

2013 ANNUAL REPORT

Dunedin International Airport Limited



Annual Report for the Year ended 30 June 2013

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, Member – Audit Committee)
G R Thomas, LLB, AF Inst D (Chairman –
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

Gallaway Cook Allan
276 Princes Street
DUNEDIN

Auditor

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

Airlines using Dunedin International Airport for the year ended 30 June 2013

Airline	Aircraft Type
Domestic	
Air New Zealand	Boeing 737-300
Air New Zealand	Airbus 320-200
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

chairman and chief executive's report

Where it begins.....

Whether it's a busy business day in the north, heading west to holiday in Australia or friends and family heading south for a visit, an airport is a story of connectedness and Dunedin International Airport is no different.

The Directors and staff are pleased to present this year's Annual Report as we reflect on the ways that we have helped people and organisations connect. This report is presented against the backdrop of a visitor economy which remains challenging and a local economy that has languished.

Despite these challenges, Dunedin is one of the world's great small cities. It is a compelling destination. It is renowned as a confident, competitive knowledge centre, a community where enterprise and creativity support a productive and sustainable city. We are confident that the Otago economy can be turned around and we are ready and willing to play our part in doing this.

Positioning for the future

During the year we reviewed our business strategy and challenged our "Vision, Purpose and Values" for relevance, effectiveness and optimising performance. This review culminated in the establishment of two new positions. Firstly a Marketing and Communications Manager who will support the positioning and business development side of our operations.

Secondly, reflecting the increased regulatory compliance of the aviation industry, we have also established a Safety and Compliance Manager role.

The Company welcomes Megan Crawford and Wayne Alcock and looks forward to working with them.

The year at a glance

People

- 857,951 passengers, compared to 853,650 for 2012.
- 794,209 domestic passengers, a 0.5% increase on 2012.
- 63,742 international passengers, an increase of 1.0% on 2012.

Financial

- Total revenue was \$12,453,502, a 20.7% increase on 2012 and 10.6% above budget.
- An operating surplus after tax of \$2,416,666 compares favourably to \$1,105,338 in 2012.
- Shareholders' funds are \$44,331,510, up 5.3%.
- A dividend of \$660,000 (7.5c per share) was declared and paid during the year, with a further payment of 12.8c per share (totalling \$1,130,000) proposed to be made on 31 October 2013.
- The Dunedin City Council's 50% share equates to \$10.31 for each rateable property in Dunedin City.

Financial Performance

Total revenue of \$12,453,502 was 10.6% above budget and a 20.7% increase on last year, when we moved through the \$10 million revenue threshold.

Aeronautical income was \$4,722,288, an 18.4% increase on last year's \$3,988,294 and comprised 37.9% of total income compared to 38.7% for the previous financial year.

The first full year of the revised landing charges (which came into effect on 1 December 2011) contributed to the increase in aeronautical revenue however, a reduction of 2.2% in airline movements and 17.7% reduction in general aviation movements impacted on our growth. Overall our capacity declined 3.7% domestically, while international capacity increased by 5.5%.

Total passenger numbers were slightly up on last year and reached 857,951. Domestic passenger numbers (including both airline and charter services) grew by 0.5% to 794,209, while international passenger numbers recorded an increase of 1.0% to 63,742.

Non-aeronautical income of \$7,099,274, a 13.2% increase on last year's \$6,274,186 remained a significant contributor to our total revenues. This is derived from passenger activities, concessionaire's payments, property rental, car parking and dairy farming.

As a result of this improved financial performance for the year, shareholders' equity increased to \$44,331,510 compared to \$42,103,001 for last year.

Infrastructure

Maintenance of our core asset will always be a key priority, and this year our airside improvements have been considerable with the runway overlay and another stage of our apron rehabilitation programme successfully completed.

We reported last year that, due to accelerated deterioration of our runway pavement, the favourable exchange rates and the ability to lock in bitumen prices, we were planning to undertake a runway pavement overlay two years earlier than forecast.

A dedicated team of 53 skilled staff worked a total of 10,324 hours milling out 73,000 square metres of old pavement and in its place laying 11,216 tonnes of new asphalt.

A total of 740 tonnes of new asphalt were produced and laid each night with two pavers working in echelon to minimise pavement joints, which are typically susceptible to cracking and therefore an entry point for moisture into the pavement. This was the first time this paving method has been used in New Zealand for an airport runway.

All of the work was completed at night between the last flight of the day and the first flight the following day. Undertaking a project of this scale through the night presents particular challenges and none more demanding than the safety of everyone working on the site. The project team recognised this challenge and responded with the non-negotiable key performance indicator of "no health and safety issues and zero harm," – this was achieved.

Not only was zero harm achieved but this significant project was completed within budget and without a single disruption to our scheduled airline services.

We acknowledge the commitment and dedication of all parties involved in making this possible.

Car Parking

In November 2012 we embarked on the next phase of the management of our public car parking facilities with the installation of three Automatic Pay Stations (APS). This equipment, which is able to accept cash, eftpos and credit card transactions, was conveniently installed inside the terminal.

To facilitate the transition from attended car park exits to full self-serve APS operations, we operated both systems in tandem and when we reached APS utilisation in excess of 50% we closed the attended exit booths.

Since the implementation of full APS operations we have continued to monitor the delivery of our customer service to car park users and their preferred transaction type. As a result we have ordered two further APS machines which will be installed later in 2013.

Dairy Farming

During the year we continued with our programme of routine maintenance of farm tracks, fences and stock water systems. In preparation for a planned change in our sharemilking arrangements, we also completed maintenance to our Centre Road farm dairy shed and sharemilkers' house.

On our Otokia Road farm we constructed and commissioned a new effluent pond similar to that installed previously on our Centre Road farm. The management of our dairy effluent is a farm management priority for us and we have established and documented 'best practice' operating procedures for our sharemilkers.

Momona Garage

A new venture for the company is the purchase and operation of the Momona garage and service station. What was previously a locally owned family business which had serviced the airport and the local community for more than 50 years was purchased by the company on 1 February 2013.

It is important for the airport community and the company to have a reliable retail fuel supply in close proximity. With this operation located at the entrance to the airport the company secured the garage to ensure airport users and customers such as the rental car operators have a fuel supply readily available.

The business has a 15 year supply agreement with Gasoline Alley Services (G.A.S.) and is equipped with modern and compliant underground tanks and forecourt dispensing pumps, fitted with 24 hour self-serve technology. As well as the fuel and associated product sales the business includes a 'convenience store' facility servicing the local community and passing traffic.

We see the business as complimentary to and supportive of our overall business and of strategic importance to the airport. With integration into our customer service delivery the garage will make a valued contribution to the airport experience we offer.

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.

Domestic

In the domestic market the execution of this strategy was challenged with the reduction in total seat capacity of 3.7% and total passengers increasing by only 0.4% across the Dunedin route network.

Although modest, on the Dunedin - Auckland route there was seat capacity and passenger growth arising from market competition as both Air New Zealand and Jetstar operated this critical route. Servicing both the leisure and business markets, Auckland remains a key port of entry for our international visitors and we welcome the total capacity on this sector.

Trans-Tasman

All of our trans-Tasman services continue to be operated by Air New Zealand and Virgin Australia (the Airlines) under an alliance/code-share agreement authorised by the New Zealand Ministry of Transport (MOT) and the Australian Competition & Consumer Commission (ACCC). The current authorisation expires on 31 December 2013.

Under the alliance the Dunedin - Brisbane route is subject to capacity and growth conditions imposed by the ACCC and for the year available seat capacity was increased by 5.5% and passenger numbers increased by a modest 1.0%.

All services were operated by Virgin Australia aircraft with the Dunedin - Brisbane route operating year-round, peaking at six services per week between June and September and, Sydney and Melbourne services operated only over the summer holiday season.

In March this year the Airlines lodged applications to both the MOT and the ACCC to renew their alliance agreement for a period of five years without 'conditions'. The Company participated in the submission process with both the MOT and the ACCC, asking that the 'conditions' imposed on the current alliance authorisation continue to feature in its renewal.

At the time of reporting we await a determination by the MOT, however the ACCC has made its final determination approving the alliance with 'conditions' through to 31 October 2018. The Dunedin – Brisbane route is to be included in a 'group' of six city pair routes with minimum seat capacity conditions set for the 'group' rather than the current capacity conditions which are set for individually specified routes of which Dunedin – Brisbane is one. This change is not without risk to the company as the Airlines will be able to move their capacity as they see fit within the group of routes.

Making the journey easier

We are consistently reviewing our customers experience at the airport to ensure that we continue to meet their needs, whether they are a business or leisure traveller. During the year we received and analysed feedback and along with clean bathrooms and great coffee, free WiFi as a service was identified as an important deliverable. A WiFi supplier that could deliver a robust system was selected, and following a successful trial period, we launched complimentary WiFi in early August.

Another message we received from our customers was that luggage storage facilities were needed. During the year we installed a bank of 16 self-serve hire lockers with 24 hour access outside the terminal to meet this demand.

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. Visitation continues to be strong, predictability around flight information. We continue to look at opportunities for facilitating the flow of information to our customers efficiently and in the way they wish to receive it. Keep in touch with us at www.flydunedin.com or follow us on Facebook www.facebook.com/DunedinInternationalAirport

Environmental

We continue our focus on sustainable environmental management and operational principles across all elements of our business and seek to improve our performance.

Our water take and waste water disposal systems continue to operate within the resource consent parameters and no solid waste has been sent to the landfill for the past four 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, evidencing our commitment to sustainable operations.

During the year we participated as an affected party in the Otago Regional Council Plan Change 6A; 'Water' under the Resource Management Act which is particularly relevant to our dairy farming operations.

Corporate Social Responsibility

Like all organisations, we know how rewarding it is for the company and our people to demonstrate our commitment to the community and to help others where we can. The airport is an important collection point for a number of charities and we again facilitated volunteers interacting with passengers during national collections for Daffodil day, Pink Ribbon day, Poppy day and Jandal day.

This year we hosted 10 school visits which in the Company's view are important public interactions. These visits are both a valuable learning experience and an enjoyable occasion outside of the classroom for the children. Our staff enjoy these visits as they are often rewarded greatly with the numerous drawings and letters received from the children following their visits.

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

During the year we were delighted to provide support to the Fortune Theatre, the Southern Sinfonia, and the Otago Art Society for its spring exhibition.

Our celebrated “Artist in the Terminal” an initiative of which we are proud, continues to be popular with artists and the public alike. The artists enjoy increased profile and the opportunity to showcase their work amidst very positive feedback from the public.

Economic Development

We continue to support regional economic activity where there is strategic alignment with our business. We are encouraged by the release of Dunedin’s Economic Development Strategy by the City and its economic partners.

We are committed to playing our part in implementing the Strategy and facilitating an air transport environment that is supportive in achieving these goals.

We continue to work with our airline partners to capture growth opportunities and on joint promotional activities.

A whole of city approach to Dunedin as a destination has seen us partner with Tourism Dunedin on domestic initiatives in the Auckland market. In addition, Dunedin has compelling opportunities around conferences and events as it capitalises on the significant investment in these visitor economy assets. The airport will be an important contributor to the execution of strategies to drive growth in these areas and we will actively play our part.

Finally during the year we continued with our development work around air support for the off-shore exploration projects off the Otago coast.

Looking ahead with our people

Our customers are important to us too and no one understands this better than our people. They know that first and last impressions count and this is demonstrated in the actions of our staff every day, from the small ways in which we help people on their journeys to the more significant initiatives we plan. In delivering our quality airport experience there are also many of our staff who go about their daily tasks largely unnoticed by the thousands of passengers and visitors who use our airport every day.

There can be few industries as challenging as aviation. Intense competition, challenging 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.

The focus of the Board and staff has now turned to 2013/2014 and beyond. We will remain focused on our Vision, Purpose and Values and with clearly articulated strategies and strong execution; we intend to build on the success of the past year to ensure we continue to deliver high quality results across our business.

The Board sincerely thank the staff for their significant contribution to the operation of our airport and are looking forward to another wonderful year ahead with them.

Stuart McLauchlan
Chairman



John McCall
Chief Executive



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 2013.

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	BUDGET
	\$000	\$000
Surplus before taxation	3,189	2,086
Surplus after taxation	2,417	1,502
Return on closing shareholders equity	5.4%	5.2%
Closing shareholders' equity	44,332	28,668

Revenue for the year was 10.6% above budget and expenses were 2.9% below budget.

Aeronautical income was 5.5% below budget due to a reduction in the number of domestic jet services.

Non aeronautical income was 15% above budget with increases in revenue from carparking and property rentals. Alterations by airlines to reduction of domestic jet services impacted on non aeronautical income, resulting in income being 5.5% below budget.

All costs were kept within budget with reduced airfield, maintenance and marketing expenditure.

b) Increase non-aeronautical revenue by:

- Increasing car park revenue and earnings.
- Car park revenue 9.6% above budget.
- Increasing income from rental activities.
- Revenue was 4.8% above budget.

- Partnering with our retail concessionaires to increase their revenue.
- Monthly retail data from concessionaires was reviewed and opportunities to partner tabled as appropriate.
- c) Increase aeronautical revenue by:
 - Partnering with our existing airline customers to increase passenger volume.
 - International passenger numbers up 1%
 - Domestic passenger numbers up 0.5%.
 - Partnering with our airline customers to introduce new services.
 - Additional Virgin Australia services to Brisbane during the year.
 - Partnering with potential airlines to introduce new services.
 - Continued to strengthen relationships with Jetstar and Virgin Australia senior management.

2. Improve the company's equity ratio

- Reduce long term bank debt. Target debt reduction from \$18m as at 30 June 2012 to \$17.9m as at 30 June 2013.
- Debt increased to \$18.5m (term \$18m, current \$0.5m) at 30 June 2013 due to unbudgeted taxation paid during the year.

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

- Ongoing implementation of the Company's risk strategy.
- High level risks have been identified for each area of our business. These are monitored and reported to the Board for consideration and action.

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 2012 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.
 - Partnered with the Fortune Theatre.
- Host a minimum of ten school/community visits per year.
 - 10 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 2012.
- Recycle cardboard waste generated at the airport.
 - 6,930 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 reviewed during the year and implemented in procurement decisions.

STRATEGIC PRIORITY - CUSTOMER SERVICE

1. Provide friendly and efficient customer service with a smile to all our airport passengers and visitors.

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.
 - Customer Service Team Leader and Operations Manager attended a 'Managing Change' workshop.
- Set up and carry out a Customer Service Survey within the terminal building to monitor customer satisfaction and measure service performance.
 - Customer service survey reviewed and actions taken to remedy and restore confidence as required
- Set up a customer feedback system to ensure that our business is responsive to our customers' needs.
 - 556 feedback forms received and analysed for the year. All forms acknowledged and responded to in a timely manner. Immediate outcomes this period include WiFi being reinstated in the terminal and the provision of additional seating being included in the food and beverage area.

2. Foster and maintain proactive engagements and communication with our business partners and stakeholders.

- Develop an Airport Communication Strategy.
 - Policy developed and continues to evolve as we adopt and change to communication requirements.

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 objectives and Hazard Register were reviewed.
- 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 are 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. Business Plan reviewed in line with annual budgeting and Statement of Intent with tactical implementation and being responsive to the environment we operate in.
- 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)
 - Strengthened relationships with Air New Zealand, Virgin Australia and Jetstar marketing and operations management and ensured information about the region was brought to their attention in a timely manner.
- 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 and applied into strategic and tactical plans.

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
Mainland Air Limited

Christchurch Airport
Tourism Dunedin
Tourism Futures International
Lagardère Services
Dunedin City Council

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.

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 June 2013: 3 minor administrative findings which were promptly resolved.
- 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 issued May 2013 providing coverage for 12 months.
- Meet our Resource Consent conditions for Effluent Discharge and Bore Water.
 - Annual STP sent to ORC July 2013.
 - Effluent Data entered for year.
- No time delays to any commercial scheduled airline operations due to maintenance of airside infrastructure.
 - Runway overlay completed – on time, within budget, with no impact to our clients and travelling public.
 - Gate 2(b) apron asphalt replaced.

TREND STATEMENT

For the year-ended 30 June	2013	2012	2011	2010	2009
Revenue					
Operating Revenue:					
Aeronautical	4,722,288	3,988,294	2,640,001	2,813,698	2,941,721
Percentage	37.9%	38.7%	31.0%	34.5%	39.0%
Non-aeronautical	7,099,274	6,274,186	5,842,172	5,280,398	4,750,365
Percentage	57%	60.8%	68.7%	64.7%	62.9%
Interest income	49,108	11,708	31	54,675	41,535
Dividend income	49,017	39,002	23,252	8,422	835
Gain on investments	533,815	850	-	688	(185,643)
Total revenue	12,453,502	10,314,040	8,505,456	8,157,193	7,548,812
Percentage Increase	20.7%	21.3%	4.3%	8.1%	-1.4%
Surplus before tax	3,189,437	2,148,723	120,336	(208,471)	(732,862)
Percentage increase	48.4%	1,685%	157.7%	71.6%	-123.1%
Net tax paid surplus	2,416,666	1,105,338	713,592	(50,357)	(907,842)
Percentage increase	118.6%	54.9%	1,517%	94.5%	-179.9%
Shareholders' equity					
Shareholders' equity	44,331,510	42,103,001	27,708,570	27,271,667	31,368,144
Return on shareholders' equity	5.4%	2.6%	2.5%	-0.2%	-2.9%
Dividends paid	660,000	396,000	264,000	-	176,000
Dividend rate cents per share	7.5	4.5	3	-	2
Capital expenditure	5,828,232	2,205,286	769,924	1,357,332	1,053,708
Net operating cashflow	4,263,372	4,597,238	2,554,825	2,336,512	2,596,824
Net asset backing per share	\$5.04	\$4.78	\$3.15	\$3.10	\$3.56
Proprietorship ratio	56.2%	54.7%	48.7%	46.6%	51.8%

STATEMENT OF COMPREHENSIVE INCOME

For the year-ended 30 June	Notes	2013	2012
Operating revenue		11,821,562	10,262,480
Interest received		49,108	11,708
Dividend received		49,017	39,002
Gain/loss on investment		533,815	850
Total revenue		12,453,502	10,314,040
Audit fees	4	74,150	21,437
Directors fees		79,000	75,192
Finance costs – interest expense		1,525,558	1,483,865
Goodwill written off		48,000	-
Depreciation		2,769,694	2,699,928
Wages and salaries		1,459,984	1,442,051
Other operating expenses		3,307,679	2,442,844
Total expenses		9,264,065	8,165,317
Operating surplus/(deficit) before income tax		3,189,437	2,148,723
Income tax expense/(credit)	5	772,771	1,043,385
Operating surplus/(deficit) after income tax		2,416,666	1,105,338
Other comprehensive income			
Property revaluation	7	-	18,649,983
Cash flow hedges gain/(loss) taken to equity		655,338	(104,612)
Income tax on items of other comprehensive income	5	(183,495)	(4,860,278)
Total comprehensive income/(deficit)		2,888,509	14,790,431
statement of changes in equity			
Equity at the beginning of the year		42,103,001	27,708,570
Comprehensive income/(deficit) for the year		2,888,509	14,790,431
Less distribution to owners			
- Final dividend	8	(660,000)	(396,000)
Closing equity		44,331,510	42,103,001

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

BALANCE SHEET

As at 30 June

	Notes	2013	2012
Shareholders' equity			
Share capital	6	8,800,000	8,800,000
Hedge reserve	7	(623,696)	(1,095,539)
Revaluation reserve	7	21,672,638	21,672,638
Retained earnings	9	14,482,568	12,725,902
		44,331,510	42,103,001
Current liabilities			
Trade & other payables	10	624,714	780,748
Other liabilities	11	659,367	183,492
Tax Payable	5	-	953,524
Provisions	12	129,556	121,063
		1,413,637	2,038,827
Non-current liabilities			
Term loans	14	18,000,000	18,000,000
Deferred taxation	15	14,207,167	13,306,286
Hedge derivatives	19b	866,244	1,521,582
		33,073,411	32,827,868
Total equity & liabilities		78,818,558	76,969,696
Represented by:			
Current assets			
Trade & other receivables	16	610,251	627,695
Prepayments	17	12,349	9,323
Cash & cash equivalents	13	31,065	1,763,158
Stock on hand	18	28,297	-
		681,962	2,400,176
Non-current assets			
Property, plant & equipment	20	76,290,725	73,237,098
Investments	21	1,432,772	875,986
Deferred taxation	15	413,099	456,436
		78,136,596	74,569,520
Total assets		78,818,558	76,969,696

For and on behalf of the directors.

S J McLauchlan
Chairman
16 August 2013



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	2013	2012
Cash flow from operating activities			
Cash was provided from:			
Receipts from customers		11,835,980	10,035,304
Interest received		49,108	5,922
Dividend received		49,017	39,002
Cash was applied to:			
Payments to suppliers		3,700,211	2,521,511
Payments to employees		1,485,153	1,476,696
Interest paid		1,519,797	1,484,783
Taxation paid		965,572	-
Net cash flows from operating activities	24	4,263,372	4,597,238
Cash flows from investing activities			
Cash was provided from:			
Sale of assets		400	22,391
Cash was applied to:			
Purchase of shares		22,972	4,270
Purchase of assets		5,812,893	2,167,278
Net cash flows from investing activities		(5,835,465)	(2,149,157)
Cash flows from financing activities			
Cash was provided from loans advanced		500,000	-
Cash was applied to:			
Repaid loans		-	300,000
Dividends paid		660,000	396,000
Net cash flows from financing activities		(160,000)	(696,000)
Net increase/(decrease) in cash held		1,732,093	1,752,081
Plus opening cash brought forward		1,763,158	11,077
Cash & cash equivalents held 30 June	13	31,065	1,763,158



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 2013

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 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	10% - 33,3%	DV & SL
Motor Vehicles	20% - 25%	DV
Fixtures, fittings, office and computer equipment	20% - 40%	DV

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.

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

	Notes	2013	2012
Audit Fees		74,150	21,437
Fees for audit services – Audit NZ		35,000	-
– Pricewaterhouse Coopers		-	21,437
Fees for audit of disclosure accounts – Audit NZ		15,000	-
– Pricewaterhouse Coopers		24,150	-
Fees for other services paid to the audit service provider - PricewaterhouseCoopers		-	14,481
		74,150	35,918

On behalf of the Auditor General, Audit NZ are the auditors of the Company for the 2013 year. PricewaterhouseCoopers performed the 2012 audit.

5. TAXATION PROVISION

(a) Income tax

Operating surplus/(deficit) before income tax		3,189,437	2,148,723
Taxation @ 28%		893,042	601,642
Plus / (Less) the tax effect of differences			
Expenses not deductible		17,149	12,384
Revenue not liable for taxation		-	(238)
Gain on investments		(149,468)	-
Under / (over) tax provision		12,048	429,597
Tax effect of differences		(120,271)	441,743
Tax expense		772,771	1,043,385
Effective tax rate		24.2	48.6%
Represented by			
Current tax provision		-	989,437
Deferred tax provision		772,771	53,948
Income tax expense		772,771	1,043,385

(b) Tax on Other Comprehensive Income

Property Revaluation Reserve:			
Deferred Tax		-	(4,889,569)
Hedge Reserve:			
Deferred tax		(183,495)	29,291
		(183,495)	(4,860,278)

(c) Provision for Tax

Balance at beginning of year		953,524	-
Provisional tax 2013		-	989,437
Terminal tax payment (refund) 2012		(953,524)	(35,913)
Balance at 30 June		-	953,524

(d) Imputation Credits

Imputation credits available for use in subsequent periods.		2,448,000	2,693,000
The 2012 balance includes credits associated with the tax payable balance.			

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.

	2013	2012
7. RESERVES		
a) Hedging Reserve		
Balance at beginning of year	(1,095,539)	(1,020,218)
Net Revaluations included in other comprehensive income	655,338	(104,612)
Deferred tax arising on hedges	(183,495)	29,291
Balance at 30 June	(623,696)	(1,095,539)

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	21,672,638	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	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	660,000	396,000
	660,000	396,000
Dividends Per Share	7.5 cents	4.5 cents

9. RETAINED EARNINGS		
Balance at beginning of year	12,725,902	12,016,565
Net profit / (loss) for the year	2,416,666	1,105,337
Dividend distributions	(660,000)	(396,000)
Balance at 30 June	14,482,568	12,725,902

10. TRADE & OTHER PAYABLES		
Trade payables	468,192	660,159
Accruals	156,522	120,589
	624,714	780,748

The amounts due to customers under construction contracts at 30 June 2013 was \$NIL (2012: NIL).

11. OTHER LIABILITIES		
Current Liabilities		
GST payable	113,765	135,760
Other current liabilities	45,602	47,732
Bank loans (see note 14)	500,000	-
	659,367	183,492

	2013	2012
--	------	------

12. PROVISIONS

(a) Annual Leave

Balance at the beginning of the year	121,063	133,886
Amounts used	(116,074)	(112,143)
Amount accrued	124,567	99,320
Balance at 30 June	129,556	121,063

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

13. CASH

Cash floats	4,180	700
Westpac cheque account	23,422	(87,542)
Short term deposits are as follows:		
On call – 2.5%	3,463	250,000
6 months	-	1,600,000
Balance at 30 June	31,065	1,763,158

The carrying amount of cash assets approximates their fair value.

14. TERM BORROWINGS (Secured)

Wholesale term loan - term	18,000,000	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 2014. 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 2013 and monthly during the financial year.

15. DEFERRED TAX

	Opening	Charged	Charged		Closing Balance Sheet	
(a) 2013	Balance	to Equity	to income	Assets	Liabilities	Net
Property. Paint and equipment	(13,306,286)		900,881)	-	(14,207,167)	(14,207,167)
Employee benefits	30,393		4,652	35,045	-	35,045
Revaluation of interest rate swaps	426,043	(183,495)		242,548	-	242,548
Losses carried forward			135,506	135,506	-	135,506
Balance at 30 June 2013	(12,849,850)	(183,495)	(760,723)	413,1099	(14,207,167)	(13,794,068)
	Opening	Charged	Charged		Closing Balance Sheet	
(a) 2012	Balance	to Equity	to income	Assets	Liabilities	Net
Property. Paint 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
Revaluation of interest rate swaps	396,751	29,292		426,043	-	426,043
Balance at 30 June 2013	(7,959,712)	(4,860,269))	(29,869)	456,436	(13,306,286)	(12,849,850)

	2013	2012
16. TRADE & OTHER RECEIVABLES		
Trade receivables	610,251	627,695

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 2013 were \$113,476, 18.4% of trade receivables (2012, \$95,244, 15%).

17. PREPAYMENTS

NZ Airports Association membership	12,349	9,323
------------------------------------	--------	-------

18. STOCK ON HAND

Petrol and other stock – Momona Garage is valued at cost	28,297	-
--	--------	---

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 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 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	(866,244)	(1,521,582)
---------------------	-----------	-------------

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	2013	2012
Maturing less than 1 year	-	9,000,000
Maturing between 1 and 5 years 6.8%	10,000,000	5,000,000
Maturing more than 5 years	-	5,000,000
	10,000,000	19,000,000

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 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:

2013	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	610,251	-	-	610,251
Cash & Cash Equivalents	31,065	-	-	31,065
	641,316	-	-	641,316

2013	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	913,637	18,000,000	-	913,637
Bank Loans	500,000	-	-	18,500,000
Derivative Financial Instruments	-	866,244	—	866,244
	1,413,637	18,866,244	-	20,279,881

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 Receivables	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

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 2013 totalled \$653,655 (2012: \$2,400,176).

Bank deposits 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

89.6% of trade receivables are due from eight 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 2013, after taking into account the effect of interest rate swaps, approximately 54% of the Company's borrowings are at a fixed rate of interest (2012 78%).

At 30 June 2013 the Company had \$8.5 million of borrowings 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 \$61,000/(\$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% is appropriate for the Company. At 30 June 2013 this ratio was 56.2% (2012 54.7%).



h) Categories of Financial Assets and Financial Liabilities

Financial Assets	2013	2012
Fair Value Through Profit or Loss (FVTPL)	-	-
Designated as at FVTPL – Shares	1,432,772	875,986
Loans and Receivables	622,600	637,018
Cash & Cash Equivalents	31,065	1,763,158
Total Financial Assets	2,086,437	3,276,162
Financial Liabilities		
Derivative Financial Instruments in Hedge Accounting Relationships	866,244	1,521,582
Amortised Cost (Including Cash & Cash Equivalents)	19,127,558	18,775,124
Total Financial Liabilities	19,993,802	20,296,706

i) Leases

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

	2013	2012
Under 1 year	1,843,449	1,868,991
1 to 5 years	6,938,309	5,410,995
Over 5 years	5,774,722	9,073,618

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 at 30 June 2013. 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	1,432,772			1,432,772
Derivates				
Hedge Derivatives		866,244		866,244

20. PROPERTY, PLANT & EQUIPMENT

(a) 2013	Land	Taxiway	Buildings	Plant & Equipment	Office Equipment	Motor Vehicles	Total
Cost or Valuation							
Balance at beginning of period	15,019,053	22,898,810	25,382,358	10,273,477	101,589	705,086	74,380,373
Purchases	192,000	5,100,258	34,000	473,075	20,202	8,696	5,828,231
Transfers	-	-	-	1,422	(1,422)	-	-
Disposals / Woffs	-	-	-	-	-	(17,176)	(17,176)
Balance at end of period	15,211,053	27,999,068	25,416,358	10,747,974	120,369	696,606	80,191,428
Accumulated Depreciation							
Balance at beginning of period	37,820	5,152	-	557,148	80,860	462,295	1,143,275
Depreciation	354,914	1,029,917	670,250	670,813	9,130	34,670	2,769,694
Transfers	-	-	(150)	1,573	(1,423)	-	-
Disposals / Woffs	-	-	-	-	-	(12,266)	(12,266)
	392,734	1,035,069	670,100	1,229,534	88,567	484,699	3,900,703
Balance at end of period	14,818,319	26,963,999	24,746,258	9,518,440	31,802	211,907	76,290,725

(b) 2012	Land	Runway Apron, Taxiway	Buildings	Plant & Equipment	Office Equipment	Motor Vehicles	Total
Cost or Valuation							
Balance at beginning of period	12,917,719	18,581,174	23,595,671	9,396,076	91,678	676,116	65,258,434
Purchases	81,538	1,451,628	322,114	256,371	9,911	83,723	2,205,285
Disposals	-	-	-	-	-	(54,753)	(54,753)
Revaluation - 30/6/2012	2,019,796	2,866,008	1,808,532	277,071	-	-	6,971,407
Balance at end of period	15,019,053	22,898,810	25,726,317	9,929,518	101,589	705,086	74,380,373
Accumulated Depreciation							
Balance at beginning of period	300,052	2,802,642	204,276	6,311,784	70,318	472,971	10,162,043
Depreciation	136,124	803,467	577,214	1,143,137	10,286	29,443	2,699,671
Disposals	-	-	-	-	256	(40,119)	(39,863)
Revaluation - 30/6/2012	(398,356)	(3,600,957)	(781,490)	(6,897,773)	-	-	(11,678,576)
	37,820	5,152	-	557,148	80,860	462,295	1,143,275
Balance at end of period	14,981,233	22,893,658	25,726,317	9,372,370	20,729	242,791	73,237,098

- (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 \$53,732,940 (\$2012 \$42,399,724).

	2013	2012
21. INVESTMENTS		
Non-current investments		
Shares at market value in farmer cooperative		
Companies involved with dairy farm companies	1,432,772	875,986
Of this sum \$1,404,878 (2012, \$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.		

22. CONTINGENT LIABILITIES

There were no other contingent liabilities outstanding at 30 June 2013 (2012 nil).

23. CAPITAL AND OTHER COMMITMENTS

Capital and other expenditure not provided for in the accounts at 30 June 2013 was \$NIL (2012 \$NIL).

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

	2013	2012
Net surplus for the year	2,416,666	1,105,338
Items not involving cashflows		
Depreciation	2,769,692	2,699,928
Increase in value of investments	(485,815)	(850)
Increase / (Decrease) in deferred taxation	944,218	4,890,138
Deferred tax expense direct to equity	(183,495)	(4,935,599)
Impact of changes in working capital items		
(Increase) / Decrease in trade and other receivables	14,418	(225,203)
Increase / (Decrease) in trade and other payables	(171,666)	20,405
Less items classified as investing activities	(87,122)	29,557
Increase / (Decrease) in provision for tax	(953,524)	1,013,524
Net cash inflows from operating activities	4,263,372	4,597,238

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

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	
	2013	2012	2013	2012
Southern Sinfonia (K Grant – board member)	1,150	1,150	-	-
Tourism Dunedin (J McCall & P Oakley – trustees)	11,500	11,500	-	-
Delta Utilities Limited (S McLauchlan – director)	49,932	53,858	3,799	3,799

- (c) Compensation of key management personnel:

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

	2013	2012
Short-term benefits	666,134	637,435

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.

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
Galloway Cook Allan	Associate
Otago Polytechnic Council	Chairperson
Sport Otago	Board
	Member
Southern Sinfonia	Board
	Member

STUART MCLAUCHLAN

A D Instruments Pty Ltd	Director
Aurora Limited	Director
Cargill Holdings 2002 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
Southern District Health Board	Crown Monitor
University of Otago	Pro Chancellor
University of Otago Foundation Studies Ltd	Director
USC Investments Limited	Director
UDC Finance Limited	Chairman
X Rock Automation Pty Limited	Director

GEOFFREY THOMAS

Dunedin Casinos Limited	Director
Drivers Road Trust Company Limited	Director
Fund Managers Canterbury Limited	Director
Fund Managers Holdings Limited	Director
Interlogic Online Limited	Chairman
Larnach Castle Limited	Chairman
Principals Advice & Support Limited	Chairman
Royal NZ Ballet	Board Member
Taieri Industrial Rental Investments Ltd	Director
Upstart Incubator	Chairman

JOHN McCALL

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

TRISH OAKLEY

Dunedin Casino Charitable Trust	Trustee
The Food Club Limited	Director
Theomin Gallery Committee	Committee Member
Tourism Dunedin	Trustee

RICHARD ROBERTS

Dunedin Host Incorporated	Board Member
---------------------------	--------------

Directors' Interests in Contracts

Details of contracts involving directors' interests entered into during the year ended 30 June 2013 are provided in Note 28 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 2013 are as follows:

Director	Qualification	Responsibilities	Remuneration
Stuart J McLauchlan	BCom, FCA(PP), AF Inst D	Chairman	25,558
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	17,814

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
\$150,000-\$160,000	2
\$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
16 August 2013



G R Thomas
Director



INDEPENDENT AUDITOR'S REPORT

To the readers of Dunedin International Airport Limited's financial statements and performance information for the year ended 30 June 2013

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 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 2013, 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; and
give a true and fair view of the company's:
 - financial position as at 30 June 2013; 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 2013.

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 19 August 2013. 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, in our judgement, are likely to influence readers' 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. Also we did not evaluate the security and controls over the electronic publication 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 is also responsible for the publication of the financial statements and performance information, whether in printed or electronic form.

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 External Reporting Board.

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

Scott Tobin

Audit New Zealand

On behalf of the Auditor General

Dunedin, New Zealand

