ANNUAL REPORT

2019

dunedin AIRPORT

Cover Image: Kristian Frires

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OUR

COMPANY PARTICULARS

DIRECTORS

Stuart J McLauchlan
BCom, FCA(PP), AFInstD (Chairman – retired 1 November 2018)

Tony Allison
BCom, BA, CA, CMInstD (Chairman – appointed 1 November 2018)

Patricia (Trish) A Oakley
BCom, CMInstD

Mark F Rogers
BA(Hons), CMInstD

Jonathan G S Cameron
MCom(Hons), BCom, MInstD, MAICD, INFINZ (Cert) (Appointed 1 November 2018)

COMMITTEES

Audit Committee
Chairperson - Mark Rogers, Tony Allison

Remuneration Committee
Chairperson- Trish Oakley, Mark Rogers

Health and Safety Committee
Chairperson – Mark Rogers, Trish Oakley, Tony Allison, Jonathan Cameron

CHIEF EXECUTIVE

R Roberts
BEng (Hons) , MInstD

GENERAL MANAGER COMMERCIAL

C Cope
BCom, Dip Grad, CA, MInstD

GENERAL MANAGER INFRASTRUCTURE & SERVICE DELIVERY

S Casey

GENERAL MANAGER BUSINESS DEVELOPMENT

M Crawford
BA, BCom , MInstD

REGISTERED OFFICE

Terminal Building
Dunedin International Airport
Private Bag 1922
DUNEDIN

Phone 03 486 2879
E-mail admin@dnairport.co.nz
Website www.dunedinairport.co.nz

BANKER

Westpac
101 George Street
DUNEDIN

SOLICITORS

Gallaway Cook Allan
123 Vogel Street
DUNEDIN

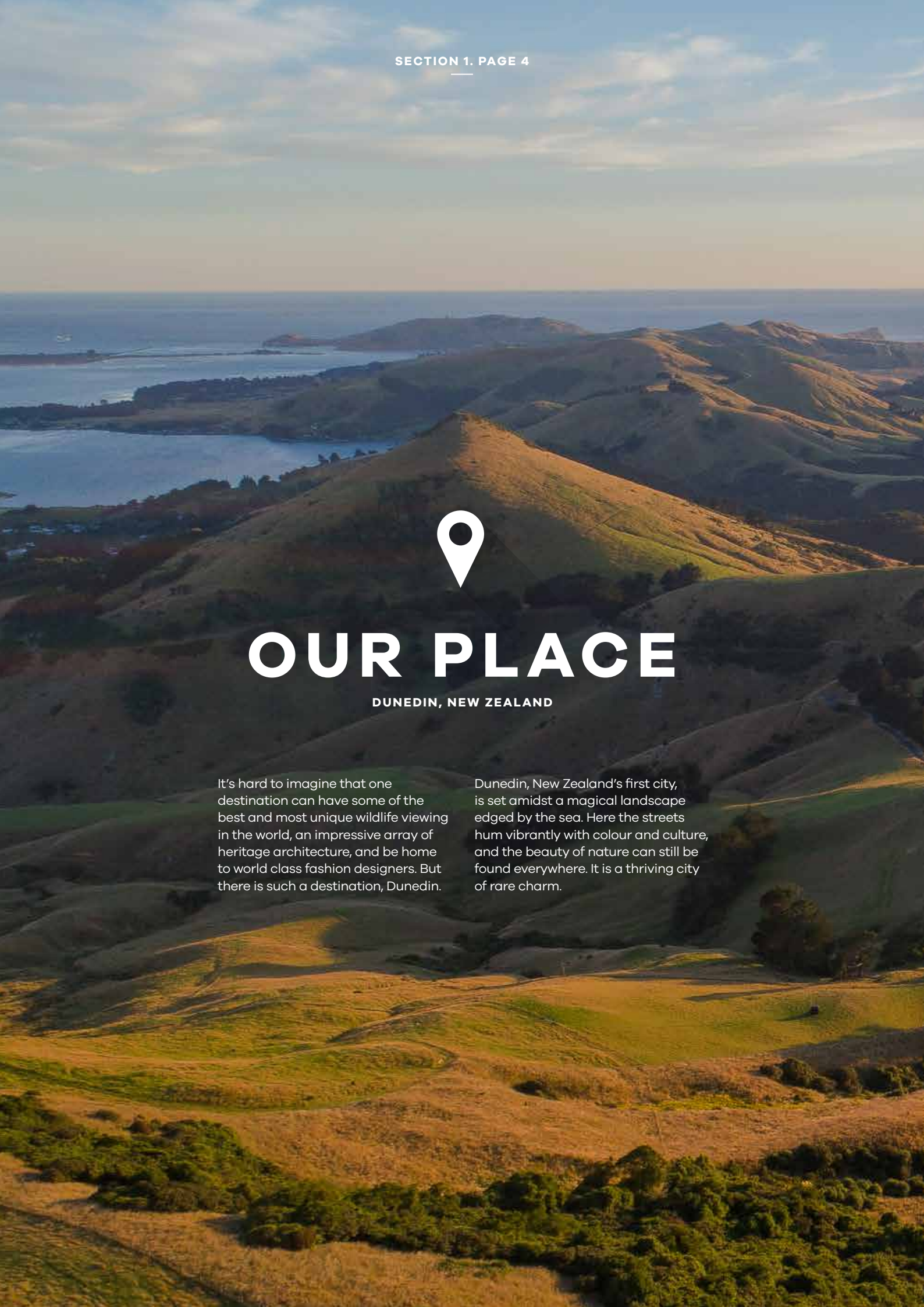
AUDITOR

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

AIRLINES

FOR THE YEAR ENDED 30 JUNE 2019

AIRLINE	AIRCRAFT TYPE
DOMESTIC	
Air New Zealand	Airbus 320-200
Mount Cook Airline	ATR 72
Air Nelson	Dash 8-300
Jetstar	Airbus 320-200
INTERNATIONAL	
Virgin Australia	Boeing 737-800
CHARTER, FLIGHT TRAINING AND COMMUTERS	
Mainland Air Services	Cessna 152
	Piper PA31-350 Chieftain
	Piper PA34-200 Seneca
	Socata TB10 Tobago

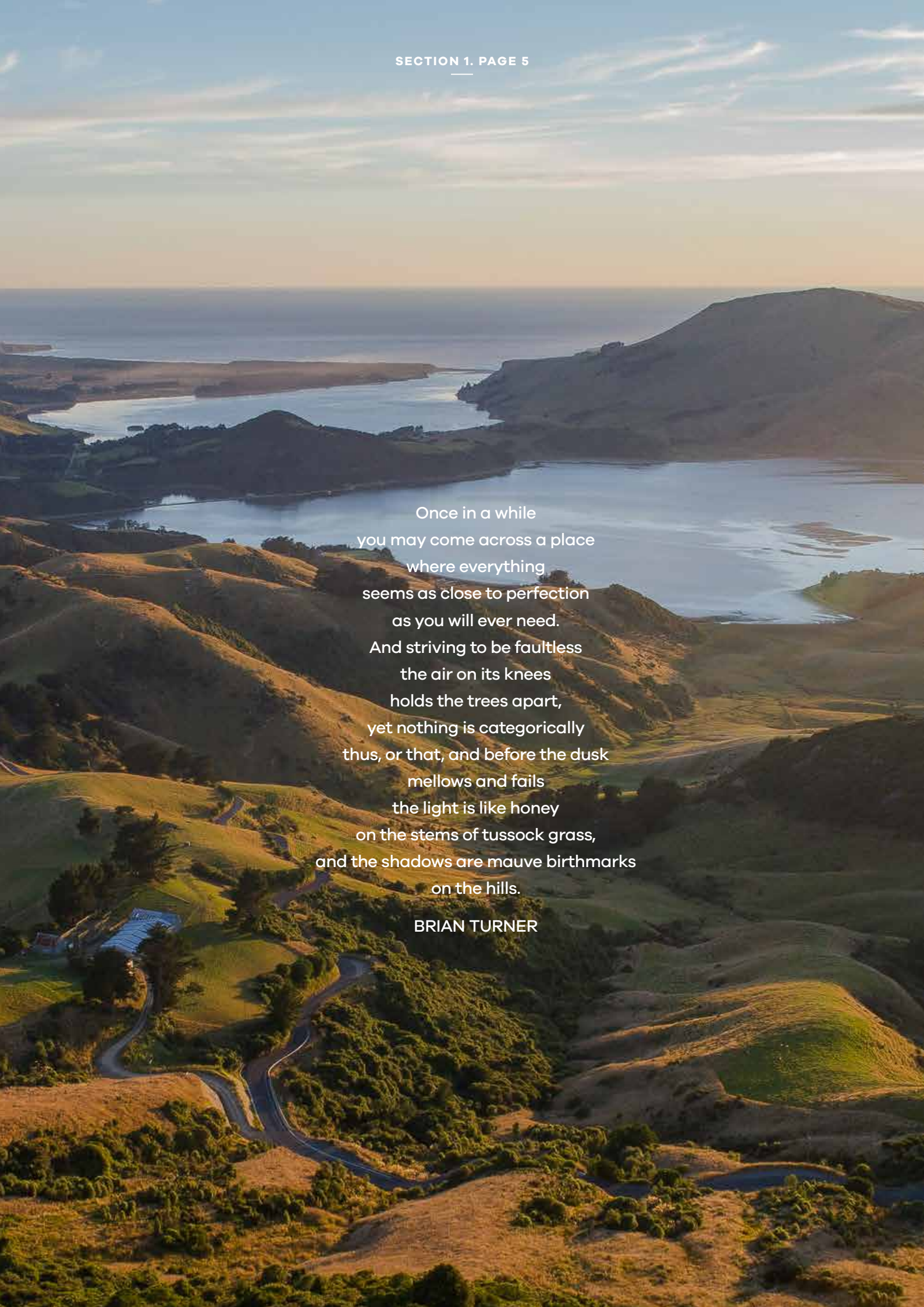


OUR PLACE

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.



Once in a while
you may come across a place
where everything
seems as close to perfection
as you will ever need.
And striving to be faultless
the air on its knees
holds the trees apart,
yet nothing is categorically
thus, or that, and before the dusk
mellows and fails
the light is like honey
on the stems of tussock grass,
and the shadows are mauve birthmarks
on the hills.

BRIAN TURNER

OUR

EXECUTIVE LEADERSHIP TEAM

GENERAL MANAGER COMMERCIAL

C Cope
BCom, Dip Grad, CA, MInstD

GENERAL MANAGER BUSINESS DEVELOPMENT

M Crawford
BA, BCom, MInstD

GENERAL MANAGER INFRASTRUCTURE & SERVICE DELIVERY

S Casey

CHIEF EXECUTIVE

R Roberts
BEng (Hons), MInstD

77.
88
OZONE
OZONE
OZONE

THE

YEAR AT A GLANCE

TOTAL PASSENGERS

1,077,475

4.5% UP

INTERNATIONAL

DOWN 4.4%

42,238

DOMESTIC

UP 4.9%

1,035,237

INTERNATIONAL CAPACITY

DOWN 2.4%

DOMESTIC CAPACITY

UP 4.7%

BUSIEST MONTH ON RECORD

MARCH 2019

99,457

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

17.6M

6.1% UP

OPERATING SURPLUS AFTER TAX

UP 9.5%

3.6M

AERO REVENUE

2.9% UP

7.5M

TOTAL DECLARED DIVIDEND FOR THE YEAR

$1,408,000

SHAREHOLDERS FUNDS

UP 3.2%

63.7M

NON AERO REVENUE

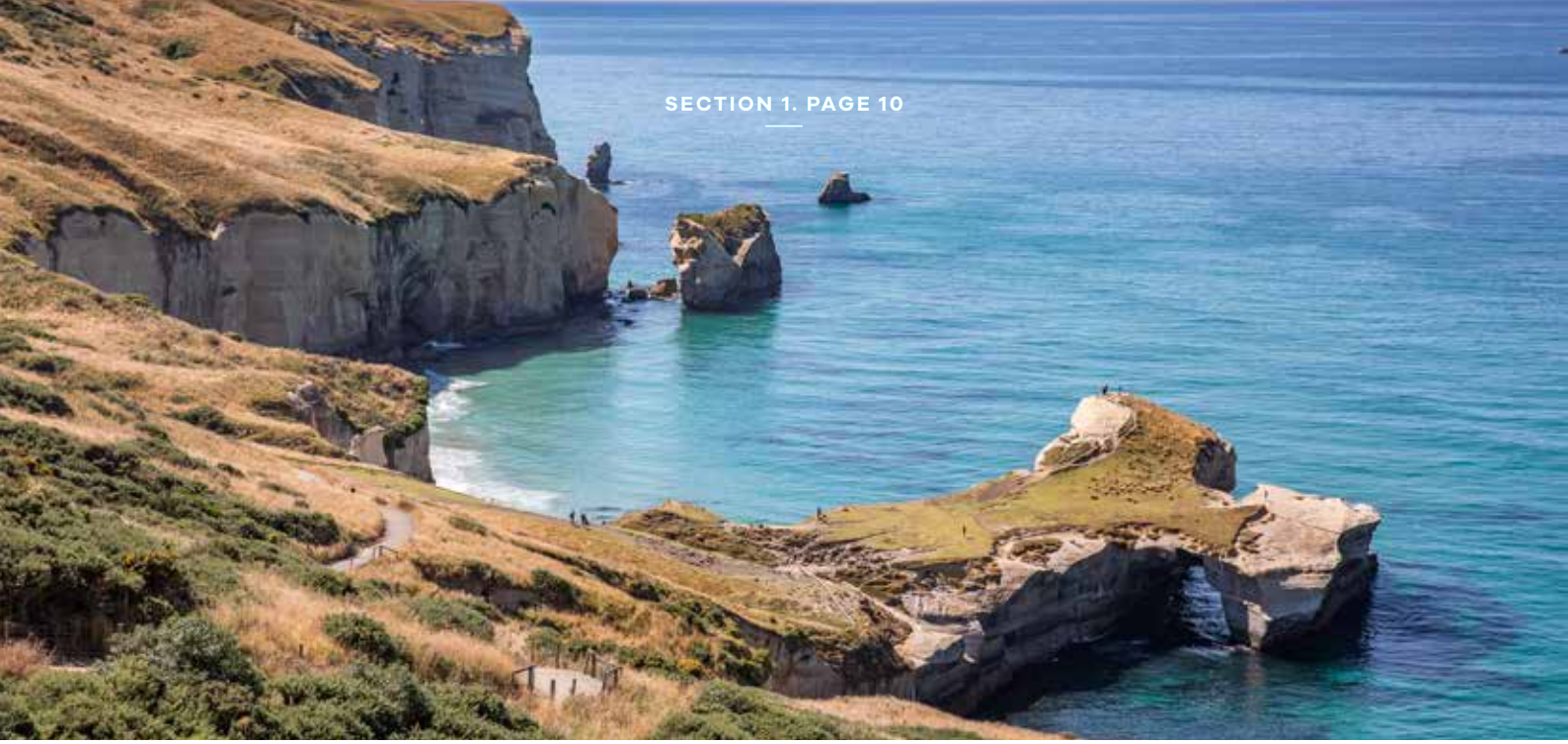
+Others

UP 8.6%

10.1M

CHAIRMAN AND CEO'S REPORT

The Directors and Management are pleased to present this year's Annual Report. Dunedin Airport has continued to improve its operations and experience ongoing growth in both the aero and non-aero parts of the business. It has been a busy year with operational improvements made across the business along with the commencement of the Terminal Expansion Project (TXP).



Our team continue to work tirelessly on several significant projects, managing ongoing growth, and improving the everyday experience for our customers. With our focused and aligned team we look forward to another exciting and challenging year as we close out TXP and deal with future challenges. Our value-based approach will continue to be at the forefront of our teams' approach, partner interactions and customer experience.

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

During the year we bid farewell to our Chairman Stuart McLauchlan, after twenty years of service to the company. During his tenure Stuart dealt with wide ranging matters from terminal upgrades, consultations on airport charges, runway overlays, airlines entering and exiting the market, floods, fire stations and garages to name but a few! Regardless of the transaction, what Stuart brought to every interaction was strong leadership and commercial acumen, a focus on outcomes and a desire to develop those around him to ensure the ongoing success of the company. We wish Stuart well in his future endeavours and warmly thank him for his significant contribution.

"We wish Stuart well in his future endeavours and warmly thank him for his significant contribution."

The two most important pieces of work we've been involved in this year have been the start of a Lower South Campaign and the Terminal Expansion Project (TXP).

As we are all aware, New Zealand has been stretched across the country as we approach nearly four million international visitors to this amazing place we call home. By 2025 the forecasts tell us we should expect arrivals to increase to over five million with a forecast spend reaching nearly $15BN. The nature of our small country, represented by over 30 Regional Tourist Organisations (RTOs), is fraught with duplication and boundary protection, which doesn't help us in the search for a more efficient way to look after our valued and welcome visitors. We believe that dispersal and regional development are the only way we will efficiently deal with the rising demand for our visitors search for paradise. We can maintain a sense of unique place and diversity which is New Zealand's outstanding point of difference, in contrast to the other destinations around the world which are currently struggling with their current levels of demand, which in turn is affecting their proposition.

This year we have worked with the eight RTOs from Tourism Waitaki in the upper part of the lower South Island through to Southland, Queenstown, Fiordland, Wanaka, Central Otago and Clutha. The aim of the campaign was to bring the regions together and raise awareness in the Queensland market to the diversity and accessibility of the Lower South. Working together allows regional development and use of existing infrastructure to provide our visitor what they want and some of what they don't even know exists.

Working together requires a paradigm shift in the way we traditionally see things. By keeping an eye on the big picture and the audacious regional goal, we should expect our own patch to grow as the Lower South grows together. We hope to continue this dialogue and participation in building a distinctive region, that shows no boundaries to our visitor and ultimately joins this region to other equally connected regions throughout the South Island and New Zealand.

The unprecedented growth in passengers through our airport, over the past four years and our master plan passenger forecast for the year 2036, predicting an annual passenger volume of 1.74 million passengers, led us to develop a business case for a terminal expansion. The plan was accepted after consultation with all our major stakeholders and in October 2018 we commenced construction on our TXP. The project is being delivered in two stages with the first opening August 2019 and the final stage early 2020.

As we continue forward, and as part of the progress and development of the airport team, we carried out a reorganisation of the company's structure. This created clearer and targeted reporting lines. We split the organisation into three fundamental pillars and split our team members under each pillar in a more meaningful way. A member of the executive team leads each pillar.

COMMERCIAL **OPERATIONS** **CUSTOMER**

CONNECTING OUR PLACE, TO MORE PEOPLE, IN THE BEST WAY EVERYDAY

OUR BRAND VALUES OF

BE YOU | BETTER TOGETHER | CAN DO | MAKE IT EASY | WE CARE | MAKE IT HAPPEN

OUR STRATEGIC GOALS

- TO MAKE SAFETY & SECURITY OUR FIRST PRIORITY
- TO BE ENVIRONMENTALLY RESPONSIBLE
- TO OPTIMISE THE COMMERCIAL RETURN TO OUR SHAREHOLDERS
- INCREASE PASSENGER NUMBERS
- TO DEVELOP & STRENGTHEN OUR PARTNERSHIPS
- PROVIDE THE BEST CUSTOMER EXPERIENCE
- TO BE A GREAT PLACE TO WORK
- TO CONNECT & ENGAGE WITH OUR PLACE

In terms of passenger numbers, 2018 - 2019 was another record year for the airport.

There remains strong demand for services through Dunedin Airport. Pleasingly, the 2018 – 2019 year saw a further increase in passenger numbers of 4.5% to 1,077,475. The increase follows a 5.9% increase in 2017-2018 year and 7.0% increase in the 2016-2017 year. Over the last 4 years our airport has seen passenger growth of 20%.

Compared to the prior year, domestic capacity (excluding charter and flight training flights) increased 4.8% to 1,266,167 seats with a corresponding increase in passengers of 5.0% to 1,031,875.

International capacity declined by 2.4% with a corresponding decline in international passenger numbers by 4.4% during this period to 42,238.

Last year we reported that our busiest month on record was March 2018, with 95,163 passengers. This record was surpassed twice this year, with March 2019 at 99,457, our new busiest month on record.

Dunedin Airport's total revenue, including interest income, dividends, and gains/losses on investments and on sale of property, plant and equipment, increased by 4.0% to $17,190,000. The after-tax operating surplus was $3,587,000, surpassing last year by $312,000, or 9.5%.

Aeronautical revenue (excluding departure fees) of $7,498,000, which constituted 43.6% of total revenue, was 2.9% ahead of the previous year. In March 2017 we commenced consultation with our airline customers on airport charges for regular passenger transport (RPT) operators at Dunedin Airport. It is a legislative requirement under The Airport Authorities Act 1966 that all airport companies consult over charges with all substantial customers, before any new or altered charges are implemented. The previous landing charges consultation occurred in 2011. The consultation process was successfully concluded in June 2017 with updated airport charges taking effect from 1 July 2017. These changes, in addition to increasing passenger numbers, had a positive impact on the 2018 – 2019 aeronautical revenue.

Non-aeronautical income (excluding interest income, dividends received, gain on the sale of property, plant and equipment, and fair value movements of investments) increased 8.6% above last year to $10,073,000. This revenue stream is derived from passenger activities, retail, property, car parking and the airport's dairy farming operations and constitutes 58.6% of our total revenue an increase from 56.1% in the prior year.

This increase has been driven primarily by terminal rental revenue which has increased $454,200 (18.5%) against the prior. This growth is a function of our move to a lease structure based on a 'percentage of tenant revenue' rental with our rental car partners, rather than their previous fixed rental approach.

Additionally, the increase in passenger movements through the airport has resulted in associated growth in other revenue streams, primarily carparking revenue, which is $310,700 (10.1%) up against the prior year.

The dividend declared at the 2018 Annual General Meeting and distributed to shareholders during the 2019 financial year remained in line with the previous year and forecasts at $1,408,000.

Dunedin Airport shareholders' funds increased by $1,947,000, or 3.2%, to $63,728,000. This increase is the result of the current year operating surplus, offset by dividend distributions.

The 2018-2019 year has seen significant investment in airport infrastructure with current year capital expenditure reaching $9,112,000. Of this, 7,283,000 was incurred on the Terminal Expansion Project and a further $856,000 on the expansion of the Gate 5 apron (refer narration below on each).

This expenditure was primarily funded by operating net cash inflows, which at $6,618,000 were $840,000 above the prior year. However, the significant investment programme has resulted in the drawdown of funds from our credit facility and the current year has seen airport debt increase by $1,900,000 to $10,250,000.

CONNECTING MORE PEOPLE

Our strategy remains focused on sustaining trans-Tasman services to and from the region along with increasing frequency into the other main centres of Auckland, Wellington and Christchurch. Following the breakdown of the alliance between Air NZ and Virgin Australia at the start of 2018, we concentrated on creating awareness of the Virgin Australia brand and our Tasman service, both inbound and outbound. Our focus was to treat this service like we would a new route, and a new airline relationship. As a result, we developed new strategies to promote both ends of the route, in respective markets.

Our trans-Tasman passenger numbers continue to remain under pressure as airlines face a competitive environment of cost-effective destinations and rising fuel prices. The frequency of our Brisbane service, being less than a daily service, will always affect volume and market presence. We communicate with Virgin Australia regularly to monitor our passenger numbers and to discuss potential growth opportunities on both the existing services and new Tasman services.

As noted above, in February 2019 we instigated the Lower South New Zealand strategy. This was an ambitious strategy to bring together the Regional Tourism Organisations (RTO), Virgin Australia and complementary airports of the lower south to promote a "whole of region" offer. The RTOs we engaged with were Waitaki, Central Otago, Southland, Fiordland, Queenstown, Wanaka, Clutha and Dunedin. We believed this was the most effective strategy to achieve sustainable growth from South East Queensland by working together to promote direct flights (DUD-BNE or ZQN-BNE) and touring experiences.

Market research was conducted as the first step in the strategy. A sample of 6,799 South East Queensland travellers were surveyed and from this we learnt three important aspects on which to focus our marketing campaigns:

- Driving/Touring was the most favoured activity when thinking about a trip,
- 58% of the South East Queensland market have visited New Zealand before, and
- The typical travel party is couples.

The market research was quickly followed by the launch of the Lower South website which gave us the ability to promote touring itineraries, accommodation and activities for both couples and families.

Three campaigns have been run in the Queensland market between April and June 2019 involving radio, print media and travel trade. These campaigns have promoted the Lower South regions via the direct Brisbane service. Over May and June results showed that there was an increase in point of sale tickets purchased from Australia, which we hope is a demonstration of the campaigns we have put into the Queensland market to date.

Along with our inbound strategy we have maintained focus on the promotion of Queensland as a destination in the Otago and Southland markets. In partnership with Mediaworks, radio network, we have developed campaigns through online and radio channels. These campaigns have been supported by consistent messaging on radio to advertise our Dunedin- Brisbane services. We have partnered with several different agencies as part of our campaign work including Brisbane Marketing, STA Travel, hotels and Virgin Australia. We will continue to promote this service and Queensland as an attractive destination into the next financial year.

Our strategy for growth also focused on our domestic services and the market that supports them. Over this financial year we have seen growth in the later part of 2018, followed by softening on the domestic market in 2019. This year we saw the following movements materialise in our Auckland and Wellington services:

NOVEMBER 2018
Four direct Auckland services, five days of the week

MAY 2019
Jetstar ceases three times weekly Wellington services

MAY 2019
Air NZ downgauges from a jet to an ATR on Wellington service four times a week

Focus on promotion of Wellington and Dunedin in respective markets is a key part of the domestic strategy for the 2019/20 financial year.

Our ongoing partnership with Air NZ culminated in the biggest campaign we have worked on together which went live in September 2018. This was following two months of work involving both creative and media agencies. Campaign channels used were:

- Digital display including NZ Herald, Stuff, Metservice, Newshub and Run of Site
- Video pre-roll: TVNZ, Spotify, Media Works,
- Native Content: The Urban List, MiNDFOOD, Outbrain
- Social: Facebook, Instagram

Dunedin was also featured as the homepage takeover on the Air NZ website. This was only the second time a destination has been featured on the homepage. The results of this campaign work generated positive results and high levels of engagement. A second wave of this campaign is planned for September 2019.

BETTER TOGETHER

2019 was another great year for Dunedin with the City playing host to more internationally acclaimed performers and concerts. In September, Pink performed to a crowd of 38,000 of which 68% were from outside of Dunedin. This created yet another opportunity for the City to ensure our visiting concert goers experienced not only a great entertainer, but a great destination. More concerts followed Pink with Shania Twain, the Eagles and Six60 performing during the year. We look forward to more reasons to promote and celebrate the destination that is Dunedin through events, concerts and sports games.

This year we have strengthened and initiated partnerships with several organisations and events within the region:

Dunedin Airport continues to sponsor one of our City's beloved and treasured birds, the Yellow-Eyed Penguin. This iconic yet endangered bird needs all the help it can get, and we are very proud to be involved with the Trust. Further, in the upcoming year our team will be assisting the Trust with the important work they do in the field. Another great example of our commitment to our partnerships.

iD DUNEDIN FASHION WEEK

In partnership with Air New Zealand, we continued our fifth year of support of iD Fashion event as a major sponsor. As part of our partnership with Air NZ, an image of the event featured on the Air New Zealand inflight cups in February.

For the third year running we were a sponsor of the OUSA Beer and Food Festival held in November 2018 at the Forsyth Barr Stadium. This event has continued to go from strength to strength and is quickly becoming recognised as New Zealand's best craft beer festival.

Life Matters SUICIDE PREVENTION TRUST

This year we became a sponsor of the Life Matters charity group. Life Matters is a group focused on the prevention of suicide and the support of those affected in our community.

We again sponsored the Wild Dunedin Festival. This is a great event that brings together over 50 wildlife organisations and attractions from in and around Dunedin.

A new event in 2019, Dine Dunedin was the celebration of Dunedin's culinary culture through local chefs, producers and restaurants. Over 16 days a series of special dinners, tastings and dining deals were held with great success. Dunedin Airport was proud to support this inaugural event.

We have continued to focus on strengthening relationships with our community and identifying opportunities to share information about the airport and how we work with our partners. We initiated the second year of a stakeholder relationship survey which we sent to 40 of our partners. The results were positive and indicated the trust and strength of our stakeholder relationships.

We have also worked closely with the Otago University Students Association (OUSA) to create a greater synergy between Air New Zealand and our student market. This year a specific student promotion was developed that was advertised via OUSA channels and the Grabaseat website. We will look to create more opportunities to collaborate with OUSA in this financial year.

Our CEO, Richard Roberts, has continued the Airports engagement with the City and region, by presenting information on different aspects of the airport to community groups and organisations. These opportunities allow us to inform people in a very personal and authentic way of both the day to day operations, and the strategies of our airport. They have been very well received by the community.

This year we conducted the 3rd Staff Engagement Survey over the last 4 years. The results were shared across the whole team and continue to demonstrate an improvement in staff engagement levels.

TXP
TERMINAL EXPANSION PROJECT

OUR AIRPORT

The TXP will add approximately 1,200m2 of floor area to the terminal building. The security screening area will be increased by 157% and the post screening boarding lounge area will be increased by nearly twice the size of the current space.

This project has brought significant challenges to our day to day operations. As always, we remain focused on our vision of doing what we do, in the best way, every day. As such a key element of the planning and execution of this project will be ensuring our passengers receive the best customer experience possible.

Our Airport Emergency Service (AES) team is now just one position short of the full complement of 18 staff after a two-year period recruiting and training an additional 11 firefighters. The recruitment has been undertaken in line with the Task Resource Analysis (TRA) required by the CAA. Due to the significant increase in AES personnel, we have implemented a new structure and in the past 12 months, Crew Chiefs and Deputy Crew Chiefs have been appointed to their respective positions within this new three team structure.

In April 2019 the Environmental Protection Authority (EPA) released a report on their "national investigation into firefighting foams containing PFOS". PFOS is a Persistent Organic Pollutant that has been banned from use by the Geneva Convention. We tested our fleet of Airport Firefighting vehicles for PFOS with two of them returning low level positive results.

We are in the process of working with our consultants to establish a process for de-contamination of the affected vehicles.

In line with our runway maintenance plan we continue to monitor and maintain our most important asset, our runway. Our continued approach to invest in the airside pavement infrastructure saw the replacement of the asphalt surface on the outer part of the apron behind gates three and four. We are now five years into our runway maintenance plan since the previous overlay in 2013. At the end of the six-year runway maintenance programme the expected useful life in the runway will be approximately ten years, extending the period to our next full overlay out until FY29/30.

The extension to Gate Five was completed this year. This allows us to operate three turboprop aircraft stands simultaneously. The extension to the apron will also provide for safer operations of ground servicing equipment in and around aircraft by providing a clear access way.

In the previous 24 months, the dairy industry has taken a significant setback with the discovery of Mycoplasma Bovis in a large number of herds around the country. Dunedin Airport and our sharemilkers have not been affected by the disease in our dairy herds as demonstrated by milk sample testing completed by Fonterra to date. The Ministry for Primary Industries have committed to an ambitious plan to eradicate Mycoplasma Bovis from the country. We will continue to work with MPI and our sharemilkers on this issue.

This year we have welcomed and worked with two new partners in our retail offering, Fuel to Fly and Relay.

We have worked closely with Fuel to Fly which culminated in them taking over our central food and beverage offer. We put together a new and different offer from what had been provided previously, and together successfully opened the new outlet overnight and commenced trading on the morning of the 1st July 2018. Fuel to Fly have been received well by our customers and collectively we are pleased with the outcome.

As part of the TXP we have also had a change in our news and books offer from Paper Plus to RELAY. RELAY had already opened a small airside store and following the completion of the TXP will open their new main outlet in early 2020. In the meantime, RELAY have set up a temporary outlet until the new one comes online.

WE CARE

The past 12 months have seen significant milestones, improvements, and certification achievements. These include, but are not limited to;

- CAA - Safety Management System (SMS) Certification

  This was accepted on the 29th of March 2019.

- CAA - Successful Safety and Security Audit

  CAA conducted annual safety and security audits with no major findings.

- MPI- Successful Point of First Arrival (POFA) and Transitional Facility Audit

  MPI conducted audits of our international processing facilities without any major findings.

- Farm Environmental Certification from Fonterra

  Both farms that we operate were independently audited by AssureQuality with commendation comments received in the reports.

- Introduction of a new Incident Reporting Portal

  Successful introduction and rollout of "Vault" as our main operating platform for incident reporting, SMS tool and checklist platform.

- Beginning a new Employee Assistance Programme

  Dunedin Airport engaged the services of EAP, a national provider of assistance programmes to facilitate individual support for staff. This was offered to all staff and their direct family members.

- Apron Extension

  The apron extension allows simultaneous operations of three turboprop aircraft. It also allows safer operation of ground handling equipment on the apron.

- TXP without Incident

  The Terminal Expansion Project (TXP) has engaged multiple contractors working within different disciplines of construction, they have completed the first stage of the project without any lost time injuries.

- Recycling

  Tenant based recycling was introduced in early 2018. The introduction of the additional recycling has seen an increase from 7% to 25% in the diversion of recyclable products from going to landfill. We will look to introduce public recycling in the next financial year.

This is a common theme of the past year, working together safely to meet our regulatory needs to make the airport community slightly better, every day.

MAKE IT HAPPEN

One of our greatest challenges is ensuring that any addition to our airport team continually aligns with our simple, yet strong company values. This is crucially important to our business in order that we maintain our high levels of authentic engagement and service delivery to all our partners and customers.

As a team, an airport and a community, we are better together. We care, and we value our relationships. We are proactive with a can-do attitude. We are ourselves – proud, southern people.

DUNEDIN INTERNATIONAL AIRPORT LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

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STATEMENT OF SERVICE PERFORMANCE

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

GOALS

TO MAKE SAFETY & SECURITY OUR FIRST PRIORITY

INCREASE PASSENGER NUMBERS

TO BE A GREAT PLACE TO WORK

TO BE ENVIRONMENTALLY RESPONSIBLE

TO DEVELOP & STRENGTHEN OUR PARTNERSHIPS

TO CONNECT & ENGAGE WITH OUR PLACE

TO OPTIMISE THE COMMERCIAL RETURN TO OUR SHAREHOLDERS

PROVIDE THE BEST CUSTOMER EXPERIENCE

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 & SECURITY OUR FIRST PRIORITY	**To work with our staff and stakeholders to maximise safety on site for all staff and visitors.**		
	Achieve Safety Management System (SMS) approval by CAA.	SMS Certification issued by CAA on 29 March 2019.	ACHIEVED
	CEO to seek to be a member of the Business Leaders Health & Safety Forum.	The airport CEO is a member of the Business Leaders Health & Safety Forum and attended 3 meetings this year.	
	Implement a minimum of 3 health and safety initiatives aimed at promoting incident reporting.	Three health and safety initiatives were carried out in the current year including: • The roll out of our 'VAULT' reporting platform in conjunction with SMS, • The introduction of key stakeholder's health and safety representatives to the wider airport community through personal interaction with tenants, and • The implementation of a targeted approach to celebrating early and close call reporting.	
	Review the Health and Safety Plan and objectives with the Health and Safety Committee each year.	The Health and Safety plan, hazards and objectives were reviewed by the Health and Safety Committee at each committee meeting.	
	Hold a minimum of 4 Board Health and Safety Committee meetings and 2 Board site audits each year.	The Board Health and Safety Committee held quarterly health and safety meetings during the year and completed site visits at the airport fire station, the Momona Garage and Terminal Expansion Project (TXP).	
	Hold a minimum of 4 airport Health and Safety Committee meetings each year.	Four H&S meetings were conducted in the year.	

SAFETY & COMPLIANCE

GOALS	OBJECTIVES	RESULT	
TO MAKE SAFETY & SECURITY OUR FIRST PRIORITY	**To work with our staff and stakeholders to maximise safety on site for all staff and visitors.**		
	Report on health and safety management and provide statistical data to the company's monthly board meetings. and quarterly Board Health & Safety Committee meetings.	Health and Safety management is reported via: • Monthly Board Reports with both statistical data and commentary via Health and Safety dashboard. • Safety alerts and memos issued to relevant stakeholders. • Quarterly Board H&S committee meetings allowing an oversight at governance level.	ACHIEVED
	Attend our stakeholder's Health and Safety meetings each year.	The airport Safety and Compliance Manager attended Health and Safety meetings of all major stakeholders, including, but not limited to: • Airways NZ • Air NZ • Aviation Security	
	Maintain our CAA Part 139 operating certificate.		
	Successfully achieve compliance in our annual CAA safety and security audits with no major findings.	CAA Safety Surveillance audit was completed on 18 December 2018 with no findings. CAA Security audit was completed on the 22 May with no major findings.	ACHIEVED

SAFETY & COMPLIANCE

GOALS	OBJECTIVES	RESULT	
TO MAKE SAFETY & SECURITY OUR FIRST PRIORITY	**Proactively manage Wildlife Hazards**		
	Complete a Wildlife Hazard management review.	Review of the Wildlife Hazard Management Plan has been completed during the year, resulting in no significant changes to the plan.	ACHIEVED
	Strike Rate in line with Wildlife Hazard Management review recommendations.	The 12-month moving average strike rate for the year ending June 2019 was 2.5 strikes per 10,000 aircraft movements. This is below the limit of 5 outlined in the Wildlife Hazard Management Plan.	
	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 and a Grade A certificate issued through to 31 July 2019.	ACHIEVED
TO BE ENVIRONMENTALLY RESPONSIBLE	**Maintain our obligations on any current resource consents in place.**		
	Report as required to the Otago Regional Council each year on bore water consent RM 11.369.01.	The annual report for consent RM 11.369.01 for bore water was submitted to the Otago Regional Council (ORC) in August 2018. The report was accepted with no issues raised.	ACHIEVED
	Report as required to the Otago Regional Council 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 May 2019 covering the 2019 consent year. The report was accepted.	
	Maintain voluntary annual reporting to the Otago Regional Council on de-icing fluid usage at the airport.	The 2018 usage report was submitted and accepted by the ORC in February 2019.	
	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 April 2019 with no critical findings.	ACHIEVED

FINANCIAL

GOALS	OBJECTIVES	RESULT	
TO OPTIMISE COMMERCIAL RETURN TO OUR SHAREHOLDERS	**Achieve increased non-aeronautical revenues from activities compared to the previous year.**		
	Increase total passenger related non-aeronautical revenue by a minimum of 2.0%.	Passenger related non-aeronautical revenue (which encompasses the carpark and Momona garage income streams) was 6.0% above last year. The primary reason for this increase was an 10.1% increase in revenue from the airport carpark. There was no increase in parking fees during the year. Offsetting this increase was a 0.8% decrease in revenue derived from the airport owned Momona garage. Despite the average fuel price increasing from $1.72 in the prior year to $1.86 for the 2019-2019 financial year, a 1.9% decrease in the volume of litres sold resulted in the decrease in revenue.	ACHIEVED
	Comply with financial covenants and policy.		
	Fulfil lender borrowing facility financial covenants: • Equity Ratio (total equity over total assets) > 40%. • Earnings Ratio (EBITDA over interest) > 1.7	As at 30 June 2019 the airports Equity Ratio was 67.3% For the year ended 30 June 2019 the airports Earnings Ratio was 18.5.	ACHIEVED
	Comply with the company's Dividend Policy	The airports dividend policy is to distribute 60% of the operating surplus after income taxation (adjusted for fair value movements in equity investments) to shareholders as a dividend. In the current year the dividend declared and distributed, which related to the 2017 – 2018 financial year, was 41% of the 2017 – 2018 adjusted operating surplus after taxation. The decision not to distribute based on policy was made due to the significant capital investment program for the 2018-2019 financial year and the associated cashflow requirements.	NOT ACHIEVED

FINANCIAL

GOALS	OBJECTIVES	RESULT	
TO OPTIMISE COMMERCIAL RETURN TO OUR SHAREHOLDERS	**Comply with financial covenants and policy.**		
	Comply with the company's Treasury Policy	During certain months of the year the airport operated outside the parameters outlined in the Treasury Policy with regard to the percentage of Monthly Forecast Net Debt together with associated derivatives (e.g. interest rate swaps) that have fixed interest rates. These breaches were caused by airport debt not reaching forecast levels. There were no other breaches of the Treasury Policy.	NOT ACHIEVED
	Generate a Return on Shareholders' Funds excluding reserves > 7.5%.	The Return on Shareholders' Funds (excluding the Hedge and Revaluation Reserves) for the year ended 30 June 2019 is 12.0%.	ACHIEVED
	Generate a Return on Shareholders' Capital invested > 25%.	The Return on Shareholders' Capital for the year ended 30 June 2019 is 40.8%.	
	On-going monitoring and refinement of the company's risk strategy.		
	Six monthly risk analysis undertaken and reported to the board.	All corporate and operational business risks are reviewed on a six-monthly basis by the members of the airport's executive management team and the Safety and Compliance Manager. The Risk Analysis Report for the six months ended December 2018, and June 2019 were distributed to the Board and analysed at subsequent Board meetings.	ACHIEVED

BUSINESS DEVELOPMENT

GOALS	OBJECTIVES	RESULT	
INCREASE PASSENGER NUMBERS	**Partner with our airline, airport, City and tourism industry.**		
	Invest in strategic route development opportunities.	In February 2019 we undertook the development and implementation of strategy to promote the Lower South of NZ into the Queensland market. This involved working with eight RTOs, trade partners and Virgin Australia.	ACHIEVED
	Invest in a minimum of 2 domestic and 2 international promotional campaigns a year jointly with airlines and / or our industry partners.	International Campaigns • Outbound – three campaigns with ongoing radio and social media advertising through MediaWorks. • We completed one campaign with MediaWorks to promote DUD-BNE service, with one campaign still running in market. • Inbound – Lower South Strategy of which two campaigns have been delivered so far. Domestic Campaigns • We completed three campaigns with Air NZ including a significant above the line campaign in September 2018 which included digital and print media activity. • We also completed a campaign promoting our Dunedin – Wellington service which involved both Enterprise Dunedin and WREDA.	
	Conduct consumer research to monitor awareness of our destination in Queensland.	As part of the Lower South strategy, we conducted customer research in the Queensland market to inform and develop our campaigns.	

BUSINESS DEVELOPMENT & OUR CUSTOMERS

GOALS	OBJECTIVES	RESULT	
TO DEVELOP & STRENGTHEN OUR PARTNERSHIPS	**Implement initiatives to improve the performance of our commercial relationships.**		
	Conduct stakeholder engagement surveys once a year with our strategic partners to review the strength of the relationships.	We completed a stakeholder engagement survey in June 2019. The feedback we received from this survey indicated positive and productive relationships.	ACHIEVED
	Develop a Relationship Plan to manage our key stakeholder relationships.	Over the year, the Relationship Plan has been monitored and updated as required by Executive and Senior Leadership teams.	
TO PROVIDE THE BEST CUSTOMER SERVICE EXPERIENCE	**Provide a high standard of service to our customers.**		
	Produce quarterly reports from our continuous customer satisfaction surveys. Achieve "good" or better across all surveyed areas of customer service	Customer services surveys have been run continuously through the terminal Wi-Fi and results were tracked quarterly and reported back to our Airport team and our business/ airline partners. An average rating of "good" or better across all areas of customer service was achieved.	ACHIEVED
	Ensure all airside infrastructure maintenance causes no delays to airline operations.		
	No delays to regular scheduled passenger operations.	There were no delays to regular passenger services due to maintenance of airport infrastructure.	ACHIEVED

OUR CUSTOMERS & OUR PEOPLE

GOALS	OBJECTIVES	RESULT	
TO PROVIDE THE BEST CUSTOMER SERVICE EXPERIENCE	**Ensure the future of the airport is protected.**		
	Promote the airports needs for inclusion in the Second-Generation District Plan.	The 2GDP was released in November 2018. We have submitted an appeal on Decision 724 which was lodged in December 2018. We continue to work on the appeal with the DCC.	ACHIEVED
	Ensure any new development is considered in conjunction with the Airport Master Plan and customer service needs.	The Master Plan will be considered before any future projects are implemented.	
TO BE A GREAT PLACE TO WORK	**To provide relevant training to our staff.**		
	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 (refreshers and new staff) • Rescue Fire Annual Competency training • Rescue Fire Annual Hot Fire training. • Recruit Firefighter • Qualified Fire Fighter • Elevated work platform (EWP) training • Confined Space training • Fire extinguisher training	ACHIEVED
	Invest at least 0.1% of prior year operating revenue to staff training in line with Personal Development Plans.	Training spend to 30 June 2019 is $103,744, which represents 0.6% of prior year operating revenue.	

OUR PEOPLE

GOALS	OBJECTIVES	RESULT	
TO BE A GREAT PLACE TO WORK	**To recognise and review staff performance.**		
	Each staff member to have a formal annual performance and objectives review.	All staff members had their Annual Employee Performance Review completed in the current year.	ACHIEVED
	Ensure that our staff are engaged with the company's Vision, Purpose and Values.		
	Conduct an annual staff engagement survey.	An annual staff engagement survey was completed by staff in February 2019 and results have been presented to all staff.	ACHIEVED

OUR COMMUNITY

GOALS	OBJECTIVES	RESULT	
TO CONNECT & ENGAGE WITH OUR PLACE	**Provide sponsorship to community events and organisations.**		
	Invest 0.25% of prior year operating revenue to sponsorship in line with our sponsorship policy	The sponsorship target for the 2018 – 2019 financial year was $41,400. Sponsorship spend to 30 June 2019 was $45,358, representing .28% of prior year operating revenue	ACHIEVED
	Engage with our community and share information.		
	Arrange for Dunedin Airport staff to work within the community once a year.	In September 2018 members of our airport team assisted the Yellow Eyed Penguin team with native planting on the Otago Peninsula. Once again at Christmas we had Momona Playcentre visited at the Airport. We hosted a morning tea for Playcentre children and a visit to the AES station. For the second year in a row, we hosted the Run the Runway, a fundraising event for the Mosgiel Community Pool.	ACHIEVED
	Initiate opportunities to speak to the community, stakeholders and organisations.	15 presentations were completed in the year to various groups and organisations across our region.	
	Act as a socially and environmentally responsible corporate citizen.		
	Develop and implement sustainable practices for our waste streams.	Tenant recycling was implemented in early 2018 resulting in 25% of our total waste now being diverted from landfill to recycling streams.	ACHIEVED
	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.	No noted breaches.	ACHIEVED

SHAREHOLDERS

GOALS	OBJECTIVES	RESULT	
TO CONNECT & ENGAGE WITH OUR PLACE	**Consult with shareholders on matters to be included in the company's Statement of Intent.**		
	Prepare annually the company's Statement of Intent having given consideration to shareholders expectations.	The Statement of intent was submitted to shareholders for 2019 – 2020.	ACHIEVED
	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 shareholders requirements are in conflict.	There have been no matters which have been reported to, or consulted with, shareholders.	ACHIEVED
	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.	On a "no surprises" basis, all relevant matters have been reported to shareholders.	ACHIEVED

trend statement

For the year-ended 30 June	2019	2018	2017	2016	2015
Revenue	$000	$000	$000	$000	$000
Operating Revenue:					
Aeronautical (excluding departure fees)	**7,498**	7,287	5,208	4,715	4,630
Percentage	43.6%	44.1%	36.9%	35.8%	36.4%
Non-aeronautical	**10,073**	9,273	8,718	8,188	8,206
Percentage	58.6%	56.1%	61.7%	62.2%	64.5%
Interest income	13	20	17	18	47
Dividend income	3	72	69	99	30
Gain/(Loss) on sale of assets	(31)	-	11	-	-
(Loss)/Gain on investments	(366)	(130)	107	138	(191)
Total revenue	**17,190**	16,522	14,130	13,159	12,722
Percentage Increase	4.0%	16.9%	7.4%	3.4%	1.0%
Surplus before tax	**5,183**	4,761	3,161	2,681	2,477
Percentage increase	8.9%	50.6%	17.9%	8.3%	2.0%
Net tax paid surplus	**3,587**	3,275	2,321	1,958	1,706
Percentage increase	9.5%	41.1%	18.6%	14.7%	(7.7%)
Shareholders' equity					
Shareholders' equity	**63,728**	61,781	59,559	46,456	45,920
Return on shareholders' equity	**5.6%**	5.3%	3.9%	4.2%	3.7%
Dividends paid	1,408	1,408	1,408	1,408	1,280
Dividend rate cents per share	**16.0**	16.0	16.0	16.0	14.5
Capital expenditure	9,112	3,468	3,252	316	70
Net operating cashflow	6,618	5,778	4,825	4,620	4,625
Net asset backing per share	**$7.24**	$7.02	$6.87	$5.28	$5.22
Equity ratio	**67.3%**	69.7%	67.9%	66.1%	63.1%

statement of comprehensive income

For the year-ended 30 June	Notes	2019	2018
		$000	$000
Operating revenue	4	17,571	16,560
Interest received		12	20
Dividend received		3	72
(Loss)/gain on investment		(366)	(130)
(Loss)/gain on sale of property, plant & equipment		(31)	-
Total revenue		**17,190**	**16,522**
Audit fees		56	55
Directors fees		100	98
Finance costs – interest expense		472	469
(Gain)/Loss on hedge instruments		(138)	(60)
Depreciation	3	3,075	2,957
Wages and salaries		2,944	2,264
Other operating expenses		5,498	5,978
Total expenses		**12,007**	**11,761**
Operating surplus/(deficit) before income tax		**5,183**	**4,761**
Income tax expense	5a	1,596	1,486
Operating surplus/(deficit) after income tax		**3,587**	**3,275**
Other comprehensive income			
Items that may be subsequently reclassified to profit and loss:			
Hedges amortised to expense		-	139
Cash flow hedges gain/(loss) taken to hedge reserve		(322)	(10)
Income tax on these items including prior period adjustments		90	(51)
Items that will not be subsequently reclassified to profit and loss:			
Gain on revaluation of property, plant and equipment		**-**	-
Income tax on these items including prior period adjustments		-	277
Total comprehensive income/(deficit)		**3,355**	**3,630**

statement of changes in equity

Equity at the beginning of the year	**61,781**	**59,559**
Comprehensive income/(deficit) for the year	3,355	3,630
Transactions with owners		
- Dividend paid	(1,408)	(1,408)
Closing equity	**63,728**	**61,781**

balance sheet

As at 30 June	Notes	2019	2018
		$000	$000
Shareholders' equity			
Share capital	6	8,800	8,800
Hedge reserve	7a	(281)	(49)
Revaluation reserve	7b	34,073	34,073
Retained earnings	8	21,136	18,957
		63,728	61,781
Current liabilities			
Trade & other payables	9	4,273	2,126
Other liabilities		114	113
Tax payable	5b	1,071	846
Employee Entitlements		364	267
Hedge derivatives	15a	-	138
Short-term advance	11	2,250	350
		8,072	3,840
Non-current liabilities			
Term loans	11	8,000	8,000
Deferred taxation	5c	14,445	14,969
Hedge derivatives	15a	389	67
		22,834	23,036
Total equity & liabilities		**94,634**	**88,657**
Represented by:			
Current assets			
Trade & other receivables	12	1,736	1,216
Prepayments	13	-	17
Cash & cash equivalents	10	473	699
Stock on hand	14	48	43
		2,257	**1,975**
Non-current assets			
Property, plant & equipment	3	91,244	85,259
Investments	16	940	1,306
Deferred taxation	5c	193	117
		92,377	86,682
Total assets		**94,634**	**88,657**

Authorised for and on behalf of the directors.

T Allison
Chairman
6 September 2019

M Rogers
Director

statement of cashflows

For the year-ended 30 June	Notes	2019	2018
		$000	$000
Cash flow from operating activities			
Cash was provided from:			
Receipts from customers		17,054	16,123
Interest received		13	20
Dividend received		3	72
Cash was applied to:			
Payments to suppliers		5,236	6,114
Payments to employees		2,861	2,217
Interest paid		472	470
Taxation paid		1,883	1,636
Net cash flows from operating activities		**6,618**	**5,778**
Cash flows from investing activities			
Cash was provided from:			
Sale of property, plant and equipment		20	-
Cash was applied to:			
Purchase of shares		-	27
Purchase of property, plant and equipment		7,354	2,932
Net cash flows from investing activities		**(7,334)**	**(2,959)**
Cash flows from financing activities			
Cash was provided from:			
Net loan drawdown		1,900	-
Cash was applied to:			
Net loan repayment		-	1,500
Dividends paid		1,408	1,408
Net cash flows from financing activities		**492**	**(2,908)**
Net increase/(decrease) in cash held		(224)	(89)
Plus opening cash brought forward		**699**	**788**
Cash & cash equivalents held 30 June	10	**475**	**699**

notes to financial statements

For the year-ended 30 June 2019

1. REPORTING ENTITY

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

The Company was established under the Airport Authorities Act 1966 and incorporated in New Zealand under the Companies Act 1993. The Company is a Council Controlled Trading Organisation as defined in the Local Government Act 2002.

The financial statements have been prepared in accordance with the requirements of the Local Government Act 2002.

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 thousand ($'000).

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

Under the Accounting Standards Framework, the Company is eligible to apply Tier 2 For-profit Accounting Standards (New Zealand equivalents to International Financial Reporting Standards – Reduced Disclosure Regime ('NZ IFRS RDR')) on the basis that it does not have public accountability and is not a large for-profit public sector entity. Therefore, these financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand and comply with NZ IFRS RDR.

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.

New Standards, Interpretations and Amendments Adopted by the Company

All mandatory new or amended accounting standards were adopted in the current year. These include NZ IFRS 9 *Financial Instruments* and NZ IFRS 15 *Revenue from Contracts with Customers* and related amendments. None had a material impact on these financial statements.

Impact of initial application of NZ IFRS 15 Revenue from Contracts with Customers

In the current year, the Company has applied NZ IFRS 15 *Revenue from Contracts with Customers* effective from 1 July 2018. NZ IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. NZ IFRS 15 requires entities to exercise judgement, taking into consideration all the relevant facts and circumstances when applying each step of the model to contracts with customers.

In accordance with the transition provisions of NZ IFRS 15 adopting the full retrospective approach the Company has restated comparatives. The impact of restatement is limited to the accounting policies and disclosures in the financial statements, the timing of revenue recognition has not been impacted by the adoption of NZ IFRS 15.

The Company's accounting policies for its key revenue streams are included at Note 4.

Impact of initial application of NZ IFRS 9 Financial Instruments

In the current year, the Company has adopted NZ IFRS 9 *Financial Instruments* and consequential amendments to NZ IFRS 7 *Financial Instruments: Disclosures* effective from 1 July 2018. As permitted

by the transitional provisions of NZ IFRS 9, the Company elected not to restate comparative figures. Any adjustments at the date of transition were recognised in the opening retained earnings and reserves of the current period.

NZ IFRS 9 introduces new requirements for the classification and measurement of financial assets and financial liabilities, impairment of financial assets, and rules for hedge accounting. Details of these new requirements as well as their impact on the financial statements are described below.

(i) Classification and measurement of financial assets and liabilities

Under NZ IFRS 9, all the financial assets and liabilities are measured at amortised cost, fair value through profit or loss or fair value through Other Comprehensive Income ('OCI') on the basis of the Company's business model for managing the financial instrument and the contractual cash flow characteristics of the financial instrument.

The Company enters into derivative financial instruments to manage its exposure to interest rate risks. There was no change of classification in relation to derivatives, these continue to be measured at fair value through profit or loss. Further details are disclosed in note 15.

The Company's investments in equity securities, previously measured at fair value through profit or loss, continue to be measured at fair value through profit or loss under NZ IFRS 9.

Apart from investments and derivatives financial instruments, the Company's financial assets and liabilities including cash and cash equivalents, trade and other receivables, trade and other payables, other liabilities, short term advances and term loans continue to be measured at amortised cost as they meet the conditions under NZ IFRS 9.

(ii) Impairment of financial assets

The new impairment model requires the recognition of impairment provisions based on expected credit losses ('ECL'). It applies to financial assets classified at amortised cost.

The introduction of the new impairment model has an impact on the Company's trade and other receivables. For trade and other receivables, the Company applies a simplified model of recognising lifetime expected credit losses as these items do not have a significant financing component. Based on the assessment undertaken, no material adjustment was required on transition.

(iii) Hedge accounting

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required.

In accordance with NZ IFRS 9's transitional provisions for hedge accounting, the Company has applied the NZ IFRS 9 hedge accounting requirements prospectively from the date of initial application on 1 July 2018. The Company's qualifying hedging relationships in place as at 1 July 2018 also qualify for hedge accounting in accordance with NZ IFRS 9 and were therefore regarded as continuing hedging relationships. No rebalancing of any of the hedging relationships was necessary on 1 July 2018. As the critical terms of the hedging instruments match those of their corresponding hedged items, all hedging relationships continue to be effective under NZ IFRS 9's effectiveness assessment requirements. The Company has also not designated any hedging relationships under NZ IFRS 9 that would not have met the qualifying hedge accounting criteria under NZ IAS 39.

3. PROPERTY, PLANT & 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 recognised in other comprehensive income and accumulated in the 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 profit or loss in the year the item is derecognised.

(a) 2019	Land	Runway, Apron, Taxiway	Buildings	Plant & Equipment	Office Equipment	Motor Vehicles	WIP	Total
Cost or Valuation	$000	$000	$000	$000	$000	$000	$000	$000
Balance at beginning of period	17,955	25,090	31,097	12,754	268	437	2,430	90,031
Purchases	-	306	8	136	3	46	8,613	9,112
Transfers	1,457	37	668	142	22	107	(2,433)	-
Revaluations	-	-	-	-	-	-	-	-
Disposals / Woffs	-	-	-	(73)	-	-	-	(73)
Balance at end of period	19,412	25,433	31,773	12,959	293	590	8,610	99,070
Accumulated Depreciation								
Balance at beginning of period	86	1,071	926	2,245	195	249	-	4,772
Depreciation	89	1,073	922	926	39	26	-	3,075
Transfers	-	-	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-	-	-
Disposals / Woffs	-	-	-	(21)	-	-	-	(21)
	175	2,144	1,848	3,150	234	275	-	7,826
Balance at end of period	19,237	23,289	29,925	9,809	59	315	8,610	91,244

(b) 2018	Land	Runway, Apron, Taxiway	Buildings	Plant & Equipment	Office Equipment	Motor Vehicles	WIP	Total
Cost or Valuation	$000	$000	$000	$000	$000	$000	$000	$000
Balance at beginning of period	17,955	25,090	30,526	12,261	205	437	89	86,563
Purchases	-	-	114	250	63	-	3,041	3,468
Transfers	-	-	457	243	-	-	(700)	-
Revaluations	-	-	-	-	-	-	-	-
Disposals / Woffs	-	-	-	-	-	-	-	-
Balance at end of period	17,955	25,090	31,097	12,754	268	437	2,430	90,031
Accumulated Depreciation								
Balance at beginning of period	30	-	33	1,366	157	229	-	1,815
Depreciation	56	1,071	893	879	38	20	-	2,957
Transfers	-	-	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-	-	-
Disposals / Woffs	-	-	-	-	-	-	-	-
	86	1,071	926	2,245	195	249	-	4,772
Balance at end of period	17,869	24,019	30,171	10,509	73	188	2,430	85,259

(c) Land, buildings and airside pavements were revalued at 30 June 2017 by independent registered valuers, Telfer Young (Canterbury) Limited and Opus International Consultants Limited. The total fair value of these assets at 30 June 2017, the effective date of the revaluation, was $76,678,000. 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.

4. OPERATING REVENUE

The Company recognises revenue from the following major sources:

- Landing Charges and Departure Fees
- Car Parking
- Fuel and Non-Fuel Sales
- Milk Sales
- Operating Lease Rental Revenue

Landing Charges and Departure Fees:
Landing charges are charged on a per passenger or airplane weight basis for landing and disembarking the airport. Departure fess are charged on a per passenger basis. The charges cover runway costs, airport services and other miscellaneous services that are the Company is required to provide while a plane is on the ground under civil aviation rules. Revenue is recognised net of any rebates paid to airlines under incentive agreements. The revenue earned is recognised over-time due to the counterparty simultaneously receiving the benefit as the Company provides the services.

Due to the short-term nature of the time over which revenue is recognised, the adoption of NZ IFRS 15 did not have a significant impact on the Company's revenue recognition.

Car Parking:
Revenue from car parking is earned by charging customers a fee for the use of the airport carpark. The fee is based on a tiered system where the charge per day varies depending on the length of stay.

The revenue earned meets the criteria to be recognised over-time as the customer simultaneously receives the benefit of using the carpark as the service is provided.

The adoption of NZ IFRS 15 has not had an impact on the Company's revenue recognition for car parking.

Fuel and Non-Fuel Sales:
Revenue from fuel and non-fuel sales is earned through petrol & other miscellaneous sales (net of any discounts) from the petrol station owned by the Company. Revenue is recognised at the point in time control transfers to the customer, being when the customer pays for the fuel purchased.

The adoption of NZ IFRS 15 did not impact the Company's revenue recognition timing on fuel and non-fuel sales.

Milk Sales:
The Company own two dairy farms which sells milk to Fonterra. Revenue is based on the farm gate milk price at the time of sale applied to the quantity of milk supplied. Revenue is recognised at the point in time in which control of the product passes to Fonterra, being when the milk is loaded into the tanker.

The adoption of NZ IFRS 15 did not impact the Company's revenue recognition timing on milk sales.

Operating Lease Rental:
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.

Revenue from operating lease rental revenue is outside the scope of NZ IFRS 15 and as such there is no impact on the revenue recognition of operating lease rental revenue.

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.

	2019	2018
	$000	$000
Revenue from Contracts with Customers:		
Over Time:		
Landing Charges and Departure Fees	8,010	7,816
Car Park	3,515	3,202
Point in time:		
Fuel and Non-Fuel Sales	1,817	1,833
Milk Sales	834	745
Total Revenue from Contracts Customers	**14,176**	**13,596**
Other Income:		
Operating Lease Rental (including overhead recoveries)	3,279	2,794
Other Revenue	116	170
Total Operating Revenue	**17,571**	**16,560**

5. TAXATION PROVISION

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.

	2019 $000	2018 $000
(a) Income tax		
Operating surplus/(deficit) before income tax	5,183	4,761
Taxation @ 28%	1,451	1,333
Plus / (Less) the tax effect of differences		
Expenses not deductible	61	119
Loss/(gain) on investments	102	54
Hedge instruments	-	-
Prior period adjustment	(16)	(20)
Tax expense	**(1,596)**	**(1,486)**
Effective tax rate	30.8%	31.2%
Represented by		
Current tax provision	(2,107)	(1,833)
Deferred tax provision	511	347
Income tax expense	**(1,596)**	**(1,486)**

(b) Provision for Tax		
Balance at beginning of year	(846)	(650)
Current tax provision	(2,116)	(1,844)
Terminal tax payment (refund)	-	(42)
Provisional tax paid	1,883	1,678
Prior period adjustment	9	12
Balance at 30 June	**(1,071)**	**(846)**

(c) Deferred Tax

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.

2019 ($000)	Opening Balance	Charged to Equity	Charged to Income	Prior Period Adjustment Equity	Prior Period Adjustment Income	Assets	Closing Balance Sheet Liabilities	Closing Balance Sheet Net
Property, plant and equipment	(14,968)	-	527	-	(2)	-	(14,445)	(14,445)
Employee benefits	44	-	24	-	-	68	-	68
Provisions	16	-	(9)	-	9	16	-	16
Revaluations of interest rate swaps	57	90	(39)	-	-	109	-	109
Balance at 30 June	**(14,851)**	**90**	**503**	**-**	**7**	**193**	**(14,445)**	**(14,252)**

2018 ($000)	Opening Balance	Charged to Equity	Charged to Income	Prior Period Adjustment Equity	Prior Period Adjustment Income	Assets	Closing Balance Sheet Liabilities	Closing Balance Sheet Net
Property, plant and equipment	(15,697)	-	451	277	-	-	(14,968)	(14,968)
Employee benefits	40	-	4	-	-	44	-	44
Provisions	106	-	(100)	-	10	16	-	16
Revaluations of interest rate swaps	125	3	(17)	(54)	-	57	-	57
Balance at 30 June	**(15,426)**	**3**	**338**	**223**	**10**	**117**	**(14,968)**	**(14,851)**

6. EQUITY – SHARE CAPITAL

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

Issued Capital
8,800,000 (2018: 8,800,000) ordinary authorised and issued shares.

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

7. RESERVES

	2019 $000	2018 $000
a) Hedge Reserve		
Balance at beginning of year	(49)	(127)
Cash flow hedges (loss)/gain	(322)	(10)
Hedges amortised to expense	-	139
Net movement in deferred tax arising on hedges	90	(51)
Balance at 30 June	**(281)**	**(49)**

The hedge reserve comprises the effective portion of the cumulative net change in the fair value of the cash flow hedging instruments relating to interest payments that have not yet occurred.

b) Revaluation Reserve		
Balance at beginning of year	34,073	33,796
Revaluations included in comprehensive income	-	-
Net movement in deferred tax arising on revaluations	-	277
Balance at 30 June	**34,073**	**34,073**

The revaluation reserve arises on the revaluation of land, buildings and airside pavements. Where revalued assets are sold, the portion of the properties revaluation reserve that relates to that asset, and is effectively realised, is transferred directly to retained profits. The 2018-year net movement in deferred tax reflects a prior period adjustment regarding the 2017-year treatment of non-depreciable land.

	2019 $000	2018 $000

8. RETAINED EARNINGS

Balance at beginning of year	18,957	17,090
Operating surplus/(deficit) after income tax	3,587	3,275
Dividends paid	(1,408)	(1,408)
Balance at 30 June	**21,136**	**18,957**

9. TRADE & OTHER PAYABLES

Trade payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method. Trade payables are unsecured and are usually paid within 30 days of recognition.

Trade payables	3,664	1,752
Accruals	609	374
Balance at 30 June	**4,273**	**2,126**

10. CASH

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.

Cash floats	6	6
Westpac cheque account	467	693
Balance at 30 June	**473**	**699**

The carrying amount of cash assets approximates their fair value.

11. TERM LOANS (Secured)

Term loans are initially recorded at fair value net of directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Finance charges, premiums payable on settlement or redemption and direct costs are accounted for on an accrual basis to profit or loss 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.

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

	2019 $000	2018 $000
Multi option credit facility	8,000	8,000
Short term advance facility	2,250	350
Balance at 30 June	**10,250**	**8,350**
Classified as:		
Current liability	2,250	350
Non-current liability	8,000	8,000
Balance at 30 June	**10,250**	**8,350**

(a) Westpac has provided a multi option credit line facility of $18,000,000 increasing to $22,000,000 on 1 November 2019, and $25,000,000 on 1 April 2020 if required by the Company (2018: $15,500,000) with a maturity date of 31 March 2021. Interest is payable on the drawn down balance at BKBM plus a 1.05% margin (to the extent the Company does not have an interest rate swap – see Note 15).

As part of the credit line facility, Westpac has provided a short-term advance of $2,250,000. Interest is payable on the advance at 3.0%. The advance is on call.

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 15.

(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.

Reconciliation to Cashflows from Financing Activities

Opening Balance	8,350	9,850
Net loans (repayment)/drawdown	1,900	(1,500)
Movement in fair value	-	-
Closing Balance	**10,250**	**8,350**

12. TRADE & OTHER RECEIVABLES

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for expected credit losses. The Company applies the simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance. The measurement of expected credit losses is a function of the probability of default, loss given default and the exposure at default.

The expected credit losses on trade and other receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Payment terms are typically the 20th day of the month following invoice date.

	2019 $000	2018 $000
Trade receivables	**1,736**	**1,216**

13. PREPAYMENTS

Risk management software	-	17
	-	**17**

14. STOCK ON HAND

Stock on hand represents 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.

Opening Balance	43	53
Purchases	1,632	1,635
Cost of Sales (Included within Other Operating Expenditure)	(1,627)	(1,646)
Closing Balance	**48**	**43**

15. FINANCIAL RISK MANAGEMENT

a) Interest Rate Risk

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 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. These interest rate swap contracts have been designated as cash flow hedges.

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. Fair value is derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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 profit or loss.

	2019	2018
	$000	$000
Interest rate swaps		
- maturing less than 1 year	-	(138)
- maturing 1 to 5 years	(389)	(67)
Balance at 30 June	**(389)**	**(205)**

b) Categories of Financial Assets and Financial Liabilities

Financial Assets at amortised cost:		
Trade & other receivables	1,736	1,216
Prepayments	-	17
Cash & Cash Equivalents	473	699
Financial Assets at fair value through profit or loss:		
Investments	940	1,306
Financial Liabilities at fair value through profit or loss:		
Derivative Financial Instruments in Hedge Accounting Relationships	389	205
Financial Liabilities at Amortised Cost:		
Term Loans	8,000	8,000
Trade & Other payables	4,362	2,210
Short Term Advance	2,250	350

Management consider all financial assets and financial liabilities carrying values to closely approximate fair value.

16. INVESTMENTS

Investments in equity securities are recognised as financial assets at fair value through profit or loss. Fair value is derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. Any resultant gains or losses are recognised in profit or loss.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Non-current investments

Shares at market value in farmer cooperative Companies involved with dairy farm companies	940	1,306

Of this sum **$898,000** (2018, **$1,268,000**) 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.

17. CONTINGENT LIABILITIES

There were no contingent liabilities outstanding at 30 June 2019 (2018 $NIL).

18. CAPITAL AND OTHER COMMITMENTS

Capital and other expenditure not provided for in the accounts at 30 June 2019 was $6,621,000 (2018: $724,000). This capital commitment relates to the completion of the Terminal Expansion Project (TXP) ($6,460,500) and the extension of the Gate 5 apron ($160,500).

19. FINANCIAL REPORTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following new standards, interpretation and amendments on issue which have not been applied in these financial statements, will or may have an effect on the Company's future financial statements:

NZ IFRS 16 *Leases* – effective 1 July 2019

NZ IFRS 16 *Leases* is effective for periods beginning on or after 1 January 2019. NZ IFRS 16 will result in almost all leases being recognised on the balance sheet for lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (right to use lease item) and a financial liability to pay rentals will be recognised. The only exceptions are short term and low value leases. There are minimal changes from the current NZ IAS 17 requirements for lessors. The Company has yet to assess the full impact of NZIFRS 16. The Company intends to apply the standard from the period ending 30 June 2020.

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

20. RELATED PARTY TRANSACTIONS

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

(a) The Company undertakes many transactions with State Owned Enterprises, Government Departments and Dunedin City Council Controlled enterprises.

Businesses which have common ownership, and which provided services/supplies to the Company during the year were:

- Dunedin Venues Management Limited (Dunedin City Holdings Limited controlled) – corporate membership
- Delta Utilities Limited (Dunedin City Holdings Limited controlled) – ground maintenance

Transactions with entities with common ownership with details of purchases for the year and balances owing at 30 June being as follows:

	Annual Purchases (GST Inclusive)		Owing at 30 June (GST Inclusive)	
	2019	2018	**2019**	2018
	$000	$000	$000	$000
Dunedin Venues Management Limited	13	14	-	1
Delta Utilities Limited	51	42	4	-

(b) Businesses in which directors and key management personnel have a substantial interest and which provided services/supplies to the Company during the year were:

- Otago/Southland Employers Association (S McLauchlan – director) – membership
- Delta Utilities Limited (T Allison - director) – ground maintenance
- Scenic Circle Hotels Limited (S McLauchlan – director) – stakeholder accommodation
- New Zealand Airports Association (R Roberts – director) – membership
- Institute of Directors Otago Southland Branch (P A Oakley – chairperson, T Allison committee member, S McLauchlan – committee member) – membership and training
- Tourism Waitaki (M Crawford - director) – sponsorship

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 (GST Inclusive)		Owing at 30 June (GST Inclusive)	
	2019	2018	**2019**	2018
	$000	$000	$000	$000
Otago/Southland Employers Association	2	2	-	-
Delta Utilities Limited	51	42	4	-
Scenic Circle Hotels Limited	4	4	-	-
New Zealand Airports Association	37	16	-	-
Institute of Directors - Otago Southland Branch	9	4	-	-
Tourism Waitaki	-	6	-	-

(c) Compensation of key management personnel:

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

	2019	2018
	$000	$000
Total	806	807

The remuneration of directors is agreed annually, after consultation with the shareholders, and approved at the Company's annual meeting. The remuneration of the Chief Executive is determined by the Board and the remuneration of key management personnel is determined by the Chief Executive having regard to the performance of individuals and market trends.

(d) Transactions with shareholders with details of purchases for the year and balances owing at 30 June being as follows:

	Annual Purchases		Owing at 30 June	
	2019	2018	**2019**	2018
	$000	$000	$000	$000
Dunedin City Council rates & services	301	315	-	-

21. LEASE COMMITMENTS

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

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

Under 1 year	2,355	1,819
1 to 5 years	4,279	4,064
Over 5 years	268	1,257

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.

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

Under 1 year	1	1
1 to 5 years	-	1

22. SUBSEQUENT EVENTS

There were no significant events after balance sheet date.

shareholder information

INTERESTS REGISTER

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

STUART MCLAUCHLAN – resigned 1 November 2018

Analogue Digital Limited	Chairperson
Argosy Property Trust	Director
B Pac Clinical Solutions Limited	Chairperson
Cargill Hotel 2002 Limited	Director
Compass Agribusiness Management Limited	Chairperson
Dunedin Casinos Limited	Director
Extra Eight Limited	Director
G S McLauchlan & Co	Partner
Institute of Directors - Otago Southland Branch	Committee Member
Marsh Advisory Board	Member
New Zealand on Air	Director
New Zealand Sports Hall of Fame	Board of Governors
Ngai Tahu Tourism Board	Director
Openwave Systems (New Zealand) Limited	Director
Otago Community Hospice	Chairperson
Otago/Southland Employers Association	Director
Pharmac	Chairperson
Rosebery Holdings Limited	Director
Scenic Circle Hotels Limited (and Group)	Director
Scott Technology Limited	Chairperson
University of Otago Foundation Trust	Member
University of Otago Foundation Studies Limited	Chairperson
UDC Finance Limited	Chairperson
Woodworks Southern Limited	Director

TONY ALLISON

AA Cleaners (Otago) Limited	Director
Delta Utility Services Limited	Director
Institute of Directors - Otago Southland Branch	Committee Member
MHC Limited	Independent Chair – advisory board
SCG Finance Limited	Director
Smiths City Finance	Director
Smiths City Group Limited	Director
Smiths City Properties Limited	Director
Smiths City (Southern) Limited	Director
Visionalli Limited	Director

TRISH OAKLEY

Dunedin Casino Charitable Trust	Trustee
Forsyth Barr Limited	Employee/Shareholder
Institute of Directors - National Council	Council Member
Institute of Directors - Otago Southland Branch	Chairperson
Pomegranate Trust	Trustee
Royal New Zealand Ballet	Trustee
University of Otago	Council Member

MARK ROGERS

Adventure Development Limited	Chairperson
Aoraki Development and Promotions Limited	Chairperson
Institute of Directors - Canterbury Branch	Committee Member
MVHB Professional Services Limited	Director
Men at Work Group	Advisory Board Chairperson
Ourgroupit Limited	Director
South Canterbury District Health Board	Board Member
The Rogers Family Trust	Trustee
Waitaki District Health Service Limited	Director

JONATHAN CAMERON – appointed 1 November 2018

Destination Great Lake Taupo	Board Member
Elevate Capital Partners Limited	Director
I.D.A.ShonCo Limited	Director
Tourism Investment Partners Limited	Director
Veterinary Enterprises Group Limited	Director

RICHARD ROBERTS

Dickr Investments Limited	Director
Dunedin Railways Limited	Director

MEGAN CRAWFORD

Theomin Gallery Committee	Committee Member
Tourism Waitaki	Director

Directors' Interests in Contracts

Details of contracts involving directors' interests entered into during the year ended 30 June 2019 are provided in Note 20 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 2019 are as follows:

Director	Qualification	Remuneration
Stuart J McLauchlan Chairperson (resigned 1 November 2018)	BCom, FCA(PP), AFInstD	10,668
Tony Allison Chairperson (appointed Chairperson 1 November 2018)	BCom, BA, CA, CMInstD	28,836
Patricia A Oakley Chairperson – Remuneration Committee	BCom, CMInstD	22,500
Mark Rogers Chairperson – Health and Safety Committee Chairperson – Audit Committee	BA (Hons), CMInstD, MNZIM	22,500
Jonathan Cameron (appointed 1 November 2018)	MCom(Hons), BCom, MInstD, MAICD, INFINZ (Cert)	15,000

Directors' Benefits

No director of Dunedin International Airport Limited has, since the end of the previous financial year, received or become entitled to receive a benefit other than a benefit included in the total remuneration received or due and receivable by the directors shown in the financial statements. There were no notices from directors of the Company requesting to use Company information received in their capacity as directors which would not otherwise have been available to them.

Employee Remuneration

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

Remuneration Range	2019 No. Employees	2018 No. Employees
$100,000 - $110,000	-	-
$110,000 - $120,000	-	2
$120,000 - $130,000	-	-
$130,000 - $140,000	1	-
$140,000 - $150,000	1	1
$150,000 - $160,000	1	-
$250,000-$260,000	-	1
$260,000-$270,000	1	-

The directors are not aware of any other matters or circumstances since the end of the financial year not otherwise dealt with in this report or the Company's financial statements that has significantly or may significantly affect the operation of Dunedin International Airport Limited, the results of those operations or the state of affairs of the Company.

T Allison
Chairman

M Rogers
Director

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of Dunedin International Airport Limited's financial statements and statement of service performance for the year ended 30 June 2019

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

Opinion

We have audited:

- the financial statements of the company in section 2 on pages 15 to 30, that comprise the balance sheet as at 30 June 2019, 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 statement of service performance of the company in section 2 on pages 2 to 13.

In our opinion:

- the financial statements of the company in section 2 on pages 15 to 30:
    - present fairly, in all material respects:
        - its financial position as at 30 June 2019; and
        - its financial performance and cash flows for the year then ended; and
    - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime; and
- the statement of service performance of the company in section 2 on pages 2 to 13 presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company's objectives, for the year ended 30 June 2019.

Our audit was completed on 6 September 2019. This is the date at which our opinion is expressed.

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

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

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

Responsibilities of the Board of Directors for the financial statements and the statement of service performance

The Board of Directors is responsible on behalf of the company for preparing financial statements and statement of service performance that are fairly presented and that comply with generally accepted accounting practice in New Zealand.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and statement of service performance that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the statement of service performance, the Board of Directors is responsible on behalf of the company for assessing the company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to liquidate the company or to cease operations, or there is no realistic alternative but to do so.

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

Responsibilities of the auditor for the audit of the financial statements and the statement of service performance

Our objectives are to obtain reasonable assurance about whether the financial statements and the statement of service performance, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the

aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements and the statement of service performance.

We did not evaluate the security and controls over the electronic publication of the financial statements and the statement of service performance.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the statement of service performance, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of the internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- We evaluate the appropriateness of the reported statement of service performance within the company's framework for reporting performance.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the statement of service performance or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements and the statement of service performance, including the disclosures, and whether the financial statements and the statement of service performance represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify in our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in section 1 on pages 1 to 21 and in section 2 on pages 1, 14 and 31 to 33, but does not include the financial statements and the statement of service performance, and our auditor's report thereon.

Our opinion on the financial statements and the statement of service performance does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the statement of service performance, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the statement of service performance or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the company in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

In addition to the audit, we have completed an assurance engagement reporting on the company's disclosure financial statements for the year ended 30 June 2018 pursuant to the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999.

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

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

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AIRPORT