CHRISTCHURCH INTERNATIONAL AIRPORT LTD

INTERIM REPORT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

INTERIM REPORT

PERIOD AT A GLANCE

3,458,032 Passenger Movements

Total passenger movements increased by 49,155 (1.4%) as compared to the same six-month period ended 31 December 2017 (3,408,877).

- *Domestic* movements - 2,584,315 ↑ 1.0%
- *International* movements – 873,717 ↑ 2.9%

$95.9m Total Operating Revenue

Total operating revenue increased by 7.9% for the six months ended 31 December 2018 compared with the same period last year ($88.9m).

- *Aeronautical* Revenue - $42.1m ↑ 4.2%
- *Non-Aeronautical* Revenue - $53.8m ↑ 10.9%

$63.2m EBITDAF

EBITDAF from operations increased by 13.1% for the six months ended 31 December 2018 compared with the same period last year ($55.9m).

$24.3m Net Profit after Tax

The net surplus after tax increased by 25.6% for the six months ended 31 December 2018 compared with the same period last year ($19.3m).

$21.9m Declared Interim Dividends

The declared total interim dividends for the six months ended 31 December 2018 at $21.9m has increased by 25.6% as compared to the prior year interim dividends ($17.4m).

$1,640m Total Assets (Book Value)

$434m Drawn Borrowings

INTERIM REPORT

OPERATIONAL AND FINANCIAL REVIEW

Financial Performance

Christchurch International Airport Limited's (CIAL) continued activation of its core strategies across our 6Ps (Planes, Passengers, Property, People, Protection and Planet) has delivered further growth in financial outcomes for the six months to 31 December 2018.

Total operating revenue for the period grew $7.0m (7.9%) compared to the same period last year.

Growth in revenue from landing and terminal charges reflects the price structure and transitional price path outlined in the airport company's PSE3 pricing decision. Growth in non-aeronautical revenue[1] was related to continued growth in rental streams from the on-going property development program, together with growth across our 'park to plane' business.

This continued revenue growth, coupled with a stable operating cost base (reflecting CIAL's focus on productivity and efficiency), has resulted in overall earnings before interest costs, tax, depreciation, amortization and fair value movements ('EBITDAF') of $63.2m, 13.1% ahead of the same period last year.

This EBITDAF growth has flowed through to an improved net surplus after tax of $24.3m, 25.6% ahead of last year. This has resulted in the Board declaring an interim dividend of $21.9m, also 25.6% up on last year.

Whilst CIAL's debt levels have risen during the period (reflecting the continued activation of the property development strategy), the balance sheet remains strong and the company continues to maintain funding facilities which are sufficient to fund forecast capital expenditure, which will underpin future dividend growth for at least the next two to three-year cycle. CIAL's next re-financing activity is planned for the second half of calendar year 2019, and the company will continue to engage with several markets throughout this process.

Building a Stronger Business

The six months to 31 December 2018 saw total passenger movements increase by 1.4% compared to the same period last year. This was softer than had been expected and reflects the softening domestic leisure travel segment and some ups and downs in the inbound tourism segment.

International arrivals led passenger growth, with a 2.9% increase compared to the same period last year. This was driven by strong performances from several of our international airline partners and the stand out market remains China, with our Chinese market growing by 7.1% in the period.

Whilst CIAL has experienced strong passenger growth recently, it should be noted that passenger growth has slowed nationally. At this point in time, the forward outlook is somewhat unclear, however the impact of world events such as the US/China trade wars, Brexit, decline in Australian house prices, and some bi-lateral relationships with key tourism markets may combine to create a softer environment for tourism demand over the near term.

In November, the Commerce Commission released its final Section 53B summary and analysis report on CIAL's PSE3 pricing decision. Pleasingly, the final report highlighted that CIAL target returns are reasonable and CIAL is not targeting excessive profits over the PSE3 pricing period. Several improvements in the process were also noted compared to PSE2, with a focus on the improved transparency of the pricing decision.

The company's property team has continued activating its property development strategy (noting this is investment in new revenue and future dividend generation), spending around $37.4m on capital expenditure in the first six months of the FY19 financial year ($46.6m in the prior period).

The construction of the Novotel Christchurch Airport Hotel has continued to progress over the period, with construction expected to be completed later in the year.

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[1] 'Non-aeronautical revenue' includes terminal concessions, terminal office and operational area leases, campus property leases, car parking and ground transport and other commercial revenues

Spitfire Square is now fully leased and trading well, and solid progress has been made on other development precincts, including Mustang Park (rental vehicle hub) and Dakota Park (freight and logistics). An agreement to develop a Bunnings Warehouse as the anchor tenant for Trade Retail Precinct, Harvard Park, has now been secured, with construction underway and expected to be completed in December 2019. Work is now underway Master Planning future stages of this development.

Work has progressed over the past six months on the preparation of asset management plans for CIAL's key asset groups – Airfield, Terminal, Utilities and Roads and Commercial Property. This work will enable the company to achieve its asset planning mission - which is to have a strategic, planned and collaborative approach to asset management providing productive and resilient assets, aligned to CIAL's broader business needs and strategy.

Enhancing Customer Journeys

Christchurch Airport continues to be rated Australasia's airport best for customer service and amenities, as rated by independent customer surveys carried out across all airports. It was the only New Zealand airport to win a World Airport Award in 2018.

Lagardere Travel Retail took over from JR Duty Free as the new Duty Free operator at the end of November 2018, with the introduction of Aelia Duty Free to international arrivals and departures. A second phase of development, in respect to a refit and expansion of the international departures store, is planned for later in 2019.

The new large format exterior digital advertising is in place and being well utilized. Large format installations inside the terminal are also now successfully in place and operational.

As has been previously noted, CIAL signed a world-first partnership agreement with Alipay's parent company, Alibaba Group, in April 2017. The first initiative to result from that agreement was the airport's 'South' programme leading the New Zealand rollout of Alipay, a Chinese smartphone app and payment system that has more than 800 million users. This roll-out was more successful than anticipated and is to be followed in the first quarter of 2019 by the launch of a South Island Travel Store on Fliggy, a leading Chinese travel service platform and part of the Alibaba digital ecosystem.

From a ground transport perspective, an extension project for the Long Stay car park is underway to provide an additional 180 car parks. Several other projects are also progressing to handle the peak demand periods the airport's car parks experience at times. Uber is now fully operational and having strong uptake as expected.

Kaitiaki (Guardians for Safety, Society & Sustainability)

During the period under review, CIAL has continued to focus on the five key areas of its Sustainability Strategy – energy, waste, water, noise and carbon. Good progress has been made with energy consumption down around 3.2% on the same period last year, waste diversion rates tracking positively, water usage remining constant, noise complaints at very low levels, and carbon figures down around 7.5% due to mild weather and a phase out of fossil fuel vehicles from the company's fleet.

The CIAL Board has endorsed the carbon focus element of its Green Transition Plan, with one of the first initiatives in respect to carbon being the development of a business case for the investment in low carbon heating and a cooling plant for the international terminal.

On the airfield, work continued to ensure Christchurch Airport has an airfield operations environment that is safe, secure, compliant, efficient and competitive, and supports our aeronautical business.

CIAL remains focused on a safety strategy focused on three pillars – Culture, Risk Management and Safety Management systems. In 2018, the company began its journey to Safety-II, reflecting our journey from protection to performance. In line with Safety-II, during the period CIAL has revised its health and safety reporting to include more complete and meaningful information that better reflects both the potential risk and the actual consequences of all reported people safety events.

A risk based leadership approach is key to building the Health & Safety ecosystem and the Board is active in this process of how we are protecting our people and key stakeholders. Leadership at all levels is key to a proactive culture and work continues to keep building safety leadership.

INTERIM REPORT

INTERIM FINANCIAL STATEMENTS

Statement of financial performance for the six months ended 31 December 2018

	Note	**Unaudited 6 months to 31 Dec 2018** $000	Unaudited 6 months to 31 Dec 2017 $000
INCOME			
Operating revenue	3	95,871	88,867
Interest income		49	76
Total income		95,920	88,943
EXPENSES			
Operating costs	4	32,663	32,977
Financing and interest costs		11,657	11,492
Depreciation, amortisation and impairment		17,860	17,624
Total Expenses		62,180	62,093
Surplus before tax		33,740	26,850
Total taxation expense		9,456	7,518
Net Operating Surplus after tax		24,284	19,332

The financial statements for the six-month periods have not been audited. The full year financial statements to 30 June 2018 have been audited. The accompanying notes form part of these financial statements.

Statement of comprehensive income for the six months ended 31 December 2018

	Note	**Unaudited 6 months to 31 Dec 2018 $000**	Unaudited 6 months to 31 Dec 2017 $000
Surplus after tax		24,284	19,332
Other comprehensive income			
Items that may be reclassified subsequently to the statement of financial performance			
Cash flow hedges	11	(3,113)	(486)
Other comprehensive income for period, net of tax		(3,113)	(486)
Total comprehensive income for the period		21,171	18,846

Statement of changes in equity for the six months ended 31 December 2018

	Note	**Unaudited 6 months to 31 Dec 2018 $000**	Unaudited 6 months to 31 Dec 2017 $000
Equity at the beginning of the period		1,023,280	826,902
Total comprehensive income for the period		21,171	18,846
Dividends paid to shareholders	8	(22,975)	(21,861)
Equity at end of period		1,021,476	823,887

The financial statements for the six-month periods have not been audited. The full year financial statements to 30 June 2018 have been audited. The accompanying notes form part of these financial statements.

Statement of financial position as at 31 December 2018

	Note	**Unaudited As at 31 Dec 2018 $000**	Audited As at 30 June 2018 $000
EQUITY			
Share capital		57,600	57,600
Reserves		601,747	604,860
Retained earnings		362,129	360,820
TOTAL EQUITY		1,021,476	1,023,280
NON-CURRENT LIABILITIES			
Borrowings	5	322,121	411,062
Derivative financial instruments	11	15,665	12,958
Deferred taxation		136,176	137,535
Trade and other payables		833	884
TOTAL NON-CURRENT LIABILITIES		474,795	562,439
CURRENT LIABILITIES			
Current Portion of Borrowings	5	115,834	-
Trade and other payables		18,387	23,701
Taxation payable		7,704	2,800
Derivative financial instruments	11	2,090	2,082
TOTAL CURRENT LIABILITIES		144,015	28,583
TOTAL EQUITY AND LIABILITIES		1,640,286	1,614,302
NON-CURRENT ASSETS			
Property, plant and equipment	9	1,157,626	1,158,952
Investment Properties	10	449,532	428,848
Intangible Assets		4,168	4,715
Trade and other receivables		5,502	5,369
TOTAL NON-CURRENT ASSETS		1,616,828	1,597,884

The financial statements for the six-month periods have not been audited. The full year financial statements to 30 June 2018 have been audited. The accompanying notes form part of these financial statements.

Statement of financial position as at 31 December 2018 (continued)

	Note	**Unaudited As at 31 Dec 2018**	Audited As at 30 June 2018
		$000	$000
CURRENT ASSETS			
Cash and short-term deposits		4,619	2,156
Receivables and prepayments		18,378	13,802
Inventories		461	460
TOTAL CURRENT ASSETS		23,458	16,418
TOTAL ASSETS		1,640,286	1,614,302

For and on behalf of the Board

C Drayton
Chair

K Morrison
Director

The financial statements for the six-month periods have not been audited. The full year financial statements to 30 June 2018 have been audited. The accompanying notes form part of these financial statements.

Statement of cash flows for the six months ended 31 December 2018

	Note	**Unaudited 6 months to 31 Dec 2018 $000**	Unaudited 6 months to 31 Dec 2017 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from customers		90,878	92,007
Interest received		49	76
Net Goods and Services Tax received		56	1,095
		90,983	93,178
Cash was applied to:			
Payments to suppliers and employees		37,230	36,416
Financing and interest costs		11,304	11,290
Income tax paid		4,700	4,550
		53,234	52,256
Net Cash Inflows from Operating Activities		37,749	40,922
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Proceeds from sale of property, plant & equipment	9	60	1,060
Cash was applied to:			
Purchase of property, plant and equipment and intangibles		16,689	29,249
Purchase of investment properties		20,682	17,331
Net Cash (Outflows) from Investing Activities		(37,311)	(45,520)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from:			
Borrowings		25,000	60,000
Cash was applied to:			
Borrowings		-	34,000
Dividends paid	8	22,975	21,861
Net Cash Inflows from Financing Activities		2,025	4,139

The financial statements for the six-month periods have not been audited. The full year financial statements to 30 June 2018 have been audited. The accompanying notes form part of these financial statements.

Statement of cash flows for the six months ended 31 December 2018 (continued)

	Unaudited 6 months to 31 Dec 2018	Unaudited 6 months to 31 Dec 2017
	$000	$000
Net Increase/(Decrease) in Cash Held	2,463	(459)
Add cash at beginning of the period	2,156	3,268
CASH AT END OF THE PERIOD	4,619	2,809
Cash	9	9
Bank and deposits	4,610	2,800
Cash at End of The Period	4,619	2,809
RECONCILIATION WITH OPERATING SURPLUS		
Net operating surplus after tax	24,284	19,332
Non-cash items		
Amortisation of capitalised borrowing costs and fair value hedge ineffectiveness	293	50
Amortisation of lease surrender	322	323
Accrued interest within derivatives	(10)	76
Depreciation, amortisation and impairment	17,860	17,624
	42,749	37,405
Items Not Classified as Operating Activities		
Net gain on asset disposals	(26)	-
Deferred taxation	(148)	-
	(174)	-
Movements in Working Capital		
Increase/(decrease) in trade and other payables*	(4,698)	4,765
(Increase)/decrease in trade and other receivables	(5,031)	(4,470)
(Increase)/decrease in inventories	(1)	252
Increase/(decrease) in taxation payable	4,904	2,970
	(4,826)	3,517
Net Cash Flows from Operating Activities	37,749	40,922

* includes impact of movement in capital items

The financial statements for the six-month periods have not been audited. The full year financial statements to 30 June 2018 have been audited. The accompanying notes form part of these financial statements.

Notes to the interim financial statements for the six months ended 31 December 2018

1. Basis of preparation and accounting policies

Christchurch International Airport Limited is a company registered under the Companies Act 1993. The company is an FMC Reporting Entity under Part 7 of the Financial Markets Conduct Act 2013.

The interim financial statements have been prepared in accordance with generally accepted accounting practices in New Zealand and the requirements of the Financial Markets Conduct Act 2013 and the Main Board/Debt Market Listing Rules of NZX Limited. These unaudited interim financial statements comply with New Zealand equivalents to International Financial Reporting Standards NZ IAS34.

These interim financial statements are not required to and do not make disclosure of all the information required to be included in an annual financial report. Accordingly, this report should be read in conjunction with the financial statements and related notes included in Christchurch Airport's Annual Report for the year ended 30 June 2018 ("2018 Annual Report")

The accounting policies set out in the 2018 Annual Report have been applied consistently to all periods presented in these interim financial statements, except for the adoption of new standards effective for periods commencing after 1 January 2018. Christchurch Airport has not early adopted any other standard that has been issued but is not yet effective.

The company applies, for the first time, NZ IFRS 15 *Revenue from Contracts with Customers* and NZ IFRS 9 *Financial Instruments*. The company's assessment of new accounting standards was reported in the 2018 Annual Report.

NZ IFRS 15 *Revenue from Contracts with Customers* is effective for annual reporting periods beginning on or after 1 January 2018. Christchurch Airport has considered the new guidance and identified the main performance obligations for each of its key revenue streams. For all revenue streams in scope of NZ IFRS 15 there were no changes in timing of revenue recognition. The new standard does not apply to retail and rental income, which are recognised under NZ IAS17 *Leases*.

IFRS 9 *Financial Instruments* sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. The interest rate swaps in place as at 30 June 2018 qualified as fair value and cash flow hedges under NZ IFRS 9. Christchurch Airport's hedge documentation is aligned with the requirements of NZ IFRS 9 and these hedging relationships are therefore treated as continuing hedges. The adoption of this accounting standard has had no other material impact on the interim financial statements.

2. Segment Reporting

Reportable segments

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

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

Operating segments – Services provided

Planes

This segment offers services that facilitate the movement of aircraft, cargo & passengers on the airfield.

Passengers

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

Property

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

Unaudited six months to 31 Dec 2018	Planes $000	Passengers $000	Property $000	Total $000
Total segment income	18,700	54,878	22,342	95,920*
Total segment expenses	14,276	34,182	13,722	62,180*
Segment Net Profit before Tax	4,424	20,696	8,620	33,740*

Unaudited six months to 31 Dec 2017	Planes $000	Passengers $000	Property $000	Total $000
Total segment income	18,116	53,316	17,511	88,943*
Total segment expenses	14,832	35,073	12,188	62,093*
Segment Net Profit before Tax	3,284	18,243	5,323	26,850*

*Agrees to total income, total expenses and surplus before tax on the Statement of Financial Performance. Income reported above represents income generated from external customers. There was no inter-segment income in the period (31 December 2017: nil).

3. Operating Revenue

	Unaudited 6 months to 31 Dec 2018	Unaudited 6 months to 31 Dec 2017
	$000	$000
Landing and Terminal charges	42,067	40,389
Rent and Lease income	34,752	33,894
Ground transport and other trading activities	15,214	11,022
Gain on disposal of assets	26	-
Other revenue	3,812	3,562
	95,871	88,867

4. Operating Costs

	Unaudited 6 months to 31 Dec 2018	Unaudited 6 months to 31 Dec 2017
	$000	$000
Staff	12,381	12,916
Asset management, maintenance and airport ops	6,578	5,887
Rates and insurance	5,146	4,708
Marketing and promotions	4,248	4,825
Professional services and levies	1,195	1,339
Commercial entity running costs	340	254
Other	2,775	3,048
	32,663	32,977

5. Borrowings

As at 31 December 2018, the Company has committed bank funding facilities for an aggregate $220,000,000 (2017: $295,000,000) with five banks. In addition, the Company has an overdraft facility of $1,000,000 (2017: $1,000,000).

The Company completed a $100,000,000 bond issue in May 2018, with a maturity of 6 years. Total bond funding at 31 December 2018 is $275,000,000 (2017: $175,000,000). The funds raised from these bond issues were used to refinance in part the Company's maturing debt facilities. $175,000,000 (2017: $75,000,000) of the bond funding is held at amortised cost, adjusted by the fair value of the designated hedge instrument.

All borrowings under the bank facility and overdraft facility are unsecured and supported by a negative pledge deed. The negative pledge deed requires that no security interest is provided over any assets for borrowings, unless an equivalent security interest is created for the borrowing group and bond holders. Interest rates paid during the period, including offsetting interest rate swaps, ranged from 3.7% to 6.7%. (2017: 2.8% to 6.7%). The bonds constitute direct, unsecured, unsubordinated obligations and will rank equally with all other unsecured, unsubordinated indebtedness.

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

	Unaudited As at 31 Dec 2018	Audited As at 30 June 2018
	$000	$000
Less than 1 year	115,834	-
1 > 3 Years	168,903	158,104
3 > 5 Years	-	101,886
Greater than 5 Years	153,218	151,072
	437,955	411,062
Total available funding	495,000	495,000

6. Related Party Transactions

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

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

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

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

	Unaudited 6 months to 31 Dec 2018	Unaudited 6 months to 31 Dec 2017
	$000	$000
Transactions with owners during the period to 31 December		
Purchases from CCC and subsidiaries	8,191	1,506
Rates paid to CCC	2,671	2,552
Revenues from CCC and subsidiaries	37	27
Dividend paid to CCHL	17,231	16,396
Dividend paid to the Crown	5,744	5,465
Amounts payable to CCC and subsidiaries	139	136
Amounts receivable from CCC and subsidiaries	1	2
Transfer of net assets to subsidiaries*	-	869

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

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.

7. Commitments

	Unaudited As at 31 Dec 2018	Unaudited As at 31 Dec 2018
	$000	$000
Total capital expenditures committed to, but not recognised in, the financial statements		
Property, Plant and Equipment and Intangibles	28,757	25,528
Investment Properties	35,968	8,308

Cashflows associated with the purchase or construction of Property, Plant and Equipment, Intangibles and Investment Properties are included in the Statement of Cashflows.

8. Dividends

	Unaudited 6 months to 31 Dec 2018	Unaudited 6 months to 31 Dec 2017
	$000	$000
2017 Final dividend paid ($0.38 per share)	-	21,861
2018 Final dividend paid ($0.40 per share)	22,975	-

9. Property, Plant & Equipment

The company carries Land, Buildings, Terminal facilities, sealed surfaces, infrastructure and car parks at fair value. The company last revalued these asset classes at 30 June 2018 as outlined in the 2018 Annual Report. No revaluation of these assets has been performed as at 31 December 2018.

Motor Vehicles, plant & equipment, office & computers and work in progress are carried at cost.

Additions to property, plant & equipment were $16.7m for the six months ended 31 December 2018. The gain on disposal of assets for the current six-month period arose from the sale of some motor vehicles.

10. Investment Property

The company carries Investment Property at fair value. The company last revalued investment property at 30 June 2018 as outlined in the 2018 Annual Report. No revaluation of investment property has been performed as at 31 December 2018.

Additions to investment property were $20.7m for the six months ended 31 December 2018.

11. Fair Value of Financial Instruments

There have been no transfers between levels of the fair value hierarchy used in measuring the fair value of financial instruments in the six months to 31 December 2018.

The company's derivative financial instruments are all classified as level 2 and the fair values are determined using valuation techniques. The company has an outsourced treasury provider that has provided the fair values as at 31 December 2018. These valuation techniques are based on observable market data and the interest rate swaps calculation takes into account the present value of the estimated future cash flows.

12. Contingent Assets and Liabilities

As at 31 December 2018 there were no contingent assets (2017: nil) and there were no contingent liabilities (2017: nil).

13. Events Subsequent to Balance Date

On 25 February 2019, the directors approved the payment of a fully imputed interim dividend of 38 cents per share amounting to $21,855,700.

There were no other events occurring after balance date that could significantly affect these interim financial statements.

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 performance for the six months ended 31 December 2018 with those measures are as follows:

TARGETS	FY 2019 FY Target $000	**HY 2019 Actual $000**	HY 2019 Target $000
a) FINANCIAL			
Total Revenue	192,010	95,871	96,285
EBITDAF	123,784	63,208	63,104
Net Profit after tax	49,668	24,284	24,085
EBITDAF as a % of Revenue	64.5%	65.9%	65.5%
Net Profit after tax as % of average equity	5.9%	2.4%*	3.1%*
Net Profit after tax as % of average total assets	3.7%	1.5%*	1.8%*

b) PASSENGER NUMBERS	2019 Total Plan	**HY 2019 Actual**	HY 2019 Target
Passenger			
Domestic	5,238,957	2,584,315	2,609,478
International	1,819,275	873,717	889,020
Total	7,058,232	3,458,032	3,498,498

c) RATIO OF SHAREHOLDERS' FUNDS TO TOTAL ASSETS	FY 2019 Total Plan	**HY 2019 Actual**	HY 2019 Target
Shareholder Funds/Total Assets %	59.1%	62.3%	59.2%
Gearing (debt / (debt + equity)) %	34.5%	30.0%	33.3%
EBITDAF Interest Cover x	5.1	5.42	5.49
Free Funds Interest Cover x	4.4	4.62	4.08
Free Funds / Debt %	18.7%	11.8%*	11.3%*

* the half year actual and target amounts are based on performance for the six-month period to date, and hence will be proportionately lower than the full year target shown in the first column. It should also be noted that the performance in the second half of FY19 is forecast to include any uplift in investment property revaluations, and hence will generate a higher return ratio than in the first half of the year.

d) CORPORATE SOCIAL RESPONSIBILITY

Performance target	Performance Measures	
	2019	**Progress to 31 December 2018**
Health, Safety & Wellbeing		
1. Safety Culture - through leadership and accountability, continue to build our safety culture across both people and aviation safety to permit the presence of safety and drive behavior.	▪ Year on year improvements in our annual culture and engagement survey for health, safety and wellbeing. ▪ Introduce safety-II principles.	2018 saw a change in provider for our culture and engagement survey. Participation was up significantly (60% to 95%) providing us with an accurate representation of the views of our team. ▪ 2018 health, safety and wellbeing results – overall 80% (culture of continuous improvement – 84%, leadership commitment – 75%, wellbeing – 82%). ▪ 2017 overall health, safety and wellbeing results were 81% Safety-II principles were introduced with all CIAL leaders, the executive leadership team and board of directors completing a safety-II leadership development programme. ▪ The new protection to performance strategy was also introduced (bringing safety-II to life) as part of the business planning process and the safety leadership conversation application was developed and deployed to all leaders and the CIAL board of directors.
2. Risk Management – reduce the opportunity for incidents.	▪ Year on year reduction in high potential and significant outcome safety risk measured through risk matrix. ▪ CIAL people and aviation safety assurance program delivered.	▪ We saw a 20% increase in reports filed for the 6 months compared to previous year with a 67% decrease in the number of events in the critical risk category. ▪ The FY17/18 annual assurance program for people and aviation safety was completed and the FY18/19 annual assurance is program on track for delivery.
3. Safety Management Systems to drive continuous improvement.	▪ Bi-annual review of SMS and HSMS to identify and action continuous improvement opportunities.	▪ The bi-annual reviews of our SMS and HSMS were completed as part of our assurance program. ▪ CAA conducted their recertification of Part 139 aerodrome operators which included Part 100 SMS. ▪ CIAL received confirmation of recertification under Part 139. CIAL's next recertification will be conducted in 2022 and five yearly from thereon in.
4. Lost Time Injuries	▪ Better than industry standards, with ultimate target of Nil.	▪ There were no CIAL lost time injuries in the six months to December 2018.
5. Near Miss Frequency Rate (Near misses/million hours worked)	▪ Year on year improvements, reflecting an improved near miss reporting culture.	▪ Improvement in near miss reporting frequency rate to 687 per million hours worked.

Sustainability

Waste 6. Waste is a by-product of operating a diverse and large organisation but we can work with all our stakeholders to reduce, reuse and recycle so we minimise the impact on our environment.	▪ Work with airlines to achieve greater recycling of waste off aircraft. ▪ Achieve 52.5% diversion rate.	▪ Preliminary work to scope the requirements of a Transitional Waste Facility (TWF) have been completed indicating that savings of 40-50% could be possible. ▪ Next step in the process will be a formal audit of current waste material to quantify exact amount of non-biosecurity material that can be disposed of into non-quarantine waste streams. ▪ Current year to date diversion is at 47.6%, comparable with FY18. The crash of the global commodities market is challenging our existing waste philosophy around recycling.
Energy 7. By minimising our energy use, we reduce our carbon footprint, reduce costs to our businesses and reduce demand on the national grid. We strive for growth without impact, and for our business to protect our city region and island.	▪ 2 more domestic jet ground power stands commissioned. ▪ Continue to investigate and implement energy-saving initiatives that ensure energy consumption is reduced. ▪ Introduce electric vehicles to the CIAL fleet.	▪ Detailed design is currently underway with tender for the works expected to go out in late March 2019. ▪ Work to decommission two LPG and two diesel boilers heating the international terminal is underway with detailed design underway for the installation on a Ground-source heat pump system commencing in late 2018. This system will reduce carbon emissions by ~1,000t-CO2-e p.a. ▪ Currently 9 out of 19 light vehicles have been converted to either fully electric or a plug-in hybrid variant. ▪ Our first public fast chargers are expected to come online and be available to for public use in the Orchard Road Carpark from February 2019.
Water 8. Christchurch is unique in using 100% naturally filtered water. Our passion is to maintain its integrity, avoid accidental contamination and minimise use of this precious resource as it passes under the airport. By doing so, we ensure water supply safety and security, protect the aquifer, reduce costs and our business protects the city, region and island.	▪ Install accurate water metering devices to better understand passenger terminal water use. ▪ Ensure on-going compliance with NZ Drinking Water Standards through regular monitoring of potable drinking groundwater supply. ▪ Continue Environmental Compliance and Monitoring Program with existing airport operators and new operators on airport land.	▪ This project went to RFI in Q2 and following RFI responses, went back to tender as an RFP. This RFP closed in mid-January 2019. ▪ The new DWSNZ (revised 2018) comes into force on 1st March 2019. Current reporting has been revised to present an evaluation of log credit requirements against both standards. This evaluation will need to be accepted and confirmed by the DWA. ▪ All new airport operators, existing tenants and contractors have received Environmental (including spill response) training and Environmental Compliance Management Plans. ▪ Ensuring all contractors working site operate under an approved sediment and erosion control plan.

Noise 9. Noise is the environmental issue of greatest focus at airports around the world. Our responsibility and bias is to engage and collaborate with all stakeholders, especially residents and businesses close to the airport and its flight paths.	▪ Continued commitment to an Airport Noise Liaison Committee to improve communications with our community. ▪ Successful implementation of world leading engine testing noise management software. ▪ Noise complaints are limited to 10 per 10,000 aircraft movements per annum.	▪ Held 3 Airport Noise Liaison committee meetings whereby the updated CIAL Noise Management Plan and new Acoustic Treatment Program was reviewed and approved by the committee for implementation. ▪ Produced 4 quarterly On-Aircraft Engine Testing Reports demonstrating compliance with On-Aircraft Engine Testing provisions with the Christchurch District Plan. ▪ Completed real time noise measurements of On-Aircraft Engine Testing noise, successfully verifying calculated noise levels produced using the Engine Testing Management Software. ▪ Completed real time noise measurements of Aircraft Operations to verifying the 2017 Annual Aircraft Noise Contour.
Land 10. Our Place is an area of unique natural beauty. We have a responsibility to maintain it, improve it and remediate contaminated land. We also have a responsibility to ensure the safety of travellers and our airline partners, and so understanding the hazards and addressing the risks of bird strike is a critical and on-going activity.	▪ Achieve a Bird Strike incidence rate of <4/10,000 aircraft movements on a 12-month rolling average basis in line with level set for airports of a similar scale ▪ Work with territorial authorities and other stakeholders to implement management strategies for pest birds which pose bird strike hazard risks ▪ Continue to liaise with authorities to ensure planning rules do not compromise communities' safety or quality of life while allowing the airport to grow.	▪ The strike rate per 10,0000 movements for 2018 was 5.93, down from 7.31 in 2017 ▪ Currently working with both CCC and ECan to ensure CCC Global stormwater discharge consent and associated management plans include bird strike provisions. ▪ Working with Selwyn District Council on the Selwyn District Plan review, ensuing appropriate noise and bird strike provisions are incorporated into the draft plan for public submissions. ▪ Working with the greater Christchurch Partnership on the Greater Christchurch Settlement pattern update, ensuring that CIAL is recognised as a key transport and employment node and future land use activities are provided for. ▪ CIAL is also working with a team of experts to update the Airport Noise Contours and will provide the update contours to ECan for inclusion in the Regional Policy statement.
Community Engagement		
11. To make a positive contribution to the social and community outcomes of our City and the South Island.	▪ To continue to demonstrate support for events which attract visitors, enhance the City's image and that residents can enjoy. ▪ Support community initiatives and organisations through the CIAL Community Fund, charity fundraisers and other donations through the year. ▪ To engage and communicate openly with stakeholders through the Chief Executive and GMs initiating and accepting invitations to meetings, speeches, addresses and workshops.	▪ Supported events including SCAPE Public Art, Joseph Parker boxing event, Vodafone Warriors game against Manly Sea Eagles. ▪ Sponsorship of The Vocal Collective (formerly known as Christchurch Pops Choir), Court Theatre, Kilmarnock Enterprises. Maximum of two charities a month are permitted to run donation collections in the terminal.

	▪ To actively involve our staff in Corporate Social Responsibility initiatives to enhance engagement.	▪ The Community Fund continues to award donations to at least a dozen community groups/projects half-yearly. ▪ The Chief Executive, General Managers and senior leaders have given speeches, presentations and workshops across the community and the country. ▪ Staff have taken part in events to raise funds for groups including Breast Cancer Foundation, Blue September/Movember, Special Children's Christmas Party. ▪ Our Whare Tapa Wha wellness strategy which has been successfully activated during 2018, includes a significant amount of giving back initiatives for members of our team to be part of. These initiatives include Ronald McDonald House Program, Fiji Kids Initiative, Blue September and Pink Ribbon Events Programs, SPCA and Christchurch City Mission Christmas Giving.
Our People		
12. To build a Champion Team who has the capability and passion to achieve our purpose to champion the South Island and our mission – to be a Champion Airport.	▪ Purpose driven leadership and people excellence, clear performance accountabilities and outcome focused expectations are part of the way we do business. ▪ Year on year improvements for common purpose and leadership in annual culture and engagement survey. ▪ People Strategy Activation Projects delivered.	▪ As part of the CIAL leadership development program all staff have completed a leading-self two-day development program in 2018. ▪ We established a strategy activation leadership group to further support the activation of our strategy through these key leaders and to provide them with the development and collaboration support required to be successful. ▪ People strategy projects were successfully activated as planned which include the following: CIAL mental health and resilience programme, Wawata Iwi Charter, CIAL competency framework, monthly values champion initiative, onboarding software implementation, Whare Tapa Wha wellness and revision of our strategic remuneration framework.
13. To be a fair employer that celebrates equality and diversity that is renowned for going beyond compliance and creating value and opportunity for our people.	▪ Activate fair employer charter ▪ Develop a "being a fair employer" category in annual culture and engagement survey.	▪ Wawata Iwi (Fair Employer) Charter developed with our 'sharing our success' initiative the first initiative to be activated. ▪ A fair employment category in the annual survey was not established in 2018 however fairness, leadership and diversity is inherent across the newly formed survey. A dedicated pulse check however will be conducted in 2019.

OTHER INFORMATION

Nature of Business

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

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

Credit Rating Status

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

Summary of Waivers

NZX has provided CIAL with a waiver in relation to Listing Rule 5.2.3 to enable CIAL to apply for quotation on the NZX Debt Market even though the Bonds may not have been initially held by at least 100 members of the public holding at least 25% of the Bonds issued. The waiver was granted for a period of 6 months from the quotation date of the Bonds (being 25 May 2018).

The effect of the waiver from Listing Rule 5.2.3 was that initially the Bonds may not have been widely held and there may have been reduced liquidity in the Bonds.

NZX has also provided CIAL with approval under Listing Rule 11.1.5 to enable CIAL to decline to accept or register a transfer of the Bonds if the transfer would result in the transferor or the transferee holding or continuing to hold Bonds with a Principal Amount of less than $5,000 (if not zero) or if the transfer is not in multiples of $1,000.