2014 EDITION | Annual Report

VOLUME **TWO:**

FINANCIAL **STATEMENTS**

CHRISTCHURCH AIRPORT

bringing the world South

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FINANCIAL STATEMENTS

For the year ended 30 June 2014

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CHRISTCHURCH AIRPORT
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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 under the Commerce Commission. In addition it is regulated as an Airport under the Civil Aviation Act, Part 139, in terms of operational and safety performance. Christchurch International Airport Limited (CIAL) aims to make sufficient disclosure so that the reader of the Annual Report will be able to assess the effectiveness of the company's corporate governance.

BOARD ACCOUNTABILITY

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

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

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

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

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

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

BOARD STRUCTURE

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

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

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

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

INDUCTION OF NEW DIRECTORS

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

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

OPERATION OF THE BOARD

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

The Chairman, Chief Executive, Chief Financial Officer and General Manager Business Services 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 Board decision or for more detailed information
- Health and safety reporting for the timely and accurate identification, and effective management, of the significant health and safety risks
- Standard items and action items arising from previous meetings.

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

- Reviews and approves the company objectives and strategies, business plan and budgets including the annual profit targets and capital investment programmes
- Approves the annual and half-yearly financial statements, including the Annual Report to shareholders and public announcements
- Considers and, if appropriate, declares or recommends the payment of dividends
- Reviews directors' remuneration following approval from shareholders
- Reviews the Chief Executive's performance and remuneration
- Approves remuneration policies and practices for executive management 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 critically evaluates its own performance, its processes and procedures to ensure that they are not unduly complex and that they assist the Board in effectively fulfilling its role and performing its duties. The Board and Committees and each director have the right to seek independent professional advice at CIAL's expense to assist them to carry out their responsibilities. The Board and Committees have the authority to secure the attendance at meetings of advisers with relevant experience and expertise.

Board and Committee Meeting attendance	Original appointment	Current Term expires	Board meetings (Special/ Teleconf.)	Risk, Audit & Finance Committee meetings	Remuneration Committee Meetings (Teleconf.)	Property Committee meetings	Aeronautical Committee Meetings
Total number of meetings held			8 (3)	4	4 (2)	3	4
D. Mackenzie	August 2008	October 2014	8 (3)	4	4 (2)	3	4
P. Carter	March 2005	Resigned 23 August 2013	1	-	1	-	-
C. Drayton	September 2009	October 2015	8 (3)	4	-	3	-
G. Gould	November 2009	October 2015	6 (1)	-	4 (2)	-	3
C. Paulsen	October 2010	October 2016	7 (3)	4	-	-	4
J. Murray	June 2011	April 2017	8 (3)	4	-	3	1
A. Lovatt	June 2014	June 2017	1	-	-	-	-

COMMUNICATION WITH SHAREHOLDERS

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

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

The Board aims to ensure that shareholders are informed of all major developments affecting the company's state of affairs, while at the same time recognising that commercial sensitivity may preclude certain information from being made public. Within this constraint, information is communicated to the shareholders through quarterly reports and periodic briefings providing financial information and commentary on operational and non-financial performance measures. The company provides half yearly and annual reports to shareholders by the end of February and September respectively.

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

ETHICAL AND RESPONSIBLE DECISION MAKING

The company requires the highest standards of honesty and integrity from its directors and employees. This as a consequence necessitates responsible and ethical decision making which is supported by the highest standards of corporate behaviour towards our stakeholders. The Business Plan, incorporating CIAL's values and aspirations is communicated to all staff.

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

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

RECOGNISE AND MANAGE RISK

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

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

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

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

Business Assurance

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

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

Chief Executive Officer and Chief Financial Officer Assurance

The Chief Executive Officer and Chief Financial Officer have provided written assurance to the Risk, Audit and Finance Committee regarding the adequacy of:

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

There were no qualifications to the assurances provided by management for the year ended 30 June 2014.

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 Christchurch earthquakes have resulted in a different dynamic in terms of the ability to renew earthquake insurance cover and how and through whom such cover will be placed. The Board has continued its significant consideration of such insurance placements as a mitigation of risk into the 2014 financial year to ensure such risk remains adequately protected through both the type and duration of insurance coverage and the level of capacity placed.

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

During the year, the directors' and officers' liability insurance was renewed to cover risks arising out of acts, omissions or legal defence of directors and employees in their capacity as such. Insurance is not provided for dishonest, fraudulent, malicious or wilful acts or omissions. The insurance cover is provided by QBE Insurance (International) Ltd and Vero Liability Insurance (NZ). The cost of the cover for the year to 30 June 2014 is $38,765.

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 understands 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 2014 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 Chief Executive Officer is the primary point of accountability and link between the Board and operational management functions. All Board authority conferred on management is delegated through the CEO so that the authority and accountability of management is considered to be the authority and accountability of the CEO so far as the Board is concerned.

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

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

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

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

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

Delegation of Responsibilities

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

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

BOARD SUB-COMMITTEES

Risk, Audit and Finance Committee

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

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

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

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

- Review and approve accounting policies and practices as they apply to the company
- Review the current risk management framework, and associated procedures for effective identification and management of the company's financial and business risks
- Review management's approach to maintaining an effective internal control environment, including implementation of relevant policies and procedures
- Review the adequacy of insurance cover at each insurance renewal and recommend to the Board any significant changes to insurance cover
- Review and approve the annual business assurance plan, and regularly monitor business assurance findings
- Recommend to the Board the appointment of the external and internal auditor and approve their fee
- Provide advice on and review the company's Annual Report and Financial Statements prior to consideration and approval by the Board
- Provide advice on and review the company's 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.
- 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 2014 were Catherine Drayton (Chairman), Chris Paulsen and Justin Murray. The Chairman, David Mackenzie, is a member ex officio, and also attended meetings of the committee.

Particular areas of focus for the Committee during 2014 were:

- Review the robustness and integrity of the adherence to, and public disclosure of, the Information Disclosure regime as regulated by the Commerce Commission, covering both annual and pricing reset disclosures
- The integrity and effectiveness of the Business Assurance programme and internal control processes
- Risk management and the progressive development of Enterprise Wide Risk Management, with a particular focus on Business Continuity
- On-going review of CIAL capital structure and optimal funding portfolio in the future.
- Ensuring that documentation prepared for CIAL's bond issue was prepared in compliance with the disclosure requirements of the Securities Act 1978 and the Securities Regulations 2009, and that an adequate due diligence process was established and executed
- Valuation of assets and consideration of the commercial valuation of the business
- Renewal of insurance policies, including assessment of alternate risk financing options to reduce the increasing exposure, and cost, to the insurance market
- Review overall tax risk profile of CIAL with focus on adherence to tax governance policy.

Remuneration Committee

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

- To review the remuneration and human resources strategy, structure and policy for the company and reviewing remuneration practices to ensure that they are consistent with such policies
- To oversee CIAL's recruitment, retention and termination policies and procedures for senior management, and the succession planning for senior management and the CEO
- To review the performance of the CEO, the engagement agreement and benefit structure for the CEO and Executive Leadership Team, and recommend to the Board senior executive incentive remuneration plans, other employee benefits, and key performance objectives of the CEO and Executive Leadership Team.

The members of the Remuneration Committee as at 30 June 2014 were David Mackenzie (Chairman), George Gould and André Lovatt (appointed to Committee on 23 June 2014).

Particular areas of focus for the Committee during 2014 were:

- Remuneration policy for the forthcoming year, taking particular cognisance of the prevailing economic conditions
- Review of CEO and senior executive performance
- Mandates for individual employment and collective bargaining increases
- The successful recruitment of a new CEO, commenced 1 January 2014.

Property and Commercial Committee

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

The responsibilities of the Committee are:

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

The members of the Property Committee as at 30 June 2014 were Justin Murray (Chairman), Catherine Drayton and André Lovatt (appointed to Committee on 23 June 2014). The Chairman, David Mackenzie, is a member ex officio, and also attended meetings of the committee.

Particular areas of focus for the Committee during 2014 were:

- Planning and consenting to enable development of the wider property portfolio
- Finalisation of a revised ground transport strategy encompassing a review of the company's car parking offering
- Approval of investment cases for specific property development initiatives
- Review of commercial arrangements with terminal tenants.

Aeronautical Committee

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

The responsibilities of the Committee are:

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

The members of Aeronautical Committee as at 30 June 2014 were Chris Paulsen (Chairman), David Mackenzie and George Gould.

Particular areas of focus for the Committee during 2014 were:

- To continually review the changing development of the aviation sector and the strategies to be implemented in response to such changes. This has included new business development initiatives to retain existing market share and to grow new services, with a focus on trans-Tasman and international long haul services, particularly to Asia.
- To review the performance of revenue recovery post the reset of aeronautical charges in December 2012 and oversight the monitoring review carried out by the Commerce Commission (under the Sec 56G Pricing review process) carried out post the setting of new charges;
- To review and confirm the Information Disclosure of CIAL historic aeronautical performance to the Commerce Commission; and
- To review and support the progressive development of "South", the strategy implemented by CIAL for the stimulation and resurgence of growth of the South Island tourism sector, in conjunction with regional tourism organisations and other industry stakeholders.

REMUNERATION

Directors

The total remuneration paid to directors for the year ended 30 June 2014 is:

Name	Remuneration
D Mackenzie	$84,260
P Carter (ceased 23 August 2013)	$8,677
C Drayton	$49,600
G Gould	$41,000
C Paulsen	$45,100
J Murray	$43,000
A Lovatt (commenced 11 June 2014)	$3,717
Total Fees	**$275,354**

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.

Remuneration ranges	Number of current and former employees	
$'000	**2014**	**2013**
$100 - $110	6	6
$110 - $120	6	7
$120 - $130	4	2
$130 - $140	5	4
$140 - $150	4	4
$150 - $160	2	3
$160 - $170	1	2
$170 - $180	2	-
$180 - $190	2	1
$190 - $200	1	-
$200 - $210	-	1
$210 - $220	-	2
$220 - $230	1	-
$230 - $240	-	-
$240 - $250	1	-
$250 - $260	1	1
$270 - $280	-	1
$280 - $290	-	1
$290 - $300	1	1
$300 - $310	1	-
$310 - $320	1	1
$330 - $340	1	-
$340 - $350	1	-
$570 - $580	-	1
$590 - $600	-	1

Denali Management Contract: Christchurch International Airport Limited had a management contract during part of the financial year with Denali Management Limited. Under that contract Denali Management Limited provided the services of Jim Boult to act as CEO up until its termination on the 31 December 2013.

The base contract fee for those services during the six month period was calculated at the rate of $592,000 per annum, an amount unchanged from the prior year.

Consequently management fees paid for six months of the financial year to 31 December 2013 totalled $346,000, comprising half of the base contract fee ($296,000) plus a one-off at-risk amount of $50,000, payable at the end of the contract, consequent on the company achieving certain financial outcomes and a successful transition to a new CEO.

Current Chief Executive: Christchurch International Airport Limited appointed a new CEO who took over the role as at 1 January 2014. The CEO's remuneration arrangements include an at risk component, currently set at a maximum of 25% of the base salary effective during the appropriate year. The at-risk component did not apply for the first six months of the appointment, however will apply from 1 July 2014 onward. The maximum that can be earned under the current remuneration arrangements including at-risk salary is $576,000 for the full year.

Payments to the employees shown in the two highest remuneration ranges in the prior year, included payments under the management contract for the previous Chief Executive's role as noted above, and the General Manager Terminal Development who completed his role during 2013. He was paid a fixed salary each year during the period of the terminal's construction plus a one-off at-risk bonus, consequent on the achievement of certain milestones specific to the successful completion of the Integrated Terminal Project.

CORPORATE RESPONSIBILITY AND SUSTAINABILITY

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

The CIAL purpose and values statements guide the behaviour of all CIAL staff and how they conduct CIAL's business. The purpose defines what CIAL does and CIAL's values state how CIAL people choose to interact with each other, customers, suppliers and communities.
The CEO is required to ensure that managers act in a manner that is consistent with corporate policy and direction.
The Board has established governance principles that provide a broad description of the way in which the Board expects the company to be managed for shareholders' benefit.

These are:

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

DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for ensuring that the financial statements give a true and fair view of the financial position of the company as at 30 June 2014, 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 13-45, of the Christchurch International Airport Limited for the year ended 30 June 2014.

The Board of Directors of Christchurch International Airport Limited authorise these financial statements for issue on 1 September 2014.

For and on behalf of the Board

David Mackenzie
CHAIRMAN

Catherine Drayton
DIRECTOR

STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30 June 2014

	Note	2014	2013
		$000	$000
INCOME			
Operating revenue	1	130,395	118,462
Fair value gain/(loss) on investment properties	17	9,223	6,380
Interest income	2	262	371
Total income		**139,880**	**125,213**
EXPENSES			
Operating costs	3	57,822	53,231
Financing and interest costs	3	21,386	17,405
Depreciation, amortisation and impairment	4	34,338	30,812
Loss on disposal of assets		113	-
Integrated terminal development project costs	5	-	304
Investment property development costs		2,700	-
Earthquake Costs		-	33
Total expenses		**116,359**	**101,785**
Surplus before tax		**23,521**	**23,428**
Tax attributable to operations*	6a	5,491	6,000
Surplus after taxation and before deferred tax adjustment		**18,030**	**17,428**
Deferred tax adjustment on buildings*	6a & 7	2,336	(1,000)
Surplus after tax		**15,694**	**18,428**
*Total taxation expense	6a	7,827	5,000

The accompanying notes form part of these financial statements

For the year ended 30 June 2014

STATEMENT OF COMPREHENSIVE INCOME

	Note	2014	2013
		$000	$000
Surplus after tax		**15,694**	**18,428**
Other comprehensive income			
Fair value gain on land and buildings	11	76,514	24,672
Deferred tax on revaluation of land and buildings	7	(14,860)	8,806
Cash flow hedges	11	8,190	10,292
Deferred tax on revaluation of cash flow hedges	7	(2,290)	(2,882)
Other comprehensive income for year, net of tax		**67,554**	**40,888**
Total comprehensive income for year		**83,248**	**59,316**

The income tax relating to each component of other comprehensive income is disclosed in note 11.

For the year ended 30 June 2014

STATEMENT OF CHANGES IN EQUITY

	Note	Share Capital	Reserves	Retained Earnings	Total Equity
Balance at 1 July 2013		57,600	347,520	212,843	617,963
Dividends paid to shareholders	9	-	-	(8,849)	(8,849)
Total comprehensive income for the year	11	-	40,888	18,428	59,316
Balance at 30 June 2013		**57,600**	**388,408**	**222,422**	**668,430**
Transfer of Asset revaluation	11	-	(421)	421	-
Deferred Tax on sale of Asset		-	117	-	117
Dividends paid to shareholders	9	-	-	(6,561)	(6,561)
Total comprehensive income for the year	11	-	67,554	15,694	83,248
Balance at 30 June 2014		**57,600**	**455,658**	**231,976**	**745,234**

The accompanying notes form part of these financial statements

STATEMENT OF **FINANCIAL POSITION**

As at 30 June 2014

	Note	2014	2013
		$000	$000
EQUITY			
Share capital	10	57,600	57,600
Reserves	11	455,658	388,408
Retained earnings	11	231,976	222,422
Total equity		**745,234**	**668,430**
NON-CURRENT LIABILITIES			
Term borrowings	12	274,777	276,353
Derivative financial instruments	13	6,241	13,380
Deferred taxation	7	107,397	87,987
Trade and other payables	14	1,288	1,389
Total non-current liabilities		**389,703**	**379,109**
CURRENT LIABILITIES			
Trade and other payables	14	13,020	11,479
Current portion of borrowings	12	25,000	25,000
Taxation (Receivable)/Payable	6c	2,799	960
Derivative financial instruments	13	960	973
Total current liabilities		**41,779**	**38,412**
Total liabilities		**431,482**	**417,521**
Total equity and liabilities		**1,176,716**	**1,085,951**
NON-CURRENT ASSETS			
Property, plant and equipment	15	955,520	888,348
Investment properties	17	193,175	169,383
Intangible assets	16	6,563	6,992
Trade and other receivables	18	7,903	8,099
Total non-current assets		**1,163,161**	**1,072,822**
CURRENT ASSETS			
Cash and cash equivalents		1,491	767
Trade and other receivables	18	10,847	8,265
Asset held for sale	15	-	3,234
Inventories	19	1,217	863
Total current assets		**13,555**	**13,129**
Total assets		**1,176,716**	**1,085,951**

The accompanying notes form part of these financial statements

STATEMENT OF CASH FLOWS

	Note	2014	2013
		$000	$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from customers		127,941	118,611
Interest received		262	371
Net goods and services tax received		-	122
		128,203	**119,104**
Cash was applied to:			
Payments to suppliers and employees		(60,756)	(54,087)
Financing and interest costs		(20,987)	(17,187)
Net income tax refunded (paid)		(2,900)	(2,927)
Subvention payments		(713)	(1,845)
Net goods and services tax paid		(764)	-
		(86,120)	**(76,046)**
Net cash flows from operating activities	20	**42,083**	**43,058**
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Proceeds from sale of property, plant and equipment		4,454	34
		4,454	**34**
Cash was applied to:			
Purchase of property, plant and equipment		(24,112)	(46,866)
Purchase of investment properties		(14,569)	(3,549)
Purchase of intangible assets		(315)	(1,314)
		(38,996)	**(51,729)**
Net cash flows from investing activities		**(34,542)**	**(51,729)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from:			
Borrowings		50,000	88,000
Cash was applied to:			
Dividends paid	9	(6,561)	(8,849)
Capitalised borrowing costs		(256)	(312)
Borrowings		(50,000)	(70,000)
		(56,817)	**(79,161)**
Net cash flows from financing activities		**(6,817)**	**23,825**
Net (decrease) / increase in cash held		**724**	**168**
Add cash and cash equivalents at beginning of the year		767	1,339
Cash and cash equivalents at the end of the year		**1,491**	**767**

The accompanying notes form part of these financial statements

ACCOUNTING **POLICIES**

GENERAL INFORMATION

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

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

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

These financial statements have been approved for issue by the Board of Directors on 1 September 2014.

The board of Directors does not have the power to amend the financial statements after issue, other than to correct typographical errors or re-classify prior year comparatives to conform to the current year's presentation.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. BASIS OF PREPARATION

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

Entity reporting

The financial statements are for Christchurch International Airport Limited 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 profit-oriented entity for financial reporting purposes.

Statutory base

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

The financial statements have been prepared in accordance with the requirements of the 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. Derivative financial instruments are revalued to fair value.

Critical accounting estimates and assumptions

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

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

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

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

New and amended standards adopted by the company
The following standards, interpretations and amendments have become effective during the annual period:

- NZ IAS 19 Employee Benefits (Revised 2011) – Deferred Taxes: Recovery of Underlying Assets
- IFRS 1 First-Time Adoption of International Financial Reporting Standards (Amendment) – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters
- NZ IFRS 13 Fair Value Measurement - Guidance on how to measure fair value under NZ IFRS
- NZ IAS 1 amendments to Presentation of Financial Disclosures : Disclosures – Enhanced Derecognition Disclosure Requirements

These pronouncements are not considered to have a material effect on the company.

Standards issued and not yet adopted

- NZ IFRS 9 Financial Instruments will eventually replace NZ IAS 39 Financial Instruments: Recognition and Measurement. NZ IAS 39 is being replaced through the following three main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology, and Phase 3 Hedge Accounting. Phase 1 has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial assets (its business model) and the contractual cash flow characteristics of the financial assets. The financial liability requirements are the same as those of NZ IAS 39, except for when an entity elects to designate a financial liability at fair value through the surplus/deficit. The new standard is required to be adopted for the year ended 30 June 2016. Management are still determining the impact phase 2 and phase 3 will have on the company.

B. CURRENT VS. NON-CURRENT CLASSIFICATION

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

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

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

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

The company classifies all other liabilities as non-current.

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

C. FOREIGN CURRENCY TRANSLATION

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

D. REVENUE RECOGNITION

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

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

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

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

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

E. INCOME TAX

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

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

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

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

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

F. GOODS AND SERVICES TAX (GST)

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

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

G. LEASES

Operating leases

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

H. IMPAIRMENT

Non-financial assets

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

Financial assets

Assets are reviewed for impairment on a regular basis and any possible loss is recognised when the carrying amount exceeds its recoverable amount.

I. CASH AND CASH EQUIVALENTS

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

J. TRADE RECEIVABLES

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

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

K. INVENTORIES

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

L. OTHER FINANCIAL ASSETS

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

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

M. DERIVATIVES

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

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

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

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

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

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

v. Derivatives that do not qualify for hedge accounting

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

N. FAIR VALUE MEASUREMENT

The company measures financial instruments, such as, derivatives, and non-financial assets such as investment properties, at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 27.

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

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

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

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

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

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

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

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

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

O. PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

Costs subsequent to revaluation are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. Repairs and maintenance is charged to the Statement of Financial Performance during the financial year in which they are incurred.

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

Depreciation

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

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

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

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

P. INVESTMENT PROPERTY

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

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

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

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

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

Investment property is carried at fair value, based on discounted cash flow projections, as determined annually by external valuers. Gains or losses arising from a change in fair value are recorded in the Statement of Financial Performance.

Crighton Anderson prepared the 2014 investment property valuations and Seagar and Partners the 2013 investment property valuations.

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

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

Q. FINITE LIFE INTANGIBLE ASSETS

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

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

R. TRADE AND OTHER PAYABLES

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

S. BORROWINGS

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

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

Borrowing costs that are directly attributable to the acquisition or construction of an item of property, plant and equipment (qualifying asset) have been capitalised where the construction exceeds $10 million and is greater than 12 months in duration.
Borrowing costs that are not capitalised are expensed as incurred.

T. SHARE CAPITAL

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

U. PROVISIONS

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

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

V. EMPLOYEE BENEFITS

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

W. DIVIDENDS

Dividend distribution to the company shareholders is recognised as a liability in the company's financial statements in the period in which the dividends are authorised by the directors and notified to the company's shareholders.

X. LEASE INDUCEMENTS

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

Y. FINANCIAL INSTRUMENTS

Financial assets

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

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

Financial liabilities

The company classifies its financial liabilities in the following categories: financial liabilities at fair value through the profit and loss, borrowings or as derivatives designated as hedging instruments in an effective hedge. The classification depends on the purpose for which the financial liabilities were incurred. Management determines the classification of its financial liabilities at initial recognition.
The company's financial liabilities include trade and other payables, borrowings and derivative financial instruments.

Financial liabilities at fair value through profit and loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit and loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on liabilities held for trading are recognised in the income statement. The company has no liabilities held for trading as at 30 June 2014.

Financial liabilities designated at fair value through profit and loss are designated at the initial date of recognition. The company has not designated any financial liability as fair value through profit or loss.

Z. GOODWILL

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

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

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

	2014	2013
	$000	$000

1. OPERATING REVENUE

Landing and Terminal charges	47,676	43,587
Rent and Lease income	53,853	49,302
Ground transport and other trading activities	24,812	23,452
Gain on disposal of assets	1,086	-
Other revenue	2,968	2,121
Total operating revenue	**130,395**	**118,462**

2. INTEREST INCOME

Interest income was derived from:		
Short term bank deposits	202	224
Other	60	147
Total interest income	**262**	**371**

3. EXPENSES

Operating Expenses

Staff	24,253	22,184
Asset Management, maintenance and airport ops	10,503	9,560
Rates and insurance	5,576	5,646
Marketing and promotions	6,178	4,443
Professional services and levies	2,301	2,289
Commercial entity running costs	2,017	1,929
Other	6,994	7,180
	57,822	**53,231**

Other includes:

Doubtful debts written off	-	11

Professional services and levies include:

Audit of financial statements	99	97
Fees paid to the Auditor for other assurance services:		
- Audit of disclosure regulations	34	35
- Review of compliance with bond conditions	3	4

Staff costs comprise:

Wages and Salaries	21,498	19,869
Payroll related expenses	2,431	1,947
Contributions to defined contribution schemes	49	53
Directors fees	275	315
Staff costs include:	**24,253**	**22,184**

	2014	2013
	$000	$000

Finance and interest costs:

Interest costs	21,429	17,239
Fair value hedge ineffectiveness	(43)	166
Total finance costs	**21,386**	**17,405**

Finance and interest costs have increased over the prior year due to interest no longer being capitalised to the Integrated Terminal Project following the completion of the project.

No interest was capitalised during the period (2013: $3,059,000 at a rate of 6.8%).

4. DEPRECIATION, AMORTISATION AND IMPAIRMENT

Buildings	1,119	1,357
Terminal facilities	19,539	17,098
Sealed surfaces	8,200	6,889
Plant and equipment	555	491
Office and computer equipment	822	540
Car parking	1,230	1,722
Infrastructure	1,534	1,348
Motor vehicles	595	627
Total depreciation (note 15)	33,594	30,072
Amortisation of intangibles (note 16)	744	740
Total depreciation, amortisation and impairment	**34,338**	**30,812**

During the year land and work in progress, were tested for impairment by independent valuers. No impairment has been determined on the company's assets as at 30 June 2014.

5. INTEGRATED TERMINAL DEVELOPMENT PROJECT COSTS

These are the incremental operating costs incurred directly as a consequence of the Integrated Terminal Development project.

	-	304

6. INCOME TAX

a) Income tax expense

Operating surplus before income tax	23,521	23,428
Prima facie taxation at 28%	**6,585**	**6,560**
Plus/(less) taxation effect of:		
Revenue not assessible for tax purposes	(1,439)	(584)
Expenses not deductible for tax purposes	350	24
Income tax attributable to operating surplus	**5,496**	**6,000**
Over provision in prior years	(5)	-
Income tax attributable to operations	**5,491**	**6,000**
Deferred tax adjustment on buildings	2,336	(1,000)
Total taxation expense	**7,827**	**5,000**

The deferred taxation adjustment on buildings is due to the fact that since an announcement in the 2010 budget, it has been determined that no depreciation can be claimed on buildings for taxation purposes from 2011 onwards.

	2014	2013
	$000	$000
b) Components of tax expense		
Current tax expense	5,649	3,885
Prior Period Adjustments	(5)	137
Deferred tax expense	(153)	1,978
Deferred tax adjustment on buildings	2,336	(1,000)
Total taxation expense	**7,827**	**5,000**
c) Taxation (receivable)/payable		
Balance at beginning of the year	960	1,710
Prior year adjustment to current tax	(197)	142
	763	**1,852**
Current tax expense	5,649	3,885
	6,412	**5,737**
(Payments to) / refund from:		
Inland Revenue Department	(2,900)	(2,932)
Subvention payments to members of the CCC tax group	(713)	(1,845)
Taxation (receivable)/payable	**2,799**	**960**

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 2014 was $713,000 (2013 $1,845,000). These payments are treated as if they were payments of income tax and are reflected as part of the taxation payable / (receivable) amount.

7. DEFERRED TAXATION

	Opening balance	Charged to income	Charged to equity	Adjustment to Buildings	Deferred Tax on Sale of Asset	Closing balance
	$000	$000	$000	$000	$000	$000
2014						
Property, plant & equipment	86,192	(1,399)	14,860	2,336	(117)	101,872
Intangible assets	168	(12)	-	-	-	156
Investment properties	4,853	1,378	-	-	-	6,231
Provisions and payments	(181)	74	-	-	-	(107)
Derivatives	(3,045)	-	2,290	-	-	(755)
	87,987	**41**	**17,150**	**2,336**	**(117)**	**107,397**
2013						
Property, plant & equipment	95,167	831	(8,806)	(1,000)	-	86,192
Intangible assets	120	48	-	-	-	168
Investment properties	3,651	1,202	-	-	-	4,853
Provisions and payments	(78)	(103)	-	-	-	(181)
Derivatives	(5,927)	-	2,882	-	-	(3,045)
	92,933	**1,978**	**(5,924)**	**(1,000)**	**-**	**87,987**

	Note	2014	2013
		$000	$000

8. IMPUTATION CREDIT MEMORANDUM ACCOUNT

Balance at beginning of the year		204	713
Net income tax payments made / (refunded)		2,900	2,932
Imputation credits attached to dividends paid		(2,552)	(3,441)
Balance available for use in subsequent reporting periods		**552**	**204**

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.

9. DIVIDENDS

2012 Final dividend paid ($0.08 per share)		-	4,405
2013 Interim dividend paid ($0.08 per share)		-	4,444
2013 Final dividend paid ($0.05 per share)		2,907	-
2014 Interim dividend paid ($0.06 per share)		3,654	-
Total paid	11b	**6,561**	**8,849**

10. SHARE CAPITAL

57,600,000 fully paid ordinary shares		57,600	57,600
Total paid		**57,600**	**57,600**

All shares have equal voting rights and share equally as to dividends and surplus on winding up.

11. RESERVES AND RETAINED EARNINGS

a) Reserves

Balances

Cash flow hedges reserve		(1,941)	(7,841)
Asset revaluation reserve		457,233	395,883
Capital reserve		366	366
Balance at end of the year		**455,658**	**388,408**

Cash flow hedges reserve

Movements:			
Balance at the beginning of the year		(7,841)	(15,251)
Revaluation to fair value		8,190	10,292
Deferred tax on revaluation		(2,290)	(2,882)
Balance at the end of the year		**(1,941)**	**(7,841)**

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

	Note	2014	2013
		$000	$000
Asset revaluation reserve			
Balance at beginning of the year		395,883	362,405
Revaluation of assets		76,514	24,672
Deferred tax on revaluation		(14,860)	8,806
Transfer from Asset Revalue Reserve		(304)	-
Balance at end of the year		**457,233**	**395,883**
Comprising:			
Revaluation on:			
Land		227,854	227,854
Terminal facilities		103,359	61,169
Buildings		6,284	3,594
Sealed surfaces		41,024	38,068
Infrastructure assets		11,556	11,297
Car parking		67,156	53,901
Balance at the end of the year		**457,233***	**395,883***

The asset revaluation reserve records movements in the fair value of property, plant and equipment.
* balances are net of deferred tax

	Note	2014	2013
Capital reserve			
Balance at the beginning of the year		366	366
Movements		-	-
Balance at the end of the year		**366**	**366**
b) Retained earnings			
Balance at the beginning of the year		222,422	212,843
Net surplus for the year		15,694	18,428
Transfer from Asset Revaluation Reserve		421	-
Dividends paid	9	(6,561)	(8,849)
Balance at end of the year		**231,976**	**222,422**

12. BORROWINGS

The company has a $205,000,000 funding facility with four banks (five banks in 2013) and a subordinated loan of $50,000,000 from majority shareholder, Christchurch City Holdings Ltd, to fund the on-going business and future property and commercial development. In addition, the company has an overdraft facility of $1,000,000 (2013 $230,000,000 bank funding facility, a subordinated loan of $50,000,000 from majority shareholder, Christchurch City Holdings Ltd, and an overdraft facility of $1,000,000).

The Company completed a $50,000,000 bond issue in October 2013. The bonds have an interest rate of 6.25% and maturity of eight years. Costs of $256,000 directly related to the bond issue were capitalised and will be amortized over the duration of the bond. Total bond funding is $125,000,000 (2013:$75,000,000). The funds raised from these bond issues were used to refinance in part the Company's maturing debt facilities. $75,000,000 of the bond funding is held at fair value in the balance sheet, as it is subject to a fair value hedge relationship.

All borrowings under the bank facility and overdraft facility are unsecured and supported by a negative pledge deed. The negative pledge deed requires that no security interest is provided over any assets for borrowings, unless an equivalent security interest is created for the borrowing group and bond holders. Interest rates paid during the year, including offsetting interest rate swaps, ranged from 6.1% to 6.7% (2013 5.8% to 6.2%). The bond constitutes direct, unsecured, unsubordinated obligations and will rank equally with all other unsecured, unsubordinated indebtedness.

Maturity of debt as at 30 June

	2014	2014	2013	2013
	$000	$000	$000	$000
	Actual drawn down	**Facility available**	Actual drawn down	Facility available
Maturing in				
2014	-	-	25,000	25,000
2015	25,000	25,000	75,000	75,000
2016	29,000	100,000	50,000	100,000
2017	76,000	80,000	80,000	80,000
2018	50,000	50,000	-	-
2019	-	-	-	-
2020	70,033*	75,000	71,353*	75,000
2021	-	-	-	-
2022	49,744**	50,000	-	-
	299,777	**380,000**	**301,353**	**355,000**
Current	25,000	25,000	25,000	25,000
Non-current	274,777	355,000	276,353	330,000
	299,777	**380,000**	**301,353**	**355,000**

* this balance relates to bond funding and is held at fair value including capitalised borrowing costs, as it is subject to a fair value hedge relationship.

** This balance includes $256,000 of capitalised borrowing costs associated with the issue of the $50 million bond in October 2013.

	Note	2014	2013
		$000	$000
Bond principal		75,000	75,000
Directly attributable borrowing costs		(280)	(280)
Amortisation of borrowing costs		44	-
Fair value hedging adjustment 2014		(1,364)	-
Fair value hedging adjustment 2013		(3,367)	(3,367)
Bond fair value		**70,033**	**71,353**

13. DERIVATIVE FINANCIAL INSTRUMENTS

	Fair value		Notional principal	
	2014	2013	2014	2013
	$000	$000	$000	$000
Current liabilities				
Interest rate swaps – cash flow hedges	960	973	30,000	30,000
Total current financial liabilities	**960**	**973**	**30,000**	**30,000**
Non-current liabilities				
Interest rate swaps – fair value hedges	4,861	3,501	75,000	75,000
Interest rate swaps – cash flow hedges	1,380	9,879	334,000	294,000
Total non-current financial liabilities	**6,241**	**13,380**	**409,000**	**369,000**

	2014	2013
	$000	$000

14. TRADE AND OTHER PAYABLES

Trade and other payables less than one year

	2014	2013
Trade payables	1,315	4,379
Employee entitlements and provisions	2,439	2,152
Goods and Services Tax	(47)	12
Revenue in advance	208	101
Accrued interest	2,214	1,535
Accrued capital items	2,718	1,059
Accrued expenses	3,676	2,241
Provision*	497	-
Trade and other payables less than one year	**13,020**	**11,479**

Total trade and other payables greater than one year

	2014	2013
Revenue in advance	1,288	1,389
Trade and other payables greater than one year	**1,288**	**1,389**
Total trade and other payables	**14,308**	**12,868**

* Provision for contracted costs associated with Spitfire Square retail development. This provision will be utilised within the next financial year (refer Note 17).

15. PROPERTY, PLANT AND EQUIPMENT

Revaluation of property, plant and equipment

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

Land

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

Buildings

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

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

Terminal facilities

Terminal facilities are a specialised asset and are valued using optimised depreciated replacement cost (ODRC).

Car parking assets

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

Sealed surfaces and infrastructure assets

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

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

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

The result of the revaluations at 30 June were:

	2014	2013
	$000	$000
Land	-	29,782
Buildings	4,317	-
Sealed surfaces	4,106	-
Terminal	58,598	-
Infrastructure	359	-
Car parking	9,134	(5,110)
	76,514	**24,672**

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

Summary of movement in net book value *

Opening net book value	888,348	878,194
Plus Additions	39,271	46,018
Plus Transfers from / (to) investment properties and intangibles	(14,884)	(30,471)
Less Disposals (cost less depreciation)	(135)	(130)
Less this year's depreciation	(33,594)	(29,935)
Plus Revaluation	76,514	24,672
Closing net book value at 30 June	**955,520**	**888,348**
Building held for sale	-	3,234

* 2013 excludes the building classified as held for sale.

PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2014

Gross carrying amount

	Cost/ Valuation 1 July 2013	Current Year Additions at Cost	Transfers at Cost	Disposals at Cost/ Impairment	Revaluation Adjustment	Cost/ Valuation 30 June 2014
	$000	$000	$000	$000	$000	$000
Land	291,944	-	(854)	-	-	291,090
Buildings	32,253	-	(958)	(115)	173	31,353
Terminal facilities	331,895	-	1,895	-	6,622	340,412
Sealed surfaces	139,687	-	4,414	-	(10,982)	133,119
Plant & equipment	6,263	52	455	(37)	-	6,733
Office & computers	4,040	244	3,852	-	-	8,136
Infrastructure	27,195	-	7,741	-	(2,523)	32,413
Car parking	91,811	44	2,738	-	7,907	102,500
Motor vehicles	7,479	-	184	(104)	-	7,559
Work in progress	7,423	38,931	(34,351)	-	-	12,003
Total gross carrying amount	**939,990**	**39,271**	**(14,884)**	**(256)**	**1,197**	**965,318**
Asset held for sale	3,479	-	-	(3,479)	-	-

Accumulated depreciation

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

Summary

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

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

The following table summarises the valuation approach and key assumptions used by the valuers to arrive at fair value, and categorises each fair value measurement within the 'fair value hierarchy' described in accounting policy (n). The table also includes a description of the sensitivity of the fair value measurement to changes in unobservable inputs.

Fair value hierarchy

Asset classification and description	Valuation approach	Key valuation assumptions	Fair value hierarchy Level	Valuation Impact + / - 5%
Land				
Includes land used for airport activities and specialised aeronautical assets and for non-aeronautical purposes e.g. industrial, service, retail and land associated with the vehicle business	Market value highest and best use approach. with an allowance being deducted to allow for services valued as infrastructure assets. Land included in car parking and Investment property categories are not included in this category.	Adopted rate per hectare of $569,000	3	+/-$14.597million (of a 5% change in discount rate)
Investment Properties				
Investment Properties are land and buildings which are owned to earn rental income, for capital appreciation or both.	The income based valuation approach is used.	Land is included when infrastructure services are available and future development is expected within the next 3 years	3	+/- $9.485 million (of a 5% change of cost estimate)
Infrastructure and Sealed Surfaces				
Infrastructure and sealed surfaces including site services.	Optimised depreciated replacement cost - the cost of constructing equivalent asset at current market based input cost rates, adjusted for the remaining useful life of the assets (depreciation) and the sub optimal usage of the assets in their current application (optimisation). These inputs are deemed unobservable	Lives spanning from 15 to 120 years, an airside factor and prelim and general costs of 13.5% and 10% respectively. WACC 8.4, Inflation rate of 2.5%	3	+/- $8.463 million (of a 5% change of cost estimate)
Buildings				
Buildings for identified airport activities, including space offices and storage that exist because of the airport activities	Specialised buildings are valued by Optimised depreciated replacement cost derived from modern equivalent asset rate, as described for Infrastructure and Sealed Surfaces above. Buildings that are owned by CIAL that are could be leased by a third party are valued on an income valuation approach similar to that used for Investment Properties.	For specialised buildings the modern equivalent asset cost rates from recent construction projects. Useful life of up to 60 years for assets.	3	+/- $1.660 million (of a 5% change of cost estimate)
Terminal				
	Optimised depreciated replacement cost derived from modern equivalent asset rate, as described for Infrastructure and Sealed Surfaces above.	Modern equivalent asset cost rates from recent construction projects. Useful life of up to 60 years for assets	3	+/- $17.020 million (of a 5% change of cost estimate)
Car parking				
Assets associated with car parking, taxi, shuttle and bus services (Including land)	Discounted cash flow valuation performed by management and based on: Internal management information such as forecast future revenues, costs and capital expenditure. - Assumptions such as the discount rate. These are based on management's judgement and arrived at in consultation with external experts. Both the internal management information and the discount rate are deemed to be unobservable inputs.	Revenue Growth per annum 1% Cost growth per annum 2% Discount rate 9.25% post tax, 10 year cash flow period	3	+/- $5.125 million (of a 5% change in discount rate)
Plant & equipment, Office & computers, Motor Vehicles and Work in process				
Plant and equipment, Office & computers Motor Vehicles and Work in progress are measured at cost and comprises a mixture of specialised and non-specialised assets	Not applicable - measured at cost less depreciation			

Level 3 Asset Classification

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

PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2013

Gross carrying amount

	Cost/ Valuation 1 July 2012	Current Year Additions at Cost	Transfers at Cost	Disposals at Cost/ Impairment	Revaluation Adjustment	Cost/ Valuation 30 June 2013
	$000	$000	$000	$000	$000	$000
Land	287,136	-	(24,974)	-	29,782	291,944
Buildings	32,143	-	110	-	-	32,253
Terminal facilities	291,128	-	46,368	(5,601)	-	331,895
Sealed surfaces	113,718	-	25,969	-	-	139,687
Plant & equipment	12,123	34	811	(6,705)	-	6,263
Office & computers	8,332	5	1,136	(5,433)	-	4,040
Infrastructure	21,992	-	5,203	-	-	27,195
Car parking	87,207	67	11,369	-	(6,832)	91,811
Motor vehicles	7,374	65	499	(459)	-	7,479
Work in progress	58,538	45,847	(96,962)	-	-	7,423
Total gross carrying amount	**919,691**	**46,018**	**(30,471)**	**(18,198)**	**22,950**	**939,990**
Asset held for sale	3,479	-	-	-	-	3,479

Accumulated depreciation

	Accumulated Depreciation 1 July 2012	Current Year Depreciation	Depreciation on Transfers	Depreciation on Disposals	Revaluation Adjustment	Accumulated Depreciation 30 June 2013
	$000	$000	$000	$000	$000	$000
Buildings	1,985	1,220	-	-	-	3,205
Terminal facilities	21,330	17,098	-	(5,601)	-	32,827
Sealed surfaces	-	6,889	-	-	-	6,889
Plant & equipment	8,446	491	-	(6,680)	-	2,257
Office & computers	6,366	540	-	(5,433)	-	1,473
Infrastructure	-	1,348	-	-	-	1,348
Car parking	-	1,722	-	-	(1,722)	-
Motor vehicles	3,370	627	-	(354)	-	3,643
Total accumulated depreciation	**41,497**	**29,935**	**-**	**(18,068)**	**(1,722)**	**51,642**
Asset held for sale	108	137	-	-	-	245

Summary

	1 July 2012	Current year movement	Transfers	Disposals	Revaluation	30 June 2013
	$000	$000	$000	$000	$000	$000
Cost	919,691	46,018	(30,471)	(18,198)	22,950	939,990
Accumulated Depreciation	41,497	29,935	-	(18,068)	(1,722)	51,642
Book Value	**878,194**	**16,083**	**(30,471)**	**(130)**	**24,672**	**888,348**
Asset held for sale	3,371	137	-	-	-	3,234

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:

	2014	2013
	$000	$000
Land	123,211	123,211
Buildings	21,791	25,258
Sealed surfaces	216,373	228,729
Terminal	87,930	87,566
Infrastructure	24,234	17,334
Car parking	36,517	35,520
	510,056	**517,618**

The current carrying value of the assets under the revaluation model is a combination of the asset cost, revaluation reserve and the impact of adopting a revised "deemed cost" for all assets when transitioning to International Financial Reporting Standards in 2008.

16. INTANGIBLE ASSETS AS AT 30 JUNE 2014

Gross carrying amount

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

Accumulated amortisation

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

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

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

As at 30 June 2014, $3,391,000 of the goodwill related to the International Antarctic Centre (IAC). The recoverable amount of the IAC CGU is determined from a fair value less costs to sell calculation, using cash flow projections for the next five years. The projected cash flows are adjusted for associated risks and are discounted using a nominal rate of 11.5% (pre-tax). Revenue growth assumptions used in the projections are based on past performance and management's expectations of visitor growth and range from 3%-12%.

The remaining goodwill relates to the Craddocks CGU. The recoverable amount has been determined as part of the car park independent valuation performed by Crighton Anderson Property and Infrastructure Ltd, which confirmed that no impairment is required to be recognised. The valuation was discounted using a nominal rate of 8.75% (post-tax). Revenue and expense growth assumptions were based on board approved budgets for the next three years and ranged between 1%-2%.

INTANGIBLE ASSETS AS AT 30 JUNE 2013

Gross carrying amount

	Cost/valuation 1 July 2012	Current year additions at cost	Current year disposals/ impairment	Cost/valuation 30 June 2013
	$000	$000	$000	$000
Software	7,865	1,314	(4,040)	5,139
Goodwill	5,131	-	-	5,131
Total gross carrying amount	**12,996**	**1,314**	**(4,040)**	**10,270**

Accumulated amortisation

	Accumulated amortisation 1 July 2012	Current year amortisation	Amortisation on disposal	Accumulated Amortisation 30 June 2013
	$000	$000	$000	$000
Software	6,578	740	4,040	3,278
Total accumulated amortisation	**6,578**	**740**	**4,040**	**3,278**
Total Book value 30 June 2013	**6,418**	**574**	**-**	**6,992**

17. INVESTMENT PROPERTIES

At fair value

	2014	2013
	$000	$000
Fair value at the beginning of the year	169,383	128,981
Transfer from property, plant and equipment	275	30,473
Additional capitalised expenditure	10,834	3,549
Fair value gain from fair value adjustment	9,223	6,380
Fair value at 30 June	**189,715**	**169,383**
Investment properties under construction	3,460	-
Total Investment properties	**193,175**	**169,383**
Rental income	13,140	12,279
Direct operating expenses from property that generated rental income	3,998	1,197

Included in the amount above is $10,509,000 related to Investment Properties under construction, but sufficiently advanced to enable a fair value to be assessed by the independent valuer. These properties are carried at fair value on completion less estimated costs to complete.

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

	2014	2013
	$000	$000

Valuation of investment property

The valuation as at 30 June 2014 was completed by Crighton Anderson Property and Infrastructure Ltd, registered valuers and member of the New Zealand Property Institute. The basis of valuation is fair value, being the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

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

Principal assumptions used in establishing the valuations were:

- Average rental yield rate 9.49% (2013: 9.58%)
- Average market capitalisation rate 8.89% (2013: 9.78%)
- Weighted average lease term 4.40 years (2013: 4.74 years).

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

18. TRADE AND OTHER RECEIVABLES

Trade and other receivables less than one year

	2014 $000	2013 $000
Accounts receivable	6,298	6,249
Other receivables	2,299	-
Prepayments	1,713	1,536
Lease inducement	646	589
Provision for doubtful debts	(109)	(109)
Trade and other receivables less than one year	**10,847**	**8,265**

Trade and other receivables greater than one year

	2014 $000	2013 $000
Prepayments	140	-
Lease inducement	7,763	8,099
Trade and other receivables greater than one year	**7,903**	**8,099**
Total trade and other receivables	**18,750**	**16,364**

19. INVENTORIES

	2014 $000	2013 $000
Materials	932	592
Retail stock	285	271
Total inventories	**1,217**	**863**

During the year, inventory of $Nil was written off (2013 NIL).

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

	2014 $000	2013 $000
Net operating surplus after tax	15,694	18,428
Non cash items		
Depreciation, amortisation and impairment	34,338	30,812
Amortisation of lease surrender	680	589
(Gain)/loss on revaluation of investment properties	(9,223)	(6,380)
Amortisation of capitalised borrowing costs	44	32
Accrued interest within derivatives	(283)	-
Fair Value hedge ineffectiveness	(43)	166
Items not classified as operating activities		
Net gain on asset disposals	(1,086)	-
Capital items included in trade payables and accruals	(675)	960
Deferred taxation	2,377	978
Movements in working capital		
(Increase)/decrease in trade and other receivables	(2,665)	745
(Increase)/decrease in inventories	(354)	(48)
Increase/(decrease) in trade and other payables	1,440	(2,474)
Increase/(decrease) in taxation payable	1,839	(750)
Net cashflows from operating activities	**42,083**	**43,058**

	2014	2013
	$000	$000

21. 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. During the most recent year, pricing agreements were renegotiated for aeronautical charges with all airline customers of CIAL, including Air New Zealand. Air New Zealand also leases a number of properties within the terminal and the wider CIAL campus.

Transactions with related entities during the year

	2014	2013
Purchases	108	423
Rates paid	3,371	2,971
Revenues	5	11
Subvention payments	713	1,845
Group loss offset	1,433	-
Accounts payable	9	1

Christchurch City Holdings Limited (CCHL)

	2014	2013
Interest paid	2,795	2,714
Subordinated loan balance payable	50,000	50,000
Revenues	-	-
Group loss offset	-	4,744

Other CCC group companies

	2014	2013
Purchases	2,878	1,734
Revenues	105	129
Accounts payable	118	230
Amounts owing	11	11
Subvention payments	-	-
Group loss offset	400	-

Non shareholder related party transactions

Some directors of the company are, or have been during the year, directors of other companies or organisations with whom Christchurch International Airport Limited may transact. Such transactions are all carried out on an arm's-length basis and are conducted on normal commercial terms. No amounts were written off or forgiven during the reporting period and outstanding balances were settled under normal trading terms.

Entity	**Transaction**	**2014**	2013	**Relationship**
		$000	$000	
New Zealand Institute of Chartered Accountants	Subscriptions	8	5	Catherine Drayton company director is on the board of New Zealand Institute of Chartered Accountants
BECA Group Limited	Structural Engineering services	282	251	Catherine Drayton company director was appointed to the board of BECA Group Limited on 22nd April 2013
PGG Wrightson Limited	Agricultural and landscaping supplies	163	139	George Gould, company director ceased to be managing director of PGG Wrightson Limited on 28th June 2013
Orbit Travel & House of Travel Holdings Limited	Travel, accommodation, lease tenancy and joint marketing initiatives	607	634	Chris Paulsen, company director is a director of House of Travel at Orbit Limited

	2014	2013
	$000	$000

Balance owing to non-shareholder related parties as at 30 June 2014

Entity		
BECA Group Limited	6	13
PGG Wrightson Limited	-	1
House of Travel Limited	-	32

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

22. KEY MANAGEMENT PERSONNEL COMPENSATION

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

The key management compensation is:

Salaries and other short term employee benefits	2,278	2,860
Post-employment benefits	35	38
Termination benefits	-	85
	2,313	**2,983**

This excludes directors' remuneration which is disclosed in note 3.

23. COMMITMENTS

Capital expenditure commitments

Total capital expenditures, excluding the Integrated Terminal Project (ITP), committed to but not recognised in the financial statements	**5,567**	**2,381**

The ITP project was completed in the year. The total contracted cost to complete for the ITP was $7,359,000 in 2013. This did not include an estimate of the final costs to be paid.

Operating lease commitments

These commitments are for operating leases for office equipment and represent the total minimum lease payments under non-cancellable operating leases not recognised in the financial statements. The leases are for terms between 2 and 3 years, and the majority of the lease agreements are renewable at the end of the lease period at market rates.

Less than 1 year	13	37
Between 1-2 years	10	4
Between 3-5 years	8	3
	31	**44**

24. LEASE INCOME

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

Less than 1 year	50,915	47,718
Between 1-2 years	92,201	92,334
Between 3-5 years	61,535	90,569
Beyond 5 years	108,240	116,519
	312,891	**347,140**

The leases are for terms between 1 month and 85 years, and the majority of the lease agreements are renewable at the end of the lease period at market rates.

25. CONTINGENT ASSETS AND LIABILITIES

As at 30 June 2014 there was no contingent asset (2013: NIL) and there were no contingent liabilities (2013: NIL).

26. EVENTS OCCURRING AFTER BALANCE DATE

A final dividend of $3,972,000 (2013: $2,907,000) 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 (2013: NIL)

27. 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 2014 (2013: NIL).

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

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

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

Changes in the value of the fixed rate retail bonds have been hedged by fixed to floating interest rate swaps with terms that match those of the underlying bonds.

At 30 June 2014, if the interest rates had changed by +/- 1%, with all other variables held constant, the impact to equity would have been $484,000 lower/$485,000 higher, the impact on profit would have been $328,000 lower/329,000 higher. The valuation of interest rate swaps has been included in this calculation.

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

Interest repricing profile

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

	Note	Weighted average effective interest rate	Variable interest rate	Fixed interest rate	Non-interest bearing	Total
		%	$000	$000	$000	$000
As at 30 June 2014						
FINANCIAL ASSETS						
Cash and cash equivalents		2.5	1,491	-	-	1,491
Trade and other receivables	18	-	-	-	18,750	18,750
			1,491	**-**	**18,750**	**20,241**

	Note	Weighted average effective interest rate	Variable interest rate	Fixed interest rate	Non-interest bearing	Total
		%	$000	$000	$000	$000
FINANCIAL LIABILITIES						
Trade and other payables	14		-	-	11,869	11,869
Derivative financial instruments	13	4.9	7,201	-	-	7,201
Borrowings	12	7.1	180,000	119,777	-	299,777
Employee benefits	14		-	-	2,439	2,439
			187,201	**119,777**	**14,308**	**321,286**
As at 30 June 2013						
FINANCIAL ASSETS						
Cash and cash equivalents		2.5	767	-	-	767
Trade and other receivables	18		-	-	16,364	16,364
			767	**-**	**16,364**	**17,131**
FINANCIAL LIABILITIES						
Trade and other payables	14		-	-	10,716	10,716
Derivative financial instruments	13	5.0	14,353	-	-	14,353
Borrowings	12	6.8	230,000	71,353	-	301,353
Employee benefits	14		-	-	2,152	2,152
			244,353	**71,353**	**12,868**	**328,574**

Credit risk

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

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

The company also continuously monitors the outstanding credit exposure to individual customers. Credit risk is concentrated on a small number of customers. At 30 June 2014 79% (2013: 70%) 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 2014 a no debtor balances (2013: $11,000) was written off, this represents less than 0.00% (2013: 0.01%) of total trade receivables. No further amounts were provided for doubtful debts (2013: NIL).

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

	2014	2013
	$000	$000
Neither past due nor impaired	5,781	5,056
Past due but not impaired 0 – 30 days	371	828
Past due but not impaired 31 – 60 days	39	190
Past due but not impaired > 60 days	107	175
Impaired assets – written down to recoverable value	-	-
	6,298	**6,249**

There are no restructured assets at 30 June 2014 (2013: NIL). No collateral has been taken as security for trade receivables.

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

Liquidity risk

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

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

30 June 2014	Carrying Amount	Total Cash Flow	On demand	< 1 year	1-2 years	3-5 years	> 5 years
Trade and other payables	14,308	14,308	13,020	1,288	-	-	-
Borrowings	299,777	369,078	-	40,621	129,231	64,482	134,744
Derivative financial instruments*	7,201	7,389	-	3,631	2,664	2,315	(1,221)
	321,286	**390,775**	**13,020**	**45,540**	**131,895**	**66,797**	**133,523**

30 June 2013	Carrying Amount	Total Cash Flow	On demand	< 1 year	1-2 years	3-5 years	> 5 years
Trade and other payables	12,868	12,868	11,479	1,389	-	-	-
Borrowings	301,353	351,287	-	37,180	143,465	89,848	80,794
Derivative financial instruments*	14,353	14,952	-	5,603	6,412	2,844	93
	328,574	**379,107**	**11,479**	**44,172**	**149,877**	**92,692**	**80,887**

* The derivative financial instrument cash flows are paid quarterly.

Derivative financial instrument

Interest rate swaps

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

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

	Contract fixed interest rate		**Notional principal amount**		**Fair value**	
	2014	2013	**2014**	2013	**2014**	2013
	%	%	**$000**	$000	**$000**	$000
Outstanding floating for fixed contracts						
Less than 1 year	5.7	5.4	30,000	30,000	960	973
1 to 2 years	4.6	5.2	110,000	100,000	522	4,099
3 to 5 years	5.3	4.8	134,000	122,000	3,194	4,745
Beyond 5 years	4.4	4.6	90,000	72,000	(2,336)	1,035
			364,000	**324,000**	**2,340**	**10,852**
Outstanding fixed to floating contracts						
Beyond 5 years	5.2	5.2	75,000	75,000	4,861	3,501

Movement in cash flow hedge reserve – interest rate swaps

	2014	2013
	$000	$000
Movement in fair value of existing contracts	(8,512)	(10,277)

Fair value of financial instruments

The directors consider that the carrying amounts of financial assets and financial liabilities recorded in the financial statements approximate their fair values.
Financial instruments that are measured in the balance sheet at fair value use the following fair value measurement hierarchy:

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

The following table presents the company's financial assets and liabilities that are measured at fair value at 30 June 2014.

	Level 1	Level 2	Level 3	Total balance
	$000	$000	$000	$000
Liabilities				
Derivative financial instruments	-	7,201	-	7,201
Total liabilities	**-**	**7,201**	**-**	**7,201**

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

Classification of financial instruments

	Note	At fair value	Loans & receivables	Available for sale	Other amortised cost	Total carrying amount
		$000	$000	$000	$000	$000
As at 30 June 2014						
CURRENT ASSETS						
Cash and cash equivalents		-	1,491	-	-	1,491
Trade and other receivables	18	-	9,134	-	-	9,134
Total current financial assets		**-**	**10,625**	**-**	**-**	**10,625**
NON-CURRENT ASSETS						
Trade and other receivables	18	-	7,763	-	-	7,763
Total non-current financial assets		**-**	**7,763**	**-**	**-**	**7,763**
Total financial assets		**-**	**18,388**	**-**	**-**	**18,388**
CURRENT LIABILITIES						
Trade and other payables*	14	-	-	-	12,812	12,812
Borrowings	12	-	-	-	25,000	25,000
Derivative financial instruments	13	960	-	-	-	960
Total current financial liabilities		**960**	**-**	**-**	**37,812**	**38,772**
NON-CURRENT LIABILITIES						
Borrowings	12	-	-	-	274,777	274,777
Derivative financial instruments	13	6,241	-	-	-	6,241
Total non-current financial liabilities		**6,241**	**-**	**-**	**274,777**	**281,018**
Total financial liabilities		**7,201**	**-**	**-**	**312,589**	**319,790**

* excludes revenue in advance

	Note	At fair value	Loans & receivables	Available for sale	Other amortised cost	Total carrying amount
		$000	$000	$000	$000	$000
As at 30 June 2013						
CURRENT ASSETS						
Cash and cash equivalents		-	767	-	-	767
Trade and other receivables	18	-	6,729	-	-	6,729
Total current financial assets		**-**	**7,496**	**-**	**-**	**7,496**
NON-CURRENT ASSETS						
Trade and other receivables	18	-	8,099	-	-	8,099
Total non-current financial assets		**-**	**8,099**	**-**	**-**	**8,099**
Total financial assets		**-**	**15,595**	**-**	**-**	**15,595**
CURRENT LIABILITIES						
Trade and other payables*	14	-	-	-	11,378	11,378
Borrowings	12	-	-	-	25,000	25,000
Derivative financial instruments	13	973	-	-	-	973
Total current financial liabilities		**973**	**-**	**-**	**36,378**	**37,351**
NON-CURRENT LIABILITIES						
Borrowings	12	-	-	-	276,353	276,353
Derivative financial instruments	13	13,380	-	-	-	13,380
Total non-current financial liabilities		**13,380**	**-**	**-**	**276,353**	**289,733**
Total financial liabilities		**14,353**	**-**	**-**	**312,731**	**327,084**

* Excludes revenue in advance

28. 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.

29. 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 2014 with those targets are as follows:

	2014 Achievement	2014 Target
	$000	$000
Financial performance targets		
Total revenue [1]	139,880	129,700
EBITDAF from operations (excluding investment property gains / costs)	72,460	71,300
Surplus after tax and before deferred tax adjustment	18,030	14,200
EBITDAF as % revenue	51.8%	55%
Ratio of net surplus after-tax to average equity	2.6%	2.3%
Return on assets (surplus after tax as % on average total assets)	1.6%	1.3%

[1] Including fair value gain on investment properties

Operational movement targets

	2014 Achievement	2014 Target
Aircraft		
Aircraft departures excluding General Aviation	75,072	66,713
Passenger numbers		
Domestic	4,337,917	4,282,693
International	1,352,240	1,315,699
Total passengers	**5,690,157**	**5,598,392**

Operational performance targets

	$	$
Total revenue per passenger	24.58	23.17
Net profit after tax per passenger	3.17	2.54
Total assets per passenger	206.80	196.70
Net debt per passenger	53.60	60.7
Ratio of aeronautical revenue to total operating revenue	31.4%	35.6%

CORPORATE
SOCIAL RESPONSIBILITY

Performance Target	2014	Achievements
1. To minimise the impact of airport activities on groundwater quality through cost-effective measures to avoid or mitigate the risks of contamination	• Ensure on-going compliance with NZ Drinking Water Standards through implementation of the Public Risk and Management Plan for Managing Potable Water and regular monitoring of potable drinking groundwater supply	• Completed – drinking water is audited yearly to ensure compliance with NZ Drinking Water Standards.
	• Continue Environmental Compliance and Monitoring Programme with existing airport operators and new operators on airport land.	• Completed - 67 audits undertaken on airport tenants with good levels of compliance.
	• Ensure all new operators are provided with Environmental Training	• On-going.
	• Label storm water drainage systems in all new developments	• On-going.
2. To investigate and implement cost-effective ways in which to progressively reduce the amount of solid waste arising from airport activities being disposed of to landfill through the development of waste minimisation and recovery measures	• Progressively increase amount of material being diverted from landfill from 32% to 40% of total waste produced by CIAL by 2014	• Diversion rates are nearing 40%. • Waste management contractor recently appointed.
3. To minimise the energy consumption by airport activities through the pursuit of efficient energy practices	• Maintain carbon-neutral status for CIAL's operational activities	• Certified until the end of June 2014. CIAL has chosen to withdraw from the CarboNZero program and is considering options.
	• Review carboNZero commitments against future needs, including consideration of alternative monitoring programmes	• Currently reviewing options for alternative reporting mechanisms.
	• Achieve a further 5% (Kwh/m2) energy consumption reduction over 2010 levels, by 2014	• All options identified in 2013 audit will be implemented by end of 2014. Currently 4% of the 7% reduction achieved.
	• Further investigate energy saving opportunities outlined in the DETA Consulting report on energy efficiency options (2012/13)	• Feasibility study underway assessing potential for use of groundwater and ITP chillers to reduce need to run fossil fuel burners. Change likely to be implemented by end of 2014.
4. To deliver on our corporate social responsibility and community interest obligations	• Be a key sponsor of a major city event (such as the Christchurch Airport Marathon) and one other cultural event in the city	• Christchurch Airport Marathon was held on Sunday June 1 2014. The event will return to the city in 2015, though we will remain the naming rights sponsor. • In discussions with the organisers of Christchurch Arts festival 2015 about suitable events we could sponsor. • Court Theatre Sponsor (monthly), as well as sponsoring 'A Midsummer Night's Dream' season • Supporter of NZ Cup & Show week and The Buskers Festival
	• Support various community organisations through the CIAL Community Fund and other donations through the year	• Canterbury Youth Development Programme • All Right? Campaign • Aviva • Arthritis New Zealand • Canterbury West Coast Air Rescue Trust • Rotary Club of Avonhead • St John South Island

Performance Target	2014	Achievements
	• To host two charities a month to operate their fundraising day activities within the terminal	• Westpac Rescue Helicopter • St John • Surf Lifesaving NZ • Heart Foundation • Child Cancer Foundation • RSA Poppy Day (hosted the 'field of poppies') • Autism New Zealand • Ronald McDonald House South Island • Alzheimers NZ • Home and Family • Daffodil Day • Carnation Day • Breast Cancer Awareness
	• Continue an information and engagement program for stakeholders and the community, involving sharing informawtion on airport issues, regular speaking engagements and Q&A sessions for the CEO and GMs, offering members of the public opportunities to carry out volunteers tasks at the airport	• Quarterly Briefings • Retailer Presentations • Airport Voice (goes into 80,000 households quarterly), OTBA, retail newsletter, e-newsletter, • Facebook, Twitter and Christchurch Airport website regularly updated, including each media release to offer a reference • Speeches by CEO and other Executives • Participation in a number of workshops hosted by business leaders
5. To manage Operational Risk	• Achieve a Bird Strike incidence rate of 3<5/10,000 aircraft movements on a 12 month rolling average basis, in line with levels set for airports of a similar scale	• Achieved – 3.4 (low risk category)
	• Work with territorial authorities and other stakeholders to implement management strategies for pest birds which pose bird strike hazard risks	• Coordination committee on goose management including all stakeholders has been established. Proposed pest management strategy (Canada Geese) is currently being discussed. Similar work underway for black back gulls and feral pigeons.
	• Work with statutory authorities and the community to achieve general acceptance of noise contours and associated policies and rules in regional and district plans to protect the 24/7 airport operating status	• Completed – noise contours inserted into SDC and WDC district plans. The City Plan is being updated this year. The Regional Plan has been updated by way of CERA's Land Use Recovery Plan (LURP).
	• Seek to have airport safe-guarding measures included in the Christchurch Land Use Recovery Plan	• Not achieved – development of safeguarding policy/rules is being prepared at present.
6. To minimise the effects of noise and vibration associated with aircraft and airport operations and to comply with relevant noise rules	• Develop Noise Management Plans with respect to overnight aircraft maintenance	• Final monitoring of noise emissions from ground running events has been completed and noise management plan (NMP) lodged with CCC. The NMP has met the regulatory requirements through submission of the AMP to CCC.
	• Work with airlines and air traffic control authorities to implement agreed policies on Required Navigation Procedures (RNP) approach and departure flight paths	• Airways NZ have indicated that RNP procedures for CIA will be developed during 2014. CIAL staff are formulating strategies and policies to ensure that shortcomings that were evident at AIA, are avoided.
7. To deliver an environment for staff that is supportive, stimulating and engaging	• To develop and retain staff ensuring business continuity and improved business performance	• Engagement Survey conducted in July 2013 showed 94.5% of our staff are either "engaged" or "satisfied" with their jobs. Survey is an on-going annual commitment with an engagement and performance focus. Action plans are actively implemented to address improvement areas.
		• Two EAP providers remain available to all staff including one providing onsite early intervention support

FIVE YEAR **SUMMARY**

	2014	2013	2012	2011	2010
	$000	$000	$000	$000	$000
FINANCIAL					
Total Revenue	**139,880**	125,213	119,778	97,368	96,140
Expenses	**116,359**	101,752	92,401	65,219	58,812
Operating surplus before tax	**23,521**	23,428	26,298	29,448	37,328
Operating surplus after tax and before deferred tax adjustment	**18,030**	17,428	19,600	21,005	26,776
Adjusted Surplus after tax	**15,694**	18,428	19,600	21,794	(260)
Dividends paid (note 9)	**6,561**	8,849	17,175	8,547	10,541
Adjusted return on average shareholders' equity	**2.6%**	2.7%	3.2%	3.6%	4.7%
Return on average shareholder's equity	**2.2%**	2.9%	3.2%	3.7%	(0.0)%
Total equity	**745,234**	668,430	617,963	601,059	570,059
Total assets	**1,176,716**	1,085,951	1,036,077	964,529	851,967
Net assets per share	**$12.94**	$11.61	$10.73	$10.44	$9.90
Shareholders' equity ratio	**63.3%**	61.6%	59.6%	62.3%	66.9%

	2014	2013	2012	2011	2010
	$000	$000	$000	$000	$000
OPERATIONAL					
Passenger numbers					
Domestic passengers	**4,337,917**	4,195,441	4,131,741	4,287,338	4,377,773
International passengers	**1,352,240**	1,304,934	1,419,859	1,488,362	1,622,641
Total passenger numbers	**5,690,157**	5,500,375	5,551,600	5,775,700	6,000,414
Total aircraft movements					
Domestic aircraft	**66,330**	63,042	63,956	65,552	68,441
International aircraft	**8,742**	8,673	9,228	9,977	10,575
Total aircraft movements	**75,072**	71,715	73,184	75,529	79,016
PERSONNEL					
Staff strength (full-time equivalents)	**272**	256	247	192	178

INDEPENDENT
AUDITOR'S REPORT

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

TO THE READERS OF
Christchurch International Airport Limited's
FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION
FOR THE YEAR ENDED 30 JUNE 2014

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

We have audited:

- the financial statements of the company on pages 13 to 45, that comprise the statement of financial position as at 30 June 2014, the statement of financial performance, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the company on pages 46 to 48.

OPINION

Financial statements and performance information

In our opinion:

- the financial statements of the company on pages 13 to 45:
  - comply with generally accepted accounting practice in New Zealand;
  - give a true and fair view of the company's:
    - financial position as at 30 June 2014; and
    - financial performance and cash flows for the year ended on that date; and
- the performance information of the company on pages 46 to 48:
  - complies with generally accepted accounting practice in New Zealand; and
  - gives a true and fair view of the achievements measured against the performance targets adopted for the year ended 30 June 2014.

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 1 September 2014. 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 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 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 performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and performance information whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the company's financial statements and performance information that give a true and fair view of the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

An audit also involves evaluating:

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

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

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the company's financial position, financial performance and cash flows; and
- give a true and fair view of its service performance.

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

The Board of Directors' responsibilities arise from the Local Government Act 2002 and the Financial Reporting Act 1993.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and performance information and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and section 69 of the Local Government Act 2002.

Independence

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

Other than the audit, the audit of the company's disclosures pursuant to the Commerce Act (Specified Airport Services Information Disclosure) Determination 2010, the audit of the company's bond prospectus and our report to the bond trustee company, we have no relationship with or interests in the company.

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

DIRECTORY

DIRECTORS

as at June 30 2014

David Mackenzie
Chairman

Catherine Drayton
Director

George Gould
Director

Justin Murray
Director

Chris Paulsen
Director

André Lovatt
Director
Appointed 11 June 2014

SHAREHOLDERS

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

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

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

TOTAL SHARES

57,600,000 shares

EXECUTIVE LEADERSHIP TEAM

Malcolm Johns
Chief Executive

Andy Lester
Chief Operating Officer

Tim May
Chief Financial Officer

Neil Cochrane
General Manager Business Services

Matthew Findlay
General Manager Aeronautical Business Development

Blair Forgie
Chief Commercial Officer

Rhys Boswell
General Manager Strategy and Sustainability

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 2014 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 1 September 2014 to confirm the information included in the audited financial statements and performance information presented on this website.

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

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