

# Dunedin International Airport Limited

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## INTERIM REPORT

for the six months ended 31 December 2010

**DUNEDIN INTERNATIONAL AIRPORT LIMITED**  
**COMPANY PARTICULARS**

**DIRECTORS**

R F Walls, F Inst D, QSO, JP, FNZIM, (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, M Inst D

**BUSINESS MANAGER**

P Ford, B Com, CA

**OPERATIONS MANAGER**

R Roberts, B Eng (Hons)

**REGISTERED OFFICE**

Terminal Building, Dunedin International Airport, Momona, Dunedin  
**Postal** Private Bag 1922, Dunedin  
**Telephone** 03 486-2879  
**Facsimile** 03 486-2813  
**E-mail** admin@dnairport.co.nz  
**Website** [www.flydunedin.com](http://www.flydunedin.com)

**BANKERS**

Westpac, 101 George Street, Dunedin

**SOLICITORS**

Gallaway Cook Allan, 276 Princes Street, Dunedin

**AUDITORS**

Michael Peter Rondel of Polson Higgs & Co  
on behalf of the Auditor-General

## DUNEDIN INTERNATIONAL AIRPORT LIMITED

### CHAIRMAN'S REPORT for the six months ended 31 December 2010

- Total passenger movements increased to 406,567 from 383,488 (+6%). Domestic passenger movements increased to 371,299 from 360,455 (+3%) and international passenger movements increased to 35,268 from 23,033 (+53%).
- Gross revenue of \$4,333,428 compares to \$4,007,762 for the same period in 2009, an increase of 8.1%.
- Aeronautical revenue of \$1,366,351 compares to \$1,423,075, a decrease of .4% reflecting reduced domestic services and capacity following the withdrawal of Pacific Blue from its New Zealand domestic operations in September 2010.
- Non-aeronautical revenue of \$2,967,077 compares to \$2,584,687, an increase of 14.8% derived from international departure fees, concessionaires and car parking.
- Expenditure for the six months of \$4,238,255 compares to \$3,845,813, an increase of 10.2% reflects cost increases in dairy farm operations, increased interest and marketing costs.
- The operating deficit of \$14,171 after taxation compares to an operating surplus of \$113,364 for the same period in 2009.
- The current difference between accounting and tax depreciation has resulted in a higher taxation charge in the Statement of Comprehensive Income.
- The financial statements have been prepared in accordance with New Zealand equivalents to International Financial Reporting Standards (NZIFRS) and International Financial Reporting Standards (IFRS).

#### Overview:

While the reduction in aeronautical revenue is disappointing and due to factors outside the company's control, we are naturally pleased with the increase in overall passenger numbers and especially the turnaround in international passenger numbers following the commencement of Pacific Blue services to Brisbane in September 2009. Initially comprising three flights per week, the service was increased to four in September 2010.

Air New Zealand continues to operate seasonal services on the Dunedin/Brisbane route between April and October. It is also pleasing that their New Zealand summer flights to Sydney and Melbourne will operate from December 2010 to the end of March 2011 instead of finishing at the end of January.

The significance to Dunedin and the region of these services is highlighted by the substantial increase in the number of Australian and other overseas residents arriving or departing from the airport. For the quarter ended 30 September 2010, the number increased to 8,390, up from 3,409 for the same period in 2009.

In comparison with the major New Zealand gateway figures, these numbers may appear insignificant but it is calculated that the revenue contribution to Dunedin and its region from the visitors arriving at Dunedin International Airport amounts to \$3.119 million, a 60% increase on the \$1.952 million for the previous year. (*Tourism Futures International: Monitoring Report 37*).

As part of our marketing strategy to work with our customer airlines in promoting travel to and from Dunedin, we continue to work with our airline customers and tourism organisations promoting Dunedin and our region in Australia. Currently a marketing campaign focussed on Queensland and highlighting Dunedin gardens featuring well known Australian gardening expert, Jamie Durie, is set to be launched in partnership with Pacific Blue, Tourism Dunedin and Tourism New Zealand.

Our website [www.flydunedin.com](http://www.flydunedin.com) continues to attract an increasing number of 'hits' and is fast becoming an important part of our marketing initiatives as well as a source of information for passengers and others.

The period also saw the introduction of 'Artist in the Terminal'. This initiative sets out to deliver an enhanced and multi-dimensional experience to travellers and visitors when in our terminal. Local artists are selected to exhibit their works for a set period. The inaugural exhibition in September was by Dunedin's internationally famed artist, Sam Foley.

Unsettled spring weather impacted on our dairy farming operations with poor grass growth and the need for increased expenditure on stock food and fertiliser. Improvements to effluent disposal infrastructure also required additional expenditure. The company is currently reassessing the overall operations of its dairy unit to improve its operations and increase the financial returns.

## **Developments**

The relocation of the rental car service depots, to purpose built facilities adjacent to the airport entry road took place during the period and associated site work, including landscaping, is almost completed.

100 additional car parks on the spaces formerly occupied by the rental car service depots in the main carpark are now available for use and have relieved pressure on carparking at most peak times.

The removal of the rental depots has also enabled the principal vehicle entry lane and adjoining footpath from the main entrance to be completed. Visual amenity for drivers and the safety of pedestrians has consequently improved greatly.

The planned upgrade of apron pavements to take heavier jet aircraft now using the airport and associated stormwater drainage continued with work at Gate 2 completed.

The apron upgrade programme has, however, been changed to accommodate the necessary widening of the Loop Taxiway in preparation for the introduction of the A320 Airbus in Air New Zealand's domestic fleet. This work was completed in December.

The impact of the now approved Air New Zealand and Virgin/Pacific Blue alliance/code-share on trans-Tasman services through Dunedin is currently unknown. The current flight frequency and seat capacity on the Dunedin - Brisbane route is, however, protected by conditions imposed by the regulatory authorities in their approvals.

At the time this report is written, the impact of the devastating floods and other forces of nature in Australia - and particularly Queensland - on trans-Tasman travel demand is unknown and impossible to measure.

## **Operational and Statutory Matters**

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

The Company continues to observe its responsibilities and awareness of environmental and community related matters.

## **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.

Air transport globally including that in New Zealand and Australia is showing clear signs of recovery with traffic being at levels pre-Global Financial Crisis (GFC) however, there remains some concern that the lingering effects of the GFC could still impact on sustainable growth over the next one to two years and more.

As was the case twelve months ago, despite the challenges that the current state of the domestic and international economies place on us all, the company approaches another year with a level of optimism and a readiness to take advantage of those opportunities that present themselves.

**Richard Walls**  
**CHAIRMAN**

15 February 2011

**SUMMARY OF FINANCIAL RESULTS**  
for the six months to 31 December

	<b>Unaudited 6 months to 31 December 2010</b>	<b>Unaudited 6 months to 31 December 2009</b>	<b>Audited Year to 30 June 2010</b>
Operating Revenue	4,317,762	3,971,134	8,093,408
Interest & Dividend Income	15,666	36,628	63,097
Gain on Investments	-	-	688
Gross Revenue	4,333,428	4,007,762	8,157,193
Surplus/(Deficit) before taxation	95,173	161,949	(208,471)
Net Tax Paid Surplus/(Deficit)	(14,171)	113,364	(50,357)
Return on Shareholders Equity (annualised)	-0.1%	0.38%	-0.2%
Capital Expenditure	713,275	209,240	1,357,332
Dividend Paid	264,000	-	-
Net Asset backing for share	\$3.07	\$3.60	\$3.10
Proprietorship ratio	47.1%	52.0%	46.6%

*The accompanying notes form an integral part of these financial statements*

**STATEMENT OF COMPREHENSIVE INCOME**  
for the six months to 31 December

	Unaudited 6 months to <i>31 December</i>  <i>2010</i>	Unaudited 6 months to <i>31 December</i>  <i>2009</i>	Audited 12 months <i>to 30 June</i>  <i>2010</i>
Operating Revenue	4,317,762	3,971,134	8,093,408
Interest Received	-	36,412	54,675
Dividend Received	15,666	216	8,422
Gain on Investment	-	-	688
<b>Total Revenue</b>	<b>4,333,428</b>	<b>4,007,762</b>	<b>8,157,193</b>
Audit Fees	10,230	6,869	19,536
Directors Fees	39,500	34,000	79,000
Interest Paid – Term	788,676	769,429	1,527,946
Depreciation	1,274,106	1,247,770	2,627,154
Operating Expenses	2,125,743	1,787,746	4,112,028
Total Expenses	4,238,255	3,845,813	8,365,664
<b>Operating Surplus / (Deficit) before Income Tax</b>	<b>95,173</b>	161,949	(208,471)
Income Tax	109,344	48,585	(158,114)
<b>Operating Surplus / (Deficit) After Income Tax</b>	<b>(14,171)</b>	113,364	(50,357)
<b>Other Comprehensive Income:</b>			
Write Back Revaluation Reserve	-	-	(8,995)
Unrealised Gain / (Loss) on Cash Flow Hedge	91,733	279,207	(119,628)
Income Tax on Items of Other Comprehensive Income	(27,521)	(83,762)	(3,917,497)
Total Other Comprehensive Income / (Deficit)	64,212	195,445	(4,046,120)
<b>Total Comprehensive Income / (Deficit)</b>	<b>50,041</b>	308,809	(4,096,477)

**STATEMENT OF CHANGES IN EQUITY**

Equity at the Beginning of Year	27,271,667	31,368,144	31,368,144
Comprehensive Income / (Deficit) for period	50,041	308,809	(4,096,477)
Distributions to owners:- Final Dividend	(264,000)	-	-
<b>Closing Equity</b>	<b>27,057,708</b>	31,676,953	27,271,667

*The accompanying notes form an integral part of these financial statements*

**BALANCE SHEET**  
as at 31 December

	Unaudited at 31 December 2010	Unaudited at 31 December 2009	Audited at 30 June 2010
<b>Shareholders Equity</b>			
Share Capital	8,800,000	8,800,000	8,800,000
Hedge Reserve	(943,316)	(728,345)	(1,007,529)
Revaluation Reserve	7,912,224	11,874,605	7,912,223
Retained Earnings	11,288,800	11,730,693	11,566,973
	<b>27,057,708</b>	<b>31,676,953</b>	<b>27,271,667</b>
<b>Current Liabilities</b>			
Payables and Accruals	1,137,904	872,865	986,675
	1,137,904	872,865	986,675
<b>Non Current Liabilities</b>			
Interest Rate Hedge Derivatives	1,347,594	1,040,493	1,439,328
Deferred Taxation	8,654,787	5,323,749	8,986,392
Term Loans	19,250,000	22,000,000	19,850,000
	29,252,381	28,364,242	30,275,720
<b>Total Equity &amp; Liabilities</b>	<b><u>57,447,993</u></b>	<b><u>60,914,060</u></b>	<b><u>58,534,062</u></b>
Represented by:			
<b>Current Assets</b>			
Cash & Cash Equivalents	3,946	2,357,443	41,495
Receivables and Prepayments	453,771	552,972	473,073
	457,717	2,910,415	514,568
<b>Non Current Assets</b>			
Fixed Assets	2 56,120,645	56,756,079	56,681,477
<b>Investments</b>	<b>869,631</b>	<b>814,702</b>	<b>869,548</b>
Deferred Taxation	-	432,864	468,469
	56,990,276	58,003,645	58,019,494
<b>Total Assets</b>	<b><u>57,447,993</u></b>	<b><u>60,914,060</u></b>	<b><u>58,534,062</u></b>

*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 2010	Unaudited 6 Months to 31 December 2009	Audited Year to 30 June 2010
Note			
<b>Cash Flows from Operating Activities</b>			
Cash was provided from:			
Receipts from Customers	4,337,063	3,786,916	7,988,654
Interest Received	-	36,166	54,885
Dividends Received	15,666	216	8,422
Cash was applied to:			
Payments to Suppliers and Employees	2,151,592	1,762,819	4,192,727
Interest Paid	782,729	760,289	1,522,722
<b>Net Cash Flows from Operating Activities</b>	<b>1,418,408</b>	1,300,190	2,336,512
<b>Cash Flows from Investing Activities</b>			
Cash was provided from:			
Sale of Assets	-	34,172	-
Cash was applied to:			
Purchase of Shares	83	-	20,006
Purchase of Fixed Assets	591,874	209,240	1,357,332
<b>Net Cash Flows from Investing Activities</b>	<b>(591,957)</b>	(175,068)	(1,377,338)
<b>Cash Flows from Financing Activities</b>			
Cash was applied to:			
Dividend Paid	264,000	-	-
Loans Repaid	600,000	-	2,150,000
<b>Net Cash Flows from Financing Activities</b>	<b>(864,000)</b>	-	(2,150,000)
Net Increase/(Decrease) in Cash Held	(37,549)	1,232,321	(1,190,826)
Plus Opening Cash Brought Forward	41,495	1,125,122	1,232,321
<b>Closing Cash Held 31 December 2010</b>	<b>3,946</b>	2,357,443	41,495

*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 2010

## 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](http://www.flydunedin.com).

## 2. Fixed Assets

	Cost	Accumulated Depreciation	Book Value 31/12/2010	Book Value 31/12/2009	Book Value 30/06/2010
<b>At Valuation:</b>					
Land & Improvements	12,271,634	371,501	11,900,133	10,906,637	11,736,269
Runway, Apron, Taxiway	18,056,247	2,701,318	15,354,929	15,826,893	15,463,295
Buildings	20,129,267	2,504,653	17,624,616	17,592,901	17,829,107
<b>At Cost:</b>					
Office Equipment	93,617	66,902	26,715	30,351	32,981
Vehicles	676,769	461,907	214,862	233,830	220,257
Plant & Equipment	16,905,062	6,091,137	10,813,925	11,870,387	11,399,568
Work in Progress	185,467	-	185,467	295,079	-
<b>Total</b>	<b>68,318,063</b>	<b>12,197,418</b>	<b>56,120,645</b>	<b>56,756,079</b>	<b>56,681,477</b>

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

	<i>6 Months to</i> 31 December 2010	<i>6 Months to</i> 31 December 2009	<i>Year to</i> 30 June 2010
<b>Operating Surplus/(Deficit) after Taxation</b>	<b>(14,171)</b>	<b>113,364</b>	<b>(50,357)</b>
Items not involving Cashflows			
Depreciation	1,274,106	1,247,770	2,508,193
Decrease in value of Investments	-	-	(668)
Deferred Taxation	109,343	48,585	(158,114)
Impact of changes in working capital items			
(Increase)/Decrease in Accounts Receivable	19,301	(184,464)	(104,564)
Increase/(Decrease) in Accounts Payable	151,230	169,514	283,324
Less items classified in investing activities	(121,401)	(94,579)	(260,263)
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Net Cash Flows from Operating Activities	1,418,408	1,300,190	2,336,512
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