2014 ANNUAL REPORT

Dunedin International Airport Limited

Annual Report for the Year ended 30 June 2014

company particulars

Directors

S J McLauchlan, BCom, FCA(PP), AF Inst D (Chairman, Member – Audit Committee)
K E Grant, BA, LLB, Dip Law, M Inst D (Chairperson – Audit Committee)
P A Oakley, BCom, M Inst D
M Rogers, BA(Hons), M Inst D, MNZIM

Chief Executive

F J McCall, AFNZIM, M Inst D

General Manager Finance & Business Performance

P Ford, B Com, CA, M Inst D

General Manager Infrastructure & Service Delivery

R Roberts, BEng (Hons)

Marketing and Communications Manager

M Crawford, BA BCom

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DUNEDIN

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Banker

Westpac
101 George Street
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Solicitors

Gallaway Cook Allan
276 Princes Street
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Auditor

Scott Tobin of Audit NZ
On behalf of the Auditor-General

airlines using dunedin international airport

FOR THE YEAR ENDED 30 JUNE 2014

AirlineAircraft Type

DOMESTIC

Air New Zealand	Boeing 737-300
Air New Zealand	Airbus 320-200
Mount Cook Airline	ATR 72
Air Nelson	Dash 8-300
Jetstar	Airbus 320-200

INTERNATIONAL

Virgin Australia	Boeing 737-800

CHARTER, FLIGHT TRAINING AND COMMUTERS

Mainland Air Services	Cessna 152
	Cessna 172
	Piper PA31-350 Chieftain
	Piper PA34-200 Seneca
	Socata TB10 Tobago

FREIGHT SERVICES

New Zealand Post - Airpost	Fairchild Metroliner 23

chairman and chief executive's report

The Directors and management are pleased to present this year's Annual Report as we reflect on the ways that we have helped people and organisations connect. This report is presented against the backdrop of a challenging visitor economy and a local economy that has languished.

Despite these challenges, Dunedin is one of the world's great small cities. It is a compelling destination. It is renowned as a confident, competitive knowledge centre, a community where enterprise and creativity support a productive and sustainable city. It is rewarding for the airport to be a part of this.

The year at a glance

People

- 853,097 passengers, compared to 857,951 for 2013.
- 788,881 domestic passengers, a 0.7% decrease on 2013.
- 64,216 international passengers, an increase of 0.7% on 2013.

Financial

- Total revenue was $12,591,295, a 1.1% increase on 2013 but 1.0% below budget.
- An operating surplus after tax of $1,848,711 compared to $2,414,666 in 2013.
- Shareholders' funds have increased by 4.2% to $45,372,296.
- A dividend of $1,130,000 (12.8c per share) was declared and paid during the year, with a further payment of 14.5c per share (totalling $1,280,000) proposed to be paid on 31 October 2014. The Dunedin City Council's 50% shareholding equates to a payment or return of $13.65 for each rateable property in Dunedin City.

Financial Performance

Excluding gains and losses on investments (Fonterra shares), revenue increased 8.2% on last year.

Aeronautical income was $4,691,328, a 0.6% decrease on last year's $4,722,288 and comprised 37.3% of total income compared to 37.9% for the previous financial year.

During the year we experienced a number of schedule and capacity changes by the airlines which impacted on our aeronautical income. Our aeronautical income is sensitive to both the seat capacity and the weight of each type of aircraft. For the year, total seat capacity declined 0.5% with domestic seat capacity being up slightly by 0.1% however international seat capacity decreased by 6.5%. Total landed aircraft weight was marginally down at 0.3% compared to last year.

Total passenger numbers were down slightly (0.6%) on last year. While international passenger numbers increased by 0.7% to 64,216, domestic passenger numbers (including both airline and charter services) reduced slightly by 0.5% to 788,881.

Non-aeronautical income of $8,130,475, a 14.5% increase on last year, remained a significant contributor to our total revenues. This income is derived from passenger activities, concessionaire's payments, property rental, car parking, dairy farming and the Momona Garage.

As a result of this sound financial performance for the year, shareholders' equity increased this year by $1,040,786 to $45,372,296.

More people, flying more often, to and from more places

A key strategy for the Company as articulated in our Statement of Intent is to work closely with our Airline partners and to create opportunities for engagement between our City and the Airlines. We have entered into joint marketing campaigns with our Airline partners in both the domestic and trans-Tasman markets, leveraging off our City's events and attractions to stimulate travel through our airport. Through continued communication and information sharing with our Airline partners, opportunities for additional flight capacity has eventuated to support events in Dunedin. The strength of our relationship with our Airline partners is fundamental to ensuring development and growth in air travel within our City and our region.

In May 2014, Jetstar celebrated five years of service in the New Zealand domestic market. Celebrations were held in all the ports they service including Dunedin. We were very pleased to play a part in this live breakfast television celebration and to host the Jetstar team in Dunedin.

Earlier this year we formed a number of focus groups to enable us to generate information which would provide us with a greater understanding of our customers' needs and requirements. Three segments of our market were identified as participant groups: students, business people and families. Each group took part in discussion based questioning and was encouraged to offer opinions and ideas about experiences at airports, with airlines and more specifically flying in and out of our airport. The resulting information has played a vital role in the ongoing brand and brand awareness work that we are currently undertaking.

Domestic

The delivery of our growth strategy in the domestic market was challenged with both total seat capacity and passenger numbers decreasing slightly this year.

Air New Zealand implemented its domestic jet replacement programme on jet routes through Dunedin replacing the 133 seat Boeing 737-300 aircraft with the 171 seat Airbus A320 aircraft. The effect of maintaining capacity was to reduce one daily return service on the Dunedin – Auckland route which resulted in changes to the timing of some other flights on this route. These timing changes and the withdrawal of the late evening direct service were not received well by the Dunedin business market, which made its views clearly known to Air New Zealand. Air New Zealand has worked with the Company and business customers and has signalled its intention to make timetable changes to some of their services in March 2015.

The Dunedin - Auckland route is the only Dunedin route with some market competition with both Air New Zealand and Jetstar operating on this route. For both the leisure and business markets, Auckland remains a key port of entry for our international visitors and a vital source market for domestic travel. We will continue to work with our Airline partners on growing capacity and improving connectivity on the route to meet the needs of these travellers.

Trans-Tasman

All of our trans-Tasman services continue to be operated by Air New Zealand and Virgin Australia (the Airlines) under an alliance/code-share agreement authorised by the New Zealand Ministry of Transport (MOT) and the Australian Competition & Consumer Commission (ACCC). The initial authorisation expired on 31 December 2013 and has been renewed with revised conditions through to 31 October 2018. The revised conditions largely removed the capacity and growth conditions of the initial authorisation imposed on the Dunedin – Brisbane route allowing the Airlines more freedom to manage route capacity and align this more effectively with market demand. Last year we noted that this change was not without risk to the Company and this has become evident during the year with a 6.50% reduction in capacity. The slight increase in passenger numbers was more encouraging.

All services were operated by Virgin Australia aircraft with the Dunedin - Brisbane route operating year-round, peaking at six services per week between June and September while Sydney and Melbourne services operated only over the summer holiday season. It is disappointing to report that the Sydney and Melbourne services will not be operated in this period in the 2014/2015 season.

Infrastructure

Maintenance of our airside asset will always be a key priority, and this year our improvements have been focused on another stage of our apron rehabilitation programme and our main taxiway.

This work was completed within budget and without disruption to our scheduled airline services. Airside construction work is always challenging and requires commitment and dedication from all those involved and we acknowledge the contractors involved in delivering these projects.

During the year the Company further reviewed its strategic plan for its rescue fire capability and its equipment maintenance, upgrade and replacement programme. Two second hand Trident fire appliances became available in Wellington and following a full review and cost analysis these machines were purchased from Wellington International Airport Limited. These appliances became fully operation at the airport in August 2014 and replaced two of the existing ex Royal New Zealand Air Force Unipower appliances which are to be sold.

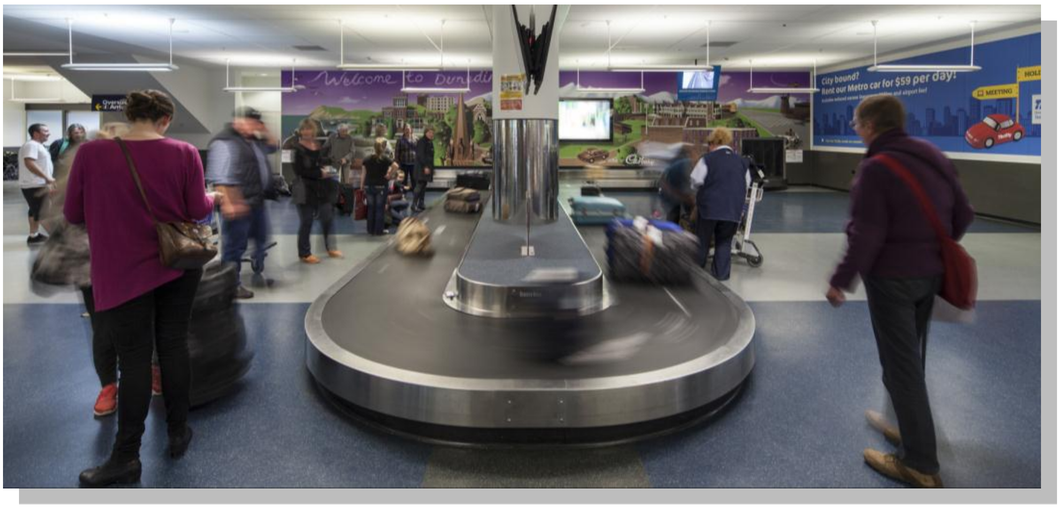
In November 2013, a year after the installation of the first three car park Automatic Pay Stations (APS), we installed a further two APS machines in response to our customers' requests to reduce queuing time to complete their car park exit transactions. With these additional machines in place and both our staff and our customers now more familiar with this technology we frequently receive positive feedback about our car park. Ensuring that adequate car parking capacity is available is important to our business and we regularly review the timing for the next development phase. Car park movements increased by 13.3% in the current year.

Our dairy farming operations, now managed by two sharemilkers, had a very successful year and contributed significantly to the Company's non-aeronautical income. Our sharemilkers' skilled operational management and hard work, combined with the favourable seasonal weather conditions, enabled us to deliver a record level of milk-solids and capitalise on record dairy commodity prices. During the year we continued with our programme of routine maintenance of farm tracks, fences and stock water systems.

Safety and Compliance

Last year the Company established a new position in the management team – a Safety and Compliance Manager. This new role has provided the resource for delivering our uncompromising commitment to the health and safety environment across the airport precinct and to everyone who uses the airport. An improved safety culture is now evident at the airport following the introduction of enhanced health and safety management procedures and systems.

Regulatory compliance across a range of dimensions is a significant matter for the Company and as you would expect, we take our responsibilities very seriously. From time to time some of these are subject to review and where appropriate the Company involves itself in these reviews. Of particular relevance are the various reviews occurring in the aviation regulation and safety systems. Across the aviation industry Safety Management Systems (SMS) is being introduced for safety compliance and for airports we expect to commence transitioning to SMS in 2015.



Momona Garage

This was the first full year in which the Company operated the Momona garage and service station purchased in February 2013. Compared to the previous year fuel sales increased by 11.0% to 790,000 litres.

During the year we focused on improving the external presentation of the business through landscaping the property and installing new and more prominent brand signage. Our emphasis on excellence in customer service across all of our business encompasses this operation. Compliance in this new and unfamiliar environment for us has been challenging. Our staff have met those challenges enabling us to achieve a 'Grade A' Dunedin City Council Food Hygiene Certificate. At the same time all environmental and health and safety compliance requirements have been met.

We continue to view this business as complimentary to and supportive of our overall business. Because of the remote location of the airport a reliable retail fuel supply at the airport is of strategic importance to all of our airport business partners particularly our rental car operators as well as the local community

Our Retailers

Our retail partners continue to provide an important service to our customers and play a pivotal role within the airport. Through relationships with our retailers, we look for opportunities to promote and create awareness of products and services offered. This year a refurbishment project was completed by one of our food and beverage providers, creating a more extensive offering and an enhanced experience for our customers.

Our Community

Our commitment to our community continues to feature as one of our strategic imperatives. It is rewarding for us to play a role in supporting several national and local not for profit and charitable organisations. During the year we facilitated volunteers interacting with passengers during national collections for Daffodil day, Pink Ribbon day, Poppy day and Jandal day.

We are proud of our ongoing interest and support of the Arts through our sponsorship of the Fortune Theatre and the Southern Sinfonia. Our "Artist in the Terminal" initiative provides a platform for local artists to exhibit their work and creates an interesting and enjoyable viewing experience for our customers. Like many organisations, we know how rewarding it is for the Company and our staff
to demonstrate our commitment to the community and to help others where we can.

This year we hosted 17 school visits which are both a valuable learning experience and an enjoyable occasion outside of the classroom for the children. Our staff enjoy these visits and the numerous drawings and letters of thanks which are often received from the children.

We were pleased to be one of the sponsors for the 2014 iD Emerging Fashion Awards, which we see as an iconic Dunedin event. The sponsorship of this event allowed us the opportunity to promote our direct Dunedin - Brisbane services and to showcase Brisbane as the City of Fashion and Food. We engaged Air New Zealand to be part of this sponsorship campaign which resulted in the airline providing as a prize a flight to Brisbane.

The journey between the City and the Airport is part of the experience when using the Airport. Over past years we have been able to undertake significate plantings on the airport property with the assistance of the Dunedin Rhododendron Group and Task Force Green. These plantings now provide an ever changing year round woodland garden experience. This year we took this concept further and with the agreement of the New Zealand Transport Agency and the enthusiasm and support of several local organisations we have been able to extend the plantings along both sides of State Highway 86 and link these to our landscaping of the Momona Garage property. The opportunity to be involved in this project was a highlight for the Company and we expect will be enjoyed for many years to come by both travellers to and from the airport as well as the local community.

Economic Development

We continue to support regional economic activity where there is strategic alignment with our business. We are encouraged by the release of Dunedin's Economic Development Strategy by the City and its economic partners.

We are committed to playing our part in implementing the Strategy and facilitating an air transport environment that is supportive of achieving these goals.

Through our relationship with Air New Zealand we facilitated discussions between the Dunedin City Council and the Airline in relation to Dunedin's sister city relationship with Shanghai. As a result of this, Air New Zealand, in conjunction with Tourism New Zealand, ensured that a large media contingent from Shanghai visited Dunedin during iD Fashion Week. This was an extremely successful event and as a result of the post event media coverage there were more than 2.9 million views of the media articles. Feedback from the media group was overwhelmingly positive and would have contributed to the high viewer numbers. Air New Zealand continues to be involved in the Dunedin sister city relationship and will be part of the city delegation visit to Shanghai in October this year as part of the 20 year anniversary of the relationship.

A whole of city approach to Dunedin as a destination saw us partner with Tourism Dunedin on both domestic and trans-Tasman marketing initiatives and we look forward to continuing these initiatives under the future "whole of city" approach with Tourism Dunedin's successor, Enterprise Dunedin. The airport will be an important contributor to the execution of city wide strategies to drive growth and we look forward to being part of this.

During the year we continued our development work around air support for the off-shore exploration projects off the Otago coast and worked particularly with Anadarko during February/March 2014. This drilling operation required air logistics support using two large specialist helicopters operated by HNZ (New Zealand) Limited. The company facilitated the establishment of an operational base for HNZ at the airport for the duration of the drilling programme.

Looking ahead with our people

Our customers are important to us to and no one understands this better than our staff. They know that first and last impressions count and this is demonstrated in the actions of our staff every day, from the small ways in which we help people on their journeys to the more significant initiatives we plan. Many of our staff go about their daily tasks largely unnoticed by the thousands of passengers and visitors who use our airport every day but those staff contribute significantly to the delivery of a quality Airport experience.

The focus of the Board and staff has now turned to 2014/2015 and beyond. We will remain focused on our vision, purpose and values and with clearly articulated strategies and strong execution, we intend to build on the success of the past year to ensure we continue to deliver high quality results across our business.

The Board sincerely thanks the staff for their significant contribution to the operation of our Airport and are looking forward to another very positive year ahead with them.

Stuart McLauchlan
Chairman

John McCall
Chief Executive

13 August 2014

statement of service performance

The following is a statement of service performance relating to key specific objectives listed in the Company's Statement of Corporate Intent for the year ending 30 June 2014.

STRATEGIC PRIORITY - FINANCIAL PERFORMANCE

1. Increase the company's revenues and earnings.

- Develop and implement aeronautical and non-aeronautical revenue opportunities to increase earnings.

a) Financial Performance.

The results achieved for the year compared to budget are as follows:

	ACTUAL $000	BUDGET $000
Surplus before taxation	2,428	3,366
Surplus after taxation	1,849	2,423
Return on closing shareholders equity	4.0%	5.4%
Closing shareholders' equity	45,372	44,854

Revenue for the year was 1% below budget while expenses were 5.6% above budget.
Aeronautical income was 6.5% below budget due to a reduction in the number of domestic jet services and the composition of aircraft landings.
Non aeronautical income was 2.6% above budget with increases in revenue from rentals, dairy farm, taxis and shuttles and passenger service income.

All costs were kept within budget except for increases in paving maintenance, depreciation and rescue fire costs.

b) Increase non-aeronautical revenue by:

- Increasing income from dairy farm activities.
  - *Revenue was 33% above budget.*
- Partnering with our retail concessionaires to increase their revenue.
  - *Monthly retail data from concessionaires are reviewed and opportunities to increase revenue are discussed with the concessionaires.*

c) Increase aeronautical revenue by:

- Partnering with our existing airline customers to increase passenger volume.
  - *Continued to strengthen relationships with Jetstar, Virgin Australia and Air New Zealand senior management.*
  - *A successful international campaign was run in conjunction with Air New Zealand and Tourism Dunedin.*
- Partnering with our airline customers to introduce new services.
  - *Route development analysis on existing international services is currently in process.*
  - *A domestic campaign on the Dunedin-Auckland service is currently being planned.*

2. Improve the company's equity ratio

- Reduce long term bank debt. Target debt reduction from $18m as at 30 June 2013 to $17.7m as at 30 June 2014.
  - *Debt reduced to $15.5m at 30 June 2014 due to budgeted capital expenditure on the airfield being deferred.*

3. Maintain the company's economic sustainability through the mitigation of business risk.

- Ongoing monitoring and refinement of the Company's risk strategy.
  - *High level risks have been identified for each area of our business. These are monitored and reported to the Board for consideration and action.*

STRATEGIC PRIORITY - CORPORATE SOCIAL RESPONSIBILITY

1. ***Be recognised as a positive contributor to the community and where appropriate provide support in areas such as education, the arts, cultural and sporting activities.***
   - Continue with sponsorship of the Southern Sinfonia.
     - *Chair sponsorship for the 2013/14 performance season.*
   - Undertake further discretionary sponsorship in line with the goals of Corporate Social Responsibility.
     - *Sponsorship of the Fortune Theatre, Otago Medical Research and ID Fashion – Emerging Designer Award.*
   - Host a minimum of ten school/community visits per year.
     - *17 visits hosted during the year.*

2. ***Act as an environmentally aware and responsible corporate citizen through the introduction over time of sustainable environmental management and operational principles.***
   - Report to the Otago Regional Council on usage of aircraft de-icer product.
     - *Annual Report sent to ORC in January 2014.*
   - Recycle cardboard waste generated at the airport.
     - *13,740 kgs of cardboard recycled during the year.*
   - Continue to operate the airport worm farm to recycle sludge from the airport sewage treatment plant.
     - *All sewage sludge was recycled on the airport by the worm farm.*

3. ***Use Otago manufactured and/or supplied goods and services subject to price, quality and other strategic considerations being met.***
   - Embed these considerations in all procurement decisions.
     - *Procurement Policy implemented in procurement decisions.*

STRATEGIC PRIORITY - CUSTOMER SERVICE

1. ***Provide friendly and efficient customer service with a smile to all our airport passengers and visitors.***
   - All Customer Service Staff will be provided with recognised customer service training.
     - *All customer service training is current. Currently investigating internal training options.*
   - Set up and carry out a Customer Service Survey within the terminal building to monitor customer satisfaction and measure service performance.
     - *Customer service survey reviewed and where appropriate may be included in the development of a new website.*
   - Set up a customer feedback system to ensure that our business is responsive to our customers' needs.
     - *477 feedback forms received and analysed for the year. All forms acknowledged and responded to in a timely manner with action taken where appropriate.*

2. ***Foster and maintain proactive engagements and communication with our business partners and stakeholders.***
   - Develop an Airport Communication Strategy.
     - *Amended Communications Policy approved by DIAL Board.*

STRATEGIC PRIORITY - HUMAN RESOURCES

1. ***Maintain Management Practices that ensures that the company meets its Health and Safety Obligations.***
   - Complete an annual review of the Health and Safety plan with management and staff input.
     - *Health and Safety committee objectives and Hazard Register were reviewed in July 2013.*
   - Target zero days lost due to work related accidents.
     - *No days lost to date.*
   - Hold a minimum of 10 staff meetings.
     - *10 meetings held during the year.*

2. ***Act as a good employer by providing equal employment opportunities, good and safe working conditions and opportunities for individual career development for all employees.***
   - Provide relevant training opportunities to ensure staff are fully engaged and competent in their positions.
     - *All new staff receive induction training from the Safety and Compliance Manager.*

STRATEGIC PRIORITY - MARKETING AND BUSINESS DEVELOPMENT

1. *Increase air transport activity through Dunedin Airport.*

- Initiate a Marketing plan to increase business at Dunedin airport.
  - *Marketing Plan approved by DIAL Board. Business Plan was reviewed in line with the annual budget and Statement of Intent. Tactical implementation undertaken in response to the environment we operate in.*
- Partner with existing airlines to encourage new route development.
  - *Through regular contact DIAL has strengthened relationships with Air New Zealand, Virgin Australia and Jetstar marketing and operations management and ensured information about the region was brought to their attention in a timely manner.*
- Research and identify what differentiates Dunedin Airport from other southern airports by analysing the southern region and using the findings to strengthen Dunedin's position in the market.
  - *Focus groups organised in conjunction with DOT Marketing Consultants to develop an understanding of the DIAL customers' perception of Dunedin Airport and its brand.*
  - *Results of the Focus groups analysed and currently developing strategies to improve Brand awareness and also address perception issues relating to Dunedin Airport.*

2. *Support regional economic activity which has strategic alignment with the company.*

- As part of its objective to strengthen its relationship with its stakeholders DIAL partnered with organisations which have strategic alignment with the company's objectives.
  - *Chief Executive and Senior Management had meetings with our business partners including:-*
    - *Tourism Dunedin*
    - *Tourism Futures International*
    - *Civil Aviation Authority*
    - *Dunedin City Council*
    - *Dunedin Venues Management Ltd*

3. *Coordinate promotional and marketing activities with Corporate Social Responsibility initiatives whenever possible.*

- Embed Corporate Social Responsibility initiatives in our promotional and marketing activity decision making process.
  - *Continued with the "Artist in the Terminal" project.*

STRATEGIC PRIORITY - INFRASTRUCTURE

1. *Provide, maintain and plan appropriate infrastructure that meets the needs of our customers.*

- Maintain the airports CAA Operating Certificate by delivering aeronautical services and infrastructure in accordance with our standards and procedures.
  - *Safety Audit completed June 2014 with no findings and all requirements met.*
- Ensure Building Warrants of Fitness are maintained in order to meet our obligations under Section 108 of the Building Act 2004.
  - *New WoF completed, certificate issued May 2013 providing coverage for 12 months. New WOF awaited.*
- Meet our Resource Consent conditions for Effluent Discharge and Bore Water.
  - *Annual STP sent to ORC. Corrective action taken to address non-compliance issues.*
  - *Effluent Data entered for year.*
- No time delays to any commercial scheduled airline operations due to maintenance of airside infrastructure.
  - *All airside projects completed to date without any delays to aircraft operations.*

trend statement

For the year-ended 30 June	2014	2013	2012	2011	2010
Revenue					
Operating Revenue:					
Aeronautical	4,691,328	4,722,288	3,988,294	2,640,001	2,813,698
Percentage	37.3%	37.9%	38.7%	31.0%	34.5%
Non-aeronautical	8,130,475	7,099,274	6,274,186	5,842,172	5,280,398
Percentage	64.6%	57%	60.8%	68.7%	64.7%
Interest income	14,782	49,108	11,708	31	54,675
Dividend income	40,016	49,017	39,002	23,252	8,422
Gain on investments	(285,306)	533,815	850	-	688
Total revenue	**12,591,295**	12,453,502	10,314,040	8,505,456	8,157,193
Percentage Increase	1.1%	20.7%	21.3%	4.3%	8.1%
Surplus before tax	2,428,231	3,189,437	2,148,723	120,336	(208,471)
Percentage increase	-23.9%	48.4%	1,685%	157.7%	71.6%
Net tax paid surplus	1,848,711	2,416,666	1,105,338	713,592	(50,357)
Percentage increase	-23.5%	118.6%	54.9%	1,517%	94.5%

Shareholders' equity

Shareholders' equity	45,372,296	44,331,510	42,103,001	27,708,570	27,271,667
Return on shareholders' equity	4.1%	5.5%	2.6%	2.5%	-0.2%
Dividends paid	1,130,000	660,000	396,000	264,000	-
Dividend rate cents per share	12.8	7.5	4.5	3	-
Capital expenditure	492,440	5,828,232	2,205,286	769,924	1,357,332
Net operating cashflow	5,128,159	4,263,372	4,597,238	2,554,825	2,336,512
Net asset backing per share	$5.16	$5.04	$4.78	$3.15	$3.10
Proprietorship ratio	59.6%	56.2%	54.7%	48.7%	46.6%

statement of comprehensive income

For the year-ended 30 June	Notes	2014	2013
Operating revenue		12,821,803	11,821,562
Interest received		14,782	49,108
Dividend received		40,016	49,017
Gain/(loss) on investment		(285,306)	533,815
Total revenue		**12,591,295**	12,453,502
Audit fees	4	51,703	74,150
Directors fees		84,500	79,000
Finance costs – interest expense		1,221,533	1,525,558
Goodwill written off		-	48,000
Depreciation	20	3,044,998	2,769,694
Wages and salaries		1,733,661	1,459,984
Other operating expenses		4,026,669	3,307,679
Total expenses		**10,163,064**	9,264,065
Operating surplus/(deficit) before income tax		**2,428,231**	3,189,437
Income tax expense/(credit)	5	579,520	772,771
Operating surplus/(deficit) after income tax		**1,848,711**	2,416,666
Other comprehensive income			
Cash flow hedges gain/(loss) taken to equity		447,327	655,338
Income tax on items of other comprehensive income	5	(125,252)	(183,495)
Total comprehensive income/(deficit)		**2,170,786**	2,888,509

statement of changes in equity

Equity at the beginning of the year		44,331,510	42,103,001
Comprehensive income/(deficit) for the year		2,170,786	2,888,509
Less distribution to owners			
- Final dividend	8	(1,130,000)	(660,000)
Closing equity		**45,372,296**	44,331,510

These statements is to be read in conjunction with the notes on pages 15 to 30

balance sheet
As at 30 June

	Notes	2014	2013
Shareholders' equity			
Share capital	6	8,800,000	8,800,000
Hedge reserve	7	(301,621)	(623,696)
Revaluation reserve	7	21,672,638	21,672,638
Retained earnings	9	15,201,279	14,482,568
		45,372,296	44,331,510
Current liabilities			
Trade & other payables	10	703,190	624,714
Other liabilities	11	218,738	659,367
Tax Payable	5	264,956	-
Provisions	12	151,190	129,556
Hedge Derivatives	19b	92,908	-
		1,430,982	1,413,637
Non-current liabilities			
Term loans	14	15,500,000	18,000,000
Deferred taxation	15	13,506,937	14,207,167
Hedge derivatives	19b	326,009	866,244
		29,332,946	33,073,411
Total equity & liabilities		**76,136,224**	78,818,558
Represented by:			
Current assets			
Trade & other receivables	16	578,739	610,251
Prepayments	17	12,384	12,349
Cash & cash equivalents	13	468,771	31,065
Stock on hand	18	40,117	28,297
		1,100,011	681,962
Non-current assets			
Property, plant & equipment	20	73,731,245	76,290,725
Investments	21	1,147,465	1,432,772
Deferred taxation	15	157,503	413,099
		75,036,213	78,136,596
Total assets		**76,136,224**	78,818,558

For and on behalf of the directors.

S J McLauchlan
Chairman
13 August 2014

K E Grant
Director

This statement is to be read in conjunction with the notes on pages 15 to 30

statement of cashflows

For the year-ended 30 June	Notes	2014	2013
Cash flow from operating activities			
Cash was provided from:			
Receipts from customers		12,919,784	11,835,980
Interest received		14,782	49,108
Dividend received		40,016	49,017
Cash was applied to:			
Payments to suppliers		4,081,197	3,700,211
Payments to employees		1,611,848	1,485,153
Interest paid		1,268,928	1,519,797
Taxation paid		884,450	965,572
Net cash flows from operating activities	24	**5,128,159**	4,263,372
Cash flows from investing activities			
Cash was provided from:			
Sale of assets		-	400
Cash was applied to:			
Purchase of shares		-	22,972
Purchase of assets		560,453	5,812,893
Net cash flows from investing activities		**(560,453)**	(5,835,465)
Cash flows from financing activities			
Cash was provided from loans advanced		-	500,000
Cash was applied to:			
Repaid loans		3,000,000	-
Dividends paid		1,130,000	660,000
Net cash flows from financing activities		**(4,130,000)**	(160,000)
Net increase/(decrease) in cash held		437,706	1,732,093
Plus opening cash brought forward		**31,065**	1,763,158
Cash & cash equivalents held 30 June	13	**468,771**	31,065

This statement is to be read in conjunction with the notes on pages 15 to 30

notes to financial statements

For the year-ended 30 June 2014

1. ESTABLISHMENT

Dunedin Airport Limited, is a NZ registered and domiciled company which was established under the Airport Authorities Act 1966 and incorporated on 30 September 1988. The Company changed its name to Dunedin International Airport Limited on 22 December 1999.

The Company purchased assets from the Dunedin Airport Authority on 1 November 1989 and commenced trading 1 November 1989.

2. REPORTING ENTITY

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

Dunedin International Airport Limited was established under the Airport Authorities Act 1966 and incorporated in New Zealand under the Companies Act 1993.

The registered address of the Company is Terminal Building, Dunedin International Airport, Momona, Dunedin.

The financial statements have been prepared in accordance with the requirements of the Companies Act 1993 and the Financial Reporting Act 1993.

These financial statements are presented in New Zealand dollars because that is the currency of the primary economic environment in which the Company operates. The financial statements are rounded to the nearest dollar.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a Tier Strategy) developed by the External Reporting Board (XRB). Under this Accounting Standards Framework, although the Company is not publicly accountable and not large, it has elected to be a “tier one” entity. Therefore, these financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand, and comply with the New Zealand equivalents to the International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards.

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.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and GST.

Revenue from services rendered is recognised when it is probable that the economic benefits associated with the transaction will flow to the entity. The stage of completion at balance date is assessed based on the value of services performed to date as a percentage of the total services to be performed.

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.

Leasing
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Company as Lessor
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.

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.

Foreign Currencies
The financial statements are presented in the currency of the primary economic environment in which the Company operates (its functional currency). For the purpose of the financial statements the results and financial position of the Company are expressed in New Zealand dollars, which is the functional currency of the Company.

Transactions in currencies other than New Zealand dollars are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. The Company does not hold non-monetary assets and liabilities denominated in foreign currencies.

In order to hedge its exposure to certain foreign exchange risks, the Company may enter into forward contracts and options (see below for details of the Company's accounting policies in respect of such derivative financial instruments).

Borrowing Costs
Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (ie. 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.

Employee Entitlements
Entitlements to salary and wages and annual leave are recognised when they accrue to employees. This includes the estimated liability for salaries and wages and annual leave as a result of services rendered by employees up to balance date at appropriate rates of pay.

Payments made to a defined contribution retirement benefit scheme are dealt with as an expense when they fall due.

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.

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.

Property, Plant and 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 certain items of 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 credited in equity to the properties 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*
Runway, apron and taxiway	3% - 6.66%	SL
Buildings	1% - 33.3%	SL
Machinery & plant	4% - 10%	DV & SL
Motor Vehicles	20% - 25%	DV
Fixtures, fittings, office and computer equipment	20% - 40%	DV

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 the income statement in the year the item is derecognised.

Impairment of assets
At each balance sheet date, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Financial Instruments
Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Cash and Cash Equivalents
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.

Receivables
Receivables are stated at cost less any allowances for estimated irrecoverable amounts.

Loans and other receivables
Loans and other receivables are financial instruments that are measured at amortised cost using the effective interest method. This type of financial instrument includes cash and bank balances, and demand deposits.

Investments
Investments are recognised and derecognised on a trade date where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at cost, including directly attributable transaction costs.

Investments in equity securities
Investments in equity securities are designated as financial assets at fair value through profit or loss. Any resultant gains or losses are recognised in the income statement.

Financial Liability and Equity
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Payables
Payables are stated at cost.

Term Loans
Term loans are initially recorded at fair value net of directly attributable transaction costs and are measured at subsequent reporting dates at amortised cost. Finance charges, premiums payable on settlement or redemption and direct costs are accounted for on an accrual basis to the Income Statement 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.

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

Derivative financial instruments and hedge accounting

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 hedge these exposures.

The Company does not use derivative financial instruments for speculative purposes. However, derivatives that do not qualify for hedge accounting, under the specific NZ IFRS rules, are accounted for as trading instruments.

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.

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 the Income Statement.

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the directors' best estimate of the expenditures required to settle the obligation at the Balance Sheet date, and are discounted to present value when the effect is material.

Inventories

Inventories held for use represent 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.

4. AUDIT FEES

Audit Fees	Notes	2014	2013
Fees for audit services - Audit NZ		35,648	35,000
- Disbursements		1,055	-
Fees for audit of disclosure accounts – Audit NZ		15,000	15,000
- Price WaterhouseCoopers		-	24,150
		51,703	74,150

On behalf of the Auditor General, Audit NZ are the auditors of the Company.

5. TAXATION PROVISION

(a) Income tax

	2014	2013
Operating surplus/(deficit) before income tax	2,428,231	3,189,437
Taxation @ 28%	679,905	893,042
Plus / (Less) the tax effect of differences		
Expenses not deductable	1,619	17,149
(Gain)/Loss on investments	79,885	(149,468)
Under / (over) tax provision	(181,889)	12,048
Tax effect of differences	(100,385)	(120,271)
Tax expense	579,520	772,771
Effective tax rate	23.9%	24.2%
Represented by		
Current tax provision	(1,149,956)	-
Deferred tax provision	570,436	772,771
Income tax expense	(579,520)	(772,771**)**

(b) Tax on Other Comprehensive Income

	2014	2013
Hedge Reserve:		
Deferred tax	(125,252)	(183,495)
	(125,252)	(183,495)

(c) Provision for Tax

	2014	2013
Balance at beginning of year	-	953,524
Provisional tax 2014	(1,149,956)	-
Terminal tax payment (refund) 2013	-	(953,524)
Provisional tax paid	885,000	-
Balance at 30 June	(264,956)	**-**

(d) Imputation Credits

	2014	2013
Imputation credits available for use in subsequent periods.	3,159,000	2,448,000

The 2014 balance includes credits associated with the tax payable balance.

6. EQUITY – SHARE CAPITAL

Issued Capital	2014	2013
8,800,000 ordinary authorised and issued shares	8,800,000	8,800,000

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.

7. RESERVES

a) Hedge Reserve

	2014	2013
Balance at beginning of year	(623,696)	(1,095,539)
Net Revaluations included in other comprehensive income	447,327	655,338
Deferred tax arising on hedges	(125,252)	(183,495)
Balance at 30 June	**301,621**	(623,696)

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

	2014	2013
Balance at 30 June	**21,672,638**	21,672,638

The properties revaluation reserve arises on the revaluation of land and buildings. Where revalued land or buildings 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. DIVIDENDS

	2014	2013
Final Dividend	1,130,000	660,000
	1,130,000	660,000
Dividends Per Share	12.8 cents	7.5 cents

9. RETAINED EARNINGS

	2014	2013
Balance at beginning of year	14,482,568	12,725,902
Net profit / (loss) for the year	1,848,711	2,416,666
Dividend distributions	(1,130,000)	(660,000)
Balance at 30 June	**15,201,279**	14,482,568

10. TRADE & OTHER PAYABLES

	2014	2013
Trade payables	535,824	468,192
Accruals	167,366	156,522
	703,190	624,714

The amounts due to customers under construction contracts at 30 June 2014 was $NIL (2013: NIL).

11. OTHER LIABILITIES

	2014	2013
Current Liabilities		
GST payable	161,598	113,765
Other current liabilities	57,140	45,602
Bank loans (see note 14)	-	500,000
	218,738	659,367

	2014	2013
12. PROVISIONS		
(a) Annual Leave		
Balance at the beginning of the year	129,556	121,063
Amounts used	(139,969)	(116,074)
Amount accrued	161,603	124,567
Balance at 30 June	**151,190**	129,556

Annual leave related staff leave not yet taken and is expected to be used in the next 12 months.

13. CASH

	2014	2013
Cash floats	6,400	4,180
Westpac cheque account	(10,874)	23,422
Short term deposits are as follows:		
On call	473,245	3,463
Balance at 30 June	**468,771**	31,065

The carrying amount of cash assets approximates their fair value.

14. TERM BORROWINGS (Secured)

	2014	2013
Wholesale term loan - term	**15,500,000**	**18,000,000**

(a) Westpac has provided a Wholesale Term Loan of $18 million with a maturity date of 1 August 2016 and multi option credit line facility of $3 million with a maturity date of 30 September 2015. 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 19.

(b) Banking covenants relating to the term loan are:

-- Shareholders funds are not less than 40% of total tangible assets.

-- Earnings (E.B.I.T.) are not less than 1.7 times funding costs.

Both requirements have been met at 30 June 2014 and monthly during the financial year.

15. DEFERRED TAX

(a) 2014	Opening Balance	Charged to Equity	Charged to Income	Closing Balance Sheet Assets	Liabilities	Net
Property, plant and equipment	(14,207,167)		700,230		(13,506,937)	(13,506,937)
Employee benefits	35,045		5,161	40,206	-	40,206
Revaluations of interest rate swaps	242,548	(125,251)		117,297	-	117,297
Losses Carried Forward	135,506		(135,506)	-	-	-
Balance at 30 June 2014	**(13,794,068)**	**(125,251)**	**569,885**	**157,503**	**(13,506,937)**	**(13,349,434)**

(b) 2013	Opening Balance	Charged to Equity	Charged to Income	Closing Balance Sheet Assets	Liabilities	Net
Property, plant and equipment	(13,306,286)		(900,881)	-	(14,207,167)	(14,207,167)
Employee benefits	30,393		4,652	35,045	-	35,045
Revaluation of interest rate swaps	426,043	(183,495)		242,548	-	242,548
Losses carried forward			135,506	135,506	-	135,506
Balance at 30 June 2013	(12,849,850)	(183,495)	(760,723)	413,099	(14,207,167)	(13,794,068)

		2014	2013
16.	**TRADE & OTHER RECEIVABLES**		
	Trade receivables	**578,739**	610,251

The directors consider that the carrying amount of the trade receivables approximates their fair value. Receivables overdue by 30 days or more at 30 June 2014 were $67,519, 11.7% of trade receivables (2013, $113,476, 18%).

17.	**PREPAYMENTS**		
	NZ Airports Association membership	**12,384**	12,349

18.	**STOCK ON HAND**		
	Petrol and other stock at Momona Garage valued at cost	**40,117**	28,297

19. FINANCIAL RISK MANAGEMENT

a) Financial Risk Factors

The Company's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by DIAL management with advice from Dunedin City Treasury Limited under policies approved by the Board of Directors. DIAL management identifies, evaluates and hedges financial risks in close co-operation with Dunedin City Treasury Limited. The Board provides written principles for overall risk management, as well as written policies covering specific areas such as interest rate risk, credit risk and use of derivative financial instruments.

b) Interest Rate Risk

Interest rate swaps	- maturing less than 1 year	92,908	-
	- maturing 1 to 5 years	326,009	(866,244)
		(418,917)	**(866,244)**

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. The interest rate agreements are held with Westpac. Interest rate risk is reviewed on a regular basis.

The Company's treasury policy recommends that the levels of the fixed interest hedge should be limited to a series of ranges set within set debt time periods.

0 to 1 year	Between 70% to 90% of expected debt
1 to 2 years	Between 50% to 70% of expected debt
2 to 3 years	Between 40% to 50% of expected debt

The notional principal outstanding with regard to the interest rate swap is:

	Effective interest rate	2014	2013
Maturing less than 1 year	7.2%	5,000,000	-
Maturing between 1 and 5 years	6.3%	5,000,000	10,000,000
		10,000,000	10,000,000

c) Liquidity Risk

Liquidity risk represents the ability of the Company to meet its contractual obligations. The Company evaluates its liquidity requirements on an ongoing basis and actively manages its liquidity risk through

- Arrangement of appropriate backup facilities to the short term borrowing programmes
- Managing a prudent balance of both short and long term borrowing programmes
- Regular review of projected cash flows and debt requirements

In general the Company generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has credit lines in place to cover potential shortfalls.

The maturity profile of the Company's term borrowings are set out in note 14. The maturity profiles of the Company's financial assets, with the exception of equity investments is as follows:

2014				
	Maturity date 1 year or less	Maturity date more than 1 year and less than or equal to 5 years	Maturity date over 5 years	TOTAL
Financial Assets				
Trade & Other Receivables	578,739	-	-	578,739
Cash & Cash Equivalents	468,771	-	-	468,771
	1,047,510	-	-	1,047,510

2014				
	Maturity date 1 year or less	Maturity date more than 1 year and less than or equal to 5 years	Maturity date over 5 years	TOTAL
Financial Liabilities				
Trade & Other Payables	1,338,074	-	-	1,338,074
Bank Loans	-	15,500,000	-	15,500,000
Derivative Financial Instruments	92,908	326,009		418,917
	1,430,982	15,826,009		17,256,991

2013				
	Maturity date 1 year or less	Maturity date more than 1 year and less than or equal to 5 years	Maturity date over 5 years	TOTAL
Financial Assets				
Trade & Other Receivables	610,251	-	-	610,251
Cash & Cash Equivalents	31,065	-	-	31,065
	641,316	-	-	641,316

2013				
	Maturity date 1 year or less	Maturity date more than 1 year and less than or equal to 5 years	Maturity date over 5 years	TOTAL
Financial Liabilities				
Trade & Other Payables	913,637	-	-	913,637
Bank Loans	500,000	18,000,000	-	18,500,000
Derivative Financial Instruments	-	866,244	-	866,244
	1,413,637	18,866,244	-	20,279,881

d) Credit Risk

Financial instruments which potentially subject the Company to credit risk principally consist of bank balances and accounts receivable. No collateral is held on such items which at 30 June 2014 totalled $1,059,894 (2013: $653,665).

Bank deposits are held with Westpac which has an AA- credit rating.

The Company assesses the credit quality of each customer prior to advancing credit and regularly monitors the aging of its debtors.

Maximum exposures to credit risk is the amount stated in the financial statements and are net of any recognised provision for losses on these financial instruments. No collateral is held on these amounts.

Concentrations of Credit Risk

89.6% of trade receivables are due from ten customers (2013, 89.6% from 8 customers). These receivables are considered to be fully recoverable, see note 16.

The Company is not exposed to any other concentrations of credit risk.

e) Price Risk

The Company is exposed to price risk with respect to landing charges. New landing charges were set on 1 December 2011, following consultation with the airlines

f) Cash Flow Interest Rate Risk

The Company's exposure to cash flow risk through changes in the market interest rates relates primarily to the Company's long term debt obligations with a floating interest rate. The level of debt is disclosed in note (14).

The Company's policy is to manage its interest cost using a mix of fixed and variable rate debt. To manage this mix in a cost efficient manner, the Company enters into interest rate swaps, in which the Company agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. At 30 June 2014, after taking into account the effect of interest rate swaps, approximately 65% of the Company's borrowings are at a fixed rate of interest (2013, 54%).

At 30 June 2014 the Company had $5.5 million of borrowings unhedged (2013, $8.5 million unhedged). Should interest rates increase/(decrease) by 1% and, in the absence of any other charges the effect on the tax paid profit would be $88,000/($61,000).

g) Capital Management Strategy

The Company manages its capital to ensure that entities in the Company will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Company monitors capital on the basis of the equity ratio. This ratio is calculated as shareholders funds divided by total assets. The Board considers an equity ratio in excess of 50% is appropriate for the Company. At 30 June 2014 this ratio was 59.6% (56.2%).

h) Categories of Financial Assets and Financial Liabilities

Financial Assets	**2014**	2013
Fair Value Through Profit or Loss (FVTPL)		-
Designated as at FVTPL – Shares	1,147,465	1,432,772
Loans and Receivables	591,123	622,600
Cash & Cash Equivalents	468,771	31,065
Total Financial Assets	2,207,359	2,086,437

Financial Liabilities		
Derivative Financial Instruments in Hedge Accounting Relationships	418,917	866,244
Amortised Cost	16,205,975	19,127,558
Total Financial Liabilities	16,624,892	19,993,802

i) Leases

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

	2014	2013
Under 1 year	2,030,393	1,843,449
1 to 5 years	6,279,238	6,938,309
Over 5 years	5,051,554	5,774,722

(ii) The Company has various operating leases for vehicles and office equipment. Minimum lease commitments under non-cancellable operating leases are as follows:

	2014	2013
Under 1 year	13,309	8,552
1 to 5 years	34,532	-

j) Fair value of Financial Instruments

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 - Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 – Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The following table details the Company's hierarchical classification of financial assets and liabilities measured at fair value at 30 June 2014. Other financial assets and liabilities are measured at amortised cost and not included in this table.

	Level 1	**Level 2**	**Level 3**	**Total**
2014	**$**	**$**	**$**	**$**
Investments				
Shares at market value in farmer cooperative	1,147,465			1,147,465
Derivates				
Hedge Derivatives		418,917		418,917

20. PROPERTY, PLANT & EQUIPMENT

(a) 2014	Land	Runway, Apron, Taxiway	Buildings	Plant & Equipment	Office Equipment	Motor Vehicles	Total
Cost or Valuation							
Balance at beginning of period	15,211,053	27,999,068	25,416,358	10,747,974	120,369	696,606	80,191,428
Purchases		101,944	67,309	170,840	1,047	151,300	492,440
Transfers							
Disposals / Woffs				(71,327)	(13,122)		(84,449)
Balance at end of period	15,211,053	28,101,012	25,483,667	10,812,577	108,294	847,606	80,599,419
Accumulated Depreciation							
Balance at beginning of period	392,734	1,035,069	670,100	1,229,534	88,567	484,699	3,900,703
Depreciation	353,995	1,279,454	670,841	691,940	11,822	36,944	3,044,996
Transfers							
Disposals / Woffs				(64,843)	(12,682)		(77,525)
	746,729	2,314,523	1,340,941	1,856,631	87,707	521,643	6,868,174
Balance at end of period	14,464,324	25,786,489	24,142,726	8,990,856	20,587	326,263	73,731,245

(b) 2013	Land	Runway, Apron, Taxiway	Buildings	Plant & Equipment	Office Equipment	Motor Vehicles	Total
Cost or Valuation							
Balance at beginning of period	15,019,053	22,898,810	25,382,358	10,273,477	101,589	705,086	74,380,373
Purchases	192,000	5,100,258	34,000	473,075	20,202	8,696	5,828,231
Transfers	-	-	-	1,422	(1,422)	-	-
Disposals / Woffs	-	-	-	-	-	(17,176)	(17,176)
Balance at end of period	15,211,053	27,999,068	25,416,358	10,747,974	120,369	696,606	80,191,428
Accumulated Depreciation							
Balance at beginning of period	37,820	5,152	-	557,148	80,860	462,295	1,143,275
Depreciation	354,914	1,029,917	670,250	670,813	9,130	34,670	2,769,694
Transfers	-	-	(150)	1,573	(1,423)	-	-
Disposals / Woffs	-	-	-	-	-	(12,266)	(12,266)
	392,734	1,035,069	670,100	1,229,534	88,567	484,699	3,900,703
Balance at end of period	14,818,319	26,963,999	24,746,258	9,518,440	31,802	211,907	76,290,725

(c) Land, buildings and airside pavements were revalued at 30 June 2012 by independent registered valuers, Telfer Young (Canterbury) Limited and Opus International Consultants Limited. The total fair value of these assets at 1 July 2012, the effective date of the revaluation, was $72,092,000. 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.

(d) If land, land improvements, buildings, building fit-outs, runway, taxiway and apron pavements were stated on the historical cost basis, the carrying value of these classes would be $49,529,383 ($2013 $53,732,940).

21. INVESTMENTS

	2014	2013
Non-current investments		
Shares at market value in farmer cooperative Companies involved with dairy farm companies	**1,147,465**	1,432,772

Of this sum $1,117,735 (2013, $1,404,878) 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.

22. CONTINGENT LIABILITIES

There were no other contingent liabilities outstanding at 30 June 2014 (2013 nil).

23. CAPITAL AND OTHER COMMITMENTS

Capital and other expenditure not provided for in the accounts at 30 June 2014 was $NIL (2013 $NIL).

24. RECONCILIATION OF NET SURPLUS FOR THE YEAR TO CASHFLOWS FROM OPERATING ACTIVITIES

	2014	2013
Net surplus for the year	1,848,711	2,416,666
Items not involving cashflows		
Depreciation	3,044,998	2,769,692
Losses on disposal	6,923	-
(Increase) / Decrease in value of investments	285,306	(485,815)
Other		
Taxation paid	(884,450)	(965,572)
Taxation expense	579,520	772,771
Impact of changes in working capital items		
(Increase) / Decrease in trade and other receivables	31,476	14,418
Increase / (Decrease) in trade payables	146,490	(214,859)
Increase / (Decrease) in other liabilities	59,371	(24,125)
Increase / (Decrease) in provisions	21,634	8,493
(Increase) / Decrease in stock tax	(11,820)	(28,297)
Net cash inflows from operating activities	5,128,159	**4,263,372**

25. FINANCIAL REPORT STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of accounting standards have been issued but as they are not yet compulsory they have not been applied to this set of accounts. The standard to be applied to future financial statements is NZ IFRS 9. NZ IAS 39 is being replaced by IFRS 9 through three phases: phase 1 classification and measurement, phase 2 impairment methodology and phase 3 hedge accounting. The new standard is required to be adopted for the year ended 30 June 2016.

The impact of this standard when adopted is not expected to have a material impact on the financial statements.

26. RELATED PARTY TRANSACTIONS

(a) 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%.

The Company undertakes many transactions with State Owned Enterprises, Government Departments and Dunedin City Council Controlled enterprises. These are carried out on an arm's length commercial basis. Businesses in which directors and key management personnel have a substantial interest and which provided services/supplies to the Company on an arm's length commercial basis during the year were:

Southern Sinfonia (K Grant – board member) – sponsorship
Tourism Dunedin (J McCall & P Oakley – trustees) – tourism promotions
Delta Utilities Limited (S McLauchlan – director) – ground maintenance
Dunedin City Holdings Limited (K Grant – director)

(b) 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		Owing at 30 June	
	2014	2013	**2014**	2013
Southern Sinfonia (K Grant – board member)	1,265	1,150	-	-
Tourism Dunedin (J McCall & P Oakley – trustees)	14,412	11,500	11,626	-
Delta Utilities Limited (S McLauchlan – director)	50,314	49,932	8,099	3,799

(c) Compensation of key management personnel:

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

	2014	2013
Short-term benefits	776,614	666,134

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.

		Annual Purchases		Owing at 30 June	
		2014	2013	**2014**	2013
(d)	Dunedin City Council rates & services	274,345	251,696	1,314	695

27. There were no significant events after balance sheet date.

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

KATHY GRANT

Dunedin City Holdings Limited	Director
Dunedin City Treasury Limited	Director
Gallaway Cook Allan	Associate
Otago Polytechnic Council	Chairperson
Sport Otago	Board Member
Southern Sinfonia	Board Member

STUART MCLAUCHLAN

A D Instruments Pty Limited	Director
Analogue Digital Limited	Director
Aurora Limited	Director
Cargill Holdings 2002 Limited	Director
Delta Utilities Limited	Director
Dunedin Casinos Limited	Director
Energy Link Limited	Director
G S McLauchlan & Co	Partner
HTS110 Limited	Director
Lund South Limited	Director
Marsh Advisory Board	Member
New Zealand Sports Hall of Fame	Board of Governors
Otago Community Hospice	Chairman
Otago Festival of the Arts	Trustee
Pharmac	Chairman
Scenic Circle Hotels Limited	Director
Scott Technology Limited	Chairman
University of Otago	Pro Chancellor
University of Otago Foundation Studies Limited	Director
University of Otago Holdings Limited	Director
USC Investments Limited	Director
UDC Finance Limited	Chairman
X Rock Automation Pty Limited	Director

GEOFFREY THOMAS (term completed 30 April 2014)

Dunedin Casinos Limited	Director
Drivers Road Trust Company Limited	Director
Fund Managers Canterbury Limited	Director
Fund Managers Holdings Limited	Director
Intelogic Online Limited	Chairman
Larnach Castle Limited	Chairman
Principals Advice & Support Limited	Chairman
Property Council of NZ – Otago Chapter	Chairman
Royal NZ Ballet	Board Member
Taieri Gorge Railway Limited	Chairman
Taieri Industrial Rental Investments Limited	Chairman
Upstart Incubator	Chairman

JOHN McCALL

New Zealand Airports Association	Director
Taieri Gorge Railway Limited	Director
Tourism Dunedin	Trustee

TRISH OAKLEY

Dunedin Casino Charitable Trust	Trustee
Theomin Gallery Committee	Commitee Member
Tourism Dunedin	Chair

RICHARD ROBERTS

Dunedin Host Incorporated	Board Member

Directors' Interests in Contracts

Details of contracts involving directors' interests entered into during the year ended 30 June 2014 are provided in Note 26 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 two sharemilkers. 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 2014 are as follows:

Director	Qualification	Responsibilities	Remuneration
Stuart J McLauchlan	BCom, FCA(PP), AF Inst D	Chairman	27,779
Geoffrey R Thomas term completed 30 April 2014	LLB, AF Inst D	Non-Executive Director	15,574
Kathy Grant	BA, LLB, Dip Law, M Inst D	Non-Executive Director	18,907
Patricia A Oakley	BCom, M Inst D	Non-Executive Director	18,907
Mark Rogers appointed 1 May 2014	BA (Hons), M Inst D, MNZIM	3,333	

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.

Employee Remuneration

The number of employees whose remuneration and benefits are within specified bands are as follows:

Remuneration Range	No. Employees
$150,000-$160,000	2
$280,000- $290,000	1

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.

For and on behalf of the directors:

K. E. Grant.

S J McLauchlan
Chairman

K E Grant
Director

13 August 2014

Independent Auditor's Report

To the readers of Dunedin International Airport Limited's financial statements and performance information for the year ended 30 June 2014

The Auditor-General is the auditor of Dunedin International Airport Limited (the company). The Auditor-General has appointed me, Scott Tobin, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and performance information of the company on her behalf.

We have audited:

- the financial statements of the company on pages 12 to 30, that comprise the balance sheet as at 30 June 2014, 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 performance information of the company on pages 8 to 10.

Opinion

Financial statements and performance information

In our opinion:

- the financial statements of the company on pages 12 to 30:

  - comply with generally accepted accounting practice in New Zealand; and

  - give a true and fair view of the company's:

    - financial position as at 30 June 2014; and

    - financial performance and cash flows for the year ended on that date;

- the performance information of the company on pages 8 to 10:

  - complies with generally accepted accounting practice in New Zealand; and

  - gives a true and fair view of the achievements measured against the performance targets adopted for the year ended on 30 June 2014.

Other legal requirements

In accordance with the Financial Reporting Act 1993 we report that, in our opinion, proper accounting records have been kept by the company as far as appears from an examination of those records.

Our audit was completed on 13 August 2014. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities, and we explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and performance information are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence reader's overall understanding of the financial statements and performance information. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and performance information whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the company's financial statements and performance information that give a true and fair view of the matters to which they relate. We consider internal control 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.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the adequacy of all disclosures in the financial statements and performance information; and
- the overall presentation of the financial statements and performance information.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and performance information. Also we did not evaluate the security and controls over the electronic publication of the financial statements and performance information.

In accordance with the Financial Reporting Act 1993, we report that we have obtained all the information and explanations we have required. We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Board of Directors

The Board of Directors is responsible for preparing financial statements and performance information that:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the company's financial position, financial performance and cash flows; and
- give a true and fair view of its service performance achievements.

The Board of Directors is responsible for such internal control as it determines is necessary to enable the preparation of financial statements and performance information that are free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for the publication of the financial statements and performance information, whether in printed or electronic form.

The Board of Directors' responsibilities arise from the Local Government Act 2002 and the Financial Reporting Act 1993.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and performance information and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and section 69 of the Local Government Act 2002.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

Other than the audit, and completing the audit of the 2013 disclosure financial statements prepared under the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999, we have no relationship with or interests in the company.

Scott Tobin
Audit New Zealand
On behalf of the Auditor-General
Dunedin, New Zealand