

# ANNUAL REPORT

2020

dunedin  
AIRPORT





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OUR  
**COMPANY  
PARTICULARS**

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**DIRECTORS**

**Tony Allison**  
(Chairman – appointed  
1 November 2018)

**Jonathan G S Cameron**  
(Appointed 1 November 2018)

**Patricia (Trish) A Oakley**  
(Resigned 31 October 2019)

**Mark F Rogers**  
(Resigned 31 October 2019)

**Darin Cusack**  
(Appointed 1 November 2019)

**Darin Cusack**  
(Appointed 1 November 2019)

**Christine McNamara**  
(Intern)

**COMMITTEES**

**Audit Committee**  
Chairperson – Jonathan Cameron,  
Tony Allison

**Remuneration Committee**  
Chairperson – Rachel Brooking,  
Tony Allison

**Health and Safety Committee**  
Chairperson – Darin Cusack,  
Tony Allison, Jonathan Cameron,  
Rachel Brooking

**CHIEF EXECUTIVE**

Richard Roberts

**GENERAL MANAGER  
COMMERCIAL**

Chris Cope

**GENERAL MANAGER  
INFRASTRUCTURE AND  
OPERATIONS**

Glen Pleasants

**GENERAL MANAGER  
BUSINESS DEVELOPMENT**

Megan Crawford

**REGISTERED OFFICE**

Terminal Building  
Dunedin International Airport  
Private Bag 1922  
DUNEDIN

Phone 03 486 2879  
E-mail [admin@dnairport.co.nz](mailto:admin@dnairport.co.nz)  
Website [www.dunedinairport.co.nz](http://www.dunedinairport.co.nz)

**BANKER**

Westpac  
101 George Street  
DUNEDIN

**SOLICITORS**

Gallaway Cook Allan  
123 Vogel Street  
DUNEDIN

**AUDITOR**

Rudie Tomlinson of Audit NZ  
On behalf of the Auditor-General



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**AIRLINE****AIRCRAFT TYPE**

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**DOMESTIC**

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Air New Zealand	Airbus 320CEO, A320NEO, A321NEO
Mount Cook Airline	ATR 72
Air Nelson	Dash 8-300
Jetstar	Airbus 320-200

**INTERNATIONAL**

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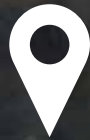
Virgin Australia	Boeing 737-800
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**CHARTER, FLIGHT TRAINING AND COMMUTERS**

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Mainland Air Services	Cessna 152
	Piper PA31-350 Chieftain
	Piper PA34-200 Seneca
	Socata TB10 Tobago





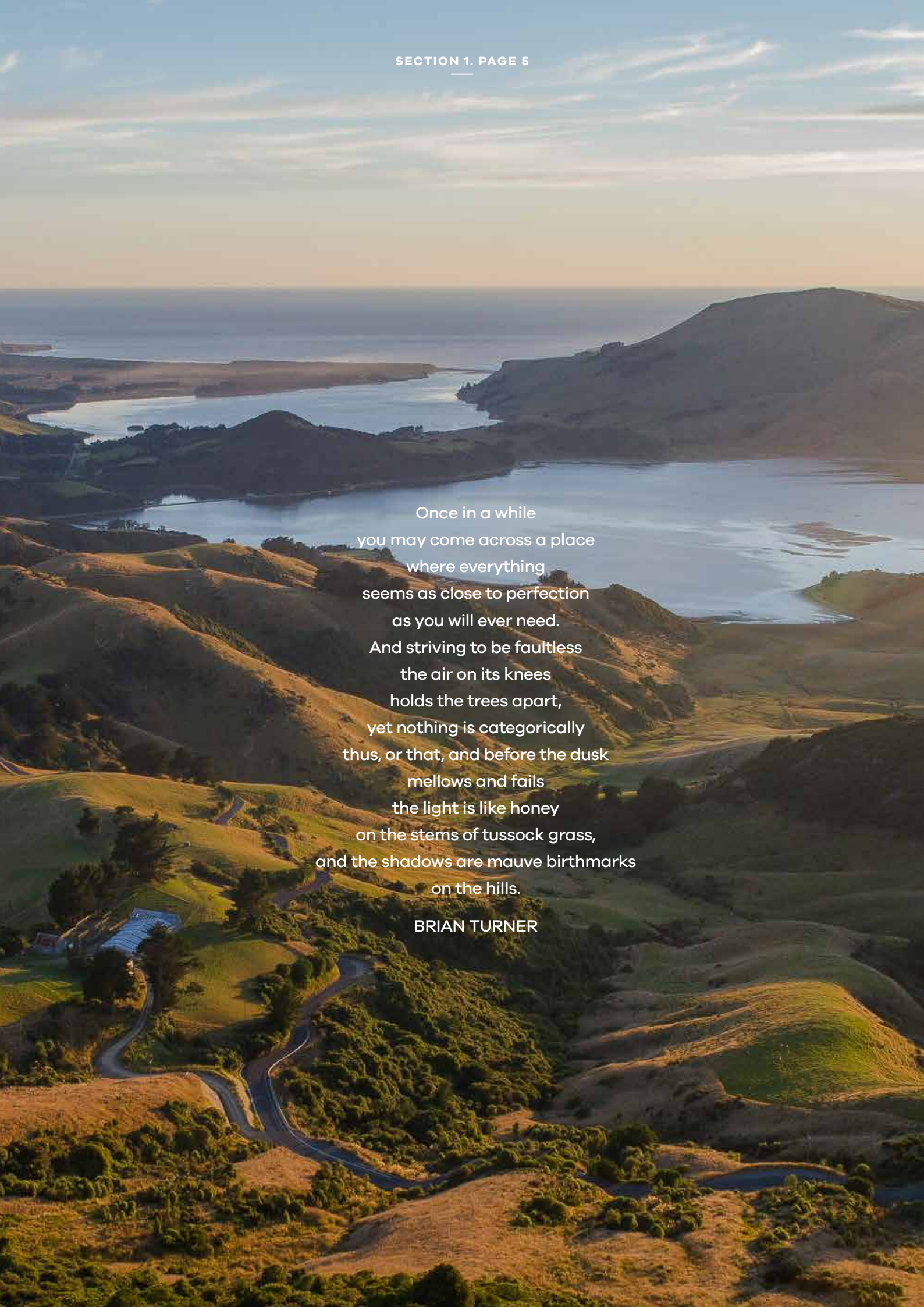
# OUR PLACE

DUNEDIN, NEW ZEALAND

It's hard to imagine that one destination can have some of the best and most unique wildlife viewing in the world, an impressive array of heritage architecture, and be home to world class fashion designers. But there is such a destination, Dunedin.

Dunedin, New Zealand's first city, is set amidst a magical landscape edged by the sea. Here the streets hum vibrantly with colour and culture, and the beauty of nature can still be found everywhere. It is a thriving city of rare charm.



An aerial photograph of a coastal landscape during sunset. The scene features rolling hills in the foreground, a winding road, and a bay with a small island in the distance. The sky is a mix of blue and orange, and the water reflects the warm light. The text is centered in the middle of the image.

Once in a while  
you may come across a place  
where everything  
seems as close to perfection  
as you will ever need.  
And striving to be flawless  
the air on its knees  
holds the trees apart,  
yet nothing is categorically  
thus, or that, and before the dusk  
mellows and fails  
the light is like honey  
on the stems of tussock grass,  
and the shadows are mauve birthmarks  
on the hills.

BRIAN TURNER







# OUR BOARD

## Place BY BRIAN TURNER.

Once in a while  
you may come across a place  
where everything  
seems so close to perfection,  
as you will ever need.  
And striving to be flawless  
the air on the breeze  
fills the trees apart,  
yet nothing is categorically  
thus, or that, and before the  
millions and tells  
the light of the honey,  
on the shores of human grace,  
and the shadows are made to  
on the hills.



Darin Cusack

Tony Allison - Chairman

Jonathon Cameron

Christine McNamara

Rachel Brooking (absent)



OUR

# EXECUTIVE LEADERSHIP TEAM





Blue Lake,  
St Bathans  
CENTRAL OTAGO



3 hours by car

**GENERAL MANAGER  
COMMERCIAL**

Chris Cope

**GENERAL MANAGER  
INFRASTRUCTURE &  
OPERATIONS**

Glen Pleasants

**GENERAL MANAGER  
BUSINESS  
DEVELOPMENT**

Megan Crawford

**CHIEF EXECUTIVE**

Richard Roberts

# THE YEAR AT A GLANCE

## TOTAL PASSENGERS



793,556

DOWN  
26.4%

## INTERNATIONAL



34,232

DOWN  
19.01%

## DOMESTIC



759,324

DOWN  
26.7%

## INTERNATIONAL CAPACITY



DOWN  
27.1%

## DOMESTIC CAPACITY



DOWN  
25.5%

## BUSIEST MONTH

JULY 2019

91,977



## FINANCIAL SUMMARY

This summary should be read in conjunction with the full financial statements in section 2 or online at [www.dunedinairport.co.nz](http://www.dunedinairport.co.nz)

## OPERATING REVENUE

\$15.2M

DOWN  
13.8%

## OPERATING SURPLUS AFTER TAX



\$3.6M

UP  
1.4%

## AERO REVENUE



\$6.0M

DOWN  
20.2%

## TOTAL DECLARED DIVIDEND FOR THE YEAR



\$2.4M

## SHAREHOLDERS FUNDS



\$69.2M

UP  
8.6%

## NON AERO REVENUE



\$9.2M

+Others

DOWN  
9.01%





# CHAIRMAN AND CEO'S REPORT



The Directors and Management are pleased to present this year's Annual Report.

As they say in sporting circles, this year has most definitely been "a game of two halves". Here's where we were at the end of February 2020 prior to the outbreak of the COVID-19 pandemic in New Zealand:

#### AIR NEW ZEALAND



#### VIRGIN AUSTRALIA



#### JETSTAR



Jetstar's numbers were down against the previous year due to the cancellation of the three - four day a week Wellington services in the previous year.

Virgin Australia were turning around their fortunes, with a greater presence in the New Zealand market since their split with Air New Zealand and work we had been doing across the region with Lower South and strong outbound marketing campaigns.

Our retail revenue performance was up 9% on previous year.

The Terminal Expansion Project was progressing well, and we were looking forward to opening much better spacious and fit for purpose facilities for our growing numbers of passengers.

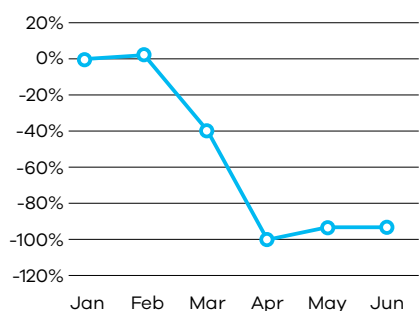
Over the first week of February Dunedin was rocked at the Forsyth Barr Stadium, first by Sir Elton John and then, 6 days later by Queen.

Things were looking and generally feeling good, other than news that some type of communicable disease, known as a Novel Coronavirus which started out in December 2019, had started to spread across the world from January 2020. The spread of the disease continued and has now affected nearly 18 million people worldwide and caused over 685,000 deaths.

On 23rd March 2020 Prime Minister Jacinda Ardern announced that on the 26th March 2020, New Zealand would be going into lock down and the world we knew, was going to change forever. We were living through history and this virus would leave no one on the planet unaffected by its presence.

With New Zealand borders closed and airplanes grounded, the effect on our business was profound. By the end of April passenger numbers for the month were down over 99% compared to April in the prior year. We had never seen this before. It was all new and we were thinking on our feet. We were a team of 5 million and we had made a brave decision.

#### PASSENGER NUMBERS 2020 COMPARED WITH PREVIOUS YEAR







Overnight our business came to a halt and we were sent into COVID mode. The priority was our people and ensuring they were all sorted at home. ZOOM became the normal channel for communication, with calls every morning with our Executive team followed by our Senior Leadership team and Airport Emergency Service (AES) Crew Chiefs. We ensured we communicated to staff with COVID-19 Updates and what was happening at the airport. Only two staff were present on airport each day to provide both security and a point of contact for the odd delivery etc. The terminal building had to be locked down and all lighting and heating reduced to an absolute minimum for health, safety and wellbeing reasons, but to also ensure any expenditure was under control as far as it could be.

The forecasts for air travel into the future were looking very grim, with Air New Zealand and many other airlines forecasting serious reductions for years to come, post COVID.

**"We are preparing for a scenario in which the airline is still 30 percent smaller than pre-Covid levels in two years' time."**

**JEFF MCDOWALL**

Air New Zealand  
Chief Financial Officer

Based on these forecasts, the company had to make the decision to look at the size of the team, and reset, to a team that was required to keep a significantly reduced operation safe for all involved and yet ensure we were ready to work hard during the upturn to get the best we could from a bad situation. Airports are a high fixed cost business and as such there are roles particularly around infrastructure, safety and business development, that are somewhat irrelevant to the volumes of passengers going through the airport. At the start of this crisis we applied for the wage subsidy and for the first period everyone involved in the business took a 20% pay reduction. It became evident over this period that things just weren't going to improve quickly and as such we then had to implement a team resize, which saw us reduce staff numbers by approximately 25%.

This decision is a hard one to take at any time. But in this case, no one had done anything wrong, yet the consequences were significant. Our whole team must be acknowledged for the way they continued to operate throughout and beyond the "lock down" period and continue to do so after a very testing time both operationally and emotionally.

Of the reductions we implemented, we reduced our senior leadership team by one position, reduced our AES team from 19 crew down to 15, we closed our petrol station which had a team of 4 staff and finally, reduced our Customer Service Team by 3½ team members. I appreciate all that these people did for us during a very testing time for us all.



**COMMERCIAL**

**OPERATIONS**

**CUSTOMER**

**CONNECTING OUR PLACE, TO MORE PEOPLE,  
IN THE BEST WAY EVERYDAY**

**OUR BRAND VALUES OF**



**BE YOU**



**BETTER TOGETHER**



**CAN DO**



**MAKE IT EASY**



**WE CARE**



**MAKE IT HAPPEN**

**OUR STRATEGIC GOALS**

TO MAKE SAFETY &  
SECURITY OUR FIRST  
PRIORITY

TO BE  
ENVIRONMENTALLY  
RESPONSIBLE

TO OPTIMISE THE  
COMMERCIAL  
RETURN TO OUR  
SHAREHOLDERS

INCREASE PASSENGER  
NUMBERS

TO DEVELOP &  
STRENGTHEN OUR  
PARTNERSHIPS

PROVIDE THE  
BEST CUSTOMER  
EXPERIENCE

TO BE A GREAT PLACE  
TO WORK

TO CONNECT &  
ENGAGE WITH  
OUR PLACE





Not surprisingly, the COVID-19 pandemic materially influenced the 2020-year passenger numbers.

Despite a strong start to the financial year, total passengers through the airport ended 26.4% down over the previous year at 793,556; a dramatic difference from the 0.5% we were behind the prior period at the end of February 2020.

Compared to the prior year, domestic capacity (excluding charter and flight training flights) decreased 25.5% to 942,913 seats with a corresponding decrease in passengers of 26.7% to 756,656.

International capacity fell by 27.1% with a resultant decline in international passenger numbers by 19.0% during this period to 34,232.

Last year we were pretty stoked to report that our busiest month on record was March 2019, with 99,457 passengers. Unfortunately, we were not able to break this record in the 2020 financial year. However, because of the imposed lockdown, we do have a new record quietest month on record. April 2020 had 804 passengers through the Airport. This compares to over 98,300 in April 2019. A dramatic 99.2% decrease.

As a business that commercially lives and dies based on the volume of passengers, the decrease in passengers outlined above has had a significant impact on the 2020 years financial performance and position.

Dunedin Airport's total revenue, including interest income, dividends, and gains/losses on investments and on sale of property, plant and equipment, decreased by 12.6% to \$15,031,000.

Aeronautical revenue (excluding departure fees) of \$5,987,000, which constituted 39.8% of total revenue (43.6% in the prior year), was 20.2% behind the previous year.

This is caused by the decrease in total passenger numbers, marginally offset by a higher per passenger charge than that generated in the prior year. This was primarily because of the change in aircraft and airline mix.

Non-aeronautical income (excluding interest income, dividends received, gain on the sale of property, plant and equipment, and fair value movements of investments) decreased \$909,000 (9.0%) below last year to \$9,164,000. This revenue stream is derived from passenger activities, retail, property, car parking and the airport's dairy farming operations and constitutes 61.0% of our total revenue; an increase from 58.6% in the prior year.

This decrease has been driven by the decrease in passenger movements through the airport, and the associated impact this has on other, non-aeronautical revenue streams. For example, carparking revenue is \$809,000 (23.01%) down against the prior year. The Airport owned service station revenue is \$408,000 (22.4%) down on the prior year.

These decreases are further compounded by a decrease in rental revenue. In the previous years we have transitioned to a lease structure based on a 'percentage of tenant revenue' rental with our rental car and terminal partners, rather than their previous fixed rental approach. This structure was subject to Minimum Annual Guarantee (MAG) clauses which protected the Airports rental revenue from a dramatic decrease in tenant revenue. However, it became very clear during and subsequent to the COVID-19 lockdown period that the invoicing of MAG's during a period of limited trading revenue for our tenants was not in the joint interests of the future of Dunedin Airport, nor of our valued airport partners. Accordingly, we removed the requirement for tenants to pay MAG's, and provided substantial discounts to other rental streams. Despite the financial implications to the Airport of these rental concessions, we remain focused on ensuring that the Airport and our trading partners can provide the best customer service to our passengers both now and into the future.

Offsetting these decreases in revenue is the Government COVID-19 wage subsidy.



Despite steps taken to reduce our cost structure, including the elimination of all discretionary expenditure, organisational restructuring, salary reductions and reduced working hours, a relatively fixed cost base has resulted in operating expenditure of \$12,569,000, a 4.7% increase over the prior year. This increase is primarily caused by an increase in interest costs resulting from the increase in our debt levels, an increase in pavement maintenance in line with our runway, taxiway, and apron maintenance program, and a increase in salaries and wages as a result of increased headcount over the prior year (albeit that this is somewhat offset by the aforementioned salary reductions and reduced working hours).

The culmination of the revenue and expenditure movements outlined above is an operating surplus before taxation of \$2,341,000, which is \$2,842,000 (54.8%) behind the prior year.

Following the Governments COVID-19 taxation initiatives, the reinstatement of tax depreciation on buildings resulted in a \$2,024,000 credit to our current year income tax expense and a reduction in our deferred tax liability.

The result of the tax credit is an operating surplus after taxation of \$3,636,000, a \$49,000 (1.4%) increase over the prior year.

The dividend declared at the 2019 Annual General Meeting and distributed to shareholders during the 2020 financial year was \$2,372,000.

Dunedin Airport shareholders' funds increased by \$5,465,000, or 5.3%, to \$69,193,000. This increase was primarily the result of a (post tax) \$4,246,000 valuation increase on land, buildings and airside pavements which were revalued at 30 June 2020 and the current year net profit after taxation, offset by the dividend distribution.

Following on from over \$9,110,000 of capital expenditure in the prior year, the 2019-2020 year has seen significant investment in airport infrastructure with current year capital expenditure reaching \$7,569,000. Of this, \$6,853,000 was incurred on the Terminal Expansion Project, \$162,600 replacing the level one terminal flooring, and a further \$131,000 on server and other IT hardware updates.

Unfortunately, a decrease in operating cash flow, which decreased by \$3,055,000 against the prior year to \$3,563,000, meant most of this expenditure was debt funded. Coupled with the dividend distributed, the significant investment programme has resulted in the drawdown of funds from our credit facility and the current year has seen airport debt increase by \$9,000,000 to \$19,250,000.

In March 2020 we commenced consultation with our airline customers on airport charges for regular passenger transport (RPT) operators at Dunedin Airport. It is a legislative requirement under The Airport Authorities Act 1966 that all airport companies consult over charges with all substantial customers, before any new or altered charges are implemented. The previous airport charges consultation occurred in 2017. When the COVID pandemic hit, it made little sense to continue with the consultation as a result of the extensive uncertainty surrounding passenger numbers. Accordingly, after discussion with our airline partners the process was paused and will resume when there is a heightened level of confidence regarding passenger movements.





## CONNECTING MORE PEOPLE

Our strategy remained focused on sustaining trans-Tasman services to and from the region along with increasing frequency into the other main centres of Auckland and Wellington.

Over this financial year we have continued to focus on ensuring the sustainability and growth of our trans-Tasman service however as result of COVID-19, in March 2020, our Virgin Australia, Brisbane service ceased operations. This has been hugely disappointing for a number of reasons, but more so due to the positive results we were seeing from our Lower South NZ strategy.

This strategy was implemented in February 2019 and brought together the Regional Tourism Organisations (RTO), Virgin Australia and complementary airports of the lower south to promote a “whole of region” offer. We engaged with RTOs from Waitaki, Central Otago, Southland, Fiordland, Queenstown, Wanaka, Clutha and Dunedin. We believed this was the most effective strategy to achieve sustainable growth from South East Queensland by working together to promote direct flights (DUD-BNE or ZQN-BNE) and touring experiences.

Over the last year up until March 2020 we had several campaigns that went into the South East Queensland market. These are illustrated in the diagram below:

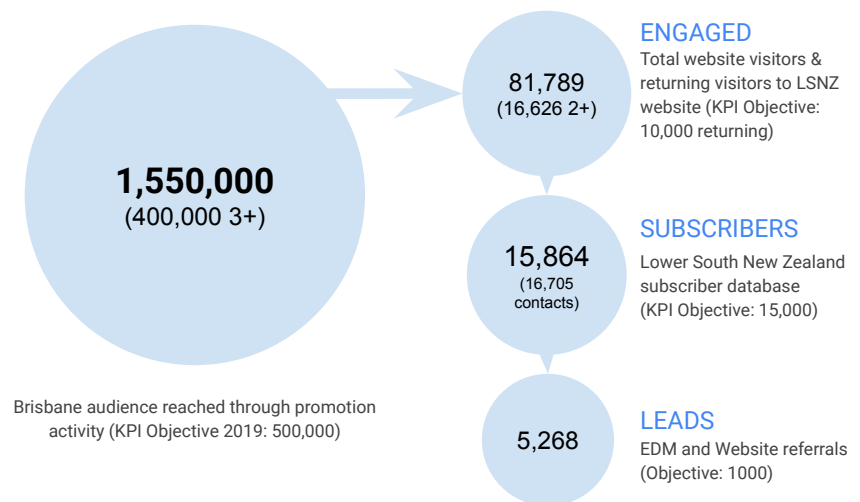
Plans were made for activity in both February and March, but these were put on hold and then subsequently cancelled, once New Zealand went into lockdown. We were extremely proud of the progress made as a result of the Lower South strategy. This was illustrated not only through the increase of inbound visitors and the achievement of KPI's set, but also in the collaborative approach taken to promote what we believe to be the best part of New Zealand.





The diagram below shows the KPI's that were established at the development stage of the strategy - Engagement, Subscribers and Leads. Targets were set and all of them achieved, and then some! We have continued to engage via our Lower South Facebook page with the followers to try and keep the Lower South NZ alive as a potential destination when the Tasman bubble opens up for us all.

### ADVERTISING REACH & ENGAGEMENT





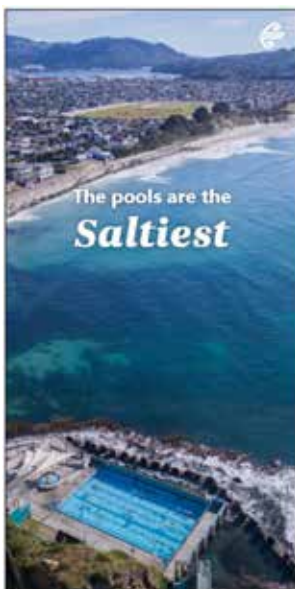


At this point in time we do not believe we will see the “Tasman bubble” eventuating anytime soon. As a result, we have started developing a strategy to guide us in sustaining and/or securing a trans-Tasman service.

In conjunction with Brisbane Airport and Virgin Australia, we held a “Show n Go” event on 27th February. Brisbane Airport run these events for trade partners to profile specific BNE routes, so we were thrilled to be able to host this event in Dunedin to promote our DUD-BNE service. This was a new event for trade in the Otago/Southland regions.

Our strategy for growth continued to be focused on our domestic services and the market that supports them. At the end of September 2020, we worked with Air New Zealand on a second domestic campaign, following on from the campaign that ran in 2019.

Dunedin was featured on the front cover and inside the October Kia Ora Magazine.





At the end of 2019, Air New Zealand presented to us an updated Northern Summer schedule which was:

- DUD-WLG – two flights up gauged from ATR's to jets.
- DUD-CHC – two additional services a week.

These changes were due to come into effect March 2020. As previously reported, all domestic flying reduced significantly when the country went into Level 4 lockdown on the 25th March 2020.

In February 2020, in partnership with Enterprise Dunedin (ED) and NZME, we developed a campaign to welcome the students back to Dunedin and to encourage their parents to return to Dunedin to visit their kids! NZME had their team at the airport and they approached students to take a selfie in front of our #dunnerstunner sign. Parents would then enter online to win flights (care of Air New Zealand), accommodation and a rental car (care of Go Rentals) for a weekend in Dunedin.

We are supporting Enterprise Dunedin with their Dunedin domestic campaign – “A Pretty Good PLAN D”. The thinking behind the campaign is to encourage domestic travel to Dunedin, recognising that New Zealanders may have been booked to travel overseas but are now unable to. The campaign started at a local level as we moved out of lockdown targeting Dunedinites to support local business. The full campaign went live in market mid-June to align with the Tourism NZ domestic campaign to stimulate domestic tourism. Dunedin Airport coinvested with ED to promote Plan D via billboards in Auckland and Wellington. These were displayed at the end of June for two weeks with the creative also including an Air New Zealand fly direct message. Initial results from the campaign showed that in the first two weeks of results from the Plan D campaign being in market:

- FB post – 551,457 reached, 78,000 engagements, 1,160 shares.
- Media–5 radio interviews, TV1 News feature (700k audience), Newshub destination piece.
- DunedinNZ website – users up 55%, page referrals up 37%.





IT'S LIKE  
**BALI**  
BUT, WITH WETSUITS.




**dunedin**  
A PRETTY GOOD  
PLAN D

FLY NON-STOP  
AIR NEW ZEALAND 

SIMILAR TO THE  
**NORTHERN LIGHTS**  
BUT FURTHER SOUTH.



**dunedin**  
A PRETTY GOOD  
PLAN D

FLY NON-STOP  
AIR NEW ZEALAND 

IT'S NOT EXACTLY  
**EDINBURGH**  
BUT IT SORT OF IS.



**dunedin**  
A PRETTY GOOD  
PLAN D

FLY NON-STOP  
AIR NEW ZEALAND 





## BETTER TOGETHER

2019/2020 was another great year for Dunedin with the City playing host to more internationally acclaimed performers and concerts. In September, Fleetwood Mac, returned to Dunedin to perform under the Forsyth Barr Stadium roof bringing visitors into the City. This concert was then followed by two other wonderful performances in February with both Sir Elton John and then Adam Lambert and Queen performing. Our world famous "local" band, Six60 then returned to Dunedin in March 2020, to perform to another big crowd. Unfortunately, in the current situation the remaining concerts for the year have been cancelled.

We had planned to support several events and organisations this financial year but unfortunately as a result of the economic impact COVID imposed, we had to relook at our budgets and reduced spend allocation to sponsorships. Prior to COVID we had allocated budget too:



Dunedin Airport continues to sponsor one of our City's beloved and treasured birds, the Yellow-eyed Penguin. This iconic yet endangered bird needs all the help it can get, and we are very proud to be involved with the Trust. Further, in the upcoming year our team will be assisting the Trust with the important work they do in the field. Another great example of our commitment to our partnerships.



For the fourth year running we were a sponsor of the OUSA Beer and Food Festival held in November 2019 at the Forsyth Barr Stadium. We were honoured to have members of the Air New Zealand Executive attend the event as our guests. This event has continued to go from strength to strength and is quickly becoming recognised as New Zealand's best craft beer festival.

## ousa

We have continued to work closely with the Otago University Students Association (OUSA) to create a greater synergy between Air New Zealand and our student market. For the second year, we collected surveys at the OUSA Marketing Days (part of Orientation Week) to gather information on students travel patterns. The survey questions were developed in conjunction with Air New Zealand. This year we managed to get 400 responses. These survey questions are developed in conjunction with Air NZ and information shared with them to help guide promotional activity and scheduling.





Though in the current climate it is difficult for us to support events and organisations through investment, we can identify other ways of providing promotion and support. Through our relationships with airlines and other stakeholders we will look for opportunities to advertise events in the city and invest in campaigns using events as a reason to travel to Dunedin. We have continued to focus on strengthening relationships with our community and identifying opportunities to share information about the airport and how we work with our partners. We initiated the third year of a stakeholder relationship survey which we sent to 40 of our partners. The results were positive and indicated the trust and strength of our stakeholder relationships.

Our CEO, Richard Roberts, has continued the Airports engagement with the city and region, by presenting information on different aspects of the airport to community groups and organisations. These opportunities allow us to inform people in a very personal and authentic way of both the day to day operations, and the strategies of our airport. They have been very well received by the community.

This year we conducted the 4th Staff Engagement Survey over the last 5 years. The results showed continued improvement of the teams commitment.



## OUR AIRPORT

The start of the 19/20 financial year presented an exciting period ahead with the expected completion of the TXP project in March 2020. Stage one had been completed and was in daily use when COVID-19 lockdown forced a halt to the project. The lockdown and the significant restrictions placed on the returning contractors caused a delay to the completion of the project until August. These challenges combined with the challenges of undertaking this significant project without impacting our day-to-day operations were overcome through effective planning and communications.

The challenges aside, the TXP project has delivered an outstanding addition to our airport, one that has been well received and appreciated by the travelling public. The quality of the new space, the systems and amenities has presented our customers with a vastly improved airport experience. In addition to this, the TXP presents an improved working environment for our staff, airline partners, security and border control agencies, ensuring we are true to our vision of doing what we do, in the best way, every day.

This year has been a year of gains and losses for our Airport Emergency Team (AES). The recruitment of staff to a full complement of 19 firefighters was achieved this year and the team had made great gains in developing into a cohesive and well-trained team under the new leadership and shift structure. Leadership and management training, and advanced rank courses were completed. The knowledge and skillsets gained have been used to improve day-to-day management and internal training activities. With the onset of COVID-19, these gains became unfortunate losses, both in staff redundancies and the associated loss in the cohesive team approach. To overcome the impacts of COVID-19, the AES team have been required to take a different approach to rosters and how the teams conduct their daily duties. Regardless of the challenges this year, the AES team have continued to deliver the necessary level of service to meet all CAA regulatory requirements under some very testing conditions.

As a result of the PFOS testing conducted on the fire appliance fleet in 2019, the two appliances that were found to have low levels of PFOS residue were to be cleaned and replenished with fluorine free





foam in April this year. Due to the impact of COVID-19, this was not able to be completed. The cleaning and replenishment activities will now be completed in October 2020.

In line with our runway maintenance plan, we continue to monitor and maintain our most important asset, our runway; however, the runway suffered a localised failure of the asphalt surface which caused one significant delay to an Air New Zealand service and the cancellation of one Jetstar service. Our Operations team in conjunction with Fulton Hogan performed exceptionally well to manage the incident, perform repair activities, and return the runway to full use within a short time frame.

With our continued approach to invest in the airside pavement infrastructure, we planned to perform a significant overlay of the main taxiway. This was planned to be completed in April but with the arrival of the national lockdowns, this project could not be carried out. To ensure this taxiway remained fit for use, an interim repair of taxiway was completed, allowing a full overlay to be completed in 18-24 months.

We are now six-years into our runway maintenance programme and will continue to monitor the pavement condition to ensure the expected useful life can be achieved through a robust and focussed maintenance approach.

The year has thrown up many challenges, but it was pleasing that through all of these, both dairy farms continued to operate without issue and meet the expected milk production outputs and quality.

With COVID-19 taking over the headlines, the Mycoplasma Bovis outbreak and subsequent actions across the Dairy Industry have not had the public exposure as they have in the previous 24-months. However, Dunedin Airport, our sharemilker and farm consultant have remained active in our management of the disease within the herds. Our dairy herds continue to be Mycoplasma Bovis free, which has been confirmed through the continued testing of the milk products by Fonterra. We will continue to monitor the Mycoplasma Bovis disease, the progress of the eradication programme and assist MPI and our sharemilkers on this issue.

Cyber security was a focus for us this year and after completing security testing of our IT system, several recommendations were made to improve our overall cyber security. This was a significant piece of work and after completion, we now have a modern and secure information and communication environment that will be continually monitored by our IT support team, and improvements made when required.

Our new Relay store opened on the 21st of February. It looks great and prior to COVID we were already seeing the difference in turnover from the change in location of the store and its appearance. The store did open again under Level Two, but only for limited hours according to the flight schedule.



## WE CARE

The past 12 months have seen significant milestones, improvements, and certification achievements. These include, but are not limited to;

- **CAA – Part 139 Recertification Audit**

This was accepted on the 30th of July 2019.

No audits were conducted this year as the airport continues to be a low risk operation as determined by CAA based on previous 12-month audits.

- **MPI- Successful Point of First Arrival (POFA) and Transitional Facility Audit**

MPI conducted audits of our international processing facilities without any major findings.

- **Farm Environmental Certification from Fonterra**

Both farms that we operate were independently audited by AssureQuality with commendation comments received in the reports

- **Communicable Diseases Preparation and Alert Level Compliance**

We worked with our local partners to be well ahead of the measles outbreak in Auckland which allowed us to be very prepared for any activities associated with social distancing and contagion control. This also included activities which maximised the safety of everyone who travelled through our airport within any stage of the Alert Levels.

- **Apron Lighting**

Successful introduction of LED flood lighting on the apron. This has vastly improved the quality of light and safety environment our staff and airline partners operate in

- **TXP without Incident**

The Terminal Expansion Project (TXP) has engaged multiple contractors working within different disciplines of construction. As the completion of the project draws near, it is pleasing to report there have been no lost time injuries.





## MAKE IT HAPPEN

- **Terminal Enhancements**

The standout terminal enhancements introduced this year are a new public address system, new Flight Information Display System (FIDS) and initial installation of LED lighting in the terminal.

- **Airbridges**

Two new airbridges were installed this year. The airbridges provide modern and reliable means of managing passengers to and from aircraft, and improved safety features.

This is a common theme of the past year, working together safely to meet our regulatory needs to make the airport community slightly better, every day.

One of our greatest challenges is ensuring that any addition to our airport team continually aligns with our simple, yet strong company values. This is crucially important to our business in order that we maintain our high levels of authentic engagement and service delivery to all our partners and customers.

As a team, an airport and a community, we are better together. We care, and we value our relationships. We are proactive with a can-do attitude. We are ourselves – proud, southern people.





DUNEDIN INTERNATIONAL AIRPORT LIMITED

# FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

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## STATEMENT OF SERVICE PERFORMANCE

The Company sets various performance goals in its annual Statement of Intent. These are reported as:

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### GOALS

**TO MAKE SAFETY & SECURITY  
OUR FIRST PRIORITY**

**INCREASE PASSENGER  
NUMBERS**

**TO BE A GREAT PLACE  
TO WORK**

**TO BE ENVIRONMENTALLY  
RESPONSIBLE**

**TO DEVELOP & STRENGTHEN  
OUR PARTNERSHIPS**

**TO CONNECT & ENGAGE  
WITH OUR PLACE**

**TO OPTIMISE THE  
COMMERCIAL RETURN TO  
OUR SHAREHOLDERS**

**PROVIDE THE BEST  
CUSTOMER EXPERIENCE**

It is Dunedin Airport's objective to be a successful business. This success is measured by setting a number of Goals and Objectives, identified at the start of each year. These objectives will be measurable and our performance against these objectives will be reported annually.



## SAFETY &amp; COMPLIANCE

GOALS	OBJECTIVES	RESULT
TO MAKE SAFETY & SECURITY OUR FIRST PRIORITY	To work with our staff and stakeholders to maximise safety on site for all staff and visitors.	
	Implement a minimum of 3 health and safety initiatives aimed at promoting incident reporting.	<p>Three health and safety initiatives were carried out in the current year including:</p> <ul style="list-style-type: none"> <li>• Customer Experience team members were tasked with identifying one hazard, and report on this each month.</li> <li>• Airport Emergency Service staff were tasked with completing all incidents, occurrences and observations in the VAULT recording platform.</li> <li>• AES Deputy Crew Chiefs were tasked to manage the incident, occurrence and observation data input for their respective crews.</li> </ul>
	Review the Health and Safety Plan and objectives with the Health and Safety Committee each year.	Health and Safety Plan, Hazards and Objectives have been reviewed by the H&S Committee in July 2019.
	Hold a minimum of 4 board Health and Safety Committee meetings and 2 Board site audits each year.	<p>The Board Safety Committee held four safety meetings this year.</p> <p>Two site visits were completed at the Momona Garage and the Sewage Treatment Plant.</p>
	Hold a minimum of 4 airport Health and Safety Committee meetings each year.	Four staff Health and Safety Committee meetings were held throughout the year.

ACHIEVED

## SAFETY & COMPLIANCE

GOALS	OBJECTIVES	RESULT
TO MAKE SAFETY & SECURITY OUR FIRST PRIORITY	To work with our staff and stakeholders to maximise safety on site for all staff and visitors.	
	Report on health and safety management and provide statistical data to the company's monthly board meetings and quarterly Board Health & Safety Committee meetings.	<p>Health and Safety management is reported via:</p> <ul style="list-style-type: none"> <li>• Monthly Board Reports with both statistical data and commentary via the Health and Safety dashboard.</li> <li>• Quarterly Board Safety Committee meetings allowing an oversight at governance level.</li> <li>• Safety alerts and memos issued to relevant stakeholders</li> </ul>
	Attend our stakeholder's Health and Safety meetings each year.	<p>The airport Safety and Compliance Manager attended Health and Safety meetings of all major stakeholders, including, but not limited to:</p> <ul style="list-style-type: none"> <li>• Airways NZ</li> <li>• Air New Zealand</li> <li>• Aviation Security</li> </ul>
	Ensure recurrent safety training for all staff is provided.	<p>All required recurrent safety and compliance training for staff has been undertaken which includes, but not limited to:</p> <ul style="list-style-type: none"> <li>• First aid refresher training</li> <li>• Rescue Fire Annual Competency training</li> <li>• Rescue Fire Hot Fire training</li> <li>• Recruit Fire Fighter training</li> <li>• Senior Fire Fighter training</li> <li>• Qualified Fire Fighter training</li> <li>• Basic Life Support/Pre-Hospital Emergency Care (PHEC) training for AES (Initial and refresher).</li> <li>• Elevated Work Platform (EWP) training</li> </ul>
	No Lost Time Injuries are suffered during the Terminal Expansion Project (TXP).	There have been no lost time injuries.

ACHIEVED



## SAFETY &amp; COMPLIANCE

GOALS	OBJECTIVES	RESULT	
TO MAKE SAFETY & SECURITY OUR FIRST PRIORITY	Maintain our CAA Part 139 operating certificate.		
	Successfully achieve compliance in our annual CAA safety and security audits with no major findings.	CAA have not conducted safety or security audits this year due to CAA assessing Dunedin Airport as low risk and extending the period between audits.	ACHIEVED
	Proactively manage Wildlife Hazards		
	Strike Rate in line with Wildlife Hazard Management review recommendations.	The 12-month moving average strike rate was 6.4 strikes per 10,000 aircraft movements. This is above the limit of 5 outlined in the Wildlife Hazard Management Plan.	NOT ACHIEVED
	Maintain food hygiene standards at Momona Garage.		
	Maintain grade 'A' food hygiene certificate.	The Dunedin City Council (DCC) carried out the annual inspection of the Momona Garage and a Grade A certificate was issued through to July 2020.	ACHIEVED
TO BE ENVIRONMENTALLY RESPONSIBLE	Maintain our obligations on any current resource consents in place.		
	Report as required to the Otago Regional Council each year on bore water consent RM 11.369.01.	The annual report for consent RM 11.369.01 for bore water was submitted to the Otago Regional Council (ORC) in August 2019. The report was accepted with no issues raised.	
	Report as required to the Otago Regional Council on sewage discharge consent 2004.309.	Monthly reporting and an annual report for consent 2004.309 for sewage discharge was issued to the ORC in April 2020 covering the 2020 consent year. The report was accepted.	ACHIEVED
	Maintain voluntary annual reporting to the Otago Regional Council on de icing fluid usage at the airport.	The 2019 usage report was submitted and accepted by the ORC in February 2020.	

## FINANCIAL

GOALS	OBJECTIVES	RESULT	
TO BE ENVIRONMENTALLY RESPONSIBLE	Maintain high quality dairy farming practices.		
	No 'Critical' findings raised by any Fonterra dairy farm inspections.	Both of the airports dairy farms were inspected by Fonterra representatives in November 2019 with no critical findings.	ACHIEVED
	Act as a socially and environmentally responsible corporate citizen.		
	Develop and implement sustainable practices for our waste streams.	Tenant recycling was implemented in 2018 and prior to lockdown, a 40% diversion of waste from landfill was achieved. Due to lockdown, this figure has reduced to 29%.	ACHIEVED
	Having implemented public recycling, increase the diversion rate of waste from landfill to 40%.	Due to COVID-19 lockdown, this project was not completed. Completion of this objective will occur in the 2020/21 financial year.	NOT ACHIEVED
TO OPTIMISE COMMERCIAL RETURN TO OUR SHAREHOLDERS	Achieve increased non-aeronautical revenues from activities compared to the previous year.		
	Increase total passenger related non-aeronautical revenue (Momona Garage and carparking) by a minimum of 2.0%	To 30 June 2020, passenger related nonaeronautical revenue (which encompasses the carpark and Momona garage income streams) was 23.7% below last year.  This is in the context of a 26.4% decrease in passengers over the same period.	NOT ACHIEVED



## FINANCIAL

GOALS	OBJECTIVES	RESULT	
TO OPTIMISE COMMERCIAL RETURN TO OUR SHAREHOLDERS	Comply with financial covenants and policy.		ACHIEVED
	<p>Fulfill lender borrowing facility financial covenants:</p> <p>a) Equity Ratio (total shareholders' funds / total assets) &gt; 40%</p> <p>b) Earnings Ratio (EBITDA / interest expense) &gt; 1.7</p>	<p>As at 30 June 2020 the airports Equity Ratio was 64.1%</p> <p>For the year ended 30 June 2020 the airports earnings ratio was 11.3</p>	
	Comply with the company's Dividend Policy.	The airports dividend policy is to distribute 60% of the operating surplus after income taxation (adjusted for fair value movements in equity investments) to shareholders as a dividend. In the current year the dividend declared and distributed, which related to the 2018 – 2019 financial year, was 60% of the 2018 – 2019 adjusted operating surplus after taxation.	NOT ACHIEVED
	Comply with the company's Treasury Policy.	<p>During certain months of the year the airport operated outside the parameters outlined in the Treasury Policy with regard to the percentage of Monthly Forecast Net Debt together with associated derivatives (e.g. interest rate swaps) that had fixed interest rates.</p> <p>Further, in April 2020 the airport was in breach of the Treasury Policy requirement for a maximum of 30% of our funding facility to have a maturity date less than one year. This breach was remedied in May 2020 when the expiry of the current facility was extended to November 2022.</p>	
	Generate a Return on Shareholders' Funds excluding reserves > 7.5%	The Return on Shareholders' Funds (excluding the Hedge and Revaluation Reserves) for the year ended 30 June 2020 is 5.7%.	
	Generate a Return on Shareholders' Capital invested > 25%	The Return on Shareholders' Capital for the year ended 30 June 2020 is 19.0%.	

## BUSINESS DEVELOPMENT

GOALS	OBJECTIVES	RESULT	
TO OPTIMISE COMMERCIAL RETURN TO OUR SHAREHOLDERS	On-going monitoring and refinement of the company's strategic business plan and business risks.		
	Annual update to strategic business plan.	The 2019-2020 Business Plan was finalised in June 2019. Progress with key strategies therein are reported to the Board as part of monthly board reporting.	ACHIEVED
	Six monthly risk analysis undertaken and reported to the Board.	The Risk Analysis Report for the six months ended December 2019, and June 2019 were distributed to the Board and analysed at subsequent Board meetings.	
INCREASE PASSENGER NUMBERS	Partner with our airline, airport, City and tourism industry.		
	Initiate a lower south destination proposition with Dunedin Airport as one of the gateways.	<p>LOWER SOUTH CAMPAIGN</p> <ul style="list-style-type: none"> <li>Five campaigns were put into the South East Queensland market during 2019/2020 as part of the Lower South strategy. Unfortunately, our marketing in Australia ceased in March 2020 due to COVID-19 border restrictions.</li> </ul>	ACHIEVED
	Invest in a minimum of 4 domestic and 4 international promotional campaigns a year jointly with airlines and / or our industry partners.	<p>DOMESTIC CAMPAIGNS</p> <ul style="list-style-type: none"> <li>We co-invested with Enterprise Dunedin (ED) to promote the Plan D campaign via billboards in the Wellington and Auckland markets at the end of June.</li> <li>A joint campaign with Air NZ was completed in September 2019 which included an online competition to Air New Zealand Airpoints members.</li> <li>A joint campaign with Media Works was completed December 2020.</li> <li>A joint campaign was run with Air New Zealand, NZME and ED for student market during February 2020</li> </ul> <p>INTERNATIONAL CAMPAIGNS</p> <ul style="list-style-type: none"> <li>A "Show and Go" event in partnership with Virgin Australia and Brisbane Airport occurred 27 February 2020.</li> <li>See Lower South Campaign above.</li> </ul>	



## BUSINESS DEVELOPMENT & OUR CUSTOMERS

GOALS	OBJECTIVES	RESULT	
INCREASE PASSENGER NUMBERS	Partner with our airline, airport, City and tourism industry.		NOT ACHIEVED
	Increase the number of international passenger movements against the previous year.	International passenger numbers are 19.0% DOWN compared to the prior financial year.	
	Increase domestic passenger numbers.	Domestic passenger numbers on Regular Scheduled Services are 26.7% DOWN compared to the prior financial year.  The primary cause of these decreases is the flight restrictions imposed during and subsequent to the COVID-19 lockdown period.	
TO DEVELOP & STRENGTHEN OUR PARTNERSHIPS	Implement initiatives to improve the performance of our commercial relationships.		ACHIEVED
	Conduct stakeholder engagement surveys once a year with our strategic partners to review the strength of the relationships.	Stakeholder survey was conducted in June 2020.	
	Develop and implement marketing plans for: <ul style="list-style-type: none"> <li>• The Momona Garage</li> <li>• The meeting room facilities, and</li> <li>• Our retail partners.</li> </ul>	Marketing Plans were developed and implemented for the Momona garage, Meeting Rooms and our retail partners.	

## OUR CUSTOMERS & OUR PEOPLE

GOALS	OBJECTIVES	RESULT	
TO PROVIDE THE BEST CUSTOMER SERVICE EXPERIENCE	Provide a high standard of service to our customers.		
	Produce quarterly reports from our continuous customer satisfaction surveys.	Customer satisfaction surveys were completed for Q1, Q2, Q3 and Q4.	ACHIEVED
	Achieve "good" or better across all surveyed areas of customer service.	Achieved across all surveyed areas.	
	Ensure all airside infrastructure maintenance causes no delays to airline operations.		
	No delays to regular scheduled passenger operations are incurred as a result of airside infrastructure.	The runway suffered a localised failure of the asphalt surface which led to the delay of one Air New Zealand departure and the cancellation of one Jetstar arrival, while a repair was carried out.	NOT ACHIEVED
	Ensure the future of the airport is protected.		
	Ensure any new development is considered in conjunction with the Airport Master Plan and customer service needs.	Potential Air New Zealand cargo facility, AVSEC administration building and North end parking areas developments were all considered in line with the Airport Master Plan.	ACHIEVED
	Ensure the TXP is designed to be flexible to accommodate future changing customer experience needs and advances in technology.	All customer experience needs were considered as part of TXP design.	



## OUR PEOPLE

GOALS	OBJECTIVES	RESULT
TO BE A GREAT PLACE TO WORK	To recognise and review staff performance.	
	Each staff member to have a formal annual performance and objectives review.	All Annual Employee Performance Reviews were completed.
	Ensure that our staff are engaged with the company's Vision, Purpose and Values.	
	Conduct an annual staff engagement survey.	A Staff Engagement Survey was completed in March 2020.

ACHIEVED

## OUR COMMUNITY

GOALS	OBJECTIVES	RESULT	
TO CONNECT & ENGAGE WITH OUR PLACE	Provide sponsorship to community events and organisations.		
	Invest 0.25% of prior year operating revenue to sponsorship in line with our sponsorship policy.	<p>Sponsorship Target was \$45,300.</p> <p>Sponsorship spend to the 30 June 2020 was \$19,600. This represents 0.12% of the prior year operating revenue.</p> <p>We sponsored the following organisations and events up until March 2020:</p> <ul style="list-style-type: none"> <li>• Yellow-Eyed Penguins</li> <li>• Otago Export Awards</li> <li>• Dine Dunedin 2019</li> <li>• Beer and Food Festival 2019</li> <li>• A2O Bike Trail</li> <li>• Momona Play Group</li> </ul> <p>As a result of COVID-19, all discretionary spending including sponsorship ceased.</p>	NOT ACHIEVED
	Not accept sponsorship or give naming rights to companies involved in activities deemed to be inconsistent with Dunedin City Council's ethical positions, i.e. tobacco, armaments, fossil fuel extraction, gambling and pornography.	No sponsorship or naming rights issued to companies involved in activities deemed to be inconsistent with Dunedin City Councils ethical positions.	ACHIEVED
Engage with our community and share information.			
	Arrange for Dunedin Airport staff to work within the community once a year.	<p>Our planned Yellow Eyed Penguin planting trip was postponed due to COVID.</p> <p>We invited the Momona Playcentre to the Airport in December where they had a morning tea with "Santa."</p> <p>Dunedin Airport employees donated Christmas gifts to Women's Refuge and the Dunedin Night Shelter.</p>	ACHIEVED

## SHAREHOLDERS

GOALS	OBJECTIVES	RESULT	
TO CONNECT & ENGAGE WITH OUR PLACE	Engage with our community and share information.		
	Initiate opportunities to speak to the community, stakeholders and organisations.	We had 11 school visits this year. 11 presentations were completed in the year to organisations and groups across our region.	ACHIEVED
	Consult with shareholders on matters to be included in the company's Statement of Intent.		
	Prepare annually the company's Statement of Intent having given consideration to shareholders expectations.	The 2019 – 2020 Statement of intent has been finalised and submitted to shareholders.	ACHIEVED
	Consult with shareholders at the earliest possible time on matters where conflict may or could result.		
	Report to and consult with shareholders on matters where the company's and shareholders requirements are in conflict.	No such matters were identified.	ACHIEVED
	On a "no surprises" basis advise shareholders promptly of any substantive matter that has the potential to impact negatively on shareholders and the company with a particular focus on matters of interest to the media.		
	Report to shareholders within 24 hours substantive matters which have the potential to impact negatively on shareholders and the company with a particular focus on matters of interest to the media.	On a "no surprises" basis, the relevant matters below have/have not been reported to shareholders: <ul style="list-style-type: none"> <li>• PFOS Foam issues in media in August.</li> <li>• Official Information Request (OIA) from PSA Union on psychometric testing.</li> <li>• COVID-19 updates.</li> </ul>	ACHIEVED
		<ul style="list-style-type: none"> <li>• The MOU with Queenstown and Invercargill Airports was not reported to shareholders.</li> </ul>	*

\* Not Achieved



## trend statement

For the year-ended 30 June	2020	2019	2018	2017	2016
<b>Revenue</b>	\$000	\$000	\$000	\$000	\$000
<b>Operating Revenue:</b>					
<b>Aeronautical (excluding departure fees)</b>	<b>5,987</b>	<b>7,498</b>	7,287	5,208	4,715
Percentage	39.8%	43.6%	44.1%	36.9%	35.8%
<b>Non-aeronautical</b>	<b>9,164</b>	<b>10,073</b>	9,273	8,718	8,188
Percentage	61.0%	58.6%	56.1%	61.7%	62.2%
Interest income	7	13	20	17	18
Dividend income	1	3	72	69	99
Gain/(Loss) on sale of assets	(97)	(31)	-	11	-
(Loss)/Gain on investments	(31)	(366)	(130)	107	138
<b>Total revenue</b>	<b>15,031</b>	<b>17,190</b>	16,522	14,130	13,159
Percentage Increase	(12.6%)	4.0%	16.9%	7.4%	3.4%
<b>Surplus before tax</b>	<b>2,341</b>	<b>5,183</b>	4,761	3,161	2,681
Percentage increase	(54.8%)	8.9%	50.6%	17.9%	8.3%
<b>Net tax paid surplus</b>	<b>3,636</b>	<b>3,587</b>	3,275	2,321	1,958
Percentage increase	1.4%	9.5%	41.1%	18.6%	14.7%
<b>Shareholders' equity</b>					
Shareholders' equity	<b>69,193</b>	<b>63,728</b>	61,781	59,559	46,456
<b>Return on shareholders' equity</b>	<b>5.3%</b>	<b>5.6%</b>	5.3%	3.9%	4.2%
Dividends paid	2,372	1,408	1,408	1,408	1,408
<b>Dividend rate cents per share</b>	<b>27.0</b>	<b>16.0</b>	16.0	16.0	16.0
Capital expenditure	7,569	9,112	3,468	3,252	316
Net operating cashflow	3,563	6,618	5,778	4,825	4,620
<b>Net asset backing per share</b>	<b>\$7.86</b>	<b>\$7.24</b>	\$7.02	\$6.87	\$5.28
<b>Equity ratio</b>	<b>66.1%</b>	<b>67.3%</b>	69.7%	67.9%	66.1%

## statement of comprehensive income

For the year-ended 30 June	Notes	2020	2019
		\$000	\$000
Operating revenue	4	15,151	17,571
Interest received		7	12
Dividend received		1	3
(Loss)/gain on investment		(31)	(366)
(Loss)/gain on sale of property, plant & equipment		(97)	(31)
<b>Total revenue</b>		<b>15,031</b>	<b>17,190</b>
Audit fees		58	56
Directors fees		95	100
Finance costs – interest expense		541	472
(Gain)/Loss on hedge instruments		-	(138)
Depreciation	3	3,251	3,075
Wages and salaries		3,033	2,944
Other operating expenses		5,712	5,498
<b>Total expenses</b>		<b>12,690</b>	<b>12,007</b>
<b>Operating surplus/(deficit) before income tax</b>		<b>2,341</b>	<b>5,183</b>
Income tax expense	5	(1,295)	1,596
<b>Operating surplus/(deficit) after income tax</b>		<b>3,636</b>	<b>3,587</b>
<b>Other comprehensive income</b>			
<u>Items that may be subsequently reclassified to profit and loss:</u>			
Cash flow hedges gain/(loss) taken to hedge reserve		(62)	(322)
Income tax on these items including prior period adjustments		17	90
<u>Items that will not be subsequently reclassified to profit and loss:</u>			
Gain on revaluation of property, plant and equipment		5,985	-
Income tax on these items including prior period adjustments		(1,739)	-
<b>Total comprehensive income/(deficit)</b>		<b>7,837</b>	<b>3,355</b>

## statement of changes in equity

<b>Equity at the beginning of the year</b>	<b>63,728</b>	<b>61,781</b>
Comprehensive income/(deficit) for the year	7,837	3,355
Transactions with owners		
- Dividend paid	(2,372)	(1,408)
<b>Closing equity</b>	<b>69,193</b>	<b>63,728</b>

## balance sheet

As at 30 June	Notes	2020 \$000	2019 \$000
<b>Shareholders' equity</b>			
Share capital	6	8,800	8,800
Hedge reserve	7a	(326)	(281)
Revaluation reserve	7b	38,319	34,073
Retained earnings	8	22,400	21,136
		69,193	63,728
<b>Current liabilities</b>			
Trade & other payables	9	1,752	4,273
Other liabilities		107	114
Tax payable	5a	(107)	1,071
Employee Entitlements		402	364
Hedge derivatives	15a	22	-
Short-term advance	11	4,500	2,250
		6,676	8,072
<b>Non-current liabilities</b>			
Term loans	11	14,750	8,000
Deferred taxation	5b	13,701	14,445
Hedge derivatives	15a	429	389
		28,880	22,834
<b>Total equity &amp; liabilities</b>		<b>104,749</b>	<b>94,634</b>
Represented by:			
<b>Current assets</b>			
Trade & other receivables	12	849	1,736
Prepayments	13	303	-
Cash & cash equivalents	10	975	473
Stock on hand	14	23	48
		2,150	2,257
<b>Non-current assets</b>			
Property, plant & equipment	3	101,419	91,244
Investments	16	910	940
Deferred taxation	5b	270	193
		102,599	92,377
<b>Total assets</b>		<b>104,749</b>	<b>94,634</b>

Authorised for and on behalf of the directors.



T Allison  
Chairman  
12 November 2020



J Cameron  
Director



## statement of cash flows

For the year-ended 30 June	Notes	2020 \$000	2019 \$000
<b>Cash flow from operating activities</b>			
Cash was provided from:			
Receipts from customers		15,531	17,054
Interest received		7	13
Dividend received		1	3
Cash was applied to:			
Payments to suppliers		6,023	5,236
Payments to employees		2,986	2,861
Interest paid		541	472
Taxation paid		2,426	1,883
<b>Net cash flows from operating activities</b>		<b>3,563</b>	<b>6,618</b>
<b>Cash flows from investing activities</b>			
Cash was provided from:			
Sale of property, plant and equipment		17	20
Cash was applied to:			
Purchase of shares		-	-
Purchase of property, plant and equipment		9,708	7,354
<b>Net cash flows from investing activities</b>		<b>(9,691)</b>	<b>(7,334)</b>
<b>Cash flows from financing activities</b>			
Cash was provided from:			
Net loan drawdown		9,000	1,900
Cash was applied to:			
Net loan repayment		-	-
Dividends paid		2,372	1,408
<b>Net cash flows from financing activities</b>		<b>6,628</b>	<b>492</b>
Net increase/(decrease) in cash held		500	(224)
<b>Plus opening cash brought forward</b>		<b>475</b>	<b>699</b>
<b>Cash &amp; cash equivalents held 30 June</b>	10	<b>975</b>	<b>475</b>

This statement is to be read in conjunction with the notes on pages 18 to 31

## notes to financial statements

For the year-ended 30 June 2020

**1. REPORTING ENTITY**

The financial statements presented here are for the reporting entity Dunedin International Airport Limited (the Company).

The Company was established under the Airport Authorities Act 1966 and incorporated in New Zealand under the Companies Act 1993. The Company is a Council Controlled Trading Organisation as defined in the Local Government Act 2002.

The financial statements have been prepared in accordance with the requirements of the Local Government Act 2002.

These financial statements are presented in New Zealand dollars because that is the currency of the primary economic environment in which the Company operates. The financial statements are rounded to the nearest thousand (\$'000).

**2. SIGNIFICANT ACCOUNTING POLICIES****Basis of Accounting**

Under the Accounting Standards Framework, the Company is eligible to apply Tier 2 For-profit Accounting Standards (New Zealand equivalents to International Financial Reporting Standards – Reduced Disclosure Regime ('NZ IFRS RDR')) on the basis that it does not have public accountability and is not a large for-profit public sector entity. Therefore, these financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand and comply with NZ IFRS RDR.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments and certain items of property, plant and equipment.

The accounting policies set out below have been applied consistently to all periods in these financial statements.

**COVID-19 Pandemic**

On 11 March 2020 the World Health Organisation declared a global pandemic as a result of the outbreak and spread of COVID-19. Following this the New Zealand government imposed significant restrictions around travel including quarantining of international travellers arriving in New Zealand.

COVID-19 has had a significant impact on the aviation industry and on the Company's business. While New Zealand has returned to unrestricted domestic travel, there are significantly reduced volumes of domestic flights and passenger numbers. Furthermore, international travel to / from Dunedin remains restricted.

With regards to these financial statements, COVID-19 has specifically impacted certain areas of the financial statements. The directors have carefully considered the carrying value of assets, accounting estimates and other areas of judgement. Where applicable, specific disclosure has been made for account balances affected by COVID-19.

There remains ongoing uncertainty around the forecast levels of domestic and international air travel. The Company has forecast significant reductions in passenger movements for the year ending 30 June 2021.

Notwithstanding the significant impact of COVID-19 the directors are of the view that the Company's business fundamentals remain strong. The company has taken steps to reduce its cost structure, including the reduction of operating expenditure including organisational restructuring, salary reductions and reduced working hours.

In addition, the Company has also undertaken a range of measures to enhance its liquidity and overall financial flexibility. The Company has agreed with its banking group an increase in its banking facilities from \$22,000,000 to \$28,000,000. The Company has also obtained a temporary waiver of certain bank covenants for the next test date being December 2020 and obtained revised bank covenants for subsequent test dates.

These measures mean the directors are confident the Company is well placed to continue operating as a going concern until more usual levels of trading conditions return.

### **New Standards, Interpretations and Amendments Adopted by the Company**

All mandatory new or amended accounting standards were adopted in the current year. These include NZ IFRS 16 Leases and related amendments. This did not have a material impact on these financial statements.

#### Impact of initial application of NZ IFRS 16 Leases

In the current year, the Company has applied NZ IFRS 16 *Leases* effective from 1 July 2019. The standard deals with the recognition, measurement, presentation and disclosure of leases and replaces NZ IAS 17 Leases. The new standard introduces a single model for lessees which recognises all leases on the balance sheet through an asset representing the rights to use the leased item during the lease term and a lease liability to recognise the obligation to make lease payments. This removes the distinction between operating and finance leases and aims to provide users of the financial statements relevant information to assess the effect that leases have on the balance sheet, income statement and cash flows of an entity.

Lessor accounting remains largely unchanged from NZ IAS 17.

The Company reviewed leases where the Company is the lessee and the leases primarily relate to leases for photocopiers and EFTPOS terminals.

The Company adopted NZ IFRS 16 using the modified retrospective approach with the Right of Use (ROU) asset being equal to the lease liability as at commencement date for all existing leases at 1 July 2019.

The Company has made use of the practical expedient available on transition to NZ IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with NZ IAS 17 will continue to be applied to those leases entered or modified before 1 July 2019. Comparative numbers have not been restated.

#### *Impact on Lessee Accounting*

NZ IFRS 16 changes how the group accounts for leases previously classified as operating leases under NZ IAS 17, which were off-balance-sheet.

Applying NZ IFRS 16, for all leases (except as noted below), the Company:

- Recognises ROU assets and lease liabilities in the consolidated balance sheet, initially measured at the present value of future lease payments;
- Recognises depreciation of the ROU assets and interest on lease liabilities in the consolidated statement of comprehensive income; and
- Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated statement of comprehensive income.

Lease incentives are recognised as part of the measurement of the ROU assets and lease liabilities whereas under NZ IAS 17 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expense on a straight-line basis.

Under NZ IFRS 16, ROU assets are tested for impairment in accordance with NZ IAS 36 Impairment. This replaces the previous requirements to recognise a provision for onerous lease contracts.

For short-term leases and leases of low-value assets, the Company has opted to recognise a lease expense on a straight-line basis as permitted by NZ IFRS 16. This expense is presented within other operating expenses in the statement of comprehensive income.



### Financial Impact of adopting NZ IFRS 16

The Company has applied the following practical expedients when applying NZ IFRS 16 to leases previously classified as operating leases under NZ IAS 17:

- Not recognising ROU assets and liabilities if the underlying leased asset is considered a low value asset; and
- Not reassessing whether a contract contains a lease

Reconciliation of lease commitments to opening lease liability as at 1 July 2019:

	\$000
Operating lease commitments at 30 June 2019	1
Recognition exemption for:	
Low-value leases	(1)
<b>Lease liabilities recognised at 1 July 2019</b>	<b>-</b>

### 3. PROPERTY, PLANT & EQUIPMENT

Property, Plant and Equipment are those assets held by the Company for the purpose of carrying on its business activities on an ongoing basis.

Land, buildings, runway, apron, taxiways, and dairy farm plant and equipment are stated in the balance sheet at their revalued amounts, being the fair value at the date of revaluation, less any accumulated depreciation and subsequent impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the balance sheet date.

Any revaluation increase is recognised in other comprehensive income and accumulated in the Revaluation Reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in the carrying amount arising on the revaluation is charged to profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Plant and Equipment are stated at cost less any subsequent accumulated depreciation and any accumulated impairment losses.

Self-constructed assets include the direct cost of construction including borrowing costs to the extent that they relate to bringing the Property, Plant and Equipment to the location and condition for their intended service.

Depreciation is charged so as to write off the cost of assets, other than land and capital work in progress, on the straight-line basis. Rates used have been calculated to allocate the asset's cost less estimated residual value over their estimated remaining useful lives. Depreciation of capital work in progress commences when the assets are ready for their intended use.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation rates and methods used are as follows:

	Rate	Method
Land and land improvements	0% - 12.5%	DV & SL
Runway, apron and taxiway	0% - 6.7%	DV & SL
Buildings	1% - 33.3%	DV & SL
Machinery & plant	4% - 67%	DV & SL
Motor Vehicles	7% - 25%	DV & SL
Fixtures, fittings, office and computer equipment	7.5% - 40%	DV & SL

An item of property, plant and equipment is derecognised upon disposal or when no future economic

benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognised.

	Land and Land Improvements	Land and Improvements Subject to Lease	Runway, Apron, Taxiway	Buildings	Buildings Subject to Lease	Plant & Equipment	Dairy Farm Plant and Equipment	Office Equipment	Motor Vehicles	WIP	Total
<b>(a) 2020</b>											
<b>Cost or Valuation</b>	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Balance at beginning of period	18,614	798	25,433	28,709	10,907	4,504	612	293	590	8,610	99,070
Purchases	-	-	-	266	77	(367)	127	11	60	7,396	7,570
Transfers	96	-	1,047	10,630	3,314	593	-	38	-	(15,718)	-
Revaluations	(101)	66	(1,101)	(673)	(67)	-	(49)	-	-	-	(1,925)
Disposals / Woffs	-	-	-	(46)	(14)	(247)	-	(15)	(8)	(15)	(345)
Balance at end of period	18,609	864	25,379	38,887	14,216	4,483	690	327	642	273	104,370
<b>Accumulated Depreciation</b>											
Balance at beginning of period	175	-	2,144	1,724	1,141	2,038	95	234	275	-	7,826
Depreciation	101	-	1,094	1,122	424	386	46	42	36	-	3,251
Transfers	-	-	-	299	(299)	-	-	-	-	-	-
Revaluations	(244)	-	(3,233)	(3,045)	(1,246)	-	(141)	-	-	-	(7,909)
Disposals / Woffs	-	-	-	(6)	(2)	(186)	-	(15)	(8)	-	(217)
Balance at end of period	18,577	864	25,374	38,792	14,198	2,245	690	66	339	273	101,419
<b>(b) 2019</b>											
<b>Cost or Valuation</b>	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Balance at beginning of period	17,157	798	25,090	27,994	10,894	4,366	597	268	437	2,430	90,031
Purchases	-	-	306	47	13	69	15	3	46	8,613	9,112
Transfers	1,457	-	37	668	-	142	-	22	107	(2,433)	-
Revaluations	-	-	-	-	-	-	-	-	-	-	-
Disposals / Woffs	-	-	-	-	-	(73)	-	-	-	-	(73)
Balance at end of period	18,614	798	25,433	28,709	10,907	4,504	612	293	590	8,610	99,070
<b>Accumulated Depreciation</b>											
Balance at beginning of period	86	-	1,071	708	725	1,689	49	195	249	-	4,772
Depreciation	89	-	1,073	1,016	416	370	46	39	26	-	3,075
Transfers	-	-	-	-	-	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-	-	-	-	-	-
Disposals / Woffs	-	-	-	-	-	(21)	-	-	-	-	(21)
Balance at end of period	18,439	798	23,289	26,985	9,766	2,466	517	59	315	8,610	91,244

- (a) Land, buildings and airside pavements were revalued at 30 June 2020 by independent registered valuers, Telfer Young (Canterbury) Limited and WSP New Zealand Limited. These assets were last valued at 30 June 2017. The total fair value of these assets at 30 June 2020, the effective date of the revaluation, was **\$84,706,800**. Land was valued by reference to market sales, market comparison and investment valuation. Buildings were valued by using the Optimised Depreciated Replacement Cost (O.D.R.C.) methodology. The specialised assets being runway, taxiways, aprons and infrastructure assets were valued using the Optimised Depreciated Replacement Cost (O.D.R.C.) methodology.

Included in the Building category is the Terminal Expansion Project (TXP). This development was commissioned in March 2020. Due to the proximity of practical completion to financial year end, the TXP was excluded from the buildings valued and carried at O.D.R.C. Based on the movement in Capital Goods Prices Indices between the date the TXP costs were tendered and 30 June 2020, the Company is satisfied that the carrying value of the TXP at 30 June 2020 approximates its fair value.

- (b) If revalued assets were stated on the historical cost basis, the carrying value of these classes would be **\$29,691,000**.

As at 30 June 2020, an impairment assessment was carried out to determine the appropriateness of the carrying values of the company's aeronautical assets.

Due to COVID-19, there is uncertainty around forecast domestic and international air travel and consequently on the Company's cash flows. The Company has forecast a significant reduction in passengers during the commencement of the financial year 2020-21 and a slow recovery back to pre-COVID-19 levels.

The Company's estimates of passengers, recovery and growth rates remain uncertain and dependent on a number of factors with respect to COVID-19 including any remaining restrictions on domestic travel, border controls for international travel, public demand and behaviour with respect to travel and airline scheduling. Material changes in any of these factors might have a material impact on the Company's estimates of income and cashflows used to support the valuations, fair value assessments and impairment considerations at 30 June 2020.

The assessment, effective 30 June 2020, included the following major assumptions:

- Revenue is largely dependent on passenger numbers. The company has conservatively projected growth in passenger numbers, with a recovery to pre-Covid-19 levels projected only after the 2025 financial year. A growth rate of 2.5% has been applied to cashflows subsequent to the forecast period.
- Forecast free cashflows reflect agreed pricing with airlines following the company's 2017 Airline Pricing Consultation.
- The discount rate (the Company's pre-taxation Weighted Average Cost of Capital) applied to the company's pre-taxation free cashflows was 5.83%.

Whilst the result of the assessment indicated that the company's aeronautical assets were not impaired, the assessment is sensitive to changes in both the growth and discount rates. A decrease in the growth rate to below 1.13% or an increase in the discount rate to above 6.98%, could see an impairment arise.

#### 4. OPERATING REVENUE

The Company recognises revenue from the following major sources:

- Landing Charges and Departure Fees
- Car Parking
- Fuel and Non-Fuel Sales
- Milk Sales
- Operating Lease Rental Revenue

**Landing Charges and Departure Fees:**

Landing charges are charged on a per passenger or airplane weight basis for landing and disembarking the airport. Departure fees are charged on a per passenger basis. The charges cover runway costs, airport services and other miscellaneous services that the Company is required to provide while a plane is on the ground under civil aviation rules. Revenue is recognised net of any rebates paid to airlines under incentive agreements. The revenue earned is recognised over-time due to the counterparty simultaneously receiving the benefit as the Company provides the services.

**Car Parking:**

Revenue from car parking is earned by charging customers a fee for the use of the airport carpark. The fee is based on a tiered system where the charge per day varies depending on the length of stay. The revenue earned meets the criteria to be recognised over-time as the customer simultaneously receives the benefit of using the carpark as the service is provided.

**Fuel and Non-Fuel Sales:**

Revenue from fuel and non-fuel sales is earned through petrol & other miscellaneous sales (net of any discounts) from the petrol station owned by the Company. Revenue is recognised at the point in time control transfers to the customer, being when the customer pays for the fuel purchased.

**Milk Sales:**

The Company owns two dairy farms which sell milk to Fonterra. Revenue is based on the farm gate milk price at the time of sale applied to the quantity of milk supplied. Revenue is recognised at the point in time in which control of the product passes to Fonterra, being when the milk is loaded into the tanker.

**Operating Lease Rental:**

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging a lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.



Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

	2020 \$000	2019 \$000
<b>Revenue from Contracts with Customers:</b>		
Over Time:		
Landing Charges and Departure Fees	6,377	8,010
Car Park	2,706	3,515
Point in time:		
Fuel and Non-Fuel Sales	1,409	1,817
Milk Sales	815	834
<b>Total Revenue from Contracts Customers</b>	<b>11,307</b>	<b>14,176</b>
Other Income:		
Operating Lease Rental (including overhead recoveries)	3,458	3,279
Other Revenue	117	116
Government Grants	269	-
<b>Total Operating Revenue</b>	<b>15,151</b>	<b>17,571</b>

Government Grant revenue relates to the receipt of the Governments Twelve Week Wage Subsidy.

## 5. TAXATION

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

### Income tax

Operating surplus/(deficit) before income tax	2,341	5,183
Taxation @ 28%	655	1,451
<i>Plus / (Less) the tax effect of differences</i>		
Expenses not deductible	57	61
Loss/(gain) on investments	9	102
Reinstatement of Tax Depreciation on Buildings	(2,024)	-
Prior period adjustment	8	(16)
<b>Tax expense</b>	<b>1,295</b>	<b>(1,596)</b>
Effective tax rate	(55.4%)	30.8%
Represented by		
Current tax provision	(1,248)	(2,107)
Deferred tax provision	2,543	511
<b>Income tax expense</b>	<b>1,295</b>	<b>(1,596)</b>

	2020 \$000	2019 \$000
<b>(a) Provision for Tax</b>		
Balance at beginning of year	(1,071)	(846)
Current tax provision	(1,238)	(2,116)
Terminal tax payment (refund)	-	-
Provisional tax paid	2,425	1,883
Prior period adjustment	(10)	9
<b>Balance at 30 June</b>	<b>107</b>	<b>(1,071)</b>

**(b) Deferred Tax**

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

	Opening	Charged	Charged	Prior Period Adjustment			Closing Balance Sheet	
2020 (\$000)	Balance	to Equity	to Income	Equity	Income	Assets	Liabilities	Net
Property, plant and equipment	(14,445)	(1,739)	2,568	-	-	-	(13,616)	(13,616)
Employee benefits	68	-	4	-	-	72	-	72
Provisions	16	-	55	-	1	72	-	72
Revaluations of interest rate swaps	109	17	-	-	-	126	-	126
Prepayments	-	-	(85)	-	-	-	(85)	(85)
<b>Balance at 30 June</b>	<b>(14,252)</b>	<b>(1,722)</b>	<b>2,542</b>	<b>-</b>	<b>1</b>	<b>270</b>	<b>(13,701)</b>	<b>(13,431)</b>
	Opening	Charged	Charged	Prior Period Adjustment			Closing Balance Sheet	
2019 (\$000)	Balance	to Equity	to Income	Equity	Income	Assets	Liabilities	Net
Property, plant and equipment	(14,968)	-	527	-	(2)	-	(14,445)	(14,445)
Employee benefits	44	-	24	-	-	68	-	68
Provisions	16	-	(9)	-	9	16	-	16
Revaluations of interest rate swaps	57	90	(39)	-	-	109	-	109
Prepayments	-	-	-	-	-	-	-	-
<b>Balance at 30 June</b>	<b>(14,851)</b>	<b>90</b>	<b>503</b>	<b>-</b>	<b>7</b>	<b>193</b>	<b>(14,445)</b>	<b>(14,252)</b>

**6. EQUITY – SHARE CAPITAL**

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

*Issued Capital*

8,800,000 (2019: 8,800,000) ordinary authorised and issued shares.

All shares have equal voting rights and share equally in dividends and any surplus on winding up. There are no par values for these shares.

	2020 \$000	2019 \$000
<b>7. RESERVES</b>		
<b>a) Hedge Reserve</b>		
Balance at beginning of year	(281)	(49)
Cash flow hedges (loss)/gain	(62)	(322)
Net movement in deferred tax arising on hedges	17	90
Balance at 30 June	<b>(326)</b>	<b>(281)</b>

The hedge reserve comprises the effective portion of the cumulative net change in the fair value of the cash flow hedging instruments relating to interest payments that have not yet occurred.

**b) Revaluation Reserve**

Balance at beginning of year	34,073	34,073
Revaluations included in comprehensive income	5,985	-
Net movement in deferred tax arising on revaluations	(1,739)	-
Balance at 30 June	<b>38,319</b>	<b>34,073</b>

The revaluation reserve arises on the revaluation of land, buildings and airside pavements. Where revalued assets are sold, the portion of the properties revaluation reserve that relates to that asset, and is effectively realised, is transferred directly to retained profits.

**8. RETAINED EARNINGS**

Balance at beginning of year	21,136	18,957
Operating surplus/(deficit) after income tax	3,636	3,587
Dividends paid	(2,372)	(1,408)
Balance at 30 June	<b>22,400</b>	<b>21,136</b>

**9. TRADE & OTHER PAYABLES**

Trade payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method. Trade payables are unsecured and are usually paid within 30 days of recognition.

Trade payables	1,093	3,664
Accruals	659	609
Balance at 30 June	<b>1,752</b>	<b>4,273</b>

**10. CASH**

In the statement of cashflows, cash and cash equivalents includes cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

Cash floats	6	6
Westpac cheque account	969	467
Balance at 30 June	<b>975</b>	<b>473</b>

The carrying amount of cash assets approximates their fair value.



**11. TERM LOANS (Secured)**

Term loans are initially recorded at fair value net of directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Finance charges, premiums payable on settlement or redemption and direct costs are accounted for on an accrual basis to profit or loss using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period to get ready for its intended use or sale) are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

	2020 \$000	2019 \$000
Multi option credit facility	14,750	8,000
Short term advance facility	4,500	2,250
Balance at 30 June	<b>19,250</b>	<b>10,250</b>
Classified as:		
Current liability	4,500	2,250
Non-current liability	14,750	8,000
Balance at 30 June	<b>19,250</b>	<b>10,250</b>

- (a) Westpac has provided a multi option credit line facility of \$22,000,000 increasing to \$25,000,000 at any time with 48 hours' notice, \$26,500,000 before 30 November 2020, and \$28,000,000 before 30 April 2021 if required by the Company (2019: \$22,000,000) with a maturity date of 30 November 2022. Interest is payable on the drawn down balance at BKBM plus a 1.05% margin (to the extent the Company does not have an interest rate swap – see Note 15).

As part of the credit line facility, Westpac has provided a short-term advance of \$4,500,000. Interest is payable on the advance at the Westpac short term interest rate which ranged between 3.1% and 1.6% during the 2020 year. The advance is on call.

The Westpac Banking Corporation holds as security for the advances a first mortgage over the property of the Company and a negative pledge over all other assets. The Company uses interest rate swaps to manage its exposure to interest rate movements. These are detailed in Note 15.

- (b) Banking covenants relating to the facility are:

For the six-month period to 31 December 2020:  
- No covenants.

For the six-month period to 30 June 2021:  
- Earnings (E.B.I.T.) are not less than 1.1 times funding costs.

For the periods post 30 June 2021:  
- Earnings (E.B.I.T.) are not less than 1.75 times funding costs.

**Reconciliation to Cashflows from Financing Activities**

Opening Balance	10,250	8,350
Net loans (repayment)/drawdown	9,000	1,900
Movement in fair value	-	-
Closing Balance	<b>19,250</b>	<b>10,250</b>

**12. TRADE & OTHER RECEIVABLES**

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for expected credit losses. The Company applies the simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance. The measurement of expected credit losses is a function of the probability of default, loss given default and the exposure at default.

The expected credit losses on trade and other receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Payment terms are typically the 20th day of the month following invoice date.

	2020 \$000	2019 \$000
Trade Receivables	865	1,413
Provision for Doubtful Debts	(196)	-
Other Receivables	180	323
Balance at 30 June	<b>849</b>	<b>1,736</b>

Due to the impacts of COVID-19 on the Company and its customers, an assessment was undertaken on trade debtors to assess customers' ability to meet repayments including a high-level assessment on the ability to trade in the future. As a result of this, the Company has updated its provision for doubtful debts for an increase in expected credit losses of \$196,000 (2019: Nil).

**13. PREPAYMENTS**

Tenant rent relief in advance	303	-
Balance at 30 June	<b>303</b>	-

**14. STOCK ON HAND**

Stock on hand represents petrol and other stock for the Momona Garage are valued at the lower of cost (using the FIFO method) and net realisable value. Any write-down from cost to net realisable value is recognised in the surplus or deficit in the period of the write-down.

Opening Balance	48	43
Purchases	1,253	1,632
Cost of Sales (Included within Other Operating Expenditure)	(1,270)	(1,627)
Stick written off	(8)	-
Closing Balance	<b>23</b>	<b>48</b>

**15. FINANCIAL RISK MANAGEMENT****a) Interest Rate Risk**

The Company's activities expose it primarily to the financial risks of changes in interest rates resulting in variation of cash flows on floating rate debt. The Company uses interest rate swaps to manage its exposure to interest rate movements on its multi option facility borrowings by swapping

a proportion of those borrowings from floating rates to fixed rates. These interest rate swap contracts have been designated as cash flow hedges.

The use of financial derivatives of the Company is governed by the interest rate hedge accounting policy approved by the Board of Directors. The policies provide written principles on the use of financial derivatives.

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition derivative financial instruments are remeasured to fair value. Fair value is derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in the Income Statement. For a cash flow hedge amounts deferred in equity are recognised in the Income Statement in the same period in which the hedged item affects net profit or loss.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the Income Statement as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the Income Statement for the period.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value with unrealised gains or losses reported in profit or loss.

	2020	2019
	\$000	\$000
Interest rate swaps		
- maturing less than 1 year	(22)	-
- maturing 1 to 5 years	(429)	(389)
Balance at 30 June	<b>(451)</b>	<b>(389)</b>

#### b) Categories of Financial Assets and Financial Liabilities

##### Financial Assets at amortised cost:

Trade & other receivables	849	1,736
Prepayments	303	-
Cash & Cash Equivalents	975	473

##### Financial Assets at fair value through profit or loss:

Investments	910	940
-------------	-----	-----

##### Financial Liabilities at fair value through profit or loss:

Derivative Financial Instruments in Hedge Accounting Relationships	451	389
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##### Financial Liabilities at Amortised Cost:

Term Loans	14,750	8,000
Trade & Other payables	1,752	4,362
Short Term Advance	4,500	2,250

Management consider all financial assets and financial liabilities carrying values to closely approximate fair value.



**16. INVESTMENTS**

Investments in equity securities are recognised as financial assets at fair value through profit or loss. Fair value is derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. Any resultant gains or losses are recognised in profit or loss.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

	2020 \$000	2019 \$000
<i>Non-current investments</i>		
Shares at market value in farmer cooperative Companies involved with dairy farm companies	910	940

Of this sum **\$872,000** (2019, \$898,000) is represented by shares in Fonterra Co-operative Group. These shares are required to be held by the Company based on production and can only be realised when production reduces, or the Company ceases dairying operations.

**17. CONTINGENT LIABILITIES**

There were no contingent liabilities outstanding at 30 June 2020 (2019 \$NIL).

**18. CAPITAL AND OTHER COMMITMENTS**

Capital and other expenditure not provided for in the accounts at 30 June 2020 was **\$186,200** (2019: \$6,621,000). This capital commitment relates to the completion of the Terminal Expansion Project (TXP) of 186,200 (2019: \$6,460,500). The 2019 balance also included the extension of the Gate 5 apron (\$160,500).

**19. FINANCIAL REPORTING STANDARDS ISSUED BUT NOT YET EFFECTIVE**

The following new standards, amendments to standards and interpretations are issued but not yet effective and have not been applied in preparation of these financial statements:

- Amendments to NZ IAS 1 and NZ IAS 8 - This Standard sets out amendments to clarify the requirements for the definition of material in NZ IAS 1 Presentation of Financial Statements and NZ IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.
- NZ IFRS 17 - Insurance Contracts becomes effective for annual periods commencing on or after 1 January 2021 and has not been adopted early. It provides consistent principles for all aspects of accounting for insurance contracts. This standard will not have a significant impact on the Company financial statements.

**20. RELATED PARTY TRANSACTIONS**

The shareholders of the Company are The Crown and Dunedin City Holdings Limited, which is wholly owned by the Dunedin City Council. Each owns 50%.

- (a) The Company undertakes many transactions with State Owned Enterprises, Government Departments and Dunedin City Council Controlled enterprises.

Businesses which have common ownership, and which provided services/supplies to the Company during the year were:

- Dunedin Venues Management Limited (Dunedin City Holdings Limited controlled) – corporate membership
- Delta Utilities Limited (Dunedin City Holdings Limited controlled) – ground maintenance

Transactions with entities with common ownership with details of purchases for the year and balances owing at 30 June being as follows:

	Annual Purchases (GST Inclusive)		Owing at 30 June (GST Inclusive)	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Dunedin Venues Management Limited	12	13	-	-
Delta Utilities Limited	54	51	4	4

(b) Businesses in which directors and key management personnel have a substantial interest and which provided services/supplies to the Company during the year were:

- Delta Utilities Limited (T Allison - director) – ground maintenance
- Institute of Directors Otago Southland Branch (P A Oakley – chairperson, T Allison committee member) – membership and training
- Tourism Waitaki (M Crawford - director) – sponsorship
- Airways Corporation (D Cusack – director) – landing data and apron lighting project management

Transactions with entities in which directors and key management personnel have an interest with details of purchases for the year and balances owing at 30 June being as follows:

	Annual Purchases (GST Inclusive)		Owing at 30 June (GST Inclusive)	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Delta Utilities Limited	54	51	4	4
New Zealand Airports Association	-	37	-	-
Institute of Directors - Otago Southland Branch	2	9	-	-
Tourism Waitaki	5	-	-	-
Airways Corporation	55	N/A	1	N/A

For Directors appointed during the 2020 financial year, no 2019 financial year comparative has been noted in the table above as, during the 2019 financial year, there was no relationship between the newly appointed Director and the Company.

(c) Compensation of key management personnel:

The remuneration of directors and other members of key management during the year was:

	2020	2019
	\$000	\$000
Total	860	806

The remuneration of directors is agreed annually, after consultation with the shareholders, and approved at the Company's annual meeting. The remuneration of the Chief Executive is determined by the Board and the remuneration of key management personnel is determined by the Chief Executive having regard to the performance of individuals and market trends.

(d) Transactions with shareholders with details of purchases for the year and balances owing at 30 June being as follows:

	Annual Purchases		Owing at 30 June	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Dunedin City Council rates & services	317	301	-	-

## 21. LEASE COMMITMENTS

The Company enters into lease agreements as a lessor with respect to some of its land and buildings. Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

**The Company as Lessor**

The Company has various operating leases with tenants at the airport. Minimum lease receivables under non-cancellable operating leases are as follows:

	2020	2019
	\$000	\$000
Under 1 year	2,582	2,296
1 to 2 years	2,237	1,566
2 to 3 years	1,595	1,382
3 to 4 years	914	903
4 to 5 years	513	480
Over 5 years	213	268

**The Company as Lessee**

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

The Company has various operating leases office equipment. Minimum lease commitments under non-cancellable operating leases are as follows:

	2020	2019
	\$000	\$000
Under 1 year	1	1
1 to 5 years	3	-

**22. SUBSEQUENT EVENTS**

Subsequent to year end the Company applied for, and received the Governments Extended Eight Week Wage Subsidy.



## shareholder information

## INTERESTS REGISTER

The following are particulars of general disclosures of interest given by the Company directors and key management personnel pursuant to section 140(2) of the Companies Act 1993

**TONY ALLISON**

AA Cleaners (Otago) Limited	Director
Night 'n Day Foodstores Limited	Chair – advisory board
Delta Utility Services Limited	Director
Institute of Directors Otago Branch	Committee Member
Otago Polytechnic	Chairman
SCG Finance Limited	Director
Smiths City (2020) Limited	Director
Visionalli Limited	Director

**TRISH OAKLEY – resigned 31 October 2019**

Dunedin Casino Charitable Trust	Trustee
Forsyth Barr Limited	Employee/Shareholder
Institute of Directors - National Council	Council Member
Institute of Directors - Otago Southland Branch	Chairperson
Pomegranate Trust	Trustee
Royal New Zealand Ballet	Trustee
University of Otago	Council Member

**MARK ROGERS – resigned 31 October 2019**

Adventure Development Limited	Chairperson
Aoraki Development and Promotions Limited	Chairperson
Institute of Directors - Canterbury Branch	Committee Member
MVHB Professional Services Limited	Director
Men at Work Group	Advisory Board Chairperson
Ourgroupit Limited	Director
South Canterbury District Health Board	Board Member
The Rogers Family Trust	Trustee
Waitaki District Health Service Limited	Director
Westroads Limited	Director

**JONATHAN CAMERON – appointed 1 November 2018**

Destination Great Lake Taupo	Board Member
Elevate Capital Partners Limited	Director
I.D.A.ShonCo Limited	Director
Tourism Investment Partners Limited	Director
Veterinary Enterprises Group Limited	Director

**DARIN CUSACK - appointed 1 November 2019**

Airways Corporation of New Zealand Limited	Director
Absolute Solutions Group Limited	Director
Auckland Transport Group	Independent Chair - Project Control
CSC Group Limited	Director and Partner
The Zak & Zed Family Trust	Trustee

**RACHEL BROOKING - appointed 1 November 2019**

CGCA Jackson Limited	Director
Labour Party	List Candidate
Resource Management System Review	Member
University Bookshop (Otago) Limited	Director

**RICHARD ROBERTS**

Dickr Investments Limited	Director
Dunedin Railways Limited	Director

**MEGAN CRAWFORD**

Theomin Gallery Committee	Committee Member
Tourism Waitaki	Director

**Directors' Interests in Contracts**

Details of contracts involving directors' interests entered into during the year ended 30 June 2020 are provided in Note 20 to the Financial Statements. All transactions were conducted on an arms' length commercial basis.

**Directors' Insurance**

In accordance with section 162 of the Companies Act 1993 and the Constitution, Dunedin International Airport Limited has arranged policies of Directors' Liability Insurance which, together with a deed of indemnity, ensure that the directors incur no monetary loss as a result of actions undertaken by them as directors, provided that they operate within the law.

**Principal Activities of the Company**

The Company's principal activity is the operation of Dunedin International Airport. Areas of land adjacent to the airport held for possible expansion purposes are dairy farmed in partnership with a sharemilker. The Company also owns a small residential housing estate on land adjoining the airfield to the north and Momona Garage.

**State of Affairs**

The directors note that the financial position of the Company remains sound and the state of the Company's affairs is satisfactory.

**Remuneration of the Directors**

The directors of Dunedin International Airport Limited and their remuneration for the year ended 30 June 2020 are as follows:

Director	Remuneration
Tony Allison Chairperson (appointed Chairperson 1 November 2019)	30,404
Patricia A Oakley Chairperson – Remuneration Committee (resigned 31 October 2019)	7,500
Mark Rogers Chairperson – Health and Safety Committee (resigned 31 October 2019) Chairperson – Audit Committee (resigned 31 October 2019)	7,500
Jonathan Cameron Chairperson – Audit Committee (appointed 1 November 2019)	21,463
Darin Cusack Chairperson – Health and Safety Committee (appointed 1 November 2019)	13,963
Rachel Brooking Chairperson – Remuneration Committee (appointed 1 November 2019)	13,963

**Directors' Benefits**

No director of Dunedin International Airport Limited has, since the end of the previous financial year, received or become entitled to receive a benefit other than a benefit included in the total remuneration received or due and receivable by the directors shown in the financial statements. There were no notices from directors of the Company requesting to use Company information received in their capacity as directors which would not otherwise have been available to them.

**Executive Remuneration**

Executive remuneration is made up of one component: fixed remuneration. Fixed remuneration consists of base salary and benefits.

There are no defined performance-based components of executive remuneration.

Actual salary paid includes holiday pay paid as per New Zealand legislation.

Benefits include the Company's contribution to KiwiSaver, fuel card and road user charges (as applicable) and a contribution to home broadband.

A summary of the executive members salary and benefits are included in the table below:

Employee	2020				2019		
	Salary	Benefits	Total		Salary	Benefits	Total
Richard Roberts	\$271,147	\$12,688	\$283,835		\$253,045	\$13,694	\$266,739
Chris Cope	\$153,876	\$9,263	\$163,139		\$149,692	\$9,235	\$158,927
Megan Crawford	\$124,892	\$8,252	\$133,144		\$122,735	\$8,631	\$131,366
Stu Casey*	\$115,757	\$10,448	\$126,205		\$132,472	\$11,203	\$143,675
Glen Pleasants*	\$30,461	\$3,683	\$34,144				

\* Stu Casey resigned from the Company effective 17 March 2020 as was replaced by Glen Pleasants.

The directors are not aware of any other matters or circumstances since the end of the financial year not otherwise dealt with in this report or the Company's financial statements that has significantly or may significantly affect the operation of Dunedin International Airport Limited, the results of those operations or the state of affairs of the Company.



T Allison  
Chairman



J Cameron  
Director

## Independent Auditor's Report

### To the readers of Dunedin International Airport Limited's financial statements and statement of service performance for the year ended 30 June 2020

The Auditor-General is the auditor of Dunedin International Airport Limited (the Company). The Auditor-General has appointed me, Rudie Tomlinson, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and statement of service performance of the Company on his behalf.

## Opinion

We have audited:

- the financial statements of the Company in section 2 on pages 15 to 31, that comprise the statement of financial position as at 30 June 2020, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the statement of service performance of the Company in section 2 on pages 2 to 13.

In our opinion:

- the financial statements of the Company in section 2 on pages 15 to 31:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2020; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime; and
- the statement of service performance of the Company in section 2 on pages 2 to 13 presents fairly, in all material respects, the Company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the Company's objectives for the year ended 30 June 2020.

Our audit was completed on 12 November 2020. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw attention to the impact of Covid-19 on the Company. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.



## Emphasis of matter – impact of Covid-19

Without modifying our opinion, we draw attention to the disclosures about the impact of Covid-19 on the Company as set out in the notes in section 2 on pages 18 and 19 to the financial statements. We draw specific attention to the following matter due to the significant level of uncertainty caused by Covid-19:

- ***Sensitivity of the valuation model used in the impairment assessment***

Pages 21 and 22 in section 2 describe the sensitivity of the Company's impairment model to changes in major inputs and assumptions. The Company's estimates of passengers, recovery and growth rates remain uncertain and dependent on a number of factors with respect to Covid-19.

## Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the Auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Responsibilities of the Board of Directors for the financial statements and the statement of service performance

The Board of Directors is responsible on behalf of the Company for preparing financial statements and statement of service performance that are fairly presented and that comply with generally accepted accounting practice in New Zealand.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and statement of service performance that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the statement of service performance, the Board of Directors is responsible on behalf of the Company for assessing the Company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Local Government Act 2002.

## Responsibilities of the auditor for the audit of the financial statements and the statement of service performance

Our objectives are to obtain reasonable assurance about whether the financial statements and the statement of service performance, as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the statement of service performance.

We did not evaluate the security and controls over the electronic publication of the financial statements and the statement of service performance.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the statement of service performance, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We evaluate the appropriateness of the reported statement of service performance within the Company's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the statement of service performance or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the statement of service performance, including the disclosures, and whether the financial statements and the statement of service performance represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

## Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in section 1 on pages 1 to 27 and section 2 on pages 1, 14, and 32 to 34, but does not include the financial statements and the statement of service performance, and our auditor's report thereon.

Our opinion on the financial statements and the statement of service performance does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the statement of service performance, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the statement of service performance or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Independence

We are independent of the Company in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with, or interests in, the Company.

A handwritten signature in blue ink, appearing to read 'R. Tomlinson', with a horizontal line underneath.

Rudie Tomlinson  
Audit New Zealand  
On behalf of the Auditor-General  
Dunedin, New Zealand









dunedin  
AIRPORT