Christchurch International airport Limited

DISCLOSURE FINANCIAL STATEMENTS

for the year ended 30 June 2005

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

Contents

Disclosure financial statements

The Directors have pleasure in presenting the Disclosure Financial Statements of Christchurch International Airport Limited for the year ended 30 June 2005. 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
- Sue Sheldon, Deputy Chairman
- Philip Carter
- Denis O'Rourke
- Hanlin Johnstone
- Jim Boult

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	D J O'Rourke
Director	**Director**
29 November 2005	29 November 2005

Statement of financial performance

for the year ended 30 June 2005

	Note	**2005**	2004
		$000	$000
REVENUE			
Operating revenue	1	**42,536**	37,378
Interest income	2	**576**	263
Total revenue	19	**43,112**	37,641
EXPENSES			
Employee remuneration		**7,514**	7,033
Financing and interest costs		**3,277**	2,041
Other operating costs	4	**4,093**	5,107
Administration costs	5	**6,737**	5,198
Repairs and maintenance		**1,441**	1,759
Depreciation	3	**9,782**	8,132
Total expenses		**32,844**	29,270
Operating surplus before income tax		**10,268**	8,371
Income tax	6	**3,242**	1,717
Net operating surplus after income tax	19	**7,026**	6,654

The accompanying notes form part of these financial statements.

Statement of movements in equity

for the year ended 30 June 2005

	Note	**2005 $000**	2004 $000
Equity at beginning of year		**120,797**	94,890
SURPLUS			
Net operating surplus after income tax		**7,026**	6,654
Increase in asset revaluation reserves	9	**-**	23,530
Total recognised revenues and expenses for the year		**7,026**	30,184
OTHER MOVEMENTS			
Dividends to shareholders	7	**(4,351)**	(4,277)
Equity at end of year		**123,472**	120,797

The accompanying notes form part of these financial statements.

Statement of financial position

as at 30 June 2005

	Note	2005 $000	2004
EQUITY			
Share capital	8	**33,020**	33,020
Reserves	9	**74,631**	74,631
Retained earnings		**15,821**	13,146
Total equity		**123,472**	120,797
NON-CURRENT LIABILITIES			
Borrowings	10	**54,430**	32,570
CURRENT LIABILITIES			
Payables and accruals	12	**5,806**	3,313
Total current liabilities		**5,806**	3,313
Total equity and liabilities		**183,708**	156,680
NON-CURRENT ASSETS			
Property, plant and equipment	13	**178,962**	153,312
CURRENT ASSETS			
Cash and short term deposits		**1,351**	350
Receivables and prepayments		**2,780**	2,514
Taxation receivable	6	**342**	248
Inventories	14	**273**	256
Total current assets		**4,746**	3,368
Total assets	19	**183,708**	156,680

For and on behalf of the Board

………………………………………………	…………………………………………………
S Sheldon	D J O'Rourke
Director	**Director**
29 November 2005	29 November 2005

The accompanying notes form part of these financial statements.

Statement of cash flows

for the year ended 30 June 2005

	2005 $000	2004 $000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash was provided from:		
Receipts from customers	**42,299**	36,991
Interest received	**576**	143
	42,875	37,134
Cash was applied to:		
Payments to suppliers and employees	**18,788**	18,901
Financing and interest costs	**3,277**	2,121
Income tax paid	**1,388**	1,729
Subvention payment	**1,948**	-
	25,401	22,751
Net cash flows from operating activities	**17,474**	14,383
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash was provided from:		
Proceeds from sale of property, plant and equipment	**-**	155
Cash was applied to:		
Purchase of property, plant and equipment	**33,982**	7,195
Net cash flows from investing activities	**(33,982)**	(7,040)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash was provided from:		
Borrowings	**21,860**	-
Cash was applied to:		
Borrowings repaid	**-**	2,677
Dividends paid	**4,351**	4,277
	4,351	6,954
Net cash flows from financing activities	**17,509**	(6,954)
Net increase/(decrease) in cash held	**1,001**	389
Add cash at beginning of the year	**350**	(39)
Cash at the end of the year	**1,351**	350

The accompanying notes form part of these financial statements.

Statement of cash flows continued
for the year ended 30 June 2005

	2005 $000	2004 $000
COMPOSITION OF CASH		
Bank and deposits	**1,351**	350
Cash at the end of the year	**1,351**	350
RECONCILIATION WITH OPERATING SURPLUS		
Reported net operating surplus after income tax	**7,026**	6,654
Items not involving cash flows		
Depreciation expense	**9,768**	8,132
	16,794	14,786
Impact of changes in working capital items		
Increase/(decrease) in accounts payable	**2,493**	496
(Increase)/decrease in accounts receivable	**(266)**	(619)
(Increase)/decrease in inventories	**(17)**	26
(Increase)/decrease in taxation receivable	**(94)**	(12)
	2,116	(109)
Items classified as investing activities		
Capital creditors	**(1,450)**	(298)
Net loss on disposal of assets	**14**	4
	(1,436)	(294)
Net cash flows from operating activities	**17,474**	14,383

The accompanying notes form part of these financial statements.

Statement of accounting policies

for the year ended 30 June 2005

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.

However, the presentation of accounting for subvention payments has been changed this year with the subvention payment and subsequent refund being accounted for through the taxation provision. In previous years the subvention payment has been accounted for through the Statement of Financial Performance.

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.

(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	3 to 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.

Notes to the financial statements

for the year ended 30 June 2005

		2005	2004
		$000	$000
1.	**Operating Revenue**		
	Airport charges	**23,596**	**20,883**
	Passenger departure charge	**11,937**	**9,494**
	Lease rentals and concessions	**6,435**	**5,790**
	Other revenue	**568**	**1,211**
		42,536	**37,378**
2.	**Interest Income**		
	Interest income was derived from:		
	Short term bank deposits	**300**	**116**
	Other	**276**	**147**
		576	**263**
3.	**Depreciation of Property, Plant & Equipment**		
	Buildings	**367**	**284**
	Terminal facilities	**5,789**	**5,118**
	Sealed surfaces	**2,635**	**1,859**
	Roading	**60**	**57**
	Plant and equipment	**280**	**255**
	Office and computer equipment	**404**	**337**
	Motor vehicles	**233**	**218**
	Loss on disposal of assets	**14**	**4**
		9,782	**8,132**
4.	**Other Operating Costs**		
	Electricity, fuel and oil	**1,441**	**894**
	Subvention payment	**-**	**1,770**
	Other operating expenses	**2,652**	**2,443**
		4,093	**5,107**
5.	**Administration**		
	Audit fees - financial report	**27**	**26**
	- disclosure regulations	**6**	**5**
	Directors' fees	**99**	**97**
	Bad debts written off	**72**	**326**
	Donations	**8**	**2**
	Other administration expenses	**6,525**	**4,742**
		6,737	**5,198**

6. Income Tax

(a) Income tax expense

	2005 $000	2004 $000
Operating surplus before income tax	**10,268**	8,371
Prima facie taxation at 33%	**3,388**	2,762
Plus(less) taxation effect of:		
Permanent differences	**12**	15
Timing differences not recognised	**(27)**	147
Group loss offset	**-**	(1,203)
	(15)	1,721
(Over)/under provision in prior years	**(131)**	(4)
Income tax attributable to operating surplus	**3,242**	1,717
Comprising:		
Current taxation	**3,242**	1,717
	3,242	1,717

The reversal of the above and previous timing differences will result in a future tax liability. At current taxation rates effective 30 June 2005 the unrecognised future income tax liability of timing differences not recognised in the financial statements is $4,635,860 (2004 $4,490,462).

(b) Taxation provision

	2005 $000	2004 $000
Taxation payable/(receivable) as at 1 July	**(248)**	(236)
Income tax attributable to operating surplus	**3,242**	1,717
Subvention payment paid to Christchurch City Holdings Ltd Group	**(1,948)**	-
Income tax paid to Inland Revenue Dept	**(3,716)**	(1,729)
Income tax refunded by Inland Revenue Dept	**2,328**	-
Taxation payable/(receivable) as at 30 June	**(342)**	(248)

	2005 $000	2004 $000
(c) **Imputation credit memorandum account**		
Balance at beginning of the year	**9,589**	9,967
Income tax payments made	**1,388**	1,729
Imputation credits attached to dividends paid	**(2,143)**	(2,107)
Balance at end of the year	**8,834**	9,589

7. **Dividends**

Dividends paid	**4,351**	4,277

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**	**50,891**
Net revaluations	**-**	**23,530**
Balance at end of the year	**74,421**	**74,421**
Comprising:		
Land revaluation reserve	**27,369**	**27,369**
Sealed surfaces revaluation reserve	**47,052**	**47,052**
	74,421	**74,421**

10. **Borrowings**

ANZ Banking Group (New Zealand) Limited arranges and manages a $120,000,000 multi-option facility which at 30 June 2005 was underwritten by $75,000,000 of revolving credit facilities which expires in March 2007. The multi-option facility enables borrowings to be sourced from either the debt capital markets (on an uncommitted basis) or committed bank funding. In addition, the ANZ Bank provides a money line facility of $5,000,000 and the Bank of New Zealand provides an overdraft facility of $1,000,000.

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

At 30 June 2005, the Company had on issue 90 day short term registered notes with a face value of $55,389,695 (2004 : $33,048,451) and a discounted value of $54,430,542 (2004 : $32,570,240).

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 2005, 42.10% 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:

	2005	2004
Interest rate swaps	**$55 million**	$39 million
Interest rate options	**$5 million**	$5 million

(c) **Total Company Fair Values**

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

The fair values of the interest rate swaps as at balance date are assessed on the basis of the cost or benefits emerging from those agreements had settlement been made on balance date, calculated by using the interest rate prevailing on 30 June 2005. Interest rates on that date would have resulted in a gain/(loss) to the Company of:

	2005	2004
Interest rate swaps	**$2,019**	($3,785)

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.

12. **Payables and Accruals**

	2005	2004
	$000	$000
Creditors	**1,175**	1,489
Employee entitlements	**524**	372
Goods and Services Tax	**161**	55
Accrued expenses	**3,946**	1,397
	5,806	3,313

13. **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

Property, Plant and Equipment

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

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 2005, was estimated at $290,530,000 (2004 $228,985,000) by independent registered valuers, Crighton Anderson & Associates Limited.

	2005	2004
	$000	$000
14. **Inventories**		
Materials	**217**	194
Livestock	**56**	62
	273	256

15. **Related Party Transactions**

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

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

During the year, the Company made subvention payments totalling $4,587,014 (2004 : $4,007,612) to the Christchurch City Council and three of its wholly owned subsidiaries.

Non Shareholder Related Party Transactions

Some Directors of the company are or have been Directors of other companies or organisations with whom Christchurch International Airport Limited may transact. Such transactions are all carried out independently 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**	**2005**	**2004**	**Relationship**
		$'000	**$'000**	
Ngai Tahu Fisheries Limited	Rental	120	120	Sue Sheldon, CIAL Director, is a Director of Ngai Tahu Holdings Corporation, parent company of Ngai Tahu Fisheries Limited
Parceline Limited	Rental	124	122	Sue Sheldon, CIAL Director, is a Director of Freightways Limited, parent company of Parceline Limited
Meridian Energy Limited	Energy Purchases	767	974	Sue Sheldon, CIAL Director, was a Director of Meridian Energy until 31 December 2004. The company purchases energy from Meridan Energy.

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

	2005	2004
	$000	$000
16. **Capital Expenditure Commitments**		
Total capital expenditures committed to but not recognised in the financial statements	**2,489**	21,846

17. **Contingent Assets and Liabilities**

There are no contingent assets or liabilities at balance date (2004 : nil).

18. **Events Occurring After Balance Date**

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

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 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	72,097	79,822	31,788	183,707
Average number of full-time staff equivalents	50	55	3	108

30 June 2004

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

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, 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.

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 2004, 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.

	2005	2004
Risk free rate – five year Government Stock	**6.13%**	4.94%
Market risk premium	**9%**	9.0%
Company tax rate	**33%**	33%
Debt premium	**0.8%**	0.8%
Business risk factor (asset beta)	**0.65%**	0.65%

Based on these parameters CIAL estimates that as at 1 July 2004, the appropriate prospective WACC for its identified airport activities was 9.74% (as at 1 July 2003 : 9.0%) 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 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 has been allocated to aircraft type based on the total available seats for each aircraft type.

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

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
BA41	61	47	108
BA31	39	29	68
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 2005**	Movements 2004
Aircraft in excess of 3 tonnes		
Scheduled domestic aircraft departures		
A320	**632**	106
B737	**13,221**	12,436
B767	**27**	362
ATR-72	**10,655**	11,614
BA31	**415**	387
BA32	**702**	738
CV58	**118**	120
DHC8	**34**	66
BA41	**1,603**	3,781
SWM	**37**	190
SB34	**3,788**	3,603
BE19	**2,311**	1,678
	33,543	35,081
Scheduled international aircraft departures		
A320	**1,533**	873
A340	**316**	-
B737	**2,527**	2,106
B747	**300**	237
B767	**928**	1,066
B777	**350**	298
	5,954	4,580
Non-scheduled, including military, freight and other aircraft departures		
B737	**182**	621
B757	**46**	77
B767	**20**	29
ATR-75	**153**	173
BA41	**2**	30
B200	**48**	55
C130	**113**	112
C141	**35**	71
C402	**247**	99
CV58	**1,292**	1,260
F27	**396**	474
SWM	**1,453**	1,520
C17	**50**	-
Other	**200**	287
	4,237	4,808
Aircraft less than 3 tonnes Non-scheduled aircraft departures	**32,752**	33,580
Total aircraft departures (includes non-scheduled flights)	**76,486**	78,049

25. **Passengers**

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

For the year ended 30 June 2004

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

* 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. A total of $5.00 per passenger over the age of two is paid to the New Zealand Government for the provision of Aviation Security and Civil Aviation services.

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

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.

In 2005 routine maintenance checks have been redefined and included as Planned interruptions.

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	22	167:07	30	128:00
Check-in baggage handling	24	244:48	48	56:15

Year ended 30 June 2004

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

Audit New Zealand

REPORT OF THE AUDITOR-GENERAL

TO THE READERS OF THE DISCLOSURE FINANCIAL STATEMENTS OF
CHRISTCHURCH INTERNATIONAL AIRPORT LIMITED
FOR THE YEAR ENDED 30 JUNE 2005

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 identified airport activities as at 30 June 2005. 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 Christchurch International Airport Limited as at 30 June 2005, the results of its operations and cash flows and additional information required by the Regulations for the year ended 30 June 2005.

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 K J Boddy, 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 Christchurch International Airport Limited's circumstances, consistently applied and adequately disclosed.

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

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

Unqualified Opinion

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

In our opinion:

σ proper accounting records have been kept by Christchurch International Airport Limited as far as appears from our examination of those records; and

σ the disclosure financial statements of Christchurch International Airport Limited on pages 4 to 29:

- — comply with generally accepted accounting practice in New Zealand; and
- — give a true and fair view of:
  - Christchurch International Airport Limited's financial position as at 30 June 2005; and
  - the results of its operations and cash flows for the year ended on that date; and
- — comply with the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999.

Our audit was completed on 29 November 2005 and our unqualified opinion is expressed as at that date.

K J Boddy
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand