

A close-up, artistic photograph of a child's face, focusing on the right eye which is a vibrant green. The child has light skin and dark, wispy hair. The image is softly blurred, creating a dreamy, intimate atmosphere. The text "building for the next generation..." is written in a white, elegant script across the middle of the image.

building for the next generation...

ANNUAL REPORT
2010

company vision...

"To be the BEST airport in New Zealand"

purpose...

"To target success through customer service, efficiency and diversification"

company brand...

"New Zealand's tourism gateway"

Christchurch International Airport Limited is proud to present this annual report printed on New Silk, an environmentally responsible paper manufactured under the environmental management system ISO 14001 using Elemental Chlorine Free (ECF) FSC Certified Mixed Source Pulp sourced from well managed and legally harvested forests.





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SUSTAINABLE GROWTH

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FREQUENTLY ASKED QUESTIONS



What does the airport company do?



The airport company is responsible for running the airport. It owns over 800 hectares of land, including the airfield, the airport terminal and a wide range of operational and commercial support facilities. Within the terminal, it leases space to businesses such as rental cars, food outlets, cafes and bookshops. On the airfield, it leases space to the Canterbury Aero Club and the US National Science Foundation for Antarctic operations. Although the airport company does not own aircraft or the control tower, it works closely with aviation operators, including airlines and the Airways Corporation, to ensure the delivery of safe and efficient services.

The airport company is responsible for ensuring the airport meets all safety and compliance requirements for passengers, visitors and aircraft. As part of its safety provisions, the airport has its own Fire Service with four state-of-the-art fire-fighting vehicles, 37 fire-fighters, and a full-time Wildlife Officer whose role is to keep the airfield as free of birds as possible.

The airport works closely with government agencies such as Customs, Immigration, Ministry of Agriculture and Fisheries, Aviation Security and Airways. It is required to enforce laws and regulations covering bio-security and immigration, ensuring that goods and people who enter the country have been properly vetted.

Regular activities for the airport company staff include patrolling the airfield, maintaining runways, complying with aviation and city regulations, keeping the terminal building safe, clean and warm, operating car parking facilities, managing its property portfolio, planning for future growth and ensuring that major airlines, passengers, visitors and tenants have the facilities and services they need.



What is the relationship between the airport company and the air traffic control tower?



The control tower is owned by Airways Corporation, which is a separate governmental organisation. The Airways Corporation owns and manages all the operating control towers in New Zealand airports. They train and employ air traffic controllers.



Who owns the airport?



Essentially, the people of Christchurch and New Zealand own the airport. The airport is one of the city's main assets and is a key piece of infrastructure for the Canterbury region and the South Island. The airport is owned 75% by Christchurch City Holdings Limited (a subsidiary of Christchurch City Council) and 25% by the Government.

The airport has a board of directors who are answerable to the shareholders, namely the city council and the government.



How does the airport make money to ensure its sustainability?



Under the Airport Authorities Act 1966, the Airport Company is required to be run as a commercial business and make a profit. The airport has several sources of income:

- landing charges from airlines
- leases for businesses in the terminals such as rental car companies and food outlets
- leases in the property precincts being developed
- a percentage of all sales from retail outlets in the terminal
- car parking charges.



Why is a new terminal being built?



The present Domestic Terminal is now 50 years old. When it opened in 1960, there were 1250 flights and 200,000 passengers per year. In 2010, there are nearly 80,000 aircraft movements and over 6 million passenger movements in a year through the airport. So the old terminal is now simply not big enough. It is cramped and worn, and needs to be replaced. We are building a terminal that will have the latest advances in check-in and baggage handling, and be adaptable for future growth.

Key Facts

- Over 5,000 people are employed on the airport campus
- The business activities arising from people and freight passing through the airport amount to 8% of Canterbury's GDP
- Approximately 30,000 people visit the airport every day including passengers, visitors, tenants and contractors.

Frequently asked questions

“Essentially,
the people of
Christchurch and
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the airport.”





building for the next generation...

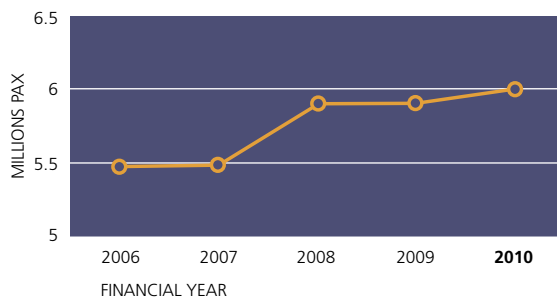
BUSINESS REVIEW



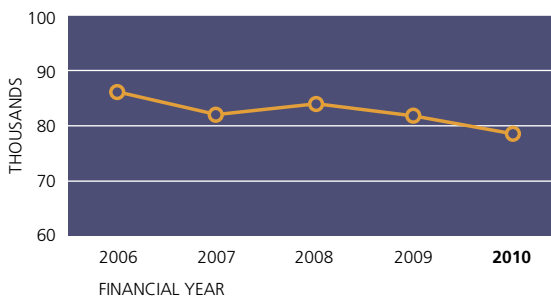
“The growth of Christchurch International Airport brings numerous benefits to the Canterbury region and the South Island as a whole, increasing its wealth, employment and productivity.”

YEAR AT A GLANCE

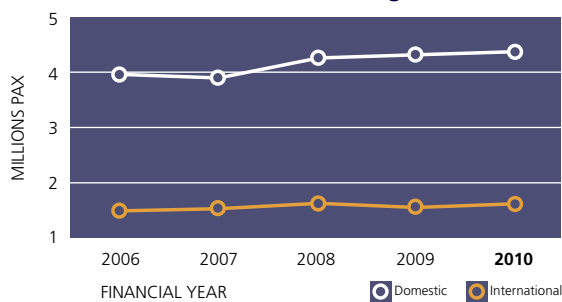
Total Passenger Movements



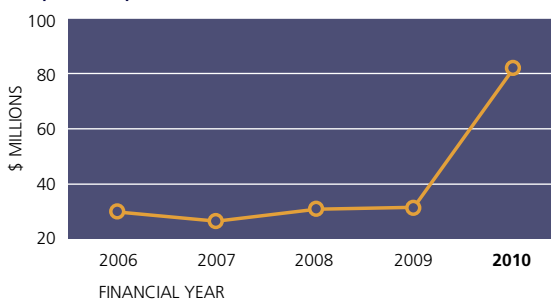
Total Commercial Aircraft Movements



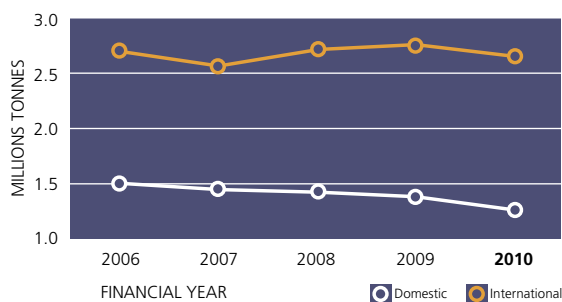
International and Domestic Passenger Movements



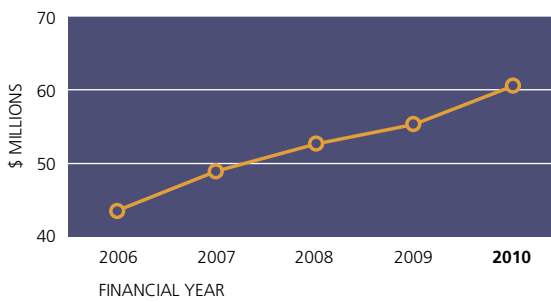
Capital Expenditure



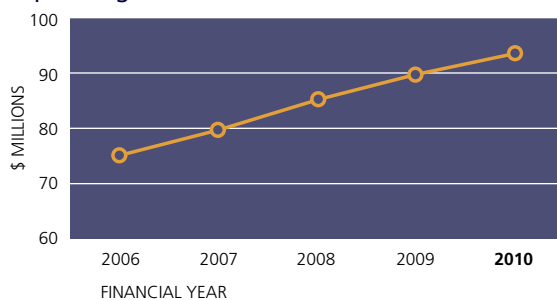
MCTOW Tonnes (Maximum certified take-off weight)



EBITDA (Earnings before interest, tax, depreciation and amortisation)



Operating Revenue



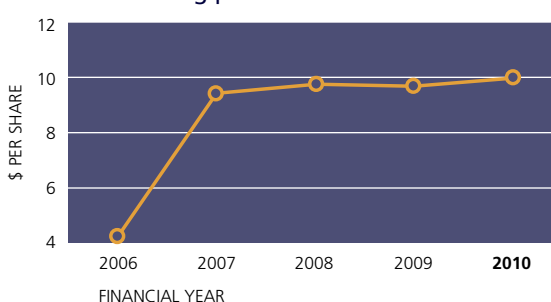
Dividend Payment



Surplus After Taxation (adjusted as noted on page 7)



Net Asset Backing per Share



year at a glance

6,000,414 Passenger Movements

Total passenger movements increased by approximately 92,000 (+1.6%) over the same period ending 30 June 2009, a solid result in the current environment.

79,016 Commercial Aircraft Movements

Total commercial aircraft movements decreased by approximately 3,000 (3.7%) over the same period ending 30 June 2009, reflecting airlines' drive to improve aircraft loadings and route yields.

\$93.6 million Operating Revenue

Operating revenue increased by 4.1% for the year to 30 June 2010 compared with the same period last year.

\$60.8 million EBITDA

EBITDA from operations, excluding revaluation of investment property, increased by 9.4% over the same period ending 30 June 2009.

\$26.8 million

Adjusted Operating Surplus After Tax

The operating surplus after tax, excluding the deferred tax adjustment and including a revaluation of investment property, increased by \$12.1m (+82.3%) over the last year.

\$10.5 million Dividends Paid

\$82 million Investment in Airfield, Terminal, Car Parking and Property Projects

\$9.90 per share

Net Asset Backing

Net asset backing per share in 2010 was \$9.90 (2009 - \$9.72).

PROGRESS AT A GLANCE

Objectives for 2009/10 were to:

- deliver sustainable growth in revenue and earnings
- grow South Island tourism and position CIAL as a key player involved in tourism growth
- deliver superior customer service
- provide fit-for-purpose infrastructure with the flexibility to meet growth
- provide an environment where staff are high-performing and fully engaged
- operate in a sustainable manner and be recognised as a positive contributor to the community.

Achievements for 2009/10 are:

- **Growth in revenue and earnings:**
Operating performance (EBITDA) of \$60.8 million, a 9.4% increase over 2009. The operating surplus after tax, excluding the deferred tax adjustment, was \$26.8 million, an 82.3% improvement on the 2009 result. The Capital Investment process was reviewed, and the company's procurement and purchasing processes and procedures were unified and updated.
- **Growth in South Island tourism:**
Visitor numbers increased by over 92,000. There were record numbers of passenger movements in the months of January, February, March, April and June of 2010. The year saw over 6 million passenger movements, the highest number ever in one year. Joint ventures with tourism organisations continued. Tourism growth resulted from building strong relationships with airlines and tourism operators within targeted international markets. There was a significant increase in the expertise and capability of the route development team. One national and three international marketing awards recognised the achievements of the aeronautical business development team.
- **Delivery of superior customer service:**
Customer survey research showed consistently positive responses for help given to visitors by Integrated Terminal Project (ITP) ambassadors and the Customer Service team. Areas of improvement were in food offerings and WIFI access: in March 2010, 30 minutes free WIFI was made available in the terminal. In July 2010, HMS Host was awarded the tender for three packages of food and beverage outlets for the new terminal, comprising 11 new food and beverage outlets. From early 2011, there will be a greater variety of food available with improved quality and presentation.
- **Provision of fit-for-purpose infrastructure:**
A new terminal and redeveloped apron are being constructed, which will provide advanced technology for airlines and customers and be adaptable to various growth scenarios. CIAL became a telecommunications network operator in April to facilitate the telecommunications needs of campus tenants and reduce the environmental impacts of having numerous providers dig up roads.
- **High-performing and fully engaged staff:**
Staff engagement has improved dramatically through leadership training, development of teams, and focused communication and involvement from a highly visible management team. Operational teams were reconfigured to make the organisational structure more logical and effective. Performance was enhanced through updating CIAL technology.
- **Sustainable operation and contribution to the community:**
The economic base of the company is wider and stronger following its diversified approach of route development, facilities marketing, retail expansion and property development. The latest regional planning decision from ECan commissioners supports the provision of updated noise contours. There has been work to construct additional Runway End Protection Areas and Runway End Safety Areas. There is ongoing progress with CIAL's environmental programmes, particularly in terms of energy efficiency and recycling. The airport received its carbonZero^{com}™ recertification for the third year in a row. In terms of positive contributions to the community, CIAL sponsored two key Christchurch events: the Ellerslie International Flower Show and the World Buskers Festival. The company also supported the Fresh Start community programme, became involved in various charity events, and instituted a new programme of charitable donation. From a wider perspective, the growth of CIAL brings numerous benefits to the Canterbury region and the South Island as a whole, increasing its wealth, employment and productivity.



progress at a glance



CHAIRMAN'S REPORT



Last year I noted the challenging nature of business in 2008/09, the result of the global recession. That recession, while not over from a global perspective, is waning in Australasia, and we are seeing encouraging signs of growth at Christchurch International Airport.

The 2009/10 financial year has seen improvement in every area of the company's business, and our infrastructure development programme is well advanced and on track. The company's revenue diversification programme has also progressed satisfactorily.

In the financial area, company operating revenues are up (EBITDA is up 9.4% to \$60.8 million), passenger numbers have increased (the company had over 6 million passengers for the year, the first time that threshold has been crossed), and costs are less than budgeted.

As a consequence, we are pleased to report an operating surplus after tax for the year of \$26.8 million. However, owing to the removal of the ability to claim depreciation on buildings for tax purposes as contained in the 2010 Budget, the company is required to make a deferred tax adjustment which, to meet financial reporting obligations, must be charged against earnings. This reduces the result for 2010 to a deficit after tax of \$260,000. This adjustment has minimal impact on the company's underlying profitability and cash flows and should not be taken into account when assessing the financial performance of the company.

In the area of environment, the company has maintained its high environmental quality standards and carbon neutral status. In the area of community engagement, it has refreshed its approach and improved its communications with good outcomes. There is a better understanding of issues by both the community and the company.

The new Integrated Terminal Project (ITP) is taking shape rapidly. It is the subject of considerable complimentary comment, and we are confident it will be the attractive, functional and fit-for-purpose infrastructure we have planned when it is complete. A new Regional Departures Lounge, which is being built at the southern end of the main terminal area is also part of the ITP development. This area will be specifically dedicated to regional turbo-prop operations.

Because of the public interest in our terminal development, we have created a separate lift-out section on ITP as part of this Annual Report.

The company has made good progress with its diversification strategy, something we see as imperative

to enable the company to develop stable and significant revenue flows, given aeronautical volatility. The principal objective of developing such alternative revenue streams is to give the company more flexibility in maintaining and growing air services into Christchurch. We are very keen to demonstrate to airlines the value that is available from using Christchurch International Airport, and we are actively seeking to establish or increase direct long-haul services.

Over the next few years the company will be making investment decisions that implement our strategy to ensure Christchurch International Airport is rated as a leading airport by airlines, passengers, visitors, and the community, as well as being a great place to work for our staff and contractors.

We are making considerable investments in commercial and property projects, infrastructure and customer relationships. They will form the basis of good growth and return in the future. Excellent service, quality infrastructure and good relationships are key drivers for the company.

Our new management team is making its mark, and the company's achievements reflect their good work and dedication to "Christchurch Airport". I wish to record my thanks to the management team and to all other staff. Everyone's input contributes in some way to the company's performance and image.

I also welcome two new directors who joined the board during the year. Catherine Drayton replaced Sue Sheldon, who retired after reaching the end of her term of appointment. I thank Sue for her invaluable input. Catherine has taken on the role of Chair of our Risk, Audit and Finance Committee as part of her director responsibilities and brings her international advisory experience and accounting credentials to the board. The other new director is George Gould, appointed to fill the vacancy left by Jim Boulton who resigned to take up the CEO role with the company last year. George is an experienced businessman and brings his commercial insight and business knowledge to the board.

The board of Christchurch International Airport Ltd (CIAL) is committed to ensuring that the necessary investment and effort are made to ensure the company services its customers and its community efficiently and well, and that over time, shareholders receive a satisfactory return on their investment. In terms of its development history, the company is moving forward with new infrastructure and air services, and we look forward to Christchurch International Airport continuing its sustainable growth.

David Mackenzie Chairman



chairman's report

"The 2009/10 financial year has seen improvement in every area of the company's business, and our infrastructure development programme is well advanced and on track."



BOARD OF DIRECTORS



George Gould

Appointed: 2009

George Gould is an investor and company director. He is Chairman of Gould Holdings Limited and subsidiaries. A graduate of law from Canterbury University and of finance from the London School of Economics, he has a background in investment banking. He is also a director of PGG Wrightson, Pyne Gould Corporation and Orion NZ.

Philip Carter

Appointed: 2005

A civil engineer by profession, Philip Carter has had significant experience as Chairman of Carter Group Limited, Philip Carter Management Limited and Crystal Plaza Limited. He is a director of Avonhead Mall Limited and a Board member of the Museum of New Zealand Te Papa Tongarewa. He was previously a director of Christchurch City Holdings Limited, Orion NZ Limited, Trustbank (Canterbury) Limited and Enerco (NZ) Limited.

Philip has been heavily involved in local government and is a sponsor of a number of arts programmes.

Catherine Drayton

Appointed: 2009

Catherine Drayton has extensive overseas management experience, most recently as a senior partner at PricewaterhouseCoopers, leading the Assurance & Advisory practice for Central and Eastern Europe from 2001 to 2004. Prior to this role, she was a mergers and acquisition specialist, principally focused on the manufacturing and energy sectors. Since returning to Christchurch, Catherine has focused on work as a professional director for companies and organisations including Meridian Energy Ltd, Ngai Tahu Holdings Corporation Ltd, Industrial Research Ltd, Hockey NZ and the University of Canterbury Council.



board of directors



Hanlin Johnstone

Appointed: 2005

Hanlin Johnstone has had considerable experience in civil infrastructure development and is currently Chairman of Dunedin Casinos Limited. He is also a director on a number of boards including Fulton Hogan Limited.

David Mackenzie - Chairman

Appointed: 2008

Currently a consultant and professional director, David Mackenzie has substantial business and governance experience from his career as a corporate advisory lawyer and company director. David has advised some of New Zealand's largest companies on various business and structural issues, including companies in the aviation industry.

As a professionally qualified pilot, David also has an extensive understanding of airways and airport requirements.

He left legal practice in 2004 after completing a term as chair of one of the large national law firms. Formerly a director of NZX-listed Lyttelton Port Company Ltd, he is presently a director of meat processor and exporter Alliance Group Ltd and a number of private companies.

Ann Harper

Appointed: 2007

Ann Harper joined the Board of Directors in October 2007. An accountant by profession, Ann has spent nearly 15 years in the air freight forwarding industry in Auckland and during that time was a director of Auckland International Airport Limited and Airways Corporation of New Zealand Limited. In 1998 she moved to the South Island and took up a position as CEO of a dairy company, and is currently the Executive Director of the New Zealand Seed Industry Association based in Christchurch.

CHIEF EXECUTIVE'S REPORT



Executive summary

The past year has seen CIAL embark on a journey towards a goal to make the company more robust in a financial sense through diversification of its income streams. This journey is spelt out in the company's 10

year strategic plan which the Executive and Board signed off in April 2010.

The strategic plan was one of a number of major milestones the company achieved during the year which are outlined in this report. The year has been one of consolidation, a strong financial result and sound progress on a number of major projects.

Primary amongst these has been the construction of the new terminal. In many ways, we are building for the next generation – hence the visual theme of this Annual Report. Our planning and building for the future also reflects our increasing focus on sustainability, through building an airport that is a key asset for the South Island and one that will function optimally throughout future decades.

Our sustainability also depends on our people and performance. CIAL has resolved many of the issues which previously affected the morale and engagement of its staff, and as a result our team are now significantly more engaged and stable, working with management as one entity towards the goals we seek to achieve.

During the year, CIAL undertook an exercise to compare its performance against other similar airports. In a number of areas, management and the Board concluded that our performance in past years had not been satisfactory. Many initiatives have been put in place to lift our performance in coming years and progress has been made towards that end during the 2010 year.

The year remained a highly demanding one in the aviation industry with ongoing upheavals and, as is the norm in our industry, unexpected events (such as the Icelandic volcanic eruptions) which continue to challenge aviation from time to time. In that context, CIAL's performance has been generally pleasing.

Financial performance

During the year, CIAL reached agreements with its airline partners on pricing arrangements, based on its pricing reset announced early in 2009. The timing of the reset was unfortunate in that it occurred during the most challenging period in aviation history. However, recognising that background, CIAL management undertook open and collaborative dialogue with airlines and reached a satisfactory outcome for all parties.

A considerable amount of work went into control of costs during the year and it is notable that operating costs were in excess of \$1 million below budget for the 12 months. This, together with some improved commercial results from our major concessions, produced a strong performance for the year.

The year ended with an operating surplus after tax, excluding the deferred tax adjustment, of \$26.8 million. However, the changed taxation policy in the 2010 budget relating to the ability to claim depreciation on buildings necessitated a deferred tax adjustment of \$27 million through the Statement of Financial Performance. This adjustment resulted in a net deficit after tax of \$260,000. This is further explained in the financial statements later in this report. In real terms however, the company achieved an after-tax profit of \$26.8 million, the best operating result the company has ever achieved. This result is inclusive of \$2.1 million in investment property revaluations. The previous best result achieved in 2008 (\$23.4 million) similarly included an investment property revaluation item of \$3.9 million.

All in all, a satisfactory result given the state of the aviation market in 2009.

Market growth & performance

The 2009/10 year saw a record for the company in achieving 6 million passengers in a 12 month period. This represents an increase of 92,000 over the previous 12 months.

Last year, CIAL noted that retention of existing services and growth of new routes were priorities for CIAL. That remains the case. The loss of domestic services from Pacific Blue has been disappointing. However, both Air New Zealand and Jetstar have produced sound domestic numbers throughout the year.

A pleasing performance on international routes has been delivered through several factors: strong trans-Tasman numbers across all airlines as a result of competitive pricing, marketing initiatives by the airlines and CIAL, the favourable value of the New Zealand dollar against the Australian dollar,



chief executive's report

"The 2010 year saw a record for the company in achieving 6 million passengers in a 12 month period."



a strong marketing campaign by Tourism New Zealand and excellent ski conditions in both the 2009 and 2010 seasons.

While improving passenger numbers for virtually all trans-Tasman operators has been a highlight of the year, CIAL is aware of the pressure on yield for airlines in the trans-Tasman market and monitors this closely. Elsewhere, it is of concern to the company that its only long-haul route is the Christchurch-Singapore route provided by Singapore Airlines. A considerable amount of work has been put in during the year to develop new long-haul routes and the company is confident that progress will be made in this area during the 2011 year. Through its marketing team, CIAL works with existing and new airlines to develop new routes to new destinations. In that respect, where possible, CIAL endeavours not to cannibalise existing routes serviced by existing airlines.

The world economic situation still provides an uncertain future for both domestic and international operations. That said, an increasing part of our future business will come from Asian markets, for which the longer-term future appears outstanding.

Aeronautical

The company's aeronautical operations including airfield operations, aircraft and freight facilities, passenger facilitation, and terminal management, maintenance and development provided revenues of \$42.9 million, an 8.7% increase over 2009.

In April 2009, CIAL implemented an aeronautical pricing reset, the first for eight years. At the time, CIAL identified that a significant increase was required to reflect increases in the value of the assets invested in aeronautical activities and operating costs. However, it was also noted that the increase came at a time when our airline partners were feeling the direct effects of a slowing tourism industry, increased costs and factors associated with the global financial crisis.

As a consequence, the company implemented a transitional pricing path and undertook a series of engagements with airlines to reach agreement on pricing for the current aeronautical pricing period.

In hindsight, the decision not to adjust aeronautical pricing for an eight-year period was a mistake and CIAL has paid the price with lower aeronautical income than may have been the case had the matter been addressed earlier. That said, ongoing collaborative relationships with our airline customers are of ultimate importance and the agreements reached will ensure that those relationships continue.



Terminal development

In May 2009, work started on the construction of the Integrated Terminal Project (ITP) which will see the replacement of the existing domestic terminal and the international check-in area. Work is progressing well on the first stage of the development, namely the new integrated check-in hall and first-floor retail and food and beverage spaces. That is due for completion in early 2011 and work will then start on the next stage, which will see the demolition of the existing domestic terminal and the construction of new airside facilities. The new terminal is due for completion in mid-2012, with final work on the aircraft aprons concluding in early 2013.

The end result will be a terminal which, for CIAL's size, will, without doubt, be the best available in Australasia. As far as possible, ITP is future-proofed and should have a life of 40 – 50 years.

A detailed overview of this very substantial development is included as a lift-out feature appended to this report.

Projects

In addition to ITP, CIAL has embarked on renovation of its International Terminal with a redevelopment of the duty free and food & beverage outlets in the International Departures area and the construction of a new duty free offering at International Arrivals. This \$10 million project is due for completion in late 2010.

During the year, the Long Term Car Park was resealed and a covered walkway built to allow comfortable passage in all weathers into the terminal.

Commercial revenues

Commercial incomes are a major priority for CIAL, given the objective to achieve a wider spread of revenue sources. Several significant developments have taken place this year.

JR Duty Free has come on board as the new duty free provider, effective 1 July 2010. This family-owned company from Australia is one of the pioneers of duty free retail in Australasia and we predict an improved financial performance from this area of our business.

During the 2010 year, a tender process resulted in the introduction of a new foreign exchange operator, Travelex, from July 2010. Travelex is an international company which provides Forex services at many international airports. The introduction of Travelex will significantly improve the financial return from this part of our business.

Of major importance, an international tender for the provision of food and beverage services in the terminal took place late in the 2010 financial year. HMS Host, the present provider, was a clear winner in this process and CIAL looks forward to a revitalised, varied and attractive offering of food and beverage facilities catering for all tastes and budgets.

A process of review of licensing for ground transport operators is underway. Many of the arrangements with ground transport operators have been in place for up to 12 years without pricing review and this is being addressed. While ground transport operators are naturally concerned over this, the airport must achieve an acceptable financial return on the facilities it provides which are used by ground transport operators.

Property

The global financial crisis has impacted the commercial property market in New Zealand quite severely. As a result, the planned progress in new developments on the airport campus has not progressed at the rate foreseen earlier. That said, CIAL has begun developing Dakota Park, a new freight and logistics precinct close to the terminal. It has recently finalised an agreement with document storage company, Recall, for the development of a new 7,000 m² document storage and retrieval building to be built on the Dakota Park site.

Work has begun on infrastructure for Dakota Park with the extension of Ron Guthrey Drive leading into the Dakota Park precinct well advanced. Several leads for further developments in Dakota Park are under consideration.

The company's proposal for the retail services precinct, Spitfire Square, continues through its planning stages and CIAL expects to make further progress towards the development of this exciting opportunity during the 2011 financial year.

Our property team have made excellent progress in other respects, particularly in terminal leasing projects.

Industry issues

In consultation with New Zealand's three major international airports, the Commerce Commission is developing a new Information Disclosure regulatory regime for the provision of airport services at Christchurch, Auckland and Wellington International Airports.

The regime will include the development of such input methodologies including valuation of assets, the allocation of assets and costs to various airport activities and the weighted cost of capital. Along with the New Zealand Airports

Association and Auckland and Wellington Airports, CIAL has participated in a range of submissions and workshops with the Commission over the last year to develop both input methodologies and frameworks for information disclosure.

On 31 May 2010, the Commission released its draft determination and supporting reasons for Input Methodologies and Information Disclosure. Submissions have now been made on this crucial phase of regulation development and while the initial determination has taken significant recognition of airports' submissions, uncertainty still exists until the final determination is released by the Commerce Commission.

Planning and regulation

During the year, the company made extensive submissions on the Regional Policy Statement aimed at protecting the airport from further encroachment by residential development, the maintenance of the existing 24/7 operating capability, and to provide further surety around the airport's future development. The initial findings by the commissioners were, by and large, favourable from CIAL's point of view although the company remains concerned over the status of some areas of land surrounding the airport and within predicted noise contours.

For the future of the airport company, and indeed the economy of Christchurch and Canterbury, it is vital that the airport continues to retain its non-curfewed status and the company's efforts are directed towards this end.

CIAL retains its carbon neutral status, one of the few airport companies in the world to have achieved this. CIAL is ever conscious of its position over the recharge zone for the city's aquifers and applies best-practice environmental standards to all campus operators.

Operational issues

CIAL is a diverse and technically complex business. The airport operates 24/7 and is subject to regular and stringent audits by Civil Aviation Authority and other regulatory authorities. CIAL prides itself on its operating standards in this regard.

During the year, the company took delivery of the second of its two new fire tenders as part of the company's requirement to ensure its emergency response capability is at a best-practice standard. Two emergency training exercises during the year helped ensure the excellent response by staff to the major earthquake in early September 2010.

The unpopular passenger departure charge paid by international departing passengers ended on 30 June 2010 and was replaced by a passenger service charge, which is now part of the airline ticket cost. CIAL is aware that this payment was a frustration for international passengers and is pleased this process is at an end.

CIAL is acutely aware of its position as the major gateway for visitors, both international and domestic, to the South Island. As such, it has a responsibility to provide a superior level of service to its visitors. The company has been conscious for some time of a conflict in both providing information and assistance, and selling accommodation and sightseeing activities at its Travel and Information desks. To overcome this, a group of volunteers has been recruited to provide complementary information to the travelling public. This in turn has allowed the rebranded Travel & Tourism team to concentrate on its prime task of providing travel and tourism activity bookings for the tourist market.

For some time, CIAL's Facilities Maintenance Division had been under review. The review was completed during the year and the decision made to retain the function in-house. Facilities management has a high level of operational skills capable of carrying out functions over and above that required by the airport company itself. As such, the Facilities team has been rebranded as "Propel Services" and will seek to provide an extended range of services to businesses on the airport campus generally.

The company has recently moved its administration offices to the vacant area above the main car park building, allowing its terminal office space to be used by airline tenants required to shift as part of the terminal development. The new CIAL offices feature a cost-effective open-plan layout which the company believes will improve productivity.

Marketing and community engagement

The role of airports in route development has increased considerably in recent years. It is now the norm for airports, both individually and in paired arrangements, to actively drive new routes through the preparation and presentation of business cases to potential airline customers. Airports also now find themselves required to financially support new routes through their development stage to ensure the success of new services. CIAL's in-house marketing team works with tourism partners and airlines in New Zealand and overseas to this end. Considerable progress has been made and the company hopes to see some positive results during the 2011 year.

CIAL continues to engage with the community via a new triannual publication, *Airport Voice*, as well as newsletters and numerous speaking engagements.

CIAL continued its support of the Ellerslie International Flower Show and the World Buskers Festival, both important events for the city and generators of significant local income. On the initiative of its fire service staff, CIAL has also become involved in the "Fresh Start" group, a highly successful programme designed to up-skill and mentor at-risk youth.

September 2010 earthquake

The major earthquake that struck Canterbury in the early hours of Saturday 4th September appears not to have had a significant effect on the company. As a precaution, the airport was closed following the quake, while engineers surveyed runways, terminal buildings and the car park building. Once these were pronounced safe, compliant and operable, the airport reopened seven hours after the quake.

Staff were well prepared to deal with this natural disaster and our team coped in an exemplary fashion.

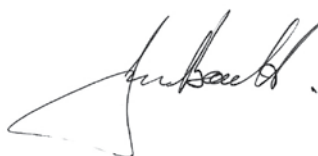
The airport's corporate offices were, however, badly damaged and staff have been temporarily relocated until repairs have been undertaken.

Our people

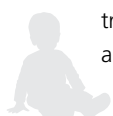
Since early 2009, there has been significant change to the executive team at CIAL. The company now has a strong and stable executive team capable of leading CIAL through the challenging strategy planned for the next ten years.

CIAL is indeed fortunate to have a long-term and very stable workforce generally. They are committed to the company, as the company itself is committed to them. The company regularly celebrates long service of 30 – 35 years for many of its team members, who provide excellent resources, skills and a knowledge-base on which CIAL's business is based. I thank all staff for their efforts and contributions in achieving the many successes over the last year.

In summary, the last year has been one of intensive work to lay a sustainable business path for the future. Stage 1 of the new terminal opens next year, all key projects are progressing well, the process of developing diverse streams of revenue is underway and the refreshed ten-year strategy provides a focused direction for the future. The company has clear short and long-term goals, and looks forward to reporting on their progress next year.



Jim Boulton Chief Executive



chief executive's report



“The last year has been one of intensive work to lay a sustainable business path for the future.”

EXECUTIVE TEAM



From left to right: Geoff Eban, Leeanne Carson-Hughes, Gareth Owen, Rhys Boswell, Jim Boulton, Blair Forgie, Andy Lester, and Neil Cochrane on the airport's Viewing Deck, with the old Air Traffic Control tower and the new Airways tower in the background.

Executive Team





Jim Boulton

Chief Executive

Jim was appointed as the Chief Executive of Christchurch International Airport Ltd in 2009, following six years as one of the airport company's Board of Directors. He is a director of several private companies, and was previously Deputy Chairman of Tourism New Zealand. He has had an extensive business career in many fields including tourism, financial services, property, publishing and hospitality.

He was a major shareholder and the Managing Director of Shotover Jet for 16 years, which offers one of New Zealand's most famous tourism experiences. Jim has had a lifelong interest in aviation.



Andy Lester

General Manager
Operations & Infrastructure

Andy is a Canterbury local with extensive operations and general management experience. His previous roles include General Manager New Zealand for General Cables and General Manager Operations for Dynamic Controls.

His team is responsible for most aspects of airport infrastructure and operations, including meeting all audit and compliance requirements for a Category 8 airport.

Team responsibilities

- Operational quality management and compliance
- Day-to-day operations at the airport including:
 - Operational capability of airport facilities
 - Quality and security
 - Health and safety
 - Rescue / fire
 - Car parking and land transport
 - Customer Services
 - Airport Volunteers



Executive Team



Blair Forgie

General Manager
Property

After working for CIAL as a property advisor, Blair began his role as General Manager Property in March 2009. Blair is a registered valuer and chartered accountant and has most recently been an independent property consultant. Previously Blair held positions with AMP Capital Investors and Ernst & Young.

Blair's team manages the property portfolio of the airport which includes the terminal and wider campus.

Team responsibilities

- Implementation of the airport's commercial property management and development strategy
- Management and development of the airport's terminal property with a particular emphasis on retail and concession areas
- Focus on key commercial partnerships with airlines, retail operators, airport business partners, ground transport operators and industry stakeholders



Neil Cochrane

General Manager
Business Services

Neil joined CIAL in 2005 following extensive management experience in both New Zealand and Australia across a wide range of industries including energy infrastructure, health, telecommunications, primary sector and manufacturing.

Neil's team provides business support to the company through the functions of finance, business analysis, organisation risk management, technology solutions, legal services and procurement.

Team responsibilities

- Provision of expert business capability
- Finance and treasury management (including funding and cash management)
- Risk management (ensuring business continuity and mitigation of business risk)
- Technology solutions (for both day-to-day operations and the development of CIAL's future technology platforms)
- In-house legal services
- Company-wide procurement



Geoff Eban

General Manager
Terminal Development

Geoff joined CIAL in 2007 after 36 years with the Air New Zealand group in technical and engineering positions. His 15 years with Air Nelson gave him extensive knowledge of the regulatory, compliance and technical aspects of the aviation industry. Previously the General Manager Operations and Infrastructure for CIAL, Geoff was appointed to this new management role in 2009.

Geoff's team is focused on the construction and operation of the new integrated terminal.

Team responsibilities

- Delivering the new terminal on time and on/under budget
- Achieving good levels of quality and functionality for the new terminal building
- Ensuring high safety standards are maintained for site workers and members of the public on and around the site
- Catering for future growth in demand and in technology

Leeanne Carson-Hughes

General Manager
Human Resources

Leeanne joined the company in November 2008, having held senior roles at Wrightson and Crop and Food Research, where she was the General Manager Human Resources. Leeanne was the president of the Canterbury branch of the Human Resources Institute of New Zealand (HRINZ) and a member of the National Board from 2008 to 2010. In 2009, she won Canterbury HRINZ Generalist Human Resources Person of the Year.

Leeanne's team supports over 200 staff throughout the airport campus, ranging from office staff and electricians to firemen and travel consultants.

Team responsibilities

- Day-to-day HR support to team managers
- Organisational support for new initiatives
- Employee and organisational wellness
- Talent and capability development
- Resource planning for the future



Executive Team



Gareth Owen

General Manager
Marketing and Business Development

Gareth joined the company in September 2006, with a strong background in marketing and business development. He previously held senior managerial roles within the travel and tourism industry in both Australia and New Zealand.

Gareth's team focuses on marketing initiatives, route development, communications and sponsorship.

Team responsibilities

- Airline route development
- Air cargo development
- Development and implementation of business growth strategies
- Communications and corporate relations
- Marketing strategy, tourism development and brand management
- Focus on key partnerships with airlines, tourism operators, airport businesses and industry operators
- Travel and Tourism services for passengers
- On-line marketing and websites



Rhys Boswell

General Manager
Planning and Environment

Rhys has worked for CIAL for the past eleven years in a variety of management roles. His professional experience includes Resource Management Act planning, master planning, environmental management, project management and property development, gained through his years at Hong Kong and Christchurch International Airports.

Rhys' team focuses on planning for the airport and works on land-use and environmental issues.

Team responsibilities

- Development and implementation of the company's long-term airport infrastructure / land-use planning strategy (airside and landside) and the environmental management strategy
- Ensuring compliance with all legislation relating to airport planning / environment
- Responsibility for the management and procurement of resource consents that support the airport's development needs

STRATEGIC DIRECTION

**CIAL has a 10 year strategy driven by a new vision, which is
to be the BEST airport in New Zealand.**

Christchurch Airport will be a leading airport by delivering a world-class passenger experience, being an innovative partner and delivering excellent economic returns through sustainable business practices.

The plan has five key areas of focus:

- 1. Our people** – have engaged staff who perform strongly, and be the employer of choice through continuing to develop the best practices for remuneration, recruitment and talent development.
- 2. Aeronautical** – provide the best service to our airline clients and passengers, be operationally excellent, comply with the various regulations and continue to grow our aeronautical business through focusing on route development, terminal development, passenger flow, air cargo, airfield development and safety and compliance.
- 3. Commercial** – maximise revenue from our retail, parking, infrastructure, Travel & Tourism and new commercial activities.
- 4. Property** – provide the best service to our tenants, complete new property developments and maximise property revenue; further develop our freight and logistics precinct (Dakota Park) and successfully develop a new commercial services precinct.
- 5. Business resources** – ensure we have the resources, funding, consents, systems and best practices in place to achieve our plan, and be a leader in environmental and sustainable practices.

**Purpose: The overall purpose guiding CIAL is
to target success through customer service, efficiency and diversification
across all three spectrums of aeronautical, commercial and property.**

Brand: New Zealand's Tourism Gateway

Increasing international tourism volumes through route development and joint ventures is a key platform of the strategy. It creates additional value to our shareholders through economic leverage generated for Christchurch and the South Island.

Being the Best

Christchurch Airport has a renewed focus on customer service to provide passengers, visitors and airlines with a great airport experience. The modern terminal that is being built will be a dramatic improvement on present facilities, and give Christchurch an airport to be proud of as a gateway to the best of New Zealand.

2010 – 2019 is a period of significant opportunity for CIAL to grow and deliver improved returns and performance to our stakeholders while adapting to the changing business environment.

Current major initiatives to achieve long-term value gains are:

- the new terminal development
- our commercial and property development programme
- partnering with airlines to develop routes
- improving facilities to enable the best service for passengers, airlines and tenants
- achieving planning consents to enable development.



strategic direction

“The company will be making investment decisions... to ensure Christchurch International Airport is rated as a leading airport by airlines, passengers, visitors and the community.”



AERONAUTICAL DEVELOPMENTS

Snapshot of the industry

The aeronautical industry continues to change rapidly as it deals with significant economic and market changes. Following the economic upheaval arising from the global credit recession in 2009, the aviation industry market is now showing signs of recovery.

Several key trends and events have affected the aeronautical industry, particularly airports:

- the ongoing growth of the low-cost carrier model, which has increased the level of competition and reduced the cost of travel for passengers
- constraint in industry growth due to lack of availability of suitable aircraft and the drive to improve route yields and load factors by airlines
- the need to diversify revenues as airports face pressure to rapidly adapt facilities, services and pricing in the face of reduced economic returns to airlines
- the change of inbound market volumes, with a stronger inbound Australian market and a decrease in longer-haul markets such as the USA and UK
- the volatility of aeronautical income through events such as the economic recession (which reduced disposable income) and the volcanic eruptions in Iceland which closed European airports and grounded many flights, causing major disruption to the global network.

The convergence of these trends and events has highlighted the need for airports to reconsider investment decisions, control costs and diversify their income streams. Diversification requires focus on different opportunities to stimulate commercial revenues.

Jetstar introduced domestic services in June 2009 and achieved the goal of 1 million passenger movements within 10 months. Based in Christchurch, they have recently added engineering maintenance and services to their activities at Christchurch Airport.

Further market developments have been experienced through domestic route rationalisation and the recent withdrawal of Pacific Blue from domestic operations and competition.

The continued fierce competition between airlines nationally solidifies the need for CIAL to be competitive with other New Zealand airports (particularly Auckland, Wellington, Dunedin and Queenstown) as increased competition for direct route access accelerates. The

announcements in July 2010 of an alliance between Auckland and Queenstown Airports, and new Jetstar routes from Australia direct to Queenstown are examples of such competition. There was also an announcement from Air New Zealand that it would increase the number of flights between Christchurch and Wanaka during the winter season, offsetting the above examples.

Route yields and flight turnovers continue to be closely monitored by airlines and airports, requiring the market to be continually responsive and flexible to changing demand.

Both domestic airlines are introducing self check-in, using advanced kiosk technology and web technologies. Such technology will reduce operating costs and check-in times and lead to an improvement in passenger flow processes.

Throughout this period, CIAL's passenger volumes have held strong with a growth of 1.6%, taking the total passenger numbers to over six million for the year ending 30 June 2010.

Aeronautical operations

The company's aeronautical operations include airfield operations, aircraft and freight facilities, passenger facilitation, terminal management, maintenance and development. Various projects have been progressed this year:

Airline charging

Airline charges remained static from 2000 to 2009. Following an extensive consultation process, airfield charges were increased from 1 April 2009 to compensate for increased operating costs and achieve the necessary return on asset investment.

The commissioning of the new integrated terminal development, due to be completed in 2012, will require further price increments to achieve the necessary return on the significant investments made.

Car parking

Car parking facilities have been progressively improved through major tarsealing, and construction of a covered walkway extending from the terminal to the Long Term Car Park.

Car parking charges were also restructured during the year, to manage volumes and ensure that people parked in the best value car parks for their needs.



aeronautical developments

“The continued fierce competition between airlines nationally solidifies the need for CIAL to be competitive with other New Zealand airports.”



Achievements: aeronautical operations

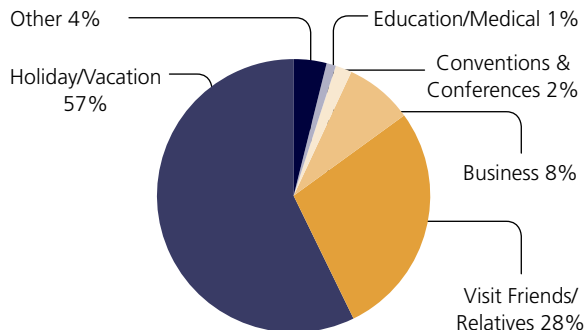
2009/2010 was an extremely busy year, with significant progress in aeronautical activities and development. Over this year, CIAL

- provided significant and constructive input to the Commerce Commission in the development of the new Information Disclosure regulatory regime
- managed the terminal construction programme to ensure it remains on budget and on schedule
- successfully dismantled Hangar 2 to allow for construction of the new Regional Departures Lounge
- resealed the Long Term Car Park with 30% recycled asphalt
- constructed a covered walkway through the Long Term Car Park, and shelters by the pay machines
- after research and evaluation, a decision was made to retain Facilities Services in-house; the Facilities team was renamed Propel and restructured into a new team focused on delivering asset management solutions to our wider campus businesses
- re-organised operations staff into clearly delineated areas of responsibility: airfield, terminal and landside
- improved our rapid-response capability through upgrading the Fire Prevention fleet with a new specialist vehicle, (designed to respond to medical emergencies and other smaller incidents, such as car fires, and small building fire alarms) due in November 2010
- received an award for outstanding assistance to health authorities and management of the risk of H1N1 influenza

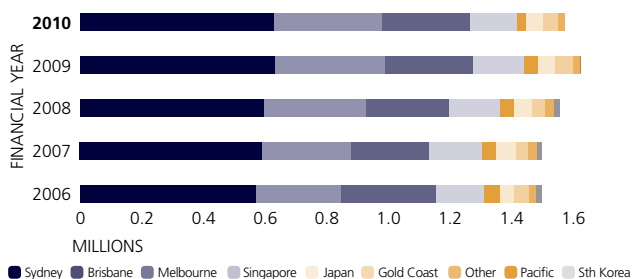
Next 12 months:

- Open Stage 1 of the new terminal
- Continue redevelopment of aircraft apron
- Investigation and potential development of a fixed-base operation
- Develop Propel services for campus tenants
- Further passenger growth
- Increase in cargo loads

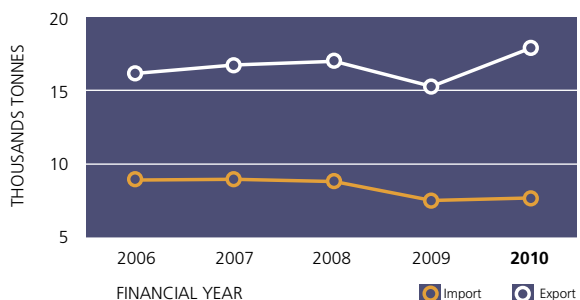
International passenger purpose of visit



International passenger growth by market



Cargo tonnes



Cargo value



aeronautical developments

“A crucial aspect of improving the performance of the company is through growth of emerging and new aeronautical markets.”



Market growth and performance

Retention of existing services and growth of new routes remain priorities for CIAL and are a key focus of the marketing team.

CIAL has developed a comprehensive strategic route development plan and works closely with targeted airlines in identified destinations to develop potential routes. Two areas of focus are South East Asia and the West Coast of the United States.

However, the importance of the trans-Tasman market to Christchurch and the South Island cannot be overstated; it will remain a critical base for CIAL's international traveller market. The forecast for passenger movements anticipates growth in both domestic and international routes.

With 85% of all international visitors to Christchurch Airport being leisure travellers, CIAL must continue its efforts to build strong relationships with airlines and regional tourism groups, and leverage its gateway position. Partnerships with tourism organisations and other airports are well developed and have been acknowledged even by its competitors.



National and international awards

- New Zealand Airport of the Year Award
- Oceania Routes Marketing Award
- Asia-Pacific Routes Marketing Award
- Global Routes Marketing Award

Christchurch Airport had a winning streak over the last year, collecting four marketing awards. The New Zealand Airport of the Year award is given for outstanding airport initiatives, and the CIAL submission was based on our route development and tourism marketing strategy.

CIAL also scooped the international Routes Marketing Awards, with wins for each level of the prestigious competition which are voted on by airlines all around the world.

This recognition by the international industry acknowledges the work done by CIAL with successful travel industry partnerships, tourism campaigns, airline relationships and operational excellence.

Achievements: marketing & business development

- Growth in annual passenger numbers by 92,000 to more than six million
- Record months of passenger movement numbers set in January, February, March, April and June 2010, with the highest passenger numbers in March 2010 for any month in the history of the airport
- 8.7% growth in aeronautical revenue
- 55,000 more passengers from Australia
- Introduction of Jetstar domestic services between Christchurch, Auckland, Wellington and Queenstown
- Joint-marketing campaigns undertaken with airlines and wholesalers in New Zealand, Australia, China, India, Singapore, and Japan to grow tourism and develop routes
- Regular visits to existing and emerging markets to develop relationships and maximise airline growth opportunities
- Instigation of a major theming and branding project to develop an integrated look for the airport terminal and further highlight Christchurch Airport's point of difference; four themed airbridges were complete by August 2010
- Further development of industry-leading website and online initiatives, resulting in a 24% increase in unique visitors and a 17% increase in page impressions per month
- Rebranding and positioning of Travel & Information to Travel & Tourism, now positioned in the Marketing and Business Development unit

Next 12 months:

- Confirm and launch at least one new long-haul route for CIAL
- Further grow short-haul and domestic services
- Complete branding and theming project throughout the International Terminal
- Launch Rugby World Cup airport experience
- Continue leading-edge joint-venture marketing campaigns with airlines and tourism organisations
- Reposition Travel & Tourism centres with a commercial focus

aeronautical developments



CASE STUDY

Theming and branding the airport

A major project is underway to give the airport an integrated visual theme and build on our brand, positioning Christchurch Airport as New Zealand's Tourism Gateway.

The theming and branding project will showcase South Island landscapes throughout the International Terminal and inspire people to visit the beautiful areas they highlight. The concept is to give visitors a unique Kiwi experience from the moment they arrive at the airport to the time they leave the airport.

Visitors will step off international flights into themed airbridges with floor-to-ceiling images of amazing scenery like the lush West Coast bush or the rich-toned beauty of the MacKenzie country. The sensory experience will be

amplified by sounds such as bird calls from the area and even smells of that environment, such as fresh forest air.

As visitors pass through Customs, they will walk past the largest video wall in Australasia where stunning images of our mountains, lakes and forests inspire them to visit. Another highlight in this area is a rock and water feature with the clear, pure, naturally filtered water of Christchurch bubbling up and over rocks, available for anyone to drink.

Large images will showcase the South Island throughout the terminal. The overall atmosphere will bring the fabulous outdoors of the South Island indoors, and contribute to making Christchurch an unforgettable airport.



CASE STUDY

Airport volunteers

In 2010, CIAL established a volunteer programme to improve customer service and assist visitors to find their way around Christchurch Airport. There are successful volunteer programmes in international airports from Sydney to Dallas. In New Zealand, Auckland Airport has had airport volunteers since 1995. The volunteers' purpose is to provide information and help to visitors with everything from finding the restrooms to directing people to airline check-in areas, as well as to be a friendly first and last impression of Christchurch and Canterbury.

Many of our volunteers are experienced people who enjoy being active and having contact with lots of people. They

take on the role because the airport is a busy and interesting place and they are part of a vital team. The volunteers sign up for a minimum of two four-hour shifts a week. With up to half a million passengers a month, their services are much needed.

The volunteers staff two kiosks at the airport, one by the Air New Zealand pier in the Domestic Terminal and the other in the Arrivals hall of the International Terminal.

This move will also free up Travel and Tourism staff to concentrate on selling travel, tours and packages to visitors.





CASE STUDY

Bird-repellent grass

Bird control is an essential part of ensuring airport safety. Keeping birds away from the airport involves a variety of measures, from scaring birds off the airfield through noise and bird distress calls to having a planting programme for grasses, shrubs and plants that will not attract birds.

CIAL has been doing a large amount of research on different grasses since the 1990s and has been working with AgResearch to develop a grass that birds did not find attractive or palatable.

AgResearch and CIAL agreed to use some airfield land to conduct the research. Each year several plots were planted out with different grasses, using different methodologies such as variation on sowing rates and fertiliser rates, to find the optimum variety and treatment. The plots were monitored to observe the types and numbers of birds attracted to them. If birds graze on endophyte grass to find seeds or insects, they get indigestion and their feeding behaviour alters. This learned behaviour continues through generations. CIAL now has 25 years of research showing bird response to different grasses.

The final result has been a specifically developed high-endophyte grass which includes a natural insecticide which keeps down the numbers of grubs and insects. In addition, it is unpalatable, making it unattractive as a food source. This year CIAL had 12 hectares of land planted with the experimental grass with natural insecticide and plans to gradually replace all the grass around the runways over the next ten years, thereby minimising birdstrike risk. The final phase of monitoring bird population response to the grass is underway.

Through research and development of this grass in partnership with AgResearch, CIAL is acknowledged as an organisation that is proactive in naturally deterring birds and administering its wildlife management programme. It has set a benchmark for all other Australasian airports, and is well on the way to achieving its objective of having the lowest birdstrike statistics of any airport in New Zealand.

PROPERTY

The last financial year has seen significant progress for the property team, with several major steps taken in achieving goals for projects in the terminal and commercial property portfolios.

The \$10 million redevelopment of the International Terminal airside retail area is well underway and will be completed by the end of December 2010. The development of new precincts in the airport campus to attract new business to the region is also progressing well, with confirmation of the first major tenant, Recall, in the new freight and logistics precinct, Dakota Park. Significant progress has also been made with the development of infrastructure for the first stage of Dakota Park.

A commercial services precinct is in the planning stages, with details expected to be finalised by mid-2011. Considerable interest has already been received from potential occupiers for this precinct.

CIAL is engaged in an active marketing process to airport-related businesses. The marketing strategy is aimed at attracting top-quality national and international businesses to Canterbury. The final shape of the developments will depend on the companies which express an interest in locating at the airport, and ensuring they are suitable for the area and meet planning requirements.

For the property team, achievements over the last 12 months in the terminal include:

- redevelopment of the International Terminal airside retail area, including construction of a new Departures duty free store
- the changeover in July 2010 of the duty free operator to JR Duty Free, with a seamless transition to the new operator
- the changeover to Travelex as the new foreign exchange operator from 1 July 2010
- the awarding of a major food and beverage tender to HMS Host; the tender involves 11 new food outlets in the large public area of Stage 1 of the new terminal and the International Terminal retail area, to be opened in early 2011
- commencement of Wishbone as a food outlet in the Domestic Terminal

- the establishment of a new 24-hour Underground Coffee kiosk in the International Terminal
- expansion of Underground Coffee, with an additional outlet in the Air New Zealand domestic pier.

Achievements in commercial property over the last 12 months include:

- commencement of the roading and infrastructure development for Stage 1 of Dakota Park, in cooperation with a neighbouring landowner
- confirmation of Recall as the first major tenant in Dakota Park
- substantive interest received from potential occupiers for the commercial services precinct
- commencement of building an addition to the International Antarctic Centre
- continuing to strengthen relationships with existing tenants
- successful completion of a number of tenant rental reviews and lease renewals
- asset management plans prepared for all commercial properties.

The coming year promises further progress in all these projects, including:

- further expansion of Dakota Park infrastructure
- confirmation of more tenants in Dakota Park
- more construction in Dakota Park
- finalising details of the commercial services precinct
- capitalising on more opportunities in the existing campus
- completion of the International Terminal airside retail area, including new food and beverage outlets
- completion of leasing for Stage 1 of the new terminal.



“CIAL looks forward to a revitalised, varied and attractive offering of food and beverage facilities, catering for all tastes and budgets.”





CASE STUDY

New food and beverage offerings in new terminal

The quality and variety of food and beverage offerings are a critical part of a visitor's airport experience and one that CIAL is constantly seeking to improve. Over the past year, Underground Coffee has opened two new outlets in the airport terminal and the popular Wishbone has established a presence in the Domestic Terminal.

The opening of the new terminal will give CIAL a valuable opportunity to refresh the look, quality and range of food and beverages on offer.

Following a tender process involving specialist global airport providers of food and beverage, the contract was awarded to HMS Host, part of the Autogrill Group, which provides a variety of food outlets in 114 airports worldwide.

The contract awarded is for a total of eight sites in Stage 1 of the new terminal, which is due to open early in 2011, as well as three sites in the International Terminal. The food stores will include The Coffee Club, Sakura Sushi, Noodle, Healthy Habits, Burger King, and Underground Coffee. The tender was won because of the quality and variety of the proposed food offering, as well as the high standard of design and finish of the proposed outlets, which matched the theming and quality of the new terminal.





CASE STUDY

Infrastructure for stage 1 of Dakota Park

Dakota Park consists of 80 hectares of land dedicated as a freight and logistics precinct. Situated close to the airport terminal, the area will be developed in several stages. Stage 1 involves the construction of infrastructure for the first 20 hectares of land. CIAL is developing the roading to this precinct in cooperation with the adjoining land owner, Calder Stewart Industries Ltd.

Major infrastructure work began in April 2010 to extend Ron Guthrey Rd for two kilometres through the site and install pipes for sewage and ducting for power, phone and broadband.

Recall

The first major tenant in Dakota Park is Recall, a company that specialises in document storage, archiving and destruction. Recall has leased a 2.4 hectare site on which CIAL plans to construct Recall's purpose-built 7,000m² warehouse facility with document destruction and archiving capacity. The facility includes their administration offices.

Building will begin in October 2010 and be completed by September 2011.



SUSTAIN A GROWTH



BLE

building for the next generation...

“In terms of its development history, the company is moving forward with new infrastructure and air services, continuing its sustainable growth.”

FREQUENTLY ASKED QUESTIONS



What is sustainability?



Sustainability has been described as the ability to meet existing needs and growing demands in a manner which balances economic progress, social development and environmental responsibility. This approach forms a critical element of CIAL's business strategy.



What does it mean for a business to be sustainable?



In the business context, sustainability can apply to a variety of elements of an organisation including the environmental, financial and social aspects. It refers to a company's long-term viability in terms of profitability and overall contribution to society and has been described as attaining a balance between profit, people and the planet. For CIAL, it includes components of planning, revenue diversification, environmental protection and community engagement, all of which will ensure the airport company's ongoing role as a crucial element in the essential infrastructure of the Canterbury region.



What does it mean to be carbon neutral?



CIAL was the first airport operator in the Southern Hemisphere to be independently certified as carbon neutral. It means all the green-house gas emissions arising from the airport company's own operations are measured, managed and reduced where possible. Any remaining omissions are offset by purchasing carbon credits.

The programme commitment reduces our emissions through measures that reduce our energy use, fuel consumption and waste. We are actively involved in energy efficiency programmes, which are detailed later in this chapter. As part of the Landcare Research carboNZero^{cert™} programme we are required to develop an Emissions Reduction Plan, and this is part of the measurement process. CIAL is committed to this type of programme as a cost of doing business.



Does it mean the flights are carbon neutral?



No. Aircraft are owned and operated by airlines, not the airport company. The carbon neutral status is about the operations of the airport company and the emissions created in the course of our activities.



What kinds of activities create greenhouse gases?



Airport company operations that create greenhouse gases include

- fuel usage for the CIAL vehicle fleet,
- electricity use for lighting and heating the terminal and other CIAL buildings,
- air travel for CIAL staff, and
- waste disposal from CIAL activities, such as corporate office activities.



How does community engagement relate to sustainability?



CIAL has a responsibility to engage with the community for two reasons: firstly, because the airport belongs to the Christchurch City Council and Government; and secondly, because it is the owner and operator of a key piece of transport infrastructure that supports the broader community. In order to develop this partnership with the community, CIAL has an open policy with the media and regularly hosts stakeholders such as neighbouring councils. It also sponsors key events in the region, regularly gives public presentations, publishes a community newsletter with detailed information about airport activities, and supports charities with a local presence.



Christchurch Airport's green Panther fire truck participating in the Variety Club water fight in Cathedral Square in March 2010.



frequently asked questions

“Long-term sustainability for the airport company requires planning to ensure the resources such as land, water and infrastructure are available decades into the future. ”

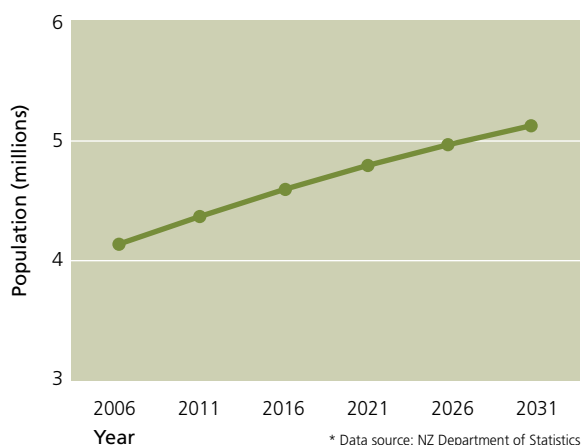


PLANNING

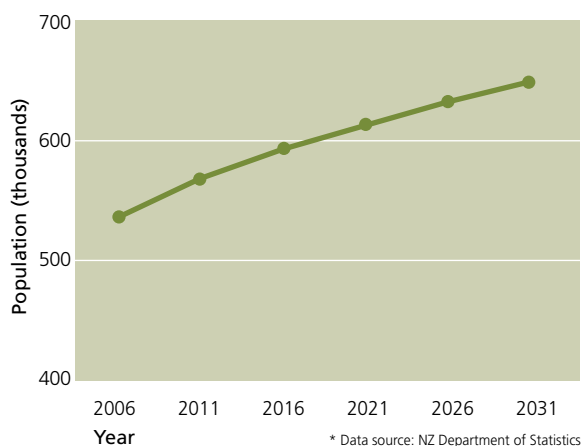
Long-term sustainability for the airport company requires planning to ensure the resources such as land, water and infrastructure are available decades into the future. The maintenance of noise contours is also vital.

Effective planning requires that various growth scenarios are forecast and provided for. Future growth of Christchurch Airport seems assured as both the New Zealand population and numbers of visitors to New Zealand are predicted to increase. A growing population will demand access to increased services for both passengers and freight. Planning for the airport takes growth in both areas into account.

Projected population growth in New Zealand*



Projected population growth in Canterbury region*



Noise contours

The calculation and application of noise contours is an important planning tool that provides for the long-term future of the airport, as well as the protection of the surrounding communities. Noise-sensitive activity such as residential development close to the airport has the potential to lead to operational curfews, which would dramatically inhibit the airport's activities and commercial viability. Noise contours and appropriate policies and rules in District Plans are a key land-use planning tool designed to avoid this kind of future conflict. Other noise-management measures employed by CIAL include the adoption of noise abatement procedures, airspace management requirements and the banning of certain aircraft types based on noise performance.

Throughout 2009, commissioners appointed by Environment Canterbury heard submissions on the Regional Policy Statement planning document, which will guide development in the region for the next 30 years. The commissioners released a decision supporting the inclusion of the updated noise contours. This decision will now be the subject of appeals to the Environment Court. Assuming a normal Resource Management Act time-frame, this could take another couple of years to reach a conclusion.

Safety

Safety in aviation is of primary importance. CIAL has an enviable record in adhering to all relevant national and international regulations and standards.

Recently, New Zealand Civil Aviation Authority required that Runway End Safety Areas had to be provided by October 2011. This regulation necessitated the purchase of land from the Harewood Golf Course in late 2008, as well as planning for the realignment of Pound Rd on the western boundary of the airport. CIAL has consulted with local residents and taken steps to amend designs to address neighbourhood concerns.

Financial sustainability

Financial viability over the long term is essential for the airport company to maintain and develop its business, its employees, and benefits to shareholders and the wider community. Its ten-year strategy includes significant emphasis on diversification of revenues to ensure a wide financial base that can sustain impacts from an industry exposed to a range of challenging influences.



“CIAL is committed to maintaining its position as a leader in environmental sustainability.”



ENVIRONMENT

As New Zealand's tourism gateway, CIAL is committed to maintaining its position as a leader in environmental sustainability. Over 100 organisations operate at the airport and CIAL provides environmental direction and guidelines for campus tenants through its Environmental Management Policy, Environmental Management Plan and Environmental Strategy, which are reviewed every three years.

Because of the airport's position above the groundwater recharge zone for the city's aquifers, a key focus for CIAL is groundwater protection through stringent management. Protection of the underlying groundwater resource is ensured by adherence to resource consents for stormwater discharge authorised by the Canterbury Regional Council. Some of the tools for ensuring consent compliance and groundwater protection include regular maintenance of stormwater systems, monitoring of stormwater and groundwater, and the provision of an Environment Compliance and Monitoring Programme Manual and Environmental Awareness Training to airport tenants.

As a guiding principle, CIAL seeks to achieve incremental improvements in overall environmental performance each year. In recent years, significant gains have been made in the areas of energy and waste management.

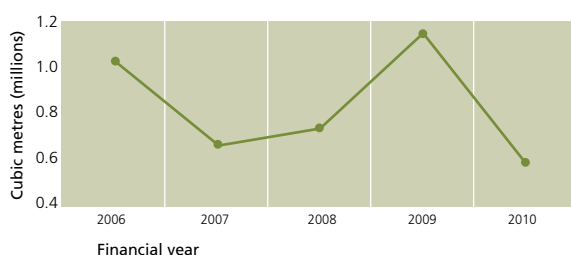
Over the last year, key environmental achievements include:

- continued implementation of the Environment Compliance and Monitoring Programme for airport operators
- carboNZero recertification for the third year by Landcare Research New Zealand
- an increase from 15% to 29% in waste diverted from landfill
- implementation of a major programme for reuse or recycling of construction site waste generated by the development of the new Integrated Terminal
- the annual runway maintenance programme (which involved the resealing of Runway 29) using 30% recycled asphalt
- increasing energy efficiency by implementing the recommendations of the Building Management Systems review
- collaboration with Air New Zealand on their innovative programme to recycle aircraft waste from domestic routes.

Performance measures

Water

Annual withdrawal of potable groundwater

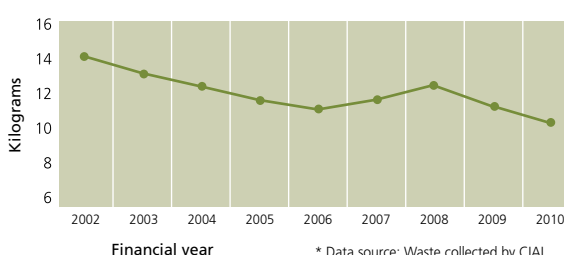


Use of artesian water for terminal cooling system

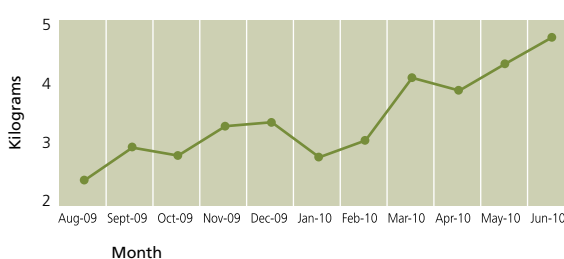



Waste and recycling

Kilograms of waste per 100 passengers*



Kilograms of recycling per 100 passengers



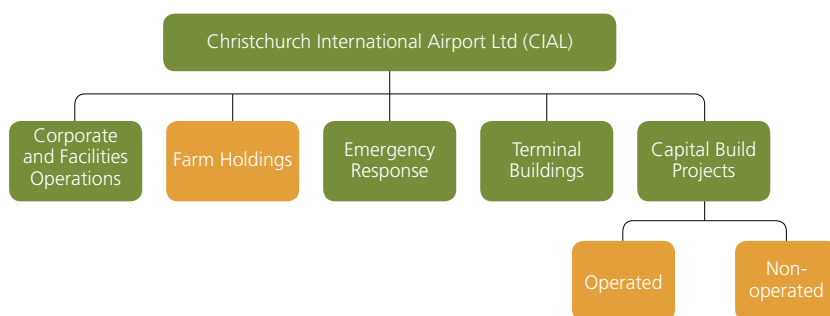
A photograph of two young children, a girl on the left and a boy on the right, playing in a shower. They are both smiling and looking up at the water spraying down on them. The water droplets are frozen in time, creating a dynamic and joyful scene. The background is a soft, out-of-focus blue, suggesting a shower curtain or wall.

“A key focus for CIAL is on groundwater and stormwater protection because of its unique position located over the groundwater recharge zone for the city’s aquifers.”

carboNZero^{Cert™} recertification

In November 2009, CIAL received its third carboNZero recertification from Landcare Research NZ. The recertification process involved the measurement, management, reduction and offsetting of the greenhouse gas emissions directly generated by the airport company's operations.

The diagram below shows the organisational structure used for describing Christchurch International Airport Ltd's greenhouse gas (GHG) emissions inventory, and the business units which were included in the carboNZero certification. The orange business units were measured but excluded from the certification.



GHG emissions source inclusions

The pie chart on the right shows the operational GHG emissions for Christchurch International Airport Ltd by emissions source. CIAL's total emissions for this period were 4401 tonnes of carbon dioxide equivalents (CO₂e).

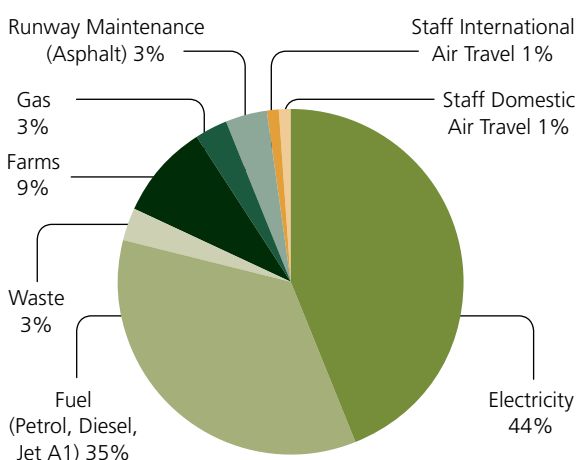
As part of the carboNZero programme, CIAL is required to develop a GHG Emission Reduction Plan. The plan for 2009/2010 included the following projects:

- implementing the findings of the Building Management Services audit to achieve 5% energy saving for the operation of the terminal
- increasing diversion of waste from landfill from terminal operations from 15% to 30%
- investigating the use of bio-fuel for the diesel boilers in the terminal.

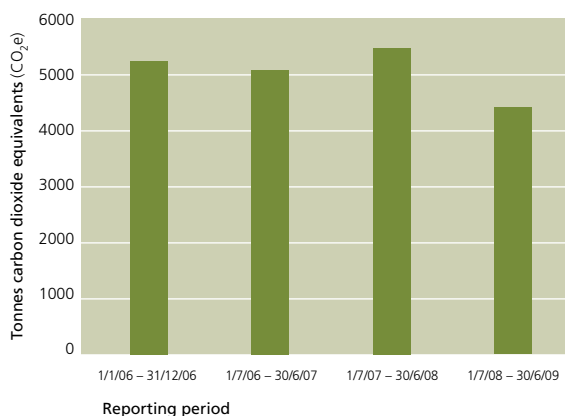
Achievements:

- Energy savings of 12% of consumption for the operation of the terminal
- Diversion of waste increased from 15% to 29%.

Breakdown of operational GHG emissions



Comparison of total carbon emissions







CASE STUDY

Terminal construction and waste management

At the start of the construction of the new terminal, CIAL signed a memorandum of understanding with the Christchurch City Council to participate in Target REBRI (Resource Efficiency in Building and Related Industries).

Participation in the programme involves management of all construction and demolition waste from the construction of the new terminal in accordance with REBRI Guidelines.

The aim of this project is to reduce waste going to landfill and clean fill from the building of the new terminal.

Our main contractor, Hawkins, is experienced with this programme, which has helped its implementation on the Integrated Terminal Project.

The aim of Target REBRI is to reduce the amount of waste going to landfill by 70%. Measures to achieve this include:

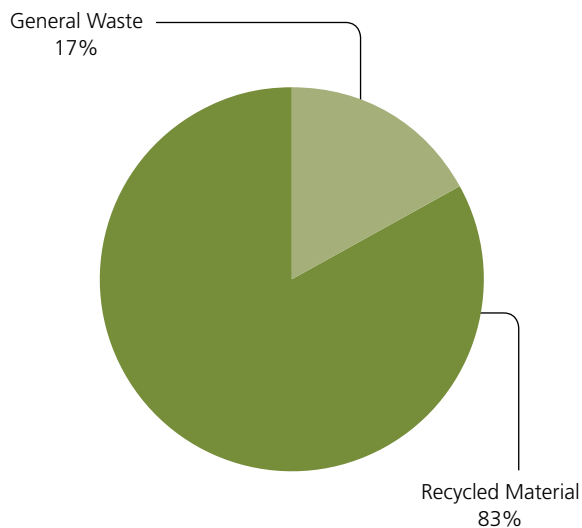
- preparation of a waste management plan with waste-minimisation objectives
- induction of all staff and sub-contractors into the waste management system on site
- clearly labelled skips for the separation of construction waste, steel, untreated wood, concrete, co-mingled recycling (paper, cardboard), plaster board and general waste
- separation of materials for reuse on site
- sending back pallets to suppliers for reuse
- plasterboard sheets being made to standard sizes to suit the wall heights, reducing the amount of waste
- pit run and soil from the site being reused on site where possible.



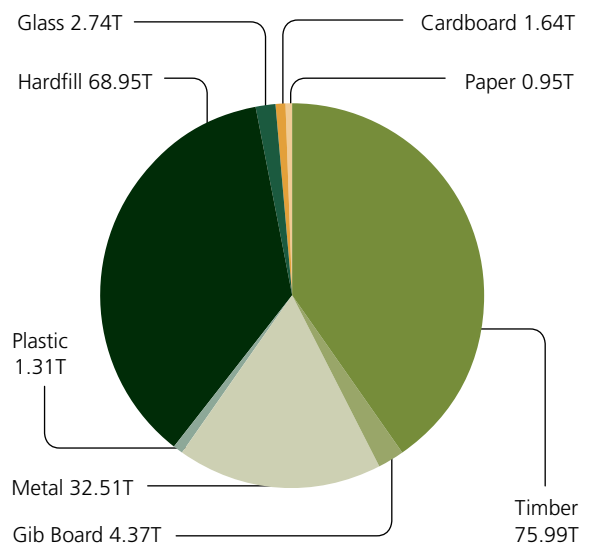


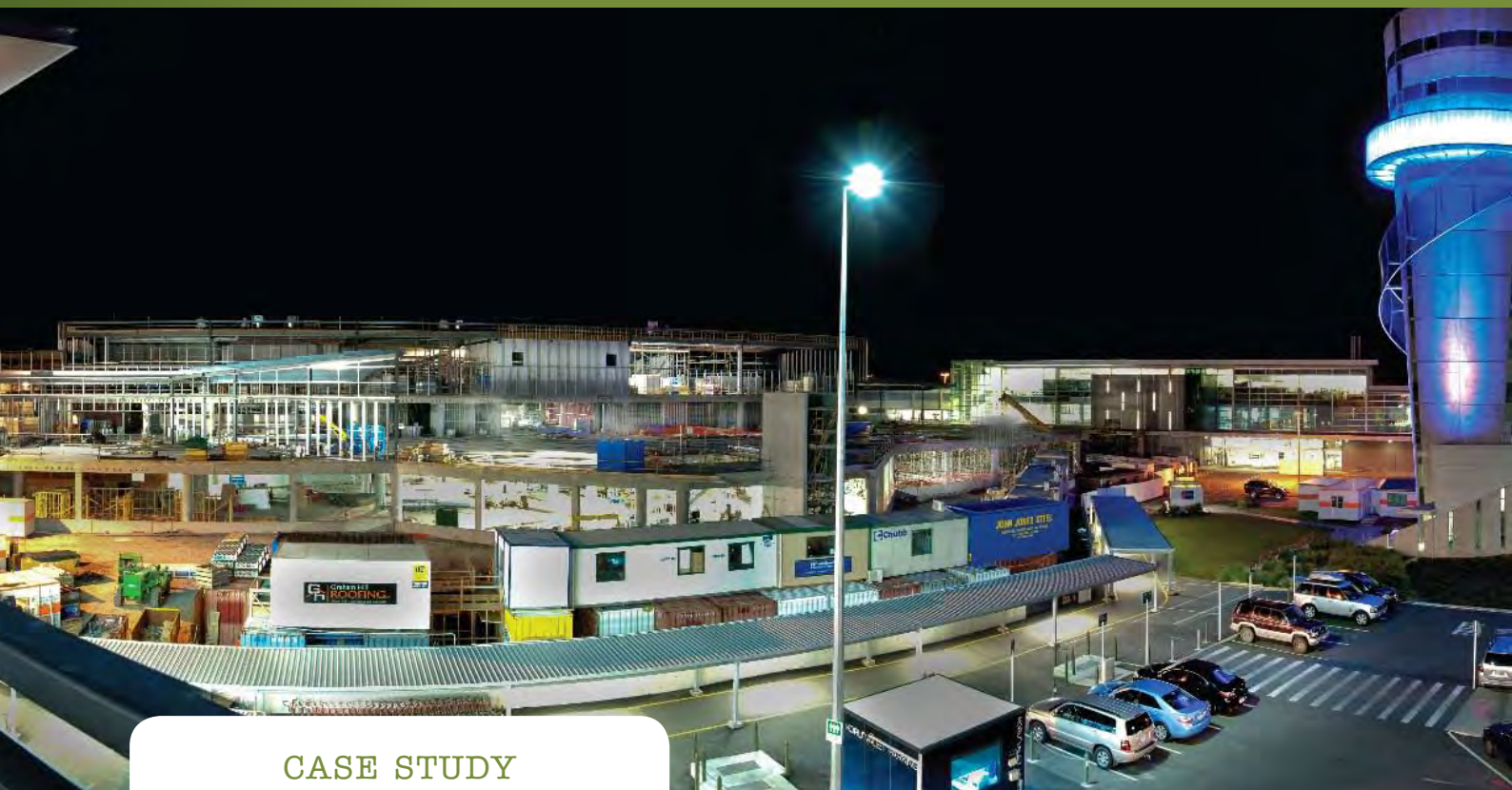
The result for the year from July 2009 to June 2010 was that 83% of all waste produced from the construction of the new terminal was diverted from landfill and either recycled or reused.

Recycling versus general waste



Breakdown of recycling (tonnes)





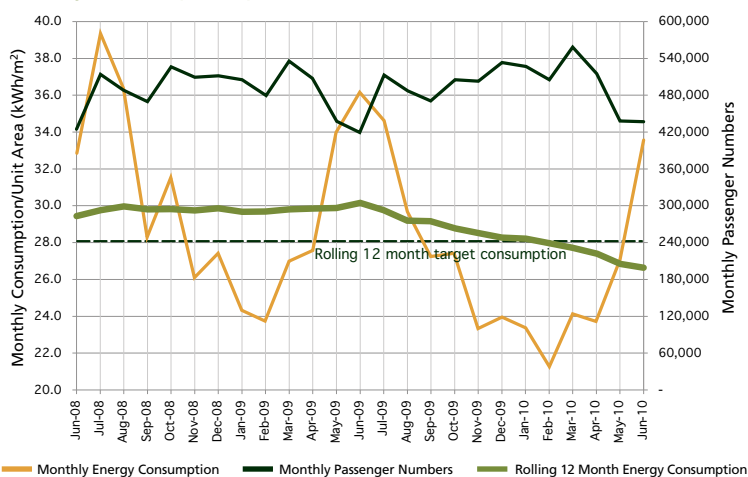
CASE STUDY

Energy efficiency

In 2008, CIAL commissioned Enercon to undertake a detailed seasonal review of its Building Management Systems which control heating, ventilation, lighting, potable water pumps, emergency generators and air conditioners in the terminal building as well as the facilities yard and the International Antarctic campus. During

2009/10, many of the recommendations from that review have been implemented, such as adjusting HVAC systems including electric door air curtains, economisers and water temperatures for heating and cooling. The result has been an energy saving of 12% of consumption, and over \$220,000 of verified savings.

Monthly consumption per unit area



Energy consumption per floor area per month.

The green line indicates the rolling 12 month average consumption, which declined following implementation of the BMS Review. The airport's monthly energy consumption is predicted based on the key variables of outside temperature, daylight hours, floor area, wind speed and direction, and passenger numbers. With an accuracy rate of +/- 4%, the system enables CIAL to predict the amount of energy expected to be used each month. This is then compared to actual use and any discrepancies are investigated so that they may be dealt quickly and efficiently.



CASE STUDY

Increase in recycling

Over the last year, CIAL introduced a major change in the way recycled material was removed from the terminal. Rather than have different recyclable materials picked up by separate contractors, CIAL began a programme of taking co-mingled recycled material, which included paper, card, plastics and glass, direct to the Christchurch City Council Material Recovery Facility.

This change in collection provided an opportunity to increase the amount of recycled material removed from the terminal because it eliminated one of the main barriers to collecting recycling – lack of space. All recyclable material was able to be collected in one bin rather than needing separate containers for paper, glass, cardboard and plastic. CIAL also increased the number of public recycling bins in the terminal.

In particular, CIAL worked with two companies, HMS Host and Air New Zealand, to increase the amount of recycling collected.

- HMS Host is the main food and beverage operator at the airport and is one of the largest waste generators. In the move to increase recycling from back-of-house areas, CIAL carried out a survey of waste handling, produced education material, trained staff and introduced a new colour coding system for bins. The HMS programme began in March 2010.
- At the end of February 2010, CIAL worked with Air New Zealand as they established their nation-wide programme of recycling waste from domestic aircraft. While previously waste from aircraft went straight to landfill, the new system means recyclable material is separated on the aircraft and then sent to correct areas.

The results were impressive. A detailed waste audit undertaken in June 2008 had found that 15% of all waste material produced in the terminal was being diverted from landfill and sent to recycling.

From July 2009 to June 2010, the diversion rate from landfill increased to 29%.

COMMUNITY INVOLVEMENT

As a key part of Christchurch's infrastructure and a major employer in the regional economy, CIAL has a commitment to develop and sustain a partnership with the local community.

CIAL has social and environmental objectives with detailed programmes in place to address its community responsibilities and environmental sustainability.

Over 2009/2010, CIAL has actively engaged with the community through

- community meetings
- public presentations
- a regular newsletter about the progress of the terminal construction
- the publication of *Airport Voice*, a new community newsletter which is sent out to all households in Christchurch three times a year
- sponsorship of key city events
- an open policy for the media.

Community engagement

As part of keeping communication channels open, CIAL held community meetings in late 2009 to inform the public about its property development activities and objectives. Over two successive evenings, CIAL's Chief Executive gave a presentation and answered questions from those attending.

The Chief Executive also regularly speaks to clubs and groups interested in finding out about airport activities and issues.

Over the last 12 months, CIAL has also hosted neighbouring local councils and community boards for briefings and tours of the airport campus to familiarise them with airport policies and activities.

Sponsorships

Two key sponsorships formed CIAL's 2010 sponsorship portfolio:

- World Buskers Festival
– held in Christchurch in January 2010
- Ellerslie International Flower Show
– held in Christchurch in March 2010

These sponsorships allow CIAL to support the cultural life of the city, generate goodwill in the local community, engage with stakeholders and promote travel to the South Island from the rest of New Zealand and from our key markets overseas.

Buskers Festival

CIAL was the major sponsor of the World Buskers Festival in Christchurch for the fifth and final year in 2010. The sponsorship assists a major summer event in the city, with 450 performances over 10 days, which this year attracted crowds of over 300,000 and generated \$7 million for the local economy.

Ellerslie International Flower Show

CIAL was a silver sponsor of the Ellerslie International Flower Show for the second year in a row. In recognition of its status as the Antarctic Gateway, this year the airport sponsored an Antarctic Garden designed by sculptor and landscape designer Dan Rutherford. The garden won two bronze medals, one for lighting and one for design.

A key commentator, Maggie Barry, described the show as "the best ever" in Ellerslie's 15-year history. More than 57,400 visitors brought \$14.73 million into the local economy. There was a 13% increase in the number of visitors to the show from the North Island.

Community Sponsorship

Each year CIAL offers community support, either through financial donations or through the time and energy of its employees. In 2009/2010, the airport made Christmas donations to the Salvation Army and the SPCA, and offered its support to the community by sending its massive Panther fire trucks to events such as the Variety Club and the 912M Children's Christmas Party. It also offered a full day's fire training to a group of at-risk youth.

The airport company also restructured its charitable donation programme. New charity boxes were installed in the airport, offering a place for airport visitors to donate their cash (whatever the currency). As well as the proceeds from these boxes, the airport company also donates \$10,000 to the charity programme, which distributes the money to key charities with a regional presence at the end of the year.



community involvement



Senior fire-fighters assisting Fresh Start youth with their breathing apparatus before entering the smoke chamber for training.

CASE STUDY

Fresh Start programme

In May 2010, the Airport Fire Service hosted a group of at-risk youth from the highly successful Fresh Start programme, which was established by a group of Christchurch businessmen in 2002. Each intake of at-risk youth on the Fresh Start programme is provided with a year of training, education and work opportunities. It has an extremely low recidivism rate.

The Airport Fire Service fire-fighters donated their time for a day to train the teenagers in fire-fighting skills. The young

men underwent a fitness test, and learned different aspects of fire prevention. Throughout the day they were trained in how to use fire extinguishers and they all took their turn to get kitted out with fire-suits and breathing apparatus before spending some time in the smoke chamber.

The teenagers and youth worker were pleased with the experience and their increased life skills. Chief Executive Jim Boulton said this was one way the airport showed its willingness to contribute to valuable community initiatives.



OUR PEOPLE

Staff development

Following an intensive year of reviews and reorganisation in 2008-9, the last year was one of consolidation and strengthening of the company. Several key initiatives were:

- the decision to keep the Facilities team's skills in-house, and extend their services to campus tenants; this has given staff continuity and motivation
- the reorganisation of operational roles into the logical areas of Airside functions, Landside functions and Terminal functions
- a focus on improving customer service at the airport – the establishment of ITP Ambassadors and Airport Volunteers were crucial in this objective. Terminal Ambassadors were initially brought in to ensure visitors received assistance while the terminal construction project changed walkways and access paths. It has been highly successful, and the ITP Ambassadors are consistently rated in research surveys as being very helpful for passengers.

As the business has expanded, more staff have been taken on, particularly in the field of business analysis and aviation marketing to further route development.

Staff engagement has improved considerably over the last year with the instigation and improvement of several processes:

- leadership development, with a focus on high-performing teams
- greater emphasis on staff engagement and communication, with several channels for internal communications
- highly successful quarterly updates to staff – reaching all 200 staff can be a challenge, with several groups (Customer Services, Travel & Tourism, Airport Fire Service) all doing shift work
- **Captain's Table** – the Chief Executive meets with a different group of 6-8 employees once every two months for lunch, where they can ask any questions or discuss any work issues
- **In the Jump Seat** – our job shadowing scheme, which has been running for a year and has resulted in increased staff knowledge of how other areas of the company work
- **Welcome Aboard** – the induction process for new employees, which has proved to be highly effective in integrating new staff into the company and building connections and loyalty from the start of their employment.

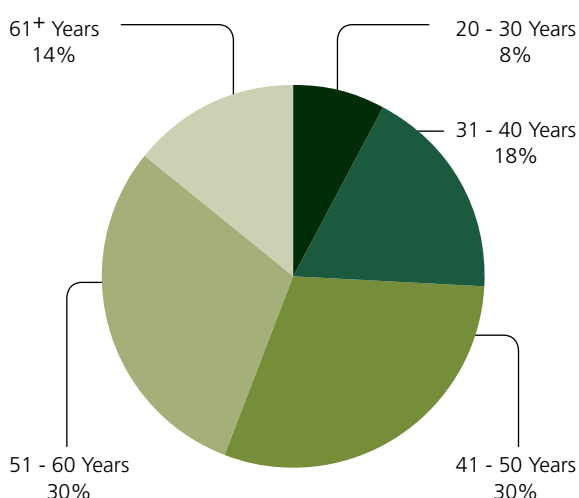
Our people

- **178 full-time equivalent staff**
(as at June 2010)
- **63% male**
- **37% female**
- **5% turnover**
(for the 12 months ending June 2010)

Health and safety

- **0 days injury lost time**
(for the 12 months ending June 2010)

Staff age group profiles



“ITP Ambassadors are consistently rated in research surveys as being very helpful for passengers.”



OUR PEOPLE

our people



CASE STUDY

“Welcome Aboard” – The CIAL induction process

The process of bringing a new employee on board is critical to their sense of belonging, their motivation and their ability to be productive from the start of their contract. Working from the premise that an informed employee is an engaged employee, CIAL has developed a thorough induction programme for all new staff.

“It was very helpful to have this induction programme and meet many of the key people in the organisation. It was a great start to working for the company.”

- Stuart Berryman, new Manager of Propel Infrastructure Services

During the induction, employees

- get an overview of the company organisation
- have a health and safety briefing
- undergo security training
- meet with the Chief Executive
- discuss HR issues (remuneration, leave, benefits) with an HR staffer
- meet with key contacts
- tour the different business units across the campus including Propel Infrastructure Services, Fire Service, Customer Service and Travel & Tourism
- have an environmental briefing with the Environmental Manager, and
- receive IT training.

This process takes up to a week and has resulted in new staff who are able to take their place in their teams far more rapidly than before.



CORPORATE SOCIAL RESPONSIBILITY PERFORMANCE MEASURES

The following targets are identified in CIAL's 2009/2010 Statement of Intent:

Performance Target	2009/2010 Targets	Current Achievements
To minimise the impact of airport activities on groundwater quality through cost-effective measures to avoid or mitigate the risks of contamination	• Increase the number of environmental compliance audits from 30 to 35	• Audit programme completed
	• Ensure all stormwater drainage inlets are labelled on tenanted sites	• Stormwater labelling programme is completed
	• Develop Environmental Training Awareness Programme with focus on groundwater protection	• Environmental training DVD provided to airport operators
To investigate and implement cost-effective ways to progressively reduce the amount of solid waste arising from airport activities being disposed of in landfill through the development of waste minimisation and recovery measures	• Implement recommendations from the waste audit	• Key terminal tenants implemented installation of recycling system; recycle bins installed in public use areas of terminal
	• Manage and measure amount of construction and waste disposal to landfill during ITP development through the Target REBRI Programme	• Main ITP contractor implementing requirements of REBRI successfully; exceeded target of 70% diversion from landfill
	• Facilitate implementation of CCC's Target Sustainability Programme by relevant airport operators	• Ensured tenants have information and access to CCC programme
To minimise energy consumption by airport activities through the pursuit of efficient energy practices	• Maintain carbon neutral status for CIAL's operational activities	• Annual certification reconfirmed and inventory completed for the next reporting period
	• Prepare a programme to support tenants and business partners becoming carbon neutral	• Programme under review until implications of Emissions Trading Scheme are better understood
	• Monitor energy consumption of ITP and reflect such non-repeat activities in long-term efficiency-gain targets	• Extensive energy audit of ITP undertaken, which indicates a substantial reduction in energy use per square metre will be achieved. Energy audit will be completed post-commissioning to ensure efficiencies are delivered
To manage Operational Risk	• Work toward achieving a Bird Strike incidence rate of 3<5/10,000 aircraft movements, on a 12 month rolling average basis, in line with the level set for airports of a similar scale	• Bird strike rate for 12 months was less than 3 per 10,000 aircraft movements; 12 month moving average was 2.3/10,000 aircraft movements
	• Work with statutory authorities and the community toward achieving acceptance of need for noise contours to protect the 24/7 airport operating status	• Regional Policy Statement released upholding CIAL noise contours; various parties are considering appeals
To minimise the effects of noise and vibration associated with aircraft and airport operations and to comply with relevant noise rules	• Refresh Environmental Policy and Strategy	• CIAL in collaboration with CCC has developed Airport Noise Management Plans
To deliver on our corporate social responsibility and community interest obligations	• Support the Ellerslie Flower show and targeted sponsorship activities	• 2010 show successfully completed
	• Refresh communication vehicles for community and stakeholders	• A programme of community/ stakeholder engagement successfully implemented
To deliver an environment for staff that is supportive, stimulating and engaging	• Support staff and proactively seek to consolidate staff after organisational change	• Provided a range of proactive staff support and coaching options for staff going through organisational change
		• Conducted all change proposals in a timely and effective manner

SUSTAINABILITY INDEX

The Global Reporting Initiative (GRI) is an international framework for reporting the impact of company performance. We have adopted it to provide a tangible measure of our achievements from an economic, environmental and social perspective.

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