



DISCLOSURE FINANCIAL STATEMENTS

for the year ended 30 June 2006

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

Contents

Disclosure financial statements	3
Statement of financial performance	4
Statement of movements in equity	5
Statement of financial position	6
Statement of cash flows	7
Statement of accounting policies	9
Notes to the financial statements	14
Additional information required by the disclosure regulations	22
Audit Report	30

Disclosure financial statements

The Directors have pleasure in presenting the Disclosure Financial Statements of Christchurch International Airport Limited for the year ended 30 June 2006. 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 | - Hanlin Johnstone |
| - Philip Carter | - 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 Sheldon
Director
30 November 2006

.....
D J O'Rourke
Director
30 November 2006

Statement of financial performance

for the year ended 30 June 2006

	Note	2006	2005
		\$000	\$000
REVENUE			
Operating revenue	1	44,782	42,536
Interest income	2	244	576
Total revenue	19	45,026	43,112
EXPENSES			
Employee remuneration		8,350	7,514
Financing and interest costs		3,854	3,277
Other operating costs	4	4,080	4,093
Administration costs	5	8,113	6,737
Repairs and maintenance		1,198	1,441
Depreciation	3	9,624	9,782
Total expenses	19	35,219	32,844
Operating surplus before income tax		9,807	10,268
Income tax	6	3,270	3,242
Net operating surplus after income tax	19	6,537	7,026

The accompanying notes form part of these financial statements.

Statement of movements in equity

for the year ended 30 June 2006

	Note	2006 \$000	2005 \$000
Equity at beginning of year		123,472	120,797
SURPLUS			
Net operating surplus after income tax		6,537	7,026
Total recognised revenues and expenses for the year		6,537	7,026
OTHER MOVEMENTS			
Dividends to shareholders	7	(4,393)	(4,351)
Equity at end of year		125,616	123,472

The accompanying notes form part of these financial statements.

Statement of financial position

as at 30 June 2006

	Note	2006 \$000	2005 \$000
EQUITY			
Share capital	8	33,020	33,020
Reserves	9	74,631	74,631
Retained earnings		17,965	15,821
Total equity		125,616	123,472
NON-CURRENT LIABILITIES			
Borrowings	10	53,419	54,430
CURRENT LIABILITIES			
Current portion of borrowings	10	3,561	-
Bank overdraft		17	-
Payables and accruals	12	5,448	5,806
Total current liabilities		9,026	5,806
Total equity and liabilities		188,061	183,708
NON-CURRENT ASSETS			
Property, plant and equipment	13	184,662	178,962
CURRENT ASSETS			
Cash and short term deposits		-	1,351
Receivables and prepayments		2,966	2,780
Taxation receivable	6	138	342
Inventories	14	295	273
Total current assets		3,399	4,746
Total assets	19	188,061	183,708

For and on behalf of the Board

.....
S Sheldon
Director
30 November 2006

.....
D J O'Rourke
Director
30 November 2006

The accompanying notes form part of these financial statements.

Statement of cash flows

for the year ended 30 June 2006

	2006 \$000	2005 \$000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash was provided from:		
Receipts from customers	45,181	42,299
Interest received	244	576
	45,425	42,875
Cash was applied to:		
Payments to suppliers and employees	24,789	18,788
Financing and interest costs	3,854	3,277
Income tax paid	1,630	1,388
Subvention payment	1,436	1,948
	31,709	25,401
Net cash flows from operating activities	13,716	17,474
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash was provided from:		
Proceeds from sale of property, plant and equipment	-	-
Cash was applied to:		
Purchase of property, plant and equipment	13,241	33,982
Net cash flows from investing activities	(13,241)	(33,982)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash was provided from:		
Borrowings	2,550	21,860
Cash was applied to:		
Borrowings repaid	-	-
Dividends paid	4,393	4,351
	4,393	4,351
Net cash flows from financing activities	(1,843)	17,509
Net increase/(decrease) in cash held	(1,368)	1,001
Add cash at beginning of the year	1,351	350
Cash at the end of the year	(17)	1,351

The accompanying notes form part of these financial statements.

Statement of cash flows continued
for the year ended 30 June 2006

	2006	2005
	\$000	\$000
COMPOSITION OF CASH		
Bank and deposits	(17)	1,351
Cash at the end of the year	(17)	1,351
RECONCILIATION WITH OPERATING SURPLUS		
Reported net operating surplus after income tax	6,537	7,026
Items not involving cash flows		
Depreciation expense	9,616	9,768
	16,153	16,794
Impact of changes in working capital items		
Increase/(decrease) in accounts payable	(358)	2,493
(Increase)/decrease in accounts receivable	(186)	(266)
(Increase)/decrease in inventories	(22)	(17)
(Increase)/decrease in taxation receivable	204	(94)
	(362)	2,116
Items classified as investing activities		
Capital creditors	(2,083)	(1,450)
Net loss on disposal of assets	8	14
	(2,075)	(1,436)
Net cash flows from operating activities	13,716	17,474

The accompanying notes form part of these financial statements.

Statement of accounting policies

for the year ended 30 June 2006

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.

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.

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.

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.

(b) **Accounts receivable**

Accounts receivable are stated at their expected realisable value after provision for doubtful debts. All known bad debts are written off during the year.

(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) **Impairment of assets**

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

(e) **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.

The last valuation was performed by Crighton Anderson Property and Infrastructure Limited on 30 June 2004.

Borrowing costs that are directly attributable to the acquisition or construction of an item of property, plant and equipment have been capitalised where the construction cost exceeds \$10m and is greater than 12 months in duration.

(f) **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

(g) **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.

(h) **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.

(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.

(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) **Adoption of New Zealand Equivalents to International Financial Reporting Standards**

In December 2002 the New Zealand Accounting Standards Review Board announced that all New Zealand reporting entities will be required to comply with International Financial Reporting Standards (IFRS) for periods commencing on or after 1 January 2007, with the option to comply early for periods beginning on or after 1 January 2005.

The Company will adopt New Zealand Equivalents to IFRS (NZ IFRS) for the year ended 30 June 2007. In adopting NZ IFRS the Company will also be in compliance with IFRS.

Upon first time adoption of NZ IFRS, comparative information will be restated in the NZ IFRS compliant financial statements. Details of the impact of the adoption to comparative information will be set out in those financial statements.

The adoption of NZ IFRS involves assessing the impacts of NZ IFRS to the Company, then designing and implementing changes required to current accounting policies and procedures, as well as systems and processes, in order to successfully transition to NZ IFRS. The project is currently in the assessment stage and as such the quantitative impacts of these changes have not been determined.

To date, the following areas requiring changes in accounting policies have been identified as potentially having a significant impact on the NZ IFRS financial statements of the Company. The impacts discussed below are based on management's current interpretation of the standards. There is potential for the significance of the impact to change when the Company prepares its first full set of NZ IFRS financial statements due to changes in standards, changes in the business, or changes in management's interpretation of the standards.

1) Derivative financial instruments and hedging

NZ IFRS requires all derivative financial instruments, whether used as hedging instruments or otherwise, to be carried at fair value in the balance sheet. Fair value and cash flow hedging can only be applied when all the hedge accounting criteria are met, including the requirement that the hedge is highly effective. Where a derivative financial instrument does not qualify for hedge accounting, changes in the fair value are to be included in the income statement.

2) Deferred taxation

Under current Company policy deferred taxation is recognised on a partial basis, with deferred taxation being 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. Under NZ IFRS deferred taxation is recognised on all temporary differences. This change is likely to result in higher deferred taxation balances.

All the financial information in these financial statements has been prepared in accordance with current New Zealand generally accepted accounting practice (NZ GAAP). The accounting policy differences between current NZ GAAP and NZ IFRS identified above may have a significant effect on the Company's financial position and performance. The areas identified above should not be taken as an exhaustive list of all the differences between NZ GAAP and NZ IFRS. None of the potential impacts of the adoption of NZ IFRS on our financial performance and financial position, including systems upgrades and other implementation costs, have been quantified as yet.

Notes to the financial statements

for the year ended 30 June 2006

	2006	2005
	\$000	\$000
1. Operating Revenue		
Airport charges	23,441	23,596
Passenger departure charge	14,460	11,937
Lease rentals and concessions	6,373	6,435
Other revenue	508	568
	44,782	42,536
2. Interest Income		
Interest income was derived from:		
Short term bank deposits	123	300
Other	121	276
	244	576
3. Depreciation of Property, Plant & Equipment		
Buildings	404	367
Terminal facilities	6,111	5,789
Sealed surfaces	2,216	2,635
Roading	78	60
Plant and equipment	214	280
Office and computer equipment	380	404
Motor vehicles	213	233
Loss on disposal of assets	8	14
	9,624	9,782
4. Other Operating Costs		
Electricity, fuel and oil	1,555	1,441
Subvention payment	1,096	-
Other operating expenses	1,429	2,652
	4,080	4,093
5. Administration		
Audit fees - financial report	17	27
- disclosure regulations	7	6
Directors' fees	110	99
Bad debts written off	72	72
Donations	1	8
Other administration expenses	7,906	6,525
	8,113	6,737

	2006	2005
	\$000	\$000
6. Income Tax		
(a) Income tax expense		
Operating surplus before income tax	9,807	10,268
Prima facie taxation at 33%	3,236	3,388
Plus(less) taxation effect of:		
Permanent differences	(24)	12
Timing differences not recognised	58	(27)
Group loss offset	-	-
	34	(15)
(Over)/under provision in prior years	-	(131)
Income tax attributable to operating surplus	3,270	3,242
Comprising:		
Current taxation	3,270	3,242
	3,270	3,242

The reversal of the above and previous timing differences will result in a future tax liability. At current taxation rates effective 30 June 2006 the unrecognised future income tax liability of timing differences not recognised in the financial statements is \$4,145,682 (2005 \$4,519,836).

	2006	2005
	\$000	\$000
(b) Taxation provision		
Taxation payable/(receivable) as at 1 July	(342)	(248)
Income tax attributable to operating surplus	3,270	3,242
Subvention payment paid to Christchurch City Holdings Ltd Group	(1,436)	(1,948)
Income tax paid to Inland Revenue Dept	(2,888)	(3,716)
Income tax refunded by Inland Revenue Dept	1,258	2,328
Taxation payable/(receivable) as at 30 June	(138)	(342)

	2006	2005
	\$000	\$000
(c) Imputation credit memorandum account		
Balance at beginning of the year	8,834	9,589
Income tax payments made	1,630	1,388
Imputation credits attached to dividends paid	(2,163)	(2,143)
Balance at end of the year	8,301	8,834
7. Dividends		
Dividends paid	4,393	4,351
8. Share Capital		
33,020,000 ordinary shares	33,020	33,020
All shares rank equally with one vote attached to each fully paid ordinary share.		
9. Reserves		
(a) Balances		
Asset revaluation reserve	74,421	74,421
Capital reserve	210	210
Balance at end of the year	74,631	74,631
(b) Asset revaluation reserve		
Balance at beginning of the year	74,421	74,421
Net revaluations	-	-
Balance at end of the year	74,421	74,421
<i>Comprising:</i>		
Land revaluation reserve	27,369	27,369
Sealed surfaces revaluation reserve	47,052	47,052
	74,421	74,421

10. Borrowings

During the year the company entered into a \$250,000,000 funding facility with four banks to fund the ongoing business and the proposed Terminal development. This facility replaced a \$120,000,000 multi-option facility (which was underwritten through a \$75,000,000 revolving credit facility). In addition, the company has an overdraft facility of \$1,000,000.

All borrowings under the bank facility and overdraft facility are unsecured and supported by a negative pledge deed. Interest rates paid during the year, including offsetting interest rate swaps, ranged from 6.9% to 7.2%.

At 30 June 2006, the Company had no commercial paper on issue. (2005 \$54,430,542 which was disclosed as term debt).

Maturity of Debt as at 30 June	2006	2005
	\$000	\$000
Less than 1 Year	3,561	-
1-2 Years	-	-
2-5 Years	29,677	54,430
Greater than 5 Years	23,742	-
	<u>56,980</u>	<u>54,430</u>

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 2006, 43.9% 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 to 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 Treasury Policy limits, as approved by the Board of Directors.

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

	2006	2005
	\$000	\$000
Interest rate swaps	\$100,000	\$55,000
Interest rate options	\$10,000	\$5,000

(c) **Total Company Fair Values**

Interest rate and option swaps

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 2006. Interest rates on that date would have resulted in a gain to the Company of:

	2006	2005
	\$000	\$000
Interest rate swaps	\$1,553	2

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.

Currency

Forward rate agreements have been entered into to manage foreign exchange rate exposure. The fair value of these agreements as at balance date are assessed on the cost or benefits emerging from those agreements had settlement been made on balance date using the exchange rates prevailing on 30 June 2006. This would have resulted a gain to the company of:

	2006	2005
	\$000	\$000
Foreign Exchange Rate Exposure	\$160	-
	2006	2005
	\$000	\$000

12. **Payables and Accruals**

Creditors	848	1,175
Employee entitlements	891	524
Goods and Services Tax	146	161
Accrued expenses	3,563	3,946
	5,448	5,806

13. **Property, Plant and Equipment**

As at 30 June 2006	At Cost \$000	At Valuation \$000	Accumulated Depreciation \$000	Book Value \$000
Land		43,436		43,436
Buildings	11,745		2,740	9,005
Terminal facilities	98,819		43,754	55,065
Sealed surfaces	12,394	52,045	4,852	59,587
Roading	2,493		796	1,697
Plant and equipment	5,507		2,978	2,529
Office and computer equipment	5,184		4,192	992
Motor vehicles	5,632		3,617	2,015
Work in progress	10,336			10,336
	152,110	95,481	62,929	184,662

Property, Plant and Equipment

As at 30 June 2005	At Cost \$000	At Valuation \$000	Accumulated Depreciation \$000	Book Value \$000
Land	-	43,436	-	43,436
Buildings	11,649	-	2,336	9,313
Terminal facilities	94,681	-	37,644	57,037
Sealed surfaces	7,586	52,045	2,635	56,996
Roading	2,478	-	718	1,760
Plant and equipment	5,397	-	2,763	2,634
Office and computer equipment	4,892	-	3,812	1,080
Motor vehicles	4,388	-	3,474	914
Work in progress	5,792	-	-	5,792
	136,863	95,481	53,382	178,962

The fair value of all the Company's freehold land and buildings including those not covered by the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999 as at 30 June 2006 was estimated at \$320,680,000 (2005 \$290,530,000) by independent registered valuers, Crighton Anderson & Associates Limited.

	2006	2005
	\$000	\$000
14. Inventories		
Materials	235	217
Livestock	60	56
	295	273

15. Total Company 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.

	2006	2005
	\$000	\$000
Transactions with owners during the year		
Purchases from CCC and Subsidiaries	527	743
Rates paid to CCC	1,334	1,680
Revenues from CCC and Subsidiaries	49	48
Subvention payments to CCC and Subsidiaries	3,322	4,587
Outstanding Balances with owners as at 30 June		
Accounts Payable to CCC and Subsidiaries	16	22

Non Shareholder Related Party Transactions

Some Directors of the company are, or have been during the year, Directors of other companies or organisations with whom Christchurch International Airport Limited may transact. Such transactions are all carried out on an arm's-length basis and are conducted on normal commercial terms. No amounts were written off or forgiven during the reporting period and outstanding balances are settled under normal trading terms.

Entity	Transaction	2006	2005	Relationship
		\$000	\$000	
Fulton Corporation Limited	Hogan Pavement Maintenance Carparking	5,129 25	18 2	Hanlin Johnstone, CIAL Director is a Director of Fulton Hogan Canterbury Limited
Ngai Tahu Limited	Fisheries Rental	120	120	Sue Sheldon, CIAL Director is a former Director of Ngai Tahu Holding Corporation, parent company of Ngai Tahu Fisheries Limited

Entity	Transaction	2006 \$000	2005 \$000	Relationship
Parceline Limited	Rental	128	124	Sue Sheldon, CIAL Director is a Director of Freightways Limited, parent company of Parceling Limited
META NZ Limited	Resource Recycling	58	-	Denis O'Rourke. CIAL Directors is a Director of META NZ Ltd
Jet Engine	Rental	36	3	Hanlin Johnstone, CIAL Director is a Director of Jet Engine Facility Ltd

Balance at 30 June	2006 \$000	2005 \$000
Fulton Hogan Corporation Limited	47	18
META NZ Ltd	6	-

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

	2006 \$000	2005 \$000
16. Commitments		
Capital Expenditure Commitments		
Total capital expenditures committed to but not recognised in the financial statements	13,481	-
Operating Lease Commitments		
Operating lease expenditure committed to but not recognised in the financial statements		
Less than 1 year	216	225
Between 1-2 Years	314	216
Between 2-5 Years	5	314
	535	775
17. Contingent Assets and Liabilities	Nil	Nil
18. Events Occurring After Balance Date		

There are no other events occurring after balance date that could significantly affect the financial statements. Origin Pacific Airlines suspended its passenger operations on 10 August 2006, all amounts owing to the Company have been provided for in full.

Additional information required by the disclosure regulations

19. 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 2006

	Specified Terminal \$000	Airfield \$000	Aircraft and Freight \$000	Total \$000
Revenue				
Airport charges	7,944	15,497	-	23,441
Passenger departure charge	14,460	-	-	14,460
Lease, rentals and concessions	2,956	183	3,234	6,373
Other revenue	219	274	15	508
Interest income	183	24	37	244,
Total revenue	<u>25,762</u>	<u>15,978</u>	<u>3,286</u>	<u>45,026</u>
Expenses				
Employee remuneration	3,854	4,212	284	8,350
Financing and interest costs	2,773	511	570	3,854
Other operating costs	3,591	422	67	4,080
Administration costs	4,581	3,272	260	8,113
Repairs and maintenance	693	446	59	1,198
Depreciation	6,435	2,751	438	9,624
Total expenses	<u>21,927</u>	<u>11,614</u>	<u>1,678</u>	<u>35,219</u>
Operating surplus before income tax	3,835	4,364	1,608	9,807
Income tax	1,279	1,455	536	3,270
Net operating surplus after income tax	<u>2,556</u>	<u>2,909</u>	<u>1,072</u>	<u>6,537</u>
Segment assets	<u>73,080</u>	<u>83,879</u>	<u>31,102</u>	<u>188,061</u>
Average number of full-time staff equivalents	52	58	3	113

30 June 2005

	Specified Terminal \$000	Airfield \$000	Aircraft and Freight \$000	Total \$000
Revenue				
Airport charges	7,874	15,722		23,596
Passenger departure charge	11,937			11,937
Lease, rentals and concessions	3,072	186	3,177	6,435
Other revenue	271	279	18	568
Interest income	439	46	91	576
Total revenue	23,593	16,233	3,286	43,112
Expenses				
Employee remuneration	3,367	3,894	253	7,514
Financing and interest costs	2,530	217	530	3,277
Other operating costs	3,625	408	60	4,093
Administration costs	3,525	3,020	192	6,737
Repairs and maintenance	941	442	58	1,441
Depreciation	6,187	3,220	375	9,782
Total expenses	20,175	11,201	1,468	32,844
Operating surplus before income tax	3,418	5,032	1,818	10,268
Income tax	1,080	1,589	573	3,242
Net operating surplus after income tax	2,338	3,443	1,245	7,026
Segment assets	72,098	79,822	31,788	183,708
Average number of full-time staff equivalents	50	55	3	108

20. 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
- 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.

21. 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 2005, 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.

	2006	2005
Risk free rate – five year Government Stock	5.81%	6.13%
Market risk premium	8%	9%
Company tax rate	33%	33%
Debt premium	1.0%	0.8%
Business risk factor (asset beta)	0.65%	0.65%

Based on these parameters CIAL estimates that as at 1 July 2005, the appropriate prospective WACC for its identified airport activities was 9.39% (as at 1 July 2004 : 9.74%) on a nominal after-tax basis.

22. Methodology Used to Determine Airport Charges

Overview

Christchurch International Airport Limited's (CIAL) current charges were last reviewed in 2005 and prices set effective to June 2008. 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 have 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.

23. Schedule of Airport Charges

Airport charges are levied on an aircraft departure basis and revised charges are effective to June 2008:

	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
B737-300	500	184	684
BE19	44	31	75
BA31	39	29	68
BA41	61	47	108
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.

24. 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 2006	Movements 2005
Aircraft in excess of 3 tonnes		
Scheduled domestic aircraft departures		
A320	214	632
B737	13,668	13,221
B767	-	27
ATR-72	10,715	10,655
BA31	202	415
BA32	330	702
CV58	104	118
DHC8	304	34
BA41	1,290	1,603
SWM	63	37
SB34	3,647	3,788
BE19	2,471	2,311
	33,008	33,543
Scheduled international aircraft departures		
A320	2,670	1,533
A340	364	316
B737	1,315	2,527
B747	149	300
B767	767	928
B777	437	350
	5,702	5,954
Non-scheduled, including military, freight and other aircraft departures		
A320	34	-
B737	587	182
B757	51	46
B767	102	20
B747	41	-
ATR-75	53	153
BA41	-	2
B200	42	48
C130	93	113
C141	-	35
C402	68	247
CV58	1,249	1,292
FK27	275	396
SWM	1,178	1,453
C17	60	50
Other	260	200
	4,093	4,237
Aircraft less than 3 tonnes	28,666	32,752
Non-scheduled aircraft departures		
Total aircraft departures (includes non-scheduled flights)	71,469	76,486

25. Passengers

For the year ended 30 June 2006

	Arrivals	Departures	Total
Domestic *	1,936,807	2,036,332	3,973,139
International	762,083	736,940	1,499,023
Total passengers	2,698,890	2,773,272	5,472,162

For the year ended 30 June 2005

	Arrivals	Departures	Total
Domestic *	1,983,259	2,083,406	4,066,665
International	757,576	732,084	1,489,660
Total passengers	2,740,835	2,815,490	5,556,325

* Domestic transit passengers are included as departing passengers.

26. Passenger Charge

The passenger charge is payable by departing international passengers calculated at \$25.00 per passenger aged twelve years and over.

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.

27. Interruptions to Services

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

Christchurch International Airport operates for 24 hours a day and all planned interruptions are scheduled to cause the minimum disruption to services.

Year ended 30 June 2006

	PLANNED INTERRUPTIONS		UNPLANNED INTERRUPTIONS	
	Number	Total Duration (hh:mm)	Number	Total Duration (hh:mm)
Runway services	5	66:00	1	1:50
Stand position services	11	49:50	5	42:30
Airbridge services	5	7:30	30	28:10
Check-in baggage handling	11	16:30	30	30:10

Year ended 30 June 2005

	PLANNED INTERRUPTIONS		UNPLANNED INTERRUPTIONS	
	Number	Total Duration (hh:mm)	Number	Total Duration (hh:mm)
Runway services	18	111:00	-	-
Stand position services	11	34:45	-	-
Airbridge services	12	167:07	30	128:00
Check-in baggage handling	24	244:48	48	56:15

AUDIT REPORT**TO THE READERS OF THE DISCLOSURE FINANCIAL STATEMENTS OF
CHRISTCHURCH INTERNATIONAL AIRPORT LIMITED
FOR THE YEAR ENDED 30 JUNE 2006**

We have audited the disclosure financial statements on pages 4 to 29. The disclosure financial statements provide information about the past financial performance and financial position of Christchurch International Airport Limited's (the company) identified airport activities as at 30 June 2006. 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 13.

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 the company as at 30 June 2006, the results of its operations and cash flows and additional information required by the Regulations for the year ended 30 June 2006.

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 me, Julian Tan, using the staff and resources of Audit New Zealand, to undertake the audit on his behalf.

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:

- the significant estimates and judgements made by the Directors in the preparation of the disclosure financial statements; and
- whether the accounting policies are appropriate to the company'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 the company.

Unqualified Opinion

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

In our opinion:

- proper accounting records have been kept by the company as far as appears from our examination of those records; and
- the disclosure financial statements of the company on pages 4 to 29:
 - comply with generally accepted accounting practice in New Zealand; and
 - give a true and fair view of:
 - the company's financial position as at 30 June 2006; 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 30 November 2006 and our unqualified opinion is expressed as at that date.



Julian Tan
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand

Matters relating to the electronic presentation of the audited disclosure financial statements

This audit report relates to the disclosure financial statements of Christchurch International Airport Limited (the company) for the year ended 30 June 2006 included on the company's web site. The company's Board of Directors is responsible for the maintenance and integrity of the company's web site. We have not been engaged to report on the integrity of the company's web site. We accept no responsibility for any changes that may have occurred to the disclosure financial statements since they were initially presented on the web site.

The audit report refers only to the disclosure financial statements named above. It does not provide an opinion on any other information that may have been hyperlinked to/from these disclosure financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited disclosure financial statements and related audit report dated 30 November 2006 to confirm the information included in the audited disclosure financial statements presented on this web site.

Legislation in New Zealand governing the preparation and dissemination of the disclosure financial statements may differ from legislation in other jurisdictions.