

INTERIM REPORT

For the six months ended
31 December 2013

Dunedin
International
Airport
Limited



DUNEDIN INTERNATIONAL AIRPORT LIMITED

COMPANY PARTICULARS

DIRECTORS

S J McLauchlan, BCom, FCA(PP), AF Inst D
(Chairman & Member – Audit Committee)
K E Grant, BA, LLB, Dip Law, M Inst D
G R Thomas, LLB, AF Inst D (Chairman - Audit Committee)
P A Oakley, BCom, M Inst D

CHIEF EXECUTIVE

F J McCall, AFNZIM, M Inst D

GENERAL MANAGER FINANCE & BUSINESS PERFORMANCE

P Ford, B Com, CA, M Inst D

GENERAL MANAGER INFRASTRUCTURE & SERVICE DELIVERY

R Roberts, B Eng (Hons)

MARKETING & COMMUNICATIONS MANAGER

M Crawford, B Com, BA

REGISTERED OFFICE

Terminal Building, Dunedin International Airport, Momona, Dunedin

Postal Private Bag 1922, Dunedin

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Facsimile 03 486-2813

E-mail admin@dnairport.co.nz

Website www.flydunedin.com

BANKERS

Westpac, 101 George Street, Dunedin

SOLICITORS

Galloway Cook Allan, 276 Princes Street, Dunedin

AUDITORS

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

DUNEDIN INTERNATIONAL AIRPORT LIMITED

CHAIRMAN'S REPORT

For the six months ended 31 December 2013

It is my pleasure to present the six month results for Dunedin International Airport ending 31 December 2013.

During the period the company has not escaped from the on-going challenges of the economic, regulatory and competitive environment in the air transport market place. Our airline customers continue to demand improved performance across their businesses and this is a matter which is important to the company also and demands our attention. Improved financial performance through revenue growth and the prudent management of expenses remains a focus for the company.

The half year at a glance:

- Total passenger movements of 437,284 compared to 434,797 for the same period in 2012, an increase of 0.6%. Domestic passenger movements of 402,487 compared to 399,415, an increase of 0.8%.
- International passenger movements decreased to 34,797 from 35,382, down 1.7%.
- Gross revenue of \$6,249,049 compares to \$5,943,396 for the same period in 2012.
- An unrealised loss on the value of shares held in Fonterra Limited of \$294,925 (2012 NIL) is included in Gross Revenue.
- Aeronautical revenue of \$2,461,499 compares to \$2,540,620, for the same period in 2012.
- Non-aeronautical revenue of \$4,082,475 compares to \$3,402,777, an increase of 20% on last year and is derived from international passenger charges, concessionaires, property, car parking, dairy farming and sales by Momona Garage.
- Expenditure for the six months of \$4,890,630 compares to \$3,963,685 for the same period in 2012, an increase of 23.4% due to the inclusion this year of expenses related to the operation of the Momona Garage.
- The operating surplus of \$895,483 after taxation compares to \$1,413,344 for the same period in 2012.
- A dividend of \$1,130,000 was paid to shareholders in November 2013.
- The financial statements have been prepared in accordance with New Zealand equivalents to International Financial Reporting Standards (NZIFRS) and International Financial Reporting Standards (IRFS).

Partnerships

Over the last six months the company has invested significantly more time and resource into developing and nurturing stronger relationships with our key stakeholders, in particular the Airlines. As a result of this, we are seeing a significant change in the way we work with Air New Zealand, Jetstar and Virgin Australia enabling us to move from pure operational relationships to forming customer focused partnerships with these Airlines. We will continue to develop these partnerships and will look to involve the Airlines in both Airport and City initiatives.

For the period ahead, changes by the airlines to some of their direct services connecting Dunedin with Auckland and Brisbane are of concern to the company however, we are committed to working with our airline partners to minimise the impact of these on our business and the travelling the public.

Commitment to customer service

We continue to place emphasis on supporting our customers with timely information and this is reflected in our website visitation, particularly via mobile platforms. In 2014 we will be actively continuing to support this customer need by committing a web development which displays the website information on a mobile-friendly format.

Infrastructure

During the period planning and design work was completed for a further stage of the apron rehabilitation programme. The replacement of gate 3 aircraft stand concrete slabs will commence in February 2014 in readiness for the regular Air New Zealand A320 operations which will commence in March 2014. The planned annual pavement inspection by specialist consultants to identify future pavement maintenance requirements was completed.

The company is actively involved providing airport infrastructure and services for the air support activities for the petroleum exploration off the Otago Coast. Helicopter operations from Dunedin airport will commence in February 2014 to service the Anadarko drill ship.

Statutory and Community Matters

During the period under review the company has met all of its statutory responsibilities with no non-conformance or abatement notices issued.

The Company continues to observe its socially responsible and environmental responsibilities.

It is a core focus of DIAL to support organisations in the Otago community that are in close alignment with our corporate social responsibility objectives. The ongoing partnerships we have with the Fortune Theatre and Southern Sinfonia illustrate this.

The Company also continues to operate the very successful 'Artist in the Terminal' initiative with exhibition space booked more than a year in advance.

General

Although an interim dividend is not being paid at this time, it is intended to pay a final dividend.

The Directors are satisfied with the state of the company's affairs.

A handwritten signature in orange ink, appearing to read "Stuart McLauchlan". The signature is written in a cursive style with a prominent initial "S".

Stuart McLauchlan
CHAIRMAN

28 February 2014

STATEMENT OF COMPREHENSIVE INCOME
for the six months to 31 December

	Unaudited 6 months to 31 December 2013	Unaudited 6 months to 31 December 2012	Audited 12 months to 30 June 2013
Operating Revenue	6,508,199	5,900,787	11,821,562
Interest Received	5,489	23,320	49,108
Dividend Received	30,285	19,289	49,017
Gain/(Loss) on Investment (unrealised)	(294,925)	-	533,815
Total Revenue	6,249,049	5,943,396	12,453,502
Audit Fees	28,555	34,869	74,150
Directors Fees	39,500	39,500	79,000
Interest Paid – Term	607,270	773,547	1,525,558
Wages and Salaries	842,184	732,493	1,459,984
Depreciation	1,517,737	1,176,941	2,769,694
Operating Expenses	1,852,482	1,201,824	3,307,679
Loss on Disposal	2,902	4,512	231
Goodwill Written off	-	-	48,000
Total Expenses	4,890,630	3,963,685	9,264,065
Operating Surplus before Income Tax	1,358,419	1,979,711	3,189,437
Income Tax	462,936	566,367	772,771
Operating Surplus After Income Tax	895,483	1,413,344	2,416,666
Other Comprehensive Income:			
Unrealised Gain / (Loss) on Cash Flow Hedge	315,814	204,418	655,338
Income Tax on Items of Other Comprehensive Income	(88,429)	(57,237)	(183,495)
Total Other Comprehensive Income	227,385	147,181	471,843
Total Comprehensive Income	1,122,868	1,560,525	2,888,509

STATEMENT OF CHANGES IN EQUITY

Equity at the Beginning of Year	44,331,540	42,103,001	42,103,001
Comprehensive Income for period	1,122,868	1,560,525	2,888,509
Distributions to owners:-			
Final Dividend	(1,130,000)	(660,000)	(660,000)
Closing Equity	44,324,378	43,003,526	44,331,510

The accompanying notes form an integral part of these financial statements

BALANCE SHEET
as at 31 December

	Unaudited at 31 December 2013	Unaudited at 31 December 2012	Audited at 30 June 2013
Shareholders Equity			
Share Capital	8,800,000	8,800,000	8,800,000
Hedge Reserve	(396,310)	(948,358)	(623,696)
Revaluation Reserve	21,672,638	21,672,638	21,672,638
Retained Earnings	14,248,050	13,479,246	14,482,568
	44,324,378	43,003,526	44,331,510
Current Liabilities			
Payables and Accruals	720,965	842,110	1,413,637
Provision for Taxation	278,933	328,428	-
	999,898	1,170,538	1,413,637
Non Current Liabilities			
Interest Rate Hedge Derivatives	550,430	1,317,164	866,244
Deferred Taxation	13,621,500	12,753,793	14,207,167
Term Loans	18,000,000	18,000,000	18,000,000
	32,171,930	32,070,957	33,073,411
Total Equity & Liabilities	<u>77,496,206</u>	<u>76,245,021</u>	<u>78,818,558</u>
Represented by:			
Current Assets			
Cash & Cash Equivalents	560,556	1,699,748	31,065
Receivables and Prepayments	884,085	832,569	622,600
Stock on Hand	18,601	-	28,297
	1,463,252	2,532,317	681,962
Non Current Assets			
Fixed Assets	74,895,117	72,835,126	76,290,725
Investments	1,137,847	877,578	1,432,772
Deferred Taxation	-	-	413,099
	76,032,964	73,712,704	78,136,596
Total Assets	<u>77,496,206</u>	<u>76,245,021</u>	<u>78,818,558</u>

The accompanying notes form an integral part of these financial statements

STATEMENT OF CASHFLOWS
for the six months to 31 December

	Unaudited 6 Months to 31 December 2013	Unaudited 6 Months to 31 December 2012	Audited Year to 30 June 2013
Note			
Cash Flows from Operating Activities			
Cash was provided from:			
Receipts from Customers	6,246,713	5,699,450	11,835,980
Interest Received	5,489	29,106	49,108
Dividends Received	30,285	19,289	49,017
Cash was applied to:			
Payments to Suppliers	1,941,730	1,353,863	3,700,211
Payments to Employees	817,215	726,151	1,485,153
Interest Paid	644,818	772,335	1,519,797
Taxation Paid	445,000	1,344,757	965,572
Net Cash Flows from Operating Activities	2,433,724	1,550,739	4,263,372
Cash Flows from Investing Activities			
Cash was provided from:			
Sale of Assets	-	400	400
Cash was applied to:			
Purchase of Shares	-	1,593	22,972
Purchase of Fixed Assets	274,233	952,956	5,812,893
Net Cash Flows from Investing Activities	(274,233)	(954,149)	(5,835,465)
Cash Flows from Financing Activities			
Cash was provided from:			
Loans advanced	-	-	5,000,000
Cash was applied to:			
Dividend Paid	1,130,000	660,000	660,000
Loans Repaid	500,000	-	-
Net Cash Flows from Financing Activities	(1,630,000)	(660,000)	(160,000)
Net Increase/(Decrease) in Cash Held	529,491	(63,410)	1,732,093
Plus Opening Cash Brought Forward	31,065	1,763,158	1,763,158
Closing Cash Held 31 December 2013	560,556	1,699,748	31,065

The accompanying notes form an integral part of these interim financial statements.

ABRIDGED NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2013

1. Accounting Policies for Dunedin International Airport Limited

A. 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 NZ GAAP 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.

B. Significant Accounting Policies

Basis of Accounting

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

The accounting policies are listed in full in the annual report of the company and on the company website www.flydunedin.com.

2. Fixed Assets

	Cost	Accumulated Depreciation	Book Value 31/12/2013	Book Value 31/12/2012	Book Value 30/06/2013
At Valuation:					
Land & Improvements	15,211,053	569,723	14,641,321	14,773,373	14,818,319
Runway, Apron, Taxiway	28,005,298	1,674,372	26,330,926	22,097,520	26,963,999
Buildings	25,416,358	1,005,240	24,411,118	25,927,570	24,746,258
At Cost:					
Office Equipment	108,294	81,753	26,541	21,078	31,802
Vehicles	696,606	501,374	195,232	229,292	211,907
Plant & Equipment	10,830,785	1,540,806	9,289,979	9,786,293	9,518,440
Total	80,268,394	5,373,277	74,895,117	72,835,126	76,290,725

3. Reconciliation of Net Surplus after Taxation to Cash Flows from Operating Revenue

	<i>6 Months to</i> 31 December 2013	<i>6 Months to</i> 31 December 2012	<i>Year to</i> 30 June 2013
Operating Surplus after Taxation	895,483	1,413,344	2,416,666
Items not involving Cashflows			
(Increase)/Decrease in value of investments	294,925	-	(485,815)
Depreciation & Loss on Sale	1,520,639	1,176,941	2,769,692
Increase/(Decrease) in Deferred Taxation	(172,568)	(96,057)	944,218
Deferred tax expensed direct to equity	(88,428)	90,794	(183,495)
Impact of changes in working capital items			
(Increase)/Decrease in Accounts Receivable	(261,486)	(195,551)	14,418
Increase/(Decrease) in Accounts Payable	(192,672)	(243,193)	(171,666)
Less items classified in investing activities	158,898	29,557	(87,122)
Increase/(Decrease) in Provision for Tax	278,933	(625,096)	(953,524)
Net Cash Flows from Operating Activities	2,433,724	1,550,739	4,263,372