



Interim Report

FOR THE SIX MONTHS TO

**31 DECEMBER
2011**

Christchurch | **airport**
International | United

New Zealand's Tourism Gateway

HIGHLIGHTS FOR THE PERIOD:

2,833,262 Passenger Movements
 (International movement down 8.4% on same period last year, domestic movement down 5.3% on same period last year; overall 0.8% above target and 6.1% below same period last year)

17,266 Aircraft Movements
 (2.9% below target and 4.2% below same period last year)

\$55.2 m Total Revenue
 (10.1% over target and 13.5% above same period last year)

\$20.6 m Aeronautical Revenue
 (2.4% over target and 2.1% below same period last year)

\$34.5 m Non-Aeronautical Revenue
 (15.2% over target and 25.6% above same period last year)

\$31.5 m EBITDA
 (10.2% over target and 0.8% below same period last year)

\$8.0 m Surplus after Tax
 (34% over target and 40.5% below same period last year)

\$10.22 Net Asset Backing Per Share
 (Down from \$10.44 as at 30 June 2011, following the payment of a final dividend)

Integrated Terminal Project

Progressing Satisfactorily

REVIEW OF STRATEGIC OBJECTIVES AND PROGRESS TO DATE

The focus of CIAL's Business Plan remains its vision "To be the BEST airport". A recent update of CIAL's strategic outlook confirmed its broad objectives remain unchanged with a continuing focus on five objectives:

- ✓ **Aeronautical:** Deliver outstanding airport and airport-related services and aeronautical growth
- ✓ **Commercial:** Maximise economic value through commercial opportunities
- ✓ **Property:** Maximise economic value through property development and management
- ✓ **Making it Happen:** Deliver robust business enablers to ensure success
- ✓ **People:** Develop an engaged workforce that performs strongly

The following sections provide a summary of key initiatives and milestones achieved in relation to these objectives, together with some of the key challenges to be progressed towards our goal of being the best.

INTEGRATED TERMINAL PROJECT

Construction of the next stage of the terminal development is progressing well following the successful opening of Stage 1 in May 2011. Since that time CIAL has received positive feedback, both domestically and internationally, for the quality of the offering and the improvement in the level of service.

The programme for the next stage of implementation remains largely on track. This is the domestic baggage collection and arrivals area which is targeted for a two stage completion in February and April 2012. The first stage, the opening of the new domestic jet bag claim area was successfully completed on the 8th February 2012.

Considerable effort is being given to developing the programme to ensure multiple work streams can be carried out in parallel, to ensure the total development is completed on programme by early 2013.

AERONAUTICAL

Performance

The six months to December 2011 saw a reduction in passenger movements over the same period last year, reflecting the continuing impact of the earthquakes on reduced tourism numbers.

Total passenger numbers for the period were 0.8% ahead of target, with international passenger movements 7.6% ahead of target and domestic passenger movements 1.3% below target.

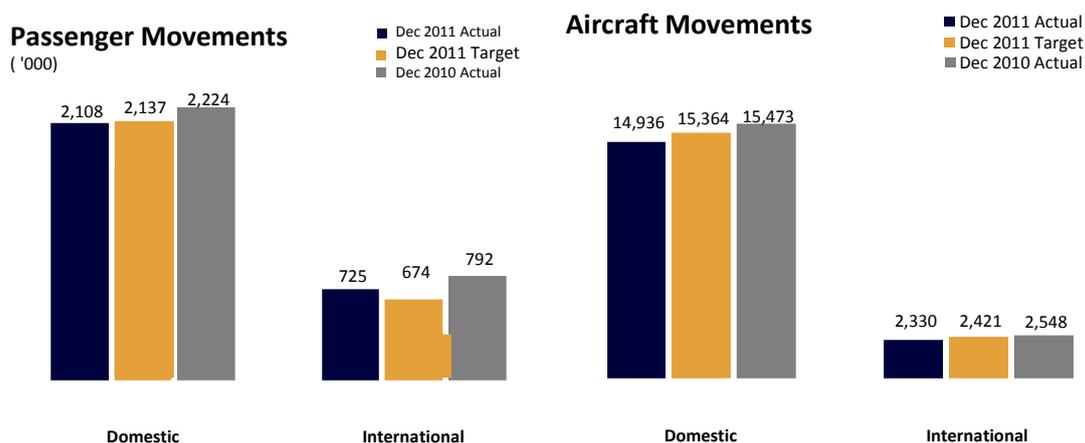
The major influences on international passenger travel compared to the comparable period in the prior year were a result of:

- Reduced international passenger volume, compared with the previous period, owing to the impact of the earthquakes and the consequent withdrawal of aircraft capacity - particularly Air New Zealand and Virgin Australia, through their new alliance relationship and Jetstar, as a result of pressure within the Qantas group to maximise profitability.
- In addition there was some loss of market share to Queenstown on the trans-Tasman routes, as airlines, particularly Jetstar, sought to fly point to point from the eastern seaboard into Queenstown.

Long haul international passenger numbers however have tracked well above target, helped by a positive contribution from a fly-drive promotion campaign for the South Island, undertaken by the Christchurch and Canterbury Tourism Partnership (a JV between the MED, CCC and CIAL). However trans-Tasman numbers have been significantly affected by the continuing influence of the earthquakes and the parity of the Australian dollar against the US dollar which has continued to influence Australian tourism activity to North America rather than the South Island.

Domestic passenger numbers were adversely affected in the first quarter of the current financial year by a delay in the commencement of the winter ski season, the cancellation of a number of flights owing to the adverse impact of the snow storms and a reduction in the level of domestic travel owing to the rugby world cup influence.

The table below outlines the comparative total passenger volumes, which illustrates these statistics.



Aircraft movements, both domestic and international, were below target (2.9%) and below the same six month period to 31 December 2010 (4.2%). One of the reasons for this was the withdrawal of Pacific Blue from the New Zealand domestic market in October 2010. Rather than add additional aircraft movements, the remaining domestic carriers (Air New Zealand and Jetstar) have focused on increasing passenger loadings on their existing aircraft.

This desire to improve aircraft loadings has, as a consequence of the impact of the continuing aftershocks, led to further reduction in the number of aircraft movements to that level targeted. This has resulted in a reduction in aeronautical revenues over the period of \$0.45m (-2.1%). This is because aeronautical charges revenue is predominantly based on aircraft departures.

Route development

Route development continues to be a key focus for CIAL, with significant effort being made to pursue a number of opportunities, particularly new long haul services. Active participation at international route development conferences has been undertaken, with discussions taking place with a wide range of airlines to present Christchurch as an opportunity for new or expanded services.

The present performance of CIAL's long haul routes is under some pressure. In depth discussions have been held with Air Asia X management on the Christchurch route, with options being submitted for their consideration to improve route performance.

Also, late in December 2011, Jetstar announced it was suspending the Brisbane to Christchurch service completely from late March 2012. Whilst Jetstar remains committed to Christchurch, its withdrawal from the Brisbane route, where it tended to be the price leader in the market, requires dialogue with other airlines regarding services from Brisbane.

A major step forward for the growth of international services has been the recent completion of a comprehensive route development strategy. This strategy is a pre-cursor to improving the growth in long haul services, particularly in markets in Asia and India presently not serviced directly into Christchurch. The strategy focuses on significantly increasing international aircraft seat capacity directly servicing Christchurch over the next five years. This is a longer term strategy, as the development of new markets is a lengthy process.

In February 2012, an aeronautical business-focused delegation from CIAL travelled to Asian and Indian markets to meet heads of airlines considering flying to the South Island. The delegation included representatives of Christchurch & Canterbury Tourism and the Canterbury Development Corporation. The purpose of the visit was to cement relationships with Christchurch, to progress tourism, trade and investment, as well as to connect with airlines which could increase current services here or begin new ones. The Mayor and Mayoress of Christchurch also joined the group. as the Office of the Mayor of Christchurch has strong credibility in these markets and his role is seen as important in selling Christchurch and the South Island as a destination for these new market opportunities.

To ensure CIAL achieves an overt level of awareness of Christchurch in overseas markets, it has secured the services of our first two Airport Ambassadors; Sir Richard Hadlee will represent CIAL in India and Brad Thorn in Japan. Others are anticipated to be appointed in due course for China, USA and possibly Korea.

The company continues to be acutely aware that on-going earthquake activity in Christchurch will influence international passenger volumes over the coming period. This was not helped by the two large earthquakes on December 23rd, although passenger volumes have rebounded to pre-December quake levels reasonably quickly.

CIAL remains committed to aeronautical growth through new routes and greater frequencies for the benefit of the region; however the on-going seismic activity will continue to affect our future outlook.

Aeronautical Revenue

The company has planned a comprehensive reset of airline pricing to become effective post the completion of the Integrated Terminal. The pricing reset is designed to substantially lift returns and provide the appropriate return on this significant investment.

Development of the Pricing Proposal is a complex undertaking and has progressed over the period. Consultation with the airlines is due to commence in early March 2012.

COMMERCIAL

Performance

The commercial performance of the company over the period continues to be strong, with improved duty free, rental vehicle, food and beverage and general retail sales compared to the same period a year ago.

Landside retailers benefited from a buoyant pre-Christmas period, but this has been somewhat offset by International Airside retailers continuing to feel the effects of the decline in International passenger numbers.

The planning and design of Travel and Tourism's new offering in the International Terminal arrivals area was completed at the end of November 2011 and included the rebranding of Travel and Tourism to i-Site. This operation has been trading well since then.

Car parking and ground transport remains a significant source of value for CIAL, and optimising performance of ground transport assets and spaces is a major focus of the company's Business Plan. A new car park pricing structure was implemented at the start of the period, and was followed by the replacement of the car park system with a modern and expanded offering to Carpark users. This has contributed to the continuing trend of significant revenue gains, despite lower passenger volumes and reduced vehicle numbers.

The integration of the Cradock's Car Storage business and the expansion into car Valet services (The Wash) were completed during the period with these operations continuing to perform strongly. The businesses now work closely with each other to increase vehicle grooming and car valet servicing offerings.

Work is currently being undertaken to improve services to car park users through the added functional advantages provided by the new Carpark system. The first development is an online booking system for car park services and planning is well underway for the development of a vehicle wash facility in the terminal car parking area. A strategy is also being developed to deliver a car valet service in the terminal car park area.

The company progressed its diversification strategy in the period by acquiring the International Antarctic Centre on 1 December 2011. CIAL's commitment to stimulating and developing tourism through Christchurch made the acquisition a natural expansion opportunity. The acquisition provides CIAL with the opportunity to capture additional revenue from the current passenger and visitor volumes passing through the wider airport campus, and the attraction is of the type that is of high interest to our current tourist profile.

This business will be a major factor in the company's desire to expand its tourism business and has been trading ahead of target since acquisition. Pleasingly, the International Antarctic Centre staff have shown an enormous level of commitment during what has been a busy period and have embraced the transition into CIAL. Significant time is being spent planning the next phases of the centre's development with a wide range of concepts being considered.

A key aim of the company's strategy remains to re-position CIAL's commercial framework generally, with the company continuing to investigate a diversified range of opportunities to improve the commercial performance of the business.

PROPERTY

The successful execution of CIAL's property strategy is crucial in generating medium-term value for shareholders. Appropriate staged development of land held for future airport development is the biggest opportunity open to Christchurch Airport, to improve overall financial returns and provide a buffer against volatility in future aeronautical earnings.

The company continues to pursue the development of Dakota Park, the freight and logistics precinct on the southern edge of the campus. Final work is being completed on the construction of roads and other services infrastructure to connect this precinct with the wider campus. New development initiatives for several major clients including Hewlett Packard and Landpower are progressing favourably and have achieved or are nearing final completion.

The company also continues to progress plans for the realisation of the large-value opportunity in developing the Spitfire Square retail and services precinct for travellers, airport users and the wider airport community. Significant progress has been achieved through the receipt of planning consent for this development and the completion of a design concept and business case for consideration by the Board. Work has also commenced on the Memorial Avenue McDonald's development.

Significant effort has also been given to the development of improved hotel accommodation on the airport campus. CIAL is currently exploring opportunities to progress the development of expanded and improved accommodation facilities to meet the needs of international travellers.

An unexpected development has been the establishment of a Temporary Office Park, to provide premises for city businesses displaced by the closure of the CBD in the wake of the February earthquake. CIAL has been able to fast track the development to provide high quality temporary business space for tenants for the next four to five years. Construction of buildings for several companies has been completed during the period and final development of the precinct is to be completed in March 2012.

MAKING IT HAPPEN

Airport Operations

Operational and planning functions at CIAL have made good progress over the period. Of note from an operational perspective were the significant snow storms in July and August that affected the airport. While July was less significant, it gave CIAL an opportunity to refine our response. Consequently preparation for the 15th August snow storm had begun five days earlier. This entailed manpower and equipment being ready for the snow fall and proved to be the difference in allowing the airport to function operationally for all but four hours of the 48 hours crisis.

A business transformation plan for the Customer Services team was completed during the period, involving re-defining roles and the recruitment of a number of high calibre duty managers with varying skills and experience. This was complemented by induction sessions and delivery of a new training programme to assist in transforming the team into the new airport services team we aspire to. Coupled with these initiatives were a re-branding of the team through a change in name to Airport Services and the introduction of new uniforms for all team members.

A name change was also put into effect for our Volunteers, to make their association with Airport Services more obvious. They are now called Airport Services Ambassadors and also wear appropriate team uniforms. They have been operating effectively in the International Arrivals space for a number of months and have been well received.

Customer Service Excellence

As part of our overall vision to be the best airport, we have identified that we cannot individually achieve this desired outcome without the support and buy-in from all the stakeholders in a passenger's experience at the airport. Consequently the company is currently engaging in a number of workshops with CIAL staff and stakeholders seeking buy-in to the vision of "ONE TEAM BEST AIRPORT". Initially this has involved workshops within the CIAL senior management team to define roles and what defines a passenger's total airport experience. This is now being progressed through discussions with varying stakeholders, all of whom have indicated support and encouragement to this program to be further developed and implemented.

South Island Tourism

CIAL has also identified a need to assist through taking a leadership position in the South Island tourism market, to support the South Island in a very difficult period with tourism numbers lower than in previous years. As the city of Christchurch rebuilds itself the team at CIAL has recognised it is in a unique leadership position - to be the gateway for consumers to experience one of the most unique, diverse and extraordinary destinations the world has to offer – the "SOUTH".

To do this, the region needs to unite behind one brand and develop the South strategy from the ground up, gain stakeholder buy in and launch the concept to market. To this end, a very experienced tourism executive with wealth of tourism experience and knowledge has been recruited and will commence at CIAL in February 2012 to help deliver “SOUTH”.

Community Sponsorship

To ensure the airport maintains its key role in supporting the community and delivering on its social responsibilities, CIAL continues to invest significant funds in supporting key events which bring visitors to, and engage residents in, the city. These include a new sponsorship arrangement for the Christchurch Airport Marathon as well as continued support of the Ellerslie International Flower Show, and the Child Cancer Ball.

Recognition

In the past six months, CIAL has won some notable awards, recognising the contribution and achievements made by the company.

They include:

- CAPA (Centre for Asia Pacific Aviation) “Special Airport Leadership Award” 2011
- Champions of Canterbury award for leadership 2011
- Future Travel Experience Awards - “Best Arrivals Experience 2011”
- New Zealand Institute of Chartered Accountants (NZICA) - “2011 Best Annual Report Award - Sustainability Reporting”
- New Zealand Institute of Chartered Accountants (NZICA) - “2011 Best Annual Report Document by a Corporate Organisation”

PLANNING

A major redevelopment of Russley Road was initiated by the New Zealand Transport Authority (NZTA) as part of the Roads of National Significance programme. Efficient and appropriate roading connections are clearly crucial to the smooth operation of the airport and CIAL has been working very closely with NZTA on its proposals.

Discussions with NZTA managers have been on going to reach an accord and we are pleased to confirm that a broad agreement as to how this programme will be developed to meet the objectives of both parties has been achieved and CIAL expects this matter to be finalised in the short term.

Management has also been working to develop the potential initiatives that might form the basis of a specific Airport Recovery Plan and has been engaging with CCC and CERA to discuss the potential for this direction, or for discrete elements of this plan, to be included in CERA’s overall plans.

PEOPLE

The key focus for the company during the period has been the long term impact of nearly 18 months of disaster management both professionally and personally on our staff and the difficulty in recruiting new staff.

The key challenge for the business was the fact that our employees were required to remain, where possible, working during every event, including the two major snow storm events this winter.

Key staff have worked many long hours on numerous occasions and our key drivers of engagement analysis has revealed, for the first time in any New Zealand company, that stress is now one of the top ten drivers of engagement.

Consequently the company has embarked on a research project with a team from the University of Canterbury to consider the impact of earthquakes on the workplace and human resources practices. The earthquake on December 23rd was a major setback for many people around Canterbury, however the company continues to do all it can to support staff through this unprecedented time and to at least maintain our engagement levels.

Secondly, recruitment has become extremely difficult in Christchurch over this period, with an inability to fill some roles, particularly when they require a specific degree or specialist skill set. In respect to this challenge, the company continues to develop its Employer Brand, to build its database and to look for innovative ways to attract candidates. In turn this highlights another key challenge moving forward, in respect to retention of our key staff and related remuneration strategies. The company continues to look at options to manage these challenges with the focus on employee engagement, performance accountability and professional development.

Finally a very successful Youth Ambassador programme was completed over the six week Christmas holiday period. This involved offering work experience to secondary school students, aged 14 to 17, to help out over the busy holiday season. Their duties involved helping people around the airport, assisting travellers to get luggage off carousels, luggage to vehicles and guiding people around the terminal. We have received many compliments on the programme from customers and tenants alike and are currently considering implementing this programme for another holiday period.

EARTHQUAKE UPDATE

Christchurch was once again impacted by two significant earthquakes on 23 December 2011. It is pleasing to advise that minimal damage was incurred.

They were Category A events under CIAL's established impact classification, which necessitated evacuation of all buildings including the terminal and the cessation of aeronautical services. A comprehensive evaluation was made after each quake, prior to services recommencing in full by 5.30pm.

In light of these continuing events, an independent review of the structural integrity of all CIAL owned buildings is being carried out.

This will provide CIAL with a comprehensive understanding of the current state of every building and how they withstood the earthquakes. Depending on the outcome of this review it may necessitate further remedial work or potentially a change in the use of some facilities.

On a related note it is pleasing to note that CIAL has been able to fully place its total insurance program, including the required earthquake insurance coverage. The consequences of the placement however, have inevitably led to significant increases in cost, both in terms of premiums, and an increase in the level of loss deductibles to be absorbed by CIAL.

Owing to the airport's location, it is unlikely that insurance costs will reduce and accordingly CIAL will approach the insurance program over the next two to three years to determine the best options available to manage both the risk that is covered and the cost of such coverage.

REGULATION

Significant effort has been required by Christchurch Airport individually, and as part of the New Zealand Airports' Association, to respond to the consultation requirements of the Commerce Commission for the new Information Disclosure Regulatory regime.

During the period, a Merit Review was progressed to appeal the determinations made by the Commerce Commission as CIAL, along with the other major Airports in Auckland and Wellington, are of the opinion there is a better outcome possible, that will meet the objectives set by the government under the Commerce Amendment Act. Unfortunately this process has taken some considerable time and the Merit Review process is unlikely to be heard until the end of the 2012 calendar year.

FINANCIAL PERFORMANCE

Total revenue for the six months to December 2011 was ahead of target and well ahead of the same period a year earlier. At \$55.2m, total revenue was \$5.1m (10.1%) above target and a healthy \$6.6m (13.5%) ahead of the six months to December 2010. However, the positive overall variance was a result of very strong commercial revenues offsetting slightly reduced aeronautical revenues.

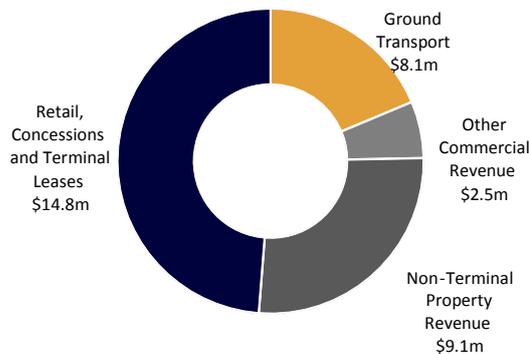
Non-Aeronautical revenue¹ of \$34.5m was \$4.5m (15.2%) above target and \$7.0m (25.6%) ahead of last year. Increased lease rentals, car parking and concessions revenues were the main drivers for this strong increase. In addition the benefits of the acquisition of the Craddock’s Car Storage business, The Wash and the International Antarctic Centre from 1 December 2011 have also had a positive influence on commercial revenues.

The additional lease revenue was primarily a result of temporary short term accommodation provided to businesses displaced from the central business district following the February earthquake. Concession revenues were higher than targeted because of above targeted international passenger numbers. It is also pleasing to note concessions continue to increase on a per passenger basis.

Car Parking revenue as a whole traded well above both target and the same period last year. This was predominantly due to increased tariffs as highlighted last year and better utilisation of the different tiers of car parking space.

Non-Aeronautical Revenue

Dec 2011 Actual



Aeronautical revenue² of \$20.6m was \$0.48m (+2.4%) above target but \$0.45m (-2.1%) behind that of the same period last year. The positive performance against target was despite the reduction in aircraft movements below that targeted (-2.9%). This reflected the airlines striving for increased passenger loads on lower numbers of aircraft movements.

¹ ‘Commercial revenue’ is terminal concessions, terminal office and operational area leases, campus property leases, car parking and ground transport, Propel commercial revenues and sundry other revenue.

² ‘Aeronautical revenue’ is airfield and terminal aircraft charges, passenger services charge, freight and itinerant aircraft charges.

Operating costs of \$23.7m were 10% above target. This was primarily due to the increased operating costs to repair the low level damage from earlier earthquakes, costs to clear snow during the July and August storms, the significant increase in insurance premiums from the renewal of the 2011 insurance program, higher facilities costs owing to cooler weather and the inclusion of costs from new businesses including the International Antarctic Centre from 1 December 2011. Cost control remains a major focus for the company.

Overall, earnings before interest, tax depreciation and amortisation (EBITDA) – the company's key operational financial performance measure, at \$31.5m, was well above the target of \$28.6m by \$2.9m for the six months, as against \$31.8m for the same period last year. Depreciation expense was in line with target at \$14.0m, while interest expense of \$7.4m for the period was \$0.14m (+1.9%) above target.

Taking all these movements together, CIAL's net profit after tax for the six months to December 2011 was \$7.99m, comfortably above the target of \$5.96m by \$2.03m (+34%), although \$5.4m (-40.5%) below that for the same period last year.

Under current New Zealand Equivalents to International Financial Reporting Standards, the company's interest rate swaps are deemed to be derivative instruments and are required to be re-measured to their fair value at each reporting period. Given that the company has adopted hedge accounting, the reduction in the fair value of these derivatives over the six month period under review of \$7.73m (2010: increase of \$1.09m) is recognised in the Statement of Comprehensive Income.

The fair value of the interest rate swaps is based on 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 company intends to hold all such derivatives to maturity and hence this fair value movement will be recognised to the income statement in future periods over the remaining life of the derivative as each quarterly interest settlement actually occurs.

The outlook for the full year against target remains positive, primarily due to the significant increases in non-aeronautical revenue offsetting increased costs of operation.

FINANCIAL STATEMENTS
**STATEMENT OF FINANCIAL PERFORMANCE
 FOR THE SIX MONTHS ENDED 31 DECEMBER 2011**

	Note	For six months ended 2011	For six months ended 2010
		\$000	\$000
REVENUE			
Operating revenue	2	55,149	48,562
Interest income		54	51
Total revenue		55,203	48,613
EXPENSES			
Employee remuneration		8,658	7,252
Other costs	3	13,989	8,535
Terminal development project staging costs/realignment		861	658
Earthquake		194	410
Total Expenses		23,702	16,855
Earnings before interest, tax, depreciation and amortisation		31,501	31,758
Financing and interest costs		7,409	3,008
Depreciation, amortisation and impairment		14,023	11,214
Operating Surplus before tax		10,069	17,536
Current tax expense for the period		2,865	4,949
Deferred Tax adjustment		(789)	(848)
Tax expense for the period		2,076	4,101
Net operating surplus after income tax		7,993	13,435

The accompanying notes form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

		For six months ended 2011	For six months ended 2010
	Note	\$000	\$000
Net operating surplus after income tax		7,993	13,435
<i>Other comprehensive income</i>			
Cash flow hedges	8	(7,729)	1,088
Other comprehensive income for period, net of tax		(7,729)	1,088
Total comprehensive income for the period		264	14,523

STATEMENT OF MOVEMENTS IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

		For six months ended 2011	For six months ended 2010
		\$000	\$000
Equity at the beginning of the period		601,058	570,059
Total comprehensive income for the period		264	14,523
<i>Transactions with owners</i>			
Dividends paid to shareholders		(12,853)	(8,546)
Equity at end of period		588,469	576,036

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011

		As at 31 December	As at 30 June	
	Note	2011	2010	2011
		\$000	\$000	\$000
EQUITY				
Share capital		57,600	57,600	57,600
Reserves		325,311	316,376	333,041
Retained earnings		205,558	202,060	210,418
TOTAL EQUITY		588,469	576,036	601,059
NON-CURRENT LIABILITIES				
Borrowings	5	283,000	222,000	198,000
Derivative financial instruments		21,834	7,217	10,845
Deferred taxation		82,684	86,559	86,479
Trade and other payables		1,490	1,837	1,663
TOTAL NON-CURRENT LIABILITIES		389,008	317,613	296,987
CURRENT LIABILITIES				
Current Portion of Borrowings	5	-	-	48,000
Trade and other payables		18,468	17,631	18,402
Taxation payable		1,938	2,646	(1,060)
Derivative financial instruments		257	616	1,141
TOTAL CURRENT LIABILITIES		20,663	20,893	66,483
TOTAL EQUITY AND LIABILITIES		998,140	914,542	964,529
NON-CURRENT ASSETS				
Property, plant and equipment	4	871,320	812,399	852,744
Investment Properties		95,291	80,030	88,152
Intangible Assets	7	2,885	801	3,322
Trade and other receivables		8,983	9,572	9,277
TOTAL NON-CURRENT ASSETS		978,479	902,802	953,495

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011

	Note	As at 31 December 2011 \$000	As at 30 June 2010 \$000	As at 30 June 2011 \$000
CURRENT ASSETS				
Cash and short-term deposits		5,493	2,639	1,339
Receivables and pre-payments		13,474	8,708	9,313
Inventories		694	386	382
Derivative Financial Instruments		-	7	-
TOTAL CURRENT ASSETS		19,661	11,740	11,034
TOTAL ASSETS		998,140	914,542	964,529

For and on behalf of the Board



D Mackenzie
Chairman



C Drayton
Director

27 February 2012

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS
 FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

	For six months ended 2011 \$000	For six months ended 2010 \$000
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Cash was provided from:</i>		
Receipts from customers	57,402	47,274
Interest received	54	51
Net Goods and Services Tax received	203	638
	57,699	47,963
<i>Cash was applied to:</i>		
Payments to suppliers and employees	23,291	19,665
Financing and interest costs	8,833	2,363
Income tax paid	-	3,000
	32,124	25,028
Net Cash Inflows from Operating Activities	25,575	22,935
 CASH FLOWS FROM INVESTING ACTIVITIES		
<i>Cash was provided from:</i>		
Proceeds from sale of property, plant and equipment	241	38
<i>Cash was applied to:</i>		
Purchase of property, plant and equipment	45,809	72,692
Net Cash (Outflows) from Investing Activities	(45,568)	(72,654)
 CASH FLOWS FROM FINANCING ACTIVITIES		
<i>Cash was provided from:</i>		
Borrowings	40,000	70,000
<i>Cash was applied to:</i>		
Repayment of Borrowings	3,000	10,000
Dividends paid	12,853	8,546
	15,853	18,546
Net Cash Inflows from Financing Activities	24,147	51,454

The accompanying notes form part of these financial statements

**STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2011**

	For six months ended 2011 \$000	For six months ended 2010 \$000
Net Increase/ (Decrease) In Cash Held	4,154	1,735
Add cash at beginning of the period	1,339	904
CASH AT END OF THE PERIOD	5,493	2,639
 COMPOSITION OF CASH		
Cash	90	90
Bank and deposits	5,403	2,549
Cash At End Of The Period	5,493	2,639
 RECONCILIATION WITH OPERATING SURPLUS		
Reported net operating surplus after income tax	7,993	13,435
<i>Items Not Involving Cash Flows</i>		
Depreciation expense	14,023	11,214
<i>Impact Of Changes In Working Capital Items</i>	22,016	24,649
Increase/(decrease) in accounts payable	4,497	(844)
(Increase)/decrease in accounts receivable	(3,624)	(1,961)
(Increase)/decrease in inventories	(313)	(9)
Increase/(decrease) in taxation payable	2,999	1,100
	3,559	(1,714)
Net Cash Flows From Operating Activities	25,575	22,935

The accompanying notes form part of these financial statements

Abridged notes to the financial statements for the six months ended 31 December 2011

1 ACCOUNTING POLICIES

The company has used the same accounting policies and methods of computation as were used in the 2011 annual financial statements.

The financial statements have been prepared in accordance with the requirements of the Airport Authorities Act 1966, Companies Act 1993, the Local Government Act 2002, the Financial Reporting Act 1993 and the New Zealand equivalents to International Financial Reporting Standards.

These unaudited statements for the six months ended 31 December 2011 have been prepared in accordance with NZ GAAP and are in compliance with NZIAS 34.

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

2 OPERATING REVENUE

	For six months ended 2011	For six months ended 2010
	\$000	\$000
Airport charges	13,176	13,370
Passenger departure charge	7,460	7,719
Lease rentals and concessions	25,291	21,715
Vehicle parking	8,027	5,123
Earthquake Insurance Proceeds	767	-
Other revenue	428	635
	55,149	48,562

3 OTHER COSTS

	For six months ended 2011 \$000	For six months ended 2010 \$000
Insurance	1,484	580
Promotional, Marketing and Sponsorship	3,020	828
Energy	1,596	1,331
Property - Cleaning & Maintenance	2,132	1,564
Other Property Costs	998	802
Other Operating Costs	1,539	482
Other Administration Costs	3,220	2,948
	13,989	8,535

4 PROPERTY PLANT AND EQUIPMENT AS AT 31 DECEMBER 2011

	Cost/ Revaluation 1 July 11	Current Period Net Additions	Provision for Depreciation 31 Dec 11	Book value 31 Dec 11
Land	315,249	-	-	315,249
Buildings	26,187	-	1,221	24,966
Terminal Facilities	255,954	-	12,713	243,241
Sealed Surfaces	108,080	-	8,381	99,699
Plant & Equipment	11,197	2,596	8,206	5,587
Office & Computers	7,801	-	6,377	1,424
Infrastructure	16,426	64	1,904	14,586
Carparking	75,464	-	743	74,721
Motor Vehicles	7,299	-	3,629	3,670
Work in Progress	58,942	29,235	-	88,177
Total	882,599	31,895	43,174	871,320

On 30 June 2011, land, buildings, carparking assets and terminal assets were re-valued by independent valuers - Seagar and Partners (land, buildings and carpark assets) and Opus International Limited (Terminal assets). Sealed surfaces and infrastructure assets were re-valued on 30 June 2010 by independent valuers Opus International Limited. Sealed surfaces and infrastructure assets were reviewed for impairment as at 30 June 2011 by Opus International Limited, with no adjustment for impairment being deemed necessary.

PROPERTY PLANT AND EQUIPMENT AS AT 31 DECEMBER 2010

	Cost/ Revaluation 1 Jul 10	Current Period Net Additions	Provision for Depreciation 31 Dec 10	Book value 31 Dec 10
Land	298,657	-	-	298,657
Buildings	27,642	1,579	548	28,673
Terminal Facilities	149,672	-	29,794	119,878
Sealed Surfaces	102,886	-	3,026	99,860
Plant & Equipment	9,342	1,468	7,704	3,106
Office & Computers	6,900	-	5,756	1,144
Infrastructure	16,010	-	454	15,556
Carparking	64,169	-	857	63,312
Motor Vehicles	6,560	-	3,296	3,264
Work in Progress	112,207	66,742	-	178,949
Total	794,045	69,789	51,435	812,399

PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2011

	Cost/ Revaluation 1 July 10	Current Year Net Additions/Reval'ns	Provision for Depreciation 30 Jun 11	Book value 30 Jun 11
Land	298,657	16,592	-	315,249
Buildings	27,642	(1,455)	-	26,187
Terminal Facilities	149,672	106,282	5,945	250,009
Sealed Surfaces	102,886	5,194	5,575	102,505
Plant & Equipment	9,342	1,855	7,931	3,266
Office & Computers	6,900	901	5,929	1,872
Infrastructure	16,010	416	1,246	15,180
Carparking	64,169	11,295	-	75,464
Motor Vehicles	6,560	739	3,229	4,070
Work-in-Progress	112,207	(53,265)	-	58,942
Total	794,045	88,554	29,855	852,744

5 BORROWINGS

The Company has a \$350,000,000 borrowing programme comprising a \$300,000,000 funding facility with five banks, plus a \$50,000,000 subordinated loan facility with CCHL (\$50,000,000 drawn), to fund the on-going business and the Integrated Terminal Development. In addition, the Company has 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 period, including offsetting interest rate swaps, ranged from 6.3% to 8.9%. (2010: 6.72% to 8.8%)

	As at 31 December		As at 30 June
	2011	2010	2011
	\$000	\$000	\$000
Less than 1 year	-	-	48,000
1-2 Years	95,000	50,000	70,000
2-5 Years	188,000	147,000	103,000
Greater than 5 Years	-	25,000	25,000
	<u>283,000</u>	<u>222,000</u>	<u>246,000</u>

6 RELATED PARTY TRANSACTIONS

	For six months ended 2011	For six months ended 2010
	\$000	\$000
<i>Transactions with owners during the period to 31 December</i>		
Purchases from CCC and subsidiaries	12	518
Rates paid to CCC	1,666	1,504
Revenues from CCC and subsidiaries	56	58
Interest paid to CCHL	1,850	1,949
Amounts payable to CCC and subsidiaries	459	660
Subordinated loan balance payable to CCHL	50,000	50,000

Christchurch City Holdings Ltd, 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. The company pays interim and final dividends to its shareholders as disclosed in the Statement of Movements in Equity above.

Christchurch International Airport Ltd 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; and*
- *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.*

NON-SHAREHOLDER RELATED PARTY TRANSACTIONS

Some directors of the company are, or have been during the period, directors of other companies or organisations with whom Christchurch International Airport Ltd 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	For six months ended 2011 \$000	For six months ended 2010 \$000	Relationship
Denali Management Ltd	Contract fees	267	267	Jim Boulton, Chief Executive, is a director of Denali Management Ltd
Meridian Energy	Electricity	1,377	1,176	Catherine Drayton, Company Director, is a director of Meridian Energy Ltd
PGG Wrightson Ltd	Agricultural and landscaping supplies	3	25	George Gould, Company Director, is Managing Director of PGG Wrightson Ltd
House of Travel at Orbit Ltd	Travel and accommodation	304	2	Chris Paulsen, Company Director, is a director of House of Travel at Orbit Ltd

MANAGEMENT CONTRACT

Christchurch International Airport Ltd has a management contract with Denali Management Ltd to provide the services of Jim Boulton as Chief Executive for the period to 30 June 2013, on a current annual retainer of \$535,000.

Balance owing to non-shareholder related parties as at 31 December 2011

Entity	As at 31 December 2011 \$000	As at 31 December 2010 \$000
Denali Management Ltd	45	45

There were no other material related-party transactions for the period.

6 COMMITMENTS

	As at 31 December 2011 \$000	As at 31 December 2010 \$000
Total capital expenditures committed to, but not recognised in, the financial statements (including \$37,700 relating to terminal development (2010: \$70,011))	40,370	78,220

7 BUSINESS ACQUISITION

The company progressed its diversification strategy in the period by acquiring the International Antarctic Centre on 1 December 2011 for consideration of \$5.8m.

8 CASH FLOW HEDGE RESERVE

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 current New Zealand Equivalents to International Financial Reporting Standards, these interest rate swaps are deemed to be derivative instruments and are required to be re-measured to their fair value at each reporting period. Given that the company has adopted hedge accounting, the movement in the fair value of these derivatives over the six month period under review is recognised in the Statement of Comprehensive Income.

The fair value of the interest rate swaps is based on 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 company intends to hold all such derivatives to maturity and hence this fair value movement will be recognised to the income statement in future periods over the remaining life of the derivative as each quarterly interest settlement actually occurs.

HOW DID WE COMPARE AGAINST OUR STATEMENT OF INTENT?

		Progress to 31 December	
TARGETS	2012 Total Plan \$000	2011 Actual \$000	2011 Target \$000
a) FINANCIAL			
Total Revenue	100,662	55,203	50,114
EBITDA	58,480	31,501	28,578
FFO	40,100	22,092	20,361
Net Surplus after tax	13,284	7,993	5,960
Net Surplus after tax to average equity	2.3%	2.3%	2.3%
Return on assets (NPAT as % average total assets)	1.3%	1.3%	1.3%
b) OPERATIONAL MOVEMENTS			
	2012 Total Plan	2011 Actual	2011 Target
Passenger			
Domestic	4,284,285	2,107,804	2,136,528
International	1,311,447	725,458	674,069
Total	<u>5,595,732</u>	<u>2,833,262</u>	<u>2,810,597</u>
Aircraft			
Aircraft Movements	35,618	17,266	17,785
c) OPERATIONAL PERFORMANCE			
	2012 Total Plan	2011 Actual	2011 Target
PERFORMANCE INDICATORS			
Total revenue per passenger	\$17.99	\$19.48	\$17.83
Aeronautical revenue per passenger	\$7.15	\$7.29	\$7.17
Commercial revenue per passenger	\$10.84	\$12.19	\$10.66
Total revenue per employee	\$508,394	\$234,906	\$253,101
NPAT per employee	\$67,091	\$34,013	\$30,101
NPAT per passenger	\$2.37	\$2.82	\$2.12
Total assets per passenger	\$180.95	\$352.29	\$350.38
Net debt per passenger	\$56.80	\$99.88	\$105.54
Ratio of aeronautical revenue to total revenue	39.7%	37.4%	40.2%

d) CORPORATE SOCIAL RESPONSIBILITY

Performance target	Performance Measures	
	2012	Progress to 31 December 2011
To minimise the impact of airport activities on groundwater quality through cost-effective measures to avoid or mitigate the risks of contamination.	<p>Completion of the Public Risk and Management Plan for Managing Potable Water and regular monitoring of potable drinking groundwater supply.</p> <p>Continue Environmental Compliance and Monitoring Programme with existing airport operators and new operators on airport land.</p> <p>Label storm water drainage systems in all new developments.</p> <p>Provide environmental training to all airport operators.</p>	<p>Groundwater monitoring programme continues to be implemented with no incidences of non-compliance identified. Draft risk and management plan under preparation</p> <p>The Environmental Compliance and Monitoring Programme has continued with existing and new operators on airport land.</p> <p>On-going labelling programme in place.</p> <p>Environment training DVD developed and training provided to airport operators</p>
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.	<p>Progressively increase amount of material being diverted from landfill from 24% to 32% of total waste produced by CIAL by 2012.</p> <p>Carry out audit of waste generated within Integrated Terminal Building and review management of waste and recycling from Terminal Operations.</p> <p>Manage and measure amount of construction and waste disposal to landfill during ITP development through Target REBRI Programme.</p>	<p>Programme of working with key terminal tenants to increase recycling from their operations is in place.. Current diversion rate is 27%*. (this is a provisional figure due to phasing issues with the new waste provider)</p> <p>Delayed due to ITP development but overall recycling rates indicate that recycling is being successfully implemented. Aim is to have full audit completed by end of June 2012.</p> <p>Main ITP contractor implementing requirements of REBRI, with 80% of waste being diverted from landfill during construction.</p>
To minimise the energy consumption by airport activities through the pursuit of efficient energy practices.	<p>Maintain carbon-neutral status for CIAL's operational activities.</p> <p>Achieve a further 5% (Kwh/m2) energy consumption reduction over 2010 levels, by 2013.</p>	<p>Annual certification reconfirmed to 2013</p> <p>Energy consumption targets have not been achieved due to the new ITP building requiring more electricity than expected. This is because of on-going construction activities plus a colder than normal winter period. Significant reductions are expected with the completion of ITP and CIAL will be on track to achieve savings once completed.</p>
To deliver on our corporate social responsibility and community interest obligations.	<p>Be a key sponsor of a major city event (such as the Ellerslie International Flower show) and one other cultural event in the city.</p> <p>Support various community organisations through the CIAL Xmas Fund and other donations through the year .</p> <p>Implement an information and engagement program for stakeholders and the community, involving dissemination of information on airport issues, regular speaking engagements</p>	<p>Planning for 2012 show underway. Going forward CIAL will be the main sponsor for the Christchurch Airport Marathon.</p> <p>Targets for CIAL Xmas Fund and other donations achieved.</p> <p>Programme of community/stakeholder engagement continues through the 'Airport Voice Quarterly', and participating in many speaking engagements through Christchurch, Canterbury and New Zealand.</p>

	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.	
To manage Operational Risk	<p>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.</p> <p>To work with statutory authorities and the community in achieving acceptance of noise contours to protect the 24/7 airport operating status.</p>	<p>Achieved a Bird Strike incidence rate of 3<5/10,000 aircraft movements on a 12-month rolling average basis, which is better than the level for airports of a similar scale. Continuing to develop airport Wildlife Management.</p> <p>Working with Territorial Authorities to achieve land use compatibility with respect to off airport bird hazard risk.</p> <p>Now achieved via CERA Act 2011, which formalised Outer Centre Boundary at Ldn 50 dBA (175,000 mpa). Continuing to monitor Territorial Authorities' observance of their requirements under the Resource Management Act.</p>
To minimise the effects of noise and vibration associated with aircraft and airport operations and to comply with relevant noise rules.	<p>Comply with Noise Management Plan.</p> <p>Develop Noise Management Plan with regard to post maintenance ground running of aircraft engines.</p> <p>Develop new good neighbour policy with Airways.</p>	<p>Continuing noise monitoring to establish 2011/12 Air Noise Boundary Compliance.</p> <p>Continuing to work with Air New Zealand on preparation of noise monitoring plan in respect to aircraft ground running, taking into account impact on neighbourhood.</p> <p>Continue to work with Airways and airlines on an agreed policy on Required Navigation Procedure (RNP) approach and departure paths.</p>
To deliver an environment for staff that is supportive, stimulating and engaging.	Implement outcomes from employee environment refresh.	<p>CIAL has predominantly been focusing on supporting staff, in many ways, through the aftermath of the on-going earthquakes.</p> <p>Climate Survey action plans have also been created for each area to continue our key focus of growing engagement.</p>