOCIATION, OTAGO CHAMBER OF COMMERCE. JUNE 2015

NON AERO REVENUE +Others
UP 0.9%
8.1M

CHAIRMAN AND CEO'S REPORT

The Directors and Management are pleased to present this year's Annual Report. Dunedin Airport has seen a year of change and review, in which we have focused on strengthening our existing partnerships and developing new ones. It has been an exciting and rewarding year, and one which will provide us all with greater opportunities for growth in the future.

OUR NEW BRAND VALUES OF

MAKE IT EASY **BE YOU** **CAN DO** **BETTER TOGETHER**

provide us with a foundation about which we feel confident and gives meaning to what we do.

CHAIRMAN AND CEO'S REPORT

CONT...

OUR PERFORMANCE

This year, 861,982 passengers travelled through Dunedin Airport, an increase of 1% on the previous year. Domestic capacity increased by 2.2% (20,883 seats) and passengers grew by 2.6% to 809,267, compared to the previous year. On the back of schedule changes that saw Virgin Australia suspend their seasonal Sydney and Melbourne services over the summer of 2014/2015, international capacity reduced by 25.2% (21,820 seats) with international passenger numbers reducing by 17.9% to 52,715.

There has been strong demand for both international and domestic services through Dunedin Airport. Load factors have reached their highest levels during this year, demonstrating the high demand for services through the region. March 2015 saw the busiest month on record at the airport, with 78,167 passengers travelling in and out of our region.

Dunedin Airport's total revenue increased by 1% to $12,722,034 and the operating surplus (after tax) was $1,705,823 which is 7.7% below last year.

Aeronautical revenue which constituted 36% of total revenue was 1.3% behind previous year and resulted from the reduction in international services.

Non-aeronautical revenue increased by 0.9% to $8,205,905. At 64% of our total revenue, it is derived from passenger activities, retail, property, car parking and the airport's dairy farming operations.

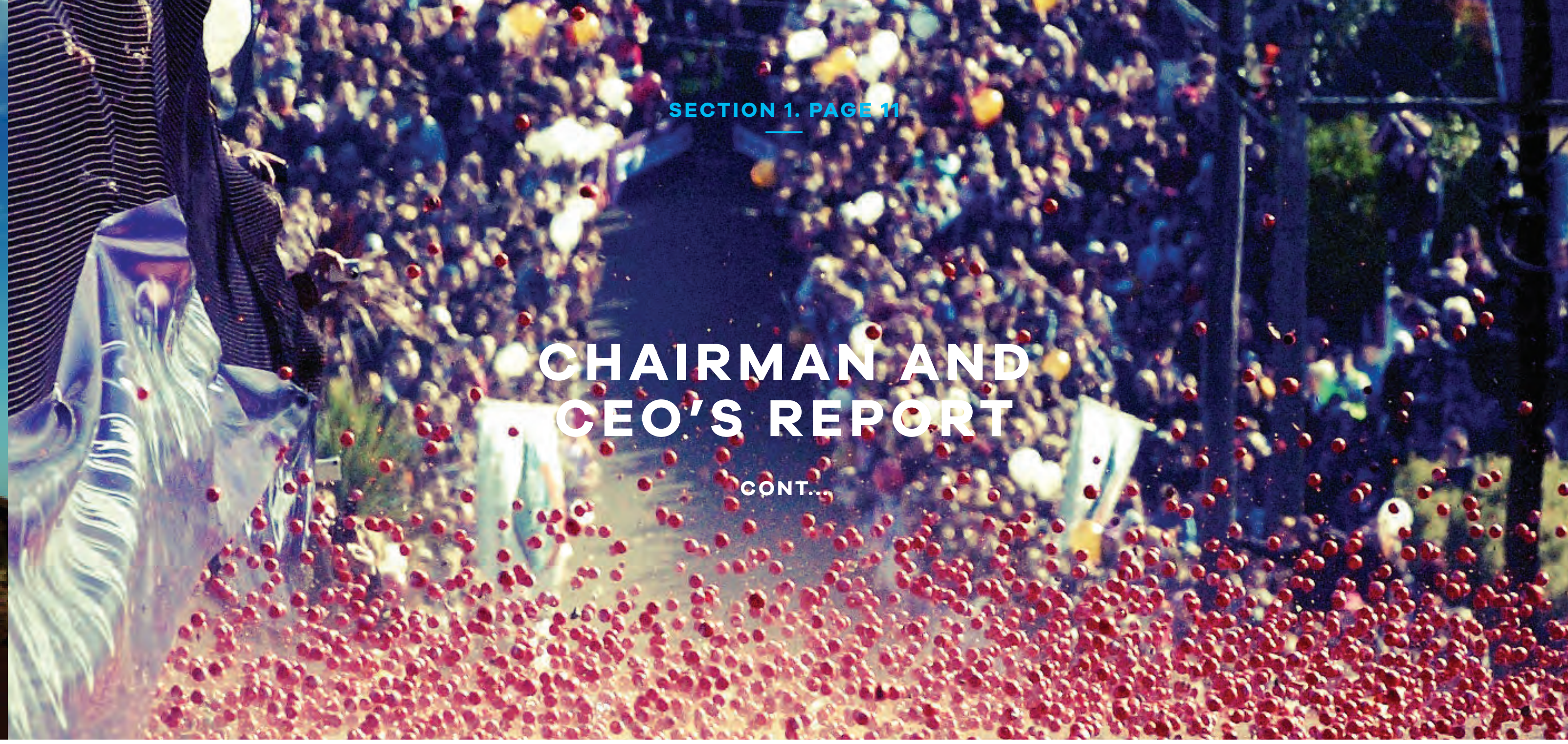
Dunedin Airport shareholders' funds increased by 1.2% to $45,919,692 and the directors have determined to pay a dividend of $1,408,000 to our shareholders this year, which represents an increase of 10% on previous years' performance.

OUR STRATEGY FOR GROWTH

A key piece of work undertaken this year was the completion of an Aviation Strategy which highlighted our place within the domestic and international aviation markets. It provided us with a greater understanding of our customer, our reach and current and potential markets. This valuable information presented clearly the opportunities for our region and enables us to move forward in a more strategic and targeted way.

The opportunities presented led us to invest in partnership with our aviation consultant in a number of route development cases focusing on trans-Tasman services with our airline partners. During the next financial year we will continue to work with our consultants and airline partners to discuss potential new routes, enabling greater connectivity for our market.

The sustainability and growth of trans-Tasman services from Dunedin Airport will continue to be a key component of our strategic focus. Working in partnership with Air New Zealand, both here and in Australia, we invested in campaigns to generate awareness of the Dunedin – Brisbane service. The campaign results demonstrated positive stimulation in the Queensland and Dunedin markets and provides a valuable base for future campaigns.



CHAIRMAN AND CEO'S REPORT

CONT...

OUR PARTNERSHIPS

We have continued to work closely with our City, airline partners and airport community to develop a greater understanding of their business and to identify opportunities to work and grow together.

Enterprise Dunedin, which combines the regional tourism organisation, Dunedin City Council's Economic Development Unit and iSite, was formed in July 2014. On 8th April 2015, Dunedin Airport entered into a Partnership Agreement with Enterprise Dunedin which brought both airport and city together and recognises the importance of Dunedin Airport to the city. It drives the understanding that working together will bring positive economic outcomes for both parties.

As a result of the reduction of direct Dunedin to Auckland services, provided by Air New Zealand, Dunedin Airport and Enterprise Dunedin invested in a Domestic Campaign to generate awareness of the service. The objective of the campaign was to demonstrate demand for the reinstatement of this service and focused on developing awareness of Dunedin as a destination, achieved through investment. It utilised social media and showcased Dunedin through advertising on Air New Zealand's inflight entertainment system.

On 16th June 2015, Air New Zealand signed a Memorandum of Understanding with the "City" which incorporated Dunedin Airport, Enterprise Dunedin, Otago Southland Employers Association and the Otago Chamber of Commerce. This Agreement will enable us to foster a positive and engaged Airline – Dunedin City relationship and to continue to identify opportunities for our mutual benefit.

We continue to develop and strengthen our relationship with Jetstar. As part of the Aviation Strategy we visited Jetstar in Melbourne this year, meeting with members of the Executive team. The meeting gave us the opportunity to showcase Dunedin and its region, enabling Jetstar to gain a better insight into our market potential.

Kiwi Regional Airlines (KRA) recently signalled its intentions to enter the domestic market and to provide services between Dunedin – Queenstown – Nelson and Hamilton. We have been and will continue to work with KRA and hope to see these new services commence in October this year.

OUR

EXECUTIVE LEADERSHIP TEAM

MARKETING AND COMMUNICATIONS MANAGER

M Crawford
BA BCom

CHIEF EXECUTIVE

R Roberts
BEng (Hons)

GENERAL MANAGER FINANCE & BUSINESS PERFORMANCE

P Ford
BCom, CA, M Inst D

GENERAL MANAGER INFRASTRUCTURE & SERVICE DELIVERY

D Debono
BAvMan

CHAIRMAN AND CEO'S REPORT

CONT...

OUR AIRPORT

The airport's infrastructure is vitally important when it comes to service delivery and ensuring Dunedin Airport meets the requirements of our customers. The team has done an exceptional job in maintaining our key airport infrastructure which has resulted in a very high level of system availability with no disruptions to airline operations. Maintaining the airport in a busy operational environment without any adverse impact on our customers is a fantastic achievement.

Dunedin Airport recognises the importance of investing in key airport infrastructure, and over the last year upgrades have been completed on our runway, building security systems and the terminal building management system. Our relationship with our strategic partners such as Airways New Zealand continues to deliver exceptional results. The team has been working closely with Airways New Zealand on asset upgrade projects and further airfield enhancements. The last 12 months has also seen increased operations of larger wide body aircraft on charters and special events. Serving these larger aircraft in Dunedin is testament to the capability of our operations team and the airfield infrastructure.

To ensure future infrastructure investment in Dunedin Airport remains aligned to current and future requirements, we are commencing a full masterplan review of the airport site over the next 12 months. Changes in the air transport sector have been significant, so this exercise is critically important in ensuring the airport keeps pace with this ever changing and dynamic industry now and into the future. The existing terminal that was completed in 2006 was designed for a demand of 300 departing passengers in its busiest hour. Due to the changes in aircraft seating capacity and growth on key routes over the last decade, the busy hour demand is now approaching 600 passengers. This puts strain on key passenger touch points and without scheduling changes measures to ease this pressure will be needed in the short to medium term.

We appreciate that all our airport users have unique and particular requirements, with this in mind we are focussed on meeting those needs while looking to improve the airports busy hour capacity. Making the overall experience easier and more enjoyable remains front and centre in the minds of our team.

Globally there has been a change in the security risk levels in the travel industry, and with a recent increase in New Zealand's security threat level, the Government has commissioned a review of security measures in place at New Zealand airports. This review is complex and subject to considerable analysis and risk assessments. Dunedin Airport has taken a key role in the national review process, with valuable input provided on the issue. Changes to airport security at this point are still unknown.

A major milestone for the airport in the past year was the renewal of its Aerodrome Operating Certificate issued by the Civil Aviation Authority. This certificate is only valid for a period of 5 years, and recertification is a comprehensive process.

Dunedin Airport continues to invest in its safety and compliance management and oversight. Dunedin Airport has achieved positive results in improving the overall safety culture performance of the airport and its operations. There have been no serious harm injuries, which is of course a base level expectation to all concerned. Dunedin Airport has also assumed a leadership role in the city in establishing the Dunedin City Health and Safety forum with representation from 33 local business' and organisations.

Over the past 12 months, Dunedin Airport has achieved excellent results in its compliance performance, with no adverse findings issued by organisations such as, the Civil Aviation Authority, Ministry of Primary Industries, New Zealand Customs Service and the Otago Regional Council with regulatory oversight. Our commitment to meeting our regulatory obligations remains critically important to us.

CHAIRMAN AND CEO'S REPORT

CONT...

OUR CUSTOMERS AND COMMUNITY

It is important for us to be able to understand our customers Airport experience. To do this, we conducted customer service surveys throughout the year inviting our customers to evaluate different aspects of services, retail offering and terminal environment. These surveys provide us with a snapshot as to the extent to which we are meeting our customers needs and areas for improvement. We will continue to build on this feedback in order to ensure we are delivering an exceptional Airport experience.

Supporting our community remains an important part of our Airport engagement. We have continued our involvement in the Fortune Theatre and Southern Sinfonia and continue to promote local artists through our "Artist in the Terminal" initiative, which provides both a platform for artists to exhibit and an enjoyable viewing experience for our customers.

This year in partnership with Air New Zealand, we sponsored the International Guest Designer at iD Fashion, Dunedin's iconic yearly fashion event. This was a wonderful opportunity to collaborate with Air New Zealand and to provide support for a renowned City event.

This year we will be developing a sponsorship strategy in order to ensure that our sponsorship initiatives are aligned with our Company and brand values.

WE ARE BETTER TOGETHER

Dunedin Airport recognises the importance of connectivity. We want to be able to connect with our airline partners, airport community, our city and our region. We continue to look to build on strong and trusting relationships, allowing us to understand common goals and create "one voice" for our city and region.

As part of the Company's vision to connect with our city, an airport rebrand project was completed in July 2015. The airport's new brand positioning was driven by consumer insights and research to better understand our customers. All of the customers identified with the warm and friendly service they experienced at Dunedin Airport, a service that is recognised as being distinctively Southern! As the first point of entry to Dunedin for many people, we realised the importance of providing a sense of connection to the city, and believed this could be achieved through not only the service provided but by embracing the unique Dunedin city branding. We believe the new Dunedin Airport brand, look and feel is refreshingly quirky, yet simple and makes travellers feel welcome and connected to Dunedin.

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

OUR PEOPLE

John McCall retired on the 31st March 2015 after more than 26 years as CEO. We would like to acknowledge John's leadership and continued efforts during his time at the airport. He left Dunedin Airport well positioned for further development. We wish John and his family all the very best for their future.

Richard Roberts was appointed CEO of Dunedin Airport as from 1st April 2015 having previously been General Manager of Infrastructure and Service Delivery for the airport.

It would not have been possible to have achieved the results we have this year without the dedication and support of our Board, Dunedin Airport team, Airport community, Airline partners and City stakeholders. We look forward to another year of being better together and continuing to connect Dunedin and our region to the rest of New Zealand and the world.

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DUNEDIN INTERNATIONAL AIRPORT LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

STATEMENT OF SERVICE PERFORMANCE

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

GOALS

- Increase the company's revenue and earnings
- Improve the company's equity ratio
- Maintain the company's economic sustainability through the mitigation of business risk.
- Increase air transport activity through Dunedin Airport.
- Provide friendly and efficient customer service to all our airport passengers and visitors.
- Foster and maintain proactive engagements and communication with our business partners and stakeholders.
- Provide, maintain and plan appropriate infrastructure that safely meets the needs of our customers.
- Maintain management practices that ensure the company meets its health and safety obligations.
- Act as a good employer by providing equal employment opportunities, safe working conditions and opportunities for career development for all employees.

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

FINANCIAL

GOALS	OBJECTIVES	RESULT	
Increase the company's revenue and earnings	Investigate potential aeronautical revenue opportunities.	Aviation Strategy – delivered to our airline partners. M.O.U. with Air NZ, Enterprise Dunedin, The Chamber of Commerce, The Otago/ Southland Employers Association and Dunedin Airport signed on 16 June 2015.	ACHIEVED
Improve the company's equity ratio	Reduce long term debt.	Bank debt reduced from $15.5M to $12M Equity Ratio increased from 59.6% to 63.1%	
Maintain the company's economic sustainability through the mitigation of business risk.	On-going monitoring and refinement of the company's risk strategy.	Monthly Financial report to the Board. Quarterly financial statements, including cash flows and profit forecasts. Strategic Priorities reported monthly to the Board in a dashboard format. 6 monthly high level risk analyses undertaken and reported to the Board. 6 monthly Statutory Compliance Reports reported to the Board.	

MARKETING & BUSINESS DEVELOPMENT

GOALS	OBJECTIVES	RESULT	
Increase air transport activity through Dunedin Airport.	Partner with our existing and potential airline customers to encourage new route development, increased capacity and new services. Foster and promote relationships with our existing airline customers.	AN MOU was entered into between Dunedin Airport, Air New Zealand, Enterprise Dunedin, The Otago Chamber of Commerce and The Otago Southland Employers Association on 16th June 2015. An Aviation Strategy for the airport and its catchment area was completed and presented to the DCC and our airline partners. Domestic campaigns undertaken on the AKL-DUD-AKL service involving Dunedin Airport, Enterprise Dunedin, Air NZ. Successful trans-Tasman campaigns have been completed with Virgin Australia and Air NZ for inbound and outbound markets. Strong working relationships with our airline partners have progressed to such a point that we have now commenced specific route business cases to be presented in the coming financial year.	ACHIEVED

CUSTOMER SERVICE

GOALS	OBJECTIVES	RESULT	
Provide friendly and efficient customer service to all our airport passengers and visitors.	Provide recognised customer service training for all our customer service staff.	All customer service staff induction training is up to date and new brand values workshops have been undertaken with all staff.	ACHIEVED
Foster and maintain proactive engagements and communication with our business partners and stakeholders.	Regular and on-going communication with all business partners and stakeholders.	3 online customer service surveys each with 1000 customers have been carried out throughout the year to gain valuable feedback on how we do what we do. A Partnership Agreement was signed between Dunedin Airport and Enterprise Dunedin on 8th April 2015. Commenced implementation of a Stakeholder Engagement Plan to ensure stakeholder owners and frequency of communication is monitored and maintained.	

INFRASTRUCTURE

GOALS	OBJECTIVES	RESULT	
Provide, maintain and plan appropriate infrastructure that safely meets the needs of our customers.	Maintain the airports CAA Operating Certificate by delivering our aeronautical services and infrastructure in accordance with our standards and procedures detailed in the Compliance manual.	5 yearly Aerodrome Operator's Certificate renewed by CAA July 2014. A full internal audit against CAA Rule Part 139 completed.	ACHIEVED
	Manage the maintenance of airside infrastructure to avoid delays to scheduled airline operations.	ALL airside work to be controlled under an approved Method of Work Plan (MOWP). No delays to aircraft caused by airside maintenance.	ACHIEVED
	Review the Landside Master Plan to improve the efficient utilisation of the Company's assets.	The review of the Landside Master Plan remains in draft with further analysis deferred pending a coordinated overall Airport Master Plan review in 2016.	NOT ACHIEVED

HUMAN RESOURCES

GOALS	OBJECTIVES	RESULT	
Maintain Management Practices that ensure the company meets its Health and Safety obligations.	Complete an annual review of the Health and Safety Plan.	The Dunedin Airport Health & Safety Committee has held 2 meetings during the year. New H&S objectives were agreed by the Committee on 01 April 2015. Annual Safety Plan reviewed and updated 1 April 2015. Airside Safety & Security meetings were held with the airport community.	ACHIEVED
	Target zero days lost due to work related accidents.	One work related injury, 24 hours lost in August 2014 due to back injury.	NOT ACHIEVED
Act as a good employer by providing equal employment opportunities, safe working conditions and opportunities for career development for all employees.	Provide relevant training opportunities to ensure staff are fully engaged and competent in their positions.	All staff induction training is up to date and training has been provided in: First Aid Refreshers Base Life Support OSEA H&S training by the Safety & Compliance Manager. Rescue Fire Training Annual Competency Cyber Security Awareness	ACHIEVED

CORPORATE SOCIAL RESPONSIBILITY

GOALS	OBJECTIVES	RESULT	
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.	Sponsorship of art and cultural organisations in Dunedin.	Continued sponsorship of The Fortune Theatre and Southern Sinfonia. In partnership with Air New Zealand Dunedin Airport sponsored the international designer as part of Dunedin iD Fashion. We supported The FIFA Under 21 World Cup and iD Fashion through advertising in the terminal.	ACHIEVED
	Promote school and community visits to the airport.	We facilitated 10 school / community visits to the airport this year.	
Act as a socially and environmentally responsible corporate citizen through the introduction over time of sustainable environmental management and operational principles.	Continue to monitor and report to the Otago Regional Council on resource consent conditions.	All conditions of our resource consents have been met and all information provided to the ORC as required. • Annual Bore Report submitted in August 2014. • Annual STP Report submitted in May 2015. We continue to voluntarily report our annual de-icing fluid usage to the ORC and an annual de-icing report was submitted December 2014.	ACHIEVED
	Recycle cardboard and explore opportunities to recycle other waste generated at the airport.	We have engaged OCS Waste Management to commence a full waste audit programme. The results from this audit will then drive a landfill diversion strategy.	
	Continue to operate the airport worm farm to recycle sludge from the airport sewage treatment plant.	Airport worm farm operated successfully throughout the year. No sludge taken to landfill.	
Use New Zealand manufactured and/ or supplied goods and services subject to price, quality and other strategic considerations being met.	In accordance with the Company's procurement policy New Zealand manufactured goods and services will be used wherever possible.	Procurement relationships with organisations outside of New Zealand are: Three Consulting' of Sydney for Aviation Strategy and Route Business case. Tourism Futures – Dunedin Aviation Monitoring Report Airports Council International – membership fees	ACHIEVED

trend statement

For the year-ended 30 June	2015	2014	2013	2012	2011
Revenue					
Operating Revenue:					
Aeronautical	4,629,824	4,691,328	4,722,288	3,988,294	2,640,001
Percentage	36.4%	37.3%	37.9%	38.7%	31.0%
Non-aeronautical	8,205,906	8,130,475	7,099,274	6,274,186	5,842,172
Percentage	64.5%	64.6%	57%	60.8%	68.7%
Interest income	47,491	14,782	49,108	11,708	31
Dividend income	29,951	40,016	49,017	39,002	23,252
Gain on investments	(191,137)	(285,306)	533,815	850	-
Total revenue	**12,722,034**	12,591,295	12,453,502	10,314,040	8,505,456
Percentage Increase	1.0%	1.1%	20.7%	21.3%	4.3%
Surplus before tax	2,476,596	2,428,231	3,189,437	2,148,723	120,336
Percentage increase	2.0%	-23.9%	48.4%	1,685%	157.7%
Net tax paid surplus	1,705,823	1,848,711	2,416,666	1,105,338	713,592
Percentage increase	-7.7%	-23.5%	118.6%	54.9%	1,517%

Shareholders' equity

Shareholders' equity	45,919,692	45,372,296	44,331,510	42,103,001	27,708,570
Return on shareholders' equity	4.0%	4.1%	5.5%	2.6%	2.5%
Dividends paid	1,280,000	1,130,000	660,000	396,000	264,000
Dividend rate cents per share	14.5	12.8	7.5	4.5	3
Capital expenditure	70,120	492,440	5,828,232	2,205,286	769,924
Net operating cashflow	4,625,154	5,128,159	4,263,372	4,597,238	2,554,825
Net asset backing per share	$5.22	$5.16	$5.04	$4.78	$3.15
Proprietorship ratio	63.1%	59.6%	56.2%	54.7%	48.7%

This statement is to be read in conjunction with the notes on pages 13 to 30

statement of comprehensive income

For the year-ended 30 June	Notes	2015	2014
Operating revenue		12,835,729	12,821,803
Interest received		47,491	14,782
Dividend received		29,951	40,016
Gain/(loss) on investment		(191,137)	(285,306)
Total revenue		**12,722,034**	12,591,295
Audit fees	4	51,683	51,703
Directors fees		90,000	84,500
Finance costs – interest expense		952,167	1,221,533
Ineffective hedges		148,000	-
Depreciation	20	2,965,976	3,044,998
Wages and salaries		1,785,379	1,733,661
Other operating expenses		4,252,233	4,026,669
Total expenses		**10,245,438**	10,163,064
Operating surplus/(deficit) before income tax		**2,476,596**	2,428,231
Income tax expense/(credit)	5	770,773	579,520
Operating surplus/(deficit) after income tax		**1,705,823**	1,848,711
Other comprehensive income			
Ineffective hedges amortised to expense		55,000	-
Cash flow hedges gain/(loss) taken to equity		92,463	447,327
Income tax on items of other comprehensive income	5	(25,890)	(125,252)
Total comprehensive income/(deficit)		**1,827,396**	2,170,786

statement of changes in equity

Equity at the beginning of the year		**45,372,296**	44,331,510
Comprehensive income/(deficit) for the year		1,827,396	2,170,786
Less distribution to owners			
- Final dividend	8	(1,280,000)	(1,130,000)
Closing equity		**45,919,692**	45,372,296

This statement is to be read in conjunction with the notes on pages 13 to 30

balance sheet

As at 30 June	Notes	2015	2014
Shareholders' equity			
Share capital	6	8,800,000	8,800,000
Hedge reserve	7	(180,048)	(301,621)
Revaluation reserve	7	21,672,638	21,672,638
Retained earnings	9	15,627,102	15,201,279
		45,919,692	45,372,296
Current liabilities			
Trade & other payables	10	682,881	703,190
Other liabilities	11	148,829	218,738
Tax Payable	5	457,239	264,956
Provisions	12	112,554	151,190
Hedge Derivatives	19b	-	92,908
		1,401,503	1,430,982
Non-current liabilities			
Term loans	14	12,000,000	15,500,000
Deferred taxation	15	12,992,163	13,506,937
Hedge derivatives	19b	419,454	326,009
		25,411,617	29,332,946
Total equity & liabilities		**72,732,812**	76,136,224
Represented by:			
Current assets			
Trade & other receivables	16	564,961	578,739
Prepayments	17	14,552	12,384
Cash & cash equivalents	13	198,271	468,771
Stock on hand	18	40,952	40,117
		818,736	**1,100,011**
Non-current assets			
Property, plant & equipment	20	70,809,442	73,731,245
Investments	21	957,661	1,147,465
Deferred taxation	15	146,973	157,503
		71,914,076	75,036,213
Total assets		**72,732,812**	**76,136,224**

For and on behalf of the directors.

S J McLauchlan
Chairman
12 August 2015

K E Grant
Director

This statement is to be read in conjunction with the notes on pages 13 to 30

statement of cashflows

For the year-ended 30 June	Notes	2015	2014
Cash flow from operating activities			
Cash was provided from:			
Receipts from customers		12,811,383	12,919,784
Interest received		47,491	14,782
Dividend received		29,951	40,016
Cash was applied to:			
Payments to suppliers		4,360,496	4,081,197
Payments to employees		1,825,894	1,611,848
Interest paid		968,655	1,268,928
Taxation paid		1,108,626	884,450
Net cash flows from operating activities	24	**4,625,154**	5,128,159
Cash flows from investing activities			
Cash was provided from:			
Sale of assets		21,087	-
Cash was applied to:			
Purchase of shares		1,333	-
Purchase of assets		135,408	560,453
Net cash flows from investing activities		**(115,654)**	(560,453)
Cash flows from financing activities			
Cash was applied to:			
Repaid loans		3,500,000	3,000,000
Dividends paid		1,280,000	1,130,000
Net cash flows from financing activities		**(4,780,000)**	(4,130,000)
Net increase/(decrease) in cash held		(270,500)	437,706
Plus opening cash brought forward		**468,771**	31,065
Cash & cash equivalents held 30 June	13	**198,271**	468,771

This statement is to be read in conjunction with the notes on pages 13 to 30

notes to financial statements

For the year-ended 30 June 2015

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.

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

Under the Accounting Standards Framework, although the Company is not publicly accountable and not large, it has elected to be a "tier one" entity. Therefore, these financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand, and comply with the New Zealand equivalents to the International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards.

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

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

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
Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging a lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

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

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, buildings, runway, apron, taxiways, and certain items of plant and equipment are stated in the balance sheet at their revalued amounts, being the fair value at the date of revaluation, less any accumulated depreciation and subsequent impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the balance sheet date.

Any revaluation increase is 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:

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in 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 the terms of which 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.

Inventories

Inventories held for use represent petrol and other stock for the Momona Garage are valued at the lower of cost (using the Fifo method) and net realisable value. Any write-down from cost to net realisable value is recognised in the surplus or deficit in the period of the write-down.

4. AUDIT FEES

Audit Fees	Notes	2015	2014
Fees for audit services - Audit New Zealand		36,290	35,648
- Disbursements		393	1,055
Fees for audit of disclosure accounts – Audit New Zealand		15,000	15,000
		51,683	51,703

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

5. TAXATION PROVISION

(a) Income tax

	2015	2014
Operating surplus/(deficit) before income tax	2,476,596	2,428,231
Taxation @ 28%	693,446	679,905
Plus / (Less) the tax effect of differences		
Expenses not deductable	15,400	1,619
(Gain)/Loss on investments	53,518	79,885
Under / (over) tax provision	8,409	(181,889)
Tax effect of differences	77,327	(100,385)
Tax expense(770,773)	(579,520)	
Effective tax rate	31.1%	23.9%
Represented by		
Current tax provision	(1,303,239)	(1,149,956)
Deferred tax provision	532,466	570,436
Income tax expense	(770,773)	(579,520)

(b) Tax on Other Comprehensive Income

	2015	2014
Hedge Reserve:		
Deferred tax	(25,890)	(125,252)
	(25,890)	(125,252)

(c) Provision for Tax

	2015	2014
Balance at beginning of year	(264,956)	-
Current tax provision	(1,303,239)	(1,149,956)
Terminal tax payment (refund) 2014	(65,044)	-
Provisional tax paid	1,176,000	885,000
Balance at 30 June	457,239	(264,956)

(d) Imputation Credits

	2015	2014
Imputation credits available for use in subsequent periods.	4,000,002	3,159,000

The 2015 balance includes credits associated with the tax payable balance.

6. EQUITY – SHARE CAPITAL

Issued Capital

	2015	2014
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.

	2015	2014
7. RESERVES		
a) Hedge Reserve		
Balance at beginning of year	(301,621)	(623,696)
Net Revaluations included in other comprehensive income	92,463	447,327
Deferred tax arising on hedges	(25,890)	(125,252)
Amortisation of ineffective hedge	55,000	-
Balance at 30 June	**(180,048)**	(301,621)

The hedge reserve comprises the effective portion of the cumulative net change in the fair value of the cash flow hedging instruments relating to interest payments that have not yet occurred.

b) Revaluation Reserve

Balance at 30 June	**21,672,638**	21,672,638

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	1,280,000	1,130,000
	1,280,000	1,130,000
Dividends Per Share	14.5 cents	12.8 cents

9. RETAINED EARNINGS

Balance at beginning of year	15,201,279	14,482,568
Net profit / (loss) for the year	1,705,823	1,848,711
Dividend distributions	(1,280,000)	(1,130,000)
Balance at 30 June	**15,627,102**	15,201,279

10. TRADE & OTHER PAYABLES

Trade payables	576,948	535,824
Accruals	105,933	167,366
	682,881	703,190

11. OTHER LIABILITIES

Current Liabilities		
GST payable	135,792	161,598
Other current liabilities	13,037	57,140
	148,829	218,738

		2015	2014
12.	**PROVISIONS**		
	Annual Leave		
	Balance at the beginning of the year	151,190	129,556
	Amounts used	(184.330)	(139,969)
	Amount accrued	145,694	161,603
	Balance at 30 June	**112,554**	151,190

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

13. CASH

	2015	2014
Cash floats	6,400	6,400
Westpac cheque account	191,871	(10,874)
On call deposits	-	473,245
Balance at 30 June	**198,271**	468,771

The carrying amount of cash assets approximates their fair value.

14. TERM BORROWINGS (Secured)

	2015	2014
Multi option credit facility	**12,000,000**	-
Wholesale term loan - term	-	15,500,000

(a) Westpac has provided a multi option credit line facility of $15.5 million with a maturity date of 12 September 2016. 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 19.

(b) Banking covenants relating to the facility are:

-- Shareholders funds are not less than 40% of total tangible assets.

-- Earnings (E.B.I.T.) are not less than 1.75 times funding costs.

Both requirements have been met at 30 June 2015 and monthly during the financial year.

15. DEFERRED TAX

	Opening	Charged	Charged		Closing Balance Sheet	
2015	Balance	to Equity	to Income	Assets	Liabilities	Net
Property, plant and equipment	(13,506,937)		514,774		(12,992,163)	(12,992,163)
Employee benefits	40,206		(10,680)	29,526		29,526
Revaluations of interest rate swaps	117,297	(25,890)	26,040	117,447		117,447
Balance at 30 June 2015	**(13,349,434)**	**(25,890)**	**530,134**	**146,973**	**(12,992,163)**	**(12,845,190)**

	Opening	Charged	Charged		Closing Balance Sheet	
2014	Balance	to Equity	to Income	Assets	Liabilities	Net
Property, plant and equipment	(14,207,167)		700,230		(13,506,937)	(13,506,937)
Employee benefits	35,045		5,161	40,206		40,206
Revaluations of interest rate swaps	242,548	(125,251)		117,297		117,297
Losses Carried Forward	135,506		(135,506)			
Balance at 30 June 2014	(13,794,068)	(125,251)	569,885	157,503	(13,506,937)	(13,349,434)

		2015	2014
16.	**TRADE & OTHER RECEIVABLES**		
	Trade receivables	**564,961**	578,739

The directors consider that the carrying amount of the trade receivables approximates their fair value. Receivables overdue by 30 days or more at 30 June 2015 were $134,568, 23.8% of trade receivables (2014, $67,519, 12%).

17.	**PREPAYMENTS**		
	NZ Airports Association membership	**14,552**	12,384
18.	**STOCK ON HAND**		
	Petrol and other stock at Momona Garage valued at cost	**40,952**	40,117

19. 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 with advice from Dunedin City Treasury Limited under policies approved by the Board of Directors. DIAL management identifies, evaluates and hedges financial risks in close co-operation with Dunedin City Treasury Limited. 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	- maturing less than 1 year	-	92,908
	- maturing 1 to 5 years	(419,454)	326,009
		(419,454)	(418,917)

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. Interest rate risk is reviewed on a regular basis.

The Company's 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:

Effective interest rate		2015	2014
Maturing less than 1 year	7.2%	-	5,000,000
Maturing between 1 and 5 years	6.3%	5,000,000	5,000,000
		5,000,000	10,000,000

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 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:

2015				
	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	564,961	-	-	564,961
Cash & Cash Equivalents	198,271	-	-	198,271
	763,232	-	-	763,232

2015				
	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	818,673	-	-	818,673
Bank Loans	-	12,000,000	-	12,000,000
Derivative Financial Instruments	-	419,454	-	419,454
	818,673	12,419,454	-	13,238,127

2014				
	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	578,739	-	-	578,739
Cash & Cash Equivalents	468,771	-	-	468,771
	1,047,510	-	-	1,047,510

2014				
	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	1,338,074	-	-	1,338,074
Bank Loans	-	15,500,000	-	15,500,000
Derivative Financial Instruments	92,908	326,009	-	418,917
	1,430,982	15,826,009	-	17,256,991

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 2015 totalled $777,784 (2014: $1,059,894).

Bank deposits are held with Westpac which has an AA- 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

89.9% of trade receivables are due from six customers (2014, 89.6% from ten 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. Current 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 2015, after taking into account the effect of interest rate swaps, approximately 42% of the Company's borrowings are at a fixed rate of interest (2014, 65%).

At 30 June 2015 the Company had $7 million of borrowings unhedged (2014, $5.5 million unhedged). Should interest rates increase/(decrease) by 1% and, in the absence of any other charges the effect on the tax paid profit would be $70,000 (2014, $88,000).

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% is appropriate for the Company. At 30 June 2015 this ratio was 63.1% (2014, 59.6%).

h) Categories of Financial Assets and Financial Liabilities

Financial Assets	2015	2014
Fair Value Through Profit or Loss (FVTPL)	-	-
Designated as at FVTPL – Shares	957,661	1,147,465
Loans and Receivables	579,513	591,123
Cash & Cash Equivalents	198,271	468,771
Total Financial Assets	1,735,445	2,207,359

Financial Liabilities		
Derivative Financial Instruments in Hedge Accounting Relationships	419,454	418,917
Amortised Cost	12,725,777	16,205,975
Total Financial Liabilities	13,145,231	16,624,892

i) Leases

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

	2015	2014
Under 1 year	1,978,462	2,030,393
1 to 5 years	5,875,251	6,279,238
Over 5 years	3,948,183	5,051,554

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

	2015	2014
Under 1 year	12,852	13,309
1 to 5 years	21,679	34,532

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 those 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 at 30 June 2015. Other financial assets and liabilities are measured at amortised cost and not included in this table.

	Level 1	Level 2	Level 3	Total
2015	**$**	**$**	**$**	**$**
Investments				
Shares at market value	957,661			957,661
Derivatives				
Hedge Derivatives		419,454		419,454

20. PROPERTY, PLANT & EQUIPMENT

(a) 2015	Land	Runway, Apron, Taxiway	Buildings	Plant & Equipment	Office Equipment	Motor Vehicles	WIP	Total
Cost or Valuation								
Balance at beginning of period	15,211,053	28,101,011	25,483,666	10,812,577	108,295	847,906	34,910	80,599,418
Purchases		29,735		31,062	9,323			70,120
Transfers				34,910			(34,910)	
Disposals / Woffs		(14,802)		(62,013)	(14,636)	(44,723)		(136,174)
Balance at end of period	15,211,053	28,115,944	25,483,666	10,816,536	102,982	803,183		80,533,364
Accumulated Depreciation								
Balance at beginning of period	746,729	2,314,523	1,340,941	1,856,631	87,707	521,643		6,868,174
Depreciation	189,820	1,318,536	676,269	692,606	8,883	79,860		2,965,974
Transfers			149					149
Disposals / Woffs		(14,802)		(56,609)	(13,621)	(25,343)		(110,375)
	936,549	3,618,257	2,017,359	2,492,628	82,969	576,160		9,723,922
Balance at end of period	14,274,504	24,497,687	23,466,307	8,323,908	20,013	227,023		70,809,442

(b) 2014	Land	Runway, Apron, Taxiway	Buildings	Plant & Equipment	Office Equipment	Motor Vehicles	WIP	Total
Cost or Valuation								
Balance at beginning of period	15,211,053	27,999,068	25,416,358	10,747,974	120,369	696,606		80,191,428
Purchases		101,944	67,309	135,930	1,047	151,300	34,910	492,440
Transfers								
Disposals / Woffs				(71,327)	(13,122)			(84,449)
Balance at end of period	15,211,053	28,101,012	25,483,667	10,812,577	108,294	847,606	34,910	80,599,419
Accumulated Depreciation								
Balance at beginning of period	392,734	1,035,069	670,100	1,229,534	88,567	484,699		3,900,703
Depreciation	353,995	1,279,454	670,841	691,940	11,822	36,944		3,044,996
Transfers								
Disposals / Woffs				(64,843)	(12,682)			(77,525)
	746,729	2,314,523	1,340,941	1,856,631	87,707	521,643	-	6,868,174
Balance at end of period	14,464,324	25,786,489	24,142,726	8,990,856	20,587	326,263	34,910	73,731,245

(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 $46,869,828 (2014 $49,529,383).

21. INVESTMENTS

	2015	2014
Non-current investments		
Shares at market value in farmer cooperative Companies involved with dairy farm companies	**957,661**	1,147,465

Of this sum $925,022 (2014, $1,117,735) 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.

22. CONTINGENT LIABILITIES

There were no other contingent liabilities outstanding at 30 June 2015 (2014 nil).

23. CAPITAL AND OTHER COMMITMENTS

Capital and other expenditure not provided for in the accounts at 30 June 2015 was $NIL (2014 $NIL).

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

	2015	2014
Net surplus for the year	1,705,823	1,848,711
Items not involving cashflows		
Depreciation	2,965,976	3,044,998
Losses on disposal and depreciation recovered	4,712	6,923
(Increase) / Decrease in value of investments	191,137	285,306
Increase / (Decrease) in deferred tax	(504,244)	(444,634)
Ineffective hedges	148,000	-
Other		
Impact of changes in working capital items		
(Increase) / Decrease in trade and other receivables	11,761	31,476
Increase / (Decrease) in trade and other payables	(50,823)	80,609
Increase / (Decrease) in provisions	(38,636)	21,634
(Increase) / Decrease in stock	(835)	(11,820)
Increase / (Decrease) in tax payable	192,283	264,956
Net cash inflows from operating activities	**4,625,154**	5,128,159

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 30 June 2016.

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
Delta Utilities Limited (S McLauchlan – director) – ground maintenance
Dunedin City Holdings Limited (K Grant – director)

(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	
	2015	2014	**2015**	2014
Southern Sinfonia (K Grant – board member)	978	1,265	-	-
Delta Utilities Limited (S McLauchlan – director)	46,832	50,314	4,911	8,099

(c) Compensation of key management personnel:

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

	2015	2014
Short-term benefits	798,285	776,614

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.

	Annual Purchases		Owing at 30 June	
	2015	2014	**2015**	2014
(d) Dunedin City Council rates & services	282,279	274,345	619	1,314

27. 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
Dunedin City Treasury Limited	Director
Dunedin Venues Limited	Director
Gallaway Cook Allan	Consultant
Otago Polytechnic Council	Chairperson
Sport Otago	Board Member
Southern District Health Board	Commissioner
Southern Sinfonia	Board Member

STUART MCLAUCHLAN

A D Instruments Pty Ltd	Director
Analogue Digital Ltd	Director
Aurora Energy Limited	Director
Cargill Hotel 2002 Limited	Director
Delta Utility Services Limited	Director
Dunedin Casinos Limited	Director
Energy Link Ltd	Director
G S McLauchlan & Co	Partner
HTS110 Limited	Director
Marsh Advisory Board	Member
New Zealand Sports Hall of Fame	Board of Governors
Ngai Tahu Tourism Board	Director
Otago Community Hospice	Chairman
Otago/Southland Employers Association	Director
Pharmac	Chairman
Scenic Circle Hotels Limited	Director
Scott Technology Limited	Chairman
University of Otago	Pro Chancellor
University of Otago Foundation Studies Limited	Director
University of Otago Holdings Limited	Director
USC Investments Limited	Director
UDC Finance Limited	Chairman

JOHN McCALL (retired 31 March 2015)

New Zealand Airports Association	Director
Taieri Gorge Railway Limited	Director

TRISH OAKLEY

Dunedin Casino Charitable Trust	Trustee
Theomin Gallery Committee	Commitee Member

RICHARD ROBERTS

New Zealand Airports Association	Director

MARK ROGERS

Aoraki Development and Promotions Limited	Director
Paul Smith Earthmoving 2002 Limited	CEO, Alternate Director
Paul Smith Aggregates Limited	Alternate Director
PSE Properties Limited	Alternate Director

MEGAN CRAWFORD

Dunedin Host Incorporated	Board Member
Port Chalmers Seafood Festival	Organising Committee

Directors' Interests in Contracts

Details of contracts involving directors' interests entered into during the year ended 30 June 2015 are provided in Note 26 to the Financial Statements. All transactions were conducted on an arms' length commercial basis.

Directors' Insurance

In accordance with section 162 of the Companies Act 1993 and the Constitution, Dunedin International Airport Limited has arranged policies of Directors' Liability Insurance which, together with a deed of indemnity, ensure that the directors incur no monetary loss as a result of actions undertaken by them as directors, provided that they operate within the law.

Principal Activities of the Company

The Company's principal activity is the operation of Dunedin International Airport. Areas of land adjacent to the airport held for possible expansion purposes are dairy farmed in partnership with two sharemilkers. The Company also owns a small residential housing estate on land adjoining the airfield to the north and Momona Garage.

State of Affairs

The directors note that the financial position of the Company remains sound and the state of the Company's affairs is satisfactory.

Remuneration of the Directors

The directors of Dunedin International Airport Limited and their remuneration for the year ended 30 June 2015 are as follows:

Director	Qualification	Responsibilities	Remuneration
Stuart J McLauchlan	BCom, FCA(PP), AF Inst D	Chairman	30,000
Kathy Grant	BA, LLB, Dip Law, CF Inst D	Non-Executive Director	20,000
Patricia A Oakley	BCom, M Inst D	Non-Executive Director	20,000
Mark Rogers	BA (Hons), M Inst D, MNZIM	Non-Executive Director	20,000

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	2015 No. Employees	2014 No. Employees
$150,000-$160,000	-	2
$160,000-$170,000	2	-
$250,000-$260,000	1	-
$280,000-$290,000	-	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
12 August 2015

K. E. Grant.

K E Grant
Director

Audit New Zealand
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of Dunedin International Airport Limited's financial statements and performance information for the year ended 30 June 2015

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

Opinion on the financial statements and the performance information

We have audited:

- the financial statements of the company on pages 10 to 28 of section 2, that comprise the balance sheet as at 30 June 2015, 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 2 to 8 of section 2.

In our opinion:

- the financial statements of the company:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2015; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with the New Zealand equivalents to International Financial Reporting Standards.
- the performance information of the company presents fairly, in all material respects, the company's achievements measured against the performance targets adopted for the year ended on 30 June 2015.

Our audit was completed on 12 August 2015. 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 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 the performance information are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and the 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 in the performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and the 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 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 the disclosures in the financial statements and in the performance information; and
- the overall presentation of the financial statements and the performance information.

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

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 the preparation and fair presentation of financial statements for the company that comply with generally accepted accounting practice in New Zealand. The Board of Directors is also responsible for preparation of the performance information for the company.

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

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

Responsibilities of the Auditor

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

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

Other than the audit, and completing the audit of the 2014 disclosure financial statements prepared under the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999, we have no relationship with or interests in the company.

Scott Tobin
Audit New Zealand
On behalf of the Auditor-General
Dunedin, New Zealand


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AIRPORT