



2010

ANNUAL REPORT

Dunedin
International
Airport
Limited



Dunedin International Airport Limited

Annual Report for the Year ended 30 June 2010

3	Company Particulars
3	Airlines using Dunedin International Airport
4	Chairman's and Chief Executive's Review
9	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

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

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

Bankers

Westpac
 101 George Street
 DUNEDIN

Solicitors

Gallaway Cook Allan
 276 Princes Street
 DUNEDIN

Auditors

Michael Peter Rondel of Polson Higgs
 On behalf of the Auditor-General

Airlines using Dunedin International Airport

FOR THE YEAR ENDED 30 JUNE 2010

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
Pacific Blue	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
	Piper PA32-30

Chairman and Chief Executive's Report

Total passenger numbers at 778,190, compare to 770,206 last year, an increase of 1.0%.

Domestic passenger numbers at 728,689, compare to 719,787 last year, an increase of 1.2%.

International passenger numbers at 49,501 compare to 50,419, a decrease of 1.8%

Total revenue is \$8,157,193, an increase of 8.1% on last year and an increase of 27.4% against budget.

Shareholders' funds at \$27,271,667 compares to \$31,368,144 last year, a decrease of 13.1%.

After tax deficit of \$50,357 compares to a deficit of \$907,842 last year.

Non-aeronautical income at 64.7% of total revenue compares to last year's figure of 62.9%.

Bank debt – term loan, repayments totalled \$2,150,000 for the year.

In line with budget no **dividend** has been declared for the year ended 30 June 2010 however, a dividend of 3 cents per share totalling \$264,000 is proposed to be paid in November 2010.

THE YEAR IN REVIEW

The year has presented any number of challenges to the air transport industry globally and in New Zealand. the global economic downturn has driven a step change to the way the industry meets market conditions. Intense competition between airline carriers to fill seats has resulted in record low fares. Airlines are turning challenges into opportunities; the advent of long-haul low cost carriers being just one. Legacy airlines are introducing innovative new seating options and other onboard services particularly on 'long-haul' routes with Air New Zealand up there with the best in delivering these experiences to passengers. This market stimulation has driven modest industry growth and improved business confidence.

Total revenue of \$8,157,193 is both above budget and an increase on last year. Global and domestic economic conditions saw reduced travel in the first half of the year, however a noticeable and pleasing improvement in travel was evident in the second half.

Aeronautical revenues while 9.5% above budget were down 4.4% on last year, reflecting the reduced international services operated by Air New Zealand and the replacement of some domestic jet services with smaller turbo-prop services. The commencement of Pacific Blue's three international services per week reduced the overall impact.

Non-aeronautical revenues increased strongly; 39.4% above budget and by 11.2% on last year. Improved trading in the second six month period for terminal concessions and increased revenues from the company's car parking, property and dairy farm operations were the key contributors to this result.

The after-tax deficit of \$50,357 is a significant improvement on the budgeted deficit of \$1,544,006, but not unexpected given that trading conditions improved considerably during the year with above budget revenues from terminal concession revenues, international airline services and the company's dairy farming activities.

During the year Air New Zealand made many frequency and capacity adjustments to its domestic flight schedules and the aircraft flying these in response to changing market demand.

In August 2009 Pacific Blue discontinued their middle of the day, daily domestic service to Auckland through Christchurch and operated it as a direct return service in the early evening between Auckland and Dunedin. Air New Zealand adjusted their schedule to compete with Pacific Blue. The overall Dunedin capacity adjustment by Air New Zealand was in line with that which occurred across their domestic network. The consequential effect of these changes reduced revenue from landing charges.

Domestic passenger numbers grew 1.2% from 719,787 last year to 728,689 this year. The first six months of the year saw a reduction in passengers of 3.4% compared to the same period for the previous year. The second six months however, saw a recovery with strong growth and particularly over March and April which were “stand-out” months.

International passenger numbers were down 1.8% from 50,419 last year to 49,501 this year. The reduction was not unexpected due to Air New Zealand’s announcement in early 2009 that they would operate a reduced frequency and seasonal based services from Dunedin. Their services to Brisbane operated from May to October and Sydney and Melbourne operated during December and January only.

The announcement by Pacific Blue that they would operate three return services per week on this route from September 2009 is especially pleasing. Under Freedom Air, the Brisbane route has proven most successful with year round demand and the Pacific Blue services are again proving this with December and January being the peak demand months.

We reported last year that the flow-on effects from the reduction in Air New Zealand’s international services had a significant impact on the airport community with some of our concessionaires and service providers having to downsize their businesses with staff lay-offs and reduced working hours. While international services have not returned to the levels when Freedom Air were operating, it is pleasing to report that the airport community is most encouraged by the start-up of the Pacific Blue services.

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

During the year Project Gateway’ focused on growth in international passenger numbers from Australia. In support of the emphasis on attracting Australians to visit New Zealand the company worked collaboratively with Tourism Dunedin, its airline partners and Tourism New Zealand in the Australian market place.

As we have said previously, direct services providing quick and easy access from Australia 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 stated last year our belief that it was only a matter of time before a new airline would enter the trans-Tasman market to fill the gaps left by Air New Zealand’s withdrawal to offering only a seasonal timetable.

And so, it proved.

In June we welcomed the announcement by Pacific Blue that they would commence a fourth service each week between Dunedin and Brisbane on 17 September 2010 and the announcement by Air New Zealand that they will extend their summer season flights to Sydney and Melbourne beginning December 2010 to operate through to the end of March 2011 rather than the end of January.

CORPORATE SOCIAL RESPONSIBILITY

Environmental

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 operate and enhance wherever possible across its business environmental sustainable initiatives such as recycling, waste water treatment and worm farming activities.

Our cardboard and paper recycling programme which commenced four years ago continues to collect much of the cardboard and paper products disposed of at the airport. We now recycle more than 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 and the Otago Polytechnic Arboriculture Course for tree maintenance on the airport as part of the Polytechnic Student Training Programme.

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. We have also hosted visits by professional and business membership organisations.

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

Worms play an important part in the company's environmental management. In November 2009 a mean-spirited theft that left the pupils of St. Patrick's School in South Dunedin without their worm farm project came to management's attention. We offered to get the schools project back on track and early in the 2010 school year delivered to St. Patrick's a new worm farm, fully functional with 'airport worms'.

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 third year of a five-year Apron Rehabilitation Programme. During the summer construction season a new slot drain was constructed and the asphalt pavement of gate two and the concrete pavement sections where aircraft park on gate one was replaced. Rehabilitation of gate one is now fully completed and allows unlimited use by aircraft such as the B737-800 and A320.

Pavement Monitoring

The ongoing maintenance of airside pavements is a priority for the company. The annual survey by independent pavement professionals as well as daily inspections by company personnel are vital to ensuring that these key assets are ready and capable of supporting the company's business and at the same time meet regulated compliance under the Civil Aviation Rules.

We are currently a little beyond the mid-point in the life of the runway and taxi-way asphalt surfaces and this brings increasing maintenance due to ageing and stress cracking of the pavement. Monitoring and maintaining pavements is particularly important given the daily frequency and increasing number of heavier aircraft using Dunedin International Airport. Air New Zealand's replacement of their domestic fleet of B737-300 with the heavier and larger A320 aircraft commencing early 2011 will place increasing demands on airside pavements.

Dairy Farm

The 2009/2010 season followed a similar pattern to the previous season with a cool spring followed by dry conditions during summer and autumn. Milk solids payouts were an improvement on the 2008/2009 season and there was a small gain in the value of the shares held in Fonterra. Production across both farms was up on last year – 188,014 kg/milk solids compared to 176,224 kg/milk solids, an increase of 6.7%.

Rental Car Facilities

The planned relocation and consolidation of the rental car servicing facilities on one site to the north of the terminal precinct was undertaken during the year and successfully achieved after several years of delay. The old rental car servicing facilities located within the main car park precinct have been removed and the coherent redevelopment of the car park can now be completed.

Car Park Facilities

The earlier than expected redevelopment of one of the former rental car company sites enabled the creation of 22 new parking spaces. The company now has a total of 1035 managed car park spaces—767 public car park spaces, 133 rental car spaces and 135 airport staff and tenant spaces. The car park remains under pressure and is often at capacity.

The provision of further car parking capacity therefore remains a priority for the company. In the year ahead around a further 75 parking spaces will be developed on the remaining sites previously occupied by the rental car service depots.

The current airport master plan provides for the development of a further 200 parking spaces within the car park precinct identified in the plan. Based on forecasted traffic growth for the airport it is expected that some develop of this capacity will be required around 2015-2017.

Security

Security within the aviation system is a matter that continues to require the company's full attention, and rightly so. While our aviation system in New Zealand remains in a "low threat" environment it is vital that we give it every attention to maintain this level of threat. The company's management is involved in a "working group" with our industry regulator, the Civil Aviation Authority, reviewing current rules, regulations and operating practices to ensure that as an industry we are fully compliant with international standards and best practice and that the system can be used with a high level of confidence in the security system.

EVENTS SUBSEQUENT TO YEAR END

It is always pleasing to report on positive matters and we are able to do this again this year. Unfortunately, disappointment also requires reporting.

The announcement by Pacific Blue that they are to increase their international services between Dunedin and Brisbane to four return services weekly is most welcome and encouraging.

In contrast, Pacific Blue's decision to withdraw completely from the New Zealand domestic market from 18 October 2010 is disappointing. The withdrawal of their daily direct return service between Dunedin and Auckland will be effective at the earlier date of 15 September 2010.

Based on current market demand for direct services between Dunedin and Auckland the capacity reduction of 2520 seats per week on this route will result in a capacity shortfall particularly, over the busy October to December period in front of us and this is of concern to the company.

At the time of announcing their annual result Air New Zealand announced also that they would increase capacity between Dunedin and Auckland by 46% in February 2011. While this is most welcome, the seats available will still be below the capacity currently available on the route.

As part of our interest in supporting the “arts” and to enhance the traveller’s experience when using the airport, we are launching our “Artist in the Terminal” project in mid September. The first exhibition will be by talented local artist, Sam Foley. Sam’s exhibition will be followed by another local artist, Kerry Fenton-Johns in November.

Looking ahead the major risk for the company remains the uncertainty around the economic recovery both in our region, nationally and abroad. While air transport has shown remarkable resilience throughout the global finance crisis, there have been significant financial losses experienced across the industry and even though there are now encouraging signs of incremental growth, the overall industry and the company, remains exposed to a sensitive market place.

THE BOARD

The board is satisfied with the state of the company’s affairs. We remain confident of our approach to meeting the challenges that lie ahead and taking the opportunities that they present, in the interests of our airlines and airport users, and the city and region we serve.



R F Walls
Chairman
September 2010



F 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 2010.

FINANCIAL PERFORMANCE

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

	ACTUAL	BUDGET
Deficit before taxation	(208,471)	(2,304,487)
Operating deficit after taxation	(50,357)	(1,544,006)
Return on closing shareholders equity	-0.2%	-5.2%
Closing shareholders' equity	27,271,667	29,555,698

Revenue for the year was 27.4% above budget and expenses were 3.9% below budget. Aeronautical income was 9.5% above budget due to the commencement of Pacific Blue's international service on 3 September 2009 of three services per week to Brisbane and also the change to the mix of aircraft used on Air New Zealand's domestic schedule. Non aeronautical income was up 39.4% with increases in revenue from carparking, dairy farm and property rentals.

All costs were kept within budget due to reduced interest costs and pavement maintenance expenditure. The positive taxation charge is the result of the reduction in deferred tax rates from 30c to 28c and the use of previous years tax losses against the 2010 taxable profit.

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 third year of a 5 year plan to upgrade apron pavements and drainage has been completed which included the renewal of the Gate 2 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 commenced 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, 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, worm-farming for effluent disposal and through "Rhododendron's for Dunedin Trust" the continued planting programme of Rhododendron's and other species.

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
Revenue

	2010	2009	2008	2007	2006
Operating revenue:					
Aeronautical	2,813,698	2,941,721	2,579,508	2,547,439	2,551,526
Percentage	34.5%	39.0%	33.7%	36.3%	38.5%
Non-aeronautical	5,280,398	4,750,365	5,298,004	4,382,030	3,960,405
Percentage	64.7%	62.9%	69.2%	62.4%	59.8%
Interest income	54,675	41,535	3	38,286	882
Dividend income	8,422	835	787	175	275
Gain on investments	688	(185,643)	(224,622)	52,550	111,413
Total revenue	8,157,193	7,548,812	7,653,680	7,020,480	6,624,501
Percentage increase	8.1%	-1.4%	9.0%	6.0%	6.1%
Surplus before tax	(208,471)	(732,862)	(328,459)	159,208	1,184,394
Percentage increase	71.6%	-123.1%	-306.3%	-86.6%	-49.4%
Net tax paid surplus	(50,357)	(907,842)	(324,236)	324,847	922,213
Percentage Increase	94.5%	-179.9%	-199.8%	-64.8%	-35.2%

Shareholders' equity

Shareholders' equity	27,271,667	31,368,144	33,571,405	22,276,765	21,913,851
Return on shareholders' equity	-0.2%	-2.9%	-1.0%	1.5%	4.2%
Dividends paid	-	176,000	-	335,000	765,000
Dividend rate cents per share	-	2	-	3.8	8.7
Capital expenditure	1,357,332	1,053,708	1,088,585	3,072,520	15,322,313
Net operating cashflow	2,336,512	2,596,824	1,960,374	2,716,407	2,257,421
Net asset backing per share	\$3.10	\$3.56	\$3.82	\$2.53	\$2.49
Proprietorship ratio	46.6%	51.8%	54.2%	45.3%	45.7%

statement of comprehensive income

For the year-ended 30 June	Notes	2010	2009
Operating revenue		8,093,408	7,692,085
Interest received		54,675	41,535
Dividend received		8,422	835
Gain/loss on investment		688	(185,643)
Total revenue		8,157,193	7,548,812
Audit fees	4	19,536	13,737
Directors fees		79,000	68,000
Finance costs – interest expense		1,527,946	1,610,665
Depreciation		2,508,193	2,476,873
Loss on disposal of assets		118,961	-
Wages and salaries		1,379,441	1,264,239
Other operating expenses		2,732,587	2,848,160
Total expenses		8,365,664	8,281,674
Operating surplus/(deficit) before income tax		(208,471)	(732,862)
Income tax expense/(credit)	5	(158,114)	174,980
Operating surplus/(deficit) after income tax		(50,357)	(907,842)
Other comprehensive income			
Property revaluation	7	(8,995)	-
Cash flow hedges gain/(loss) taken to equity		(119,628)	(1,599,170)
Income tax on items of other comprehensive income	5	(3,917,497)	479,751
Total comprehensive income/(deficit)		(4,096,477)	(2,027,261)

statement of changes in equity

Equity at the beginning of the year		31,368,144	33,571,405
Comprehensive income/(deficit) for the year		(4,096,477)	(2,027,261)
Less distribution to owners			
- Final dividend	8	-	176,000
Closing Equity		27,271,667	31,368,144

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

balance sheet

For the year-ended 30 June

Shareholders equity

	Notes	2010	2009
Share capital	6	8,800,000	8,800,000
Hedge reserve	7	(1,007,529)	(923,791)
Revaluation reserve	7	7,912,223	11,874,605
Retained earnings	9	11,566,973	11,617,330
		27,271,667	31,368,144

Current liabilities

Trade & other payables	10	758,375	405,047
Current liabilities	11	94,974	163,208
Provisions	12	133,326	135,096
		986,675	703,351

Non-current liabilities

Term loans	14	19,850,000	22,000,000
Deferred taxation	15	8,986,392	5,191,401
Hedge derivatives	18b	1,439,328	1,319,700
		30,275,720	28,511,101

Total equity & liabilities		58,534,062	60,582,596
---------------------------------------	--	-------------------	------------

Represented by:

Current assets

Trade & other receivables	16	453,802	368,507
Prepayments	17	19,271	-
Cash & cash equivalents	13	41,495	1,232,321
		514,568	1,600,828

Non-current assets

Property, plant & equipment	19	56,681,477	57,700,030
Investments	20	869,548	848,874
Deferred taxation	15	468,469	432,864
		58,019,494	58,981,768

Total assets		58,534,062	60,582,596
---------------------	--	-------------------	------------

For and on behalf of the directors.



R F Walls
Chairman
20 August 2010



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	2010	2009
Cash flow from operating activities			
Cash was provided from:			
Receipts from customers		7,988,654	8,249,900
Interest received		54,885	41,325
Dividend received		8,422	835
Cash was applied to:			
Payments to suppliers		2,819,873	2,837,554
Payments to employees		1,372,854	1,259,464
Interest paid		1,522,722	1,598,218
Net cash flows from operating activities	23	2,336,512	2,596,824
Cash flows from investing activities			
Cash was applied to:			
Purchase of shares		20,006	4,338
Purchase of assets		1,357,332	1,053,708
Net cash flows from investing activities		(1,377,338)	(1,058,046)
Cash flows from financing activities			
Cash was applied to:			
Repaid loans		2,150,000	
Dividends paid		-	176,000
Net cash flows from financing activities		(2,150,000)	(176,000)
Net increase/(decrease) in cash held		(1,190,826)	1,362,778
Plus opening cash brought forward		1,232,321	(130,457)
Cash & cash equivalents held 30 June	13	41,495	1,232,321

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 2010

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

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (ie. an asset that necessarily takes a substantial period to get ready for its intended use or sale) are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Employee Entitlements

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

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

Taxation

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

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

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

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

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

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

Property, Plant and Equipment

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

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

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

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

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

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

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

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

Depreciation rates and methods used are as follows:

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

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

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

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	2010	2009
Audit Fees		19,536	13,737
Fees for audit services		19,536	13,737
Fees for human resource and other services paid to the audit service provider		19,447	-
		38,983	13,737

5. TAXATION PROVISION**(a) Income Tax**

Operating surplus/(deficit) before income tax	(208,471)	(732,862)
Taxation @ 30%	(62,541)	(219,859)
<i>Plus/(Less) the tax effect of differences</i>		
Revenue not liable for taxation	201	55,693
Tax losses written back	(95,372)	359,537
Expenditure not deductible for taxation	-	940
Under/(Over) tax provision in prior years	-	(21,331)
Tax effect of differences	(95,573)	394,839
Tax expense	(158,114)	174,980
Effective tax rate	75.8%	25.2%
Represented by		
Current tax	-	-
Deferred tax provision	(158,114)	196,311
Under/(Over) tax provision in prior years	-	(21,331)
Income tax	(158,114)	174,980

(b) Tax on Other Comprehensive Income

Property revaluation reserve:		
Change in future tax rates	(384,512)	-
Change in future deductibility of building depreciation	(3,568,873)	-
Hedge reserve:		
Deferred tax	35,888	479,751
	(3,917,497)	479,751

(c) Imputation Credit Account

Balance available at beginning of the year	1,945,443	2,031,529
Dividends paid	-	(86,687)
Credits attached to dividends received	15	601
Balance at end of the year	1,945,458	1,945,443

6. EQUITY – SHARE CAPITAL*Issued Capital*

8,800,000 ordinary shares	8,800,000	8,800,000
---------------------------	-----------	-----------

All shares have equal voting rights and share equally in dividends and any surplus on winding up.

	2010	2009
7. RESERVES		
<i>A) Hedging reserve</i>		
Balance at beginning of year	(923,791)	195,628
Net revaluations	(119,626)	(1,599,170)
Deferred tax arising on hedges	35,888	479,751
Balance at 30 June	(1,007,529)	(923,791)

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	11,874,605
Property revaluations	(8,995)	-
Deferred tax adjustment to reflect depreciation change	(3,953,387)	-
Balance at 30 June	7,912,223	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	11,617,330	12,701,172
Net/(Loss) for the year	(50,357)	(907,842)
Dividend distributions	-	(176,000)
Balance at 30 June	11,566,973	11,617,330

10. TRADE & OTHER PAYABLES		
Trade payables	618,444	327,118
Accruals	139,931	77,929
	758,375	405,047

The amounts due to customers under construction contracts at 30 June 2010 was \$214,644 (2009: NIL).

11. OTHER LIABILITIES		
<i>Current Liabilities</i>		
GST payable	62,279	83,105
Other current liabilities	32,695	80,103
	94,974	163,208

	2010	2009
12. PROVISIONS		
<i>Annual Leave</i>		
Balance at the beginning of the year	135,096	129,376
Amounts used	(93,427)	(87,425)
Amount accrued	91,657	93,145
Balance at the end of the year	133,326	135,096

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	950	1,300
Westpac cheque account	40,545	(88,979)
Short term advance	-	1,320,000
	41,495	1,232,321

Cash and short-term advances comprise cash held by the group and short-term bank advances with a 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	19,850,000	22,000,000
---------------------	-------------------	------------

Westpac has provided a wholesale term loan of \$18 million with a maturity date of 31 December 2011 and multi option credit line facility of \$3.0 million with a maturity date of 30 September 2011. 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 8.

15. DEFERRED TAX

(a) 2010	Opening Balance	Charged to Equity	Charged to Income	Assets	Closing Balance Sheet Liabilities	Net
Property, plant and equipment	(5,191,401)	(3,953,385)	158,397	-	(8,986,392)	(8,986,392)
Employee benefits	36,954	-	(283)	36,671	-	36,671
Revaluations of interest rate swaps	395,910	35,888	-	431,798	-	431,798
Balance at 30 June 2010	(4,758,537)	(3,917,497)	158,114	468,469	(8,986,392)	(8,517,923)

(b) 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)

	2010	2009
16. TRADE & OTHER RECEIVABLES		
Trade receivables	453,802	368,507

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 2010 were \$57,501, 12.6% of trade receivables (2009, \$42,350, 11.5%).

	19,271	-
17. PREPAYMENTS		
Being the prepaid portion of the Company's membership of NZ Airports Association and Airports Council International.		

18. FINANCIAL RISK MANAGEMENT

a) Financial Risk Factors

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

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

b) Interest Rate Risk

Interest rate swaps	(1,439,328)	(1,319,700)
---------------------	-------------	-------------

The Company uses interest rate swaps to manage its exposure to interest rate movements on its multi option facility borrowings by swapping a proportion of those borrowings from floating rates to fixed rates. The interest rate agreements are held with Westpac. With a variety of start dates the interest rate agreements held at 30 June 2010 exceeds the term debt.

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

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

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

<i>Effective interest rate</i>		2010	2009
Maturing less than 1 year	6.86%	3,000,000	5,000,000
Maturing between 1 and 5 years	6.88%	19,000,000	12,000,000
		22,000,000	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:

2010				
	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	473,073	-	-	473,073
Cash & Cash Equivalents	41,495	-	-	41,495
	514,568	-	-	514,568

2010				
	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	986,675	-	-	986,675
Term Debt	-	19,850,000	-	19,850,000
Derivative Financial Instruments	112,198	1,199,017	128,113	1,439,328
	1,098,873	21,049,017	128,113	22,276,003

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 Instruments	98,726	850,381	370,593	1,319,700
	802,077	22,850,381	370,593	24,023,051

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 2010 totalled \$514,568 (2009: \$1,600,828).

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%	28,000
2%	56,000
3%	84,000

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 2010, after taking into account the effect of interest rate swaps, approximately 86% of the Company's borrowings are at a fixed rate of interest (2009 77%).

At 30 June 2010 the Company had \$2.85 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 \$20,000/(\$20,000).

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 2010 this ratio was 46.6% (2009 51.8%).

h) Categories of Financial Assets and Financial Liabilities

Financial Assets	2010	2009
Fair Value Through Profit or Loss (FVTPL)	-	-
Designated as at FVTPL – Shares	869,548	848,874
Loans and Receivables	473,073	368,507
Cash & Cash Equivalents	41,495	1,232,321
Total Financial Assets	1,384,116	2,449,702
Non-Financial Assets	57,149,946	58,132,894
Total Assets	58,534,062	60,582,596

Financial Liabilities		
Derivative Financial Instruments in Hedge Accounting Relationships	1,439,328	1,319,700
Amortised Cost (Including Cash & Cash Equivalents)	20,836,675	22,703,351
Total Financial Liabilities	22,276,003	24,023,051
Non-Financial Liabilities	8,986,392	5,191,401
Total Liabilities	31,262,395	29,214,452

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	1,762,586
1 to 5 years	6,506,685
Over 5 years	9,465,469

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

k) Fair value of Financial Instruments

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

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

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

	Level 1	Level 2	Level 3	Total
2010	\$	\$	\$	\$
Investments				
Shares at market value in farmer cooperative	869,548	-	-	869,548
Derivates				
Hedge Derivatives	-	1,439,328	-	1,439,328

19. PROPERTY, PLANT & EQUIPMENT

	Land	Runway, Apron, Taxiway	Buildings	Plant & Equipment	Office Equipment	Motor Vehicles	Total
(a) 2010							
Cost or Valuation							
Balance at beginning of period	11,206,277	17,751,280	19,664,324	16,872,584	111,972	670,134	66,276,571
Purchases	860,678	23,671	503,319	213,117	16,811	-	1,617,596
Sales	-	-	(58,912)	(197,278)	(18,461)	(235)	(274,886)
Balance at end of period	12,066,955	17,774,951	20,108,731	16,888,423	110,322	669,899	67,619,281
Accumulated Depreciation							
Balance at beginning of period	272,518	1,537,611	1,859,169	4,409,197	75,316	422,730	8,576,541
Depreciation	58,168	774,045	427,411	1,203,359	18,064	27,146	2,508,193
Sales	-	-	(6,956)	(123,701)	(16,039)	(234)	(146,930)
	330,686	2,311,656	2,279,624	5,488,855	77,341	449,642	10,937,804
Balance at end of period	11,736,269	15,463,295	17,829,107	11,399,568	32,981	220,257	56,681,477
(b) 2009							
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

- (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.

	2010	2009
20. INVESTMENTS		
<i>Non-current investments</i>		
Shares at market value in farmer cooperative		
Companies involved with dairy farm companies	869,548	848,874

Of this sum \$849,823 (2009, \$830,704) is represented by shares in Fonterra Co-operative Group. These shares are required to be held by the Company based on production and can only be realised when production reduces or the Company ceases dairying operations.

21. CONTINGENT LIABILITIES

There were no other contingent liabilities outstanding at 30 June 2010 (2009 nil).

22. CAPITAL AND OTHER COMMITMENTS

Capital and other expenditure not provided for in the accounts at 30 June 2010 was \$231,990 (2009 nil).

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

	2010	2009
Net surplus/(deficit) for the year	(50,357)	(907,842)
<i>Items not involving cashflows</i>		
Depreciation	2,508,193	2,476,873
Net loss on disposal of property, plant & equipment	118,961	-
Decrease in value of investments	(668)	185,643
Deferred taxation	(158,114)	174,980
<i>Impact of changes in working capital items</i>		
(Increase)/Decrease in trade and other receivables	(104,564)	557,605
Increase/(Decrease) in trade and other payables	283,324	(238,196)
Less items classified as investing	(260,263)	347,761
Net cash inflows from operating activities	2,336,512	2,596,824

24. JUDGEMENTS AND ESTIMATES

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

The tax losses have not been carried forward as a deferred tax asset as there is not sufficient probability that the losses will be used in the near future.

25. FINANCIAL REPORT STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

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

26. RELATED PARTY TRANSACTIONS

(a) The shareholders of the Company are The Crown and Dunedin City Holdings Limited, which is wholly owned by the Dunedin City Council. Each owns 50%.

The Company undertakes many transactions with State Owned Enterprises, Government Departments and Dunedin City Council Controlled enterprises. These are carried out on an arm's length commercial basis. Businesses in which directors and key management personnel have a substantial interest and which provided services/supplies to the Company on an arm's length commercial basis during the year were:

Dunedin City Council (R F Walls – elected member) – rates and services
 Gallaway Cook Allan (K Grant – associate) – legal services
 Tourism Dunedin (J McCall – trustee) – tourism promotions

(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	
	2010	2009	2010	2009
Dunedin City Council (R Walls – councillor)	215,027	250,039	2,250	-
Gallaway Cook Allan (K Grant – associate)	13,114	29,374	-	-
Tourism Dunedin (J McCall – trustee)	31,193	-	-	-

(c) Compensation of key management personnel:

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

	2010	2009
Short-term benefits	604,844	576,800

The remuneration of directors is agreed annually, after consultation with the shareholders, and approved at the Company's annual meeting.

The remuneration of the chief executive is determined by the board and the remuneration of key management personnel is determined by the chief executive having regard to the performance of individuals and market trends.

There were no significant events after balance sheet date.

shareholder information

INTERESTS REGISTER

The following are particulars of general disclosures of interest given by the Company directors and key management personnel pursuant to section 140(2) of the *Companies Act 1993*.

RICHARD WALLS

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

KATHY GRANT

Gallaway Cook Allan	Associate
Otago Polytechnic Council	Chairperson
Sport Otago	Board Member
University of Otago	Councillor

STUART MCLAUCHLAN

A D Instruments Pty Ltd.	Director
Aurora Ltd.	Director
Cargill Holdings 2002 Ltd.	Director
CitiBus Ltd.	Director
City Forests Ltd.	Director
Delta Ltd.	Director
Dunedin Casinos Ltd.	Director
Dunedin City Holdings Ltd.	Director
G S McLauchlan & Co.	Partner
Helicopters NZ Ltd.	Director
Hornchurch Ltd.	Director
Lund South Ltd.	Director
New Zealand Sports Hall of Fame	Board of Governors
Otago Community Hospice	Chairman
Otago/Southland Battalion Group	Honary Colonel
Pharmac	Chairman
Scenic Circle Hotels Ltd and Subsidiaries	Director
Scott Technology Ltd.	Chairman
South Canterbury Finance and Subsidiaries	Director
Southbury Corporation	Director
Southern District Health Board	Crown Monitor
University of Otago	Pro Chancellor
University of Otago Foundation Studies Ltd.	Director
USC Investments Ltd.	Director

GEOFFREY THOMAS

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

JOHN MCCALL

NZ Airports Association	Director
Taieri Gorge Railway Ltd	Director
Tourism Dunedin	Trustee

Directors' Interests in Contracts

Details of contracts involving directors' interests entered into during the year ended 30 June 2010 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 2010 are as follows:

Director	Qualification	Responsibilities	Remuneration
Richard F Walls	QSO, JP, F Inst D	Chairman	\$25,558
Stuart J McLauchlan	BCom, FCA(PP), AF Inst D	Non-Executive Director	\$17,814
Geoffrey R Thomas	LLB, AF Inst D	Non-Executive Director	\$17,814
Kathy Grant	BA, LLB, Dip Law	Non-Executive Director	\$17,814

Mr S J McLauchlan 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
\$130,000-\$150,000	2
\$240,000- \$250,000	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
20 August 2010

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 2010

The Auditor-General is the auditor of Dunedin International Airport Limited (the company). The Auditor-General has appointed me, Michael Peter Rondel, 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 2010.

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 2010; 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 2010.
- Based on our examination the company kept proper accounting records.

The audit was completed on 20 August 2010, 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 2010 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 2010. 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 New Zealand Institute of Chartered Accountants.

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



**Michael Peter Rondel,
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 2010 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 20 August 2010 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.