



INTERIM REPORT

for the six months ended
31 December 2017

dunedin
AIRPORT

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Cover photo: Flight to the Lights time-lapse by Paul Le Comte

COMPANY PARTICULARS

DIRECTORS

Stuart J McLauchlan, BCom, FCA(PP), AF Inst D (Chairman)
Tony Allison, Bcom, BA, CA, M Inst D
Patricia (Trish) A Oakley, BCom, M Inst D
Mark F Rogers, BA(Hons), M Inst D, MNZIM

CHIEF EXECUTIVE

R Roberts, BEng (Hons)

GENERAL MANAGER COMMERCIAL

C Cope, BCom, Dip Grad, CA

GENERAL MANAGER INFRASTRUCTURE & SERVICE DELIVERY

S Casey

GENERAL MANAGER MARKETING & COMMUNICATIONS

M Crawford, BA BCom, M Inst D

REGISTERED OFFICE

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E-mail admin@dnairport.co.nz

Website www.dunedinairport.co.nz

BANKERS

Westpac, 101 George Street, Dunedin

SOLICITORS

Gallaway Cook Allan, 123 Vogel Street, Dunedin

AUDITORS

Julian Tan of Audit NZ on behalf of the Auditor-General

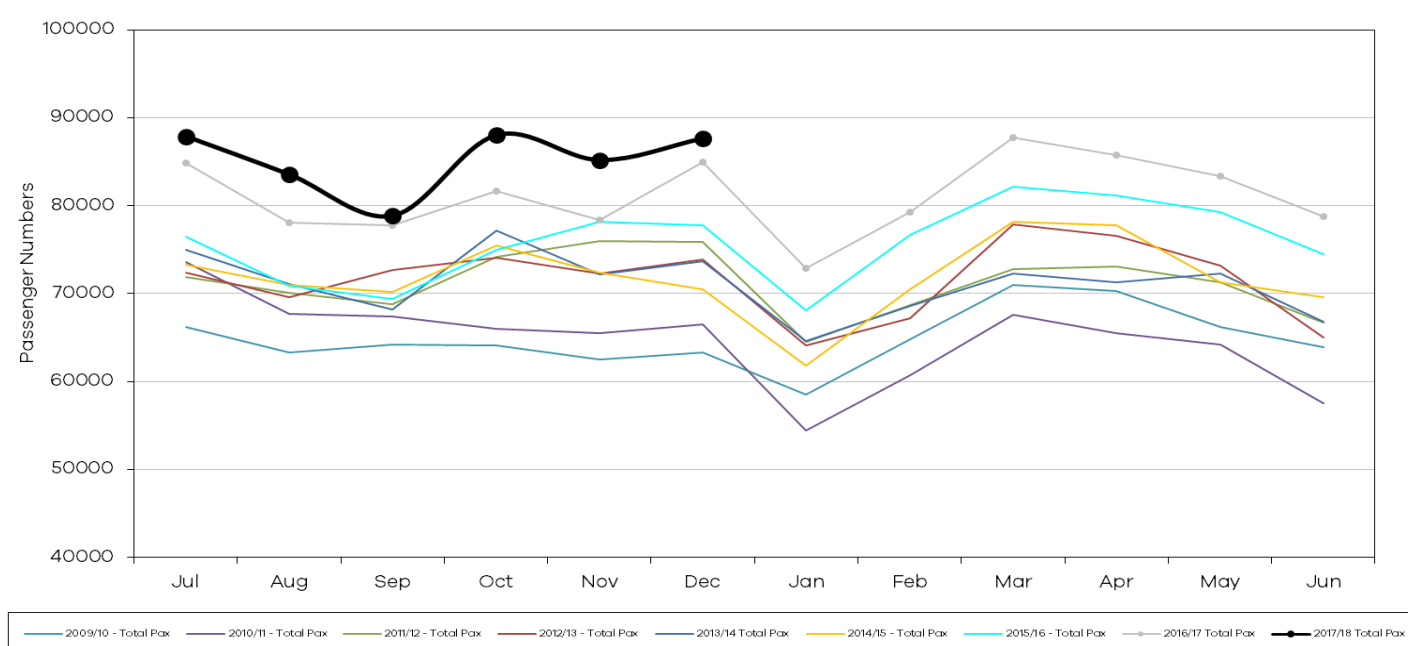
DIRECTORS' REPORT

The Directors and Management are pleased to present the Interim Report for the six months ended 31 December 2017.

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 2017 saw the busiest period on record with **998,719** passengers passing through the Airport.



TOTAL PASSENGERS 2009 - 2018



YTD Passenger Movements 2017 - 2018

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
	78.82%	77.74%	80.14%	77.12%	501,111	488,120	2.66%	401,495	376,336	6.69%
	4.71%	5.16%	74.47%	70.70%	32,208	35,200	-8.50%	24,004	24,969	-3.86%
	16.46%	16.95%	85.24%	85.13%	98,235	96,300	2.01%	83,866	82,058	2.20%
TOTAL (Airlines ONLY)	100.00%	100.00%	0.00%	0.00%	631,554	619,620	1.93%	509,365	484,108	5.22%

INTERNATIONAL SERVICES

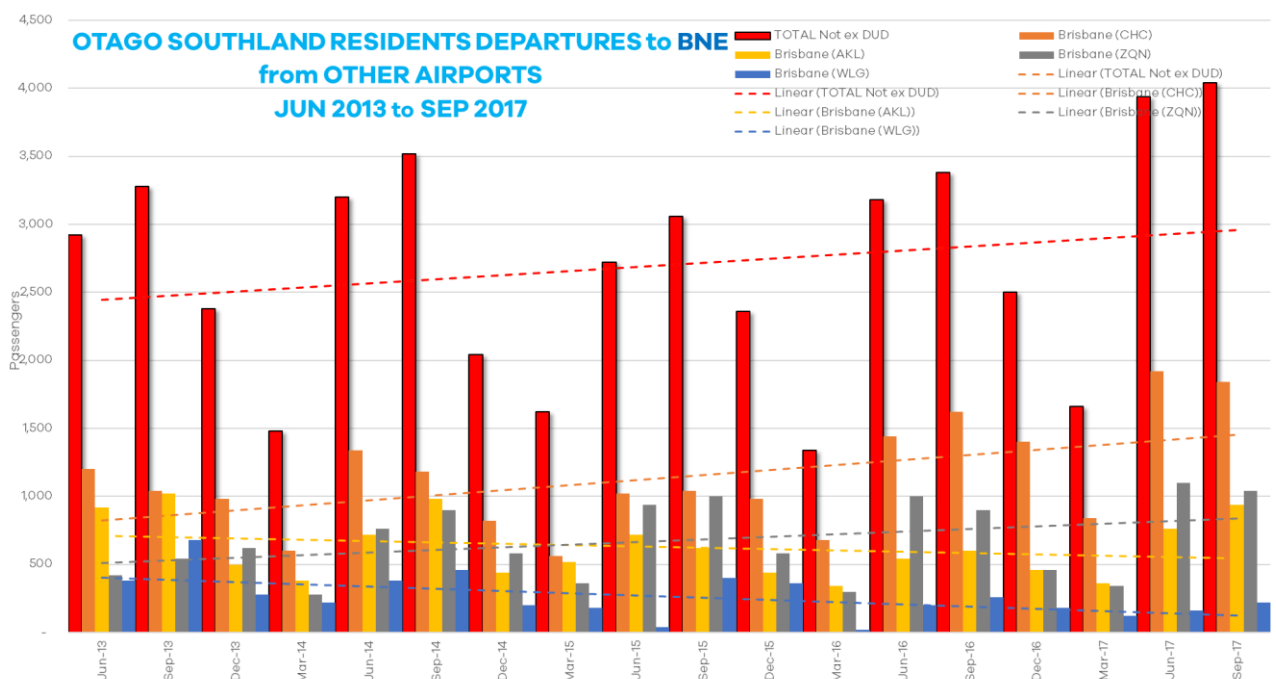
Air New Zealand / Virgin Australia Alliance



We continue to actively 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 once more to the October 2017 – March 2018 season.

The average international load factors year to date are above the same period last year however we have seen a decrease overall in international capacity. We continue to maintain dialogue with our airline partners with a view to stimulate demand across the Tasman. The trans-Tasman market is extremely competitive alongside very competitive pricing on destinations other than Australia or New Zealand for Tasman passengers.

As shown below, we continue to see growth in Otago Southland resident departures to Brisbane from other airports. Both Christchurch and Queenstown are getting the extra traffic. This may be as a result of greater frequency of service and airline competition.



DOMESTIC SERVICES

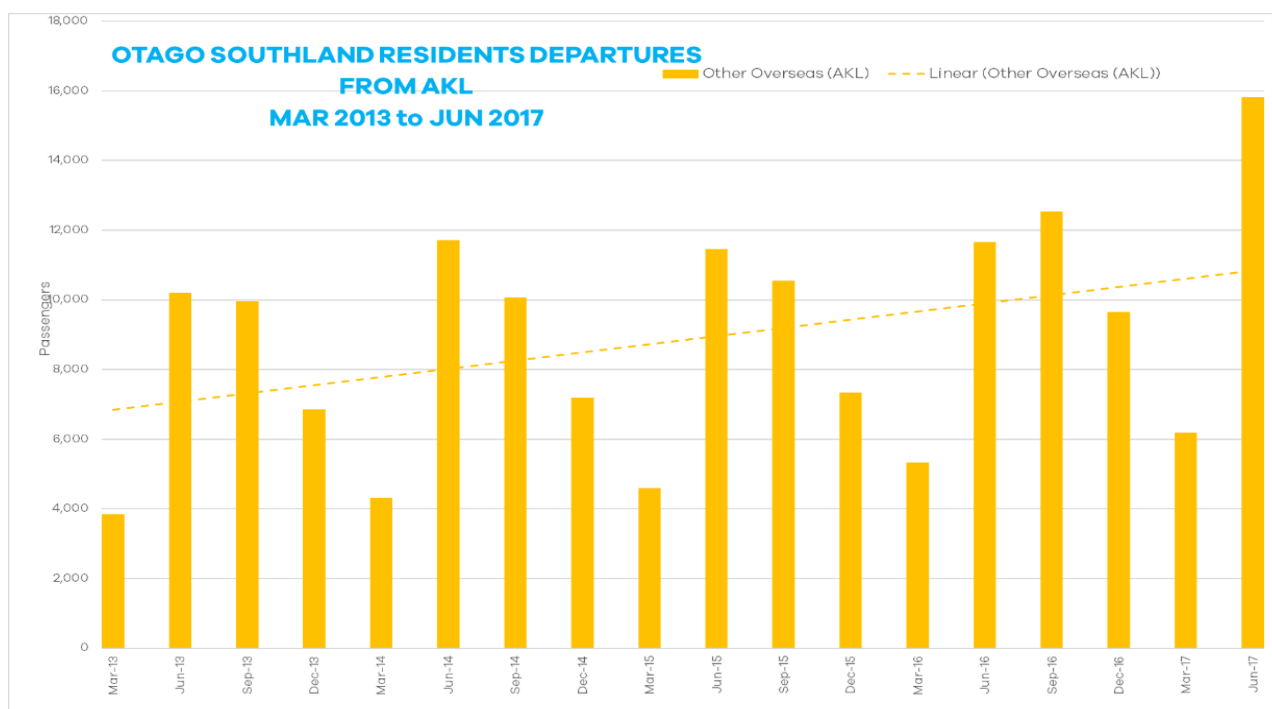
Air New Zealand, Jetstar



It continues to be encouraging to see passenger growth exceeding capacity growth in the domestic market. We will continue to support our airline partners in sustaining and hopefully growing our domestic capacity.

The following graph shows the significant increase in Otago Southland residents that

are leaving Auckland Airport for overseas destinations other than Australia. This is being facilitated by the increase in direct capacity between Dunedin and Auckland.



FUTURE FOCUS

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

In recent times Enterprise Dunedin have embarked on developing a Destination Plan for the city. Dunedin Airport remains committed to being involved in this plan. We welcome any collaboration between the city and its many stakeholders to be inclusive, collaborative with a joint approach to marketing the city and region.

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 is authorised until 31 October 2018. Outwardly it appears unaffected by the recent sell down in its shareholding by Air New Zealand. The disparity in the service offer across the Tasman between the two carriers and the different cultures and propensity to support routes with marketing activity raise a lot of concern for us as they are our only international carrier.

One of our main focuses this year is around awareness of our International Services and to revisit our Aviation Strategy which advises us on the habits, opportunities and threats within our catchment area.



S J McLauchlan
Chairman

T D Allison
Director

STATEMENT OF SERVICE PERFORMANCE

update to 31st December 2017

SAFETY & COMPLIANCE			
Goals	Objectives	Performance Measures	Update
TO MAKE SAFETY & SECURITY OUR FIRST PRIORITY	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. ○ DIAL staff Lost Time Incident Frequency Rate (LTIF) target of zero. 	<ul style="list-style-type: none"> ○ First meeting was held onsite on the 20th of December 2017. ○ H&S plan was reviewed to discuss how this aligns with the direction we are trying to head in. ○ The objectives were reviewed. ○ Airport Safety and Compliance Manager attended 5 introductory meetings with the five primary stakeholders of Dunedin Airport. ○ Provided in the H&S dashboard. ○ On track. LTIFR at zero.
	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"> ○ Next audit scheduled Q3 2018 financial year. ○ Due for completion in early 2018.
	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"> ○ 2.5 per 10,000 for Q2 2017 financial year. ○ 9.2 per 10,000 for Q2 2017 financial year.
	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 issued 31 July 2017.

TO BE ENVIRONMENTALLY RESPONSIBLE	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 August 2017 with no issues. On track. To be submitted at the end of the winter period.
	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 inspection to date in the six-month period.

FINANCIAL			
Strategic Goals	Actions	Performance Measures	Update
TO OPTIMISE COMMERCIAL RETURN TO OUR SHAREHOLDERS	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 2.0%. 	<ul style="list-style-type: none"> Non-aeronautical income up 5.5% to 31 December 2017 compared to last year.
	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 Report submitted. Remaining quarterly reports will be circulated to the Board. Quarter Two Report submitted. Remaining reports will be circulated to the Board and shareholders. December 2017 report not distributed.

BUSINESS DEVELOPMENT			
Goals	Objectives	Performance Measures	Update
INCREASE PASSENGER NUMBERS	Partner with our airline, airport, City and tourism industry.	<ul style="list-style-type: none"> Conduct stakeholder engagement surveys once a year with our major airlines, City and industry partners to review the strength of the relationships. 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, Virgin Australia. Nothing to report this period. Radio advertising in Otago and Southland for Air NZ Tasman flights DUD-BNE (November). Air NZ/TEQ Queensland campaign – investment promotion of DUD-BNE flights (February). Media Famils for Editorials in two Magazines (February).
TO DEVELOP & STRENGTHEN OUR PARTNERSHIPS	Implement initiatives to improve the performance of non-aeronautical activities.	<ul style="list-style-type: none"> Conduct stakeholder engagement surveys once a year with our major non-aeronautical business partners to review the strength of the relationships. 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"> Nothing to report this period. Retail Manager meeting with concession partners on a monthly basis. Quarterly meetings to be instigated with all concessions partners. Mystery shops will be conducted on all concessions 4 times a year. First Mystery Shops completed, and results have been shared with Concessions. Christmas Morning tea for Rental Car companies and Concessions. Pop-up stall in terminal for December and January.

OUR CUSTOMERS			
Goals	Objectives	Performance Measures	Update
TO PROVIDE THE BEST CUSTOMER SERVICE EXPERIENCE	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"> Produce quarterly reports from our continuous customer satisfaction surveys. Strive for continuous improvement across all areas of customer service. 	<ul style="list-style-type: none"> Continuous surveys now conducted on WiFi. Nothing to report this period.
	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. Create, maintain and protect the Airport Master Plan. 	<ul style="list-style-type: none"> Master plan being finalised. Commenced FY 2016/17.

OUR PEOPLE			
Goals	Objectives	Performance Measures	Update
TO BE A GREAT PLACE TO WORK	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 prior year operating revenue to staff training. 	<ul style="list-style-type: none"> Nothing registered this period. TOTAL \$13,950 \$32,345 spent in the six months to date.
	To recognise and review staff performance.	<ul style="list-style-type: none"> Each staff member to have a formal annual performance review. 	<ul style="list-style-type: none"> FY16/17 reviews completed
	Ensure that our staff are engaged with the company's Vision, Purpose and Values.	<ul style="list-style-type: none"> Conduct an annual staff engagement survey. Strive for continuous improvement across all areas of staff engagement. 	<ul style="list-style-type: none"> None to report this period

OUR COMMUNITY			
Goals	Objectives	Performance Measures	Update
TO CONNECT & ENGAGE WITH OUR PLACE	Provide sponsorship to community events and organisations.	<ul style="list-style-type: none"> Invest 0.25% of prior year operating revenue to sponsorship. 	<ul style="list-style-type: none"> TOTAL \$34,820 \$10,000 OUSA Beer and Food Festival 2017 \$4,000 Wild Dunedin Festival 2018 \$5,000 iD Fashion Event 2018
	Engage with our community and share information.	<ul style="list-style-type: none"> Conduct a minimum of 10 school or community group visits per year. Arrange for the Airport team to work within the community once a year. Initiate opportunities to speak to the community, stakeholders and organisations. 	<ul style="list-style-type: none"> 9 school visits so far this FY. None to report this period None to report this period
	Act as a socially and environmentally responsible corporate citizen.	<ul style="list-style-type: none"> Develop and implement sustainable practices for our waste streams. 	<ul style="list-style-type: none"> Waste management contract in place with OCS. Increased diversion to landfill rate in FY 2017/18.
	Use NZ manufactured and/or supplied goods where possible.	<ul style="list-style-type: none"> In accordance with the Procurement Policy, NZ manufactured or supplied goods will be used wherever possible. 	<ul style="list-style-type: none"> No noted breaches.

SHAREHOLDERS			
Goals	Objectives	Performance Measures	Update
TO CONNECT & ENGAGE WITH OUR PLACE	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 submitted to shareholders for 2017 – 2018.
	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"> ○ Nothing to report this period.
	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"> ○ Nothing to report this period.

STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS TO 31 DECEMBER 2017

	Unaudited 6 months to 31 December 2017	Unaudited 6 months to 31 December 2016	Audited 12 months to 30 June 2017
Operating Revenue	8,458,827	7,116,065	13,926,142
Interest Received	8,597	9,800	16,504
Dividend Received	47,591	21,854	69,072
Depreciation Recovered	-	11,483	11,483
Gain/(Loss) on Investment	91,053	111,273	106,864
Total Revenue	8,606,068	7,207,476	14,130,065
Audit Fees	27,877	28,826	57,285
Directors Fees	47,250	47,250	97,875
Finance Costs	241,222	227,616	464,232
(Gain)/Loss on Hedge Instruments	(13,093)	(70,254)	(63,287)
Wages and Salaries	1,035,975	939,513	1,894,411
Depreciation	1,468,084	1,397,907	2,872,429
Operating Expenses	2,805,039	2,253,384	5,646,549
Total Expenses	5,612,355	4,822,242	10,969,494
Operating Surplus before Income Tax	2,993,714	2,448,234	3,160,571
Income Tax	823,964	725,829	839,499
Operating Surplus After Income Tax	2,169,750	1,722,405	2,321,072
Other Comprehensive Income:			
Hedges Amortised to Expense	32,735	32,735	65,471
Hedge Gain/(Loss) Taken to Hedge Reserve	(10,613)	70,602	51,581
Revaluation of Property, Plant and Equipment	-	-	15,828,704
Income Tax on Items of Other Comprehensive Income	2,971	(19,769)	(3,755,853)
Total Comprehensive Income	2,194,843	1,805,973	14,510,975

STATEMENT OF CHANGES IN EQUITY

Equity at the Beginning of Year	59,559,364	46,456,389	46,456,389
Comprehensive Income for period	2,194,843	1,805,973	14,510,975
Distributions to owners:			
Final Dividend	(1,408,000)	(1,408,000)	(1,408,000)
Closing Equity	60,346,207	46,854,362	59,559,364

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

BALANCE SHEET

AS AT 31 DECEMBER 2017

	Note	Unaudited at 31 December 2017	Unaudited at 31 December 2016	Audited at 30 June 2017
Shareholders Equity				
Share Capital		8,800,000	8,800,000	8,800,000
Hedge Reserve		(101,410)	(109,494)	(126,506)
Revaluation Reserve		33,795,984	21,672,638	33,795,984
Retained Earnings		17,851,633	17,899,219	17,089,886
		60,346,207	46,854,362	59,559,364
Current Liabilities				
Payables and Accruals		1,593,243	1,206,853	1,714,658
Provision for Taxation		494,777	456,908	649,926
Short Term Loan		1,850,000	-	750,000
		3,938,020	1,663,761	3,114,584
Non-Current Liabilities				
Hedge Derivatives		269,557	311,521	304,773
Deferred Taxation		15,427,035	12,232,569	15,696,684
Term Loans		8,000,000	9,100,000	9,100,000
		23,696,591	21,644,089	25,101,457
Total Equity & Liabilities		87,980,818	70,162,212	87,775,405
Represented by:				
Current Assets				
Cash & Cash Equivalents		855,399	(563,223)	787,663
Receivables and Prepayments		1,281,232	921,346	505,898
Stock on Hand		47,938	44,494	53,646
		2,184,570	406,617	1,347,207
Non-Current Assets				
Fixed Assets	2	84,095,033	68,360,354	84,747,408
Investments		1,527,446	1,275,279	1,409,447
Deferred Taxation		173,769	123,963	271,343
		85,796,248	69,759,595	86,428,198
Total Assets		87,980,818	70,162,212	87,775,405

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

STATEMENT OF CASHFLOWS FOR THE SIX MONTHS TO 31 DECEMBER 2017

		Unaudited 6 Months to 31 December 2017	Unaudited 6 Months to 31 December 2016	Audited 12 Months to 30 June 2017
	Note			
Cash Flows from Operating Activities				
Cash was provided from:				
Receipts from Customers		7,686,678	6,631,311	13,849,974
Interest Received		8,597	9,800	16,504
Dividends Received		47,591	21,854	69,072
Cash was applied to:				
Payments to Suppliers		3,035,034	2,859,364	5,677,628
Payments to Employees		1,023,983	952,527	1,875,932
Interest Paid		241,222	228,441	465,057
Net Taxation Paid		1,148,219	752,666	1,092,667
Net Cash Flows from Operating Activities	3	2,294,408	1,869,967	4,824,266
Cash Flows from Investing Activities				
Cash was provided from:				
Sale of Assets		-	20,000	20,000
Cash was applied to:				
Purchase of Shares		26,946	-	138,578
Purchase of Fixed Assets		791,726	1,176,915	3,391,750
Net Cash Flows from Investing Activities		(818,672)	(1,156,915)	(3,510,328)
Cash Flows from Financing Activities				
Dividend Paid		1,408,000	1,408,000	1,408,000
(Drawdown)/Repaid loans		-	-	(750,000)
Net Cash Flows from Financing Activities		(1,408,000)	(1,408,000)	(658,000)
Net Increase/(Decrease) in Cash Held		67,736	(694,948)	655,938
Plus Opening Cash Brought Forward		787,663	131,725	131,725
Closing Cash & Cash Equivalents		855,399	(563,223)	787,663

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 2017

1. Accounting Policies

A. Reporting Entity

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

These interim 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 interim 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 31/12/2017	Book Value 31/12/2016	Book Value 30/06/2017
At Valuation:					
Land & Improvements	17,924,241	28,177	17,896,064	14,131,488	17,924,489
Runway, Apron, Taxiway	25,089,996	534,208	24,555,788	22,616,575	25,089,995
Buildings	30,658,886	480,482	30,178,404	22,453,214	30,493,205
At Cost:					
Office Equipment	256,294	173,829	82,466	65,071	47,890
Vehicles	436,638	239,094	197,544	177,275	207,905
Plant & Equipment	12,547,313	1,827,554	10,719,759	7,994,530	10,894,995
Work in Progress	465,008	-	465,008	1,454,739	88,929
Total	87,378,376	3,283,344	84,095,033	68,360,354	84,747,408

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

	6 Months to 31 December 2017	6 Months to 31 December 2016	12 Months to 30 June 2017
Operating Surplus after Taxation	2,169,750	1,722,404	2,321,072
<i>Items not involving Cashflows</i>			
(Increase)/Decrease in Value of Investments	(91,053)	(111,273)	(106,864)
Depreciation	1,468,084	1,397,907	2,872,429
(Gain)/Loss on Sale of Property, Plant & Equipment	-	(11,483)	(11,483)
Increase/(Decrease) in Deferred Taxation	(169,104)	(227,515)	(646,865)
(Gain)/Loss on Hedge Instruments	(13,093)	(70,254)	(63,287)
<i>Impact of changes in working capital items</i>			
(Increase)/Decrease in Receivables and Prepayments	(775,334)	(476,964)	(61,516)
Increase/(Decrease) in Payables and Accruals	(121,416)	(242,675)	265,130
Increase/(Decrease) in Taxation Payable	(155,149)	200,678	393,696
(Increase)/Decrease in Stock on Hand	5,707	4,666	(4,485)
Movements in Working Capital Items Classified as Investing	(23,984)	(315,524)	(133,561)
Net Cash Flows from Operating Activities	2,294,408	1,869,967	4,824,266

4. Subsequent Events

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