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# FINANCIAL STATEMENTS



AIR NEW ZEALAND

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# FINANCIAL STATEMENTS

For the year ended 30 June 2015

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# 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.

### **REGULATORY FRAMEWORK**

The company operates in New Zealand and is governed by a range of legislation and regulation. This includes regulatory control under the Commerce Amendment Act; for the monitoring of Aeronautical Economic performance under the Information Disclosure monitoring regime administered by the Commerce Commission. In addition it is regulated as an Airport under the Civil Aviation Act, Part 139, in terms of operational and safety performance. Christchurch International Airport Limited (CIAL) aims to make sufficient disclosure so that the reader of the Annual Report will be able to assess the effectiveness of the company's corporate governance.

# BOARD ACCOUNTABILITY

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

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

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

- Working with executive leadership to ensure that the company's strategic goals are clearly established and communicated, and that strategies are in place to achieve them;
- Monitor management performance in strategy implementation;
- Appointing the Chief Executive, approving his or hers performance and, where necessary, terminating the Chief Executive's employment;
- Approving and monitoring the company's financial statements and other reporting, including reporting to shareholders, and ensuring the company's disclosure obligations are met;
- Adopting appropriate procedures to ensure compliance with all laws, governmental regulations, applicable codes and accounting standards;
- Ensuring that CIAL's internal decision making and compliance policies and procedures are implemented, to ensure that the business of the company is conducted in an open and ethical manner;
- Approving performance criteria for CIAL and monitoring the performance of the Chief Executive Officer (CEO) and executive leadership against these;
- Deciding necessary actions to protect CIAL's financial position and the ability to meets its debts and other obligations when they fall due, and ensuring that such actions are taken;

- Ensuring that the company adheres to high ethical and corporate behaviour standards;
- Establishing procedures and systems to ensure the occupational health and safety of the company's employees and contractors working for CIAL across the Christchurch airport campus;
- · Promoting a company culture and remuneration practice which facilitates the recruitment, professional development and retention of staff;
- Ensuring that CIAL has appropriate risk management and regulatory compliance policies in place and monitoring the appropriateness and implementation of these policies.

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

## **BOARD STRUCTURE**

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

The Board consists of six directors; four appointed by majority shareholder, Christchurch City Holdings Ltd (CCHL), and two appointed by the Minister of Finance and the Minister for State Owned Enterprises (on behalf of the New Zealand Government). From 1 July 2014, CCHL has also been appointing an intern director for a period of eighteen months in order to enable prospective directors to gain an insight into good governance practice and to observe the dynamics of sitting on a board. Directors' appointments are for such period as determined by the relevant shareholder, but shall not exceed three years. Retiring directors may be reappointed by the relevant shareholder by way of notice prior to the Annual General Meeting.

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

The Board has four formally constituted committees; the Risk, Audit and Finance Committee, the Remuneration Committee, the Property 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 on the basis of need. Each committee must include a representative of each class of shareholder.

### INDUCTION OF NEW DIRECTORS

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

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

# OPERATION OF THE BOARD

The Board met ten times during the year. In addition two special meetings 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 course of the year. Directors unable to attend Board or Committee meetings review the relevant papers and provide comments to the Chairman or Committee Chairman as appropriate.

The Chairman, Chief Executive, Chief Financial Officer 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 monthly meeting CIAL's interests register is updated as necessary and the Board considers:

- A report from the CEO focusing on company performance including operating performance, passenger numbers, seat capacity and route development, property development, planning, safety, environmental and financial performance, identification and management of risks and, as appropriate, progress towards the achievement of company goals and business targets
- Specific business cases for capital expenditure and acquisitions
- Separate reports from management covering matters requiring a Board decision or for more detailed information
- Health and safety 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 Report to shareholders and public announcements
- Considers and, if appropriate, declares or recommends the payment of dividends
- Reviews directors' remuneration following approval from shareholders
- Reviews the Chief Executive's performance and remuneration
- Approves remuneration policies and practices for executive leadership on the recommendation of the Remuneration Committee
- Approves risk assessment policies and controls, including insurance cover and compliance with legal and regulatory requirements, on the recommendation of the Risk, Audit and Finance Committee
- 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 Normal (Special/ Teleconf.)	Risk, Audit & Finance Committee Meetings	Remuneration Committee Meetings	Property & Commercial Committee Meetings	Aeronautical Committee Meetings
Total number of meetings held			10 (2)	7	3	5	8
D. Mackenzie	August 2008	October 2017	10 (2)	7	3	5	8
C. Drayton	September 2009	October 2018	10 (2)	7	-	5	-
G. Gould*	November 2009	October 2015	4 (0)	-	2	-	3
C. Paulsen	October 2010	October 2016	9 (2)	6	-	-	8
J. Murray	June 2011	April 2017	10 (2)	6	-	5	3
A. Lovatt	June 2014	June 2017	10 (2)	-	3	5	-
L. Palomino de Forbes	1 May 2015	May 2018	2 (2)	1	1	-	-

\*G Gould resigned 31 December 2014

L Palomino de Forbes appointed 1 May 2015

J Murray – moved from RAF to Aero on 30 March 2015

#### 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 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 as a consequence 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 staff.

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

#### **Business Assurance**

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

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

#### Chief Executive Officer and Chief Financial Officer Assurance

The Chief Executive Officer and Chief Financial Officer 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 2015.

#### 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 2015 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 (International) Ltd. The cost of the cover for the year to 30 June 2015 is \$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 gives consideration to all applicable legal requirements, minimises the cost of legal risk and maximises business opportunities. Managers are responsible for making sure their staff 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 2015 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.

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#### 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 Chief Executive Officer is the primary point of accountability and link between the Board and operational management functions.

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

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

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

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

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

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

#### Delegation of Responsibilities

The Board delegates management of the day-to-day affairs and management responsibilities of the 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". In addition, the Board will nominate an appropriately experienced Director as a "health & safety" champion, who will attend and contribute to all Committee meetings.

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

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

- Review and approve accounting policies and practices as they apply to the company
- Review the current risk management framework, and associated procedures for effective identification and management of the company's financial and business risks

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

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

The members of the Risk, Audit and Finance Committee as at 30 June 2015 were Catherine Drayton (Chairman), Chris Paulsen and Laura Palomino de Forbes. The Chairman, David Mackenzie, is a member ex officio, and also attended meetings of the committee.

Particular areas of focus for the Committee during 2015 were:

- 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, with a particular focus on Business Continuity
- On-going review of CIAL capital structure and optimal funding portfolio in the future.
- Assist with the development of a refreshed Health and Safety strategy, and provide a heightened level of focus on a quality Health and Safety culture at CIAL, involving hazard identification and risk management via best practice policies and mitigation procedures.
- 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.

#### **Remuneration Committee**

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

- To review the remuneration and human resources strategy, structure and policy for the company and reviewing remuneration practices to ensure that they are consistent with such policies
- To oversee CIAL's recruitment, retention and termination policies and procedures for senior 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 of the CEO and Executive Leadership Team.

The members of the Remuneration Committee as at 30 June 2015 were David Mackenzie (Chairman), Andre Lovatt and Laura Palomino de Forbes.

Particular areas of focus for the Committee during 2015 were:

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

#### Property 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 & Commercial Committee as at 30 June 2015 were Justin Murray (Chairman), Catherine Drayton and Andre Lovatt. The Chairman, David Mackenzie, is a member ex officio, and also attended meetings of the committee.

Particular areas of focus for the Committee during 2015 were:

- Planning and consenting to enable development of the wider property portfolio
- Approval of investment cases for specific property development initiatives
- Review of commercial arrangements with terminal tenants.

#### Aeronautical Committee

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

The responsibilities of the Committee are:

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

The members of Aeronautical Committee as at 30 June 2015 were Chris Paulsen (Chairman), David Mackenzie and Justin Murray.

Particular areas of focus for the Committee during 2015 were:

- The successful recruitment of a new Chief Commercial Officer, Aeronautical, and the development of an Aeronautical Strategy to support the growth targets encompassed within CIAL's Real Growth 2025 Strategy;
- Consider and approve new business development initiatives to retain existing market share and grow new services, with a focus on trans-Tasman and international long haul services into Asia in particular;
- To review and confirm the Information Disclosure of CIAL historic aeronautical performance to the Commerce Commission; and
- 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 2015 is:

Name	Remuneration
D Mackenzie	\$83,510
L Palomino de Forbes (appointed 1 May 2015)	\$6,833
C Drayton	\$49,600
G Gould (ceased 31 December 2014)	\$23,917
C Paulsen	\$47,600
J Murray	\$44,000
A Lovatt	\$44,600
Total Fees	\$300,060

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

#### **CIAL Employees**

#### Framework for Remuneration

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

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

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

Remuneration ranges	Number of current a	nd former employees
\$'000	2015	2014
\$100 - \$110	11	6
\$110 - \$120	6	6
\$120 - \$130	6	4
\$130 - \$140	5	5
\$140 - \$150	2	4
\$150 - \$160	5	2
\$160 - \$170	-	1
\$170 - \$180	4	2
\$180 - \$190	-	2
\$190 - \$200	1	1
\$200 - \$210	1	-
\$220 - \$230	1	1
\$230 - \$240	2	-
\$240 - \$250	-	1
\$250 - \$260	1	1
\$290 - \$300	-	1
\$300 - \$310	-	1
\$310 - \$320	1	1
\$330 - \$340	2	1
\$340 - \$350	1	1
\$460 - \$470	1*	-

\* This is the amount paid during the current financial year to the Chief Executive.

The Chief Executive's remuneration arrangements include an at risk component, currently set at a maximum of 25% of the base salary effective during the appropriate year.

Subsequent to balance date the Chief Executive's at risk component of his salary was approved for payment by the Board, bringing his remuneration earned for the year to \$576,000.

# 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 2015, and the financial performance and cash flows for the year ended on that date.

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

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

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

The directors have the pleasure in presenting the financial statements, set out on pages 13-43 of the Christchurch International Airport Limited for the year ended 30 June 2015.

The Board of Directors of Christchurch International Airport Limited authorise these financial statements for issue on 7 September 2015.

For and on behalf of the Board

Malani

David Mackenzie CHAIRMAN

Catherine Drayton DIRECTOR

# STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30 June 2015

	Note	2015	2014
		\$000	\$000
INCOME			
Operating revenue	1	159,006	130,39
Fair value gain/(loss) on investment properties	13	18,086	9,22
Interest income		291	26
Total income		177,383	139,88
EXPENSES			
Operating costs	2	61,673	57,82
Financing and interest costs	2	21,227	21,38
Depreciation, amortisation and impairment	2	34,968	34,33
Loss on disposal of assets		34	11
Investment property development costs		9,276	2,700
Total expenses		127,178	116,359
Surplus before tax		50,205	23,521
Tax attributable to operations*	3a	12,405	5,49
Surplus after taxation and before deferred tax adjustment		37,800	18,03
Deferred tax adjustment*	3a/b & 4	(1,474)	2,33
Net operating surplus after income tax		39,274	15,694
*Total Taxation Expense	3b	10,931	7,82

The accompanying notes form part of these financial statements

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For the year ended 30 June 2015

	Note	2015	2014
		\$000	\$000
Surplus after income tax		39,274	15,694
Other comprehensive income			
Fair value gain on land and buildings	7	-	76,514
Deferred tax on revaluation of land and buildings	4	-	(14,860)
Cash flow hedges	7	(10,866)	8,190
Deferred tax on revaluation of cash flow hedges	4	3,042	(2,290)
Other comprehensive income for year, net of tax		(7,824)	67,554
Total comprehensive income for year		31,450	83,248

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 2015

	Note	Share Capital	Reserves	Retained Earnings	Total Equity
Balance at 1 July 2013		57,600	388,408	222,422	668,430
Transfer of Asset revaluation	7	-	(421)	421	-
Deferred Tax on sale of Asset		-	117	-	117
Dividends paid to shareholders	6	-	-	(6,561)	(6,561)
Total comprehensive income for the year	7	-	67,554	15,694	83,248
Balance at 30 June 2014		57,600	455,658	231,976	745,234
Transfer of Asset revaluation	7	-	(3,741)	3,741	-
Dividends paid to shareholders	6	-	-	(9,918)	(9,918)
Total comprehensive income for the year	7	-	(7,824)	39,274	31,450
Balance at 30 June 2015		57,600	444,093	265,073	766,766

The accompanying notes form part of these financial statements

# STATEMENT OF FINANCIAL POSITION

	Note	2015	2014
		\$000	\$000
EQUITY			
Share capital		57,600	57,600
Reserves	7	444,093	455,658
Retained earnings	7	265,073	231,976
Total equity		766,766	745,234
NON-CURRENT LIABILITIES			
Term borrowings	8	270,278	274,777
Derivative financial instruments	9	12,664	6,241
Deferred taxation	4	104,339	107,397
Trade and other payables	10	1,187	1,288
Total non-current liabilities		388,468	389,703
CURRENT LIABILITIES			
Trade and other payables	10	24,411	13,020
Current portion of borrowings	8	25,000	25,000
Taxation (Receivable)/Payable	3с	7,423	2,799
Derivative financial instruments	9	727	960
Total current liabilities		57,561	41,779
Total liabilities		446,029	431,482
Total equity and liabilities		1,212,795	1,176,716
		_,, , , , , , , , , , , , , , , , ,	1,1, 0,, 10
NON-CURRENT ASSETS			
Property, plant and equipment	11	925,165	955,520
Investment properties	13	255,092	193,175
Intangible assets	12	7,989	6,563
Trade and other receivables	14	7,327	7,903
Total non-current assets		1,195,573	1,163,161
CURRENT ASSETS			
Cash and cash equivalents		2,781	1,491
Trade and other receivables	14	13,330	10,847
Inventories		1,111	1,217
Total current assets		17,222	13,555
Total assets		1,212,795	1,176,716

The accompanying notes form part of these financial statements

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# STATEMENT OF

Cash was provided from:         115,1773         127,941           Receipts from customers         129         266           Net goods and services tax received         291         266           Cash was applied to:         129,415         128,2405           Payments to suppliers and employees         (60,704)         (60,756)           Net income tax relunded (paid)         (21,900)         (22,900)           Subwention payments         (22,723)         (713)           Net cash flows from operating activities         15         63,885         42,083           CASH HLOWS FROM INVESTING ACTIVITIES         (28,023)         (24,123)         (24,123)           Cash was applied to:         12,900         4456         (28,13)         (21,635)           Purchase of intergent properties         (14,052)         (24,12)         (24,12)         (24,12)           Purchase of intergent properties         (25,02)         (28,00)         (28,00)         (28,00)         (28,00)           Purchase of intergent properties         (25,		Note	2015	2014
Cash was provided from:         115,1778         127.94           Receipts from customers         1291         260           Net goods and services tax received         346         281         282.00           Cash was applied to:         129.01         280.00         28			\$000	\$000
Receipts from customers         151,778         127,94           Interest received         291         263           Net goods and services tax received         346         128,203           Cash was applied to:         122,415         128,203           Pyrments to supplies and employees         (60,704)         (60,756)           Net income tax refunded (paid)         (21,503)         (20,967)           Net income tax refunded (paid)         (22,723)         (713)           Net goods and services tax paid         -         (764)           Cash was provided from:         -         (764)           Net cash flows from operating activities         15         63,885         42,083           Cash was provided from:         -         -         (764)           Purchase of property, plant and equipment         (15,023)         (24,112)           Purchase of property, plant and equipment         (15,023)         (24,112)           Purchase of interstiment properties         (41,556)         (14,556)           Purchase of interstiment properties         (41,556)         (14,556)           Purchase of interstiment properties         (41,556)         (256,577)           Stat was provided from:         -         (256)           Stat was provided from	CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received         291         261           Net goods and services tax received         152,415         128,201           Cash was applied to:         (20,503)         (20,903)           Payments to suppliers and employees         (21,503)         (20,903)           Interest costs         (21,503)         (20,903)           Subvention payments         (21,503)         (29,900)           Subvention payments         (21,503)         (29,900)           Subvention payments         (28,503)         (28,900)           Net iccost and services tax paid         -         (764)           Cash was provided from:         -         (764)           Purchase of property, plant and equipment         12,900         (44,507)           Cash was applied to:         -         -           Purchase of property, plant and equipment         (24,112,100)         (24,112)           Purchase of property, plant and equipment         (24,503)         (24,112)           Purchase of property, plant and equipment         (24,503)         (24,503)           Purchase of property, plant and equipment         (24,503)         (24,504)           Purchase of property, plant and equipment         (24,503)         (24,504)           Purchase of property, plant and equipment	Cash was provided from:			
Net goods and services tax received       346         Cash was applied to:       152,415       128,203         Payments to suppliers and employees       (60,704)       (60,756)         Financing and interest costs       (21,503)       (20,907)         Net income tax refunded (paid)       (22,23)       (713)         Net goods and services tax paid       -       (764)         Net goods and services tax paid       -       (764)         Cash was provided from:       -       (764)         Proceeds from sale of property, plant and equipment       15       63,885       42,083         Cash was applied to:       -       -       (744)         Purchase of property, plant and equipment       12,900       4.454         Cash was applied to:       -       -       -         Purchase of investment properties       (41,556)       (14,569)       -       -         Purchase of investing activities       (43,677)       (34,542)       -	Receipts from customers		151,778	127,94
Instrument         152,415         128,200           Cash was applied to:         (60,704)         (60,756)           Payments to suppliers and employees         (21,503)         (22,927)           Net income tax refunded (paid)         (3,600)         (2,900)           Subvention payments         (2,723)         (713)           Net goods and services tax paid         -         (764)           (88,530)         (86,120)         (88,530)         (86,120)           Net cash flows from operating activities         15         63,885         42,083           CASH FLOWS FROM INVESTING ACTIVITIES         Cash was provided from:         -         -           Proceeds from sale of property, plant and equipment         (15,023)         (24,112)         (24,112)           Purchase of investment properties         (14)         (14,15,56)         (14,156)           Purchase of investing activities         (43,677)         (34,542)           Cash was applied to:         (15,023)         (24,112)         (36,577)           Cash was applied to:         (16)         (36,577)         (36,596)           Cash was applied to:         (16)         (256)         (256)           Cash was applied to:         (21,000)         (50,000)         (256) <tr< td=""><td>Interest received</td><td></td><td>291</td><td>262</td></tr<>	Interest received		291	262
Cash was applied to:         60,704         60,704           Payments to suppliers and employees         (60,704)         (60,704)           Instancing and interest costs         (21,503)         (22,937)           Net income tax refunded (paid)         (3,600)         (2,033)           Subvention payments         (2,723)         (713)           Net goods and services tax paid         -         (764)           Net cash flows from operating activities         15         63,885         42,083           CASH FLOWS FROM INVESTING ACTIVITIES         Cash was provided from:         -         -           Proceeds from sale of property, plant and equipment         (15,023)         (24,112)         (24,112)           Purchase of investment properties         (41,556)         (14,1556)         (14,1556)           Purchase of investment properties         (41,556)         (24,512)         (24,112)           Purchase of investing activities         (43,677)         (38,996)         (38,996)           Cash was applied to:         -         -         (38,996)         (38,996)           Cash was applied to:         -         -         (38,996)         (38,996)         (38,996)         (38,996)         (38,996)         (38,996)         (38,996)         (38,996)         (38,99	Net goods and services tax received		346	
Payments to suppliers and employees       (60,704)       (60,756)         Financing and interest costs       (21,503)       (20,987)         Net income tax returided (paid)       (3,5000)       (2,723)       (73)         Net goods and services tax paid       -       (764)       (764)         Net goods and services tax paid       -       (764)         Net goods and services tax paid       -       (764)         Net cash flows from operating activities       15       63,885       42,083         CASH FLOWS FROM INVESTING ACTIVITIES         Cash was provided from:         Proceeds from sale of property, plant and equipment       12,000       4,454         Cash was applied to:         Purchase of investment property is plant and equipment       (15,023)       (24,112)         Purchase of investment property is plant and equipment       (15,023)       (24,112)         Purchase of investment property is plant and equipment       (15,023)       (24,112)         Purchase of investment property is plant and equipment       (15,023)       (24,112)         Purchase of investment property is plant and equipment       (15,023)       (24,112)         Borrowings       12,000       50,000       (66,561)			152,415	128,203
Financing and interest costs       (21,503)       (20,0957)         Net income tax refunded (paid)       (3,600)       (2,000)         Suburnition payments       (22,723)       (7,643)         Net goods and services tax paid       -       (764)         (Ref. colspan="2">(Ref. colspan="2")(Ref. colspan="2")         Net cash flows from operating activities       15       63,885       42,083         CASH FLOWS FROM INVESTING ACTIVITIES         Cash was provided from:         Proceeds from sale of property, plant and equipment       12,900       4,45-         Cash was applied to:         (14,1536)       (14,569)         Purchase of investment properties       (41,536)       (14,569)         Purchase of investment properties       (14,569)       (14,569)         Cash was provided from:         Borrowings       12,000       50,000         Cash was applied to:       (24,122)       (24,122)       (24,122)       (24,122)       (24,122)       (24,122)       (24,122)       (24,122)       (24,122)       (24,122)			(60.70.4)	160 756
Net income tax refunded (paid)       (3,600)       (2,900)         Subvention payments       (2,223)       (713)         Net goods and services tax paid       -       (764)         (88,530)       (66,120)         Net cash flows from operating activities       15       63,885       42,081         CASH FLOWS FROM INVESTING ACTIVITIES         Cash was provided from:         Proceeds from sale of property, plant and equipment       12,900       4,451         Cash was applied to:         Purchase of investment properties       (15,023)       (24,112)         Purchase of investment properties       (14,1556)       (24,112)         Purchase of investment properties       (15,023)       (24,112)         Purchase of investment properties       (14,1556)       (24,112)         Purchase of investment properties       (14,556)       (24,502)         Cash was provided from:       (36,690)         Cash was provided from:       (24,900)       (30,900)         Cash was provided from:       (250)       (20,000)       (250,000)       (250,000)       (250,000)       (250,000)       (250,000)       (250,000)       (250,000) <td></td> <td></td> <td></td> <td></td>				
Subvention payments(2,723)(713Net goods and services tax paid-(764(88,530)(86,120Net cash flows from operating activities1563,88542,083CASH FLOWS FROM INVESTING ACTIVITIESCash was provided from: Proceeds from sale of property, plant and equipment12,9004,454Purchase of property, plant and equipment(15,023)(24,112Purchase of investment properties(41,536)(14,569)Purchase of investment properties(41,536)(14,569)Purchase of investment properties(43,677)(34,542)CASH FLOWS FROM FINANCING ACTIVITIES(36,577)(34,542)Cash was provided from: Borrowings12,00050,000Cash was provided from: Borrowings6(9,918)(65,637)Dividends paid6(9,918)(65,637)Cash mas provided from: Borrowings(21,000)(50,000)Cash was provided from: Borrowings(21,000)(50,000)Cash was provided from: Borrowings(21,000)(56,637)Net cash flows from financing activities(18,918)(65,637)Net cash flows from financing activities(18,918)(65,637)Net cash flows from financing activities(18,918)(65,637)Net (dacrease) / increase in cash held1,29072Acticash and cash equivalents at beginning of the year1,49176				
Net goods and services tax paid1(764(88,530)(86,520)Net cash flows from operating activities1563,88542,083CASH FLOWS FROM INVESTING ACTIVITIES Cash was provided from: Proceeds from sale of property, plant and equipment12,9004,454Cash was applied to: Purchase of intangible assets(15,023)(24,126)Purchase of intangible assets(18,033)(24,126)Purchase of intangible assets(18,033)(24,126)Purchase of intangible assets(18,013)(315)Cash was provided from: IBB(56,577)(38,996)Net cash flows from investing activities(43,677)(34,542)CASH FLOWS FROM FINANCING ACTIVITIES Cash was provided from: Borrowings12,00050,000Cash was applied to: Dividends paid Capitalised borrowing costs Borrowings6(9,918)(6,5617)Net cash flows from financing activities(18,918)(6,817)(6,617)Net cash flows from financing activities(18,918)(6,817)Net (decrease) / increase in cash held ct cash and cash equivalents at beginning of the year1,49176				
(88,530)(86,120Net cash flows from operating activities1563,88542,083CASH FLOWS FROM INVESTING ACTIVITIES Cash was provided from: Proceeds from sale of property, plant and equipment12,9004,454Cash was applied to: Purchase of investment properties(15,023)(24,112)Purchase of investment properties(14,569)(14,569)Purchase of investment properties(14,567)(38,996)Net cash flows from investing activities(43,677)(34,542)CASH FLOWS FROM FINANCING ACTIVITIES Cash was applied to: Dividendis paid12,00050,000Cash was applied to: Dividendis paid(21,000)(50,000)Cash was applied to: Dividendis paid(21,000)(56,817)Net cash flows from investing activities(21,000)(56,817)Net cash flows from financing activities(18,918)(6,817)Net cash flows from financing activities(18,918)(6,817)Net (decrease) / increase in cash held act cash and cash equivalents at beginning of the year149176	Net goods and services tax paid			
CASH FLOWS FROM INVESTING ACTIVITIES Cash was provided from: Proceeds from sale of property, plant and equipment Proceeds from sale of property, plant and equipment Purchase of property, plant and equipment Purchase of investment properties Purchase of integrible assets (15,023) (14,153) (1			(88,530)	(86,120)
CASH FLOWS FROM INVESTING ACTIVITIES Cash was provided from: Proceeds from sale of property, plant and equipment Proceeds from sale of property, plant and equipment Purchase of property, plant and equipment Purchase of investment properties Purchase of integrible assets (15,023) (14,153) (1	Not each flows from operating activities	15	67 995	12 097
Cash was provided from: Proceeds from sale of property, plant and equipment12,9004,454Cash was applied to: Purchase of property, plant and equipment(15,023)(24,112)Purchase of property, plant and equipment(15,023)(24,112)Purchase of investment properties(41,556)(14,556)Purchase of intangible assets(14,557)(38,996)Net cash flows from investing activities(43,677)(34,542)CASH FLOWS FROM FINANCING ACTIVITIES12,00050,000Cash was applied to: Dividends paid12,00050,000Cash was applied to: Dividends paid6(9,918)(6,561)Capitalised borrowing(21,000)(50,000)(22,000)Cash was applied to: Dividends paid(18,918)(6,817)Net cash flows from financing activities(18,918)(6,817)Net cash flows from financing activities1491724Net (decrease) / increase in cash held1,290724Net cash and cash equivalents at beginning of the year1,491724	Net cash nows from operating activities	15	03,885	42,065
Proceeds from sale of property, plant and equipment Proceeds from sale of property, plant and equipment Purchase of property, plant and equipment Purchase of investment properties Purchase of investment properties Purchase of intengible assets (41,536) (44,549 (41,536) (44,549 (41,536) (44,549 (41,536) (41,537) (41,537) (41,542) (41,537) (41,542) (41,5	CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment Proceeds from sale of property, plant and equipment Purchase of property, plant and equipment Purchase of investment properties Purchase of investment properties Purchase of intengible assets (41,536) (44,549 (41,536) (44,536) (44,536) (44,536) (44,536) (44,536) (43,577) (34,542 (43,577) (34,542 (43,577) (34,542 (43,577) (34,542 (34,542 (34,542) (34,542 (34,542) (34,542 (34,542) (34,542 (34,542) (34,542 (34,542) (34,542) (34,542) (34,542 (34,542) (34,542 (34,542) (34,542 (34,542) (34,542) (34,542 (34,542) (34,542 (34,542) (34,542 (34,542) (34,542 (34,542) (34,542 (34,542) (34,542 (34,542) (34,542) (34,542 (34,542) (34,542 (34,542) (34,542 (34,542) (34,542) (34,542 (34,542) (34,542 (34,542) (34,542) (34,542 (34,542) (34,542) (34,542 (34,542) (34,542) (34,542) (34,542 (34,542) (34,542) (34,542) (34,542) (34,542 (34,542) (34,542) (34,542) (34,542) (34,542 (34,542)				
Purchase of property, plant and equipment(15,023)(24,112Purchase of investment properties(41,536)(14,569)Purchase of intangible assets(15,6577)(38,996)Net cash flows from investing activities(43,677)(34,542)CASH FLOWS FROM FINANCING ACTIVITIES12,00050,000Cash was applied to:20050,000Dividends paid6(9,918)(6,561)Cash was applied to:-(256)Dividends paid6(9,918)(56,817)Net cash flows from financing activities(18,918)(6,817)Net cash flows from financing activities(18,918)(6,817)Net (decrease) / increase in cash held1,290724Add cash and cash equivalents at beginning of the year1,49176	Proceeds from sale of property, plant and equipment		12,900	4,454
Purchase of investment properties       (41.536)       (14,569         Purchase of intangible assets       (18)       (315         Verchase of intangible assets       (56,577)       (38,996)         Net cash flows from investing activities       (43,677)       (34,542)         CASH FLOWS FROM FINANCING ACTIVITIES       12,000       50,000         Cash was appoided from:       12,000       50,000         Cash was applied to:       200       50,000         Dividends paid       6       (9,918)       (6,561         Capitalised borrowing costs       (21,000)       (50,000)       (50,000)         Net cash flows from financing activities       (18,918)       (6,817         Net (decrease) / increase in cash held       1,290       724         Act cash and cash equivalents at beginning of the year       1,491       764	Cash was applied to:			
Purchase of intangible assets(18)(315Image: Constraint of the probability o	Purchase of property, plant and equipment		(15,023)	(24,112
Ket cash flows from investing activities(56,577)(38,996)Net cash flows from investing activities(43,677)(34,542)CASH FLOWS FROM FINANCING ACTIVITIESSash was provided from: Borrowings12,00050,000Cash was applied to: Dividends paid6(9,918)(6,561)Dividends paid6(9,918)(6,561)Capitalised borrowing costs(21,000)(50,000)Borrowings(21,000)(50,000)Net cash flows from financing activities(18,918)(6,817)Net (decrease) / increase in cash held1,290724Add cash and cash equivalents at beginning of the year1,491761	Purchase of investment properties		(41,536)	(14,569
Net cash flows from investing activities       (43,677)       (34,542)         CASH FLOWS FROM FINANCING ACTIVITIES       Cash was provided from:       12,000       50,000         Borrowings       12,000       50,000	Purchase of intangible assets		(18)	(315
CASH FLOWS FROM FINANCING ACTIVITIES Cash was provided from: Borrowings 12,000 50,000 Cash was applied to: Dividends paid 6 (9,918) (6,561 Capitalised borrowing costs 6 (256 Borrowings (21,000) (50,000 (50,000) (50,000) Cash was applied to: Dividends paid 6 (9,918) (6,561 (256,817) Net cash flows from financing activities (18,918) (6,817) Net (decrease) / increase in cash held 1,290 724 Add cash and cash equivalents at beginning of the year 1,491 767			(56,577)	(38,996)
CASH FLOWS FROM FINANCING ACTIVITIES Cash was provided from: Borrowings 12,000 50,000 Cash was applied to: Dividends paid 6 (9,918) (6,561 Capitalised borrowing costs 6 (256 Borrowings (21,000) (50,000 Cash add cash flows from financing activities (18,918) (6,817 Net cash flows from financing activities 1,491 767	Net cash flows from investing activities		(43,677)	(34,542
Cash was provided from:12,00050,000Borrowings12,00050,000Cash was applied to:6(9,918)(6,561Dividends paid6(9,918)(6,561Capitalised borrowing costs-(256Borrowings(21,000)(50,000Ket cash flows from financing activities(18,918)Net (decrease) / increase in cash held1,290724Add cash and cash equivalents at beginning of the year1,491767				
Borrowings 12,000 50,000 Cash was applied to: Dividends paid 6 (9,918) 6 (6,561 Capitalised borrowing costs - (256 Borrowings (21,000) (50,000 (30,918) (56,817 Net cash flows from financing activities (18,918) (56,817 Net (decrease) / increase in cash held 1,290 724 Add cash and cash equivalents at beginning of the year 1,491 767	CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was applied to:       6       (9,918)       (6,561)         Dividends paid       6       (9,918)       (6,561)         Capitalised borrowing costs       -       (256)         Borrowings       (21,000)       (50,000)         (30,918)       (56,817)         Net cash flows from financing activities       (18,918)       (6,817)         Net (decrease) / increase in cash held       1,290       724         Add cash and cash equivalents at beginning of the year       1,491       767	•		12 000	50.000
Dividends paid       6       (9,918)       (6,561         Capitalised borrowing costs       -       (256         Borrowings       (21,000)       (50,000         (30,918)       (56,817         Net cash flows from financing activities       (18,918)       (6,817         Net (decrease) / increase in cash held       1,290       724         Add cash and cash equivalents at beginning of the year       1,491       767	Donowings		12,000	50,000
Capitalised borrowing costs-(256Borrowings(21,000)(50,000)(30,918)(56,817)Net cash flows from financing activities(18,918)(6,817)Net (decrease) / increase in cash held1,290724Add cash and cash equivalents at beginning of the year1,491761				
Borrowings(21,000)(50,000Borrowings(30,918)(56,817Net cash flows from financing activities(18,918)(6,817Net (decrease) / increase in cash held1,290724Add cash and cash equivalents at beginning of the year1,491765	Dividends paid	6	(9,918)	
Net cash flows from financing activities(30,918)(56,817Net (decrease) / increase in cash held1,290724Add cash and cash equivalents at beginning of the year1,491761	Capitalised borrowing costs		-	(256
Net cash flows from financing activities(18,918)(6,817Net (decrease) / increase in cash held1,290724Add cash and cash equivalents at beginning of the year1,49176	Borrowings		(21,000)	(50,000
Net (decrease) / increase in cash held1,290724Add cash and cash equivalents at beginning of the year1,491767			(30,918)	(56,817
Add cash and cash equivalents at beginning of the year1,491767	Net cash flows from financing activities		(18,918)	(6,817
Add cash and cash equivalents at beginning of the year1,491763	Net (decrease) / increase in cash held		1,290	724
Cash and cash equivalents at the end of the year 2781 1 401	Add cash and cash equivalents at beginning of the year			
	Cash and cash equivalents at the end of the year		2,781	1,491

The accompanying notes 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 7 September 2015.

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

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

#### 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 1993 and the Companies Act 1993.

#### Functional and presentation currency

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

#### Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain assets 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 (p). A key factor of this classification is that the "interim use" of such property is not for aircraft related activities. The classification of property between categories gives rise to different accounting treatments which can impact the Statement of Financial Performance.

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

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

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

#### 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.

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 2015 are:

- NZ IFRS 15 Revenue from Contracts with Customers will replace NZ IAS 11 Construction Contracts, NZ IAS 18 Revenue on 1 Jan 2017. The core principle of NZ IFRS 15 is that an entity recognises revenue to reflect the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Management are still determining the impact the new standard will have on the company.
- NZ IFRS 9 Financial Instruments will eventually replace NZ IAS 39 Financial Instruments: Recognition and Measurement. NZ IAS 39 is being replaced through the following three main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology, and Phase 3 Hedge Accounting. Phase 1 has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial assets (its business model) and the contractual cash flow characteristics of the financial assets. The financial liability requirements are the same as those of NZ IAS 39, except for when an entity elects to designate a financial liability at fair value through the surplus/deficit. The new standard is effective for periods beginning on or after 1 January 2018. Management are still determining the impact Phase 2 and Phase 3 will have on the company.

# B. CURRENT VS. NON-CURRENT CLASSIFICATION

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- expected to be realised or intended to sold or consumed in normal operating cycle
- held primarily for the purpose of trading
- expected to be realised within twelve months after the reporting period; or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current. A liability is current when:

- it is expected to be settled in normal operating cycle
- it is held primarily for the purpose of trading
- it is due to be settled within twelve months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

# C. 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.

# D. REVENUE RECOGNITION

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

#### i. Sales of goods

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

#### ii. Sales of services

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

#### iii. Interest income

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

#### iv. Rental income

Rental income is recognised on a straight line basis in accordance with the substance of the relevant agreements.

# E. 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.

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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.

# F. 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.

#### G. LEASES

#### **Operating leases**

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

#### H. IMPAIRMENT

#### Non-financial assets

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

#### **Financial assets**

Assets are reviewed for impairment at the end of each reporting period and any possible loss is recognised when the carrying amount exceeds its recoverable amount.

# I. CASH AND CASH EQUIVALENTS

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

# J. TRADE RECEIVABLES

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

Collectability of trade receivables is reviewed on an on-going basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in Note 14.

# **K. 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.

# L. OTHER FINANCIAL ASSETS

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

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

# M. DERIVATIVES

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

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

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

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

#### 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.

### N. 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.

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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.

# O. 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.

The last valuation was performed by Crighton Anderson (car park assets) and Opus International Limited (buildings, terminal facilities, sealed surfaces and infrastructure assets) as at 30 June 2014. The land assets were reviewed for impairment as at 30 June 2015 by Crighton Anderson, with no adjustment for impairment being deemed necessary. The carrying values of property, plant and equipment are assessed annually to ensure they do not differ materially from the assets' fair values. If a material difference exists, then these off cycle asset classes are revalued.

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

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.

# P. 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 discounted cash flow projections, as determined annually by external valuers. Gains or losses arising from a change in fair value are recorded in the Statement of Financial Performance.

Crighton Anderson prepared the 2015 and 2014 investment property valuations.

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

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

# Q. FINITE LIFE INTANGIBLE ASSETS

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

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

#### R. 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.

#### S. 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 m(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 (qualifying asset) have been capitalised where the construction exceeds \$10 million and is greater than 12 months in duration.

Borrowing costs that are not capitalised are expensed as incurred.

#### T. 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.

## **U. PROVISIONS**

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

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

# V. EMPLOYEE BENEFITS

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

### W. 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.

# X. 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.

### Y. FINANCIAL INSTRUMENTS

#### **Financial assets**

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

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

#### Financial assets at fair value through profit or loss

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

#### Loans and receivables

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

#### **Financial liabilities**

The company classifies its financial liabilities in the following categories: financial liabilities at fair value through the profit and loss and financial liabilities at amortised cost. The classification depends on the purpose for which the financial liabilities were incurred. Management determines the classification of its financial liabilities at initial recognition.

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

#### Financial liabilities at fair value through profit and loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit and loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on liabilities held for trading are recognised in the income statement. The company has no liabilities held for trading as at 30 June 2015.

Financial liabilities designated at fair value through profit and loss are designated at the initial date of recognition.

# Z. GOODWILL

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

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

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

# AA. 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

	2015	2014
	\$000	\$000
1. OPERATING REVENUE		
Landing and Terminal charges	68,281	47,676
Rent and Lease income	56,608	47,070
Ground transport and other trading activities	25,718	24,812
Gain on disposal of assets	5,113	1,086
Other revenue	3,286	2,968
Total operating revenue	159,006	130,395
2. EXPENSES		
Operating Expenses		
Staff	25,075	24,253
Asset Management, maintenance and airport ops	11,155	10,503
Rates and insurance	5,719	5,576
Marketing and promotions	6,797	6,178
Professional services and levies	3,767	2,30
Commercial entity running costs	2,975	2,017
Other	6,185	6,994
	61,673	57,822
Other includes:		
Doubtful debts written off	48	-
Professional services and levies include:	_	
Audit of financial statements	102	99
Fees paid to the Auditor for other assurance services:	102	
- Audit of disclosure regulations	34	34
- Review of compliance with bond conditions	4	3
Staff costs comprise:		
Wages and Salaries	22,816	21,498
Payroll related expenses	1,915	2,431
Contributions to defined contribution schemes	44	49
Directors fees	300	275
Total staff costs	25,075	24,253
Finance and interest costs:		
Interest costs	21,399	21,429
Fair value hedge ineffectiveness	(172)	(43)
Total finance costs	21,227	21,386

No interest was capitalised during the period (2014: NIL).

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	2015	2014
	\$000	\$000
Depreciation, amortisation and impairment Depreciation (note 11) Amortisation of intangibles (note 12)	33,961 1,007	33,594 744
Total Depreciation, amortisation and impairment	34,968	34,338

During the year land, terminal, car parking, sealed surfaces and buildings, were tested for impairment by independent valuers. No impairment has been determined on the company's assets as at 30 June 2015 (2014: NIL).

# **3. INCOME TAX**

a) Income tax expense		
Operating surplus before income tax	50,205	23,521
Prima facie taxation at 28%	14,057	6,585
Plus/(less) taxation effect of:		
Revenue not assessible for tax purposes	(4,621)	(1,439)
Expenses not deductible for tax purposes	2,969	350
Income tax attributable to operating surplus	12,405	5,496
Over provision in prior years	-	(5)
Income tax attributable to operations	12,405	5,491
Deferred tax adjustment on buildings	(1,474)	2,336
Total taxation expense	10,931	7,827
b) Components of tax expense		
Current tax expense	11,016	5,687
Adjustments to current tax of prior years	-	(158)
Deferred tax expense	1,389	(38)
Deferred tax adjustment	(1,474)	2,336
	10,931	7,827

c) Taxation (receivable)/payable		
Balance at beginning of the year	2,799	960
Prior year adjustment	(69)	(235)
	2,730	725
Current tax expense	11,016	5,687
	13,746	6,412
(Payments to) / refund from:		
Inland Revenue Department	(3,600)	(2,900)
Subvention payments to members of the CCC tax group	(2,723)	(713)
Taxation (receivable)/payable	7,423	2,799

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 2015 was \$2,723,000 (2014 \$713,000). These payments are treated as if they were payments of income tax and are reflected as part of the taxation payable / (receivable) amount.

# **4. DEFERRED TAXATION**

	Opening balance	Charged to income	Charged to equity	Adjustment to Buildings	Deferred Tax on Sale of Asset	Closing balance
	\$000	\$000	\$000	\$000	\$000	\$000
2015						
Property, plant & equipment	101,872	(6,991)	-	-	-	94,881
Intangible assets	156	129	-	-	-	285
Investment properties	6,231	9,845	(2,765)	-	-	13,311
Provisions and payments	(107)	(391)	-	-	-	(498)
Derivatives	(755)	(1,134)	1,291	(3,042)	-	(3,640)
	107,397	1,458	(1,474)	(3,042)	-	104,339
2014						
Property, plant & equipment	86,192	(1,399)	2,336	14,860	(117)	101,872
Intangible assets	168	(12)	-	-	-	156
Investment properties	4,853	1,378	-	-	-	6,231
Provisions and payments	(181)	74	-	-	-	(107)
Derivatives	(3,045)	-	-	2,290	-	(755)
	87,987	41	2,336	17,150	(117)	107,397
			Nc	ote	2015	2014
					\$000	\$000

# 27 5. IMPUTATION CREDIT MEMORANDUM ACCOUNT

Balance at beginning of the year	552	204
Net income tax payments made / (refunded)	3,600	2,900
Imputation credits attached to dividends paid	(3,857)	(2,552)
Balance available for use in subsequent reporting periods	295	552

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

2013 Final dividend paid (\$0.05 per share)		-	2,907
2014 Interim dividend paid (\$0.06 per share)		-	3,654
2014 Final dividend paid (\$0.07 per share)		3,972	-
2015 Interim dividend paid (\$0.10 per share)		5,946	-
Total paid	7b	9,918	6,561

# 7. RESERVES AND RETAINED EARNINGS

# a) Reserves

### Balances

Asset revaluation reserve Capital reserve	453,492 366	457,233 366
	300	200
Balance at end of the year	444,093	455,658

	Note	2015	2014
		\$000	\$000
Cash flow hedges reserve			
Movements:			
Balance at the beginning of the year		(1,941)	(7,841)
Revaluation to fair value		(10,866)	8,190
Deferred tax on revaluation		3,042	(2,290)
Balance at end of the year		(9,765)	(1,941)

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

Asset revaluation reserve		
Balance at beginning of the year	457,233	395,883
Revaluation of assets	-	76,514
Deferred tax on revaluation	-	(14,860)
Transfer from Asset Revalue Reserve	(3,741)	(304)

Balance at end of the year

Comprising:		
Revaluation on:		
Land	224,113	227,854
Terminal facilities	103,359	103,359
Buildings	6,284	6,284
Sealed surfaces	41,024	41,024
Infrastructure assets	11,556	11,556
Car parking	67,156	67,156

Balance at end of the year	453,492*	457,233*
The asset revaluation reserve records movements in the fair value of property, plant and equipment. * balances are net of deferred tax		
Capital reserve		
Balance at the beginning of the year	366	366
Movements	-	-
Balance at end of the year	366	366
b) Retained earnings		
Balance at the beginning of the year	231,976	222,422
Net surplus for the year	39,274	15,694
Transfer from Asset Revaluation Reserve	3,741	421
Dividends paid 6	(9,918)	(6,561)
Balance at end of the year	265,073	231,976

457,233

453,492

### 8. BORROWINGS

The company has a \$235,000,000 (2014: \$205,000,000) funding facility with four banks and a subordinated loan of \$25,000,000 (2014: \$50,000,000) from majority shareholder, Christchurch City Holdings Ltd, to fund the on-going business and future property and commercial development. In addition, the company has an overdraft facility of \$1,000,000 (2014: \$1,000,000).

During the year, the Company extended the maturity of three existing facilities that were due to mature within the next twelve months. The facilities were extended to maturities of two, four and five years. Additionally, the limit of one of the extended facilities was increased by \$30,000,000. The increase in available facilities was then utilised to repay \$25,000,000 of subordinated debt that matured in February 2015.

Total bond funding is \$125,000,000 (2014:\$125,000,000). The funds raised from these bond issues were used to refinance in part the Company's maturing debt facilities. The \$75,000,000 bond is held at amortised cost, adjusted by the fair value of the designated hedge instrument.

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 6.2% to 6.5% (2014: 6.1% to 6.7%). The bond constitutes direct, unsecured, unsubordinated obligations and will rank equally with all other unsecured, unsubordinated indebtedness.

#### Maturity of debt as at 30 June

	2015	2015	2014	2014
	\$000	\$000	\$000	\$000
	Actual drawn down	Facility available	Actual drawn down	Facility available
Maturing in				
2015	-	-	25,000	25,000
2016	25,000	25,000	29,000	100,000
2017	85,000	130,000	76,000	80,000
2018	50,000	50,000	50,000	50,000
2019	-	25,000	-	-
2020	85,499*	105,000	70,033*	75,000
2021	-	-	-	-
2022	49,779**	50,000	49,744**	50,000
	295,278	385,000	299,777	380,000
Current	25,000	25,000	25,000	25,000
Non-current	270,278	360,000	274,777	355,000
	295,278	385,000	299,777	380,000

\*this balance includes \$75,000,000 of bond funding and is held at fair value including capitalised borrowing costs, as it is subject to a fair value hedge relationship.

\*\* This balance includes \$221,000 (2014: \$256,000) of capitalised borrowing costs associated with the issue of the \$50 million bond in October 2013.

	Note	2015	2014
		\$000	\$000
Bond principal		75,000	75,000
Directly attributable borrowing costs		(280)	(280)
Amortisation of borrowing costs (cumulative)		88	44
Fair value hedging adjustment 2015		4,422	-
Fair value hedging adjustment 2014		(1,364)	(1,364)
Fair value hedging adjustment 2013		(3,367)	(3,367)
Bond fair value		74,499	70,033

#### Fair value hedge

At 30 June 2015, the Company had an interest rate swap agreement in place with a notional amount of \$75,000,000 (2014: \$75,000,000) whereby the Company receives a fixed rate of interest of 5.15% and pays interest at a variable rate on the notional amount. The swap is being used to hedge the exposure to changes in the fair value of its 5.15% \$75,000,000 bond.

The increase in fair value of the interest rate swap of \$4,422,000 (Decrease 2014: \$1,364,000) has been recognised in finance costs and offset with a movement of \$4,594,000 on the bank borrowings. The ineffectiveness recognised in 2015 was \$172,000 (2014: \$43,000).

# 9. DERIVATIVE FINANCIAL INSTRUMENTS

Fair value	Notional principal		
2015	2014	2015	2014
\$000	\$000	\$000	\$000
727	960	70,000	30,000
727	960	70,000	30,000
249	4,861	75,000	75,000
12,415	1,380	423,000	334,000
12,664	6,241	498,000	409,000
	2015 \$000 727 727 249 12,415	2015     2014       \$000     \$000       727     960       727     960       249     4,861       12,415     1,380	2015         2014         2015           \$000         \$000         \$000           727         960         70,000           727         960         70,000           249         4,861         75,000           12,415         1,380         423,000

2015	2014
\$000	\$000

10. TRADE AND OTHER PAYABLES		
Trade and other payables less than one year		
Trade payables	12,034	1,315
Employee entitlements and provisions	2,461	2,439
Goods and Services Tax	(761)	(47)
Revenue in advance	455	208
Accrued interest	2,113	2,214
Accrued capital items	4,739	2,718
Accrued expenses	3,370	3,676
Provision*	-	497
Trade and other payables less than one year	24,411	13,020
Total trade and other payables greater than one year		
Revenue in advance	1,187	1,288
Trade and other payables greater than one year	1,187	1,288
Total trade and other payables	25,598	14,308

\* Provision for contracted costs associated with Spitfire Square retail development. This provision was fully utilised in the year ended 30 June 2015.

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# **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 optimised depreciated replacement cost (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 pro-rata share of an 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 o) Property, plant and equipment.

On 30 June 2014 car parking assets and commercial building assets were revalued by Independent Valuers Crighton Anderson Property and Infrastructure Ltd. Sealed surfaces, infrastructure assets and Terminal and Specialised buildings were valued by independent valuers Opus International Limited as at 30 June 2014.

The result of the revaluations at 30 June were:

	2015	2014
	\$000	\$000
Land	-	-
Buildings	-	4,317
Sealed surfaces	-	4,106
Terminal	-	58,598
Infrastructure	-	359
Car parking	-	9,134
	-	76.514

The valuation methodologies used in the revaluation as at 30 June 2014 were consistent with those used in the last valuation. Land was last revalued on 30 June 2013.

Summary of movement in net book value *		
Opening net book value	955,520	888,348
Plus Additions	60,973	39,271
Plus Transfers from / (to) investment properties and intangibles	(51,892)	(14,884)
Less Disposals (cost less depreciation)	(5,475)	(135)
Less this year's depreciation	(33,961)	(33,594)
Plus Revaluation	-	76,514
Closing net book value at 30 June	925,165	955,520

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Building held for sale

# PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2015

# Gross carrying amount

	Cost/ Valuation 1 July 2014	Current Year Additions at Cost	Transfers at Cost	Disposals at Cost/ Impairment	Revaluation Adjustment	Cost/ Valuation 30 June 2015
	\$000	\$000	\$000	\$000	\$000	\$000
Land	291,090	-	(12,799)	(5,382)	-	272,909
Buildings	31,353	-	1,257	-	-	32,610
Terminal facilities	340,412	-	3,873	-	-	344,285
Sealed surfaces	133,119	-	5,773	-	-	138,892
Plant & equipment	6,733	11	249	(132)	-	6,861
Office & computers	8,136	116	971	(151)	-	9,072
Infrastructure	32,413	-	8,624	-	-	41,037
Car parking	102,500	-	2,105	-	-	104,605
Motor vehicles	7,559	4	1,934	(205)	-	9,292
Work in progress	12,003	60,842	(63,879)	-	-	8,966
Total gross carrying amount	965,318	60,973	(51,892)	(5,870)	-	968,529

# Accumulated depreciation

	Accumulated Depreciation 1 July 2014	Current Year Depreciation	Depreciation on Transfers	Depreciation on Disposals	Revaluation Adjustment	Accumulated Depreciation 30 June 2015
	\$000	\$000	\$000	\$000	\$000	\$000
Buildings	-	1,203	-	-	-	1,203
Terminal facilities	-	20,063	-	-	-	20,063
Sealed surfaces	-	7,627	-	-	-	7,627
Plant & equipment	2,776	532	-	(52)	-	3,256
Office & computers	2,855	1,257	-	(156)	-	3,956
Infrastructure	-	1,622	-	-	-	1,622
Car parking	-	1,011	-	-	-	1,011
Motor vehicles	4,167	646	-	(187)	-	4,626
Total accumulated depreciation	9,798	33,961	-	(395)	-	43,364

### Summary

	1 July 2014	Current year movement	Transfers	Disposals	Revaluation	30 June 2015
	\$000	\$000	\$000	\$000	\$000	\$000
Cost Accumulated Depreciation	965,318 9,798	60,973 33,961	(51,892)	(5,870) (395)	-	968,529 43,364
Book Value	955,520	27,012	(51,892)	(5,475)	-	925,165

#### Fair value hierarchy

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Asset classification and description	Valuation approach	Key valuation assumptions	Fair value hierarchy Level	Valuation Impact + / - 5%
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 \$569,000	3	+/-\$13.853 (of a 5% change in discount rate)
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	+/- \$12.524 million (of a 5% change of cost estimate)
Infrastructure and Sealed Sur	rfaces			
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	Lives spanning from 15 to 120 years, an airside factor and prelim and general costs of 13.5% and 10% respectively. WACC 8.4, Inflation rate of 2.5%	3	+/- \$8.463 million (of a 5% change of cost estimate)
Buildings				
Buildings for identified airport activities, including space offices 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.	For specialised buildings the modern equivalent asset cost rates from recent construction projects. Useful life of up to 60 years for assets.	3	+/- \$1.660 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.	Modern equivalent asset cost rates from recent construction projects. Useful life of up to 60 years for assets	3	+/- \$17.020 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 management and 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 1% Cost growth per annum 2% Discount rate 8.75% post tax, 10 year cash flow period	3	+/- \$5.125 million (of a 5% change in discount rate)

#### Plant & equipment, Office & computers, Motor Vehicles and Work in process

& computers Motor Vehicles cost less depreciation and Work in progress are measured at cost and comprises a mixture of specialised and non-specialised assets

Plant and equipment, Office Not applicable - measured at

### Level 3 Asset Classification

	Sensitivity of significant unobservable inputs
Land	The critical elements in establishing the market value existing use valuation of land is the market rate prevailing for similar land. - An increase in demand for land will increase the fair value - An 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 useful life of the assets.
Buildings	<ul> <li>An increase in modern equivalent asset replacement cost will increase the fair value</li> <li>A decrease in modern equivalent asset replacement will decrease the fair value</li> <li>An increase in the cash flow from an asset will increase the fair value</li> <li>A decrease in the cash flow from an asset will decrease the fair value</li> </ul>
Investment Properties	- An increase in the cash flow from an asset will increase the fair value - A decrease in the cash flow from an asset will decrease the fair value of the asset
Car parking	<ul> <li>An increase in the vehicle numbers will increase the fair value</li> <li>A decrease in vehicle numbers will decrease the fair value</li> <li>An increase in the discount rate used would decrease the fair value</li> <li>An increase in costs would decrease the fair value</li> </ul>

# PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2014

# Gross carrying amount

Cost/ Valuation 1 July 2013	Current Year Additions at Cost	Transfers at Cost	Disposals at Cost/ Impairment	Revaluation Adjustment	Cost/ Valuation 30 June 2014
\$000	\$000	\$000	\$000	\$000	\$000
004.0.4.4		(05.4)			001.000
- 1-	-	1 7	-	-	291,090
	-	(958)	(115)	173	31,353
331,895	-	1,895	-	6,622	340,412
139,687	-	4,414	-	(10,982)	133,119
6,263	52	455	(37)	-	6,733
4,040	244	3,852	-	-	8,136
27.195	-	7.741	-	(2,523)	32,413
91.811	44	2.738	-	7.907	102,500
7.479	-	184	(104)	-	7.559
7,423	38,931	(34,351)	-	-	12,003
939,990	39,271	(14,884)	(256)	1,197	965,318
3,479	-	-	(3,479)	-	-
	Valuation 1 July 2013 \$000 291,944 32,253 331,895 139,687 6,263 4,040 27,195 91,811 7,479 7,423 <b>939,990</b>	Valuation 1 July 2013         Additions at Cost           \$000         \$000           291,944         -           32,253         -           331,895         -           139,687         -           6,263         52           4,040         244           27,195         -           91,811         44           7,479         -           7,423         38,931	Valuation 1 July 2013         Additions at Cost         at Cost           \$000         \$000         \$000           291,944         -         (854)           32,253         -         (958)           331,895         -         1,895           139,687         -         4,414           6,263         52         455           4,040         244         3,852           27,195         -         7,741           91,811         44         2,738           7,479         -         184           7,423         38,931         (34,351)	Valuation 1 July 2013         Additions at Cost         at Cost/ Impairment           \$000         \$000         \$000           \$000         \$000         \$000           291,944         -         (854)         -           32,253         -         (958)         (115)           331,895         -         1,895         -           139,687         -         4,414         -           6,263         52         455         (37)           4,040         244         3,852         -           27,195         -         7,741         -           91,811         44         2,738         -           7,479         -         184         (104)           7,423         38,931         (34,351)         -	Valuation 1 July 2013         Additions at Cost         at Cost Impairment         Adjustment           \$000         \$000         \$000         \$000         \$000           291,944         -         (854)         -         -           32,253         -         (958)         (115)         173           331,895         -         1,895         -         6,622           139,687         -         4,414         -         (10,982)           6,263         52         455         (37)         -           4,040         244         3,852         -         -           27,195         -         7,741         -         (2,523)           91,811         44         2,738         -         7,907           7,479         -         184         (104)         -           7,423         38,931         (34,351)         -         -

# Accumulated depreciation

	Accumulated Depreciation 1 July 2013	Current Year Depreciation	Depreciation on Transfers	Depreciation on Disposals	Revaluation Adjustment	Accumulated Depreciation 30 June 2014
	\$000	\$000	\$000	\$000	\$000	\$000
Buildings	3,205	1,119	(169)	(11)	(4,144)	-
Terminal facilities	32,827	19,539	(391)	-	(51,975)	-
Sealed surfaces	6,889	8,200	-	-	(15,089)	-
Plant & equipment	2,257	555	-	(36)	-	2,776
Office & computers	1,473	822	560	-	-	2,855
Infrastructure	1,348	1,534	-	-	(2,882)	-
Car parking	-	1,230	-	(3)	(1,227)	-
Motor vehicles	3,643	595	-	(71)	-	4,167
Total accumulated depreciation	51,642	33,594	-	(121)	(75,317)	9,798
Asset held for sale	245	-	-	(245)	-	-

#### Summary

	1 July 2013	Current year movement	Transfers	Disposals	Revaluation	30 June 2014
	\$000	\$000	\$000	\$000	\$000	\$000
Cost	939,990	39,271	(14,884)	(256)	1,197	965,318
Accumulated Depreciation	51,642	33,594	-	(121)	(75,317)	9,798
Book Value	888,348	5,677	(14,884)	(135)	76,514	955,520
Asset held for sale	3,234	-	-	(3,234)	-	-

\* The book value of the building held for sale was reclassified at 30 June 2013 following the decision to sell the asset, this was sold for \$4,366,000 which resulted in a profit on sale of \$1,063,000 and a transfer from the asset revaluation reserve to retained earnings of \$421,000.

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

	2015	2014
	\$000	\$000
Land	121,791	123,211
Buildings	21,773	21,791
Sealed surfaces	199,512	216,373
Terminal	89,291	87,930
Infrastructure	27,669	24,234
Car parking	37,324	36,517
	497,360	510,056

#### **12. INTANGIBLE ASSETS AS AT 30 JUNE 2015**

#### Gross carrying amount

	Cost/valuation 1 July 2014	Current year additions at cost	Transfers from WIP	Current year disposals/ impairment	Cost/valuation 30 June 2015
	\$000	\$000	\$000	\$000	\$000
Software	5,454	18	2,415	(1,330)	6,557
Goodwill	5,131	-	-	-	5,131
Total gross carrying amount	10,585	18	2,415	(1,330)	11,688

#### Accumulated amortisation

	Accumulated amortisation 1 July 2014	Current year amortisation		Amortisation on disposal	Accumulated Amortisation 30 June 2015
	\$000	\$000		\$000	\$000
Software	4,022	1,007	-	(1,330)	3,699
Total accumulated amortisation	4,022	1,007	-	(1,330)	3,699
Total Book value 30 June 2014	6,563	(989)	2,415	-	7,989

Goodwill was generated through the acquisition of Craddocks car storage in the 2011 financial year and the International Antarctic Centre in the 2012 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.

As at 30 June 2015, \$3,391,000 of the goodwill related to the International Antarctic Centre (IAC). The recoverable amount of the IAC CGU is determined by a value in use discounted cash flow method, using cash flow projections for the next five years. The projected cash flows are adjusted for associated risks and are discounted using a nominal rate of 11.5% (pre-tax). Revenue growth assumptions used in the projections are based on past performance and management's expectations of visitor growth and range from 3%-5%.

The remaining goodwill 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, which confirmed that no impairment is required to be recognised. The valuation was discounted using a nominal rate of 8.75% (post-tax). Revenue and expense growth assumptions were based on board approved budgets for the next three years and ranged between 1%-2%.

#### **INTANGIBLE ASSETS AS AT 30 JUNE 2014**

#### Gross carrying amount

	Cost/valuation 1 July 2013	Current year additions at cost	Current year disposals/ impairment	Cost/valuation 30 June 2014
	\$000	\$000	\$000	\$000
Software	5,139	315	-	5,454
Goodwill	5,131	-	-	5,131
Total gross carrying amount	10,270	315	-	10,585

#### Accumulated amortisation

	Accumulated amortisation 1 July 2013	Current year amortisation	Amortisation on disposal	Accumulated Amortisation 30 June 2014
	\$000	\$000	\$000	\$000
Software	3,278	744	-	4,022
Total accumulated amortisation	3,278	744	-	4,022
Total Book value 30 June 2013	6,992	(429)	-	6,563

	2015	2014
	\$000	\$000
13. INVESTMENT PROPERTIES		
At fair value Fair value at the beginning of the year Transfer from property, plant and equipment Additional capitalised expenditure Disposal Fair value gain from fair value adjustment	193,175 14,754 30,488 (2,184) 18,086	169,383 275 10,834 - 9,223
Fair value at 30 June	254,319	189,715
Investment properties under construction	773	3,460
Total Investment properties	255,092	193,175
Rental income Direct operating expenses from property that generated rental income	14,985 2,420	13,140 3,998

Included in the amount above is \$30,592,000 related to Investment Properties under construction, but sufficiently advanced to enable a fair value to be assessed by the independent valuer. These properties are carried at fair value on completion less estimated costs to complete.

During the 2014 year the company ended a ground lease with the tenant on the site identified for the Spitfire Square development. As a result of the lease agreement, compensation was required to be paid to the tenant equal to the value of the improvements they had constructed on the site. This one-off cost is required to be expensed to the Statement of Financial Performance under current accounting standard rules.

#### Valuation of investment property

The valuation as at 30 June 2015 was completed by Crighton Anderson Property and Infrastructure 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 8.56% (2014: 9.49%)

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- Average market capitalisation rate 7.77% (2014: 8.89%)
- Weighted average lease term 4.63 years (2014: 4.40 years).

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

	2015	2014
	\$000	\$000
14. TRADE AND OTHER RECEIVABLES		
Trade and other receivables less than one year		
Accounts receivable	9,111	6,298
Other receivables	2,039	2,299
Prepayments	1,595	1,713
Lease inducement	646	646
Provision for doubtful debts	(61)	(109)
Trade and other receivables less than one year	13,330	10,847
Trade and other receivables greater than one year		
Prepayments	211	140
Lease inducement	7,116	7,763
Trade and other receivables greater than one year	7,327	7,903
Total trade and other receivables	20,657	18,750

### 15. RECONCILIATION OF ADJUSTED SURPLUS/(DEFICIT) AFTER INCOME TAX WITH NET CASHFLOW FROM OPERATING ACTIVITIES

Net operating surplus after tax	39,274	15,694
Non cash items Depreciation, amortisation and impairment Amortisation of lease surrender (Gain)/loss on revaluation of investment properties Amortisation of capitalised borrowing costs	34,968 647 (18,086) 79	34,338 680 (9,223) 44
Accrued interest within derivatives Fair Value hedge ineffectiveness	(81) (173)	(283) (43)
Items not classified as operating activities Net gain on asset disposals Capital items included in trade payables and accruals Deferred taxation	(5,113) (1,080) (1,307)	(1,086) (675) 2,375
Movements in working capital (Increase)/decrease in trade and other receivables (Increase)/decrease in inventories Increase/(decrease) in trade and other payables Increase/(decrease) in taxation payable	(2,554) 106 11,290 5,915	(2,665) (354) 1,440 1,839
Net cashflows from operating activities	63,885	42,081

2015	2014
\$000	\$000

#### **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, Stateowned 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 directly controls Air New Zealand, a major customer of CIAL from both an aeronautical and rental and lease perspective. Pricing agreements were renegotiated for aeronautical charges with all airline customers of CIAL, including Air New Zealand, every five years. Air New Zealand also leases a number of properties within the terminal and the wider CIAL campus.

#### Transactions with related entities during the year

Christchurch City Council (CCC)		
Purchases	284	108
Rates paid	3,919	3,371
Revenues	5	5
Subvention payments	236	713
Group loss offset	-	-
Accounts payable	1	9
Christchurch City Holdings Limited (CCHL)		
Interest paid	2,623	2,795
Subordinated loan balance payable	25,000	50,000
Revenues	-	-
Group loss offset	606	1,433
Other CCC group companies		
Purchases	1,128	2,878
Revenues	27	105
Accounts payable	7	118
Amounts owing	1	11
Subvention payments	2,487	-
Group loss offset	6,396	400

#### 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.

#### **17. KEY MANAGEMENT PERSONNEL COMPENSATION**

The key management personnel include the CEO and his direct reports consisting of 7 people.

The key management compensation is:		
Salaries and other short term employee benefits	2,221	2,278
Post-employment benefits	56	35
Termination benefits	141	-

This excludes directors' remuneration which is disclosed in note 2.

2,313

2,418

2015	2014
\$000	\$000

#### **18. COMMITMENTS**

Capital expenditure commitments		
	10,384	5,567

#### **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:

	324,137	312,891
Beyond 5 years	128,742	108,240
Between 3-5 years	55,947	61,535
Between 1-2 years	90,397	92,201
Less than 1 year	49,051	50,915

The leases are for terms between 1 month and 38 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 2015 there was no contingent asset (2014: NIL) and there were no contingent liabilities (2014: NIL).

#### **21. EVENTS OCCURRING AFTER BALANCE DATE**

A final dividend of \$14,703,000, 25.5 cents per share (2014: \$3,972,000) 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 (2014: 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 2015 (2014: 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 fixed rate retail bonds have been hedged by fixed to floating interest rate swaps with terms that match those of the underlying bonds.

At 30 June 2015, if the interest rates had changed by +/- 1%, with all other variables held constant, the impact to equity would have been \$466,000 lower/\$467,000 higher, the impact on profit would have been \$223,000 lower/\$224,000 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 2015		70	ÇCCC	çooo	ÇOOO	Ç000
FINANCIAL ASSETS Cash and cash equivalents		2.5	2.781	-	-	2.781
Trade and other receivables	14	-	-	-	20,657	20,657
			2,781	-	20,657	23,438
FINANCIAL LIABILITIES						
Trade and other payables	10	-	_	_	23.137	23,137
Derivative financial instruments	9	4.7	13,142	-		13,142
Borrowings	8	7.0	171,000	124,278	-	295,278
Employee benefits	10	-	-	-	2,461	2,461
			184,142	124,278	25,598	334,018
As at 30 June 2014						
FINANCIAL ASSETS						
Cash and cash equivalents		2.5	1.491	-	-	1.491
Trade and other receivables	14	-	-	-	18,750	18,750
			1,491	-	18,750	20,241
FINANCIAL LIABILITIES						
Trade and other payables	10	_	_	_	11.869	11,869
Derivative financial instruments	9	4.9	7,201	_	-	7,201
Borrowings	8	7.1	180,000	119,777	-	299,777
Employee benefits	10	-		-	2,439	2,439
			187,201	119,777	14,308	321,286

#### 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 2015 86% (2014: 79%) 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 2015 a \$48,000 of debtor balances (2014: \$NIL) was written off, this represents less than 0.00% (2014: 0.00%) of total trade receivables. No further amounts were provided for doubtful debts (2014: NIL). The status of trade receivables at the reporting date is as follows:

	2015	2014
	\$000	\$000
Neither past due nor impaired	7,558	5,781
Past due but not impaired 0 – 30 days	1,358	371
Past due but not impaired 31 – 60 days	33	39
Past due but not impaired > 60 days	162	107
Impaired assets – written down to recoverable value	-	-
	9.111	6.298

There are no restructured assets at 30 June 2015 (2014: NIL). No collateral has been taken as security for trade receivables.

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

#### Liquidity risk

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

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

30 June 2015	Carrying Amount	Total Cash Flow	On demand	< 1 year	1-2 years	3-5 years	> 5 years
Trade and other payables	25,598	25,598	24,411	1,187	-	-	-
Borrowings	295,278	347,687	-	39,254	155,037	98,708	54,688
Derivative financial instruments*	13,391	14,162	-	3,736	6,910	3,535	(19)
	334,267	387,447	24,411	44,177	161,947	102,243	54,669
30 June 2014	Carrying Amount	Total Cash Flow	On demand	< 1 year	1-2 years	3-5 years	> 5 years
Trade and other payables	14,308	14,308	13,020	1,288	-	-	-
Borrowings	299,777	369,078	-	40,621	129,231	64,482	134,744
Derivative financial instruments*	7,201	7,389	-	3,631	2,664	2,315	(1,221)

\* 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
	2015	2014	2015	2014	2015	2014
	%	%	\$000	\$000	\$000	\$000
Outstanding floating for fixed contracts Less than 1 year 1 to 2 years 3 to 5 years Beyond 5 years	5 4.3 5.1 4.3	5.7 4.6 5.3 4.4	70,000 120,000 160,000 143,000	30,000 110,000 134,000 90,000	727 2,786 8,074 1,555	960 522 3,194 (2,336)
			493,000	364,000	13,142	2,340
Outstanding fixed to floating contracts						
3 to 5 years	5.2	-	75,000	-	249	-
Beyond 5 years	-	5.2	-	75,000	-	4,861

#### Movement in cash flow hedge reserve - interest rate swaps

	2015	2014
	\$000	\$000
Movement in fair value of existing contracts	10,802	(8,512)

#### 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.

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 2015.

	Level 1	Level 2	Level 3	Total balance
	\$000	\$000	\$000	\$000
Liabilities				
Derivative financial instruments	-	13,391	-	13,391
Total liabilities	-	13,391	-	13,391

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	At fair value through profit and loss	Loans & receivables	Available for sale	Other amortised cost	Total carrying amount
		\$000	\$000	\$000	\$000	\$000
As at 30 June 2015						
CURRENT ASSETS Cash and cash equivalents Trade and other receivables	14	-	2,781 11,735	-	-	2,781 11,735
Total current financial assets		-	14,516	-	-	14,516
NON-CURRENT ASSETS Trade and other receivables	14	-	7,116	-	-	7,116
Total non-current financial assets		-	7,116	-	-	7,116
Total financial assets		-	21,632	-	-	21,632
CURRENT LIABILITIES						
Trade and other payables* Borrowings	10 8	-	-	-	23,956 25,000	23,956 25,000
Derivative financial instruments	9	727	-	-	-	727
Total current financial liabilities		727	-	-	48,956	49,683
NON-CURRENT LIABILITIES Borrowings Derivative financial instruments	8	- 12,664	-	-	270,278	270,278 12,664
	2					
Total non-current financial liabilities		12,664	-	-	270,278	282,942
Total financial liabilities		13,391	-	-	319,234	332,625
As at 30 June 2014 CURRENT ASSETS						
Cash and cash equivalents Trade and other receivables	14	-	1,491 9,134	-	-	1,491 9,134
Total current financial assets		-	10,625	-	-	10,625
NON-CURRENT ASSETS Trade and other receivables	14	-	7,763	-	-	7,763
Total non-current financial assets		-	7,763	-	-	7,763
Total financial assets		-	18,388	-	-	18,388
CURRENT LIABILITIES						
Trade and other payables* Borrowings	10 8	-	-	-	12,812 25,000	12,812 25,000
Derivative financial instruments	9	960	-	-	-	960
Total current financial liabilities		960	-	-	37,812	38,772
NON-CURRENT LIABILITIES Borrowings	8	-	-	-	274,777	274,777
Derivative financial instruments	9	6,241	-	-	-	6,241
Total non-current financial liabilities		6,241	-	-	274,777	281,018
Total financial liabilities		7,201	-	-	312,589	319,790

\* Excludes revenue in advance

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#### 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 2015 with those targets are as follows:

	2015 Achievement	2015 Target
Financial performance targets		
Operating revenue	\$159.0m	\$156.7m
EBITDA	\$93.2m	\$92.8m
Net Profit After Tax (NPAT)	\$39.3m*	\$26.2m
EBITDA as % of Revenue	58.6%	59.2%
Net Profit After Tax to average equity	5.2%	3.8%
Return on assets (NPAT as % of average total assets)	3.3%	2.3%
Operational movement targets		
Aircraft		
Commercial Aircraft Movements	66,487	66,713
Passenger numbers		
Domestic	4,482,026	4,496,110
International	1,446,894	1,408,290
Total passengers	5,928,920	5,904,400
Operational performance targets	\$	\$
Aeronautical Revenue per Passenger	11.52	11.69
EBITDA per Passenger	15.71	15.72
Total Assets per Passenger	204.6	193.7
Net Debt per Passenger	49.3	55.6
Ratio of Aeronautical to Total Operating Revenue	38.5%	44.0%
* CIAL's net profit before tax of \$50.2m was made up of:		
Underlying Operating Profit before tax	\$36.3m	
Realised Gain on Disposal of Assets	\$5.1m	
Net Unrealised Gains on Investment Property Revaluations	\$8.8m	

This amount exceeded the original target because the realised gains on asset sales were not forecast and there was a greater than expected gain from the revaluation of the investment properties. In addition, the underlying profit before tax amount was enhanced through lower than forecast interest and depreciation costs during the year.

# **CORPORATE SOCIAL RESPONSIBILITY**

Performance Target	2015	Achievements
1. Lost time Injuries	• Nil	4 lost time injuries were recorded     in the 2014/15 year.
		<ul> <li>The first LTI was sustained by a staff member when lifting a heavy piece of steel. The staff member had 2 days off work and then returned to full duties. Process changes have been implemented to reduce the likelihood of this happening in the future.</li> </ul>
		The second LTI occurred when a staff member jumped to the ground from an inappropriate height and aggravated a recently operated on knee. The staff member had one day off and returned to full duties. The importance of planning work correctly and using the correct equipment was identified through the investigation into this incident. Future work of this kind will incorporate more in-depth work planning to ensure the correct equipment is used.
		• The third LTI was sustained when a staff member was repairing an autogate and it slipped off the wooden blocks crushing his left ring finger. As a result of this Propel have developed a purpose built steel frame to take the load of the autogate safely.
		• The fourth LTI occurred when a Craddocks staff member was unloading passengers and baggage out the front of the international terminal. During this process a strong southerly wind moved the sliding door off its hinge impacting on the staff members back. As a result of this Craddocks management have introduced a process for unloading and loading in heavy wind.
		• Zero harm is the goal for CIAL however the achievement of zero harm is not something that happens quickly or easily. It is a journey of combining shifting cultures and attitudes towards safety. CIAL is on this journey and key indicators of a healthy health and safety culture are already prevalent. Near miss reporting has increased significantly over the past two years. Near miss reporting is essential to stop hazards harming our staff or anyone else who visits our campus.
		CIAL takes its journey to zero harm very seriously and no accident is acceptable.
<b>2.</b> Lost Time injury frequency rate (LTI / million hours worked	• Nil	6.98 is the 12 month rolling lost time injury frequency rate.
		<ul> <li>CIAL benchmarks H&amp;S performance against the Business Leaders Forum sector of Wholesale Trade, Transport, Postal and Warehousing, a sector that includes Auckland and Wellington airports. The rolling 12 month benchmark was 9.2.</li> </ul>

Performance Target	2015	Achievements
<b>3.</b> To minimise the impact of airport activities on groundwater quality through cost-effective measures to avoid or mitigate the risks of contamination	Ensure on-going compliance with NZ Drinking Water Standards through implementation of the Public Risk and Management Plan for Managing Potable Water and regular monitoring of potable drinking groundwater supply	<ul> <li>Completed – drinking water is audited yearly to ensure compliance with NZ Drinking Water Standards.</li> </ul>
	Continue Environmental Compliance and Monitoring Programme with existing airport operators and new operators on airport land.	• Tenant audit programme is ongoing, with no major non-conformances noted.
	Ensure all new operators are provided     with Environmental Training	Ongoing as new tenants take up leases
	Label storm water drainage systems     in all new developments	Ongoing as part of Propels     maintenance programme
<b>4.</b> To investigate and implement cost-effective ways in which to progressively reduce the amount of solid waste arising from airport activities being disposed of to landfill through the development of waste minimisation and recovery measures	Continue to investigate and implement waste minimisation initiatives that ensure landfill diversion rates are sustained or increased	<ul> <li>This item remains ongoing. Options are being explored to weigh waste as it enters CIAL compactors to recharge tenants. This project is still in scoping stage. Current recycling diversion rate is 37.5% (2014: 30%).</li> </ul>
<b>5.</b> To minimise the energy consumption by airport activities through the pursuit of efficient energy practices	Continue to investigate and implement energy saving initiatives that ensure energy consumption is reduced	• The Environment team has meet with Energy Efficiency and Conservation Authority (EECA) representatives to explore options for grants to have sustainable design reviews of new tenant builds. This is being explored for the current ANZCO proposal.
6. To deliver on our corporate social responsibility and community interest obligations	<ul> <li>To sponsor key events which bring visitors to Christchurch (including the Christchurch Airport Marathon)</li> </ul>	Christchurch Airport Marathon
		<ul><li>Christchurch Arts Festival</li><li>Christchurch Stand Tall</li></ul>
	To sponsor cultural events important to the city	Christchurch Symphony Orchestra
		Court Theatre
		Principal sponsor of     Christchurch Pops Choir
		Mackenzie Night Sky Festival
	Support community initiatives and organisations through the CIAL Community Fund and other donations through the year	Grants to Youthline Central South     Island, Rotary Club of Christchurch,     Rotary Club of Avonhead, Christchurch     Returned and Services Association
	• To host two charities a month to operate their fundraising day activities within the terminal	Ongoing, with the spots in high demand
	Take opportunities to engage with stakeholders and the community through public speaking by the CEO and GMs, offering members of the public opportunities to carry out volunteer tasks at the airport	<ul> <li>Chief Executive has made several public addresses in response to a large number of requests – to community and business groups, leadership groups and visitors</li> <li>Other GMS also male addresses and address conferences and gathering as relevant to their area of expertise</li> <li>CIAL Liaison Group meets quarterly and members of the group are more interactive with us, now they have met some of the managers and know who to direct an inquiry to</li> </ul>

Performance Target	2015	Achievements
7. To manage Operational Risk	• Achieve a Bird Strike incidence rate of 3<4/10,000 aircraft movements on a 12 month rolling average basis in line with level set for airports of a similar scale	• The current strike rate is 3.5/10,000 movements, this is comparable to the same period 12 months ago where the strike rate was 3.4/10,000
	Work with territorial authorities and other stakeholders to implement management strategies for pest birds which pose bird strike hazard risks	This remains ongoing with     submissions made through the     District Plan review on this matter.
	Work with statutory authorities and the community to achieve general acceptance of noise contours and associated policies and rules in regional and district plans to protect the 24/7 airport operating status	This remains ongoing with     submissions made through the     District Plan review on this matter.
8. To minimise the effects of noise and vibration associated with aircraft and airport operations and to comply with relevant noise rules	Adhere to new noise contours in the Regional Policy Statement	CIAL have continued to achieve compliance with noise management regulations through the implementation of the annual Noise Management Plan.
<b>9.</b> To deliver an environment for staff that is supportive, stimulating and engaging	Refresh strategies aligned with employee     attraction, engagement and talent development	• Employee engagement survey performed and analysed annually, with action plans in each area. 2015 Survey will be conducted in September 2015
		New Learning Management System will be implemented in late 2015 holding and tracking learning records and opportunities, development plans, enabling more transparent development plans, succession planning, and learning opportunities.
		On-boarding process has been reviewed in early 2015 with plans now underway to revamp the process, considering the on- boarding journey from pre-employment through well into the new employee's career where the employee then becomes instrumental in engaging those staff newer to them. Revised programme will enhance early engagement and create multiple touch points to aid support staff in understanding their contribution to our success and engage with Company culture, values and strategy.
		• Leadership development plan is underway with work being done at the executive level to prepare a platform for development in a wider group of leaders.

## INDEPENDENT AUDITOR'S REPORT

AUDIT NEW ZEALAND Mana Arotake Aotearoa

To the readers of Christchurch International Airport Limited's financial statements and performance information for the year ended 30 June 2015

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

#### OPINION ON THE FINANCIAL STATEMENTS AND THE PERFORMANCE INFORMATION

We have audited:

the financial statements of the company on pages 13 to 43, that comprise the statement of financial position as at 30 June 2015, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and

the performance information of the company on pages 44 to 47.

#### In our opinion:

- the financial statements of the company:
  - present fairly, in all material respects:
    - > its financial position as at 30 June 2015; and
    - > its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with New Zealand equivalents to the International Financial Reporting Standards (NZ IFRS); and
- the performance information of the company presents fairly, in all material respects, the company's achievements measured against the performance targets adopted for the year ended 30 June 2015.

Our audit was completed on 7 September 2015. This is the date at which our opinion is expressed.

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

#### **Basis of opinion**

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

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

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

An audit also involves evaluating:

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

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and the performance information. Also, we did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

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

#### **Responsibilities of the Board of Directors**

The Board of Directors is responsible for the preparation and fair presentation of financial statements for the company that comply with generally accepted accounting practice in New Zealand and NZ IFRS. The Board of Directors is also responsible for preparation of the performance information for the company.

The Board of Directors' responsibilities arise from the Local Government Act 2002.

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

#### **Responsibilities of the Auditor**

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

#### Independence

When carrying out the audit, we followed the independence requirements of the Auditor General, which incorporate the independence requirements of the External Reporting Board.

Other than the audit, 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 company, we have no relationship with or interests in the company.

Andy Burns Audit New Zealand On behalf of the Auditor General Christchurch, New Zealand

# DIRECTORY

#### DIRECTORS

as at June 30 2015

David Mackenzie Chairman

Catherine Drayton Director

Laura Palomino de Forbes Director Appointed 1 May 2015

**Justin Murray** Director

Chris Paulsen Director

André Lovatt Director

#### **SHAREHOLDERS**

51

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

Andy Lester Chief Operating Officer

**Tim May** Chief Financial Officer

**Blair Forgie** Chief Commercial Officer Property and Commercial

**Justin Watson** Chief Commercial Officer Aeronautical

**Rhys Boswell** General Manager Strategy and Sustainability

**Michael Singleton** General Manager Legal and Corporate Affairs

#### BANKERS

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

#### **SOLICITORS**

Buddle Findlay, Christchurch Chapman Tripp, Christchurch

#### **REGISTERED OFFICE**

Fourth Floor, Carpark Building Christchurch International Airport Memorial Avenue, PO Box 14-001 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 2015 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 7 September 2015 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.



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