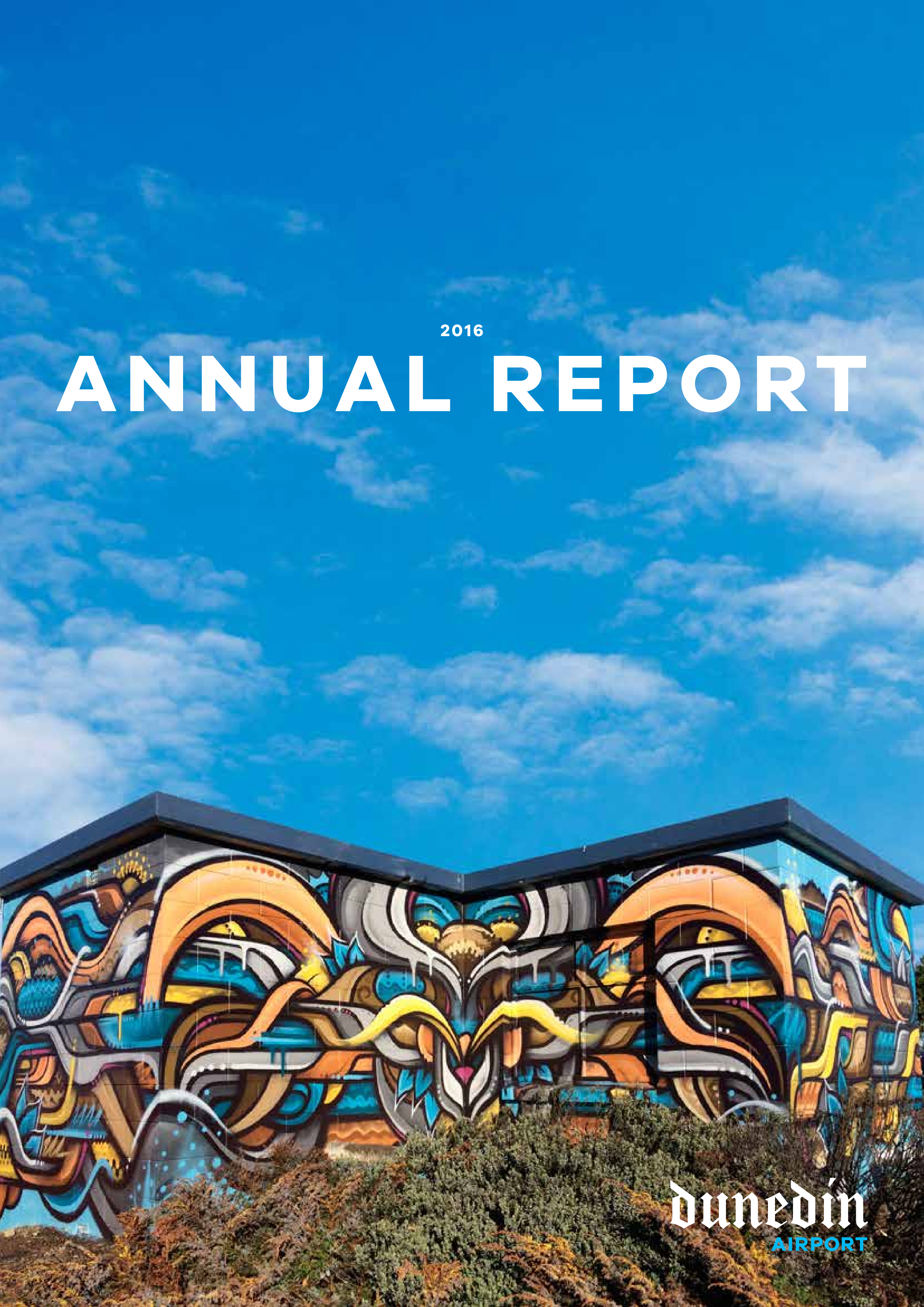
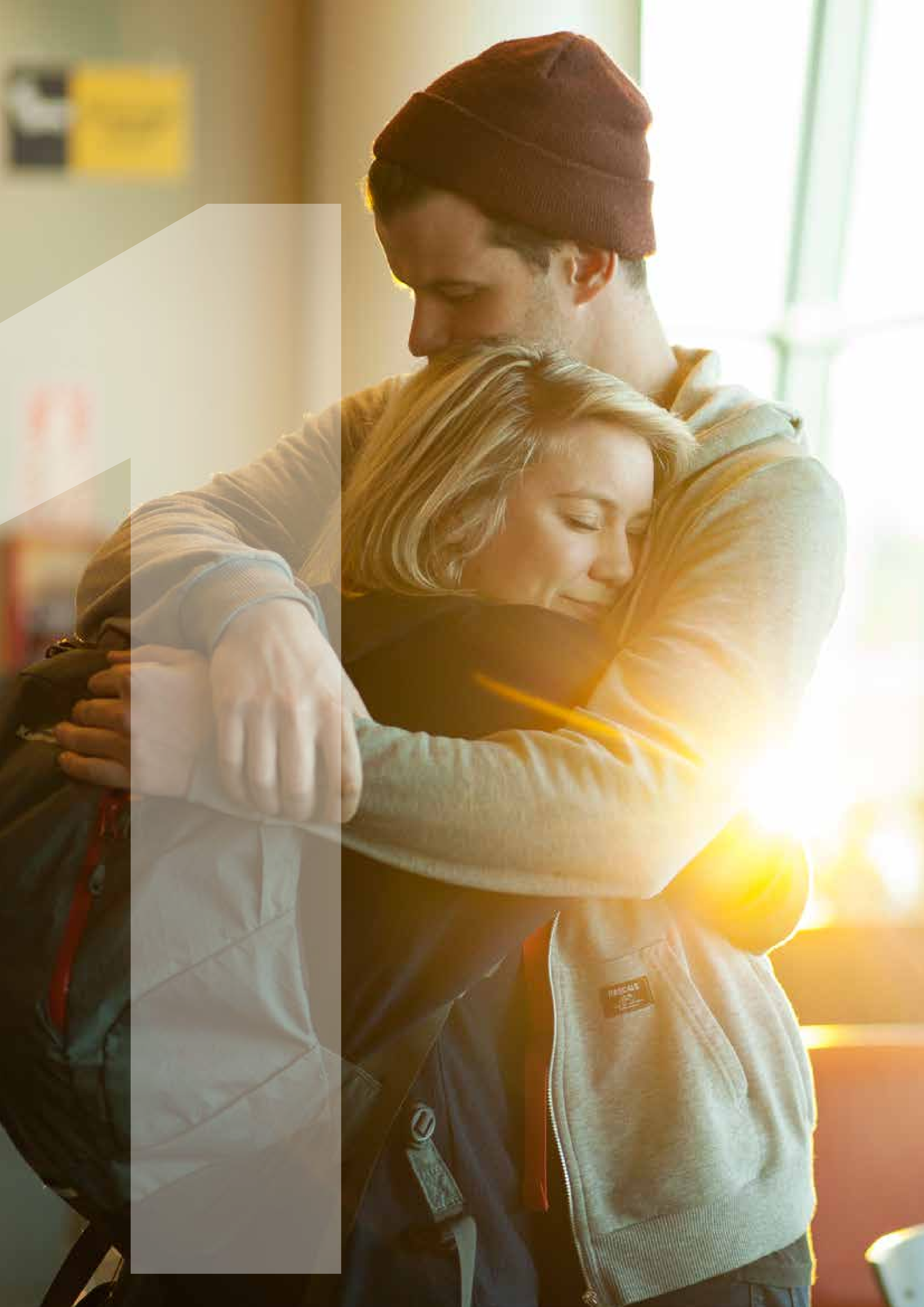
2016

ANNUAL REPORT





SECTION 1

SECTION 2

OUR
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).
Appointed 1 November 2015

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

Patricia (Trish) A Oakley
BCom, M Inst D

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

COMMITTEES

Audit Committee
Chairperson - Tony Allison,
Stuart McLauchlan

Remuneration Committee
Chairperson- Trish Oakley,
Mark Rogers

CHIEF EXECUTIVE

R Roberts
BEng (Hons)

GENERAL MANAGER FINANCE & BUSINESS PERFORMANCE

P Ford
BCom, CA, M Inst D

GENERAL MANAGER INFRASTRUCTURE & SERVICE DELIVERY

D Debono
BAvMan

GENERAL MANAGER MARKETING AND COMMUNICATIONS

M Crawford
BA BCom

REGISTERED OFFICE

Terminal Building
Dunedin International Airport
Private Bag 1922
DUNEDIN

Telephone 03 486 2879
E-mail admin@dnairport.co.nz
Website www.flydunedin.com

BANKER

Westpac
101 George Street
DUNEDIN

SOLICITORS

Gallaway Cook Allan
276 Princes Street
DUNEDIN

AUDITOR

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

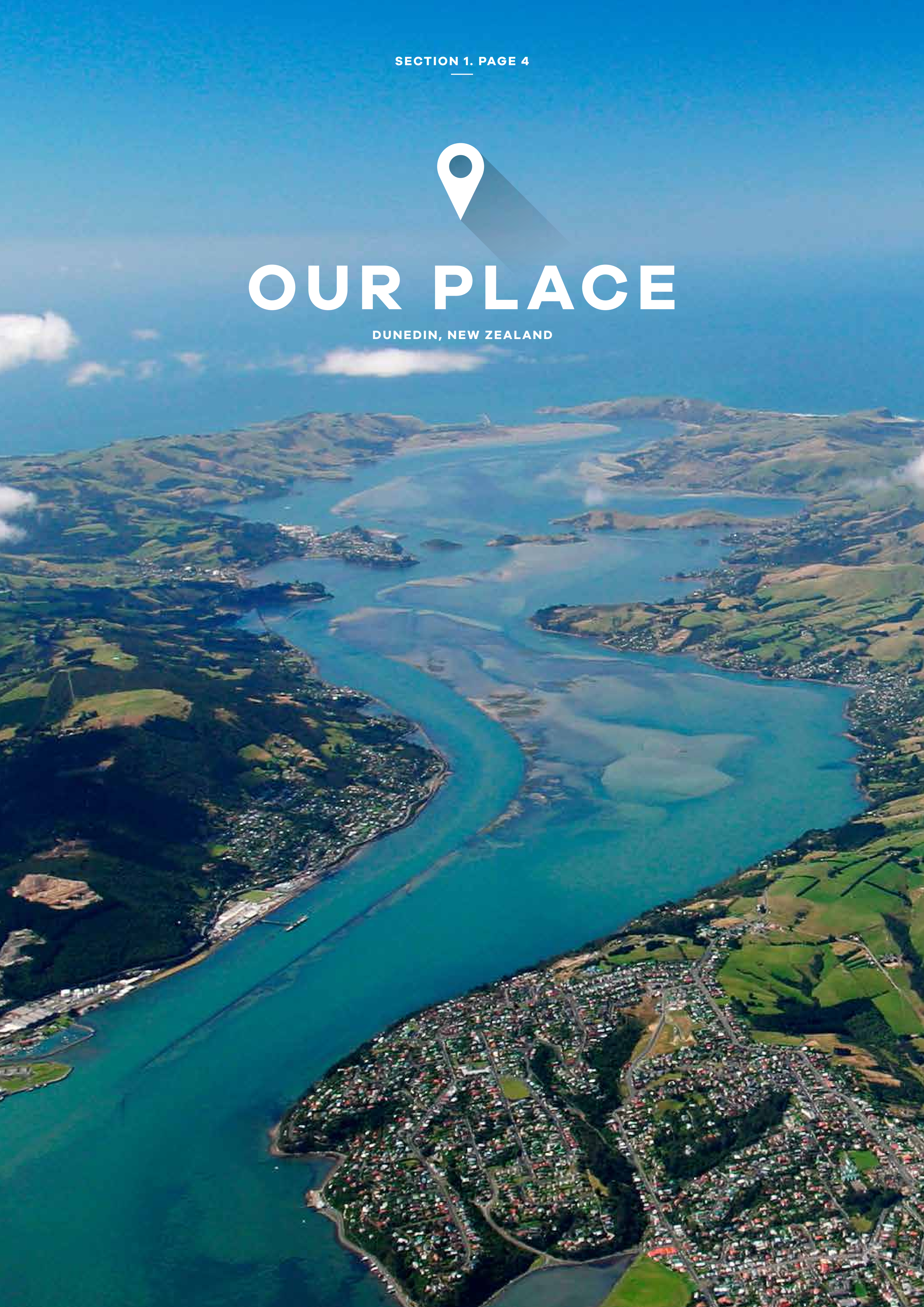
AIRLINES

FOR THE YEAR ENDED 30 JUNE 2016

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
Jetstar	Airbus 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

DUNEDIN, NEW ZEALAND

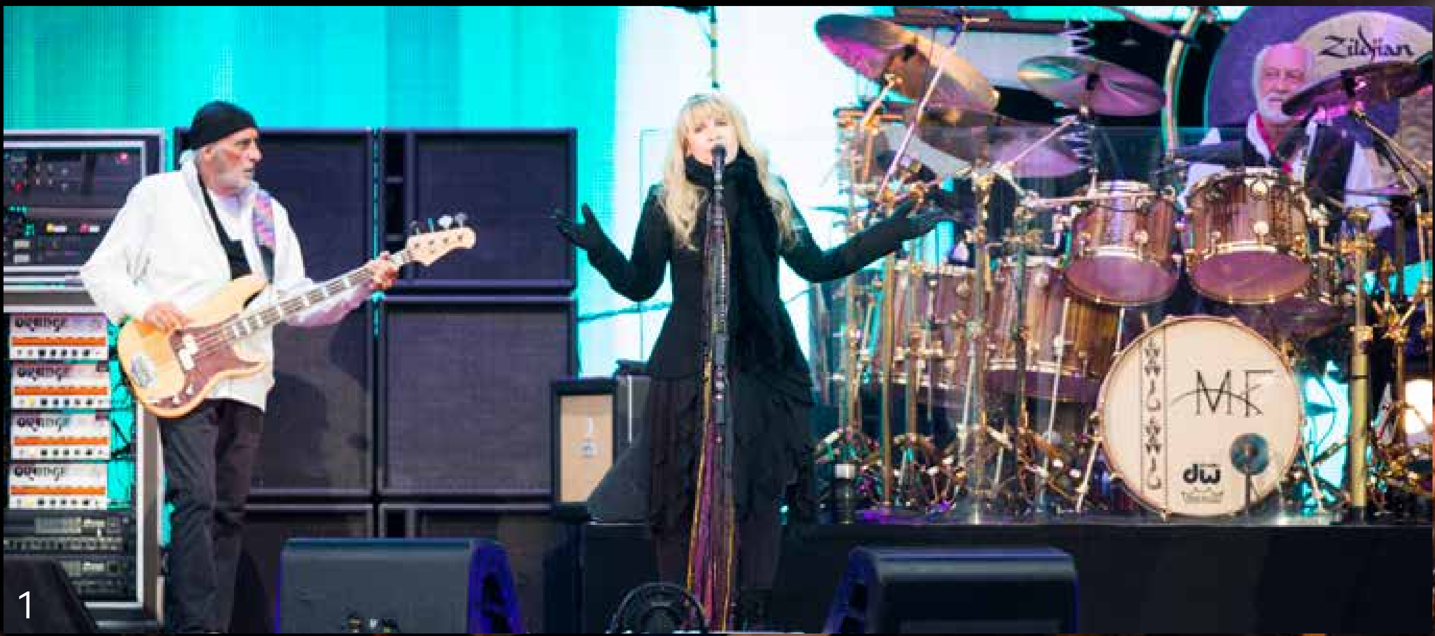


It's hard to imagine that one destination can have some of the best and most unique wildlife viewing in the world, an impressive array of heritage architecture and be home to world class fashion designers. But there is such a destination, Dunedin.

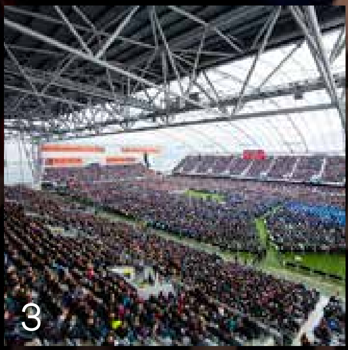
Dunedin, New Zealand's first city is set amidst a magical landscape edged by the sea. Here the streets hum vibrantly with colour and culture, and the beauty of nature can still be found - everywhere. It is a thriving city of rare charm.

HIGHLIGHTS

DUNEDIN, NEW ZEALAND

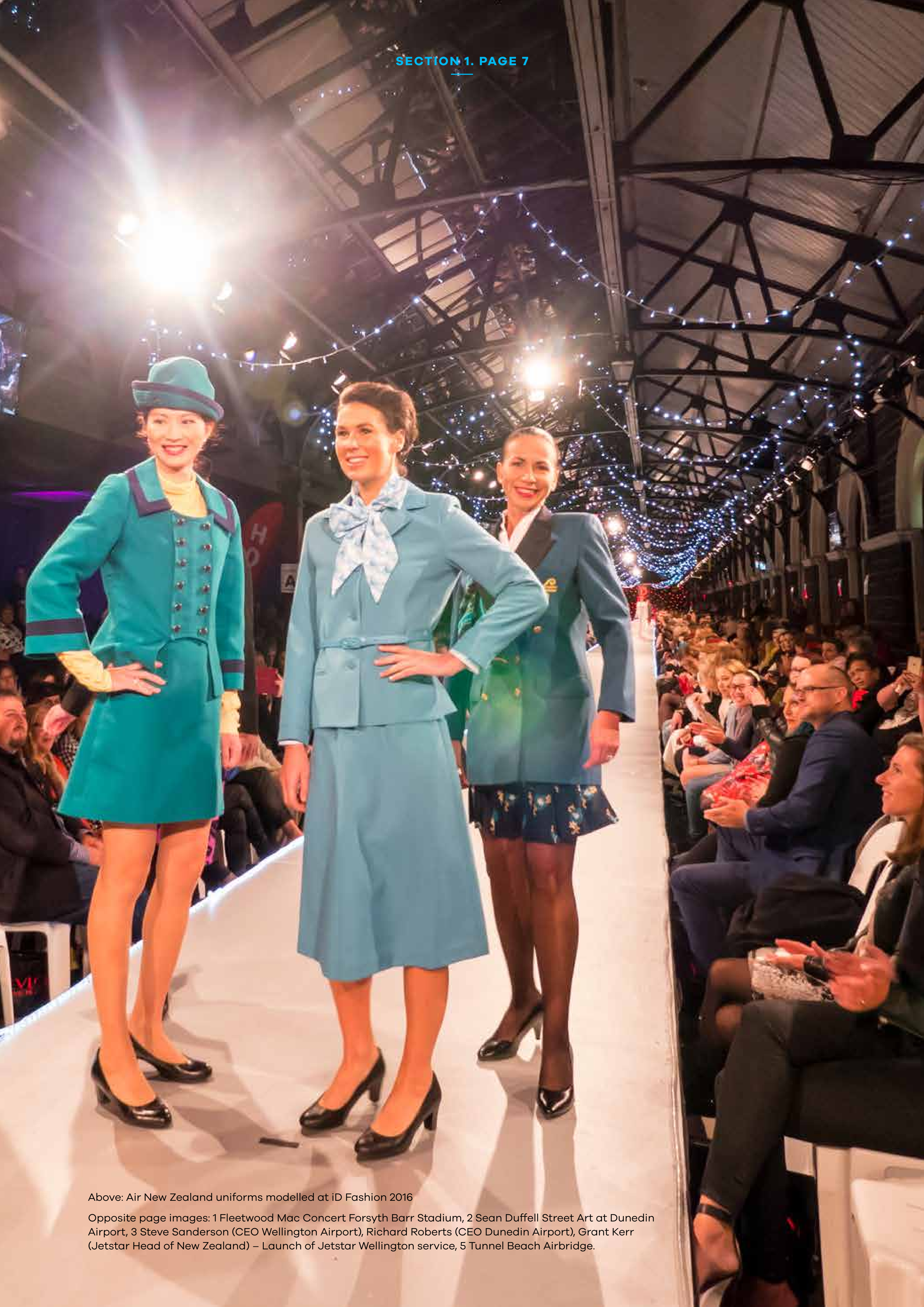

1


2


3


4


5



Above: Air New Zealand uniforms modelled at iD Fashion 2016

Opposite page images: 1 Fleetwood Mac Concert Forsyth Barr Stadium, 2 Sean Duffell Street Art at Dunedin Airport, 3 Steve Sanderson (CEO Wellington Airport), Richard Roberts (CEO Dunedin Airport), Grant Kerr (Jetstar Head of New Zealand) – Launch of Jetstar Wellington service, 5 Tunnel Beach Airbridge.

THE YEAR AT A GLANCE

TOTAL PASSENGERS

909,614

5.5% UP

INTERNATIONAL

DOWN 5.2%

49,964

DOMESTIC

UP 6.2%

859,650

INTERNATIONAL CAPACITY

UP 1.4%

DOMESTIC CAPACITY

UP 7.2%

BUSIEST MONTH ON RECORD

MARCH 2016

82,134

FINANCIAL SUMMARY

This summary should be read in conjunction with the full financial statements in section 2 or online at www.dunedinairport.co.nz

OPERATING REVENUE

13.2M

3.4% UP

OPERATING SURPLUS AFTER TAX

UP 19.2%

2.0M

AERO REVENUE

1.8% UP

4.7M

TOTAL DECLARED DIVIDEND FOR THE YEAR

NO CHANGE

$1,408,000

SHAREHOLDERS FUNDS

UP 1.0%

46.4M

INCREASED FLIGHTS

NEW DIRECT SERVICES COMMENCED ON 28 OCTOBER 2015 TO WELLINGTON.

NEW DIRECT SERVICES TO AUCKLAND ANNOUNCED TO COMMENCE 4TH JULY 2016

NON AERO REVENUE +Others

UP 4.3%

8.4M

CHAIRMAN AND CEO'S REPORT

The Directors and Management are pleased to present this year's Annual Report. Dunedin Airport has had a year of growth and development in line with our strategy of focusing on strengthening our existing partnerships and developing new ones. It has been an exciting and rewarding year, one which will provide us with opportunities for further growth in the future.

OUR BRAND VALUES OF

MAKE IT EASY **BE YOU** **CAN DO** **BETTER TOGETHER**

provide us with a foundation about which we feel confident and gives meaning to what we do.

CHAIRMAN AND CEO'S REPORT

CONT...

OUR PERFORMANCE

This year was a record year, with 909,614 passengers travelling through Dunedin Airport, an increase of 5.5% on the previous year. Domestic capacity increased by 7.2% (82,716 seats) with a corresponding increase in passengers of 6.2% to 859,650 compared to the previous year.

International capacity increased by 1.4% (879 seats) with international passenger numbers reducing by -5.2% during this period to 49,964.

There remains strong demand for services through Dunedin Airport. Last year we reported our busiest month on record in March with 78,167 passengers passing through. This was surpassed in March 2016 with 82,134 passengers

Dunedin Airport's total revenue increased by 3.4% to $13,158,581 and the operating surplus (after tax) was $1,957,712, ahead of last year by 14.7%.

Aeronautical revenue which constituted 35.8% of total revenue was 1.8% ahead of the previous year and resulted from an increase in domestic services.

Non-aeronautical revenue decreased by 0.2% to $8,187,696 with a reduction in dairy farm revenue offset by increased car parking and property rental income. At 62.2% of our total revenue, non-aeronautical, in addition to dairy farm, car parking and property rental income, is also derived from passenger activities.

The remaining 2.0% of total revenue is derived by interest, dividends received and gains on investments.

Dunedin Airport shareholders' funds increased by 1.1% to $46,456,389 and the directors have determined to pay a dividend of $1,480,000 to shareholders during the 2016/2017 year, the same as the current year.

OUR STRATEGY FOR GROWTH

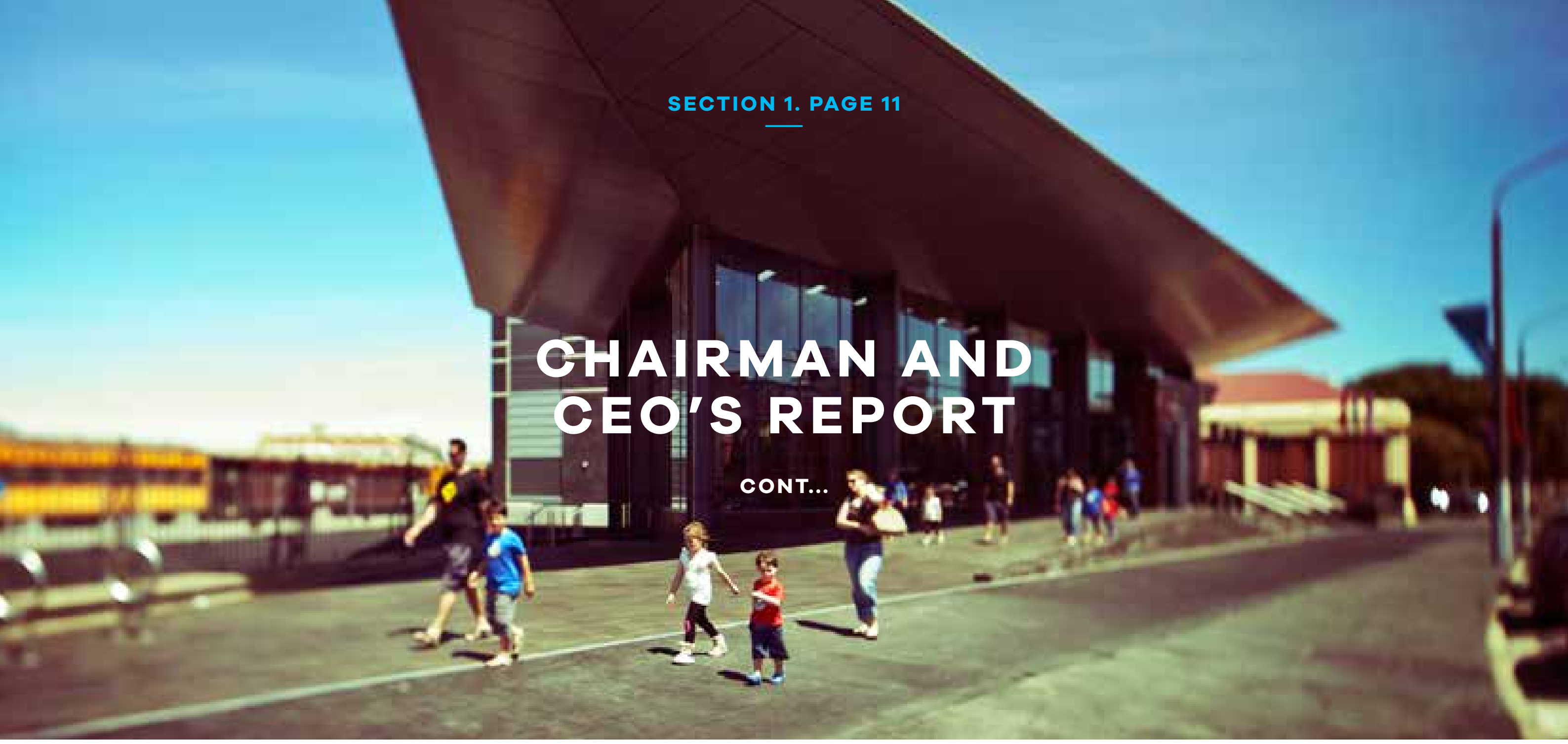
We have continued with our strategy focused on sustaining and growing trans-Tasman services to and from Dunedin Airport. Working with experienced Aviation Consultants, we have developed in-depth market information and presented these insights to our airline partners. Strengthened relationships has facilitated discussions on current trans-Tasman service performance and potential markets for growth.

In March this year Virgin Australia announced a new flight schedule for the services to Brisbane over the winter period, resulting in an early morning departure and midnight arrival. These flight changes allow for greater connections through Brisbane to other Queensland/ Australian ports as well as into North America. Dunedin Airport worked closely with Virgin Australia and Air New Zealand to communicate these changes to the market and to demonstrate how they benefit the traveller. While international numbers have declined this year, together with our airline partners we continue to monitor and proactively seek opportunities to work together.

Over the year we have worked in partnership with Air New Zealand, Virgin Australia and Enterprise Dunedin, investing and delivering campaigns to generate awareness of the Dunedin-Brisbane service. We have a planned approach to campaign activity and the results, combined with current market analysis, will guide activity for the coming year. We will continue to create awareness of the Dunedin-Brisbane service, not only within the Dunedin market but throughout the Otago/Southland regions, along with supporting the Dunedin destination marketing in Queensland.

The company's strategy for growth also focused on domestic services. This year saw an increase in services and capacity from both Air New Zealand and Jetstar, along with Kiwi Regional Airlines who entered the domestic market in October 2015. Dunedin Airport will continue to work with all our airline partners to ensure we sustain current services and identify areas for growth.

In May this year the company supported a submission to the Dunedin City Council for increased funding to be allocated to domestic and trans-Tasman marketing. The council committed to increased funding for the next two years. This funding is facilitating continued work in raising awareness of our



CHAIRMAN AND CEO'S REPORT

CONT...

region in both New Zealand and the Australian market. This is crucial in creating a demand for increased services.

OUR PARTNERSHIPS

Dunedin Airport continues to work closely with Enterprise Dunedin, airline partners and the region to identify opportunities for collaboration and growth. One of the most significant City and Air New Zealand collaborations which has evolved over the last two years, has been the domestic campaign focusing on the Dunedin – Auckland service. This campaign was instigated as a result of the reduction in services in February 2014. A number of initiatives were implemented to create awareness of the existing service and drive demand between the two destinations.

In March 2016, Dunedin Airport was proud to partner with Air New Zealand and Enterprise Dunedin in the announcement of an additional direct Auckland service, three times a week, as well as an additional jet service to Wellington. The additional Auckland services enables increased connections to and from international destinations, as well as creating a longer business day for the Dunedin and Auckland traveller. Changes were also announced on Dunedin – Christchurch services whereby flights would be serviced solely by 68 seat ATRs replacing all previous 50 seat Q300's.

October 2015 was another busy month celebrating the launch of a Jetstar service between Dunedin and Wellington, operating three times a week. The service has been successful and exceeded expectations. Soon after the launch, Jetstar announced an increase to four services per week during the high seasons of 2016. We continue to work with Jetstar, looking for opportunities to engage them with our market in order to to sustain and grow services.

In October 2015, Kiwi Regional Airlines commenced services between Dunedin, Queenstown, Nelson and Hamilton. Unfortunately, these services were not sustainable for the airline and they announced in June of this year that they would cease after 31 July 2016.

At the start of 2016 we implemented a new sponsorship process to create a consistent and integrated approach to how we engage potential sponsorship partners. This year in collaboration with Air New Zealand, we again supported iD Fashion, Dunedin's iconic annual event. The partnership between Air New Zealand and iD Fashion has enhanced exposure of this important City event through Air New Zealand promotional channels and we hope to see this partnership extended into 2017.

We have continued with our involvement with the Fortune Theatre and also the airports popular "Artist in the Terminal" initiative which promotes local artists by providing both a platform to exhibit and an enjoyable viewing experience for our customers.

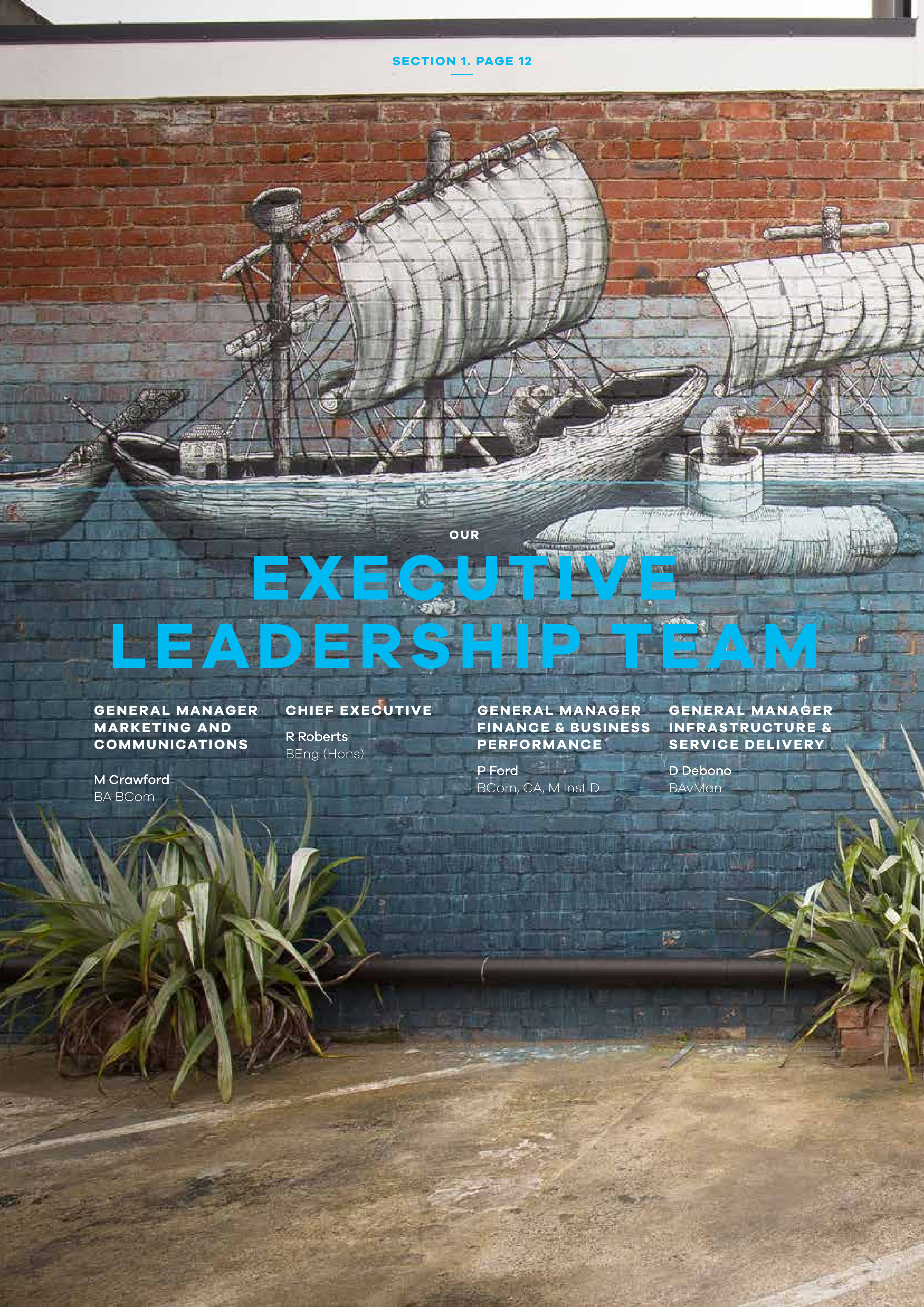
This year we were proud to establish new relationships with sponsorship partners. One of which is the iconic and treasured attraction of the city and region, the Yellow-eyed Penguin.

We have also supported the Dunedin street art initiative, through commissioning street artist, Sean Duffell to create a unique visual display on an airport building.

During the year we have worked with the Otago Museum, who has been a long standing partner of the airport, to create an increased presence in the terminal. During the Christmas period, the Museum established a pop up shop which displayed products and promoted the new Planetarium that opened in 2015.

Dunedin Airport has continued to focus on strengthening our relationships within the community and identifying opportunities to share information about the airport and how we work with our partners. CEO, Richard Roberts, has had a number of speaking engagements over the year, talking to both community groups and other city organisations sharing information on different aspects of the airport.

In July 2015, the airport launched



OUR

EXECUTIVE LEADERSHIP TEAM

GENERAL MANAGER MARKETING AND COMMUNICATIONS

M Crawford
BA BCom

CHIEF EXECUTIVE

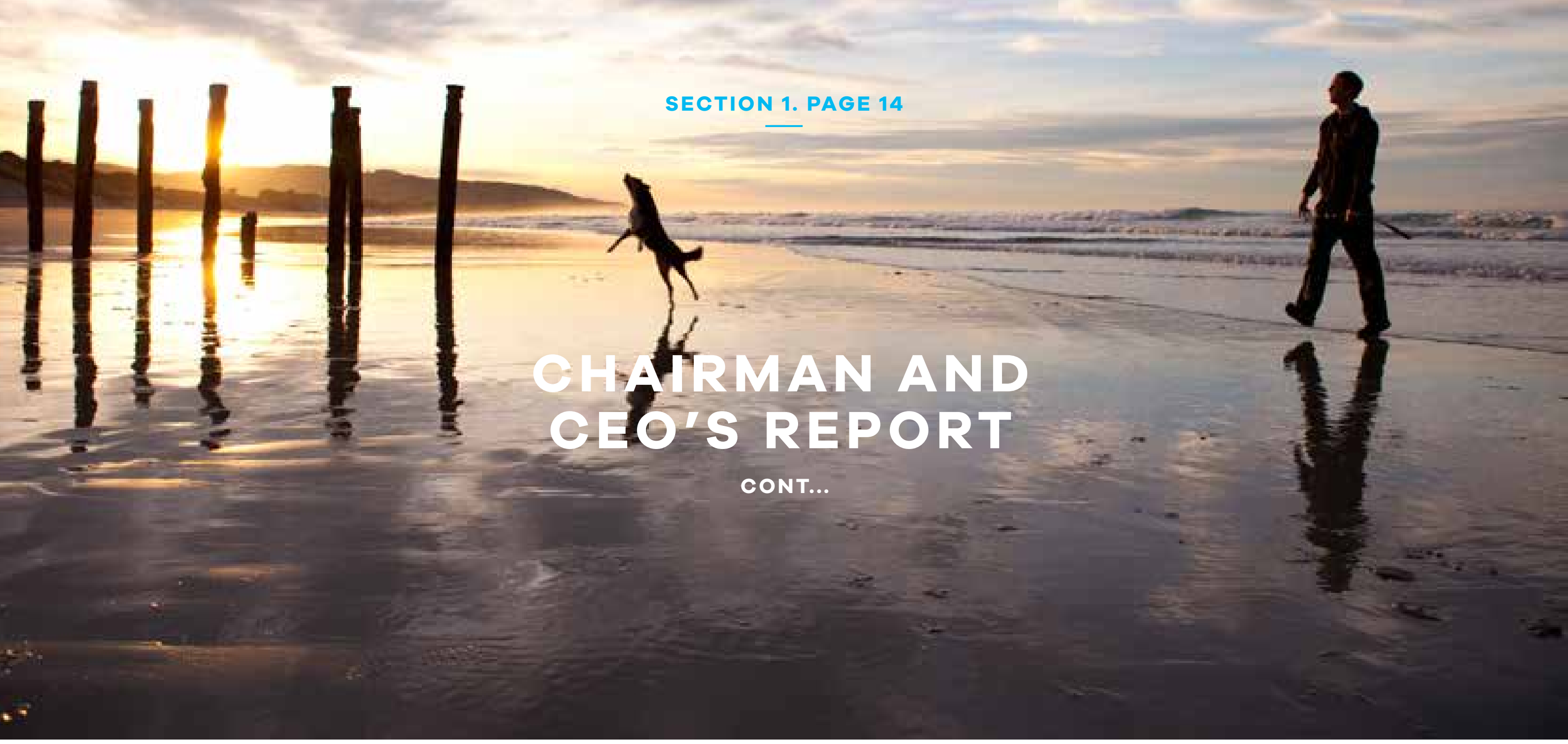
R Roberts
BEng (Hons)

GENERAL MANAGER FINANCE & BUSINESS PERFORMANCE

P Ford
BCom, CA, M Inst D

GENERAL MANAGER INFRASTRUCTURE & SERVICE DELIVERY

D Debono
BAvMan



CHAIRMAN AND CEO'S REPORT

CONT...

a new brand identity that created a greater connection between the airport and the city. A number of touchpoints within the airport have been rebranded and we continue to identify new areas to promote both the city and region. One example is the airbridge which displays beautiful images of Dunedin's Tunnel Beach and sounds of the sea echo through as passengers are welcomed into the airport.

OUR AIRPORT

With a view to the future and as a result of positive passenger growth, Dunedin Airport realises the importance of future planning to ensure that the airport infrastructure remains aligned to current and future requirements.

Our review of the 25-year master plan has commenced, with this master plan aiming to provide the framework for which further infrastructure investment will be based upon. In line with our objective of making the overall passenger experience easier and more enjoyable, this master plan is central to delivery of that objective. Not only will the plan serve to guide our airport investment programme, it will also allow our customers, airlines, stakeholders, local and central Government to understand and move forward with us together.

The existing terminal building has served the region well, however the growth in passenger numbers over the last 10 years has placed strain on certain areas and processes within the existing facility.

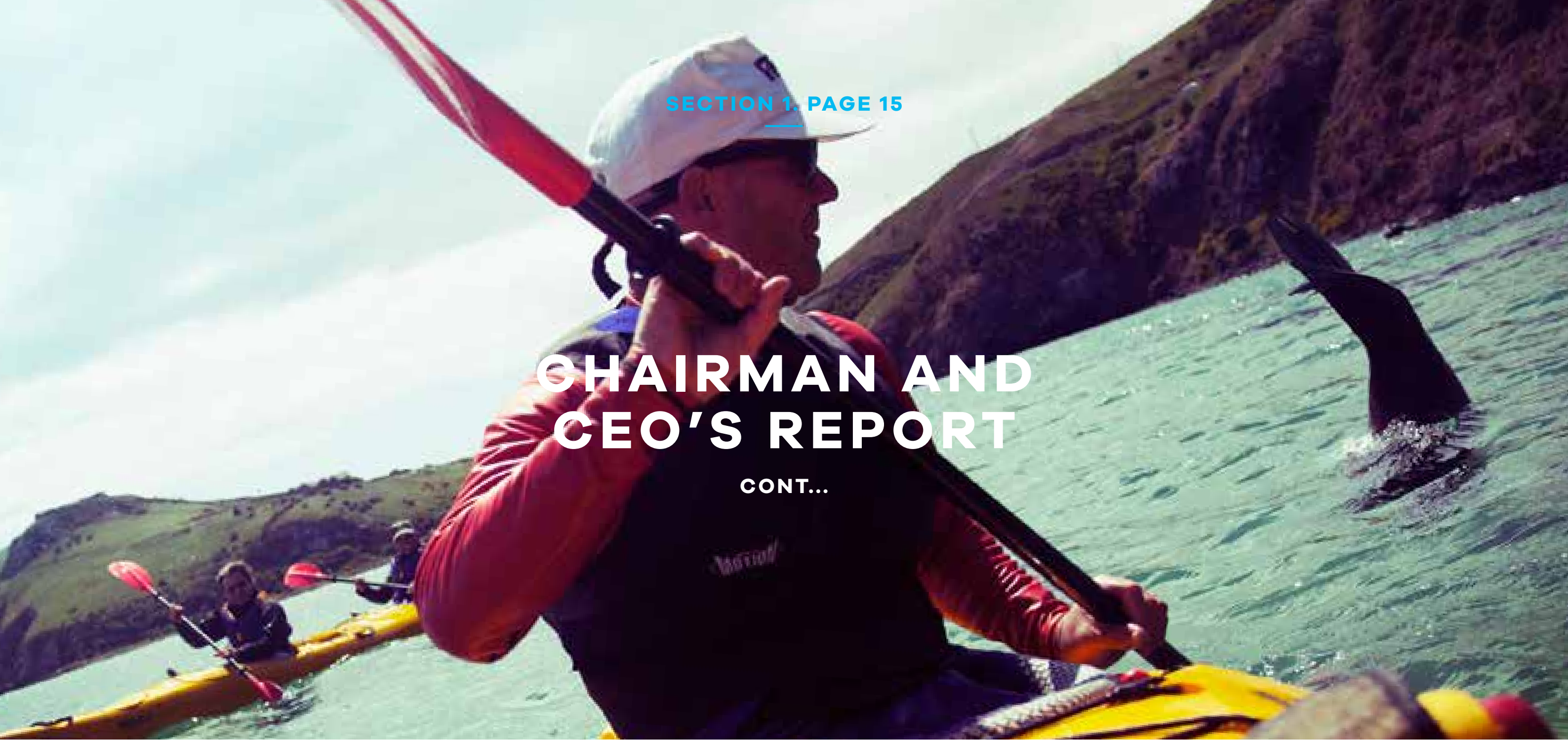
Already underway is an expansion of the outbound baggage handling system. This expansion will mitigate current busy hour congestion issues in the back of house baggage handling area, while ensuring the airport can meet the forecasted growth in passenger numbers. Parallel to this project, planning work is soon to commence on an expansion of the departures area, as this part of our terminal building is operating well above its intended design. Once completed, the departures process will be a more efficient and enjoyable experience.

The growth in passenger numbers is also having an impact on the airports rental car and carpark operations. Planning work is underway for an expansion of carpark facilities, and also construction soon to commence on an additional two dedicated rental car facilities.

Dunedin Airport has continued to achieve excellent results in its compliance and safety performance over the past year. There were no major findings issued by any of our regulatory organisations such as, the Civil Aviation Authority, Ministry of Primary Industries, New Zealand Customs Service and the Otago Regional Council.

The safety of our people, airport users & business partners remains a core part of our DNA. Dunedin Airport has continued to show leadership in the Health & Safety domain at the airport but also within the wider Dunedin business community. The Dunedin Health & Safety Forum which was instigated by Dunedin Airport in early 2015, has gone from strength to strength, with the city forum now setting the standard for other New Zealand centres.

Following a review of our airport emergency response capabilities as required by the Civil Aviation Authority, Dunedin Airport will be required to increase its Airport



CHAIRMAN AND CEO'S REPORT

CONT...

Emergency Service (AES) staffing over the coming 24 months. The AES team will increase from seven to 18 staff, with there being five AES staff members on duty during all hours of operation by June 2018.

The company prides itself on understanding our customer's needs and expectations of service at the Airport through delivering regular customer surveys. As part of our strategic priorities, we delivered two customer service surveys this year and achieved an average rating of "good" across all measures. Since these surveys were undertaken, we now carry out an ongoing customer service survey through our terminal WiFi. This serves to give us continuous feedback on our customers' experience.

OUR PEOPLE

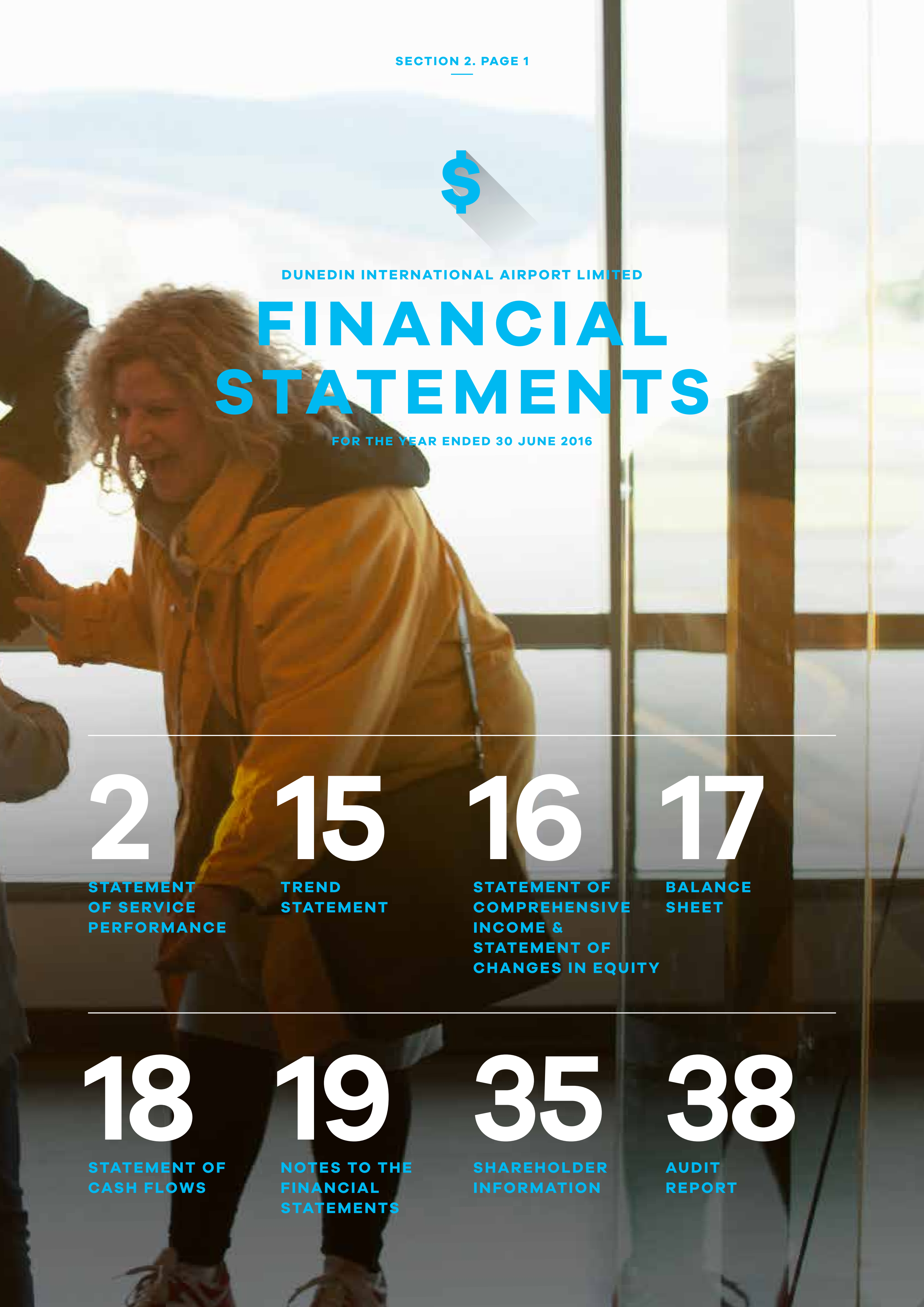
In June this year after 17 years at Dunedin Airport, Peter Ford - GM Finance and Business Performance, announced his retirement. Peter finishes in his role on 19 August. Chris Cope will step into the newly titled role of GM Commercial. The Company would like to acknowledge Peter for all the work and support he has given to Dunedin Airport and sincerely wish Peter and his family the very best for his retirement.

As we outlined last year we were to conduct the organisations first staff engagement survey. This was undertaken and workshops were run with staff to find out more of what we could do together to improve engagement across the company. In the following year we will look to implement a number of new initiatives and continue to conduct engagement surveys each year.

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 value and nurture relationships, we are proactive with a can-do attitude. And we are ourselves – real, proud, southern people.


2



DUNEDIN INTERNATIONAL AIRPORT LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

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.
- Improve the company's equity ratio.
- 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.

SAFETY & COMPLIANCE

GOALS	OBJECTIVES	RESULT	
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.**		ACHIEVED
	Hold a minimum of 2 airport Health and Safety Committee meetings each year.	2 H&S Committee meetings took place during the year.	
	Review the Health and Safety Plan with the Health and Safety Committee each year.	The H&S Plan was reviewed with no changes being implemented. Changes to reflect the new Health & Safety at Work Act 2016 (largely administrational) and the CAA's Safety Management System (SMS) will be made in the second half of 2016, when a single combined safety review will be undertaken. The company's H&S Objectives for FY 2016/17 have been approved by the H&S Committee and Senior Management.c	
	Attend a minimum of 2 of our stakeholder's Health and Safety meetings each year.	In this reporting period the DIAL Safety & Compliance Manager has attended the H&S meetings of both our major airline partners and ground crew. A culture of open and honest reporting for safety improvement is being fostered.	
	Report on Health and Safety management and provide statistical data to the company's monthly board meetings.	H&S management is reported via: • Monthly Board reports with both statistical data and commentary. • Safety Alerts / memos issued to relevant stakeholders. • H&S updates provided and minuted during staff and management meetings.	

SAFETY & COMPLIANCE

GOALS	OBJECTIVES	RESULT	
Ensure the Company meets all of its safety, security and environmental obligations.	Maintain our CAA operating certificate obligations.		
	Successfully achieve compliance in our annual CAA safety and security audits with no major findings.	The Annual CAA Safety Audit and Security Audit were both completed successfully this year with no major findings.	ACHIEVED
	Conduct an annual internal audit of our CAA safety and security systems.	The last annual internal audit was undertaken in May 2015. The audit must be undertaken in every calendar year in order to maintain compliance with the airports CAA Exposition. It is scheduled to be carried out in the second half of 2016, which will ensure CAA compliance requirements are achieved. Therefore, this timing issue has led to this objective not being achieved within FY15/16.	NOT ACHIEVED
	Maintain our obligations on any current resource consents in place.		
	Report as required to the Authority each year on bore water consent RM 11.369.01.	The annual report for consent RM 11.369.01 for bore water was issued to the Otago Regional Council (ORC) in September 2015. The report was accepted with no issues raised.	ACHIEVED
	Report as required to the Authority on sewage discharge consent 2004.309	Monthly reporting and an annual report for consent 2004.309 for sewage discharge was issued to the ORC in April 2016. The report was accepted with no issues raised.	ACHIEVED
	Maintain voluntary annual reporting on de-icing fluid usage at the airport.	A voluntary annual report on de-icing fluid usage at the airport was issued to the ORC in March 2016.	ACHIEVED

SAFETY & COMPLIANCE

GOALS	OBJECTIVES	RESULT	
Maintain high quality dairy farming practices.	No 'Critical' findings raised by any Fonterra dairy farm inspections.	Both of the airports dairy farms were inspected by Fonterra in December 2015 with no critical findings.	ACHIEVED
	Maintain food hygiene standards at Momona Garage.		
	Maintain grade 'A' food hygiene certificate.	The Dunedin City Council (DCC) carried out the annual inspection of the Momona Garage in June 2016 and the Grade A certification was maintained.	

FINANCIAL

GOALS	OBJECTIVES	RESULT	
Grow the company's revenues and earnings from its trading activities.	**Investigate potential aeronautical revenue opportunities.**		
	Increase revenue from car parking by a minimum of 3%.	Parking revenue was 6.5% above last year as a result of an increase in the number of domestic flights and passengers. There was no increase in parking fees during the year.	ACHIEVED
	Increase total non-aeronautical revenue by a minimum of 1.5%.	Non-aeronautical income was 0.3% above last year with the main impact coming from the reduction in revenue from the company's two dairy farm operations, which fell by -34.3% compared to the previous year. Increases in terminal rentals, property, car parking and dividend incomes assisted in reducing the impact of the downturn in dairying, with all non-aeronautical revenues, excluding dairy farm operations increasing by 3.1%.	NOT ACHIEVED
Improve the company's equity ratio.	**Reduce long term bank debt.**		
	Reduce the long term bank debt by $2,200,000 to $10,800,000.	Long term bank debt at 30 June 2016 was $9,100,000, a reduction of $2,900,000 on 2015 and $1,700,000 below budget. This was achieved through an increase of 10.7% in aeronautical income resulting from an increase in domestic flights and passengers. Operating expenditure and capital expenditure were both below budget.	ACHIEVED

FINANCIAL

GOALS	OBJECTIVES	RESULT	
Maintain the company's economic sustainability through the mitigation of business risk.	On-going monitoring and refinement of the company's risk strategy.		
	Monthly financial report to the Board.	Monthly and Quarterly Financial Reports were circulated to the Board for review and comment.	ACHIEVED
	Quarterly detailed cost centre reports to the Board. Quarterly financial statements, cash flows and aircraft passenger activity to the Board and Shareholders	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.	
	Six monthly risk analysis undertaken and reported to the Board.	Six monthly Statutory Compliance and Risk Analysis Reports were circulated to the Board for review and comment.	

MARKETING & BUSINESS DEVELOPMENT

GOALS	OBJECTIVES	RESULT	
Increase passenger numbers through the airport.	Partner with our airline, airport, City and tourism industry.		ACHIEVED
	Foster productive relationships with our airlines, City and industry partners through a minimum of 5 meetings per year.	Over 100 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 the Enterprise Dunedin team to share information and identify ways in which we can develop inbound tourism campaigns focusing on the trans-Tasman and domestic markets.	
	Invest in strategic route development opportunities.	We continue to work with our airline partners to identify new route opportunities in both the domestic and trans-Tasman markets. In conjunction with this work, we have also maintained our investment with our Aviation Consultants to provide robust market information and create strong route development cases that we have presented to our airline partners. This will remain a strategy focus for 2016/2017. As a result of proactive and collaborative work, in 2015/2016 we saw a number of new services commence: • Jetstar - Dunedin to Wellington with 3 services a week. • Kiwi Regional Airlines - Dunedin to Queenstown and Dunedin to Nelson (connecting to Tauranga and Hamilton). Unfortunately, Kiwi Airlines announced that its operations would cease on 31st July 2016. • Air New Zealand - in February 2016 changes were announced to Air NZ's domestic schedule which included a new direct Dunedin – Auckland service (3 times a week) commencing July 2016 and an additional jet service between Dunedin and Wellington commencing in October 2016. The addition of the above services resulted in the airports busiest year on record with 909,614 passengers travelling through Dunedin Airport, an increase of 5.5% on the previous year.	

MARKETING & BUSINESS DEVELOPMENT

GOALS	OBJECTIVES	RESULT	
Develop strategies and initiatives to grow trading activities.	**Implement initiatives to improve the performance of non-aeronautical activities.**		ACHIEVED
	Foster productive relationships with our business partners to identify potential opportunities through facilitating a minimum of 5 meetings with each partner per year	We have focussed on creating stronger and more collaborative relationships with our airport partners. Over the year we met with our partners on 29 occasions.	
	In productive relationships with our non-aeronautical business partners implement initiative's to improve business performance.	We have shared more information with our business partners with regard to airline developments to enable them to understand the strategy for airport growth. We have had greater engagement with our food and beverage operators, identifying ways to improve the customer experience and product offering. We have worked closely with our Duty Free partner over the last 6 months to drive change within the airport customer proposition. This has enabled a much stronger partnership to be developed and we will be seeing a number of changes implemented within the Airport retail stores during the next period. We were very pleased to introduce a new operator into the terminal this year, Skyline Sushi, offering a new product to our passengers. An ongoing partnership with Otago Museum enabled a new retail offering to be trialled over the Christmas period via a pop-up shop. This concept showcased some of the great Museum customer experiences along with a selection of specific retail products.	

INFRASTRUCTURE

GOALS	OBJECTIVES	RESULT	
Provide and efficiently maintain infrastructure to meet the needs of our customers.	**Ensure all airside infrastructure maintenance causes no delays to airline operations.**		ACHIEVED
	No delays to regular scheduled passenger operations.	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.	
	Ensure the future of the airport is protected.		
	Review of the Airport Master Plan.	**Master Plan** In May 2016 work commenced with our airport master planning partner, AirBiz Aviation Consulting, on the review of our 25-year airport master plan. This project will be completed in the next period, with the end result providing a platform for growth while ensuring capital expenditure into airport infrastructure is appropriately timed and budgeted for.	
	Promote the airports needs for inclusion in the Second Generation District Plan.	**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 involvement are in: • Protecting our flight paths and designations for future runway extensions if required. • Improving commercial returns from outdoor advertising. • Improving conditions for parking footprint extensions.	

HUMAN RESOURCES

GOALS	OBJECTIVES	RESULT	
To retain and value our employees.	**To provide relevant training to our staff.**		ACHIEVED
	Ensure recurrent safety training for all staff is provided.	All Required recurrent safety and compliance training for staff has been undertaken which Includes but is not limited to: • First Aid refresher training. • Basic Life Support/Pre Hospital Emergency Care (PHEC) training for AES staff. • Rescue Fire Annual Competency training. • Confined space entry training for foul sewer pump chamber. • NZQN Level 3 & Level 4 Health & Safety representative training. • Forklift operator training. • Fire extinguisher training.	
	Allocate 0.1% of revenue to staff training.	$12,700 was allocated to staff training with $20,088 spent during the year, comprising of: • $6,160 - safety & compliance training • $13,928 – professional development	
	To provide relevant training to our staff.		
	Each staff member to have a formal annual performance review	All employees have had Employee Performance Reviews (EPR) during the year.	
	Ensure that our staff are fully engaged with the company's Vision, Purpose and Values.		
	Conduct an annual staff engagement survey.	In 2016 the company completed its first staff engagement survey. The results of the survey were then taken further and workshops were undertaken with all staff to provide more information on what the areas for improvement were and how we could provide solutions together. We will continue to undertake staff engagement surveys on an annual basis. We plan to review the Company's VISION, PURPOSE and VALUES in the next period when the new Senior Leadership team are in place.	

CORPORATE SOCIAL RESPONSIBILITY

GOALS	OBJECTIVES	RESULT	
Be recognised as a positive contributor to our community.	**Provide sponsorship to community events and organisations.**		ACHIEVED
	Invest 0.25% of revenue to sponsorship.	This year we allocated $32,000 to the sponsorship of community organisations and events. We distributed $32,919 to the following organisations/ events: • iD Fashion 2016 – International Guest Designer • Yellow Eyed Penguin Trust • Fortune Theatre • Otago Hospice • Cancer Society NZ • RSA – Poppy Appeal • Surf Life Saving. • Leukaemia and Blood Cancer NZ • Street Art Dunedin • Outram School Cookbook.	
	Engage with our community and share information.		
	Conduct a minimum of 10 school or community group visits per year.	25 organised community airport visits were facilitated this year by our airport customer service and Airport Emergency Services teams who welcomed in excess of 600 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. This year we engaged with our community at a much higher level than in the past. We presented in the community on 12 occasions throughout the year. This included presentations to 6 Rotary Clubs and 1 Lions Club as well as engaging with 5 other Dunedin organisations. The feedback was complimentary and it enabled us to tell the airport story and inform the community on the part we play in our region. More regular presentations are now organised in the future to our City partners allowing us to share airport information that will enable us to identify opportunities for collaboration.	

CORPORATE SOCIAL RESPONSIBILITY

GOALS	OBJECTIVES	RESULT	
Be recognised as a positive contributor to our community.	**Act as a socially and environmentally responsible corporate citizen.**		ACHIEVED
	Develop and implement sustainable practices for our waste streams.	Our total waste system design was completed with our new waste management service provider, OCS. We are targeting a 15% reduction in waste to landfill over the coming year.	
	Use NZ manufactured and/or supplied goods where possible.		
	In accordance with the Procurement Policy, NZ manufactured or supplied goods will be used wherever possible	Dunedin Airport only has procurement relationships with organisations outside of New Zealand with the following companies: • Three Consulting of Sydney for Aviation Strategy and Route Business case. • Tourism Futures – Dunedin Aviation Monitoring Report.	

SHAREHOLDERS

GOALS	OBJECTIVES	RESULT	
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.**		ACHIEVED
	Prepare annually the company's Statement of Intent having given consideration to shareholder's expectations.	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.	**Consult with shareholders at the earliest possible time on matters where conflict may or could result.**		
	Report to and consult with shareholders on matters where the company's and shareholder's requirements are in conflict.	No such areas of conflict arose during the year.	
Keep the shareholders informed of all substantive matters.	**On a "no surprises" basis advise shareholders promptly of any substantive matter that has the potential to impact negatively on shareholders and the company with a particular focus on matters of interest to the media.**		
	Report to shareholders within 24 hours substantive matters which have the potential to impact negatively on shareholders and the company with a particular focus on matters of interest to the media.	Dunedin Airport maintained communication with its shareholders through regular quarterly reporting. There were no instances of any issues that required specific attention outside of these normal regular communication channels.	

trend statement

For the year-ended 30 June	2016	2015	2014	2013	2012
Revenue					
Operating Revenue:					
Aeronautical	**4,715,300**	4,629,824	4,691,328	4,722,288	3,988,294
Percentage	35.8%	36.4%	37.3%	37.9%	38.7%
Non-aeronautical	**8,187,696**	8,205,906	8,130,475	7,099,274	6,274,186
Percentage	62.2%	64.5%	64.6%	57.0%	60.8%
Interest income	**18,386**	47,491	14,782	49,108	11,708
Dividend income	**98,963**	29,951	40,016	49,017	39,002
Gain/(Loss) on investments	**138,236**	(191,137)	(285,306)	533,815	850
Total revenue	**13,158,581**	**12,722,034**	12,591,295	12,453,502	10,314,040
Percentage Increase	3.4%	1.0%	1.1%	20.7%	21.3%
Surplus before tax	**2,681,114**	2,476,596	2,428,231	3,189,437	2,148,723
Percentage increase	8.3%	2.0%	(23.9%)	48.4%	1,685%
Net tax paid surplus	**1,957,712**	1,705,823	1,848,711	2,416,666	1,105,338
Percentage increase	14.7%	(7.7%)	(23.5%)	118.6%	54.9%
Shareholders' equity					
Shareholders' equity	46,456,389	45,919,692	45,372,296	44,331,510	42,103,001
Return on shareholders' equity	**4.2%**	3.7%	4.1%	5.5%	2.6%
Dividends paid	1,408,000	1,280,000	1,130,000	660,000	396,000
Dividend rate cents per share	**16.0**	14.5	12.8	7.5	4.5
Capital expenditure	316,200	70,120	492,440	5,828,232	2,205,286
Net operating cashflow	4,620,238	4,625,154	5,128,159	4,263,372	4,597,238
Net asset backing per share	**$5.28**	$5.22	$5.16	$5.04	$4.78
Equity ratio	**66.1%**	63.1%	59.6%	56.2%	54.7%

This statement is to be read in conjunction with the notes on pages 19 to 34

statement of comprehensive income

For the year-ended 30 June	Notes	2016	2015
Operating revenue		12,902,996	12,835,729
Interest received		18,386	47,491
Dividend received		98,963	29,951
Gain/(loss) on investment		138,236	(191,137)
Total revenue		**13,158,581**	**12,722,034**
Audit fees	4	53,524	51,683
Directors fees		90,000	90,000
Finance costs – interest expense		624,405	952,167
Loss on hedge instruments		34,259	148,000
Depreciation	20	2,851,303	2,965,976
Wages and salaries		1,943,079	1,785,379
Other operating expenses		4,880,897	4,252,233
Total expenses		**10,477,467**	**10,245,438**
Operating surplus/(deficit) before income tax		**2,681,114**	**2,476,596**
Income tax expense/(credit)	5	723,402	770,773
Operating surplus/(deficit) after income tax		**1,957,712**	**1,705,823**
Other comprehensive income			
Hedges amortised to expense		65,472	55,000
Cash flow hedges gain/(loss) taken to hedge reserve		(109,010)	92,463
Income tax on items of other comprehensive income	5	30,523	(25,890)
Total comprehensive income/(deficit)		**1,944,697**	**1,827,396**

statement of changes in equity

Equity at the beginning of the year		**45,919,692**	45,372,296
Comprehensive income/(deficit) for the year		1,944,697	1,827,396
Less distribution to owners			
- Final dividend	8	(1,408,000)	(1,280,000)
Closing equity		**46,456,389**	**45,919,692**

balance sheet

As at 30 June	Notes	2016	2015
Shareholders' equity			
Share capital	6	8,800,000	8,800,000
Hedge reserve	7	(193,063)	(180,048)
Revaluation reserve	7	21,672,638	21,672,638
Retained earnings	9	16,176,814	15,627,102
		46,456,389	45,919,692
Current liabilities			
Trade & other payables	10	1,079,850	682,881
Other liabilities	11	210,743	148,829
Tax payable	5	256,230	457,239
Provisions	12	158,936	112,554
		1,705,759	1,401,503
Non-current liabilities			
Term loans	14	9,100,000	12,000,000
Deferred taxation	15	12,492,485	12,992,163
Hedge derivatives	19b	485,113	419,454
		22,077,598	25,411,617
Total equity & liabilities		**70,239,745**	**72,732,812**
Represented by:			
Current assets			
Trade & other receivables	16	428,997	564,961
Prepayments	17	15,385	14,552
Cash & cash equivalents	13	131,725	198,271
Stock on hand	18	49,161	40,952
		625,268	**818,736**
Non-current assets			
Property, plant & equipment	20	68,274,339	70,809,442
Investments	21	1,164,005	957,661
Deferred taxation	15	176,133	146,973
		69,614,477	71,914,076
Total assets		**70,239,745**	**72,732,812**

For and on behalf of the directors.

S J McLauchlan
Chairman
17 August 2016

P A Oakley
Director

statement of cashflows

For the year-ended 30 June	Notes	2016	2015
Cash flow from operating activities			
Cash was provided from:			
Receipts from customers		13,067,262	12,811,383
Interest received		18,386	47,491
Dividend received		98,963	29,951
Cash was applied to:			
Payments to suppliers		4,632,067	4,360,496
Payments to employees		1,872,510	1,825,894
Interest paid		624,932	968,655
Taxation paid		1,434,864	1,108,626
Net cash flows from operating activities	24	**4,620,238**	4,625,154
Cash flows from investing activities			
Cash was provided from:			
Sale of assets		-	21,087
Cash was applied to:			
Purchase of shares		68,108	1,333
Purchase of assets		310,676	135,408
Net cash flows from investing activities		**(378,784)**	(115,654)
Cash flows from financing activities			
Cash was applied to:			
Repaid loans		2,900,000	3,500,000
Dividends paid		1,408,000	1,280,000
Net cash flows from financing activities		**(4,308,000)**	(4,780,000)
Net increase/(decrease) in cash held		(66,546)	(270,500)
Plus opening cash brought forward		**198,271**	468,771
Cash & cash equivalents held 30 June	13	**131,725**	198,271

notes to financial statements

For the year-ended 30 June 2016

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 recognized on a straight-line basis over the lease term.

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

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

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

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

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

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

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

Taxation

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

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

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

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

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

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

Property, Plant and Equipment

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

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

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

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

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

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

Depreciation of capital work in progress commences when the assets are ready for their intended use.

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

Depreciation rates and methods used are as follows:

	Rate	*Method*
Runway, apron and taxiway	3% - 6.66%	SL
Buildings	1% - 33.3%	SL
Machinery & plant	4% - 10%	DV & SL
Motor Vehicles	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 an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

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

Financial Instruments

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

Cash and Cash Equivalents

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

Receivables

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

Loans and other receivables

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

Investments

Investments are recognised and derecognised on a trade date where a purchase or sale of an investment is under a contract 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

	Notes	2016	2015
Audit Fees			
Fees for audit services		37,024	36,290
Disbursements		1,500	393
Fees for audit of disclosure accounts		15,000	15,000
		53,524	51,683

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

5. TAXATION PROVISION

(a) Income tax

	2016	2015
Operating surplus/(deficit) before income tax	2,681,114	2,476,596
Taxation @ 28%	750,712	693,446
Plus / (Less) the tax effect of differences		
Expenses not deductible	4,581	15,400
(Gain)/Loss on investments	(38,706)	53,518
Hedge instruments	(2,546)	-
Under / (over) tax provision	-	8,409
Prior year adjustment	9,360	-
Tax effect of differences		77,327
Tax expense	**(723,402)**	(770,773)
Effective tax rate	27.4%	31.1%
Represented by		
Current tax provision	(1,233,855)	(1,303,239)
Deferred tax provision	510,453	532,466
Income tax expense	**(723,402)**	(770,773)

(b) Tax on Other Comprehensive Income

	2016	2015
Hedge Reserve:		
Deferred tax	30,523	(25,890)
	30,523	(25,890)

(c) Provision for Tax

	2016	2015
Balance at beginning of year	(457,239)	(264,956)
Current tax provision	(1,233,825)	(1,303,239)
Terminal tax payment (refund)	(15,137)	(65,044)
Provisional tax paid	1,450,000	1,176,000
Balance at 30 June	**(256,230)**	(457,239)

(d) Imputation Credits

	2016	2015
Imputation credits available for use in subsequent periods:	**4,814,176**	4,000,002

The 2016 balance includes credits associated with the tax payable balance.

6. EQUITY – SHARE CAPITAL

	2016	2015
Issued Capital		
8,800,000 ordinary authorised and issued shares	**8,800,000**	8,800,000

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

		2016	2015
7.	**RESERVES**		
	a) Hedge Reserve		
	Balance at beginning of year	(180,048)	(301,621)
	Revaluations included in comprehensive income	(109,010)	92,463
	Hedges amortised to expense	65,472	55,000
	Net movement in deferred tax arising on hedges	30,523	(25,890)
	Balance at 30 June	**(193,063)**	(180,048)

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

	2016	2015
Balance at 30 June	**21,672,638**	21,672,638

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

		2016	2015
8.	**DIVIDENDS**		
	Final Dividend	1,408,000	1,280,000
		1,408,000	1,280,000
	Dividends Per Share	**16.0 cents**	14.5 cents

		2016	2015
9.	**RETAINED EARNINGS**		
	Balance at beginning of year	15,627,102	15,201,279
	Operating surplus/(deficit) after income tax	1,957,712	1,705,823
	Dividend distributions	(1,408,000)	(1,280,000)
	Balance at 30 June	**16,176,814**	15,627,102

		2016	2015
10.	**TRADE & OTHER PAYABLES**		
	Trade payables	822,861	576,948
	Accruals	256,989	105,933
		1,079,850	682,881

		2016	2015
11.	**OTHER LIABILITIES**		
	Current Liabilities		
	GST payable	88,282	135,792
	Other current liabilities	122,461	13,037
		210,743	148,829

		2016	2015
12.	**PROVISIONS**		
	Annual Leave		
	Balance at the beginning of the year	112,554	151,190
	Amounts used	(139,219)	(184.330)
	Amount accrued	185,601	145,694
	Balance at 30 June	**158,936**	112,554

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

13. CASH

	2016	2015
Cash floats	6,400	6,400
Westpac cheque account	125,325	191,871
Balance at 30 June	**131,725**	198,271

The carrying amount of cash assets approximates their fair value.

14. TERM BORROWINGS (Secured)

	2016	2015
Multi option credit facility	**9,100,000**	12,000,000

(a) Westpac has provided a multi option credit line facility of $15.5 million with a maturity date of 31 October 2017. The Westpac Banking Corporation holds as security for the advances a first mortgage over the property of the Company and a negative pledge over all other assets. The Company uses interest rate swaps to manage its exposure to interest rate movements. These are detailed in note 19.

(b) Banking covenants relating to the 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 2016 and monthly during the financial year.

15. DEFERRED TAX

	Opening	Charged	Charged		Closing Balance Sheet	
2016	Balance	to Equity	to Income	Assets	Liabilities	Net
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
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)**

	Opening	Charged	Charged		Closing Balance Sheet	
2015	Balance	to Equity	to Income	Assets	Liabilities	Net
Property, plant and equipment	(13,506,937)	-	514,774	-	(12,992,163)	(12,992,163)
Employee benefits	40,206	-	(10,680)	29,526	-	29,526
Revaluations of interest rate swaps	117,297	(25,890)	26,040	117,447	-	117,447
Balance at 30 June	(13,349,434)	(25,890)	530,134	146,973	(12,992,163)	(12,845,190)

		2016	2015
16.	**TRADE & OTHER RECEIVABLES**		
	Trade receivables	**428,997**	564,961

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 2016 were $78,936, 18.4% of trade receivables (2015, $134,568, 23.8%).

17.	**PREPAYMENTS**		
	NZ Airports Association membership	13,055	14,552
	Airports Council International	2,330	-
		15,385	14,552
18.	**STOCK ON HAND**		
	Petrol and other stock at Momona Garage	**49,161**	40,952

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	(485,113)	(419,454)
	(485,113)	(419,454)

The Company uses interest rate swaps to manage its exposure to interest rate movements on its multi option facility borrowings by swapping a proportion of those borrowings from floating rates to fixed rates. The interest rate agreements are held with Westpac. Interest rate risk is reviewed on a regular basis.

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

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

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

Effective interest rate		2016	2015
Maturing between 1 and 5 years	4.0%	8,000,000	5,000,000
		8,000,000	5,000,000

c) Liquidity Risk

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

- Arrangement of appropriate backup facilities to the short term borrowing programmes

- Managing a prudent balance of both short and long term borrowing programmes
- Regular review of projected cash flows and debt requirements

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

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

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**

2015				
Financial Assets	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
Trade & Other Receivables	564,961	-	-	564,961
Cash & Cash Equivalents	198,271	-	-	198,271
	763,232	-	-	763,232

2015				
	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	818,673	-	-	818,673
Bank Loans	624,405	12,208,135	-	12,835,540
Derivative Financial Instruments	-	419,454	-	419,454
	1,443,078	12,627,589	-	13,070,667

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 2016 totalled **$576,106** (2015: $777,784).

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

93.2% of trade receivables are due from nine customers (2015, 89.9% from six customers). These receivables are considered to be fully recoverable, see note 16.

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

e) Price Risk

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

f) Cash Flow Interest Rate Risk

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

The Company's policy is to manage its interest cost using a mix of fixed and variable rate debt. To manage this mix in a cost efficient manner, the Company enters into interest rate swaps, in which the Company agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. At 30 June 2016, after taking into account the effect of interest rate swaps, approximately 88% of the Company's borrowings are at a fixed rate of interest (2015, 42%).

At 30 June 2016 the Company had $1.1 million of borrowings unhedged (2015, $7.0 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 $11,000 (2015, $70,000).

g) Capital Management Strategy

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

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

Consistent with others in the industry, the Company monitors capital on the basis of the equity ratio. This ratio is calculated as shareholders funds divided by total assets. The Board considers an equity ratio in excess of 50% is appropriate for the Company. At 30 June 2016 this ratio was **66.1%** (2015, 63.1%).

h) Categories of Financial Assets and Financial Liabilities

Financial Assets	**2016**	2015
Fair Value Through Profit or Loss (FVTPL)	-	-
Designated as at FVTPL – Shares	1,164,005	957,661
Loans and Receivables	444,382	579,513
Cash & Cash Equivalents	131,725	198,271
Total Financial Assets	**1,740,112**	1,735,445

Financial Liabilities		
Derivative Financial Instruments in Hedge Accounting Relationships	485,113	419,454
Amortised Cost	9,100,000	12,725,777
Total Financial Liabilities	**9,585,113**	13,145,231

i) Leases

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

	2016	2015
Under 1 year	2,137,771	2,019,328
1 to 5 years	3,997,594	4,374,276
Over 5 years	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:

	2016	2015
Under 1 year	12,253	12,846
1 to 5 years	9,898	21,679

j) Fair value of Financial Instruments

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

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

The following table details the Company's hierarchical classification of financial assets and liabilities measured at fair value at 30 June 2016. Other financial assets and liabilities are measured at amortised cost and not included in this table.

	Level 1	Level 2	Level 3	Total
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

(a) 2016	Land	Runway, Apron, Taxiway	Buildings	Plant & Equipment	Office Equipment	Motor Vehicles	WIP	Total
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	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-
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

(b) 2015	Land	Runway, Apron, Taxiway	Buildings	Plant & Equipment	Office Equipment	Motor Vehicles	WIP	Total
Cost or Valuation								
Balance at beginning of period	15,211,053	28,101,011	25,483,666	10,812,577	108,295	847,906	34,910	80,599,418
Purchases	-	29,735	-	31,062	9,323	-	-	70,120
Transfers	-		-	34,910	-	-	(34,910)	-
Disposals / Woffs	-	(14,802)	-	(62,013)	(14,636)	(44,723)	-	(136,174)
Balance at end of period	15,211,053	28,115,944	25,483,666	10,816,536	102,982	803,183	-	80,533,364
Accumulated Depreciation								
Balance at beginning of period	746,729	2,314,523	1,340,941	1,856,631	87,707	521,643	-	6,868,174
Depreciation	189,820	1,318,536	676,269	692,606	8,883	79,860	-	2,965,974
Transfers	-	-	149	-	-	-	-	149
Disposals / Woffs	-	(14,802)	-	(56,609)	(13,621)	(25,343)	-	(110,375)
	936,549	3,618,257	2,017,359	2,492,628	82,969	576,160	-	9,723,922
Balance at end of period	14,274,504	24,497,687	23,466,307	8,323,908	20,013	227,023	-	70,809,442

(c) Land, buildings and airside pavements were revalued at 30 June 2012 by independent registered valuers, Telfer Young (Canterbury) Limited and Opus International Consultants Limited. The total fair value of these assets at 1 July 2012, the effective date of the revaluation, was $72,092,000. Land was valued by reference to market sales, market comparison and investment valuation. Buildings were valued by using the Optimised Depreciated Replacement Cost (O.D.R.C.) methodology. The specialised assets being runway, taxiways, aprons and infrastructure assets were valued using the Optimised Depreciated Replacement Cost (O.D.R.C.) methodology.

(d) If land, land improvements, buildings, building fit-outs, runway, taxiway and apron pavements were stated on the historical cost basis, the carrying value of these classes would be $44,370,822 (2015 $46,869,828).

21. INVESTMENTS

	2016	2015
Non-current investments		
Shares at market value in farmer cooperative Companies involved with dairy farm companies	1,164,005	957,661

Of this sum $1,128,964 (2015, $925,022) is represented by shares in Fonterra Co-operative Group. These shares are required to be held by the Company based on production and can only be realised when production reduces or the Company ceases dairying operations.

22. CONTINGENT LIABILITIES

There were no other contingent liabilities outstanding at 30 June 2016 (2015 nil).

23. CAPITAL AND OTHER COMMITMENTS

Capital and other expenditure not provided for in the accounts at 30 June 2016 was $NIL (2015 $NIL).

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

	2016	2015
Net surplus for the year	1,957,712	1,705,823
Items not involving cashflows:		
Depreciation	2,851,303	2,965,976
Losses on disposal and depreciation recovered	-	4,712
(Increase) / Decrease in value of investments	(138,236)	191,137
Increase / (Decrease) in deferred tax	(510,453)	(504,244)
Loss on hedge instruments	34,259	148,000
Impact of changes in working capital items:		
(Increase) / Decrease in trade and other receivables	135,132	11,761
Increase / (Decrease) in trade and other payables	453,357	(50,823)
Increase / (Decrease) in provisions	46,382	(38,636)
(Increase) / Decrease in stock	(8,209)	(835)
Increase / (Decrease) in tax payable	(201,009)	192,283
Net cash inflows from operating activities	**4,620,238**	4,625,154

25. FINANCIAL REPORTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following accounting standards have been issued but have not been applied to this set of accounts:

- NZ IFRS 9 (2014) - *Financial Instruments* includes a framework for classification and measurement of financial instruments and a single, forward-looking impairment model. This Standard, which becomes effective for annual periods commencing on or after 1 January 2018, is not expected to have a significant impact on the financial statements.

- NZ IFRS 15 - *Revenue from Contracts with Customers* has an objective of a single revenue recognition model that applies to revenue from contracts with customers in all industries. This standard, which becomes effective for annual periods commencing on or after 1 January 2017, is not expected to have a significant impact on the financial statements.

26. RELATED PARTY TRANSACTIONS

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

The Company undertakes many transactions with State Owned Enterprises, Government Departments and Dunedin City Council Controlled enterprises. 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 Polytechnic Council (K Grant – chairperson)- tree maintenance
Southern Sinfonia (K Grant – board member)- sponsorship
Delta Utilities Limited (S McLauchlan – director) – ground maintenance
Otago Community Hospice (S McLauchlan – chairman) – sponsorship
Otago/Southland Employers Association (S McLauchlan – director, and Tony Allison - director)– membership
iD Fashion Incorporated (T Oakley – board member) – sponsorship
Dunedin Host Incorporated (M Crawford – board member) - membership

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

	Annual Purchases		Owing at 30 June	
	2016	2015	**2016**	2015
Otago Polytechnic Council	1,800	-	-	-
Southern Sinfonia	-	978	-	-
Delta Utilities Limited	48,734	46,832	5,818	4,911
Otago Community Hospice	200	-	-	-
Otago/Southland Employers Association	1,348	1,227	-	-
iD Fashion Incorporated	5,750	5,209	-	-
Dunedin Host Incorporated	100	-	-	-

(c) Compensation of key management personnel:

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

	2016	2015
Short-term benefits	732,383	798,285
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.

		Annual Purchases		Owing at 30 June	
		2016	2015	**2016**	2015
(d)	Dunedin City Council rates & services	341,050	282,279	28,923	619

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

shareholder information

INTERESTS REGISTER

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

KATHY GRANT (retired 31 October 2015)

Dunedin City Holdings Limited	Director
Dunedin City Treasury Limited	Director
Dunedin Venues Limited	Director
Otago Polytechnic Council	Chairperson
Sport Otago	Board Member
Southern District Health Board	Commissioner
Southern Sinfonia	Board Member

STUART MCLAUCHLAN

A D Instruments Pty Limited	Director
Analogue Digital Limited	Director
Aurora Energy Limited	Director
B Pac Clinical Solutions Limited	Director
Cargill Hotel 2002 Limited	Director
Compass Agribusiness Management Limited	Chairman
Delta Utility Services Limited	Director
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	Pro Chancellor
University of Otago Foundation Studies Limited	Director
University of Otago Holdings Limited	Director
USC Investments Limited	Director
UDC Finance Limited	Chairman

TONY ALLISON (appointed 1 November 2015)

AA Cleaners (Otago) Limited	Director
City Forests Limited	Director
Forbury Park Trotting Club	Board Member
Otago/Southland Employers Association	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
Theomin Gallery Committee	Committee Member
iD Fashion Incorporated Society	Board Member

MARK ROGERS

Aoraki Development and Promotions Limited	Director
Paul Smith Earthmoving 2002 Limited	CEO, Alternate Director
Paul Smith Aggregates Limited	Alternate Director
PSE Properties Limited	Alternate Director

RICHARD ROBERTS	
New Zealand Airports Association	Director
MEGAN CRAWFORD	
Dunedin Host Incorporated	Board Member
Port Chalmers Seafood Festival	Organising Committee

Directors' Interests in Contracts

Details of contracts involving directors' interests entered into during the year ended 30 June 2016 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 2015 are as follows:

Director	Qualification	Responsibilities	Remuneration
Stuart J McLauchlan	BCom, FCA(PP), AF Inst D	Chairman	30,000
Kathy Grant (term completed 31 October 2015)	BA, LLB, Dip Law, CF Inst	Non-Executive Director	6,666
Patricia A Oakley	BCom, M Inst D	Non-Executive Director	20,000
Mark Rogers	BA (Hons), M Inst D, MNZIM	Non-Executive Director	20,000
Tony Allison (appointed 1 November 2015)	BCom, BA, CA, CMInstD	Chairperson – Audit Committee	13,334

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	2016 No. Employees	2015 No. Employees
$100,000 - $110,000	1	1
$130,000-$140,000	1	-
$160,000-$170,000	-	2
$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.

For and on behalf of the directors:

S J McLauchlan
Chairman
17 August 2016

P A Oakley
Director

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of Dunedin International Airport Limited's financial statements and performance information for the year ended 30 June 2016

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

Opinion on the financial statements and the performance information

We have audited:

- the financial statements of the company on pages 16 to 34 of section 2, that comprise the balance sheet as at 30 June 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the company on pages 2 to 14 of section 2.

In our opinion:

- the financial statements of the company:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2016; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with the New Zealand equivalents to International Financial Reporting Standards.
- the performance information of the company presents fairly, in all material respects, the company's achievements measured against the performance targets adopted for the year ended on 30 June 2016.

Our audit was completed on 17 August 2016. This is the date at which our opinion is expressed.

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

Basis of opinion

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

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

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and in the performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and the performance information, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the company's financial statements and performance information in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

An audit also involves evaluating:

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

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

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

Responsibilities of the Board of Directors

The Board of Directors is responsible for the preparation and fair presentation of financial statements for the company that comply with generally accepted accounting practice in

New Zealand. The Board of Directors is also responsible for preparation of the performance information for the company.

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

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

Responsibilities of the Auditor

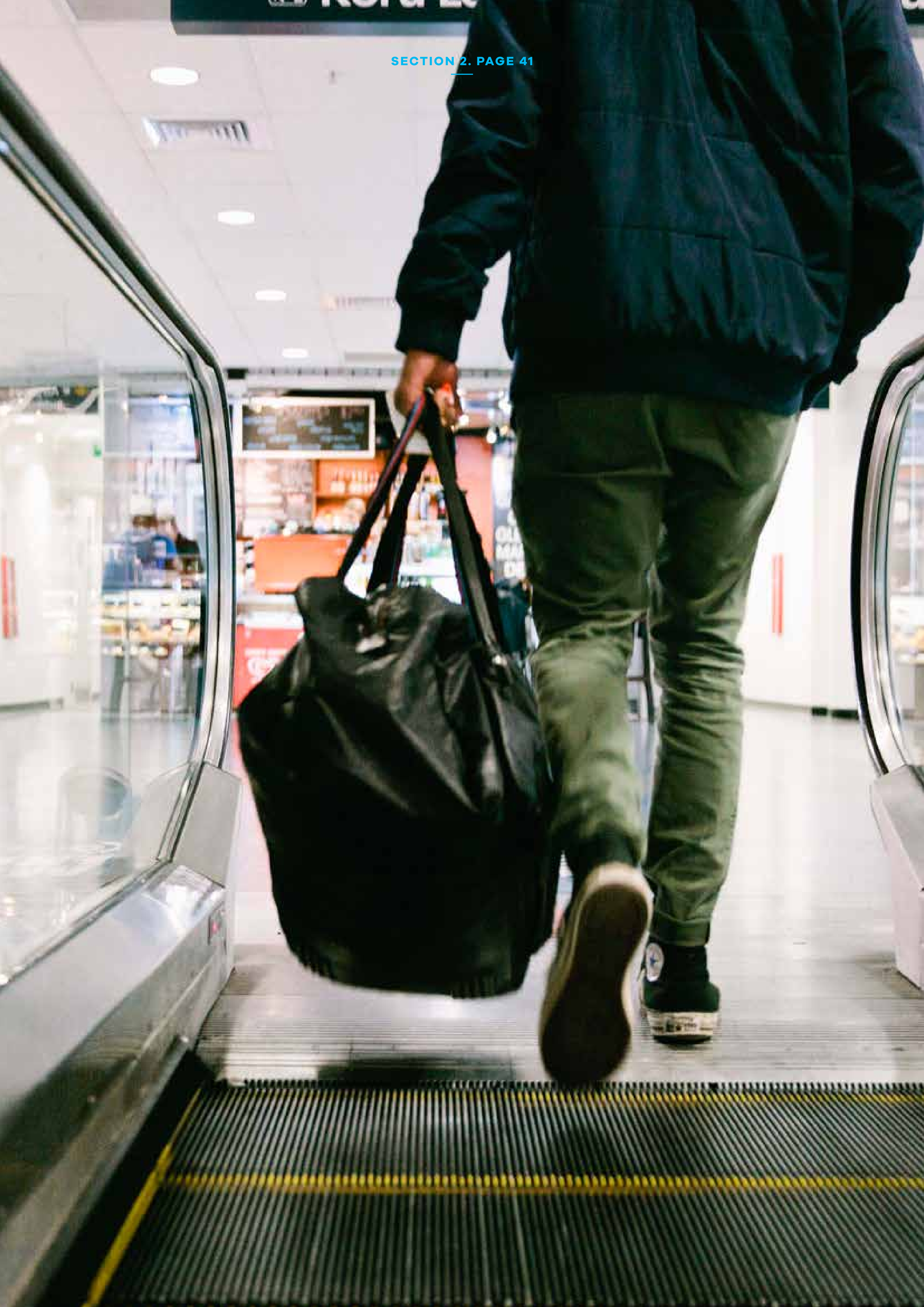
We are responsible for expressing an independent opinion on the financial statements and the performance information and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001.

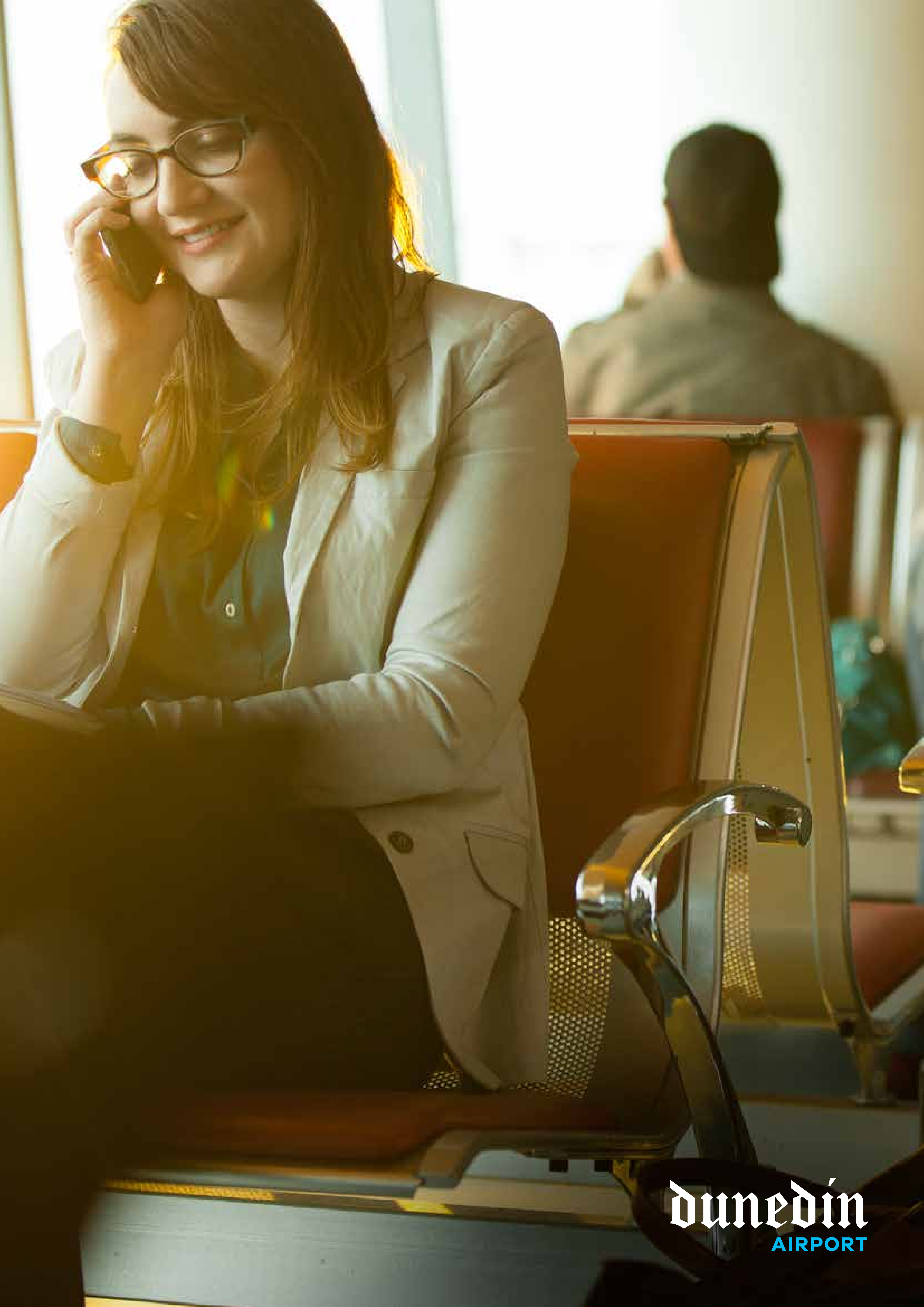
Independence

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

Other than the audit, and completing the audit of the 2014 disclosure financial statements prepared under the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999, we have no relationship with or interests in the company.

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




dunedin
AIRPORT