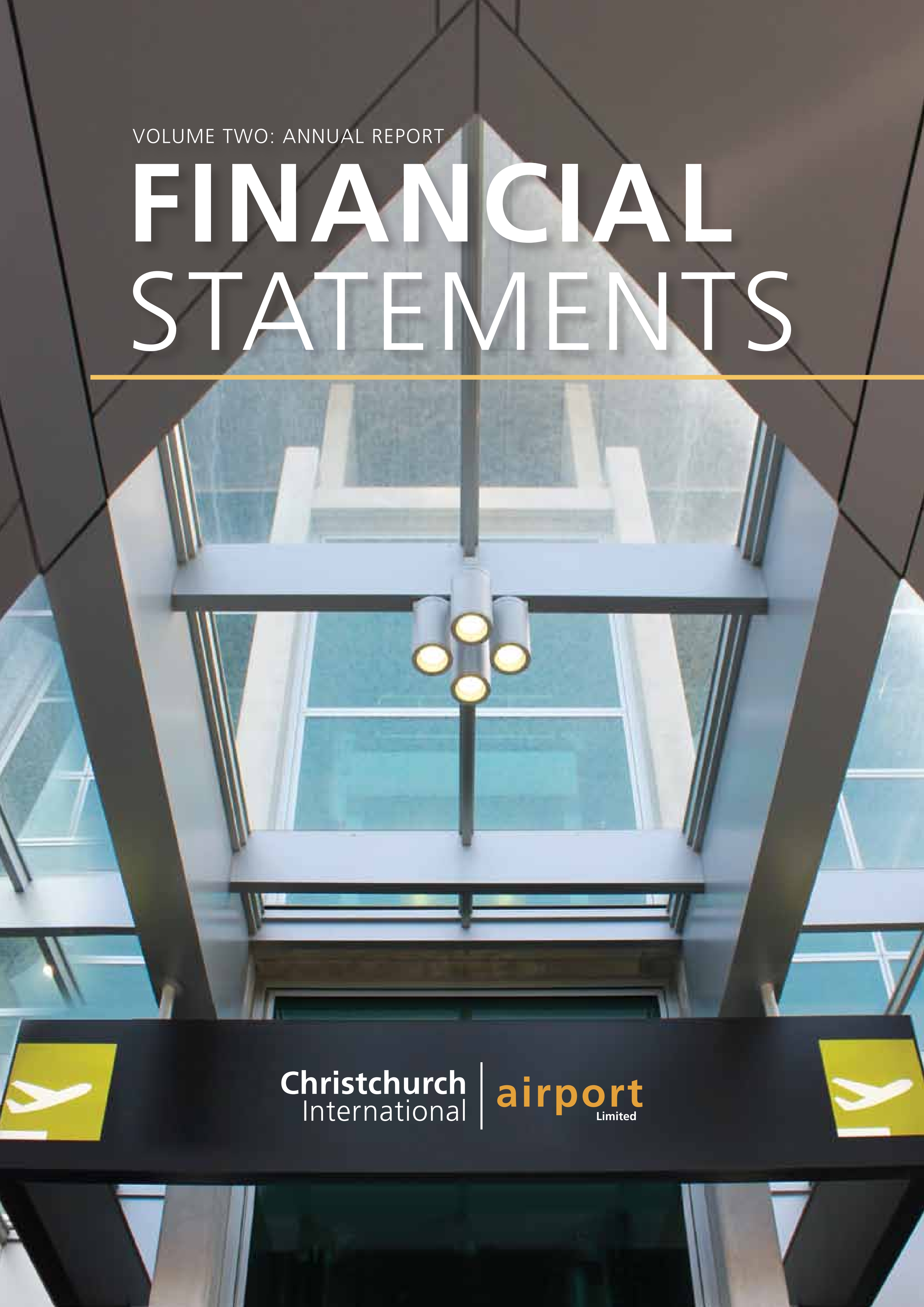
VOLUME TWO: ANNUAL REPORT

FINANCIAL STATEMENTS



Christchurch International airport Limited

Matters relating to the electronic presentation of the audited financial statements and performance information

This audit report relates to the financial statements and performance information of Christchurch International Airport Limited (the Airport) for the year ended 30 June 2012 included on the Airport's website. The Board of Directors is responsible for the maintenance and integrity of the Airport's website. We have not been engaged to report on the integrity of the Airport's website. We accept no responsibility for any changes that may have occurred to the financial statements and performance information since they were initially presented on the website.

The audit report refers only to the financial statements and performance information named above. It does not provide an opinion on any other information which may have been hyperlinked to or from these financial statements and performance information. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and performance information and related audit report dated 3 September 2012 to confirm the information included in the audited financial statements and performance information presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

"The Board is accountable to shareholders for the performance of the company and success in meeting the overall goal of creating long term value for shareholders. This governance report outlines Christchurch International Airport Limited's policies and procedures for governance and demonstrates how the Board meets its obligations to shareholders."

Director's and Management 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 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. As from 1 January 2011 it became subject to regulatory control under the Commerce Amendment Act; where future monitoring of Aeronautical Economic performance has reverted to the new Information Disclosure monitoring regime under the Commerce Commission. In addition it is regulated as an Airport under the Civil Aviation Act, Part 139, in terms of operational performance. Christchurch International Airport Limited (CIAL) aims to make sufficient disclosure so that the reader of the Annual Report will be able to assess the effectiveness of the company's corporate governance.

Board Accountability

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:

- Providing strategic direction for, and approving, CIAL's business strategies and objectives
- 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
- Ensuring that CIAL's goals are clearly established, and that strategies are in place for achieving them (such strategies being expected to originate, in the first instance, from management)
- Establishing policies for strengthening CIAL's performance, including ensuring that management is proactively seeking to build the business through innovation, initiative, technology, service excellence and the development of its business capital
- Establishing performance criteria for CIAL and monitoring the performance of the Chief Executive Officer (CEO) and management against these
- Appointing the CEO, setting the terms of the CEO's employment contract and, where necessary, terminating the CEO's employment with the company

- Deciding necessary actions to protect CIAL's financial position and the ability to meets its debts and other obligations when they fall due, and ensuring that such actions are taken
- Ensuring that CIAL's financial statements are true and fair and otherwise conform with law
- Ensuring that the company adheres to high standards of ethics and corporate behaviour
- Ensuring that CIAL has appropriate risk management/regulatory compliance policies in place and that these are monitored on a regular basis.

In the normal course of events, day-to-day management of CIAL will be delegated to management.

Board Structure

The composition of the Board reflects an appropriate mix of skills required to discharge the duties and responsibilities of the Board and aligns to the interests of the shareholders as a whole, establishing the company's strategy and ensuring that it is effectively implemented.

The Board consists of six directors; four appointed by majority shareholder, Christchurch City Holdings Ltd, and two appointed by the Minister of Finance and the Minister for State Owned Enterprises (on behalf of the New Zealand Government).

Directors' appointments are for such period as 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.

The Board has a broad range of commercial, legal, property, and other relevant experience and expertise required to meet its objectives. Fees for the Board are reviewed annually by the shareholders using independent advice.

The Board has four formally constituted committees; the Risk, Audit and Finance Committee, the Remuneration Committee, the Property Committee and the Aeronautical Committee. All committees have Board-approved terms of reference outlining the committee's authority, duties and responsibilities and relationship with the Board. Additional committees may be established on the basis of need. Each committee must include a representative of each class of shareholder.

Induction of New Directors

On their first appointment, directors undertake an induction programme aimed at deepening their understanding of the company business and the environment and markets in which the company operates. As part of the programme directors receive essential Board and company information and meet key management.

Directors are expected to be familiar with changes and trends in the business and CIAL's environment and markets and trends in the economic, political, social and legal climate generally.

Operation of the Board

The Board met ten times during the year, at approximately monthly intervals. The table on the following page sets out the Board and sub-committee meetings attended by the directors during the course of the year. Directors unable to attend Board or Committee meetings review the relevant papers and provide comments to the Chairman or Committee Chairman as appropriate.

The Chairman, CEO, Chief Financial Officer (CFO) and General Manager Business Services prepare the agenda for each meeting and board papers are provided to the directors prior to the meeting.

At each monthly meeting CIAL's interests register is updated as necessary and the Board considers:

- A report from the CEO focusing on company performance including operating performance, property development, planning, safety, environmental and financial performance, identification and management of risks and, as appropriate, progress towards the achievement of company goals and business targets

- Specific proposals for capital expenditure and acquisitions
- Update of management's activities including a detailed insight of operations, challenges, issues and accomplishments
- Standard items and action items arising from previous meetings.

In addition, based on a predetermined schedule, the Board:

- Reviews and approves the company objectives and strategies, business plan and budgets including the annual profit targets and capital investment programmes
- Approves the annual and half-yearly financial statements, including the Annual Report to shareholders and public announcements
- Considers and, if appropriate, declares or recommends the payment of dividends
- Reviews directors' remuneration following approval from shareholders
- Reviews the CEO's performance and remuneration
- Approves remuneration policies and practices including at-risk incentive schemes for management on the recommendation of the Remuneration Committee
- Approves risk assessment policies and controls, including insurance cover and compliance with legal and regulatory requirements, on the recommendation of the Risk, Audit and Finance committee
- Review the adherence to, and public disclosure of, the new Information Disclosure regime
- Review the strategy and proposals for the reset of aeronautical charges
- Reviews CIAL's code of conduct and ethical standards
- Sets the following year's Board work plan.

The Board periodically critically evaluates its own performance, its processes and procedures to ensure that they are not unduly complex and that they assist the Board in effectively fulfilling its role and performing its duties. The Board and Committees and each director have the right to seek independent professional advice at CIAL's expense to assist them to carry out their responsibilities. The Board and Committees have the authority to secure the attendance at meetings of advisers with relevant experience and expertise.

Board and Committee Meeting attendance	Original appointment	Current Term expires	Board meetings	Risk, Audit & Finance Committee meetings	Remuneration Committee Meetings	Property Committee meetings	Aeronautical Committee Meetings
Total number of meetings held			10	9	3	4	6
D. Mackenzie	August 2008	October 2014	10	9	3	4	6
P. Carter	March 2005	October 2014	10	-	2	4	-
C. Drayton	September 2009	October 2012	9	9	-	4	-
G. Gould	November 2009	October 2012	9	1	3	3	
C. Paulsen*	October 2010	October 2013	6	5	-	-	3
J. Murray	June 2011	April 2014	10	9	-	-	6

* Chris Paulsen stood down from the Board on 24 February 2012 due to the occurrence of a potential conflict of interest. Following the resolution of any conflict of interest, Chris re-joined the Board on 20 June 2012.

Communication with Shareholders

CIAL is committed to keeping its shareholders informed and places a high degree of importance on open communication and transparent reporting.

In achieving this outcome and in accordance with the Local Government Act 2002, CIAL submits a draft Statement of Intent (SoI) in February for the coming financial year to shareholders. The SoI sets out the company's overall objectives, intentions and financial and performance targets. Shareholders make comment on the draft SoI. The Board then considers these comments and delivers a final SoI to shareholders by the end of May.

The Board aims to ensure that shareholders are informed of all major developments affecting the company's state of affairs, while at the same time recognising that commercial sensitivity may preclude certain information from being made public. Within this constraint, information is communicated to the shareholders through quarterly reports and periodic briefings providing financial information and commentary on operational and nonfinancial performance measures. The company provides half yearly and annual reports to shareholders by the end of February and September respectively.

In addition, CIAL proactively develops positive and proactive relationships with stakeholders, to ensure effective communication of the initiatives.

Ethical and Responsible Decision Making

The Board considers that responsible and ethical decision making is supported by the highest standards of corporate behaviour towards our stakeholders.

The Business Plan, incorporating CIAL's values and aspirations is communicated to all staff.

All directors and employees are expected to act honestly in all of their business dealings and to act in the best interests of the company at all times.

Recognise and Manage Risk

CIAL has developed a comprehensive risk management framework to identify and manage all business risks. A risk is defined as any event that may inhibit the company in meeting its objectives. Risk management takes place in the context of CIAL's day-to-day activities and is used to identify:

- The potential consequence (measured in terms of the impact on people, finances, environment and reputation) and probability (measured in terms of likely occurrence) of an event or activity
- Activities and systems in place to mitigate a risk
- The residual unmitigated risk.

The Board determines its appetite for risk by considering whether the residual unmitigated risk is acceptable and if necessary plans are put in place for additional controls or systems. The major initiatives will be reflected as activities in the Business Plan.

The Board review CIAL's risk profile periodically, and the Risk, Audit and Finance Committee reviews risk activity on a quarterly basis.

Business Assurance

The role of Business Assurance, outsourced to an external service provider, is to develop a comprehensive continuous audit program, which supports CIAL's risk management process. Business Assurance is used to verify the company's risk profile and to confirm that risk mitigation is operating as documented.

A comprehensive register of action items arising from Business Assurance reviews is maintained; which includes a description of the action item, records target completion dates, and responsibility for completion. Progress of high-and medium-rated action items is reviewed by the Executive Management Team. A register, as part of the risk management framework, will also be maintained of all incidents and noncompliance events, including near misses.

Chief Executive Officer and Chief Financial Officer Assurance

The CEO and CFO have provided written assurance to the Risk, Audit and Finance Committee regarding the adequacy of:

- Governance, ethics and compliance assurance
- Financial policies and systems of internal control
- Health, safety and environment.

There were no qualifications to the assurances provided by management for the year ended 30 June 2012.

Insurance and Indemnities

CIAL has a comprehensive insurance programme as part of risk mitigation. This programme is reviewed annually to ensure that appropriate cover is in place. The Christchurch earthquakes have resulted in a different dynamic in terms of the ability to renew earthquake insurance cover. The Board has given significant consideration in the 2012 financial year to ensure such risk remains adequately protected through both the type of insurance coverage and the level of capacity placed.

Deeds of Indemnity have been given to directors in relation to potential liabilities and costs they may incur for acts or omissions in their capacity as directors. In addition, Deeds of Indemnity have been provided to the Executive Management Team in relation to potential liabilities and costs they may incur for acts or omissions in their capacity as employees of CIAL.

During the year, the directors' and officers' liability insurance was renewed to cover risks arising out of acts, omissions or legal defence of directors and employees in their capacity as such. Insurance is not provided for dishonest, fraudulent, malicious or wilful acts or omissions. The insurance cover is provided by QBE Insurance (International) Ltd and Vero Liability Insurance (NZ). The cost of the cover for the year to 30 June 2012 is $36,162.

Internal Policies and Procedures

Compliance with the many legal, regulatory and industry requirements is a priority for the Board. CIAL takes its obligations seriously in this regard and continually look for ways to improve the standard of compliance. CIAL employees are responsible for ensuring the company carries out its business in a way that gives consideration to all applicable legal requirements, minimises the cost of legal risk and maximises business opportunities. Managers are responsible for making sure their staff understands what compliance means in their particular areas, by ensuring appropriate training and compliance information is available.

Integrity in Financial Reporting

Going Concern

The directors have considered whether it is appropriate to prepare the 2012 financial statements on the basis that CIAL is a going concern. As part of its normal business practices, the company prepares annual budgets and longer term financial and business plans. In reviewing this information, the directors are satisfied that the company has adequate resources to continue in business for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the company's financial statements.

System of Internal Controls

CIAL has a comprehensive management system, which covers all aspects of its business. The management system incorporating internal financial and operational controls is designed to meet CIAL's particular needs and aims to:

- Facilitate effective and efficient operations
- Safeguard the company's assets
- Ensure proper accounting records are maintained
- Ensure that the financial information used within the business and for publication is reliable.

The system is formally documented and includes performance standards, policies, procedures, instructions and guidance.

The company is committed to maintaining management systems that meet the requirements of Occupational Health and Safety and Environmental Management, with these systems embedding continuous improvement processes. During the year the company carried out periodic reviews to ensure the required standards were being met.

Reviews of these systems/controls provide management and the Board with reasonable assurance that the company's management systems are thorough, reliable and comply with the relevant recognised standards.

Such systems of internal control can only be designed to manage, rather than eliminate, risk of failure to achieve business objectives and can provide reasonable, but not absolute, assurance against material misstatement and loss.

The Board's Relationship with Management

Position of CEO

The CEO is the primary point of accountability and link between the Board and operational management functions.

All Board authority conferred on management is delegated through the CEO so that the authority and accountability of management is considered to be the authority and accountability of the CEO so far as the Board is concerned.

The Board and CEO agree to meet specific results directed towards the company goals. This will usually take the form of an annual performance programme directed at achieving the company goals.

The Board systematically and rigorously monitors the CEO's performance against the criteria established in the performance objectives and the company goals.

Between Board meetings the Chairman maintains a link between the Board and the CEO. He is kept informed by the CEO on all important matters, and is available to the CEO to provide counsel and advice where appropriate. The Chairman however does not use this link to personally manage the CEO and does not impede the flow of information to the Board necessary for sound governance.

Only decisions of the Board acting as a body are binding on the CEO. Decisions or instructions of individual directors, officers or committees cannot be given to the CEO and are not binding in any event except in those instances where specific authorisation is given by the Board.

The Board instructs the CEO through written policies that prescribe the shareholder benefit to be achieved (company goals) and the organisational circumstances to be avoided, allowing the CEO any reasonable interpretation of those policies. The Board is the final arbiter of "reasonableness" based on a "reasonable person" test.

Delegation of Responsibilities

The Board delegates management of the day-to-day affairs and management responsibilities of the CEO and the executive to deliver the strategic direction and goals determined by the Board. This delegation includes:

- Operating CIAL's business within the parameters set by the Board from time to time and, where a proposed transaction, commitment or arrangement exceeds these parameters, referring the matter to the Board for its consideration and approval
- Developing business plans, budgets and company strategies for the Board's consideration and, to the extent that they are approved by the Board, implementing these plans, budgets and strategies
- Identifying and managing business risks, and if those risks could materially affect the company or its business, formulating strategies to manage those risks
- Managing CIAL's current financial and other reporting mechanisms to ensure that they are functioning effectively to capture all relevant material information on a timely basis
- Implementing CIAL's internal controls, policies and procedures and monitoring these controls, policies and procedures to ensure that they are appropriate and effective.

Board Sub-committees

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".

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

- Risk management systems and the internal control system
- Business policies and practices
- Protection of the company's assets
- Compliance with applicable laws, regulations standards and rules
- Reporting of financial information and 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
- Approve the annual business assurance plan, and regularly monitor business assurance findings
- Approve the external auditor's fee
- Appoint and remove internal and external auditors
- Recommend approval of the Annual Report
- Seek any information it may require from any employee or external party that it requires to fulfil its objectives
- 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 on assurance work.

The members of the Risk, Audit and Finance Committee as at 30 June 2012 were Catherine Drayton (Chairman), Chris Paulsen and Justin Murray. The Chairman, David Mackenzie, is a member ex officio, and also attended meetings of the committee.

Particular areas of focus for the Committee during 2012 were:

- Review the robustness and integrity of the adherence to, and public disclosure of, the new Information Disclosure regime as regulated by the Commerce Commission
- The integrity and effectiveness of the Business Assurance programme and internal control processes
- Risk management and the progressive development of Enterprise wide Risk Management, with a particular focus on Business Continuity
- Review of CIAL capital structure and optimal funding portfolio in the future. Review of Treasury Policy with focus on extending maturing profile and diversification of funding sources
- Valuation of assets and consideration of the commercial valuation of the business
- Renewal of insurance policies, including assessment of alternate risk financing options to reduce the increasing exposure, and cost, to the insurance market
- Review overall tax risk profile of CIAL with focus on tax governance policy.

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:

- To review the remuneration and human resources strategy, structure and policy 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 senior management, and the succession planning for senior management and the CEO
- To review the performance of the CEO, the engagement agreement and benefit structure for the CEO and Executive Management Team, and recommend to the Board senior executive incentive remuneration plans, other employee benefits, and key performance objectives of the CEO and Executive Management Team.

The members of Remuneration Committee as at 30 June 2012 were David Mackenzie (Chairman), Philip Carter and George Gould.

Particular areas of focus for the Committee during 2012 were:

- Remuneration policy for the forthcoming year, taking particular cognisance of the prevailing economic conditions
- Review of CEO and senior executive performance
- Mandates for individual employment and collective bargaining increases.

Property Committee

The Property Committee's role is to assist the Board in overseeing the development and implementation of the property portfolio development and investment strategies and implementation of investment initiatives within that portfolio to maximise the value of CIAL's property holdings.

The responsibilities of the Committee are:

- To regularly review the company's property 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 from time to time, and at least annually, the company's progress in implementing the approved property strategy, in respect of both its property investment and property management activities
- To report the outcome of reviews undertaken under this heading to the Board, with any necessary analysis, commentary, and reports, and make resulting recommendations to the Board.

The members of the Property Committee as at 30 June 2012 were Philip Carter (Chairman), Catherine Drayton and George Gould. The Chairman, David Mackenzie, is a member ex officio, and also attended meetings of the committee.

Particular areas of focus for the Committee during 2012 were:

- Planning and consenting to enable development of the wider property portfolio
- Expansion initiatives for the freight and logistics park and retail developments
- Approval of investment cases for specific property development initiatives
- Access requirements for traffic management to the wider campus development.

Aeronautical Committee

The Aeronautical Committee's role is to ensure that CIAL obtains the best level of return its aeronautical 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 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.

The members of Aeronautical Committee as at 30 June 2012 were David Mackenzie (Chairman), Chris Paulsen and Justin Murray.

Particular areas of focus for the Committee during 2012 were:

- To continually review the changing development of the aviation sector and strategies to be implemented in response to such changes; including the adverse impacts on tourism markets owing to the Christchurch earthquakes
- To review the strategy and proposals for the reset of aeronautical charges post the commissioning of ITP
- To review and confirm the Information Disclosure of CIAL aeronautical performance to the Commerce Commission.

Remuneration

Directors

The total remuneration paid to directors for the year ended 30 June 2012 is:

Name	Remuneration
D Mackenzie	$79,850
P Carter	$48,100
C Drayton	$43,996
G Gould	$41,001
C Paulsen	$27,334
J Murray	$41,000
Total Fees	**$281,281**

No other remuneration or benefits other than reimbursement of expenses has been paid or given to directors. CIAL has made no loans to any director, nor has the company guaranteed any debts incurred by a director.

CIAL Employees

Framework for Remuneration

The Remuneration Committee is responsible for reviewing remuneration policy and human resources strategy, structure, policy and practices. It seeks external expert advice on best practice remuneration structures and market trends to ensure that the remuneration strategy for CIAL contributes to effective performance and value creation. To grow and be successful, CIAL must be able to attract, retain and motivate capable individuals.

The key principles determined by the Remuneration Committee that underpin CIAL's remuneration policies are that rewards are market-competitive and that remuneration is linked to performance to attract and retain talented individuals. The overall cost of remuneration is managed and linked to the ability of the company to pay.

The Remuneration Committee reviews the CEO's performance evaluation of his direct reports and approves the remuneration and other variations to the terms and conditions of employment of his direct reports.

Remuneration ranges	Number of current and former employees	
$'000	2012	2011
$100 - $110	3	2
$110 - $120	2	4
$120 - $130	2	4
$130 - $140	4	7
$140 - $150	2	2
$150 - $160	4	2
$160 - $170	2	2
$170 - $180	1	-
$180 - $190	-	1
$190 - $200	-	1
$200 - $210	4	1
$240 - $250	-	1
$250 - $260	1	-
$260 - $270	1	2
$270 - $280	1	1
$280 -$290	1	-
$550 -$560	1	-
$650 - $660*	-	1

**This amount includes an annual incentive fee payable to the CEO on the achievement of performance targets for the year ending 30 June 2010 of $125,000. This amount was paid in the 2011 year.*

Corporate Responsibility and Sustainability

CIAL seeks to operate the business in a sustainable manner. As such, it is committed to run the business in a way that minimizes its environmental and social impact, whilst at the same time maximizing its economic contribution to Canterbury and the South Island as a whole.

The CIAL purpose and values statements guide the behaviour of all CIAL staff and how they conduct CIAL's business. The purpose defines what CIAL does and CIAL's values state how CIAL people choose to interact with each other, customers, suppliers and communities.

The CEO is required to ensure that managers act in a manner that is consistent with corporate policy and direction.

The Board has established governance principles that provide a broad description of the way in which the Board expects the company to be managed for shareholders' benefit.

These are:

- CIAL exists to grow shareholder value, with business strategies being customer and market focused
- Overarching strategy and policy will be decided at corporate level, with the development of strategic relationships being pursued to create a source of competitive advantage
- Accountability will be clear and measurable, and systems and processes will support strategy
- The organisational model will enable flexibility for change.

The directors are responsible for ensuring that the financial statements give a true and fair view of the financial position of the company as at 30 June 2012, and the financial performance and cash flows for the year ended on that date.

The directors consider that the financial statements of the company have been prepared using appropriate accounting policies, consistently applied and supported by reasonable judgments and estimates, and that all relevant financial reporting and accounting standards have been followed.

The directors consider that proper accounting records have been kept, which enable, with reasonable accuracy, the determination of the financial position of the company and facilitate compliance of the financial statements with the Financial Reporting Act 1993.

The directors consider they have taken adequate steps to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors have the pleasure in presenting the financial statements, set out on pages 12-48, of the Christchurch International Airport Limited for the year ended 30 June 2012.

The Board of Directors of Christchurch International Airport Limited authorise these financial statements for issue on 3 September 2012.

For and on behalf of the Board

David Mackenzie
CHAIRMAN

Catherine Drayton
DIRECTOR

for the year ended 30 June 2012

	Note	2012	2011
		$000	$000
INCOME			
Operating revenue	1	113,084	97,878
Fair value gain/(loss) on investment properties	17	6,069	(595)
Interest income	2	625	85
Total income		**119,778**	**97,368**
EXPENSES			
Employee remuneration	3	19,126	15,122
Other costs	3	29,483	22,146
Financing and interest costs	3	15,157	6,476
Depreciation, amortisation and impairment	4	28,151	20,793
Integrated terminal development project costs	5	484	682
Total expenses		**92,401**	**65,219**
Operating surplus before earthquake costs and tax		**27,377**	**32,149**
Earthquakes costs	29	1,079	2,701
Surplus before tax		**26,298**	**29,448**
Tax attributable to operations*	6a	6,698	8,443
Operating surplus after taxation and before deferred tax adjustment		**19,600**	**21,005**
Deferred tax adjustment*	6a	-	(789)
Adjusted surplus after income tax		**19,600**	**21,794**
*Total taxation expense	6a	6,698	7,654

The accompanying notes form part of these financial statements

STATEMENT OF **COMPREHENSIVE INCOME**

for the year ended 30 June 2012

	Note	2012	2011
		$000	$000
Adjusted surplus after income tax		**19,600**	**21,794**
Other comprehensive income			
Fair value gain on land and buildings	11	21,015	19,205
Cash flow hedges	11	(6,536)	(1,447)
Foreign currency cash flow hedge	11	-	(5)
Other comprehensive income for year, net of tax		**14,479**	**17,753**
Total comprehensive income for year		**34,079**	**39,547**

Items in the statement above are disclosed net of tax. The income tax relating to each component of other comprehensive income is disclosed in note 11.

STATEMENT OF **CHANGES IN EQUITY**

for the year ended 30 June 2012

	Note	Share Capital	Reserves	Retained Earnings	Total Equity
Balance at 1 July 2010		57,600	315,288	197,171	570,059
Dividends paid to shareholders	9	-	-	(8,547)	(8,547)
Total comprehensive income for the year	11	-	17,753	21,794	39,547
Balance at 30 June 2011		**57,600**	**333,041**	**210,418**	**601,059**
Dividends paid to shareholders	9	-	-	(17,175)	(17,175)
Total comprehensive income for the year	11	-	14,479	19,600	34,079
Balance at 30 June 2012		**57,600**	**347,520**	**212,843**	**617,963**

The accompanying notes form part of these financial statements

as at 30 June 2012

	Note	**2012**	2011
		$000	$000
EQUITY			
Share capital	10	57,600	57,600
Reserves	11	347,520	333,041
Retained earnings	11	212,843	210,418
Total equity		**617,963**	**601,059**
NON-CURRENT LIABILITIES			
Term borrowings	12	219,000	198,000
Derivative financial instruments	13	20,346	10,845
Deferred taxation	7	92,933	86,479
Trade and other payables	14	1,490	1,663
Total non-current liabilities		**333,769**	**296,987**
CURRENT LIABILITIES			
Trade and other payables	14	13,852	18,402
Current portion of borrowings	12	68,000	48,000
Taxation (receivable)/payable	6c	1,710	(1,060)
Derivative financial instruments	13	783	1,141
Total current liabilities		**84,345**	**66,483**
Total liabilities		**418,114**	**363,470**
Total equity and liabilities		**1,036,077**	**964,529**
NON-CURRENT ASSETS			
Property, plant and equipment	15	881,566	852,744
Investment properties	17	128,981	88,152
Intangible assets	16	6,418	3,322
Trade and other receivables	18	8,688	9,277
Total non-current assets		**1,025,653**	**953,495**
CURRENT ASSETS			
Cash and cash equivalents		599	1,339
Trade and other receivables	18	9,010	9,313
Inventories	19	815	382
Total current assets		**10,424**	**11,034**
Total assets		**1,036,077**	**964,529**

The accompanying notes form part of these financial statements

for the year ended 30 June 2012

	Note	2012	2011
		$000	$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from customers		113,381	93,739
Interest received		625	85
Net goods and services tax received		-	1,579
		114,006	**95,403**
Cash was applied to:			
Payments to suppliers and employees		(49,953)	(42,435)
Financing and interest costs		(14,787)	(5,755)
Net income tax refunded/(paid)		3,634	(3,134)
Subvention payments		(6,600)	(6,463)
Net goods and services tax paid		(451)	-
		(68,157)	**(57,787)**
Net cash flows from operating activities	20	**45,849**	**37,616**
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Proceeds from sale of property, plant and equipment		34	38
		34	**38**
Cash was applied to:			
Purchase of property, plant and equipment		(53,334)	(101,826)
Purchase of investment properties		(13,517)	(8,767)
Purchase of intangible assets		(3,597)	(2,079)
		(70,448)	**(112,672)**
Net cash flows from investing activities		**(70,414)**	**(112,634)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from:			
Borrowings		41,000	105,000
Cash was applied to:			
Dividends paid	9	(17,175)	(8,547)
Borrowings		-	(21,000)
		(17,175)	**(29,547)**
Net cash flows from financing activities		**23,825**	**75,493**
Net (decrease)/increase in cash held		**(740)**	**435**
Add cash and cash equivalents at beginning of the year		1,339	904
Cash and equivalents at the end of the year		**599**	**1,339**

The accompanying notes form part of these financial statements

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.

These financial statements have been approved for issue by the Board of Directors on 3 September 2012.

Summary of significant accounting policies

These financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand. They comply with the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS), the International Financial Reporting Standards and other applicable Financial Reporting Standards, as appropriate for profit oriented entities.

a) Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Entity reporting

The financial statements are for Christchurch International Airport Limited and it's wholly owned subsidiaries:

CIAL Holdings Number 1 Limited

CIAL Holdings Number 2 Limited

CIAL Holdings Number 3 Limited

CIAL Holdings Number 4 Limited

CIAL Holdings Number 5 Limited

As the wholly owned subsidiaries were not trading and held no assets and liabilities during and at the end of the period of review, the financial statements for the group are the same as that of the parent.

The company is designated as a profit-oriented entity for financial reporting purposes.

Statutory base

Christchurch International Airport Limited is a company registered under the Companies Act 1993.

The financial statements have been prepared in accordance with the requirements of the Airports Authorities Act 1966, the Local Government Act 2002, the Financial Reporting Act 1993 and the Companies Act 1993.

Functional and presentation currency

These financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ($1,000). The functional currency of the company is New Zealand dollars.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain assets as identified in specific accounting policies.

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). A key factor of this classification is that the "interim use" of such property is not for aircraft related activities. The classification of property between categories gives rise to different accounting treatments which can impact the Statement of Financial Performance.

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

   The company uses independent valuers to determine the fair value of certain assets within the business. The valuation process requires the use of assumptions and estimates which are based on market conditions at the time. Any changes in market conditions subsequent to balance date will impact future valuations. A movement in the fair value of an asset is subsequently recorded within the Statement of Financial Performance or Statement of Comprehensive Income, depending on the asset classification.

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

iii. *Impairment assessment of ITP work in progress expenditure*

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

New and amended standards adopted by the company

The following standards, interpretations and amendments have become effective during the annual period:

- NZ IAS 24 (amendment) 'Related parties'
- NZ IAS 1 (amendment) 'Presentation of financial statements'.

These pronouncements are not considered to have a material effect on the company.

Standards issued and not yet adopted

- NZ IFRS 9 'Financial Instruments' - effective for annual periods beginning on or after 1 January 2013. This standard will eventually replace NZ IAS 39. It requires an entity to classify its financial assets on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset, and subsequently measures the financial assets as either at amortised cost or fair value. Management are still determining the impact NZ IFRS 9 will have on the company.

- NZ IAS 12 'Deferred tax' – effective for annual periods beginning on or after 1 January 2012. The revised standard applies to all entities holding investment properties, measured at fair value in territories where the capital gains tax rate is different from the income tax rate. It introduces a rebuttable presumption that investment properties measured at fair value are recovered entirely by sale. Management are still determining the impact NZ IAS 12 will have on the company.

- NZ IFRS 13 'Fair value measurement' – effective for annual periods beginning on or after 1 January 2013. The new standard outlines a single, unified definition of fair value and requires significant additional disclosures where fair values are used. Management are still determining the impact NZ IFRS 13 will have on the company.

b) Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Financial Performance, except when deferred in equity as qualifying cash flow hedges.

c) Revenue recognition

Revenue comprises the fair value of the sale of goods and services, excluding goods and services tax, rebates and discounts. Revenue is recognised as follows:

i. Sales of goods

Sales of goods are recognised when the company has delivered a product to the customer.

ii. Sales of services

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

iii. Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

iv. Rental income

Rental income is recognised on an accruals basis in accordance with the substance of the relevant agreements.

d) Income tax

Income tax expense in relation to the surplus or deficit for the period comprises current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using the rates that have been enacted or substantively enacted by balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, using tax rates that have been enacted or substantively enacted by balance date.

Current tax and deferred tax is charged or credited to the Statement of Financial Performance, except when it relates to items charged or credited directly to other comprehensive income, in which case the tax is dealt with in the Statement of Comprehensive Income.

e) Goods and Services Tax (GST)

The Statement of Financial Performance and the Statement of Cash Flows have been prepared so that all components are stated exclusive of GST.

All items in the Statement of Financial Position are stated net of GST, with the exception of receivables and payables, which include GST invoiced. Commitments and contingencies are stated exclusive of GST.

f) Leases

Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset to the lessee. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

g) Impairment

Non-financial assets

Non-financial assets are assessed for indicators of impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Financial assets

Assets are reviewed for impairment on a regular basis and any possible loss is recognised when the carrying amount exceeds its recoverable amount.

h) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held on call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within the current liabilities on the Statement of Financial Position.

i) Trade receivables

Trade receivables are recognised at fair value and subsequently measured at amortised cost, using the effective interest method, less provision for doubtful debts.

Collectability of trade receivables is reviewed on an on-going basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the Statement of Financial Performance.

j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis, and includes cost of materials. Net realisable value is the estimated selling price in the ordinary course of business.

k) Other financial assets

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.

The classification into the relevant category depends on the purpose for which the investment was acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

l) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at balance date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The company designates certain derivatives as either:

i. hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or

ii. hedges of highly probable forecast transactions (cash flow hedges).

The company documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The company also documents its assessment, both at hedge inception and on an on-going basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

i. Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Statement of Financial Performance, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

ii. Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the Statement of Financial Performance. Amounts accumulated in other comprehensive income are recycled in the Statement of Financial Performance in the periods when the hedged item will affect profit or loss (for instance when the forecast transaction that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non financial asset (for example, asset purchase) or a non financial liability, the gains and losses previously deferred in other comprehensive income are transferred from other comprehensive income and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income and is recognised when the forecast transaction is ultimately recognised in the Statement of Financial Performance or is capitalised on the recognition of a non-financial asset. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the Statement of Financial Performance.

iii. Derivatives that do not qualify for hedge accounting

Where derivative instruments do not qualify for hedge accounting or for which hedge accounting has not been adopted, changes in the fair value of these derivative instruments will be recognised immediately in the Statement of Financial Performance.

m) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments are valued using market rates at balance date. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance date.

For further information refer to note 27.

n) Property, plant and equipment

The following assets are shown at fair value, based on periodic, but at least every five years, valuations by external independent valuers, less subsequent depreciation:

- Land
- Buildings
- Terminal facilities
- Airport sealed surfaces
- Infrastructure assets
- Car park.

The last valuation was performed by Seagar and Partners (car park assets) and Opus International Limited (sealed surfaces and infrastructure assets) as at 30 June 2012. The land, buildings and terminal assets were reviewed for impairment as at 30 June 2012 by Seagar and Partners, with no adjustment for impairment being deemed necessary.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance is charged to the Statement of Financial Performance during the financial year in which they are incurred.

Increases in the carrying amounts arising on revaluation are credited to reserves in shareholders' equity through the Statement of Comprehensive Income. To the extent that the increase reverses a decrease previously recognised in the Statement of Financial Performance, the increase is first recognised in the Statement of Financial Performance. Decreases that reverse previous increases of the same asset are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset; all other decreases are charged to the Statement of Financial Performance.

Depreciation

Land is not depreciated. Depreciation of property, plant and equipment is calculated on a straight line basis so as to expense the cost of the assets over their estimated useful lives. The useful lives are as follows:

• Terminal	40 years
• Other buildings	10 to 40 years
• Sealed surfaces	15 to 120 years (some components non depreciable)
• Roading	50 years
• Plant and equipment	3 to 25 years
• Motor vehicles	5 to 16 years
• Office and computer equipment	3 to 9 years
• Car park assets (excluding land)	7 to 50 years
• Infrastructure	15 – 60 years

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. These are included in the Statement of Financial Performance.

o) Investment property

Land is held by the company for long term and strategic purposes and is not held for resale. Investment properties are land and buildings where the building is built to maximise the return on land, and buildings as an "interim use", are held for long term rental yield and are not occupied by the company. Investment property also includes property that is being constructed or developed for future use as investment property.

Properties leased to third parties under operating leases are generally classified as investment property unless:

- The occupants provide services that are integral to the operation of the company's business
- The property is being held for future delivery of services

Properties that are held for a currently undetermined future use, or that are vacant but held to be leased out under one or more operating leases, are classified as investment properties.

The classification of properties is done at the lowest possible level. Thus, where part of a property is occupied by a party other than the company, consideration is given to whether that portion of the building could be classified as an investment property. Classification as an investment property will be indicated if the section of the building could be separately sold or leased under a finance lease. If the section of the property occupied by a party other than the company is unable to be sold or leased separately from the rest of the building, the building is assessed as a whole and will usually only be classified as investment property if the company occupies an insignificant portion of the total building.

Investment property is carried at fair value, based on discounted cash flow projections, as determined annually by external valuers. Gains or losses arising from a change in fair value are recorded in the Statement of Financial Performance.

Seagar and Partners prepared the 2012 and 2011 investment property valuations.

Fair value measurement on property under construction is only applied if the fair value is considered to be reliably measurable.

If it is determined that the fair value of an investment property under construction is not reliably determinable but the company has an expectation that the fair value of the property will be reliably determinable when construction is complete, the investment property under construction will be measured at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier).

p) Finite life intangible assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These have a finite useful life and are amortised on a straight line basis over the useful economic life of 2 to 5 years. Computer software licences are carried at cost less accumulated depreciation.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

q) Trade and other payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. These amounts represent liabilities for goods and services provided to the company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

r) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Financial Performance over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities, unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs that are directly attributable to the acquisition or construction of an item of property, plant and equipment (qualifying asset) has been capitalised where the construction exceeds $10 million and is greater than 12 months in duration.

Borrowing costs that are not capitalised are expensed as incurred.

s) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

t) Provisions

The company recognises a provision for future expenditure of an uncertain amount or timing when there is a legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation.

u) Employee benefits

Liabilities for wages and salaries, including non monetary benefits, annual leave, long service leave and accumulating sick leave and other contractual payments expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

v) Dividends

Provision is made for the amount of any dividend declared on or before the end of the financial year but not distributed at balance date.

Dividend distribution to the company shareholders is recognised as a liability in the company's financial statements in the period in which the dividends are approved by the directors and notified to the company's shareholders.

w) Lease inducements

Lease inducements are incentives provided for the agreement of a new or renewed operating lease with a lessee. Lease inducements are recognised as an integral part of the net consideration agreed for the use of the leased asset and are recognised over the lease term, on a straight line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

x) Financial instruments

Financial assets

The company classifies its financial assets in the following categories: financial assets at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired.

Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value.

Financial assets at fair value through profit or loss

This category comprises financial assets held for trading which have been acquired principally for the purpose of selling in the short term. Derivatives also fall within this category unless they are designated as hedges and the hedge is effective for accounting purposes.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and with no intention of trading. They are included in current assets, except for maturities greater than 12 months after the Balance Sheet date, which are classified as non-current assets.

Financial liabilities

The company classifies its financial liabilities in the following categories: financial liabilities at fair value through the profit and loss and other financial liabilities at amortised cost. The classification depends on the purpose for which the financial liabilities were incurred. Management determines the classification of its financial liabilities at initial recognition and re-evaluates this designation at every reporting date.

y) Goodwill

All business combinations are accounted for by the purchase method. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment, by comparing the carrying value (including goodwill) with the recoverable value of the cash-generating unit. The recoverable value is determined by assessing the future cash flows directly associated with the asset.

Negative goodwill arising on acquisition is recognised directly in the Statement of Financial Performance.

	2012 $000	2011 $000

1. Operating revenue

	2012 $000	2011 $000
Airport charges	25,792	26,693
Passenger departure charge	14,657	14,781
Lease rentals and concessions	52,383	43,102
Vehicle parking	15,697	11,001
Gain on disposal of assets	18	8
Other revenue*	4,537	2,293
Total operating revenue	**113,084**	**97,878**

Refer to Note 31 – Comparison of forecast to actual results , for details of passenger and aircraft movements (including historic trends), that have influenced the above financial outcomes.

* Other revenue in 2012 includes the exhibition admissions and retail portion of sales related to the acquisition of International Antarctic Centre of $2,973,000 (Note 30). The remaining revenue from the International Antarctic Centre is included in lease rentals and concessions.

2. Interest income

	2012 $000	2011 $000
Interest income was derived from:		
Short term bank deposits	99	83
Other	526	2
Total interest income	**625**	**85**

3. Expenses

Other costs

		2012 $000	2011 $000
Other operating costs include:			
Audit fees	- financial report	95	93
	- disclosure regulations	37	17
Directors' fees		281	286
Doubtful debts		63	158
Donations		20	18
Electricity, fuel and oil		3,150	2,741
Regulatory and organisation realignment		1,012	1,246
Lease and rental payments		357	355
Maintenance expense		2,259	2,528
Insurance		3,195	1,038
Legal, valuation and consulting fees		2,641	2,491
Technology and communication costs		1,476	1,595
Marketing and promotion		4,584	3,725
Amortisation of lease inducement		568	588
Cleaning & waste disposal		2,641	2,190
Contributions to defined contribution schemes		42	42
Baggage handling		809	-
Running costs International Antarctic Centre and Craddocks		1,143	3
Rates		1,465	976
Miscellaneous costs		3,645	2,056
Total other costs		**29,483**	**22,146**

	2012 $000	2011 $000

Employee remuneration

Wages and salaries	17,402	13,860
Payroll related expenses	1,724	1,262
Total employee remuneration	**19,126**	**15,122**

Staff related costs increased over the prior year due to the acquisition of the International Antarctic Centre and the full impact of the prior year purchase of The Wash and Craddocks Car Storage (see staff number increase in five year summary on page 50).

Finance and interest costs

Finance and interest costs have increased over the prior year due to the increased funding requirements related to the purchase of the International Antarctic Centre and on-going work on the Integrated Terminal Development Project. Additionally, interest capitalised to the Integrated Terminal Development Project reduced in the current year as certain phases of the new terminal became operational.

4. Depreciation, amortisation and impairment

Buildings	2,093	1,031
Terminal facilities	15,385	9,125
Sealed surfaces	5,889	5,575
Plant and equipment	534	432
Office and computer equipment	437	566
Car parking	1,304	1,605
Infrastructure	1,436	1,246
Motor vehicles	572	496
Total depreciation (note 15)	**27,650**	**20,076**
Amortisation of intangibles (note 16)	501	717
Total depreciation, amortisation and impairment	**28,151**	**20,793**

During the year the company's assets (that were not revalued), other than work in progress, were tested for impairment by independent valuers. Other than the building described in Note 29 no impairment has been determined on the remaining assets. An impairment test on the Integrated terminal project work in progress determined an impairment of $NIL (2011: Nil).

5. Integrated terminal development project costs

These are the incremental operating costs incurred directly as a consequence of the Integrated Terminal Development project.

	484	**682**

	2012 $000	2011 $000

6. Income tax

a) Income tax expense

Operating surplus before income tax	26,298	29,448
Prima facie taxation at 28% (2011 at 30%)	7,363	8,834
Plus/(less) taxation effect of:		
Revenue not assessible for tax purposes	(685)	(520)
Expenses not deductible for tax purposes	16	14
Income tax attributable to operating surplus	**6,694**	**8,328**
Under provision in prior years	4	66
Change in tax rate	-	49
Total income tax on operations	**6,698**	**8,443**
Deferred taxation adjustment on buildings	-	(789)
Total taxation expense	**6,698**	**7,654**

b) Components of tax expense

Current tax expense	5,897	6,875
Adjustments to current tax of prior years	(161)	66
Deferred tax expense	962	664
Change in tax rates	-	49
Total tax expense	**6,698**	**7,654**

The deferred taxation adjustment on buildings in 2011 was due to the announcement in the 2010 Budget which determined that Depreciation of Buildings for taxation purposes would cease from 2011.

c) Taxation (receivable)/payable

Balance at beginning of the year	(1,060)	1,546
Prior year adjustment	(161)	66
	(1,221)	**1,612**
Current tax expense	5,897	6,875
	4,676	**8,487**
(Payments to) / refund from:		
Inland Revenue Department	3,634	(3,134)
Subvention payments to members of the CCC tax group	(6,600)	(6,463)
	1,710	**(1,110)**
Changes in tax rates	-	50
Taxation (receivable)/payable	**1,710**	**(1,060)**

Christchurch International Airport Ltd is a member of the Christchurch City Council (CCC) Tax group. The company pays subvention payments to other members of the CCC tax group. The amount paid in 2012 was $6,600,000 (2011 $6,463,000). These payments are treated as if they were payments of income tax and are reflected as part of the taxation payable / (receivable) amount.

7. Deferred taxation

	Opening balance	Charged to income	Charged to equity	Closing balance
	$000	$000	$000	$000
2012				
Property, plant & equipment	85,959	1,175	8,033	95,167
Intangible assets	103	17	-	120
Investment properties	4,140	(489)	-	3,651
Provisions and payments	(338)	260	-	(78)
Derivatives	(3,385)	-	(2,542)	(5,927)
	86,479	**963**	**5,491**	**92,933**
2011				
Property, plant & equipment	84,377	1,337	245	85,959
Intangible assets	171	(68)	-	103
Investment properties	4,593	(453)	-	4,140
Provisions and payments	(186)	(152)	-	(338)
Derivatives	(2,820)	-	(565)	(3,385)
	86,135	**664**	**(320)**	**86,479**

	Note	**2012**	2011
		$000	$000

8. Imputation credit memorandum account

Balance at beginning of the year		11,536	12,065
Net income tax payments made / (refunded)		(3,634)	3,134
Imputation credits attached to dividends paid		(7,189)	(3,663)
Balance available for use in subsequent reporting periods		**713**	**11,536**

Imputation credits are not earned on subvention payments made to other members of the CCC tax group.

No adjustments have been made for credits/debits associated with tax payable/receivable due to uncertainty regarding the utilisation of group losses.

9. Dividends

2012 Interim dividend paid ($0.07 per share)		4,322	-
2011 Final and interim dividend paid ($0.22 per share)		12,853	-
2010 Final dividend paid ($0.15 per share)		-	8,547
Total paid	11b	**17,175**	**8,547**

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

	2012 $000	2011 $000

10. Share capital

57,600,000 fully paid ordinary shares of $1 each	**57,600**	**57,600**

All shares have equal voting rights and share equally as to dividends and surplus on winding up. The shares have a par value of $1.00.

11. Reserves and retained earnings

a) Reserves

Balances

Cashflow hedges reserve	(15,251)	(8,715)
Asset revaluation reserve	362,405	341,390
Capital reserve	366	366
Balance at end of the year	**347,520**	**333,041**

Cash flow hedges reserve

Movements:		
Balance at the beginning of the year	(8,715)	(7,268)
Revaluation to fair value	(9,077)	(2,010)
Deferred tax on revaluation	2,541	563
Balance at the end of the year	**(15,251)**	**(8,715)**

The cash flow hedge reserve is used to record gains and losses on the value of hedging instruments. The fair value is determined by reference to the market value of equivalent instruments at the reporting date and will fluctuate each period as the market variables change and the future cash flows resulting from the instrument reduce. The movement in the fair value from prior year reflects the increased level of funding and the impact of a sustained decrease in market interest rates, which are not reflected in the terms of the hedging instruments held by CIAL.

Asset revaluation reserve

Balance at beginning of the year	341,390	322,185
Revaluation of assets	29,048	19,450
Deferred tax on revaluation	(8,033)	(245)
Balance at end of the year	**362,405**	**341,390**
Comprising:		
Revaluation on:		
Land	198,072	198,072
Terminal facilities	61,169	61,169
Buildings	3,594	3,594
Sealed surfaces	38,068	28,273
Infrastructure assets	11,297	8,889
Car parking	50,205	41,393
Balance at the end of the year	**362,405***	**341,390**

The asset revaluation reserve records movements in the fair value of property, plant and equipment.

* balances are net of deferred tax

	2012 $000	2011 $000
Foreign currency cash flow hedge reserve		
Movements:		
Balance at the beginning of the year	-	5
Exchange difference	-	(7)
Deferred tax on exchange difference	-	2
Balance at the end of the year	**-**	**-**

The foreign currency cash flow hedge reserve is used to record the effective portion of the gain or loss on forward foreign currency cash flow hedges.

	2012 $000	2011 $000
Capital reserve		
Balance at the beginning of the year	366	366
Movements	-	-
Balance at the end of the year	**366**	**366**

b) Retained earnings

	Note	2012 $000	2011 $000
Balance at the beginning of the year		210,418	197,171
Net surplus for the year		19,600	21,794
Dividends paid	9	(17,175)	(8,547)
Balance at end of the year		**212,843**	**210,418**

12. Borrowings

The company has a $300,000,000 funding facility with five banks and a subordinated loan of $50,000,000 from majority shareholder, Christchurch City Holdings Ltd, to fund the on-going business and the terminal development. In addition, the company has an overdraft facility of $1,000,000 (2011 $250,000,000 bank funding facility, a subordinated loan of $50,000,000 from majority shareholder, Christchurch City Holdings Ltd, and an overdraft facility of $1,000,000).

All borrowings under the bank facility and overdraft facility are unsecured and supported by a negative pledge deed. Interest rates paid during the year, including offsetting interest rate swaps, ranged from 5.2% to 6.8% (2011:6.9% to 7.2%).

Maturity of debt as at 30 June

	2012	2012	2011	2011
	$000	$000	$000	$000
	Actual drawn down	**Facility available**	Actual drawn down	Facility available
Maturing in				
2012	-	-	48,000	80,000
2013	68,000	70,000	70,000	70,000
2014	25,000	25,000	25,000	25,000
2015	74,000	75,000	60,000	75,000
2016	65,000	125,000	18,000	75,000
2017	55,000	55,000	25,000	25,000
	287,000	**350,000**	**246,000**	**350,000**
Current	68,000	70,000	48,000	80,000
Non-current	219,000	280,000	198,000	270,000
	287,000	**350,000**	**246,000**	**350,000**

13. Derivative financial instruments

	Fair value		Notional principal	
	2012	2011	**2012**	2011
	$000	$000	**$000**	$000
Current liabilities				
Interest rate swaps – cash flow hedges	783	1,141	10,000	18,000
Total current financial liabilities	**783**	**1,141**	**10,000**	**18,000**
Non-current liabilities				
Interest rate swaps – cash flow hedges	20,346	10,845	224,000	234,000
Total non-current liabilities	**20,346**	**10,845**	**224,000**	**234,000**

14. Trade and other payables

	2012	2011
	$000	$000
Trade and other payables less than one year		
Trade payables	3,412	2,890
Employee entitlements and provisions	2,058	2,079
Goods and services tax	66	11
Revenue in advance	172	347
Accrued interest	1,498	1,192
Accrued capital items	2,066	7,204
Accrued expenses	4,580	4,679
Trade and other payables less than one year	**13,852**	**18,402**
Trade and other payables greater than one year		
Revenue in advance	1,490	1,663
Trade and other payables greater than one year	**1,490**	**1,663**
Total trade and other payables	**15,342**	**20,065**
Included in employee entitlements there is a provision for organisational realignment:		
Balance at beginning of the year	202	54
Expensed during the year	-	202
Written off during the year	(202)	(54)
Balance at end of the year	**-**	**202**

15. Property, plant and equipment

Revaluation of property, plant and equipment

The methods of valuation applied by independent valuers are as follows:

Land

– *Specialised assets:* where there is no market based evidence of the sale of such land the value has been determined taking into account:

- its existing zoning and use as an airport

- benchmark selling prices for land in the local commercial, industrial, service, residential and rural markets

- adjustments to reflect the unique features of the land which includes its size, location, titles, easements and services

- the overall land use plan for Christchurch Airport.

– *Commercial portfolio:* with valuations taking reference to the wider market for sales evidence of land zoned for similar permitted activities, with adjustments made for the size, location and physical characteristics of these assets.

Buildings

At market value based on the estimated amount for which a property would exchange on the date of valuation between a willing buyer and willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgably, prudently, and without compulsion, but with the explicit assumption that the existing use of the asset is ignored.

Terminal facilities

Valued at optimised depreciated replacement cost (ODRC). ODRC measures the minimum cost of replacing or replicating the service potential embodied in the assets with modern equivalent assets in the most efficient way practicable, given the service requirements, the age and condition of the existing assets and replacement in the normal course of business. Optimisation is not applied to land.

Car parking assets

Car parking assets are valued using a discounted cash flow valuation approach, using a forecast ten year discount period and an allowance for an appropriate terminal value reflecting an estimate of their residual estimated life.

Sealed surfaces and infrastructure assets

The ODRC approach is utilised to value sealed surfaces and infrastructure assets. The optimisation process minimises the cost of replacing the services offered, given the age and condition of the existing assets and recognising the incremental process (brownfield) associated with airport development. Costs reflect the replacement of current assets with modern equivalents, an optimised construction sequence and adjustment to allow for the difficulties associated with a "brownfield" environment. Where appropriate, adjustments have been made to eliminate surplus assets, obsolescence and over design. The valuation methodology considers the asset inventory (description and quantity of assets), relevant optimisation, estimation of the current replacement cost and depreciation to reflect remaining life expectancy.

For details of the property, plant and equipment accounting policy, refer Summary of Significant Accounting Policies, subsection n) Property, plant and equipment.

On 30 June 2012 car parking assets, sealed surface and infrastructure assets were revalued by Independent Valuers, Seagar and Partners (car park assets) and Opus International Limited (sealed surfaces and infrastructure assets).

The land, buildings and terminal assets were reviewed for impairment as at 30 June 2012 by Seagar and Partners, with no adjustment for impairment being deemed necessary.

The result of the revaluations at 30 June were:

	2012	2011
	$000	$000
Land	-	16,390
Buildings	-	(3,168)
Terminal facilities	-	(4,527)
Sealed surfaces	13,603	-
Infrastructure	3,344	-
Car parking	12,101	10,755
	29,048*	**19,450**

** Gross revaluation before deferred tax of $8,033,000 (Note 11)*

The valuation methodologies used in the revaluation as at 30 June 2012 were consistent with those used in the last valuation. The key cause of the valuation change from the last valuation was increased revenues from car parking assets, increasing the discounted cash flow valuation of the asset. In addition, the ODRC of sealed surfaces and infrastructure have increased due to increases in bitumen prices and other related construction costs.

	2012 $000	2011 $000
Summary of movement in net book value		
Opening net book value	852,744	753,302
Plus Additions	48,681	97,966
Plus Transfers from / (to) investment properties	(21,242)	2,127
Less Disposals (cost less depreciation)	(15)	(25)
Less this year's depreciation	(27,650)	(20,076)
Plus Revaluation	29,048	19,450
Closing net book value	**881,566**	**852,744**

Property, plant and equipment as at 30 June 2012

Gross carrying amount

	Cost/valuation 1 July 2011 $000	Current year additions at cost $000	Transfers at cost $000	Disposals at cost/ impairments $000	Revaluation adjustment $000	Cost/valuation 30 June 2012 $000
Land	315,249	-	(28,113)	-	-	287,136
Buildings	26,187	989	8,446	-	-	35,622
Terminal facilities	255,954	-	35,174	-	-	291,128
Sealed surfaces	108,080	-	3,499	-	2,139	113,718
Plant & equipment	11,197	783	175	(32)	-	12,123
Office & computers	7,801	219	312	-	-	8,332
Infrastructure	16,426	-	4,904	-	662	21,992
Car parking	75,464	-	947	-	10,796	87,207
Motor vehicles	7,299	346	162	(433)	-	7,374
Work in progress	58,942	46,344	(46,748)	-	-	58,538
Total gross carrying amount	**882,599**	**48,681**	**(21,242)**	**(465)**	**13,597**	**923,170**

Accumulated depreciation

	Accumulated depreciation 1 July 2011 $000	Current year depreciation $000	Depreciation on transfers $000	Depreciation on disposals $000	Revaluation adjustment $000	Accumulated depreciation 30 June 2012 $000
Buildings	-	2,093	-	-	-	2,093
Terminal facilities	5,945	15,385	-	-	-	21,330
Sealed surfaces	5,575	5,889	-	-	(11,464)	-
Plant & equipment	7,931	534	-	(19)	-	8,446
Office & computers	5,929	437	-	-	-	6,366
Infrastructure	1,246	1,436	-	-	(2,682)	-
Carparking	-	1,304	-	-	(1,304)	-
Motor vehicles	3,229	572	-	(431)	-	3,370
Total accumulated depreciation	**29,855**	**27,650**	**-**	**(450)**	**(15,451)**	**41,604**

Summary	1 July 2011 $000	Current year movement $000	Transfers $000	Disposals $000	Revaluation $000	30 June 2012 $000
Cost	882,599	48,681	(21,242)	(465)	13,597	923,170
Accumulated Depreciation	(29,855)	(27,650)	-	450	15,451	41,604
Book Value	**852,744**	**21,031**	**(21,242)**	**(15)**	**29,048**	**881,566**

In accordance with the company's accounting policies, capital work in progress includes capitalised interest of $20,209,000 (2011 $16,276,000).

Property, plant and equipment as at 30 June 2011

Gross carrying amount

	Cost/valuation 1 July 2010	Current year additions at cost	Transfers at cost	Disposals and impairments at cost	Revaluation adjustment	Cost/valuation 30 June 2011
	$000	**$000**	**$000**	**$000**	**$000**	**$000**
Land	298,657	-	202	-	16,390	315,249
Buildings	27,642	-	2,744	-	(4,199)	26,187
Terminal facilities	149,672	-	138,994	-	(32,712)	255,954
Sealed surfaces	102,886	-	5,194	-	-	108,080
Plant & equipment	9,342	-	1,855	-	-	11,197
Office & computers	6,900	-	901	-	-	7,801
Infrastructure	16,010	-	416	-	-	16,426
Carparking	64,169	-	2,145	-	9,150	75,464
Motor vehicles	6,560	-	907	(168)	-	7,299
Work in progress	112,207	97,966	(151,231)	-	-	58,942
Total gross carrying amount	**794,045**	**97,966**	**2,127**	**(168)**	**(11,371)**	**882,599**

Accumulated depreciation

	Accumulated depreciation 1 July 2010	Current year depreciation	Depreciation on transfers	Depreciation on disposals	Revaluation adjustment	Accumulated depreciation 30 June 2011
	$000	**$000**	**$000**	**$000**	**$000**	**$000**
Buildings	-	1,031	-	-	(1,031)	-
Terminal facilities	25,005	9,125	-	-	(28,185)	5,945
Sealed surfaces	-	5,575	-	-	-	5,575
Plant & equipment	7,499	432	-	-	-	7,931
Office & computers	5,363	566	-	-	-	5,929
Infrastructure	-	1,246	-	-	-	1,246
Carparking	-	1,605	-	-	(1,605)	-
Motor vehicles	2,876	496	-	(143)	-	3,229
Total accumulated depreciation	**40,743**	**20,076**	**-**	**(143)**	**(30,821)**	**29,855**

Summary	1 July 2010	Current year movement	Transfers	Disposals	Revaluation	30 June 2011
	$000	**$000**	**$000**	**$000**	**$000**	**$000**
Cost	794,045	97,966	2,127	(168)	(11,371)	882,599
Accumulated Depreciation	(40,743)	(20,076)	-	143	30,821	(29,855)
Book Value	753,302	77,890	2,127	(25)	19,450	852,744

The carrying amount at which each revalued class of property, plant & equipment if measured at historical cost less accumulated depreciation is as per the table below:

	2012	2011
	$000	$000
Land	122,624	122,624
Buildings	25,327	23,304
Terminal	169,607	180,714
Sealed surfaces	61,241	62,634
Infrastructure	12,967	10,944
Car parking	24,403	25,296
	416,169	**425,516**

The current carrying value of the assets under the revaluation model is a combination of the asset cost, revaluation reserve and the impact of adopting a revised "deemed cost" for all assets when transitioning to International Financial Reporting Standards in 2008.

16. Intangible assets

Gross carrying amount

	Cost/valuation 1 July 2011	Current year additions at cost	Current year disposals/ impairment	Cost/valuation 30 June 2012
	$000	**$000**	**$000**	**$000**
Software	7,659	206	-	7,865
Goodwill	1,740	3,391	-	5,131
Gross carrying amount	**9,399**	**3,597**	**-**	**12,996**

Accumulated amortisation

	Accumulated amortisation 1 July 2011	Current year amortisation	Amortisation on disposal	Accumulated Amortisation 30 June 2012
	$000	**$000**	**$000**	**$000**
Software	6,077	501	-	6,578
Total accumulated amortisation	**6,077**	**501**	**-**	**6,578**
Total book value 30 June 2012	**3,322**	**3,096**	**-**	**6,418**

Goodwill was generated through the acquisition of Craddocks car storage in 2011 and the International Antarctic Centre in 2012 (Note 30).

For the purposes of impairment testing, goodwill is allocated to cash generating units (CGU's); these represent the lowest level at which goodwill is monitored. CIAL tests goodwill annually for impairment or more frequently if there are indicators that it might be impaired.

As at 30 June 2012, $3,391,000 of the goodwill related to the International Antarctic Centre (IAC). The recoverable amount of the IAC CGU is determined from a fair value less costs to sell calculation, using cash flow projections. The projected cash flows are adjusted for associated risks and are discounted using a nominal rate of 11.5% (pre-tax). Revenue growth assumptions used in the projections are based on past performance and management's expectations of visitor growth.

The remaining goodwill relates to the Craddocks CGU. The recoverable amount has been determined as part of the car park independent valuation performed by Seagar's & Partners, which confirmed that no impairment is required to be recognised.

Intangible assets as at 30 June 2011

Gross carrying amount

	Cost/valuation 1 July 2010	Current year additions at cost	Current year disposals/ impairment	Cost/valuation 30 June 2011
	$000	**$000**	**$000**	**$000**
Software	6,388	1,271	-	7,659
Goodwill	-	1,740	-	1,740
Gross carrying amount	**6,388**	**3,011**	**-**	**9,399**

Accumulated amortisation

	Accumulated amortisation 1 July 2010	Current year amortisation	Amortisation on disposal	Accumulated Amortisation 30 June 2011
	$000	**$000**	**$000**	**$000**
Software	5,360	717	-	6,077
Total accumulated amortisation	**5,360**	**717**	**-**	**6,077**
Total Book value 30 June 2011	**1,028**	**2,294**	**-**	**3,322**

17. Investment properties

	2012	2011
	$000	$000
At fair value		
Fair value at the beginning of the year	79,387	80,030
Transfer from / (to) property, plant and equipment	21,242	(2,127)
Additional capitalised expenditure	22,208	2,079
Fair value gain/(loss) from fair value adjustment	6,069	(595)
Fair Value at 30 June	**128,906**	**79,387**
Investment properties under construction	75	8,765
Total investment properties	**128,981**	**88,152**
Rental income	9,636	7,390
Direct operating expenses from property that generated rental income	1,199	392

Investment properties under construction are recorded at cost in accordance with the investment property policy of the company.

Valuation of investment property

The valuation as at 30 June 2012 was completed by Seagar and Partners, registered valuers and member of the New Zealand Property Institute. The basis of valuation is fair value, being the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion.

The valuation methodologies used were a direct sales comparison or a direct capitalisation of rental income using market comparison of capitalisation rates, supported by a discounted cash flow approach. The valuation methodologies are consistent with the prior year.

Principal assumptions used in establishing the valuations were:

- Average rental yield rate 9.74%
- Average market capitalisation rate 9.83%
- Weighted average lease term 5.16 years.

For details of the investment property accounting policy, refer Summary of Significant Accounting Policies, subsection o) Investment property.

	2012	2011
	$000	$000

18. Trade and other receivables

Trade and other receivables less than one year

Accounts receivable	6,642	7,740
Prepayments	1,899	1,167
Lease inducement	589	589
GST receivable	-	-
Provision for doubtful debts	(120)	(183)
Trade and other receivables less than one year	**9,010**	**9,313**

Trade and other receivables greater than one year

Lease inducement	8,688	9,277
Trade and other receivables greater than one year	**8,688**	**9,277**
Total trade and other receivables	**17,698**	**18,590**

19. Inventories

Materials	544	380
Retail stock	271	2
Total inventories	**815**	**382**

During the year, inventory of $NIL was written off (2011 NIL).

20. Reconciliation of adjusted surplus after income tax with net cashflow from operating activities

Net operating surplus after tax	19,600	21,794
Non-cash items		
Depreciation, amortisation and impairment	28,151	20,793
Amortisation of lease surrender	568	588
(Gain)/loss on revaluation of investment properties	(6,069)	595
Items not classified as operating activities		
Net gain on asset disposals	(18)	(8)
Capital items included in trade payables and accruals	4,148	-
Deferred taxation	963	664
Movements in working capital		
(Increase)/decrease in trade and other receivables	892	(2,271)
(Increase)/decrease in inventories	(433)	(5)
Increase/(decrease) in trade and other payables	(4,723)	(1,928)
Increase/(decrease) in taxation payable	2,770	(2,606)
Net cash flows from operating activities	**45,849**	**37,616**

21. Related party transactions

Christchurch City Holdings Limited (CCHL), a wholly owned subsidiary of the Christchurch City Council (CCC), owns 75% and the New Zealand Government owns 25% respectively of the issued share capital of the company.

Christchurch International Airport Limited enters into a large number of transactions with government departments, Crown entities, State-owned enterprises and other entities controlled or subject to significant influence by the Crown. These transactions are not separately disclosed where they:

- are conducted on an arm's length basis
- result from the normal dealings of the parties
- meet the definition of related party transactions only because of the relationship between the parties being subject to common control or significant influence by the Crown.

	2012	2011
	$000	$000
Transactions with related entities during the year		
Christchurch City Council (CCC)		
Purchases	238	370
Rates paid	3,390	2,546
Revenues	5	6
Subvention payments	5,162	4,028
Group loss offset	1,094	364
Accounts payable	51	1
Christchurch City Holdings Limited (CCHL)		
Interest paid	2,760	3,390
Subordinated loan balance payable	50,000	50,000
Revenues	-	3
Group loss offset	10,951	9,033
Other CCC group companies		
Purchases	809	657
Revenues	107	40
Accounts payable	563	53
Amounts owing	9	10
Subvention payments	1,438	2,435
Group loss offset	3,355	5,684

Non shareholder related party transactions

Some directors of the company are, or have been during the year, directors of other companies or organisations with whom Christchurch International Airport Limited may transact. Such transactions are all carried out on an arm's-length basis and are conducted on normal commercial terms. No amounts were written off or forgiven during the reporting period and outstanding balances were settled under normal trading terms.

Entity	**Transaction**	**2012**	2011	**Relationship**
		$000	$000	
Meridian Energy Limited	Electricity	2,350	1,844	Catherine Drayton, Company Director is a director of Meridian Energy Limited
PGG Wrightson Limited	Agricultural and landscaping supplies	23	46	George Gould, Company Director is the managing director of PGG Wrightson Limited
Orion New Zealand Limited	Maintenance	621	1	George Gould, Company Director is a director of Orion New Zealand Limited
Orbit Travel & House of Travel Holdings Limited	Travel, accommodation, lease tenancy and joint marketing initiatives	691	112	Chris Paulsen, Company Director is a director of House of Travel at Orbit Limited

Management contract

Christchurch International Airport Ltd has entered into a management contract with Denali Management Limited to provide the services of Jim Boult as CEO for the period to 30 June 2013. Management fees paid for 2012 was $562,000 (2011:$535,000).

	2012	2011
	$000	$000
Balance owing to non-shareholder related parties as at 30 June 2012		
Entity		
Meridian Energy Limited	12	259
PGG Wrightson Limited	23	24
Orion New Zealand Limited	557	-
House of Travel Limited	45	-

There were no other material related party transactions for the year.

22. Key management personnel compensation

The key management personnel include the CEO and his direct reports consisting of 9 people.
The key management compensation is:

Salaries and other short term employee benefits	2,281	2,202
	2,281	**2,202**

This excludes directors' remuneration which is disclosed in note 3.

23. Commitments

Capital expenditure commitments

Total capital expenditures, excluding the Integrated Terminal Project (ITP), committed to but not recognised in the financial statements	555	4,053
	555	**4,053**

The forecast total cost to complete for the ITP is $33,984,400 (2011:$53,475,200). This includes an estimate of the final costs to be paid but which are presently under discussions with the contractor.

Operating lease commitments

These commitments are for operating leases for office equipment and represent the total minimum lease payments under non-cancellable operating leases not recognised in the financial statements. The leases are for terms between 2 and 3 years, and the majority of the lease agreements are renewable at the end of the lease period at market rates.

Less than 1 year	29	26
Between 1-2 years	5	23
Between 3-5 years	-	4
	34	**53**

24. Lease income

The company has a number of property leases for which it receives rental. The total amount receivable for these operating leases in the future is:

Less than 1 year	43,641	37,610
Between 1-2 years	38,801	37,078
Between 3-5 years	111,536	96,772
Beyond 5 years	113,023	137,870
	307,001	**309,330**

The leases are for terms between 1 month and 55 years, and the majority of the lease agreements are renewable at the end of the lease period at market rates.

25. Contingent assets and liabilities

As at 30 June 2012 there was no contingent asset (2011 $767,000) for Earthquake insurance remediation, see Note 29, and there were no contingent liabilities (2011 NIL).

26. Events occurring after balance date

There are no events occurring after balance date that could significantly affect the financial statements (2011 NIL).

27. Financial instruments

The company's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance. The company enters into derivative arrangements in the ordinary course of business to manage foreign currency and interest rate risks.

Risk management is the responsibility of the Board. The Risk, Audit and Finance Committee (the Committee) monitors all risk management activities and provides regular reports on such activities to the board. The company has a treasury policy approved by the Committee. The policy provides guidelines for overall risk management, as well as specific guidelines for derivative instrument utilisation including procedures for control, valuation, risk analysis, on-going monitoring and reporting.

Part of the company's risk management strategy is to outsource the back office processing of the treasury function to a third party.

Market risk

Foreign exchange risk

The company has no exposure to foreign exchange risk at 30 June 2012 (2011: $NIL).

Interest rate risk

The company's main interest rate risk arises from term variable rate borrowings denominated in NZD, such borrowings being determined by the company's long term development requirements and the structures approved by the Board.

The treasury policy sets parameters for borrowings and the process for monthly reporting to the Board.

Borrowings issued at variable rates expose the company to cash flow interest rate risk. The company manages its cash flow interest rate risk by using floating to fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates.

At 30 June 2012, if the interest rates had changed by +/- 1%, with all other variables held constant, the impact to equity would have been $9,226,000 lower/$9,727,000 higher, the impact on profit would have been $374,000 lower/higher. The valuation of interest rate swaps has been included in this calculation.

A sensitivity of 1% has been selected as this is considered reasonable given the current level of interest rates and the trend observed both on a historical basis and market expectations for future moves.

Interest repricing profile

The following table details the company's exposure to interest rates

	Note	Weighted average effective interest rate	Variable interest rate	Fixed interest rate	Non-interest bearing	Total
		%	$000	$000	$000	$000
As at 30 June 2012						
FINANCIAL ASSETS						
Cash and cash equivalents	-	2.5	599	-	-	599
Trade and other receivables	18		-	-	17,698	17,698
			599	**-**	**17,698**	**18,297**
FINANCIAL LIABILITIES						
Trade and other payables	14		-	-	13,284	13,284
Derivative financial instruments	13	5.4	20,432	-	-	20,432
Borrowings	12	6.9	287,000	-	-	287,000
Employee benefits	14		-	-	2,058	2,058
			307,432	**-**	**15,342**	**322,774**
As at 30 June 2011						
FINANCIAL ASSETS						
Cash and cash equivalents	-	2.5	1,339	-	-	1,339
Trade and other receivables	18		-	-	18,590	18,590
			1,339	**-**	**18,590**	**19,929**
FINANCIAL LIABILITIES						
Trade and other payables	14		-	-	17,986	17,986
Derivative financial instruments	13	5.4	11,986	-	-	11,986
Borrowings	12	7.1	246,000	-	-	246,000
Employee benefits	14		-	-	2,079	2,079
			257,986	**-**	**20,065**	**278,051**

Credit risk

Credit risk principally arises from cash and short-term investments, trade receivables and interest rate swaps. The company places its cash and short-term investments with high credit quality financial institutions and sovereign bodies and limits the amount of credit exposure to any one financial institution in accordance with its treasury policy.

The company manages its exposure to credit risk arising from trade receivables by performing credit evaluations on customers requiring credit.

The company also continuously monitors the outstanding credit exposure to individual customers. Credit risk is concentrated on a small number of customers. At 30 June 2012: 59% (2011: 79.6%) of trade receivables were due from 10 customers.

Management practice is to review debtors on a regular basis and write off any amount that is not deemed to be recoverable as required. For the year ended 30 June 2012 a total of $63,000 (2011:$NIL) was written off, this represents 0.01% (2011: 0.0%) of total trade receivables. No further amounts were provided for doubtful debts (2011:$158,000).

The status of trade receivables at the reporting date is as follows:

	2012 $000	2011 $000
Neither past due nor impaired	5,274	5,851
Past due but not impaired 0 – 30 days	779	1,131
Past due but not impaired 31 – 60 days	135	651
Past due but not impaired > 60 days	454	107
Impaired assets – written down to recoverable value	-	-
	6,642	**7,740**

There are no restructured assets at 30 June 2012 (2011: NIL). No collateral has been taken as security for trade receivables.

The carrying value is the maximum exposure to credit risk for bank balances, accounts receivable and interest rate swaps.

Liquidity risk

Liquidity risk represents the risk that the company may not have the financial ability to meet its contractual obligations. The company evaluates its liquidity requirements on an on-going basis and reviews the Treasury Policy Headroom levels on an annual basis. In general, the company generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has funding in place to cover potential shortfalls.

The table below analyses the company's financial liabilities and derivative financial liabilities that will be settled on a net basis, into relevant maturity groupings based on the remaining period at year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances within 12 months equal their carrying balances.

30 June 2012	On demand	< 1 year	1-2 years	3-5 years	> 5 years
Trade and other payables	13,852	1,490	-	-	-
Borrowings	-	77,933	113,460	125,276	-
Derivative financial instruments	-	6,456	9,921	4,145	2,055
	13,852	**85,879**	**123,381**	**129,421**	**2,055**

30 June 2011	On demand	< 1 year	1-2 years	3-5 years	> 5 years
Trade and other payables	18,402	1,663			
Borrowings	-	56,955	77,089	113,153	26,840
Derivative financial instruments	-	6,274	3,881	2,021	(1,317)
	18,402	**64,892**	**80,970**	**115,174**	**25,523**

Derivative financial instrument

Interest rate swaps

The company has long term borrowings at a variable rate of interest. In order to protect against interest rate movements, the company has entered into interest rate swap agreements to fix the interest rate. Under these agreements, the company agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. The fair value of interest rate swaps are based on market values of equivalent instruments at the reporting date and are disclosed below.

The following table also details the notional principal amounts and remaining term of interest rate swap contracts outstanding as at reporting date:

	Contract fixed interest rate		Notional principal amount		Fair value	
	2012	2011	**2012**	2011	**2012**	2011
	%	%	**$000**	$000	**$000**	$000
Outstanding floating for fixed contracts						
Less than 1 year	4.1	5.8	10,000	18,000	783	510
1 to 2 years	5.4	4.1	60,000	10,000	3,402	163
3 to 5 years	5.5	5.4	132,000	120,000	12,557	6,138
Beyond 5 years	5.8	5.5	32,000	104,000	4,387	4,544
			234,000	**252,000**	**21,129**	**11,355**

Movement in cash flow hedge reserve – interest rate swaps

	2012	2011
	$000	$000
Movement in fair value of existing contracts	9,077	2,010

Forward exchange contracts - cash flow hedges

The company buys some items of property plant and equipment from overseas suppliers which are required to be settled in foreign currency, primarily USD and Euro. In order to protect against exchange rate movements, the company enters into forward exchange contracts to buy both currencies.

These contracts are hedged as individual purchase contracts for the ensuing financial year. The contracts are timed to mature when the payments are scheduled to be made.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. When the cash flows occur, the company adjusts the initial measurement of the component recognised in the Statement of Financial Position by the related amount deferred in equity.

No foreign currency denominated trade or other payables existed at 30 June 2012 (2011: NIL).

The company has no foreign exchange contracts in place as hedges.

During the year the pre-tax movement in equity was NIL (2011: $7,000). The table below shows the pre-tax movement for the company:

Movement in cash flow hedge reserve – foreign currency

	2012	2011
	$000	$000
Movement in fair value of existing contracts	-	(7)

Fair value of financial instruments

The directors consider that the carrying amounts of financial assets and financial liabilities recorded in the financial statements approximate their fair values.

Effective 1 July 2009, the company adopted the amendment to NZ IFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the company's assets and liabilities that are measured at fair value at 30 June 2012.

	Level 1	Level 2	Level 3	Total balance
	$000	$000	$000	$000
Liabilities				
Derivative financial instruments	-	21,129	-	21,129
Total Liabilities	**-**	**21,129**	**-**	**21,129**

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observed, the instrument is included in level 2. The company has an outsourced treasury provider that provides the fair value at year end. These valuation techniques are based on observable market data and include the following:

- Interest rate swaps calculation takes into account the present value of the estimated future cash flows.
- Forward exchange contracts calculation takes into consideration the forward exchange market rates at the year end.

Classification of financial instruments

	Note	At fair value	Loans & receivables	Available for sale	Other amortised cost	Total carrying amount
		$000	**$000**	**$000**	**$000**	**$000**
As at 30 June 2012						
CURRENT ASSETS						
Cash and cash equivalents		-	599	-	-	599
Trade and other receivables	18	-	7,111	-	-	7,111
Total current financial assets		**-**	**7,710**	**-**	**-**	**7,710**
NON-CURRENT ASSETS						
Trade and other receivables	18	-	8,688	-	-	8,688
Total non-current financial assets		**-**	**8,688**	**-**	**-**	**8,688**
Total financial assets		**-**	**16,398**	**-**	**-**	**16,398**
CURRENT LIABILITIES						
Trade and other payables	14	-	-	-	13,852	13,852
Borrowings	12	-	-	-	68,000	68,000
Derivative financial instruments	13	783	-	-	-	783
Total current financial liabilities		**783**	**-**	**-**	**82,549**	**83,332**
NON-CURRENT LIABILITIES						
Borrowings	12	-	-	-	219,000	219,000
Derivative financial instruments	13	20,346	-	-	-	20,346
Trade and other payables	14	-	-	-	1,490	1,490
Total non-current financial liabilities		**20,346**	**-**	**-**	**220,490**	**240,836**
Total financial liabilities		**21,129**	**-**	**-**	**303,241**	**324,168**

	Note	At fair value $000	Loans & receivables $000	Available for sale $000	Other amortised cost $000	Total carrying amount $000
As at 30 June 2011						
CURRENT ASSETS						
Cash and cash equivalents		-	1,339	-	-	1,339
Trade and other receivables	18	-	8,146	-	-	8,146
Total current financial assets		**-**	**9,485**	**-**	**-**	**9,485**
NON-CURRENT ASSETS						
Trade and other receivables	18	-	9,277	-	-	9,277
Total non-current financial assets		**-**	**9,277**	**-**	**-**	**9,277**
Total financial assets		**-**	**18,762**	**-**	**-**	**18,762**
CURRENT LIABILITIES						
Trade and other payables	14	-	-	-	18,402	18,402
Borrowings	12	-	-	-	48,000	48,000
Derivative financial instruments	13	1,141	-	-	-	1,141
Total current financial liabilities		**1,141**	**-**	**-**	**66,402**	**67,543**
NON-CURRENT LIABILITIES						
Borrowings	12	-	-	-	198,000	198,000
Derivative financial instruments	13	10,845	-	-	-	10,845
Revenue in advance	14	-	-	-	1,663	1,663
Total non-current financial liabilities		**10,845**	**-**	**-**	**199,663**	**210,508**
Total financial liabilities		**11,990**	**-**	**-**	**266,065**	**278,051**

28. Capital management

The company's capital includes share capital, reserves and retained earnings. The company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The company recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The company is not subject to any externally imposed capital requirements, other than the covenants required under our borrowing agreements. These covenants cover Guaranteeing Group coverage, Gearing, Interest Cover, Joint Ventures and EBITDA to Senior Debt and are reported to lenders every six months. During the year, there were no breaches of these covenants.

There have been no material changes to the company's management of capital during the period.

29. Earthquake impact

Christchurch has continued to be impacted by a series of major earthquakes and smaller aftershocks during the 2012 financial year, causing further damage to parts of the city. While the earthquakes have generally been at far less intensity that those experienced in 2011, two major earthquakes were experienced on December 23rd 2011. Christchurch International Airport incurred minimal damage and they did not cause major disruptions to the day to day operations.

As at 30 June 2012, the directors have assessed the recoverable amount of fixed assets damaged in the earthquake and compared this to the carrying value of those assets. As a result of this assessment, one building has been impaired based on the fact that it is currently below the required earthquake standards and is unoccupied. The book value of that building ($940,000) has been written off to nil and the amount included as an accelerated depreciation charge in the Statement of Financial Performance.

Costs associated with earthquake damage in the current year were $1,079,000, with total costs to date of $3,780,000. In the current year, $1,583,000 of insurance proceeds were received. There are no earthquake insurance claims which have been made to date that are currently outstanding.

The disruptions caused by the on-going impact of the earthquakes continues to have a detrimental impact on the short to medium term international tourism visitors. This will continue to have an impact on short term earnings but the going concern assumption remains appropriate.

30. Business combination

On 16 November 2011 Christchurch International Airport Limited purchased the assets and business of Antarctic Attraction Limited, a tourism attraction. The acquisition has been accounted for using the acquisition method.

The fair value of the identifiable assets and liabilities at acquisition date was:

	Fair value recognised on acquisition $000
Assets	
Property, plant & equipment	2,343
Cash	2
Inventories	376
	2,721
Liabilities	
Trade payables	(225)
	(225)
Net assets at fair value	2,496
Goodwill arising on acquisition	3,391
Purchase consideration transferred	**5,887**

From the date of acquisition in December 2011, Antarctic Attraction Limited has contributed $3,660,000 of revenue and $203,000 to net profit before tax of Christchurch International Airport Limited.

The goodwill above is attributed to the synergies and complementary nature of the acquired business to the overall operations of Christchurch International Airport Limited (note 16).

The transaction costs of $50,000 have been expensed and are included in legal, valuation and consulting fees within the Statement of Financial Performance and are part of the operating cash flows in the Statement of Cash Flows.

31. Comparison of forecast to actual results

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

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

	2012 Achievement	2012 Target
	$000	$000
Financial performance		
Total revenue[1]	119,778	99,865
EBITDA from operations (excluding revaluation of investment property and earthquake costs)	63,991	58,480
Net surplus after tax (excluding deferred tax adjustment)	19,600	11,783
Surplus after tax	19,600	13,283
EBITDA as % revenue	58.1%	58.6%
Ratio of net surplus after-tax to average equity	3.2%	2.2%
Return on assets (surplus after tax as % on average total assets)	2.0%	1.3%
Operational movement targets		
Aircraft		
Aircraft movements excluding General Aviation	66,602	70,756
Passenger numbers		
Domestic	4,131,741	4,284,285
International	1,419,859	1,311,447
Total passengers	**5,551,600**	**5,595,732**
Operational performance targets	**$**	**$**
Total operating revenue per passenger	20.37	17.85
Aeronautical revenue per passenger	*7.29*	*7.04*
Commercial revenue per passenger	*13.08*	*10.80*
Net profit after tax per passenger	3.53	2.11
Total assets per passenger	186.63	162.31
Net debt per passenger	51.70	36.46
Ratio of aeronautical revenue to total revenue (excluding interest)	33.9%	46.6%

[1] Including revaluation of investment property

Performance target	2012	Achievements
1. To minimise the impact of airport activities on groundwater quality through cost-effective measures to avoid or mitigate the risks of contamination	• Completion of the Public Risk and Management Plan for Managing Potable Water and regular monitoring of potable drinking groundwater supply	• Underway
	• Continue Environmental Compliance and Monitoring Programme with existing airport operators and new operators on airport land	• On Target
	• Label storm water drainage systems in all new developments	• On Target
	• Provide environmental training to all airport operators	• Environmental DVD shown to airport operators. Environmental training part of CIAL online induction training programme.
2. To investigate and implement cost-effective ways in which to progressively reduce the amount of solid waste arising from airport activities being disposed of to landfill through the development of waste minimisation and recovery measures	• Progressively increase amount of material being diverted from landfill from 24% to 32% of total waste produced by CIAL by 2012	• 28% diversion of waste from landfill. Steps have been made to increase this rate (as per point below).
	• Carry out audit of waste generated within Integrated Terminal Building and review management of waste and recycling from Terminal Operations	• Audit of waste carried out in May 2012. Programme to implement waste minimisation initiatives underway in conjunction with OCS Cleaning Services.
	• Manage and measure amount of construction and waste disposal to landfill during ITP development through Target REBRI Programme	• On-going, to date 89% of waste has been diverted during demolition phase, and 57% of construction waste.
3. To minimise the energy consumption by airport activities through the pursuit of efficient energy practices	• Maintain carbon-neutral status for CIAL's operational activities	• CIAL recertified until 2013
	• Achieve a further 5% (Kwh/m2) energy consumption reduction over 2010 levels, by 2013	• Progressing, however energy efficiency is currently compromised due to the terminal building also being a construction site. On completion of the building it is expected that the designed energy efficiencies will be reached. • Undergoing a project with Philips Lighting and EECA to replace 1,700 light fittings in the terminal with LED technology. This initiative will reduce the annual lighting load by more than 60%.
4. To deliver on our corporate social responsibility and community interest obligations	• Be a key sponsor of a major city event (such as the Ellerslie International Flower Show) and one other cultural event in the city	• Sponsored and participated in the Ellerslie International Flower Show in 2012. Sponsored and hosted the Christchurch Airport Marathon.
	• Support various community organisations through the CIAL Christmas Fund and other donations through the year	• Sponsorship and support of the following: Ronald McDonald House, Antarctic Heritage Trust, Child Cancer Foundation, the Children's Christmas Party, Heart Foundation, RSA Poppy Appeal, St John, Avonhead Rotary Club, NZ Coastguard, Rotary Club of Christchurch, Salvation Army, SPCA Canterbury.
	• 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	• An active programme, with regular speeches given to a wide variety of groups and audiences, newsletters regularly published, website regularly updated, Airport Ambassadors programme well supported
5. To manage Operational Risk	• 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	• Bird strike rate was less than four per 10,000 aircraft movements; 12 month moving average was 3.6/10,000 aircraft movements
	• To work with statutory authorities and the community in achieving acceptance of noise contours to protect the 24/7 airport operating status	• Work in progress. Appeals on the draft Regional Policy Statement in Environment Court were cancelled due to the earthquakes. Now scheduled to recommence late 2012.
6. To minimise the effects of noise and vibration associated with aircraft and airport operations and to comply with relevant noise rules	• Produce annual noise monitoring report	• 2011 monitoring has confirmed operators were within noise contour limits.
7. To deliver an environment for staff that is supportive, stimulating and engaging	• Support staff during and post earthquakes	• Staff welfare has included food and water, other supplies appropriate to requirements and short breaks for families

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

TO THE READERS OF
Christchurch International Airport Limited's
FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION
FOR THE YEAR ENDED 30 JUNE 2012

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

The Auditor-General is the auditor of Christchurch International Airport Limited (the company). The Auditor-General has appointed me, Scott Tobin, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and performance information of the company on her behalf.

We have audited:

- the financial statements of the company on pages 12 to 47, that comprise the statement of financial position as at 30 June 2012, the statement of financial performance, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the company on pages 48 to 49.

Opinion

Financial statements and performance information

In our opinion:

- the financial statements of the company on pages 12 to 47:
  - comply with generally accepted accounting practice in New Zealand;
  - give a true and fair view of the company's:
    - financial position as at 30 June 2012; and
    - financial performance and cash flows for the year ended on that date;
- the performance information of the company on pages 48 to 49:
  - complies with generally accepted accounting practice in New Zealand; and
  - gives a true and fair view of the achievements measured against the performance targets adopted for the year ended on 30 June 2012.

Other legal requirements

In accordance with the Financial Reporting Act 1993 we report that, in our opinion, proper accounting records have been kept by the company as far as appears from an examination of those records.

Our audit was completed on 3 September 2012. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities, and we explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and performance information are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and performance information. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and performance information whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the company's financial statements and performance information that give a true and fair view of the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the adequacy of all disclosures in the financial statements and performance information; and
- the overall presentation of the financial statements and performance information.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and performance information. In accordance with the Financial Reporting Act 1993, we report that we have obtained all the information and explanations we have required. We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Board of Directors

The Board of Directors is responsible for preparing financial statements and performance information that:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the company's financial position, financial performance and cash flows; and
- give a true and fair view of its service performance achievements.

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

The Board of Directors' responsibilities arise from the Local Government Act 2002 and the Financial Reporting Act 1993.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and performance information and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and section 69 of the Local Government Act 2002.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

Other than the audit, and the audit of the company's disclosures pursuant to the Commerce Act (Specified Airport Services Information Disclosure) Determination 2010, we have no relationship with or interests in the company.

S M Tobin
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand

Directors

David Mackenzie
Chairman

Philip Carter
Director

Catherine Drayton
Director

George Gould
Director

Justin Murray
Director

Chris Paulsen
Director

Shareholders

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

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

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

Total Shares

57,600,000 shares

Bankers

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

Solicitors

Buddle Findlay, Christchurch
Chapman Tripp, Christchurch

Executive Management Team

Jim Boult
Chief Executive

Andy Lester
Chief Operating Officer

Tim May
Chief Financial Officer

Neil Cochrane
General Manager Business Services

Matthew Findlay
General Manager Aeronautical Business Development

Geoff Eban
General Manager Terminal Development

Leeanne Carson-Hughes
General Manager Human Resources

Blair Forgie
General Manager Property & Commercial

Rhys Boswell
General Manager Planning & Environment

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Auditors

Audit New Zealand
On behalf of the Auditor-General