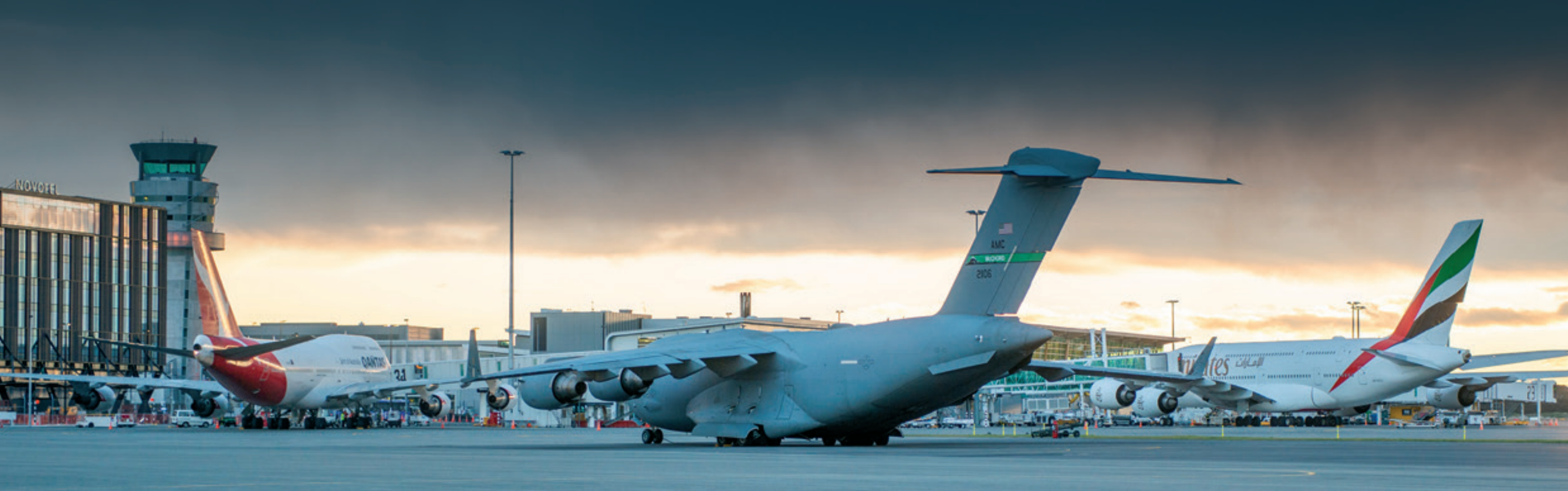
CHRISTCHURCH AIRPORT

2019 EDITION | Annual Review

FINANCIAL STATEMENTS



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For the year ended 30 June 2019

CHRISTCHURCH AIRPORT

GOVERNANCE

"THE BOARD IS ACCOUNTABLE TO SHAREHOLDERS FOR THE PERFORMANCE OF THE COMPANY AND SUCCESS IN MEETING THE OVERALL GOAL OF CREATING LONG TERM VALUE FOR SHAREHOLDERS. THE STRUCTURE OF THIS CORPORATE GOVERNANCE SECTION OF THE ANNUAL REPORT OUTLINES CHRISTCHURCH INTERNATIONAL AIRPORT LIMITED'S POLICIES AND PROCEDURES FOR GOVERNANCE AND HAS BEEN ADOPTED TO MAXIMISE THE TRANSPARENCY OF THE COMPANY'S GOVERNANCE PRACTISES FOR THE BENEFIT OF SHAREHOLDERS AND OTHER STAKEHOLDERS."

DIRECTORS AND MANAGEMENT COMMITMENT

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

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

Christchurch International Airport Limited (CIAL) aims to make sufficient disclosure so that the reader of the Annual Review will be able to assess the effectiveness of the company's corporate governance.

REGULATORY FRAMEWORK

The company operates solely in New Zealand and is governed by a range of New Zealand legislation and regulation including the Civil Aviation Act 1990 and the Airport Authorities Act 1966. The Civil Aviation Act 1990 establishes the framework for civil aviation safety, security and economic regulation in New Zealand and ensures that New Zealand's obligations under international civil aviation agreements are implemented. The Airport Authorities Act 1966 gives a range of functions and powers to airport authorities to establish and operate airports.

Since 2011, New Zealand's three largest airports including Christchurch have been subject to Information Disclosure regulation under Part 4 of the Commerce Act 1986, administered by the Commerce Commission. Under this framework, the focus is on monitoring airport performance, ensuring there is transparency in pricing decisions, as well as the effectiveness of the information disclosure regime.

BOARD ACCOUNTABILITY

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

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

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

- Working with executive leadership to ensure that the company's strategic goals are clearly established and communicated, and that strategies are in place to achieve them;
- Monitor management performance in strategy implementation;
- Appointing the Chief Executive Officer (CEO), approving his or her contracted terms, monitoring his or her performance and, where necessary, terminating the CEO's employment;
- Approving and monitoring the company's financial statements and other reporting, including reporting to shareholders, and ensuring the company's disclosure obligations are met;
- Adopting appropriate procedures to ensure compliance with all laws, governmental regulations, applicable codes and accounting standards;
- Ensuring that CIAL's internal decision making and compliance policies and procedures are implemented, to ensure that the business of the company is conducted in an open and ethical manner;

- Approving key performance criteria for CIAL and monitoring the performance of the CEO against these;
- Deciding necessary actions to protect CIAL's financial position and the ability to meet its debts and other obligations when they fall due, and ensuring that such actions are taken;
- Ensuring that the company adheres to high ethical and corporate behaviour standards;
- Establishing procedures and systems to ensure the occupational health, safety and wellbeing of the company's people and contractors working for CIAL across the airport campus;
- Promoting a company culture and remuneration practice which facilitates the recruitment, professional development and retention of staff;
- Ensuring that CIAL has appropriate risk management and regulatory compliance policies in place and monitoring the appropriateness and implementation of these policies.

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

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

BOARD STRUCTURE

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

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

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

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

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

INDUCTION OF NEW DIRECTORS

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

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

OPERATION OF THE BOARD

The Board met ten times during the year. In addition, several Board workshops were also held to consider discrete subject matters. The table on the following page sets out the Board and sub-committee meetings attended by the directors during the year. Directors unable to attend Board or Committee meetings review the relevant papers and provide comments to the Chair or Committee Chair as appropriate.

The Chair, CEO, Chief Financial Officer (CFO) and General Manager Legal and Corporate Affairs prepare the agenda for each meeting and board papers are provided to the directors in electronic format prior to the meeting.

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

- An executive report focusing on company performance, financial position, strategic activations and, as appropriate, progress towards the achievement of company goals and business targets;

- Specific business cases for capital expenditure and strategic activation;
- Separate reports from management covering matters requiring a Board decision or for more detailed information;
- Health, safety and wellbeing reporting and any proposed preventative measures to be applied;
- Standard items and action items arising from previous meetings.

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

- Reviews and approves the company objectives and strategies, business plan and budgets including the annual profit targets and capital investment programmes;
- Approves the annual and half-yearly financial statements, including the Annual Review to shareholders and public announcements;
- Considers and, if appropriate, declares or recommends the payment of dividends;
- Reviews directors' remuneration following approval from shareholders;
- Reviews the CEO's performance and remuneration;
- Approves remuneration policies and practices for executive leadership on the recommendation of the People, Culture and Safety Committee;
- Approves risk management policies and controls, including insurance cover and compliance with legal and regulatory requirements, on the recommendation of the Risk, Audit and Finance Committee;
- Reviews the adherence to, and annual public disclosure required by the Information Disclosure regime;
- Reviews the strategy and proposals for the reset of aeronautical charges;
- Reviews the strategy for CIAL's funding needs and approves banking facilities and debt capital markets issuances;
- Reviews CIAL's code of conduct and ethical standards;
- Sets the following year's Board work plan.

The Board annually critically evaluates its own performance, its processes and procedures to ensure that they are not unduly complex and that they assist the Board in effectively fulfilling its role and performing its duties. The Board and Committees and each director have the right to seek independent professional advice at CIAL's expense to assist them to carry out their responsibilities.

The Board and Committees have the authority to secure the attendance at meetings of advisers with relevant experience and expertise.

Board and Committee Meeting attendance	Original appointment	Current term expires	Board Meetings	Risk, Audit & Finance Committee Meetings	People & Culture Committee Meetings	Property & Commercial Committee Meetings	Aeronautical Committee Meetings
Total number of meetings held Normal / (Special/teleconference)			**10 (1)**	**4**	**3**	**4**	**4 (1)**
C. Drayton	September 2009	October 2020	10 (1)	4	3	4	4 (1)
C. Paulsen	October 2010	October 2020	10 (1)	-	3	-	4 (1)
J. Murray	June 2011	April 2020	9 (1)	-	-	4	4 (1)
S. Ottrey*	March 2019	February 2022	4 (0)	-	-	1	2 (0)
K. Morrison	October 2017	October 2020	10 (1)	4	-	-	4 (1)
P. Reid	May 2018	April 2021	10 (1)	4	2	4	-

* Sarah Ottrey was appointed 1 March 2019
Note: all committees require a Crown appointed director

COMMUNICATION WITH SHAREHOLDERS

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

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

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 and New Zealand Stock Exchange (NZX) continuous disclosure obligations (due to our listed debt), may preclude certain information from being made public. Within this constraint, information is communicated to the shareholders through quarterly reports and periodic briefings providing financial information and commentary on operational and non-financial performance measures. The company provides half yearly and annual reports to shareholders by the end of February and September respectively.

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

ETHICAL AND RESPONSIBLE DECISION MAKING

The company requires the highest standards of honesty and integrity from its directors and employees. This, consequently, necessitates responsible and ethical decision making which is supported by the highest standards of corporate behaviour towards our stakeholders.

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

All directors and employees are always expected to act honestly in all their business dealings and to act in the best interests of the company, including:

- Responsibilities to shareholders including protection of confidential information, rules for making public statements on behalf of the company, accounting practises and co-operation with auditors;
- Responsibilities to customers and suppliers of CIAL and other persons using the airport;
- Responsibilities to the community including compliance with statutory and regulatory obligations, use of assets and resources and conflicts of interest.

RECOGNISE AND MANAGE RISK

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

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

The Board determines its appetite for risk by considering whether the residual unmitigated risk is acceptable and if necessary plans are put in place for additional controls or systems. The risk management framework is implemented through business processes, such as business planning, investment analysis, project management and operations management. Major initiatives to manage and mitigate business risk will be reflected as activities in the Business Plan.

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

Health, Safety and Wellbeing

At the core of CIAL's Health, Safety and Wellbeing Strategy is the protection of our people. The Board and management's focus are on building a culture of safety leadership, taking a strategic approach to risk management and our safety management system, and ensuring consistency in culture across airside and aviation operations.

Business Assurance

The role of Business Assurance, through partnering with external service providers, is to develop a comprehensive continuous assurance program, which supports CIAL's risk management framework. Business Assurance is used to verify the company's risk profile and to confirm that risk mitigation is operating as documented.

A comprehensive register of action items arising from Business Assurance reviews is maintained; which includes a description of the action item, records target completion dates, and responsibility for completion. Progress of high and medium-rated action items is reviewed by the Executive Leadership Team and ultimately the Risk, Audit and Finance Committee.

Chief Executive Officer and Chief Financial Officer Assurance

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

- Governance, ethics and compliance assurance;
- Financial policies and systems of internal control.

There were no qualifications to the assurances provided by management for the year ended 30 June 2019.

Insurance and Indemnities

CIAL has a comprehensive insurance programme as part of risk mitigation. This programme is reviewed annually to ensure that appropriate cover is in place. The Board has continued its significant consideration of insurance placements as a mitigation of risk in the 2019 financial year to ensure such risk remains adequately protected through both the type and duration of insurance coverage and the level of capacity placed.

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

During the year, the directors' and officers' liability insurance was renewed to cover risks arising out of acts, omissions or legal defence of directors and employees in their capacity as such. Insurance is not provided for dishonest, fraudulent, malicious or wilful acts or omissions. The insurance cover is provided by QBE Insurance (Australia) Ltd. The cost of the cover for the year to 30 June 2019 is $46,000 (2018 $40,000).

Internal Policies and Procedures

Compliance with the many legal, regulatory and industry requirements is a priority for the Board. CIAL takes its obligations seriously in this regard and continually look for ways to improve the standard of compliance. CIAL employees are responsible for ensuring the company carries out its business in a way that considers all applicable legal requirements, minimises the cost of legal risk and maximises business opportunities. Managers are responsible for making sure their staff understand what compliance means in their particular areas, by ensuring appropriate training and compliance information is available. Compliance with legal and regulatory risk is monitored twice annually and reported to the subsequent quarterly Risk, Audit and Finance Committee meeting.

INTEGRITY IN FINANCIAL REPORTING

Going Concern

The directors have considered whether it is appropriate to prepare the 2019 financial statements on the basis that CIAL is a going concern. As part of its normal business practices, the company prepares annual budgets and longer term financial and business plans. In reviewing this information, the directors are satisfied that the company has adequate resources to continue in business for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the company's financial statements.

System of Internal Controls

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

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

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

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

If any incidents occur during the year then an event specific audit review is carried out to ensure full understanding of cause and outcomes and that appropriate remedial actions are undertaken.

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

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

THE BOARD'S RELATIONSHIP WITH MANAGEMENT

Position of Chief Executive Officer

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

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

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

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

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

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

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

Delegation of Responsibilities

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

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

BOARD SUB-COMMITTEES

Risk, Audit and Finance Committee

The Risk, Audit & Finance Committee consists of three board members who have appropriate financial experience and understanding of the company's industry. The Board requires that at least one member of the Audit Committee be a "financial expert".

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

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

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

- Review and approve accounting policies and practices as they apply to the company;
- Review the current risk management framework, and associated procedures for effective identification and management of the company's financial and business risks;
- Review management's approach to maintaining an effective internal control environment;
- Review the adequacy of insurance cover at each insurance renewal and recommend to the Board any significant changes to insurance cover;
- Review and approve the annual business assurance plan, and regularly monitor business assurance findings;
- Recommend to the Board the appointment of the external auditor and business assurance advisor and approve their fee;
- Provide advice on and review the company's Annual Report and Financial Statements prior to consideration and approval by the Board;
- Provide advice on and review the company's regulatory Annual Information Disclosure prior to consideration and approval by the Board;
- Review, on an on-going basis, the company's Treasury Policy incorporating capital structure and funding portfolio;
- Seek any outside external advice it may require.

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

The members of the Risk, Audit and Finance Committee as at 30 June 2019 were Kate Morrison (Chair), Catherine Drayton and Paul Reid.

Particular areas of focus for the Committee during 2019 were:

- Review the annual and half-yearly financial statements, to ensure adherence to accounting standards;
- Review the robustness and integrity of the adherence to, and public disclosure of, the Information Disclosure regime as regulated by the Commerce Commission, covering both annual and pricing reset disclosures;
- The integrity and effectiveness of the Business Assurance programme and internal control processes;
- Risk management and the progressive development of enterprise wide risk management;
- On-going review of CIAL capital structure, Treasury Policy and optimal funding portfolio in the future;
- Valuation of assets and consideration of the commercial valuation of the business;
- Renewal of insurance policies, including assessment of alternate risk financing options to reduce the increasing exposure, and cost, to the insurance market;
- Review overall tax risk profile of CIAL with focus on adherence to tax governance policy.

People, Culture and Safety Committee

The People, Culture and Safety Committee's role is to oversee the relationship of company values to the People and Protection strategies and ensure that they are designed to support and deliver the Company's overall strategy and business plans. The responsibilities of the Committee are:

- Establish procedures and systems to ensure the occupational health, safety and wellbeing of the company's employees and contractors working for CIAL across the Christchurch Airport campus;
- Continue to assist with the development of our leadership, culture and capability in our safety eco-system, involving critical risk assessment and risk management via best practice policies and mitigation procedures;
- Provide oversight and review annually the People and Culture strategy, implementation plan. Key sub-strategies and policies to ensure they are aligned with and support the delivery of the overall company strategy.
- To provide oversight and review annually the People and Culture Strategy and policies;
- To oversee CIAL's recruitment, retention and termination policies and procedures for senior leadership, and the succession planning for senior leadership and the CEO;
- To review the performance of the CEO, the engagement agreement and benefit structure for the CEO and Executive Leadership Team and recommend to the Board senior executive incentive remuneration plans, other employee benefits, and key performance objectives.

The members of the People and Culture Committee as at 30 June 2019 were Catherine Drayton (Chair), Chris Paulsen and Paul Reid.

Property and Commercial Committee

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

The responsibilities of the Committee are:

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

The members of the Property Committee as at 30 June 2019 were Justin Murray (Chair), Sarah Ottrey and Paul Reid. The Chair, Catherine Drayton, is a member ex officio, and attended meetings of the committee.

Particular areas of focus for the Committee during 2019 were:

- Planning and consenting to enable development of the wider property portfolio;
- Approval of investment cases for specific property development initiatives;
- Review and negotiation of commercial arrangements with terminal tenants;
- On-going review of ground transport strategy and commercial arrangements;
- Initial development of overall 'Park to Plane' strategy across our customers' journey;
- Identification and understanding of exponential technologies and how digital change will disrupt and shape CIAL's business in the future.

Aeronautical Committee

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

The responsibilities of the Committee are:

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

The members of the Aeronautical Committee as at 30 June 2019 were Chris Paulsen (Chair), Justin Murray, Sarah Ottrey and Kate Morrison. The Chair, Catherine Drayton, is a member ex officio, and attended meetings of the committee.

Particular areas of focus for the Committee during 2019 were:

- The continued evolution of CIAL's Aeronautical Strategy to support the growth targets encompassed within CIAL's Real Growth 2025 Strategy;
- Consider and approve new business development initiatives to grow existing market share and overall passenger numbers, with a focus on connectivity to key hubs, along with lifting regional feed into those hubs over Christchurch;
- To review and support the progressive development of "South", the strategy implemented by CIAL for the stimulation and resurgence of growth of the South Island tourism sector, in conjunction with regional tourism organisations and other industry stakeholders.

REMUNERATION

Directors

The total remuneration paid to directors for the year ended 30 June 2019 was:

Name	Remuneration
C Drayton	$94,340
K Morrison	$53,020
J Murray	$53,020
S Ottrey (appointed 1 March 2019)	$16,007
C Paulsen	$53,020
P Reid	$48,020
Total Fees	**$317,427**

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

CIAL Employees

Framework for Remuneration

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

The key principles determined by the People, Culture and Safety Committee that underpin CIAL's remuneration policies are that rewards are market-competitive, and that remuneration is linked to performance to attract and retain talented individuals.

The overall cost of remuneration is managed and linked to the ability of the company to pay. The People, Culture and Safety Committee reviews the CEO's performance evaluation of his direct reports and approves the remuneration and other variations to the terms and conditions of employment of his direct reports.

Remuneration ranges	Number of current and former employees	
$'000	**2019**	**2018**
$100 - $110	29	17
$110 - $120	14	7
$120 - $130	8	3
$130 - $140	8	5
$140 - $150	2	4
$150 - $160	6	7
$160 - $170	5	4
$170 - $180	1	4
$180 - $190	5	-
$190 - $200	2	1
$200 - $210	1	-
$230 - $240	1	2
$240 - $250	1	-
$280 - $290	-	3
$290 - $300	3	-
$360 - $370	-	1
$370 - $380	1	-
$410 - $420	-	1
$420 - $430	1	1
$430 - $440	1	-
$830 - $840	-	1*
$890 - $900	1*	-

* This is the remuneration to the CEO.

The CEO's salary for financial year 2019 consisted of a base salary of $670,000 (2018: $612,000), a short-term incentive of $200,000 (2018: $200,000), and Kiwisaver contributions of $26,100 (2018: $24,360). Total remuneration of $896,100 (2018: $836,360).

The short-term incentive of $200,000 is made up of two elements:

- $100,000 (2018: $100,000) relating to annual performance, including commercial outcomes, safety outcomes and environmental outcomes.
- $100,000 (2018: $100,000) relating to forward looking, long-term strategic matters, including technology-based innovation, leadership and succession planning and support to South Island tourism.

The objective of the short-term incentive may change from year to year.

The determination of the performance relating to the short-term incentives is to be made by the Board after year end.

CORPORATE RESPONSIBILITY AND SUSTAINABILITY

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

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

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

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

These are:

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

DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for ensuring that the financial statements give a true and fair view of the financial position of the company as at 30 June 2019, and the financial performance and cash flows for the year ended on that date.

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

The directors consider that proper accounting records have been kept, which enable, with reasonable accuracy, the determination of the financial position of the company and facilitate compliance of the financial statements with the Financial Reporting Act 2013 and Financial Markets Conduct Act 2013.

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

The directors have the pleasure in presenting the financial statements, set out on pages 13-47, of Christchurch International Airport Limited for the year ended 30 June 2019.

The Board of Directors of Christchurch International Airport Limited authorise these financial statements for issue on 20th August 2019.

For and on behalf of the Board

Catherine Drayton
CHAIR

Kate Morrison
DIRECTOR

STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30 June 2019

	Note	**2019**	2018
		$000	$000
INCOME			
Operating revenue	2	187,373	177,619
Fair value gain on investment properties	13	13,133	53,701
Interest income		102	246
Total income		**200,608**	**231,566**
EXPENSES			
Operating costs	2	61,968	62,189
Financing and interest costs	2	23,119	23,401
Depreciation, amortisation and impairment	2	35,520	35,128
Total expenses		**120,607**	**120,718**
Surplus before tax		**80,001**	**110,848**
Total taxation expense	3b	22,529	22,111
Net operating surplus after income tax		**57,472**	**88,737**

The accompanying notes and policies form part of these financial statements

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2019

	Note	2019	2018
		$000	$000
Surplus after income tax		**57,472**	**88,737**
Other comprehensive income			
Items that will not be reclassified to the statement of financial performance			
Fair value gain/(loss) on revaluation of assets	7a	27,924	169,015
Deferred tax on revaluation of assets	4	-	(21,282)
		27,924	**147,733**
Items that may be reclassified subsequently to the statement of financial performance			
Cash flow hedges:			
Fair value (losses)/gains recognised in the cash flow hedge reserve	7a	(21,362)	(7,173)
Realised losses transferred to the statement of financial performance	7a	4,939	5,701
Deferred tax on revaluation of cash flow hedges	4	4,598	640
		(11,825)	**(832)**
Other comprehensive income for year, net of tax		**16,099**	**146,901**
Total comprehensive income for year		**73,571**	**235,638**

The income tax relating to each component of other comprehensive income is disclosed in note 7.

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2019

	Note	Share Capital	Reserves	Retained Earnings	Total Equity
		$000	$000	$000	$000
Balance at 1 July 2017		57,600	457,959	311,343	826,902
Dividends paid to shareholders	6	-	-	(39,260)	(39,260)
Total comprehensive income for the year	7	-	146,901	88,737	235,638
Balance at 30 June 2018		**57,600**	**604,860**	**360,820**	**1,023,280**
Dividends paid to shareholders	6	-	-	(44,831)	(44,831)
Total comprehensive income for the year	7	-	16,099	57,472	73,571
Balance at 30 June 2019		**57,600**	**620,959**	**373,461**	**1,052,020**

The accompanying notes and policies form part of these financial statements

STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Note	**2019**	2018
		$000	$000
EQUITY			
Share capital		57,600	57,600
Reserves	7a	620,959	604,860
Retained earnings	7b	373,461	360,820
Total equity		**1,052,020**	**1,023,280**
NON-CURRENT LIABILITIES			
Term borrowings	8	356,549	411,062
Derivative financial instruments	9	31,455	15,484
Deferred taxation	4	137,456	137,535
Trade and other payables	10	783	884
Total non-current liabilities		**526,243**	**564,965**
CURRENT LIABILITIES			
Trade and other payables	10	33,693	23,701
Current portion of borrowings	8	115,501	-
Taxation payable	3c	1,028	2,800
Derivative financial instruments	9	2,504	2,082
Total current liabilities		**152,726**	**28,583**
Total liabilities		**678,969**	**593,548**
Total equity and liabilities		**1,730,989**	**1,616,828**
NON-CURRENT ASSETS			
Property, plant and equipment	11	1,208,026	1,158,952
Investment properties	13	491,202	428,848
Intangible assets	12	4,588	4,715
Trade and other receivables	14	4,601	5,369
Derivative financial instruments	9	6,747	2,526
Total non-current assets		**1,715,164**	**1,600,410**
CURRENT ASSETS			
Cash and cash equivalents		845	2,156
Trade and other receivables	14	13,875	13,802
Derivative financial instruments	9	646	-
Inventories		459	460
Total current assets		**15,825**	**16,418**
Total assets		**1,730,989**	**1,616,828**

The accompanying notes and policies form part of these financial statements

STATEMENT OF CASH FLOWS

For the year ended 30 June 2019

	Note	2019	2018
		$000	$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from customers		185,981	181,550
Interest received		102	246
Net goods and services tax received		(801)	640
		185,282	**182,436**
Cash was applied to:			
Payments to suppliers and employees		(61,948)	(58,483)
Financing and interest costs		(22,938)	(24,234)
Net income tax paid		(17,500)	(15,150)
Subvention payments		(2,280)	(3,594)
		(104,666)	**(101,461)**
Net cash flows from operating activities	15	**80,616**	**80,975**
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Proceeds from sale of property, plant and equipment		65	1,108
Cash was applied to:			
Purchase of property, plant and equipment		(42,823)	(52,337)
Purchase of investment properties		(49,221)	(30,598)
Purchase of intangible assets		(1,117)	(2,000)
		(93,161)	**(84,935)**
Net cash flows from investing activities		**(93,096)**	**(83,827)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from:			
Borrowings		78,000	107,000
Cash was applied to:			
Dividends paid	6	(44,831)	(39,260)
Borrowings		(22,000)	(66,000)
		(66,831)	**(105,260)**
Net cash flows from financing activities		**11,169**	**1,740**
Net (decrease)/increase in cash held		**(1,311)**	**(1,112)**
Add cash and cash equivalents at beginning of the year		2,156	3,268
Cash and cash equivalents at the end of the year		**845**	**2,156**

The accompanying notes and policies form part of these financial statements

ACCOUNTING POLICIES

GENERAL INFORMATION

Christchurch International Airport Limited (the company) owns and operates Christchurch International Airport. The company is owned 75% by Christchurch City Holdings Limited, a wholly owned subsidiary of Christchurch City Council, and 25% owned by the New Zealand Government.

The company is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is Level 4 Car Park Building, Christchurch International Airport, Christchurch.

The company operates predominantly in the business of providing airport facilities and services to airline and airport users. All operations are based at Christchurch International Airport.

These financial statements have been approved for issue by the Board of Directors on 20th August 2019.

The Board of Directors has the power to amend the financial statements after issue.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

A. BASIS OF PREPARATION

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

Entity reporting

The financial statements are for Christchurch International Airport Limited and its wholly owned subsidiaries:

CIAL Holdings Number 1 Limited
CIAL Holdings Number 2 Limited
CIAL Holdings Number 3 Limited
CIAL Holdings Number 4 Limited
CIAL Holdings Number 5 Limited

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

The company is designated as a for profit 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 Local Government Act 2002, the Financial Reporting Act 2013 and the Companies Act 1993. The Company is an FMC reporting entity under part 7 of the Financial Markets Conduct Act 2013.

Functional and presentation currency

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

Historical cost convention

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

Critical accounting estimates and assumptions

The preparation of financial statements requires the use of certain critical accounting estimates and assumptions. It also requires the company to exercise its judgement in the process of applying the accounting policies. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below.

i. Identification of Property, Plant and Equipment to be reclassified to Investment Property
The company makes a decision on the assets to be included in Investment Properties based on their "interim use" as outlined in accounting policy (m). A key factor of this classification is that the "interim use" of such property is not for aircraft related activities. The classification of property between categories gives rise to different accounting treatments which can impact the Statement of Financial Performance or Statement of Other Comprehensive Income.

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

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

For further information on the estimates and assumptions used in measuring these assets to fair value see accounting policies (l) and (m) and notes to the financial statements 11 and 13.

New and amended standards adopted by the company
No new accounting standards or interpretations that became effective for the period had a material impact on the company. The applicable new disclosure requirements for NZ IFRS 7, NZ IFRS 9 and NZ IFRS 15 have been applied for both the current and comparative reporting periods.

All financial assets (other than derivatives) that were categorised as loans and receivables under NZ IAS 39 are now categorised as amortised cost under NZ IFRS 9. No valuation and measurement adjustments arose on transition to NZ IFRS 9.

Those NZ IFRS Standards and Interpretations that have been issued or amended and which may have a significant impact on the company, but are not yet effective and have not been adopted by the company for year ended 30 June 2019 are:

- NZ IFRS 16 Leases is effective for annual periods beginning on or after 1 January 2019. NZ IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The accounting requirements for lessors are substantially the same as those in NZ IAS 17. The company is yet to assess NZ IFRS 16's full impact. Based on preliminary work performed the company believes it is unlikely to have a material impact on the company's financial statements. The company will apply this standard from 1 July 2019.

B. FOREIGN CURRENCY TRANSLATION

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

C. REVENUE RECOGNITION

Revenue comprises the fair value of the provision of services, excluding Goods and Services Tax, rebates, incentives and discounts, and is recognised when the associated performance obligations are satisfied.

Revenue captured within the scope of NZ IFRS 15 requires disclosure as revenue from contracts with customers. Revenue streams outside of the scope of NZ IFRS 15 are also contracted under agreements, including rental and lease arrangements.

Revenue is recognised as follows:

i. Provision of services
Landing and terminal services are provided to airlines on demand under the published regulatory prices, rather than through fixed quantity individual contracts. Depending on the service being provided, the transaction price is calculated based on a fixed price per landing, per passenger, or by weight. Where applicable, separate incentive agreements are signed with individual airlines. These charges are invoiced monthly and in arrears.

Rent and Lease income is recognised on a straight-line basis over the term of the lease where the airport is the lessor. Concession income is recognised as revenue on an accrual basis based on the turnover of the concessionaire and rental agreement.

Ground transport income is recognised over time as the car park or transport facilities are used. Billing and payment is completed on exit from the car park or monthly in arrears. The transaction price charged varies depending on the length of services provided and how the services have been booked.

Other revenue includes the recovery of operating costs associated with leases where the airport is the lessor.

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

D. INCOME TAX

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

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

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

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

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

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

E. GOODS AND SERVICES TAX (GST)

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

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

F. IMPAIRMENT

Non-financial assets

Non-financial assets are assessed for indicators of impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

G. CASH AND CASH EQUIVALENTS

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

H. TRADE AND OTHER RECEIVABLES

Trade and other receivables are amounts due from customers for services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value. The group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

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

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables. This method groups those financial assets which have shared credit risk characteristics and the days past due. The amount of the provision is recognised in Note 14.

Debts which are known to be uncollectible are written off.

I. INVENTORIES

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

J. DERIVATIVES

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are classified as 'held for trading' for accounting purposes and are accounted for at fair value through profit or loss. They are presented as current assets or liabilities to the extent they are expected to be settled within 12 months after the end of the reporting period.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at balance date. The accounting for subsequent changes in fair value 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).
At inception of the hedge relationship, the Company documents the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Company documents its risk management objective and strategy for undertaking its hedge transactions.

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments, to ensure that an economic relationship exists between the hedged item and hedging instrument.

The Company enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. The Company does not hedge 100% of its loans, therefore the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps.

Hedge ineffectiveness for interest rate swaps may occur due to, the credit value/debit value adjustment on the interest rate swaps which is not matched by the loan, and differences in critical terms between the interest rate swaps and loans.

iii. Fair value hedge
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Statement of Financial Performance, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The company only applies fair value hedge accounting for hedging fixed interest risk on borrowings. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the Statement of Financial Performance within "Financing and Interest Costs".

Changes in the fair value of the hedged fixed rate borrowings attributable to interest rate movements are also recognised in the Statement of Financial Performance within "Financing and Interest Costs".

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

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

v. Derivatives that do not qualify for hedge accounting

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

K. FAIR VALUE MEASUREMENT

The company measures financial instruments, such as, derivatives, and non-financial assets such as investment properties, at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 22.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. External valuers are involved for valuation of significant assets, such as properties and investment properties and significant liabilities.

For the purpose of fair value disclosures, the company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

L. PROPERTY, PLANT AND EQUIPMENT

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

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

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

Costs subsequent to revaluation 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. Repairs and maintenance is charged to the Statement of Financial Performance during the financial year in which they are incurred.

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

Depreciation

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

- Terminal — 40 years
- Other buildings — 10 to 40 years
- Sealed surfaces — 15 to 120 years (some components non-depreciable)
- Plant and equipment — 3 to 25 years
- Motor vehicles — 5 to 16 years
- Office and computer equipment — 3 to 9 years
- Car park assets (excluding land) — 7 to 30 years
- Infrastructure — 15 to 70 years

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. These are included in the Statement of Financial Performance. If disposal is made of an asset that has been revalued, any surplus included in equity is transferred directly to retained earnings when the asset is derecognised.

Work in progress is measured at cost and reviewed for impairment. No depreciation is charged, or revaluation made, prior to work in progress being capitalised to the appropriate asset category.

M. INVESTMENT PROPERTY

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

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

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

Land where there are infrastructure services in place up to its boundary or there is a firm commitment to provide such infrastructure **and** the further development of that land is signalled within the next 3 years (being the current business planning cycle) is classified as investment property. Buildings that are held for a currently undetermined future use, or that are vacant but held to be leased out under one or more operating leases, are classified as investment properties.

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

Investment property is carried at fair value, based on valuation methodologies using direct sales comparison or a direct capitalisation of rental income using market comparison of capitalisation rates, supported by a discounted cashflow approach. These values are determined annually by external valuers. Gains or losses arising from a change in fair value are recorded in the Statement of Financial Performance.

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

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

N. FINITE LIFE INTANGIBLE ASSETS

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These have a finite useful life and are amortised on a straight line basis over the useful economic life of 2 to 6 years. Computer software licences are carried at cost less accumulated amortisation and any accumulated impairment losses.

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

O. TRADE AND OTHER PAYABLES

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

P. BORROWINGS

Borrowings are recognised initially at fair value, net of directly attributable transaction costs incurred. Borrowings (other than those subject to a fair value hedge relationship – see accounting policy j(i)) are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Financial Performance over the period of the borrowings using the effective interest method.

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

Borrowing costs that are directly attributable to the acquisition or construction of an item of property, plant and equipment, investment properties or a qualifying asset (an asset that takes a substantial period of time to get ready for intended sale or use and is of significant cost), have been capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur.

Q. SHARE CAPITAL

Ordinary shares are fully paid and classified as equity. All 57,600,000 shares have equal voting rights and share equally as to dividends and surplus on winding up.

R. PROVISIONS

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

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

S. EMPLOYEE BENEFITS

Liabilities for wages and salaries, including non monetary benefits, annual leave, long service leave and accumulating sick leave and other contractual payments 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.

T. DIVIDENDS

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 authorised by the directors and notified to the company's shareholders.

U. LEASE INDUCEMENTS

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

V. FINANCIAL INSTRUMENTS

Financial assets

Financial assets can be classified in the the following categories: financial assets at fair value through profit or loss, fair value through other comprehensive income (OCI) and amortised cost. The classification depends on financial assets contractural cashflow characteristics and the company's business model for managing them, namely how the business manages its financial assets in order to generate cash flows. Management determines the classification of its financial assets at initial recognition.

Currently the company only has financial assets classified and measured at amortised cost. To qualify for this classification, the asset needs to give rise to cashflows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding and for which the business model is to hold the asset to collect contractual cash flows.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit and loss when the asset is derecognised, modified or impaired.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

The company's financial assets at amortised cost include trade and other receivables and cash and cash equivalents. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets.

Financial liabilities

Financial liabilities can be classified in the the following categories at initial recognition, as financial liabilities at fair value through profit or loss and amortised cost.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The company's financial liabilities include trade and other payables, loans and borrowings and derivative financial instruments.

Loans and Borrowings financial liabilities is the most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

W. GOODWILL

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

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

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

X. CAPITAL MANAGEMENT

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

1. SEGMENT INFORMATION

Reportable segments

The company's reportable operating segments have been based on the monthly internal reporting that is received by the Chief Executive, as the chief operating decision maker. This information is used to assess performance and determine the allocation of resources.

The operating segments are based on the type of services rendered. Discrete financial information is presented to the Chief Executive to a Net Profit Before Tax level, which is used to assess segment performance. An allocation of all corporate revenues and expenses (except tax), is included within each operating segment.

Operating segments – Services provided

Planes
This area of the business offers services that facilitate the movement of aircraft, cargo and passengers on the airfield.

Passengers
The passenger operating segment provides services to the terminal retailers, provides ground transport solutions to staff and the public and includes the terminal portion of the aeronautical charge.

Property
The property operating segment earns revenues from the provision of investment properties to landside airport campus tenants.

Major customers

The company has a number of customers that it provides services to. The most significant customer in the current year accounted for 28% (2018: 24%) of total segmented income. Revenue associated with this customer was included in the Planes, Passenger and Property operating segments.

Geographical spread

All revenue generated by the company is initiated in New Zealand. All company assets are located in New Zealand.

Operating Segments	Planes	Passengers	Property	Total
	$000	$000	$000	$000
As at 30 June 2019				
SEGMENT INCOME				
Revenue from contracts with customers				
Landing and Terminal Charges	35,220	44,325	-	79,545
Ground Transport and other trading activities	7	21,713	1,273	22,993
Total Revenue from contracts with customers	**35,227**	**66,038**	**1,273**	**102,538**
Other Income				
Rent and Lease Income	-	37,802	31,548	69,350
Gain on disposal of assets	1	17	8	26
Other Revenue	266	2,394	12,799	15,459
Fair Value gain on investment properties	-	-	13,133	13,133
Interest	13	67	22	102
Total Other Income	**280**	**40,280**	**57,510**	**98,070**
Total segment income	**35,507**	**106,318**	**58,783**	**200,608***

Operating Segments	Planes	Passengers	Property	Total
	$000	$000	$000	$000
SEGMENT EXPENSES				
Staff	8,448	11,985	4,142	24,575
Asset management, maintenance and airport ops	1,990	9,613	2,585	14,188
Rates and Insurance	1,294	4,524	4,600	10,418
Marketing and Promotions	181	3,444	235	3,860
Professional fees and levies	625	1,177	699	2,501
Commercial entity running costs	-	-	621	621
Other	1,226	3,585	994	5,805
Financing and Interest Costs	4,162	7,420	11,537	23,119
Depreciation, Amortisation and Impairment	8,836	24,314	2,370	35,520
Total segment expenses	**26,762**	**66,062**	**27,783**	**120,607***
Segment Net Profit before Tax	**8,745**	**40,256**	**31,000**	**80,001***
As at 30 June 2018				
SEGMENT INCOME				
Revenue from contracts with customers				
Landing and Terminal Charges	33,560	42,717	-	76,277
Ground Transport and other trading activities	41	20,307	1,514	21,862
Total Revenue from contracts with customers	**33,601**	**63,024**	**1,514**	**98,139**
Other Income				
Rent and Lease Income	-	39,512	28,661	68,173
Other Revenue	133	2,129	9,045	11,307
Fair Value gain on investment properties	-	-	53,701	53,701
Interest	32	162	52	246
Total Other Income	**165**	**41,803**	**91,459**	**133,427**
Total segment income	**33,766**	**104,827**	**92,973**	**231,566***
SEGMENT EXPENSES				
Staff	8,038	12,696	4,897	25,631
Asset management, maintenance and airport ops	2,085	8,976	2,061	13,122
Rates and Insurance	1,222	4,132	4,282	9,636
Marketing and Promotions	163	3,797	269	4,229
Professional fees and levies	629	1,571	883	3,083
Commercial entity running costs	-	-	593	593
Other	1,299	3,451	1,145	5,895
Financing and Interest Costs	6,066	8,616	8,719	23,401
Depreciation, Amortisation and Impairment	8,443	24,816	1,869	35,128
Total segment expenses	**27,945**	**68,055**	**24,718**	**120,718***
Segment Net Profit before Tax	**5,821**	**36,772**	**68,255**	**110,848***

**Agrees to total income, total expenses and surplus before tax in the Statement of Financial Performance.*

2. OPERATING REVENUE AND EXPENSES

	2019	2018
	$000	$000
OPERATING REVENUE		
Revenue from contracts with customers		
Landing and Terminal charges	79,545	76,277
Ground transport and other trading activities	22,993	21,862
Total Revenue from contracts with customers	**102,538**	**98,139**
Other Income		
Rent and Lease income	69,350	68,173
Gain on disposal of assets	26	-
Other revenue	15,459	11,307
Total Other Income	**84,835**	**79,480**
Total operating revenue	**187,373**	**177,619**
EXPENSES		
Operating costs		
Staff	24,575	25,631
Asset Management, maintenance and airport ops	14,188	13,122
Rates and insurance	10,418	9,636
Marketing and promotions	3,860	4,229
Professional services and levies	2,501	3,083
Commercial entity running costs	621	593
Other	5,805	5,895
	61,968	**62,189**
Other includes:		
Doubtful debts written off	35	22
Professional services and levies include:		
Audit of financial statements	110	110
Fees paid to the Auditor for other assurance services:		
- Audit of disclosure regulations	43	40
- Review of compliance with bond conditions	4	4
Staff costs comprise:		
Wages and Salaries	22,303	22,787
Payroll related expenses	1,939	2,520
Contributions to defined contribution schemes	16	21
Directors' fees	317	303
	24,575	**25,631**
Financing and interest costs		
Interest costs	23,031	23,442
Fair value hedge ineffectiveness	88	(41)
Total finance costs	**23,119**	**23,401**
Depreciation, amortisation and impairment		
Depreciation (note 11)	34,276	34,069
Amortisation of intangibles (note 12)	1,244	1,059
Total Depreciation, amortisation and impairment	**35,520**	**35,128**

Assets that were not revalued during the period were tested for impairment by independent valuers. No impairment has been determined on the company's assets as at 30 June 2019 (2018: NIL).

3. INCOME TAX

	2019	2018
	$000	$000
a) Income tax expense		
Operating surplus before income tax	80,001	110,848
Prima facie taxation at 28%	**22,400**	**31,037**
Plus/(less) taxation effect of:		
Revenue not assessible for tax purposes	(445)	(9,695)
Expenses not deductible for tax purposes	370	371
Income tax attributable to operating surplus	**22,325**	**21,713**
Under provision in prior years	(431)	8
Income tax attributable to operations	**21,894**	**21,721**
Deferred tax adjustments from prior periods	635	390
Total taxation expense	**22,529**	**22,111**
b) Components of tax expense		
Current tax expense	18,529	17,883
Adjustments to current tax of prior years	(431)	8
Deferred tax expense – current year	3,796	3,830
Deferred tax adjustments from prior periods	635	390
Total tax expense	**22,529**	**22,111**
c) Taxation payable		
Balance at beginning of the year	2,800	3,650
Prior year adjustment	(521)	11
	2,279	**3,661**
Current tax expense	18,529	17,883
	20,808	**21,544**
Payments to:		
Inland Revenue Department	(17,500)	(15,150)
Subvention payments to members of the CCC tax group	(2,280)	(3,594)
Taxation payable	**1,028**	**2,800**

Christchurch International Airport Ltd is a member of the Christchurch City Council (CCC) Tax group. The company pays subvention payments to other members of the CCC tax group. The amount paid in 2019 was $2,280,000 (2018 $3,594,000). These payments are treated as if they were payments of income tax and are reflected as part of the taxation payable amount.

4. DEFERRED TAXATION

	Opening balance	Charged to income	Charged to Equity	Closing balance
	$000	$000	$000	$000
2019				
Property, plant and equipment	109,075	(1,463)	-	107,612
Intangible assets	322	(37)	-	285
Investment properties	34,780	4,999	-	39,779
Provisions and payments	(1,695)	1,020	-	(675)
Derivatives	(4,947)	-	(4,598)	(9,545)
	137,535	**4,519**	**(4,598)**	**137,456**
2018				
Property, plant and equipment	89,107	(1,314)	21,282	109,075
Intangible assets	375	(53)	-	322
Investment properties	28,170	6,610	-	34,780
Provisions and payments	(671)	(1,024)	-	(1,695)
Derivatives	(4,307)	-	(640)	(4,947)
	112,674	**4,219**	**20,642**	**137,535**

5. IMPUTATION CREDIT MEMORANDUM ACCOUNT

	Note	**2019**	2018
		$000	$000
Balance at beginning of the year		20	138
Income tax payments made		17,500	15,150
Imputation credits attached to dividends paid		(17,434)	(15,268)
Prior period adjustment		960	-
Balance available for use in subsequent reporting periods		**1,046**	**20**

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

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

6. DIVIDENDS

2018 Final dividend paid ($0.40 per share)		22,975	
2019 Interim dividend paid ($0.38 per share)		21,856	
2017 Final dividend paid ($0.32 per share)		-	18,361
2017 Special dividend paid ($0.06 per share)		-	3,500
2018 Interim dividend paid ($0.30 per share)		-	17,399
	7b	**44,831**	**39,260**

7. RESERVES AND RETAINED EARNINGS

a) Reserves

Balances

Cash flow hedges reserve	(24,315)	(12,490)
Asset revaluation reserve	645,274	617,350
Balance at end of the year	**620,959**	**604,860**

	Note	2019	2018
		$000	$000

Cash flow hedges reserve

Movements:			
Balance at the beginning of the year		(12,490)	(11,658)
Revaluation to fair value		(21,362)	(7,173)
Transfer to statement of financial performance		4,939	5,701
Deferred tax on revaluation		4,598	640
Balance at end of the year		**(24,315)**	**(12,490)**

The cash flow hedge reserve is used to record gains and losses on the value of hedging instruments. The fair value is determined by reference to the market value of equivalent instruments at the reporting date and will fluctuate each period as the market variables change and the future cash flows resulting from the instrument reduce. The movement in the fair value from prior year reflects the impact of a change in market interest rates, compared to the underlying fixed hedging instruments currently held by CIAL. Amounts transferred to the statement of financial performance are included in financing and interest costs.

Asset revaluation reserve

Balance at beginning of the year		617,350	469,617
Revaluation of assets		27,924	169,015
Deferred tax on revaluation		-	(21,282)
Balance at end of the year		**645,274***	**617,350***
Comprising:			
Revaluation on:			
Land		315,255	315,255
Terminal facilities		131,034	131,034
Buildings		10,537	10,537
Sealed surfaces		66,871	66,871
Infrastructure assets		8,395	8,395
Car parking		113,182	85,258
Balance at end of the year		**645,274**	**617,350**

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

* balances are net of deferred tax except for land as there is no deferred tax calculated on the land revaluation.

b) Retained earnings

Balance at the beginning of the year		360,820	311,343
Net surplus for the year		57,472	88,737
Dividends paid	6	(44,831)	(39,260)
Balance at end of the year		**373,461**	**360,820**

8. BORROWINGS

The Company has a committed bank funding facility for an aggregate $220,000,000 (2018: $220,000,000) with five banks (2018: five banks). In addition, the Company has an overdraft facility of $1,000,000 (2018: $1,000,000).

Total bond funding is $275,000,000 (2018: $275,000,000). The funds raised from these bond issues were used to refinance in part the company's maturing debt facilities. The $100,000,000 and $75,000,000 bonds are held at amortised cost, adjusted by the fair value of the designated hedge risk. Additionally, the Company has two $50,000,000 bonds, maturing in 2021 and 2027 respectively.

All borrowings under the bank facility and overdraft facility are unsecured and supported by a negative pledge deed. The negative pledge deed requires that no security interest is provided over any assets for borrowings, unless an equivalent security interest is created for the borrowing group and bond holders. Interest rates paid during the year, including offsetting interest rate swaps, ranged from 2.2% to 6.7% (2018: 2.8% to 6.7%). The bonds constitute direct, unsecured, unsubordinated obligations and will rank equally with all other unsecured, unsubordinated indebtedness.

Maturing borrowings are expected to be refinanced through the extension of existing facilities, new facilities and debt capital market issue.

The carrying value of borrowings is considered to approximate their fair value.

Maturity of debt as at 30 June

	2019	**2019**	2018	2018
	$000	**$000**	$000	$000
	Actual drawn down	**Facility available**	Actual drawn down	Facility available
Maturing in				
2019	-	-	-	-
2020	115,501*	115,000	116,104*	115,000
2021	35,000	55,000	42,000	55,000
2022	164,921**	175,000	101,886**	175,000
2024	106,628***	100,000	101,072***	100,000
2027	50,000	50,000	50,000	50,000
	472,050	**495,000**	**411,062**	**495,000**
Current	115,501	115,000	-	-
Non-Current	356,549	380,000	411,062	495,000
	472,050	**495,000**	**411,062**	**495,000**

*This balance includes $75,000,000 of bond funding and is held at amortised cost, adjusted by the fair value of the designated hedge risk and capitalised borrowing costs. This bond is included within the reconciliation table below.

** This balance includes $79,000 (2018: $114,000) of capitalised borrowing costs associated with the issue of the $50 million bond in October 2013.

*** This balance includes $100,000,000 of bond funding and is held at amortised cost, adjusted by the fair value of the designated hedge risk. This bond is included within the reconciliation table below.

	2019	2018
	$000	$000
Bond principal	175,000	175,000
Directly attributable borrowing costs	(280)	(280)
Amortisation of borrowing costs (cumulative)	262	218
Fair value hedging adjustment 2019	4,909	-
Fair value hedging adjustment 2018	833	833
Fair value hedging adjustment 2017	(955)	(955)
Fair value hedging adjustment 2016	2,670	2,670
Fair value hedging adjustment 2015	4,422	4,422
Fair value hedging adjustment 2014	(1,364)	(1,364)
Fair value hedging adjustment 2013	(3,367)	(3,367)
Bond fair value	**182,130**	**177,177**

Fair value hedge

At 30 June 2019, the Company had two interest rate swap agreements in place with a notional amount of $100,000,000 and $75,000,000 (2018: $175,000,000) whereby the Company receives a fixed rate of interest of 4.13% and 5.15% respectively, and pays interest at a variable rate on the notional amounts. The swaps are being used to hedge the exposure to changes in the fair value of the 4.13% $100,000,000 and 5.15% $75,000,000 bonds.

The increase in fair value of the interest rate swaps of $4,909,000 (2018: increase $833,000) has been recognised in finance costs and offset with a decrease of $4,821,000 (2018: decrease of $874,000) on the bank borrowings. The ineffectiveness recognised in 2019 was $88,000 (2018: ($41,000)).

9. DERIVATIVE FINANCIAL INSTRUMENTS

	Fair value		**Notional principal**	
	2019	2018	**2019**	2018
	$000	$000	**$000**	$000
Current Assets				
Interest rate swaps – fair value hedges	646	-	75,000	-
Non-current Assets				
Interest rate swaps – fair value hedges	6,747	2,526	100,000	175,000
Current liabilities				
Interest rate swaps – cash flow hedges	2,504	2,082	103,000	72,000
Non-current liabilities				
Interest rate swaps – cash flow hedges	31,455	15,484	349,000	442,000

10. TRADE AND OTHER PAYABLES

	2019	2018
	$000	$000
Trade and other payables less than one year		
Trade payables	9,129	4,716
Employee entitlements and provisions	2,934	2,766
Goods and Services Tax	-	613
Rental revenue in advance	2,562	4,814
Accrued interest	2,515	2,423
Accrued capital items	11,883	3,970
Accrued expenses	4,670	4,399
	33,693	**23,701**
Trade and other payables greater than one year		
Rental revenue in advance	783	884
Total trade and other payables	**34,476**	**24,585**

11. PROPERTY, PLANT AND EQUIPMENT

Revaluation of property, plant and equipment

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

Land

- Specialised assets: where there is no market based evidence of the sale of such land the value has been determined taking into account:
  - its existing zoning and use as an airport;
  - benchmark selling prices for land in the local commercial, industrial, service, residential and rural markets;
  - adjustments to reflect the unique features of the land which includes its size, location, titles, easements and services;
  - the overall land use plan for Christchurch Airport.
- Commercial portfolio: with valuations taking reference to the wider market for sales evidence of land zoned for similar permitted activities, with adjustments made for the size, location and physical characteristics of these assets.

Buildings

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

Where a building is a specialised asset then it will be valued at optimised depreciated replacement cost (ODRC). ODRC measures the minimum cost of replacing or replicating the service potential embodied in the assets with modern equivalent assets in the most efficient way practicable, given the service requirements, the age and condition of the existing assets and replacement in the normal course of business.

Terminal facilities

Terminal facilities are a specialised asset and are valued using ODRC.

Car parking assets

Car parking assets are valued using a discounted cash flow valuation approach, using a forecast ten year discount period and an allowance for an appropriate terminal value reflecting an estimate of their residual estimated life. The approach to the allocation of the car park valuation is to assess the ODRC based valuation of the car parking assets and then apportion the additional value over and above this to the underlying land value.

Sealed surfaces and infrastructure assets

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

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

On 30 June 2019 investment properties and car parking assets were revalued by independent valuers Crighton Anderson Property and Infrastructure Ltd trading as Colliers International Ltd. Investment properties, land and car parking assets were revalued by independent valuers Crighton Anderson Property and Infrastructure Ltd trading as Colliers International Ltd on 30 June 2018.

Sealed surfaces, infrastructure assets, terminal assets and specialised buildings were valued by independent valuers Opus International Limited as at 30 June 2018.

The result of the revaluations at 30 June were:

	2019	2018
	$000	$000
Land	-	88,929
Buildings	-	2,655
Terminal	-	38,854
Sealed surfaces	-	18,848
Infrastructure	-	739
Car parking	27,924	18,990
	27,924	**169,015**

The valuation methodologies used in the revaluation as at 30 June 2019 were consistent with those used in the last valuation.

	2019	2018
	$000	$000
Summary of movement in net book value		
Opening net book value	1,158,952	948,707
Plus Additions	39,047	52,327
Plus Transfers to investment properties and intangibles	16,418	24,080
Less Disposals (cost less depreciation)	(39)	(1,108)
Less this year's depreciation	(34,276)	(34,069)
Plus Revaluation (loss)/gain	27,924	169,015
Closing net book value	**1,208,026**	**1,158,952**

PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2019

Gross carrying amount

	Cost/ Valuation 1 July 2018	Current Year Additions at Cost	Transfers at Cost	Disposals at Cost/ Impairment	Revaluation Adjustment	Cost/ Valuation 30 June 2019
	$000	$000	$000	$000	$000	$000
Land	380,077	-	-	-	-	380,077
Buildings	27,059	-	589	-	-	27,648
Terminal facilities	319,223	-	2,200	-	-	321,423
Sealed surfaces	178,701	-	7,477	-	-	186,178
Plant & equipment	7,002	-	470	-	-	7,472
Office & computers	11,483	-	713	-	-	12,196
Infrastructure	44,165	-	2,449	-	-	46,614
Car parking	131,000	-	1,867	(4)	26,637	159,500
Motor vehicles	5,900	-	653	(192)	-	6,361
Work in progress	69,220	39,047	-	-	-	108,267
Total gross carrying amount	**1,173,830**	**39,047**	**16,418**	**(196)**	**26,637**	**1,255,736**

Accumulated depreciation

	Accumulated Depreciation 1 July 2018	Current Year Depreciation	Depreciation on Transfers	Depreciation on Disposals	Revaluation Adjustment	Accumulated Depreciation 30 June 2019
	$000	$000	$000	$000	$000	$000
Buildings	-	1,129	-	-	-	1,129
Terminal facilities	-	20,211	-	-	-	20,211
Sealed surfaces	-	7,873	-	-	-	7,873
Plant & equipment	3,589	556	-	-	-	4,145
Office & computers	7,949	805	-	-	-	8,754
Infrastructure	-	2,066	-	-	-	2,066
Car parking	-	1,287	-	-	(1,287)	-
Motor vehicles	3,340	349	-	(157)	-	3,532
Total accumulated depreciation	**14,878**	**34,276**	**-**	**(157)**	**(1,287)**	**47,710**

Summary

	1 July 2018	Current year movement	Transfers	Disposals	Revaluation	30 June 2019
	$000	$000	$000	$000	$000	$000
Cost	1,173,830	39,047	16,418	(196)	26,637	1,255,736
Accumulated depreciation	14,878	34,276	-	(157)	(1,287)	47,710
Book value	**1,158,952**	**4,771**	**16,418**	**(39)**	**27,924**	**1,208,026**

Fair value hierarchy

Asset classification and description	Valuation approach	Key valuation assumptions	Fair value hierarchy Level	Valuation sensitivity
Land				
Includes land used for airport activities and specialised aeronautical assets and for non-aeronautical purposes e.g. industrial, service, retail and land associated with the vehicle business.	Market value highest and best use approach, with an allowance being deducted to allow for services valued as infrastructure assets. Land included in car parking and Investment property categories are not included in this category.	Adopted rate per hectare of $600,000.	3	+/-$19 million (of a 5% change in adopted rate).
Infrastructure and Sealed surfaces				
Infrastructure and sealed surfaces including site services.	Optimised depreciated replacement cost - the cost of constructing equivalent asset at current market based input cost rates, adjusted for the remaining useful life of the assets (depreciation) and the sub optimal usage of the assets in their current application (optimisation). These inputs are deemed unobservable.	*Sealed Surfaces* Unit costs of combined concrete and asphalt pavement construction sqm: Range of $133 – $271 with weighted average of $155 *Infrastructure* Unit costs of road and footpaths construction sqm: Range of $7 – $88 with weighted average of $39 Unit costs of water and drainage construction m: Range of $195 – $1,196 with weighted average of $516	3	+/- $11.5 million (of a 5% change of cost estimate).
Buildings				
Buildings for identified airport activities, including offices spaces and storage that exist because of the airport activities.	Specialised buildings are valued by Optimised depreciated replacement cost derived from modern equivalent asset rate, as described for Infrastructure and Sealed Surfaces above. Buildings that are owned by CIAL that could be leased by a third party are valued on an income valuation approach similar to that used for Investment Properties. (see note 13)	Unit costs of construction sqm: Range of $483 – $3,037 with weighted average of $912	3	+/- $1.35 million (of a 5% change of cost estimate).
Terminal	Optimised depreciated replacement cost derived from modern equivalent asset rate, as described for Infrastructure and Sealed Surfaces above.	Unit costs of construction sqm: Range of $2,906 – $5,412 with weighted average of $4,111	3	+/- $15.96 million (of a 5% change of cost estimate).
Car parking				
Assets associated with car parking, taxi, shuttle and bus services (Including land).	Discounted cash flow valuation performed by independent valuers based on: Internal management information such as forecast future revenues, costs and capital expenditure. - Assumptions such as the discount rate. These are based on management's judgement and arrived at in consultation with external experts. Both the internal management information and the discount rate are deemed to be unobservable inputs.	Revenue Growth per annum 0.5% and 0.5% for the 10 year cashflow period from year 11. Cost growth per annum 2% for the 10 year cashflow period and 2% from year 11. Discount rate 7.5% post tax, 10 year cash flow period and 7.5% from year 11.	3	+/- $8.0 million (of a 5% change in discount rate) +/- $0.5 million (of a change in growth rate to either 0% or 1.0% for year 11 onwards).
Plant & equipment, Office & computers, Motor Vehicles and Work in progress				
Plant and equipment, Office & computers Motor Vehicles and Work in progress are measured at cost and comprises a mixture of specialised and non-specialised assets.	Not applicable - measured at cost less depreciation.			

Level 3 Asset Classification

	Sensitivity of significant unobservable inputs
Land	The critical elements in establishing the 'market value existing use' of land is the market rate prevailing for similar land. - An increase in demand for land will increase the fair value - A decrease in demand will decrease the fair value
Infrastructure and Sealed Surfaces	The critical elements in establishing the fair value of civil assets is the movement in the average cost rates for concrete, asphalt, base course and foundations, as well as the estimated remaining useful life of the assets. - An increase to any of the average cost rates listed above will increase the fair value - A reduction in the estimated remaining useful life of the assets will reduce the fair value
Buildings	- An increase in modern equivalent asset replacement cost will increase the fair value - A decrease in modern equivalent asset replacement will decrease the fair value - An increase in the cashflow from an asset will increase the fair value - A decrease in the cashflow from an asset will decrease the fair value of the asset
Car Parking	- An increase in the vehicle numbers will increase the fair value - A decrease in vehicle numbers will decrease the fair value - An increase in the discount rate used would decrease the fair value - An increase in costs would decrease the fair value

PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2018

Gross carrying amount

	Cost/ Valuation 1 July 2017	Current Year Additions at Cost	Transfers at Cost	Disposals at Cost/ Impairment	Revaluation Adjustment	Cost/ Valuation 30 June 2018
	$000	$000	$000	$000	$000	$000
Land	265,001	-	26,147	-	88,929	380,077
Buildings	27,099	-	(676)	(12)	648	27,059
Terminal facilities	356,575	-	5,573	-	(42,925)	319,223
Sealed surfaces	163,695	-	10,446	-	4,560	178,701
Plant & equipment	7,839	-	464	(1,301)	-	7,002
Office & computers	10,444	-	1,130	(91)	-	11,483
Infrastructure	42,314	-	4,713	-	(2,862)	44,165
Car parking	111,499	-	1,709	-	17,792	131,000
Motor vehicles	7,587	-	304	(1,991)	-	5,900
Work in progress	42,812	52,327	(25,919)	-	-	69,220
Total gross carrying amount	**1,034,865**	**52,327**	**23,891**	**(3,395)**	**66,142**	**1,173,830**

Accumulated depreciation

	Accumulated Depreciation 1 July 2017	Current Year Depreciation	Depreciation on Transfers	Depreciation on Disposals	Revaluation Adjustment	Accumulated Depreciation 30 June 2018
	$000	$000	$000	$000	$000	$000
Buildings	1,088	1,037	(116)	(2)	(2,007)	-
Terminal facilities	61,100	20,953	(274)	-	(81,779)	-
Sealed surfaces	7,043	7,245	-	-	(14,288)	-
Plant & equipment	3,589	587	151	(738)	-	3,589
Office & computers	7,147	830	53	(81)	-	7,949
Infrastructure	1,703	1,898	-	-	(3,601)	-
Car parking	-	1,164	34	-	(1,198)	-
Motor vehicles	4,488	355	(37)	(1,466)	-	3,340
Total accumulated depreciation	**86,158**	**34,069**	**(189)**	**(2,287)**	**(102,873)**	**14,878**

Summary

	1 July 2017	Current year movement	Transfers	Disposals	Revaluation	30 June 2018
	$000	$000	$000	$000	$000	$000
Cost	1,034,865	52,327	23,891	(3,395)	66,142	1,173,830
Accumulated depreciation	86,158	34,069	(189)	(2,287)	(102,873)	14,878
Book Value	**948,707**	**18,258**	**24,080**	**(1,108)**	**169,015**	**1,158,952**

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

	2019	2018
	$000	$000
Land	124,294	124,294
Buildings	18,302	18,923
Terminal	155,270	167,355
Sealed surfaces	94,716	97,172
Infrastructure	37,573	38,063
Car parking	36,241	35,584
	466,396	**481,391**

12. INTANGIBLE ASSETS AS AT 30 JUNE 2019

Gross carrying amount

	Cost/Valuation 1 July 2018	Current Year Additions at Cost	Transfers from WIP	Current Year Disposals/ Impairment	Cost/Valuation 30 June 2019
	$000	$000	$000	$000	$000
Software	9,715	-	1,117	-	10,832
Goodwill	1,740	-	-	-	1,740
Gross carrying amount	**11,455**	**-**	**1,117**	**-**	**12,572**

Accumulated amortisation

	Accumulated Amortisation 1 July 2018	Current Year Amortisation	Transfers from WIP	Amortisation on Disposal	Accumulated Amortisation 30 June 2019
	$000	$000	$000	$000	$000
Software	6,740	1,244	-	-	7,984
Total accumulated amortisation	**6,740**	**1,244**	**-**	**-**	**7,984**
Total book value 30 June 2019	**4,715**	**(1,244)**	**1,117**	**-**	**4,588**

Goodwill was generated through the acquisition of Craddocks car storage in the 2011 financial year.

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

The goodwill at 30 June 2019 relates to the Craddocks CGU. The recoverable amount has been determined as part of the car park independent valuation performed by Crighton Anderson Property and Infrastructure Ltd, trading as Colliers International Ltd, which confirmed that no impairment is required to be recognised. The valuation was discounted using a nominal rate of 7.5% (post-tax). Revenue and expense growth assumptions were based on board approved budgets for the next three years and ranged between 0.5%-3%.

INTANGIBLE ASSETS AS AT 30 JUNE 2018

Gross carrying amount

	Cost/Valuation 1 July 2017	Current Year Additions at Cost	Transfers from WIP	Current Year Disposals/ Impairment	Cost/Valuation 30 June 2018
	$000	$000	$000	$000	$000
Software	7,660	-	2,055	-	9,715
Goodwill	1,740	-	-	-	1,740
Gross carrying amount	**9,400**	**-**	**2,055**	**-**	**11,455**

Accumulated amortisation

	Accumulated Amortisation 1 July 2017	Current Year Amortisation	Transfers from WIP	Amortisation on Disposal	Accumulated Amortisation 30 June 2018
	$000	$000		$000	$000
Software	5,626	1,059	55	-	6,740
Total accumulated amortisation	**5,626**	**1,059**	**55**	**-**	**6,740**
Total book value 30 June 2018	**3,774**	**(1,059)**	**2,000**	**-**	**4,715**

13. INVESTMENT PROPERTIES

	2019	2018
	$000	$000
At fair value		
Fair value at the beginning of the year	428,848	370,523
Transfer (to) from property, plant and equipment	-	(25,974)
Additional capitalised expenditure	16,185	24,465
Fair value gain from fair value adjustment	13,133	53,701
Fair value at 30 June	**458,166**	**422,715**
Investment properties under construction at cost	33,036	6,133
Total Investment properties	**491,202**	**428,848**
Rental income	29,022	25,969
Direct operating expenses from property that generated rental income	4,275	3,413

Valuation of investment property

The valuation as at 30 June 2019 and 30 June 2018 was completed by Crighton Anderson Property and Infrastructure Ltd, trading as Colliers International Ltd, registered valuers and member of the New Zealand Property Institute. The basis of valuation is fair value, being the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

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

Principal assumptions used in establishing the valuations were:

- Average rental yield rate 6.61% (2018: 6.73%)
- Average market capitalisation rate 7.13% (2018: 7.23%)
- Weighted average lease term 6.00 years (2018: 6.50 years).

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

Fair value hierarchy

Asset classification and description	Valuation approach	Key valuation assumptions	Fair value hierarchy Level	Valuation Sensitivity
Investment Properties				
Investment Properties are land and buildings which are owned to earn rental income, for capital appreciation or both.	The income based valuation approach is used.	Land is included when infrastructure services are available and future development is expected within the next 3 years	3	+/- + $19.6 million / - $17.8 million (of a 5% change of capitalisation rate)

Level 3 Asset Classification	Sensitivity of significant unobservable inputs
Investment Properties	An increase in the cashflow from an asset will increase the fair value A decrease in the cashflow from an asset will decrease the fair value of the asset

	2019	2018
	$000	$000
14. TRADE AND OTHER RECEIVABLES		
Trade and other receivables less than one year		
Contracted accounts receivable	7,690	7,231
Accounts receivable	1,576	1,724
Other receivables	1,077	2,560
Prepayments	2,026	1,695
Lease inducement	613	646
Goods and services tax	912	-
Provision for doubtful debts	(19)	(54)
Trade and other receivables less than one year	**13,875**	**13,802**
Trade and other receivables greater than one year		
Prepayments	35	191
Lease inducement	4,566	5,178
Trade and other receivables greater than one year	**4,601**	**5,369**
Total trade and other receivables	**18,475**	**19,171**

15. RECONCILIATION OF ADJUSTED SURPLUS AFTER INCOME TAX WITH NET CASH FLOW FROM OPERATING ACTIVITIES

	2019	2018
Net operating surplus after income tax	57,472	88,737
Non-cash items		
Depreciation, amortisation and impairment	35,520	35,128
Amortisation of lease surrender	646	646
Gain on revaluation of investment properties	(13,133)	(53,701)
Amortisation of capitalised borrowing costs	78	78
Accrued interest within derivatives	(76)	(123)
Fair Value hedge ineffectiveness	88	(41)
Items not classified as operating activities		
Net gain on asset disposals	(26)	-
Capital items included in trade payables and accruals	(12,642)	1,906
Deferred taxation	4,519	4,217
Movements in working capital		
(Increase)/decrease in trade and other receivables	961	225
(Increase)/decrease in inventories	-	272
Increase/(decrease) in trade and other payables	8,981	4,481
Increase/(decrease) in taxation payable	(1,772)	(850)
Net cashflows from operating activities	**80,616**	**80,975**

16. RELATED PARTY TRANSACTIONS

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

Christchurch International Airport Limited enters into a large number of transactions with government departments, Crown entities, State-owned enterprises and other entities controlled or subject to significant influence by the Crown. All transactions with related entities:

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

The New Zealand Government is the majority owner of Air New Zealand, a major customer of CIAL from both an aeronautical and rental and lease perspective. Pricing agreements are renegotiated for aeronautical charges with all airline customers of CIAL, including Air New Zealand, every five years. Air New Zealand also leases several properties within the terminal and the wider CIAL campus.

	2019	2018
	$000	$000
Transactions with related entities during the year		
Christchurch City Council (CCC)		
Purchases	1,411	1,190
Rates paid	5,351	5,126
Revenues	4	52
Subvention payments	2,280	3,201
Group loss offset	5,863	8,232
Accounts payable	74	1
Other CCC group companies		
Purchases	18,280	4,416
Revenues	136	53
Accounts payable	1,598	1,001
Amounts owing	55	3
Subvention payments	-	393
Group loss offset	-	1,010
Transfer of net assets to subsidiaries*	-	869

* CIAL has entered into an agreement with Citycare Limited for the provision of asset maintenance services. This involved the transfer of maintenance employees and certain net assets to Citycare. No gain or loss was recorded in respect of this net asset transfer.

Non-shareholder related party transactions

Some directors of the company are, or have been during the year, directors of other companies or organisations with whom Christchurch International Airport Limited may transact. Such transactions are all carried out on an arm's-length basis and are conducted on normal commercial terms.

No amounts were written off or forgiven during the reporting period and outstanding balances were settled under normal trading terms.

Entity	Transaction	2019	2018	Relationship
		$000	$000	
BECA Group Limited	Structural Engineering services	519	210	Catherine Drayton, company director is a director of BECA Group Limited
University of Canterbury	Research	58	28	Catherine Drayton was appointed as a Councillor by the Minister in 2009.
Orbit Travel & House of Travel Holdings Limited	Travel, accommodation	620	652	Chris Paulsen, company director is a director of Orbit Travel & House of Travel Holdings Limited
Skyline Enterprises Ltd	Rental income	101	108	Sarah Ottrey *, company director is a director of Skyline Enterprises
EBOS Group	Rental income	551	505	Sarah Ottrey *, company director is a director of EBOS Group

*Sarah Ottrey was appointed director on 1 March 2019 and these are full year transactions. The prior year disclosure has been included for comparative purposes

Balance owing to non-shareholder related parties as at 30 June 2019

Entity	2019	2018
	$000	$000
BECA Group Limited	68	9
University of Canterbury	11	32
Orbit Travel & House of Travel Holdings Limited	76	86

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

17. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel include the six Board members (2018: 5), the CEO and his six direct reports (2018: 6).

The key management compensation is:

Director fees	317	303
Salaries and other short term employee benefits	2,946	2,812
Post-employment benefits	96	82
	3,359	**3,197**

18. COMMITMENTS

Capital expenditure commitments

Property, plant and equipment	37,647	36,799
Intangibles	374	70
Investment properties	27,064	16,611
Total	**65,085**	**53,480**

19. LEASE INCOME

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

Less than 1 year	60,195	36,824
Between 1-2 years	112,034	61,386
Between 3-5 years	83,829	45,020
Beyond 5 years	132,172	95,161
	388,230	**238,391**

The leases are for terms between 1 month and 20 years, and the majority of the lease agreements are renewable at the end of the lease period at market rates.

20. CONTINGENT ASSETS AND LIABILITIES

As at 30 June 2019 there were no contingent assets (2018: NIL) and there were no contingent liabilities (2018: NIL).

21. EVENTS OCCURRING AFTER BALANCE DATE

A final dividend of $21,448,916, 37.2 cents per share (2018: $22,975,019, 39.9 cents per share) net of imputation credits has been declared subsequent to balance date. There are no other events occurring after balance date that could significantly affect the financial statements (2018: NIL).

22. FINANCIAL INSTRUMENTS

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

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

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

Market risk

Foreign exchange risk
The company has no material exposure to foreign exchange risk at 30 June 2019 (2018: NIL).

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

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

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

Changes in the value of the $100,000,000 and $75,000,000 fixed rate retail bonds have been hedged by fixed to floating interest rate swaps with terms that match those of the underlying bond.

At 30 June 2019, if the interest rates had changed by +/- 1%, with all other variables held constant, the impact to equity would have been $282,000 lower/$283,000 higher, the impact on profit would have been $96,000 lower/$96,000 higher. The valuation of interest rate swaps has been included in this calculation.

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

Interest repricing profile

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

	Note	Weighted Average Effective Interest rate	Variable Interest Rate	Fixed Interest Rate	Non-Interest Bearing	Total
		%	$000	$000	$000	$000
As at 30 June 2019						
FINANCIAL ASSETS						
Cash and cash equivalents		1.5	845	-	-	845
Trade and other receivables	14		-	-	18,476	18,476
			845	**-**	**18,476**	**19,321**
FINANCIAL LIABILITIES						
Trade and other payables	10		-	-	28,197	28,197
Derivative financial instruments	9	4.2	33,959	-	-	33,959
Borrowings	8	5.3	190,000	282,050	-	472,050
Employee benefits	10		-	-	2,934	2,934
			223,959	**282,050**	**31,131**	**537,140**

	Note	Weighted Average Effective Interest rate	Variable Interest Rate	Fixed Interest Rate	Non-Interest Bearing	Total
		%	$000	$000	$000	$000
As at 30 June 2018						
FINANCIAL ASSETS						
Cash and cash equivalents		1.8	2,156	-	-	2,156
Trade and other receivables	14		-	-	19,171	19,171
			2,156	**-**	**19,171**	**21,327**
FINANCIAL LIABILITIES						
Trade and other payables	10		-	-	16,121	16,121
Derivative financial instruments	9	4.3	17,566	-	-	17,566
Borrowings	8	6.0	134,000	277,062	-	411,062
Employee benefits	10		-	-	2,766	2,766
			151,566	**277,062**	**18,887**	**447,515**

Credit risk

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

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

The company also continuously monitors the outstanding credit exposure to individual customers. Credit risk is concentrated on a small number of customers. At 30 June 2019 83% (2018: 82%) of trade receivables were due from 10 customers.

Management practice is to review debtors on a regular basis and write off any amount that is not deemed to be recoverable as required. For the year ended 30 June 2019 $35,000 of debtor balances (2018: $17,000) were written off. As at the 30 June 2019 the total balance for doubtful debts is $19,000 (2018: $54,000).

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

	2019	2018
	$000	$000
Neither past due nor impaired	8,078	7,940
Past due but not impaired 0 – 30 days	729	873
Past due but not impaired 31 – 60 days	332	112
Past due but not impaired > 60 days	127	30
Impaired assets – written down to recoverable value	-	-
	9,266	**8,955**

There are no restructured assets at 30 June 2019 (2018: NIL). No collateral has been taken as security for trade receivables.

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

Further information on credit losses is not provided due to the immaterial amounts concerned.

Liquidity risk

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

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

30 June 2019	Carrying Amount	Total Cash Flow	On demand	< 1 year	1-2 years	3-5 years	> 5 years
Trade and other payables	31,131	31,131	31,131	-	-	-	-
Borrowings	472,050	526,629	-	131,333	223,211	113,790	58,295
Derivative financial instruments*	26,566	28,317	-	3,423	7,632	6,705	10,557
	529,747	**586,077**	**31,131**	**134,756**	**230,843**	**120,495**	**68,852**

30 June 2018	Carrying Amount	Total Cash Flow	On demand	< 1 year	1-2 years	3-5 years	> 5 years
Trade and other payables	18,887	18,887	18,887	-	-	-	-
Borrowings	411,062	485,330	-	17,695	184,309	118,136	165,190
Derivative financial instruments*	15,040	15,846	-	3,662	5,701	4,441	2,042
	444,989	**520,063**	**18,887**	**21,357**	**190,010**	**122,577**	**167,232**

* The derivative financial instrument cash flows are paid quarterly.

Derivative financial instrument

Interest rate swaps

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

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

	Contract fixed interest rate		Notional principal amount		Fair value	
	2019	2018	**2019**	2018	**2019**	2018
	%	%	**$000**	$000	**$000**	$000
Outstanding floating for fixed contracts						
Less than 1 year	4.3	5.2	103,000	72,000	(2,504)	(2,082)
1 to 2 years	4.2	4.3	96,000	154,000	(4,917)	(4,962)
3 to 5 years	4.4	4.4	98,000	100,000	(10,863)	(5,970)
Beyond 5 years	3.7	4.7	155,000	188,000	(15,675)	(4,552)
			452,000	**514,000**	**(33,959)**	**(17,566)**
Outstanding fixed to floating contracts						
Less than 1 year	5.2		75,000	-	646	-
1 to 2 years		5.2	-	75,000	-	1,294
3 to 5 years	4.1		100,000	-	6,747	-
Beyond 5 years		4.1	-	100,000	-	1,232
			175,000	**175,000**	**7,393**	**2,526**

Movement in cash flow hedge reserve – interest rate swaps

	2019	2018
	$000	$000
Movement in fair value of existing contracts	16,393	1,434

Fair value of financial instruments

The directors consider that the carrying amounts of financial assets and financial liabilities recorded in the financial statements approximate their fair values, except for the two $50,000,000 fixed rate bonds which have a fair value of $54,602,000 (maturing 2021) and $57,919,000 (maturing 2027).

Financial instruments that are measured in the balance sheet at fair value use the following fair value measurement hierarchy:

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

The following table presents the company's financial assets and liabilities that are measured at fair value at 30 June 2019.

	Level 1	Level 2	Level 3	Total balance
	$000	$000	$000	$000
Assets 30 June 2019				
Derivative financial instruments	-	7,393	-	7,393
Total assets	**-**	**7,393**	**-**	**7,393**
Liabilities 30 June 2019				
Derivative financial instruments	-	33,959	-	33,959
Total liabilities	**-**	**33,959**	**-**	**33,959**
Assets 30 June 2018				
Derivative financial instruments	-	2,526	-	2,526
Total assets	**-**	**2,526**	**-**	**2,526**
Liabilities 30 June 2018				
Derivative financial instruments	-	17,566	-	17,566
Total liabilities	**-**	**17,566**	**-**	**17,566**

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

Classification of financial instruments

	Note	Hedge accounted derivatives at Fair value	Amortised cost	Total Carrying Amount
		$000	$000	$000
As at 30 June 2019				
CURRENT ASSETS				
Cash and cash equivalents		-	845	845
Trade and other receivables	14	-	10,936	10,936
Derivative financial instruments	9	646	-	646
Total current financial assets		**646**	**11,781**	**12,427**
NON-CURRENT ASSETS				
Trade and other receivables	14	-	4,565	4,565
Derivative financial instruments	9	6,747	-	6,747
Total non-current financial assets		**6,747**	**4,565**	**11,312**

	Note	Hedge accounted derivatives at Fair value	Amortised cost	Total Carrying Amount
		$000	$000	$000
Total financial assets		**7,393**	**16,347**	**23,740**
CURRENT LIABILITIES				
Trade and other payables*	10	-	31,131	31,131
Borrowings	8	-	115,501	115,501
Derivative financial instruments	9	2,504	-	2,504
Total current financial liabilities		**2,504**	**146,632**	**149,136**
NON-CURRENT LIABILITIES				
Borrowings	8	-	356,549	356,549
Derivative financial instruments	9	31,455	-	31,455
Total non-current financial liabilities		**31,455**	**356,549**	**388,004**
Total financial liabilities		**33,959**	**503,181**	**537,140**
As at 30 June 2018				
CURRENT ASSETS				
Cash and cash equivalents		-	2,156	2,156
Trade and other receivables	14	-	12,107	12,107
Derivative financial instruments	9	-	-	-
Total current financial assets		**-**	**14,263**	**14,263**
NON-CURRENT ASSETS				
Trade and other receivables	14	-	5,178	5,178
Derivative financial instruments	9	2,526	-	2,526
Total non-current financial assets		**2,526**	**5,178**	**7,704**
Total financial assets		**2,526**	**19,441**	**21,967**
CURRENT LIABILITIES				
Trade and other payables*	10	-	18,887	18,887
Borrowings	8	-	-	-
Derivative financial instruments	9	2,082	-	2,082
Total current financial liabilities		**2,082**	**18,887**	**20,969**
NON-CURRENT LIABILITIES				
Borrowings	8	-	411,062	411,062
Derivative financial instruments	9	15,484	-	15,484
Total non-current financial liabilities		**15,484**	**411,062**	**426,546**
Total financial liabilities		**17,566**	**429,949**	**447,515**

* Excludes revenue in advance

Changes in liabilities arising from financing activities

	Opening Value 1 July 2018	Cash flows	Fair Value changes	Other	Closing Value 30 June 2019
	$000	$000	$000	$000	$000
Current Borrowings	-	116,104	(646)	43	115,501
Non-Current Borrowings	411,062	(60,104)	5,555	35	356,548
Derivatives*	15,040	-	11,526	-	26,566
Total liabilities from financing activities	**426,102**	**56,000**	**16,435**	**78**	**498,615**

	Opening Value 1 July 2017	Cash flows	Fair Value changes	Other	Closing Value 30 June 2018
	$000	$000	$000	$000	$000
Current Borrowings	29,000	(29,000)	–	–	-
Non-Current Borrowings	340,151	70,000	833	78	411,062
Derivatives*	14,565	-	475	-	15,040
Total liabilities from financing activities	**383,716**	**41,000**	**1,308**	**78**	**426,102**

*includes derivative financial assets offset with derivative financial liabilities

23. COMPARISON OF FORECAST TO ACTUAL RESULTS

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

A comparison of the company's actual results for the year ended 30 June 2019 with those targets are as follows:

Targets	2019 Achievement	2019 Target
	$000	$000
Financial		
Revenue*	187,347*	186,229*^
EBITDAF**	125,481**	123,784**
Net Profit after tax	57,472	49,668
EBITDAF as a % revenue	67.0%	66.5%^
Net Profit after tax as % of average equity	5.5%	5.9%
Net Profit after tax as % of average total assets	3.4%	3.7%

* Revenue is defined as operating revenue less gain on disposal of assets.

** EBITDAF is defined as net profit after tax plus interest expense, plus tax expense, plus depreciation and amortisation, less fair value gain on investment properties, less gain on disposal of assets.

^ the target values have been adjusted to align to the new revenue disclosure

Passenger numbers		
Domestic	5,164,504	5,238,957
International	1,766,937	1,819,275
Total passengers	**6,931,441**	**7,058,232**

Ratio of shareholders' funds to total assets		
Shareholder Funds/Total Assets %	60.8%	59.1%
Gearing (debt / (debt + equity)) %	31.0%	34.5%
EBITDAF Interest Cover X	5.4	5.1
Free Funds Interest Cover X	4.7	4.4
Free Funds / Debt %	18.0%	18.7%

CORPORATE SOCIAL RESPONSIBILITY

Performance Target	Performance Measures	
	2019	Achievements
Health & Safety		
1. Safety Culture - through leadership and accountability, continue to build our safety culture across both people and aviation safety to permit the presence of safety and drive behaviour.	• Year on year improvements in our annual culture and engagement survey for health, safety and wellbeing.	• FY19 (2018) – overall 80% FY18 (2017) – overall 82% • A very positive result; slight decrease likely a result of HSW question composition change with different provider.
	• Introduce safety-II principles.	• Safety-II principles were introduced with all CIAL leaders, the executive leadership team and board of directors completing a safety-II leadership development programme. • The new protection to performance strategy was also introduced (bringing safety-II to life) as part of the business planning process and the safety leadership conversation application was developed and deployed to all leaders and the CIAL board of directors.
2. Risk Management – reduce the opportunity for incidents.	• Year on year reduction in high potential and significant outcome safety risk measured through risk matrix.	• 33% increase in reports filed compared to previous year with a 70% decrease in the number of events in the critical risk category.
	• CIAL people and aviation safety assurance program delivered.	• Annual Assurance program 95% delivered with 3 items still to be completed.
3. Safety Management Systems to drive continuous improvement.	• Bi-annual review of SMS and HSMS to identify and action continuous improvement opportunities.	• External SMS audit completed by CAA in September 2018 deemed present and suitable. • External consultant review of HSMS completed in June 2019.
4. Lost Time Injuries	• Better than industry standards, with ultimate target of Nil.	• A 40% year on year decrease in LTI's with a total of 3 lost time injuries for the year.
5. Near Miss Frequency Rate (Near misses/ million hours worked)	• Year on year improvements, reflecting an improved near miss reporting culture.	• Further improvement in the Near Miss Frequency Rate increased to 720 per million hours worked. • Near miss reporting decreased by 11% however hazard reporting increased by 55%.
Sustainability		
Waste		
6. Waste is a by-product of operating a diverse and large organisation but we can work with all our stakeholders to reduce, reuse and recycle so we minimise the impact on our environment.	• Work with airlines to achieve greater recycling of waste off aircraft.	• Preliminary work on a Transitional Waste Facility (TWF) has been peer reviewed and budget estimates developed for a business case in FY20.
	• Achieve 52.5% diversion rate.	• Our current diversion rate is 46.2%. The collapse of the global commodities market has led to a philosophy change around recycling. Efforts have shifted away from better sorting mixed recycling (typically plastics) to minimising waste and focusing on isolating more organic waste – which is typically the heaviest waste stream (extra cost in general waste) that can be reused locally with some level of assurance.

Energy		
7. By minimising our energy use, we reduce our carbon footprint, reduce costs to our businesses and reduce demand on the national grid. We strive for growth without impact, and for our business to protect our city region and island.	• 2 more domestic jet ground power stands commissioned.	• Project to install Jet Ground Power on all remaining international stands commences 24 June.
	• Continue to investigate and implement energy-saving initiatives that ensure energy consumption is reduced.	• Terminal energy consumption (kWh/m^2/annum) is now down 27.5% on original 2012 benchmark. • ITB Energy Centre (boiler retirement) will be commissioned in September 2019.
	• Introduce electric vehicles to the CIAL fleet.	• Our EV conversion is at 50% with 11 of our 21 vehicles converted to EV. Future EV acquisitions/ divestments will be within the Park to Plane team.
Water		
8. Christchurch is unique in using 100% naturally filtered water. Our passion is to maintain its integrity, avoid accidental contamination and minimise use of this precious resource as it passes under the airport. By doing so, we ensure water supply safety and security, protect the aquifer, reduce costs and our business protects the city, region and island.	• Install accurate water metering devices to better understand passenger terminal water use.	• The water telemetry contract has been awarded to Citycare Limited, testing and commissioning of this system is expected in September 2019.
	• Ensure on-going compliance with NZ Drinking Water Standards through regular monitoring of potable drinking groundwater supply.	• GW Monitoring results all within applicable limits.
	• Continue Environmental Compliance and Monitoring Programme with existing airport operators and new operators on airport land.	• CIAL completed 88 tenant audits in the year to date and issued 30 Environmental Compliance Monitoring Programs.
Noise		
9. Noise is the environmental issue of greatest focus at airports around the world. Our responsibility and bias is to engage and collaborate with all stakeholders, especially residents and businesses close to the airport and its flight paths.	• Continued commitment to an Airport Noise Liaison Committee to improve communications with our community.	• Airport Noise Liaison committee meetings continued throughout the year, whereby the updated CIAL Noise Management Plan and new Acoustic Treatment Program was reviewed and approved by the committee for implementation. • Commenced works on the Acoustic Treatment Program, with 7 properties in process to receive acoustic treatment.
	• Successful implementation of world leading engine testing noise management software.	• CIAL issued 25 dwellings within the engine testing noise contours with acoustic advice. • Completed real time noise measurements of On-Aircraft Engine Testing noise, successfully verifying calculated noise levels produced using the Engine Testing Management Software.
	• Noise complaints are limited to 10 per 10,000 aircraft movements per annum.	• 100% compliance with the Engine Testing Noise Budget • During FY19 we received a total of 46 noise complaints from 103,718 aircraft movements. This equates to 4.4 complaints per 10,000 aircraft movements

Land		
10. Our Place is an area of unique natural beauty. We have a responsibility to maintain it, improve it and remediate contaminated land. We also have a responsibility to ensure the safety of travellers and our airline partners, and so understanding the hazards and addressing the risks of bird strike is a critical and on-going activity.	• Achieve a Bird Strike incidence rate of <4/10,000 aircraft movements on a 12-month rolling average basis in line with level set for airports of a similar scale.	• Strike rate as at 17/06/2019 is 1.92/10,000 Movements, down from 5.93 for CY18
	• Work with territorial authorities and other stakeholders to implement management strategies for pest birds which pose bird strike hazard risks.	• The tracking phase of the Masters project with UC monitoring Canada Geese movements is underway. After five months of tracking most birds remain in the general area they were first captured.
	• Continue to liaise with authorities to ensure planning rules do not compromise communities' safety or quality of life while allowing the airport to grow.	• CIAL provided input to several RMA regulatory process in the year to date, including Both Waimakariri and Selwyn District Plan updates, Christchurch City Council Global Stormwater Discharge resource consent and several other neighbouring property requests.
Community Engagement		
11. To make a positive contribution to the social and community outcomes of our City and the South Island.	• To continue to demonstrate support for events which attract visitors, enhance the City's image and that residents can enjoy.	• We have supported events and organisations working to enhance the city and offer enjoyment for the residents, including the Black Clash, the Warriors' Christchurch fixtures, Charity Golf events (sponsorship and entering staff teams), the Court Theatre, Special Children's Christmas Party, EnviroPAST, and the Champion Canterbury Awards. • We continue to be the principal sponsor of The Vocal Collective (formerly Christchurch Pops Choir) which has not only performed at the airport and at many local events, but also on the stage of Carnegie Hall in New York (March 2019).
	• Support community initiatives and organisations through the CIAL Community Fund, charity fundraisers and other donations through the year.	• We have given donations to a total of 36 community groups and projects, across two rounds and totalling almost $40,000. • We continue to support two charities a month to gather donations in the terminal as part of their collection days. • We have hosted and mentored students via the University of Canterbury Future of Digital Travel Challenge.
	• To engage and communicate openly with stakeholders through the Chief Executive and GMs initiating and accepting invitations to meetings, speeches, addresses and workshops.	• The Chief Executive, members of the Executive Leadership Team and members of the Senior Leadership Team have addressed dozens of events across the city, the island, the country and at overseas events and conferences.
	• To actively involve our staff in Corporate Social Responsibility initiatives to enhance engagement.	• Airport company staff have raised funds for and donated money to charities and events, including Breast Cancer Foundation, Dress For Success, Blue September, Christchurch City Mission, Gumboot day, Pink shirt day and Ronald McDonald House South Island (both through being collectors for the appeal and also catering dinners at Ronald McDonald House on several evenings.)

Our People		
12. To build a Champion Team who has the capability and passion to achieve our purpose to champion the South Island and our mission – to be a Champion Airport.	• Purpose driven leadership and people excellence, clear performance accountabilities and outcome focused expectations are part of the way we do business.e part of the way we do business.	• Leadership development programme implemented including establishment of the strategy activation leadership group, the implementation of self-leadership development for all staff and all leaders and staff completed the mental health and resilience programme.
	• Year on year improvements for common purpose and leadership in annual culture and engagement survey.	• Comparator data changed with a new system for culture and engagement measurement implemented. Company confidence however up 21% and leadership scores up 5%.
	• People Strategy Activation Projects delivered.	• People strategy activation projects continuing to be delivered.
13. To be a fair employer that celebrates equality and diversity that is renowned for going beyond compliance and creating value and opportunity for our people.	• Activate fair employer charter.	• Wawata Iwi (fair employer) charter commenced implementation. Continued focus on the remainder of the commitments through 2020.
	• Develop a “being a fair employer” category in annual culture and engagement survey.	• Focus areas of the Wawata Iwi charter blended into the new Culture and Engagement survey measures.

FURTHER NOTES

Nature of Business

CIAL owns and operates Christchurch International Airport. The company operates predominantly in the business of providing airport facilities and services to airline and airport users. The nature of the company's business has not changed during the year.

For the current and previous reporting period, the results are for Christchurch International Airport Limited and its five wholly owned subsidiaries. As the wholly owned subsidiaries do not trade and hold no assets or liabilities, the results and financial position for the CIAL group are the same as that for the CIAL parent company.

Credit Rating Status

On September 18, 2018, S&P Global Ratings raised its rating on Christchurch International Airport Ltd (CIAL) to 'A-' from 'BBB+'. The outlook on the long-term rating is stable. The issue rating on the company's debt was also raised to 'A-' from 'BBB+' as at that date.

Bondholder Distribution

In line with clause 3.7.1 (c) of the NZX listing rules, the following table details the spread of bondholders as at 31 July 2019:

Holding Range	Holder Counter	Holding Quantity	Holding Quantity %
5,000 to 9,999	40	$226,000	0.23%
10,000 to 49,999	220	$4,367,000	4.37%
50,000 to 99,999	37	$2,173,000	2.17%
100,000 to 499,999	28	$5,580,000	5.58%
500,000 to 999,999	7	$5,113,000	5.11%
1,000,000 to 999,999,999,999	19	$82,541,000	82.54%
Total	**351**	**$100,000,000**	**100.00%**

Computershare Investor Services Limited is the registrar with responsibility for administering and maintaining the Bond Register.

To view and update your bondholder details please visit www.investorcentre.com/nz.

Summary of Waivers

Under the previous Listing Rules, NZX provided CIAL with a waiver in relation to old Listing Rule 5.2.3. CIAL has now transitioned to comply with the NZX Listing Rules dated 1 January 2019, within which this rule has been removed.

NZX has also provided CIAL with approval under Listing Rule 8.1.6 to enable CIAL to decline to accept or register a transfer of the Bonds if the transfer would result in the transferor or the transferee holding or continuing to hold Bonds with a Principal Amount of less than $5,000 (if not zero) or if the transfer is not in multiples of $1,000.

Directors' Indemnity Insurance

The company has arranged policies of Directors' and Officers' liability insurance for all directors, and indemnified all directors, the Chief Executive and all General Managers reporting to the Chief Executive, through a Deed of Indemnity.

Directors' Interests

The company maintains an interests' register in which the following entries of disclosure of interest involving the directors were recorded during the year ended 30 June 2019. These are requirements under the Companies Act 1993.

Catherine Drayton

Director – Ngai Tahu Holdings Corporation (ceased 16 Sep 18)

Director – Ngai Tahu Capital Limited (ceased 15 Sep18)

Councillor – University of Canterbury

Director – Beca Group Limited

Director – Southern Cross Medical Care Society

Trustee – Southern Cross Health Trust

Director – Southern Cross Hospitals Limited

Director – Fronde Systems Group

Director - Southern Cross Benefits Limited

Board Member – Guardians of New Zealand Superannuation (started 1 Nov 18)

Director – Genesis Energy (started 14 Mar 19)

Chris Paulsen

Director – House of Travel Holdings Limited

Director – Other House of Travel Companies

Director – Paulsen Holdings Limited

Kate Morrison

Director – Heartland Bank Limited

Director – FarmRight Limited

Director/Shareholder – Morrison Horgan Limited

Director/Shareholder - Chambers at 151 Limited

Director/Shareholder – Helping Hands Job Solutions Limited

Director/Shareholder – FirstTrax Limited

Director - The New Zealand Merino Company Limited

Sarah Ottrey (26 Mar 19)

Director - EBOS Group Ltd

Director- Skyline Enterprises Ltd

Director - Whitestone Cheese Co Ltd

Director - Mount Cook Alpine Salmon Ltd

Director - Sarah Ottrey Marketing Ltd

Member - New Zealand Institute of Directors – Otago Southland Branch Committee

Justin Murray

Director/Shareholder – FDJ Murray & Company Holdings Limited and its subsidiaries

Director/Partner – Rakaia Fund

Director/Shareholder – Murray & Company Limited

Chair – Christchurch Cathedral Reinstatement Limited (started July 2018)

Paul Reid

Chair - Figured

Chair – Pukeko Pictures GP

Chair – Volpara Health Technology (ASX:VHT)

Director – Comvita (NZX:CVT)

Director – The Equanut Company Limited

Transactions between CIAL and entities with whom certain directors are associated are described in Note 16 to the financial statements. No loans were made to directors.

Use of Company Information

During the year, the Board received no notices from Directors of the company requesting to use company information received in their capacity as Directors which would not otherwise have been available to them.

INDEPENDENT AUDITOR'S REPORT

Audit New Zealand
Mana Arotake Aotearoa

To the readers of Christchurch International Airport Limited's consolidated financial statements and performance information for the year ended 30 June 2019

The Auditor General is the auditor of Christchurch International Airport Limited and subsidiaries (the group). The Auditor General has appointed me, Chantelle Gernetzky, using the staff and resources of Audit New Zealand, to carry out the audit of the consolidated financial statements and the performance information of the group, on his behalf.

OPINION

We have audited:

- the consolidated financial statements of the group on pages 13 to 47, that comprise the statement of financial position as at 30 June 2019, the statement of financial performance, statement of comprehensive income, statement of changes in equity, statement of cash flows and statement of accounting policies for the year ended on that date and the notes to the financial statements that include other explanatory information; and
- the performance information of the group on pages 47 to 52.

In our opinion:

- the consolidated financial statements present fairly, in all material respects the financial position of the group as at 30 June 2019, and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards; and
- the performance information presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the group's objectives for the year ended 30 June 2019.

Basis of opinion

We conducted our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report.

We are independent of the group in accordance with the Auditor-General's Auditing Standards, which incorporate Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In addition to the audit, we have carried out assignments in the areas of the audit of the company's disclosures pursuant to the Commerce Act (Specified Airport Services Information Disclosure) Determination 2010, and our report to the bond trustee, which are compatible with those independence requirements. Other than the audit and these assignments, we have no relationship with or interests in the group.

Key audit matters

Key audit matters are those that, in our professional judgement, were of most significance in our audit of the financial statements and the performance information of the current period.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th>Key audit matter</th><th>How did the audit address this matter</th></tr>
<tr><td colspan="2">Fair value assessment of property, plant and equipment subject to periodic revaluation</td></tr>
<tr><td>The group holds a diverse range of property, plant and equipment with a carrying value of $1,208 million as at 30 June 2019.

The following asset classes are accounted for at fair value and were not revalued in the year ended 30 June 2019:

• Land.
• Buildings.
• Terminal facilities.
• Sealed surfaces.
• Infrastructure assets.

These asset classes were last valued as at 30 June 2018 by independent valuers.

Due to the varied nature of these asset classes, some are valued at optimised depreciated replacement cost, with others valued based on market based approaches.

Note 11 to the consolidated financial statements provides information on the most recent revaluation of these asset classes.

The group did not carry out revaluations of these assets classes in 2019, as it assessed that there had been no material change in fair values. The group’s assessment utilised expert advice from independent valuers on fair value movements since the last revaluation.

We consider this a key audit matter due to the significance of the carrying values to the financial statements and the judgements involved.</td><td>Our audit procedures included:

We enquired with management as to how they assessed whether the carrying value for each asset class was materially different from its fair value.

We assessed the valuer’s expertise for the work and their objectivity, including reading their terms of engagement and considering the existence of other engagements or relationships with the group.

We read the valuer’s assessment of the changes in fair value from the date of the last revaluation, and met with the valuers to discuss.

We reviewed each assessment of the carrying values of these asset classes. This included:

• considering whether the assessment methods are consistent with the requirements of New Zealand Equivalents to International Financial Reporting Standards;
• considering whether the assessment methods applied to each asset class are appropriate;
• reviewing the underlying data on which the assessments are based and assumptions applied, testing calculations and considering the sensitivity to changes in key assumptions;
• Where price indices were used, confirming that the indices used are appropriate, and confirming movements to published indices; and
• Where market information was used assessing the appropriateness of that market information.

We found that the group’s assessment that the carrying values of these asset classes is not materially different to fair value is supported by sufficient appropriate audit evidence.</td></tr>
<tr><td colspan="2">Valuation of investment property</td></tr>
<tr><td>The group’s investment property portfolio comprises industrial, commercial and retail investments in the area surrounding Christchurch International Airport. Investment properties are revalued annually by independent valuers. The value of the portfolio is $491 million as at 30 June 2019.

The value of the portfolio continues to grow, as available land is developed for further investment properties. Changes in use, as a result of development or changes in the business, can result in transfers of properties between investment property and property, plant and equipment.

Note 13 to the consolidated financial statements provides information on the valuation and the movements in the investment property balance since the previous year.

We consider this a key audit matter due to the significance of the carrying value and fair value gains, and because of the judgements involved in determining fair value.</td><td>Our audit procedures included:

We reviewed any changes in use of properties and considered whether they are correctly classified as either investment property or property, plant and equipment.

We read the valuation report and met with the valuer to discuss. We assessed the valuer’s expertise for the work and their objectivity, including reading their terms of engagement and considering the existence of other engagements or relationships with the group.

We obtained representations from the valuer that the valuation was in accordance with accepted professional valuation standards.</td></tr>
</table>

	We confirmed our understanding of the valuation methodology and key assumptions. We assessed them for compliance with the requirements of the applicable financial reporting standards (NZ IAS 40 Investment Property and NZ IFRS 13 Fair Value Measurement) and evaluated their reasonableness based on our experience and knowledge of other valuations in the public sector. We assessed the sensitivity of the valuations to changes in assumptions and confirmed that the significant assumptions and sensitivities were appropriately disclosed in the annual report. We obtained an understanding of the market data sources used by the valuer and the reliability of this data. We confirmed a sample of lease information, such as current rental rates, back to the lease documents. We sample tested valuation calculations. We reviewed the overall valuation changes and sought explanations from the valuers for any significant or unusual changes in value. We found that the valuations adopted by the group were supportable and the valuation movement consistent with our expectations for market based valuations of investment property.

Other Information

The directors are responsible on behalf of the group for the other information. The other information obtained at the date of this auditor's report comprises the information included on pages 1 to 12, and 53 to 54 but does not include the consolidated financial statements and the performance information and our auditor's report thereon. The other information also includes the annual review, which incorporates management commentary. This is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the performance information, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements and the performance information or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibilities

The directors are responsible on behalf of the group for the preparation and fair presentation of the consolidated financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The directors are also responsible for preparing the performance information.

In preparing the consolidated financial statements and the performance information, the directors are responsible on behalf of the group for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

The directors' responsibilities arise from the Financial Markets Conduct Act 2013.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the performance information as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of readers taken on the basis of these consolidated financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the appropriateness of the reported performance information within the company's framework for reporting its performance.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the performance information, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements and the performance information of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Our responsibilities arise from the Public Audit Act 2001.

Chantelle Gernetzky
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand
20 August 2019

DIRECTORY

DIRECTORS

as at 30 June 2019

Catherine Drayton
Chair

Kate Morrison
Director

Justin Murray
Director

Chris Paulsen
Director

Paul Reid
Director

Sarah Ottrey
Director

SHAREHOLDERS

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

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

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

TOTAL SHARES

57,600,000 shares

EXECUTIVE LEADERSHIP TEAM

Malcolm Johns
Chief Executive Officer

Tim May
Chief Financial Officer

Blair Forgie
Chief Operations and Property Officer

Justin Watson
Chief Commercial and Aeronautical Officer

Rhys Boswell
General Manager
Strategy and Sustainability

Michael Singleton
General Manager
Corporate Affairs

BANKERS

ASB Bank
ANZ National Bank Ltd
Bank of New Zealand
Westpac Banking Corporation
Bank of Tokyo – Mitsubishi
China Construction Bank

SOLICITORS

Buddle Findlay, Christchurch
Chapman Tripp, Christchurch

REGISTERED OFFICE

Fourth Floor, Car Park Building
Christchurch Airport
30 Durey Road
PO Box 14001
Christchurch, New Zealand

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

AUDITORS

Audit New Zealand
On behalf of the Auditor-General

MATTERS RELATING TO THE ELECTRONIC PRESENTATION OF THE AUDITED FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION

This audit report relates to the financial statements and performance information of Christchurch International Airport Limited (the airport) for the year ended 30 June 2019 included on the airport's website. The Board of Directors is responsible for the maintenance and integrity of the airport's website. We have not been engaged to report on the integrity of the airport's website. We accept no responsibility for any changes that may have occurred to the financial statements and performance information since they were initially presented on the website.

The audit report refers only to the financial statements and performance information named above. It does not provide an opinion on any other information which may have been hyperlinked to or from these financial statements and performance information. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and performance information and related audit report dated 20 August 2019 to confirm the information included in the audited financial statements and performance information presented on this website.

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

PO BOX 14001
CHRISTCHURCH AIRPORT
CHRISTCHURCH
NEW ZEALAND

enquiries@cial.co.nz
christchurchairport.co.nz

+64 (3) 358 5029

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