Statement of Intent

For the year ending 30 June 2010

May 2009

Christchurch International airport Limited

New Zealand's Tourism Gateway

Christchurch International airport Limited

STATEMENT OF INTENT

For the year ending 30 June 2010

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INTRODUCTION

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

The SoI specifies for Christchurch International Airport Ltd and its non trading subsidiaries (CIAL Holdings No. 1-5), the objectives, nature and scope of activities to be undertaken, and the performance targets and other measures by which the performance of the group may be judged in relation to its objectives, amongst other requirements.

The process of negotiation and determination of an acceptable SoI is a public and legally required expression of the accountability relationship between CIAL and its shareholders, Christchurch City Holdings Ltd and the Minister of Finance and Minister for State Owned Enterprises (on behalf of the New Zealand Government).

The SoI is reviewed annually with Shareholders and covers a three-year period.

Christchurch International Airport Ltd's registered office is located on Level 2, of the Arrivals Hall in the International Terminal at Christchurch International Airport.

Contact details for both the Chairman and Chief Executive are:

Address	Level 2 International Arrivals Hall, Christchurch International Airport
Telephone no.	03 358 5029
Web	www.christchurch-airport.co.nz

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

OBJECTIVES

a) Christchurch International Airport Ltd's vision is;

To be recognised as New Zealand's leading tourist gateway.

b) Christchurch International Airport Ltd's key objectives are:

To operate as a successful business and through that deliver sustainable growth in long-term value to our shareholders.

Our strategic objectives are to:

- Deliver sustainable growth in revenue and earnings;
- Grow South Island tourism and position CIAL as a shaper of future tourism growth;
- Deliver superior customer service;
- Provide "fit for purpose" infrastructure with the flexibility to meet future growth;
- Provide an environment where staff are high performing and fully engaged;
- Operate in a sustainable manner and be recognised as a positive contributor to the community.

To deliver these strategic objectives Christchurch International Airport will continue to enhance its position as the gateway to the South Island and actively support the development of the regional economy. To achieve this position the Company will:

- Continue to promote Christchurch, Canterbury and the South Island as a premier tourism destination
- Work to increase Christchurch's point-to-point access to major aviation hubs, and actively pursue increases in airline capacity flying into and out of Christchurch
- Work collaboratively with promotional organisations whose strategic objectives support regional development, and with organisations seeking to establish or enhance tourist attractions in Christchurch, Canterbury and the South Island
- Consider opportunities for the Airport to align with other transport modes to generate a 'hub' approach, maxmising travel connections and ease of passenger transfers
- Continue to work toward the successful substantial completion of the Integrated Terminal Development Project by the end of 2011
- Optimise and pursue opportunities for the development of airport land (including the short term use of land not required for airport use at this time) and facilities to enable the company to expand and enhance value through its core capability as an Airport Operator, and to that end actively pursue planning requirements to enable the development and expansion of the Airport Commercial horizon.
- Identify and undertake value enhancing initiatives, through the provision of retail and other commercial opportunities
- Be an attractive location and pursue commercial opportunities for businesses that need to access convenient airport and related services

- Pursue the sustainable management and development of all aspects of the company's operations, being socially responsible through having regard to the interests of the community in which we operate

- Design and implement business processes and customer interaction touch-points with the objective of giving the customer the 'best' service experience, while accepting that compromises will need to be reached in situations where there are competing requirements or costs

- Proactively facilitate Christchurch as the gateway base of choice to the Antarctic
- Develop and promote sustainable and proactive engagement and communication with customers, stakeholders and the community.

NATURE AND SCOPE OF ACTIVITIES

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

Consistent with these principal activities Christchurch International Airport will;

- Operate the airport in accordance with the terms of its aerodrome licences, which define standards and conditions laid down by the Civil Aviation Authority of New Zealand**.**
- Provide well designed and maintained runways, taxiways, turnouts and aprons in co-operation with the Airways Corporation of New Zealand and other airport users.
- Provide airfield and terminal facilities and infrastructure that deliver the required outcomes for CIAL and existing / potential operators, with an emphasis on efficient airside activities.
- Pursue activities designed to ensure the safe and effective utilisation of its assets and human resources.
- Ensure the prudent management of its business risks across markets and geographies.
- Ensure the Company adopts an environmentally responsible attitude to the operation of the business, including stormwater runoff and noise management; and pursue a commitment to the sustainable management and development of the natural, physical and human resources utilised in the business
- Pursue opportunities to diversify revenue streams and increase the value of commercial and non-aeronautical business streams.
- Pursue initiatives to grow shareholder value and provide a sustainable revenue stream through maximising the investment in and development of the company's property holdings.
- Actively market Christchurch, Canterbury and the South Island as a major destination for overseas visitors, in order to strengthen the position of Christchurch International Airport as the aviation hub of the South Island

In striving to achieve these outcomes CIAL emphasis will be placed on the pursuit of four essential initiatives over the coming year that are important to the long term commercial and operational success of the company. These are;

- *Economic Performance* – The prevailing economic environment will have a marked impact on tourism activity and airline financial performance globally. Initiatives to minimise market contraction will be pursued where CIAL has an ability to influence such outcomes. CIAL will seek to achieve pricing resets to the maximum level allowed by the market. Commercial initiatives not directly related to aeronautical activity will be pursued to provide the best possible economic offset to market conditions.

- *Integrated Terminal Project (ITP)* – The negotiation and implementation of an agreed service delivery solution will be achieved with our major airlines to meet the differential needs of both regional and main trunk passengers. Construction is expected to commence late 2009, with substantial terminal completion by late 2011 and final project works by 2012. The construction programme will follow a methodology designed to provide certainty of cost and project delivery outcome**.** Issues being addressed are;
  - Changing airline business models
  - Ensure functionality/design provides flexibility to meet growth and changing customer expectations
  - Return on investment to be achieved over the life of the investment

  Outcomes to be achieved are;
  - Removal of congestion and improved passenger service experience
  - Integration of domestic and international services
  - Improved service performance and reliability for airline customers
  - Improved aircraft parking and expansion path for the future
  - Improved retail offerings
  - Airline pricing commensurate with the investment made and the timing of returns taking account of the prevailing economic climate.

- *Ability to operate 24/7* - The ability to operate under a 24/7 operating environment is essential to the financial and economic wellbeing of both CIAL and the regional economy. Planning for future growth, within the recently reviewed noise contours, will be actively communicated and pursued with all planning, regulatory and community bodies to ensure this capability is maintained. To this end CIAL is committed to work with key stakeholders and partners on matters impacting its operations and future commercial development strategies, including submissions and constructive input to the development of the Regional Policy Statement and Urban Development Strategy.

- *Property Strategy*- The advancement of our Strategic Property Plan to improve return on airport landholdings, with an initial focus on creating the planning environment to expedite and implement value enhancing investment initiatives.

CIAL will seek to grow the scale and scope of the business and should any opportunity arise to invest in another business, CIAL will ensure that such acquisition is consistent with the company's objectives. Investments of a material nature will be subject to consultation with the shareholders.

All activities will be carried out with the objective of protecting and growing shareholder value.

GOVERNANCE

The Board and management are committed to ensuring that Christchurch International Airport Ltd (CIAL) has in place a best practice governance structure and adheres to the highest ethical standards. This entails the Board progressively reviewing and assessing CIAL's governance structures and processes to ensure that they become consistent with international best practice, both in form and substance

Governance objectives

The Board has adopted the following governance objectives:

- Approve Corporate Strategy and direction, laying down solid foundations for management and oversight;
- Structure itself to utilize the expertise of Directors to add value
- Promote ethical and responsible decision-making
- Safeguard the integrity of its financial reporting and make timely and balanced disclosure
- Recognise and manage risk and encourage enhanced performance;
- Remunerate fairly and responsibly; and
- Respect the rights, and recognise the legitimate interests of stakeholders.

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

Role of the Board of Directors

The Board is responsible for the proper direction and control of the company's activities. The Board guides and monitors the business and affairs of CIAL on behalf of the shareholders, Christchurch City Holdings Ltd and the Minister of Finance and the Minister for State Owned Enterprises (on behalf of the New Zealand Government), to whom it is accountable, within the framework of the vision and objectives set out in this Statement of Intent.

The Board is the overall and final body responsible for all decision making within the Company. The Board Charter describes the Board's role and responsibilities and regulates internal Board procedure. The Board has the responsibility to work to enhance the value of CIAL in the interests of the company and its shareholders.

In summary, the Board:

- is engaged in strategic planning and approves corporate strategies, including the approval of transactions relating to acquisitions and divestments, and capital expenditure above management delegated authority limits;
- reviews and approves the Business Plan for the forthcoming year and following two years, including the capital expenditure and operating budget, and reviews performance against strategic objectives;
- assesses business opportunities and risks on an ongoing basis and oversees the Company's control and accountability systems
- monitors and approves the company's financial reporting and dividend policies
- appoints and monitors the performance of the Chief Executive Officer and approves

the recommendations of the Remuneration Committee regarding the Chief Executive Officer's remuneration (which is based on his performance); and

- oversees succession planning for the Chief Executive Officer and senior management.

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

Responsibility to Shareholders

Statement of Intent

In accordance with the Local Government Act 2002, the company submits a draft SoI for the coming financial year to Shareholders. The SoI sets out the company's overall objectives, intentions and financial and performance targets. After due consultation and discussion, the SoI is accepted by the Shareholders.

Information Flows

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 periodic reports, occasional briefings and through both the annual report and the half-yearly report.

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

Consistency with wider objectives of Shareholder(s)

- Majority shareholder, Christchurch City Holdings Ltd, seeks to support its ultimate Shareholder (Christchurch City Council) objective of developing the greater Christchurch and the Canterbury region through pursuing an integrated Urban Development Strategy (UDS). Christchurch International Airport will seek to support the wider initiatives of the urban development Strategy where appropriate to the business. The company's development strategy will be supported by the UDS through changes incorporated in the Regional Policy Statement to protect the long term objective for uncurfewed operations through provision and recognition of noise contours in its planning maps Commercial development would further support wider economic development through the recognition of CIAL as a key activity centre. The strategies for roading and highway development as part of the UDS will support greater commercial density at the airport through land use that cannot be supported in a central business district environment.

Board Composition and Fees

The Board comprises six Directors, four appointed by CCHL and two appointed by the NZ 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.

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

The Board generally meets at monthly intervals, and at other times as required. To enhance efficiency, the Board has delegated some of its powers to Board Committees and other powers to the Chief Executive Officer and senior executives. The terms of the delegation by the Board to the Chief Executive Officer are clearly documented. The Chief Executive Officer has, in some cases, formally delegated certain authorities to his direct reports and has established a formal process for his direct reports to sub-delegate certain authorities.

The Board has three formally constituted committees; the Risk Audit and Finance Committee the Remuneration Committee and the Property Committee. All committees have a Board-approved charter outlining the committee's authority, duties and responsibilities and relationship with the Board. Additional committees may be established on the basis of need.

Risk Audit and Finance Committee

The Risk Audit and Finance Committee's role is to assist the Board in its oversight of the integrity of the treasury, financial reporting and risk management frameworks.

The Risk Audit and Finance Committee's responsibilities include:

- reviewing the external financial reporting and recommending adoption to the Board, considering and, if appropriate approving, major accounting policy changes
- assessing the adequacy and standard of internal controls and accounting policies after consultation with management, the external and internal Auditors;
- ensuring that policies and processes exist to effectively identify, manage and monitor principal business risks and the Company's risk profile, and pre-approving and monitoring all audit and related assurance services provided;
- annually reviewing the external Auditors' report which includes a description of the relationships between CIAL and the external Auditors, the Company's internal control procedures, and critical accounting policies relating to external financial reporting;
- setting the principals and standards with respect to the treasury policy (including adherence to policy), raising of finance, and recommending new financing arrangements to the Board.

The Risk Audit and Finance Committee will meet the external and business assurance auditors without management present at least annually. The external auditors are only permitted to engage on assurance work.

Remuneration Committee

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

- reviewing 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;
- overseeing the Company's recruitment, retention and termination policies and procedures for senior management, and the succession planning for senior management and the Chief Executive Officer;
- reviewing the performance of the Chief Executive Officer, the employment agreements and benefit structures for the Chief Executive Officer and Executive Management group, and the recommendations to the Board with respect to senior executive incentive remuneration plans, other employee benefits, and key performance objectives of the

Chief Executive Officer and Executive Management group.

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 Committee's responsibilities include;

- Reviewing and determining Property Investment policy for CIAL and making recommendations to the Board for approval in respect of the same and acting as the centre of expertise for CIAL property investment, development and management from a governance perspective
- Reviewing the Property Investment and Development Strategy to ensure the company achieves acceptable returns over the long term
- Reviewing proposed Investment and Development initiatives in excess of $1 million and recommending approval or otherwise of such proposals to the Board and periodically reviewing the returns being achieved by the Property Portfolio in line with the overall objectives of the Property Strategy.

Ratio of shareholders' funds to total assets

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

Period	Total Liabilities	Equity	Total Assets	Equity Ratio	Interest Cover [1]	FFO Interest Cover [2]
30 June 2008a	193,665	563,272	756,937	74.4%	8.89	6.28
30 June 2009f	191,741	564,980	756,721	74.7%	6.05	4.31
30 June 2010p	274,399	572,957	847,356	67.6%	4.86	3.19
30 June 2011p	386,088	590,653	976,741	60.5%	3.81	2.34
30 June 2012p	471,053	604,399	1,075,452	56.2%	3.17	1.89

[1] *Adj EBITDA to Net Interest Cost + capitalised interest*

[2] *FFO Interest cover (adjusted for capitalised interest)*

Period	Equity	Debt	Total Debt +Equity	Gearing (debt : debt+equity)	Net Asset Backing
30 June 2010p	572,957	198,397	771,354	25.7%	9.95
30 June 2011p	590,653	308,399	899,052	34.3%	10.25
30 June 2012p	604,339	391,152	995,491	39.3%	10.49

- Long term the company will endeavour to operate within an optimal capital structure of shareholder's funds to total assets of between 50% and 60%
- The target ratio of debt-to-debt plus equity is to be within a range of 40% to 45%

Accounting Policies

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

The company's current accounting policies are attached to this Statement of Intent.

The Company has also adopted the following policy, which is in addition to the policy framework described above;

Capitalisation of Interest

The capital cost of all Projects in excess of one year in duration and with a total capital cost in excess of $10,000,000 shall include the additional charge of interest on funds employed during the construction phase through to the date of commissioning.

Performance Targets

Christchurch International Airport Ltd's key objectives are to operate as a successful business and through that deliver sustainable growth in long-term value to our shareholders. Within that scope our strategic objectives are detailed below, identifying the key performance indicators that measure the progress toward achievement of these objectives.

Objective	**Measure**
Deliver sustainable growth in revenue and earnings;	a, b, c, d(2/3)
Grow South Island tourism and position CIAL as a shaper of future tourism growth;	a, b
Deliver superior customer service;	b, d(2/5)
Provide "fit for purpose" infrastructure with the flexibility to meet future	b, c, d(1/2/5)

growth;	
Provide an environment where staff are high performing and fully engaged;	a, b, c, d(4/5)
Operate in a sustainable manner and be recognised as a positive contributor to the community.	a, b, c, d(1-5)

It is recognised an uplift is required to achieve acceptable rates of return and the forecast performance below identifies the improvement being made over the ensuing three years, but in light of the prevailing economic conditions it must be accepted that it will take some time to achieve the required returns as;

- The land bank can only be developed at a rate that planning requirements and market demand allow
- Returns on new infrastructure development (ITP) are to be achieved on an economic basis, which provides lower accounting returns in earlier years and improved returns in latter years
- Significantly reduced Airline yields will influence the timing and period over which increased airline charges can be achieved
- The time required to achieve efficiency gains.

a) Financial performance targets

The financial performance targets for the company are as follows:

$000	2008 Actual	2009 Forecast	2010 Plan	2011 Plan	2012 Plan
Revenue (Incl Reval of Invest Pty)	88,982	87,373	89,288	105,657	120,273
(Excl Reval of Invest Pty)	85,097	88,373	89,288	104,472	117,636
EBITDA (Incl Reval of Invest Pty)	57,325	54,895	57,619	72,658	85,845
(Excl Reval of Invest Pty)	53,440	55,895	57,619	71,473	83,208
EBITDA (adjusted) [2]	52,791	51,546	56,449	71,173	83,108
FFO (adj for capitalised interest)	37,310	36,790	37,104	43,788	49,612
Net Surplus After Tax	23,359	14,657	19,507	27,515	27,665
Net Surplus After Tax (Adjusted) [3]	22,692	12,479	15,895	20,659	21,158
Net Surplus After Tax to Average Equity	4.2%	2.6%	3.4%	4.7%	4.6%
Return on Assets (EBIT as % average total assets)	4.7%	4.1%	4.4%	5.2%	5.3%

Note:

2. *EBITDA [2] (Adjusted) - EBITDA (excl Reval Invest Pty-Staging costs)*
3. *NPAT (Adjusted) - NPAT less Capitalised Interest*

b) Operational Movement targets

	2008 Actual	2009 Forecast	2010 Plan	2011 Plan	2012 Plan
a. ***Aircraft***					
Aircraft Movements	38,236	37,675	38,971	39,382	40,390
b. ***Passengers***					
Domestic	4,279,503	4,242,331	4,332,107	4,483,553	4,681,049
International	1,625,708	1,549,898	1,588,252	1,656,546	1,727,934
Total Passengers	5,905,211	5,792,229	5,920,359	6,140,099	6,408,983

c) Operational Performance targets

	2008 Actual	2009 Forecast	2010 Plan	2011 Plan	2012 Plan
Total Operating Revenue per Passenger	$ 14.41	$ 15.26	$ 15.08	$ 17.01	$ 18.35
Aeronautical Revenue per pax	*$6.83*	*$6.79*	*$7.12*	*$8.33*	*$9.46*
Commercial Revenue per paX	*$7.58*	*$8.47*	*$7.96*	*$8.69*	*$8.90*
Total Operating Revenue per Employee	$ 505,580	$ 496,438	$ 547,779	$ 648,202	$ 737,871
NPAT per Employee	$ 132,722	$ 83,278	$ 119,675	$ 168,804	$ 169,724
NPAT per Passenger	$ 3.96	$ 2.53	$ 3.29	$ 4.48	$ 4.32
Total Assets per Passenger	$ 125.84	$ 130.64	$ 135.47	$ 148.54	$ 160.10
Net Debt per Passenger	$ 18.46	$ 20.37	$ 26.69	$ 41.27	$ 54.58
Ratio of Aeronautical Revenue to Commercial Revenue	47.4%	44.5%	47.2%	49.0%	51.5%

d) Corporate Social Responsibility Performance targets

Performance target	Performance measure 2009/10	Performance measure 2010/11	Performance measure 2011/12
1. To minimise the impact of airport activities on groundwater quality through cost effective measures to avoid or mitigate the risks of contamination	▪ Increase the no. of environmental compliance audits from 30 to 35 ▪ Ensure on tenanted sites all Stormwater drainage inlets are labelled ▪ Develop Environmental Training Awareness Programme with focus on groundwater protection	▪ Increase the no. of environmental compliance audits from 35 to 40 ▪ Label stormwater drainage systems in all new developments ▪ Provide environmental training for all airport operators	▪ Continue Environmental Compliance and Monitoring Programme with existing airport operators and new operators on airport land. Ensure that all new operators are provided with Environmental Training
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	▪ Implement recommendations from the waste audit ▪ Manage and measure amount of construction and waste disposal to landfill during ITP development through Target REBRI Programme ▪ Facilitate implementation of CCC's Target Sustainability Programme by relevant airport operators.	▪ Monitor and refine programmes to reduce disposal of waste to landfill ▪ Manage and measure amount of construction and waste disposal to landfill during ITP development through Target REBRI Programme ▪ Facilitate implementation of CCC's Target Sustainability Programme by relevant airport operators.	▪ Carry out audit of waste generated within Integrated Terminal Building.
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 ▪ Prepare a programme to support tenants and business partners becoming carbon neutral ▪ Monitor energy consumption of ITP and reflect such non repeat activities in long term efficiency gain targets	▪ Maintain carbon neutral status ▪ Begin implementation of airport-wide carbon neutral programme ▪ Monitor Energy efficiency to ensure targets set in 2007/08 have been achieved ▪ Develop strategy to achieve a further 5% (Kwh/m2) energy consumption reduction over 2010 levels, by 2013	▪ Maintain carbon neutral status ▪ Continue to recruit new airport tenants to participate in the carbon neutral programme
4. To deliver on our corporate social responsibility and community interest obligations	▪ Support the Ellerslie Flower show and targeted sponsorship activities ▪ Develop an integrated engagement and communication framework to customers,, community and stakeholders	▪ Support the Ellerslie Flower show and targeted sponsorship activities ▪ Implement a full community engagement program to provide a roadmap for customers, community and stakeholder consultation and engagement	▪ Support the Ellerslie Flower show and targeted sponsorship activities ▪ Continue the Community Liaison with key community leaders to act as a liaison between the Community and CIAL
5. To manage Operational Risk	▪ To work toward achieving a Bird Strike incidence rate of 3<5/10,000 aircraft movements, on a 12 month rolling average basis, in line with the level set for airports of a similar scale. ▪ To work with statutory authorities and the community toward achieving acceptance of need for noise contours to	▪ To work toward achieving a Bird Strike incidence rate of 3<5/10,000 aircraft movements on a 12 month rolling average basis, in line with level set for airports of a similar scale. ▪ To work with statutory authorities and the community toward achieving acceptance of need for noise	▪ Achieve a Bird Strike incidence rate of 3 / 10,000 aircraft movements on a 12 month rolling average basis in line with level set for airports of a similar scale. ▪ General acceptance of need for noise contours to protect the 24/7 airport operating status

	protect the 24/7 airport operating status	contours to protect the 24/7 airport operating status	
6. To minimise the effects of noise and vibration associated with aircraft and airport operations and to comply with relevant noise rules	▪ Refresh Environmental Policy and Strategy	▪ Develop Noise Management Plan	▪ Adoption of new noise contours in the Regional Policy Statement
7. To deliver an environment for staff that is supportive, stimulating and engaging	▪ Support staff and proactively seek to consolidate staff after organisational change	▪ Refresh strategies aligned with Employee Attraction, Retention and Engagement	▪ Implement outcomes from employee environment refresh

Distributions

CIAL will pay dividends to shareholders after taking into account its profitability and future investment requirements. The dividends payable will be determined by the Board after consideration of the company's funding requirements and the requirement to meet the solvency test under the provisions of the Companies Act 1993. The actual percentage paid is subject to an annual review by the Directors taking into account the prevailing financial and economic circumstances in which Christchurch International Airport is operating.

In determining the level of funds available for dividend, the directors will take into consideration:

- Working capital requirements, the investment required for the Integrated Terminal Project and the medium term asset investment and property development programme
- A sustainable financial structure having regard to the risks from predicted short and medium term economic conditions and predicted financial performance

The dividends are forecast to be paid in two instalments each year, with the interim dividend payment being made post the half year meeting of Shareholders in March of each year and the final dividend payment post the Annual meeting in October of each year.

To assist shareholders with budgeting the following ordinary dividend payments to shareholders, (based on a projection of 60% of Net Operating Profit after tax (excluding revaluation gains on Investment properties) payout ratio are forecasted to be as follows:

2009/10	2010/11	2011/12
$11.530m	$10.649	$13.598m

Information to be provided to shareholders

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

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

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

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

The company will operate on a “no surprises” basis in respect of significant shareholder-related matters, to the extent possible in the context of commercial sensitivity and confidentiality obligations.

The company will provide information requested by the shareholders in accordance with the requirements of the Local Government Act 2002.

Acquisition / divestment procedures

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

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

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

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

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

Compensation sought from Shareholders

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

Currently, CIAL provides dedicated facilities and infrastructure to the New Zealand Antarctic operations at concessionary rates to those charged to commercial airlines and tenants. This service provides an economic benefit to the Christchurch region but at an annual concession cost to CIAL estimated at approximately $1 million per annum. CIAL has communicated with

Shareholders on this issue, who have confirmed their acceptance of the lower commercial return resulting as a consequence of this concession.

Estimate of commercial value of shareholder's investment

The value of shareholders' investment in Christchurch International Airport as at 30 June 2009 is estimated to be $845 million. This estimate is based on the net present value of expected cashflows which are discounted at the Company's estimated Weighted Average Cost of Capital (WACC). The valuation approach is consistent with that used in prior years with key assumptions updated to reflect the Business Plan (2010-12). This commercial value will be reassessed on an annual basis.

Role in the Christchurch City Council group and regional economy

a) Commercial relationships within the CCC group

Christchurch International Airport acknowledges, as a majority owned subsidiary of Christchurch City Holdings Ltd, that there may be commercial opportunities within or in partnership with other group companies that may be able to be developed to benefit Christchurch International Airport, CCHL and the Canterbury region. These opportunities will and are being considered as part of the strategic initiatives being developed to progressively grow commercial revenues as the company endeavours to improve operating efficiency and diversify and offset the volatility of aeronautical revenues. These include;

- Joint purchasing arrangements
- Communication network development
- Operational service delivery opportunities

b) Role in the growth of the regional economy

Christchurch International Airport is the tourism gateway to the South Island and provides a significant contribution to both the Canterbury region and the South Island as a whole, with the total airport operation employing over 4,500 employees across a diverse range of companies. A recent Economic Impact Assessment review identified that Christchurch Airport contributed to the generation of $1.5 billion in regional GDP, representing 7.2% of annual GDP in the Canterbury region and 8.8% of employment.

CIAL is seeking to grow the economic development of both the region and the South Island through pursuing growth in Airlines visiting Christchurch and international passengers holidaying in the South Island. Such growth will provide a flow on effect through increasing tourism revenue and activities. In addition the ongoing development of our Property portfolio will create value through the construction sector and the provision of a greater range of commercial services to all users of the airport campus.

Appendix 1: Statement of Accounting Policies

The accounting policies as set out below form the basis of preparation of Christchurch International Airports NZ IFRS financial statements and forecasts.

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. The 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

have not been consolidated as they were not trading and held no assets or liabilities during and at the end of the period under review.

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.

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

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires the Company to exercise its judgement in the process of applying the accounting policies. 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 as follows;

a) Identification of Property, Plant & Equipment to be reclassified to Investment Property.

The Company makes a decision on the assets to be included in Investment Properties by using a predetermined method of classification.

b) Estimate life of the existing Domestic Terminal

The Company has estimated the life of the existing Domestic Terminal for valuation purposes. This period equals the estimated build time for the new terminal.

c) Provisions

The company has made a number of provisions based on information available relating to anticipated expenditure of an uncertain amount which relates to a past event.

Standards issued and not yet adopted

The following new standards are not yet effective for the year ended 30 June 2008 and have not been adopted in preparing these financial statements.

- NZIFRS 8 Operating Segments
- NZIAS 23 (Amendment) Borrowing Costs

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 income statement, except when deferred in equity as qualifying cash flow hedges.

c) Revenue recognition

Revenue comprises the fair value for 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 substantially 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 income statement, except when it relates to items charged or credited directly to equity, in which case the tax is dealt with in equity.

e) Goods and Services Tax (GST)

The Statement of Financial Performance has 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. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

g) Impairment of non financial assets

Assets are reviewed for 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.

h) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at 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 balance sheet.

i) Trade receivables

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

Collectability of trade receivables is reviewed on an ongoing 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. 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 following 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.

Financial assets at fair value through income statement

The group has certain derivatives which are stated at fair value and the movements are recognised in the income statement.

l) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured 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 ongoing 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 income statement, 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 equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss (for instance when the forecast sale 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 equity are transferred from equity 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 equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Statement of Financial Performance.

iii. *Derivatives that do not qualify for hedge accounting*

Certain 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 are 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 that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance date.

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 (land, buildings and car park) and Opus International Limited (Airport sealed surfaces, terminal facilities and infrastructure assets) as at 30 June 2007.

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 depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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 are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amounts arising on revaluation of land, buildings, airport sealed surfaces and infrastructure assets are credited to other reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit and loss. 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 rates are as follows:

▪ Terminal	40 years
▪ Other buildings	10 to 40 years
▪ Sealed surfaces	9 to 100 years
▪ Roading	50 years
▪ Plant and equipment	3 to 25 years
▪ Motor vehicles	5 to 16 years
▪ Office and computer equipment	3 to 9 years
▪ Carpark assets (excluding land)	50 years

Capital work in progress is not depreciated until commissioned.

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 sustainable airport development 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 rental yield and are currently not occupied by the Company for aeronautical purposes.

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 and/or these services could not be provided efficiently and effectively by the lessee in another location
- The property is being held for future airport related purposes
- The lessee uses services of the Company and those services are integral to the reasons for the lessee's occupancy of the property.

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 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 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, representing open-market value determined annually by external valuers. Gains or losses arising from a change in fair value are recorded in the Statement of Financial Performance.

p) Intangible assets

Software costs have a finite useful life. Software costs are capitalised and amortised on a straight line basis over the useful economic life to 2 to 5 years.

q) Trade and other payables

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 at fair value, net of transaction costs incurred.

Borrowing costs that are directly attributable to the acquisition or construction of an item of property, plant and equipment 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.

t) Provisions

The company recognises a provision for future expenditure of an uncertain amount or timing when there is an obligation as a result of a past event.

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

Provisions are not recognised for future operating losses.

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.

Contributions to multi employer defined benefit schemes are expensed when incurred.

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 Company's shareholders.