



**DISCLOSURE FINANCIAL
STATEMENTS
for the year ended 30 June 2007**

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 (the Company) for the year ended 30 June 2007. 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

.....
P Carter
Director

Statement of financial performance

for the year ended 30 June 2007

	Note	2007	2006
		\$000	\$000
REVENUE			
Operating revenue	1	46,220	44,782
Interest income	2	245	244
Other Income	16	434	1,404
Total revenue	28	46,899	46,430
EXPENSES			
Employee remuneration		9,597	8,350
Financing and interest costs		3,874	3,330
Other operating costs		4,158	4,080
Administration costs	3	6,951	8,113
Repairs and maintenance		1,405	1,198
Depreciation	4	10,294	9,559
Total expenses	28	36,279	34,630
Operating surplus before income tax		10,620	11,800
Income tax	5	2,051	4,076
Net operating surplus after income tax	28	8,569	7,724

The accompanying notes form part of these financial statements.

Statement of movements in equity

for the year ended 30 June 2007

	Note	2007 \$000	2006 \$000
Equity at beginning of year		118,437	114,760
SURPLUS			
Net operating surplus after income tax		8,569	7,724
Total recognised revenues and expenses for the year		8,569	7,724
OTHER MOVEMENTS			
Dividends to shareholders	8	(4,747)	(4,393)
Cashflow reserves	10	239	346
Revaluation reserves	10	137,553	-
Equity at end of year		260,051	118,437

The accompanying notes form part of these financial statements.

Statement of financial position

as at 30 June 2007

	Note	2007 \$000	2006 \$000
EQUITY			
Share capital	9	33,020	33,020
Reserves	10	138,347	555
Retained earnings	10	88,684	84,862
Total equity		260,051	118,437
NON-CURRENT LIABILITIES			
Borrowings	11	50,032	53,371
Deferred Taxation	6	42,384	15,769
		92,416	69,140
CURRENT LIABILITIES			
Current portion of borrowings	11	5,978	3,561
Other Financial Liabilities	12	2,469	-
Bank overdraft		-	17
Taxation	5	364	-
Payables and accruals	13	5,991	5,551
Total current liabilities		14,802	9,129
Total equity and liabilities		367,269	196,706
NON-CURRENT ASSETS			
Property, plant and equipment	14	347,317	181,764
Investment Properties	16	12,109	10,425
Other Financial Assets	12	3,957	795
Intangible Assets	15	120	101
		363,503	193,085
CURRENT ASSETS			
Cash and short term deposits		303	-
Receivables and prepayments	17	3,115	2,966
Taxation receivable	5	-	138
Inventories	18	348	295
Other Financial Assets	12	-	222
Total current assets		3,766	3,621
Total assets	28	367,269	196,706

For and on behalf of the Board

Date:

.....
S Sheldon
Director

.....
P Carter
Director

The accompanying notes form part of these financial statements.

Statement of cash flows

for the year ended 30 June 2007

	Note	2007 \$000	2006 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from customers		46,220	44,782
Interest received		245	244
Net GST received		90	
		46,555	45,026
Cash was applied to:			
Payments to suppliers and employees		21,609	22,786
Financing and interest costs		3,874	3,330
Income tax paid		1,065	1,630
Subvention payment		1,682	1,436
		28,230	29,182
Net cash flows from operating activities	19	18,325	15,844
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Proceeds from sale of property, plant and		18	-
Cash was applied to:			
Purchase of property, plant and equipment		11,002	15,321
Purchase of Investment properties		1,250	-
Purchase of intangible assets		102	-
		(12,336)	(15,321)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from:			
Borrowings		-	2,502
Cash was applied to:			
Borrowings repaid		922	-
Dividends paid		4,747	4,393
		5,669	4,393
Net cash flows from financing activities		(5,669)	(1,891)
Net increase/(decrease) in cash held		320	(1,368)
Add cash at beginning of the year		(17)	1,351
Cash at the end of the year		303	(17)
COMPOSITION OF CASH			
Bank and deposits		303	(17)
Cash at the end of the year		303	(17)

The accompanying notes form part of these financial statements.

Statement of accounting policies

1. General information

Christchurch International Airport Limited (the Company) owns and operates Christchurch International Airport. The Company is owned 75% by Christchurch City Holdings Limited, a wholly owned subsidiary of Christchurch City Council, and 25% owned by the New Zealand Government.

The Company is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is Level 2 International Terminal Building, Christchurch International Airport.

These financial statements have been approved for issue by the Board of Directors on 29 November 2007.

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.

The company adopted for the first time New Zealand equivalents to IFRS (NZ IFRS) for the year ended 30 June 2007.

The entity's owners do not have the power to amend these financial statements once issued.

2. Summary of significant accounting policies

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

a) Basis of preparation

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

Entity reporting

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

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

have not been consolidated as they were not trading and held no assets or liabilities during and at the end of the period under review.

The Company is designated as a profit-oriented entity for financial reporting purposes.

Statutory base

Christchurch International Airport Limited is a company registered under the Companies Act 1993.

The financial statements have been prepared in accordance with the requirements of the Airports Authorities Act 1966, the Financial Reporting Act 1993 and the Companies Act 1993.

These financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$1,000). The functional currency of the company is New Zealand dollars.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain assets as identified in specific accounting policies.

Application of NZ IFRS 1 First-time Adoption of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS 1)

Financial statements of Christchurch International Airport Limited until 30 June 2006 had been prepared in accordance with previous New Zealand Financial Reporting Standards (NZ FRS). NZ FRS differs in certain respects from NZ IFRS. When preparing the Company financial statements for the year ended 30 June 2007, management has amended certain accounting

and valuation methods applied in the previous NZ FRS financial statements to comply with NZ IFRS. The comparative figures were restated to reflect these adjustments.

Reconciliations and descriptions of the effect of transition from previous NZ FRS to NZ IFRS on the Company's equity and their net income are given on page 18.

In preparing these financial statements in accordance with NZ IFRS 1 the Company has applied certain mandatory and optional exemptions from full retrospective application of NZ IFRS. Further details are given in note 27.

Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires the Company to exercise its judgement in the process of applying the accounting policies.

- a) Identification of Property, Plant & Equipment to be reclassified to Investment Property.

The Company makes a decision on the assets to be included in Investment Properties by using a predetermined method of classification.

- b) Estimated life of the existing Domestic Terminal

The Company has estimated the life of the existing Domestic Terminal for valuation purposes. This period equals the estimated build time for the new terminal.

- c) Provisions

The Company has made a number of provisions based on information available relating to anticipated expenditure of an uncertain amount which relates to a past event.

- d) Estimates

In preparing these financial statements, the Company has had to make a number of estimates in relation to the allocation of costs, assets and liabilities where there is no direct, identifiable relationship with the activities specified in the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999. The significant estimates were made in:

- Borrowing
- Cost Allocation
- Taxation

Further detail on the allocation methodology is set out in note 29.

Standards issued and not yet adopted

The following new standards are not yet effective for the year ended 30 June 2007 and have not been adopted in preparing these financial statements.

- NZIFRS 7 Financial Instrument Disclosures
- NZIFRS 8 Operating Segments

b) Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges.

c) Revenue recognition

Revenue comprises the fair value for the sale of goods and services, excluding Goods and Services Tax, rebates and discounts. Revenue is recognised as follows:

i. Sales of goods

Sales of goods are recognised when the Company has delivered a product to the customer.

ii. Sales of services

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

iii. Interest income

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

iv. Rental income

Rental income is recognised on an accruals basis in accordance with the substance of the relevant agreements.

d) Income tax

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

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

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

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

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

Current tax and deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the tax is dealt with in equity.

e) Goods and Services Tax (GST)

The Statement of Financial Performance has been prepared so that all components are stated exclusive of GST. All items in the Statement of Financial Position are stated net of GST, with the exception of receivables and payables, which include GST invoiced. Commitments and contingencies are stated exclusive of GST.

f) Leases

Operating Leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

g) Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

h) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within the current liabilities on the balance sheet.

i) Trade receivables

Trade receivables are recognised at fair value and subsequently measured at amortised cost, using the effective interest method, less provision for doubtful debts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business.

k) Other financial assets

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.

The classification into the following category depends on the purpose for which the investment was acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Financial assets at fair value through income statement

The group has certain derivatives which are stated at fair value and the movements are recognised in the income statement.

l) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at balance date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company designates certain derivatives as either;

- (i) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
- (ii) hedges of highly probable forecast transactions (cash flow hedges).

The Company documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

i. Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

ii. Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, asset

purchase) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

iii. Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting or for which hedge accounting has not been adopted. Changes in the fair value of these derivative instruments are recognised immediately in the income statement.

m) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance date.

n) Property, plant and equipment

The following assets are shown at fair value, based on periodic, but at least every five years, valuations by external independent valuers, less subsequent depreciation:

- Land
- Buildings
- Terminal facilities
- Airport sealed surfaces
- Infrastructure assets

The last valuation was performed by Seagar and Partners (land and buildings) and Opus International Limited (Airport sealed surfaces, terminal facilities and infrastructure assets) as at 30 June 2007.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amounts arising on revaluation of land, buildings, airport sealed surfaces and infrastructure assets are credited to other reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the

increase is first recognised in profit and loss. Decreases that reverse previous increases of the same asset are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset; all other decreases are charged to the income statement.

Depreciation

Land is not depreciated. Depreciation of property, plant and equipment is calculated on a straight line basis so as to expense the cost of the assets over their estimated useful lives. The rates are as follows:

▪ Terminal	40 years
▪ Other buildings	10 to 40 years
▪ Sealed surfaces	9 to 100 years
▪ Roothing	50 years
▪ Plant and equipment	3 to 25 years
▪ Motor vehicles	5 to 16 years
▪ Office and computer equipment	3 to 9 years
▪ Carpark assets (excluding land)	50 years

Capital work in progress is not depreciated until commissioned.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. These are included in the income statement.

o) Investment property

Land is held by the company for long term and strategic purposes and is not held for resale. Investment properties are land and buildings where the building is built to maximise the return on land, and buildings as an "interim use", are held for long term rental yield and are not occupied by the Company.

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

- The occupants provide services that are integral to the operation of the Company's business and/or these services could not be provided efficiently and effectively by the lessee in another location
- The property is being held for future delivery of services
- The lessee uses services of the Company and those services are integral to the reasons for the lessee's occupancy of the property.

Properties that are held for a currently undetermined future use, or that are vacant but held to be leased out under one or more operating leases, are classified as investment properties.

The classification of properties is done at the lowest possible level. Thus, where part of a property is occupied by other than the Company, consideration is given to whether that portion of the building could be classified as an investment property. Classification as an investment property will be indicated if the section of the building could be separately sold or leased under a finance lease. If the section of the property occupied by other than the Company is unable to be sold or leased separately from the rest of the building, the building is assessed as a whole and will usually only be classified as investment property if the Company occupies an insignificant portion of the total building.

Investment property is carried at fair value, representing open-market value determined annually by external valuers. Gains or losses arising from a change in fair value are recorded in the income statement.

p) Intangible assets

Software costs have a finite useful life. Software costs are capitalised and amortised on a straight line basis over the useful economic life to 2 to 5 years.

q) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

r) Borrowings

Borrowings are recognised at fair value, net of transaction costs incurred.

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

Borrowing costs that are not capitalised are expensed as incurred.

s) Share Capital

Ordinary shares are classified as equity.

t) Provisions

The company recognises a provision for future expenditure of an uncertain amount or timing when there is an obligation as a result of a past event.

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

Provisions are not recognised for future operating losses.

u) Employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave, long service leave and accumulating sick leave and other contractual payments expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Contributions to multi employer defined benefit schemes are expensed when incurred.

v) Dividends

Provision is made for the amount of any dividend declared on or before the end of the financial year but not distributed at balance date.

Dividend distribution to the Company shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

Transition to New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS)

Application of NZ IFRS 1 First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS 1).

The Company's financial statements for the year ended 30 June 2007 are the first annual financial statements that comply with NZ IFRS and NZ IFRS 1 has been applied in their preparation. The Company's transition date is 1 July 2005. The Company prepared the opening NZ IFRS balance sheet at that date. The reporting date of these financial statements is 30 June 2007. The Company's NZ IFRS adoption date is 1 July 2006.

In preparing these financial statements in accordance with NZ IFRS 1, the Company has applied the mandatory exceptions and certain of the optional exemptions from full retrospective application of NZ IFRS.

The following optional exemptions from full retrospective application have been applied.

- Fair Value as Deemed Cost Exemption
The company has elected to measure land and sealed surfaces as at 1 July 2005 and use that fair value as the deemed cost at that date.

The following mandatory exceptions from retrospective application has been applied.

- Estimates exception
Estimates under NZ IFRS at 1 July 2005 are required to be consistent with estimates made for the same date under previous NZ FRS, unless there is evidence that those estimates were in error. No adjustments to previous estimates have been made by the Directors.

The reconciliations in note 27 provide a quantification of the effect of the transition to NZ IFRS. The three reconciliations provide details of the impact of the transition on:

- Equity at 1 July 2005
- Equity at 30 June 2006
- Profit for the year ended 30 June 2006

Notes to the financial statements

for the year ended 30 June 2007

	2007	2006
	\$000	\$000
1. Operating Revenue		
Airport charges	22,980	23,441
Passenger departure charge	15,980	14,460
Lease rentals and concessions	6,752	6,373
Miscellaneous revenue	508	508
Total Operating Revenue	46,220	44,782
2. Interest Income		
Interest income was derived from:		
Short term bank deposits	95	123
Other	150	121
Total Interest Income	245	244
3. Administration Costs		
Administration costs include:		
Audit fees - financial report	19	17
- disclosure regulations	10	7
- NZIFRS	1	-
Directors' fees	164	110
Doubtful Debts	-	72
Donations	1	1
Other administration expenses	6,756	7,906
Total administration expenses	6,951	8,113
4. Depreciation and Amortisation		
Buildings	273	339
Terminal facilities	6,661	6,111
Sealed surfaces	2,068	2,216
Roading	60	78
Plant and equipment	327	214
Office and computer equipment	494	310
Motor vehicles	314	213
Amortisation on Intangibles	83	70
Loss on disposal of assets	14	8
Total Depreciation and Amortisation	10,294	9,559

No depreciation is shown for the infrastructural assets for the year ended 30 June 2007 as these asset categories were first recognised on 30 June 2007. The depreciation relating to individual assets now in those categories is included in roading, plant and equipment, buildings and office and computer equipment.

Terminal facilities' depreciation includes an additional amount of \$1.3m (2006 : \$1.3m) reflecting a reduction in the remaining estimated economic life of the domestic terminal and international check-in facilities. The domestic terminal and international check-in will be replaced by 2009/10 as part of the proposed integrated terminal redevelopment.

	2007	2006
	\$000	\$000
5. Income Tax		
(a) Income tax expense		
Operating surplus before income tax	10,620	11,800
Prima facie taxation at 33%	3,504	3,894
Plus/(less) taxation effect of:		
Permanent differences	610	182
Income tax attributable to operating surplus	2,894	4,076
(Over)/under provision in prior years	15	-
	2,909	4,076
Deferred taxation adjustment due to change in tax rate	858	-
Current taxation expense	<u>2,051</u>	<u>4,076</u>
(b) Taxation provision		
Taxation payable/(receivable) as at 1 July	(138)	(342)
Prior year adjustment	15	-
Income tax attributable to operating surplus	2,894	4,076
Subvention payment paid to Christchurch City Holdings Limited Group companies	(1,682)	(1,436)
Income tax paid to Inland Revenue Department	(1,803)	(2,888)
Income tax refunded by Inland Revenue Department	738	1,258
Deferred taxation	340	(806)
Taxation payable/(receivable) as at 30 June	<u>364</u>	<u>(138)</u>

6. Deferred Taxation Liability

	Opening Balance \$000	Charged to Income \$000	Charged to Equity \$000	Closing Balance \$000
2007				
Property, plant & equipment	15,405	(1,211)	27,678	41,872
Intangible assets	15	21	-	36
Investment properties	272	200	-	472
Provisions and payments	(259)	(227)	-	(486)
Cashflow hedges	336	-	154	490
	<u>15,769</u>	<u>(1,217)</u>	<u>27,832</u>	<u>42,384</u>
2006				
Property, plant & equipment	14,783	622	-	15,405
Intangible assets	13	2	-	15
Investment properties	159	113	-	272
Provisions and payments	(266)	7	-	(259)
Cashflow hedges	-	164	172	336
	<u>14,689</u>	<u>908</u>	<u>172</u>	<u>15,769</u>

	2007 \$000	2006 \$000
7. Imputation credit memorandum account		
Balance at beginning of the year	8,301	8,834
Income tax payments made (net)	1,065	1,630
Imputation credits attached to dividends paid	(2,337)	(2,163)
Balance at end of the year	<u>7,029</u>	<u>8,301</u>

8. Dividends

2006 Final dividend paid	2,197	2,294
2007 Interim dividend paid	2,550	2,099
	<u>4,747</u>	<u>4,393</u>

9. Share Capital

Fully paid ordinary shares	<u>33,020</u>	<u>33,020</u>
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All shares have equal voting rights and share equally as to dividends and surplus on winding up.

10. Reserves	2007 \$000	2006 \$000
Balances		
Cashflow hedge reserve	2,125	280
Asset revaluation reserve	137,553	-
Foreign currency translation reserve	(1,541)	65
Capital reserve	210	210
Balance at end of the year	138,347	555
Cash flow hedges reserve		
<i>Movements:</i>		
Balance at the beginning of the year	280	-
Revaluation	2,802	420
Deferred tax	(957)	(140)
Balance at the end of the year	2,125	280
Asset revaluation reserve		
Balance at beginning of the year	-	-
Revaluation (note 14)	165,231	-
Deferred Taxation	(27,678)	-
Balance at end of the year	137,553	-
<i>Comprising:</i>		
Land revaluation	64,007	-
Terminal facilities revaluation	49,122	-
Buildings revaluation	5,157	-
Sealed surfaces revaluation	15,378	-
Infrastructure assets revaluation	3,889	-
Carparking revaluation	-	-
Balance at the end of the year	137,553	-
Foreign currency translation reserve		
<i>Movements:</i>		
Balance at the beginning of the year	65	-
Exchange difference for the year	(2,409)	97
Deferred tax	803	(32)
Balance at the end of the year	(1,541)	65

	2007	2006
	\$000	\$000
Capital Reserve		
Balance at the beginning of the year	210	210
Movements	-	-
Balance at the end of the year	<u>210</u>	<u>210</u>
Retained Earnings		
Balance at the beginning of the year	84,862	81,531
Net surplus for the year	8,569	7,724
Dividends Paid	(4,747)	(4,393)
Balance at end of year	<u>88,684</u>	<u>84,862</u>

11. Borrowings

The company has a \$250,000,000 funding facility with four banks to fund the ongoing business and the proposed Terminal development. 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 7.02% to 7.64%.

Maturity of Debt as at 30 June

	2007	2006
	\$000	\$000
Less than 1 Year	5,978	3,561
2-5 Years	27,350	29,596
Greater than 5 Years	22,682	23,775
	<u>56,010</u>	<u>56,932</u>

12. Derivative Financial Instruments

Current Assets

	Fair Value		Notional Principal	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Forward foreign currency contracts	-	160	-	14,820
Interest rate swaps – cash flow hedges	-	62	7,020	7,020
Total current financial assets	<u>-</u>	<u>222</u>	<u>7,020</u>	<u>21,840</u>

Non-current Assets

Interest rate swaps – cash flow hedges	3,957	795	55,800	51,060
Total non-current financial assets	<u>3,957</u>	<u>795</u>	<u>55,800</u>	<u>51,060</u>

Current Liabilities	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Interest rate swaps – cash flow hedges	52	-	2,417	-
Forward foreign currency contracts	2,417	-	23,330	-
Total current financial liabilities	<u>2,469</u>	-	<u>25,747</u>	-

The Company is subject to currency risk, interest rate risk and credit risk as a result of its operations.

To manage and limit the effects of those financial risks, the Board of Directors has approved policy guidelines and authorised the use of various financial instruments.

Currency Risk

Currency risk arises from movements in foreign exchange rates and can impact cash flows.

Payments to overseas suppliers are made using the currency conversion rate at the date of payment. For certain more significant committed expenditure it is Company policy to enter into forward foreign exchange contracts to manage the exposure to fluctuations in currency rates.

Credit Risk

Credit risk is the risk of the failure of a debtor or counterparty to honour its contractual obligation.

Financial assets, which potentially subject the Company to concentrations of credit risk, consist principally of cash, short-term deposits, trade receivables, interest rate swaps and forward foreign exchange contracts. The maximum credit risk at 30 June 2007 is the fair value of the financial asset/liability. The Company's cash equivalents and short-term deposits are placed with high credit quality financial institutions. Trade receivables are presented net of the allowance for estimated doubtful receivables. Because of the limited number of customers the Company is exposed to a concentration of credit risks. At 30 June 2007, 30% of trade receivables were due from one customer. These receivables are considered to be fully receivable.

Interest Rate Risk

To ensure the Company's cost of funds is reasonably predictable from year to year, it is the Company's policy that floating rate debt not exceed 55% of total debt. Furthermore, of fixed rate debt 15% to 60% must re-price within one to three years, 15% to 60% in three to five years and 10% to 60% in five years plus. The Company uses interest rate swaps to manage its interest rate risk. The interest on debt is either converted from fixed to floating or floating to fixed through entering into interest rate swap agreements.

Gains and losses on derivatives which are part of an effective cash flow hedging relationship are recognised in the cash flow hedge reserve. The balance in the reserve is expected to be released to the Income Statement over the maturity profile of the underlying debt as detailed in note 11.

Refer to note 11 for the Company's exposure to interest rate risk.

	2007	2006
	\$000	\$000
13. Trade and other payables		
Creditors	1,272	848
Employee entitlements and provisions	711	975
Goods and Services Tax	236	146
Accrued expenses	3,772	3,582
Total trade and other payables	5,991	5,551

**14. Property Plant and Equipment
as at 30 June 2007**

Gross Carrying Amount

	Cost Revaluation 1 July 2006 \$000	Current Year Additions at Cost \$000	Transfers at Cost \$000	Disposals at Cost \$000	Revaluation Adjustment \$000	Cost or Revaluation 30 June 2007 \$000
Land	39,773	-	(277)	-	64,075	103,571
Buildings	12,119	1,103	(999)	-	3,669	15,892
Terminal Facilities	98,819	690	-	-	17,770	117,279
Roading	2,493	117	(2,610)	-	-	-
Sealed Surfaces	64,439	4,594	287	-	14,334	83,654
Plant & Equipment	5,507	355	(3,135)	(26)	-	2,701
Office & Computers	4,112	1,134	(247)	(5)	-	4,994
Infrastructure	-	-	4,129	-	5,382	9,511
Motor Vehicles	5,633	132	-	(106)	-	5,659
Work in Progress	10,336	2,877	-	-	-	13,213
Total	243,231	11,002	(2,852)	(137)	105,230	356,474

Accumulated Depreciation

	Provision for Depreciation 1 July 2006 \$000	Current Year Depreciation \$000	Depreciation on Transfers \$000	Depreciation on Disposals \$000	Revaluation Adjustment \$000	Provision for Depreciation 30 June 2007 \$000
Land	-	-	-	-	-	-
Buildings	2,247	606	1	-	(2,854)	-
Terminal Facilities	43,753	6,442	6	-	(50,201)	-
Roading	796	57	(853)	-	-	-
Sealed Surfaces	4,852	2,068	26	-	(6,946)	-
Plant & Equipment	2,979	246	(1,514)	(15)	-	1,696
Office & Computers	3,222	460	(88)	(5)	-	3,589
Infrastructure	-	-	-	-	-	-
Motor Vehicles	3,618	334	-	(80)	-	3,872
Work in Progress	-	-	-	-	-	-
Total	61,467	10,213	(2,422)	(100)	(60,001)	9,157
Total Book Value	181,764				165,231	347,317

14 cont.

Property Plant and Equipment as at 30 June 2006

Gross Carrying Amount

	Cost Revaluation 1 July 2005 \$000	Current Year Additions at Cost \$000	Transfers at Cost \$000	Disposals at Cost \$000	Revaluation Adjustment \$000	Cost or Revaluation 30 June 2006 \$000
Land	41,747	-	(1,974)	-	-	39,773
Buildings	15,608	96	(3,585)	-	-	12,119
Terminal Facilities	94,682	4,137	-	-	-	98,819
Roading	2,478	15	-	-	-	2,493
Sealed Surfaces	59,631	4,808	-	-	-	64,439
Plant & Equipment	5,397	110	-	-	-	5,507
Office & Computers	3,820	292	-	-	-	4,112
Motor Vehicles	4,388	1,319	-	(74)	-	5,633
Work in Progress	5,792	4,544	-	-	-	10,336
Total	233,543	15,321	(5,559)	(74)	-	243,231

Accumulated Depreciation

	Provision for Depreciation 1 July 2005 \$000	Current Year Depreciation \$000	Depreciation on Transfers \$000	Depreciation on Disposals \$000	Revaluation Adjustment \$000	Provision for Depreciation 30 June 2006 \$000
Land	-	-	-	-	-	-
Buildings	2,004	410	(167)	-	-	2,247
Terminal Facilities	37,646	6,107	-	-	-	43,753
Roading	718	78	-	-	-	796
Sealed Surfaces	2,635	2,217	-	-	-	4,852
Plant & Equipment	2,763	216	-	-	-	2,979
Office & Computers	2,912	310	-	-	-	3,222
Motor Vehicles	3,474	212	-	(68)	-	3,618
Work in Progress	-	-	-	-	-	-
Total	52,152	9,550	(167)	(68)	-	61,467
Total Book Value	181,391					181,764

The company adopted the fair value of land, buildings and sealed surfaces as the deemed cost on 1 July 2005. Land and sealed surfaces had been valued as at 30 June 2004 and buildings as at 30 June 2005.

The valuations were completed by an independent valuer, Crighton Anderson Property and Infrastructure Limited. On 30 June 2007 land, terminal facilities, buildings, sealed surfaces and infrastructure assets were revalued by independent valuers Seagar & Partners (land and buildings) and Opus International Limited (terminal facilities, sealed surfaces and infrastructure assets).

The carrying amount at which each revalued class of property, plant & equipment would have been carried had the assets been measured under the cost model is as per the table below. Cost includes deemed cost on transition to NZ IFRS.

	2007	2006
	\$000	\$000
Land	39,496	39,773
Buildings	9,368	12,403
Terminal facilities	49,308	55,066
Sealed Surfaces	62,374	59,587
Infrastructure	4,129	-
Car parking	-	-
	<u>164,675</u>	<u>166,829</u>
15. Intangible Assets	2007	2006
	\$000	\$000
Opening Cost	1,072	1,072
Provision for Depreciation	971	901
Opening Book Value	<u>101</u>	<u>171</u>
Current Year Additions at Cost	102	-
Depreciation	<u>83</u>	<u>70</u>
Closing Cost	1,174	1,072
Provision for Depreciation	1,054	971
Closing Book Value	<u>120</u>	<u>101</u>

As part of the transition to NZ IFRS computer software has been reclassified to Intangible Assets.

	2007	2006
	\$000	\$000
16. Investment Properties		
At fair value		
Balance at the beginning of the year	10,425	3,461
Transfer from property, plant & equipment	-	5,392
Additional capitalised expenditure	1,250	168
Fair value gain from fair value adjustment	434	1,404
Balance at the end of the year	<u>12,109</u>	<u>10,425</u>
Rental Income	457,332	353,826
Direct operating expenses from property that generated rental income	46,858	112,955

Investment properties are not depreciated and are required to be fair valued each year. Investment properties were valued with effective dates of 1 July 2005, 30 June 2006 by Crighton Anderson Property and Infrastructure Limited, registered valuers and member of the New Zealand Property Institute. The valuation as at 30 June 2007 was completed by Seagar and Partners, registered valuers and member of the New Zealand Property Institute. The basis of valuation is fair value being the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion.

	2007	2006
	\$000	\$000
17. Receivables and Prepayments		
Accounts Receivable	2,779	2,225
Prepayments	336	741
Total Receivables and Prepayments	<u>3,115</u>	<u>2,966</u>
	2007	2006
	\$000	\$000
18. Inventories		
Materials	284	235
Livestock	64	60
Total Inventory	<u>348</u>	<u>295</u>

	2007	2006
	\$000	\$000
19. Reconciliation of Net Operating Surplus After Tax with Net Cashflow from		
Net operating surplus after tax	8,569	7,724
Non cash items		
Depreciation	10,294	9,559
Gain on revaluation of investment properties	(434)	(1,404)
Financial derivatives adjustment	(33)	(524)
	<u>18,396</u>	<u>15,355</u>
Items not classified as operating activities		
Gain on asset disposals		
Taxation rate change	(858)	-
Movements in working capital		
(Increase)/Decrease in trade and other receivables	(149)	(186)
(Increase)/Decrease in inventories	(53)	(19)
Increase/(Decrease) in trade and other payables	487	490
Increase/(Decrease) in taxation payable	502	204
	<u>18,325</u>	<u>15,844</u>
Net cashflows from operating activities		

20. 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.

Christchurch International Airport Limited enters into a large number of transactions with government departments, Crown entities, State-owned enterprises and other entities controlled or subject to significant influence by the Crown. These transactions are not separately disclosed where they:

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

Note that these transactions relate to the full company, and not to the aeronautical operations solely. The Company cannot reasonably separate out transactions related specifically to aeronautical operations without considerable and disproportionate effort and expense.

Transactions with owners during the year	2007	2006
	\$000	\$000
Purchases from CCC and Subsidiaries	579	527
Rates paid to CCC	1,558	1,334
Revenues from CCC and Subsidiaries	12	49
Subvention payments to CCC and Subsidiaries	4,851	3,322

Outstanding Balances with owners as at 30 June	2007	2006
	\$000	\$000
Accounts Payable to CCC and Subsidiaries	19	16
Amounts owing from CCC and Subsidiaries	2	-

Non Shareholder Related Party Transactions

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

Entity	Transaction	2007	2006	Relationship
		\$000	\$000	
Fulton Hogan Corporation Limited	Pavement	5,585	5,129	Hanlin Johnston, CIAL Director is a Director of Fulton Hogan Corporation Limited
	Maintenance			
	Carparking	25	25	
Parceline Limited	Maintenance			Sue Sheldon, CIAL Director is a Director of Freightways Limited, parent company of Parceline Limited
	Rental	128	128	
Jet Engine Facility Limited	Rental	36	36	Hanlin Johnstone, CIAL Director is a Director of Jet Engine Facility Limited
	Subvention payment	962		
	Rates	2		

Christchurch City Facilities Limited	Subvention payment	533	Hanlin Johnstone, CIAL Director is a Director of Christchurch City Facilities limited
Jade Stadium	Subvention payment	83	Hanlin Johnstone, CIAL Director is a Director of Jade Stadium
META NZ Limited	Resource recycling	58	Denis O'Rourke, CIAL Director is a Director of META NZ Limited

Balance owing at 30 June

Entity	2007 \$000	2006 \$000
Fulton Hogan Corporation Limited	89	47
META NZ Ltd	-	6

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

21. Key Management Personnel Compensation

The key management personnel include the Chief Executive and his direct reports, and this disclosure relates to the Company as a whole.

	2007 \$000	2006 \$000
The key management compensation is:		
Salaries and other short term employee benefits	1,392	1,110
Termination Benefits	81	-
	<u>1,473</u>	<u>1,110</u>

22. Segment Information

The Company operates predominantly in the business of providing airport facilities and services to airline and airport users. All operations are based at Christchurch International Airport. Segmental information required to be disclosed under the Airport Authorities Act 1966 and subsequent amendments, is shown in Note 28.

23. Commitments

	2007 \$000	2006 \$000
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Capital Expenditure Commitments

Total capital expenditures committed to but not recognised in the financial statements	<u>11,415</u>	<u>13,481</u>
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Operating Lease Commitments

Operating Lease expenditure committed to but not recognised in the financial statements		
Less than 1 year	166	216
Between 1-2 Years	84	314
Between 2-5 Years	-	5
	<u>250</u>	<u>535</u>

24. Contingent Assets and Liabilities

The Company is a participating employer in the National Provident Fund's Defined Benefit Plan Contributors Scheme (the scheme) which is a multi-employer defined benefit scheme. If the other participating employers ceased to participate in the scheme the Company could be responsible for the entire deficit of the scheme (see note 25). Similarly, if a number of employers ceased to participate in the scheme, the Company could be responsible for an increased share of the deficit.

25. Defined Benefit Superannuation Scheme

As outlined in note 24, the group contributes to a multi-employer defined benefit superannuation scheme (the scheme) operated by the National Provident Fund. The Fund has advised that insufficient information is available to use defined benefit accounting as it is not possible to determine, from the terms of the scheme, the extent to which the deficit will affect future contributions by employers, as there is no prescribed basis for allocation.

As at 31 March 2006, the scheme had an estimated past service surplus of \$16.5 million (5% of the estimated liabilities). This amount is exclusive of specified superannuation contribution withholding tax. This surplus was calculated by the actuary to the scheme using a discount rate equal to the expected return on the assets, but otherwise the assumptions and methodology were consistent with the requirements of NZ IAS 19. The actuary to the scheme has recommended the employer contribution continues at 2 times contributors' contributions at present. The 2 times is inclusive of specified superannuation contribution withholding tax. The equivalent information as at 31 March 2007 is not available at the date of preparation of these financial statements.

Refer also to accounting policy 2u – employee benefits.

26. Events Occurring After Balance Date

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

27. Explanation of transition to New Zealand Equivalents to IFRS

At the date of transition to NZ IFRS: 1 July 2005

	Previous NZ FRS	Effect of transition to NZ IFRS	NZ IFRS
	\$000	\$000	\$000
ASSETS			
Current assets			
Cash and cash equivalents	1,351	-	1,351
Trade and other receivables	2,780	-	2,780
Inventories	273	-	273
Taxation Receivable	342	-	342
Other financial assets	(a) -	-	-
Total current assets	4,746	-	4,746
Non-current assets			
Property, plant and equipment	(b) 178,962	2,429	181,391
Intangible assets	(c) -	170	170
Investment property	(d) -	3,462	3,462
Total non-current assets	178,962	6,061	185,023
Total assets	183,708	6,061	189,769
LIABILITIES			
Current liabilities			
Trade and other payables	(e) 5,806	84	5,890
Total current liabilities	5,806	84	5,890
Non-current liabilities			
Deferred Taxation	(f) -	14,689	14,689
Borrowings	54,430	-	54,430
Total non-current liabilities	54,430	14,689	69,119
Total liabilities	60,236	14,773	75,009
Net assets	123,472	(8,712)	114,760
EQUITY			
Share Capital	33,020	-	33,020
Reserves	(g) 74,631	(74,422)	209
Retained earnings	(h) 15,821	65,710	81,531
Total equity	123,472	(8,712)	114,760

Explanation of transition to New Zealand Equivalents to IFRS (continued)

At the end of the last reporting period under previous NZ FRS: 30 June 2006

	Previous NZ FRS	Effect of transition to NZ IFRS	NZ IFRS
	\$000	\$000	\$000
ASSETS			
Current assets			
Cash and cash equivalents	-	-	-
Trade and other receivables	2,966	-	2,966
Inventories	295	-	295
Other financial assets (a)	-	222	222
Tax receivable	138	-	138
Total current assets	3,399	222	3,621
Non-current assets			
Other financial assets (a)	-	795	795
Property, plant and equipment (b)	184,662	(2,898)	181,764
Intangible assets (c)	-	101	101
Investment property (d)	-	10,425	10,425
Total non-current assets	184,662	8,423	193,085
Total assets	188,061	8,645	196,706
LIABILITIES			
Current liabilities			
Trade and other payables (e)	5,448	103	5,551
Bank Overdraft	17	-	17
Current portion of borrowings	3,561	-	3,561
Total current liabilities	9,026	103	9,129
Non-current liabilities			
Deferred Tax (f)	-	15,769	15,769
Term borrowings (m)	53,419	(48)	53,371
Total non-current liabilities	53,419	15,721	69,140
Total liabilities	62,445	15,824	78,269
Net assets	125,616	(7,179)	118,437
EQUITY			
Share capital	33,020	-	33,020
Reserves (g)	74,631	(74,076)	555
Retained earnings (h)	17,965	66,897	84,862
Total equity	125,616	(7,179)	118,437

Explanation of transition to New Zealand Equivalents to IFRS (continued)

Reconciliation of profit for the year ended 30 June 2006

		Previous NZ FRS	Effect of transition to NZ IFRS	NZ IFRS
		\$000	\$000	\$000
Operating Revenue		44,782	-	44,782
Other Income	(k)	-	1,404	1,404
Interest		244	-	244
Total Revenue		45,026	1,404	46,430
Expenses				
Employee Remuneration		8,350	-	8,350
Financing and Interest cost	(i)	3,854	(524)	3,330
Other Operating Costs		4,080	-	4,080
Administration Costs		8,113	-	8,113
Repairs and Maintenance		1,198	-	1,198
Depreciation	(j)	9,624	(65)	9,559
Total Expenses		35,219	(589)	34,630
Profit before Income Tax		9,807	1,993	11,800
Income Tax	(l)	3,270	806	4,076
Profit from Operations		6,537	1,187	7,724

Explanation of transition to New Zealand Equivalents to IFRS (continued)

Notes to the reconciliations

Note (a) Other Financial Assets

	2006	2005
	\$000	\$000
Fair Value Assets brought to Account - Current	222	-
Fair Value Assets brought to Account - Term	795	-

Note (b) Property, Plant and Equipment

	2006	2005
	\$000	\$000
Reclassification of software included in property, plant and equipment to intangibles	(1,072)	(1,072)
Reclassification of associated amortisation of software previously included in property, plant and equipment	971	900
Reclassification of Investment Property included in Plant/Property and Equipment to Investment Property	(8,305)	(2,745)
Reclassification of Associated Amortisation relating to Investment Properties	494	332
Revaluation of Buildings	5,014	5,014
	<u>(2,898)</u>	<u>2,429</u>

Note (c) Intangible assets

	2006	2005
	\$000	\$000
Reclassification of software – refer (b)	1,072	1,072
Reclassification of amortisation associated with software – refer (b)	(971)	(900)
	<u>101</u>	<u>170</u>

Note (d) Investment Properties

	2006	2005
	\$000	\$000
Reclassification of Investment Properties	10,425	3,462
	<u>10,425</u>	<u>3,462</u>

Note (e) Trade and other Payables

	2006	2005
	\$000	\$000
Reclassification of Long Service Leave and Sick Leave	84	84
Fair Value Derivative Interest	19	-
	<u>103</u>	<u>84</u>

Explanation of transition to New Zealand Equivalents to IFRS (continued)

Notes to the reconciliations

Note (f) Deferred Taxation

	2006	2005
	\$000	\$000
Deferred taxation brought to Account	15,769	14,689
	<u>15,769</u>	<u>14,689</u>

Note (g) Reserves

	2006	2005
	\$000	\$000
Reclassification of Asset Revaluation Reserve in respect of Assets being recorded at Deemed Cost	(74,422)	(74,422)
Cashflow Hedge Reserve brought to Account	346	-
	<u>(74,076)</u>	<u>(74,422)</u>

Note (h) Retained Earnings

	2006	2005
	\$000	\$000
Reclassification of Deferred Taxation	(14,689)	(14,689)
Reclassification of Asset Revaluation Reserve in respect of Assets being recorded at Deemed Cost	74,422	74,422
Reclassification of Investment Property	2,517	1,047
Building Revaluation	5,014	5,014
Reclassification of Long Service Leave and Sick Leave	(84)	(84)
Reclassification of Interest on Derivatives	(283)	-
	<u>66,897</u>	<u>65,710</u>

Note (i) Finance Costs

	2006
	\$000
Interest on Derivative brought to Account	(524)

Explanation of transition to New Zealand Equivalents to IFRS (continued)

Notes to the reconciliations

Note (j) Depreciation

	2006
	\$000
Being writeback of Depreciation of Buildings now classified as Investment Properties	(65)

Note (k) Investment Properties

	2006
	\$000
Being the net increase in valuation of Investments Properties	1,404

Note (l) Taxation Expense

	2006
	\$000
Taxation on temporary difference	806

Note (m) Borrowings

	2006
	\$000
Reallocation of borrowings	(48)

Additional information required by the disclosure regulations

28. 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 2007

	Specified Terminal	Airfield	Aircraft and Freight	Total
	\$000	\$000	\$000	\$000
Revenue				
Airport charges	7,947	15,033	-	22,980
Passenger departure charge	15,980	-	-	15,980
Lease, rentals and concessions	3,011	213	3,528	6,752
Other income	-	-	434	434
Miscellaneous revenue	203	284	21	508
Interest income	149	51	45	245
Total revenue	27,290	15,581	4,028	46,899
Expenses				
Employee remuneration	4,429	4,897	271	9,597
Financing and interest costs	2,493	664	717	3,874
Other operating costs	3,345	739	74	4,158
Administration costs	3,722	3,127	102	6,951
Repairs and maintenance	812	477	116	1,405
Depreciation	7,055	2,940	299	10,294
Total expenses	21,856	12,844	1,579	36,279
Operating surplus before income tax	5,434	2,737	2,449	10,620
Income tax	1,026	245	780	2,051
Net operating surplus after income tax	4,408	2,492	1,669	8,569
Segment assets	143,665	156,676	66,928	367,269
Average number of full-time staff equivalents	53	58	3	114

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
Miscellaneous revenue	219	274	15	508
Other income	-	-	1,404	1,404
Interest income	183	24	37	244
Total revenue	25,762	15,978	4,690	46,430
Expenses				
Employee remuneration	3,854	4,212	284	8,350
Financing and interest costs	2,400	431	499	3,330
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	373	9,559
Total expenses	21,554	11,534	1,542	34,630
Operating surplus before income tax	4,208	4,444	3,148	11,800
Income tax	1,606	1,799	671	4,076
Net operating surplus after income tax	2,602	2,645	2,477	7,724
Segment assets	73,804	84,469	38,433	196,706
Average number of full-time staff equivalents	52	58	3	113

29. 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.

30. 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 2006, 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.

	2007	2006
Risk free rate – five year Government Stock	6.0%	5.81%
Market risk premium	7.5%	8%
Company tax rate	33.0%	33%
Debt premium	1.0%	1.0%
Business risk factor (asset beta)	0.65%	0.65%

Based on these parameters CIAL estimates that as at 1 July 2006, the appropriate prospective WACC for its identified airport activities was 9.1% (as at 1 July 2005 : 9.39%) on a nominal after-tax basis.

31. 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 reflects 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.

32. 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:

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

33. 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 2007	Movements 2006
Aircraft in excess of 3 tonnes		
Scheduled domestic aircraft departures		
A320	573	214
B737	12,516	13,668
B767	2	-
ATR-72	10,389	10,715
BA31	42	202
BA32	862	330
CV58	108	104
DHC8	2,351	304
BA41	139	1,290
SWM	29	63
SB34	2,295	3,647
BE19	2,252	2,471
	31,558	33,008
Scheduled international aircraft departures		
A320	3,259	2,670
A340	365	364
B737	1,238	1,315
B747	7	149
B767	380	767
B777	628	437
	5,877	5,702
Non-scheduled, including military, freight and other aircraft departures		
A320	22	34
B737	578	587
B757	67	51
B767	194	102
B747	10	41
ATR-75	49	53
BA41	-	-
B200	53	42
C130	113	93
C141	-	-
C402	9	68
CV58	1,251	1,249
FK27	276	275
SWM	690	1,178
C17	69	60
Other	330	260
	3,711	4,093
Aircraft less than 3 tonnes		
Non-scheduled departures	24,940	28,666
Total Aircraft Departures (includes non-scheduled flights)	66,086	71,469

34 Passengers

For the year ended 30 June 2007

	Arrivals	Departures	Total
Domestic *	1,938,898	1,987,693	3,926,591
International	791,522	766,457	1,557,979
Total passengers	2,730,420	2,754,150	5,484,570

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

* Domestic transit passengers are included as departing passengers.

35. 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.

36. 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 2007

	PLANNED INTERRUPTIONS		UNPLANNED INTERRUPTIONS	
	Number	Total Duration (hh:mm)	Number	Total Duration (hh:mm)
Runway services	16	84:30	-	-
Stand position services	17	98:15	2	976:00
Airbridge services	6	39:30	33	35:50
Check-in baggage handling	3	3:30	22	29:00

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

REPORT OF THE AUDITOR-GENERAL

TO THE READERS OF THE DISCLOSURE FINANCIAL STATEMENTS OF CHRISTCHURCH INTERNATIONAL AIRPORT LIMITED FOR THE YEAR ENDED 30 JUNE 2007

We have audited the disclosure financial statements on pages 4 to 46. 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 2007. 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 8 to 17.

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 2007, the results of its operations and cash flows and additional information required by the Regulations for the year ended 30 June 2007.

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 Julian Tan, 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:

- 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 46:
 - 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 2007; 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 2007 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 2007 included on the company's website. The company's Board of Directors is responsible for the maintenance and integrity of the company's website. We have not been engaged to report on the integrity of the company's website. We accept no responsibility for any changes that may have occurred to the financial statements and performance information since they were initially presented on the website.

The audit report refers only to the disclosure financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to or 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 2007 to confirm the information included in the audited disclosure financial statements presented on this website.

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