



FOR THE SIX MONTHS ENDED 31 DECEMBER 2008

INTERIM ANNUAL REPORT

company particulars

DIRECTORS

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

CHIEF EXECUTIVE

F J McCall, AFNZIM

BUSINESS MANAGER

P Ford, B Com, CA

OPERATIONS MANAGER

R Roberts, B Eng (Hons)

REGISTERED OFFICE

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BANKERS

Westpac, 101 George Street, Dunedin

SOLICITORS

Gallaway Cook Allan, 276 Princes Street, Dunedin

AUDITORS

Graham William Crombie of Polson Higgs & Co
on behalf of the Auditor-General

chairmans report

GROSS REVENUE of \$3,915,319 compares to \$3,588,851 for the same period in 2007, an increase of 9.1%.

AERONAUTICAL REVENUE of \$1,578,795 compares to \$1,260,184 (+25.3%), while non-aeronautical revenue of \$2,336,524 compares to \$2,328,667 (+0.3%).

EXPENDITURE for the six months of \$3,887,904 compares to \$3,592,018 (+8.2%) reflecting increased expenditure on pavement maintenance and business development.

The **OPERATING DEFICIT**, after taxation, of \$40,988 compares to the operating deficit of

\$2,122 for the same period in 2007. This reflects the increased costs of operating the new terminal.

TOTAL PASSENGER MOVEMENTS have increased to 404,329 from 349,214 (15.8%) with domestic passenger movements increasing to 373,007 from 314,074 (+18.8%), and international passenger movements decreasing to 31,322 from 35,140 (-10.9%).

The **FINANCIAL STATEMENTS** have been prepared in accordance with New Zealand equivalents to International Financial Reporting Standards (NZIFRS) and International Financial Reporting Standards (IFRS).

While it is pleasing to again report an increase in gross revenue and strong growth in domestic passenger movements, this is offset by a disappointing decline in international passenger movements for the period under review.

The significant gain in domestic passengers was driven by the entry of Pacific Blue into the Dunedin market on 1 July 2008 with a single daily return service between Christchurch and Dunedin. This connects to its services to Wellington and Auckland, using a 180 seat Boeing 737-800 aircraft. Although the middle of the day service offers limited competition to the comprehensive schedule of services by Air New Zealand, lower and competitive fares have stimulated travel – particularly, leisure travel.

Air New Zealand continues to be the sole provider of international services. The reduction in international passengers is a reflection of the highly competitive fare pricing occurring on trans-Tasman services and market perception that fares from Dunedin are higher than those offered from other airports. Our regular monitoring of passenger movements originating in the natural regional market that this airport serves, shows quite markedly that trans-Tasman passengers have been attracted to use other airports due to lower and more competitive fares on offer by other airlines.

It was pleasing to have the seasonal Melbourne services operating again from October to March for the period under review but disappointing that only a single weekly service has been offered outside of the holiday peak period, instead of the two offered the previous summer season.

A comprehensive review of Project Gateway confirmed that Australia remains a key visitor market for Dunedin. The company with its Project Gateway partners – Dunedin City Council, Tourism Dunedin and Otago Chamber of Commerce – continues with marketing initiatives to airlines promoting the strengths of Dunedin and using the airport and the city as the gateway to the region. In support of the Dunedin Visitor Strategy the company continues to work with Tourism Dunedin to maximise every opportunity to grow visitation to Dunedin.

During the period under review Mainland Air withdrew its limited scheduled service between Dunedin, Alexandra and Queenstown, but continues to operate on-demand charter services.

OPERATIONAL AND STATUTORY MATTERS

Further development of the carpark commenced in November to provide an urgently needed extra 117 public spaces and a staff car park with 105 spaces. When completed in February, total managed car park spaces will total in excess of 1,000 with around 800 being available for the public. A further 100 public spaces within the existing parking perimeter and an improved entry to the carpark is planned once the three rental car service depots are relocated to the proposed new rental car service development referred to below.

The Airport Zone is now fully operative in the Dunedin District Plan. The zone provides for airport related activities of a non-aeronautical nature, to establish and operate the airport to a standard more consistent with the Amenity and Environmental Standards, and the overall integrity of the Dunedin District Plan.

PLANNED DEVELOPMENTS

The planned relocation of the rental car buildings dotted around the car park to purpose built-facilities to the south has again been deferred for reasons outside of the company's immediate control. The company remains committed to the project and is currently working with the rental car companies on a revised project scope and a construction programme.

A further stage of the planned upgrade of apron pavements and drainage commenced in January and will be completed by mid-April 2009. Work at Gate 1 replaces some drains and pavements that were part of the original construction of the airport back in 1960/62.

GENERAL

An interim dividend is not being paid at this time. The payment of a dividend for 2009 will be determined when the audited annual accounts are completed.

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

Despite the challenges that the current state of the domestic and international economies place on us all, the company approaches 2009 with a level of optimism and a readiness to take advantage of those opportunities that we believe will present themselves.



Richard Walls
Chairman

24 February 2009

summary of financial results

	Unaudited 6 months to 31 Dec 08	Unaudited 6 months to 31 Dec 07	Audited Year to 30 June 08
Operating revenue	4,101,048	3,588,848	7,877,512
Interest and dividend income	14,866	3	790
Gain on investments	(200,595)	-	(224,622)
Gross revenue	3,915,319	3,588,851	7,653,680
Surplus/(Deficit) before taxation	(27,415)	(3,167)	(328,459)
Net tax paid surplus	(40,988)	(2,122)	(324,236)
Return on shareholders equity – annualised	-0.26%	-0.02%	-1.0%
Capital expenditure	580,410	586,871	1,088,585
Dividend paid	176,000	-	-
Net asset backing for share	\$3.64	\$2.54	\$3.82
Proprietorship ratio	52.3%	46.1%	54.2%

summary of financial performance

	Unaudited 6 months to 31 Dec 08	Unaudited 6 months to 31 Dec 07	Audited Year to 30 June 08
Operating revenue	4,101,048	3,588,848	7,877,512
Interest received	14,091	3	3
Dividend received	775	-	787
Gain/(Loss) on investment	(200,595)	-	(224,622)
Total revenue	3,915,319	3,588,851	7,653,680
Audit fees	6,869	6,546	15,367
Directors' fees	34,000	30,000	65,542
Interest paid – term	845,968	936,903	1,841,594
Depreciation	1,228,422	1,097,086	2,522,270
Operating expenses	1,772,645	1,521,483	3,537,366
Total expenses	3,887,904	3,592,018	7,982,139
Operating surplus/(deficit)			
Before income tax	(27,415)	(3,167)	(328,459)
Income tax	68,403	(1,045)	(10,899)
Deferred tax adjustment to reflect change in tax rates	-	-	6,676
Operating surplus/(deficit) after income tax	(40,988)	(2,122)	(324,236)

statement of movements in equity

	Unaudited 6 months to 31 Dec 08	Unaudited 6 months to 31 Dec 07	Audited Year to 30 June 08
Equity at the beginning of the year	33,571,405	22,276,765	22,276,765
Operating surplus after income tax	(40,988)	(2,122)	(324,236)
Property revaluation – net	-	-	11,874,605
Cash flow hedges gain/(loss) taken to equity	(1,357,173)	59,795	(255,729)
Total recognised income for the year	(1,398,161)	57,673	11,294,640
Distribution to owners:			
Final dividend	(176,000)	-	-
Closing equity	31,997,244	22,334,438	33,571,405

summary of financial position

	Note	Unaudited 6 months to 31 Dec 08	Unaudited 6 months to 31 Dec 07	Audited Year to 30 June 08
Shareholders equity				
Share capital		8,800,000	8,800,000	8,800,000
Hedge reserve		(1,161,545)	496,993	195,628
Revaluation reserve		11,874,605	-	11,874,605
Retained earnings		12,484,184	13,037,445	12,701,172
		<u>31,997,244</u>	<u>22,334,438</u>	<u>33,571,405</u>
Current liabilities				
Payables and accruals		708,899	690,055	941,545
Bank overdraft		-	877,535	130,457
		<u>708,899</u>	<u>1,567,590</u>	<u>1,072,002</u>
Non-current liabilities				
Hedge derivatives		1,659,350	-	-
Deferred taxation		4,830,181	2,539,285	5,343,424
Term loans		22,000,000	22,000,000	22,000,000
		<u>28,489,531</u>	<u>24,539,285</u>	<u>27,343,424</u>
Total equity and liabilities		<u>61,195,674</u>	<u>48,441,313</u>	<u>61,986,831</u>
Represented by:				
Current assets				
Cash and cash equivalents		1,113,473	-	-
Receivables and prepayments		532,282	592,404	926,112
Interest rate hedge derivatives		-	745,489	279,469
		<u>1,645,755</u>	<u>1,337,893</u>	<u>1,205,581</u>
Non-current assets				
Fixed assets	2	58,440,019	45,857,432	59,470,955
Investments		829,785	1,245,988	1,030,180
Deferred taxation		280,115	-	280,115
		<u>59,549,919</u>	<u>47,103,420</u>	<u>60,781,250</u>
Total assets		<u>61,195,674</u>	<u>48,441,313</u>	<u>61,986,831</u>

The accompanying notes form an integral part of these financial statements

statement of cash flows

	Note	Unaudited 6 months to 31 Dec 08	Unaudited 6 months to 31 Dec 07	Audited Year to 30 June 08
Cash flows from operating activities				
<i>Cash was provided from:</i>				
Receipts from customers		4,494,881	3,479,047	7,434,701
Interest received		14,091	3	-
Dividends received		775	695	787
<i>Cash was applied to:</i>				
Payments to suppliers and employees		1,674,193	1,627,669	3,613,487
Interest paid		835,014	925,239	1,861,627
Net cash flows from operating activities	3	2,000,540	926,837	1,960,374
Cash flows from investing activities				
<i>Cash was provided from:</i>				
Sale of assets		-	-	15,111
<i>Cash was applied to:</i>				
Purchase of shares		200		8,813
Purchase of fixed assets		580,410	799,438	1,092,195
Net cash flows from investing activities		(580,610)	(799,438)	(1,085,897)
Cash flows from financing activities				
<i>Cash was applied to:</i>				
Dividend paid		176,000	-	-
Net cash flows from financing activities		(176,000)	-	-
Net increase/(decrease) in cash held		1,243,930	127,399	874,477
Plus opening cash brought forward		(130,457)	(1,004,934)	(1,004,934)
Closing cash held 31 December 2008		1,113,473	(877,535)	(130,457)

abridged notes to the financial statements

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 *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.

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 financial statements have been prepared in accordance with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS) for the first time. The disclosures required by NZ IFRS 1 concerning the transition from NZ GAAP to NZ IFRSS will be included in the notes to the financial accounts.

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

The accounting policies set out on these pages have been applied consistently to all periods in these financial statements and in preparing an opening NZ IFRS balance sheet at 1 July 2005 for the purposes of the transition to NZ IFRS.

2. Fixed assets

	Cost	Accumulated Depreciation	Book value 31/12/2008	Book value 31/12/2007	Book value 30/06/2008
<i>At valuation:</i>					
Land and improvements	10,833,653	247,261	10,586,392	5,021,808	10,555,482
Runway, apron, taxiway	17,751,280	1,150,777	16,600,503	11,844,770	16,987,337
Buildings	19,588,841	1,647,609	17,941,232	14,810,842	17,603,915
<i>At cost:</i>					
Office equipment	111,972	66,323	45,649	48,206	39,161
Vehicles	670,134	407,232	262,902	295,731	278,400
Plant and equipment	16,812,228	3,808,887	13,003,341	13,836,075	14,006,660
Total	65,768,108	7,328,089	58,440,019	45,857,432	59,470,955

3. Reconciliation of net surplus after taxation to cash flows from operating revenue

	6 months to 31 Dec 08	6 months to 31 Dec 07	Year to 30 June 08
Operating surplus/(deficit) after taxation	(40,988)	(2,122)	(324,236)
Items not involving cash flows			
Depreciation	1,228,422	1,097,086	2,522,270
Decrease in value of investments	200,595	-	224,622
Deferred taxation	-	-	(4,223)
(Increase)/Decrease in accounts receivable	393,832	(109,106)	(442,815)
(Increase)/Decrease in deferred taxation	68,404	32,116	-
Deferred tax expense direct to equity	-	(33,160)	-
Increase/(Decrease) in accounts payable	(232,649)	(270,347)	(18,855)
Less items classified in investing activities	382,924	212,370	3,611
Net cash flows from operating activities	2,000,540	926,837	1,960,374

