
5.5

MILLION
PASSENGERS
LAST YEAR AND STILL
COUNTING



ANNUAL REPORT 2013





OUR BRAND

bringing the world **South**

OUR PURPOSE

To target success through customer service, efficiency and diversification

OUR VISION

To be the **BEST** airport



SECTION ONE: BUSINESS REVIEW	2
Facts about Christchurch International Airport Limited	2
Year at a Glance	4
Chairman's Report	6
Board of Directors	8
Chief Executive's Report	10
Executive Team	20
SECTION TWO: SUSTAINABLE GROWTH	22
South	24
Environment	26
Reduction of greenhouse gas emissions	28
Workplace Safety	29
Corporate Social Responsibility	30
SECTION THREE: SUMMARY FINANCIAL STATEMENTS	32
Statement of Financial Performance	34
Statement of Comprehensive Income	35
Statement of Changes in Equity	35
Statement of Financial Position	36
Statement of Cash Flows	37
Accounting Policies	38
Comparison of Forecast to Actual Results	40
Five Year Summary	41
Financial Performance Overview	42
Directory	44
VOLUME TWO: FULL FINANCIAL STATEMENTS	
(available at www.christchurchairport.co.nz or on request)	

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 and 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.

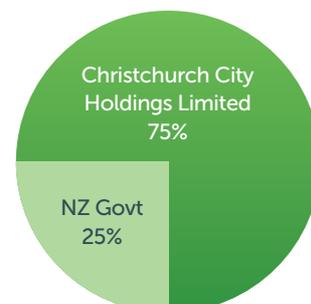
CIAL works closely with several government agencies, including



Customs, Immigration, Ministry of 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.

Ownership of Christchurch International Airport Limited



Christchurch Airport – bringing the world South

Christchurch Airport is New Zealand's second largest airport and last year welcomed five and a half million passengers. About the same number come through the airport to greet and farewell those passengers, so that's around 11 million visitors to the campus. Put another way, the entire population of the city of Timaru comes onto the campus daily.

The airport occupies a unique position economically, as the South Island's busiest and most strategic

air connection to the world's trade and tourism markets. 81% of international visitors to the South Island are welcomed and farewelled at Christchurch Airport.

In addition, the airport plays an important role as the South Island's major domestic hub servicing all New Zealanders, enabling passengers to connect to a full spectrum of destinations throughout New Zealand. Christchurch Airport is a major driver of the regional Canterbury economy, generating airport precinct related jobs for nearly 6000 people.

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.

Government policy currently offers 'Open Skies' over Christchurch until 2017, giving favourable consideration to airlines offering new services to and from the city.

Christchurch Airport is owned and operated by Christchurch International Airport Limited (CIAL). CIAL was established as a limited liability company in 1988.

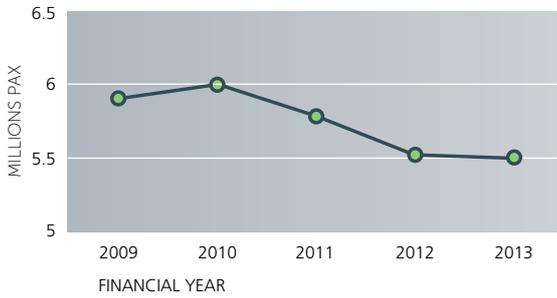
Christchurch Airport is a carbon neutral company and has received carboNZero certification from Landcare Research following a detailed measurement and analysis process. CIAL is the first airport company in the Southern Hemisphere to attain certified carbon neutral status and is the second carbon neutral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



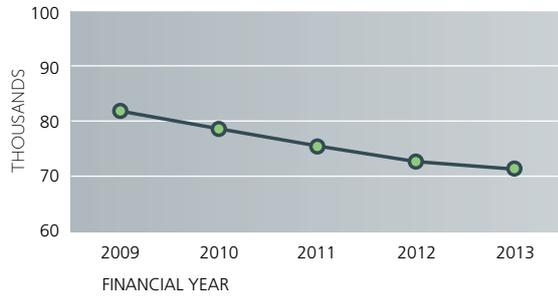
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YEAR AT A GLANCE

TOTAL PASSENGER MOVEMENTS



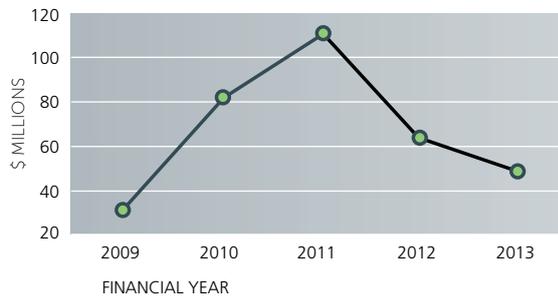
TOTAL COMMERCIAL AIRCRAFT MOVEMENTS



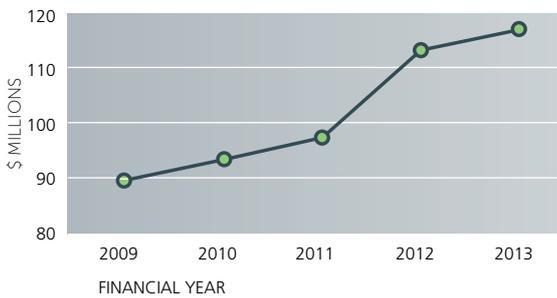
INTERNATIONAL AND DOMESTIC PASSENGER MOVEMENTS



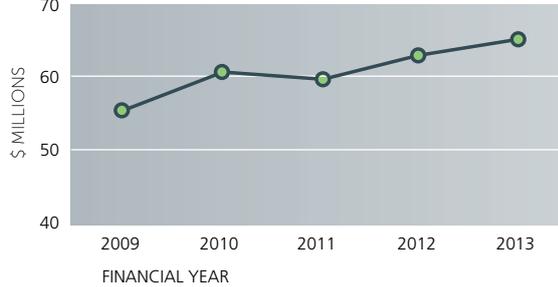
CAPITAL EXPENDITURE



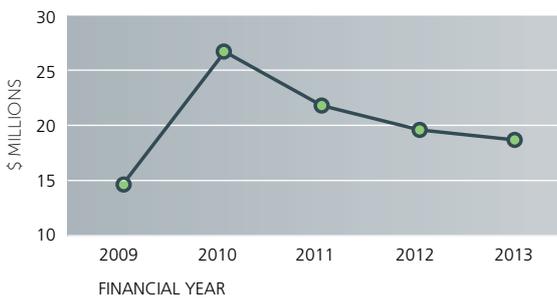
OPERATING REVENUE



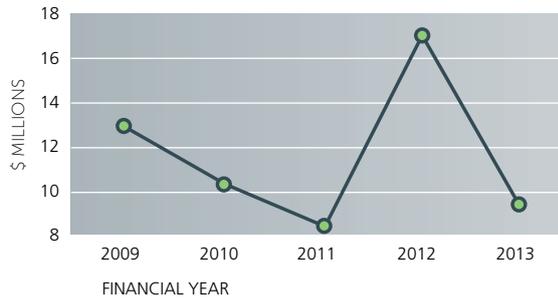
EBITDA (Earnings before interest, tax, depreciation and amortisation)
(excluding revaluation of investment property and earthquake costs)



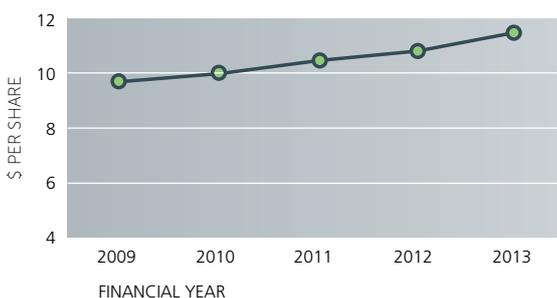
SURPLUS AFTER TAXATION (Adjusted as noted on page 5)



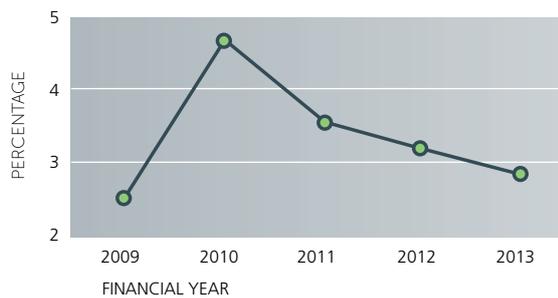
DIVIDEND PAYMENT



NET ASSET BACKING PER SHARE



RETURN ON AVERAGE SHAREHOLDERS' EQUITY



5,500,375

PASSENGER MOVEMENTS

Total passenger movements decreased by 51,225 (0.9%) over the same period ending 30 June 2012 (5,551,600), reflecting the continued impact of the Canterbury earthquakes on visitor numbers to the city.

\$47.0 million
INVESTMENT IN
AIRFIELD, TERMINAL,
CAR PARKING,
PROPERTY &
COMMERCIAL
PROJECTS



71,715

COMMERCIAL AIRCRAFT MOVEMENTS

Total aircraft movements decreased by 1,469 (2.0%) over the same period ending 30 June 2012 (73,184).

\$118.5 million

OPERATING REVENUE

Operating revenue increased by 4.8% for the year to 30 June 2013 compared with the same period last year (2012: \$113.1 m). This reflecting continued growth in property and commercial revenues, the increase in aeronautical charges which came into effect on 1 December 2012, coupled with a full twelve months revenue from the International Antarctic Centre (as compared to seven months revenue in the prior period).



\$64.9 million

EBITDA

EBITDA from operations, excluding revaluation of investment property and earthquake costs increased by 1.6% over the same period ending 30 June 2012 (\$63.9m).

\$18.4 million

ADJUSTED SURPLUS AFTER TAX

The surplus after tax, including a revaluation of investment property, decreased by \$1.2m (6.1%) over the same period ending 30 June 2012 (\$19.6m).

\$11.61 per share

\$8.849 million

CASH DIVIDENDS PAID

NET ASSET BACKING

Net asset backing per share in 2013 was \$11.61 (\$10.73 2012)

CHAIRMAN'S REPORT

One of the undoubted highlights of the year has been the completion and opening of our new terminal facilities. The new facilities significantly modernise Christchurch Airport and represent the end of an extensive construction project first proposed in 2004.

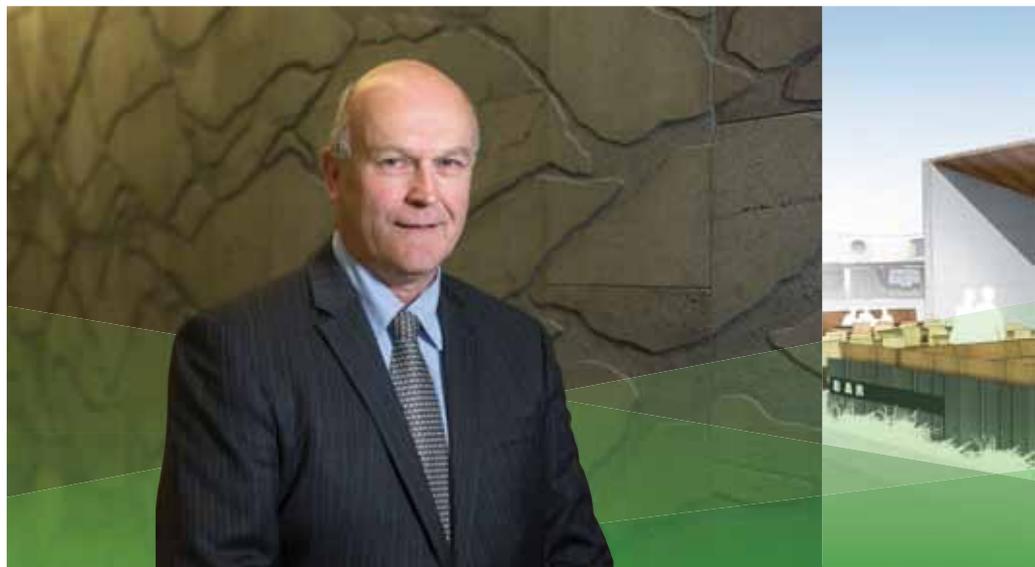
The original concept evolved as the airport company went through various planning, consultation and design processes through to 2009, when construction commenced, and it has been no minor task.

While much larger than the terminal it replaced, which was past its efficient life, part of the new terminal facilities occupies much of the footprint occupied by the former terminal.

It is a great credit to all those involved, that during the deconstruction of the former terminal and the construction of the new terminal, the airport's operations were able to continue largely unaffected. Every day thousands of airport users were able to continue passing through the facilities. Novel solutions were found to enable this, such as walkways made of shipping containers, which allowed safe passage through construction areas.

The finished terminal is a marked step up for the airport. It is efficient and well-liked by all users, airside and landside. It sets up Christchurch Airport for the next stage of its business development.

That next stage is the growth of Christchurch Airport's international air services. The board has asked management to seek out and analyse all and any opportunities to enhance those services, whether developments of existing services or new services.



The many features of the South Island, including both spectacular vistas and opportunities for memorable activities, provide a wonderful tourism asset for New Zealand.

Our project "South" is specifically designed to ensure a whole of South Island approach to tourism. We are confident that as international markets develop, particularly in Asia, airlines will recognise the value of flights which deliver their passengers direct to the area they wish to visit.

Christchurch Airport is the only wide-body jet capable airport in the South Island. It is centrally placed for tourists

arriving on direct long haul flights and seeking to explore all the whole of the South Island has to offer.

It comes as a surprise to many, to learn Christchurch Airport is actually closer to Singapore than is Auckland Airport, so for Asian travellers we are not such a remote destination. We are already seeing good direct growth out of Japan and China is another market that could deliver a great number of tourists direct to Christchurch Airport.

In my report last year I noted that the airport company was hoping to see the beginnings of increased aeronautical traffic in 2012/13. Our aeronautical

revenues have remained constrained by the effects of the 2011 seismic activity, but we are beginning to see signs of re-growth, particularly in the domestic market.

That beginning, coupled with the company's reinvigorated efforts in the international markets, gives the airport company some optimism that our aeronautical revenues will begin to recover towards their pre-seismic levels during 2014/15, then grow beyond that as new initiatives take effect.



Spitfire Square

The speed of our recovery is always going to be affected by the speed of the rebuild recovery of Christchurch City. There is inter-dependency between tourism growth and facilities available in the city. The airport company contributes to the region's recovery programme wherever it can usefully add value.

The revenue flows from our commercial property operations continue to grow, with a lot of interest currently being shown by potential tenants who find an airport location valuable for their business. We have recently announced "Spitfire Square",

a small retail precinct at the main entrance to the airport campus. There is considerable interest in this from both prospective tenants and users alike. Construction is set to commence early next year.

The commercial revenue flows created by leasing our property developments are predictable and provide the airport company with appropriate market returns. They are important because they underpin the more volatile and unpredictable aeronautical returns.

The airport continues to develop to meet the range of requirements imposed on it by airlines, passengers, commercial operators and the public. It is a much different place today from what it was just five years ago. Much of the credit for that must go to the company's chief executive, Jim Boulton, who steps down from his position at the end of 2013.

During Jim's tenure as chief executive, the physical infrastructure at the airport has been transformed, the airport company's property and commercial interests have grown and developed, its aeronautical pricing structures have been reset and the executive management team has been very effective. Christchurch Airport consistently achieves high performance ratings in independent surveys, which confirms that airport users and commercial partners are generally satisfied.

As Chair, I have enjoyed working with Jim and, together with all other directors, thank Jim for his leadership, work, and commitment and wish him well in his future endeavours.

We also acknowledge the work done by members of the executive team, as well as that of all other staff. Our business is only as good as its people make it.

The airport company is entering a new phase. It has stepped up its offerings

significantly and is now set to embark on a vigorous programme to grow its aeronautical revenues, seeking new international connections and enhancements of existing services. These things do not happen quickly, as there are considerable lead times to new route establishment and aircraft availability is always a factor. As the Christchurch city rebuild gathers pace, that will assist the airport business case, just as the improved airport will in turn assist the city with its recovery.

The company's clear objective now is to maintain momentum in property and commercial activities, and grow its aeronautical activities. That will take Christchurch Airport into the next phase of developing its business, something for which the base has been well established over recent years.

David Mackenzie
Chairman

A handwritten signature in black ink, appearing to read 'David Mackenzie'.

BOARD OF DIRECTORS



Left to right: George Gould, Justin Murray, David Mackenzie, Catherine Drayton, Chris Paulsen, Philip Carter

George Gould

Appointed: 2009

George Gould is a company director and businessman with a wide range of commercial interests. He is a director of several companies, including Orion New Zealand Limited.

George is a member of the Remuneration and Property committees.

Justin Murray

Appointed: 2011

Justin Murray is Managing Director of Murray & Co, an independent merchant banking firm 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.

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

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, Beca and the University of Canterbury Council.

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

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.

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.

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 chaired the Property Committee and sat on the Remuneration Committee.

Philip resigned from the CIAL board on August 23, 2013.

CHIEF EXECUTIVE'S REPORT



I am pleased to provide a commentary on the positive performance of Christchurch International Airport Limited (CIAL) in the past year, particularly given the milestones the company has achieved in what remain trying circumstances.

In the past year CIAL has:-

- » Completed the construction of the new Integrated Terminal on budget set in 2009
- » Achieved better than budgeted financial performance in a challenging travel market
- » In partnership with Air New Zealand, confirmed a new international service between Christchurch and Perth
- » Undertaken a re-branding of the company and the airport
- » Issued a \$75 million bond facility
- » Secured the principal tenant and agreed commercial terms to allow

the commencement of the Spitfire Square retail development

- » After long consultation with airlines, reset our aeronautical pricing till 2017
- » Maintained an outstanding level of staff engagement
- » Completed several commercial developments on time and on budget
- » Achieved major progress on several major planning issues.

On the other hand, passenger numbers have continued to show a decline from the previous year. This is a direct result of the Canterbury earthquakes and the

loss to the city of a large portion of its accommodation, convention facilities, tourism attractions and sports facilities. The loss of 500,000 passengers is always going to have significant effect on the company's financial performance.

Recovery of passenger throughput is very much dependent on the recovery of the city. Recent announcements by government and the city suggest the 2014 financial year should at least see substantial work commence towards that end.

Financial performance

CIAL's revenue comes from two principal sources, being aeronautical

income from the operations of airlines and freight carriers at the airport and commercial revenues from concessions, car parking, CIAL's own commercial businesses and property.

The continued decline in international passenger numbers (115,000 down on the previous twelve months) inevitably affects not only the aeronautical income for the company but all other revenue streams, with the exception of property. Lower passenger numbers result in lower car park usage, concession spend and Antarctic Centre visits. Conversely CIAL's operating costs are largely fixed. The cost of providing the airport's fire service capability and the operation of the terminal, for example, do not vary to any significant extent regardless of the number of passengers flowing through the airport.

Given the reduction in passenger numbers therefore, the achievement of \$18.4 million net profit after tax (last year \$19.6 million) is a satisfactory result. Comparison to last year is largely irrelevant due to a number of factors. These include the fact that the full funding cost of the terminal is now accounted for as an expense, rather than capitalised to the project, as was the case prior to completion. In addition, there is a significantly higher depreciation cost now accounted for as a result of the company's investment in the new terminal.

A better comparison lies at the EBITDA level (excluding revaluation of investment properties and earthquake costs) where CIAL achieved a surplus of \$64.9 million (last year \$63.9 million). This is a pleasing result given the decline in passenger numbers.

The after tax result includes \$6.4 million from property revaluations (last year \$6.1 million). Strong emphasis again has been placed on containment of operating costs, which were \$1.4 million below budget. The company's commercial activities again performed strongly and their performance endorses the company's decision four years ago to diversify revenue streams and concentrate on commercial incomes.

CIAL's balance sheet continued to show growth following the completion of commercial property developments and the new terminal, with total assets now at \$1,086 million (last year \$1,036 million).

Post-earthquake issues

During the year CIAL completed an assessment of all its on campus buildings, to ascertain the level of compliance with new building codes and ensure all buildings were structurally sound. With the exception of one building, which had already been earmarked for demolition post the February 2011 earthquake, all other buildings are either satisfactory or require only minor upgrades.

With more than 12,000 earthquakes recorded since September 2010 in the city, it is fair to say CIAL has had ample opportunity to ensure its emergency operating procedures are well tuned and ready to cope with any event. While the past three years have provided plenty of learning opportunities, it is important that the company maintain its capability and, to this end, CIAL regularly engages in both desktop and physical exercises to test that.

CIAL has for many years had a strong emphasis on risk identification and mitigation. The earthquakes have been a timely reminder of how important that undertaking is.

Tourism promotion

CIAL is an active participant in the tourism industry and works hard to maximise the number of international and domestic visitors to the South Island, particularly international visitors flowing through Christchurch Airport. Two years ago CIAL launched its "South" initiative which aims to improve the international recognition of the South Island as a tourism destination. While valuable work in that regard is done by the 13 Regional Tourism Organisations (RTO) spread throughout the South Island, what has been lacking is an umbrella brand aimed at increasing

the general numbers visiting the South Island. CIAL holds the view that all regions will benefit from this. Strong support has been received from the RTOs and this has enabled the appointment of a "South" representative in mainland China. CIAL considers that this will assist significantly in gaining additional South Island traffic from the principal Asian markets, particularly China.

The South Island is what is commonly known as a "touring" destination where visitors generally tend to travel to a number of destinations after they arrive. CIAL plays an important part therefore in adding economic benefit not only to Christchurch and Canterbury, but the entire South Island. Traditionally, our top markets in terms of financial yield have been Australia, the UK, the USA, Europe and varying parts (from time to time) of Asia. The emergence of China as a significant tourism market over the past few years has now seen this market become New Zealand's second largest source of international visitors. The lack of a direct China service to Christchurch has hindered Chinese visitor numbers to the South Island, although the market has grown substantially through dual destination visitors (those visiting both Australia and New Zealand) travelling in from eastern seaboard ports in Australia. The emergence of high yielding Chinese visitors and the growth of this market will be enormously important to CIAL and the South Island tourism industry in the future. As mentioned later, this underscores the importance of the work being done to attract a direct China service.

Other development work in the near future is focused on the fast growing Chinese market and includes running a "Becoming China Ready" workshop in 20 locations around the South Island. This will be primarily aimed at tourism providers and operators, in conjunction with the regional tourism body in those locations.

In terms of total promotion and marketing spend, CIAL is the third largest private enterprise contributor to growing New Zealand's important tourism industry.

CHIEF EXECUTIVE'S REPORT

Continued

Passenger numbers

In the 2013 financial year 5,500,375 passengers travelled through Christchurch Airport, of which 4,195,441 were domestic passengers and 1,304,934 were international passengers. Domestic passengers increased by 1.5% (from 4,131,741 in 2012), while international passengers decreased by 8.1% (from 1,419,859 in 2012). Overall passenger numbers were down on the previous year by 0.9%.

Domestic passenger increases were predominately driven by additional capacity on the main trunk routes, particularly Auckland (up 6%) and Wellington (up 3%) when compared to the previous financial year. Passenger numbers decreased on the Queenstown route by 24%, driven by two factors - Jetstar's decision to cease flying between Queenstown and Christchurch in November 2012 and Air New Zealand reducing capacity, by removing the B737-300 in favour of the smaller ATR72-600.

When comparing the international passenger numbers to the previous year, it is important to note that in the 2012 financial year Air Asia X was still operating, and therefore the decrease of 8.1% is solely caused by the loss of Air Asia X flights (106,000 passengers, which accounts for the equivalent of 92% of the total international passenger decrease). Of our key markets, the Brisbane route was down 19% on last year following Jetstar's decision to rationalise its Queensland routes to its Gold Coast hub. On a positive note, Sydney passengers were up 6% and Singapore passengers were also up 17%, as Singapore Airlines introduced daily services year round from five per week between April and October in the previous year.

Air service development and market growth

During the year, domestic passenger volumes returned to positive growth trends. A start to the rebuild of Christchurch has led to increasing demand for domestic seats to and from Christchurch. Both Air New Zealand

and Jetstar added more capacity on their domestic Christchurch routes. Recently Jetstar announced another increase in capacity from September 2013. It is anticipated that this will add approximately another 93,600 seats into the Christchurch market each year. As businesses gear up for a sustained economic recovery and tourism infrastructure slowly returns, more demand from the domestic market can be expected. On the back of this, Air New Zealand recently announced the commencement of a daily Kapiti Coast – Christchurch service. As Christchurch's 16th domestic destination, the service is anticipated to add approximately 36,500 additional seats. Looking forward, continued growth is expected in the domestic market, with new frequencies being added to both mainline sectors and high performing regional centres. CIAL also welcomes Air New Zealand's recent decision to reintroduce daily B737 services between Queenstown and Christchurch, to ensure an all-weather contingency is in place during the remaining winter months of August and September 2013.

Recent research has reinforced awareness of the higher stay duration and spend from international visitors to the South Island. Christchurch Airport welcomes more than 81% of all international visitors arriving directly into the South Island, plus many more arrive domestically. Our continued focus is to

grow existing airline frequencies of the international carriers currently serving Christchurch and to seek specific targeted opportunities to grow capacity to lift the volume of international arrivals into the South Island. The economic benefits of doing so are enormous. A recently commissioned study notes that for every long-haul daily service, an additional \$105m in economic benefit could be created each year.

Over last summer, Air New Zealand operated six charter flights from Nagoya – a first for Christchurch – in addition to the existing summer seasonal scheduled services from Tokyo. The charters were very successful, which has led to additional charters from this market for the 2013/14 summer.

In April 2013, Air New Zealand and partner Virgin Australia announced a significant first for the South Island, with the commencement of direct services between Christchurch and Perth. The new service to be operated by an Air New Zealand B767 will add approximately 23,900 seats into the Christchurch market, and open up the Western Australian market and beyond to the South Island, for the first time in 20 years. The service will initially operate December 2013 to April 2014.

Our resolve to connect the South Island directly to North America and China remains. So does our commitment to

Multi-lingual signage





CHIEF EXECUTIVE'S REPORT

Continued

the MOU signed with Adelaide Airport, to seek an opportunity as we have done with Perth, to link with our sister city. In September 2012, the Government provided "Open Skies" to any airline that may wish to serve Christchurch, ahead of any formal negotiations that may be required for access to the New Zealand market. Removing barriers to market entry aids decision making by foreign carriers considering services to Christchurch. CIAL believes the new Open Skies policy will deliver benefits to Christchurch during the five year period it's in existence.

CIAL welcomes the strengthening of alliances in operation at Christchurch Airport. The recently announced partnership between Emirates and Qantas should see benefit for New Zealand and in particular the South Island. The new alliance will enable Christchurch to be sold on a number of new itineraries for travelers and with improved access across their combined networks. Air New Zealand and Virgin Australia are currently seeking reauthorization to their existing partnership which we welcome and trust regulators will give the green light too before the end of the calendar year.

Already we've begun to see a return to positive trends from most of our international markets. As Asian economies continue to grow, arrival volumes continue to lift, adding to the momentum for new frequencies or services to new destinations. Underlying this has been a stronger net permanent long term immigrant arrival trend and a growing population diversity of Christchurch and the South Island. The visitor economy continues to expand, with new immigrants seeking work in the Canterbury rebuild, interest in the quality educational choices in the South Island and, as always, the stunning scenery and activities that have always been available in the South Island.

CIAL re-branding

To coincide with the official opening of the terminal, Christchurch Airport refreshed its brand with the launch of a new logo. The new logo is a

reflection of the new modern terminal and complements the CIAL business strategy. The role and strategic direction of Christchurch Airport is "bringing the world South". The new tagline was developed to position the South Island as a destination of choice for visitors to New Zealand. It also works in tandem with the "South" project.

The new colours (green, slate and stone) reflect the airport's commitment to the environment and sustainability.

CIAL's pavement maintenance programme was this year conducted on and around the intersection of both runways, so the project was difficult and complex. I am pleased to report the work came in under budget, due largely to favourable weather conditions and innovative approaches to performing the work, all of which was completed to a high standard.

On-going changes in passenger flows and behaviours have seen the terminal



The introduction of the modern colour palette also features earthy grounded colours which suggest the regional landscapes of the South Island.

The branding was introduced overnight after the official opening, delivered on time and well below budget with minimal waste as 'old' stocks were exhausted.

Operational Issues

This past financial year has seen a large amount of activity in our operational area, from further growth of our Asset Services business Propel services to successfully and seamlessly opening up the final stages of the new terminal building.

team continually evolving to meet the demands of the business. This year has seen an increased focus on passenger experience, from not only CIAL but across the entire airport community, as we continue to build on our "One Team : Best Airport" programme. It has been pleasing to see the uptake of the initiative, so CIAL's customer experience is delivered by people as well as surroundings and atmosphere.

Propel Services continues to grow as a business within a business. The level of commercial growth, along with strong customer focus, has increased and we look forward to this business delivering both internally and externally over coming years.

Aeronautical Pricing

CIAL increased aeronautical charges to airline customers on 1 December 2012, following a comprehensive and robust consultation with airline customers, in line with the requirements of the Airport Authorities Act 1966.

The increases in terminal services charges, and to a lesser extent in airfield charges, were necessary owing to a combination of:

developing the pricing proposal, CIAL has largely applied the Commerce Commission's Input Methodologies (IMs). Our forecast return for the current price reset period is below the Commission's weighted average cost of capital (WACC) estimate. However, CIAL does have a different view to the Commission as to what is an appropriate WACC – an item presently the subject of a merit review in the courts for which a judgement is expected shortly.

CIAL is committed to stimulating air services demand and tourism activity for Christchurch and the wider South Island following the Canterbury earthquakes, recognising Christchurch and CIAL's special role as the gateway to the South Island. A transition price path was therefore set from 1 December 2012, resulting in lower prices in the price reset period post the ITP investment than would normally be the case. This is a key indicator of CIAL's commitment to stimulating South Island economic activity.



Terminal development

CIAL's old domestic terminal was completed in 1960. At the time around 200,000 passengers a year travelled through the airport. That number is now handled in 12-13 days. While the old terminal had been extended and upgraded many times, by the mid-2000s it became obvious that its life was at an end and further upgrading was no longer a realistic option.

Design for the new terminal was completed in 2008 and construction commenced mid 2009. This followed a long period of consultation with CIAL's business partners, particularly the airlines.

The construction was not without its challenges. While the earthquakes did not significantly affect the new buildings, considerable time was lost while the workforce was diverted elsewhere onto emergency work. Long periods were also spent checking for damage and in particular re-calibrating the baggage handling system following major quakes. In addition, during demolition of the old terminal, some previously non-disclosed asbestos content delayed the project for around three months and cost in excess of \$2 million to remove.

As a result of these delays the terminal was completed around nine months after the scheduled time, but, remarkably in the circumstances, on the original budget set in 2009.

The terminal was officially opened by the Prime Minister on 17th April 2013 at

- » Existing airfield prices were not recovering our efficient costs,
- » The need to achieve a return on the investment in the new integrated terminal (\$217m) and recover the on-going annual major maintenance required on the airfield; and
- » The major downward shift in demand following the Canterbury earthquakes has meant we need to recover such costs from fewer flights with a lower total aircraft weight, thereby contributing to an increase in unit price.

It is CIAL's intention to recover no more than the efficient costs of current service delivery and the new ITP. In

The Commission has a requirement, as part of the Information Disclosure process, to review pricing decisions made by the major airports. This process is presently being carried out on CIAL's pricing decision, having already been completed for Wellington and Auckland airports.

In developing the pricing reset, CIAL recognised the impact of its charges on airlines' operating costs. This concern had to be balanced against CIAL's responsibility to ensure an appropriate recovery on the ITP investment was achieved for shareholders. Through the consultation, CIAL sought to achieve the right package, balancing the needs of airlines, CIAL and the travelling public.

CHIEF EXECUTIVE'S REPORT

Continued



Christchurch Airport Marathon 2013

a function recognising the importance of this development for not only CIAL, but for Christchurch and indeed the whole South Island.

There is literally not a day that goes by that we do not receive positive feedback about the new terminal. It is generally considered by our commercial partners and the travelling public alike to be an excellent state of the art facility and a fit for purpose, well designed, attractive "front door" to the city, the province and the South Island. It is particularly pleasing to note that for the last seven quarters, an independent international survey of travellers through airports has placed Christchurch as the best airport in Australasia.

Planning and regulation

To enable the deliberate and considered development of Christchurch Airport's property portfolio, CIAL has, for a number of years, been compelled to apply for resource consent applications for each and every building development. This situation has essentially evolved due to the current City Plan rules, which provide guidance on the nature and extent of development considered appropriate at Christchurch Airport. While each application has been approved by Independent

Commissioners, their decisions record the need for the Christchurch City Council (CCC) to urgently review the purpose of the Special Purpose (Airport) Zone.

In late 2012 CIAL wrote to CCC requesting it to consider a plan change. This is now a matter for the CCC to decide whether or not to notify a Plan Change.

The Greater Christchurch Transportation Statement (GCTS) has been established with CIAL representation. The purpose is to provide an over-arching transport framework for the Greater Christchurch area, to enable a consistent approach among UDS partners and key investment partners over how they plan, manage and prioritise strategic investment decisions in the transport system. It will also assist in alignment of land use planning, recovery, repair and improvement in the post-earthquake environment. This remains a work in progress.

Community engagement

CIAL is widely acknowledged as a sincere supporter of the community in which it does business. Our criteria for supporting a community project or event remain focussed on attracting visitors to the city, preferably through the airport.

We were therefore pleased to see numbers of entrants in this year's Christchurch Airport Marathon increase from those of last year's inaugural sponsorship. The event is continuing to grow after the earthquakes dented entrant numbers, with elite runners and leisure runners alike now enjoying competing on the route around the airport campus.

We continue to support the Court Theatre, through sponsorship in event programmes and the commitment to sponsor a mainstay of the events calendar. Similarly, we have committed to sponsor one of the highlights of the upcoming Christchurch Arts Festival – an event which sees collaboration between Chinese and New Zealand dancers, to be performed in China after the festival here.

We actively support the Canterbury Business Hero Awards, which recognise local business people going the extra mile to offer outstanding service. Grateful customers who have received outstanding customer service nominate their business hero for an award, which includes public recognition in local media outlets.

We have signed a five year sponsorship of the Re-focus programme, which is part of the Canterbury Youth Development Programme. Re-focus works with young boys identified as likely to embark on a criminal career before they do so, then supports them and their families as they pursue education and other opportunities, on the way to a more positive and fruitful future.

We continue to operate our Community Fund, where small change of various currencies is donated by visitors into collection bins through the terminal. When the money is tallied, a donation from CIAL is added and the resulting funds then distributed to local charity programmes which apply for funding.

Charities also receive support through our hosting annual appeal collectors within the terminal, as well as sponsorship in kind and in cash for events through the year.

CHIEF EXECUTIVE'S REPORT

Continued

Charities supported in the past year include St John, Rotary International, Heart Foundation, NZRed Cross, Queenstown Arts Centre, Ronald McDonald House, Breast Cancer Awareness, Child Cancer Foundation and Riccarton-Waimairi Lions Club.

Company managers have given several addresses over the past year to conferences, gatherings and events both here and abroad, including sharing our learnings from the emergencies we have worked our way through in recent years.

Non-aeronautical revenues

CIAL has continued its revenue diversification programme during the year, in recognition of the need to reduce its reliance on the challenging and volatile nature of the aeronautical industry. Non-aeronautical revenue accounted for approximately 63% of CIAL's total revenue for the year.

Non-aeronautical revenue is derived by CIAL from a range of sources, including terminal retail, car parking, property rentals and property development, as well as commercial enterprises including the recently acquired Craddocks vehicle storage business and the International Antarctic Centre visitor attraction.

Growth in these areas, as well as a review of our ground transport operations, has resulted in a 6.4% increase in non-aeronautical revenue year on year. CIAL has identified and is working to develop a number of other commercial opportunities across the airport campus. The performance of CIAL's commercial activities has been a highlight of the 2013 year.

Property

During the year, CIAL completed two new developments, including a data storage warehouse for Telecom New Zealand and an office and warehouse development in Dakota Park for Tokyo Foods. In addition, CIAL is well advanced towards the commencement of three additional Dakota Park developments which will occur in 2013. Work also commenced on roading and infrastructure work for stage two of Dakota Park, encompassing the extension of George Bellew Road through to Grays Road, with this work expected to be completed by the end of the 2013 calendar year.

Planning for the airport's retail precinct, Spitfire Square, is progressing satisfactorily, with construction expected to commence in the last quarter of the 2013 calendar year. Strong demand has been received from potential tenants for the precinct.

A satisfactory agreement has been reached with owners of the Sudima Christchurch Airport Hotel, which will see both a major re-development of the hotel and the opportunity for CIAL to develop backpackers' accommodation at the airport.

A profit uplift through revaluations was achieved on developments completed during the year, reflecting the overall quality and tight cost control of CIAL's property development programme.

Personnel

In last year's annual report, I mentioned the introduction of CIAL's programme "One Team : Best Airport". This programme recognises that the customer experience of anyone utilising Christchurch Airport will only be as good as their treatment by airport campus employees, no matter who on campus they may be employed by. Considerable progress has been made in the past 12 months in rolling this programme out across the airport generally and it is now embedded as part of the culture of CIAL and the major employers, such as airlines and border agencies. Eventually we hope to introduce the programme across all airport businesses where there is customer contact.

CIAL's own 300-plus staff participate in an annual confidential climate

Below: Completed airport terminal building



survey, which allows our employees to provide feedback on their view of the company and any issues related to their own position. This is a useful way for senior management to "test" the mood of our team. I'm delighted to see a continuation of improved staff engagement since these surveys were introduced five years ago. From a less than ideal position in 2008, CIAL is now recognised as a top performing company in the way it engages with, listens to and reacts to staff concerns.

CIAL is fortunate to have a very stable, long term team right across all facets of the company, whose members are passionate, engaged and vitally interested in the performance of the organisation.

As CEO, I could not be more proud of the team that makes up Christchurch International Airport.

It is with regret that I note the departure of two of our general managers during the year. Geoff Eban, General Manager Terminal Development, left the company after the completion of the terminal build. The successful completion of the project, on budget, was very much the result of Geoff's dedication and hard work over the term of the construction. CIAL is indeed indebted to Geoff for an outstanding job well done.

I also note the departure of our high

performing General Manager of Human Resources, Leeanne Carson-Hughes, earlier this year to advance her career. I have mentioned the very significant increase in staff engagement over the past five years and a large part of that has been due to the management by Leeanne.

Both Geoff and Leeanne leave CIAL with our sincere best wishes for their future careers.

I advised the CIAL board earlier this year that I would not be seeking a renewal of my contract at the end of calendar year 2013. It will bring my tenure to five years with the company – obviously a lot longer than the initial three month period I signed up for at the beginning of 2009.

The five years have seen some catastrophic and tragic events unfold in the city of Christchurch. At the same time, the period has allowed many Cantabrians' true spirits to shine through and cope with the new order now placed upon us.

The nature of CIAL's business meant that unlike most staff, our team could not leave their posts to check on family and housing, but needed to get the airport operational again in the shortest possible time. While this has been recognised by numerous awards, I do wish to record my personal heartfelt thanks to all our team for their efforts at that time.

While there have been difficulties, five years has also seen some outstanding achievement - among them the completion of our new terminal building, on budget, stands out particularly. Wider than that though, five years ago CIAL had many unfortunate issues before it and it is pleasing to leave the company with all of those matters resolved.

I look forward to watching the company grow and prosper in coming years.

Jim Boulton
Chief Executive



Below: Dakota Park buildings



CHRISTCHURCH



EXECUTIVE TEAM

Matthew Findlay
General Manager
Aeronautical Business
Development

Andy Lester
Chief Operating
Officer

Tim May
Chief Financial
Officer

Jim Boulton
Chief Executive

H AIRPORT



Rhys Boswell
General Manager
Strategy and
Sustainability

Neil Cochrane
General Manager
Business Services

Blair Forgie
Chief
Commercial
Officer



CHRISTCHURCH





URCH AIRPORT



SOUTH

Christchurch Airport is the entry point to the best New Zealand has to offer, which makes it a central player in New Zealand's tourism industry.

Visitors spend more time and more money in the South Island, which are very important factors in the recovery of Christchurch. Delivering visitors the much-promoted scenery of New Zealand's snow-capped mountains, fiords, beautiful lakes and friendly people is only possible in the South Island.

Through the "South" programme, Christchurch Airport works collegially with the island's 13 regional tourism organisations to give every visitor an unforgettable experience, so they go home enthusiastic ambassadors for the whole South Island.

The Mainland starts at Christchurch Airport.



Brochures in different languages



Website for the South campaign: www.south.co.nz

A VERY SPECIAL VISITOR

NASA's Stratospheric Observatory for Infrared Astronomy (SOFIA) had a three-week southern hemisphere deployment here in July.

The highly modified Boeing 747SP carries a high-tech German-built 2.5-meter infrared telescope and conducted nine astronomical science flights from Christchurch Airport. Mission manager Edward Harmon calls the campaign a complete success and says scientists and astronomers will

be analysing the data received from observations of the Milky Way galaxy for months to come.

The plane's presence here was parked in the United States Antarctic Programme area during the day and attracted considerable attention. SOFIA

flew out at dusk and was away nine or ten hours each time. Given the success of the images taken, the American/German team is hopeful it can return here, from its base in California, for more such missions in 2015.



Photo: Stratospheric Observatory for Infrared Astronomy (SOFIA)

Future arrivals

It was an auspicious day at the airport, when on July 30, we welcomed our first A380 – in fact, not one but two. A mechanical mishap to an aircraft taxiing on Auckland's main runway caused a number of diversions, including Emirates sending two A380s and a B777 to Christchurch. Added to our normal Emirates traffic, we ended up with four Emirates planes on the ground in one day. It caused great excitement among airport staff and Christchurch's plane enthusiasts alike, but also gave us the opportunity to assess how our facilities manage the A380s. Suffice to say, we look forward to welcoming many more in future.



Extra large planes at CIAL

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 still remain as 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 more shallow 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 2013, 35 spills were reported, nine of which were significant. Significant spills are regarded as any spill over five litres and/or spills that enter a stormwater



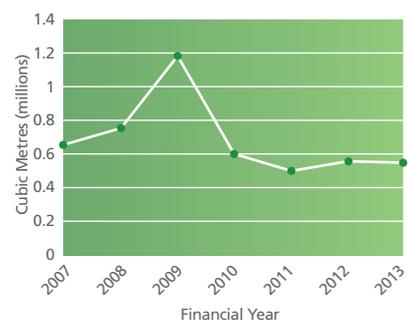
drain. Three of the nine spills reached a stormwater drain, all of which were reported to Environment Canterbury and cleaned up appropriately. A total of 12 spills was reported in the 2011-12 year and 22 spills in the previous year.

Performance measures:

» Withdrawal of potable groundwater

The volume of water abstracted from the ground for potable supply has remained fairly consistent since 2010.

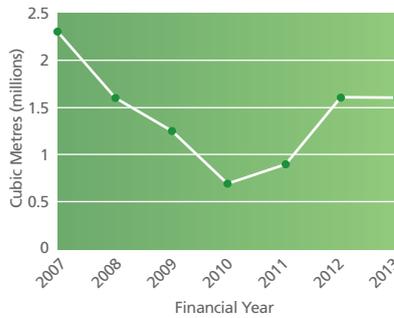
Groundwater Abstraction for Potable water use



- » Use of artesian water for heating and cooling system

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 was also a construction site up until April 2013.

Groundwater Abstraction for heating and cooling purposes

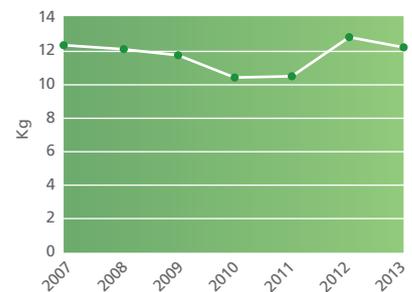


The amount of waste generated per 100 passengers has remained constant over the past two years. However, with the implementation of the three-year joint CIAL and OCS Waste Management Project, we expect to see this figure decline in the future.

Waste management was an important component of the Integrated Terminal Project. With the assistance of Hawkins Construction and Frews Contracting, the demolition stage of the project achieved 80.3% of all material being reused or recycled. In the construction stage of the project, with the assistance of Hawkins Construction and Mastagard, 55.6% of material was reused or recycled. Managing waste responsibly in this project resulted in a significantly reduced amount of material being sent to landfill, as well as cost savings.



Kilograms of waste per 100 pax



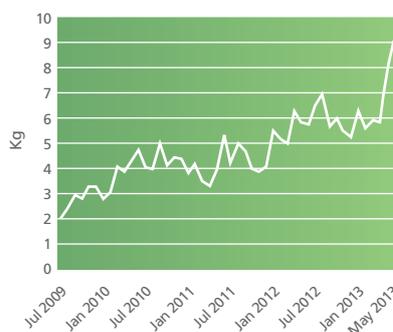
Waste management

Our goal at CIAL is to divert at least 40% of the waste we generate from landfill by 2014. A joint project with our 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.

Performance measures:

- » We continue to see an increasing trend in recycling quantities per 100 passengers.

Kilograms of recycling per 100 passengers



Energy usage

The airport terminal and infrastructure buildings, including the Airport Fire Station, are powered by a combination of electricity, LPG and diesel. The terminal building also has the advantage of groundwater assisted heating and cooling.

Now the terminal building is complete, it is undergoing an extensive energy and commissioning audit through the Energy Efficiency and Conversation Authority (ECCA). All energy saving initiatives with less than one year payback will be implemented.

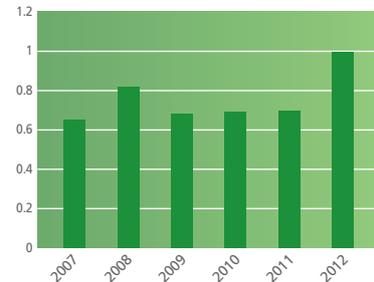
REDUCTION OF GREENHOUSE GAS EMISSIONS

Reduction of Greenhouse Gas Emissions

CIAL has been measuring and managing our greenhouse gas (GHG) emissions under the Landcare Research NZ CarboNZero programme since 2007. This includes emissions from the terminal buildings, Propel – Asset Services, Corporate Office and Airport Fire Service, in addition to the three commercial businesses: International Antarctic Centre, The Wash and Craddocks Car Storage. It does not include greenhouse gas emissions from aircraft movements, vehicles not owned by CIAL, nor buildings not operated by CIAL.

This CIAL's GHG emissions for the 2012-13 period will again be offset with credits from the Burwood Landfill Gas project (Christchurch).

Tonnes of CO₂ emissions per 1000 pax



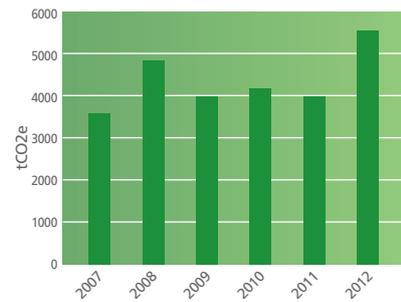
Performance measures:

(note figures for 2013 are unavailable as at printing of this Annual Report)

Total operating emissions and CO₂ emissions per 1000 passengers have increased since 2011. This is due to the

- » addition of the three commercial businesses to the portfolio;
- » an increase in electricity use in the terminal (attributable to a larger terminal area to heat and cool);
- » the fact that the new terminal uses only electricity for heating and cooling;
- » the existence of temporary walls during construction (which leads to heat escape and entry);
- » and because the old Pier was being powered by electricity, when previously it was run on a mix of diesel and LGP.

Total Operating Emissions



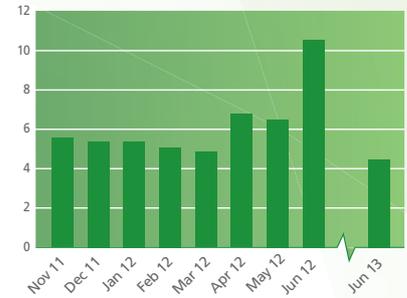
WORKPLACE SAFETY

Safety

Providing a safe workplace continues to be a top priority for CIAL. A lot of effort in 2012/2013 year has been put into removing the barriers to Health and Safety reporting. Frequently staff identify an excess of paperwork as a barrier to reporting of near misses. Reporting near misses is crucial to preventing hazards from causing harm. To promote Health and Safety reporting, CIAL has created an easy

access website that enables on-the-move reporting via smartphone, iPad or desk top computer. This website has responsive design, which means it adapts its appearance according to the device displaying it. Continuous improvement in Health and Safety is essential and we feel this website will enable us to utilise technology to make our workplaces safer.

Lost Time Injury Frequency Rate (LTIFR)



STATISTICS - RATES OF INJURY

Average LTIFR (lost time injury frequency rate) per month for year ending Jun 2013 was 4.249 injuries per 1,000,000 man hours.

NUMBER OF LOST TIME INJURIES FOR THE PERIOD:

2

NUMBER OF MEDICAL TREATMENT INJURIES:

12

NEAR MISSES REPORTED:

18

Nil

OCCUPATIONAL DISEASES FOR THE PERIOD

Terminal Induction Programme

CIAL conducts a compulsory introductory level airport awareness programme. It covers 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, 1015 contractors and 110 staff have carried out the online programme (998 contractors and 99 staff in the 2012-13 financial year).

CORPORATE SOCIAL RESPONSIBILITY

Performance Target	2013	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 Health Risk and Management Plan for Managing Potable Water and regular monitoring of potable drinking groundwater supply. 	<ul style="list-style-type: none"> A draft Public health risk management plan (PHRMP) has been completed. CIAL is no longer required to have this in place in 2013 as we are regarded in the legislation as a "self-supplier". However, the International Health Regulations do require a water management plan and we can use the draft PHRMP for this purpose. Regular monitoring of the potable water supply is carried out.
	<ul style="list-style-type: none"> Continue Environmental Compliance and Monitoring Program with existing airport operators and new operators on airport land. 	<ul style="list-style-type: none"> The ECMP has been maintained with existing and new operators on airport land.
	<ul style="list-style-type: none"> Label storm water drainage systems in all new developments. 	<ul style="list-style-type: none"> On going
	<ul style="list-style-type: none"> Provide environmental training to all airport operators. 	<ul style="list-style-type: none"> On going
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 32% to 40% of total waste produced by CIAL by 2013. 	<ul style="list-style-type: none"> Process is on-going. Diversion rates as at June 2013 is steady at 34%, however resourcing into an in-depth three - year waste minimisation project has been committed. This project commenced in March 2013, and has set targets of 40% diversion by the end of year one.
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"> On target for re-certification for 2012/13. The terminal building is complete and is currently undergoing an extensive energy and commissioning audit. All T1 initiatives (those with less than 1 year payback) will be carried out.
	<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"> CIAL has reviewed the viability of alternative energy sources such as wind and solar, and currently at this time the payback periods for such projects are not viable. However, CIAL will revisit this as technologies improve.
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 Flower show) and one other cultural event in the city 	<ul style="list-style-type: none"> Major naming rights sponsor of Christchurch Airport Marathon Sponsor of "Faultlines" dance performance within Christchurch Arts Festival (NZ-China collaboration) Sponsor of "Mid Summer Night's Dream" at Court Theatre (NZ-China collaboration)
	<ul style="list-style-type: none"> Support various community organisations through the CIAL Community Fund and other donations through the year 	<ul style="list-style-type: none"> Continuing support of community groups and charities through grants from the Community Fund Charities have also been given permission to have collectors within the terminal on their national collection day and several were also supported with discounted car parking

	<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"> CEO and other GMs undertook speaking engagements at a variety of events, from conferences to Rotary Clubs 'Airport Voice' newsletter continued to be distributed quarterly via The Press We continued to actively offer information and media releases on our website and via Facebook/Twitter People offering feedback or complaints through our website continued to get a response within 24 hours
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"> Currently at 3.5/10,000 aircraft movements. More emphasis is now being directed at off airport pest bird habitat and culling operations.
	<ul style="list-style-type: none"> Work with territorial authorities and other stakeholders to implement management strategies for pest birds which pose bird strike hazard risks 	<ul style="list-style-type: none"> This work is on-going and a stakeholder group has recently been formed under DOC leadership to examine ways to better manage Canada Geese. Discussions with ECan and DoC regarding the management of black-backed gulls on the Waimakariri River bed are underway. An understanding has been achieved with New Zealand Game Bird Hunters Association who are undertaking regular shoots of Canada Geese and Feral Pigeons at sites arranged by CIAL.
	<ul style="list-style-type: none"> To work with statutory authorities and the community to achieve general acceptance of noise contours and associated policies and rules in regional and district plans to protect the 24/7 airport operating status 	<ul style="list-style-type: none"> This work is on-going. Waimakariri and Selwyn District Plans now include the updated noise contours and appropriate Policies and Rules. The level at which the Outer Control Boundary current set at Ldn 50 dBA is subject of a review by ECan at the request of the Minister for Earthquake Recovery. The product of this review has seen the airport noise contours included within the draft Land Use Recovery Plan.
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"> Develop Noise Management Plan Ground running of aircraft engines 	<ul style="list-style-type: none"> This has been achieved with respect to CCC Rules in City Plan. The development of a Noise Monitoring Plan for Ground Running of aircraft engines is almost complete.
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"> Continued to provide financial support by distribution of donations to those staff whose houses were worst affected, practical support through provision of storage to those who need it, and emotional support for earthquake-related and any other issues through two EAP services, one with on-site presence. Grew staff engagement from 35.5% engaged to 44.1% engaged



▶ SUMMARY FINANCIAL STATEMENTS 2013

SUMMARY FINANCIAL STATEMENTS

For the year ended 30 June 2013

Statement of Financial Performance	34
Statement of Comprehensive Income	35
Statement of Changes in Equity	35
Statement of Financial Position	36
Statement of Cash Flows	37
Accounting Policies	38
Comparison of Forecast to Actual Results	40
Five Year Summary	41
Financial Performance Overview	42
Directory	44

These summary financial statements should be read in conjunction with the full financial statements available at www.christchurchairport.co.nz or on request.

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 30 June 2013

	2013	2012
	\$000	\$000
INCOME		
Operating revenue	118,462	113,084
Fair value gain/(loss) on investment properties	6,380	6,069
Interest income	371	625
Total income	125,213	119,778
EXPENSES		
Employee remuneration	21,816	19,126
Other costs	31,415	29,483
Financing and interest costs	17,405	15,157
Depreciation, amortisation and impairment	30,812	28,151
Integrated terminal development project costs	304	484
Total expenses	101,752	92,401
Operating surplus before earthquake costs and tax	23,461	27,377
Earthquakes costs	33	1,079
Surplus before tax	23,428	26,298
Tax attributable to operations	5,000	6,698
Surplus after income tax	18,428	19,600

These summary financial statements should be read in conjunction with the full financial statements available at www.christchurchairport.co.nz or on request.

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2013

	2013	2012
	\$000	\$000
Surplus after income tax	18,428	19,600
Other comprehensive income		
Fair value gain on land and buildings	24,672	21,015
Transfer from deferred tax	8,806	-
Cash flow hedges	7,410	(6,536)
Other comprehensive income for year, net of tax	40,888	14,479
Total comprehensive income for year	59,316	34,079

Items in the statement above are disclosed net of tax.

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2013

	Share Capital	Reserves	Retained Earnings	Total Equity
	\$000	\$000	\$000	\$000
Balance at 1 July 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
Dividends paid to shareholders	-	-	(8,849)	(8,849)
Total comprehensive income for the year	-	40,888	18,428	59,316
Balance at 30 June 2013	57,600	388,408	222,422	668,430

These summary financial statements should be read in conjunction with the full financial statements available at www.christchurchairport.co.nz or on request.

STATEMENT OF FINANCIAL POSITION

for the year ended 30 June 2013

	2013	2012
	\$000	\$000
EQUITY		
Share capital	57,600	57,600
Reserves	388,408	347,520
Retained earnings	222,422	212,843
Total equity	668,430	617,963
NON-CURRENT LIABILITIES		
Term borrowings	276,353	219,000
Derivative financial instruments	13,380	20,346
Deferred taxation	87,987	92,933
Trade and other payables	1,389	1,490
Total non-current liabilities	379,109	333,769
CURRENT LIABILITIES		
Trade and other payables	11,479	13,852
Current portion of borrowings	25,000	68,000
Taxation (receivable)/payable	960	1,710
Derivative financial instruments	973	783
Total current liabilities	38,412	84,345
Total liabilities	417,521	418,114
Total equity and liabilities	1,085,951	1,036,077
NON-CURRENT ASSETS		
Property, plant and equipment	888,348	881,566
Investment properties	169,383	128,981
Intangible assets	6,992	6,418
Trade and other receivables	8,099	8,688
Total non-current assets	1,072,822	1,025,653
CURRENT ASSETS		
Cash and cash equivalents	767	599
Trade and other receivables	8,265	9,010
Asset held for sale	3,234	-
Inventories	863	815
Total current assets	13,129	10,424
Total assets	1,085,951	1,036,077

These summary financial statements should be read in conjunction with the full financial statements available at www.christchurchairport.co.nz or on request.

STATEMENT OF CASH FLOWS

for the year ended 30 June 2013

	2013	2012
	\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash was provided from:		
Receipts from customers	118,611	113,381
Interest received	371	625
Net goods and services tax received	122	-
	119,104	114,006
Cash was applied to:		
Payments to suppliers and employees	(54,087)	(49,953)
Financing and interest costs	(17,187)	(14,787)
Net income tax refunded / (paid)	(2,927)	3,634
Subvention payments	(1,845)	(6,600)
Net goods and services tax paid	-	(451)
	(76,046)	(68,157)
Net cash flows from operating activities	43,058	45,849
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash was provided from:		
Proceeds from sale of property, plant and equipment	-	34
	-	34
Cash was applied to:		
Purchase of property, plant and equipment	(46,866)	(53,334)
Purchase of investment properties	(3,549)	(13,517)
Purchase of intangible assets	(1,314)	(3,597)
	(51,729)	(70,448)
Net cash flows from investing activities	(51,729)	(70,414)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash was provided from:		
Borrowings	88,000	41,000
Cash was applied to:		
Dividends paid	(8,849)	(17,175)
Capitalised borrowing costs	(312)	-
Borrowings	(70,000)	-
	(79,161)	(17,175)
Net cash flows from financing activities	8,839	23,825
Net (decrease) / increase in cash held	168	(740)
Add cash and cash equivalents at beginning of the year	599	1,339
Cash and cash equivalents at the end of the year	767	599

These summary financial statements should be read in conjunction with the full financial statements available at www.christchurchairport.co.nz or on request.

ACCOUNTING POLICIES

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.christchurchairport.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 2013 full financial statements which were approved by the Board of Directors on 2 September 2013. The full financial statements received an unqualified audit opinion dated 2 September 2013. The summary financial statements were approved by the Board of Director on 2 September 2013. 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) of 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.

imputation credits has been declared subsequent to balance date. There are no other events occurring 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.

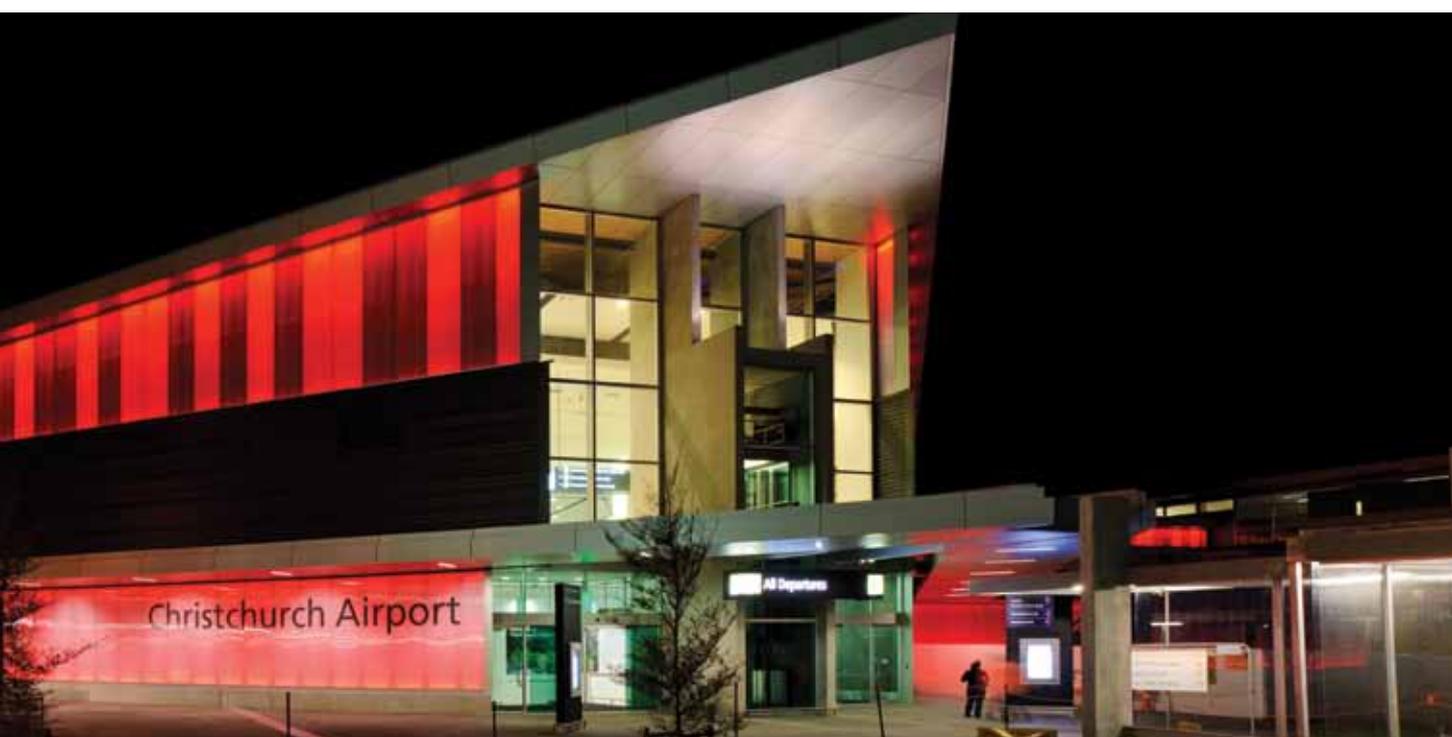
Changes in accounting policies and NZ IFRS

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

Other Notes to the Summary Accounts

Events after balance date

A final dividend of \$2,907,000 net of



COMPARISON OF FORECAST TO ACTUAL RESULTS

for the year ended 30 June 2013

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 2013 with those targets are as follows:

	2013	2013
	Achievement	Target
	\$000	\$000

Financial performance targets

Total revenue ¹	125,213	122,357
EBITDA from operations (excluding revaluation of investment property and earthquake costs)	64,927	66,779
Surplus after tax	18,428	15,233
EBITDA as % revenue	51.9%	54.6%
Ratio of net surplus after-tax to average equity	2.9%	2.6%
Return on assets (surplus after tax as % on average total assets)	1.8%	1.5%

¹ Including revaluation of investment property

Operational movement targets

Aircraft

Aircraft movements excluding General Aviation	65,332	66,787
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Passenger numbers

Domestic	4,195,441	4,135,663
International	1,304,934	1,381,763
Total passengers	5,500,375	5,517,426

Operational performance targets

	\$	\$
Total operating revenue per passenger	22.76	22.18
Aeronautical revenue per passenger	7.92	7.70
Commercial revenue per passenger	14.84	14.47
Net profit after tax per passenger	3.35	2.76
Total assets per passenger	197.43	184.87
Net debt per passenger	54.79	55.77
Ratio of aeronautical revenue to commercial revenue	34.8%	34.7%

FIVE YEAR SUMMARY

	2013	2012	2011	2010	2009
	\$000	\$000	\$000	\$000	\$000
FINANCIAL					
Revenue	125,213	119,778	97,368	96,140	86,774
Expenses	101,752	92,401	65,219	58,812	64,685
Operating surplus before tax	23,428	26,298	29,448	37,328	22,089
Operating surplus after tax	18,428	19,600	21,005	26,776	14,686
Adjusted surplus/(deficit) after income tax	18,428	19,600	21,794	(260)	14,686
Dividends paid (note 9)	8,849	17,175	8,547	10,541	12,929
Adjusted return on average shareholders' equity	2.9%	3.2%	3.6%	4.7%	2.6%
Return on average shareholder's equity	2.9%	3.2%	3.7%	(0.0)%	2.6%
Total equity	668,430	617,963	601,059	570,059	560,117
Total assets	1,085,951	1,036,077	964,529	851,967	743,021
Net assets per share	\$11.61	\$10.73	\$10.44	\$9.90	\$9.72
Shareholders' equity ratio	61.6%	59.6%	62.3%	66.9%	75.4%
OPERATIONAL					
Passenger numbers					
Domestic passengers	4,195,441	4,131,741	4,287,338	4,377,773	4,333,294
International passengers	1,304,934	1,419,859	1,488,362	1,622,641	1,574,783
Total passenger numbers	5,500,375	5,551,600	5,775,700	6,000,414	5,908,077
Total aircraft movements (arrivals and departures)					
Domestic aircraft	63,042	63,956	65,552	68,441	70,849
International aircraft	8,673	9,228	9,977	10,575	11,224
Total aircraft movements	71,715	73,184	75,529	79,016	82,073
PERSONNEL					
Staff strength (full-time equivalents)	256	247	192	178	164

FINANCIAL PERFORMANCE OVERVIEW

\$million (unless otherwise stated)	2013	2012	2011
Total Revenue (including fair value gains/loss on investment property)	125.2	119.8	97.4
EBITDA (excluding revaluation of investment property and earthquake costs)	64.9	63.9	59.9
Operating Surplus before Tax	23.4	26.3	29.4
Surplus after Tax	18.4	19.6	21.0
Non-aeronautical Revenue as Proportion of Total Operating Revenue (%)	63.2%	64.2%	57.6%

- The continued decline in international passenger numbers (115,000 or 8.1% down on the previous year) continues to constrain not only the aeronautical revenue for the company but all other associated revenue streams including terminal concession spend, car parking and the International Antarctic Centre.
- Despite this reduction in passenger numbers, CIAL has achieved a net surplus after tax of \$18.4m, being \$3.2 million ahead of budget. This is considered a satisfactory result. Included in this amount was a net after tax gain on the revaluation of investment properties of \$5.2m, and a deferred tax adjustment on non-depreciable buildings resulting in a \$1m reduction in the recorded tax expense. Excluding the impact of these amounts, in terms of operating surplus after tax the company traded slightly ahead of forecast (up 1.2%).
- Whilst aeronautical and other associated revenue streams remain constrained, and CIAL's core operating expenses are largely fixed in nature, this has been compensated to some extent by continued revenue growth from the company's commercial activities, which again performed strongly.
- 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 \$1.0 million (1.6%) ahead of the 2012 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). The combined depreciation and interest costs in the current financial year are \$4.5 million higher than last year. This will continue into the 2014 financial year, which will be the first full financial year of depreciation and interest costs relating to the ITP project now that this is completed.
- The 2013 year saw the completion of the Integrated Terminal Project ("ITP") with focus now turning to the need to achieve a satisfactory return on this significant investment. There has also been a continuation of the investment in property opportunities. Highlights included the completion of two new developments in Dakota Park (with three other additional developments in Dakota Park well advanced) and the securing of the principal tenant for the Spitfire Square retail development.
- Returns on assets and equity measures continue to reflect the constrained aeronautical environment (both movements and transition pricing) in which CIAL is operating. Management remains focused on improving the overall return on investment as a strategic goal for the future.

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.

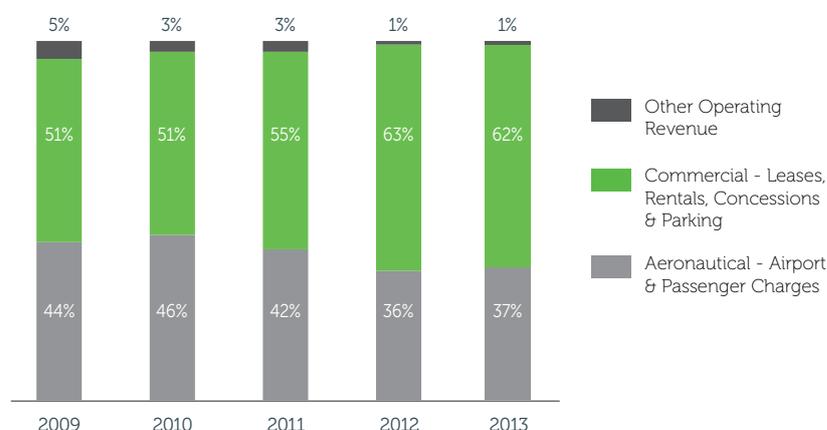
- **Aeronautical Revenue** – International passenger numbers have continued to show a decline from the previous

year, as a direct result of the Canterbury earthquakes and the loss to the city of a large portion of its accommodation, convention and sports facilities, and tourism attractions.

Airlines continue to respond to the reduced demand with aircraft movements for the year being some 9% down on pre-earthquake levels.

- Consequently aeronautical revenue remains constrained. However, CIAL has increased aeronautical charges to airline customers on 1 December 2012, following a comprehensive consultation process. Aeronautical revenue for the current year includes the impact of the new charges which came into effect on 1 December 2012, which has offset the impact of the decrease in overall passenger numbers.
- Overall this has resulted in aeronautical revenue of \$43.6 million for the year which is \$0.9 million ahead of last year (2.1%).
- **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 continue to show strong revenue growth. At \$74.9 million for the year, all commercial revenues increased \$4.5 million (6.4%) over the previous year. Included in the 2013 commercial revenue is a full twelve months revenue from the International Antarctic Centre (as compared to seven months revenue in the prior period).



Operating Costs

- Core operating costs have continued to increase following the completion of the terminal project. The increased terminal footprint means cost increases in the areas of maintenance, energy and cleaning as well as increases in rates.
- CIAL's on-going focus on the development of its property portfolio on the wider campus continues to require a significant up-front investment in wider infrastructure across the airport campus, together with the associated on-going maintenance costs.
- CIAL has also continued to invest significantly in aeronautical business development, promotion and marketing costs reflecting the on-going strategic focus of growing air services and capacity. These costs include on-going commitments to funding of the "South" program and assisting with the speed of Canterbury and the South Island's tourism recovery.
- CIAL continues to incur significant costs involved with the new Commerce Commission regulatory disclosure regime.

Capital Expenditure and Funding

- Total capital expenditure for the year was \$47.0 million of which \$26.7 million related to the final stages of the Integrated Terminal Project.
- Current funding facilities in place total \$355 million and overall debt level as at 30 June 2013 was \$305 million. It is forecast that debt levels are likely to peak in late 2014. 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.
- During the year, CIAL completed a highly successful bond issue raising \$75 million with a 7 year tenor and priced at 5.15%. The offer closed early and was heavily oversubscribed. The funds raised were used to repay certain existing bank facilities.
- CIAL is continuing to review its capital structure with the focus on extension of maturity profile and diversification, with a view to further issues into the debt capital markets in the future.

DIRECTORY

Directors as at June 30 2013

David Mackenzie
Chairman

Philip Carter
Director
Resigned August 23, 2013

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

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

Blair Forgie
Chief Commercial Officer

Rhys Boswell
General Manager Strategy and
Sustainability

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

Registered Office

Fourth Floor, Carpark Building
Christchurch International Airport
Memorial Avenue, PO Box 14-001
Christchurch, New Zealand

Telephone: +64 3 358 5029
Facsimile: +64 3 353 7730
Website: christchurchairport.co.nz

Auditors

Audit New Zealand
On behalf of the Auditor-General





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