



2017

ANNUAL REPORT

COVER PHOTO: Courtesy of Paul
Le Comte: Flight to the Lights
trails

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SECTION 2 ANNUAL FINANCIAL STATEMENTS

COMPANY PARTICULARS

Directors

Stuart J McLauchlan, BCom, FCA(PP), AF Inst D (Chairman, Member – Audit Committee)

Tony Allison, Bcom, BA, CA, CMinstD (Chairperson – Audit Committee).

Patricia (Trish) A Oakley, BCom, M Inst D

Mark F Rogers, BA(Hons), M Inst D, MNZIM

Kathy E Grant, BA, LLB, Dip Law, CF Inst D (Retired 31 October 2015)

Committees

Audit Committee Chairperson - Tony Allison, Stuart McLauchlan

Remuneration Committee	Chairperson- Trish Oakley, Mark Rogers
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Chief Executive

R Roberts, BEng (Hons), M Inst D

General Manager Commercial

C Cope, BCom, Dip Grad, CA

General Manager Infrastructure & Service Delivery

D de Bono, BAvMan

General Manager Business Development

M Crawford, BA BCom, M Inst D

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Banker

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Solicitors

Gallaway Cook Allan

123 Vogel Street

DUNEDIN

Auditor

Julian Tan of Audit NZ

On behalf of the Auditor-General

AIRLINES

For the year ended 30 June 2017

Airline Aircraft Type

Domestic

Air New Zealand

Airbus 320-200

Air New Zealand

Boeing 737-300

Mount Cook Airline

ATR 72

Air Nelson

Dash 8-300

JetstarAirbus 320-200

Kiwi Regional Airlines

SAAB 340

International

Virgin Australia

Boeing 737-800

Charter, Flight Training and Commuters

Mainland Air Services

Cessna 152

Piper PA31-350 Chieftain

Piper PA34-200 Seneca

Socata TB10 Tobago

OUR PLACE

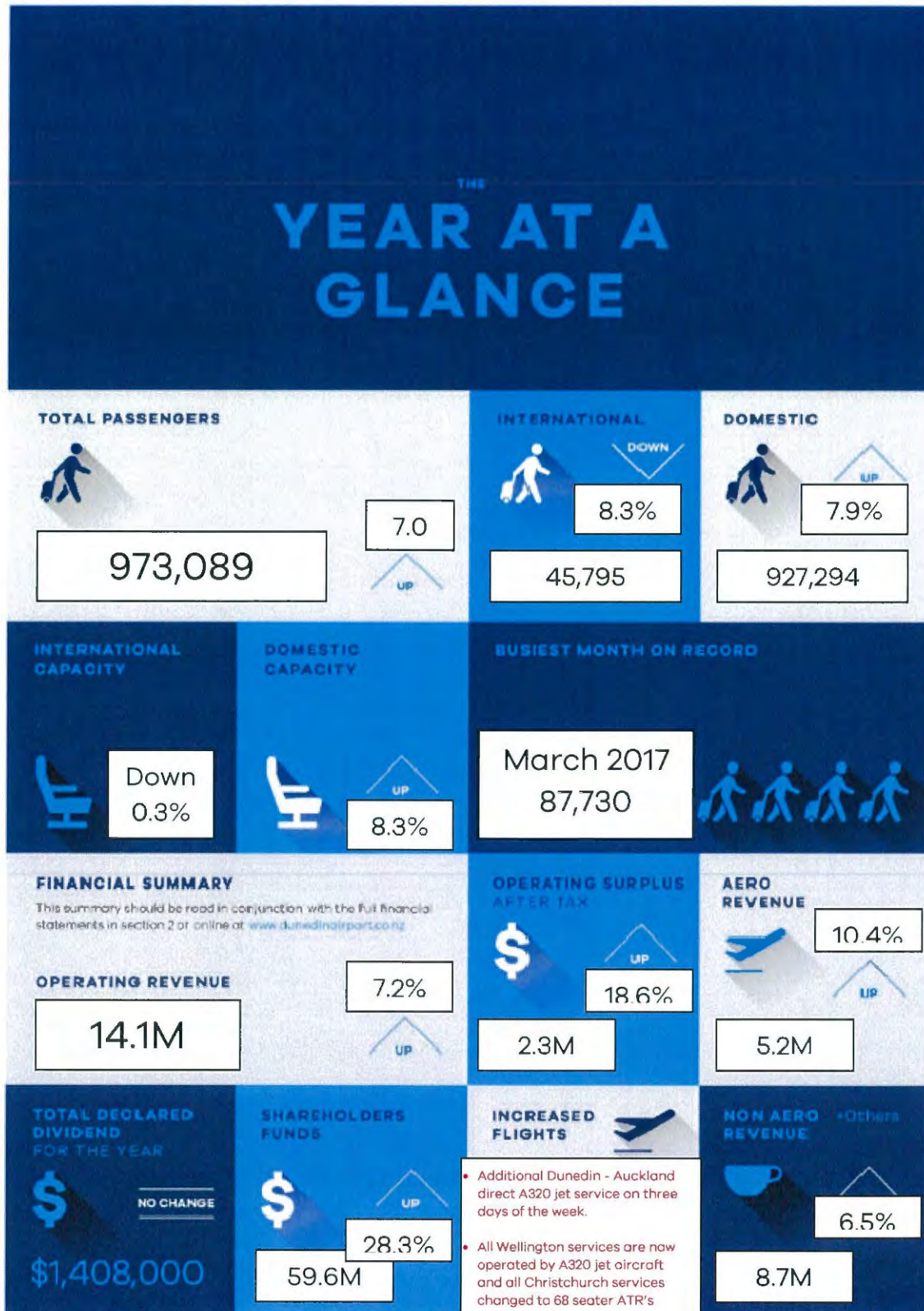
It's hard to imagine that one destination can have some of the best and most unique wildlife viewing in the world, an impressive array of heritage architecture and be home to world class fashion designers. But there is such a destination, Dunedin.

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.

YEAR AT A GLANCE INFOGRAPHICS

2016 - 2017

1. WHAT HAPPENED



CHAIRMAN AND CEO's REPORT

The Directors and Management are pleased to present this year's Annual Report. Dunedin Airport has seen another year of significant growth, which we have enjoyed with our partners. It has been a very exciting and rewarding year, and we are looking forward to the next with great optimism.

One important piece of work undertaken this year has been the review of our Vision, Values and Strategic Goals. This process followed the 2015 airport rebrand and adoption of the associated brand values with an aim to align our Vision and Values to our brand.

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



BE YOU



BETTER TOGETHER



CAN DO



MAKE IT EASY



WE CARE



MAKE IT HAPPEN

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

In terms of passenger numbers, 2016 – 2017 was another record year with 973,089 passengers travelling through the Dunedin Airport. This represents an increase of 7.0% on the previous year and follows on from a 5.5% increase in the 2015 – 2016 year.

This year's domestic capacity with our scheduled airline and general aviation partners has increased by 8.3% (88,832 seats) with a corresponding increase in passengers of 7.9% to 927,294 compared to the previous year.

International capacity remained constant but international passenger numbers fell by 8.3% during this period to 45,795.

There remains strong demand for services through Dunedin Airport. Last year we reported that our busiest month on record was March, with 82,134 passengers. This was surpassed by March this year, with 87,730 passengers, an increase of 6.8%.

Dunedin Airport's total revenue increased by 7.4% to \$14,130,065 and the after tax operating surplus was \$2,321,072, surpassing last year by \$363,360, or 18.6%.

Aeronautical revenue, which constituted 36.9% of total revenue, was 10.4% ahead of the previous year. Driven by increasing passenger numbers, the change in revenue was primarily the result of a movement away from ATR and Dash-8 services to A320 jet services. As aeronautical revenue is generated on a MCTOW (Maximum Certified Take-off Weight) basis, the impact of the movement to larger aircraft has had a positive bearing on landing charges revenue.

Non-aeronautical income (excluding interest income, dividends received, gain on sale of fixed assets, and gains on fair value movements of investments) increased 6.5% above last year to \$8,718,589. At 61.7% of our total revenue, non-aeronautical is derived from passenger activities, retail, property, car parking and the airport's dairy farming operations.

Dunedin Airport shareholders' funds increased by \$13,102,975, or 28.2%, to \$59,559,364. This increase was primarily the result of a (post tax) \$12,123,346 valuation increase on land, buildings and airside pavements which were revalued at 30 June 2017.

The dividend declared at the 2016 Annual General Meeting and distributed to shareholders during the 2017 financial year remained in line with the previous year at \$1,408,000.

During the year approximately \$1.1m of budgeted capital expenditure, primarily relating to the redevelopment of the Airports carpark and rescue fire services infrastructure, was deferred. Due to the timing of the adoption of the 2018 capital budget, this deferral was not included in the 2018 budget and as such represents unbudgeted capital expenditure that will be incurred in the 2018 financial year.

CONNECTING MORE PEOPLE

Our strategy remains focused on sustaining and growing trans-Tasman services to and from the region. We continue to develop and produce market information which we share with our airline partners. This information provides them with a greater insight into our regional market and the associated opportunities. During the year we met with our partners to continue discussions on current trans-Tasman service performance and to identify potential markets for growth. We have regular and open discussions which we believe can only continue to strengthen these relationships.

Over the last year we have seen our trans-Tasman passenger numbers come under pressure. We believe this is the result of number of factors including the 2016 schedule change and competing international destinations accessed through Auckland Airport. These numbers also illustrate the importance of a strong destination message in the Australian market, and in particular, the Queensland market. We have continued to work closely with both Virgin Australia and Air New Zealand to create greater awareness of our Brisbane service on both sides of the Tasman.

Last year we supported a submission to the Dunedin City Council for increased funding to be allocated to domestic and trans-Tasman destination marketing.

This increased funding was approved and utilised along with other partner funding in domestic and trans-Tasman campaigns. Over the year we have worked in partnership with Enterprise Dunedin on the second year of a three-year trans-Tasman campaign. This year we worked in conjunction with Air New Zealand, Virgin Australia, Fairfax Media, APN Media and Expedia, investing and delivering campaigns to generate awareness of the Dunedin-Brisbane service. Results from the campaign showed an increase in bookings and spend compared to last year through Expedia channels, and an increase in likes/followers and engagement via the social media channels utilised.

Our strategy for growth also focused on our domestic services and the market that supports them. In October 2016, we saw an increase in services and capacity by Air New Zealand, who introduced an extra Dunedin - Auckland direct service on three days of the week. In early 2017, Air NZ announced another direct Dunedin-Auckland service which meant by July this year

Dunedin will have three direct services to Auckland on four days of the week. In addition to this, all Wellington services are now operated by A320 jet aircraft and all Christchurch services changed to 68 seater ATR's.

Throughout the year New Zealand has seen some major events such as the British and Irish Lions Tour and the three Adele concerts in Auckland. For both events, Dunedin was provided extra capacity to enable more people to come in and take them out of the region.

A new entrant into the market in 2015 was Kiwi Regional Airlines. They commenced services in October 2015 but unfortunately ceased operations on 31st July 2016. This was disappointing for everyone involved, as we had done all we could to ensure the services were successful.

BETTER TOGETHER

In 2014 Air New Zealand reduced their Auckland-Dunedin direct services and since then we have worked closely with the airline to create demand to increase capacity. The addition of the new Auckland direct services has also created greater connections between Dunedin and the rest of the world and Dunedin's biggest domestic market. We will continue to drive demand for services in and out of our region and work collaboratively with our airline and other partners to create further growth.

Following on from the signing of an MoU with Air New Zealand, Enterprise Dunedin, Otago Chamber of Commerce and Otago/Southland Employers Association in June 2015, we held our sixth meeting this year and continue to work together with all parties.

In March 2017, Air New Zealand bid farewell to one of the airlines last 767 operations when it flew one of the first ever flights to the Southern Ocean to see the Aurora Australis. This flight was the brain child of Ian Griffin, Director of Otago Museum. It was the longest ever commercial flight to leave Dunedin Airport and the first ever flight to see the Aurora.

This year we have strengthened and initiated partnerships with a number of organisations and events within the region:

Yellow-eyed Penguin Trust

For the second year Dunedin Airport has sponsored our City's beloved and treasured bird, the Yellow-eyed Penguin. As part of our partnership we were gifted two penguins to display in the terminal. This year we introduced some beautiful floor to ceiling graphics within the Airport to celebrate this iconic bird.

iD Fashion

In partnership with Air New Zealand, we continued our support of iD Fashion as a major sponsor of this event. This year we worked closely with the Air New Zealand brand team to create a VIP experience at the event with Air New Zealand Dreamliner seats placed in a carriage at the Dunedin Railway Station.

Alps to Ocean Cycle Trail

This year we entered into a partnership with Tourism Waitaki and became an ambassador of the Alps to Ocean Cycle Trail. Dunedin Airport is proud to be the ambassador for the Otematata to Duntroon section of the trail.

OUSA Beer and Food Festival

For the second year running, we were proud to be a sponsor of the OUSA Beer and Food Festival held in November 2016 at the Forsyth Barr Stadium. This event has continued to go from strength to strength and is quickly becoming recognised as New Zealand's craft beer festival.

Foodshare

Our CEO participated in the inaugural Foodshare cook-off. Foodshare is a perishable food rescue organisation based in Dunedin. It collects quality food from local businesses and distributes free of charge to local charities. The event involved many prominent Dunedin business leaders who cooked food with local celebrity chefs for an invited audience.

Our Artist in the Terminal initiative continues to promote our local artists by providing a platform for a wide range of exhibits. This year we worked with the Dunedin City Council to promote Dunedin as a City of Literature by showcasing local writers works within the terminal.

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. Our CEO, Richard Roberts, has continued the Airport's engagement with the City and region, through presenting to community groups and organisations, sharing information on different aspects of the airport.

In June 2017, we were proud to launch our new Dunedin Airport website. The redevelopment of the website was a continuation of the Airport rebrand which was adopted in 2015.

During the year we identified touchpoints within the airport and used these spaces to display beautiful images of Dunedin's wildlife, beaches and heritage buildings. These images and branding help to connect the Airport to our City

and region and give our customers a sense of place as they arrive and depart the airport.

OUR AIRPORT

In the last quarter of 2016, we completed a \$2.7m redevelopment of our outbound baggage processing and screening facilities to achieve new domestic hold stow baggage screening requirements. This project was delivered inside the aggressive Government imposed deadline prior to the end of 2016. The redevelopment also considered busy hour congestion and a future growth strategy in line with our master plan. We expect further expansion of this facility will be required around 2021 based on passenger forecasts. The new system improves baggage throughput during the busy hour, and further enhances the customer experience through a new oversize baggage check-in system.

The unprecedented growth in passengers through our airport continues to strengthen the case for further investment into our airport infrastructure. The future 20-year master plan has almost been completed, with the plan outlining the infrastructure planning pathway over the next two decades. The master plan passenger forecast for the year 2036, predicts an annual passenger volume of 1.74 million based on conservative forecasting methods.

In the short term, the key areas of focus are the outbound processing in the terminal building and the terminal carpark facilities. The current terminal facilities are operating at approximately 70% over the designed throughput during the busy hour. This is evident in congestion experienced by our airport customers during these periods. Improving this situation and expanding the terminal infrastructure to relieve the current day congestion and cater for the expected passenger growth are the key objectives of our terminal redevelopment programme. This project has commenced, with consultation with our airline partners and border agencies already underway.

Following this extensive consultation process and detailed design planning, construction is expected to commence in late 2018, with the project due for completion in 2019. The scale of the investment is predicted to be in the order of \$10m NZD. The completed redevelopment will be designed for passenger growth out to 2026, with conceptual plans for further development to 2036 completed as part of this process.

A new rental car operations facility was completed over the year, with the new facility increasing the operational capacity of two on-airport based rental car operators. The growth in passenger numbers continues to grow the rental car

business out of Dunedin Airport, but also the demand on public carparking facilities.

A \$3.9m NZD carpark redevelopment is currently in the detailed design phase, with the redeveloped carpark providing an additional 538 carpark spaces. The carpark also provides more than one carpark product offering, with a short term and long-term carpark being available to our customers. Looking to the future, we have also considered future growth in electric vehicles (EV) uptake in New Zealand and the redevelopment will likely incorporate recharging stations for electric cars.

This year the management of our rental housing portfolio was taken over by Metro Property Management. This has enabled a more focused and customer centric approach to our tenants.

WE CARE

Outstanding compliance and safety performance over the past 12 months continues to demonstrate Dunedin Airports' commitment in maintaining a safe and compliant environment. No major findings were raised by our regulatory bodies, which include the Civil Aviation Authority, Ministry of Primary Industries, New Zealand Customs Service and the Otago Regional Council.

Wildlife Hazard Management remains a key area of focus with respect to the safety of our airfield operations. We did not achieve our wildlife strike and near-strike targets of 5 and 10 per 10,000 aircraft movements respectively. The higher than desired strike and near-strike rates may be either the result of increased reporting by aircraft of actual/potential wildlife activity or real increases in wildlife activity on the airport and surrounding environs.

In the 2018 financial year, we are commissioning an international wildlife hazard management expert (AVISURE) in order to provide further assessment and advice on mitigation strategies.

In accordance with the outcomes of a Civil Aviation Authority mandated review of our Airport Emergency Service (AES) staffing undertaken in 2016, the recruitment and onboarding of 11 additional airport firefighters has commenced. We hope to have The AES team at full strength of 18 staff by June 2018.

During the year, we embarked on an asbestos survey of all our airport assets. The first area to be surveyed was the rental housing infrastructure which identified that some external structures, such as garages and sheds, were found to have asbestos containing material. Consequently, we commenced an

asbestos remedial programme to ensure the safety of our tenants. At financial year end, we are approximately 60% through this programme, which will be completed in the first half of the coming financial year. We will continue to have open dialogue with all affected stakeholders.

We pride ourselves on understanding our customer's needs and expectations of service at our Airport through delivering regular customer surveys. We continue to carry out ongoing customer service surveys through the terminal WIFI and present results on a quarterly basis to our team and wider Airport community. This serves to give us continuous feedback on our customers experience.

MAKE IT HAPPEN TOGETHER

Following our first Staff Engagement Survey last year we worked on areas of improvement and once again conducted the survey in February 2017. It is pleasing to report that the Response Rate was 96% (85% last year) and the Overall Engagement Score increased to 70% (61% last year). This is a satisfying result but we still have a lot more to do together.

We continue to invest in the professional development of our people, with a considerable amount of training hours delivered over the past year on Health and Safety management and coordinated incident management. The professional development and occupational training of our front-line staff is a priority, ensuring our people are match fit for growth in line with our infrastructure.

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**

**SECTION 2
ANNUAL
FINANCIAL
STATEMENTS**

Annual Financial Statements for the Year ended 30 June 2017

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statement of service performance

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

GOALS

- To make safety our first priority and provide a safe and inclusive airport environment.
- Ensure the Company meets all of its safety, security and environmental obligations.
- Grow the company's revenues and earnings from its trading activities.
- Maintain the company's economic sustainability through the mitigation of business risk.
- Increase passenger numbers through the airport.
- Develop strategies and initiatives to grow trading activities.
- Provide outstanding customer service to our valued customers.
- Provide and efficiently maintain infrastructure to meet the needs of our customers.
- To retain and value our employees.
- Be recognised as a positive contributor to our community.
- Engage with shareholders annually on opportunities for the company to contribute, or assist where possible, with Council's community outcomes (as listed in the annual plan) and the Ministers' expectations.
- Bring to the attention of the shareholders any strategic or operations matters where there may be conflict between the Council's community outcomes and/or the Ministers expectations and those of the company and seek the shareholder's view on these.
- Keep the shareholders informed of all substantive matters.

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.

STATEMENT of SERVICE PERFORMANCE

SAFETY & COMPLIANCE	
GOALS	OBJECTIVES
To make safety our first priority and provide a safe and inclusive airport environment.	To work with our staff and stakeholders to maximise safety on site for all staff and visitors. <ul style="list-style-type: none"> o Hold a minimum of 2 airport Health and Safety Committee meetings each year. ACHIEVED o Review the Health and Safety Plan with the Health and Safety Committee each year. ACHIEVED o Review Health and Safety objectives with the Health and Safety Committee each year. ACHIEVED o Attend a minimum of 2 of our stakeholder's Health and Safety meetings each year. ACHIEVED o Report on Health and Safety management and provide statistical data to the company's monthly board meetings. ACHIEVED
	RESULT
	<p>2 Health and Safety Committee meetings took place during the year.</p> <p>Health and Safety remains a fixed agenda item on all bi-monthly team meetings.</p> <p>The Health and Safety Plan was reviewed with no changes being implemented, except for update Health and Safety objectives for FY17/18. Revised plan (Amendment 11) Effective 01 July 2017.</p> <p>The company's H&S Objectives for FY17/18 have been approved by the Health and Safety Committee and the senior leadership team, and promulgated in the revised H&S plan as per above.</p> <p>In this reporting period, the DIAL Safety & Compliance Manager has attended the Health and Safety meetings of both our major airline partners and ground crew., and in addition attended H&S meetings for the baggage hall redevelopment and rental car building projects.</p> <p>H&S management is reported via:</p> <ul style="list-style-type: none"> o Monthly Board reports with both statistical data and commentary via a H&S dashboard. o Safety Alerts / memos issued to relevant stakeholders. o Quarterly Board H&S committee established during the reporting period, with increased oversight at a governance level.
GOALS	OBJECTIVES
Ensure the Company meets all of its safety, security and environmental obligations.	Maintain our CAA operating certificate obligations. <ul style="list-style-type: none"> o Successfully achieve compliance in our annual CAA safety and security audits with no major findings. ACHIEVED o Conduct an annual internal audit of our CAA safety and security systems. ACHIEVED
	RESULT
	<p>The annual CAA Safety Audit was not scheduled within the reporting period. Due to SMS implementation programme, the next CAA Safety Audit is scheduled for November 2017.</p>

The annual CAA Security Audit undertaken during the reporting period, with no major findings.

The annual international Part 139 Audit was undertaken in March 2017, with no major findings.

OBJECTIVES

Proactively manage Wildlife Hazards

- o Strike rate of less than 5 per 10,000 aircraft movements. **NOT ACHIEVED**
- o Near-miss strike rate of less than 10 per 10,000 aircraft movements. **NOT ACHIEVED**

RESULT

The 12-month moving average strike rate for the April – June 2017 period was 7.4 per 10,000 aircraft movements. This results in Dunedin Airport being classified as medium risk by the Civil Aviation Authority, with a slight upward trend. Pushing this moving average up, was a higher than normal strike rate in the Jul to Dec-16 period the quarterly strike rate for the April-June 2017 period was 3.4 strikes per 10,000 aircraft movements, with no strikes in the previous quarter.

The 12-month moving average near strike rate for the April – June 2017 was 23 per 10,000 aircraft movements. Quarterly monitoring during the reporting period suggested a lower rate, however the Civil Aviation Authority had incorrectly reported Dunedin Airport near strike date in earlier reporting. Based on the corrected data, Dunedin Airport has exceeded 10 near strikes per 10,000 aircraft movements since the April – June 2015 period.

The increase in near-strike reports can be influenced by increased reporting by air crew and/or a real increase in wildlife activity on the airport and surrounding environs. Accordingly, DIAL are commissioning the expertise of an international airport wildlife hazard management agency (AVISURE), to undertake a complete wildlife risk assessment and critical review of DIAL's wildlife hazard management practices. This work is to commence in FY17/18.

OBJECTIVES

Maintain our obligations on any current resource consents in place.

- o Report as required to the Authority each year on bore water consent RM 11.369.01. **ACHIEVED**
- o Report as required to the Authority on sewage discharge consent 2004.309. **ACHIEVED**
- o Maintain voluntary annual reporting on de-icing fluid usage at the airport. **ACHIEVED**

RESULT

The annual report for consent RM 11.369.01 for bore water was issued to the Otago Regional Council (ORC) in August 2016. The report was accepted with no issues raised.

Monthly reporting and an annual report for consent 2004.309 for sewage discharge was issued to the ORC in April 2017. The report was accepted; however, the ORC remains engaged with DIAL on some exceedances in Phosphorus, Biological Oxygen Demand (BOD) and Ammoniacal Nitrogen levels during the reporting period. The ORC is comfortable with the actions DIAL are taking to remedy this issue, with no enforcement or improvement notices being raised.

A voluntary annual report on de-icing fluid usage at the airport was issued to the ORC in January 2017.

OBJECTIVES	
	<p>Maintain high quality dairy farming practices.</p> <ul style="list-style-type: none"> o No 'Critical' findings raised by any Fonterra dairy farm inspections. ACHIEVED
RESULT	
	<p>Both of the airports dairy farms were inspected by Fonterra in April 2017 with no critical findings. The Otokia Rd farm received an 'A-rating' on all measures during the inspection.</p>
OBJECTIVES	
	<p>Maintain food hygiene standards at Momona Garage.</p> <ul style="list-style-type: none"> o Maintain grade 'A' food hygiene certificate. ACHIEVED
RESULT	
	<p>The Dunedin City Council (DCC) carried out the annual inspection of the Momona Garage in July 2017 and the Grade A certification was maintained.</p>

FINANCIAL	
GOALS	OBJECTIVES
<p>Grow the company's revenues and earnings from its trading activities.</p>	<p>Achieve increased revenues from non-aeronautical activities compared to the previous year.</p> <ul style="list-style-type: none"> o Increase total non-aeronautical revenue by a minimum of 1.5%. ACHIEVED
	RESULT
	<p>Non-aeronautical income (excluding interest income, dividends received, gain on sale of fixed assets, and gains on fair value movements of investments) was 6.5% above last year.</p> <p>The primary reason for this increase was a 7.2% increase in parking revenue against prior years as a result of an increase in the number of domestic flights and passengers. There was no increase in parking fees during the year.</p> <p>Further, airport owned dairy farms recorded a 59.3% increase in revenue against prior year as a result of the dairy industry rebounding from historical lows, and the airport owned garage increased revenue by 9.0%.</p>
GOALS	OBJECTIVES
<p>Maintain the company's economic sustainability through the mitigation of business risk.</p>	<p>On-going monitoring and refinement of the company's risk strategy.</p>
	<ul style="list-style-type: none"> o Monthly financial report to the Board. ACHIEVED
	<ul style="list-style-type: none"> o Quarterly detailed cost centre reports to the Board. ACHIEVED
	<ul style="list-style-type: none"> o Quarterly financial statements, cash flows and aircraft passenger activity to the Board and Shareholders. ACHIEVED

	<ul style="list-style-type: none"> o Six monthly risk analysis undertaken and reported to the Board. NOT ACHIEVED
	<p style="text-align: center;">RESULT</p> <p>Monthly and Quarterly Financial Reports were circulated to the Board for review and comment.</p> <p>Quarterly Shareholder Reports including financial statements, cash flows, aircraft and passenger movements are reviewed and approved by the Board prior to being sent to shareholders.</p> <p>Six monthly Statutory Compliance Reports were circulated to the Board for review and comment. However, we are in the process of conducting a full review of our corporate and operational business risks and associated reporting. As such, the Risk Analysis Reports were not prepared.</p>

MARKETING & BUSINESS DEVELOPMENT	
GOALS	OBJECTIVES
Increase passenger numbers through the airport.	<p>Partner with our airline, airport, City and tourism industry.</p> <ul style="list-style-type: none"> o Foster productive relationships with our airlines, City and industry partners through a minimum of 5 meetings per year. ACHIEVED o Invest in strategic route development opportunities. ACHIEVED o Invest in a minimum of 2 promotional campaigns a year jointly with airlines and our industry partners. ACHIEVED
	<p style="text-align: center;">RESULT</p> <p>Over 90 meetings were attended with our airline, city and industry partners this year. We engaged with our airline partners on a regular basis and have strengthened our relationships through broadening the network of contacts within the airlines. We met with a number of different airline teams including scheduling, strategy, revenue management and marketing. We continue to meet regularly with our City and Regional partner to share information and identify ways in which we can work collaboratively to create destination awareness.</p> <p>We continue to work with our airline partners to identify new route opportunities in both the domestic and trans-Tasman markets. We have met with our airline partners regularly and shared with them market information to demonstrate the demand in the market for additional trans-Tasman services. Providing robust market information and creating strong route development cases to present to the airlines will remain a strategic focus for 2017/2018.</p> <p>Through proactive and collaborative work, in 2016/2017, we saw an increase in services and capacity by Air New Zealand, who introduced an extra Dunedin - Auckland direct service on three days of the week. In early 2017, Air NZ announced another direct Dunedin-Auckland service which meant by July this year Dunedin will have three direct services to Auckland on four days of the week. In addition to this, all Wellington services are now operated by A320 jet aircraft and all Christchurch services changed to 68 seater ATR's.</p> <p>The above contributed to 2016-2017 being another records year, with 973,089 passengers travelling through Dunedin Airport, an increase of 7.0% on the previous year</p> <p>We have invested in approximately 20 campaigns with our airline and industry partners focusing on promotion of both domestic and trans-Tasman services in and out of Dunedin.</p>

GOALS	OBJECTIVES
Develop strategies and initiatives to grow trading activities.	Implement initiatives to improve the performance of non-aeronautical activities.
	<ul style="list-style-type: none">o Foster productive relationships with our major business partners to identify potential opportunities through facilitating a minimum of 5 meetings with each major partner per year. ACHIEVEDo Develop and maintain productive relationships with our non-aeronautical business partners and identify opportunities to implement initiatives to improve business performance. ACHIEVED
	RESULT
	<p>We continue to focus on creating stronger and more collaborative relationships with our airport partners. As part of this strategy we have created a new role of Retail Manager who will work directly with our airport retail and food and beverages partners. We successfully recruited and filled this role in July 2017.</p> <p>Over the year we met with our partners on 30 occasions.</p> <p>We continue to share information with our business partners regarding airline developments to enable them to understand the strategy for airport growth.. We have worked closely with our Duty Free partner to drive change within the airport customer proposition and current retail products. A new Airport Manager for Duty Free and Try Otago stores has made a number of changes to both product and customer service which has resulted in increased sales against budget in 2017. We will be seeing a number of changes implemented in both the retail and food and beverage offerings during the next period.</p>

CUSTOMER SERVICE	
GOALS	OBJECTIVES
Provide outstanding customer service to our valued customers.	Provide high standards of service to our customers and recognise the role the airport plays in connecting our customers to the Dunedin experience.
	<ul style="list-style-type: none">o Carry out and analyse a minimum of two customer service surveys per annum. ACHIEVEDo Achieve an average rating of "good" across all areas of customer service. ACHIEVED
	RESULT
	Customer service surveys are run continuously through the terminal WiFi and results were tracked quarterly to provide information on areas for development or change. An average rating of "good" across all areas of customer service. Survey results are shared internally and with our airport partners.

INFRASTRUCTURE	
GOALS	OBJECTIVES
Provide and efficiently maintain infrastructure to meet the needs of our customers.	Ensure all airside infrastructure maintenance causes no delays to airline operations. o No delays to regular scheduled passenger operations. ACHIEVED

RESULT	
All airside work is controlled under an approved Method of Work Plan (MOWP) which resulted in no delays to any aircraft operations with any of our airline partners due to airside maintenance work. No airport attributable delays to airline operations during the reporting period.	
OBJECTIVES	
Ensure the future of the airport is protected.	
<ul style="list-style-type: none"> o Promote the airports needs for inclusion in the Second-Generation District Plan. ACHIEVED 	
RESULT	
<p>Master Plan The bulk of planning work for the 20-year airport master plan has essentially reached a conclusion, with the draft master plan due to go out to consultation with DIAL stakeholders in early FY17/18. DIAL are now finalizing the draft master plan and seeking a legal peer review.</p> <p>Second Generation District Plan – 2GDP We continue to remain engaged with city planners and have submitted on the Dunedin City Council, Second Generation District Plan (2GDP). The main areas of focus remain in:</p> <ul style="list-style-type: none"> o Protecting our flight paths and designations for future runway extensions if required. o Improving commercial returns from outdoor advertising. o Improving conditions for parking footprint extensions. 	

HUMAN RESOURCES	
GOALS	OBJECTIVES
To retain and value our employees.	<p>To provide relevant training to our staff.</p> <ul style="list-style-type: none"> o Ensure recurrent safety training for all staff is provided. ACHIEVED o Allocate 0.1% of revenue to staff training. ACHIEVED
	<p>RESULT</p> <p>All Required recurrent safety and compliance training for staff has been undertaken which Includes but is not limited to:</p> <ul style="list-style-type: none"> o First Aid refresher training. o Basic Life Support/Pre-Hospital Emergency Care (PHEC) training for AES staff (refreshers and new staff). o Rescue Fire Annual Competency training. o Coordinated Incident Management System (CIMS) Level 2 training for AES, Customer Service and Landside Ops staff. o Coordinated Incident Management System (CIMS) Level 4 training for Operations leadership team. o NZQN Level 3 & Level 4 Health & Safety representative training. o Elevated work platform (EWP) training. o Fire extinguisher training. <p>\$15,200 was allocated to staff training with \$68,980 (453% of allocation) spent during the year, comprising of:</p> <ul style="list-style-type: none"> o \$57,526 - safety & compliance training o \$11,453 – professional development

OBJECTIVES	
	<p>To recognise and review staff performance.</p> <ul style="list-style-type: none"> o Each staff member to have a formal annual performance review. NOT ACHIEVED
RESULT	
	<p>Annual Employee Performance Reviews have been changed in order to realign them to the financial year and not the calendar year. All annual reviews will now be conducted in July / August each year instead of the previous January / February. This means that all employees annual reviews are to be later by 6 months this year.</p>
OBJECTIVES	
	<p>Ensure that our staff are fully engaged with the company's Vision, Purpose and Values.</p> <ul style="list-style-type: none"> o Conduct an annual staff engagement survey. ACHIEVED
RESULT	
	<p>Following on from our first staff engagement survey in 2016 we again conducted a companywide survey in March 2017. The response rate was up from last year to 96% and the engagement score of 70% was also up from 61% previously.</p> <p>The Company's VISION, VALUES and STRATEGIC GOALS were reviewed and discussed with staff for comment and feedback during May 2017.</p>

CORPORATE SOCIAL RESPONSIBILITY	
GOALS	OBJECTIVES
Be recognised as a positive contributor to our community.	<p>Provide sponsorship to community events and organisations.</p> <ul style="list-style-type: none"> o Invest 0.25% of revenue to sponsorship. ACHIEVED o Develop a sponsorship strategy. ACHIEVED
	RESULT
	<p>This year we allocated \$33,000 to the sponsorship of community organisations and events. We distributed \$34,150 to the following organisations/events:</p> <ul style="list-style-type: none"> o OUSA Beer Festival \$4,000 o Foodshare \$1,450 o iD Fashion \$7,300 o Momona Playcentre \$400 o Alps 2 Ocean \$5,000 o Yellow Eyed Penguins \$10,000 o Orokoni Ecosanctuary \$4,000 o Cancer society \$500 o RSA \$500

o Surf Life Saving	\$500
o Otago Hospice	\$500
TOTAL	\$34,150

Our new Sponsorship strategy and process allows for a more proactive and consistent approach to allocating sponsorship funds. The new process requires all sponsorship enquires to be directed through the airport website. All potential partners are requested to provide information on their organisation/event and how this aligns with Dunedin Airport and our brand values.

OBJECTIVES

Engage with our community and share information.

- o Conduct a minimum of 10 school or community group visits per year. **ACHIEVED**
- o Initiate opportunities to speak to the community, stakeholders and organisations. **ACHIEVED**

RESULT

11 organised community airport visits were facilitated this year by our airport customer service and Airport Emergency Services teams who welcomed more than 450 adults and children to the airport. These visits continue to be an important part of our community engagement strategy and creating a stronger connection between the airport, City and region.

We presented in the community on approximately 14 occasions throughout the year which enabled us to tell the airport story and inform the community on the part we play in our region. Regular presentations were given to our City partners allowing us to share airport information that will enable us to identify opportunities for collaboration.

OBJECTIVES

Act as a socially and environmentally responsible corporate citizen.

- o Develop and implement sustainable practices for our waste streams. **ACHIEVED**

RESULT

Our total waste system design was completed with our new waste management service provider, OCS in FY16/17. Implementation of back of house and front of house recycling streams ongoing. Average landfill diversion rate for the reporting period was 13.22% for the airport waste stream, 54.55% for the Momona village and 14.97% overall.

OBJECTIVES

Use NZ manufactured and/or supplied goods where possible.

- o In accordance with the Procurement Policy, NZ manufactured or supplied goods will be used wherever possible. **ACHIEVED**

RESULT

Dunedin Airport only has procurement relationships with organisations outside of New Zealand with the following companies:

- o Three Consulting of Sydney for Aviation Strategy and Route Business case.
- o Tourism Futures – Dunedin Aviation Monitoring Report.

SHAREHOLDERS	
GOALS	OBJECTIVES
Engage with shareholders annually on opportunities for the company to contribute, or assist where possible, with Council's community outcomes (as listed in the annual plan) and the Ministers' expectations.	Consult with shareholders on matters to be included in the company's Statement of Intent.
	o Prepare annually the company's Statement of Intent having given consideration to shareholder's expectations. ACHIEVED
	RESULT
	The Company's Statement of Corporate Intent was submitted to both shareholders for review and comment and subsequently approved in a timely manner as required.
Bring to the attention of the shareholders any strategic or operations matters where there may be conflict between the Council's community outcomes and/or the Ministers expectations and those of the company and seek the shareholder's view on these.	OBJECTIVES
	Consult with shareholders at the earliest possible time on matters where conflict may or could result.
	o Report to and consult with shareholders on matters where the company's and shareholder's requirements are in conflict. ACHIEVED
	RESULT
	No such areas of conflict arose during the year.
Keep the shareholders informed of all substantive matters.	OBJECTIVES
	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.
	o 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. ACHIEVED
	RESULT
	Dunedin Airport maintained communication with its shareholders through regular quarterly reporting. There was one issue that required specific attention outside of these normal regular communication channels regarding the decision to operate the Dreamliner 787-900 from Christchurch Airport and not Dunedin Airport for the trip to see the Aurora – "Flight to the Lights". Shareholders were advised of all of the technical issues as to why the flight could not operate through Dunedin.

trend statement

For the year-ended 30 June

Revenue

Operating Revenue:

	2017	2016	2015	2014	2013
Aeronautical	5,207,553	4,715,300	4,629,824	4,691,328	4,722,288
Percentage	36.9%	35.8%	36.4%	37.3%	37.9%
Non-aeronautical	8,718,589	8,187,696	8,205,906	8,130,475	7,099,274
Percentage	61.7%	62.2%	64.5%	64.6%	57.0%
Interest income	16,504	18,386	47,491	14,782	49,108
Dividend income	69,072	98,963	29,951	40,016	49,017
(Gain)/Loss on sale of assets	11,483	-	-	-	-
Gain/(Loss) on investments	106,864	138,236	(191,137)	(285,306)	533,815
Total revenue	14,130,065	13,158,581	12,722,034	12,591,295	12,453,502
Percentage Increase	7.4%	3.4%	1.0%	1.1%	20.7%
Surplus before tax	3,160,571	2,681,114	2,476,596	2,428,231	3,189,437
Percentage increase	17.9%	8.3%	2.0%	(23.9%)	48.4%
Net tax paid surplus	2,321,072	1,957,712	1,705,823	1,848,711	2,416,666
Percentage increase	18.6%	14.7%	(7.7%)	(23.5%)	118.6%
Shareholders' equity					
Shareholders' equity	59,559,364	46,456,389	45,919,692	45,372,296	44,331,510
Return on shareholders' equity	3.9%	4.2%	3.7%	4.1%	5.5%
Dividends paid	1,408,000	1,408,000	1,280,000	1,130,000	660,000
Dividend rate cents per share	16.0	16.0	14.5	12.8	7.5
Capital expenditure	3,252,311	316,200	70,120	492,440	5,828,232
Net operating cashflow	4,825,266	4,620,238	4,625,154	5,128,159	4,263,372
Net asset backing per share	\$6.87	\$5.28	\$5.22	\$5.16	\$5.04
Equity ratio	67.9%	66.1%	63.1%	59.6%	56.2%

statement of comprehensive income

For the year-ended 30 June	Notes	2017	2016
Operating revenue		13,926,142	12,902,996
Interest received		16,504	18,386
Dividend received		69,072	98,963
Gain/(loss) on investment		106,864	138,236
Gain on sale of property, plant & equipment		11,483	-
Total revenue		14,130,065	13,158,581
Audit fees	4	57,285	53,524
Directors fees		97,875	90,000
Finance costs – interest expense		464,232	624,405
(Gain)/Loss on hedge instruments		(63,287)	34,259
Depreciation	20	2,872,429	2,851,303
Wages and salaries		1,894,411	1,943,079
Other operating expenses		5,646,549	4,880,897
Total expenses		10,969,494	10,477,467
Operating surplus/(deficit) before income tax		3,160,571	2,681,114
Income tax expense/(credit)	5	839,499	723,402
Operating surplus/(deficit) after income tax		2,321,072	1,957,712
Other comprehensive income			
Hedges amortised to expense		65,471	65,472
Cash flow hedges gain/(loss) taken to hedge reserve		51,581	(109,010)
Revaluation of property, plant and equipment	20	15,828,704	-
Income tax on items of other comprehensive income	5	(3,755,853)	30,523
Total comprehensive income/(deficit)		14,510,975	1,944,697

statement of changes in equity

Equity at the beginning of the year		46,456,389	45,919,692
Comprehensive income/(deficit) for the year		14,510,975	1,944,697
Less distribution to owners			
- Final dividend	8	(1,408,000)	(1,408,000)
Closing equity		59,559,364	46,456,389

This statement is to be read in conjunction with the notes on pages 16 to 32

balance sheet
As at 30 June

	Notes	2017	2016
Shareholders' equity			
Share capital	6	8,800,000	8,800,000
Hedge reserve	7	(126,506)	(193,063)
Revaluation reserve	7	33,795,984	21,672,638
Retained earnings	9	17,089,886	16,176,814
		59,559,364	46,456,389
Current liabilities			
Trade & other payables	10	1,082,095	1,079,850
Other liabilities	11	458,274	210,743
Tax payable	5	649,926	256,230
Provisions	12	174,289	158,936
Short-term advance	14	750,000	-
		3,114,584	1,705,759
Non-current liabilities			
Term loans	14	9,100,000	9,100,000
Deferred taxation	15	15,696,684	12,492,485
Hedge derivatives	19b	304,773	485,113
		25,101,457	22,077,598
Total equity & liabilities		87,775,405	70,239,745
Represented by:			
Current assets			
Trade & other receivables	16	505,898	428,997
Prepayments	17	-	15,385
Cash & cash equivalents	13	787,663	131,725
Stock on hand	18	53,646	49,161
		1,347,207	625,268
Non-current assets			
Property, plant & equipment	20	84,747,408	68,274,339
Investments	21	1,409,447	1,164,005
Deferred taxation	15	271,343	176,133
		86,428,198	69,614,477
Total assets		87,775,405	70,239,745

For and on behalf of the directors.



S J McLauchlan
Chairman
31 August 2017



P A Oakley
Director

This statement is to be read in conjunction with the notes on pages 16 to 32

statement of cashflows

For the year-ended 30 June	Notes	2017	2016
Cash flow from operating activities			
Cash was provided from:			
Receipts from customers		13,849,974	13,067,262
Interest received		16,504	18,386
Dividend received		69,072	98,963
Cash was applied to:			
Payments to suppliers		5,677,628	4,632,067
Payments to employees		1,875,932	1,872,510
Interest paid		465,057	624,932
Taxation paid		1,092,667	1,434,864
Net cash flows from operating activities	24	4,824,266	4,620,238
Cash flows from investing activities			
Cash was provided from:			
Sale of assets		20,000	-
Cash was applied to:			
Purchase of shares		138,578	68,108
Purchase of assets		3,391,750	310,676
Net cash flows from investing activities		(3,510,328)	(378,784)
Cash flows from financing activities			
Cash was applied to:			
(Drawdown)/Repaid loans		(750,000)	2,900,000
Dividends paid		1,408,000	1,408,000
Net cash flows from financing activities		(658,000)	(4,308,000)
Net increase/(decrease) in cash held		655,938	(66,546)
Plus opening cash brought forward		131,725	198,271
Cash & cash equivalents held 30 June	13	787,663	131,725

This statement is to be read in conjunction with the notes on pages 16 to 32

notes to financial statements

For the year-ended 30 June 2017

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.

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

Under the 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 recognised 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 (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.

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:

	<i>Rate</i>	<i>Method</i>
Runway, apron and taxiway	3% - 6.66%	SL
Buildings	1% - 33.3%	SL
Machinery & plant	4% - 10%	DV & SL
Motor Vehicles	9.5% - 25%	DV & SL
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 on 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 the terms of which 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

	2017	2016
Audit Fees		
Fees for audit services	40,785	37,024
Disbursements	1,500	1,500
Fees for audit of disclosure accounts	15,000	15,000
	57,285	53,524

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

5. TAXATION PROVISION**(a) Income tax**

Operating surplus/(deficit) before income tax	3,160,571	2,681,114
Taxation @ 28%	884,960	750,712

Plus / (Less) the tax effect of differences

Expenses not deductible	7,263	4,581
(Gain)/Loss on investments	(29,922)	(38,706)
Hedge instruments	18,332	(2,546)
Prior year adjustment	(41,133)	9,360

Tax expense	(839,499)	(723,402)
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Effective tax rate	26.7%	27.4%
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Represented by

Current tax provision	(1,486,363)	(1,233,855)
Deferred tax provision	646,864	510,453

Income tax expense	(839,499)	(723,402)
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(b) Tax on Other Comprehensive Income

Hedge reserve	(50,495)	30,523
Revaluation reserve	(3,705,358)	-

	(3,755,853)	30,523
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(c) Provision for Tax

Balance at beginning of year	(256,230)	(457,239)
Current tax provision	(1,435,629)	(1,233,825)
Terminal tax payment (refund)	(114,2670)	(15,137)
Provisional tax paid	1,206,937	1,450,000
Prior period adjustment	(50,734)	-

Balance at 30 June	(649,926)	(256,230)
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(d) Imputation Credits

Imputation credits available for use in subsequent periods:	5,928,892	4,814,176
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The 2017 balance includes credits associated with the tax payable balance.

6. EQUITY – SHARE CAPITAL

Issued Capital

8,800,000 ordinary authorised and issued shares	8,800,000	8,800,000
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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.

	2017	2016
7. RESERVES		
a) Hedge Reserve		
Balance at beginning of year	(193,063)	(180,048)
Revaluations included in comprehensive income	51,571	(109,010)
Hedges amortised to expense	65,471	65,472
Net movement in deferred tax arising on hedges	(50,495)	30,523
Balance at 30 June	(126,506)	(193,063)
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	21,672,638	21,672,638
Revaluations included in comprehensive income	15,828,704	-
Net movement in deferred tax arising on hedges	(3,705,358)	-
Balance at 30 June	33,795,984	21,672,638
The properties 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. DIVIDENDS		
Final Dividend	1,408,000	1,408,000
	1,408,000	1,408,000
Dividends Per Share	16.0 cents	16.0 cents
9. RETAINED EARNINGS		
Balance at beginning of year	16,176,814	15,627,102
Operating surplus/(deficit) after income tax	2,321,072	1,957,712
Dividend distributions	(1,408,000)	(1,408,000)
Balance at 30 June	17,089,886	16,176,814
10. TRADE & OTHER PAYABLES		
Trade payables	828,859	822,861
Accruals	253,236	256,989
Balance at 30 June	1,082,095	1,079,850
11. OTHER LIABILITIES		
<i>Current Liabilities</i>		
GST payable	20,814	88,282
Other current liabilities	437,460	122,461
Balance at 30 June	458,274	210,743

	2017	2016
12. PROVISIONS		
Annual Leave		
Balance at the beginning of the year	158,936	112,554
Amounts used	(108,464)	(139,219)
Amount accrued	123,817	185,601
Balance at 30 June	174,289	158,936

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

13. CASH		
Cash floats	6,400	6,400
Westpac cheque account	781,263	125,325
Balance at 30 June	787,663	131,725

The carrying amount of cash assets approximates their fair value.

14. BORROWINGS (Secured)		
Multi option credit facility	9,100,000	9,100,000
Short term advance facility	750,000	-
Balance at 30 June	9,850,000	9,100,000
Classified as:		
Current liability	750,000	-
Non-current liability	9,100,000	9,100,000
Balance at 30 June	9,850,000	9,100,000

(a) Westpac has provided a multi option credit line facility of \$15,500,000 with a maturity date of 31 October 2018. 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 19). 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.

Westpac has also provided a short-term advance of \$750,000. Interest is payable on the advance at 3.0%. The advance is on call.

(b) Banking covenants relating to the facility are:

- Shareholders funds are not less than 40% of total tangible assets.
- Earnings (E.B.I.T.) are not less than 1.75 times funding costs.

Both requirements have been met at 30 June 2017 and 30 June 2016 and monthly during the financial year.

15. DEFERRED TAX

	Opening	Charged	Charged	Prior Period		Closing Balance Sheet	
	Balance	to Equity	to Income	Adjustment	Assets	Liabilities	Net
2017							
Property, plant and equipment	(12,492,485)	(3,705,358)	499,870	1,289	-	(15,696,684)	(15,696,684)
Employee benefits	40,301	-	(15,221)	14,756	39,836	-	39,836
Provisions	-	-	106,400	-	106,400	-	106,400
Revaluations of interest rate swaps	135,832	(50,495)	(36,053)	75,823	125,107	-	125,107
Balance at 30 June	(12,316,352)	(3,755,853)	554,996	91,868	271,343	(15,696,684)	(15,425,341)

	Opening	Charged	Charged	Prior Period		Closing Balance Sheet	
	Balance	to Equity	to Income	Adjustment	Assets	Liabilities	Net
2016							
Property, plant and equipment	(12,992,163)	-	499,678	-	-	(12,492,485)	(12,492,485)
Employee benefits	29,526	-	10,776	-	40,301	-	40,301
Provisions	-	-	-	-	-	-	-
Revaluations of interest rate swaps	117,447	30,524	(12,139)	-	135,832	-	135,832
Balance at 30 June	(12,845,190)	30,524	498,315	-	176,133	(12,492,485)	(12,316,352)

	2017	2016
16. TRADE & OTHER RECEIVABLES		
Trade receivables	505,898	428,997

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 2017 were **\$137,974, 27.3%** of trade receivables (2016, \$78,936, 18.4%).

17. PREPAYMENTS		
NZ Airports Association membership	-	13,055
Airports Council International	-	2,330
	-	15,385

18. STOCK ON HAND		
Petrol and other stock at Momana Garage	53,646	49,161

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	-	-
- maturing 1 to 5 years	(304,773)	(485,113)
	(304,773)	(485,113)

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:

	2017	2016
Maturing between 1 and 5 years	8,000,000	8,000,000
Effective Interest Rate	4.3%	4.0%

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 and financial liabilities, with the exception of equity investments, is as follows:

2017				
	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	505,898	-	-	505,898
Cash & Cash Equivalents	787,663	-	-	787,663
	1,293,561	-	-	1,293,561

2017				
	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	1,648,833	65,825	-	1,714,658
Bank Loans	1,125,480	9,226,832	-	10,352,012
Derivative Financial Instruments	-	304,773	-	304,773
	2,774,313	9,597,130		12,371,443

2016				
	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	428,997	-	-	428,997
Cash & Cash Equivalents	131,725	-	-	131,725
	560,722	-	-	560,722

2016				
	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	1,233,868	-	-	1,233,868
Bank Loans	377,900	9,225,970	-	9,603,870
Derivative Financial Instruments	-	485,113	-	485,113
	1,611,768	9,711,083	-	11,322,851

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 2017 totalled **\$1,287,161** (2016: \$576,106).

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

81.35% of trade receivables are due from ten customers (2016, 93.2% from nine 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 airport charges. Current airport charges were set on 1 December 2011, following consultation with the airlines. Revised airport charges were set on 1 July 2017, subsequent to financial year end.

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 2017, after taking into account the effect of interest rate swaps, approximately **81%** of the Company's borrowings are at a fixed rate of interest (2016, 88%).

At 30 June 2017, the Company had **\$1.9 million** of borrowings unhedged (2016, \$1.1 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 **\$19,000** (2016, \$11,000).

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 value 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 2017, this ratio was **67.85%** (2016, 66.1%).

h) Categories of Financial Assets and Financial Liabilities

Financial Assets	2017	2016
Fair Value Through Profit or Loss (FVTPL)	-	-
Designated as at FVTPL – Shares	1,409,447	1,164,005
Loans and Receivables	505,898	444,382
Cash & Cash Equivalents	787,663	131,725
Total Financial Assets	2,703,008	1,740,112
Financial Liabilities		
Derivative Financial Instruments in Hedge Accounting Relationships	304,773	485,113
Amortised Cost	9,850,000	9,100,000
Total Financial Liabilities	10,154,773	9,585,113

i) 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 2017. Other financial assets and liabilities are measured at amortised cost and not included in this table.

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
2017				
Investments				
Shares at market value	1,409,447	-	-	1,409,447
Interest Rate Term Derivatives				
Hedge Derivatives	-	304,773	-	304,773

2016				
Investments				
Shares at market value	1,164,005	-	-	1,164,005
Interest Rate Term Derivatives				
Hedge Derivatives	-	485,113	-	485,113

20. PROPERTY, PLANT & EQUIPMENT

	Land	Runway, Apron, Taxiway	Buildings	Plant & Equipment	Office Equipment	Motor Vehicles	WIP	Total
(a) 2017								
Cost or Valuation								
Balance at beginning of period	15,211,053	28,189,661	25,483,666	10,960,412	201,589	803,183	-	80,849,564
Purchases	-	-	-	230,128	3,091	42,345	3,249,747	3,525,311
Transfers	-	-	1,999,807	1,161,011	-	-	(3,160,816)	-
Revaluations	2,743,891	(3,099,666)	3,042,874	(90,420)	-	-	-	2,596,679
Disposals / Woffs	-	-	-	-	-	(408,889)	-	(408,889)
Balance at end of period	17,954,944	25,089,995	30,526,347	12,261,131	204,680	436,639	88,929	86,562,665
Accumulated Depreciation								
Balance at beginning of period	1,032,113	4,934,902	2,692,957	3,184,193	124,694	606,366	-	12,575,225
Depreciation	94,903	1,276,369	709,781	736,539	32,096	22,741	-	2,872,429
Transfers	-	-	-	-	-	-	-	-
Revaluations	(1,096,561)	(6,211,271)	(3,369,596)	(2,554,596)	-	-	-	(13,232,024)
Disposals / Woffs	-	-	-	-	-	(400,373)	-	(400,373)
	30,455	-	33,142	1,366,136	156,790	228,734	-	1,815,257
Balance at end of period	17,924,489	25,089,995	30,493,205	10,894,995	47,890	207,905	88,929	84,747,408

	Land	Runway, Apron, Taxiway	Buildings	Plant & Equipment	Office Equipment	Motor Vehicles	WIP	Total
(b) 2016								
Cost or Valuation								
Balance at beginning of period	15,211,053	28,115,944	25,483,666	10,816,536	102,982	803,183	-	80,533,364
Purchases	-	73,717	-	143,876	98,607	-	-	316,200
Transfers	-	-	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-	-	-
Disposals / Woffs	-	-	-	-	-	-	-	-
Balance at end of period	15,211,053	28,189,661	25,483,666	10,960,412	201,589	803,183	-	80,849,564
Accumulated Depreciation								
Balance at beginning of period	936,549	3,618,257	2,017,359	2,492,628	82,969	576,160	-	9,723,922
Depreciation	95,564	1,316,645	675,598	691,565	41,725	30,206	-	2,851,303
Transfers	-	-	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-	-	-
Disposals / Woffs	-	-	-	-	-	-	-	-
	1,032,113	4,934,902	2,692,957	3,184,193	124,694	606,366	-	12,575,225
Balance at end of period	14,178,940	23,254,759	22,790,709	7,776,219	76,895	196,817	-	68,274,339

(c) Land, buildings and airside pavements were revalued at 30 June 2017 by independent registered valuers, Telfer Young (Canterbury) Limited and Opus International Consultants Limited. The total fair value of these assets at 30 June 2017, the effective date of the revaluation, was \$79,677,804. 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 revalued assets were stated on the historical cost basis, the carrying value of these classes would be **\$30,646,814** (2016 \$32,841,173).

	2017	2016
21. INVESTMENTS		
<i>Non-current investments</i>		
Shares at market value in farmer cooperative		
Companies involved with dairy farm companies	1,409,447	1,164,005

Of this sum **\$1,373,442** (2016, \$1,128,964) 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 contingent liabilities outstanding at 30 June 2017 (2016 \$NIL).

23. CAPITAL AND OTHER COMMITMENTS

Capital and other expenditure not provided for in the accounts at 30 June 2017 was **\$137,000** (2016 \$NIL). This capital commitment relates to detailed design and construction management of the Airport carpark redevelopment project.

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

	2017	2016
Net surplus for the year	2,321,072	1,957,712
<i>Items not involving cashflows:</i>		
Depreciation	2,872,429	2,851,303
(Gain)/Loss on disposal of property, plant and equipment	(11,483)	-
(Increase) / Decrease in value of investments	(106,864)	(138,236)
Increase / (Decrease) in deferred tax	(646,865)	(510,453)
Loss on hedge instruments	(63,287)	34,259
<i>Impact of changes in working capital items:</i>		
(Increase) / Decrease in trade and other receivables	(61,516)	135,132
Increase / (Decrease) in trade and other payables	265,130	499,739
(Increase) / Decrease in stock	(4,485)	(8,209)
Increase / (Decrease) in tax payable	393,696	(201,009)
Movements in working capital items classified as investing activities	(133,561)	-
Net cash inflows from operating activities	4,824,266	4,620,238

25. FINANCIAL REPORTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

All mandatory new or amended accounting standards or interpretations were adopted in the current year. None had a material impact on the financial statements.

The Company has not yet assessed the impact of the following new standards or interpretations on issue which have yet to be adopted:

- NZ IFRS 9 *Financial Instruments*;
- NZ IFRS 15 *Revenue from Contracts with Customers*; and
- NZ IFRS 16 *Leases*

NZ IFRS 9 *Financial Instruments* is effective for annual periods beginning on or after 1 January 2018. NZ IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities and relaxes the current NZIAS 39 requirements for hedge accounting. The

company is yet to assess NZ IFRS 9's full impact. The company intends to apply the standard from the period ending 31 March 2019.

NZ IFRS 15 *Revenue from Contracts with Customers* is effective for annual periods beginning on or after 1 January 2018. NZ IFRS 15 establishes principles for reporting useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The Company has not yet assessed the full impact of NZIFRS 15. The Company intends to apply the standard from the period ending 31 March 2019.

NZ IFRS 16 *Leases* is effective for periods beginning on or after 1 January 2019. NZIFRS 16 sets out the principles for the recognition, measurements, presentation and disclosure of leases. The Company has yet to assess the full impact of NZIFRS 16. The Company intends to apply the standard from the period ending 31 March 2020.

Aside from the three standards specified above, the Company does not expect the standards and amendments not yet adopted will have a material impact on the financial statements.

26. 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 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.

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		Owing at 30 June	
	2017	2016	2017	2016
Dunedin Venues Management Limited	13,266	14,708	339	412
Delta Utilities Limited	51,420	48,734	3,799	5,818

- (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:

- Otago Community Hospice (S McLauchlan – chairman) – sponsorship
- Otago/Southland Employers Association (S McLauchlan – director) – membership
- University of Otago (S McLauchlan – pro chancellor) – meeting facilities
- Scenic Circle Hotels Limited (S McLauchlan – director) – meeting facilities
- iD Fashion Incorporated (T Oakley – board member. Resigned during 30 June 2017 financial year) – sponsorship
- New Zealand Airports Association (R Roberts – director. Appointed during 30 June 2017 financial year) – membership
- Dunedin Host Incorporated (M Crawford – board member. Resigned during 30 June 2017 financial year) – membership

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	
	2017	2016	2017	2016
Otago Community Hospice	500	200	500	-
Otago/Southland Employers Association	773	1,348	-	-
University of Otago	2,086	-	-	-
Scenic Circle Hotels Limited	1,784	-	590	-
iD Fashion Incorporated	8,050	5,750	-	-
New Zealand Airports Association	30,914	-	-	-
Dunedin Host Incorporated	100	100	-	-

(c) Compensation of key management personnel:

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

	2017	2016
Short-term benefits	806,621	732,383
Termination benefits	-	94,278

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	
	2017	2016	2017	2016
Dunedin City Council rates & services	291,582	341,050	4,300	28,923

27. LEASE COMMITMENTS

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

	2017	2016
Under 1 year	1,673,458	2,137,771
1 to 5 years	2,861,471	3,997,594
Over 5 years	657,180	400,400

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

	2017	2016
Under 1 year	6,976	12,253
1 to 5 years	6,145	9,898

28. SUBSEQUENT EVENTS

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

STUART MCLAUCHLAN

Analogue Digital Limited	Chairman
B Pac Clinical Solutions Limited	Chairman
Cargill Hotel 2002 Limited	Director
Compass Agribusiness Management Limited	Chairman
Dunedin Casinos Limited	Director
G S McLauchlan & Co	Partner
Marsh Advisory Board	Member
New Zealand Sports Hall of Fame	Board of Governors
Ngai Tahu Tourism Board	Director
Otago Community Hospice	Chairman
Otago/Southland Employers Association	Director
Pharmac	Chairman
Scenic Circle Hotels Limited	Director
Scott Technology Limited	Chairman
University of Otago	Council Member
University of Otago Foundation Studies Limited	Chairman
University of Otago Holdings Limited	Director
USC Investments Limited	Director
UDC Finance Limited	Chairman

TONY ALLISON

AA Cleaners (Otago) Limited	Director
City Forests Limited	Director
SCG Finance Limited	Director
Smiths City Finance	Director
Smiths City Group Limited	Director
Smiths City Properties Limited	Director
Smiths City (Southern) Limited	Director

TRISH OAKLEY

Dunedin Casino Charitable Trust	Trustee
Royal New Zealand Ballet	Trustee
University of Otago Foundation Studies Limited	Director

MARK ROGERS

Aoraki Development and Promotions Limited	Chairman
South Canterbury District Health Board	Board Member
Paul Smith Earthmoving 2002 Limited	CEO, Alternate Director
Paul Smith Aggregates Limited	Alternate Director
PSE Properties Limited	Alternate Director
AquaPro Plumbing and Drainage	Advisory Board Member

RICHARD ROBERTS

New Zealand Airports Association	Director
Taieri Gorge Railway Limited	Director

MEGAN CRAWFORD

Theomin Gallery Committee	Committee Member
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Directors' Interests in Contracts

Details of contracts involving directors' interests entered into during the year ended 30 June 2017 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 2017 are as follows:

Director	Qualification	Responsibilities	Remuneration
Stuart J McLauchlan	BCom, FCA(PP), AF Inst D	Chairman	31,500
Patricia A Oakley	BCom, M Inst D	Non-Executive Director	21,000
Mark Rogers	BA (Hons), M Inst D, MNZIM	Non-Executive Director	21,000
Tony Allison	BCom, BA, CA, CMInstD	Chairperson – Audit Committee	21,000

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	2017 No. Employees	2016 No. Employees
\$100,000 - \$110,000	1	1
\$130,000-\$140,000	1	1
\$140,000-\$150,000	1	-
\$160,000-\$170,000	-	-
\$240,000-\$250,000	-	1
\$250,000-\$260,000	1	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.



S J McLauchlan
Chairman
31 August 2017



P A Oakley
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 2017

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

Opinion

We have audited:

- the financial statements of the company on pages 13 to 32, that comprise the balance sheet as at 30 June 2017, the statement of comprehensive income, the statement of changes in equity, and the 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 on pages 3 to 11.

In our opinion:

- the financial statements of the company on pages 13 to 32:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2017; and
 - its financial performance and cash flows for the year then ended;
 - comply with generally accepted accounting practice in New Zealand in accordance with the New Zealand's equivalents to International Financial Reporting Standards.
- the statement of service performance of the company on pages 3 to 11 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 2017.

Our audit was completed on 31 August 2017. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the statement of service performance, we comment on other information and we explain our independence.

Basis for 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 the financial statements and the 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 the financial statements and the 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 there is an intention to liquidate the company or to cease operations, or there is 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 the 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 performance information within the company's framework for reporting 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 in 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 on pages i to xiii, but does not include the financial statements and 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 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

In addition to the audit, we have completed a regulatory audit of the company's disclosure financial statements for the year ended 30 June 2016 pursuant to the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999.

Other than the audit and the regulatory audit, we have no relationship with, or interests in, the company.



Julian Tan
Audit New Zealand
On behalf of the Auditor-General
Dunedin, New Zealand