

Dunedin International Airport Limited



INTERIM REPORT

for the six months ended 31 December 2009

DUNEDIN INTERNATIONAL AIRPORT LIMITED

COMPANY PARTICULARS

DIRECTORS

R F Walls, QSO, JP, FNZIM, F Inst D (Chairman)
K E Grant, BA, LLB, PG 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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Website www.flydunedin.com

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

DUNEDIN INTERNATIONAL AIRPORT LIMITED

CHAIRMAN'S REPORT for the six months ended 31 December 2009

- Gross revenue of \$4,007,762 compares to \$3,915,319 for the same period in 2008, an increase of 2.4%.
- Aeronautical revenue of \$1,423,075 compares to \$1,578,795 (-9.9%) due to a reduction in international services by Air New Zealand. Non-aeronautical revenue of \$2,584,687 compares to \$2,336,524 (+10.6%).
- Expenditure for the six months of \$3,845,813 compares to \$3,887,904 (-1.1%) due to reduced maintenance and interest expenditure.
- The operating surplus of \$110,360 after taxation compares to an operating deficit of \$40,988 for the same period in 2008.
- Total passenger movements decreased to 343,488 from 404,329 (-5.2%). Domestic passenger movements decreased to 360,455 from 373,007 (-3.4%) and international passenger movements decreased to 23,033 from 31,322 (-26.5%).
- 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 report a small increase in gross revenue, it is disappointing that aeronautical revenue is below 2008 due to reduced landed tonnes resulting from the reduction in international services operated by Air New Zealand and the replacement of heavy jet aircraft with lighter turbo-prop aircraft on some domestic sectors.

The period under review is the first enabling a 'like for like' comparison of domestic passenger numbers following the entry of Pacific Blue on 1 July 2008 using a 180 seat Boeing 737-800 aircraft. The service commenced with a single daily return service between Christchurch and Dunedin but in August 2009 the service was revised to a direct Auckland – Dunedin return service. For the period, total domestic passenger movements were 3.4% below the same period in 2008 however, when compared to the same period in 2007 (without Pacific Blue services) total domestic passenger movements have increased by 14.8%.

Following the cuts in international services by Air New Zealand, the commencement of Pacific Blue services to Brisbane in September 2009 restored three weekly services. Air New Zealand continues to operate seasonal services from April to October.

The reduction in international passengers is a direct reflection of the reduced frequency and seasonally operated services to Brisbane, Sydney and Melbourne offered by Air New Zealand.

The entry of Pacific Blue on the trans-Tasman and the loadings being achieved by both airlines again underlines the benefits to passengers of market competition.

A highlight for the period was the launch in August of the company's marketing brand 'FlyDunedin.com'. Through a new website, direct e-marketing and social media networks, various campaigns using "FlyDunedin" will promote the advantages of using Dunedin International Airport. This initiative recognises the changing role of airport companies in the marketing of the cities and regions they serve, and we are pleased to have our airline operators as willing participants in this venture to grow "the Dunedin market". For the period 1 September to 31 December 2009 there have been 30,938 hits recorded, compared to 21,236 for the same period in 2008.

As part of our marketing strategy to work with our customer airlines in promoting travel to and from Dunedin, we are currently partnering with Pacific Blue to promote Dunedin and our region in Australia. One of the advertisements featuring Dunedin is imaged in this report. This follows similar promotions that we have previously partnered with Freedom Air and, subsequently, Air New Zealand at the start-up of their former Dunedin/Sydney service in 2008.

Operational and Statutory Matters

In November the first stage of a new car park management system was commissioned to replace one that was 15 years old and was very limited in the time limit parking options that could be offered. All car parking fees were reviewed at the same time and now offer a wide range of options for parking.

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

Planned Developments

Site works were recently commenced to enable the relocation of the rental car service depots, presently dotted around the car park, to purpose built facilities adjacent to the airport entry road. The construction of purpose built buildings and the associated sealed parking area is being undertaken by the company and will be leased to the rental car companies. The completed development will be available for use in May 2010.

The additional car parks will be developed in two stages with the first stage – about 50 % of the development, being complete by May 2010 and the second stage, by December 2010.

A further stage in the planned upgrade of apron pavements to take heavier jet aircraft now using the airport and associated stormwater drainage commenced recently and will be completed by the end of April 2010. Work at Gate 2 replaces some slot 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 2010 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 2010 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 2010

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SUMMARY OF FINANCIAL RESULTS
for the six months to 31 December 2009

	Unaudited 6 months to 31 December 2009	Unaudited 6 months to 31 December 2008	Audited Year to 30 June 2009
Operating Revenue	3,971,134	4,101,048	7,692,085
Interest & Dividend Income	36,628	14,866	42,370
Gain on Investments	-	(200,595)	(185,643)
Gross Revenue	4,007,762	3,915,319	7,548,812
Surplus/(Deficit) before taxation	161,949	27,415	(732,862)
Net Tax Paid Surplus/(Deficit)	113,364	(40,988)	(907,842)
Return on Shareholders Equity (annualised)	0.38%	-0.14%	-2.9%
Capital Expenditure	209,240	580,410	1,053,708
Dividend Paid	-	176,000	-
Net Asset backing for share	\$3.60	\$3.64	\$3.56
Proprietorship ratio	52.0%	52.3%	51.8%

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

SUMMARY OF FINANCIAL PERFORMANCE
for the six months to 31 December 2009

	Unaudited 6 months to 31 December 2009	Unaudited 6 months to 31 December 2008	Audited 12 months to 30 June 2009
Operating Revenue	3,971,134	4,101,048	7,692,085
Interest Received	36,412	14,091	41,535
Dividend Received	216	775	835
Gain on Investment	-	(200,595)	(185,643)
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Total Revenue	4,007,762	3,915,319	7,548,812
Audit Fees	6,869	6,869	13,737
Directors Fees	34,000	34,000	68,000
Interest Paid – Term	769,429	845,968	1,610,665
Depreciation	1,247,770	1,228,422	2,476,873
Operating Expenses	1,787,746	1,772,645	4,112,399
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Total Expenses	3,845,813	3,887,904	8,281,674
Operating Surplus/(Deficit) before Income Tax	161,949	27,415	(732,862)
Income Tax	48,585	68,403	174,980
Operating Surplus/(Deficit) After Income Tax	<u>113,364</u>	<u>(40,988)</u>	<u>(907,842)</u>

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

STATEMENT OF MOVEMENTS IN EQUITY
for the six months to 31 December 2009

	Unaudited 6 months 31 December 2009	Unaudited 6 months to 31 December 2008	Audited Year to 30 June 2009
Equity at the Beginning of the Year	31,368,144	33,571,405	33,571,405
Operating Surplus After Income Tax	113,364	(40,988)	(907,842)
Cash Flow Hedges Gain/ (Loss) taken to equity	195,445	(1,357,173)	(1,119,419)
Total Recognised Income for the year	308,809	(1,398,161)	(2,027,261)
Distribution to Owners:-			
Final Dividend	-	(176,000)	(176,000)
Closing Equity	31,676,953	31,997,244	31,368,144

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

STATEMENT OF FINANCIAL POSITION
as at 31 December 2009

	Unaudited at 31 December 2009	Unaudited at 31 December 2008	Audited at 30 June 2009
Shareholders Equity	Note		
Share Capital	8,800,000	8,800,000	8,800,000
Hedge Reserve	(728,345)	(1,161,545)	(923,791)
Revaluation Reserve	11,874,605	11,874,605	11,874,605
Retained Earnings	11,730,693	12,484,184	11,617,330
	31,676,953	31,997,244	31,368,144
Current Liabilities			
Payables and Accruals	872,865	708,899	703,351
	872,865	708,899	703,351
Non Current Liabilities			
Interest Rate Hedge Derivatives	1,040,493	1,659,350	1,319,700
Deferred Taxation	5,323,749	4,830,181	5,191,401
Term Loans	22,000,000	22,000,000	22,000,000
	28,364,242	28,489,531	28,511,101
Total Equity & Liabilities	<u>60,914,060</u>	<u>61,195,674</u>	<u>60,582,596</u>
Represented by:			
Current Assets			
Cash & Cash Equivalents	2,357,443	1,113,473	1,232,321
Receivables and Prepayments	552,972	532,282	368,507
	2,910,415	1,645,755	1,600,828
Non Current Assets			
Fixed Assets	2 56,756,079	58,440,019	57,700,030
Investments	814,702	829,785	848,874
Deferred Taxation	432,864	280,115	432,864
	58,003,645	59,549,919	58,981,768
Total Assets	<u>60,914,060</u>	<u>61,195,674</u>	<u>60,582,596</u>

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

STATEMENT OF CASHFLOWS
for the six months to 31 December 2009

	Note	Unaudited 6 Months to 31 December 2009	Unaudited 6 Months to 31 December 2008	Audited Year to 30 June 2009
Cash Flows from Operating Activities				
Cash was provided from:				
Receipts from Customers		3,786,916	4,494,881	8,249,900
Interest Received		36,166	14,091	41,325
Dividends Received		216	775	835
Cash was applied to:				
Payments to Suppliers and Employees		1,762,819	1,674,193	4,097,018
Interest Paid		760,289	835,014	1,598,218
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Net Cash Flows from Operating Activities	3	1,300,190	2,000,540	2,596,824
Cash Flows from Investing Activities				
Cash was provided from:				
Sale of Assets		34,172	-	-
Cash was applied to:				
Purchase of Shares		-	200	4,338
Purchase of Fixed Assets		209,240	580,410	1,053,708
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Net Cash Flows from Investing Activities		(175,068)	(580,610)	(1,058,046)
Cash Flows from Financing Activities				
Cash was applied to:				
Dividend Paid		-	176,000	176,000
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Net Cash Flows from Financing Activities		-	(176,000)	(176,000)
<hr/>				
Net Increase/(Decrease) in Cash Held		1,232,321	1,243,930	1,362,778
Plus Opening Cash Brought Forward		1,125,122	(130,457)	(130,457)
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Closing Cash Held 31 December 2009		2,357,443	1,113,473	1,232,321
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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 2009

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 31/12/2009	Book Value 31/12/2008	Book Value 30/06/2009
At Valuation:					
Land & Improvements	11,206,277	299,641	10,906,637	10,586,392	10,933,759
Runway, Apron, Taxiway	17,751,280	1,924,387	15,826,893	16,600,503	16,213,669
Buildings	19,664,324	2,071,423	17,592,901	17,941,232	17,805,155
At Cost:					
Office Equipment	111,972	81,622	30,351	45,649	36,656
Vehicles	670,134	436,303	233,830	262,902	247,404
Plant & Equipment	16,876,661	5,006,274	11,870,387	13,003,341	12,463,387
Total	66,280,649	9,819,650	56,461,000	58,440,019	57,700,030

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

	6 Months to 31 December 2009	6 Months to 31 December 2008	Year to 30 June 2009
Operating Surplus/(Deficit) after Taxation	113,364	(40,988)	(907,842)
Items not involving Cashflows			
Depreciation	1,247,770	1,228,422	2,476,873
Decrease in value of Investments	-	200,595	185,643
Deferred Taxation	132,347	68,404	(304,771)
Deferred Taxation expense direct to equity	(83,762)		479,751
Impact of changes in working capital items			
(Increase)/Decrease in Accounts Receivable	(184,464)	393,832	557,605
Increase/(Decrease) in Accounts Payable	169,514	(232,649)	(238,196)
Less items classified in investing activities	(94,579)	382,924	347,761
Net Cash Flows from Operating Activities	1,300,190	2,000,540	2,596,824