

INTERIM REPORT

for the six months ended
31 December 2016



dunedin
AIRPORT

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COMPANY PARTICULARS

DIRECTORS

S J McLauchlan, BCom, FCA(PP), AF Inst D (Chairman & Member – Audit Committee)
T D Allison, BCom, BA, CA, CMinSD (Chairperson – Audit Committee)
P A Oakley, BCom, M Inst D
M Rogers BA(Hons), M Inst D, MNZIM

CHIEF EXECUTIVE

R Roberts, BEng (Hons)

GENERAL MANAGER COMMERCIAL

C Cope, BCom, CA,

GENERAL MANAGER INFRASTRUCTURE & SERVICE DELIVERY

D De Bono, BAvMan

GENERAL MANAGER MARKETING & COMMUNICATIONS

M Crawford, BCom, BA

REGISTERED OFFICE

Terminal Building, Dunedin International Airport, Momona, Dunedin

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Telephone 03 486-2879

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Website www.dunedinairport.co.nz

BANKERS

Westpac, 101 George Street, Dunedin

SOLICITORS

Gallaway Cook Allan, 123 Vogel Street, Dunedin

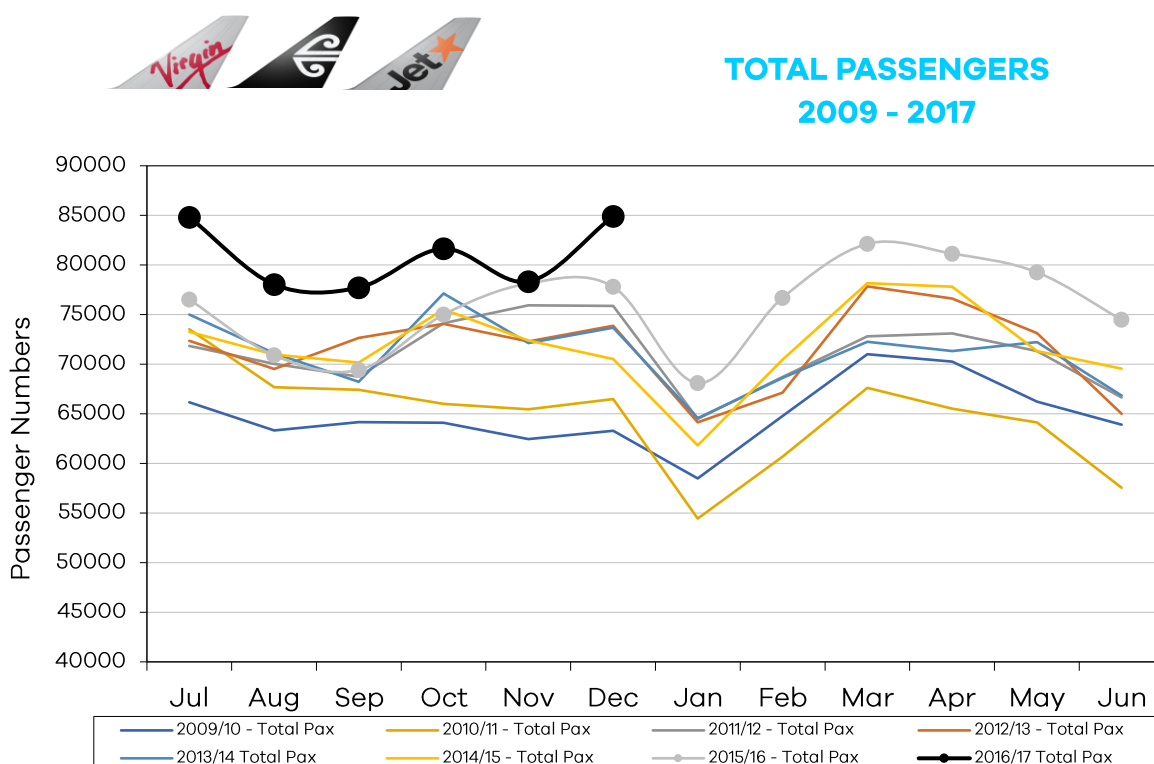
AUDITORS

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

DIRECTORS' REPORT

The Directors and Management are pleased to present the Interim Report for the six months ended 31 December 2016

By implementing a strategy of focusing on strengthening our existing partnerships and developing new ones, over recent months the twelve-month rolling total passenger number for the Airport continues to break previous records. The twelve months to the 31st December 2016 saw the busiest period on record with **947,315** passengers passing through the Airport. The Airports busiest month was also recorded in December 2016 with 84,914 passengers.



YTD Passenger Movements 2016 - 2017

Airline	DECEMBER									
	Market Share %		Av. Load Factor %		Capacity			Total Pax		
	Market Share %	Market Share % Previous Year	Average LF %	Average LF % Previous Year	Seat Capacity	Seat Capacity Previous Year	% Change	Total Pax	Total Pax Previous Year	% Change
	77.74%	78.30%	77.12%	77.12%	488,120	453,836	7.55%	376,336	349,594	7.65%
	5.16%	6.39%	70.70%	81.94%	35,200	34,850	1.00%	24,969	28,532	-12.49%
	16.95%	14.92%	85.13%	88.42%	96,300	75,094	28.24%	82,058	66,622	23.17%
	0.15%	0.39%	9.13%	49.34%	#DIV/0!	#DIV/0!	#DIV/0!	745	1,720	-56.69%
TOTAL (Airlines ONLY)	100.00%	100.00%	0.00%	0.00%	#DIV/0!	563,780	#DIV/0!	484,108	446,468	8.43%

INTERNATIONAL SERVICES

Air New Zealand / Virgin Australia Alliance



We continue to monitor performance with the VA team since the timing change to our March – October 2016 schedule. This change to 8:00am morning departure and midnight arrival has been extended to the November 2016 – March 2017 season. The following changes have been advised:

- The arrival time will be 11:40pm from the end of March 2017. The departure time is unchanged.
- 8 services have been removed over the 6-month period.

The average international load factors year to date are below the same period last year at 70.7% (81.94% prev. year). There has been a small increase in capacity of 1.0% (350 seats) and a fall in passenger movements of -12.5% during this period to 24,969. We continue to maintain dialogue with our airline partners with a view to stimulate demand across the Tasman.

DOMESTIC SERVICES

Air New Zealand, Jetstar



For the six-month period, we have seen an increase in overall domestic capacity of +10% (+55,491 seats) with a corresponding increase in passenger movements of +10.0% (+42,923 passengers).

Jetstar's load factor remained stable at 85.13% (88.42% prev. year) on the back of increased capacity over the period of +28.24% (+21,206 seats).

Air New Zealand maintained its load factor over the period at 77.12% (77.12% prev. year) on the back of increased capacity of +7.55% (+34,284 seats).

It's encouraging to see the extra capacity being filled by passengers. As previously reported Air New Zealand have introduced schedule changes in Dunedin as follows:

- Three extra direct Auckland jet services (July 2016).
- New direct Wellington jet services (October 2016 replacing all ATR services).
- All services between Dunedin and Christchurch (October 2016) have been ATR's (replacing all Q300's).

The Auckland schedule allows for significantly improved domestic and international connectivity, and creating a longer business day in both directions.

In addition to the work outlined above with our airline partners to grow capacity and influence schedules, the company also continues discussions with other stakeholders to drive passenger demand.

FUTURE FOCUS

Overview

The airport continues to engage and bring together partnerships that will benefit the region as a whole, through air connectivity. As we seek to grow volume, all parts of our business and economy benefit.

Our core priorities remain as follows:

- to sustain and grow our Trans-Tasman services.
- to sustain and grow our inbound and outbound connectivity to Auckland, NZ's largest gateway.
- to improve domestic schedules and volumes.
- to improve our non-aeronautical revenue opportunities.

The trans-Tasman alliance between Air New Zealand and Virgin Australia (authorised until 31 October 2018, with a review of conditions in 2015) outwardly appears unaffected by recent changes in shareholding between the two airlines. Virgin Australia has appointed a new manager to lead domestic and international services. The company is monitoring this closely.



S J McLauchlan
Chairman

T D Allison
Director

STATEMENT OF SERVICE PERFORMANCE

update to 31st December 2016

SAFETY & COMPLIANCE			
Goals	Objectives	Performance Measures	Update
To make safety our first priority and provide a safe and inclusive airport environment.	To work with our staff and stakeholders to maximise safety on site for all staff and visitors.	<ul style="list-style-type: none"> ○ Hold a minimum of 2 airport Health and Safety Committee meetings each year. ○ Review the Health and Safety Plan with the Health and Safety Committee each year. ○ Review health and safety objectives with the Health and Safety Committee each year. ○ Attend a minimum of 2 of our stakeholder's Health and Safety meetings each year. ○ Report on health and safety management and provide statistical data to the company's monthly board meetings. 	<ul style="list-style-type: none"> ○ 1 meeting held (Oct 2016). Next April 17. ○ Complete. ○ Complete. ○ Airport Safety Manager / Airport Operations Manager attended Air NZ H&S meeting 14 July. ○ 21 Sept 2016 - Airport Safety Manager met with Air NZ Airport Manager and Ground Contractor to discuss apron safety, specific focus on new electric Ground Power Units. ○ 27/10/2016 – Airport Safety Manager participated in Jetstar H&S Meeting ○ 31/10/2016 – Airport Safety Manager participated in Air NZ H&S Meeting ○ Provided in the H&S dashboard
	Maintain our CAA Part 139 operating certificate.	<ul style="list-style-type: none"> ○ Successfully achieve compliance in our annual CAA safety and security audits with no major findings. ○ Conduct an annual internal audit of our CAA safety and security systems. 	<ul style="list-style-type: none"> ○ No audit so far this period. ○ None so far this period. Scheduled for Feb 2017

Ensure the Company meets all of its safety, security and environmental obligations.	Proactively manage Wildlife Hazards	<ul style="list-style-type: none"> ○ Strike rate of less than 5 per 10,000 aircraft movements. ○ Near-miss strike rate of less than 10 per 10,000 aircraft movements. 	<ul style="list-style-type: none"> ○ 5.5 per 10,000 for Q1 2016 ○ 13.8 per 10,000 for Q1 2016
	Maintain our obligations on any current resource consents in place.	<ul style="list-style-type: none"> ○ Report as required to the Otago Regional Council each year on bore water consent RM 11.369.01. ○ Report as required to the Otago Regional Council on sewage discharge consent 2004.309. ○ Maintain voluntary annual reporting to the Otago Regional Council on de-icing fluid usage at the airport. 	<ul style="list-style-type: none"> ○ Completed – Report submitted 16 August with no compliance issues. ○ On track – last report submitted April 2016. ○ To be submitted at the end of the winter period. Last report March 2016.
	Maintain high quality dairy farming practices.	<ul style="list-style-type: none"> ○ No 'Critical' findings raised by any Fonterra dairy farm inspections. 	<ul style="list-style-type: none"> ○ No inspections so far this period.
	Maintain food hygiene standards at Momona Garage.	<ul style="list-style-type: none"> ○ Maintain grade 'A' food hygiene certificate. 	<ul style="list-style-type: none"> ○ Grade A currently in place.

FINANCIAL			
Goals	Objectives	Performance Measures	Update
Grow the company's revenues from its trading activities.	Achieve increased revenues from non-aeronautical activities compared to the previous year.	<ul style="list-style-type: none"> ○ Increase total non-aeronautical revenue by a minimum of 1.5%. 	<ul style="list-style-type: none"> ○ Non-aeronautical revenue up 8.3% YTD, including an increase in carpark revenue of 9.6%.
Maintain the company's economic sustainability through the mitigation of business risk.	On-going monitoring and refinement of the company's risk strategy.	<ul style="list-style-type: none"> ○ Monthly financial report to the Board. ○ Quarterly detailed cost centre reports to the Board. ○ Quarterly financial statements, cash flows and aircraft and passenger activity to the Board and Shareholders. ○ Six monthly risk analysis undertaken and reported to the Board. 	<ul style="list-style-type: none"> ○ Monthly financial report circulated. ○ Quarter TWO cost centre reports circulated to the Board. ○ Quarter TWO report circulated to the Board and shareholders. ○ Risk analysis reports circulated to board 6 monthly.

MARKETING & BUSINESS DEVELOPMENT			
Goals	Objectives	Performance Measures	Update
Increase passenger numbers through the airport.	Partner with our airline, airport, City and tourism industry.	<ul style="list-style-type: none"> ○ Foster productive relationships with our airlines, City and industry partners through a minimum of 5 meetings per year. ○ Invest in strategic route development opportunities. ○ Invest in a minimum of 2 promotional campaigns a year jointly with airlines and our industry partners. 	<ul style="list-style-type: none"> ○ Meetings with Air NZ ○ Meetings with TEQ ○ Meeting with ED ○ Meeting with VA ○ None so far this period. ○ Investment in trans-Tasman outbound sale campaign with Air NZ in Otago/Southland market. ○ Currently reviewing inbound trans-Tasman campaign with Air NZ Australia
Develop strategies and initiatives to grow trading activities.	Implement initiatives to improve the performance of non-aeronautical activities.	<ul style="list-style-type: none"> ○ Foster productive relationships with our major business partners to identify potential opportunities through facilitating a minimum of 5 meetings with each major partner per year. ○ Develop and maintain productive relationships with our non-aeronautical business partners and identify opportunities to implement initiatives to improve business performance. 	<ul style="list-style-type: none"> ○ Meetings with Spotless and Duty Free in November ○ Meetings with GM Commercial, GM Infrastructure, Operations Manager with sharemilkers. ○ New products in Try Otago store ○ Ongoing review of performance and product with Spotless. ○ New GM NZ scheduled for meeting in Dunedin at the end of January 2017.

CUSTOMER SERVICE			
Goals	Objectives	Performance Measures	Update
Provide outstanding customer service to our valued customers.	Provide high standards of service to our customers and recognise the role the airport plays in connecting our customers to the Dunedin experience.	<ul style="list-style-type: none"> Carry out and analyse a minimum of two customer satisfaction surveys per annum. Achieve an average rating of "good" across all areas of customer service. 	<ul style="list-style-type: none"> Continuous surveys now conducted on WiFi. Two quarterly reports produced YTD. Achieved.

INFRASTRUCTURE			
Goals	Objectives	Performance Measures	Update
Provide and efficiently maintain infrastructure to meet the needs of our customers.	Ensure all airside infrastructure maintenance causes no delays to airline operations.	<ul style="list-style-type: none"> No delays to regular scheduled passenger operations. 	<ul style="list-style-type: none"> No delays.
	Ensure the future of the airport is protected.	<ul style="list-style-type: none"> Promote the airports needs for inclusion in the Second Generation District Plan. 	<ul style="list-style-type: none"> Master plan review project underway – started in FY15/16. RR attended submission to the 2GDP with lawyers on 21 September 2016.

HUMAN RESOURCES			
Goals	Objectives	Performance Measures	Update
To retain and value our employees.	To provide relevant training to our staff.	<ul style="list-style-type: none"> Ensure recurrent safety training for all staff is provided. Invest a minimum of 0.1% of revenue to staff training. 	<ul style="list-style-type: none"> Operations Manager and Safety & Compliance Manager completed CIMS 4 course. <p>TOTAL \$13,200</p> <ul style="list-style-type: none"> \$19,499 spent on staff training to date representing 0.14% of prior year operating revenue.

	To recognise and review staff performance.	o Each staff member to have a formal annual performance review.	o None so far this period.
	Ensure that our staff are fully engaged with the company's Vision, Purpose and Values.	o Conduct an annual staff engagement survey.	o None so far this period. Scheduled for February 2017

CORPORATE SOCIAL RESPONSIBILITY			
Goals	Objectives	Performance Measures	Update
Be recognised as a positive contributor to our community.	Provide sponsorship to community events and organisations.	o Invest 0.25% of revenue to sponsorship.	TOTAL \$33,000 o OUSA Beer Festival \$4,000 o Foodshare \$1,450 o iD Fashion \$5,000 o Momona Playcentre \$500 TOTAL \$10,950
	Engage with our community and share information.	o Conduct a minimum of 10 school or community group visits per year. o Initiate opportunities to speak to the community, stakeholders and organisations.	o 5 visits completed so far. o RR presented at a Fulton Hogan Safety Seminar. o RR presented at an Air NZ BA5 with the Chamber of Commerce. o RR presented at Otago Polytechnic Anniversary celebration.
	Act as a socially and environmentally responsible corporate citizen.	o Develop and implement sustainable practices for our waste streams.	o Waste management contract now in place with OCS. Increase recycling efforts this FY.
	Use NZ manufactured and/or supplied goods where possible.	o In accordance with the Procurement Policy, NZ manufactured or supplied goods will be used wherever possible.	o No noted breaches.

SHAREHOLDERS			
Goals	Objectives	Performance Measures	Update
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.	<ul style="list-style-type: none"> ○ Prepare annually the company's Statement of Intent having given consideration to shareholders expectations. 	<ul style="list-style-type: none"> ○ SOI 2016-2017 submitted.
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.	<ul style="list-style-type: none"> ○ Report to and consult with shareholders on matters where the company's and shareholders requirements are in conflict. 	<ul style="list-style-type: none"> ○ No conflicts so far this period.
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.	<ul style="list-style-type: none"> ○ 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. 	<ul style="list-style-type: none"> ○ No matters so far this period.

STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS TO 31 DECEMBER 2016

	Unaudited 6 months to 31 December 2016	Unaudited 6 months to 31 December 2015	Audited 12 months to 30 June 2016
Operating Revenue	7,116,065	6,592,175	12,902,996
Interest Received	9,800	8,924	18,386
Dividend Received	21,854	35,545	98,963
Depreciation Recovered	11,483	-	-
Gain/(Loss) on Investment	111,273	242,526	138,236
Total Revenue	7,207,476	6,879,170	13,158,581
Audit Fees	28,826	40,645	53,524
Directors Fees	47,250	44,999	90,000
Finance Costs	227,616	322,273	624,405
(Gain)/Loss on Hedge Instruments	(70,254)	(12,454)	34,259
Wages and Salaries	939,513	891,204	1,943,079
Depreciation	11,397,907	1,507,464	2,851,303
Operating Expenses	2,253,384	1,970,340	4,880,897
Total Expenses	4,822,242	4,764,471	10,477,467
Operating Surplus before Income Tax	2,448,234	2,114,699	2,681,114
Income Tax	725,829	531,832	723,402
Operating Surplus After Income Tax	1,722,405	1,582,867	1,957,712
Other Comprehensive Income:			
Hedges Amortised to Expense	32,735	32,004	65,472
Hedge Gain/(Loss) Taken to Hedge Reserve	70,602	3,579	(109,010)
Income Tax on Items of Other Comprehensive Income	(19,769)	(1,002)	30,523
Total Comprehensive Income	1,805,973	1,617,448	1,944,697

STATEMENT OF CHANGES IN EQUITY

Equity at the Beginning of Year	46,456,389	45,919,692	45,919,692
Comprehensive Income for period	1,805,973	1,617,448	1,944,697
Distributions to owners:-			
Final Dividend	(1,408,000)	(1,408,000)	(1,408,000)
Closing Equity	46,854,362	46,129,140	46,456,389

The accompanying notes form an integral part of these interim financial statements

BALANCE SHEET

AS AT 31 DECEMBER 2016

	Note	Unaudited at 31 December 2016	Unaudited at 31 December 2015	Audited at 30 June 2016
Shareholders Equity				
Share Capital		8,800,000	8,800,000	8,800,000
Hedge Reserve		(109,494)	(145,467)	(193,063)
Revaluation Reserve		21,672,638	21,672,638	21,672,638
Retained Earnings		17,899,219	15,801,968	16,176,814
		46,854,362	46,129,139	46,456,389
Current Liabilities				
Payables and Accruals		1,206,853	775,330	1,449,529
Provision for Taxation		456,908	358,379	256,230
Short Term Loan		750,000		
		2,413,761	1,133,709	1,705,759
Non Current Liabilities				
Hedge Derivatives		311,521	371,417	485,113
Deferred Taxation		12,232,569	12,576,884	12,492,485
Term Loans		9,100,000	12,000,000	9,100,000
		21,644,089	24,948,301	22,077,598
Total Equity & Liabilities		70,912,212	72,211,149	70,239,745
Represented by:				
Current Assets				
Cash & Cash Equivalents		186,777	605,162	131,725
Receivables and Prepayments		921,346	899,458	444,382
Stock on Hand		44,494	32,330	49,161
		1,156,617	1,536,950	625,268
Non Current Assets				
Fixed Assets	2	68,360,354	69,405,904	68,274,339
Investments		1,275,279	1,268,295	1,164,005
Deferred Taxation		123,963	-	176,133
		69,759,595	70,674,199	69,614,477
Total Assets		70,912,212	72,211,149	70,239,745

The accompanying notes form an integral part of these interim financial statements

STATEMENT OF CASHFLOWS

FOR THE SIX MONTHS TO 31 DECEMBER 2016

		Unaudited 6 Months to 31 December 2016	Unaudited 6 Months to 31 December 2015	Audited 12 Months to 30 June 2016
	Note			
Cash Flows from Operating Activities				
Cash was provided from:				
Receipts from Customers		6,631,311	6,303,244	13,067,262
Interest Received		9,800	8,924	18,386
Dividends Received		21,854	35,545	98,963
Cash was applied to:				
Payments to Suppliers		2,859,364	2,237,816	4,632,067
Payments to Employees		952,527	849,905	1,872,510
Interest Paid		228,441	322,273	624,932
Net Taxation Paid		752,666	900,000	1,434,864
Net Cash Flows from Operating Activities	3	1,869,967	2,037,719	4,620,238
Cash Flows from Investing Activities				
Cash was provided from:				
Sale of Assets		20,000	-	-
Cash was applied to:				
Purchase of Shares		-	68,108	68,108
Purchase of Fixed Assets		1,176,915	154,720	310,676
Net Cash Flows from Investing Activities		(1,156,915)	(222,828)	(378,784)
Cash Flows from Financing Activities				
Dividend Paid		1,408,000	1,408,000	1,408,000
Loans Repaid		-	-	2,900,000
Net Cash Flows from Financing Activities		(1,408,000)	(1,408,000)	(4,308,000)
Net Increase/(Decrease) in Cash Held		(694,948)	406,891	(66,546)
Plus Opening Cash Brought Forward		131,725	198,271	198,271
Closing Cash & Cash Equivalents		(563,223)	605,162	131,725

The accompanying notes form an integral part of these interim financial statements.

ABRIDGED NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

1. Accounting Policies

A. Reporting Entity

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

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

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

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

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

B. Significant Accounting Policies

Basis of Accounting

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand, and comply with the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable Financial Reporting Standards.

The same accounting policies and methods of computation are followed in these interim financial statements as compared with the most recent annual report.

The accounting policies are listed in full in the annual report of the Company and on the Company website www.dunedinairport.co.nz.

2. Fixed Assets

	Cost	Accumulated Depreciation	Book Value 31/12/2016	Book Value 31/12/2015	Book Value 30/06/2016
At Valuation:					
Land & Improvements	15,211,053	1,079,565	14,131,488	14,226,722	14,178,940
Runway, Apron, Taxiway	28,189,662	5,573,086	22,616,575	23,753,663	23,254,759
Buildings	25,483,666	3,030,452	22,453,214	23,128,508	22,790,709
At Cost:					
Office Equipment	206,042	140,971	65,071	90,733	76,895
Vehicles	394,294	217,019	177,275	211,748	196,817
Plant & Equipment	10,993,657	3,531,666	7,994,530	7,994,530	7,776,219
Work in Progress	1,454,739	-	1,454,739	-	-
Total	81,933,113	13,572,759	68,360,354	69,405,904	68,274,339

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

	6 Months to 31 December 2016	6 Months to 31 December 2015	12 Months to 30 June 2016
Operating Surplus after Taxation	1,722,404	1,582,867	1,957,712
<i>Items not involving Cashflows</i>			
(Increase)/Decrease in Value of Investments	(111,273)	(242,526)	(138,236)
Depreciation	1,507,464	1,507,464	2,851,303
GGain)/Loss on Sale of Property, Plant & Equipment	(11,483)	-	-
Increase/(Decrease) in Deferred Taxation	(227,515)	(265,821)	(510,453)
(Gain)/Loss on Hedge Instruments	(70,254)	(12,454)	34,259
<i>Impact of changes in working capital items</i>			
(Increase)/Decrease in Receivables and Prepayments	(476,964)	(319,945)	135,132
Increase/(Decrease) in Payables and Accruals	(242,675)	(118,141)	499,739
Increase/(Decrease) in Taxation Payable	200,678	(102,347)	(201,009)
(Increase)/Decrease in Stock on Hand	4,666	8,622	(8,209)
Movements in Working Capital Items Classified as Investing	(315,524)	-	-
Net Cash Flows from Operating Activities	1,869,967	2,037,719	4,620,238

4. Subsequent Events

There have been no events subsequent to the interim period that have not been reflected in these interim financial statements.