



DISCLOSURE FINANCIAL STATEMENTS

for the year ended 30 June 2004

Pursuant to the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999

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Disclosure financial statements

The Directors have pleasure in presenting the Disclosure Financial Statements of Christchurch International Airport Limited for the year ended 30 June 2004. These statements present the results of the aeronautical operations of the company and additional information as required by the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999.

DIRECTORS

The Directors of the Company during the period were:

- | | |
|--------------------------------|------------------|
| - Syd Bradley, Chairman | - Denis O'Rourke |
| - Sue Sheldon, Deputy Chairman | - Gail Sheriff |
| | - Jim Boulton |

COMPANY'S AFFAIRS AND NATURE OF BUSINESS

The business of the Company is the provision of airport facilities and services. The nature of the Company's business has not changed during the period under review.

DIRECTORS' CERTIFICATE

These statements have been prepared for the purposes of, and in accordance with the provisions of the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999.

For and on behalf of the Board

.....
S.J Bradley
Chairman

29 November 2004

.....
D J O'Rourke
Director

29 November 2004

Statement of financial performance

for the year ended 30 June 2004

	Note	2004 \$000	2003 \$000
REVENUE			
Operating revenue	1	37,378	32,705
Interest income	2	263	256
Total revenue	20	37,641	32,961
EXPENSES			
Depreciation	3	8,132	7,064
Employee remuneration		7,033	6,166
Financing and interest costs		2,041	2,346
Other operating costs	4	5,107	5,180
Administration costs	5	5,198	4,263
Repairs and maintenance		1,759	884
Total expenses		29,270	25,903
Operating surplus before income tax		8,371	7,058
Income tax	6	1,717	1,439
Net operating surplus after income tax	20	6,654	5,619

The accompanying notes form part of these financial statements.

Statement of movements in equity

for the year ended 30 June 2004

	Note	2004 \$000	2003 \$000
Equity at beginning of year		94,890	97,641
SURPLUS			
Net operating surplus after income tax		6,654	5,619
Increase in asset revaluation reserves	9	23,530	-
Total recognised revenues and expenses for the year		30,184	5,619
OTHER MOVEMENTS			
Dividends to shareholders	7	(4,277)	(8,370)
Equity at end of year		120,797	94,890

The accompanying notes form part of these financial statements.

Statement of financial position

as at 30 June 2004

	Note	2004 \$000	2003
EQUITY			
Share capital	8	33,020	33,020
Reserves	9	74,631	51,101
Retained earnings		13,146	10,769
Total equity		120,797	94,890
NON-CURRENT LIABILITIES			
Borrowings	10	32,570	35,247
CURRENT LIABILITIES			
Bank overdraft		-	39
Payables and accruals	12	3,313	2,817
Total current liabilities		3,313	2,856
Total equity and liabilities		156,680	132,993
NON-CURRENT ASSETS			
Property, plant and equipment	13	153,312	130,580
CURRENT ASSETS			
Cash and short term deposits		350	-
Receivables and prepayments		2,514	1,895
Taxation receivable	6	248	236
Inventories	14	256	282
Total current assets		3,368	2,413
Total assets		156,680	132,993

For and on behalf of the Board

.....
S.J Bradley
Chairman

29 November 2004

.....
D J O'Rourke
Director

29 November 2004

The accompanying notes form part of these financial statements.

Statement of cash flows

for the year ended 30 June 2004

	2004 \$000	2003 \$000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash was provided from:		
Receipts from customers	36,991	32,940
Interest received	143	256
	37,134	33,196
Cash was applied to:		
Payments to suppliers and employees	18,901	16,419
Financing and interest costs	2,121	2,340
Income tax paid	1,729	1,465
	22,751	20,224
Net cash flows from operating activities	14,383	12,972
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash was provided from:		
Proceeds from sale of property, plant and equipment	155	103
Cash was applied to:		
Purchase of property, plant and equipment	7,195	4,836
Net cash flows from investing activities	(7,040)	(4,733)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash was provided from:		
Borrowings	-	-
Cash was applied to:		
Borrowings repaid	2,677	628
Dividends paid	4,277	8,370
	6,954	8,998
Net cash flows from financing activities	(6,954)	(8,998)
Net increase/(decrease) in cash held	389	(759)
Add cash at beginning of the year	(39)	720
Cash at the end of the year	350	(39)

The accompanying notes form part of these financial statements.

Statement of cash flows continued
for the year ended 30 June 2004

	2004 \$000	2003 \$000
COMPOSITION OF CASH		
Cash		
Bank and deposits	350	(39)
Cash at the end of the year	350	(39)
RECONCILIATION WITH OPERATING SURPLUS		
Reported net operating surplus after income tax	6,654	5,619
Items not involving cash flows		
Depreciation expense	8,132	7,064
	14,786	12,683
Impact of changes in working capital items		
Increase/(decrease) in accounts payable	496	249
(Increase)/decrease in accounts receivable	(619)	264
(Increase)/decrease in inventories	26	(51)
(Increase)/decrease in taxation receivable	(12)	(26)
	(109)	436
Items classified as investing activities		
Capital creditors	(298)	(167)
Net loss on disposal of assets	4	20
	(294)	(147)
Net cash flows from operating activities	14,383	12,972

The accompanying notes form part of these financial statements.

Statement of accounting policies

for the year ended 30 June 2004

Reporting Entity

The financial statements are those of Christchurch International Airport Limited.

The disclosure financial statements are presented in accordance with the Airport Authorities Act 1966 as amended by the Airport Authorities Amendment Act 1997 and the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999 (“Regulations”).

The disclosure financial statements are for the reporting entity of Christchurch International Airport Limited’s Identified Airport Activities. Identified Airport Activities are defined as:

Airfield Activities

The provision of airfields, runways, taxiways and parking aprons for aircraft; the provision of facilities and services for air traffic control and parking apron control; provision of airfield and associated lighting; provision of services to maintain and repair airfields, runways, taxiways and parking aprons for aircraft; provision of rescue, fire safety and environmental hazard control services; and the provision of airfield supervisory and security services.

Aircraft and Freight Activities

The provision within a security area or other relevant areas of the airport of hangars, facilities and services for refuelling of aircraft, flight catering and waste disposal, facilities and services for the storing of freight and the provision of security, customs and quarantine services for freight.

Specified Passenger Terminal Activities

The provision, within a security area or other relevant areas, of an airport, of passenger seating areas, thoroughfares and airbridges, the provision of flight information systems, the provision of facilities and services for the operating of customs, immigration and quarantine checks and controls; facilities for the collection of duty free items and facilities for the operation of security and police services.

Basis of Preparation

The Company follows the general accounting principles recognised as appropriate for the measurement and reporting of earnings and financial position on an historical cost basis. The only departure from the historical cost basis is the revaluation of land and sealed surfaces, the revaluation having been incorporated in the financial statements.

Specific Accounting Policies

The following specific accounting policies which materially affect the measurement of financial performance and the financial position have been applied:

(a) **Revenue**

Goods and services

Revenue comprises the amounts received and receivable for goods and services supplied to customers in the ordinary course of business.

Investment income

Interest and rental income are accounted for as earned.

(b) **Accounts receivable**

Accounts receivable are stated at their expected realisable value after providing against debts where collection is doubtful.

(c) **Inventories**

Inventories have been valued at the lower of cost and net realisable value. Cost has been determined on a weighted average basis. Livestock is valued at National Standard Cost Values set by the Inland Revenue Department.

(d) **Property, plant and equipment**

Property, plant and equipment are initially recorded at original cost less accumulated depreciation. Cost recognises the acquisition price paid on the purchase of the Airport assets from the Christchurch Airport Authority and subsequent capital expenditure.

With the exception of land and sealed surfaces, property, plant and equipment have not been revalued above original cost. Land is valued on the basis of market value for highest and best use, assuming knowledgeable and willing parties in an arms length transaction. Sealed surfaces are valued on an optimised depreciated replacement cost basis. The revaluations are conducted on a systematic basis by an independent registered valuer at least once every three years.

(e) **Depreciation**

Depreciation of property, plant and equipment, other than freehold land, is calculated on a straight-line basis, so as to allocate the cost of the property, plant and equipment over their estimated useful lives. Where components of an item of property, plant and equipment have different useful lives, the cost of an item is allocated to its components and each component is accounted for and depreciated separately, to ensure that the cost of the component is allocated on a systematic basis over its useful life.

The estimated useful lives of the major categories of property, plant and equipment are as follows:

Terminal buildings	40 years
Other buildings	10 to 40 years
Sealed surfaces	9 to 100 years
Roading	50 years
Plant and equipment	3 to 25 years
Motor vehicles	5 to 16 years
Office and computer equipment	3 to 9 years

(f) **Income tax**

Taxation expense recognised for the year is based on the accounting surplus, adjusted for permanent differences between accounting and tax rules and those timing differences that are likely to crystallise in the foreseeable future.

Taxation is provided after taking advantage of all available deductions and concessions. Deferred taxation is calculated using the liability method and is applied on a partial basis so the deferred taxation is recognised only in respect of the income tax effect of those timing differences between accounting and taxable income that are likely to crystallise in the foreseeable future.

Where the net balance of timing differences provides a future income tax benefit to the Company, that benefit is not recognised in the statement of financial position unless there is virtual certainty of its realisation.

The amount of the taxation benefit not recognised, where there is no virtual certainty of realisation, is disclosed by way of note.

(g) **Employee entitlements**

Employee entitlements to annual leave and long service leave are accrued and recognised in the statement of financial position when they accrue to employees. Annual and long service leave have been calculated on an actual entitlement basis at current rates of pay.

(h) **Lease rentals revenue**

Lease rentals are recognised on an accrual basis with reference to the leases and rental agreements in force as at balance date.

(i) **Operating leases**

Operating lease payments are recognised as an expense on a systematic basis representative of the time pattern of the benefits.

(j) **Financial instruments**

Financial instruments carried on the statement of financial position include cash and bank balances, short term deposits, receivables, trade creditors and borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

The Company is a party to financial instruments that reduce exposure to fluctuations in interest rates and include forward rate agreements and interest rate swaps. Any differential to be paid or received on forward rate agreements and interest rate swaps is recognised as a component of interest expense over the period of the agreement.

Annually, the Directors assess the carrying value of each asset. Where the estimated recoverable amount of the asset is less than its carrying amount, the asset is written down. The impairment loss is recognised in the statement of financial performance.

(k) **Statement of cash flows**

The following are the definitions of the terms used in the statement of cash flows:

- Operating activities include all transactions and other events that are not investing or financing activities;
- Investing activities are those activities relating to the acquisition, holding and disposal of property, plant and equipment and of investments. Investments can include securities not falling within the definition of cash;
- Financing activities are those activities that result in changes in the size and composition of the capital structure. Dividends paid in relation to the capital structure are included in financing activities;
- Cash is considered to be cash on hand and current accounts in banks, net of any bank overdrafts.

(l) **Changes in Accounting Policies**

There have been no changes in the accounting policies during the year. All policies have been applied on bases consistent with those used in previous years.

Notes to the financial statements

for the year ended 30 June 2004

	2004	2003
	\$000	\$000
1. Operating Revenue		
Airport charges	20,883	18,972
Passenger departure charge	9,494	8,112
Lease rentals and concessions	5,185	4,362
Other revenue	1,816	1,259
	37,378	32,705
2. Interest Income		
Interest income was derived from:		
Short term bank deposits	263	256
	263	256
3. Depreciation of Property, Plant and Equipment		
Buildings	284	227
Terminal facilities	5,118	4,154
Sealed surfaces	1,859	1,883
Roading	57	56
Plant and equipment	255	161
Office and computer equipment	337	363
Motor vehicles	218	214
Loss on disposal of assets	4	6
	8,132	7,064
4. Other Operating Costs		
Electricity, fuel and oil	894	1,004
Subvention payment	1,770	1,638
Other operating expenses	2,443	2,538
	5,107	5,180
5. Administration		
Audit fees - financial report	26	29
- disclosure regulations	5	5
Directors' fees	97	94
Bad debts written off	326	-
Donations	2	4
Other administration expenses	4,742	4,131
	5,198	4,263

	2004	2003
	\$000	\$000
6. Income Tax		
(a) Income tax expense		
Operating surplus before income tax	8,371	7,058
Prima facie taxation at 33%	2,762	2,329
Plus(less) taxation effect of:		
Permanent differences	15	13
Timing differences not recognised	147	55
Group loss offset	(1,203)	(956)
	1,721	1,441
(Over)/under provision in prior years	(4)	(2)
Income tax attributable to operating surplus	1,717	1,439
Comprising:		
Current taxation	1,717	1,439
	1,717	1,439

The reversal of the above and previous timing differences will result in a future tax liability. At current taxation rates effective 30 June 2004 the unrecognised future income tax liability of timing differences not recognised in the financial statements is \$4,490,462.

	2004	2003
	\$000	\$000
(b) Taxation provision		
Taxation payable/(receivable) as at 1 July	(236)	(210)
Income tax attributable to operating surplus	1,717	1,439
Income tax paid	(1,729)	(1,465)
Taxation payable/(receivable) as at 30 June	(248)	(236)

	2004	2003
	\$000	\$000
(c) Imputation credit memorandum account		
Balance at beginning of the year	9,967	12,625
Income tax payments made	1,729	1,465
Imputation credits attached to dividends paid	(2,107)	(4,123)
Balance at end of the year	9,589	9,967
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7. Dividends		
Dividends paid	4,277	8,370
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8. Share Capital		
33,020,000 ordinary shares	33,020	33,020
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All shares rank equally with one vote attached to each fully paid ordinary share.		
9. Reserves		
(a) Balances		
Asset revaluation reserve	74,421	50,891
Capital reserve	210	210
Balance at end of the year	74,631	51,101
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(b) Asset revaluation reserve		
Balance at beginning of the year	50,891	50,891
Net revaluations	23,530	-
Balance at end of the year	74,421	50,891
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<i>Comprising:</i>		
Land revaluation reserve	27,369	20,535
Sealed surfaces revaluation reserve	47,052	30,356
	74,421	50,891
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10. Borrowings

ANZ Banking Group (New Zealand) Limited provides a \$120,000,000 multi-option facility which at 30 June 2004 was underwritten through a \$75,000,000 revolving credit facility which expires in March 2007. The multi-option facility enables borrowings to be sourced from either the debt capital markets (on an uncommitted basis) or committed bank funding. In addition, the ANZ Bank provides a money line facility of \$5,000,000 and the Bank of New Zealand provides an overdraft facility of \$1,000,000.

All borrowings under the multi-option facility, money line facility and overdraft facility are unsecured and supported by a negative pledge deed.

At 30 June 2004, the Company had on issue 90 day short term registered notes with a face value of \$33,048,451 (2003 : \$35,247,152) and a discounted value of \$32,570,240 (2003 : \$34,894,680).

Interest rates for borrowings are determined by reference to prevailing market rates at the time of issue. Interest rates paid during the year, including offsetting interest rate swaps, ranged from 5.26% to 6.3%.

11. Financial Instruments

The Company is subject to a number of financial risks which arise as a result of its activities. To manage and limit the effects of those financial risks, the Board of Directors has approved policy guidelines and authorised the use of certain financial instruments. The Company's financial risks, the policies approved to manage and limit the effects of those financial risks together with the financial instruments being utilised at balance date are set out below.

(a) Credit risk

In the normal course of its business, the Company incurs credit risk from trade debtors and financial institutions. The Company performs credit evaluations wherever appropriate and generally does not require collateral.

The Company places its cash and short term investments with high credit quality financial institutions. The Company's Treasury policy results in a spread of investments, with limitations placed on the level of credit exposure to any one financial institution. The Company does not require any collateral or security to support transactions with financial institutions.

The Company continuously monitors the credit quality of its major customers and does not anticipate non-performance by those customers.

Because of the limited number of customers, the Company is exposed to a concentration of credit risk. For the purposes of the Disclosure Financial Statements as at 30 June 2004, 46% of trade receivables were due from one customer. These receivables are considered to be fully recoverable.

(b) **Total Company interest rate risk**

The Company has variable rate long-term borrowings to fund ongoing activities. Forward rate agreements, interest rate options and swaps are entered into converting the interest rate exposure from floating rates to rates for fixed periods ranging from three months to five years.

Contracts have been entered into with various counter-parties having such credit ratings, and in accordance with limits, as set forth by the Board of Directors.

The notional principal or contract amounts relating to the total Company of interest rate contracts outstanding at 30 June are as follows:

	2004	2003
Interest rate swaps	\$ 39 million	\$19 million
Interest rate options	\$ 5 million	-

(c) **Total Company Fair Values**

The carrying values of the Company's financial instruments other than interest rate swaps referred to below are equivalent to the estimated fair values of those instruments.

The fair values of the interest rate swaps as at balance date are assessed on the basis of the cost or benefits emerging from those agreements had settlement been made on balance date, calculated by using the interest rate prevailing on 30 June 2004 of 6.1675%. Interest rates on that date would have resulted in a gain/(loss) to the Company of:

	2004	2003
Interest rate swaps	(\$3,785)	(\$564,887)

This amount relates to the Company's total portfolio. Given the volatility of interest rates and the lack of certainty of payment of these notional costs, the assessed costs at balance date have not been recognised as an expense in the financial statements.

	2004	2003
	\$000	\$000
12. Payables and Accruals		
Creditors	1,489	1,030
Employee entitlements	372	479
Goods and Services Tax	55	127
Accrued expenses	1,397	1,181
	3,313	2,817

13. Property, Plant and Equipment

As at 30 June 2004	At Cost \$000	At Valuation \$000	Accumulated Depreciation \$000	Book Value \$000
Land	-	43,436	-	43,436
Buildings	7,950	-	1,948	6,002
Terminal facilities	74,534	-	31,856	42,678
Sealed surfaces	-	52,045	-	52,045
Roading	2,478	-	672	1,806
Plant and equipment	5,211	-	2,585	2,626
Office and computer equipment	4,287	-	3,482	805
Motor vehicles	4,233	-	3,327	906
Work in progress	3,008	-	-	3,008
	101,701	95,481	43,870	153,312

As at 30 June 2003	At Cost \$000	At Valuation \$000	Accumulated Depreciation \$000	Book Value \$000
Land	-	36,606	-	36,606
Buildings	6,687	-	1,669	5,018
Terminal facilities	73,644	-	26,738	46,906
Sealed surfaces	1,823	37,361	3,700	35,484
Roading	2,472	-	630	1,842
Plant and equipment	4,860	-	2,385	2,475
Office and computer equipment	3,879	-	3,193	686
Motor vehicles	4,122	-	3,193	929
Work in progress	634	-	-	634
	98,121	73,967	41,508	130,580

The total land holding of the Company was revalued to fair value of \$125,725,232 at 30 June 2004. The values were determined by independent registered valuers, Crighton Anderson & Associates Limited in a report dated 22 June 2004 on the basis of market value for the highest and best use for the properties.

The Company revalued its sealed surfaces to a component level on an optimised depreciated replacement cost basis at 30 June 2004. The valuation was performed by independent registered valuers Crighton Anderson & Associates Limited.

The fair value of all the Company's freehold land and buildings as at 30 June 2004 was estimated at \$228,985,000 by independent registered valuers, Crighton Anderson & Associates Limited. The net current value of freehold land and buildings as at 30 June 2003 was estimated at \$207,040,000 by the same valuers.

	2004	2003
	\$000	\$000
14. Inventories		
Materials	194	227
Livestock	62	55
	256	282

15. Related Party Transactions

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

All transactions with either the Christchurch City Council or the New Zealand Government have been conducted on normal commercial terms.

During the year the Company received rental income from New Zealand Post Limited totalling \$544,937 (2003 : \$355,351). Syd Bradley, a director of Christchurch International Airport Limited was a Director of New Zealand Post Limited.

During the year, the Company received rental income from Parceline Limited, a subsidiary of Freightways Limited, totalling \$122,430. Sue Sheldon, a Director of Christchurch International Airport Limited is also a Director of Freightways Limited.

During the year, the Company received rental income from Ngai Tahu Fisheries Limited totalling \$119,700 (2003 : \$162,273). Sue Sheldon, a Director of Christchurch International Airport Limited is also a Director of Ngai Tahu Holdings Corporation Limited, the parent Company of Ngai Tahu Fisheries Limited.

During the year, the Company paid Meridian Energy Limited \$973,821 (2003 : \$1,084,172) for the provision of electricity. Sue Sheldon, a Director of Christchurch International Airport Limited is also a Director of Meridian Energy Limited.

During the year, the Company made subvention payments totalling \$4,007,612 (2003 : \$3,311,114) to the Christchurch City Council and three of its wholly owned subsidiaries. The payment was offset against net income in the preceding financial year, in addition, loss offsets totalling \$8,136,666 (2003 : \$6,722,566) were transferred to the Christchurch City Council and three of its wholly owned subsidiaries.

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

	2004	2003
	\$000	\$000
16. Capital Expenditure Commitments		
Total capital expenditures committed to but not recognised in the financial statements	21,846	Nil

17. Contingent Assets and Liabilities

There are no contingent assets or liabilities at balance date (2003 : nil).

18. Events Occurring After Balance Date

There are no other events occurring after balance date that could significantly affect the financial statements.

Additional information required by the disclosure regulations

20. Segment Information

The Company is required to present segmented information for three specified airport activities. These activities are defined in the Airport Authorities Act 1966 and subsequent amendments.

30 June 2004

	Specified Terminal \$000	Airfield \$000	Aircraft and Freight \$000	Total \$000
Revenue				
Airport charges	6,988	13,895	-	20,883
Passenger departure charge	9,494	-	-	9,494
Lease, rentals and concessions	2,816	166	2,808	5,790
Other revenue	934	261	16	1,211
Interest income	212	19	32	263
Total revenue	20,444	14,341	2,856	37,641
Expenses				
Depreciation	5,452	2,393	287	8,132
Employee remuneration	2,933	3,879	221	7,033
Financing and interest costs	1,595	89	357	2,041
Other operating costs	3,729	1,038	340	5,107
Administration costs	2,499	2,534	165	5,198
Repairs and maintenance	1,313	397	49	1,759
Total expenses	17,521	10,330	1,419	29,270
Operating surplus before income tax	2,923	4,011	1,437	8,371
Income tax	600	823	294	1,717
Net operating surplus after income tax	2,323	3,188	1,143	6,654
Segment assets	56,013	72,430	28,237	156,680
Average number of full-time staff equivalents	45	56	3	103

30 June 2003

	Specified Terminal \$000	Airfield \$000	Aircraft and Freight \$000	Total \$000
Revenue				
Airport charges	5,879	13,093	-	18,972
Passenger departure charge	8,112	-	-	8,112
Lease, rentals and concessions	2,139	66	2,157	4,362
Other revenue	687	541	31	1,259
Interest income	108	101	47	256
Total revenue	16,925	13,801	2,235	32,961
Expenses				
Depreciation	4,423	2,418	223	7,064
Employee remuneration	2,394	3,655	117	6,166
Financing and interest costs	1,853	136	357	2,346
Other operating costs	3,703	1,233	244	5,180
Administration costs	1,777	2,394	92	4,263
Repairs and maintenance	452	385	47	884
Total expenses	14,602	10,221	1,080	25,903
Operating surplus before income tax	2,323	3,580	1,155	7,058
Income tax	474	729	236	1,439
Net operating surplus after income tax	1,849	2,851	919	5,619
Segment assets	56,044	52,622	24,327	132,993
Average number of full-time staff equivalents	40	58	2	100

21. Allocation Methodology Used in the Preparation of these Statements

All revenue and expense items are allocated to appropriate activity based cost centres at the time of recording. The totals of the "overhead" cost centres are allocated to the operational cost centres which are combined to give the results reported.

The basis of allocation of "overhead" cost centres included;

- payroll costs
- total operating costs
- repairs and maintenance, and payroll costs
- fixed assets
- relevant expense/revenue totals
- earnings before taxation

Assets and liabilities were allocated to appropriate activity based cost centres at the time of recording. Those allocated to overhead cost centres were then allocated by one of the following bases.

- fixed assets
- relevant expense/revenue totals
- earnings before taxation

The financial performance and the financial position of the terminal activity cost centre was allocated to the specified passenger terminal activities on a basis of area used for each of those activities.

22. Weighted Average Cost of Capital

CIAL has estimated the prospective weighted average cost of capital (WACC) for its identified airport activities as at 1 July 2003, being the commencement of the current disclosure period.

CIAL has applied the standard post-tax WACC model. The post investor tax model has been used to estimate the appropriate cost of equity capital. The debt premium has been based on the estimated margin over the swap rate that CIAL would pay for longer-term debt.

The following table summarises the key parameters used in the CIAL WACC model.

	2004	2003
Risk free rate – five year Government Stock	4.94%	6.43%
Market risk premium	9.0%	9.0%
Company tax rate	33%	33%
Debt premium	0.8%	0.8%
Business risk factor (asset beta)	0.65%	0.65%

Based on these parameters CIAL estimates that as at 1 July 2003, the appropriate prospective WACC for its identified airport activities was 9.0% (as at 1 July 2002 : 9.9%) on a nominal after-tax basis.

23. Methodology Used to Determine Airport Charges

Overview

Christchurch International Airport Limited's (CIAL) current charges were last reviewed in late 2000 and prices set effective 1 January 2001. The pricing methodology determines charges on the basis of recovering the costs of providing the facilities and services as well as providing an adequate return on capital. The individual charges were applied to;

- Airfield
- Terminal

Cost Categories

CIAL's charges are based on recovering a cost of capital, operating costs and depreciation for the two cost categories set out above. Operating costs included direct wages, repairs and maintenance and other expenses directly attributable to the activity. Overheads have been allocated between the various cost centres on the basis of operating costs or capital employed.

Allocating Costs to Charges

Airfield

Airfield charges are based on recovering the costs of providing runways and taxiways and the rescue fire service. The charges are determined using an algorithm that reflected the aircraft weight or maximum certified take-off weight (MCTOW) for each aircraft type of the various aircraft. The rescue fire service component of charges are allocated between aircraft types reflecting the size of the aircraft. Rescue fire service manning and plant levels were determined by aerodrome operating rules.

Terminal

Terminal charges were based on the costs of providing public and common areas for passenger movement, queuing and access within the domestic and international terminal buildings. Terminal charges has been allocated to aircraft type based on the total available seats for each aircraft type.

Aircraft, such as freight, that only use the airfield facility incur the airfield charge only.

24. Schedule of Airport Charges

Airport charges are levied on an aircraft departure basis and revised charges were effective 1 January 2001:

	Airfield	Terminal	Total
	\$	\$	\$
International			
B747-400	3,110	1,297	4,407
B747-300	2,960	1,423	4,383
B777-200	2,248	1,270	3,518
B767-300	1,464	789	2,253
B767-200	1,254	677	1,931
B757-200	908	630	1,538
B737-800	619	522	1,141
B737-700	555	386	941
B737-500	474	366	840
B737-300	500	386	886
A340-300	2,155	898	3,053
A320	604	710	1314
Domestic			
A320	604	236	840
B767-300	1,464	377	1,841
B767-200	1,254	324	1,578
B737-300	500	184	684
B737-200	384	183	567
BAE146-300	313	145	458
Dash 8-100	88	64	152
Dash 8-300	109	81	190
ATR72-500	126	107	233
Saab 340	72	53	125
Metroliner	37	31	68
Nomad	45	26	71
CV58	147	91	238
Freight			
B767-300	1,464		1,464
B737-300	500		500
CV58	147		147
FK27	114		114
Metroliner	37		37
General Aviation	6		6

Note:

- a. All charges are levied on aircraft departing Christchurch International Airport.
- b. The terminal component of the charge will only apply to passenger operations.
- c. Aircraft that are included in the aircraft and freight category for these financial statements incur the airfield component of these charges only.
- d. General aviation is the term used for aircraft under 2,000kg.

25. Aircraft Movements (Departures)

As Christchurch International Airport Limited's charges are determined on an aircraft departure basis, the aircraft movements as required by the Airport Authorities Amendment Act 1997 are based on aircraft departures. This is the same basis as was used to calculate the revenue disclosed in these disclosure financial statements.

Aircraft type	Movements 2004	Movements 2003
Aircraft in excess of 3 tonnes		
Scheduled domestic aircraft departures		
A320	106	-
B737	12,436	10,943
B767	362	689
ATR-72	11,614	10,433
BA31	387	228
DC3	-	-
BA32	738	544
CV58	120	83
DHC8	66	1,012
BA41	3,781	4,162
SWM	190	489
SB34	3,603	3,494
E110	-	60
BE19	1,678	1,399
	35,081	33,536
Scheduled international aircraft departures		
A320	873	-
A340	-	87
B737	2,106	1,912
B747	237	225
B767	1,066	1,358
B777	298	195
	4,580	3,777
Non-scheduled, including military, freight and other aircraft departures		
B737	621	620
B757	77	-
B767	29	37
ATR-75	173	213
BA41	30	73
B200	55	-
C130	112	140
C141	71	75
C402	99	56
CV58	1,260	1,198
F27	474	544
SWM	1,520	1,464
Other	287	357
	4,808	4,777
Aircraft less than 3 tonnes	33,580	36,565
Non-scheduled aircraft departures	33,580	36,565
Total aircraft departures (includes non-scheduled flights)	78,049	78,655

26. Passengers

For the year ended 30 June 2004

	Arrivals	Departures	Total
Domestic *	1,906,892	2,038,003	3,944,895
International	610,863	580,317	1,191,180
Total passengers	2,517,755	2,618,320	5,136,075

For the year ended 30 June 2003

	Arrivals	Departures	Total
Domestic *	1,715,565	1,856,270	3,571,835
International	530,157	491,227	1,021,384
Total passengers	2,245,722	2,347,497	4,593,219

* Domestic transit passengers are included as departing passengers.

27. Passenger Charge

The passenger charge is payable by departing international passengers calculated at \$25.00 per passenger aged twelve years and over. A total of \$5.00 per passenger over the age of two is paid to the New Zealand Government for the provision of Aviation Security and Civil Aviation services.

The charge has been set to provide a contribution to the cost of the "public and common" area of the terminal. Accordingly the total revenue and costs of these areas have been included in these disclosure financial statements.

28. Interruptions to Services

Interruption to services as required by the Airport Authorities (Airport Companies Information Disclosure Regulations 1999) is set out below.

Year ended 30 June 2004

	PLANNED INTERRUPTIONS		UNPLANNED INTERRUPTIONS	
	Number	Total Duration (hh:mm)	Number	Total Duration (hh:mm)
Runway services	24	127:00	1	1:50
Stand position services	6	178:35	2	8:30
Airbridge services	6	161:30	22	58:00
Check-in baggage handling	27	151:30	23	41:15

Year ended 30 June 2003

	PLANNED INTERRUPTIONS		UNPLANNED INTERRUPTIONS	
	Number	Total Duration (hh:mm)	Number	Total Duration (hh:mm)
Runway services	12	68 : 03	-	-
Stand position services	4	13 : 20	-	-
Airbridge services	18	27 : 30	17	465 : 30
Check-in baggage handling	29	181 : 00	45	83 : 21



Audit New Zealand

REPORT OF THE AUDITOR-GENERAL

TO THE READERS OF THE DISCLOSURE FINANCIAL STATEMENTS OF CHRISTCHURCH INTERNATIONAL AIRPORT LIMITED FOR THE YEAR ENDED 30 JUNE 2004

We have audited the disclosure financial statements on pages 4 to 28. The disclosure financial statements provide information about the past financial performance and financial position of Christchurch International Airport Limited's identified airport activities as at 30 June 2004. This information is required by the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999 (the Regulations) and is stated in accordance with the accounting policies set out on pages 9 to 12.

Directors' Responsibilities

The Regulations require the Directors to prepare disclosure financial statements which comply with generally accepted accounting practice in New Zealand and give a true and fair view of the financial position of Christchurch International Airport Limited as at 30 June 2004, the results of its operations and cash flows and additional information required by the Regulations for the year ended 30 June 2004.

Auditor's Responsibilities

Clause 6(2) of the Regulations requires the disclosure financial statements presented by the Directors, to be audited by the Auditor-General. It is the responsibility of the Auditor-General to express an independent opinion on the disclosure financial statements and report that opinion to you.

The Auditor-General has appointed Devan Menon, of Audit New Zealand, to undertake the audit.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the disclosure financial statements. It also includes assessing:

- σ the significant estimates and judgements made by the Directors in the preparation of the disclosure financial statements; and
- σ whether the accounting policies are appropriate to Christchurch International Airport Limited's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with the Auditing Standards published by the Auditor-General, which incorporate the Auditing Standards issued by the Institute of Chartered Accountants of New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the disclosure financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the disclosure financial statements.

Other than in our capacity as auditor acting on behalf of the Auditor-General, we have no relationship with or interests in Christchurch International Airport Limited.

Unqualified Opinion

We have obtained all the information and explanations we have required.

In our opinion:

- σ proper accounting records have been kept by Christchurch International Airport Limited as far as appears from our examination of those records; and
- σ the disclosure financial statements of Christchurch International Airport Limited on pages 4 to 28:
 - comply with generally accepted accounting practice in New Zealand; and
 - give a true and fair view of:
 - Christchurch International Airport Limited's financial position as at 30 June 2004; and
 - the results of its operations and cash flows for the year ended on that date; and
 - comply with the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999.

Our audit was completed on 29 November 2004 and our unqualified opinion is expressed as at that date.



D Menon
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand