# Interim Report

## FOR THE SIX MONTHS TO 31 DECEMBER 2012

## PERIOD AT A GLANCE

### 2,767,472 Passenger Movements

Total passenger movements decreased by 65,790 (2.3%) as compared to the same six month period ended 31 December 2011 (2,833,262), largely reflecting reduced seat capacity on the Trans-Tasman and Kuala Lumpur routes.

### 16,378 Commercial Aircraft Departures

Total commercial aircraft departures decreased by 888 (5.1%) as compared to the same six month period ended 31 December 2011 (17,266).

### $59.6 m Total Revenue

Total revenue increased by 7.9% for the six months ended 31 December 2012 compared with the same period last year ($55.2m). Revenue includes a full six months of trading for the International Antarctic Centre, as compared to only one month for the comparative period.

### $20.8 m Aeronautical Revenue

Aeronautical revenue increased by 0.7% for the six months ended 31 December 2012 compared with the same period last year ($20.6m).

### $38.8 m Non-Aeronautical Revenue

Non-Aeronautical revenue increased by 12.2% for the six months ended 31 December 2012 compared with the same period last year ($34.6m).

### $33.1 m EBITDA

EBITDA from operations increased by 5.2% for the six months ended 31 December 2012 compared with the same period last year ($31.5m).

### $7.4 m Net Operating Surplus after Tax

The operating surplus after tax decreased by $0.6m (7.3%) for the six months ended 31 December 2012 compared with the same period last year ($8.0m). This reflecting increased interest and depreciation costs relating to further completion of various stages of the new terminal project.

### $10.79 Net Asset Backing Per Share

Increased from $10.73 as at 30 June 2012.

### Integrated Terminal Project

On track for completion by the end of April 2013.

## REVIEW OF STRATEGIC OBJECTIVES AND PROGRESS TO DATE

The long term direction and sustainability of Christchurch International Airport Limited ("CIAL") is set out in the vision "To be the BEST airport". A recent update of CIAL's strategic outlook confirmed its broad objectives remain unchanged with a continuing focus on five objectives:

- Develop **Engaged and Enabled Team** who perform strongly
- Deliver outstanding airport and airport related services and **Aeronautical** growth
- Maximise economic value through **Commercial** opportunities
- Maximise economic value through **Property** development & management
- Deliver robust **Business Enablers** to ensure success

The following sections provide an update of the key initiatives and milestones achieved in relation to these objectives during the period under review.

## INTEGRATED TERMINAL PROJECT ("ITP")

Significant progress has been made in relation to ITP during the period. In October 2012, the connection between the check-in area and the atrium was opened. On the 1st December 2012, the remainder of the domestic jet departure lounge was completed with the south end now occupied by Air New Zealand's temporary Koru lounge.

The old pier has now been demolished. This has enabled the lead contractor, Hawkins, to embark on the completion of the last of their construction activity, which is scheduled to finish in mid-March 2013. Final airside apron work will continue after this time and is scheduled for completion by the end of April 2013. The overall project remains on track to be completed within one to two per cent of its original budgeted cost.

Mainzeal were the principal contractor to Air New Zealand for the fit out of their new Hub and Koru lounge areas. These areas are close to completion and were originally scheduled to open for business at the start of March 2013. The recent Mainzeal receivership will now cause a delay to the opening of these areas, meaning Air New Zealand will need to stay in their current temporary locations for a yet to be determined period of time.

Planning for an opening function is now well advanced and is planned for the middle of April 2013.

## AERONAUTICAL

*Passenger Movements*

The six months to December 2012 saw a reduction in passenger movements over the same period last year. The loss of a significant portion of Christchurch's hotel accommodation, its Convention Centre and many of its sporting facilities continues to have a significant effect on passenger throughput, particularly for conference activity and for larger tour groups.

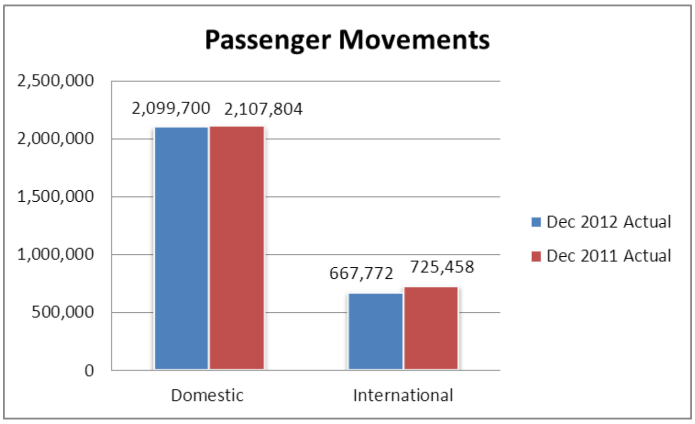
Total passenger numbers for the period reflect a 2.3% drop on the same period last year. International passenger movements were 7.9% behind the same period last year, whilst domestic passenger movements were only 0.4% behind last year.

The major influences on international passenger movements compared with the same period last year were:

- The reduction in services from Brisbane and Kuala Lumpur following the withdrawal of Jetstar and Air Asia X respectively from these routes. This reduction in seat capacity has been partly offset by an increase in capacity to the Gold Coast and Singapore. On most sectors, there has been a corresponding improvement in load factors when compared to the prior year period.
- Continued competition from Queenstown Airport on the trans-Tasman routes, as airlines, particularly Jetstar, increase capacity point to point from the eastern seaboard into Queenstown.
- Trans-Tasman numbers remain affected by the continuing influence of the earthquakes, the speed of the Christchurch rebuild and the strength of the Australian dollar against the US dollar which has continued to influence Australian tourism activity to North America rather than the South Island.

Domestic passenger numbers have been increasing on the Auckland and Wellington routes following the introduction of increased capacity by Jetstar from the middle of November 2012. However passenger numbers on regional routes have been declining when compared to the same period last year.

The table below outlines the comparative total passenger movements, which illustrates these statistics.



*Route development*

Route development continues to be a key focus for CIAL, with significant effort being made to pursue a number of opportunities, particularly new long haul services. In September 2012, The Ministry of Transport reviewed New Zealand's policy on Air Service Agreements. The outcome from this review has been the special provision of an "Open Skies" policy for Christchurch up until 2017 which has been welcome news for CIAL. An assessment of the new policy and its implications on CIAL's underlying route development strategy has been performed, with a particular focus on prospective opportunities that can be further explored or accelerated.

Also in September 2012, Jetstar announced that from 15 November 2012, the airline would fly an additional daily rotation on both the Auckland and Wellington routes. In announcing this, the airline also announced a withdrawal from the Christchurch-Queenstown market, and a reduction of one service per week between Christchurch and Melbourne and the Gold Coast. The overall net gain for Christchurch has been an increase of 7 services (or 2,520 seats) per week.

During the period, Qantas and Emirates submitted to the New Zealand and Australian regulators, a Master Coordination Agreement for approval. This proposed agreement set out what the two airlines hope to achieve by closely co-ordinating their respective businesses.

In December 2012 the Australian Competition and Consumer Commission ("ACCC") provided interim approval to the Master Coordination Agreement proposed by these Alliance Partners. The Draft Determination noted key concerns on the Tasman regarding competition and requested submissions from stakeholders. CIAL has made a submission noting the likely decrease in competition and increase in fares that would occur should the alliance partners not be required to increase capacity within the first year. The next steps in the process is likely to be the New Zealand regulator releasing their findings (Ministry of Transport), followed by the ACCC making a final ruling.

CIAL remains in active discussions with a number of airlines and participated in the World Routes Conference in early October 2012, meeting with 21 airlines over two days. CIAL continues to focus on target routes to fly and these include:

- The maintenance and increase in the level of international travel on trans-Tasman routes, with a particular emphasis on the short haul markets to capital cities of Australia not currently served through Christchurch.
- Significant effort on long haul routes to attract new carriers to provide services directly into Christchurch from Asian destinations such as Hong Kong and China, and the USA.

The development of these new routes will take some time to come to fruition and will require targeted and specific investment. CIAL remains committed to aeronautical growth through new routes and greater frequencies for the benefit of the region, but the effects of the Canterbury earthquakes on passenger volumes remain. Achievement of the recovery of passenger volumes, arising from both improved tourism activity and resources required for the Christchurch rebuild, is largely dependent on substantive commencement of the Christchurch City redevelopment program, which has extended beyond the original anticipated timeframe.

*Airline Pricing*

Following comprehensive consultation with the airlines on the resetting of aeronautical prices following the commissioning of the new integrated terminal, CIAL's new pricing tariff structure has now been implemented effective from 1 December 2012.

The pricing reset is designed to substantially lift returns and provide the appropriate return on this significant investment.

## PROPERTY

The successful execution of CIAL's property strategy is crucial in generating medium-term value for shareholders. Appropriately staged development of land currently not used for aeronautical purposes is key to the strategy to improve the return on airport landholdings. It also provides a buffer against any volatility in future aeronautical earnings, should that occur.

The company continues to pursue the development of Dakota Park, the freight and logistics precinct on the southern edge of the campus. The construction of the Gen-i Data Centre and Tokyo Foods office and warehouse developments in Dakota Park is progressing in line with expectations. Progress is also being made on two other proposed developments, as well as advanced discussions in relation to a number of further large scale opportunities. Work is also continuing on the design and construction of the roading and service infrastructure within Dakota Park.

Significant effort is being put into the development of the Spitfire Square retail and commercial precinct, with the critical element being to capture an anchor tenant for the supermarket to serve the travelling public and the airport campus workers. Commercial terms are close to finalisation.

An agreement has been reached with the owners of the Sudima Hotel for the redevelopment of the hotel to a significantly upgraded standard. Progress is also being made with a joint venture partner with respect to the development of a backpacker facility on campus.

CIAL continues to be in discussions with Garden City Helicopters ("GCH") in relation to a proposed ground lease for the development of an air rescue facility. An alternative site to that currently occupied by GCH has been identified and is currently being worked through from both an operational and commercial perspective.

During 2012, CIAL completed an independent in depth structural review of all buildings it owns on the Airport campus. CIAL has not identified any significant structural issues that would create any public safety issues. The results of the review have provided solid information for future strengthening work and this has been built into CIAL's asset management plans for the near to medium term.

## COMMERCIAL

The investment in new initiatives to diversify and grow our commercial activities on the airport will continue. These opportunities may include the development of joint venture relationships with key partners which will enable improved returns and improved customer relationships.

Achievement of increased passenger volumes flying into and through Christchurch will increase commercial revenues, particularly with respect to terminal concessions such as duty free and food and beverage which are being impacted at present.

In addition consideration is being given to the expansion of the new terminal level 1 landside retail precinct. This would include additional retail space as well as the potential to add a business centre and South Island film experience to the terminal.

Work is currently being undertaken to enhance services to car park users through the added functional advantages provided by the new car park system. The first development is an online booking system for car park services and planning is well underway for the development of a vehicle wash facility in the terminal car parking area.

Progress continues on the feasibility of developing a joint venture vehicle servicing hub to offer services for both rental vehicle operators, and other vehicles, including a heavy vehicle offering. Discussions are also on-going in relation to an opportunity to operate a valet service at the airport.

The period under review includes a full six months of trading for the International Antarctic Centre (“IAC”), as compared to only one month for the comparative period. The centre has traded well in a difficult market following the drop in international passengers travelling through the airport and visiting Christchurch. Significant time is being spent planning the next phases of the centre’s development with a wide range of concepts being considered.

## PLANNING

As previously reported in the 2012 Annual Report, third parties with affected property interests began legal action against the Minister for Canterbury Earthquake Recovery. This was in relation to legislation passed late last year allowing development at Kaiapoi, but protecting the position of CIAL from further residential/noise sensitive development within the noise contour boundary. The original court decision ruled in favour of the applicants, on the basis that the Minister did not exercise his powers for proper earthquake recovery purposes.

Environment Canterbury appealed the judicial review decision. Subsequently the Supreme Court has delivered a decision regarding the limits of the Canterbury Earthquake Recovery Act’s (“the Act”) authority. In simple terms, the Court found that whilst the Minister had not followed due process in making the regional policy statement operative (including the noise contours), the initiatives themselves were consistent with the intent of the Act. This provides a clear signal that the airport noise contours can and should be included in the Land Use Recovery Plan.

The Christchurch City Council has agreed to progress a review of the Special Purpose Airport Zone ("SPAZ") within the current district plan. In the interim CIAL's development program will continue to progress using a conventional resource consent application process.

The Civil Aviation Authority ("CAA") continue to be briefed on progress in respect to the acquisition of land required for the Pound Road realignment, and remain comfortable with the possibility that delivery of the Runway End Safety Area ("RESA") may not be achieved in the 2013 calendar year. CIAL have undertaken to regularly brief the CAA on progress. The land acquisition process continues and is nearing completion.

## MAKING IT HAPPEN

*Airport Operations*

As part of CIAL's continuous improvement culture, the three snow events experienced during the last two winters has prompted CIAL to review its procedures and processes. This was performed by an expert who has worked for Toronto Airports and Air Canada. A detailed snow and ice control plan has now been developed and submitted for comment to the airlines.

CIAL's airport Ambassador Program continues to be a highlight since its inception some 2 years ago. The current number of Ambassadors is now at 37 and projected to grow to 70. A request has been received from NZ Customs to extend the use of Ambassadors to include the International Arrivals kiosk hence the increase to around 70 Ambassadors.

The ASQ passenger survey for the fourth quarter of 2012 has been completed. This survey is undertaken each quarter and provides a benchmark against other similar-sized airports. Christchurch continues to rank ahead of other airports in New Zealand and Australia in the overall satisfaction criteria.

*Marketing - SOUTH*

The "SOUTH" project is continuing well, with marketing collateral (including The South Island Travel Planner) having now been translated into Chinese, Japanese and Korean. Copies will be distributed to the offshore trade market in the coming months.

The www.south.co.nz web site is nearing completion with a number of useful inclusions for the trade market. Suggested itineraries, a trade gallery, Regional Tourism Organisation ("RTO") links, as well as links with CIAL should assist the trade in including more South Island content in their own material. Again the site will be translated into Chinese, Japanese and Korean.

In March 2013, CIAL will be presenting SOUTH to the Mayors and Territorial Local Authority CEO's as well as giving them an update on the industry and the changing markets. CIAL has also drafted a Memorandum of Understanding which will be used with both RTOs and commercial operators. Once completed, CIAL will begin recruitment of a jointly funded South Island Chinese trade manager.

*People*

The current status and timing of the Christchurch City redevelopment program, continues to have an influence on our staff, including our ability to retain and recruit personnel for positions, particularly skilled tradespeople. CIAL has implemented a targeted program to ensure staff engagement continues its positive trend and this will remain a focus to ensure that CIAL continues to be regarded as an employer of choice.

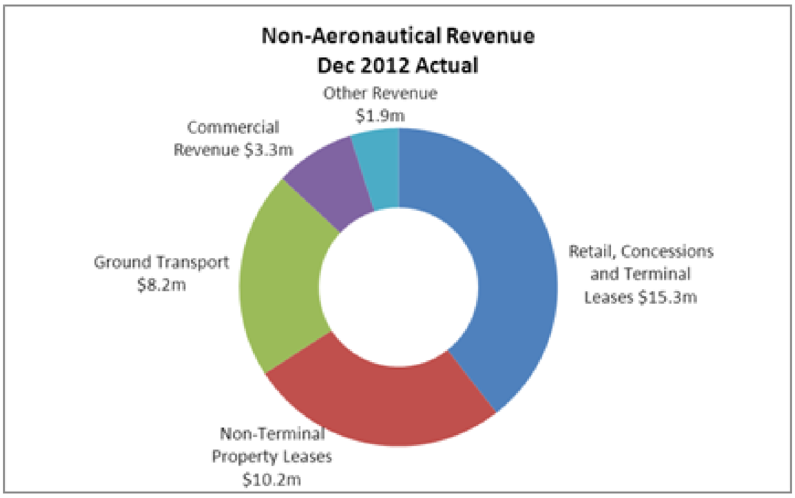
## REGULATION

The implementation of the new Information Disclosure regime continues to be a major focus for CIAL. Christchurch, Auckland and Wellington Airports appealed, by way of Merit Review, some of the Commerce Commission's determinations on Information Disclosure, and a decision is expected from the Courts in mid-2013. CIAL supports the principles of an Information Disclosure regime, but considers parts of the current scheme do not satisfactorily reflect the realities of long term infrastructure investment and consequently some key features of the statutory objectives.

The Information Disclosure process remains on-going, with the continuation of the section 56G review process by the Commerce Commission on the pricing decisions for Christchurch, Auckland and Wellington Airports. It is currently expected that any report on CIAL's 2012 Pricing Disclosure will not be completed until later in 2013.

## FINANCIAL PERFORMANCE

Total revenue for the six months to December 2012, at $59.6m, was 7.9% ahead of the same period a year earlier. The positive overall variance was a result of increased property and commercial revenues, with aeronautical revenue showing minimal growth (0.7%) as compared to the same period last year, as a result of subdued passenger numbers.



Non-Aeronautical revenue[1] of $38.8m was $4.2m (12.2%) ahead of last year. Non-Aeronautical revenue includes a full six months trading for the IAC, as compared to only one month for the comparative period. The other main driver for the increase in non-aeronautical revenue was increased property rental income arising from the new developments in Dakota Park and other additions to the overall lease portfolio (e.g. McDonalds).

Operating costs of $26.4m were $2.7m (11.6%) ahead of the same period last year. When compared to last year, operating costs continue to be impacted by the completion of further stages of the terminal project and the on-going effects of the earthquakes. Operating costs also include a full six months of trading for the IAC, as compared to only one month for the comparative period.

On-going maintenance and earthquake remediation work continues, together with higher insurance premiums as noted in the 2012 Annual Report. Other specific examples of cost increases are the maintenance, cleaning and energy costs for the increased terminal footprint, as well as increases in rates and significant costs involved with the new Commerce Commission regulatory disclosure regime. Cost control remains a major focus for the company.

Overall, earnings before interest costs, tax depreciation and amortisation (“EBITDA”) – the company’s key operational financial performance measure, at $33.1m, was 5.2% ahead of the same period last year.

CIAL’s net surplus before tax for the current period has been impacted by increased charges to earnings through higher depreciation on the terminal development and higher interest charges (no longer able to capitalise a portion of interest costs to the terminal development itself). This will continue for the remainder of the 2013 financial year when the ITP project is fully completed.

Under current New Zealand Equivalents to International Financial Reporting Standards, the company’s interest rate swaps are deemed to be derivative instruments and are required to be re-measured to their fair value at each reporting period. Given that the company has adopted hedge accounting, the increase in the fair value of these derivatives over the six month period under review of $0.34m (2011: decrease of $7.73m) is recognised in the Statement of Comprehensive Income.

The fair value of the interest rate swaps is based on 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 company intends to hold all such derivatives to maturity and hence this fair value movement will be recognised to the income statement in future periods over the remaining life of the derivative as each quarterly interest settlement actually occurs.

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[1] ‘Non-Aeronautical revenue’ is terminal concessions, terminal office and operational area leases, campus property leases, car parking and ground transport, commercial revenues (including IAC, the Wash, Craddocks) and sundry other revenue.

## FINANCIAL STATEMENTS

### STATEMENT OF FINANCIAL PERFORMANCE
### FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

| | Note | **For six months ended 2012** $000 | For six months ended 2011 $000 |
|---|---|---|---|
| REVENUE | | | |
| Operating revenue | 2 | 59,429 | 55,149 |
| Interest income | | 144 | 54 |
| Total revenue | | 59,573 | 55,203 |
| | | | |
| EXPENSES | | | |
| Employee remuneration | | 10,161 | 8,658 |
| Other costs | 3 | 15,234 | 13,989 |
| Terminal development project staging costs/realignment | | 1,014 | 861 |
| Earthquake | | 33 | 194 |
| Total Expenses | | 26,442 | 23,702 |
| | | | |
| **Earnings before interest costs, tax, depreciation and amortisation** | | 33,131 | 31,501 |
| | | | |
| Financing and interest costs | | 7,935 | 7,409 |
| Depreciation, amortisation and impairment | | 15,008 | 14,023 |
| **Operating Surplus before tax** | | 10,188 | 10,069 |
| | | | |
| Current tax expense for the period | | 2,853 | 2,865 |
| Deferred Tax adjustment | | (70) | (789) |
| Tax expense for the period | | 2,783 | 2,076 |
| | | | |
| **Net operating surplus after income tax** | | 7,406 | 7,993 |

The accompanying notes form part of these financial statements.

## STATEMENT OF COMPREHENSIVE INCOME
## FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

| | Note | **For six months ended 2012** | For six months ended 2011 |
|---|---|---|---|
| | | **$000** | $000 |
| Net operating surplus after income tax | | 7,406 | 7,993 |
| ***Other comprehensive income*** | | | |
| Cash flow hedges | 7 | 344 | (7,729) |
| Other comprehensive income for period, net of tax | | 344 | (7,729) |
| **Total comprehensive income for the period** | | 7,750 | 264 |

## STATEMENT OF MOVEMENTS IN EQUITY
## FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

| | **For six months ended 2012** | For six months ended 2011 |
|---|---|---|
| | **$000** | $000 |
| Equity at the beginning of the period | 617,963 | 601,058 |
| Total comprehensive income for the period | 7,750 | 264 |
| *Transactions with owners* | | |
| Dividends paid to shareholders | (4,405) | (12,853) |
| **Equity at end of period** | 621,308 | 588,469 |

The accompanying notes form part of these financial statements.

# STATEMENT OF FINANCIAL POSITION
# AS AT 31 DECEMBER 2012

| | Note | As at 31 December | | As at 30 June |
|---|---|---|---|---|
| | | **2012** | 2011 | 2012 |
| | | **$000** | $000 | $000 |
| EQUITY | | | | |
| Share capital | | 57,600 | 57,600 | 57,600 |
| Reserves | | 347,866 | 325,311 | 347,520 |
| Retained earnings | | 215,842 | 205,558 | 212,843 |
| **TOTAL EQUITY** | | 621,308 | 588,469 | 617,963 |
| NON-CURRENT LIABILITIES | | | | |
| Borrowings | 4 | 264,697 | 283,000 | 219,000 |
| Derivative financial instruments | | 19,409 | 21,834 | 20,346 |
| Deferred taxation | | 93,068 | 82,684 | 92,933 |
| Trade and other payables | | - | 1,490 | 1,490 |
| **TOTAL NON-CURRENT LIABILITIES** | | 377,174 | 389,008 | 333,769 |
| CURRENT LIABILITIES | | | | |
| Current Portion of Borrowings | 4 | 53,000 | - | 68,000 |
| Trade and other payables | | 14,674 | 18,468 | 13,852 |
| Taxation payable | | 3,498 | 1,938 | 1,710 |
| Derivative financial instruments | | 543 | 257 | 783 |
| **TOTAL CURRENT LIABILITIES** | | 71,715 | 20,663 | 83,345 |
| **TOTAL EQUITY AND LIABILITIES** | | 1,070,197 | 998,140 | 1,036,077 |
| NON-CURRENT ASSETS | | | | |
| Property, plant and equipment | | 889,740 | 871,320 | 881,566 |
| Investment Properties | | 128,981 | 95,291 | 128,981 |
| Intangible Assets | | 6,326 | 2,885 | 6,418 |
| Trade and other receivables | | 9,283 | 8,983 | 8,688 |
| **TOTAL NON-CURRENT ASSETS** | | 1,034,330 | 978,479 | 1,025,653 |

The accompanying notes form part of these financial statements.

# STATEMENT OF FINANCIAL POSITION
# AS AT 31 DECEMBER 2012

| | Note | As at 31 December | | As at 30 June |
|---|---|---|---|---|
| | | **2012** | 2011 | 2012 |
| | | **$000** | $000 | $000 |
| CURRENT ASSETS | | | | |
| Cash and short-term deposits | | 23,213 | 5,493 | 599 |
| Receivables and pre-payments | | 11,788 | 13,474 | 9,010 |
| Inventories | | 866 | 694 | 815 |
| **TOTAL CURRENT ASSETS** | | 35,867 | 19,661 | 10,424 |
| **TOTAL ASSETS** | | 1,070,197 | 998,140 | 1,036,077 |

For and on behalf of the Board

D Mackenzie

Chairman

C Drayton

Director

28 February 2013

The accompanying notes form part of these financial statements.

# STATEMENT OF CASH FLOWS
## FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

| | **For six months ended 2012** | For six months ended 2011 |
|---|---|---|
| | **$000** | $000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| *Cash was provided from:* | | |
| Receipts from customers | 58,015 | 57,402 |
| Interest received | 144 | 54 |
| Net Goods and Services Tax received | 809 | 203 |
| | 58,968 | 57,699 |
| *Cash was applied to:* | | |
| Payments to suppliers and employees | 30,348 | 23,291 |
| Financing and interest costs | 8,167 | 8,833 |
| Income tax paid | 1,000 | - |
| | 39,515 | 32,124 |
| **Net Cash Inflows from Operating Activities** | 19,453 | 25,575 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| *Cash was provided from:* | | |
| Proceeds from sale of property, plant and equipment | 5 | 241 |
| *Cash was applied to:* | | |
| Purchase of property, plant and equipment | 23,136 | 45,809 |
| **Net Cash (Outflows) from Investing Activities** | (23,131) | (45,568) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| *Cash was provided from:* | | |
| Borrowings | 75,000 | 40,000 |
| *Cash was applied to:* | | |
| Repayment of Borrowings | 44,303 | 3,000 |
| Dividends paid | 4,405 | 12,853 |
| | 48,708 | 15,853 |
| **Net Cash Inflows from Financing Activities** | 26,292 | 24,147 |

The accompanying notes form part of these financial statements

## STATEMENT OF CASH FLOWS
## FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

| | **For six months ended 2012** | For six months ended 2011 |
|---|---|---|
| | **$000** | $000 |
| Net Increase/ (Decrease) In Cash Held | 22,614 | 4,154 |
| Add cash at beginning of the period | 599 | 1,339 |
| **CASH AT END OF THE PERIOD** | 23,213 | 5,493 |
| COMPOSITION OF CASH | | |
| Cash | 10 | 90 |
| Bank and deposits | 23,203 | 5,403 |
| Cash At End Of The Period | 23,213 | 5,493 |
| RECONCILIATION WITH OPERATING SURPLUS | | |
| Reported net operating surplus after income tax | 7,406 | 7,993 |
| *Items Not Involving Cash Flows* | | |
| Depreciation expense | 15,008 | 14,023 |
| | 22,414 | 22,016 |
| *Impact Of Changes In Working Capital Items* | | |
| Increase/(decrease) in accounts payable | (1,540) | 4,497 |
| (Increase)/decrease in accounts receivable | (3,160) | (3,624) |
| (Increase)/decrease in inventories | (50) | (313) |
| Increase/(decrease) in taxation payable | 1,789 | 2,999 |
| | (2,961) | 3,559 |
| **Net Cash Flows From Operating Activities** | 19,453 | 25,575 |

The accompanying notes form part of these financial statements

## Abridged notes to the financial statements for the six months ended 31 December 2012

### 1 ACCOUNTING POLICIES

The company has used the same accounting policies and methods of computation as were used in the 2012 annual financial statements.

The financial statements have been prepared in accordance with the requirements of the Airport Authorities Act 1966, Companies Act 1993, the Local Government Act 2002, the Financial Reporting Act 1993 and the New Zealand equivalents to International Financial Reporting Standards.

These unaudited statements for the six months ended 31 December 2012 have been prepared in accordance with NZ GAAP and are in compliance with NZ IAS 34.

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

### 2 OPERATING REVENUE

| | **For six months ended 2012** | For six months ended 2011 |
|---|---|---|
| | **$000** | $000 |
| Airport charges | 13,929 | 13,176 |
| Passenger departure charge | 6,852 | 7,460 |
| Lease rentals and concessions * | 29,948 | 25,291 |
| Vehicle parking | 8,076 | 8,027 |
| Earthquake insurance proceeds | - | 767 |
| Other revenue | 624 | 428 |
| | 59,429 | 55,149 |

* Lease and concession income includes a full six months of trading for the International Antarctic Centre, as compared to only one month for the comparative period.

## 3 OTHER COSTS

| | **For six months ended 2012** | For six months ended 2011 |
|---|---|---|
| | **$000** | $000 |
| Insurance | 1,864 | 1,484 |
| Promotional, marketing and sponsorship | 2,023 | 3,020 |
| Energy | 1,680 | 1,596 |
| Property - cleaning & maintenance | 2,338 | 2,132 |
| Other property costs | 1,163 | 998 |
| Other operating costs * | 2,229 | 1,539 |
| Other administration costs | 3,937 | 3,220 |
| | 15,234 | 13,989 |

* Other operating costs include a full six months of trading for the International Antarctic Centre, as compared to only one month for the comparable period.

## 4 BORROWINGS

As at 31 December 2012, the Company has committed bank funding facilities for an aggregate $300,000,000 (2011: $300,000,000) with five banks and a subordinated loan facility of $50,000,000 from its majority shareholder, CCHL ($50,000,000 drawn). In addition, the Company has an overdraft facility of $1,000,000.

All borrowings under the bank facility and overdraft facility are unsecured and supported by a negative pledge deed. Interest rates paid during the period, including offsetting interest rate swaps, ranged from 5.15% to 7.1%. (2011: 6.3% to 8.9%)

The Company completed a $75,000,000 retailable bond issue in December 2012. The bonds have an interest rate of 5.15% and maturity of seven years.

The funds raised from this issuance will be used to refinance in part the Company's debt facilities.

| | **As at 31 December** | | As at 30 June |
|---|---|---|---|
| | **2012** | 2011 | 2012 |
| | **$000** | $000 | $000 |
| Less than 1 year | 53,000 | - | 68,000 |
| 1-2 Years | 120,000 | 95,000 | 99,000 |
| 3-5 Years | 70,000 | 188,000 | 120,000 |
| Greater than 5 Years | 74,697 | - | - |
| | 317,697 | 283,000 | 287,000 |

## 5 RELATED PARTY TRANSACTIONS

| | **For six months ended 2012** | For six months ended 2011 |
|---|---|---|
| | **$000** | $000 |
| *Transactions with owners during the period to 31 December* | | |
| Purchases from CCC and subsidiaries | 95 | 12 |
| Rates paid to CCC | 1,474 | 1,666 |
| Revenues from CCC and subsidiaries | 58 | 56 |
| Interest paid to CCHL | 1,364 | 1,850 |
| Amounts payable to CCC and subsidiaries | 3 | 459 |
| Subordinated loan balance payable to CCHL | 50,000 | 50,000 |

Christchurch City Holdings Ltd, 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. The company pays interim and final dividends to its shareholders as disclosed in the Statement of Movements in Equity above.

Christchurch International Airport Ltd 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.

These transactions are not separately disclosed where they:

- *Are conducted on an arm's length basis;*
- *Result from the normal dealings of the parties; and*
- *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.*

## NON-SHAREHOLDER RELATED PARTY TRANSACTIONS

Some directors of the company are, or have been during the period, directors of other companies or organisations with whom Christchurch International Airport Ltd 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 | **For six months ended 2012 $000** | For six months ended 2011 $000 | Relationship |
|---|---|---|---|---|
| Denali Management Ltd | Management fees | 286 | 267 | Jim Boult, Chief Executive, is a director of Denali Management Ltd |
| Orion New Zealand Ltd | Maintenance | 26 | - | George Gould, Company Director, is a director of Orion New Zealand Ltd |
| PGG Wrightson Ltd | Agricultural and landscaping supplies | 20 | 3 | George Gould, Company Director, is Managing Director of PGG Wrightson Ltd |
| Orbit Travel and House of Travel Holdings Ltd | Travel, accommodation, lease tenancy and joint marketing activities | 277 | 304 | Chris Paulsen, Company Director, is a director of Orbit Travel and House of Travel Holdings Ltd |

## MANAGEMENT CONTRACT

Christchurch International Airport Ltd has a management contract with Denali Management Ltd to provide the services of Jim Boult as Chief Executive for the period to 30 June 2013, on a current annual retainer of $590,000.

Balance owing to non-shareholder related parties as at 31 December 2012

| Entity | **As at 31 December 2012 $000** | As at 31 December 2011 $000 |
|---|---|---|
| Denali Management Ltd | 49 | 45 |

There were no other material related-party transactions for the period.

## 6 COMMITMENTS

| | **As at 31 December 2012 $000** | As at 31 December 2011 $000 |
|---|---|---|
| Total capital expenditures committed to, but not recognised in, the financial statements (including $15,405 relating to terminal development (2011: $37,700)) | 18,435 | 40,370 |

## 7 CASH FLOW HEDGE RESERVE

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 current New Zealand Equivalents to International Financial Reporting Standards, these interest rate swaps are deemed to be derivative instruments and are required to be re-measured to their fair value at each reporting period. Given that the company has adopted hedge accounting, the movement in the fair value of these derivatives over the six month period under review is recognised in the Statement of Comprehensive Income.

The fair value of the interest rate swaps is based on 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 company intends to hold all such derivatives to maturity and hence this fair value movement will be recognised to the income statement in future periods over the remaining life of the derivative as each quarterly interest settlement actually occurs.

## HOW DID WE COMPARE AGAINST OUR STATEMENT OF INTENT?

| | | Progress to 31 December | |
|---|---|---|---|
| **TARGETS** | FY2013 Total Plan $000 | **2012 Actual $000** | 2012 Target $000 |
| **a) FINANCIAL** | | | |
| Operating Revenue | 122,357 | **59,573** | 59,983 |
| EBITDA | 66,779 | **33,131** | 32,815 |
| Net Surplus after tax | 15,233 | **7,406** | 8,182 |
| EBITDA as a % Revenue | 54.6% | **55.6%** | 54.7% |
| Net Surplus after tax to average equity | 2.6% | **1.2%** | 1.4% |
| Return on assets (NPAT as % average total assets) | 1.5% | **0.7%** | 0.8% |
| **b) OPERATIONAL MOVEMENTS** | 2013 Total Plan | **2012 Actual** | 2012 Target |
| Passenger | | | |
| Domestic | 4,135,663 | **2,099,700** | 2,122,536 |
| International | 1,381,763 | **667,772** | 715,782 |
| Total | 5,517,426 | **2,767,472** | 2,838,318 |
| Aircraft | | | |
| Aircraft Movements | 66,787 | **30,939** | 32,878 |
| **c) OPERATIONAL PERFORMANCE** | 2013 Total Plan | **2012 Actual** | 2012 Target |
| PERFORMANCE INDICATORS | | | |
| Total operating revenue per passenger | $22.18 | **$21.53** | $21.13 |
| Aeronautical revenue per passenger | $7.70 | **$7.51** | $7.61 |
| Commercial revenue per passenger | $14.47 | **$14.02** | $13.52 |
| NPAT per passenger | $2.76 | **$2.68** | $2.88 |
| Total assets per passenger | $184.87 | **$386.81** | $355.54 |
| Net debt per passenger | $55.77 | **$106.44** | $106.66 |
| Ratio of aeronautical revenue to total operating revenue | 34.7% | **34.88%** | 36.02% |

## d) CORPORATE SOCIAL RESPONSIBILITY

| Performance target | Performance Measures | |
|---|---|---|
| | **2013** | **Progress to 31 December 2012** |
| 1. To minimise the impact of airport activities on groundwater quality through cost-effective measures to avoid or mitigate the risks of contamination | ▪ Completion of the Public Risk and Management Plan for Managing Potable Water and regular monitoring of potable drinking groundwater supply.<br>▪ Continue Environmental Compliance and Monitoring Program with existing airport operators and new operators on airport land.<br>▪ Label storm water drainage systems in all new developments.<br>▪ Provide environmental training to all airport operators. | ▪ On-target<br>▪ The ECMP has been maintained with existing and new operators on airport land.<br>▪ On-going<br>▪ 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 2013. | • Process is on-going. Diversion rates as at November 2012 steady at 32%, however initiatives are being trialed to increase this amount. |
| 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<br>▪ Achieve a further 5% (Kwh/m2) energy consumption reduction over 2010 levels, by 2013 | ▪ Achieved re-certification for 2011/12 financial year, and are on target for re-certification for 2012/13.<br>▪ Energy targets have been difficult to measure during the construction of the new terminal. Once the building is complete and commissioned (Q4 FY2013), extensive energy audits will be completed to determine the energy savings achieved with the new build.<br>▪ An investigation into the viability of alternative energy sources such as wind and solar developing within the CIAL campus has been commissioned and is now near completion. |
| 4. To deliver on our corporate social responsibility and community interest obligations | ▪ Be a key sponsor of a major city event (such as the Ellerslie Flower show) and one other cultural event in the city<br>▪ Support various community organisations through the CIAL Xmas Fund and other donations through the year<br>▪ Implement an information and engagement program for stakeholders and the community, involving dissemination of information on airport issues, regular speaking engagements and Q&A sessions for the CEO and GMs, and opportunities for members of the public to engage in certain volunteering activities at the airport | ▪ Three year sponsorship of the Ellerslie International Flower Show completed<br>▪ Naming rights sponsor of the Christchurch Airport Marathon, with new route developed around the airport campus<br>▪ Financial and active support of the Canterbury Business Heroes Awards<br>▪ Support of the Child Cancer Foundation through a venue for the annual ball in 2011 and 2012 and offer of some office space<br>▪ Agreement to sponsor a business-relevant event at Christchurch Arts Festival |

| | | |
|---|---|---|
| | | ▪ Invitations to speak at various gatherings and events accepted, with speeches and presentations given to a wide number and variety of community and business groups<br>▪ Newsletter produced quarterly and distributed via The Press newspaper so as to be accessible to the wider community<br>▪ News releases, reports and statements, including financial, loaded onto website and our various social media outlets |
| 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.<br>▪ Work with territorial authorities and other stakeholders to implement management strategies for pest birds which pose bird strike hazard risks<br>▪ To 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 | ▪ Currently at 3.5/10,000 aircraft movements. More emphasis is now being directed at off airport pest bird habitat and culling operations.<br>▪ This work is on-going and after a false start a small core group has been formed under DOC leadership to examine ways to better manage Canada Geese.<br>▪ Preliminary discussions with ECan regarding the management of black-backed gulls on the Waimakariri River bed are underway.<br>▪ "An understanding" has been achieved with New Zealand Game Bird Hunters Association who are undertaking regular shoots of Canada Geese and Feral Pigeons at sites arranged by CIAL.<br>▪ This work is on-going. Waimakariri and Selwyn District Plans now include the updated noise contours and appropriate Policies and Rules. The level at which the Outer Control Boundary current set at Ldn 50 dBA is subject of an Appeal to the Environment Court with respect to Environment Canterbury Plan Change 1. |
| 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 Plan | ▪ This has been achieved with respect to CCC Rules in City Plan. The development of a Noise Management Plan for Ground Running of aircraft engines will be completed by end of March 2013. |
| 7. To deliver an environment for staff that is supportive, stimulating and engaging | ▪ Support staff during and post-earthquakes | ▪ Staff Engagement continues to rise and CIAL was awarded the most improved workplace award in November 2012. Now placed 11th in NZ for medium/large businesses<br>▪ Post earthquake support continues to be provided in the form of donations, seminars, individual support for affected staff<br>▪ Seminars run for Airport Services on health and wellbeing for shift workers<br>▪ Project opportunities, internal promotions and development opportunities continue to be offered to a wide range of staff creating a stimulating environment |