CHRISTCHURCH AIRPORT

ANNUAL REPORT

For the year ending
30 June 2021

This Annual Report covers the performance of Christchurch International Airport Limited (Christchurch Airport) from 1 July 2020 to 30 June 2021. This volume contains our audited financial statements and a summary of our performance targets information. Further overview information and a summary of other aspects of the 2021 financial year are contained in a separate volume, our Annual Review, which may be accessed at christchurchairport.co.nz

CORPORATE GOVERNANCE

Christchurch Airport's Board of Directors is responsible for the company's corporate governance. The Board of Directors is appointed by the shareholders to supervise the management of Christchurch Airport and 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

The Board and management are committed to undertaking their governance role in accordance with accepted best practice appropriate to the company's business, as well as taking account of the company's listing on the NZX Debt Market. As with safety and quality, governance includes a set of systems and processes, supported by people with the appropriate competencies and principles.

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.

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 framework.

REGULATORY FRAMEWORK

The company operates solely in New Zealand and is governed by a range of New Zealand legislation and regulation including the Civil Aviation Act 1990 and the Airport Authorities Act 1966. The Civil Aviation Act 1990 establishes the framework for civil aviation safety, security and economic regulation in New Zealand and ensures that New Zealand's obligations under international civil aviation agreements are implemented.

CIAL is one of three named airports in New Zealand within the Airport Authorities Act 1966, meaning it is infrastructure of national significance and has economic impacts into regions beyond Christchurch City. The Airport Authorities Act gives a range of functions and powers to airport authorities to establish and operate airports.

The Ministry of Transport continues to progress work on a Civil Aviation Bill. The Bill will replace the Civil Aviation Act 1990 and the Airport Authorities Act 1966 with a single new statute that includes a number of proposals related to the safety, security and efficiency of New Zealand's civil aviation system.

Since 2011, New Zealand's three largest airports including Christchurch have been subject to Information Disclosure regulation under Part 4 of the Commerce Act 1986, administered by the Commerce Commission. Under this framework, the focus is on monitoring airport performance, ensuring there is transparency in pricing decisions, as well as the effectiveness of the information disclosure regime.

BOARD ROLE

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 aim being to increase long term shareholder value while sustaining and ensuring the obligations of the company are properly met.

The Board's charter recognises the respective roles of the Board and management. In carrying out its principal function, the Board's primary governance roles include:

- Working with executive leadership to ensure that the company's strategic goals are clearly established and communicated, and that strategies are in place to achieve them;
- Monitor management performance in strategy implementation;
- Appointing the Chief Executive Officer (CEO), approving his or her contracted terms, monitoring his or her performance and, where necessary, terminating the CEO's employment;
- Approving and monitoring the company's financial statements and other reporting, including reporting to shareholders, and ensuring the company's disclosure obligations are met;
- Adopting appropriate procedures to ensure compliance with all laws, governmental regulations, applicable codes and accounting standards;
- Approving key performance criteria for CIAL and monitoring the performance of the CEO against these;
- Ensuring that the company adheres to high ethical and corporate behaviour standards;
- Establishing procedures and systems to ensure the occupational health, safety and wellbeing of people working at, or visiting the, Christchurch Airport precinct;
- Promoting a company culture and remuneration policy which facilitates the recruitment, professional development and retention of staff, whilst considering ways to achieve a high level of diversity within the business;
- Set specific limits on management's delegated authority for entry into new expenditure, contracts and acquisition of assets and approve commitments outside those limits;
- Ensuring that CIAL has appropriate risk management and regulatory compliance policies in place and monitoring the appropriateness and implementation of these policies.

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

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

BOARD STRUCTURE

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

A fully constituted Board consists of six directors; four appointed by majority shareholder, Christchurch City Holdings Ltd (CCHL), and two appointed by the Minister of Finance and the Minister for State Owned Enterprises (on behalf of the New Zealand Government). From 1 July 2014, CCHL has also been appointing an intern director for a period of twelve to eighteen months in order to enable prospective directors to gain an insight into good governance practice and to observe the dynamics of sitting on a board.

Directors' appointments are for such period as determined by the relevant shareholder but shall not exceed three years. Retiring directors may be reappointed by the relevant shareholder by way of notice prior to the Annual General Meeting.

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

The Board has four formally constituted committees; the Risk, Audit and Finance Committee, the People, Culture and Safety 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 based on need. Each committee must include a representative of each shareholder.

INDUCTION OF NEW DIRECTORS

Following 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 eleven times during the financial year. In addition, several Board workshops were also held to consider discrete subject matters. The table on the following page sets out the Board and sub-committee meetings attended by the directors during the year.

Directors unable to attend Board or Committee meetings review the relevant papers and provide comments to the Chair or Committee Chair as appropriate.

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

At each meeting CIAL's interests register is updated as necessary and the Board considers:

- An executive report focusing on company performance, financial position, strategic activations and, as appropriate, progress towards the achievement of company goals and business targets;
- Specific business cases for capital expenditure and strategic activation;
- Separate reports from management covering matters requiring a Board decision or for more detailed information;
- Health, safety and wellbeing reporting and any proposed preventative measures to be applied;
- Standard items and action items arising from previous meetings.

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

- Reviews and approves the company objectives and strategies, business plan and budgets including the annual profit targets and capital investment programmes;
- Approves the annual and half-yearly financial statements, including the Annual Report and Annual Review to shareholders and public announcements;
- Considers and, if appropriate, declares or recommends the payment of dividends;
- Reviews directors' remuneration following approval from shareholders;
- Reviews the CEO's performance and remuneration;
- Approves remuneration policies and practices for executive leadership on the recommendation of the People, Culture and Safety Committee;
- Approves risk management 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 regulatory regime;
- Reviews the strategy and proposals for the reset of aeronautical charges each five-year cycle;
- Reviews the strategy for CIAL's funding needs and approves banking facilities and debt capital markets issuances;
- Reviews CIAL's code of conduct and ethical standards;
- Sets the following year's Board work plan.

The Board annually critically evaluates its own performance, its processes and procedures to ensure that they are not unduly complex and that they assist the Board in effectively fulfilling its role and performing its duties. The Board and Committees and each director have the right to seek independent professional advice at CIAL's expense to assist them to carry out their responsibilities.

The Board and Committees have the authority to secure the attendance at meetings of advisers with relevant experience and expertise.

Board and Committee meeting attendance	Original appointment	Current Term expires	Board meetings	Risk, Audit & Finance Committee meetings	People, Culture and Safety Committee meetings	Property & Commercial Committee meetings	Aeronautical Committee meetings
Total number of meetings held			**11**	**5**	**5**	**4**	**6**
C. Drayton	Sep 09	Oct 23	11	5	5	4	6
C. Paulsen	Oct 10	Oct 22	11	-	5	-	6
J. Murray	Jun 11	Apr 21*	10	-	-	3	5
S. Ottrey	Mar 19	Oct 24**	11	-	-	3	6
K. Mitchell	Oct 17	Oct 23	11	5	-	-	6
P. Reid	May 18	Apr 24	11	5	5	4	6

Note: all committees require a Crown appointed director

* Retired 30 April 2021

** The majority shareholder has resolved to support reappointment of this director for a further term at the 2021 Annual General Meeting.

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 and New Zealand Stock Exchange (NZX) continuous disclosure obligations (due to our listed debt), may preclude certain information from being made public. Within this constraint, information is communicated to the shareholders through quarterly communication and periodic briefings providing financial information and commentary on operational and non-financial performance measures.

In a normal financial year, the company is required to provide 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, consequently, 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 appropriate staff.

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

- Responsibility to act honestly and with personal integrity in all actions;
- 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.

RISK MANAGEMENT

Risk management is an integral part of the company's business. CIAL has a comprehensive risk management framework to identify, mitigate and manage all business risks on a company-wide basis. 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 regularly tracks the development of any existing risks and the emergence of new risks.

The company's risk management framework is underpinned by two committees which are in place to identify potential financial and operational risks, the Risk, Audit and Finance Committee and the People, Culture and Safety Committee, respectively. The company also has mechanisms in place to recognise and manage sustainability risks, including environmental and social risks.

See section below tilted Board Sub-Committees, for more detail on the role and responsibilities of these two committees for the oversight of financial and operational risk.

Business Assurance

The role of Business Assurance, through partnering with external service providers, is to develop a comprehensive continuous assurance program, which supports CIAL's risk management framework. 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.

Chief Executive Officer and Chief Financial Officer Assurance

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

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

There were no qualifications to the assurances provided by management for the year ended 30 June 2021.

Insurance and Indemnities

CIAL has a comprehensive insurance programme as part of risk mitigation. This programme is reviewed annually to ensure that appropriate cover is in place. The Board has continued its significant consideration of insurance placements as a mitigation of risk in the 2021 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 (Australia) Ltd. The cost of the cover for the year to 30 June 2021 is $75,000 (2020 $58,000).

Internal Policies and Procedures

Compliance with the many legal, regulatory and industry requirements is a priority for the Board. CIAL takes its obligations seriously in this regard and continually look for ways to improve the standard of compliance. CIAL employees are responsible for ensuring the company carries out its business in a way that considers all applicable legal requirements, minimises the cost of legal risk and maximises business opportunities.

Managers are responsible for making sure their staff understand what compliance means in their particular areas, by ensuring appropriate training and compliance information is available. Compliance with legal and regulatory risk is monitored twice annually and reported to the subsequent quarterly Risk, Audit and Finance Committee meeting.

System of Internal Controls

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

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

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

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

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

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

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

THE BOARD'S RELATIONSHIP WITH MANAGEMENT

Position of Chief Executive Officer

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

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

The Board and CEO agree to meet specific outcomes 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 Chair maintains a link between the Board and the CEO. She is kept informed by the CEO on all important matters and is available to the CEO to provide counsel and advice where appropriate. The Chair however does not use this link to personally manage the CEO and does not impede the flow of information to the Board necessary for sound governance.

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

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

Delegation of Responsibilities

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

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

BOARD SUB-COMMITTEES

The Board has set up various committees to enhance the Board's effectiveness in key areas, while still retaining overall responsibility.

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 Risk, Audit & Finance Committee is responsible for financial risk management oversight. Its role 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;
- Protection of the company's assets;
- Compliance with applicable laws and regulations;
- Reporting of financial information, regulatory disclosures and audit processes;
- Managing financial risk.

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;
- Review the adequacy of insurance cover at each insurance renewal and recommend to the Board any significant changes to insurance cover;
- Review and approve the annual business assurance plan, and regularly monitor business assurance findings;
- Recommend to the Board the appointment of the external auditor and business assurance advisor and approve their fee;

- Provide advice on and review the company's Annual Report and Financial Statements prior to consideration and approval by the Board;
- Provide advice on and review the company's regulatory Annual Information Disclosure prior to consideration and approval by the Board;
- Review, on an on-going basis, the company's capital structure, Treasury Policy and optimal funding portfolio in the future;
- Review overall tax risk profile of CIAL with focus on adherence to tax governance policy.

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 2021 were Kathryn Mitchell (Chair), Catherine Drayton and Paul Reid.

People, Culture and Safety Committee

CIAL has prioritised our people focus across the business, building our culture around our purpose and our values. These focus on building belief in our purpose, belonging to our values and trust in ourselves and others. The belief/belonging/trust framework is used to orientate our people around focusing on the overlap between individual and organisational purpose, values and connection

At the core of CIAL's Health, Safety and Wellbeing Strategy is the protection of our people. The Board and management's focus are on building a culture of safety leadership, taking a strategic approach to risk management and our safety management system, and ensuring consistency in culture across airside and aviation operations.

The People, Culture and Safety Committee's role is to oversee the relationship of company values to the People and Protection strategies and ensure that they are designed to support and deliver the Company's overall strategy and business plans. The responsibilities of the Committee are:

- Establish procedures and systems to ensure the occupational health, safety and wellbeing of the company's employees and contractors working for CIAL across the Christchurch Airport campus;
- Continue to assist with the development of our leadership, culture and capability in our safety eco-system, involving critical risk assessment and risk management via best practice policies and mitigation procedures;
- Provide oversight and review annually the People and Culture strategy, policies and implementation plan with a focus on diversity and talent identification;
- To oversee CIAL's recruitment, retention and termination policies and procedures for senior leadership, and the succession planning for senior leadership and the CEO;
- Develop the company's remuneration philosophy, performance and development framework and oversee the annual remuneration review process (see section on Remuneration below);
- 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.

CIAL is focused on being a fair organisation, an inclusive team, embracing and reflecting diversity. Diversity has many dimensions, and for CIAL it is important that diversity is embraced. The highest-level aspiration is on having diversity of thought and an organisation that has the capability and understanding to embrace diversity.

The members of the People, Culture and Safety Committee as at 30 June 2021 were Catherine Drayton (Chair), Chris Paulsen and Paul Reid.

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;
- Planning and consenting to enable development of the wider property portfolio;
- Review and negotiation of commercial arrangements with terminal and property tenants;
- Ongoing review of overall 'Park to Plane' strategy across our customers' journey including identification and understanding of exponential technologies and how digital change will disrupt and shape CIAL's business in the future.

The members of the Property and Commercial Committee as at 30 June 2021 were Paul Reid (Chair), Sarah Ottrey and Catherine Drayton. Justin Murray was the Chair of this Committee during the year until his retirement from the Board on the 30 April 2021.

Aeronautical Committee

The Aeronautical Committee's role is 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.

- 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.

All Directors were members of the Aeronautical Committee as at 30 June 2021.

REMUNERATION

The Board's People, Culture and Safety Committee is responsible for remuneration across the organisation and has a charter it operates under.

Directors

The directors' remuneration is paid in the form of directors' fees. Additional fees are paid to the Chair of the Board and the Chairs of the various Board sub-committees to reflect the additional responsibilities of these positions. CIAL also meets directors' reasonable travel and other costs associated with the company's business and their own learning and development.

The total remuneration paid to directors for the year ended 30 June 2021 was:

NAME	REMUNERATION
C Drayton	$97,600
K Mitchell	$53,700
J Murray	$44,750
S Ottrey	$48,700
C Paulsen	$53,700
P Reid	$49,533
Total Fees	**$347,983**

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 People, Culture and Safety 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 People, Culture and Safety 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 People, Culture and Safety 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.

Covid-19: CIAL had a pandemic plan which assumed it would approach such an event with a philosophy of stakeholder equity, balancing the needs of customers, staff & shareholders equally. In doing so the focus has been on preserving long-term shareholder value.

All staff were asked to undertake the same actions in response to the impact of the COVID-19 pandemic to support the stakeholder equity approach. This included a wage and salary freeze for 18 months (finishing 30 June 2021), a training and development freeze and an 18-month general recruitment freeze with sinking lid on staff numbers.

The Board's primary focus in pursuit of preserving long-term shareholder value is on retaining our talent through Covid-19 to put CIAL in the best position to not only preserve but create value as borders re-open again.

REMUNERATION RANGES $'000	**NUMBER OF CURRENT AND FORMER EMPLOYEES**	
	2021	**2020**
$100 - $110	23	30
$110 - $120	14	14
$120 - $130	5	6
$130 - $140	10	10
$140 - $150	4	3
$150 - $160	3	4
$160 - $170	6	4
$170 - $180	3	3
$180 - $190	1	4
$190 - $200	5	4
$200 - $210	2	2
$220 - $230	-	1
$240 - $250	1	2
$250 - $260	1	-
$300 - $310	-	1
$310 - $320	1	1
$320 - $330	1	-
$380 - $390	-	1
$390 - $400	1	-
$440 - $450	-	1
$450 - $460	-	1
$470 - $480	1	-
$890 - $900	-	1*
$910 - $920	1*	-

* This is the remuneration to the CEO.

Chief Executive Remuneration

For FY21, the Chief Executive's remuneration consisted of:

- a base salary of $691,400 and Kiwisaver contributions of $26,740;
- variable salary of $200,000 (22% of total remuneration).

This combined for total FY21 remuneration of $918,140.

There was no change in the Chief Executive's base salary between FY21 and the prior year FY20. In FY20, the Chief Executive's total remuneration was $897,540, comprising a base salary of $691,400, Kiwisaver contributions of $26,140 and variable remuneration totalling $180,000 ($20,000 being withheld).

SUSTAINABILITY

CIAL's approach to sustainability is centered on the Maori concept of kaitiakitanga (responsibility, care and guardianship). The company will continually challenge ourselves to seek out, develop and implement new processes that make our business more sustainable.

Our base criteria for which we measure activity within our business includes whether our ambitions are good for people and planet and prosperity. We want to create genuine and enduring change that will have a lasting positive impact for environmental and intergenerational wellbeing.

CIAL undertakes sustainability according to a broad interpretation covering environmental, social and governance practices. Going forward, the company is looking to expand its sustainability ambitions to be more inclusive of wider sustainability goals.

While we strive to make meaningful improvements in a number of focus areas, we are particularly focused on our commitment to reduce and eliminate greenhouse gas (GHG) emissions from our operations, and acting where we can help our suppliers, customers and the wider economy to reduce or eliminate GHGs.

Financial Risk Management – Climate Risk

Governments, businesses and society in general face complex challenges in respect of climate change. Transitioning to a zero-carbon economy will present CIAL and the wider aviation industry with risks as well as opportunities.

CIAL primarily exists to provide infrastructure facilities to service the aviation industry and its associated parts. Over the last few years CIAL has been particularly focused on our commitment to reduce GHG emissions from our own operation and as a result no longer has a significant carbon footprint itself. The next phase of our journey will be proactively looking at how we can invest in new infrastructure to support the aviation industry operate on a lower emissions level and collaborate with airlines, industry partners and suppliers on opportunities for further emissions reductions across the industry.

As the aviation industry continues the journey to a lower carbon economy, CIAL has identified the following risks that will need to be managed:

- Aviation Industry Risk – carbon is a global industry risk and CIAL is aware that its assets serve an industry where decarbonisation on both a net and gross basis over the next 30 years will go hand in hand with aviation's future. CIAL is aware of what technology development and alternate fuel options the industry is currently planning to utilise out to 2050
- Customer Demand Risk – future consumer demand for airline seats is a business risk. This is considered in the context of low substitutability from other transport options for travellers in this part of the world and that Asia will provide the majority of global aviation growth over the next two decades with Australasia a part of that

- Regulatory Risk – CIAL is aware that regulations relating to climate change are going to evolve over the coming decades and is committed to engaging in quality regulatory processes and will be aware of this in investment decisions being made
- Physical risk – CIAL is aware that climate change will impact the weather in Canterbury and has undertaken a review of likely changes including building an adaptation pathway into its long-term master plan

CIAL's assessment of the potential impacts of climate change and the transition to a lower carbon economy will continue to evolve over time. When there is sufficient support, the potential financial impact is incorporated into our underlying forecast cash flows for the relevant asset valuation and impairment models – e.g. impact on demand, capital and operating expenditure associated with climate change initiatives and use of risk adjusted discount rates as necessary.

CIAL's sustainability initiatives, including our focus on de-carbonisation, are reported each year in our Sustainability Report as a part of the Annual Review document. In FY21, CIAL will also be including within our Sustainability Report its first commentary in relation to climate risk related disclosures and our journey towards the proposed introduction of mandatory disclosures from FY23 (expected to be based on the recommendations from the Taskforce for Climate Related Financial Disclosures ('TCFD')).

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 2021, and the financial performance, cash flows and reporting against the Statement of Intent 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 2013 and Financial Markets Conduct Act 2013.

After reviewing the current results and detailed forecasts, taking into account available credit facilities and availability of further funding and making further enquiries as considered appropriate, the Directors are satisfied that the company has adequate resources to enable it to continue in business for the foreseeable future. For this reason, the directors believe it is appropriate to adopt the going concern basis in preparing the financial statements.

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 consolidated financial statements of the group, set out on pages 17-69, and the performance information of the group set out on pages 70 to 75, of Christchurch International Airport Limited for the year ended 30 June 2021.

The Board of Directors of Christchurch International Airport Limited authorise these financial statements for issue on 26 August 2021.

For and on behalf of the Board

Catherine Drayton
CHAIR

Kathryn Mitchell
DIRECTOR

Statement of financial performance

For the year ended 30 June 2021

	Note	2021 $000	2020 Restated $000
INCOME			
Operating revenue	2	141,625	165,722
Fair value gain on investment properties	13	47,828	13,481
Interest income		96	86
Total income		189,549	179,289
EXPENSES			
Operating costs	2	65,882	68,962
Financing and interest costs	2	23,517	23,580
Depreciation, amortisation and impairment	2	46,282	42,059
Total expenses		135,681	134,601
Surplus before tax		53,868	44,688
Total taxation expense	3b	15,210	(2,038)
Net operating surplus after income tax		38,658	46,726

The accompanying notes and policies form part of these financial statements

Statement of comprehensive income

For the year ended 30 June 2021

	Note	2021 $000	2020 Restated $000
Surplus after income tax		38,658	46,726
Other comprehensive income			
Items that will not be reclassified to the statement of financial performance			
Fair value gain on revaluation of assets	7a	80,637	32,259
Impairment to asset revaluation reserve	7a	375	(1,611)
Deferred tax on revaluation of assets	4	(19,554)	-
		61,458	30,648
Items that may be reclassified subsequently to the statement of financial performance			
Cash flow hedges:			
Fair value (losses) recognised in the cash flow hedge reserve	7a	13,248	(17,883)
Realised losses transferred to the statement of financial performance	7a	6,404	4,794
Deferred tax on revaluation on cash flow hedges	4	(5,503)	3,665
		14,149	(9,424)
Other comprehensive income for year, net of tax		75,607	21,224
Total comprehensive income for year		114,265	67,950

The income tax relating to each component of other comprehensive income is disclosed in note 7.

The accompanying notes and policies form part of these financial statements

Statement of changes in equity

For the year ended 30 June 2021

	Note	**Share Capital**	**Reserves**	**Retained Earnings**	**Total Equity**
		$000	**$000**	**$000**	**$000**
Balance at 1 July 2019		57,600	620,959	373,461	1,052,020
Prior period adjustment		-	-	7,800	7,800
Opening balance restated for prior period adjustment		-	-	381,261	1,059,820
Dividends paid to shareholders	6	-	-	(41,449)	(41,449)
Transfer of asset revaluation reserve	7	-	(2,500)	2,500	-
Surplus after income tax (restated)		-	-	46,726	46,726
Other comprehensive income for the year		-	21,224	-	21,224
Balance at 30 June 2020		**57,600**	**639,683**	**389,038**	**1,086,321**
Surplus after income tax		-	-	38,658	38,658
Other comprehensive income for the year		-	75,607	-	75,607
Balance at 30 June 2021		**57,600**	**715,290**	**427,696**	**1,200,586**

The accompanying notes and policies form part of these financial statements

Statement of financial position

As at 30 June 2021

	Note	2021 $000	Restated 2020 $000	Restated 1 July 2019 $000
EQUITY				
Share capital		57,600	57,600	57,600
Reserves	7a	715,290	639,683	620,959
Retained earnings	7b	427,696	389,038	381,261
Total equity		1,200,586	1,086,321	1,059,820
NON-CURRENT LIABILITIES				
Term borrowings	8	350,352	470,005	356,549
Derivative financial instruments	9	25,890	45,590	31,455
Deferred taxation	4	149,877	113,772	129,656
Trade and other payables	10	581	682	783
Total non-current liabilities		526,700	630,049	518,443
CURRENT LIABILITIES				
Trade and other payables	10	21,927	30,475	33,693
Current portion of borrowings	8	238,991	120,000	115,501
Taxation payable	3c	(744)	4,693	1,028
Derivative financial instruments	9	1,780	1,743	2,504
Total current liabilities		261,954	156,911	152,726
Total liabilities		788,654	786,960	671,169
Total equity and liabilities		1,989,240	1,873,281	1,730,989
NON-CURRENT ASSETS				
Property, plant and equipment	11	1,307,628	1,263,491	1,208,026
Investment properties	13	647,840	571,658	491,202
Intangible assets	12	2,184	3,253	4,588
Trade and other receivables	14	5,491	5,438	4,601
Derivative financial instruments	9	5,613	10,295	6,747
Total non-current assets		1,968,756	1,854,135	1,715,164
CURRENT ASSETS				
Cash and cash equivalents		4,112	4,164	845
Trade and other receivables	14	15,863	14,516	13,875
Derivative financial instruments	9	-	-	646
Inventories		509	466	459
Total current assets		20,484	19,146	15,825
Total assets		1,989,240	1,873,281	1,730,989

The accompanying notes and policies form part of these financial statements

Statement of cash flows

For the year ended 30 June 2021

	Note	2021 $000	2020 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from customers		138,583	165,793
Interest received		96	86
Net goods and services tax received		259	1,927
		138,938	167,806
Cash was applied to:			
Payments to suppliers and employees		(69,457)	(65,073)
Financing and interest costs		(23,461)	(23,471)
Net income tax paid		(9,600)	(5,600)
Subvention payments		-	(916)
		(102,518)	(95,060)
Net cash flows from operating activities	15	36,420	72,746
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Proceeds from sale of property, plant and equipment		636	35
Cash was applied to:			
Purchase of property, plant and equipment		(9,753)	(74,228)
Purchase of investment properties		(31,245)	(66,683)
Purchase of intangible assets		(110)	(2,102)
		(41,108)	(143,013)
Net cash flows from investing activities		(40,472)	(142,978)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from:			
Borrowings		4,000	190,000
Cash was applied to:			
Dividends paid	6	-	(41,449)
Borrowings		-	(75,000)
		-	(116,449)
Net cash flows from financing activities		4,000	73,551
Net increase / (decrease) in cash held		(52)	3,319
Add cash and cash equivalents at beginning of the year		4,164	845
Cash and cash equivalents at the end of the year		4,112	4,164

The accompanying notes and policies form part of these financial statements

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 airport operations are currently based at Christchurch International Airport.

These financial statements have been approved for issue by the Board of Directors on 26 August 2021.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of preparation

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

Entity reporting

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

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

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

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

Statutory base

Christchurch International Airport Limited is a company registered under the Companies Act 1993. The Company is an FMC reporting entity under part 7 of the Financial Markets Conduct Act 2013.

The financial statements have been prepared in accordance with the requirements of the Local Government Act 2002, the Financial Reporting Act 2013, the Companies Act 1993 and the requirements of Part 7 of the Financial Markets Conduct Act 2013 and the NZX Listing Rules (3 November 2020).

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 to fair value as identified in specific accounting policies.

Significant accounting judgements, estimates and assumptions

The preparation of financial statements requires the use of certain critical accounting estimates and assumptions based on known facts at a point in time. 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 outcome. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below.

i. *Identification of Property, Plant and Equipment to be reclassified to Investment Property*

The company makes a decision on the assets to be included in Investment Properties based on their "interim use" as outlined in accounting policy (m). A key factor of this classification is that the "interim use" of such property is not for aircraft related activities. The classification of property between categories gives rise to different accounting treatments which can impact the Statement of Financial Performance or Statement of Other Comprehensive Income.

ii. *Fair Value of Investment Property*

The company uses independent registered valuers to determine the fair value of investment properties. The valuation process requires the use of assumptions and estimates which are based on market conditions at the time. Changes to market conditions or to assumptions made in the estimation of fair value may result in changes to the fair value of investment property recorded within the Statement of Financial Performance. For further information on the estimates and assumptions used in determining fair value of these assets see accounting policy (m) and note 13 to the financial statements.

iii. *Carrying Value of Property, Plant and Equipment and Impairment Assessments*

Judgement is required to determine whether the fair value of land, buildings, terminal facilities, sealed surfaces, infrastructure and car parking assets has changed materially from the last revaluation. The determination of fair value at the time of the revaluation requires estimates and assumptions based on market conditions at that time. Changes to estimates, assumptions or market conditions are considered each year in assessing if there is a risk of a material movement, if there is, a formal revaluation is performed and any movement in the carrying value is reflected in the Statement of Comprehensive Income.

The company uses its own judgement, previous experience and advice from independent registered valuers to make the necessary determinations.

For further information on the estimates and assumptions used in determining fair value of these assets see accounting policy (l) and note 11 to the financial statements.

Impairment assessments are completed annually for appropriate cash generating units and individual assets. An impairment assessment measures the recoverable amount of an asset based on projections and estimates of future cash flows specifically related to the relevant group of assets. An impairment charge is recognised for any asset with a carrying value in excess of its recoverable amount. Changes to estimates or assumptions within each impairment assessment may result in a different assessment conclusion.

COVID 19 Pandemic

Covid-19 is now a structural reality for the world, New Zealand and for Christchurch International Airport Limited ('CIAL'). CIAL learnt many lessons from the 2010/11 earthquakes and in 2015/16 undertook a series of transitions to bake in the lessons learnt and to prepare the business for another such event in the future. Under its then ten-year strategy, changes were made to Treasury Policy, Revenue Risk Management, operating cost structures and leadership development plans.

This meant when Covid-19 arrived in 2020, CIAL was well prepared to navigate the event. CIAL navigated phase 1 of this event using a pre-planned philosophy of stakeholder equity (balancing the needs of customers, staff, shareholders and social and economic stakeholders).

While the ongoing impacts of the response to the pandemic continue to evolve, following an initial period of reset, CIAL has subsequently moved into a period of recovery, adjusting operational and commercial structures to align to the ongoing uncertainty but also opportunities presented by the pandemic.

With regards to these financial statements, the pandemic continues to specifically impact certain areas of financial reporting which have required the company to make estimates and judgements. These areas are outlined below, with detailed commentary included within the relevant notes to the financial statements.

Accounting Estimate/Judgement	***Note to the Financial Statements***
Carrying Value of Property, Plant & Equipment and Impairment Assessments	See Note 11.
Fair Value of Investment Property	See Note 13.
Impact of Credit loss assessments	See Note 14 and Note 22.
Liquidity Risk Management	See Note 8.
Lease Agreements	See Note 2, Note 14, Note 19 and Note 22.

CIAL has seen a reduction in passenger numbers for the year ended 30 June 2021 and is forecasting a recovery back to pre-Covid-19 levels over the next few years. Whilst domestic passenger travel has recovered strongly, there remains uncertainty around the timing of the recovery trajectory for international air travel, given that the health management pathway remains the primary determinant when it comes to recovering the aviation and tourism sector.

CIAL uses underlying forecast cash flows in some of its asset valuation and impairment models based on forecasts of passenger and visitor recovery trajectories using information available at the time of preparing these financial statements. As with all reasonable assumptions made at a point in time it is likely that the actual outcome may differ over time. Further disclosure around asset valuation approaches and impairment models is shown in Note 11.

New and amended standards adopted by the company

The accounting policies set out in these financial statements are consistent for all periods presented except as identified below. The following accounting standards have been adopted in the preparation of these financial statements.

NZ IAS 1 Presentation of Financial Statements and NZ IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors have both been amended to clarify the requirements for the definition of material.

The application of these amendments has not impacted the presentation or disclosure within these financial statements.

Certain new accounting standards and amendments have been issued that are not mandatory for the 30 June 2021 financial year and have not been early adopted. Those new standards and amendments that are relevant to the Company are:

Amendments to NZ IAS 1 – Classification of Liabilities as Current or Non-current

The amendments clarify a criterion in NZ IAS 1 for classifying a liability, such as loans, as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The Company will not early adopt these amendments. The Company is assessing the effect of these amendments on its loan agreements.

Other new accounting standards and amendments have been issued that are not mandatory for the 30 June 2021 financial year and have not been early adopted by the Company. The Company has assessed that these are not likely to have an effect on its financial statements.

b) 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.

c) Revenue recognition

Revenue comprises the fair value of the provision of services, excluding Goods and Services Tax, rebates, incentives and discounts, and is recognised when the associated performance obligations are satisfied.

Revenue captured within the scope of NZ IFRS 15 requires disclosure as revenue from contracts with customers. Revenue streams outside of the scope of NZ IFRS 15 are also contracted under agreements, including rental and lease arrangements.

Revenue is recognised as follows:

i. Provision of services

Landing and terminal services are provided to airlines on demand under the published regulatory prices, rather than through fixed quantity individual contracts. Depending on the service being provided, the transaction price is calculated based on a fixed price per landing, per passenger, or by weight. Where applicable, separate incentive agreements are signed with individual airlines. These charges are invoiced monthly and in arrears.

Rent and Lease income is recognised on a straight-line basis over the term of the lease where the airport is the lessor. Variable concession income is recognised as revenue on an accrual basis based on the turnover of the concessionaire and rental agreement.

Ground transport income is recognised over time as the car park or transport facilities are used. Billing and payment are completed on exit from the car park or monthly in arrears. The transaction price charged varies depending on the length of services provided and how the services have been booked.

Other revenue includes the recovery of operating costs associated with leases where the airport is the lessor.

ii. Interest income

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

iii. Government Grants

Government grant revenue is recognised within the Statement of Financial Performance as income, within *Other Revenue*. The revenue is recognised on a systematic basis over the periods in which the related expenditure are incurred.

d) Income tax

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

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using the rates that have been enacted or substantively enacted by balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

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

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

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

e) Goods and Services Tax (GST)

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

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

f) Impairment of 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.

g) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held on call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are included as cash and cash equivalents for Statement of Cash Flows purposes, but separately disclosed in the Statement of Financial Position.

h) Trade and other receivables

Trade and other receivables are amounts due from customers for services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current, with the exception of non-current prepayments and lease inducements and incentives. Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value. The group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Trade and other receivables are recognised at fair value and subsequently measured at amortised cost, using the effective interest method, less provision for expected credit losses.

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables. This method groups those financial assets which have shared credit risk characteristics and the days past due. The amount of the provision is recognised in Note 14.

Debts which are known to be uncollectible are written off.

i) Inventories

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

j) Derivatives

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are classified as 'held for trading' for accounting purposes and are accounted for at fair value through profit or loss. They are presented as current assets or liabilities to the extent they are expected to be settled within 12 months after the end of the reporting period.

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 accounting for subsequent changes in fair value 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 the cashflow of highly probable forecast transactions (cash flow hedges).

At inception of the hedge relationship, the Company documents the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Company documents its risk management objective and strategy for undertaking its hedge transactions.

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments, to ensure that an economic relationship exists between the hedged item and hedging instrument.

The Company enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. The Company does not hedge 100% of its loans, therefore the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps.

Hedge ineffectiveness for interest rate swaps may occur due to, the credit value/debit value adjustment on the interest rate swaps which is not matched by the loan, and differences in critical terms between the interest rate swaps and loans

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.

k) Fair value measurement

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

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

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

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

The fair value of an asset or 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.

l) Property, plant and equipment

Properties held as part of airport operations are classified as property, plant and equipment. Property, plant and equipment are initially recognised at cost. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

Motor vehicles, Office & Computer equipment and Plant & Equipment are carried at cost less accumulated depreciation and impairment losses.

The following remaining asset classes are carried at fair value, as determined by an independent registered valuer, less accumulated depreciation and any impairment losses recognised after the date of any revaluation. Any assets within these classes acquired or constructed after the date of the latest revaluation are carried at cost, which approximates fair value.

Revaluations are carried out with sufficient regularity to ensure that the carrying amount does not differ materially from fair value at balance date (at minimum every five years):

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

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.

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 are 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 — 10 to 60 years
- Other buildings — 10 to 100 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 20
• Car park assets (excluding land)	7 to 50
• Infrastructure	15 to 100

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 remaining revaluation reserve for that asset included in equity is transferred directly to retained earnings when the asset is derecognised.

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

m) Investment property

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

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

- The 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 valuation methodologies using direct sales comparison or a direct capitalisation of rental income using market comparison of capitalisation rates, supported by a discounted cashflow approach. These values are determined annually by external valuers. Gains or losses arising from a change in fair value are recorded in the Statement of Financial Performance.

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).

Transfers are made to investment property when there is a change in use. This may be evidenced by ending of owner occupation, commencement of an operating lease to another party or commencement of construction or development for future use as investment property.

n) Finite life intangible assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These have a finite useful life and are amortised on a straight-line basis over the useful economic life of 2 to 6 years. Computer software licences are carried at cost less accumulated amortisation and any accumulated impairment losses. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

o) Trade and other payables

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

p) Borrowings

Borrowings are recognised initially at fair value, net of directly attributable transaction costs incurred. Borrowings (other than those subject to a fair value hedge relationship – see accounting policy j(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, investment properties or a qualifying asset (an asset that takes a substantial period of time to get ready for intended sale or use and is of significant cost), have been capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur.

q) Share capital

Ordinary shares are fully paid and classified as equity. All 57,600,000 shares have equal voting rights and share equally as to dividends and surplus on winding up.

r) 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 can be reliably estimated.

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

s) Employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave and other contractual payments 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.

t) 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.

u) Leases

Company as a lessor

Leases for which the company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

The company enters into lease agreements as a lessor with respect to investment properties, space within the terminal and other properties used for aeronautical purposes. The majority of leases have rental payable monthly. Lease payments for some contracts include CPI increases and sales-based concession fees. To manage credit risk exposure where considered necessary, the company may obtain bank guarantees for the term of the lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Variable concession income is recognised as revenue on an accrual basis based on the turnover of the concessionaire and rental agreement. Initial direct costs incurred in negotiation and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The company does not currently have lessor finance leases.

Company as a lessee

At the inception of a contract, the company assesses whether a contract is or contains a lease. If a lease exists, a right-of-use asset is recognised and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. Lease payments related to short term and low value asset leases are recognised as an operating expense on a straight-line basis over the length of the lease term or on a systematic basis.

Lease inducements and incentives

Lease inducements and incentives are provided for the agreement of a new or renewed operating lease with a lessee. They 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.

Lease inducements are recognised against lease revenue in the Statement of Financial Performance. The company assesses lease incentive and receivables for impairment at each reporting date as outlined in accounting policy (h).

v) Financial instruments

Financial assets

Financial assets can be classified in the following categories: financial assets at fair value through profit or loss, fair value through other comprehensive income (OCI) and amortised cost. The classification depends on financial assets contractural cashflow characteristics and the company's business model for managing them, namely how the business manages its financial assets in order to generate cash flows. Management determines the classification of its financial assets at initial recognition.

Currently the company only has financial assets classified and measured at amortised cost. To qualify for this classification, the asset needs to give rise to cashflows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding and for which the business model is to hold the asset to collect contractual cash flows.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit and loss when the asset is derecognised, modified or impaired.

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.

The company's financial assets at amortised cost include trade and other receivables and cash and cash equivalents. 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
Financial liabilities can be classified in the following categories at initial recognition, as financial liabilities at fair value through profit or loss and amortised cost.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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

Loans and Borrowings financial liabilities is the most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the Statement of Financial Performance.

w) 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 current year, there were no breaches of these covenants.

There have been no material changes to the company's management of capital during the period.

For the year ended 30 June 2021

1. Segment Information

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 area of the business offers services that facilitate the movement of aircraft, cargo and 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 and operating the Novotel Christchurch Airport.

Major customers

The company has a number of customers that it provides services to. The most significant customer in the current year accounted for 31% (2020: 27%) of total segmented income. Revenue associated with this customer was included in the Planes, Passenger and Property operating segments.

Geographical spread

All revenue generated by the company is initiated in New Zealand. All company assets are located in New Zealand.

Operating Segments	**Planes**	**Passengers**	**Property**	**Total**
As at 30 June 2021	$000	$000	$000	$000
SEGMENT INCOME				
Revenue from contracts with customers				
Landing and Terminal Charges	24,202	23,253	-	47,455
Ground Transport and other trading activities	7	12,072	18,243	30,322
Total Revenue from contracts with customers	**24,209**	**35,325**	**18,243**	**77,777**
Other Income				
Rent and Lease Income	-	14,164	37,992	52,156
Gain on disposal of assets	1	18	9	28
Other Revenue	419	3,226	8,019	11,664
Fair Value gain on investment properties	-	-	47,828	47,828
Interest	12	64	20	96
Total Other Income	**432**	**17,472**	**93,868**	**111,772**
Total segment income	**24,641**	**52,797**	**112,111**	**189,549***
SEGMENT EXPENSES				
Staff	8,108	9,543	5,172	22,823
Asset management, maintenance and airport ops	1,278	8,881	2,943	13,102
Rates and Insurance	1,462	5,030	6,739	13,231
Marketing and Promotions	141	806	508	1,455
Professional fees and levies	575	1,417	1,277	3,269
Commercial entity running costs	-	-	7,308	7,308
Other	708	2,549	1,437	4,694
Financing and Interest Costs	3,104	10,707	9,706	23,517
Depreciation, Amortisation and Impairment	10,250	26,953	9,079**	46,282
Total segment expenses	**25,626**	**65,886**	**44,169**	**135,681***
Segment Net Profit before Tax	**(985)**	**(13,089)**	**67,942**	**53,868***

* agrees to total income, total expenses and surplus before tax on the Statement of Financial Performance

** included within this balance is a $4,348,000 impairment of the hotel asset (note 11)

Operating Segments	**Planes**	**Passengers**	**Property**	**Total**
As at 30 June 2020	$000	$000	$000	$000
SEGMENT INCOME				
Revenue from contracts with customers				
Landing and Terminal Charges	28,468	34,769	-	63,237
Ground Transport and other trading activities	7	16,626	5,714	22,347
Total Revenue from contracts with customers	**28,475**	**51,395**	**5,714**	**85,584**
Other Income				
Rent and Lease Income	-	27,951	36,264	64,215
Gain on disposal of assets	-	-	1	1
Other Revenue	401	3,414	12,107	15,922
Fair Value gain on investment properties	-	-	13,481	13,481
Interest	11	56	19	86
Total Other Income	**412**	**31,421**	**61,872**	**93,705**
Total segment income	**28,887**	**82,816**	**67,586**	**179,289***
SEGMENT EXPENSES				
Staff	8,562	11,893	4,482	24,937
Asset management, maintenance and airport ops	1,692	9,715	2,484	13,891
Rates and Insurance	1,366	4,865	5,617	11,848
Marketing and Promotions	206	1,956	491	2,653
Professional fees and levies	319	1,011	762	2,092
Commercial entity running costs	-	-	5,007	5,007
Other	1,082	3,369	4,083	8,534
Financing and Interest Costs	3,128	10,855	9,597	23,580
Depreciation, Amortisation and Impairment	9,859	26,252**	5,948	42,059
Total segment expenses	**26,214**	**69,916**	**38,471**	**134,601***
Segment Net Profit before Tax	**2,673**	**12,900**	**29,115**	**44,688***

* agrees to total income, total expenses and surplus before tax on the Statement of Financial Performance

** included within this balance is a $1,740,000 impairment of the goodwill associated with Craddocks Car Storage (note 12)

2. Operating Revenue and Expenses

Operating Revenue	2021 $000	2020 $000
Revenue from contracts with customers		
Landing and Terminal charges	47,455	63,237
Ground transport and other trading activities	30,322	22,347
	77,777	85,584
Other Income		
Rent and Lease income	52,156*	64,215*
Gain on disposal of assets	28	1
Other revenue	11,664**	15,922**
	63,848	80,138
Total operating revenue	**141,625**	**165,722**

* included within this balance is variable lease payments of $2,297,000 and $2,802,000 for the 2021 and 2020 years respectively.

** balance includes Government COVID 19 wage subsidy of $981,000 and $1,651,000 for the 2021 and 2020 years respectively. All conditions attached to these grants have been fulfilled at each balance sheet date.

Expenses

Operating costs		
Staff	22,823	24,937
Asset Management, maintenance and airport ops	13,102	13,891
Rates and insurance	13,231	11,848
Marketing and promotions	1,455	2,653
Professional services and levies	3,269	2,092
Commercial entity running costs	7,308	5,007
Other	4,694	8,534
	65,882	68,962

Other includes:		
Expected credit losses – change in provision	(19)	910

Professional services and levies include:		
Audit of financial statements	123	121
Additional audit fee recovery related to FY20	50	-
Fees Paid to the Auditor for Other Assurance services:		
- Audit of disclosure regulations	45	43
- Review of compliance with bond conditions	4	4

Staff costs comprise:	2021	2020
	$000	$000
Wages and Salaries	20,845	22,722
Payroll related expenses	1,618	1,847
Contributions to defined contribution schemes	12	12
Directors’ fees	348	356
	22,823	**24,937**

Financing and interest costs		
Interest costs	23,530	23,565
Fair value hedge ineffectiveness	(13)	15
Total finance costs	**23,517**	**23,580**

Depreciation, amortisation and impairment		
Depreciation (note 11)	40,755	38,627
Amortisation of intangibles (note 12)	1,179	1,692
Impairment of Property, plant and equipment (note 11)	4,348	-
Impairment of goodwill (note 12)	-	1,740
Total Depreciation, amortisation and impairment	**46,282**	**42,059**

3. Income tax

a) Income tax expense

Operating surplus before income tax	53,868	44,688
Prima facie taxation at 28%	15,083	12,513
Plus/(less) taxation effect of:		
Revenue not assessable for tax purposes	(511)	(1,469)
Expenses not deductible for tax purposes	1,872	964
Reinstatement of depreciation on buildings	-	(15,034)
Income tax attributable to operating surplus	16,444	(3,026)
Under provision in prior years	(40)	(112)
Investment property land value adjustments (Note 23)	(1,194)	1,100
Total taxation expense	15,210	(2,038)

b) Components of tax expense

	2021 $000	2020 $000
Current tax expense	4,203	10,293
Adjustments to current tax of prior years	(40)	(112)
Deferred tax expense – current year	11,047	(12,219)
Deferred tax adjustments	-	-
Total tax expense	15,210	(2,038)

c) Taxation payable

	2021	2020
Balance at beginning of the year	4,693	1,028
Prior year adjustment	(40)	(112)
	4,653	916
Current tax expense	4,203	10,293
	8,856	11,209
Payments to:		
Inland Revenue Department	(9,600)	(5,600)
Subvention payments to members of the CCC tax group	-	(916)
Taxation payable	(744)	4,693

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. No subvention payment was made in 2021 (2020 $916,000). These payments are treated as if they were payments of income tax and are reflected as part of the taxation payable amount.

4. Deferred taxation

2021	Opening Balance $000	Charged to Income $000	Charged to Equity $000	Closing Balance $000
Property, plant & equipment	95,525	(4,223)	19,554	110,856
Intangible assets	209	57	-	266
Investment properties	31,991	15,081	-	47,072
Provisions and payments	(831)	133	-	(698)
Derivatives	(13,122)		5,503	(7,619)
	113,772	11,048	25,057	149,877

2020	Opening Balance	Charged to Income	Charged to Equity	Closing Balance
	$000	$000	$000	$000
Property, plant & equipment	107,612	(12,087)	-	95,525
Intangible assets	285	(76)	-	209
Investment properties	31,979	12	-	31,991
Provisions and payments	(675)	(156)	-	(831)
Derivatives	(9,545)	88	(3,665)	(13,122)
	129,656	(12,219)	(3,665)	113,772

In March 2020, the Government re-introduced depreciation deductions on commercial buildings for tax purposes. This amendment applied from 1 April 2020 and the depreciation rates is 2% diminishing value. The impact of this change in the prior year increased the depreciable tax base for these assets, which resulted in an immediate one-off reduction in the deferred tax liability and a reduction in tax expenses of $15.0m in the year ended 30 June 2020. While this transaction is non-cash in the year ended 30 June 2020, it represents future tax benefits that will be realised as reduced income tax payments over the remaining lives of the buildings.

5. Imputation credit memorandum account	2021	2020
	$000	$000
Balance available for use in subsequent reporting periods	127	-

Imputation credits are not earned on subvention payments made to other members of the CCC tax group.

6. Dividends	Note		
2019 Final dividend paid ($0.37 per share)		-	21,449
2020 Interim dividend paid ($0.35 per share)		-	20,000
	7b	-	41,449

In response to COVID-19, in August 2020 CIAL agreed financial covenant waivers with our bank funding providers and bond supervisor for reporting periods to 31 December 2021 inclusive. As part of obtaining these waivers, CIAL has agreed that it will not make or pay any Distribution to shareholders until it is in compliance with all financial covenants and has delivered a certificate demonstrating that compliance.

During the current financial year, CIAL was in compliance with all of its financial covenants.

The Board determined that no final dividend will be paid for the year ended 30 June 2020 and no interim dividend be paid for the year ended 30 June 2021.

7. Reserves and retained earnings

a) Reserves

	2021	2020
	$000	$000
Balances		
Cash flow hedges reserve	(19,590)	(33,739)
Asset revaluation reserve	734,880	673,422
Balance at end of the year	715,290	639,683

Cash flow hedges reserve

	2021	2020
Movements:		
Balance at the beginning of the year	(33,739)	(24,315)
Revaluation to fair value	13,248	(17,883)
Transfer to statement of financial performance	6,404	4,794
Deferred tax on revaluation	(5,503)	3,665
Balance at the end of the year	(19,590)	(33,739)

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 impact of a change in market interest rates, compared to the underlying fixed hedging instruments currently held by CIAL. Amounts transferred to the statement of financial performance are included in financing and interest costs.

Asset revaluation reserve

	2021	2020
Balance at beginning of the year	673,422	645,274
Revaluation of assets	61,083*	32,259
Transfer to retained earnings	-	(2,500)
Impairment to revaluation reserve	375	(1,611)
Balance at end of the year	734,880	673,422
Comprising:		
Revaluation on:		
Land	321,111	315,255
Terminal facilities	145,621	131,034
Buildings	14,838	10,537
Sealed surfaces	71,930	66,871
Infrastructure assets	38,241	8,395
Car parking	143,139	141,330
Balance at the end of the year	734,880*	673,422*

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

* balances are net of deferred tax except for land as there is no deferred tax calculated on the land revaluation.

b) Retained earnings

		2021	2020
		$000	$000
Balance at the beginning of the year	Note	389,038	381,261
Net surplus for the year		38,658	46,726
Transfer from asset revaluation reserve	7a	-	2,500
Dividends paid	6	-	(41,449)
Balance at end of the year		427,696	389,038

8. Borrowings

As at 30 June 2021, the Company has a committed bank funding facility for an aggregate $525,000,000 (2020: $485,000,000) with six banks (2020: six banks). In addition, the Company has an overdraft facility of $1,000,000 (2020: $1,000,000).

During the year the company extended the maturity of three existing facilities and a new facility was arranged with an existing provider, thereby providing increased liquidity to meet the company's forecast cashflows over the coming 18 months.

Total bond funding is $200,000,000 (2020: $200,000,000). The funds raised from these bond issues were used to refinance in part the company's maturing debt facilities. The $100,000,000 (2020: $100,000,000) bond is held at amortised cost, adjusted by the fair value of the designated hedge risk. Additionally, the Company has two $50,000,000 bonds, maturing in October 2021 and April 2027 respectively.

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 0.9% to 6.3% (2020: 0.9% to 6.6%). The bonds constitute direct, unsecured, unsubordinated obligations and will rank equally with all other unsecured, unsubordinated indebtedness.

During the current and prior years, there were no defaults or breaches on any of the borrowing facilities.

The company obtained waivers of its financial covenants from both bank lenders and the bond supervisor in August 2020. The waivers granted take the following form:

- waive compliance with the interest cover ratio for the Financial Periods ending 31 December 2020 and 30 June 2021 (which would otherwise be required to be at least 1.75:1); and
- waive compliance with the interest cover ratio for the Financial Period ending 31 December 2021, provided that the interest cover ratio for that Financial Period must be no less than 1.50:1.

CIAL was in compliance with all of its financial covenants during the current and prior years.

CIAL has a bond and several bank facilities maturing over the next financial year. The Board has an approved refinancing strategy in place, the first stage being a domestic bond issuance and then refinancing through the extension of existing bank facilities. The company is confident that refinancing will be secured given current market appetite for corporate debt, positive market engagement and discussions with existing facility providers.

The carrying value of borrowings is considered to approximate their fair value.

Maturity of debt as at 30 June

Maturing in Financial Year	2021 $000 Actual drawn down	2021 $000 Facility available	2020 $000 Actual drawn down	2020 $000 Facility available
2021	-	-	120,000	120,000
2022	238,991**	295,000	221,956**	295,000
2023	163,000	235,000	88,000	120,000
2024	137,352***	145,000	110,049***	100,000
2027	50,000	50,000	50,000	50,000
	589,343	725,000	590,005	685,000
Current	238,991	295,000	120,000	120,000
Non-Current	350,352	430,000	470,005	565,000
	589,343	725,000	590,005	685,000

** This balance includes $9,000 (2020: $44,000) of capitalised borrowing costs associated with the issue of the $50 million bond in October 2013.

*** This balance includes $100,000,000 of bond funding and is held at amortised cost, adjusted by the fair value of the designated hedge risk. This bond is included within the reconciliation table below and matures in May 2024.

	2021 $000	2020 $000
Bond principal	100,000	100,000
Directly attributable borrowing costs	(280)	(280)
Amortisation of borrowing costs (cumulative)	280	280
Fair value hedging adjustment 2021	(4,697)	
Fair value hedging adjustment 2020	2,901	2,901
Fair value hedging adjustment 2019	4,909	4,909
Fair value hedging adjustment 2018	833	833
Fair value hedging adjustment 2017	(955)	(955)
Fair value hedging adjustment 2016	2,670	2,670
Fair value hedging adjustment 2015	4,422	4,422
Fair value hedging adjustment 2014	(1,364)	(1,364)
Fair value hedging adjustment 2013	(3,367)	(3,367)
Bond fair value	105,352	110,049

Fair value hedge

At 30 June 2021, the Company had one interest rate swap agreement in place with a notional amount of $100,000,000 (2020: $100,000,000) whereby the Company receives a fixed rate of interest of 4.13% (2020: 4.13%) and pays interest at a variable rate on the notional amount. The swap is being used to hedge the exposure to changes in the fair value of the 4.13% $100,000,000 bond (2020: 4.13% $100,000,000).

The decrease in fair value of the interest rate swaps of $4,697,000 (2020: increase $2,901,000) has been recognised in finance costs and offset with an increase of $4,684,000 (2020: decrease of $2,886,000) on the bank borrowings. The ineffectiveness recognised in 2021 was $13,000 (2020: $15,000).

	Fair Value		Notional Principal	
	2021	2020	2021	2020
	$000	$000	$000	$000
9. Derivative financial instruments				
Current Assets				
Interest rate swaps – fair value hedges	-	-	-	-
Non-current Assets				
Interest rate swaps – fair value hedges	5,613	10,295	100,000	100,000
Current liabilities				
Interest rate swaps – cash flow hedges	1,780	1,743	45,000	51,000
Non-current liabilities				
Interest rate swaps – cash flow hedges	25,890	45,590	303,000	298,000

10. Trade and other payables	**2021**	**2020**
Trade and other payables less than one year	**$000**	**$000**
Trade payables	3,295	3,917
Employee entitlements and provisions	3,108*	5,487*
Goods and Services Tax	2,265*	1,678*
Rental revenue in advance	2,458	3,578
Accrued interest	2,333	2,285
Accrued capital items	3,834	8,009
Accrued expenses	4,634	5,521
	21,927	30,475
Trade and other payables greater than one year		
Rental revenue in advance	581	682
Total trade and other payables	22,508	31,157

* increased balance due to the company utilising the IRD's COVID 19 liquidity assistance of waiving late payment penalties and interest for various tax payments, including PAYE, FBT and GST.

11. Property, plant and equipment

Revaluation of property, plant and equipment

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

Land

- Specialised assets: where there is no market-based evidence of the sale of such land the value has been determined taking into account:
  - benchmark selling prices for land in the local commercial, industrial, service, residential and rural markets;
  - its existing zoning;
  - 'chance of change' methodology considering the chance of changing land zoning to an airport zone;
  - adjustments to reflect the unique features of the land which includes its size, location, titles, easements and services;
  - the overall land use plan for the relevant campus site.
- 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.

Hotel business assets

Hotel business assets are valued using a discounted cash flow and income capitalisation rate approach. The discounted cashflow valuation takes into account forecast financial performance, including capital expenditure, using a ten-year investment horizon. The income capitalisation approach determines the fair value by capitalising an asset's sustainable net income at an appropriate, market derived capitalisation rate based on an analysis of sales of comparable assets.

Terminal facilities

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

Car parking assets

Car parking assets are valued using a discounted cash flow valuation approach, using a forecast ten-year discount period and an allowance for an appropriate terminal value reflecting an estimate of their residual estimated life. The valuation adopted a mid-year discount approach within both the forecast cashflows as well as the terminal value assessment. In prior years an end of year discounting approach was used. The approach to the allocation of the car park valuation is to assess the ODRC based valuation of the car parking assets and then apportion the additional value over and above this to the underlying land value. The car parking class includes all assets associated with carparking – the building, at grade parks and land.

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 (l) Property, plant and equipment.

On 30 June 2021 Land, Commercial Buildings, and Car Parking assets were revalued by independent valuer Crighton Anderson Property and Infrastructure Ltd trading as Colliers International Ltd. The Hotel business assets were valued by CBRE Limited as at 30 June 2021 and is included in the building revaluation. Sealed surfaces, infrastructure assets, terminal assets and specialised buildings were valued by independent valuers WSP New Zealand Ltd as at 30 June 2021.

The result of the revaluations at 30 June were:

	2021 $000	**2020 $000**
Land	5,856	-
Buildings	5,905	-
Terminal	20,259	-
Sealed surfaces	7,026	-
Infrastructure	40,935	-
Car parking	656	32,259
	80,637	32,259

The valuation methodologies used in the revaluation as at 30 June 2021 were consistent with those used in the last valuation.

Impairment

The company assessed that it has one core cash generating unit which comprises all of its terminal and airfield assets together and three other cash generating units - the hotel, car parking assets and investment property portfolio (noting that the hotel, car park assets and investment property have been revalued using valuation techniques that factor in the future discounted cashflows for those assets).

Terminal & Airfield CGU

The company has also performed an impairment assessment of its core terminal and airfield CGU using its overall enterprise wide commercial valuation as a base. This applied a discounted cashflow approach and included the following inputs:

- the most recent revenue and expenses budgets for the company taken from the FY22 Business Plan.
- a terminal growth rate of 2%, which reflects a prudent estimate of the historical long- term growth rate of CIAL's revenue and operating costs over the last 20 years.
- a discount rate of 7.3% which reflects an appropriate assessment of a WACC for regulated assets and related revenue streams and the risk related to the other non-regulated revenue streams from these assets.

The discounted cashflow valuation utilising the above variables highlighted no indication of impairment of this cash generating unit. With no change in any other variables a WACC in excess of 9.0% would result in an impairment being recognised.

Hotel Business Assets

The Hotel business assets were valued by CBRE due to the current year being the first full reporting period in which the Novotel Christchurch Airport Hotel has been open. The valuation by CBRE indicated a reduction to carrying value of $4.3 million and therefore a provision for impairment of this amount has been recognised in the Statement of Financial Performance. This valuation is based on a discounted cash flow and capitalisation rate approach and the decrease in carrying value reflects the current difficulty in forecasting market outcomes and future uncertainty to the extent of future demand growth.

Impact of COVID 19

Independent valuers have carried out the valuations by applying assumptions regarding the reasonably possible ongoing impacts of COVID-19 based on information available as at 30 June 2021. Given the circumstances, the car parking valuation at 30 June 2021 have been prepared on the basis of 'significant valuation uncertainty', and therefore the independent valuers have advised that less certainty should be attached to their car parking valuations than would normally be the case.

Summary of movement in net book value	**2021**	**2020**
	$000	**$000**
Opening net book value	1,263,491	1,208,026
Plus Additions	16,279	85,120
Plus Transfers (to) / from investment properties and intangibles	(7,068)	(21,642)
Less Disposals (cost less depreciation)	(608)	(34)
Less this year's depreciation	(40,755)	(38,627)
Less impairment	(4,348)	
Plus Revaluation gain	80,637	30,648
Closing net book value	1,307,628	1,263,491

Property, plant and equipment as at 30 June 2021

Gross carrying amount

	Cost / Valuation 1 July 2020	Current Year Additions at Cost	Transfers at Cost	Disposals at Cost	Impairment	Revaluation Adjustment	Cost / Valuation 30 June 2021
	$000	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
Land	423,124	4,900	(12,698)	-	-	5,856	421,182
Buildings	120,254	-	6,810	-	(4,348)	(5,051)	117,665
Terminal facilities	336,006	-	2,293	-	-	(41,867)	296,432
Sealed surfaces	193,554	-	5,208	-	-	(16,678)	182,084
Plant & equipment	8,893	-	154	-	-	-	9,047
Office & computers	13,018	-	(271)	-	-	-	12,747
Infrastructure	72,733	-	4,155	(583)	-	33,419	109,724
Car parking	167,500	-	864	(34)	-	(330)	168,000*
Motor vehicles	6,458	-	-	-	-	-	6,458
Work in progress	6,862	11,379	(13,548)	-	-	-	4,693
Total gross carrying amount	1,348,402	16,279	(7,033)	(617)	(4,348)	(24,651)	1,328,032

* the car parking asset class includes $64,224,000 of land

Accumulated depreciation

	Accumulated Depreciation 1 July 2020	Current Year Depreciation	Depreciation on Transfers	Depreciation on Disposals	Revaluation Adjustment	Accumulated Depreciation 30 June 2021
	$000	**$000**	**$000**	**$000**	**$000**	**$000**
Buildings	4,688	6,039	229	-	(10,956)	-
Terminal facilities	40,853	21,273	-	-	(62,126)	-
Sealed surfaces	15,880	7,824	-	-	(23,704)	-
Plant & equipment	4,763	497	(107)	-	-	5,153
Office & computers	9,791	737	(87)	-	-	10,441
Infrastructure	4,479	3,037	-	-	(7,516)	-
Car parking	-	995	-	(9)	(986)	-
Motor vehicles	4,457	353	-	-	-	4,810
Total accumulated depreciation	84,911	40,755	(35)	(9)	(105,288)	20,404

Summary	1 July 2020	Current year movement	Transfers	Disposals	Impairment	Revaluation	30 June 2021
Cost	1,348,402	16,279	(7,033)	(617)	(4,348)	(24,651)	1,328,032
Accumulated depreciation	84,911	40,755	(35)	(9)	-	(105,288)	20,404
Book value	1,263,491	(24,476)	(7,068)	(608)	(4,348)	80,637	1,307,628

The following categories of property, plant and equipment are subject to operating leases:

- Land associated with aeronautical activities, retail facilities within the terminal and other commercial activities carried at $99,070,000 (2020: $91,227,000);
- Terminal facilities, being 36.3% of total floor area or $107,575,000 (2020: 33.8% of total floor area or $99,910,000).
- Buildings associated with aeronautical activities $22,671,000 (2020: $18,114,000).

Fair value hierarchy

Asset classification and description	Valuation approach	Key valuation assumptions	Fair value hierarchy Level	Valuation sensitivity
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. (revalued 2021)	Market value highest and best use approach, with an allowance being deducted to allow for services valued as infrastructure assets and for further costs required to achieve the required zoning. Land included in car parking, hotel and investment property categories are not included in this category.	Adopted rate per hectare (average): Landside $750,000 (2018: $710,000) Airside $110,000 (2018: $270,000)	3	+/-$21 million (of a 5% change in adopted rate).
Infrastructure and Sealed Surfaces Infrastructure and sealed surfaces including site services. (revalued 2021)	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.	***Sealed Surfaces*** Unit costs of combined concrete and asphalt pavement construction sqm: Range of $212 – $302 (2018: $133 – $271) with weighted average of $263 (2018: $155) ***Infrastructure*** Unit costs of road and footpaths construction sqm:	3	+/- $14.6 million (of a 5% change of cost estimate).

		Range of \$19 – \$104 (2018: \$7 – \$88) with weighted average of \$67 (2018: \$39) Unit costs of water and drainage construction m: Range of \$205 – \$1,258 (2018: \$195 – \$1,196) with weighted average of \$503 (2018: \$516)		
Buildings				
Buildings for identified airport activities, including offices spaces and storage that exist because of the airport activities. (revalued 2021)	Specialised buildings are valued by Optimised depreciated replacement cost derived from modern equivalent asset rate, as described for Infrastructure and Sealed Surfaces above. Buildings that are owned by CIAL that could be leased by a third party are valued on an income valuation approach similar to that used for Investment Properties. (see note 13)	Unit costs of construction sqm: Range of \$504 – \$4,604 (2018: \$483 – \$3,037) with weighted average of \$1,309 (2018: \$912)	3	+/- \$1.9 million (of a 5% change of cost estimate).
Hotel Business Assets				
Assets associated with the hotel, including land. (revalued 2021)	Discounted cash flow and income capitalisation rate approach performed by independent valuers based on forecast trading and capital expenditure estimates, and market evidence.	Discount rate 9.25% Income Capitalisation rate 7.0%	3	+/- \$3 million for a change in discount rate by an absolute 0.5% +/- \$3 million for an absolute change in cap rate of 0.25%
Terminal (revalued 2021)	Optimised depreciated replacement cost derived from modern equivalent asset rate, as described for Infrastructure and Sealed Surfaces above.	Unit costs of construction sqm: Range of \$2,675 – \$5,051 (2018: \$2,906 – \$5,415) with weighted average of \$3,817 (2018: \$4,111)	3	+/- \$14.8 million (of a 5% change of cost estimate).
Carparking				
Assets associated with car parking, taxi, shuttle and bus services (Including land). (revalued 2021)	Discounted cash flow valuation performed by independent valuers based on: Internal management information such as forecast future revenues, costs and capital expenditure.	Revenue Growth per annum 0.5% and 0.5% for the 10-year cashflow period from year 11 (2020: 0.5% and 0.5%). Cost growth per annum 2% for the 10-year cashflow period and 2% from year 11 (2020: 2% and 2%).	3	+/- \$8.75 million (of a 5% change in discount rate) +/- \$0.5 million (of a change in growth rate to either 0% or 1.0% for year 11 onwards).

	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.	Discount rate 7.3% post tax, 10-year cash flow period and 7.3% from year 11 (2020: 7% and 7%).
Plant & equipment, Office & computers, Motor Vehicles and Work in progress		
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' of land is the market rate prevailing for similar land. - An increase in demand for land will increase the fair value - A 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 cashflow from an asset will increase the fair value A decrease in the cashflow from an asset will decrease the fair value of the asset
Hotel	An increase in the discount rate used would decrease the fair value An increase in the capitalisation rate will decrease the fair value
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 2020

Gross carrying amount

	Cost / Valuation 1 July 2019	Current Year Additions at Cost	Transfers at Cost	Disposals at Cost/ Impairment	Revaluation Adjustment	Cost / Valuation 30 June 2020
	$000	$000	$000	$000	$000	$000
Land	380,077	41,989	1,058	-	-	423,124
Buildings	27,648	-	92,606	-	-	120,254
Terminal facilities	321,423	-	14,583	-	-	336,006
Sealed surfaces	186,178	-	7,376	-	-	193,554
Plant & equipment	7,472	-	1,430	(9)	-	8,893
Office & computers	12,196	-	822	-	-	13,018
Infrastructure	46,614	-	26,119	-	-	72,733
Car parking	159,500	-	(21,306)	-	29,306	167,500
Motor vehicles	6,361	-	172	(75)	-	6,458
Work in progress	108,267	43,131	(144,536)	-	-	6,862
Total gross carrying amount	1,255,736	85,120	(21,676)	(84)	29,306	1,348,402

Accumulated depreciation

	Accumulated Depreciation 1 July 2019	Current Year Depreciation	Depreciation on Transfers	Depreciation on Disposals	Revaluation Adjustment	Accumulated Depreciation 30 June 2020
	$000	$000	$000	$000	$000	$000
Buildings	1,129	3,559	-	-	-	4,688
Terminal facilities	20,211	20,642	-	-	-	40,853
Sealed surfaces	7,873	8,007	-	-	-	15,880
Plant & equipment	4,145	625	-	(7)	-	4,763
Office & computers	8,754	1,037	-	-	-	9,791
Infrastructure	2,066	2,413	-	-	-	4,479
Car parking	-	1,376	(34)	-	(1,342)	-
Motor vehicles	3,532	968	-	(43)	-	4,457
Total accumulated depreciation	47,710	38,627	(34)	(50)	(1,342)	84,911

Summary	1 July 2019	Current year movement	Transfers	Disposals	Revaluation	30 June 2020
Cost	1,255,736	85,120	(21,676)	(84)	29,306	1,348,402
Accumulated depreciation	47,710	38,627	(34)	(50)	(1,342)	84,911
Book value	1,208,026	46,493	(21,642)	(34)	30,648	1,263,491

The following categories of property, plant and equipment are subject to operating leases:

- Land associated with aeronautical activities, retail facilities within the terminal and other commercial activities carried at $91,227,000 (2019: $84,003,000);
- Terminal facilities, being 33.8% of total floor area or $99,910,000 (2019: 33.8% of total floor area or $101,960,000).
- Buildings associated with aeronautical activities $18,114,000 (2019: $18,423,000).

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

	2021 $000	2020 $000
Land	165,375	166,008
Buildings	107,007	106,179
Terminal	145,927	156,041
Sealed surfaces	96,096	96,289
Infrastructure	60,780	60,671
Car parking	34,046	34,910
	609,231	620,098

12. Intangible assets

Intangible assets at 30 June 2021

Gross carrying amount

	Cost/Valuation 1 July 2020	Current Year Additions at Cost	Transfers	Current Year Disposals/ Impairment	Cost/Valuation 30 June 2021
	$000	**$000**	**$000**	**$000**	**$000**
Software	12,929	-	110	-	13,039
Gross carrying amount	12,929	-	110	-	13,039

Accumulated amortisation

	Accumulated Amortisation 1 July 2020	Current Year Amortisation	Transfers	Amortisation on Disposal	Accumulated Amortisation 30 June 2021
	$000	$000	$000	$000	$000
Software	9,676	1,179	-	-	10,855
Total accumulated amortisation	9,676	1,179	-	-	10,855
Total book value 30 June 2021	3,253	(1,179)	110	-	2,184

Intangible assets as at 30 June 2020

Gross carrying amount

	Cost/Valuation 1 July 2019	Current Year Additions at Cost	Transfers	Current Year Disposals/ Impairment	Cost/Valuation 30 June 2020
	$000	$000	$000	$000	$000
Software	10,832	10	2,087	-	12,929
Goodwill	1,740	-	-	(1,740)	-
Gross carrying amount	12,572	10	2,087	(1,740)	12,929

Accumulated amortisation

	Accumulated Amortisation 1 July 2019	Current Year Amortisation	Transfers	Amortisation on Disposal	Accumulated Amortisation 30 June 2020
	$000	$000	$000	$000	$000
Software	7,984	1,692	-	-	9,676
Total accumulated amortisation	7,984	1,692	-	-	9,676
Total book value 30 June 2020	4,588	(1,682)	2,087	(1,740)	3,253

Goodwill was generated through the acquisition of Craddocks car storage in the 2011 financial year.

The COVID 19 pandemic had a significant impact on the car parking operations of the Airport in the short term, of which Craddocks was a distinct standalone service offering.

The large reduction in passenger demand due to health risk management and closed international borders resulted in a review of the Airport's entire car parking operation which identified excess capacity within our car parking infrastructure. Therefore, a decision was made to close the physical Craddocks site and as a result the carrying value of the Craddocks goodwill was fully impaired.

13. **Investment properties**	**2021** **$000**	**2020** **$000**
At fair value		
Fair value at the beginning of the year	571,658	491,202
Transfer from property, plant and equipment	7,068	19,555
Additional capitalised expenditure	14,194	21,645
Fair value gain from fair value adjustment	47,828	13,481
Fair value at 30 June	640,748	545,883
Investment properties under construction at cost	7,092	25,775
Total investment properties	647,840	571,658
Rental income	41,699	35,237
Direct operating expenses from property that generated rental income	8,152	4,955

The above values include the land associated with these properties.

Valuation of investment property

The valuation as at 30 June 2021 and 30 June 2020 was completed by Crighton Anderson Property and Infrastructure Ltd, trading as Colliers International Ltd, registered valuers and member of the New Zealand Property Institute. The basis of valuation is fair value, being the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

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 5.84% (2020: 6.26%)
- Average market capitalisation rate 5.87% (2020: 6.94%)
- Weighted average lease term 7.46 years (2020: 6.56 years).

Rental ranges in aggregate across the different investment property asset types were as follows:

Asset Type	2021 Rental Range	2020 Rental Range
Office	$180-$260/sqm	$180-$260/sqm
Warehouse	$90-$140/sqm	$90-$140/sqm

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

Fair value hierarchy

Asset classification and description	Valuation approach	Key valuation assumptions	Fair value hierarchy Level	Valuation Sensitivity
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	+/- + $30.5 million / - $28.2 million (of a 5% change of capitalisation rate)

Level 3 Asset Classification	Sensitivity of significant unobservable inputs
Investment Properties	An increase in the cashflow from an asset will increase the fair value A decrease in the cashflow from an asset will decrease the fair value of the asset

Impact of COVID 19

The group's overall existing investment property portfolio has continued to perform strongly in the current financial year. Retail and tourism service-based properties mostly reliant on international visitors continue to be most affected due to the current closed border settings.

Industrial properties continue to be supported by high quality tenants with long leases performing strongly. CIAL continues to offer a small number of its tenants directly impacted by COVID-19, a mixture of rental abatements and rent deferrals.

Independent valuers have carried out any valuations by applying assumptions regarding the reasonably possible ongoing impacts of COVID-19 based on information available as at 30 June 2021. Given the circumstances, the investment property valuations as at 30 June 2021 have been prepared on the basis of 'material valuation uncertainty', and therefore the independent valuers have advised that less certainty should be attached to the investment property valuations than would normally be the case.

All valuations have been subject to peer review and have been reviewed by the company's property management team who, notwithstanding the continued uncertainty due to COVID-19, have determined the investment property valuations to be appropriate as at 30 June 2021.

	2021	2020
	$000	**$000**
14. Trade and other receivables		
Trade and other receivables less than one year		
Contracted accounts receivable	7,663	5,237
Accounts receivable	5,071	5,669
Other receivables	199	219
Prepayments	2,926	3,559
Lease inducement and incentives	848	761
Less: Expected credit losses	(844)	(929)
	15,863	14,516
Trade and other receivables greater than one year		
Prepayments	-	8
Lease inducement and incentives	5,491	5,430
	5,491	5,438
Total trade and other receivables	21,354	19,954

	2021	2020
Provision for expected credit losses movement		
Opening provision for expected credit losses 1 July	(929)	(19)
Bad debts written off	66	-
Release or (additional) expected credit losses provision	19	(910)
Closing provision for expected credit losses	(844)	(929)

Trade receivables have general payment terms of the 1st or the 20th of the month following invoice. Because of a lack of useful historical data on which to base the receivable impairment analysis, CIAL has assessed its expected credit losses for each individual debtor applying judgement using management experience, customer knowledge and interactions, and expected economic factors. This has resulted in a decrease in the expected credit loss provision to $844,000 (2020: $929,000). This credit loss provision reflects the uncertainty associated with the collection of certain outstanding debts at year end.

15. Reconciliation of surplus after income tax with net cash flow from operating activities

	2021	2020
	$000	**$000**
Net operating surplus after tax	38,658	46,726
Non-cash items		
Depreciation, amortisation and impairment	46,282	42,059
Amortisation of lease inducement and incentives	148	(954)
Gain on revaluation of investment properties	(47,828)	(13,481)
Amortisation of capitalised borrowing costs	35	43
Accrued interest within derivatives	(12)	280
Fair value hedge ineffectiveness	(13)	15
Items not classified as operating activities		
Net gain on asset disposals	(28)	(1)
Capital items included in trade payables and accruals	3,806	9,416
Deposit on property, plant and equipment	-	1,050
Deferred taxation	11,048	(12,219)
Movements in working capital		
(Increase)/decrease in trade and other receivables	(1,546)	(1,384)
(Increase)/decrease in inventories	(43)	(6)
Increase/(decrease) in trade and other payables	(8,649)	(2,463)
Increase/(decrease) in taxation payable	(5,438)	3,665
Net cash flows from operating activities	36,420	72,746

16. Related party transactions

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

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

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

The New Zealand Government 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.

Transactions with related entities during the year **Christchurch City Council (CCC)**	**2021** **$000**	**2020** **$000**
Purchases	280	956
Rates paid	6,475	5,896
Revenues	-	173
Accounts payable	-	1,704
Other CCC group companies		
Purchases	7,346	8,923
Revenues	1,102	909
Accounts payable	1,094	917
Amounts owing	469	-
Subvention payments	-	916
Group loss offset	-	2,354

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**	**2021** $**000**	**2020** $**000**	**Relationship**
BECA Group Limited	Structural Engineering services	11	353	Catherine Drayton ceased being a company director on 31 March 2021
University of Canterbury	Research	-	37	Catherine Drayton was appointed as a Councillor by the Minister in 2009 and completed her term in September 2019.
Orbit Travel & House of Travel Holdings Limited	Travel, accommodation,	82	424	Chris Paulsen, company director is a director of Orbit Travel & House of Travel Holdings Limited
Skyline Enterprises Ltd	Rental income	109	89	Sarah Ottrey, company director is a director of Skyline Enterprises
EBOS Group	Rental income	577	502	Sarah Ottrey, company director is a director of EBOS Group

Balance owing to non-shareholder related parties as at 30 June 2021

	2021	2020
	$000	$000
Entity		
Orbit Travel & House of Travel Holdings Limited	1	5

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

17. Key management personnel compensation

The key management personnel include the five Board members (2020: 6), the CEO and his seven direct reports (2020: 5).

The key management compensation is:

Director fees	348	356
Salaries and other short-term employee benefits	2,857	2,801
Post-employment benefits	100	93
Termination benefits	-	196
	3,305	3,446

18. Commitments

Capital expenditure commitments

Property, plant and equipment	2,004	7,809
Intangibles	143	123
Investment properties	8,069	13,285
Total	10,216	21,217

19. Lease income

The company has several property and technology leases for which it receives rental. These include investment properties, spaces within the terminal and other properties used for aeronautical purposes. The total amount receivable for these operating leases in the future is:

Less than 1 year	40,449	38,738
Between 1-2 years	36,427	35,417
Between 2-3 years	31,741	32,574
Between 3-4 years	29,480	28,920
Between 4-5 years	27,046	27,056
Beyond 5 years	128,937	152,393
	294,080	315,098

The leases are for terms between 1 month and 25 years, and the majority of the lease agreements are renewable at the end of the lease period at market rates. The lessee does not have an option to purchase the property at the end of the expiry period.

Although the company is exposed to changes in the unguaranteed residual value at the end of the current leases, this risk is not presently considered significant due to the company typically entering new operating leases prior to the end of the existing leases and therefore will not immediately realise any reduction in residual value.

Additionally, the investment properties are located in a location that has had constant increases in value over the last few years, and the company has not identified any indications that this situation will change. Expectations about the future residual values are reflected in the fair value of the properties.

The credit risk exposure associated with operating leases is managed by obtaining bank guarantees for the term of the lease, when considered necessary.

20. Contingent assets and liabilities

As at 30 June 2021 there were no contingent assets (2020: NIL) and there were no contingent liabilities (2020: NIL).

21. Events occurring after balance date

At midnight on the 17th August 2021, New Zealand returned to Alert Level 4, resulting in a lockdown across the country. At the time of completing the financial statements the duration of the lockdown is uncertain.

The lockdown creates a level of uncertainty moving forward. However, there is nothing at this point that would impact on the key assumptions or estimates made in the preparation of these financial statements. The company consider the Covid-19 response outlined in the 2020 Annual Report, see it well placed to manage the impact of the lockdown on finances and operations in 2021.

22. Financial instruments

The company's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance. The company enters into derivative arrangements in the ordinary course of business to manage foreign currency and interest rate risks.

Risk management is the responsibility of the Board. The Risk, Audit and Finance Committee (the Committee) monitors all risk management activities and provides regular reports on such activities to the Board. The company has a treasury policy approved by the Committee. The policy provides guidelines for overall risk management, as well as specific guidelines for derivative instrument utilisation including procedures for control, valuation, risk analysis, on-going monitoring and reporting.

Part of the company's risk management strategy is to outsource the back-office processing of the treasury function to a third party.

Market risk

Foreign exchange risk

The company has no material exposure to foreign exchange risk at 30 June 2021 (2020: 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 $100,000,000 (2020: $100,000,000) fixed rate retail bond has been hedged by a fixed to floating interest rate swap with terms that match those of the underlying bond.

At 30 June 2021, if the interest rates had changed by +/- 1%, with all other variables held constant, the impact to equity would have been $253,000 lower/$253,000 higher, the impact on profit would have been $48,000 lower/$48,000 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 2021						
FINANCIAL ASSETS						
Cash and cash equivalents		0.2	4,112	-	-	4,112
Trade and other receivables	14		-	-	18,428	18,428
			4,112	-	18,428	22,540
FINANCIAL LIABILITIES						
Trade and other payables	10		-	-	14,096	14,096
Derivative financial instruments	9	3.8	27,670	-	-	27,670
Borrowings	8	3.9	384,000	205,343	-	589,343
			411,670	205,343	14,096	631,109
As at 30 June 2020						
FINANCIAL ASSETS						
Cash and cash equivalents		0.5	4,164	-	-	4,164
Trade and other receivables	14		-	-	16,387	16,387
			4,164	-	16,387	20,551
FINANCIAL LIABILITIES						
Trade and other payables	10		-	-	19,732	19,732
Derivative financial instruments	9	4.0	47,333	-	-	47,333
Borrowings	8	4.5	380,000	210,005	-	590,005
			427,333	210,005	19,732	657,070

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 2021 47% (2020: 59%) 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 2021 $66,000 (2020: NIL) was written off.

As at the 30 June 2021 the total balance for expected credit losses is $844,000 (2020: $929,000), decreasing $85,000 from the prior year. Given the limited number of bad debts written off historically, a doubtful debt assessment has been completed by individual debtor. These assessments took into account ownership structure, parent company or shareholder support, industry outlook and payment of agreed balances since rent relief was granted.

The company has a policy that assists to manage exposure to credit risk by way of requiring a bank guarantee for customers whose credit rating or history indicates that his would be prudent.

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

	2021	**2020**
	$000	**$000**
Neither past due nor impaired	4,721	1,368
Past due 0 – 30 days	2,935	3,388
Past due 31 – 60 days	1,008	2,231
Past due > 60 days	3,226	2,596
Impaired assets – written down to recoverable value	-	394
	11,890	9,977

There are no restructured assets at 30 June 2021 (2020: 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.

During the year the company extended the maturity of three existing facilities and a new facility was arranged with an existing provider, thereby providing increased liquidity to meet the company's forecast cashflows over the coming 18 months.

The company obtained waivers of its financial covenants from both bank lenders and the bond supervisor in August 2020. The waivers granted take the following form:

- waive compliance with the interest cover ratio for the Financial Periods ending 31 December 2020 and 30 June 2021 (which would otherwise be required to be at least 1.75:1); and
- waive compliance with the interest cover ratio for the Financial Period ending 31 December 2021, provided that the interest cover ratio for that Financial Period must be no less than 1.50:1.

CIAL was in compliance with all of its financial covenants during the current and prior years.

Borrowings maturing in October-December 2021 are expected to be refinanced through the extension of existing facilities and a debt capital market issue.

30 June 2021	**Carrying Amount**	**Total Cashflow**	**On Demand**	**< 1 year**	**1-2 year**	**3>5 years**	**> 5 years**
Trade and other payables	14,096	14,096	14,096	-	-	-	-
Borrowings	589,343	620,483	-	251,749	310,439	5,530	52,765
Derivative financial instruments*	22,057	22,870	-	5,048	7,937	5,614	4,271
	625,496	657,449	14,096	256,797	318,376	11,144	57,036

30 June 2020	**Carrying Amount**	**Total Cashflow**	**On Demand**	**< 1 year**	**1-2 year**	**3>5 years**	**> 5 years**
Trade and other payables	19,732	19,732	19,732	-	-	-	-
Borrowings	590,005	627,027	-	134,980	326,857	109,660	55,530
Derivative financial instruments*	37,038	37,703	-	4,797	9,750	9,409	13,747
	646,775	684,462	19,732	139,777	336,607	119,069	69,277

* 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. 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	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
	%	**%**	**$000**	**$000**	**$000**	**$000**
Outstanding floating for fixed contracts						
Less than 1 year	4.2	4.2	45,000	51,000	(1,780)	(1,743)
Years 2 and 3	4.9	4.1	55,000	60,000	(4,894)	(4,187)
Years 3 to 6	4.0	4.3	88,000	118,000	(8,427)	(17,676)
Beyond 6 years	3.1	3.6	160,000	120,000	(12,569)	(23,727)
			348,000	349,000	(27,670)	(47,333)
Outstanding fixed to floating contracts						
Less than 1 year			-	-	-	-
1 to 2 years	4.1		100,000	-	5,613	-
3 to 5 years		4.1	-	100,000	-	10,295
Beyond 5 years			-	-	-	-
			100,000	100,000	5,613	10,295

Movement in cash flow hedge reserve – interest rate swaps

	2021	2020
	$000	**$000**
Movement in fair value of existing contracts	(19,652)	13,089

Fair value of financial instruments

The directors consider that the carrying amounts of financial assets and financial liabilities recorded in the financial statements approximate their fair values, except for the two $50,000,000 fixed rate bonds which have a fair value of $51,711,000 (maturing 2021) and $57,592,000 (maturing 2027). These bonds are classified as level one in the fair value measurement hierarchy, with the fair value based on the quoted market prices for these instruments at balance date.

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 2021.

	Level 1	Level 2	Level 3	Total balance
Assets 30 June 2021				
Derivative financial instruments	-	5,613	-	5,613
Total assets	-	5,613	-	5,613
Liabilities 30 June 2021				
Derivative financial instruments	-	27,670	-	27,670
Total liabilities	-	27,670	-	27,670

	Level 1	Level 2	Level 3	Total balance
Assets 30 June 2020				
Derivative financial instruments	-	10,295	-	10,295
Total assets	-	10,295	-	10,295
Liabilities 30 June 2020				
Derivative financial instruments	-	47,333	-	47,333
Total liabilities	-	47,333	-	47,333

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.

	Note	Hedge accounted derivatives at Fair value	Amortised cost	Total Carrying Amount
		$000	**$000**	**$000**
Classification of financial instruments				
As at 30 June 2021				
CURRENT ASSETS				
Cash and cash equivalents		-	4,112	4,112
Trade and other receivables*	14	-	12,937	12,937
Derivative financial instruments	9	-	-	-
Total current financial assets		-	17,049	17,049
NON-CURRENT ASSETS				
Trade and other receivables	14	-	5,491	5,491
Derivative financial instruments	9	5,613	-	5,613
Total non-current financial assets		5,613	5,491	11,104
Total financial assets		5,613	22,540	28,153
CURRENT LIABILITIES				
Trade and other payables**	10	-	14,096	14,096
Borrowings	8	-	238,991	238,991
Derivative financial instruments	9	1,780	-	1,780
Total current financial liabilities		1,780	253,087	254,867
NON-CURRENT LIABILITIES				
Borrowings	8	-	350,352	350,352
Derivative financial instruments	9	25,890	-	25,890
Total non-current financial liabilities		25,890	350,352	376,242
Total financial liabilities		27,670	603,439	631,109

* excludes prepayments when comparing to Note 14.

** excludes revenue in advance, GST payable and employee entitlements when comparing to Note 10

	Note	Hedge accounted derivatives at Fair value	Amortised cost	Total Carrying Amount
		$000	**$000**	**$000**
Classification of financial instruments				
As at 30 June 2020				
CURRENT ASSETS				
Cash and cash equivalents		-	4,164	4,164
Trade and other receivables*	14	-	10,957	10,957
Derivative financial instruments	9	-	-	-
Total current financial assets		-	15,121	15,121
NON-CURRENT ASSETS				
Trade and other receivables	14	-	5,430	5,430
Derivative financial instruments	9	10,295	-	10,295
Total non-current financial assets		10,295	5,430	15,725
Total financial assets		10,295	20,551	30,846
CURRENT LIABILITIES				
Trade and other payables**	10	-	19,732	19,732
Borrowings	8	-	120,000	120,000
Derivative financial instruments	9	1,743	-	1,743
Total current financial liabilities		1,743	139,732	141,475
NON-CURRENT LIABILITIES				
Borrowings	8	-	470,005	470,005
Derivative financial instruments	9	45,590	-	45,590
Total non-current financial liabilities		45,590	470,005	515,595
Total financial liabilities		47,333	609,737	657,070

* excludes prepayments when comparing to Note 14.

** excludes revenue in advance, GST payable and employee entitlements when comparing to Note 10

Changes in liabilities arising from financing activities

	Opening Value 1 July 2020	Cash flows	Movement between category	Fair Value changes	Other	Closing Value 30 June 2021
	$000	**$000**	**$000**	**$000**	**$000**	**$000**
Current Borrowings	120,000	4,000	115,000	-	(9)	238,991
Non-Current Borrowings	470,005	-	(115,000)	(4,697)	44	350,352
Derivatives*	37,038	-	-	(14,981)	-	22,057
Total liabilities from financing activities	627,043	4,000	-	(19,678)	35	611,400

	Opening Value 1 July 2019	Cash flows	Fair Value changes	Other	Closing Value 30 June 2020
	$000	**$000**	**$000**	**$000**	**$000**
Current Borrowings	115,501	5,000	(519)	18	120,000
Non-Current Borrowings	356,548	110,001	3,421	35	470,005
Derivatives*	26,566	-	10,472		37,038
Total liabilities from financing activities	498,615	115,001	13,374	53	627,043

*includes derivative financial assets offset with derivative financial liabilities

23. Prior period adjustment

The board has reviewed the deferred tax calculation and determined that the apportionment of investment properties between land and buildings was inaccurate historically. The proportion relating to buildings was overstated which resulted in an overstatement of the deferred tax liability in 2019 by $7.8m. A prior period adjustment has been made as at 1 July 2019 in the Statement of Financial Position, increasing retained earnings and decreasing the deferred tax liability by this amount.

The updated apportionment resulted in an increase to the 30 June 2020 taxation expense by $1.1m, and an increase in the deferred tax liability at 30 June 2020 by the same amount. The net surplus after tax and total comprehensive income have consequently reduced by $1.1m. The cumulative impact of that change and the 2019 restatement means that the previously reported 30 June 2020 figures have been adjusted such that the deferred tax liability has decreased by $6.7m, retained earnings has increased by $6.7m.

24. Comparison of forecast to actual results

The company prepares an annual Statement of Intent which is approved by shareholders and incorporates financial and performance measures for the ensuing year.

A comparison of the company's actual results for the year ended 30 June 2021 with those targets are as follows:

Targets	**2021 Achievement $000**	**2021 Target $000**
Financial		
Total Revenue*	141,625*	111,200*
EBITDAF**	75,743**	51,112**
Net Profit (Loss) after tax	38,658	(17,740)
EBITDAF as a % Revenue	53.5%	46.0%
Return on Invested Capital (EBIT/(Equity + Debt))	4.3%	1.2%

* Total revenue excludes unrealised gains on investment property and interest income

** EBITDAF (Earnings before interest, tax, depreciation, amortisation and fair value movements on investment property)

Passenger numbers		
Domestic	3,644,632	2,860,433
Tasman and Pacific Islands	52,386	506,272
International	8,355	22,581
Total passengers	3,705,373	3,389,286

Ratio of shareholders' funds to total assets		
Shareholder Funds / Total Assets %	60.4%	56.3%
Gearing (debt / (debt + equity)) %	32.7%	37.4%
EBITDAF Interest Cover X	3.2	2.1
Free Funds Interest Cover X	3.2	2.3
Free Funds / Debt %	8.8%	5.1%

Note : All ratios including debt are based on nominal debt of $584m

Performance target	Performance Measures	
	2021	**Achievements**
Health, Safety & Wellbeing		
1. Visible and active safety leadership by all CIAL leaders	▪ Increased number of safety leadership conversations as measured in safety leadership app ▪ Active participation in safety leadership working group by all members	▪ The Safety Leadership conversation app is being redesigned to improve alignment and usability. Expected relaunch date has been revised to Aug 21. The annual culture survey showed good improvement in safety leadership with an 83% positive result to the statement that CIAL demonstrates a strong commitment to the health, safety and wellbeing of our people. ▪ Excellent attendance and participation in the safety leadership working group by all members throughout the year.
2. Delivery of People and Aviation Safety Assurance Program	▪ CIAL people and aviation safety assurance program delivered. ▪ Incorporate Safety-II principles into Assurance Program	▪ FY21 People and Aviation Safety Workplan delivered in full. ▪ Safety II principles are incorporated into all aspects of the Health and Safety Management System with the alignment to ISO45001. ▪ As part the assurance activities detailed in the annual workplan, CIAL actively monitors contractor performance both proactively and reactively with monthly HSW auditing of all construction sites and investigation of all reported safety events. An example of this was a working at height incident on a contracted construction site reported in June 2020 where CIAL completed their own ICAM investigation to identify improvement opportunities and ensure individual PCBU's were meeting their duties in respect to the works. This approach enables CIAL to meets it duties and supports main contractors and their often much smaller sub-contractors to improve their safety processes.
3. Mental health and resilience program implemented	▪ Incremental increase in wellbeing measures in culture and engagement survey ▪ Continued activation of our Whare Tapa Wha wellness strategy	▪ Great results of 87% and 83% respectively for the health, safety and wellbeing and the work/life blend factor insights in the 2020 culture survey. ▪ Recognising the impact of COVID-19 on employee wellbeing we have continued activations to enhance both employee physical and mental health.

	▪ Mental Health and Resilience Program complete	▪ Delivery of the Mental Health and Resilience Program was completed with all staff last year. As part of the ongoing improvements in the delivery of our Wellbeing Strategy, 85 of our people completed Mental Health First Aid training between August and October 2020.
Sustainability		
Carbon 4. Eliminate all non-emergency related Scope 1 emissions, reduce our scope 2 emissions from electricity and managing our Scope 3 emissions	▪ 20% reduction on CIAL carbon emissions benchmarked against FY15 ▪ ACI ACA Level 2 certified ▪ 80% of CIAL's road vehicle fleet made up of EV and hybrid vehicles	▪ 50% reduction on CIAL carbon emissions benchmarked against FY15 ▪ ACI ACA Level 4 certified (World's first airport to achieve this). ▪ Currently 61% of CIAL's road vehicle fleet is EV and hybrid vehicles. Awaiting more electric alternatives for utility vehicle requirements.
Waste 5. 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 ▪ Implement food court waste upgrades ▪ Complete feasibility analysis for onsite processing of organic waste	▪ Continuing to review quarantine waste and feasibility of introducing a transitional waste sorting facility. ▪ Food court upgrades have been deferred for consideration in FY22. ▪ Redesign of how we approach our waste is now underway with the introduction of a new waste minimisation contract, in addition to waste removal services.
Energy 6. 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.	▪ Domestic jet ground power stands commissioned ▪ Passenger terminal energy consumption at least 10% further reduced on FY18 levels ▪ 90% reduction of Scope 1 emissions (baseline year FY15) achieved ▪ ITB energy centre commissioned and operational	▪ Jet ground power installed at all international stands, except Gate 16 & 17. Overall 80% is completed. Ground power infrastructure is currently sufficient to meet short to medium term needs. ▪ Energy consumption has decreased by 10% when comparing against FY18 baseline. This is in part due to increased efficiency through improved Building Management Systems, and the Ground source heat pump installation, but the International Terminal closure during COVID-19 may also have had an impact on energy savings. Our commitment to look for energy consumption reductions remains. ▪ 88% reduction in Scope 1 emissions against FY15 baseline achieved. ▪ ITB energy centre commissioned and operational
Water 7. 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	▪ 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	▪ Telemetry devices installed across CIAL campus. ▪ Ongoing – compliance with all regulatory requirements under drinking water standard and health act has been maintained this year.

water supply safety and security, protect the aquifer, reduce costs and our business protects the city, region and island	▪ Continue Environmental Compliance and Monitoring Program with existing airport operators and new operators on airport land	▪ CIAL has also built and commissioned a UV and chlorine water treatment plants on both potable water supply wells maintains a world class water supply network. ▪ Compliance against all RMA and Health Act requirements is provided on a live basis through best practice SCADA monitoring.
Noise 8. Noise is the environmental issue of greatest focus at airports around the world. Our responsibility and bias are to engage and collaborate with all stakeholders, especially residents and businesses close to the airport and its flight paths	▪ Noise complaints are limited to 10 per 10,000 aircraft movements per annum ▪ Successful delivery of the updated noise compliance contours to Environment Canterbury ▪ Successful implementation of the CIAL Noise Management Plan ▪ Offers of acoustic mitigation to noise impacted properties currently eligible	▪ Ongoing – Noise complaints on average down to 4.6 per 10,000 aircraft movements. ▪ On-going – Project recommenced June 2021, program delivery of contours to Environment Canterbury early FY22 ▪ On-going, all compliance requirements met for FY21. ▪ On-going CIAL working through offers with five property owners
Land **9.** 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	▪ Completion of the Canada Goose Tracking Masters project ▪ Development of estate wide sustainable development guidelines for use in our property development portfolio	▪ Canada Goose tracking master's thesis successfully completed in FY20 ▪ Construction Design Guidelines for new builds on campus were completed in FY20 and include sustainability best practice.
Community Engagement		
10. 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	▪ Actively involved in activities including Christchurch NZ activations and promotions, Pop Up Penguins, the Special Children's Christmas party and TRENZ. ▪ The impact of the pandemic has led us to pause the Community Fund. We have not made any recent grants. We continue to support charity collections within the terminal and overtly support charities through lighting our terminal and the Airways Tower in relevant colours. ▪ Executive and senior leaders have led and been actively engaged in a variety of educational and leadership seminars and sessions, locally, nationally and internationally (online).

	▪ To actively involve our staff in Corporate Social Responsibility initiatives to enhance engagement	▪ Staff have been involved in activities including planting trees within the Lyttelton Saddle regeneration project, cooking at Ronald McDonald House, donating food and gifts to the City Mission Christmas Appeal, and initiating fundraising activities on Gumboot Day.
Our People		
11. Strategy Activation Leadership Program	▪ Incremental improvement in leadership performance, in personal development and performance reviews ▪ Incremental improvement in leadership measures in culture and engagement survey	▪ Leadership performance over this period was evaluated via regular surveys, completed throughout the year and reflect an above average and increasing level of confidence in CIAL's leadership. 95% of our team told us that they felt well supported by CIAL through the varying Alert levels of C-19. ▪ With 2021 providing greater stability we have partnered with an external leadership development specialist to offer a comprehensive programme to all CIAL People Leaders in the first quarter of FY22. ▪ We have introduced coaching/mentoring opportunities for all of our People across the CCHL network through our talent sharing platform Te Whariki. We anticipate participation will grow over the course of FY22 and will provide further growth opportunity for our leaders.
12. Creation and implementation of a diversity, inclusion and participation strategy and engagement program (Wawata Iwi Charter)	▪ Activate Wawata Iwi fair employer charter ▪ Incremental improvements in participation and inclusion measures in culture and engagement survey	▪ We activated a proactive approach to addressing undesirable behaviours through an internal education programme promoting respectful, kind and positive communication between all. This engagement programme has ensured our team feel safe, as well as encouraged to enjoy a work environment where they truly feel celebrated for their individual differences. ▪ There is a genuine feeling of equal opportunity and equity amongst employees at CIAL with over 80% of our team feeling like they belong and are respected as individuals when they are at work.
13. Review and evolution of our reward and recognition strategy continuing to focus on connection and alignment	▪ Incremental improvement in our connection with purpose in culture and engagement survey	▪ With our purpose updated to Championing Regional New Zealand in 2020, we are currently taking the opportunity to review our values to ensure our team feel aligned and behave in a way that enables the attainment of our future goals.

	▪ Incremental improvements in reward and recognition measures in culture and engagement survey	▪ We have a strong baseline to build upon with over 70% of our team feeling they receive appropriate recognition for good work and the same feeling their job performance is evaluated fairly.
14. Review and update of Potential and Performance/areas of strategic value talent mapping exercise	▪ Improved retention of critical future talent	▪ We have assessed our approach to talent management and developed a strategic framework which will enable CIAL to attract develop and retain the critical talent needed to deliver future business outcomes.

Further Notes

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 year.

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.

Stock Exchange Listings

The company has one series of bonds ("CHC010") which were quoted on the NZDX on 25 May 2018. Total issue was for $100 million of unsecured, unsubordinated, fixed rate bonds maturing on 24 May 2024.

Credit Rating Status

On June 16, 2020, S&P Global Ratings ('S&P') lowered to 'BBB+' from 'A-', the issuer credit rating on Christchurch International Airport Ltd ('CIAL') and issue credit rating on the airport's debt. Outlook is 'Stable'. This rating is unchanged as at 30 June 2021.

Bondholder Distribution

In line with clause 10.4.5 of the NZX listing rules, the following table details the spread of bondholders as at 31 July 2021:

Holding Range	Holder Counter	Holding Quantity	Holding Quantity %
5,000 to 9,999	36	206,000	0.21%
10,000 to 49,999	180	3,547,000	3.55%
50,000 to 99,999	31	1,817,000	1.82%
100,000 to 499,999	20	3,335,000	3.33%
500,000 to 999,999	4	2,990,000	2.99%
1,000,000 to 999,999,999,999	17	88,105,000	88.10%
Total	288	$100,000,000	100.00%

The 20 largest bond holders at 31 July 2021 were:

Bondholder	Units Held	Holding Quantity %
CUSTODIAL SERVICES LIMITED <A/C 4>	16,036,000	16.04%
FNZ CUSTODIANS LIMITED	12,802,000	12.80%
FORSYTH BARR CUSTODIANS LIMITED <1-CUSTODY>	11,773,000	11.77%
HSBC NOMINEES (NEW ZEALAND) LIMITED A/C STATE STREET -NZCSD <HKBN45>	8,100,000	8.10%
BNP PARIBAS NOMINEES (NZ) LIMITED - NZCSD <BPSS40>	6,113,000	6.11%
JBWERE (NZ) NOMINEES LIMITED <NZ RESIDENT A/C>	5,919,000	5.92%
TEA CUSTODIANS LIMITED CLIENT PROPERTY TRUST ACCOUNT - NZCSD <TEAC40>	4,691,000	4.69%
HSBC NOMINEES (NEW ZEALAND) LIMITED - NZCSD <HKBN90>	4,535,000	4.54%
HOBSON WEALTH CUSTODIAN LIMITED <RESIDENT CASH ACCOUNT>	4,064,000	4.06%
MINT NOMINEES LIMITED - NZCSD <NZP440>	3,192,000	3.19%
ANZ CUSTODIAL SERVICES NEW ZEALAND LIMITED - NZCSD <PBNK90>	2,833,000	2.83%
BNP PARIBAS NOMINEES (NZ) LIMITED - NZCSD <COGN40>	2,100,000	2.10%
NZPT CUSTODIANS (GROSVENOR) LIMITED - NZCSD <NZPG40>	1,800,000	1.80%
FNZ CUSTODIANS LIMITED <DTA NON RESIDENT A/C>	1,088,000	1.09%
FORSYTH BARR CUSTODIANS LIMITED <ACCOUNT 1 E>	1,059,000	1.06%
CITIBANK NOMINEES (NEW ZEALAND) LIMITED - NZCSD <CNOM90>	1,000,000	1.00%
MT NOMINEES LIMITED – NZCSD	1,000,000	1.00%
RISK REINSURANCE LIMITED	800,000	0.80%
INVESTMENT CUSTODIAL SERVICES LIMITED <A/C C>	785,000	0.79%
KPS SOCIETY LIMITED	755,000	0.76%
Total	90,445,000	90.45%

Computershare Investor Services Limited is the registrar with responsibility for administering and maintaining the Bond Register.

To view and update your bondholder details please visit www.investorcentre.com/nz.

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.

Regulatory Environment

The company is regulated by, amongst other legislation, the Airport Authorities Act 1966 and the Civil Aviation Act 1990. The company is an 'airport company' for the purposes of the Airport Authorities Act 1966. The company has consultation obligations under the Airport Authorities Act 1966.

The company is required to comply with the Commerce Act (Specified Airport Services Information Disclosure) Determination 2010, with disclosure financial statements required to be published in November each year.

Directors' Indemnity Insurance

The company has arranged policies of Directors' and Officers' liability insurance for all directors, and indemnified all directors, the Chief Executive and all General Managers reporting to the Chief Executive, through a Deed of Indemnity.

Directors' Interests

The company maintains an interests' register in which the following entries of disclosure of interest involving the directors were recorded during the year ended 30 June 2021. These are requirements under the Companies Act 1993.

Catherine Drayton	***Sarah Ottrey***
Director – Beca Group Limited (ceased 31 March 2021)	Director - EBOS Group Ltd
Director – Southern Cross Hospitals Limited	Director- Skyline Enterprises Ltd
Director – Southern Cross Medical Care Society	Chair - Whitestone Cheese Co Ltd
Trustee – Southern Cross Health Trust	Director - Mount Cook Alpine Salmon Ltd
Director – Fronde Systems Group Limited	Director - Sarah Ottrey Marketing Ltd
Director - Southern Cross Benefits Limited	Member - New Zealand Institute of Directors – Otago Southland Branch Committee
Chair – Guardians of New Zealand Superannuation	
Director – Genesis Energy Limited	
Director – Harbour View Properties Limited	
Director – CMD Associates Limited	
Director – CMD Commercial Limited	
Chair – Mint Innovation (Apr 21)	
Director – Ben Gough Family Foundation – Advisory Borad (Nov 2021)	

Chris Paulsen	*Justin Murray (retired 30 April 2021)*
Director – House of Travel Holdings Limited Director – Other House of Travel Companies Director – Paulsen Holdings Limited	Director/Shareholder – FDJ Murray & Company Holdings Limited and its subsidiaries Director/Partner – Rakaia Fund Director/Shareholder – Murray & Company Limited Chair – Christ Church Cathedral Reinstatement Limited Director – Enable Services Limited (from 18 August 2020) Director – Enable Networks Limited (from 18 August 2020)
Kathryn Mitchell	***Paul Reid***
Chair – The New Zealand Merino Company Limited Director – Heartland Bank Limited Director – FarmRight Limited Director – Link Engine Management Director/Shareholder – Morrison Horgan Limited Director/Shareholder - Chambers at 151 Limited Director/Shareholder – Helping Hands Job Solutions Limited Director/Shareholder – FirstTrax Limited	Chair – Figured Limited Chair – Volpara Health Technology (ASX:VHT) Director – Comvita (NZX:CVT) Director – The Equanut Company Limited Chair – Virsae Group Limited (from 1 June 2021)

Transactions between CIAL and entities with whom certain directors are associated are described in Note 16 to the financial statements. No loans were made to directors.

Use of Company Information

During the year, the Board received no notices from Directors of the company requesting to use company information received in their capacity as Directors which would not otherwise have been available to them.

Directors

As at 30 June 2021

Catherine Drayton

Chair

Chris Paulsen

Director

Kate Morrison

Director

Paul Reid

Director

Sarah Ottrey

Director

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 Officer

Tim May

Chief Financial Officer

Justin Watson

Chief Commercial and Aeronautical Officer

Lucy Taylor

General Manager Airfield Operations and Corporate Affairs

John O'Dea

General Manager Property

Nick Flack

General Manager Planning and Sustainability

Michael Singleton

Project Director – Central Otago

Rhys Boswell

Project Lead – Central Otago

Bankers

ANZ Bank Ltd

ASB Bank

Bank of New Zealand

Bank of Tokyo – Mitsubishi

China Construction Bank

Mizuho Bank

Westpac Banking Corporation

Solicitors

Buddle Findlay, Christchurch

Chapman Tripp, Christchurch

Registered Office

Fourth Floor, Car Park Building

Christchurch Airport

30 Durey Road

PO Box 14001

Christchurch, New Zealand

Auditors

Audit New Zealand

On behalf of the Auditor-General

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of Christchurch International Airport Limited's consolidated financial statements and performance information for the year ended 30 June 2021

The Auditor-General is the auditor of Christchurch International Airport Limited (the company) and subsidiaries (the group). The Auditor-General has appointed me, Scott Tobin, using the staff and resources of Audit New Zealand, to carry out the audit of the consolidated financial statements and the performance information of the group, on his behalf.

Opinion

We have audited:

- the consolidated financial statements of the group on pages 17 to 69, that comprise the statement of financial position as at 30 June 2021, the statement of financial performance, statement of comprehensive income, statement of changes in equity, statement of cash flows and summary of significant accounting policies for the year ended on that date and the notes to the financial statements that include other explanatory information; and
- the performance information of the group on pages 70 to 75.

In our opinion:

- the consolidated financial statements present fairly, in all material respects, the financial position of the group as at 30 June 2021, and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards; and
- the performance information presents fairly, in all material respects, the group's actual performance compared against the performance targets and other measures by which performance was judged in relation to the group's objectives for the year ended 30 June 2021.

Basis for opinion

We conducted our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We are independent of the group in accordance with the Auditor-General's Auditing Standards, which incorporate Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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

Key audit matters

Key audit matters are those that, in our professional judgement, were of most significance in our audit of the consolidated financial statements and performance information for the current period. In applying our professional judgement to determine key audit matters, we considered those matters that are complex, have a high degree of estimation uncertainty, or are important to the public because of their size or nature. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	**How did the audit address this matter**
Valuation of property, plant and equipment	
The group holds a diverse range of property, plant and equipment with a carrying value of $1,308.4 million as at 30 June 2021. The following asset classes are accounted for at fair value and were revalued in the year ended 30 June 2021: • land; • buildings; • terminal facilities; • sealed surfaces; • infrastructure assets; and • car parking. The asset classes are valued using a range of techniques, including optimised depreciated replacement cost, income, and market based approaches.	Our audit procedures included: • Reading the valuation reports and meeting with the valuers to discuss key judgements and their approach. • Assessing the valuers' expertise for the work and their objectivity, including reading their terms of engagement and considering the existence of other engagements or relationships with the group. • Obtaining representations from the valuers that the valuation approaches are in accordance with accepted professional valuation standards. • Confirming our understanding of the valuation methodologies and key assumptions. We assessed them for compliance with the requirements of the applicable financial reporting standards (NZ

Key audit matter	How did the audit address this matter
Note 11 to the consolidated financial statements provides information on the revaluation of these asset classes. The group engaged independent valuers to determine the fair value of all property, plant and equipment held at fair value at 30 June 2021. In assessing the car parking valuation, the independent valuers noted a material valuation uncertainty due to the ongoing impact of Covid-19 on carparking revenue streams. We consider this a key audit matter due to the significance of the carrying values to the financial statements and the judgements involved.	IAS 16 Property, Plant, and Equipment, and NZ IFRS 13 Fair Value Measurement) and evaluated their reasonableness based on our experience and knowledge of other specialised valuations in the public sector. • Obtaining an understanding of the source data used for the valuations, and assessing the reliability of the source data and the risk of errors or omissions in that data. • Testing a sample of calculations in the valuations. • Ensuring appropriate disclosures were made regarding uncertainties in valuations • Engaging valuation experts to assist our review and challenge of the appropriateness of key judgments and assumptions in the valuations. • Assessing the sensitivity of the valuations to changes in assumptions and confirmed that the significant assumptions and sensitivities were appropriately disclosed. • Reviewing the overall valuation changes and obtaining explanations from the valuers for any significant or unusual changes in value. We found that the valuations adopted by the group were supportable and used approaches consistent with our expectations for public sector specialised valuations.
Valuation of Investment Property	
The group's investment property portfolio comprises industrial, commercial and retail investments in the area surrounding Christchurch International Airport. Investment properties are revalued annually by independent valuers. The value of the portfolio is $647.8 million as at 30 June 2021. The value of the portfolio continues to grow as available land is developed for further investment properties. Changes in use, as a result of development or changes in the business, can result in transfers of properties between	Our audit procedures included: • Reviewing any changes in use of properties and considered whether they were correctly classified as either investment property or property, plant and equipment. • Reading the valuation report and meeting with the valuer to discuss the valuation. We assessed the valuer's expertise for the work and their objectivity, including reading their terms of engagement and considering the existence of other engagements or relationships.

Key audit matter	How did the audit address this matter
investment property and property, plant and equipment. Note 13 to the consolidated financial statements provides information on the valuation and the movements in the investment property balance since the previous year. In assessing the investment property valuation, the independent valuers noted a material valuation uncertainty due to the ongoing impact of Covid-19 on aspects of the property portfolio. We consider this a key audit matter due to the significance of the carrying value and fair value gains and because of the judgements involved in determining fair value.	• Obtaining representations from the valuer that their valuation was in accordance with accepted professional valuation standards. • Confirming our understanding of the valuation methodology and key assumptions. We assessed them for compliance with the requirements of the applicable financial reporting standards (NZ IAS 40 Investment Property and NZ IFRS 13 Fair Value Measurement) and evaluated their reasonableness based on our experience and knowledge of other valuations. • Engaging a valuation expert to assist with critiquing and challenging the key assumptions used by the group's valuers, including their appropriateness. • Obtaining an understanding of the market data sources used by the valuer and the reliability of this data. • Confirming a sample of lease term information (such as current rental rates) back to the lease documents and sample testing valuation calculations. • Assessing the sensitivity of the valuations to changes in assumptions and confirmed that the significant assumptions and sensitivities were appropriately disclosed. • Reviewing the overall valuation changes and obtaining explanations from the valuers for any significant or unusual changes in value. We considered the adequacy of the disclosures made in note 13 to the financial statements. We found that the valuations adopted by the group were reasonable and supportable, and the disclosures about valuation uncertainty were appropriate.

Other information

The directors are responsible on behalf of the group for the other information. The other information obtained at the date of this auditor's report comprises the information included on pages 2 to 16, and 76 to 80 but does not include the consolidated financial statements and the performance information and our auditor's report thereon. The other information also includes the Annual Review 2021, which incorporates management commentary. The Annual Review is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the performance information, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibilities for the consolidated financial statements

The directors are responsible on behalf of the group for the preparation and fair presentation of the consolidated financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The directors are also responsible for preparing the performance information for the group.

In preparing the consolidated financial statements and the performance information, the directors are responsible on behalf of the group for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

The directors' responsibilities arise from the Financial Markets Conduct Act 2013 and the Local Government Act 2002.

Auditor's responsibilities for the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the performance information as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of readers taken on the basis of these consolidated financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Evaluate the appropriateness of the reported performance information within the group's framework for reporting its performance.

- Conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the performance information, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements and the performance information of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Our responsibilities arise from the Public Audit Act 2001.

Scott Tobin
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand
26 August 2021