



Dunedin
International
Airport
LIMITED



Interim Report

SIX MONTHS ENDING 31 DECEMBER 2007





Chairman's Report

While it is pleasing to again report an increase in gross revenue, that is offset by a disappointing but not unexpected small decline in passenger movements for the period under review.

The small gain in domestic passengers failed to offset the drop in international passenger numbers on Freedom Air services to and from Australia, which reflected the reduced capacity and frequency with Brisbane and Sydney. It was pleasing to have the seasonal Melbourne services operated again from October to March – the only Melbourne service operated by Freedom Air.

The announcement by Air New Zealand that they would withdraw the Freedom services at 30 March 2008 and replace these with 'full' Air New Zealand branded flights is a huge step in the ongoing development of trans-Tasman services through the airport. With the proposed increase in capacity and frequency, the value of the Air New Zealand brand in the Australian market, and the inclusion of Dunedin in international flight schedules, the company views this as significant progress for Dunedin and the region. Indeed, a parallel has been drawn with the arrival of container shipping to Port Chalmers in the 1970's.

The company with its partners in Project Gateway – the Dunedin City Council, Tourism Dunedin and the Otago Chamber of Commerce continue with marketing initiatives to airlines

Gross revenue of \$3,588,854 compares to \$3,440,315 for the same period in 2006 an increase of 4.3%.

Aeronautical revenue of \$1,260,184 compares to \$1,320,274 (-4.6%), while non-aeronautical revenue of 2,328,667 compares to \$2,119,598 (+9.9%).

Expenditure for the six months of \$3,592,018 compares to \$3,421,525 (+5%). This includes an increase in depreciation, interest and pavement maintenance expenditure.

The **operating surplus** after taxation, of \$2,122 compares to the operating surplus of \$12,601 for the same period in 2006, a decrease of 116.8%, again reflecting the increased costs of operating the new terminal.

Total passenger movements have declined to 349,214 from 352,243 (-0.9%) with domestic passenger movements increasing to 314,074 from 311,227 (+0.9%) and international passenger movements decreasing to 35,140 from 41,016 (-14.3%).

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

of the strengths of Dunedin and using the airport and the city as the gateway to the region. The company continues to work with Tourism Dunedin to maximise every opportunity to grow visitation to Dunedin.

During November, Mainland Air commenced a limited scheduled service between Dunedin and Queenstown. The service operates via Alexandra as required.

Operational and Statutory Matters

With the completion of the upgrade of the airport's sewage treatment plant early in the period under review, the quality of the treated waste water discharge to the Main Drain which runs through the Taieri Plain has been greatly improved and is meeting recreational quality standards. The receiving water bodies of that drain – lakes Waipori and Waihola – are benefiting accordingly.

The proposed Airport Zone in the Dunedin District Plan has been formally adopted by the Dunedin City Council and is currently in the statutory period provided for appeals to the Environment Court. The zone provides for airport related activities to establish and operate at the airport to a standard more consistent with the amenity and environmental standards and the overall integrity of the Dunedin District Plan.

With the introduction of the Air New Zealand trans-Tasman services on 30 March 2008 the airport quarantine facility is required to be upgraded to handle increased quantities of aircraft waste. In addition, as these services are fully catered, the company is working with Air New Zealand to establish a flight catering facility on the airport.

Planned Developments

The planned relocation of the rental car buildings dotted around the car park to purpose built facilities to the south was not undertaken as planned for in 2007 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 to finalise matters so that construction can take place in 2008.

The first stage of the planned upgrade of apron pavements and drainage commence in January and will be completed by late March 2008. This work 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 2008 will be determined when the audited annual accounts are completed.



The directors are satisfied with the state of the company's affairs and looks forward with confidence to 2008 despite signals of a downturn in the domestic and international economies.

A handwritten signature in green ink that reads "Richard Walls". The signature is stylized and includes a long horizontal flourish underneath.

Richard Walls
Chairman
22 February 2008

Directors

R F Walls, QSO, JP,FNZIM (Chairman)
K E Grant, BA, LLB, Dip Law (appointed
1 January 2008)
S J McLauchlan, BCom, CA(PP) (chairman – Audit
Committee)
G R Thomas, LLB (member – Audit Committee)
L J Brown, LLB (retired 31 December 2007)

Chief Executive

F J McCall, AFNZIM

Business Manager

P Ford, B Com, CA

Registered Office

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E-mail admin@dnairport.co.nz
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Bankers

Westpac Trust
101 George Street, Dunedin

Solicitors

Galloway Cook Allan
276 Princes Street, Dunedin

Auditors

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

Summary of financial results for the six months ended 31 December 2007

	Unaudited 6 months to 31 December 2007	Unaudited 6 months to 31 December 2006	Audited Year to 30 June 2007
Operating revenue	3,588,848	3,439,872	6,929,644
Interest income	3	443	38,286
Gain on investments	-	-	52,550
Gross revenue	3,588,851	3,440,315	7,020,480
Surplus before taxation	(3,167)	18,790	159,208
Net tax paid surplus	(2,122)	12,601	324,847
Return on shareholders equity (annualised)	0%	0.05%	1.5%
Capital expenditure	586,871	3,923,105	4,541,104
Dividend paid	-	335,000	335,000
Net asset backing for share	\$2.54	\$2.48	\$2.53
Proprietorship ratio	46.1%	43.9%	45.3%

Summary of financial performance for the six months ended 31 December 2007

	Unaudited 6 months to 31 December 2007	Unaudited 6 months to 31 December 2006	Audited Year to 30 June 2007
Operating revenue	3,588,848	3,439,872	6,929,644
Interest received	3	443	38,286
Bad debts recovered	-	-	-
Gain on investment	-	-	52,550
Total revenue	<u>3,588,851</u>	<u>3,440,315</u>	<u>7,020,480</u>
Audit fees	6,546	5,250	13,261
Directors' fees	30,000	30,000	60,000
Interest paid – term	936,903	874,552	1,784,071
Depreciation	1,097,086	1,057,001	2,132,402
Operating expenses	1,521,483	1,454,722	2,871,538
Total expenses	<u>3,592,018</u>	<u>3,421,525</u>	<u>6,861,272</u>
Operating surplus/(deficit) before income tax	(3,167)	18,790	159,208
Income tax	(1,045)	6,189	68,348
Deferred tax adjustment to reflect change in tax rates	-	-	(233,987)
Operating surplus/(deficit) after income tax	<u>(2,122)</u>	<u>12,601</u>	<u>324,847</u>

Statement of movements in equity

Equity at the beginning of the year	22,276,765	21,913,851	21,913,851
Operating surplus after income tax	(2,122)	12,601	324,847
Deferred tax adjustment to reflect change in tax rates			14,159
Cash flow hedges gain taken to equity	59,795	199,511	358,908
	<u>22,334,438</u>	<u>22,125,963</u>	<u>22,611,765</u>
Distribution to owners:			
Final dividend	-	(335,000)	(335,000)
Closing equity	<u>22,334,438</u>	<u>21,790,963</u>	<u>22,276,765</u>

The accompanying notes form an integral part of these financial statements

Summary of financial position as at 31 December 2007

	Note	Unaudited 6 months to 31 December 2007	Unaudited 6 months to 31 December 2006	Audited Year to 30 June 2007
Shareholders' equity				
Share capital		8,800,000	8,800,000	8,800,000
Hedge reserve		496,993	277,801	451,357
Retained earnings		13,037,445	12,713,162	13,025,408
		<u>22,334,438</u>	<u>21,790,963</u>	<u>22,276,765</u>
Current liabilities				
Payables and accruals		690,055	822,612	960,400
Bank overdraft		877,535	2,067,556	1,004,934
		<u>1,567,590</u>	<u>2,890,168</u>	<u>1,965,334</u>
Non-current liabilities				
Deferred taxation		2,539,285	2,903,504	2,887,604
Term loans		22,000,000	22,000,000	20,000,000
		<u>24,539,285</u>	<u>24,903,504</u>	<u>24,887,604</u>
Total equity and liabilities		<u>48,441,313</u>	<u>49,584,635</u>	<u>49,129,703</u>
Represented by:				
Current assets				
Provision for taxation		-	711,920	-
Receivables and prepayments		592,404	531,999	483,299
Interest rate hedge derivatives		745,489	414,629	652,534
		<u>1,337,893</u>	<u>1,658,548</u>	<u>1,135,833</u>
Non-current assets				
Fixed assets	2	45,857,432	46,732,649	46,367,447
Investments		1,245,988	1,193,438	1,245,988
Deferred taxation		-	-	380,435
		<u>47,103,420</u>	<u>47,926,087</u>	<u>47,993,870</u>
Total assets		<u>48,441,313</u>	<u>49,584,635</u>	<u>49,129,703</u>

The accompanying notes form an integral part of these financial statements

Summary of cash flows for the six months ended 31 December 2007

	Unaudited 6 months to 31 December 2007	Unaudited 6 months to 31 December 2006	Audited Year to 30 June 2007
Cash flows from operating activities			
Cash was provided from:			
Receipts from customers	3,479,047	3,567,734	7,106,174
Interest received	3	751	38,594
Income tax refund	-	-	423,062
Dividends received	695	-	-
Cash was applied to:			
Payments to suppliers and employees	1,627,669	1,448,096	3,085,600
Interest paid	925,239	862,513	1,765,823
Net cash flows from operating activities	926,837	1,257,876	2,716,407
Cash flows from investing activities			
Cash was provided from:			
Sale of assets	-	2,010	1,610
Cash was applied to:			
Purchase of fixed assets	799,438	3,923,105	4,318,614
Net cash flows from investing activities	799,438	(3,921,095)	(4,317,004)
Cash flows from financing activities			
Cash was applied from:			
Loans advanced	-	1,760,000	1,760,000
Cash was applied to:			
Dividend paid	-	335,000	335,000
Net cash flows from financing activities	-	1,425,000	1,425,000
Net increase/(decrease) in cash held	127,399	(1,238,219)	(175,597)
Plus opening cash brought forward	(1,004,934)	(829,337)	(829,337)
Closing cash held 31 December 2007	(877,535)	(2,067,556)	(1,004,934)

The accompanying notes form an integral part of these financial statements

Abridged notes to the financial statements for the six months ended 31 December 2007

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 below 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*.

Abridged notes to the financial statements for the six months ended 31 December 2007

2. Fixed Assets

	Cost	Accumulated depreciation	Book value 31/12/2007	Book value 31/12/2006	Book value 30/06/2007
At Valuation:					
Land and improvements	5,384,587	362,779	5,021,808	5,175,936	5,065,114
Runway, apron, taxiway	14,513,653	2,668,883	11,844,770	12,553,895	12,152,044
Buildings	16,268,178	1,457,336	14,810,842	14,530,552	14,791,646
At cost:					
Office equipment	167,548	119,342	48,206	41,402	58,346
Vehicles	670,134	374,403	295,731	274,111	269,585
Plant and equipment	16,639,126	2,803,051	13,836,075	14,156,753	14,030,712
Total	53,643,226	7,785,794	45,857,432	46,732,649	46,367,447

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

	Unaudited 6 months to 31 December 2007	Unaudited 6 months to 31 December 2006	Audited Year to 30 June 2007
Operating surplus after taxation	(2,122)	12,601	324,847
Add back:			
Depreciation	1,097,086	1,057,001	2,140,146
Less:			
Increase in value of Investments	-	-	(52,550)
	1,094,964	1,069,602	2,412,443
(Increase)/decrease in accounts receivable	(109,106)	132,507	181,208
(Increase)/decrease in deferred taxation	32,116	137,903	(160,170)
Deferred tax expense direct to equity	(33,160)	-	(162,611)
Increase/(decrease) in accounts payable	(270,347)	(1,518,552)	(1,380,762)
Less items classified in investing activities	212,370	1,568,128	1,246,091
Increase/(decrease) in provision for taxation	-	(131,712)	580,208
Net cash flows from operating activities	926,837	1,257,876	2,716,407



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