



ANNUAL REPORT
2012
Generating value + employment

Christchurch International | **airport**
Limited

New Zealand's Tourism Gateway



COMPANY **BRAND**

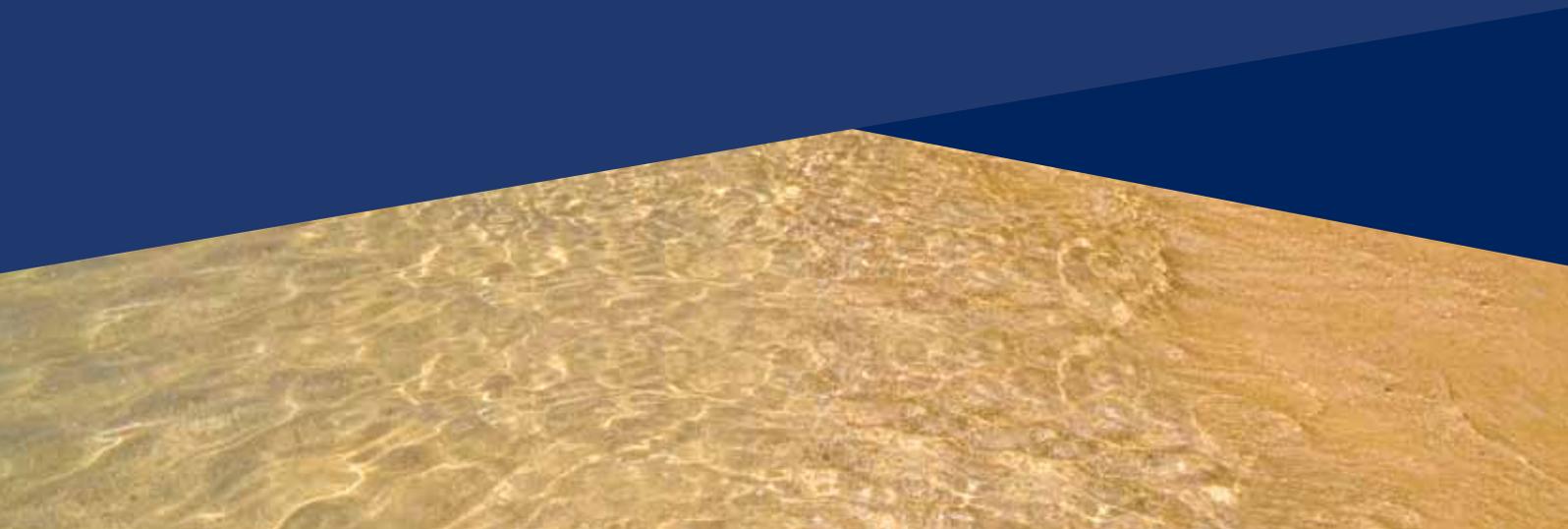
"New Zealand's tourism gateway"

PURPOSE

"To target success through customer service, efficiency and diversification"

COMPANY **VISION**

*"To be the **BEST** airport"*





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VOLUME TWO: FULL FINANCIAL STATEMENTS
(available at www.cial.co.nz or on request)

An aerial photograph of Christchurch International Airport during sunset. The sky is filled with soft, golden light breaking through scattered clouds. In the foreground, several white aircraft with blue tails are parked on the tarmac, with ground support equipment nearby. A large terminal building with a prominent control tower is visible in the middle ground. The overall scene is a busy yet serene airport environment.

BUSINESS REVIEW

FACTS ABOUT CHRISTCHURCH INTERNATIONAL AIRPORT

ROLE

The airport company, sometimes referred to as CIAL, is responsible for running Christchurch Airport. It owns the airport terminal and airfields, as well as more than 800 hectares of land.

Regular activities for the airport company include ensuring the terminal building is safe, clean and warm, patrolling the airfield, maintaining runways, managing car parking facilities and ensuring airlines, passengers, visitors and tenants have the services they need.

Within the terminals, it leases space to businesses such as rental cars, food outlets, cafes, bookshops. On the airfield, it leases space to airlines, freight companies, the Canterbury Aero Club and the US Air Force for Antarctic operations. Although the airport company does not own aircraft or the control tower, it works closely with the aviation community, including airlines and the Airways Corporation, but does not make decisions about flights and flight timetables.

The airport company is responsible for ensuring the airport meets all safety and compliance requirements for passengers, visitors and aircraft. As part of its safety provisions, the airport has its own Fire Service with four large state of the art fire-fighting vehicles, along with several smaller vehicles, 35 firemen and a full-time Wildlife Officer whose role is to keep the airfield as free of birds and pests as possible.

CIAL works closely with government agencies including Customs, Immigration, Ministry for Primary Industries, Aviation Security and Airways.

The airport is one of the city's main assets and is a key piece of infrastructure for the Canterbury region and the South Island. It is owned 75% by Christchurch City Holdings Limited, which is a subsidiary of the Christchurch City Council, and 25% by the Crown, or the government. It is run as a commercial business and expected to make a profit.

CONTRIBUTION

Christchurch Airport is New Zealand's second largest airport and welcomes five and a half million passengers a year. About the same number come through the airport to greet and farewell those passengers, so that's around 11 million visitors to the campus each year. Put another way, we have the same number of people arriving daily on the campus as the number of people living in the city of Timaru.

The contribution from the airport is significant. There are two main parts to that contribution - one is activity generated by the expenditure of foreign and domestic visitors who pass directly through the airport. The other is activity from all operations on the airport - that's activity such as the operations of the airport itself, property, aircraft and airfield maintenance etc.

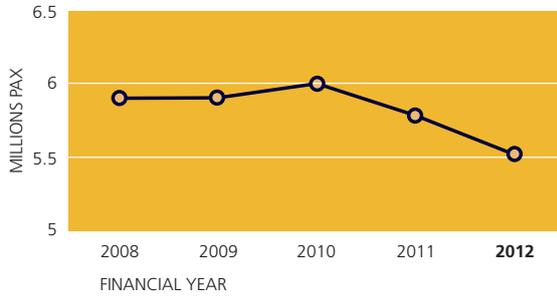
A recent study into the economic impact of the airport reveals that in 2010, Christchurch Airport generated \$1.7 billion in regional GDP. That's

6% of the total GDP for Canterbury and 3.9% of the total GDP for the South Island as a whole.

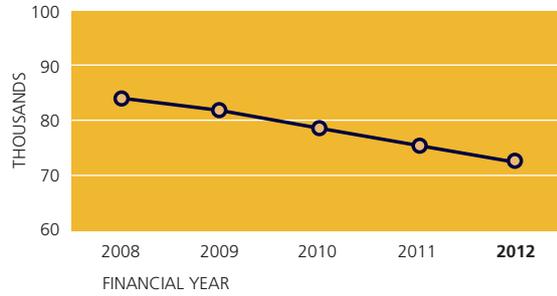
In that year, almost 6000 people were employed on the airport campus in full time, part time or casual roles, making it the largest single centre of employment in the South Island. The airport also created employment for more than 20,000 full time equivalents on and off campus, which is 8.3% of total full time equivalent workers (FTEs) in the Canterbury region and 4.4% of total FTEs for the whole South Island.

Christchurch International Airport is a carbon neutral company and has received carboNZero certification from Landcare Research following a detailed measurement and analysis process. CIAL is the first airport company in the Southern Hemisphere to attain certified carbon neutral status and is the second carbon neutral certified airport company in the world.

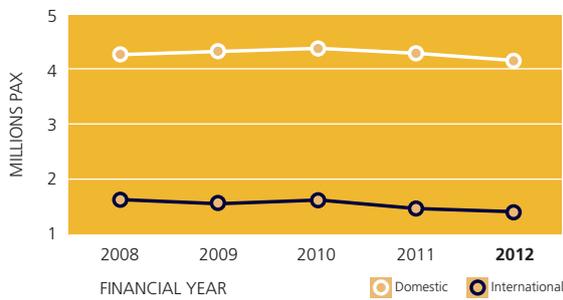
Total Passenger Movements



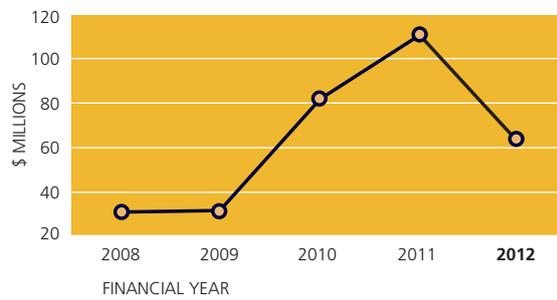
Total Commercial Aircraft Movements



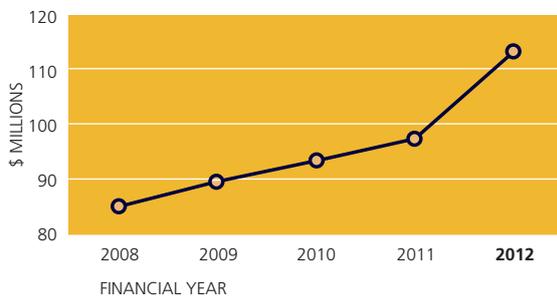
International and Domestic Passenger Movements



Capital Expenditure



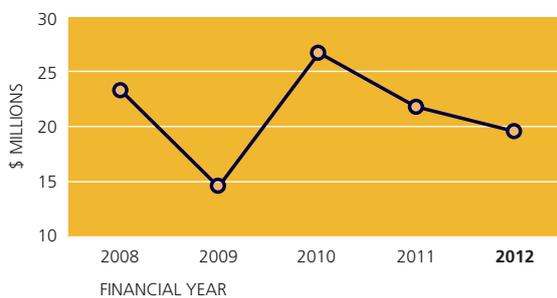
Operating Revenue



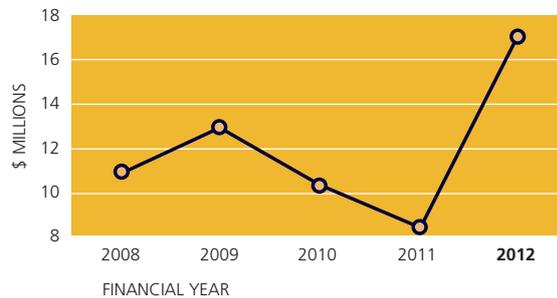
EBITDA (Earnings before interest, tax, depreciation and amortisation) *(excluding revaluation of investment property and earthquake costs)*



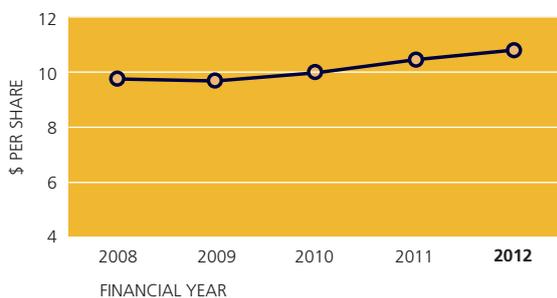
Surplus After Taxation (Adjusted as noted on page 5)



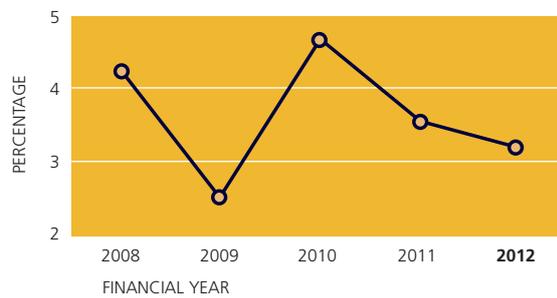
Dividend Payment



Net Asset Backing per Share



Return on Average Shareholders' Equity



5,551,600 PASSENGER MOVEMENTS

Total passenger movements decreased by 224,100 (3.9%) over the same period ending 30 June 2011 (5,775,700), reflecting the continued impact of the events of the past two years.

73,184 COMMERCIAL AIRCRAFT MOVEMENTS

Total aircraft movements decreased by 2,345 (3.1%) over the same period ending 30 June 2011 (75,529).

\$113.1 million OPERATING REVENUE

Operating revenue increased by 15.5% for the year to 30 June 2012 compared with the same period last year (2011: \$97.9 m). This reflecting strong growth in property and commercial revenues, as well as new revenue from the acquisition of the International Antarctic Centre.

\$63.9 million EBITDA

EBITDA from operations, excluding revaluation of investment property and earthquake costs increased by 6.7% over the same period ending 30 June 2011 (\$59.9m)

\$19.6 million ADJUSTED SURPLUS AFTER TAX

The surplus after tax excluding any residual deferred tax adjustment, but including a revaluation of investment property, decreased by \$2.2m (10.1%) over the same period ending 30 June 2011 (\$21.8m).

\$17.175 million CASH DIVIDENDS PAID

No interim dividend was paid in the half year to 31 December 2010, and therefore the final dividend for 2011, paid in October 2011, took full consideration of this.

\$63.0 million INVESTMENT IN AIRFIELD, TERMINAL, CAR PARKING AND PROPERTY PROJECTS

\$10.73 per share NET ASSET BACKING

Net asset backing per share in 2012 was \$10.73 (\$10.44 2011).



The company's business has performed creditably for the financial year ended 30 June 2012, given the circumstances of Christchurch and Canterbury. Reduced passenger numbers and, in turn, reduced capacity, have adversely affected aeronautical income, but other parts of the business have improved their performance.

Commercial and property revenue is up sharply, reflecting good outcomes from strategies implemented by management and confirming the value of revenue diversification.

For the financial year, our aeronautical revenue remained relatively flat, at \$40.4m. Property rental and concession revenues, and commercial revenues were up 16.5% and 96.2% respectively, to \$51.3m and \$19.8m.

While there will be further opportunities to advance revenue growth in commercial and property activities, it is aeronautical revenue that the company is particularly keen to grow. We see this growth principally arising from new international routes, increased capacity on existing international routes and from domestic traffic. In particular, we see improving economic conditions, both generally and from increased economic activity focused on Christchurch as the rebuilding of the city gets into full swing, as likely to contribute to domestic growth. Also, the Government's recently announced Air Service

Agreement policy changes will provide welcome new opportunities for Christchurch International Airport in the long-haul market.

One of the key features of the financial year to 30 June 2012 has been the company's aeronautical pricing reset. We have signalled to our airline customers a pricing reset that will give the company a reasonable return on its investment in the new terminals over their life.

Major airports in New Zealand have a regulatory pricing framework imposed on them by the Airport Authorities Act and airport charges and costs are subject to scrutiny by the Commerce Commission. Because that framework requires prices to be set on five-year cycles, recovery of an appropriate return on significant investments made during a pricing cycle cannot be achieved in the early life of an investment if very large pricing increases are to be avoided.

Right now, the company is at the peak of its investment cycle as a result of building the much-needed new domestic and regional terminals, but in our pricing reset we have acknowledged the need to take a longer-term view on return on our terminal investment.

That position recognises not only the current position of the air transport sector, but also the need to encourage the re-growth of traffic through Christchurch International Airport after the seismic activity Christchurch has

“As a key strategy, the company continues to develop programmes to support its drive to lift the profile of South Island tourism opportunities, as this supports our ‘Gateway’ positioning.”

experienced. Our new terminals, with their advanced airside facilities and new passenger facilities, are a great tool to assist us with rebuilding traffic.

As a key strategy, the company continues to develop programmes to support its drive to lift the profile of South Island tourism opportunities, as this supports our ‘Gateway’ positioning. Christchurch International Airport is more than a destination for travellers to Christchurch, it is the tourism gateway for all South Island activities and destinations, from Nelson/Marlborough in the north, to Fiordland in the south, with much in between.

We were disappointed to see AirAsia X discontinue its direct Kuala Lumpur to Christchurch flights earlier this year, especially in light of the good load factors achieved. We accept changing circumstances can lead airlines to withdraw and re-deploy aircraft assets to alternative routes at short notice, as that is the nature of the aviation business.

We remain confident a well structured and priced long haul operation directly connecting Christchurch is a proposition that will give some airlines the commercial return they seek and we continue to put considerable resource into developing business cases for such a proposition. Asia, with its substantial long haul growth and market depth, is likely to provide new connections to Christchurch in the future and that will be to the benefit of all of the South Island’s tourism.

The board has been pleased with management’s achievements through the year, not only in the way business as usual has been conducted, but also in responding to changed circumstances and difficult conditions. Having met those challenges, the board is now looking to management to accelerate the pace of recovery and further improve financial performance, including by way of rigorous cost control.

The various board sub-committees (Aeronautical, Property, Remuneration, and Risk, Audit and Finance) all continue to have active programmes and do good work to facilitate board decision making. I express my thanks to all board members for their respective valuable inputs throughout the year.

The board is hopeful 2012/13 will see the solid beginnings of increased aeronautical traffic. The airport is a major economic contributor to the economy of Christchurch and Canterbury, so such an increase will auger well for the area as it seeks to rebuild itself after events of recent years.



David Mackenzie
Chairman



Justin Murray

Appointed: 2011

Justin Murray is Managing Director of Murray & Co, an independent investment bank based in Christchurch. Initially a corporate lawyer in New Zealand, his banking career began in London with NM Rothschild and he was ultimately a Managing Director with Bear Stearns. He returned to New Zealand in 2004 and founded Murray & Co. Justin is also on the Advisory Board of the Christchurch Earthquake Appeal Trust, is a Fellow of the Board of Governors of Christ's College and is a member of the Institute of Finance Professionals.

Justin is a member of the Risk, Audit and Finance Committee and the Aeronautical Committee.

Philip Carter

Appointed: 2005

A civil engineer by profession, Philip Carter has had significant board experience as Chairman for Carter Group Limited, Philip Carter Management Limited and its subsidiaries. Philip is a director of Avonhead Mall Limited and a director for Te Papa Tongarewa, the national museum in Wellington.

Previously a director of Christchurch City Holdings Limited, Philip has been heavily involved in local government and is a supporter of a number of community assistance programmes.

Philip chairs the Property Committee and sits on the Remuneration Committee.

George Gould

Appointed: 2009

George Gould is Managing Director of PGG Wrightson Limited. He is the director of a number of companies, including Gould Holdings Limited. He is also a director of Orion New Zealand Limited.

George is a member of the Remuneration and Property committees.

David Mackenzie - *Chairman*

Appointed: 2008

Formerly a corporate advisory lawyer, David left legal practice in 2004, after completing a term as chair of one of the large national law firms. Since that time he has been engaged in various roles, including board directorships, private advisory work and as deputy chair of the independent tribunal responsible for overseeing professional discipline in the legal profession.

David has considerable experience as a company director, in both public and private companies. He holds a Master of Laws from Victoria University of Wellington.

David chairs the Remuneration Committee, the Aeronautical Committee and is an ex officio member of the other board committees.

Chris Paulsen

Appointed: 2010

Chris Paulsen is the Executive Chairman and founder of the House of Travel Group. Having worked in travel since he left school, Chris has a lifelong passion for the travel and tourism industries. In 2006 he was a category winner for the Ernst and Young Entrepreneur of the Year award.

Chris is on the Risk Audit Finance Committee and the Aeronautical Committee.

Catherine Drayton

Appointed: 2009

Catherine Drayton has extensive overseas management experience, most recently as a senior partner at PricewaterhouseCoopers, leading the Assurance & Advisory practice for Central and Eastern Europe from 2001 to 2004. Prior to this role she was a mergers and acquisition specialist principally focused on the manufacturing sector. Since returning to Christchurch, Catherine has focused on work as a professional director for companies and organisations including Meridian Energy Ltd, Ngai Tahu Holdings Corporation, Hockey NZ and the University of Canterbury Council.

Catherine is the chair of the Risk, Audit and Finance Committee and sits on the Property Committee.



I began my commentary in last year's annual report by noting the year in review had been extraordinary, not only

for the airport but for the whole of Christchurch. It's fair to say those extraordinary circumstances have continued in the 2011/2012 year.

While the actual earthquakes have generally been of far less intensity, the two quakes on December 23rd 2011 did have a significant effect physically - and on many Cantabrians' mentally as well. The fact that six months had passed since the previous major quakes in June 2011 had instilled a sense of security that these catastrophic events had settled to a large degree. The timing of the December 23rd quakes, on the Friday before Christmas, was unfortunate indeed and set the recovery back markedly.

As was the case in the previous year, however, the stability of the airport land and buildings again proved to be a saviour and the airport was open for business on December 23rd immediately after engineering and other checks had been completed on runways and public buildings, as has been the case after all past events. This has enabled CIAL to continue on a largely "business as usual" basis despite the enormous upheavals around us.

CIAL is very fortunate to have a robust and committed workforce which has coped with the trauma of the past two years and simply got on with the job.

Major Milestones

Despite the events of the past twelve months, CIAL has made good progress in several areas:

- The opening of two further stages in the terminal development programme, with the project well on track for completion early in 2013.
- The resolution of issues in relation to access from State Highway One onto the airport campus.
- The achievement of resource consent for the Spitfire Square commercial development.
- The continued development of the company's property portfolio, particularly in Dakota Park.
- A very significant increase in staff engagement levels for the fourth year running.
- Singapore Airlines introducing seven days per week service year round.
- Air New Zealand confirming a resumption of Japan charters during the 2012/2013 summer.
- The acquisition of the Christchurch International Antarctic Centre business.
- The launch of "South" marketing programme.



"CIAL is very fortunate to have a robust and committed workforce which has coped with the trauma of the past two years and simply got on with the job."

Conversely, the suspension of services to Christchurch by AirAsia X after 14 months' operations was bitterly disappointing. CIAL had worked enormously hard to secure the service in the first place. The withdrawal was for reasons outside our control, but primarily as a result of the continuing increase in the price of aviation fuel.

Financial Performance

Inevitably the events of the past two years have taken a financial toll on the company. That is reflected in the financial performance outlined in this report.

When compared to the year ended 30 June 2010 (the last full financial year prior to the earthquake in September that year) CIAL has lost 448,814 passengers. While the company only earns 36% of its revenue from aeronautical charges, a large percentage of its commercial income is earned from revenues associated with passenger throughput. Therefore the loss of 7.5% of CIAL's passenger base since the 2010 financial year has cost the company revenue from a number of sources, but from terminal concessions and carparking in particular. A further factor is the associated loss of revenue from visitors to the airport greeting and farewelling those passengers.

In summary, earthquake related issues have cost the company approximately \$15 million at the EBITDA level. This assessment is based upon the lost revenue through

decreased passenger travel (offset by revenues gained through the temporary office park) and increased costs incurred as a result of earthquake damage and on-going maintenance costs. This of course has flowed through to a reduction in after-tax profits.

The current year was always going to see a drop in profitability for the company, as a result of the requirement to meet the costs involved in financing the new terminal construction. Prior to the beginning of the 2012 financial year, the cost of funds had been capitalised against the project. This year, therefore, has been something of a "perfect storm" for the company in meeting that cost, along with the quake related loss of revenue and cost.

With that background, it is pleasing to report the level of profitability achieved. CIAL's budget for the year was for a net profit after tax of \$13.3 million. The reported profit of \$19.6 million includes a net after tax gain on the revaluation of investment properties of \$4.1m (after the write-off of the value of a building assessed as unstable due to quake damage). Excluding the impact of this greater than budgeted revaluation gain, CIAL's operating profit after tax was approximately \$3.6 million positive to budget.

This result was a reflection of very satisfactory returns from the company's commercial operations including carparking, property, terminal concessions and its more

recent acquisition of the International Antarctic Centre. CIAL continues its strong focus on cost control and is budgeting in the 2013 financial year for operating costs to be below the level of the 2012 year.

CIAL does envisage, however, that the full recovery of aeronautical revenues as a result of the loss of passenger numbers will take a number of years. In the meantime, the company continues to concentrate on the development of existing and new commercial revenue opportunities.

Earthquake Response and Preparedness

I mentioned earlier that the earthquakes had cost the company approximately \$15 million at the EBITDA line over the 12 months to June 2012. This impact on profitability may be attributable primarily to two factors.

The first of these relates to a drop in passenger numbers as a result of the loss of hotels, meeting and conference facilities, sporting facilities and tourism attractions in the city from quake damage. This in turn has reduced our passenger volume which has reduced aeronautical revenues and has impacted our concession and carparking income as well.

The second financial impact has been in the area of additional costs incurred as a result of the quake activity. For example the total cost of our insurance premiums during the 2010 financial year was approximately \$1.1 million. From 1 September 2011, our annual insurance premiums increased to approximately \$4.4m and will increase again to \$4.6m from September 2012. CIAL has also invested a significant sum on a comprehensive report on every building owned by the company on the airport campus. This report sought not only to identify any structural defects or hidden damage caused by the quakes themselves but also the current standing of our buildings in relation to the revised building code. While confirmation of the latter point is now a requirement of the CERA legislation, CIAL's report has gone considerably further, which in our view is appropriate given the public nature of many of our buildings.

In addition, CIAL sought clarification of the condition of the land under the airport and commissioned an extensive report on the stability of our land. This was particularly important information in relation to the land covered by our runways and taxiways. The report has confirmed the airport sits on stable land and concludes damage is unlikely in the event of seismic events.

This, along with the proven ability of our buildings to withstand quake activity, has assisted us to successfully renew our insurance covers albeit with an increased excess and at increased cost as noted above.

CIAL has also stepped up as a leader in the recovery of tourism activity post earthquakes. There has been a significant drop in commercial bed night numbers across the South Island since the earthquakes. While much of this is centred in Christchurch, there has been a notable effect on the whole of the South Island and CIAL has been at the forefront of activity to lessen the impact from this. An example of this is CIAL's participation in the partnership between the Ministry of Economic Development, the Christchurch City Council and CIAL aimed at ensuring tourism markets have a realistic and clear view of Christchurch's suitability as a tourism destination following the quakes.

CIAL was very well prepared for the disasters and this preparedness has been further enhanced by learning's taken from the quakes as they occurred. This has enabled CIAL to take control of the airport campus after the events and to ensure the least possible interruption to aviation traffic. CIAL's future disaster planning will continue to develop from lessons learnt but has been extended to, for example, planning for continuation of operations in the event of the loss of critical parts of our infrastructure such as the terminals.

Aeronautical Pricing

At reporting date, CIAL is engaged in a re-set of its aeronautical charges, which it plans to implement on 1 December 2012. CIAL's existing airfield charges were set on 1 April 2009, but prior to that its total charges had not been addressed since 2001. In addition, the reset in 2009 came at the worst period of the global financial crisis and, as a result, the increase was lower than the company expected to achieve.

CIAL is acutely aware of the fact that there is never a good time to increase aeronautical charges. The global and aeronautical markets remain challenged and as a result airlines generally are experiencing difficult trading conditions. For that reason CIAL has proposed not to implement the full level of charges it believes it is entitled to and at this time proposes to implement an interim change effective 1 December 2012 with a further revision on 1 January 2015. The effect of this delay would be to forego over the five year pricing reset period a significant sum in economic value.

CIAL believes this responsible attitude is a reflection of the need to concentrate on the recovery of tourism numbers into the South Island and to recognise the current state of the airline industry.

Market Growth and Performance

During the year 4,131,741 domestic passengers and 1,419,859 international passengers arrived or departed

Christchurch Airport. This was a reduction of a total of 224,100 passengers on the previous year and a reduction (as stated earlier) of 448,814 on our June 2010 year.

The loss of a significant portion of Christchurch's hotel accommodation, its convention centre and many of its sporting facilities has had a significant effect on passenger throughput. The recent announcement of plans for the rebuild of the Christchurch CBD are encouraging indeed and CIAL eagerly anticipates the development of a new convention centre and associated hotels. Likewise, plans for the 36,000 seat covered sports stadium are also an enormous positive in the current market.

CIAL's greatest contribution to the redevelopment of Christchurch will be through the retention and growth of aeronautical services to the city. While currently many of the visitors arriving at Christchurch on those services are travelling on to accommodation elsewhere, the eventual recovery of city accommodation will enable the hotel industry and the tourism industry to attract those visitors back into Christchurch. CIAL's focus therefore currently is on retention of existing aeronautical services and the growth of new services. In that regard, discussions continue with a number of airlines, both existing and new, on potential new services.

The loss of AirAsia X will cost CIAL an estimated 118,000 passenger movements a year in both arrivals and departures. AirAsia X was a low cost airline and offered four direct return services per week between Christchurch and Kuala Lumpur. Loadings on the service had been excellent, with the utilisation of around 80% of the available seats. However since the commencement of the service on 1 April 2011, the price of aviation fuel increased by close to 30% and the long-haul low cost nature of this service resulted in an unsustainable operation for AirAsia X. CIAL hopes the airline will return in the future.

The positive to be taken from AirAsia X is that, as demonstrated by the loadings, there is a viable market between another Asian city and Christchurch and CIAL continues discussions with other potential operators.

Services which remain on CIAL's agenda for future connections include North America, China, currently unserved cities in Australia and various parts of South East Asia.

A major positive during the year has been the decision by Singapore Airlines to increase its services to seven days per week year round, rather than dropping to five days per week in the off-season. Singapore Airlines celebrated 25 years of operations into Christchurch in late 2011 and CIAL values its long term association with this premium carrier.

Likewise, the announcement by Air New Zealand to operate six charter services from Japan over the coming summer is welcomed by CIAL and the Tourism Industry generally.

South

CIAL has recognised that until hotel accommodation and tourism activities recover in the city, the airport needs to concentrate on marketing the South Island as a tourism destination. There are 13 regional tourism organisations (RTOs) in the South Island, all marketing their individual messages. CIAL has recognised the need for an umbrella tourism marketing campaign for the South Island and has taken the lead in developing this.

"South", as it is called, seeks to support the individual RTOs' messages with an overarching message which emphasises the attraction of the South Island, including its stunning scenery, friendly people and ease of access. Generally speaking, the tourism industry throughout the South Island has applauded this move and is strongly supportive. CIAL intends to formally launch the initiative late in 2012.

This message is further emphasised by anecdotal evidence that visitors arriving into New Zealand are attracted here by the images of the mountains and lakes of the South Island. CIAL's intention is to encourage more of those visitors to visit the South Island.

Visitors to the South Island add value for New Zealand Inc as well. The average stay by an international visitor in the South Island is longer and the average spend per visitor, is greater than those in the North Island.

Terminal Development

In mid-2009, CIAL began the development of a project known as the "Integrated Terminal Project" or ITP. This development provides a new domestic terminal replacing our old one, which dates back to 1960. In addition, it provides an integrated check-in facility and baggage handling facility for both international and domestic passengers. A later addition has been the development of a regional terminal to service turbo prop aircraft.

The project was to be completed in mid-2012, but delays caused primarily by the earthquakes have meant the project will now be completed in early 2013.

Remarkably, given the delays and the moderate amount of quake damage to the construction project, the development will likely be completed within one to two per cent of its budgeted cost.

The feedback from our airline partners, passengers and other commercial users of the airport has been uniformly very positive. Quite simply, for its size, the



completed terminal development programme will make Christchurch Airport one of the best airports internationally. CIAL looks forward to celebrating the opening of the completed terminal in March 2013.

Passenger Experience

CIAL participates in a global airport survey programme called Airports Survey Quarterly (ASQ). In previous years, CIAL's international score in the ASQ surveys was middling, reflecting the poor quality of our previous domestic terminal.

Despite the terminal development programme not yet being completed, recent ASQ surveys rate Christchurch International Airport as the best in Australasia by a considerable margin. This survey takes account of a wide range of factors, including the quality and cleanliness of the terminal, the wait times at the various queues, the quality of the retail and food offerings, walking distances, way-finding and the friendliness of staff. That the airport can achieve this standing, notwithstanding that it is still a construction zone, is a very positive reflection on not only the terminal itself, but also the service provided by airport campus staff.

Following the completion of the terminal development programme CIAL believes it will rank highly on an international basis, not only in Australasia.

Personnel

CIAL's vision is simply to be the Best Airport. Being the Best Airport is not so much a destination as a journey.

The desire to be better is a continuous one and relates not only to physical assets such as the terminal, but also to the service provided by CIAL's own personnel and that of other campus service providers.

To that end during the year CIAL introduced a programme entitled "One Team : Best Airport". That programme recognises there are multiple contact points with airport campus staff throughout a passenger's journey. All of them need to be positive. One Team : Best Airport sets out to ensure those contact points are uniformly positive.

CIAL's own staff have been the first to adopt One Team : Best Airport. This is reflective of the enormous pride CIAL's staff take in their job and in the contribution the airport makes to Christchurch, Canterbury and the South Island. CIAL is very fortunate in having a largely long term and very stable team of staff, who have weathered the storms of the past two years in an enormously positive fashion and simply done their job well.

This attitude is reflected in CIAL's staff engagement survey, which for the fourth year in a row has shown double digit improvement, to the stage where CIAL is now amongst the top performing companies within New Zealand in this regard.

As I said last year, as CEO, I could not be more proud of the people I work with. They are an engaged enthusiastic team, determined to provide the best possible service to our customers at all levels.

“The desire to be better is a continuous one and relates not only to physical assets such as the terminal, but also to the service provided by CIAL’s own personnel and that of other campus service providers.”

Non-Aeronautical Revenues

For the past three years, CIAL has been actively engaged in a programme to diversify its revenue streams. This programme recognises the aeronautical industry is a challenging one, subject to frequent financial volatility.

CIAL’s non-aeronautical revenue streams come from a range of sources including terminal concessions, carparking, property rentals and property development, as well as more recent commercial enterprises, which seek to maximise revenue opportunities from the approximately 11 million visitors to the airport campus annually.

This spread of non-aeronautical revenues lessens the company’s exposure to the volatilities of the aviation industry and, in addition, provides necessary funding to enable CIAL to further develop new route opportunities to increase passenger numbers.

During the year, CIAL acquired the business of the International Antarctic Centre (IAC), an existing tourism activity on the airport campus. CIAL owned the land and buildings and has now bought the operation of the centre itself. CIAL intends to further develop this quality attraction to improve the visitor experience and, at the same time, profitability. IAC was acquired in December 2011 and has performed above projected levels in the first seven months of CIAL’s ownership.

CIAL is currently investigating the development of complimentary activities elsewhere on campus.

Likewise, CIAL has identified other new commercial opportunities which it intends to pursue during the 2013 and subsequent financial years.

Non-aeronautical revenues have performed very strongly in the past year, showing an increase of \$16.95m or 31.4% over the previous year (including seven months of new revenue from the IAC). The performance of CIAL’s commercial activities has again been a highlight of the 2012 year.

Property

During the year, CIAL completed three new developments in its Dakota Park freight and logistics subdivision and a large “McDonald’s” food outlet on Memorial Avenue. In addition, the company is well advanced towards the commencement of three additional Dakota Park developments which will occur in the 2013 year.

Resource consent has now been achieved for CIAL’s commercial service complex (to be known as Spitfire Square) to be situated on Memorial Avenue and construction is expected to commence, following the confirmation of tenancy arrangements, in early 2013.

The development of further infrastructure in terms of roading and services also continues.

The quality of CIAL’s property developments is reflected in the fact the company achieved a significant profit uplift through revaluations on the buildings completed in the past financial year.

CIAL has also contributed to post earthquake recovery by building five substantial temporary office buildings. This development has provided quality temporary office accommodation for several substantial businesses pending redevelopment of permanent buildings.

Visitor Accommodation

The loss of much of the city's visitor accommodation during the earthquakes has highlighted the need for CIAL to provide additional and better quality visitor accommodation on the airport campus. In particular, the loss of much of the city's backpacker inventory has caused a problem for the airport, with a large number of visitors to the city choosing to use the airport terminals for accommodation. While CIAL accepts passengers travelling on early morning flights sometimes choose to arrive early, the airport terminals are not suitable for mass accommodation and CIAL has therefore sought to discourage the activity.

CIAL has however recognised the lack of suitable backpacker accommodation causes an issue and has been reluctant to simply evict visitors from the terminal. It is pleasing to note recent discussions with the owners of the Sudima Hotel lead us to the view the airport campus will soon boast a significantly upgraded standard of hotel accommodation, as well as a large backpackers' lodge.

Industry Issues

In conjunction with Auckland International Airport and Wellington International Airport, CIAL worked with the Commerce Commission to develop a new information disclosure regime for the provision of airport services at Christchurch, Auckland and Wellington.

The first round of disclosure has now been provided and will continue to be provided on an annual basis.

As advised previously, the Commerce Commission determinations made public in December 2010 were considered by CIAL and in our view significantly understate the costs of running Christchurch International Airport. CIAL has therefore appealed the substance of the determinations in the High Court and has asked the Court to amend the determinations so they more accurately reflect the reality of operating the airport and the expectations of investors. It is disappointing to spend a significant sum on what is a frustrating piece of work.

CIAL applauds the Ministry of Transport's decision to review New Zealand's policy on Air Service Agreements. At the time of preparation of this report, the results of the review have just been announced. The review is a

logical and common sense announcement of the policy. However, for CIAL, Christchurch and indeed the entire South Island, the special provision of an "Open Skies" policy for Christchurch is welcome news. The recent trebling of flight capacity rights granted through a new Air Service Agreement between New Zealand and China is also welcomed.

Planning and Regulation

CIAL has for some time been in consultation with the New Zealand Transport Agency (NZTA) to determine airport access issues as a result of the upgrading of Johns Road/Russley Road (SH1), which borders the airport campus.

Early in 2012 CIAL and NZTA reached agreement, which results in a satisfactory outcome for both parties, in providing for the smooth, safe passage of vehicles on the highway and at the same time allowing multiple access points on to the CIAL campus. In addition, the agreement provides for the upgrading access to roads to the west of the airport, to encourage through traffic to bypass Johns Road/Russley Road, particularly heavy traffic.

In late 2011, using its Canterbury Earthquake Recovery Agency (CERA) powers, Government introduced legislation which allowed the residential development of a pocket of land inside the airport's noise contour boundary in the township of Kaiapoi. Government considered this action necessary because of the unique combination of factors at Kaiapoi following the Canterbury Earthquakes. In allowing limited residential development inside the airport noise contours at Kaiapoi, the Government deemed it necessary to provide further protection from any additional encroachment by noise sensitive activities elsewhere within the airport noise contours. While CIAL opposes any noise sensitive development within the airport noise contours, it understood the unique circumstances relating to Kaiapoi in this matter.

Some private property owners recently used the Court to successfully challenge the manner in which the CERA legislation was applied with respect to the Government's actions around Kaiapoi and the airport noise contours. The Court decision now provides useful guidance on the appropriate process by which these types of actions can be implemented by Government in future.

CIAL retains its carbon neutral status and is committed to providing the highest environmental standards possible on the airport campus. To that end, the company is engaged in an active programme to encourage airlines to reduce the use of carbon emitting equipment on the airport aprons.

Operational Issues

CIAL is a diverse and technically complex business. Its 24 hour operations are also the subject of regular and stringent audits by the Civil Aviation Authority and other regulatory authorities. CIAL prides itself on its consistently high operating standards in this regard.

Nowhere has this been more apparent than in the company's ability to recommence operations very quickly following the earthquakes of the past two years. In this regard, CIAL has been the recipient of two prestigious awards which recognise the excellence of its operations and the recovery work following the earthquakes.

The establishment of the company's new integrated operations centre last year has proved to be an excellent initiative and has raised the operating standards across the airport generally.

Of more recent times, CIAL has again been challenged with the heavy snow fall of 6 June 2012. This was the third major snow event within twelve months and in CIAL's view indicates a change in weather patterns and that we should now expect snow events on a more regular basis. CIAL has therefore reviewed its preparedness for snow events and, in conjunction, with its airline partners, has made modifications to its operational procedures before and after snow. In addition, CIAL is investigating the acquisition of additional equipment to assist during snow events.

Many airports internationally have snow events on a regular basis. Many of those airports deal with snow events through the use of chemicals. This is not a practical solution for CIAL as the airport is situated above Christchurch city's aquifer.

As a further development of the company's commercial revenue drive, CIAL has been restructuring its maintenance division (Propel Services) to shift its emphasis towards profit generation, rather than simply carrying out the airport business's own maintenance. That process was interrupted by the earthquake events and the need to carry out additional on-site repairs. The emphasis is, however, now back on commercial revenues and CIAL expects to see further progress within Propel Services in the 2013 financial year.

Community Engagement

CIAL continues to support a number of worthwhile community projects and events, particularly those which attract additional visitors to the city. CIAL completed its three year sponsorship of the Ellerslie International Flower Show in 2012 and has now shifted its principal focus of community support to the Christchurch Airport Marathon. The marathon event been a highlight of the

South Island calendar for more than 30 years. This year it was run on a course to the west of the airport and was generally very highly regarded by competitors. CIAL has committed to an initial three years' sponsorship of this event.

CIAL is also a sponsor of the Court Theatre and of the upcoming Christchurch Arts Festival, scheduled for winter 2013.

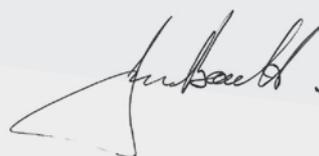
The company continues to support many community organisations in a wide variety of ways, including, in the past year, Child Cancer Foundation, Coastguard, St John, Rotary International, SPCA Canterbury, Salvation Army and the Harewood School 150th Jubilee.

The Future

The recent announcement around the future rebuild of the Christchurch CBD is an exciting one and CIAL believes this will be the catalyst for the rebirth of the city.

There is an enormously exciting period ahead of Christchurch and Canterbury as this project takes shape and develops over the next few years. CIAL considers that as a result, visitor numbers to the city both leisure and business will increase dramatically in future years and this will have a very positive effect on the company.

Through its robust infrastructure CIAL is strongly positioned to take advantage of this business upturn and looks forward to playing a very central and proactive part in the redevelopment.



Jim Boulton
Chief Executive

EXECUTIVE TEAM

18



Rhys Boswell
General Manager
Planning and
Environment

**Leeanne
Carson-Hughes**
General Manager
Human Resources

Neil Cochrane
General Manager
Business Services

Geoff Eban
General Manager
Terminal Development

Jim Boulton
Chief Executive



Matthew Findlay

General Manager
Aeronautical Business
Development

Tim May

Chief Financial
Officer

Blair Forgie

General Manager
Property and
Commercial

Andy Lester

Chief Operating
Officer

The strategic decision of CIAL is set out in the vision:

“To be the BEST airport”

Christchurch Airport will be a leading airport by delivering world-class passenger experiences, being an innovative business partner and delivering excellent economic returns through sustainable management practices, at the same time with a focus on cost management.

The strategy is fundamentally similar to the two previous years – having changed from being “To be the best airport in NZ” to “To be the best airport”. This means continuous striving for improvement. We will never be satisfied with what is achieved – it is a continuous journey, not a destination.

We reviewed the strategy and confirmed our broad objectives will remain the same, focusing on five definite areas of the business.

People	An engaged team who perform strongly
Aeronautical	Deliver outstanding airport and airport-related services and aeronautical growth
Property	Maximise economic value through property development and management
Commercial	Maximise economic value through commercial opportunities
Making it happen	Deliver robust business enablers to ensure success

The review also saw a shift in the way Christchurch Airport is viewed, which is a move away from a destination point to the gateway to the South Island.

This view reinforces CIAL’s commitment to Christchurch and the South Island tourism industry through close partnerships with industry partners.



CIAL Business Model

To achieve the objectives it is necessary to understand the business model in which we operate.

CIAL is predominately an infrastructure business.

As such CIAL operates a typical infrastructure type cost structure, where there are high fixed costs and the total value of variable costs do not fluctuate significantly as a result of changes in passenger/aircraft volumes. This has a number of implications, specifically around capital spend profile and the lack of ability to ratchet operating costs up or down in response to changing trading conditions.

CIAL, and airports in general for that matter, are characterised by “chunky” capital expenditure, which is necessary in order to replace assets at the end of their lifecycle. These are typically significant financial investments and occur once every 40 to 50 years.

CIAL is at the peak of the investment cycle with work on the new \$237 million Integrated Terminal/Regional Terminal due for completion in early 2013.

Key Initiatives

- Proactively push for new Air Service Developments, with a focus on Asia, and China in particular.
- Pricing strategy and price re-set process after open consultation.
- Continue strategy of growth through diversification through add-ons to existing operations, developing new complementary businesses and acquisitions.
- Property development and management will continue to focus on maximising economic value.
- Focus on optimising passenger spend on the campus.
- Focus on cost management.
- Continue to develop an engaged team who perform strongly.

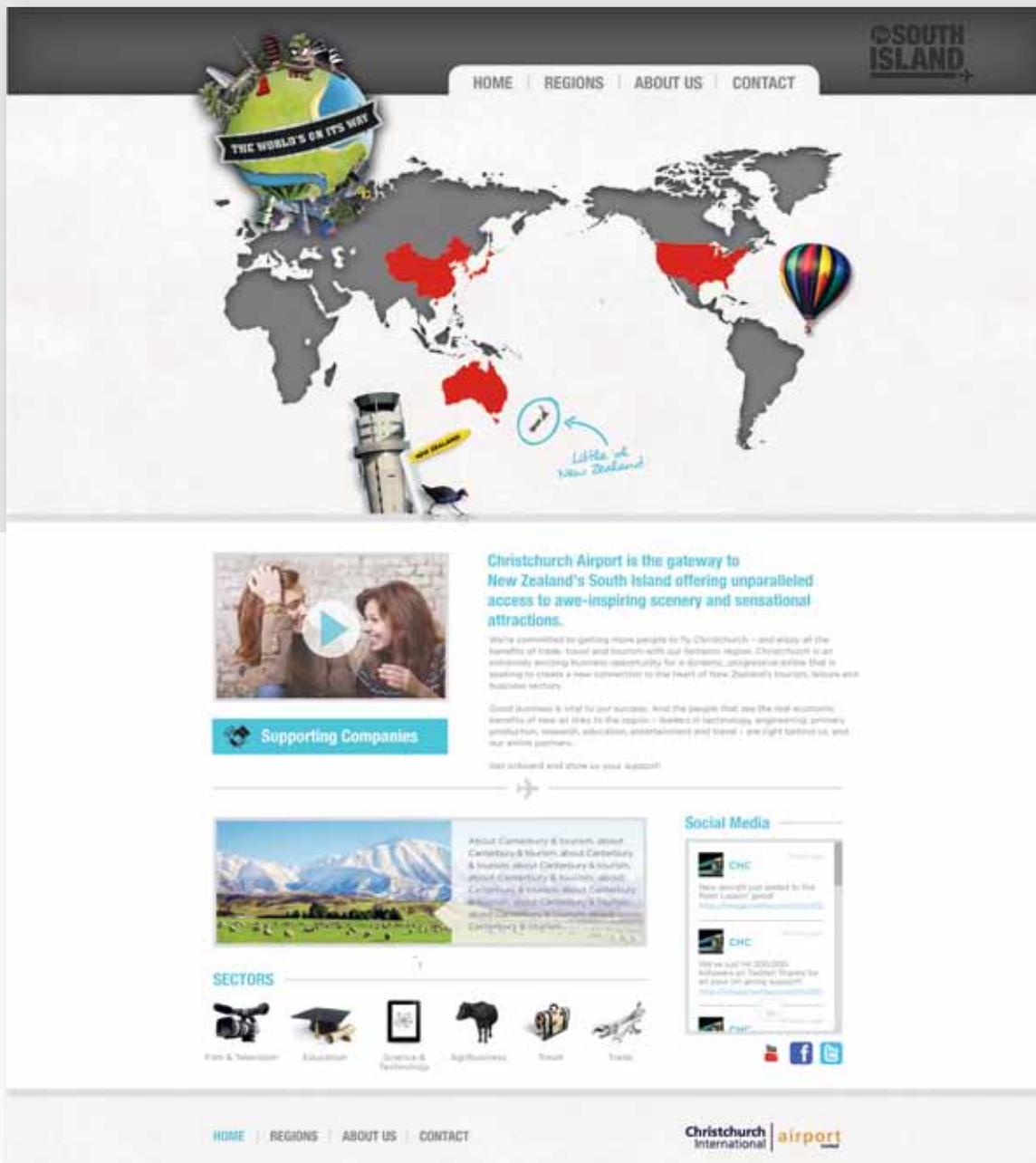


As the gateway to the spectacular South Island, Christchurch Airport provides direct access to the very places and experiences so many visitors travel to our country for. New Zealand consistently ranks highly in overseas markets as a “must see” destination. Our priority is getting direct air access to travellers who’ve told researchers they’re keen to visit New Zealand ... as well as importers and exporters who want to do business here. These markets are in some cases obvious – without doubt, most are located in Asia. As the South Island has such undeniable appeal, only direct air access from long-haul markets will deliver significant benefits to our business and, as a result, our region and the entire South Island.

To engage a wider range of stakeholders both here and off-shore, we’ve developed www.flysouthisland.co.nz

This portal provides a forum for organisations to show their support for an airline to fly directly to Christchurch. Our principal focus initially is Australian regional points not currently served, USA, China, Korea and Japan (with year round services). Other markets will follow, especially as more interest in one market or another develops.

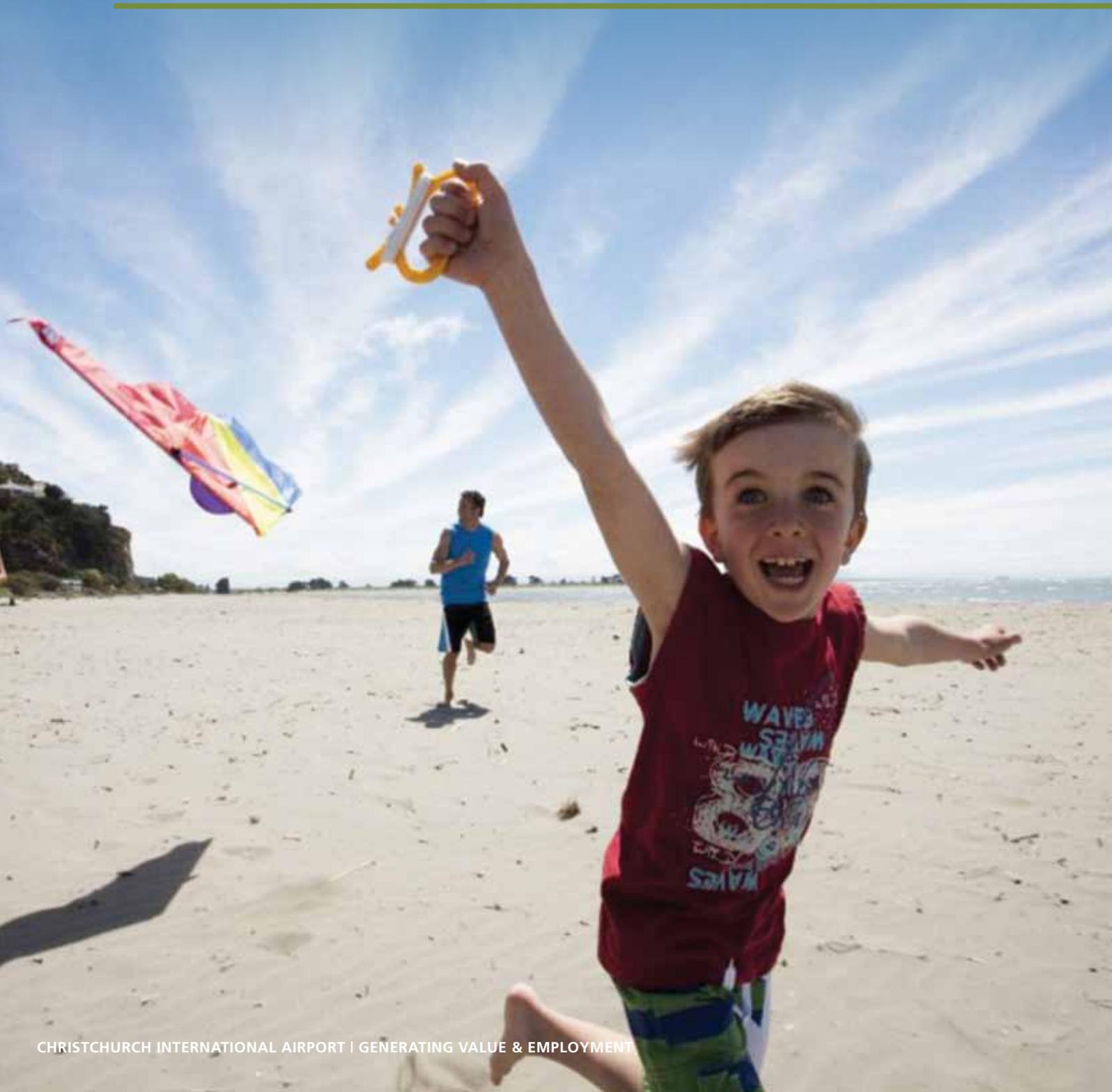
We urge you to engage with us in noting your organisation’s interest in these markets and others over time.



"Our priority is getting direct air access to travellers who've told researchers they're keen to visit New Zealand... as well as importers and exporters who want to do business here."



SUSTAINABLE GROWTH



ENVIRONMENT

Across all our operations, we endeavour to minimise our impact on land, water and air resources. The key areas of focus for the company are groundwater management, waste management, energy usage and emission reduction.





Groundwater Management

Christchurch Airport is located over the recharge zone of groundwater aquifers that supply high quality drinking water to the city. Airport operations therefore need to be strictly managed, with a range of policies and management systems focused on the protection of the valued groundwater resource.

Two deep CIAL operated groundwater wells supply all the water requirements for the airport campus. A number of other shallower wells on airport land are used as a renewable energy source for heating and cooling part of the terminal building. The water is not consumed in this process and is returned back to the ground without compromising quality.

Stormwater generated from all hardstanding areas at the airport is also discharged into the ground. Managing this stormwater so it is as clean as possible before it enters the ground is a high priority for CIAL and involves a combination of high level stormwater treatment systems, as well as a comprehensive training and monitoring programme of all airport operators and tenants.

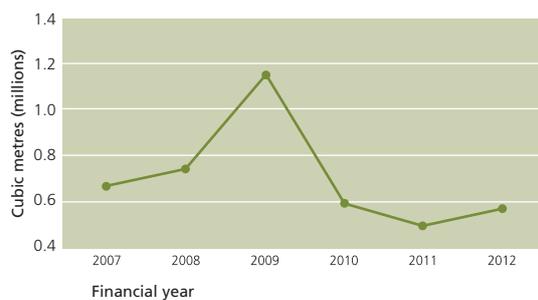
Spills

In the year ending June 2012, 12 spills were reported, three of which were significant. Significant spills are regarded as any spill over five litres and/or spills that enter a stormwater drain. As per our resource consent, all significant spills are to be reported to Environment Canterbury. Only one spill reached a stormwater drain. This comprised of soapy water and was not hydrocarbon based. 22 spills were reported in the 2010-11 year.

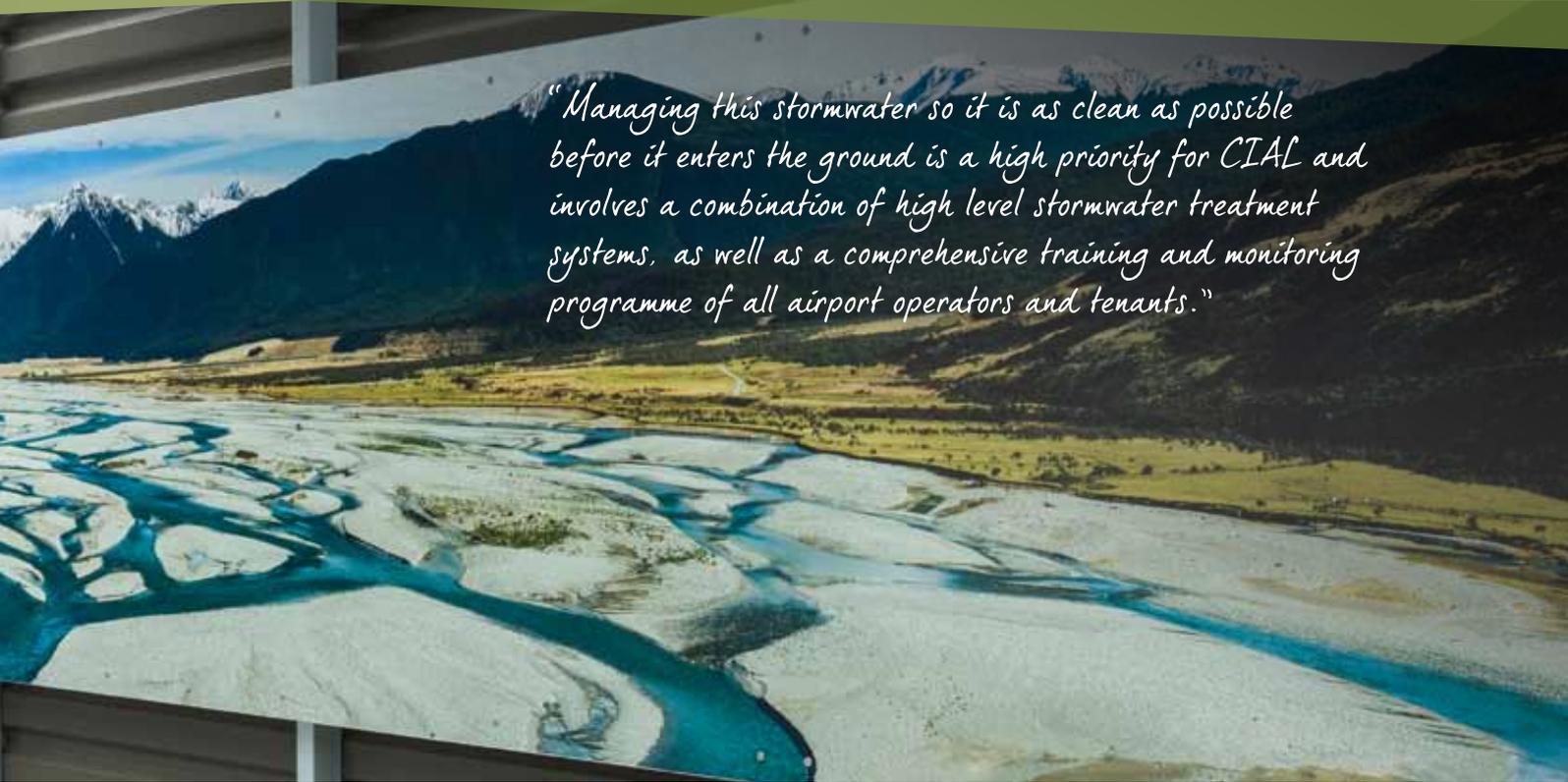
Performance measures:

- Withdrawal of potable groundwater

Groundwater abstraction for potable water use



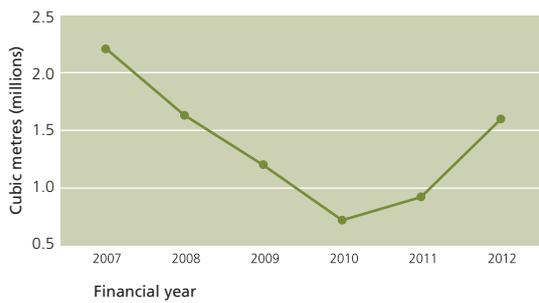
The volume of water abstracted from the ground for potable supply has remained fairly consistent over the past two years.



“Managing this stormwater so it is as clean as possible before it enters the ground is a high priority for CIAL and involves a combination of high level stormwater treatment systems, as well as a comprehensive training and monitoring programme of all airport operators and tenants.”

- Use of artesian water for heating and cooling system

Groundwater abstraction for heating and cooling purposes



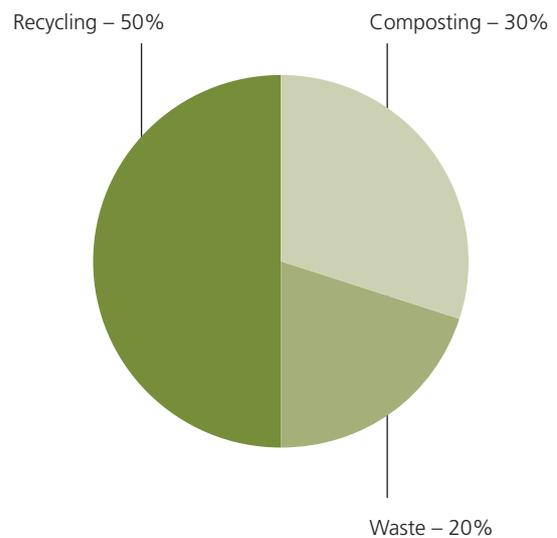
The reduction in groundwater abstraction for cooling and heating purposes from 2007 to 2010 is due to improved operational efficiencies in the old terminal. The increase since 2010 represents the compromised energy efficiency of a terminal building that is also a construction site.

Waste Management

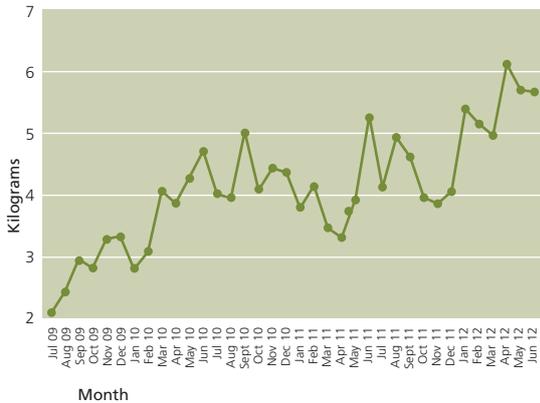
Our goal at CIAL is to divert at least 40% of the waste we generate from landfill by 2014. A joint project with cleaning provider, OCS, is underway to improve the management of our current waste system. This includes reviewing and refining how waste is dealt with

at source, how it is moved across the campus and how staff are trained. Findings from this work will form a best practice toolkit that can be applied to airports elsewhere in New Zealand.

CIAL waste breakdown (from Audit May 2012)

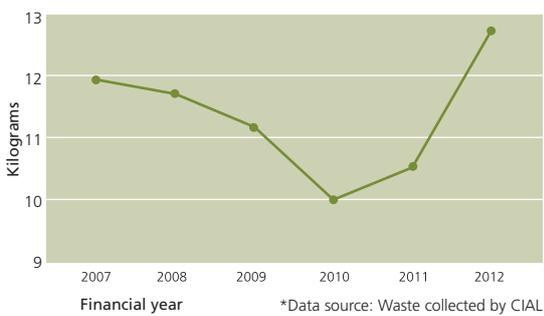


Kilograms of recycling per 100 pax



At CIAL there has been an increasing trend in recycling volumes since mid 2009.

Kilograms of waste per 100 pax



Since 2010, the volume of waste generated per passenger has increased. This is due to the Terminal Food Court and retailers coming online and also a reduction in passenger numbers since the 2011 earthquakes.

Construction and demolition waste generated by the Integrated Terminal Project is being managed under the Ministry for the Environment REBRI guidelines (Resource Efficiency in Building and Related Industries) which promote the reduction of construction and demolition waste. The ITP main contractor manages the programme and until the end of June 2012, 89% of demolition waste (data from Frews) and 57% of construction waste (data from Mastagard) has been diverted from landfill.

Energy Usage

The airport terminal, infrastructure buildings and Airport Fire Station are powered by a combination of electricity, LPG and diesel. Achieving energy efficiency is a long-term goal for CIAL, however during the construction of the new terminal building, current systems are not reaching their energy efficiency potential. This has been because of the temporary nature of some spaces, use of un-insulated materials and inefficient heating in the old terminal building.

On completion of the building (March 2013), it is expected that the energy efficiencies designed will be realised. CIAL engages independent energy consultants to assist with energy management which includes detailed audits.

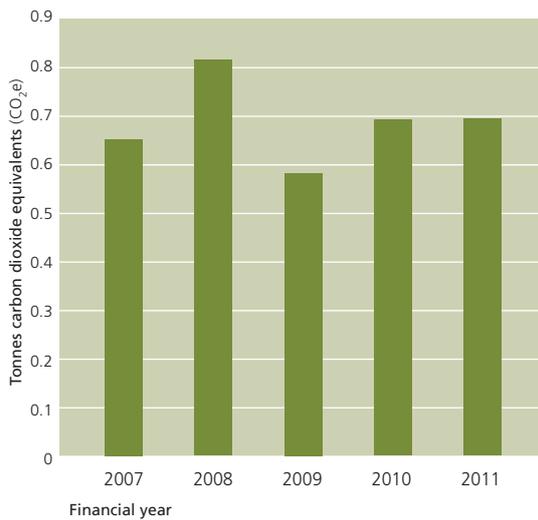
Reduction of Greenhouse Gas Emissions

At CIAL, we are maintaining our five-year commitment to measuring and managing greenhouse gas (GHG) emissions under the Landcare Research NZ CarbonZero programme. CIAL's GHG emissions for the 2011-12 period will be offset with credits from the Burwood Landfill Gas project (Christchurch).

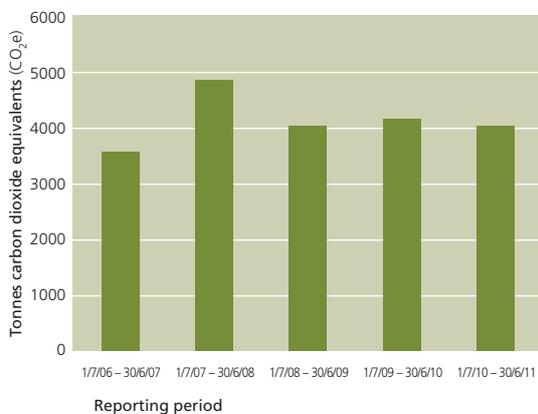
Performance measures:

(note figures for 2012 are unavailable as at date of the Annual Report)

Tonnes of CO₂ emissions per 1000 passengers



Comparison of total carbon emissions



Total operating emissions and CO₂ emissions per 1000 passengers have remained steady over the past three years at CIAL.



Providing a safe workplace is a top priority for CIAL. A full time Health and Safety Manager is employed to coordinate campus safety. This year, as a demonstration of CIAL's commitment to meeting Health and Safety obligations as a principle, the company embarked on a process to pre-qualify all CIAL contractors. This process included the completion of a questionnaire that requested evidence of the contractors' Health and Safety systems, to provide assurance to CIAL that the contractor had high standards of Health and Safety.

Currently 90 contractors have completed the pre-qualification process and have been deemed preferred suppliers to CIAL. Companies that have not completed the questionnaire must do so before they can be engaged.

The process has been very successful and has provided assurance the contractors CIAL use exhibit the same commitment to Health and Safety as CIAL does.

There has been a significant decrease in the number of escalator accidents since the opening of the new terminal. In 2010/11 year 17 accidents occurred on the old escalators, however in the 2011/12 year this has decreased to zero on the new escalators.

Statistics – Rates of Injury

Average LTIFR (lost time injury frequency rate) per month for year ending Jun 2012:

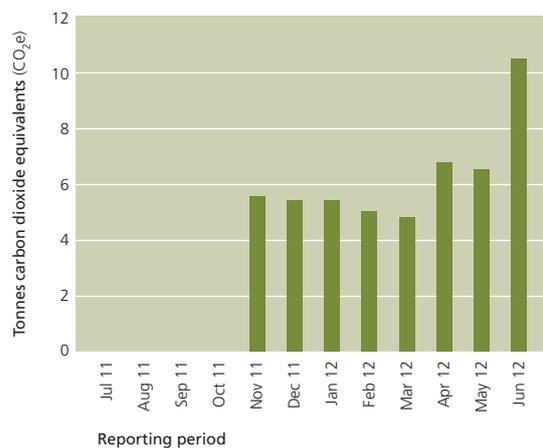
4.182 injuries per 1,000,000 man hours

Number of Lost Time Injuries for the period: **6**

Number of Medical Treatment Injuries: **11**

Occupational diseases for the period: **Nil**

Graph of LTFIRs



Terminal Induction Programme

CIAL conducts a compulsory introductory level airport awareness programme to cover health and safety, security awareness, environmental management and emergency procedures. This training programme went live on-line in May 2012. This programme has been tailored to cater for both visual and audio learning abilities. To date, 17 contractors and 11 staff have carried out the online programme.



CIAL's most visible interaction with the community has been keeping the airport open and functioning throughout all the aftershocks and other natural events.

CIAL has continued to

- run a public information campaign about the new terminal
- publish "Airport Voice", a community newsletter which is sent out to all households in Christchurch
- support various community groups through donations.

Community Engagement

The Chief Executive accepts many invitations to speak to community groups and clubs, as part of a community engagement policy. In the past year he has made addresses across the country to groups from parliamentarians to Probus groups.

The Airport Fire Service also supports community events by sending one of the Panther Fire Trucks to occasions including the Santa Parade and the Variety Club Special Children's Christmas party.

The Airport Fire Service also regularly hosts visits from schools, Scouts, Cubs, Probus and other community groups. Five times a year, it offers community groups the opportunity to raise some funds by clearing the airfield of rubbish.

Sponsorship

CIAL's sponsorship programme focuses on two main areas: supporting a couple of key events in the city, which will draw people into the region and help the local economy, and supporting various charitable organisations.

There has been an unprecedented number of requests to CIAL this past year from a wide variety of individuals, events and organisations. Every application is assessed again the company's sponsorship policy, which is accessible through the company website.

CIAL this year completed its three-year commitment to the Ellerslie International Flower Show. Not only did CIAL sponsor the event, it hosted an event in the Corporate Village and our own staff put together an award-winning flowerbed exhibit, which attracted much praise and comment.

A new three-year commitment to the Christchurch Airport Marathon began this year, with the aim of helping this decades-old event regain its status and entrant numbers, which fell away after the quakes. We offered, prepared and maintained a route around the airport campus. The event involved 4398 participants from 14 countries and was judged a success by all, elite runners and novices alike. The event benefitted almost 20 community groups, raised almost \$10,000 for Ronald McDonald House and generated economic impact close to \$2million for the region.

CIAL continued its support of the Antarctic Heritage Trust as part of supporting the city's Antarctic links.

Charitable organisations which received support included Child Cancer Foundation, the Children's Christmas Party, Heart Foundation, Ronald McDonald House, RSA Poppy Appeal and St John.

Local charitable and philanthropic organisations made applications to the Christmas Fund for a portion of monies donated by the airport company and collected in charity boxes throughout the airport. In December 2011, CIAL made donations to Avonhead Rotary Club, NZ Coastguard, Rotary Club of Christchurch, Salvation Army, SPCA Canterbury and St John.

Performance target	2012	Achievements
1. To minimise the impact of airport activities on groundwater quality through cost-effective measures to avoid or mitigate the risks of contamination	<ul style="list-style-type: none"> Completion of the Public Risk and Management Plan for Managing Potable Water and regular monitoring of potable drinking groundwater supply 	<ul style="list-style-type: none"> Underway
	<ul style="list-style-type: none"> Continue Environmental Compliance and Monitoring Programme with existing airport operators and new operators on airport land 	<ul style="list-style-type: none"> On Target
	<ul style="list-style-type: none"> Label storm water drainage systems in all new developments 	<ul style="list-style-type: none"> On Target
	<ul style="list-style-type: none"> Provide environmental training to all airport operators 	<ul style="list-style-type: none"> Environmental DVD shown to airport operators. Environmental training part of CIAL online induction training programme.
2. To investigate and implement cost-effective ways in which to progressively reduce the amount of solid waste arising from airport activities being disposed of to landfill through the development of waste minimisation and recovery measures	<ul style="list-style-type: none"> Progressively increase amount of material being diverted from landfill from 24% to 32% of total waste produced by CIAL by 2012 	<ul style="list-style-type: none"> 28% diversion of waste from landfill. Steps have been made to increase this rate (as per point below).
	<ul style="list-style-type: none"> Carry out audit of waste generated within Integrated Terminal Building and review management of waste and recycling from Terminal Operations 	<ul style="list-style-type: none"> Audit of waste carried out in May 2012. Programme to implement waste minimisation initiatives underway in conjunction with OCS Cleaning Services.
	<ul style="list-style-type: none"> Manage and measure amount of construction and waste disposal to landfill during ITP development through Target REBRI Programme 	<ul style="list-style-type: none"> On-going, to date 89% of waste has been diverted during demolition phase, and 57% of construction waste.
3. To minimise the energy consumption by airport activities through the pursuit of efficient energy practices	<ul style="list-style-type: none"> Maintain carbon-neutral status for CIAL's operational activities 	<ul style="list-style-type: none"> CIAL recertified until 2013
	<ul style="list-style-type: none"> Achieve a further 5% (Kwh/m2) energy consumption reduction over 2010 levels, by 2013 	<ul style="list-style-type: none"> Progressing, however energy efficiency is currently compromised due to the terminal building also being a construction site. On completion of the building it is expected that the designed energy efficiencies will be reached. Undergoing a project with Philips Lighting and EECA to replace 1,700 light fittings in the terminal with LED technology. This initiative will reduce the annual lighting load by more than 60%.
4. To deliver on our corporate social responsibility and community interest obligations	<ul style="list-style-type: none"> Be a key sponsor of a major city event (such as the Ellerslie International Flower Show) and one other cultural event in the city 	<ul style="list-style-type: none"> Sponsored and participated in the Ellerslie International Flower Show in 2012. Sponsored and hosted the Christchurch Airport Marathon.
	<ul style="list-style-type: none"> Support various community organisations through the CIAL Christmas Fund and other donations through the year 	<ul style="list-style-type: none"> Sponsorship and support of the following: Ronald McDonald House, Antarctic Heritage Trust, Child Cancer Foundation, the Children's Christmas Party, Heart Foundation, RSA Poppy Appeal, St John, Avonhead Rotary Club, NZ Coastguard, Rotary Club of Christchurch, Salvation Army, SPCA Canterbury.
	<ul style="list-style-type: none"> Implement an information and engagement program for stakeholders and the community, involving dissemination of information on airport issues, regular speaking engagements and Q&A sessions for the CEO and GMs, and opportunities for members of the public to engage in certain volunteering activities at the airport 	<ul style="list-style-type: none"> An active programme, with regular speeches given to a wide variety of groups and audiences, newsletters regularly published, website regularly updated, Airport Ambassadors programme well supported
5. To manage Operational Risk	<ul style="list-style-type: none"> Achieve a Bird Strike incidence rate of 3<5/10,000 aircraft movements on a 12 month rolling average basis, in line with levels set for airports of a similar scale 	<ul style="list-style-type: none"> Bird strike rate was less than four per 10,000 aircraft movements; 12 month moving average was 3.6/10,000 aircraft movements
	<ul style="list-style-type: none"> To work with statutory authorities and the community in achieving acceptance of noise contours to protect the 24/7 airport operating status 	<ul style="list-style-type: none"> Work in progress. Appeals on the draft Regional Policy Statement in Environment Court were cancelled due to the earthquakes. Now scheduled to recommence late 2012.
6. To minimise the effects of noise and vibration associated with aircraft and airport operations and to comply with relevant noise rules	<ul style="list-style-type: none"> Produce annual noise monitoring report 	<ul style="list-style-type: none"> 2011 monitoring has confirmed operators were within noise contour limits.
7. To deliver an environment for staff that is supportive, stimulating and engaging	<ul style="list-style-type: none"> Support staff during and post earthquakes 	<ul style="list-style-type: none"> Staff welfare has included food and water, other supplies appropriate to requirements and short breaks for families

Summary

FINANCIAL STATEMENTS



All Departures



The following pages are summary financial statements. The full financial statements are in Volume Two of the Annual Report and are available at www.cial.co.nz or on request.

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STATEMENT OF FINANCIAL PERFORMANCE

34

for the year ended 30 June 2012

	2012	2011
	\$000	\$000
INCOME		
Operating revenue	113,084	97,878
Fair value gain/(loss) on investment properties	6,069	(595)
Interest income	625	85
Total income	119,778	97,368
EXPENSES		
Employee remuneration	19,126	15,122
Other costs	29,483	22,146
Financing and interest costs	15,157	6,476
Depreciation, amortisation and impairment	28,151	20,793
Integrated terminal development project costs	484	682
Total expenses	92,401	65,219
Operating surplus before earthquake costs and tax	27,377	32,149
Earthquakes costs	1,079	2,701
Surplus before tax	26,298	29,448
Tax attributable to operations*	6,698	8,443
Operating surplus after taxation and before deferred tax adjustment	19,600	21,005
Deferred tax adjustment*	-	(789)
Adjusted surplus after income tax	19,600	21,794
*Total taxation expense	6,698	7,654

These summary financial statements should be read in conjunction with the full financial statements contained in Volume Two of the Annual Report. They are available at www.cial.co.nz or on request.

STATEMENT OF COMPREHENSIVE INCOME

35

for the year ended 30 June 2012

	2012	2011
	\$000	\$000
Adjusted surplus after income tax	19,600	21,794
Other comprehensive income		
Fair value gain on land and buildings	21,015	19,205
Cash flow hedges	(6,536)	(1,447)
Foreign currency cash flow hedge	-	(5)
Other comprehensive income for year, net of tax	14,479	17,753
Total comprehensive income for year	34,079	39,547

Items in the statement above are disclosed net of tax.

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2012

	Share Capital	Reserves	Retained Earnings	Total Equity
Balance at 1 July 2010	57,600	315,288	197,171	570,059
Dividends paid to shareholders	-	-	(8,547)	(8,547)
Total comprehensive income for the year	-	17,753	21,794	39,547
Balance at 30 June 2011	57,600	333,041	210,418	601,059
Dividends paid to shareholders	-	-	(17,175)	(17,175)
Total comprehensive income for the year	-	14,479	19,600	34,079
Balance at 30 June 2012	57,600	347,520	212,843	617,963

These summary financial statements should be read in conjunction with the full financial statements contained in Volume Two of the Annual Report. They are available at www.cial.co.nz or on request.

STATEMENT OF FINANCIAL POSITION

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as at 30 June 2012

	2012	2011
	\$000	\$000
EQUITY		
Share capital	57,600	57,600
Reserves	347,520	333,041
Retained earnings	212,843	210,418
Total equity	617,963	601,059
NON-CURRENT LIABILITIES		
Term borrowings	219,000	198,000
Derivative financial instruments	20,346	10,845
Deferred taxation	92,933	86,479
Trade and other payables	1,490	1,663
Total non-current liabilities	333,769	296,987
CURRENT LIABILITIES		
Trade and other payables	13,852	18,402
Current portion of borrowings	68,000	48,000
Taxation (Receivable)/Payable	1,710	(1,060)
Derivative financial instruments	783	1,141
Total current liabilities	84,345	66,483
Total liabilities	418,114	363,470
Total equity and liabilities	1,036,077	964,529
NON-CURRENT ASSETS		
Property, plant and equipment	881,566	852,744
Investment properties	128,981	88,152
Intangible assets	6,418	3,322
Trade and other receivables	8,688	9,277
Total non-current assets	1,025,653	953,495
CURRENT ASSETS		
Cash and cash equivalents	599	1,339
Trade and other receivables	9,010	9,313
Inventories	815	382
Total current assets	10,424	11,034
Total assets	1,036,077	964,529

These summary financial statements should be read in conjunction with the full financial statements contained in Volume Two of the Annual Report. They are available at www.cial.co.nz or on request.

for the year ended 30 June 2012

	2012	2011
	\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash was provided from:		
Receipts from customers	113,381	93,739
Interest received	625	85
Net goods and services tax received	-	1,579
	114,006	95,403
Cash was applied to:		
Payments to suppliers and employees	(49,953)	(42,435)
Financing and interest costs	(14,787)	(5,755)
Net income tax refunded/(paid)	3,634	(3,134)
Subvention payments	(6,600)	(6,463)
Net goods and services tax paid	(451)	-
	(68,157)	(57,787)
Net cash flows from operating activities	45,849	37,616
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash was provided from:		
Proceeds from sale of property, plant and equipment	34	38
	34	38
Cash was applied to:		
Purchase of property, plant and equipment	(53,334)	(101,826)
Purchase of investment properties	(13,517)	(8,767)
Purchase of intangible assets	(3,597)	(2,079)
	(70,448)	(112,672)
Net cash flows from investing activities	(70,414)	(112,634)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash was provided from:		
Borrowings	41,000	105,000
Cash was applied to:		
Dividends paid	(17,175)	(8,547)
Borrowings	-	(21,000)
	(17,175)	(29,547)
Net cash flows from financing activities	23,825	75,493
Net (decrease)/increase in cash held	(740)	435
Add cash and cash equivalents at beginning of the year	1,339	904
Cash and equivalents at the end of the year	599	1,339

These summary financial statements should be read in conjunction with the full financial statements contained in Volume Two of the Annual Report. They are available at www.cial.co.nz or on request.

General information

Christchurch International Airport Limited (the company) owns and operates Christchurch International Airport. The Company is owned 75% by Christchurch City Holdings Limited, a wholly owned subsidiary of Christchurch City Council, and 25% owned by the New Zealand Government.

The company is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is Level 4 Car park Building, Christchurch International Airport, Christchurch.

The company operates predominantly in the business of providing airport facilities and services to airline and airport users. All operations are based at Christchurch International Airport.

Summary of significant accounting policies

These financial statements have been prepared in compliance with "Financial Reporting Standard No.43 – Summary Financial Statements" issued by the Financial Reporting Standards Board of New Zealand Institute of Chartered Accountants (May 2007). The summary financial statements cannot provide as complete an understanding as the full financial statements which are available on the Christchurch International Airport website (www.cial.co.nz) or on request from Level 4 Car park Building, Christchurch International Airport, Christchurch.

These summary financial statements have been extracted from the Christchurch International Airport Limited 30 June 2012 full financial statements which were approved by the Board of Directors on 3 September 2012. The full financial statements received an unqualified audit opinion dated 3 September 2012. The summary financial statements were approved by the Board of Director on 3 September 2012. The summary financial statements are presented in New Zealand Dollars rounded to the nearest thousand dollars (000's).

The full set of financial statements has been prepared in accordance with NZ Generally Accepted Accounting Practices (NZ GAAP). The full set complies with NZ IFRS, and other applicable Financial Reporting Standards, as appropriate for profit oriented entities. These summary financial statements are in accordance with the recognition and measurement requirements of NZ IFRS but, in accordance with FRS-43, do not, nor are required to comply with the presentation and disclosure requirements of NZ IFRS. The summary financial statements are in respect of the Christchurch International Airport Limited's full financial statements.

Critical accounting estimates and assumptions

The preparation of financial statements requires the use of certain critical accounting estimates and assumptions. It also requires the company to exercise its judgement in the process of applying the accounting policies. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below.

i. Identification of Property, Plant and Equipment to be reclassified to Investment Property.

The company makes a decision on the assets to be included in Investment Properties based on their "interim use" as outlined in accounting policy 'o' in the full financial statements. A key factor of this classification is that the "interim use" of such property is not for aircraft related activities. The classification of property between categories gives rise to different accounting treatments which can impact the Statement of Financial Performance.

ii. Determining the fair value of Property, Plant and Equipment and Investment Property

The company uses independent valuers to determine the fair value of certain assets within the business. The valuation process requires the use of assumptions and estimates which are based on market conditions at the time. Any changes in market conditions subsequent to balance date will impact future valuations.

A movement in the fair value of an asset is subsequently recorded within the Statement of Financial Performance or Statement of Comprehensive Income, depending on the asset classification.

Impairment assessments are completed annually on various asset classes. An impairment assessment measures the recoverable amount of an asset based on projections and estimates of future cash flows specifically related to the asset. An impairment charge is recognised for any asset with a carrying value in excess of its recoverable amount.

iii. Impairment assessment of ITP work in progress expenditure

The company estimate whether there has been any impairment of the on-going value of ITP expenditure due to the continuous development of the design. This impairment is subject to Quantity Surveyor and Project Managers' review.

Other notes to the summary accounts

Events after balance date

There are no events after balance date that could significantly affect the financial statements.

Related party transactions

Details relating to transactions with related parties (predominantly Christchurch City Council owned entities) are fully disclosed in Note 21 of the full financial statements.

Changes in accounting policies and NZ IFRS

There have been no changes in accounting policies. Policies have been applied on bases as consistent as possible with those used in previous years.

COMPARISON OF ACTUAL TO FORECAST RESULTS

for the year ended 30 June 2012

The company prepares an annual Statement of Intent which is approved by shareholders and incorporates financial and performance measures for the ensuing year.

A comparison of the company's actual results for the year ended 30 June 2012 with those targets are as follows:

	2012 Achievement	2012 Target
	\$000	\$000

Financial performance

Total revenue ¹	119,778	99,865
EBITDA from operations (excluding revaluation of investment property and earthquake costs)	63,991	58,480
Net surplus after tax (excluding deferred tax adjustment)	19,600	11,783
Adjusted surplus after tax	19,600	13,283
EBITDA as % revenue	58.1%	58.6%
Ratio of adjusted surplus after-tax to average equity	3.2%	2.2%
Return on assets (adjusted surplus after tax as % on average total assets)	2.0%	1.3%

¹ Including revaluation of investment property

Operational movement targets

Aircraft

Aircraft movements (excluding General Aviation)	66,602	70,756
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Passengers

Domestic	4,131,741	4,284,285
International	1,419,859	1,311,447

Total passengers	5,551,600	5,595,732
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Operational performance targets

	\$	\$
Total operating revenue per passenger	20.37	17.85
- Aeronautical revenue per passenger	7.29	7.04
- Commercial revenue per passenger	13.08	10.80
Net profit after tax per passenger	3.53	2.11
Total assets per passenger	186.63	162.31
Net debt per passenger	51.70	36.46
Ratio of aeronautical revenue to total revenue	33.9%	46.6%

	2012	2011	2010	2009	2008
	\$000	\$000	\$000	\$000	\$000
FINANCIAL					
Revenue	119,778	97,368	96,140	86,774	89,433
Expenses	92,401	65,219	58,812	64,685	56,532
Operating surplus before tax	26,298	29,448	37,328	22,089	32,901
Operating surplus after tax	19,600	21,005	26,776	14,686	23,359
Adjusted surplus/(deficit) after income tax	19,600	21,794	(260)	14,686	23,359
Dividends paid	17,175	8,547	10,541	12,929	11,005
Return on average shareholders' equity	3.2%	3.6%	4.7%	2.6%	4.2%
Adjusted return on average shareholders' equity	3.2%	3.7%	(0.0)%	2.6%	4.2%
Total equity	617,963	601,059	570,059	560,117	563,272
Total assets	1,036,077	964,529	851,967	743,021	756,937
Net assets per share	\$10.73	\$10.44	\$9.90	\$9.72	\$9.78
Shareholders' equity ratio	59.6%	62.3%	66.9%	75.4%	74.5%
OPERATIONAL					
Passenger numbers					
Domestic passengers	4,131,741	4,287,338	4,377,773	4,333,294	4,279,503
International passengers	1,419,859	1,488,362	1,622,641	1,574,783	1,625,708
Total passenger numbers	5,551,600	5,775,700	6,000,414	5,908,077	5,905,211
Total aircraft movements (arrivals and departures)					
Domestic aircraft	63,956	65,552	68,441	70,849	72,701
International aircraft	9,228	9,977	10,575	11,224	11,391
Total aircraft movements	73,184	75,529	79,016	82,073	84,092
PERSONNEL					
Staff strength (full-time equivalents)	247	192	178	164	176

\$million (unless otherwise stated)	2012	2011	2010
Total Revenue (including fair value gains/loss on investment property)	119.8	97.4	96.1
EBITDA (excluding revaluation of investment property and earthquake costs)	63.9	59.9	60.8
Operating Surplus before Earthquake Costs and Tax	27.4	32.1	37.3
Surplus after Tax	19.6	21.0	26.8
Commercial Revenue as Proportion of Total Revenue (%)	64.6%	57.7%	53.8%

Year in Review

- Despite difficult trading conditions, CIAL achieved a number of positive results especially in light of the earthquakes/aftershocks which have now totalled more than 10,500 events. CIAL has achieved a net profit after tax of \$19.6m, being \$6.3 million ahead of budget. Included in this amount was a net tax gain on the revaluation of investment properties of \$4.1m (after the write-off of the value of a building assessed as unstable after the quakes). Excluding the impact of this greater than budgeted revaluation gain, in terms of operating profit after tax the company traded approximately \$3.6 million ahead of budget.
- While aeronautical revenues have been down on previous year's levels, and some operational expenses are higher as a result of earthquake events, increased returns from commercial opportunities and property developments have compensated for this downturn.
- All aspects of the commercial portfolio have performed above budgeted expectations including car parking, property and terminal concessions. In addition, the year saw the acquisition and successful integration and operation of the International Antarctic Centre with the business performing ahead of expectations.
- The 2011 year saw continued good progress on the development of the International Terminal Project ("ITP") with completion targeted for early 2013, and a continuation of the investment in property opportunities. Highlights included the completion of a Temporary Office Park housing five tenants, substantial completion of buildings for Hewlett Packard and Landpower in Dakota Park and the construction of a McDonald's restaurant. Planning approval has also been secured for the upcoming Spitfire Square development.

- Returns on assets and equity measures continue to reflect the constrained aeronautical environment (both movements and transition pricing) in which CIAL has been operating. Management remains focused on improving the overall return on investment as a strategic goal for the future.

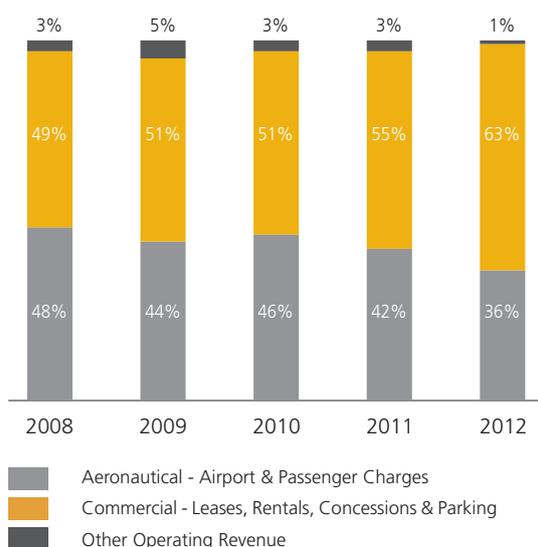
On-going impacts of Christchurch earthquakes

- The Canterbury earthquakes have continued to impact the demand for travel into and out of Christchurch airport and on direct and underlying operating costs.
- The on-going nature of the earthquakes/aftershocks, combined with a lack of conference and accommodation facilities has resulted in a continuation of the reduced demand for travel and tourism through Christchurch and the wider South Island. Airlines have responded to the reduced demand with aircraft movements being some 7% down on pre-earthquake levels.
- The earthquakes have had a number of implications for the financial performance of CIAL in the 2012 financial year. This has been represented by:
 - Revenue lost through decreased passenger travel and a reduction of flights to Christchurch. This includes revenue earned from airlines, as well as from terminal concessions and car parking (\$12.5 million);
 - Revenue gained through new opportunities, predominantly the temporary office park for companies displaced from their premises as a result of the earthquake (\$510,000);
 - Direct costs incurred as a result of earthquake damage, on-going maintenance and remediation, and structural engineering work on all land and buildings (\$1.079 million);

- Additional increases in on-going overheads, particularly in the area of insurance premiums which have increased over \$3 million on pre-earthquake levels.
- The total projected financial impact of the earthquakes in the current year is approximately \$15 million due to these factors noted above.

Revenue

Aeronautical and pure property businesses have different risk profiles which is the driver for CIAL to invest in commercial and property development. Diversifying revenue streams helps mitigate risk against volatility in the aeronautical market and contribute towards a steady income stream.



Aeronautical Revenue – remains constrained due to the on-going effects on passenger numbers of the events of the last two years as explained earlier. Full year passenger numbers reflect a 3.9% drop on the same period last year resulting in aeronautical revenue of \$40.5 million for the year which is \$1 million down from last year (2.4%).

Commercial Revenue – this category includes revenue earned from retailers, Duty Free, food and beverage operators, and other commercial operators in the terminal building. It also includes lease and rental revenues earned from property and other commercial development across the greater airport campus.

All areas of commercial and lease rentals revenue have tracked well ahead of the prior year, particularly car parking, terminal concession revenues and property rental incomes.

At \$71.1 million for the year, all commercial revenues increased \$16.95 million (31.4% over the previous year). Included in new revenue in the 2012 financial year are significant contributions from the businesses acquired over the last 18 months (the International Antarctic Centre, Craddock's Car Storage and The Wash) of around \$4.6 million.

Operating Costs and Profitability

- Operating costs have been impacted by the completion of a number of stages of the terminal project and the on-going effects of the earthquakes. In addition to the costs associated with the earthquakes as noted above, other specific examples of cost increases are the maintenance, cleaning and energy costs for the increased terminal footprint as well as increases in rates and significant costs involved with the new Commerce Commission regulatory disclosure regime.
- Despite increasing operating costs, the positive increase in revenue streams has more than offset this, resulting in EBITDA for the year (excluding revaluation of investment property and earthquake costs) which is \$4 million (6.7%) ahead of the 2011 year.
- The key reason behind the decrease in performance at the NPAT level in the current year has been increased charges to earnings through higher depreciation on the terminal development and higher interest charges (no longer capitalised to the development itself). This will continue into the 2013 financial year when the ITP project is fully completed.

Capital Expenditure and Funding

- Total capital expenditure for the year was \$63.0 million of which \$28.2 million related to on-going stages of the International Terminal Project.
- Current funding facilities in place total \$350m and overall debt level as at 30 June 2012 was \$287 million. It is forecast that debt levels are likely to peak in mid to late 2013, following completion of ITP. It is projected that there are currently sufficient funding facilities in place to cover our peak debt requirements (including maintaining a 10% headroom as per the company's liquidity policy). The company remains well within its banking covenant ratios.
- The company continues to review its capital structure to assess its optimal funding mix, with current focus being on extension of maturity profile and diversification.

Directors

David Mackenzie
Chairman

Philip Carter
Director

Catherine Drayton
Director

George Gould
Director

Justin Murray
Director

Chris Paulsen
Director

Shareholders

Christchurch City Holdings Limited
43,200,000 shares (75%)

Minister of Finance
7,200,000 shares (12.5%)

Minister for State-Owned Enterprises
7,200,000 shares (12.5%)

Total Shares

57,600,000 shares

Bankers

ANZ National Bank Ltd
Bank of New Zealand
Westpac Banking Corporation
Commonwealth Bank of Australia
Bank of Tokyo – Mitsubishi

Solicitors

Buddle Findlay, Christchurch
Chapman Tripp, Christchurch

Executive Management Team

Jim Boulton
Chief Executive

Andy Lester
Chief Operating Officer

Tim May
Chief Financial Officer

Neil Cochrane
General Manager Business Services

Matthew Findlay
General Manager Aeronautical Business Development

Geoff Eban
General Manager Terminal Development

Leeanne Carson-Hughes
General Manager Human Resources

Blair Forgie
General Manager Property & Commercial

Rhys Boswell
General Manager Planning & Environment

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On behalf of the Auditor-General

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