FINANCIAL STATEMENTS
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**FINANCIAL STATEMENTS**
For the year ended 30 June 2016

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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 119, 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 Officer (CEO), approving his or her performance and, where necessary, terminating the CEO’s employment;
• Approving and monitoring the company’s financial statements and other reporting, including reporting to shareholders, and ensuring the company’s disclosure obligations are met;
• Adopting appropriate procedures to ensure compliance with all laws, governmental regulations, applicable codes and accounting standards;
• Ensuring that CIAL’s internal decision making and compliance policies and procedures are implemented, to ensure that the business of the company is conducted in an open and ethical manner;
• Approving performance criteria for CIAL and monitoring the performance of the CEO and executive leadership against these;
• Deciding necessary actions to protect CIAL’s financial position and the ability to meet its debts and other obligations when they fall due, and ensuring that such actions are taken;
• Ensuring that the company adheres to high ethical and corporate behaviour standards;
• Establishing procedures and systems to ensure the occupational health 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 CEO. Such day-to-day operations are required to be conducted in accordance with strategies set by the Board.

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

BOARD STRUCTURE

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

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 defining 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 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 nine times during the year. In addition a number of Board workshops were also held to consider discrete subject matters.

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

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

At each 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 CEO’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.

### 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 identified by:

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

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

There were no qualifications to the assurances provided by management for the year ended 30 June 2016.

### 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 2016 financial year to ensure such risk remains adequately protected through both the type and duration of insurance coverage and the level of capacity placed. Details 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 2016 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 2016 financial statements on the basis that CIAL is a going concern. As part of its normal business practices, the company prepares annual budgets and longer term financial and business plans. In reviewing this information, the directors are satisfied that the company has adequate resources to continue in business for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the company’s financial statements.

System of Internal Controls

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

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

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

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

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

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

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

THE BOARD’S RELATIONSHIP WITH MANAGEMENT

Position of Chief Executive Officer

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

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

The Board and CEO agree to meet specific 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 those 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 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 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.

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 associate 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 auditor and business assurance advisor and approve their fee;
• Provide advice on and review the company’s Annual Report and Financial Statements prior to consideration and approval by the Board;
• Provide advice on and review the company’s regulatory Annual Information Disclosure prior to consideration and approval by the Board;
• Review, on an on-going basis, the company’s 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 2016 were Catherine Drayton (Chairman), Chris Paulsen and Laura Palomino 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 2016 were:
• To review the performance of the CEO, the engagement agreement and benefit structure for the CEO and Executive Leadership;
• To oversee CIAL’s recruitment, retention and termination policies and procedures for senior leadership, and the succession planning for both the CEO and for senior leadership within the executive leadership team.
• To review and confirm the Information Disclosure of CIAL’s historic aeronautical performance to the Commerce Commission;
• Reviews the strategy and proposals for the next reset of aeronautical charges which will become effective from 1 July 2017;
• The continued evolution of CIAL’s Aeronautical Strategy to support the growth targets encompassed within CIAL’s Real Growth 2025 Strategy;
• Consider and approve new business development initiatives to 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’s historic aeronautical performance to the Commerce Commission;

Particular areas of focus for the Committee during 2016 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.

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, timing and structuring of investments, and any other matters considered relevant by the Committee;
• To review and recommend for approval the principles and standards with respect to the company’s property and commercial investment strategy in respect of the type of property investment, and rates of return parameters to be achieved;
• Review and recommend to the Board approval of significant property and commercial investment and development proposals;
• Review and recommend to the Board the long term property investment and commercial development path to be pursued.

The members of the Property Committee as at 30 June 2016 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 2016 were:
• The continued evolution of CIAL’s Aeronautical Strategy to support the growth targets encompassed within CIAL’s Real Growth 2025 Strategy;
• Consider and approve new business development initiatives to retain existing market share and grow new services, with a focus on trans-Tasman and international long haul services into Asia in particular;
• Reviews the strategy and proposals for the next reset of aeronautical charges which will become effective from 1 July 2017;
• To review and confirm the Information Disclosure of CIAL’s historic aeronautical performance to the Commerce Commission;
• 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 2016 is:

<table>
<thead>
<tr>
<th>Name</th>
<th>Remuneration</th>
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</thead>
<tbody>
<tr>
<td>D Mackenzie</td>
<td>$87,253</td>
</tr>
<tr>
<td>L Palomino de Forbes</td>
<td>$45,725</td>
</tr>
<tr>
<td>C Drayton</td>
<td>$51,625</td>
</tr>
<tr>
<td>C Paulsen</td>
<td>$49,625</td>
</tr>
<tr>
<td>J Murray</td>
<td>$48,725</td>
</tr>
<tr>
<td>A Lovatt</td>
<td>$46,625</td>
</tr>
<tr>
<td><strong>Total Fees</strong></td>
<td><strong>$329,578</strong></td>
</tr>
</tbody>
</table>

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

CIAL Employees

Framework for Remuneration

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

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

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

<table>
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<tr>
<th>Remuneration ranges</th>
<th>Number of current and former employees</th>
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<tbody>
<tr>
<td>$'000</td>
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<tr>
<td>$100 - $110</td>
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<tr>
<td>$110 - $120</td>
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<tr>
<td>$460 - $470</td>
<td>-</td>
</tr>
<tr>
<td>$560 - $570</td>
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</table>

* This is the amount paid during the current financial year to the CEO.

The CEO’s salary for financial year 2016 consisted of base salary of $550,000, an at risk salary of $90,000 which the Board approved after the end of the financial year and Kiwisaver contributions of $16,000 on his base salary (Total remuneration of $666,000 (2015 : $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.

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 2016, 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 13-44, of the Christchurch International Airport Limited for the year ended 30 June 2016.

The Board of Directors of Christchurch International Airport Limited authorise these financial statements for issue on 5 September 2016.

For and on behalf of the Board

David Mackenzie
CHAIRMAN

Catherine Drayton
DIRECTOR
**Statement of Financial Performance**

For the year ended 30 June 2016

<table>
<thead>
<tr>
<th>Note</th>
<th>2016</th>
<th>2015</th>
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<tbody>
<tr>
<td></td>
<td>$000</td>
<td>$000</td>
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<tr>
<td><strong>INCOME</strong></td>
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</tr>
<tr>
<td>Operating revenue</td>
<td>1</td>
<td>169,924</td>
</tr>
<tr>
<td>Fair value gain/(loss) on investment properties</td>
<td>13</td>
<td>12,489</td>
</tr>
<tr>
<td>Interest income</td>
<td></td>
<td>244</td>
</tr>
<tr>
<td>Total income</td>
<td></td>
<td>182,657</td>
</tr>
</tbody>
</table>

| **EXPENSES** | | |
| Operating costs | 2 | 65,320 | 63,820 |
| Financing and interest costs | 2 | 20,051 | 21,227 |
| Depreciation, amortisation and impairment | 2 | 36,446 | 34,968 |
| Loss on disposal of assets | | 34 | |
| Investment property expenditure | | 3,330 | 9,276 |
| Total expenses | | 125,147 | 129,325 |

**Surplus before tax**

57,510 50,205

**Total taxation expense**

3a 14,454 10,931

**Net operating surplus after income tax**

43,056 39,274

The accompanying notes and policies form part of these financial statements.

---

**Statement of Comprehensive Income**

For the year ended 30 June 2016

<table>
<thead>
<tr>
<th>Note</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$000</td>
<td>$000</td>
</tr>
<tr>
<td><strong>Surplus after income tax</strong></td>
<td></td>
<td>43,056</td>
</tr>
</tbody>
</table>

**Other comprehensive income**

**Items that will not be reclassified to the statement of financial performance**

<table>
<thead>
<tr>
<th>Note</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>7</td>
<td>24,361</td>
<td>-</td>
</tr>
<tr>
<td>4</td>
<td>(4,151)</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>20,200</td>
<td>-</td>
</tr>
</tbody>
</table>

**Items that may be reclassified subsequently to the statement of financial performance**

Cash flow hedges:

<table>
<thead>
<tr>
<th>Note</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>7</td>
<td>(17,274)</td>
<td>(14,068)</td>
</tr>
<tr>
<td>7</td>
<td>3,961</td>
<td>3,022</td>
</tr>
<tr>
<td>4</td>
<td>3,728</td>
<td>3,042</td>
</tr>
<tr>
<td>Total</td>
<td>(9,585)</td>
<td>(7,824)</td>
</tr>
</tbody>
</table>

**Other comprehensive income for year, net of tax**

10,615 (7,824)

**Total comprehensive income for year**

53,671 31,450

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 2016

<table>
<thead>
<tr>
<th>Note</th>
<th>Share Capital</th>
<th>Reserves</th>
<th>Retained Earnings</th>
<th>Total Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$000</td>
<td>$000</td>
<td>$000</td>
<td>$000</td>
</tr>
<tr>
<td>Balance at 1 July 2014</td>
<td>57,600</td>
<td>455,292</td>
<td>232,342</td>
<td>745,234</td>
</tr>
<tr>
<td>Transfer of Asset revaluation</td>
<td>7</td>
<td>-</td>
<td>(3,741)</td>
<td>3,741</td>
</tr>
<tr>
<td>Dividends paid to shareholders</td>
<td>6</td>
<td>-</td>
<td>(9,918)</td>
<td>(9,918)</td>
</tr>
<tr>
<td>Total comprehensive income for the year</td>
<td>7</td>
<td>-</td>
<td>(7,824)</td>
<td>39,274</td>
</tr>
<tr>
<td>Total</td>
<td>53,671</td>
<td>31,450</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Balance at 30 June 2015**

57,600 443,727 265,439 766,766

<table>
<thead>
<tr>
<th>Note</th>
<th>Share Capital</th>
<th>Reserves</th>
<th>Retained Earnings</th>
<th>Total Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$000</td>
<td>$000</td>
<td>$000</td>
<td>$000</td>
</tr>
<tr>
<td>Transfer of Asset revaluation</td>
<td>7</td>
<td>-</td>
<td>(62)</td>
<td>62</td>
</tr>
<tr>
<td>Dividends paid to shareholders</td>
<td>6</td>
<td>-</td>
<td>(29,262)</td>
<td>(29,262)</td>
</tr>
<tr>
<td>Total comprehensive income for the year</td>
<td>7</td>
<td>-</td>
<td>10,615</td>
<td>43,056</td>
</tr>
<tr>
<td>Total</td>
<td>57,600</td>
<td>454,280</td>
<td>279,295</td>
<td>791,175</td>
</tr>
</tbody>
</table>

The accompanying notes and policies form part of these financial statements.
The accompanying notes and policies form part of these financial statements.

STATEMENT OF
FINANCIAL POSITION

As at 30 June 2016

FOR THE YEAR ENDED 30 JUNE 2016

Note
2016
2015
$000
$000

EQUITY
Share capital
7
57,600
57,600
Reserves
7
454,280
443,727
Retained earnings
7
279,295
265,439
Total equity
791,175
766,766

NON-CURRENT LIABILITIES
Term borrowings
8
256,026
270,278
Derivative financial instruments
9
22,856
12,664
Deferred taxation
4
105,070
104,339
Trade and other payables
10
1,086
1,187
Total non-current liabilities
385,038
388,468

CURRENT LIABILITIES
Trade and other payables
10
12,214
24,411
Current portion of borrowings
8
68,000
25,000
Taxation (Receivable)/Payable
3c
2,878
7,423
Derivative financial instruments
9
1,339
727
Total current liabilities
84,431
57,561
Total liabilities
469,469
446,029
Total equity and liabilities
1,260,644
1,212,795

NON-CURRENT ASSETS
Property, plant and equipment
11
929,234
925,165
Investment properties
13
301,692
255,092
Intangible assets
12
3,985
7,989
Trade and other receivables
14
6,546
7,327
Total non-current assets
1,243,457
1,195,573

CURRENT ASSETS
Cash and cash equivalents
14
763
2,781
Trade and other receivables
14
15,684
13,330
Inventories
740
1,111
Total current assets
17,187
17,222
Total assets
1,260,644
1,212,795

CASH FLOWS FROM OPERATING ACTIVITIES
Cash was provided from:
Receipts from customers
165,872
151,778
Interest received
244
291
Net goods and services tax received
146

166,116
152,415

Cash was applied to:
Payments to suppliers and employees
(77,384)
(60,704)
Financing and interest costs
(19,968)
(21,503)
Net income tax refunded (paid)
(12,200)
(5,600)
Subvention payments
(6,500)
(2,733)
Net goods and services tax paid
(598)
-
(116,650)
(88,530)

Net cash flows from operating activities
15
49,466
63,885

CASH FLOWS FROM INVESTING ACTIVITIES
Cash was provided from:
Proceeds from sale of property, plant and equipment
3,580
12,900
Proceeds from sale of businesses
23
6,326
Proceeds from sale of investment property land
3,308

12,214
12,900

Cash was applied to:
Purchase of property, plant and equipment
(20,469)
(15,023)
Purchase of investment properties
(39,420)
(41,536)
Purchase of intangible assets
(147)
(18)

(60,436)
(56,577)

Net cash flows from investing activities
(48,222)
(43,677)

CASH FLOWS FROM FINANCING ACTIVITIES
Cash was provided from:
Borrowings
26,000
12,000

Cash was applied to:
Dividends paid
6
(29,262)
(9,918)
Borrowings
- (21,000)

(29,262)
(30,918)

Net cash flows from financing activities
(3,262)
(18,918)
Net (decrease) / increase in cash held
2,781
1,491
Cash and cash equivalents at beginning of the year
2,781
1,491
 Cash and cash equivalents at the end of the year
763
2,781

The accompanying notes and policies form part of these financial statements.
ACCOUNTING POLICIES

GENERAL INFORMATION
Christchurch International Airport Limited (the company) owns and operates Christchurch International Airport. The company is owned 75% by Christchurch City Holdings Limited, a wholly owned subsidiary of Christchurch City Council, and 25% owned by the New Zealand Government. The company is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is Level 4 Car Park Building, Christchurch International Airport, Christchurch.

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

These financial statements have been approved for issue by the Board of Directors on 5 September 2016.

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

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

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

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

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

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

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

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

The financial statements have been prepared in accordance with the requirements of the Local Government Act 2002; the Financial Reporting Act 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 (m). A key factor of this classification is that the “Interim use” of such property is not for aircraft related activities. The classification of property between categories gives rise to different accounting treatments which can impact the Statement of Financial Performance.

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.

(see accounting policies (l) and (m) and notes to the financial statements 11 and 13)

New and amended standards adopted by the company
No new accounting standards or interpretations that became effective for the period had a material impact on the company.

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 2016 are:

- NZ IFRS 15 Revenue from Contracts with Customers will replace NZ IAS 11 Construction Contracts and NZ IAS 18 Revenue on 1 January 2018. 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.

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

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

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

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

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

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

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

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using the rates that have been enacted or substantively enacted by balance date.
Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

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

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

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

E. GOODS AND SERVICES TAX (GST)

The Statement of Financial Performance and the Statement of Cash Flows have been prepared so that all components are stated exclusive of GST. All items in the Statement of Financial Position are stated exclusive of GST, with the exception of receivables and payables, which include GST invoiced. Commitments and contingencies are stated exclusive of GST.

F. IMPAIRMENT

Non-financial assets

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

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

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.

G. CASH AND CASH EQUIVALENTS

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

H. 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.

I. INVENTORIES

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

J. DERIVATIVES

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

v. Derivatives that do not qualify for hedge accounting

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

K. FAIR VALUE MEASUREMENT

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

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

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

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

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

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

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

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

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

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

The last valuation was performed by Crighton Anderson (car park assets, commercial buildings and land) and Opus International Limited (specialised buildings, sealed surfaces and infrastructure assets) as at 30 June 2016. The terminal assets were reviewed for impairment as at 30 June 2016 by Opus International Limited, 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.

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

M. INVESTMENT PROPERTY

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

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

- The lessor provides 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 5 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 2016 and 2015 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).

N. FINITE LIFE INTANGIBLE ASSETS

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

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

O. TRADE AND OTHER PAYABLES

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

P. BORROWINGS

Borrowings are recognised initially at fair value, net of directly attributable transaction costs incurred. Borrowings (other than those subject to a fair value hedge relationship – see accounting policy [][]) 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.
Management determines the classification of its financial liabilities at initial recognition. The company classifies its financial liabilities in the following categories: financial liabilities at fair value through the profit and loss.

Financial liabilities at fair value through profit and 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 statement of financial performance.

Financial liabilities at amortised cost

After initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method. Any amortisation from the effective interest rate method is included in financing and interest costs in the statement of financial performance.

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

W. GOODWILL

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

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

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

X. CAPITAL MANAGEMENT

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

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

There have been no material changes to the company’s management of capital during the period.
**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2016

<table>
<thead>
<tr>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>$000</td>
<td>$000</td>
</tr>
</tbody>
</table>

### 1. OPERATING REVENUE

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Landing and Terminal charges</td>
<td>80,717</td>
<td>68,281</td>
</tr>
<tr>
<td>Rent and Lease income</td>
<td>60,479</td>
<td>56,608</td>
</tr>
<tr>
<td>Ground transport and other trading activities</td>
<td>20,758</td>
<td>25,718</td>
</tr>
<tr>
<td>Gain on disposal of assets</td>
<td>1,791</td>
<td>5,113</td>
</tr>
<tr>
<td>Other revenue</td>
<td>6,179</td>
<td>5,433</td>
</tr>
<tr>
<td><strong>Total operating revenue</strong></td>
<td>169,924</td>
<td>161,153</td>
</tr>
</tbody>
</table>

### 2. EXPENSES

#### Operating Expenses

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff</td>
<td>25,174</td>
<td>25,075</td>
</tr>
<tr>
<td>Asset Management, maintenance and airport ops</td>
<td>11,290</td>
<td>11,155</td>
</tr>
<tr>
<td>Rates and insurance</td>
<td>8,316</td>
<td>7,866</td>
</tr>
<tr>
<td>Marketing and promotions</td>
<td>9,285</td>
<td>6,797</td>
</tr>
<tr>
<td>Professional services and levies</td>
<td>4,010</td>
<td>3,767</td>
</tr>
<tr>
<td>Commercial entity running costs</td>
<td>364</td>
<td>2,975</td>
</tr>
<tr>
<td>Other</td>
<td>6,881</td>
<td>6,185</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>65,320</td>
<td>63,820</td>
</tr>
</tbody>
</table>

Other includes:

- Doubtful debts written off                           - 48

Professional services and levies include:

- Audit of financial statements                        | 100     | 102     |
- Fees paid to the Auditor for other assurance services: | 40      | 34      |
- Review of compliance with bond conditions            | 4       | 4       |

Staff costs comprise:

- Wages and Salaries                                   | 22,687  | 22,816  |
- Payroll related expenses                             | 2,115   | 1,910   |
- Contributions to defined contribution schemes        | 42      | 44      |
- Directors’ fees                                      | 330     | 300     |
| **Total staff costs**                                 | 25,174  | 25,075  |

Financing and interest costs:

- Interest costs                                       | 20,165  | 21,199  |
- Fair value hedge ineffectiveness                      | (114)   | (172)   |
| **Total finance costs**                               | 20,051  | 21,227  |

No interest was capitalised during the period (2015: NIL).

### 3. INCOME TAX

a) Income tax expense

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating surplus before income tax</td>
<td>57,510</td>
<td>50,205</td>
</tr>
<tr>
<td>Prima facie taxation at 28%</td>
<td>16,103</td>
<td>14,057</td>
</tr>
<tr>
<td>Plus/(less) taxation effect of:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue not assessible for tax purposes</td>
<td>(2,618)</td>
<td>(4,621)</td>
</tr>
<tr>
<td>Expenses not deductible for tax purposes</td>
<td>1,324</td>
<td>2,969</td>
</tr>
<tr>
<td>Income tax attributable to operating surplus</td>
<td>14,809</td>
<td>12,405</td>
</tr>
</tbody>
</table>

Under provision in prior years                         | (917)   | -       |

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total taxation expense</td>
<td>14,454</td>
<td>10,931</td>
</tr>
</tbody>
</table>

b) Components of tax expense

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current tax expense</td>
<td>15,075</td>
<td>11,016</td>
</tr>
<tr>
<td>Adjustments to current tax of prior years</td>
<td>(917)</td>
<td>-</td>
</tr>
<tr>
<td>Deferred tax expense</td>
<td>(266)</td>
<td>1,389</td>
</tr>
<tr>
<td>Deferred tax adjustment</td>
<td>562</td>
<td>(1,474)</td>
</tr>
<tr>
<td><strong>Total tax expense</strong></td>
<td>14,454</td>
<td>10,931</td>
</tr>
</tbody>
</table>

c) Taxation (receivable)/payable

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of the year</td>
<td>7,423</td>
<td>2,799</td>
</tr>
<tr>
<td>Prior year adjustment</td>
<td>40</td>
<td>(69)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>7,463</td>
<td>2,730</td>
</tr>
</tbody>
</table>

Current tax expense                                     | 15,075  | 11,016  |

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current tax expense</td>
<td>22,538</td>
<td>13,746</td>
</tr>
<tr>
<td>(Payments to) / refund from:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inland Revenue Department</td>
<td>(12,200)</td>
<td>(3,600)</td>
</tr>
<tr>
<td>Prior period reassessment</td>
<td>(960)</td>
<td>-</td>
</tr>
<tr>
<td>Subvention payments to members of the CCC tax group</td>
<td>(6,500)</td>
<td>(2,723)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,878</td>
<td>7,423</td>
</tr>
</tbody>
</table>

During the year terminal assets were tested for impairment by independent valuers. No impairment has been determined on the company’s assets as at 30 June 2016 (2015: NIL).

**Depreciation, amortisation and impairment**

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation (note 11)</td>
<td>35,295</td>
<td>33,961</td>
</tr>
<tr>
<td>Amortisation of intangibles (note 12)</td>
<td>1,151</td>
<td>1,007</td>
</tr>
<tr>
<td><strong>Total Depreciation, amortisation and impairment</strong></td>
<td>36,446</td>
<td>34,968</td>
</tr>
</tbody>
</table>

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 2016 was $6,500,000 (2015: $2,723,000). 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

<table>
<thead>
<tr>
<th>Opening balance</th>
<th>Charged to income</th>
<th>Adjust. to income</th>
<th>Charged to Equity</th>
<th>Closing balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016 Property, plant &amp; equipment</td>
<td>$94,881</td>
<td>$9,852</td>
<td>-</td>
<td>$1,461</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>$285</td>
<td>55</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Investment properties</td>
<td>$13,511</td>
<td>10,012</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Provisions and payments</td>
<td>$498</td>
<td>13</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Derivatives</td>
<td>(3,640)</td>
<td>70</td>
<td>-</td>
<td>(3,728)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>104,339</strong></td>
<td><strong>298</strong></td>
<td>-</td>
<td><strong>433</strong></td>
</tr>
</tbody>
</table>

| 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) |
| **Total** | **107,397** | **1,458** | (1,474) | **(3,042)** | **104,339** |

5. IMPUTATION CREDIT MEMORANDUM ACCOUNT

| Balance at beginning of the year | 295 | 552 |
| Income tax payments made | 12,200 | 3,600 |
| Prior period reassessment | (963) | - |
| Imputation credits attached to dividends paid | (11,818) | (3,857) |
| **Balance available for use in subsequent reporting periods** | **155** | **295** |

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Final dividend paid ($ per share)</th>
<th>Interim dividend paid ($ per share)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>$0.07</td>
<td>-</td>
</tr>
<tr>
<td>2015</td>
<td>$0.10</td>
<td>-</td>
</tr>
<tr>
<td>2016</td>
<td>$0.25</td>
<td>-</td>
</tr>
</tbody>
</table>

7. RESERVES AND RETAINED EARNINGS

a) Reserves

<table>
<thead>
<tr>
<th>Balances</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flow hedges reserve</td>
<td>(19,350)</td>
<td>(9,765)</td>
</tr>
<tr>
<td>Asset revaluation reserve</td>
<td>453,492</td>
<td>453,492</td>
</tr>
<tr>
<td><strong>Balance at end of the year</strong></td>
<td><strong>454,280</strong></td>
<td><strong>443,727</strong></td>
</tr>
</tbody>
</table>

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

Asset revaluation reserve

| Balance at the beginning of the year | 453,492 |
| Revaluation of assets | 24,361 |
| Deferred tax on revaluation | (4,161) |
| Transfer from Asset Revaluation Reserve | (62) |
| **Balance at end of the year** | **473,630** |

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

b) Retained earnings

<table>
<thead>
<tr>
<th>Year</th>
<th>Final dividend paid</th>
<th>Interim dividend paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>$0.07</td>
<td>-</td>
</tr>
<tr>
<td>2015</td>
<td>$0.10</td>
<td>-</td>
</tr>
<tr>
<td>2016</td>
<td>$0.25</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Retained earnings</th>
<th>Interim dividend paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>$0.07</td>
<td>-</td>
</tr>
<tr>
<td>2015</td>
<td>$0.10</td>
<td>-</td>
</tr>
<tr>
<td>2016</td>
<td>$0.25</td>
<td>-</td>
</tr>
</tbody>
</table>

8. LIQUIDITY

<table>
<thead>
<tr>
<th>Year</th>
<th>Cash flow hedges reserve</th>
<th>Asset revaluation reserve</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$19,350</td>
<td>$453,492</td>
</tr>
<tr>
<td><strong>Balance at end of the year</strong></td>
<td><strong>454,280</strong></td>
<td><strong>443,727</strong></td>
</tr>
</tbody>
</table>

* an historical capital reserve of $366,000 was consolidated into opening retained earnings
8. BORROWINGS

The company has a $235,000,000 (2015: $235,000,000) funding facility with four banks and a subordinated loan of $25,000,000 (2015: $25,000,000) 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 (2015: $1,000,000).

During December 2015, the Company extended the maturity of an existing facility that was due to mature. The facility was extended for five years.

Total bond funding is $125,000,000 (2015: $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 risk.

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 5.6% to 6.3% (2015: 6.2% to 6.5%). The bond constitutes direct, unsecured, unsubordinated obligations and will rank equally with all other unsecured, unsubordinated indebtedness.

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

Maturity of debt as at 30 June

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Actual drawn down</td>
<td>Facility available</td>
<td>Actual drawn down</td>
<td>Facility available</td>
</tr>
<tr>
<td>2016</td>
<td>68,000</td>
<td>100,000</td>
<td>25,000</td>
<td>25,000</td>
</tr>
<tr>
<td>2017</td>
<td>74,000</td>
<td>100,000</td>
<td>85,000</td>
<td>130,000</td>
</tr>
<tr>
<td>2018</td>
<td>107,212*</td>
<td>105,000</td>
<td>50,000</td>
<td>50,000</td>
</tr>
<tr>
<td>2019</td>
<td>25,000</td>
<td>25,000</td>
<td>25,000</td>
<td>25,000</td>
</tr>
<tr>
<td>2020</td>
<td>49,064**</td>
<td>50,000</td>
<td>49,779**</td>
<td>50,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>324,026</td>
<td>385,000</td>
<td>295,278</td>
<td>385,000</td>
</tr>
</tbody>
</table>

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

** This balance includes $186,000 (2015: $221,000) of capitalised borrowing costs associated with the issue of the $50 million bond in October 2013.

9. DERIVATIVE FINANCIAL INSTRUMENTS

Fair value hedge

At 30 June 2016, the company had an interest rate swap agreement in place with a notional amount of $75,000,000 (2015: $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 $2,670,000 (Increase 2015: $4,422,000) has been recognised in finance costs and offset with a movement of $2,784,000 on the bank borrowings. The ineffectiveness recognised in 2016 was $114,000 (2015: $172,000).

10. TRADE AND OTHER PAYABLES

Trade and other payables less than one year

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade payables</td>
<td>3,005</td>
<td>12,034</td>
</tr>
<tr>
<td>Employee entitlements and provisions</td>
<td>2,509</td>
<td>2,461</td>
</tr>
<tr>
<td>Goods and Services Tax</td>
<td>127</td>
<td>761</td>
</tr>
<tr>
<td>Revenue in advance</td>
<td>465</td>
<td>455</td>
</tr>
<tr>
<td>Accrued interest</td>
<td>1,954</td>
<td>2,113</td>
</tr>
<tr>
<td>Accrued capital items</td>
<td>2,138</td>
<td>4,739</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>2,036</td>
<td>3,370</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>12,214</td>
<td>24,411</td>
</tr>
</tbody>
</table>

Trade and other payables greater than one year

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue in advance</td>
<td>1,086</td>
<td>1,187</td>
</tr>
<tr>
<td><strong>Total trade and other payables</strong></td>
<td>13,300</td>
<td>25,598</td>
</tr>
</tbody>
</table>
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 knowledgeably, prudently, and without compulsion, but with the explicit assumption that the existing use of the asset is ignored.

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

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

Car parking assets
Car parking assets are valued using a discounted cash flow valuation approach, using a forecast ten year discount period and an allowance for an appropriate terminal value reflecting an estimate of their residual estimated life. The approach to the allocation of the car park valuation is to assess the 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 (i) Property, plant and equipment.

On 30 June 2016 car parking assets, land and commercial building assets were revaluated by Independent Valuers Crighton Anderson Property and Infrastructure Ltd. Sealed surfaces, infrastructure assets and specialised buildings were valued by independent valuers Opus International Limited as at 30 June 2016. The terminal was last valued by independent valuers Opus International Limited as at 30 June 2014.

The result of the revaluations at 30 June were:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$000</td>
<td>$000</td>
</tr>
<tr>
<td>Land</td>
<td>2,275</td>
<td>-</td>
</tr>
<tr>
<td>Buildings</td>
<td>3,250</td>
<td>-</td>
</tr>
<tr>
<td>Sealed surfaces</td>
<td>17,051</td>
<td>-</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>13,129</td>
<td>-</td>
</tr>
<tr>
<td>Car parking</td>
<td>6,914</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>24,361</td>
<td>-</td>
</tr>
</tbody>
</table>

The valuation methodologies used in the revaluation as at 30 June 2016 were consistent with those used in the last valuation.

Summary of movement in net book value

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$000</td>
<td>$000</td>
</tr>
<tr>
<td>Opening net book value</td>
<td>925,165</td>
<td>955,520</td>
</tr>
<tr>
<td>Plus Additions</td>
<td>57,915</td>
<td>60,973</td>
</tr>
<tr>
<td>Plus Transfers from / (to) investment properties and intangibles</td>
<td>(39,569)</td>
<td>(51,892)</td>
</tr>
<tr>
<td>Less Disposals (cost less depreciation)</td>
<td>(5,343)</td>
<td>(5,476)</td>
</tr>
<tr>
<td>Less this year’s depreciation</td>
<td>(55,295)</td>
<td>(53,961)</td>
</tr>
<tr>
<td>Plus Revaluation</td>
<td>24,361</td>
<td>-</td>
</tr>
<tr>
<td>Closing net book value</td>
<td>929,234</td>
<td>925,165</td>
</tr>
</tbody>
</table>

PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2016

Gross carrying amount

<table>
<thead>
<tr>
<th></th>
<th>Cost</th>
<th>Valuation 1 July</th>
<th>Current Year Additions at Cost</th>
<th>Transfers at Cost</th>
<th>Disposals at Cost/Impairment</th>
<th>Revaluation Adjustment</th>
<th>Cost</th>
<th>Valuation 30 June</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>272,909</td>
<td>4,089</td>
<td>(12,977)</td>
<td>(1,586)</td>
<td>2,275</td>
<td>264,710</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings</td>
<td>32,610</td>
<td>-</td>
<td>16,948</td>
<td>-</td>
<td>1,375</td>
<td>27,037</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Terminal facilities</td>
<td>344,285</td>
<td>-</td>
<td>4,080</td>
<td>-</td>
<td>1,415</td>
<td>348,385</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sealed surfaces</td>
<td>138,892</td>
<td>-</td>
<td>17,088</td>
<td>-</td>
<td>1,415</td>
<td>157,395</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Plant &amp; equipment</td>
<td>6,861</td>
<td>-</td>
<td>1,020</td>
<td>(943)</td>
<td>-</td>
<td>6,938</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Office &amp; computers</td>
<td>9,072</td>
<td>9</td>
<td>2,013</td>
<td>(1,540)</td>
<td>-</td>
<td>9,554</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Infrastructure</td>
<td>41,037</td>
<td>8</td>
<td>1,963</td>
<td>(8,876)</td>
<td>-</td>
<td>34,124</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Car parking</td>
<td>104,605</td>
<td>366</td>
<td>285</td>
<td>(413)</td>
<td>4,784</td>
<td>109,997</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>9,292</td>
<td>5</td>
<td>1,643</td>
<td>(1,643)</td>
<td>-</td>
<td>7,573</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Work in progress</td>
<td>8,966</td>
<td>54,446</td>
<td>(46,411)</td>
<td>-</td>
<td>-</td>
<td>16,021</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total gross carrying amount</td>
<td>968,529</td>
<td>57,915</td>
<td>(39,968)</td>
<td>(5,755)</td>
<td>973</td>
<td>981,694</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Accumulated depreciation

<table>
<thead>
<tr>
<th></th>
<th>Accumulated Depreciation 1 July</th>
<th>Current year Depreciation</th>
<th>Depreciation on Transfers</th>
<th>Depreciation on Disposals</th>
<th>Revaluation Adjustment</th>
<th>Accumulated Depreciation 30 June</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings</td>
<td>1,203</td>
<td>1,071</td>
<td>(399)</td>
<td>-</td>
<td>(1,875)</td>
<td>-</td>
</tr>
<tr>
<td>Terminal facilities</td>
<td>20,063</td>
<td>20,311</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>40,374</td>
</tr>
<tr>
<td>Sealed surfaces</td>
<td>7,627</td>
<td>8,010</td>
<td>-</td>
<td>-</td>
<td>(15,657)</td>
<td>-</td>
</tr>
<tr>
<td>Plant &amp; equipment</td>
<td>3,256</td>
<td>502</td>
<td>-</td>
<td>(576)</td>
<td>-</td>
<td>3,182</td>
</tr>
<tr>
<td>Office &amp; computers</td>
<td>3,956</td>
<td>1,550</td>
<td>-</td>
<td>(667)</td>
<td>-</td>
<td>4,539</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>1,622</td>
<td>2,126</td>
<td>-</td>
<td>(374)</td>
<td>-</td>
<td>1,248</td>
</tr>
<tr>
<td>Car parking</td>
<td>1,011</td>
<td>1,153</td>
<td>-</td>
<td>(36)</td>
<td>(2,128)</td>
<td>-</td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>4,626</td>
<td>572</td>
<td>-</td>
<td>(1,133)</td>
<td>-</td>
<td>4,065</td>
</tr>
<tr>
<td>Total accumulated depreciation</td>
<td>43,364</td>
<td>35,295</td>
<td>(399)</td>
<td>(2,412)</td>
<td>(23,388)</td>
<td>52,460</td>
</tr>
</tbody>
</table>

Summary

<table>
<thead>
<tr>
<th></th>
<th>1 July 2016</th>
<th>Current year movement</th>
<th>Transfers</th>
<th>Disposals</th>
<th>Revaluation</th>
<th>30 June 2016</th>
<th>Cost</th>
<th>Accumulated Depreciation</th>
<th>Book Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td>968,529</td>
<td>57,915</td>
<td>(39,968)</td>
<td>(5,755)</td>
<td>973</td>
<td>981,694</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accumulated Depreciation</td>
<td>43,364</td>
<td>35,295</td>
<td>(399)</td>
<td>(2,412)</td>
<td>(23,388)</td>
<td>52,460</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Book Value</td>
<td>925,165</td>
<td>22,620</td>
<td>(39,569)</td>
<td>(3,343)</td>
<td>24,361</td>
<td>929,234</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Fair value hierarchy

<table>
<thead>
<tr>
<th>Asset classification and description</th>
<th>Valuation approach</th>
<th>Key valuation assumptions</th>
<th>Fair value hierarchy Level</th>
<th>Sensitivity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>Adopted rate per hectare of $800,000</td>
<td>3</td>
<td>+/- $25.8 million (at a 5% change in adopted rate)</td>
<td></td>
</tr>
<tr>
<td>Infrastructure and Sealed Surfaces</td>
<td>Optimised depreciated replacement cost - the cost of constructing equivalent asset at current market based input costs, 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</td>
<td>3</td>
<td>+/- $11.8 million (at a 5% change of cost estimate)</td>
<td></td>
</tr>
<tr>
<td>Terminals</td>
<td>Modern equivalent asset cost rates from recent construction projects. Useful life of up to 60 years for assets</td>
<td>3</td>
<td>+/- $17.020 million (at a 5% change of cost estimate)</td>
<td></td>
</tr>
<tr>
<td>Car parking</td>
<td>Discounted cash flow valuation performed by independent Valuers 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.</td>
<td>3</td>
<td>+/- $6.3 million (at a 5% change in discount rate)</td>
<td></td>
</tr>
</tbody>
</table>

Level 3 Asset Classification

<table>
<thead>
<tr>
<th>Sensitivity of significant unobservable inputs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
</tr>
<tr>
<td>The critical elements in establishing the &quot;market value existing use&quot; valuation of land is the market rate prevailing for similar land.</td>
</tr>
<tr>
<td>- An increase in demand for land will increase the fair value</td>
</tr>
<tr>
<td>- A decrease in demand will decrease the fair value</td>
</tr>
<tr>
<td>Infrastructure and Sealed Surfaces</td>
</tr>
<tr>
<td>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.</td>
</tr>
<tr>
<td>- An increase to any of the average cost rates listed above will increase the fair value</td>
</tr>
<tr>
<td>- A reduction in the estimated remaining useful life of the assets will reduce the fair value</td>
</tr>
<tr>
<td>Buildings</td>
</tr>
<tr>
<td>- An increase in modern equivalent asset replacement cost will increase the fair value</td>
</tr>
<tr>
<td>- A decrease in modern equivalent asset replacement will decrease the fair value</td>
</tr>
<tr>
<td>- An increase in the cashflow from an asset will increase the fair value</td>
</tr>
<tr>
<td>- A decrease in the cashflow from an asset will decrease the fair value</td>
</tr>
<tr>
<td>- An increase in costs would decrease the fair value</td>
</tr>
<tr>
<td>Car parking</td>
</tr>
<tr>
<td>- An increase in the vehicle numbers will increase the fair value</td>
</tr>
<tr>
<td>- A decrease in vehicle numbers will decrease the fair value</td>
</tr>
<tr>
<td>- An increase in the discount rate used would decrease the fair value</td>
</tr>
<tr>
<td>- An increase in costs would decrease the fair value</td>
</tr>
</tbody>
</table>

PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2015

Gross carrying amount

<table>
<thead>
<tr>
<th>Cost/ Valuation 1 July 2014</th>
<th>Current Year Additions at Cost</th>
<th>Transfers at Cost</th>
<th>Disposals at Cost/ Impairment</th>
<th>Revaluation Adjustment</th>
<th>Cost/ Valuation 30 June 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>291,090</td>
<td>- (32,799)</td>
<td>(5,382)</td>
<td>-</td>
<td>272,909</td>
</tr>
<tr>
<td>Buildings</td>
<td>31,353</td>
<td>- 1,257</td>
<td>-</td>
<td>-</td>
<td>32,610</td>
</tr>
<tr>
<td>Terminal facilities</td>
<td>340,412</td>
<td>- 3,873</td>
<td>-</td>
<td>-</td>
<td>344,285</td>
</tr>
<tr>
<td>Sealed surfaces</td>
<td>133,119</td>
<td>- 5,773</td>
<td>-</td>
<td>-</td>
<td>138,892</td>
</tr>
<tr>
<td>Plant &amp; equipment</td>
<td>6,733</td>
<td>- 249</td>
<td>(132)</td>
<td>-</td>
<td>6,861</td>
</tr>
<tr>
<td>Office &amp; computers</td>
<td>8,136</td>
<td>- 971</td>
<td>(151)</td>
<td>-</td>
<td>9,072</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>32,413</td>
<td>- 8,624</td>
<td>-</td>
<td>-</td>
<td>41,037</td>
</tr>
<tr>
<td>Car parking</td>
<td>102,500</td>
<td>- 2,105</td>
<td>-</td>
<td>-</td>
<td>104,605</td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>7,559</td>
<td>- 1,934</td>
<td>(203)</td>
<td>-</td>
<td>9,292</td>
</tr>
<tr>
<td>Work in progress</td>
<td>12,003</td>
<td>- 60,842</td>
<td>(63,879)</td>
<td>-</td>
<td>8,966</td>
</tr>
<tr>
<td>Total gross carrying amount</td>
<td>965,318</td>
<td>60,973</td>
<td>(51,892)</td>
<td>(5,870)</td>
<td>968,529</td>
</tr>
</tbody>
</table>

Accumulated depreciation

<table>
<thead>
<tr>
<th>Accumulated Depreciation 1 July 2014</th>
<th>Current Year Depreciation on Transfers</th>
<th>Depreciation on Disposals</th>
<th>Revaluation Adjustment</th>
<th>Accumulated Depreciation 30 June 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>$000</td>
<td>$000</td>
<td>$000</td>
<td>$000</td>
<td>$000</td>
</tr>
<tr>
<td>Buildings</td>
<td>- 1,203</td>
<td>-</td>
<td>-</td>
<td>- 1,203</td>
</tr>
<tr>
<td>Terminal facilities</td>
<td>- 20,063</td>
<td>-</td>
<td>-</td>
<td>- 20,063</td>
</tr>
<tr>
<td>Sealed surfaces</td>
<td>- 7,627</td>
<td>-</td>
<td>-</td>
<td>- 7,627</td>
</tr>
<tr>
<td>Plant &amp; equipment</td>
<td>- 9,332</td>
<td>- (52)</td>
<td>-</td>
<td>- 9,280</td>
</tr>
<tr>
<td>Office &amp; computers</td>
<td>- 1,257</td>
<td>-</td>
<td>-</td>
<td>- 1,257</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>- 1,622</td>
<td>-</td>
<td>-</td>
<td>- 1,622</td>
</tr>
<tr>
<td>Car parking</td>
<td>- 1,011</td>
<td>- (187)</td>
<td>-</td>
<td>- 1,194</td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>- 4,167</td>
<td>-</td>
<td>-</td>
<td>- 4,167</td>
</tr>
<tr>
<td>Total accumulated depreciation</td>
<td>9,798</td>
<td>33,961</td>
<td>(395)</td>
<td>43,364</td>
</tr>
</tbody>
</table>
Summary

<table>
<thead>
<tr>
<th>1 July 2014</th>
<th>Current year movement</th>
<th>Transfers</th>
<th>Disposals</th>
<th>Revaluation</th>
<th>30 June 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>$000</td>
<td>$000</td>
<td>$000</td>
<td>$000</td>
<td>$000</td>
<td>$000</td>
</tr>
<tr>
<td>Cost</td>
<td>969,318</td>
<td>60,973</td>
<td>(51,892)</td>
<td>(5,870)</td>
<td>968,529</td>
</tr>
<tr>
<td>Accumulated Depreciation</td>
<td>9,798</td>
<td>53,961</td>
<td>-</td>
<td>(391)</td>
<td>43,564</td>
</tr>
<tr>
<td>Book Value</td>
<td>955,520</td>
<td>27,012</td>
<td>(51,892)</td>
<td>(4,475)</td>
<td>925,165</td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>$000</td>
<td>$000</td>
</tr>
<tr>
<td>Land</td>
<td>124,294</td>
</tr>
<tr>
<td>Buildings</td>
<td>20,626</td>
</tr>
<tr>
<td>Terminal</td>
<td>169,040</td>
</tr>
<tr>
<td>Sealed surfaces</td>
<td>100,998</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>32,034</td>
</tr>
<tr>
<td>Land</td>
<td>121,791</td>
</tr>
<tr>
<td>Buildings</td>
<td>21,773</td>
</tr>
<tr>
<td>Terminal</td>
<td>199,512</td>
</tr>
<tr>
<td>Sealed surfaces</td>
<td>89,291</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>27,669</td>
</tr>
</tbody>
</table>

12. INTANGIBLE ASSETS AS AT 30 JUNE 2016

Gross carrying amount

<table>
<thead>
<tr>
<th>Cost/valuation 1 July 2015</th>
<th>Current year additions at cost</th>
<th>Transfers from WIP</th>
<th>Current year disposals/ impairment</th>
<th>Cost/valuation 30 June 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>$000</td>
<td>$000</td>
<td>$000</td>
<td>$000</td>
<td>$000</td>
</tr>
<tr>
<td>Software</td>
<td>6,557</td>
<td>-</td>
<td>547</td>
<td>(19)</td>
</tr>
<tr>
<td>Goodwill</td>
<td>5,131</td>
<td>-</td>
<td>(3,991)</td>
<td>1,740</td>
</tr>
<tr>
<td>Gross carrying amount</td>
<td>11,688</td>
<td>-</td>
<td>547</td>
<td>(3,410)</td>
</tr>
</tbody>
</table>

Accumulated amortisation

<table>
<thead>
<tr>
<th>Accumulated amortisation 1 July 2015</th>
<th>Current year amortisation</th>
<th>Amortisation on disposal</th>
<th>Accumulated Amortisation 30 June 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>$000</td>
<td>$000</td>
<td>$000</td>
<td>$000</td>
</tr>
<tr>
<td>Software</td>
<td>3,699</td>
<td>(10)</td>
<td>4,840</td>
</tr>
<tr>
<td>Total accumulated amortisation</td>
<td>3,699</td>
<td>(10)</td>
<td>4,840</td>
</tr>
</tbody>
</table>

Total Book value 30 June 2016

<table>
<thead>
<tr>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>$000</td>
<td>$000</td>
</tr>
</tbody>
</table>

13. INVESTMENT PROPERTIES

13.1 Fair value

<table>
<thead>
<tr>
<th>Cost/valuation 1 July 2015</th>
<th>Current year additions at cost</th>
<th>Transfers from WIP</th>
<th>Current year disposals/ impairment</th>
<th>Cost/valuation 30 June 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>$000</td>
<td>$000</td>
<td>$000</td>
<td>$000</td>
<td>$000</td>
</tr>
<tr>
<td>Software</td>
<td>5,454</td>
<td>18</td>
<td>2,415 (1,330)</td>
<td></td>
</tr>
<tr>
<td>Goodwill</td>
<td>5,131</td>
<td>-</td>
<td>- (3,391)</td>
<td></td>
</tr>
<tr>
<td>Gross carrying amount</td>
<td>10,585</td>
<td>18</td>
<td>2,415 (1,330)</td>
<td></td>
</tr>
</tbody>
</table>

Accumulated amortisation

<table>
<thead>
<tr>
<th>Accumulated amortisation 1 July 2015</th>
<th>Current year amortisation</th>
<th>Amortisation on disposal</th>
<th>Accumulated Amortisation 30 June 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>$000</td>
<td>$000</td>
<td>$000</td>
<td>$000</td>
</tr>
<tr>
<td>Software</td>
<td>4,022</td>
<td>1,007</td>
<td>(1,330)</td>
</tr>
<tr>
<td>Total accumulated amortisation</td>
<td>4,022</td>
<td>1,007</td>
<td>(1,330)</td>
</tr>
</tbody>
</table>

Total Book value 30 June 2015

<table>
<thead>
<tr>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>$000</td>
<td>$000</td>
</tr>
</tbody>
</table>

13.2 Valuation of investment property

The valuation as at 30 June 2016 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 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.

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Valuation of investment property

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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.

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. CAAL tests goodwill annually for impairment or more frequently if there are indicators that it might be impaired.

The remaining goodwill at 30 June 2016 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 9.0% (post-tax). Revenue and expense growth assumptions were based on board approved budgets for the next three years and ranged between 0.5%-3%.
Deferred taxation 298 (1,307)
Capital items included in trade payables and accruals 1,722 (1,080)
(Increase)/decrease in trade and other receivables (2,219) (2,554)
Movements in working capital
Increase/(decrease) in trade and other receivables (2,219) (2,554)
Increase/(decrease) in trade and other payables (12,296) 11,390
Increase/(decrease) in taxation payable (4,545) 5,915
Net cashflows from operating activities 49,466 63,885

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

Christchurch International Airport Limited enters into a large number of transactions with government departments, Crown entities, State-owned enterprises and other entities controlled or subject to significant influence by the Crown. All transactions with related entities:
• are conducted on an arm’s length basis;
• result from the normal dealings of the parties;
• meet the definition of related party transactions only because of the relationship between the parties being subject to common control or significant influence by the Crown.

The New Zealand Government 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.

<table>
<thead>
<tr>
<th>Entity</th>
<th>Transaction</th>
<th>2016</th>
<th>2015</th>
<th>Relationship</th>
</tr>
</thead>
<tbody>
<tr>
<td>BECA Group Limited</td>
<td>Structural Engineering services</td>
<td>829</td>
<td>290</td>
<td>Catherine Drayton, company director is a director of BECA Group Limited</td>
</tr>
<tr>
<td>Orbit Travel &amp; House of Travel Holdings Limited</td>
<td>Travel, accommodation, lease tenancy and joint marketing initiatives</td>
<td>539</td>
<td>644</td>
<td>Chris Paulsen, company director is a director of House of Travel at Orbit Limited</td>
</tr>
</tbody>
</table>

Balance owing to non-shareholder related parties as at 30 June 2016

<table>
<thead>
<tr>
<th>Entity</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>BECA Group Limited</td>
<td>$000</td>
<td>$000</td>
</tr>
<tr>
<td>Orbit Travel &amp; House of Travel Holdings Limited</td>
<td>222</td>
<td>13</td>
</tr>
</tbody>
</table>

There were no other material related party transactions for the year.
17. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel include the CEO and his direct reports consisting of 6 (2015: 7) people.

The key management compensation is:

- Salaries and other short term employee benefits 2,477 2,221
- Post-employment benefits 60 56
- Termination benefits - 141

2,537 2,418

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

18. COMMITMENTS

Capital expenditure commitments 32,458 10,384

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:

<table>
<thead>
<tr>
<th>Period</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 1 year</td>
<td>56,242</td>
<td>49,051</td>
</tr>
<tr>
<td>Between 1-2 years</td>
<td>83,481</td>
<td>90,397</td>
</tr>
<tr>
<td>Between 3-5 years</td>
<td>62,684</td>
<td>55,947</td>
</tr>
<tr>
<td>Beyond 5 years</td>
<td>121,267</td>
<td>128,742</td>
</tr>
</tbody>
</table>

323,674 324,137

The leases are for terms between 1 month and 37 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 2016 there was no contingent asset (2015: NIL) and there were no contingent liabilities (2015: NIL).

21. EVENTS OCCURRING AFTER BALANCE DATE

A final dividend of $16,514,000, 28.7 cents per share (2015: $14,703,000) 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 (2015: 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 2016 (2015: 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 $75,000,000 fixed rate retail bond has been hedged by a fixed to floating interest rate swaps with terms that match those of the underlying bond.

At 30 June 2016, if the interest rates had changed by +/- 1%, with all other variables held constant, the impact to equity would have been $345,000 lower/$345,000 higher; the impact on profit would have been $147,000 lower/$147,000 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

<table>
<thead>
<tr>
<th>Note</th>
<th>Weighted average effective interest rate</th>
<th>Fixed interest rate</th>
<th>Non-interest bearing</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>%</td>
<td>$000</td>
<td>$000</td>
<td>$000</td>
</tr>
</tbody>
</table>

As at 30 June 2016

FINANCIAL ASSETS

Cash and cash equivalents 2.5 763 - - 763
Trade and other receivables 14 - - - 22,230 22,230

763 - 22,230 22,993

FINANCIAL LIABILITIES

Trade and other payables 10 - - - 9,240 9,240
Derivative financial instruments 9 4.4 26,774 - - 26,774
Borrowings 8 6.5 197,000 127,026 - 324,026
Employee benefits 10 - - - 2,509 2,509

223,774 127,026 11,749 362,549

As at 30 June 2015

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 - - - 21,495 21,495
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 23,956 332,376
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 and monitoring the financial status of those customers on an ongoing basis. Monitoring includes reviewing the credit worthiness of customers on a regular basis. 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 2016 91% (2015: 86%) 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 2016 no debtor balances (2015: $48,000) were written off. No further amounts were provided for doubtful debts (2015: NIL).

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

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Past due but not impaired &gt; 60 days</td>
<td>101</td>
<td>162</td>
</tr>
<tr>
<td>Past due but not impaired 31 – 60 days</td>
<td>14</td>
<td>33</td>
</tr>
<tr>
<td>Past due but not impaired &gt; 60 days</td>
<td>101</td>
<td>162</td>
</tr>
<tr>
<td>Impaired assets – written down to recoverable value</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Derivative financial instruments

The derivative financial instrument cash flows are paid quarterly.

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrowings</td>
<td>295,278</td>
<td>347,687</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>11,749</td>
<td>11,749</td>
</tr>
<tr>
<td>Derivative financial instruments*</td>
<td>24,195</td>
<td>24,195</td>
</tr>
</tbody>
</table>

Evaluation purposes:

- To determine if the derivative financial instruments are in an active market
- To determine if the derivative financial instruments are in a highly liquid market

The derivatives are measured at fair value. The fair value of the derivative financial instruments is determined by an external auditor. The fair value is held as $000.

Credit risk

Credit 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 assets and liabilities that are measured at fair value at 30 June 2016.

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrowings</td>
<td>324,026</td>
<td>357,343</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>11,749</td>
<td>11,749</td>
</tr>
<tr>
<td>Derivative financial instruments*</td>
<td>24,195</td>
<td>24,195</td>
</tr>
</tbody>
</table>

The following table presents the company’s financial assets and liabilities that are measured at fair value at 30 June 2016.

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>10,543</td>
<td>9,111</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>11,749</td>
<td>11,749</td>
</tr>
<tr>
<td>Borrowings</td>
<td>324,026</td>
<td>357,343</td>
</tr>
<tr>
<td>Derivative financial instruments*</td>
<td>24,195</td>
<td>24,195</td>
</tr>
</tbody>
</table>

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

Liquidity risk

Liquidity risk is assessed on an ongoing basis by determining the amount of cash and cash equivalents required to cover potential shortfalls. The company also monitors its liquidity position on a regular basis and maintains adequate levels of cash and cash equivalents to meet its obligations.

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 is 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:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract fixed interest rate</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Notional principal amount</td>
<td>$000</td>
<td>$000</td>
</tr>
<tr>
<td>Fair value</td>
<td>$000</td>
<td>$000</td>
</tr>
</tbody>
</table>

Movement in cash flow hedge reserve – interest rate swaps

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Movement in fair value of existing contracts</td>
<td>$13,632</td>
<td>$10,802</td>
</tr>
</tbody>
</table>

Fair value of financial instruments

The directors consider that the carrying amounts of financial assets and financial liabilities recorded in the financial statements approximate their fair values, except for the $50,000,000 fixed rate bond which has a fair value of $55,916,000.

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 1. 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.

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Movement in fair value of existing contracts</td>
<td>$13,632</td>
<td>$10,802</td>
</tr>
</tbody>
</table>

Liabilities

The following table presents the company’s financial assets and liabilities that are measured at fair value at 30 June 2016.

<table>
<thead>
<tr>
<th></th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liabilities</td>
<td>$000</td>
<td>$000</td>
<td>$000</td>
<td>$000</td>
</tr>
<tr>
<td>Derivative financial instruments*</td>
<td>-</td>
<td>24,195</td>
<td>-</td>
<td>24,195</td>
</tr>
</tbody>
</table>

Total liabilities

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 1. 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

<table>
<thead>
<tr>
<th>Note</th>
<th>Classification</th>
<th>At Fair Value through profit and loss held for trading</th>
<th>Loans &amp; Receivables</th>
<th>Other amortised cost</th>
<th>Total carrying amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>$000</td>
<td>$000</td>
<td>$000</td>
<td>$000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

As at 30 June 2016

CURRENT ASSETS
Cash and cash equivalents 14 - 763 - 763
Trade and other receivables 14 - 14,102 - 14,102
Total current financial assets - 14,865 - 14,865

NON-CURRENT ASSETS
Trade and other receivables 14 - 6,470 - 6,470
Total non-current financial assets - 6,470 - 6,470
Total financial assets - 21,335 - 21,335

CURRENT LIABILITIES
Trade and other payables* 10 - - 11,749 11,749
Borrowings 8 - - 68,000 68,000
Derivative financial instruments 9 1,339 - - 1,339
Total current financial liabilities 1,339 - 79,749 81,088

NON-CURRENT LIABILITIES
Borrowings 8 - - 256,026 256,026
Derivative financial instruments 9 22,856 - - 22,856
Total non-current financial liabilities 22,856 - 256,026 278,882
Total financial liabilities 24,195 - 335,775 359,970

As at 30 June 2015

CURRENT ASSETS
Cash and cash equivalents 14 - 2,781 - 2,781
Trade and other receivables 14 - 11,735 - 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* 10 - - 23,956 23,956
Borrowings 8 - - 25,000 25,000
Derivative financial instruments 9 727 - - 727
Total current financial liabilities 727 - 48,956 49,683

NON-CURRENT LIABILITIES
Borrowings 8 - - 270,278 270,278
Derivative financial instruments 9 12,664 - - 12,664
Total non-current financial liabilities 12,664 - 270,278 282,942
Total financial liabilities 13,391 - 319,234 332,625

* Excludes revenue in advance

23. DISPOSAL OF BUSINESSES

On 31 October 2015 CIAL disposed of its International Antarctic Centre (IAC) tourist attraction business and on 29 February 2016 CIAL disposed of its Christchurch Airport i-Site tourist information business.

CIAL continues to own the land and buildings of both these businesses.

The IAC business, including working capital, inventory and fixed assets, was sold for $5.2m. The book value of all related assets and liabilities were recovered, including $3.4m of goodwill generated from the original purchase. There was no residual gain or loss on sale.

The sale of the IAC business will not materially impact the net operating results or cashflow of the airport business going forward.

The i-Site business was sold for consideration of $160,000. This resulted in a gain on sale of fixed assets of $119,000.

The sale of the i-Site business will not materially impact the net operating results or cashflow of the airport business going forward.

24. 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 2016 with those targets are as follows:

<table>
<thead>
<tr>
<th>2016 Achievement</th>
<th>2016 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>$000</td>
<td>$000</td>
</tr>
</tbody>
</table>

Financial
- Total Revenue: 168,133* 169,753*
- EBITDAF: 103,057** 102,257**
- Net Profit after tax: 43,056 34,744

EBITDAF as a % Revenue: 61.3% 60.2%
Net Profit after tax as % of average equity: 5.5% 4.5%
Net Profit after tax as % of average total assets: 3.4% 2.8%

* Total revenue excludes unrealised gains on investment property and realised gain on disposal of assets. Target revenue for FY16 includes $5.5m of revenue from the International Antarctic Centre (IAC) which was sold at the end of October 2015.
** EBITDAF excludes unrealised gains on investment property, investment property expenditure and realised gain on disposal of assets. Target EBITDAF contribution from IAC for FY16 was $1.2m.

Passenger numbers
- Domestic: 4,756,731 4,633,116
- International: 1,548,986 1,486,402
- Total passengers: 6,305,717 6,119,518

Ratio of shareholders’ funds to total assets
- Shareholder Funds/Total Assets: 62.8% 62.2%
- Gearing (debt / (debt + equity)): 29.1% 29.9%
- EBITDAF Interest Cover X: 5.14 4.47
- Free Funds Interest Cover X: 4.42 4.12
- Free Funds / Debt %: 27% 22%

*** CIAL’s net profit before tax of $57.5m was made up of:
- Underlying Operating Profit before tax: $46.5m
- Realised Gain on Disposal of Assets: $1.8m
- Net Unrealised Gains on Investment Property Revaluations: $9.2m

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 better than forecast aeronautical performance, strong cost control and lower than forecast interest and depreciation costs during the year.
### CORPORATE SOCIAL RESPONSIBILITY

<table>
<thead>
<tr>
<th>Performance Target</th>
<th>2016 Achievements</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Health &amp; Safety</strong></td>
<td><strong>2016 Achievements</strong></td>
</tr>
</tbody>
</table>
| 1. Lost Time Injuries | • Better than industry standards, with ultimate target of Nil.  
• 4 LTIs have been recorded up to 30 June 2016. All four incidents involved minor injuries to staff members (eg rolled ankle, thumb injury). |
| 2. Lost Time Injury Frequency Rate (LTI / million hours worked) | • Better than industry standards, with ultimate target of Nil.  
• Currently the CIAL LTI frequency rate is 8.69 / per million hours worked. This sits slightly lower than the industry benchmark of 10.45. |
| 3. Near Miss Frequency Rate (Near misses/ million hours worked) | • Increase over the prior year, reflecting an improved near miss reporting culture.  
• The near miss frequency rate is 158.18. This has dipped below the industry standard of 289.02. The allocation of safety incidents and property damage reports into their own categories has decreased the number of near misses reported overall. |

<table>
<thead>
<tr>
<th>Environmental</th>
<th><strong>2016 Achievements</strong></th>
</tr>
</thead>
</table>
| 4. 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. | • Develop a Sustainability Strategy with key targets and objectives towards waste reduction and corporate sustainability.  
• The year to date recycling diversion rate is 59.16%. The recycling diversion rate for 2015 is 37.71%.  
• Sustainability Strategy has been endorsed and key objectives laid around Waste diversion and Waste Minimisation. |
| 5. To minimise the impact of airport activities on groundwater quality through cost-effective measures to avoid or mitigate the risks of contamination. | • Continue to investigate and implement waste minimisation initiatives that ensure landfill diversion rates are sustained or increased.  
• 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.  
• Continue Environmental Compliance and Monitoring Programme with existing airport operators and new operators on airport land.  
• Ensure all new operators are provided with Environmental Training.  
• Continue Environmental Compliance and Monitoring Programme with existing airport operators and new operators on airport land.  
• A training DVD is provided to all new and existing tenants with site briefings provided as required or requested. An annual review of the tenant training is currently underway for inclusion in CIAL’s annual report to Environment Canterbury.  
• Label storm water drainage systems in all new developments.  
• This is completed annually as part of routine maintenance by Propel.  
• Develop a Sustainability Strategy with key targets and objectives towards Stormwater Quality and corporate sustainability.  
• Sustainability Strategy is in final draft and will establish ground water protection as a key focus for a programme of continuous improvement. Water has been identified as one of the 5 pillars the strategy is built on with the focus being towards protection of the unconfined aquifer and management of groundwater takes. |
| 6. To manage Operational Risk. | • Achieve a Bird Strike incidence rate of 3 x 4/10,000 aircraft movements on a 12 month rolling average basis in line with level set for airports of a similar scale.  
• CIAL’s rolling 12 month Bird Strike incidence rate of 3.3. |

<table>
<thead>
<tr>
<th>Community Engagement</th>
<th><strong>2016 Achievements</strong></th>
</tr>
</thead>
</table>
| 7. 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.  
• Previous reported trends are continuing and being tracked in monthly energy reports by Enercor.  
• Develop a Sustainability Strategy with key targets and objectives towards energy reduction, air quality from energy and heating activities and corporate sustainability.  
• Conduct a review and feasibility study into power generation and heating on airport with a view towards conversion to more efficient technology.  
• The Sustainability Strategy has been endorsed. Energy has been identified as one of the 5 pillars the strategy is built on with the focus being towards continued efficiency improvements, reduction of emissions and sustainable development of the airport. |
| 8. 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.  
• As reported previously, an energy efficiency review had been carried out on the hotel design with a number of options evaluated and feasible options implemented where practical. |
| 9. To deliver on our corporate social responsibility and community interest obligations. | • Continue to be a key sponsor of meaningful events which attract visitors to Christchurch and the city’s residents to attend and/or take part and contribute to the growing city.  
• Sponsorship of five community projects via grants from Christchurch Airport Community Fund, charity fundraisers and other donations through the year.  
• Sponsorship of Penrith Panthers (home away from home game vs Warriors), Night Noodle Markets, Court Theatre, Warbirds Over Wanaka, Christchurch Pops Choir, Christchurch Marathon, Champion Canterbury Awards, Business Hero Awards.  
• Support community initiatives and organisations through the CIAL Community Fund, charity fundraisers and other donations through the year.  
• Community Fund has been awarded as one of the 5 pillars the strategy is built on with the focus being towards continued efficiency improvements, reduction of emissions and sustainable development of the airport. |

**Performance Target** | **2016 Achievements** |
<table>
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<tr>
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<tbody>
<tr>
<td><strong>Health &amp; Safety</strong></td>
<td><strong>2016 Achievements</strong></td>
</tr>
</tbody>
</table>
| 1. Lost Time Injuries | • Better than industry standards, with ultimate target of Nil.  
• 4 LTIs have been recorded up to 30 June 2016. All four incidents involved minor injuries to staff members (eg rolled ankle, thumb injury). |
| 2. Lost Time Injury Frequency Rate (LTI / million hours worked) | • Better than industry standards, with ultimate target of Nil.  
• Currently the CIAL LTI frequency rate is 8.69 / per million hours worked. This sits slightly lower than the industry benchmark of 10.45. |
| 3. Near Miss Frequency Rate (Near misses/ million hours worked) | • Increase over the prior year, reflecting an improved near miss reporting culture.  
• The near miss frequency rate is 158.18. This has dipped below the industry standard of 289.02. The allocation of safety incidents and property damage reports into their own categories has decreased the number of near misses reported overall. |

**Environmental** | **2016 Achievements** |
|----------------|-----------------|
| 4. 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. | • Develop a Sustainability Strategy with key targets and objectives towards waste reduction and corporate sustainability.  
• The year to date recycling diversion rate is 59.16%. The recycling diversion rate for 2015 is 37.71%.  
• Sustainability Strategy has been endorsed and key objectives laid around Waste diversion and Waste Minimisation. |
| 5. To minimise the impact of airport activities on groundwater quality through cost-effective measures to avoid or mitigate the risks of contamination. | • Continue to investigate and implement waste minimisation initiatives that ensure landfill diversion rates are sustained or increased.  
• 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.  
• Continue Environmental Compliance and Monitoring Programme with existing airport operators and new operators on airport land.  
• Ensure all new operators are provided with Environmental Training.  
• Continue Environmental Compliance and Monitoring Programme with existing airport operators and new operators on airport land.  
• A training DVD is provided to all new and existing tenants with site briefings provided as required or requested. An annual review of the tenant training is currently underway for inclusion in CIAL’s annual report to Environment Canterbury.  
• Label storm water drainage systems in all new developments.  
• This is completed annually as part of routine maintenance by Propel.  
• Develop a Sustainability Strategy with key targets and objectives towards Stormwater Quality and corporate sustainability.  
• Sustainability Strategy is in final draft and will establish ground water protection as a key focus for a programme of continuous improvement. Water has been identified as one of the 5 pillars the strategy is built on with the focus being towards protection of the unconfined aquifer and management of groundwater takes. |
| 6. To manage Operational Risk. | • Achieve a Bird Strike incidence rate of 3 x 4/10,000 aircraft movements on a 12 month rolling average basis in line with level set for airports of a similar scale.  
• CIAL’s rolling 12 month Bird Strike incidence rate of 3.3. |

**Community Engagement** | **2016 Achievements** |
|----------------|-----------------|
| 7. 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.  
• Previous reported trends are continuing and being tracked in monthly energy reports by Enercor.  
• Develop a Sustainability Strategy with key targets and objectives towards energy reduction, air quality from energy and heating activities and corporate sustainability.  
• Conduct a review and feasibility study into power generation and heating on airport with a view towards conversion to more efficient technology.  
• The Sustainability Strategy has been endorsed. Energy has been identified as one of the 5 pillars the strategy is built on with the focus being towards continued efficiency improvements, reduction of emissions and sustainable development of the airport. |
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• Community Fund has been awarded as one of the 5 pillars the strategy is built on with the focus being towards continued efficiency improvements, reduction of emissions and sustainable development of the airport. |
Performance Target | 2016 Achievements

10. To deliver an environment for staff that is supportive, stimulating and engaging.

<table>
<thead>
<tr>
<th>Performance Target</th>
<th>2016 Achievements</th>
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<tr>
<td>• Take opportunities to engage with stakeholders and the community through public speaking by the CEO and GMs.</td>
<td>• Presentations have been given by the CEO, members of the executive team and the Communications Manager. Publication of our newsletters, updates on social media and our website continue to update people on airport activity.</td>
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<tr>
<td>• Refresh strategies aligned with employee attraction, engagement and talent development.</td>
<td>• A complete People Strategy for 2016-2018 has been developed with a focus on the pillars of Performance, Capability and Delivery. Sub-strategies of this are in development with a framework of plans with KPIs and milestones being established. The annual engagement survey last completed in December has been used to form the new People Strategy. The complete survey will be repeated in late 2016/early 2017 with pulse checks along the way to inform and check the People Plan sub-strategies.</td>
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INDEPENDENT
AUDITOR’S REPORT

To the readers of
Christchurch International Airport Limited’s
financial statements and performance information
for the year ended 30 June 2016

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 the performance information of the company on his behalf.

OPINION ON THE FINANCIAL STATEMENTS AND THE PERFORMANCE INFORMATION

We have audited:
- the financial statements of the company on pages 13 to 44, that comprise the statement of financial position as at 30 June 2016, the statement of financial performance, statement of comprehensive income, statement of changes in equity, statement of cash flows and summary of significant accounting policies for the year ended on that date and the notes to the financial statements that include other explanatory information; and
- the performance information of the company on pages 44 to 47.

In our opinion:
- the financial statements of the company:
  - give a true and fair view of:
    > its financial position as at 30 June 2016; and
    > its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards; and
- the performance information of the company gives a true and fair view of the company’s actual performance compared against the performance targets and other measures by which performance was judged in relation to the company’s objectives for the year ended 30 June 2016.

Other legal requirements

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

Our audit was completed on 5 September 2016. 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.

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

In accordance with the Financial Reporting Act 1993, we report that we have obtained all the information and explanations we have required. Our audit also involves evaluating:
- the appropriateness of the reported performance information within the company’s framework for reporting performance;
- 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.

In accordance with the Financial Reporting Act 1993, we report that we have obtained all the information and explanations we have required.

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

Responsibilities of the Board of Directors

The Board of Directors is responsible for the preparation of financial statements for the company that:
- comply with generally accepted accounting practice in New Zealand; and
- give a true and fair view of the company’s financial position, financial performance, and cash flows.

The Board of Directors is also responsible for preparation of the performance information for the company.


The Board of Directors is responsible for such internal control as it determines is necessary to enable the preparation of financial statements and the 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 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.

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

Andy Burns
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand
OUR PLACE IN THE WORLD | ANNUAL REPORT | 2016 EDITION

DIRECTORS
as at June 30 2016
David Mackenzie
Chairman
Catherine Drayton
Director
Laura Palomino de Forbes
Director
Justin Murray
Director
Chris Paulsen
Director
André Lovatt
Director

DIRECTORY

EXECUTIVE LEADERSHIP TEAM
Malcolm Johns
Chief Executive Officer
Andy Lester
Chief Operating Officer
(Resigned July 2016)
Tim May
Chief Financial Officer
Blair Forgie
Chief Operations and Property Officer
Justin Watson
Chief Commercial and Aeronautical Officer
Rhys Boswell
General Manager
Strategy and Sustainability
Michael Singleton
General Manager
Corporate Affairs
Caroline Fleetwood
General Manager
People, Culture and Safety
(Appointed August 2016)

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 2016 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 5 September 2016 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.