



# Statement of Intent

Year ending **30 June 2018**



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## INTRODUCTION

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This Statement of Intent ("SoI") is prepared by the Board of Directors of Christchurch International Airport Ltd ("CIAL") in accordance with Section 64(1) of the Local Government Act 2002.

CIAL has five wholly owned subsidiaries. These wholly owned subsidiaries are currently non-trading and are not holding any assets or liabilities.

This SoI sets out for CIAL (and subsidiary companies) the objectives, the nature and scope of the activities to be undertaken, and the performance targets and other measures by which the performance of the company may be judged in relation to its objectives.

CIAL's achievements against the objectives outlined in last year's Statement of Intent are referred to in this year's Annual Report.

The SoI is a public and legally required document, reviewed and agreed annually with its shareholders and covers a three-year period. This SoI covers the period from 1 July 2017 to 30 June 2020.

Contact details for both the Chairman and Chief Executive are CIAL's registered office:

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Christchurch International Airport  
Memorial Avenue, PO Box 14-001, Christchurch

Telephone: +64 3 358 5029

Website: [www.christchurchairport.co.nz](http://www.christchurchairport.co.nz)

Christchurch International Airport Ltd is a council-controlled trading organisation ("CCTO") for the purposes of the Local Government Act 2002.

## PRINCIPAL OBJECTIVES

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Christchurch International Airport's core business is being an efficient airport operator. This encompasses providing appropriate landside and airside facilities for the airport and airport users, including both commercial and non-commercial aviation users, and pursuing commercial opportunities with wider complementary products, services and business solutions.

Consistent with this primary objective, Christchurch International Airport will:

- operate the airport in accordance with the terms of its aerodrome licence, which define standards and conditions laid down by the Civil Aviation Authority of New Zealand
- provide well-designed and maintained runways, taxiways, turnouts and aprons in co-operation with the Airways Corporation of New Zealand and other airport users
- provide airfield and terminal facilities and infrastructure that deliver the required outcomes for CIAL and existing / potential operators, with an emphasis on efficient airside activities
- pursue activities designed to ensure the safe and effective utilisation of its assets and its people
- ensure the company adopts an environmentally sustainable approach to the operation of the business (including land use, water, energy, waste and noise management) and pursue a commitment to protecting the environment, minimising use of natural resources where possible and going beyond what is required by regulation where possible.
- to operate the business in a way that generates appropriate financial returns and dividend streams for the Shareholders
- pursue opportunities to diversify revenue streams and increase the value of non-aeronautical revenue streams
- pursue initiatives to grow shareholder value and provide a sustainable revenue stream through continuing to increase the investment in, and development of, the company's property holdings
- to achieve excellence and provide leadership in health and safety management
- unequivocally champion Christchurch, Canterbury and the South Island's social and economic contribution to New Zealand
- be a good employer in providing a work environment that recruits, fosters and retains competent, motivated, committed and productive people
- exhibit a sense of social responsibility by having regard to the interests of the community in which it operates.

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## REAL GROWTH 2025 VISION AND STRATEGY

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In 2014 CIAL completed a 10-year strategy review process and set a series of 2025 outcomes it is targeting, entitled Real Growth 2025 ("RG25"). This was focused on understanding and being clear on why CIAL exists and what success might look like in the years between then and 2025.

### Our Mission

**"To be a champion airport, acknowledged at home and abroad as the engine room of the South Island's social and economic prosperity"**

The strategy review process assessed many aspects of CIAL's business and initially helped us refine and focus our mission to reflect the fact that by many operational and service measures Christchurch is already independently recognised as being a champion airport in Australasia.

FY18 will see us continue our focus of building a "Champion Airport", recognised at home and abroad as an engine room for the social and economic contribution of Christchurch and the South Island to New Zealand.

At its centre will be a Champion Team that is strongly connected to this success and focused on building Leadership, Ambition and Capability within it.

Being a champion airport will be built on three pillars:

- Building a Stronger Business; and
- Enhancing our customer journeys; and
- Being good Kaitiaki (Guardians of Safety, Security & Sustainability)

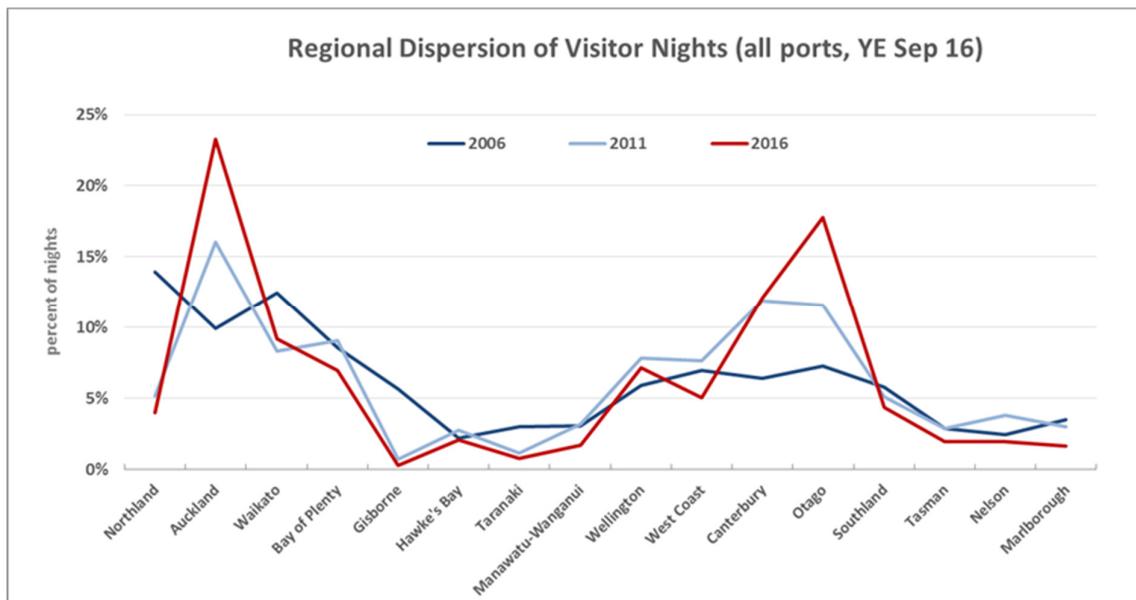
### Our Purpose

**"Unequivocally championing the South Island, changing residents and visitors' lives for the better, forever"**

Airports have a strong multiplier effect on the economies they serve, and they are critical regional economic development and social infrastructure. For CIAL, this has been independently estimated at 50:1, or for every \$1 CIAL earns, the wider South Island economy earns \$50.

We know from official statistics that when you add one international airline seat into Auckland it generates an average of 1.5 commercial guest nights in the South Island. When you add one international airline seat into Christchurch it generates an average of 7.5 commercial guest nights into the South Island. (Refer to graph below)

The activities at Christchurch Airport make a significant contribution to the social and economic wellbeing of the communities and economies of Christchurch, Canterbury and in regional social and economic development of the South Island – making a better contribution to the nation's outcomes, because building a socially strong and prosperous South Island helps build a strong New Zealand.



Source: IVS YE September 2016

## KEY INITIATIVES

Within this broad strategic framework, emphasis over the coming year will be placed on the pursuit of essential initiatives that will drive continued or increased activity in the key areas of Planes, Passengers, Property, People, Protection and Planet.

### Aeronautical (Planes)

- The aeronautical strategy remains focused on 'finding planes' and 'filling planes' with a continued understanding of the wide regional economic benefit that arises when Christchurch is the gateway, the assistance this provides to reversing the current narrowing of the regional economic tourism footprint, and emphasis on strengthening CIAL's position as the gateway into and out of the South Island by building connectivity to key regional airport hubs, especially Melbourne, Sydney, Brisbane and Auckland.
- CIAL's business development and passenger attraction activity will continue to focus on working to build regional capability to trade with, host and benefit from growth markets in China and Asia. In regard to airline partners, we will seek to develop fewer but deeper partnerships with existing and some new carriers along an arc of opportunity from Tokyo to Melbourne, with the following market priorities:
  - Australia (Australian visitors and Trans-Tasman traffic)
  - China & South East Asia (accelerate share growth from key high growth market)
  - Outbound New Zealand (capture greater share of outbound traffic via Christchurch and improve domestic capacity & connections)

## Terminal (Passengers)

- CIAL's 'Park to Plane' ("P2P") strategy remains crucial to CIAL achieving its RG25 objectives because the terminal is our largest centre of business activity. Building from what we already have to what we can achieve will depend on striking the optimal balance between increasing commercial outcomes, enhancing customer journeys and keeping people safe.
- The key elements in developing the P2P strategy include:
  - a research based approach to deepening and broadening customer relationships with monetisation built through customer preference and customer driven products and services. This will involve better utilisation of digital technology and an on-going focus on key areas at risk of disruption from digital technologies.
  - Use of research to better inform design of conducive spaces and hosting of the right retail offerings in the right places. Bring the South Island to life with a sense of warm welcome and a combination of entertainment and information.
  - protect all our people through an enhanced approach to embedding safety into our culture. Enact the vision of everyone going home safe and well at the end of each day.
  - working with strategic partners to deliver enhanced terminal productivity (e.g. hours and zones of operation, passenger flow paths, level of service objectives etc.).
  - an updated comprehensive Terminal Precinct Plan that supports the three key drivers.

## Property

- CIAL's commercial portfolio strategy remains to develop its bare land holdings by 'being a Landlord'.
- Completing the development of the Novotel Christchurch Airport, to better support the gateway nature of CIAL and continuing to progress the on-going development of Dakota Park (including the Dakota Park Freight Apron and distribution centre developments for Freightways and New Zealand Post) and Mustang Park is assumed under RG25.
- Seek to diversify the property market segments in which CIAL participates, within those permitted under PC84. For example – the development of a trade retail precinct (Harvard Park).
- CIAL's investment strategy in this portfolio is to pursue new investment where the proposed investment grows CIAL's balance sheet, increases (and de-risks) revenue streams and enhances dividend flows.
- Active asset management focused on continued improvement of property investment performance.

Refer to later sections in this document for discussion around People, Protection (Health & Safety) and Planet (Sustainability).

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## BEYOND CIAL

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CIAL acknowledges that Christchurch City Council has objectives in regard to Community Outcomes under its Long-Term Plan and that the Crown also has objectives in regard to Regional Economic Development under its national growth agenda.

CIAL's strategy is more than just being an airport – our team is proud that what they do makes a difference to the social and economic contribution our Airport, our City and our Island make to New Zealand. Every one of our team is ambitious for the outcomes CIAL can assist developing.

As a commercial entity CIAL will always act and operate as a responsible corporate citizen, noting CIAL must compete for its outcomes, especially in aviation, in a highly competitive environment with several very strong commercial entities that have a purely commercial focus.

CIAL believes that the best way it can support both shareholders' strategies in these areas is by successfully executing its Real Growth 2025 strategy, which will not only deliver wide ranging social and economic benefits to the City and the regions of the South Island, but also grow both the value of CIAL and increase shareholder cash flows which will then be available for each shareholder for investment in specific areas of interest as they see fit.

In addition, CIAL will continue to focus on the pursuit of essential on-going objectives that will be important to the Council's documented Community Outcomes and the wider local community in general.

- Ensure effective stewardship of the City's airport asset, including meeting all relevant statutory obligations.
- Create and maintain an attractive and well-designed airport environment.
- To operate the airport and its various activities in a way that supports Christchurch's sustainable economic growth.
- *Ability to operate 24/7* - The ability to operate under a 24/7 operating environment is essential to the financial and economic well-being of both CIAL and the regional economy. Planning for future growth, within the Land Use Recovery Plan, District Plan and Plan Change 84, will be actively pursued with all planning, regulatory and community bodies to ensure this capability is maintained.
- The continuing advancement of our Strategic Property Plan will require a continuing focus on maintaining the planning environment to expedite and implement value-enhancing investment initiatives.
- Health and Safety as a priority with a commitment to a safe environment for all staff and airport users.
- CIAL will continue to ensure staff engagement remains high and CIAL continues to be regarded as an employer of choice and is seen as a "great place to work".
- Minimise any adverse effects of CIAL's activities and facilities on the environment (land, waste, water, energy, noise and emissions), to be a responsible corporate citizen and to maintain strong links and regard for the community.

- Capital investment will continue to be carefully scrutinised to ensure investment is necessary, having taken consideration of the prevailing economic environment and available financial resources.
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## GOVERNANCE

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### Commitment

Directors and management are committed to effective governance. As with safety and quality, governance includes a set of systems and processes, supported by people with the appropriate competencies and principles. This provides shareholders and other stakeholders with the assurance that the company delivers on its promises.

Governance by its very nature is on-going; it does not have a finite end. Changing commercial circumstances require regular review and continually evolving systems that implement newly developed techniques and industry best practice.

### Regulatory Framework

The company operates in New Zealand and is governed by a range of legislation and regulation. This includes regulatory control under the Commerce Amendment Act; for the monitoring of Aeronautical Economic performance under the Information Disclosure monitoring regime administered by the Commerce Commission. In addition, it is regulated as an Airport under the Civil Aviation Act, Part 139, in terms of operational and safety performance.

### Governance objectives

The Board has adopted the following governance objectives:

- Approve Corporate Strategy and direction, laying down solid foundations for management and oversight
- Structure itself to utilize the expertise of Directors to add value at a governance level
- Promote ethical and responsible decision-making
- Safeguard the integrity of its financial reporting and make timely and balanced disclosure
- Recognise and manage risk and encourage enhanced performance
- Ensure the occupational health and safety of the company's people and contractors working for CIAL across the Christchurch International Airport campus
- Remunerate fairly and responsibly
- Respect the rights, and recognise the legitimate interests, of stakeholders.

These objectives are reflected in the Board's management of Board and Committee activities, CIAL's policies and governance practices.

## Role of the Board of Directors

The Board is ultimately responsible for approving CIAL's strategic direction; oversight of the management of the company and achievement of its business strategy, with the ultimate aim being to increase shareholder value while sustaining and ensuring the obligations of the company are properly met.

The Board is accountable to shareholders for the performance of the company.

In carrying out its principal function, the Board's specific responsibilities include:

- Working with executive leadership to ensure that the company's strategic goals are clearly established and communicated, and that strategies are in place to achieve them;
- Monitor management performance in strategy implementation;
- Appointing the Chief Executive, approving his or her performance and, where necessary, terminating the Chief Executive's employment;
- Approving and monitoring the company's financial statements and other reporting, including reporting to shareholders, and ensuring the company's disclosure obligations are met;
- Adopting appropriate procedures to ensure compliance with all laws, governmental regulations, applicable codes and accounting standards;
- Ensuring that CIAL's internal decision making and compliance policies and procedures are implemented, to ensure that the business of the company is conducted in an open and ethical manner;
- Approving performance criteria for CIAL and monitoring the performance of the Chief Executive and executive leadership team against these;
- Deciding necessary actions to protect CIAL's financial position and the ability to meet its debts and other obligations when they fall due, and ensuring that such actions are taken
- Ensuring that the company adheres to high ethical and corporate behaviour standards;
- Establishing procedures and systems to ensure the occupational health and safety of the company's people and contractors working for CIAL across the Christchurch International Airport campus;
- Promoting a company culture and remuneration practice which facilitates the recruitment, professional development and retention of staff;
- Ensuring that CIAL has appropriate risk management and regulatory compliance policies in place and monitoring the appropriateness and implementation of these policies.

The Board delegates day-to-day operations of the company to management under the control of the Chief Executive. Such day-to-day operations are required to be conducted in accordance with strategies set by the Board.

All directors are required to comply with a formal code of conduct, which is based on the New Zealand Institute of Directors Code of Proper Practice for Directors.

## Responsibility to Shareholders

In accordance with Section 64 of the Local Government Act 2002, each February the company submits a draft SoI for the coming financial year to Shareholders. The SoI sets out the company's overall objectives, intentions and financial and performance targets.

After due consultation and discussion with the Shareholders and completion of the annual business planning and budgeting, the final SoI is approved by the Board of Directors and delivered to the Shareholders in June.

## Board Composition and Fees

The Board consists of six Directors, four appointed by majority shareholder, Christchurch City Holdings Limited ("CCHL") and two appointed by the Minister of Finance and the Minister for State Owned Enterprises (on behalf of the New Zealand Government). From 1 July 2014, CCHL has also been appointing an intern director for a period of eighteen months in order to enable prospective directors to gain an insight into good governance practice and to observe the dynamics of sitting on a Board.

Directors' appointments are for such periods determined by the relevant shareholder, but shall not exceed three years. Retiring Directors may be reappointed by the relevant shareholder by way of notice prior to the Annual General Meeting.

Fees for the Board are reviewed regularly by the shareholders using independent advice.

The Board generally meets at monthly intervals and at other times as required. To enhance efficiency, the Board has delegated some of its powers to Board Committees and other powers to the Chief Executive and senior executives. The terms of the delegation by the Board to the Chief Executive are clearly documented.

The Chief Executive has, in some cases, formally delegated certain authorities to his direct reports and has established a formal process for his direct reports to sub-delegate certain authorities.

The Board has four formally constituted committees: the Risk, Audit and Finance Committee, the Remuneration Committee, the Property and Commercial Committee and the Aeronautical Committee. All committees have Board-approved terms of reference outlining the committee's authority, duties and responsibilities, and its relationship with the Board. Additional committees may be established based on need.

## Risk Audit and Finance Committee

The Risk, Audit & Finance Committee consists of three board members who have appropriate financial experience and understanding of the company's industry. The Board requires that at least one member of the Audit Committee be a "financial expert". In addition, the Board will nominate an appropriately experienced Director as a "health and safety" champion.

The role of the Risk, Audit and Finance Committee is to act as an advisor to the Board of Directors to assist them to discharge its responsibility to exercise due care, diligence and skill in relation to:

- Risk management and systems of internal control
- Business policies and practices
- Protection of the company's assets
- Compliance with applicable laws and regulations
- Reporting of financial information and regulatory disclosure requirements
- Financial management.

The Board authorises and empowers the Risk, Audit and Finance Committee to:

- Review and approve accounting policies and practices as they apply to the company
- Review the current risk management framework, and associated procedures for effective identification and management of the company's financial and business risks
- Review management's approach to maintaining an effective internal control environment, including implementation of relevant policies and procedures
- Review the adequacy of insurance cover at each insurance renewal and recommend to the Board any significant changes to insurance cover
- Review and approve the annual business assurance plan, and regularly monitor business assurance findings
- Recommend to the Board the appointment of the external and internal auditor and approve their fee
- Provide advice on and review the company's Annual Report and Financial Statements prior to consideration and approval by the Board
- Provide advice on and review the company's regulatory Annual Information Disclosure prior to consideration and approval by the Board
- Review, on an on-going basis, the company's capital structure and optimal funding portfolio
- Establish procedures and systems to ensure the occupational health and safety of the company's people and contractors working for CIAL across the Christchurch International Airport campus
- Seek any outside external advice it may require.

In order to fulfil this role, the Committee meets independently with both the business assurance and external auditors to provide a forum for open discussion regarding management's integrity and performance. The external auditors are only permitted to engage in assurance work.

## Remuneration Committee

The Remuneration Committee's role is to assist the Board in overseeing the management of CIAL's human resources activities. The responsibilities of the Committee are as follows:

- To review the People Strategy, structure and policies for the company and reviewing remuneration practices to ensure that they are consistent with such policies
- To oversee CIAL's recruitment, retention and termination policies and procedures for the Executive Leadership team, and the succession planning for the Executive Leadership team and the Chief Executive
- To review the performance of the Chief Executive, the engagement agreement and benefit structure for the Chief Executive and the Executive Leadership Team, and recommend to the Board the Executive Leadership team incentive remuneration plans, other employee benefits, and key performance objectives.

## Property & Commercial Committee

The Property and Commercial Committee's role is to assist the Board in ensuring that the Company maximises the level of returns received (and wider economic value to the business as a whole) from investments made in property development, on-going property management and other commercial opportunities.

The responsibilities of the Committee are:

- To regularly review, test and recommend for approval the company's property and commercial development and management strategy (including its priorities) to ensure that it remains appropriate having regard to all relevant matters. Such matters shall include the company's financial position, maintenance of a balanced property portfolio, property market conditions, regulatory planning issues, strategic focus and priorities, timetabling of investments, and any other matters considered relevant by the Committee
- To review and recommend for approval the principles and standards with respect to the company's property and commercial investment strategy, in respect of the type of property investment, and rates of return parameters to be achieved.
- Review and recommend to the Board approval of significant property and commercial investment and development proposals.
- Review and recommend to the Board the long-term property investment and commercial development path to be pursued.

## Aeronautical Committee

The Aeronautical Committee's role is to assist the Board in overseeing aeronautical activity to ensure that CIAL obtains the best level of return the aeronautical segment of the business is reasonably able to produce, while ensuring its aeronautical operations are safe and efficient, and represent best aviation practice.

The responsibilities of the Committee are to:

- To review and recommend to the Board strategies in respect of the provision of aeronautical facilities, general aviation and aeronautical business development (including marketing and pricing issues)
- To review specific proposals, and subsequent post project reviews, relating to aeronautical charging, commercial arrangements to support route development initiatives, and airline incentives or promotions
- To review the returns and aeronautical market position being achieved by CIAL's aeronautical business to ensure it is in line with the overall objectives of CIAL's business strategy
- To report to the Board annually, or as required, on; the safety, effectiveness and operational bench-marking of CIAL's aeronautical operations; the market position of its aeronautical business; the returns being achieved on individual aeronautical initiatives; and, the effectiveness and the implementation of CIAL's aeronautical strategies.

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## FINANCIAL PERFORMANCE TARGETS

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CIAL's key objectives are to operate as a successful commercial entity, actively benchmarked against the industries we operate in and through that deliver sustainable growth in long-term value and dividends to our shareholders.

It has previously been recognised that an uplift in performance is required to achieve acceptable rates of shareholder return, and as explained previously the RG25 strategy employed out to 2025 is focused on an improved commercial performance and a target return on equity ("ROE") for shareholders of a consistent 7% p.a. (after tax and noting the FY14 starting point was a ROE of 2.6%).

When considering the sustainable target return on equity, it should be noted that:

- approximately 46% of CIAL's current revenues are regulated under the Commerce Commission's Information Disclosure Regime. This effectively caps the revenue that CIAL can earn from its Regulated Asset Base for each 5-year pricing cycle based on a mid-point WACC calculated by the Commerce Commission at the start of that period (currently assessed at 6.4% for the next 5-year period).
- CIAL holds land for long term airport development, for which a fair return is unable to be achieved in the short term. In addition, CIAL's Regulated Asset Base (value) on which it is permitted to seek the Commerce Commission's return is lower than the accounting asset base (value). This arises via the difference in valuation methodologies required by the regulatory and accounting frameworks.

The forecast performance below identifies the outcomes to be achieved over the ensuing three years; however, it must be accepted that it will take some time to achieve the targeted returns, due to the following factors:

- For CIAL to reach its RG25 aspirations, it needs to have both gateway and destination passenger growth. The earthquakes significantly impacted Christchurch as a destination. CIAL's view remains that rebuilding this segment will only be possible through a combination of delivering on the anchor projects and implementing a co-ordinated visitor strategy that covers both destination management and destination attractions across all the sectors of the visitor economy. The delay in these outcomes is still resulting in Christchurch not experiencing the level of passenger growth experienced by other major New Zealand tourism destinations. This trend is likely to continue over the near term, but will increase as the pace of the reinstatement of Christchurch picks up.
- the land bank can only be developed at a rate that planning requirements and market demand allow; and
- returns on new infrastructure development, predominantly the integrated terminal project, will be determined by the market conditions of the aviation sector and the levelised price path set to achieve the required economic return.

\$m	2017 Forecast	2018 Forecast	2019 Forecast	2020 Forecast
Total Revenue	176.1	178.9	194.3	204.3
EBITDAF <sup>1</sup>	109.9	110.5	126.2	133.7
Net Profit After Tax	42.8	44.5	49.3	51.7
EBITDAF as % of Revenue	62.7%	61.7%	64.9%	65.4%
Return on Average Equity <sup>2</sup>	5.3%	5.6%	6.0%	6.3%
Return on Average Total Assets <sup>3</sup>	3.3%	3.5%	3.7%	3.7%

The financial performance targets as detailed in the table above show the revenue, profit and financial return expectations for the rest of the 2017 financial year and the following three years.

- CIAL's next aeronautical price reset will take effect from 1 July 2017, the start of FY18. CIAL has recently completed its consultation process with its substantial airline customers on its pricing proposal for the next 5-year period from 1 July 2017 to 30 June 2022.
- It should be noted that based on CIAL's final pricing decision, the allowable revenue that CIAL can earn in FY18 from its regulated aeronautical activities is significantly lower than was forecast in last year's SoI and earned in FY17. This is due to the current lower than expected base interest rate environment which leads to a lower return on our capital ("WACC") that the Commerce Commission will allow.
- Current assumption is that aeronautical revenue numbers will be supported by the forecast growth in passenger numbers as outlined in the commentary below and consistent with our pricing consultation process.
- Non-aeronautical revenue will continue to grow, predominantly reflecting a market rate rental return from the planned property development program over the next three years (including the hotel project).
- Through a focus on productivity driven investment, CIAL will look to keep its core operating cost base inside CPI to allow revenue gains to flow through to an improved EBITDA outcome over the period.

<sup>1</sup> Earnings before interest, tax, depreciation, amortisation and fair value movements.

<sup>2</sup> Net profit after tax as % of average equity.

<sup>3</sup> Net profit after tax as % of average total assets.

## Passenger Numbers

Passengers	2017 Forecast	2018 Forecast	2019 Forecast	2020 Forecast
Domestic	4,897,012	5,033,627	5,180,106	5,312,539
International	1,621,713	1,660,951	1,702,106	1,765,140
<b>Total Passengers</b>	<b>6,518,725</b>	<b>6,694,578</b>	<b>6,882,212</b>	<b>7,077,679</b>

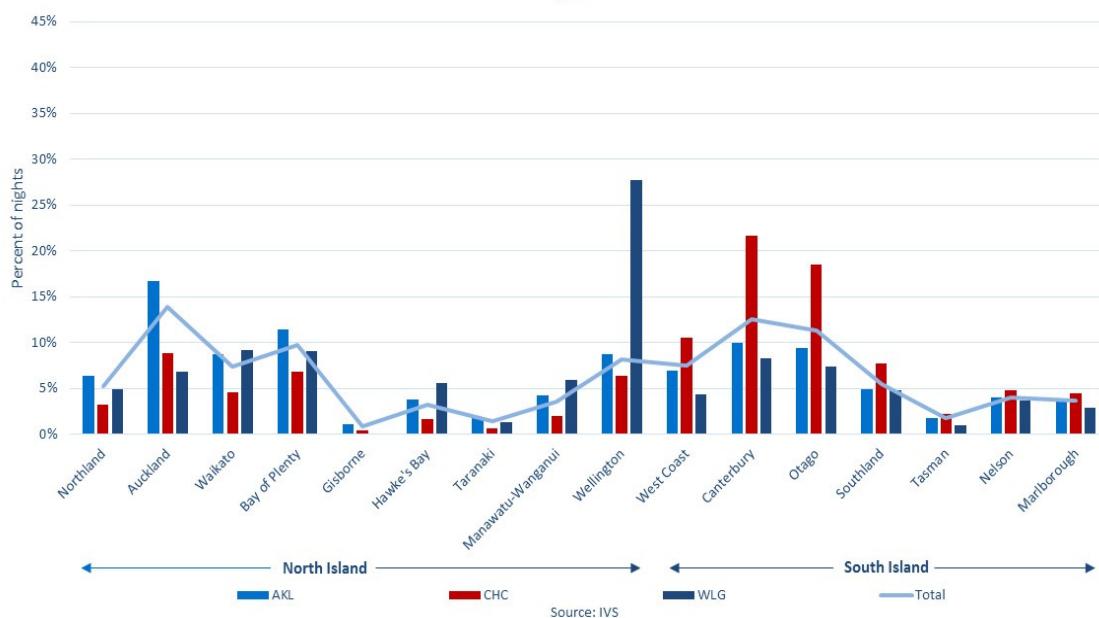
CIAL has engaged Three Consulting to assist in forecasting demand for the next five-year period in conjunction with demand forecasts used for the current pricing consultation process.

Key features of the demand calculation are:

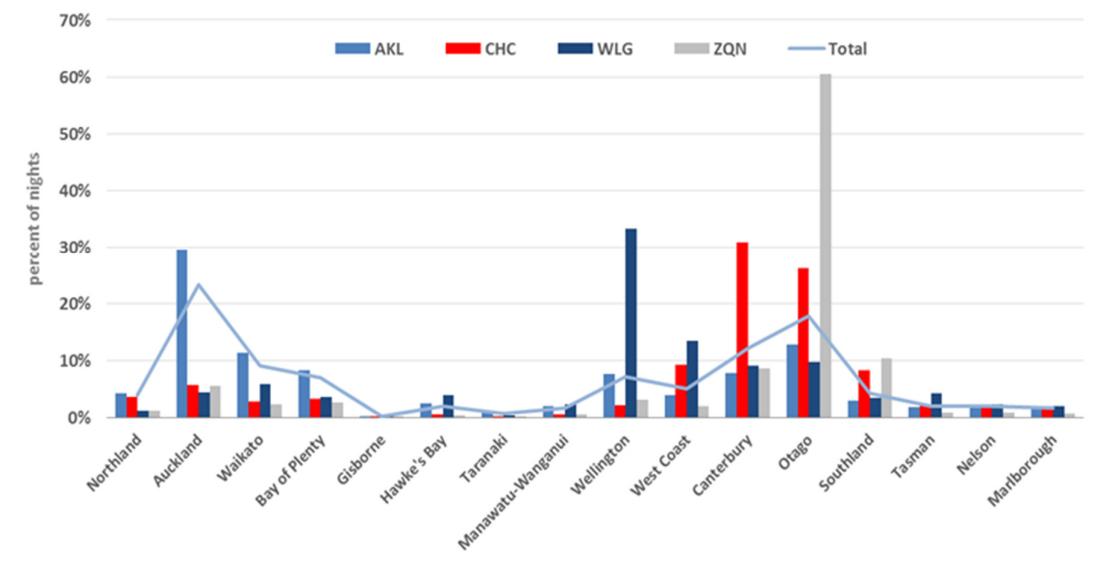
- CIAL's demand forecast has been affected by lower than expected capacity and load factors over the period from October to March, giving rise to a lower starting position at the beginning of FY18.
- *Domestic* – In FY16 CIAL saw record domestic passenger growth due in particular to the rebuild and Air New Zealand's fleet changes and network strategy. This growth is forecast to taper back over the next 3-year period and track close to growth in GDP, with no significant new fleets entering the network and a reduction in the temporary rebuild visitor economy. The compound growth rate over the forecast period is 2.6% per annum.
- *International* – over the last three financial years, CIAL's international traffic growth has trended either with or slightly below the national average. This suggests that CIAL has not yet regained its pre-earthquake proportion of national international passenger volumes. CIAL expects to trend back towards the national average international passenger growth over the next 3-5 year period. The compound growth rate over the forecast period is 3.1% per annum.
- In general terms, demand forecast is based upon known current and scheduled increases in capacity, coupled with current assessment of load factors and increases in passenger demand.
- The timing of the Christchurch City redevelopment will have an influence on the level of passenger growth CIAL will achieve over the period of this SoI, especially during off season months. Current forecasts out to FY20 are based on the completion of the current 'anchor projects' (including the Convention Centre and Metro Sports) and assumes these projects will trigger private investment in hotel accommodation and begin to allow Christchurch to re-confirm its South Island gateway status. Major events are another key area of development that would add growth at CIAL. Delays in the key anchor projects or a loss of confidence in Christchurch as a destination may create some risk around these forecasts and continue to influence the forecast growth patterns for international passengers in particular.
- The narrowing of the regional footprint of tourism is illustrated in the graphs below. Christchurch is a key regional distributor of tourists across the South Island and growth at Christchurch will support broadening of this recent trend.

#### Regional dispersion of visitor nights by port of clearance

YE Sep-06



#### % Visitor Nights by Port (YE Sep 16)



Source: IVS YE September 2016

## Ratio of Shareholders' Funds to Total Assets

The forecast Capital Structure, ratio of shareholders' funds to total assets and gearing ratios for the next three years are:

\$m	2017 Forecast	2018 Forecast	2019 Forecast	2020 Forecast
Shareholder Funds/Total Assets %	61.5%	60.3%	59.1%	59.0%
Gearing (debt/(debt + equity)) %	30.1%	32.9%	34.1%	34.5%
EBITDAF Interest Cover x	5.1	4.8	5.1	5.3
Free Funds Interest Cover x	4.4	4.2	4.3	4.4
Free Funds/Debt %	20.9%	19.0%	19.7%	19.8%

- The maximum targeted ratio of debt-to-debt plus equity is 40%
- The target minimum floor for free funds from operations interest cover and target minimum ratio for free funds from operations to debt is to be no less than 3x and 15% respectively.

## HEALTH, SAFETY AND WELLBEING

After over 100 years, safety is an embedded feature in aviation and the culture of those working in aviation. For CIAL we are part of this legacy and we can borrow from aviation's safety journey and approach to continue our momentum towards building a safety leadership culture with the protection of our people at its core.

The health, safety and wellbeing of our people is paramount. There is no priority higher and protecting them is always the first step in anything we do.

### Our safety mission is to 'Protect Our People'

In order to protect our people, we will further develop our safety leadership, culture and capability within our safety eco-system to continuously manage three core safety risks:

- Catastrophic Risk
- Fatal Risk
- Personal Injury Risk

Activating this through our Golden Rules of Safety:

- SAFETY – before everything
- STOP - and think before you do
- SPEAK UP – so together we can fix it

The success of the Health, Safety and Wellbeing Strategy at CIAL will be measured by internal trend reporting, risk analyses and management from near miss, hazard and incident databases, along with external benchmarking.

Performance Measures	Performance Targets		
	2018	2019	2020
1. Lost Time Injuries	Better than industry standards, with ultimate target of Nil.	Better than industry standards, with ultimate target of Nil.	Better than industry standards, with ultimate target of Nil.
2. Lost Time injury frequency rate (LTI / million hours worked)	Better than industry standards, with ultimate target of Nil.	Better than industry standards, with ultimate target of Nil.	Better than industry standards, with ultimate target of Nil.
3. Near Miss Frequency Rate (Near misses/million hours worked)	Increase over the prior year, reflecting an improved near miss reporting culture.	Maintaining strong levels of near miss reporting and development of near miss database.	Development of internal trend reporting and risk management activity from near miss database.

## SUSTAINABILITY

Christchurch City, as the main gateway to the South Island, exists in an area of unique, spectacular and beautiful geology. We believe, as citizens of the South Island, it's our responsibility and privilege to be one of many kaitiaki to this very special place and we take that role seriously.

We are passionate about protecting the environment, minimising the use of natural resources and improving the quality of life for our community.

Our approach to sustainability is centred in the Maori concept of kaitiakitanga (responsibility, care and guardianship). We have no interest in green wash that makes good headlines and as a result we have developed two guiding philosophies which will underpin our approach to sustainability at CIAL.

1. If the change cannot be a permanent feature of the way we do business at the Airport, then it is not sustainable.
2. If it's green but puts us in the red, it won't be permanent, then it's not sustainable.

Our focus is to be ambitious in our approach to sustainability and be open to external input to our sustainability journey, so we can seek out, develop and implement enduring changes to our business that will create a sustainable long term evolution to our Airport.

In 2016 CIAL reset its Sustainability Strategy which focuses our sustainability efforts across five key areas at the Airport – Waste, Energy, Water, Noise and Land. In addition, we established a sustainability advisory group, consisting of internal team members who have a passion in this area and complimented by four external stakeholders who are either experts or passionate stakeholders in our sustainability journey.

Performance Measures	Performance Targets		
	2018	2019	2020
<b>Waste</b> Waste is a by-product of operating a diverse and large organisation but we can work with all our stakeholders to reduce, reuse and recycle so we minimise the impact on our environment.	<ul style="list-style-type: none"> <li>Commission a new waste compaction and weighing system for the passenger terminal.</li> <li>Establish a Waste Working Group to deliver the objectives set by the Sustainability Strategy.</li> </ul>	<ul style="list-style-type: none"> <li>Continue to investigate and implement waste-minimisation initiatives that ensure landfills diversion rates are sustained or increased.</li> </ul>	<ul style="list-style-type: none"> <li>Continue to investigate and implement waste-minimisation initiatives that ensure landfills diversion rates are sustained or increased.</li> </ul>
<b>Energy</b> By minimising our energy use, we reduce our carbon footprint, reduce costs to our businesses and reduce demand on the national grid. We strive for growth without impact, and for our business to protect our city region and island.	<ul style="list-style-type: none"> <li>Continue to investigate and implement energy saving initiatives that ensure energy consumption is reduced.</li> <li>Establish an Energy Working Group to deliver on the targets set by the Sustainability Strategy.</li> </ul>	<ul style="list-style-type: none"> <li>Continue to investigate and implement energy-saving initiatives that ensure energy consumption is reduced.</li> <li>Achieve the KPI metric of a monthly average total terminal energy consumption at 24KWH/m<sup>2</sup></li> </ul>	<ul style="list-style-type: none"> <li>Continue to investigate and implement energy-saving initiatives that ensure energy consumption is reduced</li> <li>Maintain and improve the KPI metric of a monthly average total terminal energy consumption at 24KWH/m<sup>2</sup></li> </ul>
<b>Water</b> Christchurch is unique in using 100% naturally filtered water. Our passion is to maintain its integrity, avoid accidental contamination and minimise use of this precious resource as it passes under the airport. By doing so, we ensure water supply safety and security, protect the aquifer, reduce costs and our business protects the city, region and island.	<ul style="list-style-type: none"> <li>Ensure on-going compliance with NZ Drinking Water Standards through regular monitoring of potable drinking groundwater supply</li> <li>Continue Environmental Compliance and Monitoring Programme with existing airport operators and new operators on airport land.</li> <li>Ensure all new operators are provided with Environmental Training</li> <li>Establish a Water Working Group to deliver the objectives set by the Sustainability Strategy.</li> </ul>	<ul style="list-style-type: none"> <li>Install accurate water metering devices to better understand passenger terminal water use.</li> <li>Ensure on-going compliance with NZ Drinking Water Standards through regular monitoring of potable drinking groundwater supply</li> <li>Continue Environmental Compliance and Monitoring Programme with existing airport operators and new operators on airport land.</li> </ul>	<ul style="list-style-type: none"> <li>Target a 5% reduction in passenger terminal water usage from the 2018 base.</li> <li>Continue Environmental Compliance and Monitoring Programme with existing airport operators and new operators on airport land.</li> </ul>

<b>Noise</b> <p>Noise is the environmental issue of greatest focus at airports around the world. Our responsibility and bias is to engage and collaborate with all stakeholders, especially residents and businesses close to the airport and its flight paths.</p>	<ul style="list-style-type: none"> <li>▪ Establish an Airport Noise Community Liaison Group to discuss noise matters and agree actions.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Ensure compliance with all new Airport Noise rules within the revised Christchurch District Plan.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Noise complaints are limited to 10 per 10,000 aircraft movements per annum.</li> </ul>
<b>Land</b> <p>Our Place is an area of unique natural beauty. We have a responsibility to maintain it, improve it and remediate contaminated land. We also have a responsibility to ensure the safety of travellers and our airline partners, and so understanding the hazards and addressing the risks of bird strike is a critical and on-going activity.</p>	<ul style="list-style-type: none"> <li>▪ Achieve a Bird Strike incidence rate of 3&lt;4/10,000 aircraft movements on a 12-month rolling average basis in line with level set for airports of a similar scale</li> <li>▪ Work with territorial authorities and other stakeholders to implement management strategies for pest birds which pose bird strike hazard risks</li> <li>▪ Establish processes to ensure compliance with CIAL's NES consent for contaminated land.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Achieve a Bird Strike incidence rate of 3&lt;4/10,000 aircraft movements, on a 12-month rolling average basis, in line with the level set for airports of a similar scale</li> <li>▪ Ensure compliance with Bird strike Mitigation rules that are established in the Christchurch District Plan</li> <li>▪ Ensure compliance with CIAL's NES consent for contaminated land.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Achieve a Bird Strike incidence rate of 3&lt;4/10,000 aircraft movements, on a 12-month rolling average basis, in line with the level set for airports of a similar scale</li> <li>▪ Work with ECan and other stakeholders to implement rules in the revised RPS to mitigate future bird strike risk resulting from land use planning.</li> <li>▪ Ensure compliance with CIAL's NES consent for contaminated land.</li> </ul>

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## COMMUNITY ENGAGEMENT

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CIAL is a proud member of the Christchurch, Canterbury and South Island community and seeks to support its community. CIAL will continue to work to broaden and deepen its links with its community

Performance Measures	Performance Targets		
	2018	2019	2020
1. To make a positive contribution to the social and community outcomes of our City and the South Island.	<ul style="list-style-type: none"> <li>▪ To continue to demonstrate support for events which attract visitors, enhance the City's image and that residents can enjoy.</li> <li>▪ Support community initiatives and organisations through the CIAL Community Fund, charity fundraisers and other donations through the year.</li> <li>▪ To engage and communicate openly with stakeholders through the Chief Executive and GMs initiating and accepting invitations to meetings, speeches, addresses and workshops.</li> <li>▪ To actively involve our staff in Corporate Social Responsibility initiatives to enhance engagement.</li> </ul>	<ul style="list-style-type: none"> <li>▪ To continue to demonstrate support for events which attract visitors, enhance the City's image and that residents can enjoy.</li> <li>▪ Support community initiatives and organisations through the CIAL Community Fund, charity fundraisers and other donations through the year.</li> <li>▪ To engage and communicate openly with stakeholders through the Chief Executive and GMs initiating and accepting invitations to meetings, speeches, addresses and workshops.</li> <li>▪ To actively involve our staff in Corporate Social Responsibility initiatives to enhance engagement.</li> </ul>	<ul style="list-style-type: none"> <li>▪ To continue to demonstrate support for events which attract visitors, enhance the City's image and that residents can enjoy.</li> <li>▪ Support community initiatives and organisations through the CIAL Community Fund, charity fundraisers and other donations through the year.</li> <li>▪ To engage and communicate openly with stakeholders through the Chief Executive and GMs initiating and accepting invitations to meetings, speeches, addresses and workshops.</li> <li>▪ To actively involve our staff in Corporate Social Responsibility initiatives to enhance engagement.</li> </ul>

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## OUR PEOPLE

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A Champion Airport is the result of the efforts of a Champion Team. A champion team will always sit at the heart of our success and our RG25 targeted outcomes and we are focused on building Leadership, Ambition and Capability into our team through our People Strategy. Our People Strategy is designed to super charge our evolution from activity driven management to a strategy driven leadership. Without this RG25 will only be a commercial strategy and will fail to lift us to achieving something beyond being a great airport.

We will do this by stepping up our journey of development through developing our people, connecting them directly to our success and embedding our values into our culture.

Our People Strategy focuses on three key pillars, Purpose, Capability and Delivery and will be supported by an embedded culture of leadership and ambition, high performance and accountability and connection and collaboration.

Performance Measures	Performance Targets		
	2018	2019	2020
1. To build a Champion Team who has the capability and passion required to achieve our mission – to be a Champion Airport.	<ul style="list-style-type: none"> <li>▪ Leadership and people excellence, clear performance accountabilities and outcome focused expectations are part of the way we do business.</li> <li>▪ People strategy activation projects delivered.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Leadership and people excellence, clear performance accountabilities and outcome focused expectations are part of the way we do business.</li> <li>▪ People strategy activation projects delivered.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Further develop our leadership capability to maximise connection with our purpose and performance outcomes.</li> </ul>

## DISTRIBUTIONS

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CIAL aims to distribute funds surplus to its on-going and forecast investment and operating requirements, subject to meeting the solvency requirements of the Companies Act 1993.

The Directors will review dividend policy annually and recommend such dividend payments as are consistent with CIAL's earnings, capital expenditure and future investment requirements, subject to targeting a gearing ratio which does not exceed 40% and maintaining CIAL's targeted credit rating of BBB+.

Effective from the FY16 financial year, the Directors completed a review of its dividend policy and as a consequence of that review resolved to adopt a dividend policy which will provide for payment of 90% of distributable profit.

Based on CIAL's improved performance and trading outlook, the Board remains satisfied the company can sustain this higher dividend stream, while continuing to build a strong and resilient business to support its target credit rating.

The actual dividends payable are subject to an annual review by the Directors of CIAL as part of the business planning process and at each declaration date. Further additional dividend payments may be made from surplus funds at the end of any year depending on the trading conditions and forecast performance of the business.

However, it should be cautioned that aviation is an inherently volatile sector. This volatility coupled with other market sector variables means that trading conditions can be materially and quickly impacted.

The dividends are forecast to be paid in two instalments each year, with the interim dividend payment being made after the half year meeting of Shareholders at the end of February each year and the final dividend payment after the annual meeting in October of each year.

For this SoI, the Board has noted the requests of our shareholders to maintain previously signalled dividend flows and has committed to achieving that through the payment of a higher than 90% proportion of distributable profit where necessary (in FY18 only).

Based on this approach, the forecast dividend payments are:

\$m	2017 Forecast	2018 Forecast	2019 Forecast	2020 Forecast
Forecast Net Profit After Tax	42.8	44.5	49.3	51.7
Less				
Revaluation Gains (net of tax)	5.0	8.0	4.9	4.8
Net Profit After Tax base for dividend	37.8	36.5	44.4	46.9
<b>Dividend Forecast (@ 90%)</b>	<b>33.9 (@90%)</b>	<b>35.0 (@96%)</b>	<b>40.0 (@90%)</b>	<b>42.2 (@90%)</b>
<b>Dividend Pay-outs (Cash Flows)</b>				
Current Year Interim Dividend	16.4	16.8	19.3	20.3
Prior Year Final Dividend	16.5	17.6	18.1	20.7
<b>Forecast Dividend Cash Flow</b>	<b>32.9</b>	<b>34.5</b>	<b>37.4</b>	<b>41.0</b>

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## INFORMATION TO BE PROVIDED TO THE SHAREHOLDER

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### No Surprises

CIAL is very aware of Shareholders' requirements in this respect. The company will operate on a "no surprises" basis in respect of significant shareholder-related matters, to the extent possible in the context of commercial sensitivity and confidentiality obligations. Any sensitive issues that could result in media attention or issues will be communicated to the Shareholders as soon as possible.

The Board aims to ensure Shareholders are informed of all major developments affecting the company's state of affairs, while at the same time recognising commercial sensitivity may preclude certain information from being made public. Within this constraint, information is communicated to the Shareholders through periodic reports, occasional briefings, both the annual report and the half-yearly report, and "no surprises" updates on issues of importance as they may arise.

## **Statement of Intent**

The Statement of Intent will be submitted to the shareholders for consultation annually, as required by the Local Government Act 2002. The directors will include any other information they consider appropriate. Where appropriate revised forecasts will be submitted to shareholders.

## **Annual & Half Year Report**

An annual report will be submitted to the shareholders. The annual report will include audited financial statements and other details which permit an informed assessment of the company's performance and financial position during the reporting period provided to the shareholders.

Half-yearly reports will also be provided to the shareholders. These reports will contain unaudited information and comply with NZ IAS 34.

Annual reports will be produced, consistent with the company's objective to be a long-term sustainable and responsible business. The reports will outline the company's objectives and performance in terms of its economic, environmental and social outcomes.

## **Other Reporting**

CIAL is subject to the disclosure regime under Part 4 of the Commerce Act. Under this regime CIAL is required to disclose publicly detailed information after each price setting event and annually after each financial year within the relevant 5-year period.

A quarterly report will also be provided to shareholders, which includes a report on health and safety practices and performance within the company.

In addition, CIAL will develop positive and proactive relationships with stakeholders, to ensure effective communication of the initiatives being pursued through the implementation of the ten-year strategic plan.

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## ROLE IN THE CHRISTCHURCH CITY COUNCIL GROUP AND REGIONAL ECONOMY

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### Commercial Relationships within the CCC Group

Christchurch International Airport acknowledges, as a majority-owned subsidiary of Christchurch City Holdings Ltd, that there may be commercial opportunities within, or in partnership with, other group companies that may be able to be developed to benefit Christchurch International Airport, CCHL and the Canterbury region. These opportunities will and are being considered as part of the strategic initiatives being developed and CIAL will work actively with other CCHL group companies to explore any opportunities that could provide value to either party.

CIAL as a large purchaser of materials and services, actively participates in the "All of Government" procurement initiatives to maximise the value from this spend.

### Role in the Growth of the Regional Economy

Christchurch International Airport is the tourism gateway to the South Island and provides a significant contribution to both the Canterbury region and the South Island as a whole, with the total airport operation employing over 6,000 people across a diverse range of companies. An Economic Impact Assessment review in 2012 (using 2010 as the most recent period indicator of underlying economic performance pre the Canterbury earthquakes) identified that Christchurch International Airport contributed to the generation of \$1.8 billion in regional GDP, representing 7.1% of the total GDP in the Canterbury region and created employment for 9.7% of the region's workforce.

CIAL is seeking to grow the economic development of both the region and the South Island, through pursuing growth in airlines visiting Christchurch and international passengers holidaying in the South Island and through being a catalyst to growing the wider South Island tourism market. Such growth will provide a flow-on effect through increasing tourism revenue and activities. In addition, the on-going development of our property portfolio will create value through construction and the provision of a greater range of commercial services to all users of the airport campus.

Overall, CIAL is committed to the region's growth and will continue its involvement with the City Council and all other stakeholders and interested parties to ensure the airport, as both nationally significant infrastructure and a critical component of the region is appropriately protected and enhanced as recovery and regional growth continue.

CIAL is committed to Christchurch International Airport being recognised as a good place to do business and through this create and grow the airport as a strong economic base. To achieve this, CIAL will actively pursue development of infrastructure and provide a development environment to support aeronautical and commercial investment on the wider airport campus by businesses which have a synergy with the airport campus and/or require ready access by air. CIAL will also ensure it promotes Christchurch as a great place to live, work and do business.

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## INNOVATION AND DISRUPTION

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It is CIAL's intention to evolve our internal environment to create both a culture that can not only survive in an accelerated technology revolution but also thrive in it. This will involve actively challenging the status quo and creating an on-going exposure to the technology revolution in its areas of relevance to us.

In addition, CIAL will build a culture that is comfortable with external and open source solutions flowing inward to our business models and ensuring our internal structures promote the active disruption of our own revenue streams, products and services. An example of this is the hosting of the Smart Shuttle Project where New Zealand's first fully autonomous electric vehicle will be tested on the airport campus over the next two years.

CIAL also recognises our "Park to Plane" strategy as the area where we most interface with consumers and where new technology and open source solutions are most likely to disrupt existing revenues over the next decade to twenty years.

We intend to better utilise digital technology in this area and develop digital platforms which allow customers to purchase products or service before, during and after they travel and develop a culture which exploits digital disruption technologies which enhance airport processes and customer engagement.

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## REMUNERATION APPROACH

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CIAL will look to attract, retain, develop and motivate high calibre employees at all levels – to support our principal objective, to operate as a successful business. CIAL is a socially responsible and equal opportunities employer.

CIAL has policies and procedures in place to ensure remuneration levels are set at market rates that are able to attract and retain the people we need to manage, operate and grow the business.

We regularly compare our employee remuneration against market data and in general will meet the market, subject to employee performance.

The company is especially conscious of its public responsibilities in the setting of remuneration for senior executives, which is closely managed by the Board and made publicly available via the Annual Report.

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## ACQUISITION/DIVESTMENT PROCEDURES

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The subscription or acquisition of securities in any company or organisation, or a divestment of part of the existing business, will only be considered where it is consistent with the long-term commercial objectives of Christchurch International Airport Ltd.

When the subscription, acquisition or divestment is considered by directors to be significant to the company's business operations, it will be subject to consultation with the shareholders.

Major transactions as defined in the Companies Act 1993, s129 (2), will be subject to shareholders' approval by special resolution.

Notwithstanding the above, if CIAL is considering a significant acquisition or disposal of assets or securities, the shareholders will be consulted with as much lead-time as is commercially practicable in the prevailing circumstances.

Where the company decides to incorporate, or subscribe to, shares in subsidiaries to undertake its commercial activities, the company will ensure effective management, with Board control of any subsidiary being exercised by CIAL's directors and staff.

The nature and scope of CIAL's activities may include activities requested by Council by way of Council resolution during the SoI period.

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## COMPENSATION SOUGHT FROM SHAREHOLDERS

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At the request of the shareholders, the company may undertake activities that are not consistent with normal commercial objectives. Where necessary, a specific subsidy will be sought to meet the full commercial cost of providing such activities.

Currently, CIAL provides dedicated facilities and infrastructure to the New Zealand Antarctic operations at lower rates than those charged to commercial airlines and tenants. This service provides an economic benefit to the Christchurch region, but at an annual concession cost to CIAL estimated at approximately \$0.8 million per annum.

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## ESTIMATE OF COMMERCIAL VALUE

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The current estimate of the commercial value of Christchurch International Airport is \$1,187 million (2016 \$1,190 million).

Key factors taken into consideration in determining this valuation were:

- The valuation calculated as at 30 June 2017, was prepared by CIAL management and independently peer reviewed.
- In determining this valuation, the most appropriate basis of preparation was still considered to be the sum of the parts of the business, with the total valuation being comprised of the sum of;
  - *Regulated Airport Activities* - as determined by the Commerce Commission under the Information Disclosure Determination, effective 1 January 2011, building from the prescribed opening Regulated Asset base at 30 June 2009,
  - *Investment Property/Land Held for Development* – being land held for future airport and commercial development, and
  - *Contestable Activities* – comprising all other assets generating an income that is not regulated (including retail, ground transport and other commercial operations/leases)
- Given the different characteristics of these individual components, the valuations were assessed using a range of valuation methodologies:
  - The primary valuation approach for assets used for Regulated Airport Activities reflected the asset-based valuation methodology adopted as part of the Commerce Commission regulatory regime;
  - Investment Property/Land Held for Development is included at the values assessed by independent registered valuations. Valuation methodologies used are a direct capitalisation of rental income using market comparison of capitalisation rates;
  - Contestable Activities were valued using a discounted cash flow model based on a 20-year earnings projection. Future earnings were discounted at a mid-point required return of 7.40% (expressed on a post-tax nominal basis), with an assumed terminal growth rate of 2.5%;
- The current commercial value of the Shareholders' investment of \$1,187 million (often referred to as the equity value) was calculated by taking the midpoint range of the enterprise value of \$1,550 million (2016 \$1,507 million) and deducting net debt of \$363 million (2016 \$317 million).

The change in commercial value from 2016 (\$1,190 million) to the \$1,187 million at 30 June 2017 was due to a number of off-setting factors:

- An increase in the value of the Regulated Asset Base to reflect recent work done on the runway shoulder widening, RESA extension and terminal gates.

- The growth of the Investment property portfolio, reflecting the uplift in the current valuations and on-going new commercial property developments.
- When considering the valuation of property rental income streams, it should be noted that prior to development future rental streams are included in “contestable activities” for the next 20-year period with a terminal value. Once the development is completed the relevant property (and related rental streams) is transferred to the “investment property” portfolio and valued based on committed rental streams and a market capitalisation rate. This transfer does mean a reduction in overall value when assets are transferred across.
- An increase in the level of current borrowings due to the on-going property development program.

The directors note that the estimation of the commercial value of CIAL each year is somewhat of an “academic” exercise. In particular, the approach used for the purposes of this SoI would likely come up with a different estimate to:

- A valuation for financial statement purposes – prepared in accordance with the rule set out in the relevant accounting standards; or
- An earnings multiplier approach – used predominantly for transactional purposes.

Consequently, the directors note the commercial value a shareholder may realise on any sale of its investment in CIAL will likely differ from the value estimated in this SoI, depending on the particular circumstances of sale, the identity of the buyer, and market conditions applicable or forecast at the time. This value is re-estimated annually.

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## ACCOUNTING POLICIES

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CIAL has adopted accounting policies that are consistent with New Zealand International Financial Reporting Standards, generally accepted accounting practice and the policies adopted by the Christchurch City Council group.

The company’s current detailed accounting policies are available in our most recent annual report for the year ended 30 June 2016, as published on our company website.

<http://www.christchurchairport.co.nz/media/783195/christchurchairportfinancialstatements2016.pdf>