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company particulars

DIRECTORS

R F Walls, QSO, JP, FNZIM, F Inst D (Chairman)
S J McLauchlan, BCom, FCA(PP), AF Inst D (Chairman – Audit Committee)
G R Thomas, LLB, AF Inst D (Member – Audit Committee)
K Grant, BA, LLB, Dip Law

CHIEF EXECUTIVE

F J McCall, AFNZIM

BUSINESS MANAGER

P Ford, B Com, CA

OPERATIONS MANAGER

R Roberts, BEng (Hons)

REGISTERED OFFICE

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DUNEDIN 9054

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BANKERS

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101 George Street
DUNEDIN

SOLICITORS

Gallaway Cook Allan
276 Princes Street
DUNEDIN

AUDITORS

Graham William Crombie of Polson Higgs
On behalf of the Auditor-General

airlines using dunedin international airport

FOR THE YEAR ENDED 30 JUNE 2009

Airline	Aircraft Type
DOMESTIC	
Air New Zealand	Boeing 737-300
Mount Cook Airline	ATR 72
Air Nelson	Dash 8-300
Pacific Blue	Boeing 737-800
INTERNATIONAL	
Air New Zealand	Airbus 320-200
CHARTER, FLIGHT TRAINING AND COMMUTERS	
Mainland Air Services	Cessna 152 Piper PA31-350 Chieftain Piper PA34-200 Seneca Socata TB10 Tobago
FREIGHT SERVICES	
New Zealand Post - Airpost	Fairchild Metroliner 23 Piper PA32-300

chairman and chief executive's report

TOTAL PASSENGER NUMBERS at 770,206, compare to 708,506 last year, an increase of 8.7%.

DOMESTIC PASSENGER NUMBERS at 719,787, compare to 638,219 last year, an increase of 12.8%.

INTERNATIONAL PASSENGER NUMBERS at 50,419 compare to 70,287, a decrease of 28.3%

TOTAL REVENUE is \$7,548,812, a decrease of 1.4% on last year and a decrease of 6.7% against budget.

SHAREHOLDERS' FUNDS at \$31,368,144 compares to \$33,571,405 last year, a decrease of 6.6%.

AFTER TAX DEFICIT of \$907,842 compares to a deficit of \$324,236 last year, an increase of 180.0%. This reflects the reduction in revenues received from international services, and the reduction in value of Fonterra shares (\$185,643).

INCREASED MAINTENANCE EXPENDITURE on apron pavements.

NON-AERONAUTICAL INCOME, at 63.5% of total revenue, compares to last year's figure of 69.2%.

In line with budget **NO DIVIDEND** has been declared for 2009.

THE YEAR IN REVIEW

The year has presented many challenges to the air transport industry globally and the company has not been immune to the economic downturn that in turn, has driven a step change to the way the industry meets market conditions.

Total revenue of \$7,548,812 is both below budget and less than last year. Global and domestic economic conditions resulted in noticeably reduced travel in the second half of the year.

Aeronautical revenues pleasingly increased by 12.4% for the year reflecting the entry of Pacific Blue into the Dunedin market. On the other hand, non-aeronautical revenues decreased by 9.6% due to the withdrawal of several international services by Air New Zealand, resulting in a significant reduction in revenue from departure fees and duty free sales.

The after-tax deficit of \$907,842 was above the budgeted deficit, but not unexpected given the trading conditions already referred to, and the reduced value of the shares in Fonterra of \$185,643 held by the company in relation to its dairy farming activities.

Domestic passenger numbers have grown 12.8% from 638,219 last year to 719,787 this year. As already referred to, this is due to the introduction of domestic services by Pacific Blue and the consequent stimulation of the travel market that competition brings.

Growth was particularly strong during the first half of the year. However, as the difficult economic climate began to bite, it predictably slowed in the second half of the year.

The year saw Air New Zealand make frequent changes to its domestic flight schedules and the aircraft flying them. Jet services were introduced for some flights on the Christchurch route in place of turboprop, the number of jet services to Auckland was reduced, and some Wellington services changed from jet to turbo-prop aircraft. Overall, the reduction of capacity by Air New Zealand was in line with that which occurred across its domestic network. The consequential effect of these changes reduced revenue from landing charges.

These severe reductions have been extremely disappointing to the company, and indeed as the adverse public reaction showed, to those in the region the airport serves. This is especially so, given that in the three year period to 30 June 2007, Air New Zealand's subsidiary, Freedom Air, carried a total of more than 263,000 passengers – an average of about 88,000 passengers per year – on routes on which they, and subsequently Air New Zealand itself, had no competition.

We were also disappointed that, notwithstanding the economic downturn and the need for Air New Zealand to be nimble in responding to operating imperatives, the trans-Tasman services offered from Dunedin following the withdrawal of Freedom were never fully integrated into Air New Zealand's marketing and booking systems. The available capacity out of Dunedin was therefore not as fully utilised as it could have been.

The flow-on effects from the reduction in Air New Zealand's international services also had a significant impact on the airport community. Some of our concessionaires and service providers are solely reliant on international activity and regrettably had no option but to downsize their businesses accordingly with many jobs lost and reduced working hours for others.

LOOKING TO THE FUTURE

In common with the rest of New Zealand, Dunedin has experienced a downturn in visitor numbers from several of New Zealand's traditional inbound tourism markets.

Nevertheless, there is optimism that as global economic conditions relax and the threat of the H1N1 Flu recedes – something that has badly affected travel from Asia – it will be leisure travellers who lead the recovery in the aviation and tourism industries.

Twenty years ago, Dunedin was not even on “the tourist map”. The economic development programme and marketing initiatives launched by the Dunedin City Council in the late 1980s which, for the first time provided an integrated platform to promote the area's attractions, were the springboard to change. Today, tourism is one of the city's major industries, as indeed it is for the south in general.

The company has every confidence that opportunities are opening to grow passenger numbers through the airport.

The city continues to invest in tourism and additionally is making major capital investments in projects such as the Forsyth Barr Stadium, the redevelopment of the Dunedin Centre to cater for more and larger conferences than has been previously possible, and improved roading in places such as the Peninsula.

New tourism products are also coming on stream. The initiative of Tourism Dunedin and its 32 tourism business participants to attract visitors from within New Zealand with its ‘Passport To Love The Dunedin Difference’ is an excellent initiative already showing positive results.

The company remains committed along with its partners the Dunedin City Council, the Otago Chamber of Commerce and a revitalised Tourism Dunedin, to ‘Project Gateway’.

During the year a full review of ‘Project Gateway’ confirmed its focus on growth in international passenger numbers from Australia should continue. This fits well with the considerable emphasis that Tourism New Zealand is placing on the Australian market and, in particular, short stay holidays.

Direct services providing quick and easy access to the regions of New Zealand have an important role to play, just as they have for New Zealanders wishing to travel to Australia.

We have never wavered in our belief that the full potential of the latent demand we first established in 1995, for regular direct services between Dunedin and Australia, remains to be tapped and that it was only a matter of time before a new airline would enter the market to fill the gaps left by Air New Zealand's withdrawal to offering only a seasonal timetable.

We therefore welcomed the announcement by Pacific Blue in June that they would commence three services each week between Dunedin and Brisbane on 3 September 2009, confirming our belief and we look forward to further new arrivals in the year ahead.

CORPORATE SOCIAL RESPONSIBILITY

Environmental

The membrane waste water filtration plant continues to exceed the stringent operational standards set for it in the resource consent. The discharge into the Taieri Main Drain, which flows down to Lakes Waipori and Waihola, is to the recreational bathing standard. Instead of being consigned to landfill, sludge now remains at the plant and is retained in a series of drying beds in which tiger worms convert the sludge into vermicast. The vermicast has been tested and shown to be a high quality fertiliser, which is now used on the airport gardens.

Our cardboard and paper recycling programme which commenced three years ago continues to collect much of the cardboard and paper products disposed of at the airport. We recycle between 10 and 12 tonnes annually.

Water and electricity conservation continues to be an important part of DIAL's careful environmental approach. Management systems monitor and record daily consumption allowing comparative analysis to be undertaken.

The company continues to work closely with the Dunedin Rhododendron Trust which is undertaking extensive plantings at the airport. During the year further beds have been prepared alongside the terminal access road and to the north of the terminal. These will be planted with rhododendrons and other species during September.

COMMUNITY CONTRIBUTION

Visits from preschools, schools and clubs continue to be an important part of the company's community involvement. Several travel and tourism tertiary students groups have visited the airport as part of their studies and have been given a behind the scenes look into airport operations.

The company's management has undertaken several engagements to speak to groups and clubs with an interest in the airport and has also delivered lectures at the University of Otago.

In conjunction with the Otago Polytechnic, the company hosted an international exchange student from Germany for four months' work experience. This proved both valuable to the company and for the exchange student who played a key role in developing our 'Fly Dunedin.com' campaign.

We continue to be keen supporters of the Otago Art Society's Spring Awards and sponsors of the Southern Sinfonia.

During the year, community fundraising events such as Daffodil Day, Child Cancer Appeal, Breast Cancer Pink Ribbon Day, ANZAC Day poppy sales, and Surf Lifesaving Awareness Day have been hosted in the Terminal Building.

OPERATIONAL MATTERS

Apron Rehabilitation Programme

We have completed the second year of a five-year Apron Rehabilitation Programme. During the summer construction season we constructed a new slot drain and replaced the asphalt pavement of gate one. The concrete pavement sections where aircraft park on gate one will be replaced during the 2009/2010 construction season. This will then complete the rehabilitation programme for gate one and allow unlimited use by aircraft such as the B737-800 and A320.

PAVEMENT MONITORING

Hand-in-hand with the apron programme we have continued to monitor the state of the airside pavements. This is particularly important given the daily frequency and increasing number of heavier aircraft using Dunedin International Airport.

Last year we reported that the 190m runway extension, completed in the early 1990s, is now the oldest piece of pavement at the airport and will need overlaying within the next three years. There has been no change to this and the work remains in our maintenance programme and is expected to be carried out during the 2010/2011 year.

We are continuing to assess the need for runway extensions to cope with future market expansion, which will represent a significant capital expenditure for the airport sometime in the future. We are also currently assessing the runway requirements for existing trans-Tasman international services operated by aircraft such as the B737-800 which is currently load restricted for take-off due to our runway length.

DAIRY FARM

The 2008/2009 season commenced under difficult conditions with a cool spring and was again followed with dry conditions during summer and autumn. Milk solids payouts were significantly lower than the previous year and there was again a further write-down in the value of the shares held in Fonterra. Production across both farms was down on last year – 176,224 kg/milk solids compared to 182,359 kg/milk solids, a decrease of 3.4%.

RENTAL CAR FACILITIES

The planned relocation and consolidation of the rental car servicing facilities on one site to the south of the car park was abandoned following unsuccessful negotiations with the rental car companies. A revised proposal for a site to the north of the terminal precinct with reduced developments costs has been proposed to the rental car companies. Subject to agreement, it is expected that development work on this site will commence later this year.

The delay of more than two years to this project has been most disappointing because until the existing rental car servicing facilities can be moved from the current locations, the coherent redevelopment of the main car park remains frustratingly uncompleted.

CAR PARK FACILITIES

The company has a total of 1013 managed car park spaces on the airport – 745 public car park spaces, 133 rental car spaces and 135 airport staff and tenant spaces. The carpark remains under pressure and is often at capacity.

The provision of additional car parking facilities therefore remains a priority for the company. During the year, it developed a new, sealed car park of 102 spaces for airport staff. This released the space previously occupied by a staff car park to provide a further 117 public car parking spaces.

Once the three rental car service depots, which are within the car park precinct, are relocated, a further development of about 100 spaces will take place with the opportunity to improve traffic and pedestrian flows within the car park.

SECURITY

Following a serious incident on a Blenheim to Christchurch flight, the previous government initiated a review of domestic aviation security by the Ministry of Transport. The review had the potential to add considerable cost to the provision of aviation security at airports and the company was potentially exposed to significant capital expenditure to meet revised requirements.

At the time of the change of the government, the review was not complete, but continued under the new government with the aviation industry being given a further opportunity to put its views to the new minister. In May, the Minister notified the outcome which largely satisfied the industry and in the meantime, does not require further investment by the company to satisfy regulatory compliance.

EVENTS SUBSEQUENT TO YEAR END

It is pleasing to report two positive matters that have occurred since the period reported on.

On the domestic routes, Air New Zealand has recently announced added capacity with increased direct jet services between Dunedin and Auckland.

In August of this year the company launched its new marketing brand 'Fly Dunedin.com' with the positioning statement "Take the easy way out", in conjunction with our new website.

Historically, airport operators have typically applied little resource to marketing and promotion of their airport facilities and business, and we have been no different. Our new website is a step change from where we have been in the past. It focuses on promoting travel from the airport and clearly shows the choices offered to travellers, allowing them to book flights directly from our home-page on both Air New Zealand and Pacific Blue. The website is supported by an e-marketing data base and accesses social media platforms.

The major risk for the company remains the potential for declining passenger numbers from reduced travel demand in the event that current economic conditions continue for some time and the impact of the swine flu pandemic. The pandemic seems to be affecting some of New Zealand's long distance markets while, conversely, boosting travel from Australia.

THE BOARD

The board is satisfied with the state of the company's affairs. While the turbulence we encountered during the year was greater than expected, we remain confident of our approach to meeting the challenges that lie ahead, in the interests of our airlines and airport users, and the city and region we serve.



R F Walls
Chairman
21 August 2009



J 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 2009.

FINANCIAL PERFORMANCE

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

	ACTUAL	BUDGET
Surplus before taxation	(732,862)	(459,631)
Operating surplus after taxation	(907,842)	(307,953)
Return on closing shareholders equity	-2.9%	-0.9%
Closing shareholders' equity	31,368,144	33,009,659

Revenue for the year was 4.4% below budget and expenses were 3.1% below budget. Aeronautical income was 4.4% below budget due to a reduction in the number of international services operated by Air New Zealand from March 2009. Air New Zealand have also reduced the number of domestic jet services and replaced some of these services with smaller turbo-prop aircraft. All costs were kept within budget, except for maintenance expenditure on apron pavements. Interest costs were below budget due to the reduction in interest rates on term debts. Taxation losses previously carried forward as a deferred tax asset have now been written back as a charge in the statement of financial performance.

TOURISM

To promote Dunedin International Airport as the major visitor gateway to Otago and Southland.

The Company is a financial member of the Tourism Industry Association and Dunedin Host. The Chief Executive is actively involved in the local tourism industry as a member of the Board of Tourism Dunedin, a director of Taieri Gorge Railway Limited and as a member of The Project Gateway Control Group.

PROJECT GATEWAY

In partnership with the Dunedin City Council, the Otago Chamber of Commerce and Tourism Dunedin continue to work to further progress the objectives of Project Gateway that will increase the number of visits by Australian residents to Dunedin and the region. An emphasis on working with the Australian Manager of Tourism Dunedin and Tourism Futures International of Sydney will be a focus.

The Chief Executive is a member of the Project Gateway Control group, which meets regularly to implement the objectives of Project Gateway. Project Gateway seeks the introduction of direct daily return passenger and freight services from Dunedin to Australia.

AIRSIDE PAVEMENTS

To continue with a management strategy that maintains airside pavement assets which satisfy safety and economic requirements.

Airside pavements were maintained in good condition during the year to satisfy safety, operational and economic requirements. The second year of a 5 year plan to upgrade apron pavements and drainage has been completed which included the renewal of the Gate 1 asphalt.

OPPORTUNITIES

To place continued emphasis on Dunedin International Airport as an important air transport gateway for both domestic and international visitors. This will be achieved through a focus on direct marketing initiatives, as well as promotional opportunities undertaken in conjunction with airlines, Tourism Dunedin and the media.

Management has continued to have open dialogue with airline and charter operators who may be potential users of Dunedin International Airport. Pacific Blue who currently fly domestically to Dunedin will commence international services to Brisbane in September 2009.

customer service

To provide facilities to ensure that the Company can be responsive to meeting the expectations of its customers in terms of the provision of airport facilities and services.

The new terminal continues to provide customer facilities which has facilitated our responsiveness and delivery of services to customers. During the year the Company increased the size of both the public and staff carparks to accommodate increased demand in these areas.

PERFORMANCE

To continue to operate the Company as a successful business, operating in an effective and efficient manner, and maximising the return on funds invested in the medium and long term.

The Board of Dunedin International Airport Limited has met monthly (except for January and July) to review the operating strategies and financial performance of the Company. The Board has reviewed the Company's actual results against strategic plans and financial budgets. A business plan and a Statement of Intent were provided to shareholders.

To monitor financial performance against rates of return established by the shareholders of the Company.

The Company's annual Business Plan and Statement of Intent include forecasted rates of return which are forwarded to shareholders for review and approval. Quarterly, six monthly and annual reports measure the Company's performance against the forecasted rates of return and these have been provided to the shareholders.

To ensure that the reporting requirements of shareholders are met.

In addition to the half year and annual reports the Company has produced quarterly reports, a Statement of Intent and a Business Plan for shareholders.

TRAINING

To continue with employee training and education programmes that ensure that employees are able to meet the changing needs of the Company and its customers in terms of customer service, safety and security.

During the year both internal and external staff training programmes have been undertaken. Management training, customer service, First Aid and hot fire training are examples of training courses attended by staff.

SOCIAL AND ENVIRONMENTAL

To act as a socially responsible and environmentally aware corporate citizen and introduce over time, sustainability accounting measures.

During the year, in accordance with Consent requirements, the Company has continued to monitor and report its compliance performance to the Otago Regional Council. The Company continues to expand its environmentally sustainable initiatives such as recycling. In partnership with "Rhododendron's for Dunedin Trust" the planting programme of Rhododendron's and other species continued.

To maintain management practices to ensure that the Company meets its employment and health and safety objectives.

The staff Health and Safety committee has met during the year to review health and safety objectives and make recommendations to management. Monthly staff meetings have been held and identified items of health and safety that need to be brought to management's attention.

trend statement

For the year-ended 30 June	2009	2008	2007	2006	2005
Revenue	1	1	1	1	
Operating revenue:					
Aeronautical	2,900,185	2,579,508	2,547,439	2,551,526	2,474,990
Percentage	38.4%	33.7%	36.3%	38.5%	39.7%
Non-aeronautical	4,792,735	5,298,791	4,382,205	3,960,680	3,646,315
Percentage	63.5%	69.2%	62.4%	59.8%	58.4%
Interest income	41,535	3	38,286	882	25,012
Gain/(Loss) on investments	(185,643)	(224,622)	52,550	111,413	95,718
Total revenue	7,548,812	7,653,680	7,020,480	6,624,501	6,242,035
Percentage increase	(1.4%)	9.0%	6.0%	6.1%	4.2%
Surplus before tax	(732,862)	(328,459)	159,208	1,184,394	2,362,709
Percentage increase	(123.1%)	-306.3%	-86.6%	-49.4%	-9.5%
Net tax paid surplus	(907,842)	(324,236)	324,847	922,213	1,423,991
Percentage increase	(179.9%)	-199.8%	-64.8%	-35.2%	-15.5%
Shareholders' Equity					
Shareholders' equity	31,368,144	33,571,405	22,276,765	21,913,851	23,967,038
Return on shareholders' equity	-2.9%	-1.0%	1.5%	4.2%	5.9%
Dividends paid	176,000	-	335,000	765,000	986,000
Dividend rate cents per share	2	-	3.8	8.7	11.2
Capital expenditure	705,948	1,088,585	3,072,520	15,322,313	11,075,917
Net operating cashflow	2,596,824	1,960,374	2,716,407	2,257,421	2,600,848
Net asset backing per share	\$3.56	\$3.82	\$2.53	\$2.49	\$2.72
Proprietorship ratio	51.8%	54.2%	45.3%	45.7%	71.5%

¹ The Company has adopted IFRS reporting with a transition date of 1 July 2005. 2006 financial statements have been restated to comply with IFRS. The main adjustment is the application of the deemed cost option for land and buildings which resulted in the restatement of the valuation reserve to zero by reclassifying \$11.4 m from this reserve to retained earnings. The other key changes include the recognition in the balance sheet of the fair values of interest rate swaps and a change in the method of calculating deferred tax. At the date of transition to NZIFRS assets increased minimally due to the recognition of interest rate swaps at fair values. Liabilities increased by \$2.3m due to the change in accounting for deferred tax.

income statement

For the year-ended 30 June	Notes	2009	2008
Operating revenue		7,692,085	7,877,512
Interest received		41,535	3
Dividend received		835	787
Loss on investment		(185,643)	(224,622)
Total revenue		7,548,812	7,653,680
Audit fees	4	13,737	15,367
Directors fees		68,000	65,542
Finance costs – interest expense		1,610,665	1,841,594
Depreciation		2,476,873	2,435,790
Loss on disposal of assets		-	86,480
Wages and salaries		1,264,239	1,220,946
Other operating expenses		2,848,160	2,316,420
Total expenses		8,281,674	7,982,139
Operating surplus/(deficit) before income tax		(732,862)	(328,459)
Income tax expense/(credit)	5	174,980	(10,899)
Less deferred tax adjustment to reflect change in tax rates		-	6,676
Operating surplus/(deficit) after income tax		(907,842)	(324,236)
Earnings per share		-10.3cents	-3.7cents

statement of changes in equity

Equity at the beginning of the year		33,571,405	22,276,765
Recognised revenues and expenses			
Cash flow hedges gain/(loss) taken to equity		(1,119,419)	(255,729)
Deferred tax adjustment to reflect change in tax rates		-	-
Net surplus/(deficit) for the year		(907,842)	(324,236)
Property revaluation (net)	7	-	11,874,605
Total recognised income and (expense) for the year		(2,027,261)	11,294,640
Less distribution to owners			
- Final dividend	8	176,000	-
Closing equity		31,368,144	33,571,405

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

balance sheet

For the year-ended 30 June

	Notes	2009	2008
Shareholders equity			
Share capital	6	8,800,000	8,800,000
Hedge reserve	7	(923,791)	195,628
Revaluation reserve	7	11,874,605	11,874,605
Retained earnings	9	11,617,330	12,701,172
		31,368,144	33,571,405
Current liabilities			
Trade & other payables	10	405,047	638,304
Current liabilities	11	163,208	173,865
Provisions	12	135,096	129,376
Cash & cash equivalents	13	-	130,457
		703,351	1,072,002
Non current liabilities			
Term loans	14	22,000,000	22,000,000
Deferred taxation	15	5,191,401	5,343,424
Hedge derivatives		1,319,700	-
		28,511,101	27,343,424
Total equity & liabilities		60,582,596	61,986,831
Represented by:			
Current assets			
Trade & other receivables	16	368,507	926,112
Hedge derivative	17	-	279,469
Cash & cash equivalents	13	1,232,321	-
		1,600,828	1,205,581
Non current assets			
Property, plant & equipment	18	57,700,030	59,470,955
Investments	19	848,874	1,030,180
Deferred taxation	15	432,864	280,115
		58,981,768	60,781,250
Total assets		60,582,596	61,986,831

For and on behalf of the directors.



R F Walls
Chairman
21 August 2009



S J McLauchlan
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	2009	2008
Cash flow from operating activities			
Cash was provided from:			
Receipts from customers		8,249,900	7,434,701
Interest received		41,325	-
Dividend received		835	787
Cash was applied to:			
Payments to suppliers		2,837,554	2,437,393
Payments to employees		1,259,464	1,176,094
Interest paid		1,598,218	1,861,627
Net cash flows from operating activities	22	2,596,824	1,960,374
Cash flows from investing activities			
Cash was provided from			
Sale of assets		-	15,111
Cash was applied to:			
Purchase of shares		4,338	8,813
Purchase of assets		1,053,708	1,092,195
Net cash flows from investing activities		(1,058,046)	(1,085,897)
Cash flows from financing activities			
Cash was applied to:			
Dividends paid		176,000	-
Net cash flows from financing activities		(176,000)	-
Net increase/(decrease) in cash held		1,362,778	874,477
Plus opening cash brought forward		(130,457)	(1,004,934)
Cash & cash equivalents held 30 June	13	1,232,321	(130,457)

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 2009

1. ESTABLISHMENT

Dunedin Airport Limited, a public Company, was established under the *Airport Authorities Act 1966* and incorporated on 30 September 1988. The Company changed its name to Dunedin International Airport Limited on 22 December 1999.

The Company purchased assets from the Dunedin Airport Authority on 1 November 1989 and commenced trading 1 November 1989.

2. REPORTING ENTITY

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

Dunedin International Airport Limited was established under the *Airport Authorities Act 1966* and incorporated in New Zealand under the Companies Act 1993.

The registered address of the Company is Terminal Building, Dunedin International Airport, Momona, Dunedin.

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

These financial statements are presented in New Zealand dollars because that is the currency of the primary economic environment in which the Company operates. The financial statements are rounded to the nearest dollar.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

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

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

Revenue Recognition

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

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

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

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

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Company as Lessor

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

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

The Company as Lessee

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

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

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

Foreign Currencies

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

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

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

Borrowing Costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Employee Entitlements

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

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

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Property, Plant and Equipment

Property, Plant and Equipment are those assets held by the Company for the purpose of carrying on its business activities on an ongoing basis.

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

Any revaluation increase is credited in equity to the properties revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in the carrying amount arising on the revaluation is charged to profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Plant and equipment are stated at cost less any subsequent accumulated depreciation and any accumulated impairment losses.

Self-constructed assets include the direct cost of construction to the extent that they relate to bringing the property, plant and equipment to the location and condition for their intended service.

Depreciation is charged so as to write off the cost of assets, other than land and capital work in progress, on the straight-line basis. Rates used have been calculated to allocate the asset's cost less estimated residual value over their estimated remaining useful lives.

Depreciation of capital work in progress commences when the assets are ready for their intended use.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation rates and methods used are as follows:

	<i>Rate</i>	<i>Method</i>
Runway, apron and taxiway	3% - 6.66%	SL
Buildings	1% - 33.3%	SL
Machinery & plant	10% - 12.5%	DV
Motor Vehicles	20% - 25%	DV
Fixtures, fittings, office and computer equipment	20% - 40%	DV

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

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

At transition date the carrying value of the land, runway, apron, taxiway, rental housing and buildings were transferred at deemed cost in accordance with NZ IFRS 1. Amounts in the revaluation reserve were transferred to retained earnings on transition.

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.

Receivables

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

Loans and other receivables

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

Investments

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

Investments in equity securities

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

Financial Liability and Equity

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

Payables

Payables are stated at cost.

Term Loans

Term loans are initially recorded at fair value net of directly attributable transaction costs and are measured at subsequent reporting dates at amortised cost. Finance charges, premiums payable on settlement or redemption and direct costs are accounted for on an accrual basis to the Income Statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Equity Instruments

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

Derivative financial instruments and hedge accounting

The Company's activities expose it primarily to the financial risks of changes in interest rates resulting in variation of cash flows on floating rate debt. The Company uses interest rate swaps to hedge these exposures.

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

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

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition derivative financial instruments are remeasured to fair value.

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

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

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

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

Provisions

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

4. AUDIT FEES

	Notes	2009	2008
Audit Fees		13,737	13,092
Fees paid to auditors for other assurance related assignments		-	2,275
		13,737	15,367
Fees for human resource services		-	3,645
		13,737	19,012

5. TAXATION PROVISION

(a) Income tax

Operating surplus/(deficit) before income tax	(732,862)	(328,459)
Taxation @ 30%	(219,859)	(108,391)
<i>Plus/(Less) the tax effect of differences</i>		
Revenue not liable for taxation	55,693	74,125
Tax losses written back	359,537	-
Expenditure not deductible for taxation	940	10,574
Under/(Over) tax provision in prior years	(21,331)	12,793
Tax effect of differences	394,839	97,492
Tax expense	174,980	(10,899)
Effective tax rate	23.9%	(3.3%)
Represented by		
Deferred tax provision	196,311	(23,692)
Under/(Over) tax provision in prior years	(21,331)	12,793
Income tax	174,980	(10,899)
(b) Deferred tax adjustment to reflect change in tax rates	NIL	(6,676)
(c) Imputation credit account		
Balance available at beginning of the year	2,031,529	2,454,001
Taxation payments made/(refunds received)	-	(423,063)
Dividends paid	(86,687)	-
Credits attached to dividends received	601	591
Balance at end of the year	1,945,443	2,031,529

6. EQUITY – SHARE CAPITAL

Issued capital

8,800,000 ordinary shares	8,800,000	8,800,000
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All shares have equal voting rights and share equally in dividends and any surplus on winding up.

	2009	2008
7. RESERVES		
<i>A) Hedging reserve</i>		
Balance at beginning of year	195,628	451,357
Net revaluations	(1,599,170)	(373,065)
Deferred tax arising on hedges	479,751	117,336
Balance at 30 June	(923,791)	195,628
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.		
<i>B) Revaluation reserve</i>		
Balance at beginning of year	11,874,605	-
Property revaluations	-	11,874,605
Balance at 30 June	11,874,605	11,874,605
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	176,000	-
	176,000	-
Dividends per share	2.0 cents	-
9. RETAINED EARNINGS		
Balance at beginning of year	12,701,172	13,025,408
Net/(Loss) for the year	(907,842)	(324,236)
Dividend distributions	(176,000)	-
Balance at 30 June	11,617,330	12,701,172
10. TRADE & OTHER PAYABLES		
Trade payables	327,118	606,121
Accruals	77,929	32,183
	405,047	638,304
The amounts due to customers under construction contracts at 30 June 2009 was nil (2008: \$387,065).		
11. CURRENT LIABILITIES		
GST payable	83,105	60,677
Other current liabilities	80,103	113,188
	163,208	173,865

12. PROVISIONS

Annual leave

Balance at the beginning of the year	129,376	112,663
Amounts used	(87,425)	(89,216)
Amount accrued	93,145	105,929
Balance at the end of the year	135,096	129,376

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

13. CASH & BANK OVERDRAFT

Cash floats	1,300	1,000
Westpac cheque account	(88,979)	48,543
Short-term advance	1,320,000	(180,000)
	1,232,321	(130,457)

Cash and short-term advances comprise cash held by the group and short-term bank advances with maturity of three months or less. The carrying amount of these assets approximates their fair value. Short-term advances are drawn at call advance rates.

14. TERM BORROWINGS (Secured)

Wholesale term loan	22,000,000	22,000,000
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Westpac has provided a Wholesale Term Loan of \$22 million and multi option credit line facility of \$3.0 million, both have a maturity date of 31 December 2009. 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 17.

15. DEFERRED TAX

(a) 2009	Opening Balance	Charged to Equity	Charged to Income	Assets	Closing Balance Sheet	
					Liabilities	Net
Property, plant and equipment	(5,259,583)		68,182		(5,191,401)	(5,191,401)
Employee benefits	36,413		541	36,954	-	36,954
Losses carried forward	243,702		(243,702)	-		-
Revaluations of interest rate swaps at 30c	(83,841)	479,751		395,910		395,910
Balance at 30 June 2009	(5,063,309)	479,751	(174,979)	432,864	(5,191,401)	(4,758,537)

(b) 2008	Opening Balance	Charged to Equity	Charged to Income	Assets	Closing Balance Sheet	
					Liabilities	Net
Property, plant and equipment	(2,686,427)	(2,677,697)	104,541	-	(5,259,583)	(5,259,583)
Employee benefits	33,880	-	2,533	36,413	-	36,413
Losses carried forward	346,555	-	(102,853)	243,702	-	243,702
Revaluations of interest rate swaps at 33c	(59,586)	59,586	-	-	-	-
Revaluations of interest rate swaps at 30c	(141,591)	57,750	-	-	(83,841)	(83,841)
Balance at 30 June 2009	(2,507,169)	(2,560,361)	4,221	280,115	(5,343,424)	(5,063,309)

	2009	2008
16. TRADE & OTHER RECEIVABLES		
Trade receivables	368,507	926,112

The directors consider that the carrying amount of the trade receivables approximates their fair value. Debtors overdue by 30 days or more at 30 June 2009 were \$42,350, 11.5% of trade receivables (2008, \$67,447, 7.3%).

17. FINANCIAL RISK MANAGEMENT

a) Financial Risk Factors

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

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

2009

2008

b) Interest Rate Risk

Interest rate swaps	(1,319,700)	279,469
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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.

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

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

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

Effective interest rate

Maturing less than 1 year	6.80%	5,000,000	-
Maturing between 1 and 5 years	6.96%	12,000,000	17,000,000
		17,000,000	17,000,000

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:

2009				
	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	368,507	-	-	368,507
Cash & cash equivalents	1,232,321	-	-	1,232,321
	1,600,828	-	-	1,600,828

2009				
	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	703,351	-	-	703,351
Term debt	-	22,000,000	-	22,000,000
Derivative financial Investments	98,726	850,381	370,593	1,319,700
	802,077	22,850,381	370,593	24,023,051

2008				
	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	926,112	-	-	926,112
Derivative financial instruments	89,440	208,049	(18,020)	279,469
	1,015,552	208,049	(18,020)	1,205,581

2008				
	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	941,545	-	-	941,545
Term debt	-	22,000,000	-	22,000,000
Cash & cash equivalents	130,457	-	-	130,457
	1,072,002	22,000,000	-	23,072,002

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.

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

81.7% of trade debtors are due from six 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. The current landing charges schedule has been in place since 1 January 2001 and was due for review on 1 June 2006. Consultation has commenced with the airlines to review these charges. An increase in landing charges would bring the following increases in revenue with everything else being held constant.

<u>% Increase</u>	<u>Revenue Increase</u>
1%	29,000
2%	58,000
3%	87,000

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 2009, after taking into account the effect of interest rate swaps, approximately 77% of the Company's borrowings are at a fixed rate of interest (2008 77%).

At 30 June 2009 the Company had \$5 million of borrowings unhedged. Should interest rates increase/(decrease) by 1% with everything else being held constant the effect on the tax paid profit would be \$35,000/(\$35,000).

g) Capital Management Strategy

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

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

Consistent with others in the industry, the Company monitors capital on the basis of the equity ratio. This ratio is calculated as shareholders funds divided by total assets. The Board considers an equity ratio in excess of 50% would be appropriate for the Company. At 30 June 2008 this ratio was 51.8% (2008 54.2%).

h) Categories of Financial Assets and Financial Liabilities

Financial Assets	2009	2008
Fair value through profit or loss (FVTPL)	-	-
Designated as at FVTPL – shares	848,874	1,030,180
Derivative financial instruments in hedge accounting relationships	-	279,469
Loans and receivables	368,507	926,112
Cash & cash equivalents	1,232,321	-
Total financial assets	2,449,702	2,235,761
Non-financial assets	58,132,894	59,751,070
Total assets	60,582,596	61,986,831
Financial Liabilities		
Derivative financial instruments in hedge accounting relationships	1,319,700	-
Amortised cost (Including cash & cash equivalents)	22,703,351	23,072,002
Total Financial liabilities	24,023,051	23,072,002
Non-Financial liabilities	5,191,401	5,343,424
Total Liabilities	29,214,452	28,415,426

i) Leases

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

Under 1 year	\$1,444,308
1 to 5 years	\$4,969,794
Over 5 years	\$5,356,723

j) The carrying amount of assets and liabilities equates to their fair value.

18. PROPERTY, PLANT & EQUIPMENT

(a) 2009	Land	Runway, Apron, Taxiway	Buildings	Plant & Equipment	Office Equipment	Motor Vehicles	Total
Cost or valuation							
Balance at beginning of period	10,781,658	17,751,280	19,482,611	16,787,284	97,656	670,134	65,570,623
Purchases	424,619	-	181,713	85,300	14,316	-	705,948
Balance at end of period	11,206,277	17,751,280	19,664,324	16,872,584	111,972	670,134	66,276,571
Accumulated depreciation							
Balance at beginning of period	226,175	763,943	1,450,480	3,208,840	58,495	391,735	6,099,668
Depreciation	46,343	773,668	408,689	1,200,357	16,821	30,995	2,476,873
	272,518	1,537,611	1,859,169	4,409,197	75,316	422,730	8,576,541
Balance at end of period	10,933,759	16,213,669	17,805,155	12,463,387	36,656	247,404	57,700,030

(b) 2008	Land	Runway, Apron, Taxiway	Buildings	Plant & Equipment	Office Equipment	Motor Vehicles	Total
Cost or valuation							
Balance at beginning of period	7,078,254	12,838,653	16,080,755	16,246,034	167,548	665,673	53,076,917
Purchases	19,236	208,280	486,452	328,786	5,698	40,133	1,088,585
Revaluation	3,684,168	4,704,347	2,572,068	688,578	-	-	11,649,161
Sales	-	-	(84,881)	(191,561)	(75,590)	(35,672)	(387,704)
Balance at end of period	10,781,658	17,751,280	19,054,394	17,071,837	97,656	670,134	65,426,959
Accumulated depreciation							
Balance at beginning of period	338,140	2,361,609	1,289,109	2,215,322	109,203	396,087	6,709,470
Depreciation	41,683	763,943	391,023	1,202,132	20,800	31,319	2,450,900
Revaluation	(153,648)	(2,361,609)	(218,925)	(168,960)	-	-	(2,903,142)
Sales	-	-	(10,727)	(183,317)	(71,508)	(35,672)	(301,224)
	226,175	763,943	1,450,480	3,065,177	58,495	391,734	5,956,004
Balance at end of period	10,555,483	16,987,337	17,603,914	14,006,660	39,161	278,400	59,470,955

- (c) Land, buildings and airside pavements were revalued at 1 July 2007 by an independent registered valuer, Telfer Young (Canterbury) Limited. The total fair value of these assets at 1 July 2007, the effective date of the revaluation, was \$60,266,000. 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.

	2009	2008
19. INVESTMENTS		
<i>Non-current investments</i>		
Shares at market value in farmer cooperative		
Companies involved with dairy farm companies	848,874	1,030,180
Of this sum \$830,704 (2008, \$1,015,740) 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.		
20. CONTINGENT LIABILITIES		
There were no other contingent liabilities outstanding at 30 June 2009 (2008 nil).		
21. CAPITAL COMMITMENTS		
Capital expenditure not provided for in the accounts at 30 June 2009 was nil (2008 \$124,824).		
22. RECONCILIATION OF NET SURPLUS FOR THE YEAR TO CASHFLOWS FROM OPERATING ACTIVITIES		
Net surplus (deficit) for the year	(907,842)	(324,236)
<i>Items not involving cashflows</i>		
Depreciation	2,476,873	2,450,901
Net loss on disposal of property, plant & equipment	-	71,369
Decrease in value of investments	185,643	224,622
Deferred taxation	(304,771)	(4,223)
Deferred tax expense direct to equity	479,751	-
<i>Impact of changes in working capital items</i>		
(Increase)/Decrease in trade and other receivables	557,605	(442,815)
Increase/(Decrease) in trade and other payables	(238,196)	(18,855)
Less items classified as investing	347,761	3,611
Net cash inflows from operating activities	2,596,824	1,960,374

23. JUDGEMENTS AND ESTIMATES

The Company used the following judgements in preparing the financial statements:
The tax losses carried forward as a deferred tax asset will be utilised in the future when the Company makes a taxable profit. This deferred tax asset of \$359,534 is likely to be realised beyond 30 June 2009 as the Company is forecasting operating surpluses within the next 5 years.

24. FINANCIAL REPORTING STANDARDS

The following financial Reporting Standards have been issued but are not yet effective and have not been adopted in the preparation of the financial statements:

NZ IAS1	Presentation of Financial Statements
NZ IFRS4	Insurance Contracts
NZ IFRS8	Operating Segments
NZ IAS23	Borrowing Costs

The impact of these standards when they are adopted are not expected to have a material impact on the financial statements.

25. 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 have a substantial interest and which provided services/supplies to the Company on an arm's length commercial basis during the year were:

Dunedin City Council (R F Walls – elected member) – rates and services
Gallaway Cook Allan (Kathy Grant – associate) – legal services

- (b) Transactions with entities in which directors 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	
	2009	2008	2009	2008
Dunedin City Council (R Walls – councillor)	250,039	202,533	-	-
Gallaway Cook Allan (K Grant – associate)	29,374	38,095	-	367

- (c) Compensation of key management personnel:

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

	2009	2008
Short-term benefits	576,800	537,600

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.

26. EVENTS AFTER BALANCE SHEET DATE

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*

RICHARD WALLS

Dunedin City Council	Elected Member
Dunedin Venues Management Company Ltd.	Director
Forever Fashion Ltd. (50% shareholder)	Director
The Aramoana Relief Trust Inc.	Chairman
The Otago Cricket Trust Inc.	Trustee

KATHY GRANT

Gallaway Cook Allan	Associate
Sport Otago	Board Member
University of Otago	Councillor

STUART MCLAUCHLAN

A D Instruments Pty Ltd.	Director
Aurora Ltd.	Director
Cargill Holdings 2002 Ltd.	Director
Citi Bus Ltd.	Director
City Forests Ltd.	Director
Delta Ltd.	Director
Dunedin Casinos Ltd.	Director
Dunedin City Holdings Ltd.	Director
G S McLauchlan & Co.	Partner
Highlanders Rugby Trust Ltd.	Chairman
Lund South Ltd.	Director
New Zealand Sports Hall of Fame	Board of Governors
Otago Community Hospice	Chairman
Otago/Southland Battalion Group	Honary Colonel
Scenic Circle Hotels Ltd.	Director
Scott Technology Ltd.	Chairman
University of Otago	Pro Councillor

GEOFFREY THOMAS

Anderson Lloyd Trustee Company Ltd.	Director
Dunedin Casinos Ltd.	Director
Drivers Road Trust Company Ltd.	Director
Fund Managers Canterbury Ltd.	Director
Fund Managers Holdings Ltd.	Director
Larnach Castle Ltd.	Director
Principals Advice & Support Ltd.	Director
Taieri Industrial Rental Investments Ltd.	Director
The Street NZ Ltd.	Director
Upstart Incubator	Director

JOHN MCCALL

Taieri Gorge Railway Ltd	Director
Tourism Dunedin	Trustee

RICHARD ROBERTS

Tainui School Board of Trustees	Member
West Taieri Rural Water Scheme Committee	Member

Directors' Interests in Contracts

Details of contracts involving directors' interests entered into during the year ended 30 June 2009 are provided in Note 25 to the Financial Statements. All transactions were conducted on an arms' length commercial basis.

Directors' Insurance

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

Principal Activities of the Company

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

State of Affairs

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

Remuneration of the Directors

The directors of Dunedin International Airport Limited and their remuneration for the year ended 30 June 2009 are as follows:

Director	Qualification	Responsibilities	Remuneration
Richard F Walls	QSO, JP, F Inst D	Chairman	\$22,000
Stuart J McLauchlan	BCom, FCA(PP), AF Inst D	Non-Executive Director	\$15,333
Geoffrey R Thomas	LLB, AF Inst D	Non-Executive Director	\$15,333
Kathy Grant	BA, LLB, Dip Law	Non-Executive Director	\$15,333

Mr R F Walls retires by rotation in accordance with the Constitution of the Company and, being eligible, offers himself for re-election.

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
\$120,000-\$140,000	2
\$230,000- \$240,000	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:



R F Walls
Chairman
21 August 2009



S J McLauchlan
Director



AUDIT REPORT

TO THE READERS OF DUNEDIN INTERNATIONAL AIRPORT LIMITED'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2009

The Auditor-General is the auditor of Dunedin International Airport Limited (the Company). The Auditor-General has appointed me, Graham William Crombie, using the staff and resources of Polson Higgs, to carry out the audit of the financial statements and performance information of the Company, for the year ended 30 June 2009.

Unqualified Opinion

In our opinion:

- The financial statements of the Company on pages 11 to 30:
 - comply with generally accepted accounting practice in New Zealand;
 - comply with International Financial Reporting Standards; and
 - give a true and fair view of:
 - the Company's financial position as at 30 June 2009; and
 - the results of its operations and cash flows for the year ended on that date.
- The performance information of the Company on pages 9 to 10 gives a true and fair view of the achievements measured against the performance targets adopted for the year ended 30 June 2009.
- Based on our examination the Company kept proper accounting records.

The audit was completed on 21 August 2009, and is the date at which our opinion is expressed.

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

Basis of Opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed our audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements and performance information did not have material misstatements, whether caused by fraud or error.

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

Our audit involved performing procedures to test the information presented in the financial statements and performance information. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Board of Directors;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement and performance information disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and performance information.

We evaluated the overall adequacy of the presentation of information in the financial statements and performance information. We obtained all the information and explanations we required to support our opinion above.

Responsibilities of the Board of Directors and the Auditor

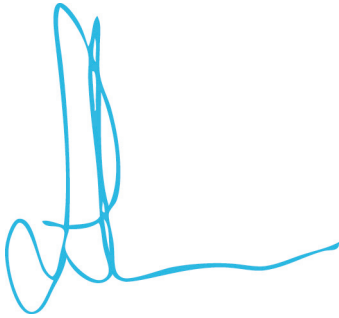
The Board of Directors is responsible for preparing the financial statements in accordance with generally accepted accounting practice in New Zealand. The financial statements must give a true and fair view of the financial position of the Company as at 30 June 2009 and the results of its operations and cash flows for the year ended on that date. The Board of Directors is also responsible for preparing performance information that gives a true and fair view of the service performance achievements for the year ended 30 June 2009. The Board of Directors' responsibilities arise from the Local Government Act 2002 and the Financial Reporting Act 1993.

We are responsible for expressing an independent opinion on the financial statements and performance information and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 70 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 Institute of Chartered Accountants of New Zealand.

Other than the audit, we have no relationship with or interest in the Company.



**Graham William Crombie,
Polson Higgs
On behalf of the Auditor-General,
Dunedin, New Zealand**

Matters Relating to the Electronic Presentation of the Audited Financial Statements and Performance information

This audit report relates to the financial statements and performance information of Dunedin International Airport Limited for the year ended 30 June 2009 included on the Dunedin International Airport Limited's website. The Dunedin International Airport Limited's Board of Directors is responsible for the maintenance and integrity of the Dunedin International Airport Limited's website. We have not been engaged to report on the integrity of the Dunedin International Airport Limited's website. We accept no responsibility for any changes that may have occurred to the financial statements and performance information since they were initially presented on the website.

The audit report refers only to the financial statements and performance information named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements and performance information. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and performance information and related audit report dated 21 August 2009 to confirm the information included in the audited financial statements and performance information presented on this website.

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

