Christchurch International Airport Limited
Annual Report 2004

Christchurch International airport Limited

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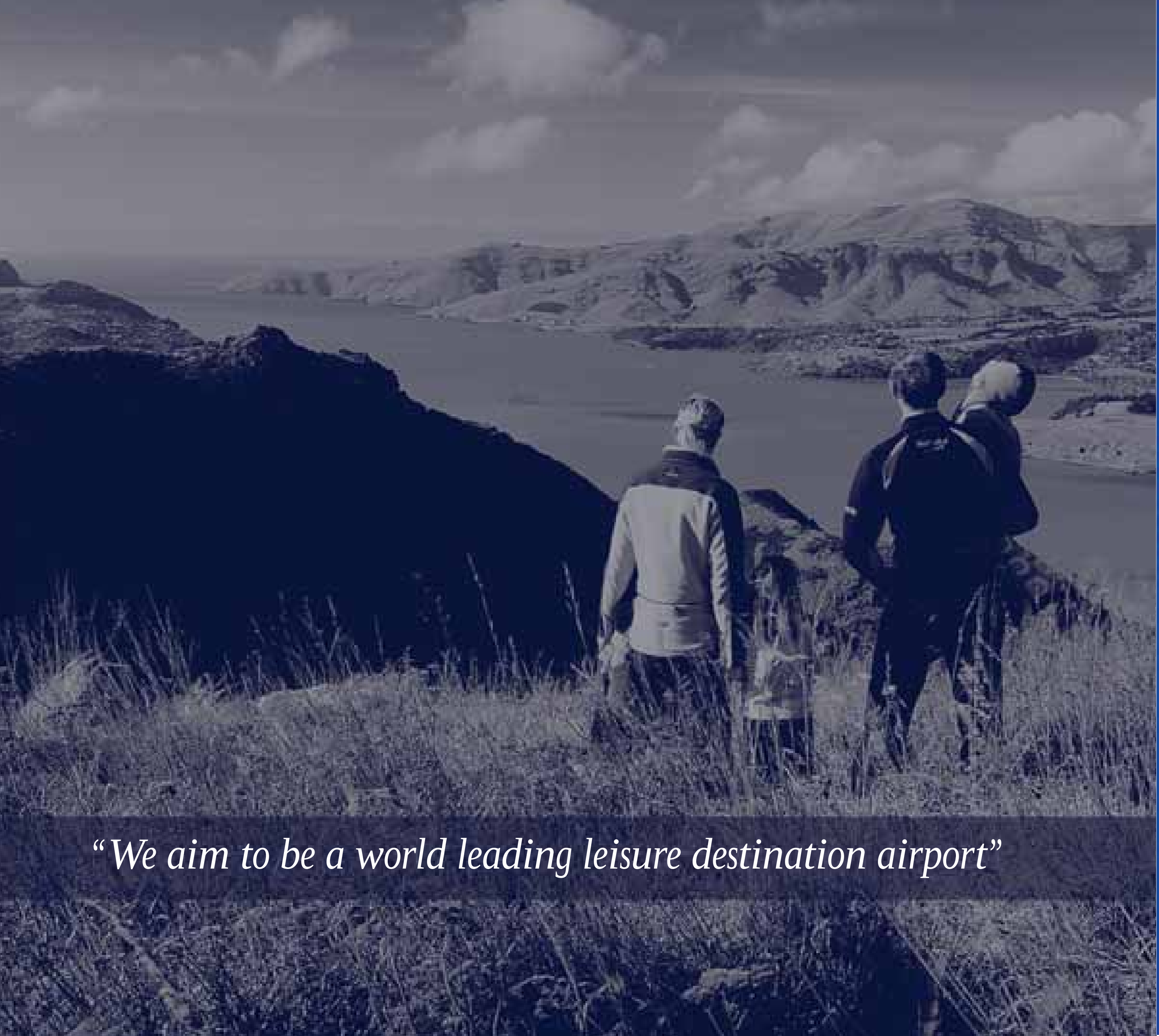
Our Vision

We will be a leader in the delivery of airport services in Australasia, recognised for:

- Our committed and energetic people
- Excellent customer relationships
- Leadership in developing South Island tourism
- Fostering the long term interests of our community
- Our growth, profitability and financial strength



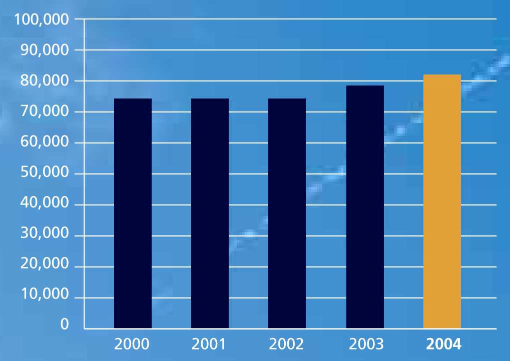
"We aim to be a world leading leisure destination airport"

A year at a glance...

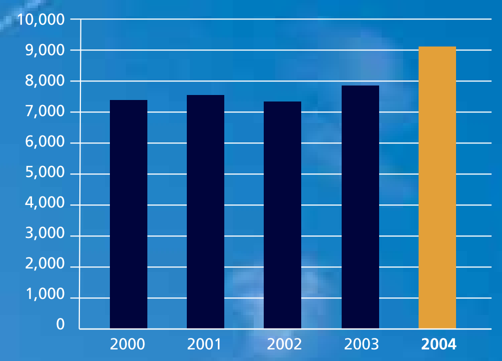
Financial and Operational Highlights

	2004 $000	2003 $000	Change %
FINANCIAL RESULTS			
Operating revenue	**63,273**	54,944	15.2
• total aeronautical revenue	**30,377**	27,084	12.2
• total non-aeronautical revenue	**32,896**	27,860	18.1
Surplus after income tax	**14,844**	13,041	13.8
Earnings before interest, taxation and depreciation (EBITD)	**38,346**	33,862	13.2
Total equity	**215,474**	158,773	35.7
Return on average shareholders' equity	**7.9%**	8.1%	-2.5
OPERATIONAL HIGHLIGHTS			
Domestic passengers	**3,944,895**	3,571,835	10.4
International passengers	**1,191,180**	1,021,384	16.6
Total passengers	**5,136,075**	4,593,219	11.8
Domestic aircraft movements	**81,535**	78,894	3.3
International aircraft movements	**9,259**	7,807	18.6
Total aircraft movements	**90,794**	86,701	4.7
International cargo tonnage	**26,743**	27,605	-3.1

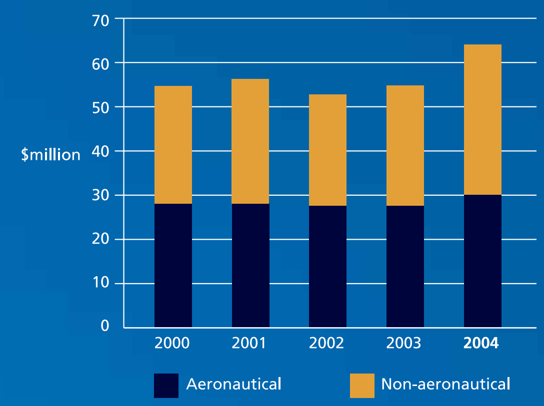
Domestic Aircraft Movements



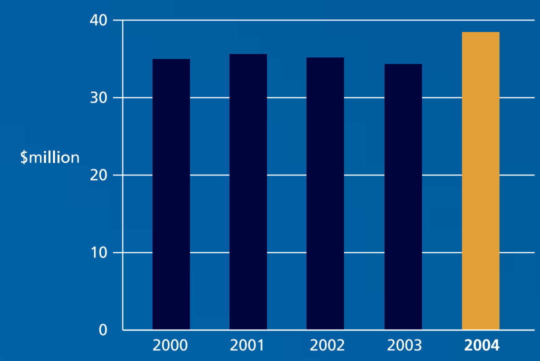
International Aircraft Movements



Revenue



EBITDA



"We are in the enviable position of having a very strong balance sheet"

Syd Bradley

CHAIRMAN'S REPORT

From a Board perspective, Chairman Syd Bradley is interviewed about Christchurch International Airport Limited's performance over the year

It has been a year of huge change in the aviation industry with the introduction of low cost fares making air travel more accessible and attractive to the public. How has this impacted on Christchurch International Airport Limited?

We have seen enormous growth in both domestic and international passengers using the airport. This has significantly increased revenue and resulted in an after-tax surplus of $14.844 million, up 13.8% from last year.

What has this meant to shareholders in terms of dividend?

We have made two payments this financial year, the first in October, which was the final dividend for the year ended June 2003 of 7.6 cents per share or $4,377,600 and the second in March 2004 of 7.5 cents per share or $4,320,000. Both of these were in line with our current policy of distributing 60% of the after-tax surplus to shareholders.

Did the Company make any subvention payments this year?

At the request of the majority shareholder, subvention payments were made to the Christchurch City Council and three of its wholly owned subsidiaries. These totalled $4.008 million with the payments being offset against net income in the 2003 financial year.

What about the return on investment in the last year?

At the end of June our land and sealed surfaces were revalued well above expectations at $50.555 million which saw the return on investment decrease to 7.9%.

The challenge going forward will be to secure more of the increased revenue flowing through to the bottom line as marketing incentives for new entrants decline, retail opportunities from increased passenger flows are maximised and a tight rein on controllable costs is maintained.

From the Board's perspective, what has been the biggest success and challenge of the year?

Our biggest success has been the return to our shareholder and the strength of our balance sheet, which is really a reflection of good management and governance over the past decade. We have been able to internally fund all of our $15.082 million of capital expenditure and still have monies left over to retire a portion of debt.

The biggest challenge has been to cope with a rapidly changing aviation market and the impact of those changes on airports. In Christchurch we have seen the arrival of new airlines, the emergence of a new type of airline, the low cost carrier and big changes in the way other airlines are operating in light of security, routes and cost changes. This has placed significant pressure on our facilities and brought to a head the need to give priority to investment in terminal facilities.

On the subject of new terminal facilities, when can we expect to see firm plans on the expansion of the domestic terminal?

While the need to expand is compelling, we must provide the diverse facilities that our airline customers and their passengers require. We are consulting with our customers, tapping into the experience of other international airports which have tackled the same problems ahead of us and we will come up with a careful design and cost structure that is affordable.

Unfortunately this takes time and at this stage we anticipate making an announcement on a start date for the new terminal in 2005.

How will new terminal facilities be funded?

From a funding point of view, we are firstly in the enviable position of having a very strong balance sheet (recognised in the Standard & Poor's one notch credit rating upgrade to A+ in November 2003) which keeps the cost of borrowing to a minimum.

Secondly, our major shareholder has given us very clear signals that new domestic facilities are highly desirable, both from a City perspective and the needs of tourism and that it will support us if there is a need to come to them for funding assistance.

Under these circumstances we are in the best situation possible to secure funding for the project. We are forecasting capital expenditure of more than $50 million in the next financial year which will see debt levels rise over the next four months and interest cover start to decrease from its current 6.8 level.

Governance has had a high profile in the public arena recently. How has the Board dealt with this issue?

The Board has stepped up its governance accountabilities in terms of best practice with good support from within the Board and management and the formalisation of risk audit and finance, and remuneration committees.

We are still progressing on a number of the issues, but are 80% of the way towards achieving a clean bill of health.

Are you happy with the Board's performance this year?

I cannot praise highly enough the work of our Deputy Chairman, Sue Sheldon, whose accounting expertise has been particularly valuable in the risk audit and finance committee. Jim Boult has given us insight into the wider tourism industry. Meanwhile our two Christchurch City Council representatives Denis O'Rourke and Gail Sheriff have provided a major shareholder's perspective on our boardroom discussions and have at no time, I am pleased to report, brought politics into the equation!

Toward the end of last year David Lyall resigned from the Board and his replacement has yet to be appointed.

Looking ahead, what are the major challenges for the Board?

Growth, capital investment and business as usual about sums it up. We are going to be embarking on a major capital investment with the development of new terminal facilities which will allow us to provide for future growth. Yet, at the same time we are going to have to deliver a reliable and efficient service to our customers 24 hours a day, seven days a week – an enormous challenge for the Company, designers and contractors.

We also need to be ever mindful of the possibilities of external shocks – terrorism, public health issues and oil prices – and how best to protect ourselves from any negative impact. To do this we must maintain our strong balance sheet and continue to develop our non-aeronautical revenue as we have been doing so successfully with our property portfolio.

Board of Directors

Syd Bradley
Chairman
Since 1999

Sue Sheldon
Deputy Chairman
Since 2001

Jim Boult
Director
Since 2003

Gail Sheriff
Director
Since 1999

Denis O'Rourke
Director
Since 1996

Corporate Governance

The Board of Directors of Christchurch International Airport Limited is responsible for the corporate governance of the Company. The term "corporate governance" encompasses the direction and control of the business by the Directors, and the accountability of Directors to shareholders and other stakeholders for the performance of the Company and compliance by the Company with laws and standards.

Role of the Board

The Board is responsible for the proper direction and control of the activities of the Company on behalf of the shareholders. The principle objective of the Company, as determined by the Airport Authorities Act 1966, is to operate as a successful business.

The functions of the Board include:

- Ensuring that the Company goals are clearly established, updated annually and that strategies are in place for achieving the goals.
- Establishing policies for strengthening and enhancing the performance of the Company.
- Monitoring the performance of management relative to the established goals and plans, having delegated day-to-day management of the Company to the Chief Executive Officer.
- Appointing and annually assessing the performance of the Chief Executive Officer and the members of the senior executive team.
- Ensuring that the Company's financial position is fully protected so as to allow it to meet all debts and obligations as they fall due.
- Ensuring that the Company's financial statements are true and fair and otherwise conform with law.
- Ensuring that the Company adheres to high standards of ethics and corporate behaviour.
- Ensuring that the Company has appropriate risk management and regulatory compliance policies in place.

Board operations and membership

The composition of the Board is determined in accordance with the following principles:

- The Board comprises a minimum of four and a maximum of six Directors.
- Directors are directly nominated by the shareholders with Christchurch City Holdings Limited able to appoint up to four Directors and the New Zealand Government able to appoint up to two Directors.
- The present Board comprises five Directors with an appointment pending by the New Zealand Government.
- The Chairman and Deputy Chairman may be appointed directly by the shareholders through a special resolution or failing such an appointment, the Directors may elect a Chairman and Deputy Chairman of their meetings.
- The Board meets eleven times per year and schedules additional meetings as required. Directors receive formal Board papers for consideration and all necessary information to enable participation in an informed discussion of all agenda items.

The Company constitution sets out policies and procedures on the operation of the Board including the appointment and removal of Directors. The Board supports the concept of the separation of the role of the Chairman from that of the Chief Executive Officer. The role of the Chairman is to manage the Board effectively, to provide leadership to the Board and to interface with the Chief Executive Officer.

The Board has two formally constituted committees, being the risk audit and finance committee and the remuneration committee. All committees have a Board-approved charter outlining the committee's authority, duties and responsibilities and relationship with the Board. There are no other committees but additional committees can be established on the basis of need.

Risk audit and finance committee

The risk audit and finance committee consists of Sue Sheldon (Chairman) and Syd Bradley. Sue Sheldon is a Fellow of the Institute of Chartered Accountants of New Zealand. The Chief Executive Officer and the Chief Financial Officer also attend meetings.

The main responsibilities of the risk audit and finance committee are to:

- Oversee the effective operation of the risk management framework.
- Review and report to the Board on the Annual Report.
- Assist the Board to review the effectiveness of the internal control environment.
- Determine the scope of the internal audit function ensuring co-ordination with the external auditors.
- Recommend to the Board the appointment, removal and remuneration of the external auditors and review their terms of engagement and the scope and quality of the audit.
- Monitor compliance with treasury policy.

The risk audit and finance committee receives regular reports from management and meets annually with the external auditors. During the year the committee met four times.

Remuneration committee

The remuneration committee consists of Syd Bradley (Chairman) and Sue Sheldon. The main responsibilities of the remuneration committee are to review and recommend to the full Board the compensation arrangements for the Chief Executive Officer and all executive managers directly reporting to the Chief Executive Officer. During the year the committee met three times.

“Growth has been the most notable feature”

Chief Executive George Bellew reflects on the Company’s strategic achievements over the last year.

This time last year you described the 2003 financial year as the most challenging in your fifteen years with Christchurch International Airport. What have been the hallmarks of this year?

A return to growth has been the most notable feature of this financial year. In the first six months we experienced a slow but steady return to growth with a 2.9% increase in international passengers while in the latter half we have seen what can only be described as abnormally strong growth with a 31.5% increase in international passengers.

Domestically we have seen last year’s robust 11.3% growth in domestic passengers followed up with a healthy 10.4% increase this year.

What has driven this growth?

Overall passenger growth directly correlates with both the strength of the domestic economy which is currently showing strong GDP growth and the inbound visitor market which is also very positive.

Breaking it down, the domestic market has undoubtedly continued to be driven and stimulated by the Air New Zealand Express and Qantas Airways value-based products plus the flow-on effect from strong international visitor arrivals.

On the international front, the introduction of the same model into the trans-Tasman market, the arrival of Pacific Blue and the ramping up of Freedom Air’s services have all resulted in a lot more available seats and a surprisingly strong market response from New Zealand residents and to a slightly lesser degree Australians.

New Zealand as a whole is also enjoying a particularly high international profile at the moment thanks to extra exposure from the likes of the success of the Lord of the Rings trilogy and New Zealand’s reputation as a safe, scenic and value-for-money destination.

George Bellew

CHIEF EXECUTIVE REVIEW

Is this growth sustainable?

We do not think that the exceptional growth that we have experienced in March and April is sustainable in the medium term. It was driven by dramatic changes in the market place such as the advent of low fares, new services and new carriers, which will not continue to deliver the same initial impact.

Conversely, we are exceedingly excited about the announcement by Air New Zealand of its intention to fly directly from Christchurch to the United States, three times a week from November, opening up the new and important North American market. The advent of Emirates services also provides further opportunities with excellent connections from its Dubai hub into Europe. These initiatives give us access to a pool of long haul travellers that we have not been able to target in the past and fantastic opportunities for new business.

What strategies does the Airport have in place to ensure it makes the most of the current climate and opportunities?

Our strategies are two-fold. Firstly to meet our policy of not turning away any available business we have started a $21 million project to build four additional gates and extra lounge space in the international terminal, all of which will be in operation for the coming summer season. We have also committed to substantial interim work in the Air New Zealand domestic pier to ease the congestion while we work on our long term plan for new terminal facilities.

Secondly, we have been and will continue to be more externally focused in our marketing efforts. We are committing increasing amounts of revenue to supporting the development of new services and we are also working with the tourism industry, including local partners, to put together promotions to increase overseas residents’ awareness of destination Christchurch and the South Island. We have had a big win this year in persuading Pacific Blue to make Christchurch its New Zealand hub, and I believe initiatives such as this and our vigorous marketing drive are underpinning our success.

Growth aside, what have been the other highlights and achievements of the year?

From a planning perspective, we are delighted with the Environment Court ruling which has supported us in the application of a 50 Ldn noise boundary around the airport. This gives us the means to protect both the operating needs of the airport and the environment of our neighbours well into the future.

Also on planning, we have completed our Master Plan which documents the airport’s long term airfield requirements and is pivotal in the planning phase for the development of new facilities.

On the operational front, we have introduced a new carpark management system which will give us a head start with the car parking associated with the development of the new terminal facilities. Despite some teething problems with software and the inevitable difficulties of introducing a radically new procedure, the system is now up and running well.

I am also pleased to report that our non-aeronautical business interests have continued to give us another strong source of revenue. Concessionaires, particularly duty free, food and beverage providers and rental car operators, have had a tremendous boost in business from the increase in international passengers. This has grown our bottom line.

You have said in the past that staff are the Company's most valuable resource. How have staff responded to the demands of the year?

It has been an exceedingly busy year for all and I have been very proud of the way staff have responded and the energy and commitment they have continued to show.

We have placed significant emphasis on improving our human resources and communication practices. I think that the positive improvement from our last staff climate survey is a reflection of excellent teamwork in this area.

"We are the gateway and hub of South Island tourism…"

How do you see the year ahead and what are the major challenges?

I believe that we are looking at an exciting and positive year. We have several new services commencing in the next few months together with positive forward bookings for the ski season.

We also recognise that most industry observers accept the possibility of airport activity being adversely affected by external shocks such as terrorism, public health issues and escalating fuel prices. Our challenge will be to protect ourselves as best as possible from these potential shocks and to continue to drive our business. We aim to compete by continuing to deliver the best possible service to our customers.

Looking further ahead, how do you see the Company developing?

With the overriding aim of management and the Board being to maximise the value for our shareholders, we will strive to further grow our business and revenue.

I believe that in terms of growth, we have a particular strength as a leisure destination. We are the gateway and hub of South Island tourism and we will continue to promote this, both through our marketing strategies and in the development of new leisure-focused terminal facilities.

With our substantial land resources we also have the opportunity to further develop our non-aeronautical revenue which will help to give us a buffer from external shocks. Our commitment to enhancing customer service will also be given a high priority and we will continue, as always, to ensure that we operate a safe and secure airport.

Christchurch International Airport Direct Destinations

Brisbane
Coolangatta
Dubai (via Melbourne)
Los Angeles (November 2004)
Melbourne
Nadi
Osaka
Rarotonga (December 2004)
Singapore
Sydney
Tokyo

International Services
(Typical week January 2004)

	Capacity (seats)	Movements (aircraft)
Sydney	13,990	70
Melbourne	4,490	34
Singapore	3,990	14
Brisbane	3,950	30
Seoul	2,350	6
Tokyo	1,180	3
Osaka	1,180	3
Coolangatta	570	4

Domestic Services
(Typical week January 2004)

	Capacity (seats)	Movements (aircraft)
Auckland	48,920	367
Wellington	18,980	246
Queenstown	10,800	127
Dunedin	8,250	144
Invercargill	5,620	94
Rotorua	5,050	72
Palmerston North	4,260	83
Nelson	3,830	139
Other	2,150	73

Company Strategic Overview

Over the year we have taken the opportunity to focus on the strategic goals which will take us through to 2010.

The process has brought together strategies that have evolved over recent years and given us a clear statement to share publicly and with our staff.

The six strategic goals complement our overarching goal which is to maximise shareholder value by:

- Enhancing the long term value of our assets
- Providing sustainable revenue streams
- Supporting a healthy regional economy

We are currently developing a comprehensive sustainability reporting framework based on the widely-recognised GRI (Global Reporting Indicators). The system will provide a tangible measure of our achievements from an economic, environmental and social perspective.

As the framework is still evolving, we have this year incorporated GRI type measures into the achievements featured on our business goals pages.

	Strategic Goals	Key Result Areas	Progress Indicator
1	Deliver sustainable growth in revenue and earnings	• Maintain competitive pricing and cost structures	■■■□□
		• Build international air capacity	■■■□□
		• Increase the numbers of departing international passengers	■■□□□
		• Grow and diversify non-aeronautical revenue streams	■■■□□
		• Effectively and efficiently develop and use our assets	■■□□□
2	Become the leading airport in leisure travel to New Zealand	• Develop Christchurch destination attractiveness	■■□□□
		• Consolidate our position as the hub and gateway to the South Island	■■■□□
		• Promote our key tourism destinations of the South Island and Australia	■■■□□
3	Utilise land resources for development opportunities	• Grow and diversify revenue streams from property development	■■□□□
		• Effectively and efficiently develop and use our land resources	■■■□□
4	Maintain a safe, secure and reliable operating environment	• Manage business risk	■■■□□
		• Be a good corporate citizen	■■■□□
5	Provide superior value to our customers and our community	• Take a partnership approach with customers	■■□□□
		• Provide excellent relationship management and service delivery	■■■□□
		• Provide for the air transport needs of our regional community	■■■□□
6	Be a great place to work	• Develop a climate for action	■■■□□
		• Build critical skills and enabling resources	■■□□□

Deliver sustainable growth in revenue and earnings

Continuing strong public support for domestic and international travel, and recognition of the potential of Christchurch and the South Island as a destination by existing and new carriers contributed to massive growth in the numbers of people using the Airport.

Goal 1

Achievements

- Attracted two new international airlines to establish services and operations in Christchurch
- Attracted a further two airlines to re-establish international services to Christchurch
- 18% growth in international air capacity (available seats) and 8% in domestic air capacity
- 12% growth in total passenger numbers (17% international and 10% domestic)
- 12% growth in aeronautical revenue
- 19% growth in retail revenue

2

Become the leading airport in leisure travel to New Zealand

As the gateway to Christchurch City and the South Island we recognise that we have a responsibility to both business interests and the wider community. During the year we have been involved in a wide range of marketing initiatives to promote Christchurch and the South Island, domestically and internationally.

Goal 2

Achievements

- Market share of inbound holiday travel increased from 24.8% to 24.9%
- Led joint venture marketing initiatives promoting Christchurch and South Island destinations to an estimated value of $5 million
- Contributed financially to secure New Zealand's largest tourism showcase, TRENZ - Tourism Rendezvous Event of New Zealand - in Christchurch for 2004 and 2005
- Secured two new international routes commencing in 2004 (Christchurch - Los Angeles and Christchurch - Melbourne - Dubai)
- Commenced planning for the development of new leisure-focused terminal facilities
- Increased direct connectivity to nine international ports: Sydney, Melbourne, Brisbane, Coolangatta, Singapore, Seoul, Tokyo, Osaka, and Nadi

Goal 3

Achievements

- Total property revenue grew by 14.7%
- Successful development of the Christchurch Engine Centre for Air New Zealand and Pratt & Whitney
- Achieved 100% leased occupancy in the new office spec buildings
- Established new property website for commercial development opportunities www.airportcity.co.nz
- Introduced a new carpark management system to improve 24 hour efficiency and service

Utilise land resources for development opportunities

Our land, both developed and undeveloped, is one of our most valuable resources. During the year we have undertaken a number of property developments and other commercial initiatives to enhance non-aeronautical revenue.

Goal 4

Achievements

- Re-certification of aerodrome operator certificate as part of Civil Aviation Rule Part 139
- Enhanced the bird management programme with the implementation of leading edge grass-type trials
- Secured Environment Court ratification of a 50 Ldn noise boundary around the airport, thus protecting airport operations from urban encroachment
- Awarded ACC tertiary status
- Initiated planning for emergency capability up to ICAO CAT 9
- Implemented recycling and water management programmes for the airport campus
- Installed daylight sensors in the international terminal building to minimise the use of electrical lighting
- Carried out 18 environmental management audits of airport tenants and operators
- 100% compliance with New Zealand potable water quality standards (56 water samples tested)

Maintain a safe, secure and reliable operating environment

During the year our aerodrome operator certificate has been successfully re-certified for the next five years - a process made considerably easier through our open working relationship with the regulatory body, the Civil Aviation Authority and an on-going focus on fine tuning our compliance processes and procedures.

Goal 5

Achievements

- Our annual customer survey recorded a lift in visitor satisfaction levels for our international terminal
- Commenced a $21 million expansion to the international terminal to accommodate additional international airline services (completion 2004/2005 summer season)
- Commenced interim domestic terminal improvements which will create more comfort and space for airport users and our airport community
- Staged a Christmas family entertainment programme for the community
- Continued the quarterly publication of Airport Scene newsletter which is distributed to 24,000 local residents
- Re-development of the airport website: www.christchurch-airport.co.nz
- Initiated implementation of wireless technologies for the airport community
- Continued Airport Fire Service and Customer Services active participation in school curriculum activities including hosting:
  - a comprehensive two week remote classroom programme for a local high school
  - hundreds of visitors through the airport tour programme

The black area above indicates the location of the expansion to the existing international terminal.

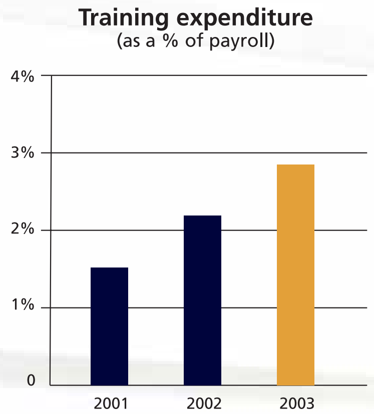
Provide superior value to our customers and our community

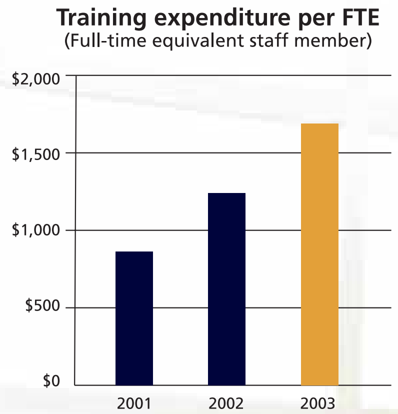
Satisfied customers, be they the travelling public, our tenants, airline partners or the agencies we work with, are pivotal to the success of our operation. With this in mind, one of our key priorities is to deliver the best service and facilities to meet the needs of our customers.

Goal 6

Achievements

- Successfully introduced a new vision, values and strategic plan
- Achieved 14th ranking within the mid-size companies *"Best Places to Work in New Zealand Survey"*
- Reduced staff turnover from 18.1% in 2002/03 to 7.8% in 2003/04
- Implemented life insurance, income protection and retirement planning for employees
- Introduced a 24/7 Employee Assistance Programme for all staff
- Developed and implemented, in conjunction with Unions, a set of Core Conditions of Employment
- Improved internal communications with the development of an intranet, providing staff with consistent, accurate and immediate access to information
- Commenced implementation of a new performance and reward structure, aligned to the strategic plan, for executive and middle management
- Increased training investment to an average of 22.3hrs per staff member per year
  - Implemented executive and leadership development programmes
  - Introduced into Customer Services NZQA National Certificate in Airport Operations
  - Re-introduced Apprentice Training Scheme





A great place to work

In recognition of the vital role staff play in achieving the Company's goals, we have continued to place significant emphasis on attracting, developing and retaining the right staff.

Executive Team

George Bellew
Chief Executive

George Bellew has been the Chief Executive of Christchurch International Airport Limited since 1988.

He is an active member of the Airports Council International and in the past has been President of the ACI Pacific Region and a member of the World Governing Board.

George Bellew reports to the Board of Directors and is responsible for leading the management team.

Darin Cusack
Manager Service & Operations

Overall management responsibility for the Airport Fire Service, Customer Service and Travel Information teams, providing superior service delivery and ensuring a safe and secure airport experience in a compliant environment.

FUTURE OUTLOOK
Enhancement of all customer relationships by developing innovative strategies to unique opportunities.

John Thompson
Property Manager Development

Development and management of all property outside the terminal buildings, including the development of purpose built facilities to meet a very diverse market.

FUTURE OUTLOOK
Further development of purpose built commercial facilities to grow non-aeronautical revenue.

Rebecca Smith
Property Manager Terminals

Development and management of all tenancies and other revenue sources within the passenger terminals.

FUTURE OUTLOOK
Expansion of retail, concessionaire and commercial opportunities with the development of new terminal facilities.

Alan Beuzenberg
Facilities Services Manager

Overall management of the Company's maintenance services fulfiling the needs of all airport tenants.

FUTURE OUTLOOK
Completion of the international apron expansion project and enhancement of infrastructure and asset management programmes.

Ian Walker
Chief Financial Officer

Overall financial management of the Company including statutory accounting, audit, taxation, corporate secretarial, insurance and treasury management.

FUTURE OUTLOOK
Preparation of business case for new terminal facilities plus the securing of long term funding.

Vic Allen
Manager Market Development

Airport marketing and planning to grow the business and ensure that the airport meets the current and future needs of airport users and the Christchurch community.

FUTURE OUTLOOK
Continued development of Christchurch Airport's position as a leading airport in leisure travel to New Zealand.

John Duncan
Human Resources Manager

Responsibility for human resource practices, internal communications and facilitation of strategy and business planning.

FUTURE OUTLOOK
Continued refining of the Company's strategy and focus on strongly aligning the people practices to the strategic direction.

Financial Statements

Directors' Responsibility Statement

The Directors are responsible for ensuring that the financial statements give a true and fair view of the financial position of the Company as at 30 June 2004 and the financial performance and cash flows for the year ended on that date.

The Directors consider that the financial statements of the Company have been prepared using appropriate accounting policies, consistently applied and supported by reasonable judgements and estimates and that all relevant financial reporting and accounting standards have been followed.

The Directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Company and facilitate compliance of the financial statements with the Financial Reporting Act 1993.

The Directors consider they have taken adequate steps to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors have pleasure in presenting the financial statements, set out on pages 32 to 48, of Christchurch International Airport Limited for the year ended 30 June 2004.

The Board of Directors of Christchurch International Airport Limited authorise these financial statements for issue on 30 July 2004.

For and on behalf of the Board.

Susan Sheldon
Deputy Chairman

30 July 2004

James Boult
Director

30 July 2004

Audit New Zealand

AUDIT REPORT
TO THE READERS OF
CHRISTCHURCH INTERNATIONAL AIRPORT LIMITED'S
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

The Auditor-General is the auditor of Christchurch International Airport Limited (the Company). The Auditor-General has appointed me, Devan Menon, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and performance information of the Company, on his behalf, for the year ended 30 June 2004.

Unqualified opinion

In our opinion:

- the financial statements of the Company on pages 32 to 48:
  - 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 2004; and
    - the results of its operations and cash flows for the year ended on that date; and
- the performance information of the Company on pages 46 to 48 gives a true and fair view of the achievements measured against the performance targets adopted for the year ended 30 June 2004; and
- based on our examination the Company kept proper accounting records.

The audit was completed on 30 July 2004, and is the date at which our opinion is expressed.

The basis of the opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and the Auditor, and explain our independence.

Basis of opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed our audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements and performance information did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and performance information. If we had found material misstatements that were not corrected, we would have referred to them in the opinion.

Our audit involved performing procedures to test the information presented in the financial statements and performance information. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Board of Directors;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all required disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and performance information.

We evaluated the overall adequacy of the presentation of information in the financial statements and performance information. We obtained all the information and explanations we required to support the opinion above.

Responsibilities of the Board of Directors and the Auditor

The Board of Directors is responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. Those financial statements must give a true and fair view of the financial position of the Company as at 30 June 2004. They must also give a true and fair view of the results of its operations and cash flows for the year ended on that date. The Board of Directors is also responsible for preparing performance information that gives a true and fair view of the service performance achievements for the year ended 30 June 2004. The Board of Directors responsibilities arise from the Local Government Act 2002 and the Financial Reporting Act 1993.

We are responsible for expressing an independent opinion on the financial statements and performance information and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 70 of the Local Government Act 2002.

Independence

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

We have carried out one audit related assignment for the Company. This involved issuing an audit certificate pursuant to the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999. Other than this assignment and in our capacity as auditor acting on behalf of the Auditor-General, we have no relationship with or interests in the Company.

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

Statement of Financial Performance

for the year ended 30 June 2004

	Note	2004 $000	2003 $000
REVENUE			
Operating revenue	1	**63,273**	54,944
Interest income	2	**461**	453
Total revenue		**63,734**	55,397
EXPENSES			
Depreciation	3	**11,731**	10,120
Employee remuneration		**9,984**	8,957
Financing and interest costs		**4,394**	4,504
Other operating costs	4	**18,951**	15,436
Total expenses		**45,060**	39,017
Operating surplus before income tax		**18,674**	16,380
Income tax	5	**3,830**	3,339
Net operating surplus after income tax		**14,844**	13,041

The accompanying notes form part of these financial statements.

Statement of Movements in Equity

for the year ended 30 June 2004

	Note	2004 $000	2003 $000
Equity at beginning of year		**158,773**	162,379
SURPLUS			
Net operating surplus after income tax		**14,844**	13,041
Increase in asset revaluation reserves	8	**50,555**	-
Total recognised revenues and expenses for the year		**65,399**	13,041
OTHER MOVEMENTS			
Dividends to shareholders	6	**(8,698)**	(16,647)
Equity at end of year		**215,474**	158,773

The accompanying notes form part of these financial statements.

Statement of Financial Position

as at 30 June 2004

	Note	2004 $000	2003 $000
EQUITY			
Share capital	7	**57,600**	57,600
Reserves	8	**129,543**	78,988
Retained earnings		**28,331**	22,185
Total equity		**215,474**	158,773
NON-CURRENT LIABILITIES			
Borrowings	9	**68,987**	71,031
CURRENT LIABILITIES			
Payables and accruals	11	**4,947**	4,109
Total current liabilities		**4,947**	4,109
Total equity and liabilities		**289,408**	233,913
NON-CURRENT ASSETS			
Property, plant and equipment	12	**284,287**	230,350
CURRENT ASSETS			
Cash and short term deposits		**816**	271
Receivables and prepayments		**3,254**	2,488
Taxation receivable	5	**554**	335
Inventories	13	**497**	469
Total current assets		**5,121**	3,563
Total assets		**289,408**	233,913

The accompanying notes form part of these financial statements.

Statement of Cash Flows

for the year ended 30 June 2004

	2004 $000	2003 $000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash was provided from:		
Receipts from customers	**62,619**	55,417
Interest received	**461**	453
	63,080	55,870
Cash was applied to:		
Payments to suppliers and employees	**24,144**	20,789
Financing and interest costs	**4,408**	4,493
Income tax paid	**4,050**	3,400
Subvention payments	**4,008**	3,311
Net Goods and Services Tax paid	**166**	49
	36,776	32,042
Net cash flows from operating activities	**26,304**	23,828
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash was provided from:		
Proceeds from sale of property, plant and equipment	**65**	125
Cash was applied to:		
Purchase of property, plant and equipment	**15,082**	14,058
Net cash flows from investing activities	**(15,017)**	(13,933)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash was provided from:		
Borrowings	**-**	5,989
Cash was applied to:		
Borrowings repaid	**2,044**	-
Dividends paid	**8,698**	16,647
	10,742	16,647
Net cash flows from financing activities	**(10,742)**	(10,658)
Net increase/(decrease) in cash held	**545**	(763)
Add cash at beginning of the year	**271**	1,034
Cash at the end of the year	**816**	271

The accompanying notes form part of these financial statements.

Statement of Cash Flows (con't)

for the year ended 30 June 2004

	2004 $000	2003 $000
COMPOSITION OF CASH		
Cash	**76**	9
Bank and deposits	**740**	262
Cash at the end of the year	**816**	271

	2004 $000	2003 $000
RECONCILIATION WITH OPERATING SURPLUS		
Reported net operating surplus after income tax	**14,844**	13,041
Items not involving cash flows		
Depreciation expense	**11,731**	10,120
	26,575	23,161
Impact of changes in working capital items		
Increase/(decrease) in accounts payable	**411**	(45)
(Increase)/decrease in accounts receivable	**(765)**	411
(Increase)/decrease in inventories	**(28)**	(12)
(Increase)/decrease in taxation receivable	**(219)**	(61)
	(601)	293
Items classified as investing activities		
Capital creditors	**339**	400
Gain on disposal of assets	**(9)**	(26)
	330	374
Net cash flows from operating activities	**26,304**	23,828

The accompanying notes form part of these financial statements.

Statement of Accounting Policies

for the year ended 30 June 2004

Reporting Entity
The financial statements are those of Christchurch International Airport Limited.

The financial statements have been prepared in accordance with the requirements of the Airport Authorities Act 1966, the Local Government Act 2002, the Companies Act 1993 and the Financial Reporting Act 1993.

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

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

(a) **Revenue**
Goods and services

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

Investment income

Interest and rental income are accounted for as earned.

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**
Annually the Directors assess 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.

Statement of Accounting Policies (con't)

for the year ended 30 June 2004

(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	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.

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

Notes to the Financial Statements

for the year ended 30 June 2004

	2004 $000	2003 $000
1. Operating Revenue		
Airport charges	**20,883**	18,972
Passenger departure charge	**9,494**	8,112
Lease rentals and concessions	**24,952**	21,756
Vehicle parking	**5,055**	3,960
Gain on disposal of assets	**34**	26
Other revenue	**2,855**	2,118
	63,273	54,944
2. Interest Income		
Interest income was derived from:		
Short term bank deposits	**204**	224
Other	**257**	229
	461	453
3. Depreciation of Property, Plant and Equipment		
Buildings	**1,346**	1,110
Terminal facilities	**7,016**	5,833
Sealed surfaces	**1,859**	1,883
Roading	**138**	123
Plant and equipment	**537**	444
Office and computer equipment	**534**	461
Motor vehicles	**264**	257
Loss on disposal of assets	**37**	9
	11,731	10,120

Terminal facilities depreciation includes an additional amount of $2,118,000 (2003 : $987,869) 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 in 2007 as part of the planned integrated terminal redevelopment.

	2004 $000	2003 $000
4. Other Operating Costs		
Audit fees - financial report	**40**	47
- disclosure regulations	**5**	6
Directors' fees	**139**	134
Bad debts written off	**327**	1
Donations	**3**	6
Other administration expenses	**6,792**	5,368
Electricity, fuel and oil	**1,348**	1,406
Maintenance expense		
- buildings and plant	**2,265**	1,069
- sealed surfaces	**183**	161
Subvention payments	**4,008**	3,311
Other	**3,841**	3,927
	18,951	15,436

	2004 $000	2003 $000
5. Income Tax		
(a) Income tax expense		
Operating surplus before income tax	**18,674**	16,380
Prima facie taxation at 33%	**6,162**	5,405
Plus (less) taxation effect of:		
Permanent differences	**34**	30
Timing differences not recognised	**328**	127
Group loss offset	**(2,685)**	(2,218)
	3,839	3,344
(Over)/under provision in prior years	**(9)**	(5)
Income tax attributable to operating surplus	**3,830**	3,339
Comprising:		
Current taxation	**3,830**	3,339
Deferred taxation	**-**	-
	3,830	3,339

If the above and previous timing differences reverse in the future, it may result in a future tax liability. At current taxation rates effective 1 July 2004 the unrecognised future income tax liability of timing differences not recognised in the financial statements is $4,679,513 (2003 : $4,636,642). This mainly relates to asset revaluations and depreciation expense.

	2004 $000	2003 $000
(b) Taxation provision		
Taxation payable/(receivable) as at 1 July	**(335)**	(274)
Income tax attributable to operating surplus	**3,830**	3,339
Income tax paid	**(4,049)**	(3,400)
Taxation payable/(receivable) as at 30 June	**(554)**	(335)
(c) Imputation credit memorandum account		
Balance at beginning of the year	**17,146**	21,945
Income tax payments made	**4,050**	3,400
Imputation credits attached to dividends	**(4,284)**	(8,199)
Balance at end of the year	**16,912**	17,146

	2004 $000	2003 $000
6. Dividends		
Final dividend paid	**4,378**	4,378
Interim dividend paid	**4,320**	4,205
Special dividend	**-**	8,064
	8,698	16,647
7. Share Capital		
57,600,000 ordinary shares	**57,600**	57,600

All shares rank equally with one vote attached to each fully paid ordinary share.

	2004 $000	2003 $000
8. Reserves		
(a) Balances		
Asset revaluation reserve	**129,177**	78,622
Capital reserve	**366**	366
Balance at end of the year	**129,543**	78,988
(b) Asset revaluation reserve		
Balance at beginning of the year	**78,622**	78,622
Net revaluations	**50,555**	-
Balance at end of the year	**129,177**	78,622
Comprising:		
Land revaluation reserve	**82,125**	48,266
Sealed surfaces revaluation reserve	**47,052**	30,356
	129,177	78,622

9. **Borrowings**

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

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

At 30 June 2004, the Company had on issue 90 day short term registered notes with a face value of $70,000,000 (2003 : $72,000,000) and a discounted value of $68,987,424 (2003 : $71,030,954).

Interest rates for borrowings are determined by reference to prevailing market rates at the time of issue. Interest rates paid during the year, including offsetting interest rate swaps, ranged from 5.26% to 6.30%.

10. **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. As at 30 June 2004, 40% of trade receivables were due from one customer. These receivables are considered to be fully recoverable.

(b) **Interest rate risk**

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

The interest rate option is a zero collar option set at a cap rate of 7.50% and a floor rate of 5.89%. The option is rolled over every 90 days and expires on 20 January 2007.

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

The notional principal or contract amounts of interest rate contracts outstanding at 30 June are as follows:

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

(c) **Fair values**

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

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

	2004	2003
Interest rate options	**-**	-
Interest rate swaps	**$3,785**	($564,887)

	$000	$000
11. Payables and Accruals		
Creditors	**3,021**	2,132
Employee entitlements	**549**	665
Goods and Services Tax	**122**	288
Accrued expenses	**1,255**	1,024
	4,947	4,109

12. **Property, Plant and Equipment**

As at 30 June 2004	**At Cost**	**At Valuation**	**Accumulated Depreciation**	**Book Value**
	$000	**$000**	**$000**	**$000**
Land	**-**	**125,725**	**-**	**125,725**
Terminal facilities	**100,092**	**-**	**43,354**	**56,738**
Other buildings	**39,702**	**-**	**9,156**	**30,546**
Sealed surfaces	**-**	**52,045**	**-**	**52,045**
Roading	**7,030**	**-**	**1,424**	**5,606**
Plant and equipment	**11,976**	**-**	**6,941**	**5,035**
Office and computer equipment	**8,151**	**-**	**6,425**	**1,726**
Motor vehicles	**4,948**	**-**	**3,791**	**1,157**
Work in progress	**5,709**	**-**	**-**	**5,709**
	177,608	**177,770**	**71,091**	**284,287**

As at 30 June 2003	At Cost	At Valuation	Accumulated Depreciation	Book Value
	$000	$000	$000	$000
Land	367	87,700	-	88,067
Terminal facilities	98,939	-	36,338	62,601
Other buildings	37,878	-	7,820	30,058
Sealed surfaces	1,822	37,361	3,700	35,483
Roading	6,528	-	1,287	5,241
Plant and equipment	10,816	-	6,404	4,412
Office and computer equipment	7,184	-	5,891	1,293
Motor vehicles	4,882	-	3,663	1,219
Work in progress	1,976	-	-	1,976
	170,392	125,061	65,103	230,350

Land was revalued to fair value of $125,725,232 at 30 June 2004. The values were determined by independent registered valuers, Crighton Anderson Property & Infrastructure Limited on the basis of market value for the highest and best use for the land.

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

The fair value of the Company's freehold land, terminal facilities and other buildings as at 30 June 2004 was estimated at $228,985,000 by independent registered valuers, Crighton Anderson Property & Infrastructure Limited. The fair value of freehold land, terminal facilities and other buildings as at 30 June 2003 was estimated at $207,040,000 by the same valuers.

	2004 $000	2003 $000
13. Inventories		
Materials	**281**	273
Retail stock	**104**	99
Livestock	**112**	97
	497	469

14. **Related Party Transactions**

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

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

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

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

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

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

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

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

15. **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.

	2004 $000	2003 $000
16. **Capital Expenditure Commitments**		
Total capital expenditures committed to but not recognised in the financial statements	**22,255**	1,413

17. **Contingent Assets and Liabilities**
There are no contingent assets or liabilities at balance date (2003 : nil).

18. **Events Occurring After Balance Date**
There are no events occurring after balance date that could significantly affect the financial statements.

19. **Comparison of Forecast to Actual Results**
The Company prepares an annual Statement of Intent which is approved by shareholders and incorporates financial and performance measures for the ensuing year.

A comparison of the Company's actual results for the year ended 30 June 2004 with those forecast follows:

	Actual	Forecast
(a) **Operational performance**		
Aircraft		
Aircraft departures excluding general aviation	**45,492**	41,870
Passengers		
International	**1,191,180**	1,114,211
Domestic	**3,944,895**	3,829,545
Total passengers	**5,136,075**	4,943,756
Employees		
Average full-time equivalent employees	**156**	155

	$000	$000
(b) **Financial performance**		
Revenue	**63,734**	57,852
Expense	**45,060**	36,128
Operating surplus before income tax	**18,674**	21,724
Income tax	**3,830**	7,186
Net operating surplus after income tax	**14,844**	14,538
Earnings before interest, tax and depreciation	**38,346**	36,702
Return on average shareholders' equity	**7.9%**	8.9%
Shareholder equity ratio	**74.5%**	69.9%
Interest cover ratio (excluding subvention payments)	**6.8**	6.0

	$000	$000
(c) **Movements in equity**		
Equity at the beginning of the year	**158,773**	160,040
Net operating surplus after income tax	**14,844**	14,538
Increase in asset revaluation reserves	**50,555**	-
Dividends to shareholders	**(8,698)**	(8,525)
Equity at the end of the year	**215,474**	166,053

Notes to the Financial Statements (con't)

for the year ended 30 June 2004

		Actual $000	Forecast $000
(d)	**Financial position**		
	Share capital	**57,600**	57,600
	Reserves	**129,543**	78,987
	Retained earnings	**28,331**	29,464
	Total equity	**215,474**	166,051
	Non-current liabilities	**68,987**	66,758
	Current liabilities	**4,947**	4,781
	Total equity and liabilities	**289,408**	237,590
	Non-current assets	**284,287**	232,537
	Current assets	**5,121**	5,053
	Total assets	**289,408**	237,590
(e)	**Cash flows**		
	Net cash flows from:		
	Operating activities	**26,304**	25,174
	Investing activities	**(15,017)**	(11,852)
	Financing activities	**(10,742)**	(13,712)
	Net change in cash held	**545**	(390)
	Opening cash	**271**	1,000
	Closing cash	**816**	610
(f)	**Performance measures**		
	Revenue per employee	**$408,551**	$372,000
	Revenue per passenger	**$12.41**	$11.67
	Surplus after tax per employee	**$95,154**	$93,743
	Surplus after tax per passenger	**$2.89**	$2.94
	Total assets per passenger	**$56.35**	$48.06
	Net debt per passenger	**$13.27**	$13.38
	Ratio of aeronautical charges to total revenue	**32.8%**	34.3%

The net operating surplus after income tax was $306,000 or 2.1% higher than budgeted. Revenue increased by $5.882 million as total passenger numbers increased by 11.8% compared to the forecast 7.9%. However an increase in expenditures, particularly regarding promotion, payroll and depreciation partially offset the increased revenue.

Statutory Information

Ownership

Christchurch International Airport Limited is a limited liability company incorporated under the Companies Act 1993. The Company is 75% owned by Christchurch City Holdings Limited, a Company 100% owned by the Christchurch City Council, and 12.5% owned by the Minister of Finance and 12.5% owned by the Minister for State Owned Enterprises.

Principal Activities

The principal activity of the Company during the year was to provide airport facilities and services to airlines and other airport users with an emphasis on the provision of property and leasing services.

Dividends

A final dividend of 7.6 cents per share in respect of the year ended 30 June 2003 and an interim dividend of 7.5 cents per share in respect of the year ended 30 June 2004 were paid during the year.

	$
Final dividend paid 7 October 2003	4,377,600
Interim dividend paid 2 March 2004	4,320,000
	8,697,600

Dividend payments carry full imputation credits.

Directors

The following directors held office during the year ended 30 June 2004:

Director		Qualifications
S J Bradley	(Chairman)	MBE, REA, F.Inst.D, FNZIM
S J Sheldon	(Deputy Chairman)	B.Com, FCA
J Boult	(Appointed 3 November 2003)	-
D R Lyall	(Resigned 4 November 2003)	LLB
D J O'Rourke		LLB
G A Sheriff		-
B C Thomas	(Retired 31 October 2003)	B.Com, FCA, MNZITT

In accordance with the constitution of the Company, Mr B C Thomas retired by rotation on 31 October 2003 and was replaced by Mr J Boult. Mr D R Lyall retired effective 4 November 2003 and a replacement appointment is pending.

Statutory Information (con't)

Directors' Remuneration
Directors' remuneration in respect of the year ended 30 June 2004 was as follows:

Director	Remuneration
	$
S J Bradley	41,223
S J Sheldon	29,731
J Boult	12,691
D R Lyall	6,456
D J O'Rourke	20,611
G A Sheriff	20,611
B C Thomas	7,778
	139,101

No other remuneration or benefits other than normal reimbursement of expenses has been paid or given to directors. No loans have been made by the Company nor has the Company guaranteed any debts incurred by a director.

Directors' Interests in Contracts
The following directors have made general disclosures of interest with respect to any transaction which may be entered into with certain organisations on the basis of their being a director, partner, trustee or officer of those organisations.

Director	Entity	Interest
S J Bradley	Canterbury District Health Board	Chairman
	Lincoln Hospitality Limited	Director
	Lincoln Ventures Limited	Director
	Lincoln University Holdings Limited	Director
	Waipara Hills Wine Estates Limited	Chairman
S J Sheldon	Accounting Standards Review Board	Member
	Advanced Business Education Limited	Director
	Asure New Zealand Limited	Director
	CanWest MediaWorks (NZ) Limited	Director
	FibreTech Holdings Limited	Director
	FibreTech New Zealand Limited	Director
	Freightways Limited	Director
	Meridian Energy Limited	Deputy Chairman
	National Provident Fund Board of Trustees	Chairman
	Ngai Tahu Holdings Corporation Limited	Director
	Nimbus Bedware Limited	Director
J Boult	Armada Holdings Limited	Director
	Armada Tourism Limited	Director
	Christchurch Gondola Limited	Director
	Christchurch Tramway Limited	Director
	Cobb & Co Restaurants Limited	Director
	Luggate Holdings Limited	Director

Director	Entity	Interest
D J O'Rourke	Central Plains Water Trust	Trustee
	Christchurch City Council	Councillor
	Recovered Materials Foundation	Chairman
	Transwaste Canterbury Ltd	Chairman
G A Sheriff	Christchurch City Council	Councillor

Directors' Insurance
The Company has arranged directors' and officers' liability insurance with QBE Insurance (International) Limited for all directors and indemnified each of the directors by agreement in writing.

Information Used by Directors
There were no notices from directors of the Company requesting to use Company information received in their capacity as directors which would not otherwise have been available to them.

Employee Remuneration
The number of employees whose remuneration and benefits is within specified bands is as follows:

Remuneration Ranges	Number of Employees
$110,001 - $120,000	3
$120,001 - $130,000	4
$170,001 - $180,000	1
$180,001 - $190,000	1
$350,001 - $360,000	1

Donations
During the year the Company made donations to various charities totalling $2,962.

Auditor
The auditor of the Company is Audit New Zealand on behalf of the Auditor-General. Audit New Zealand provides audit services for which it receives remuneration of $40,000. In addition, Audit New Zealand provided additional services with respect to the disclosure regulations for which it received remuneration of $5,000.

As provided by section 3B(3) of the Airport Authorities Act 1966, Audit New Zealand, on behalf of the Auditor-General, is hereby reappointed as auditor to the Company.

This Annual Report is dated 2 September 2004 and is signed on behalf of the Board by:

S J Bradley
CHAIRMAN

S J Sheldon
DEPUTY CHAIRMAN

Comparative Five Year Review

	2004 $000	2003 $000	2002 $000	2001 $000	2000 $000
FINANCIAL					
Revenue	**63,734**	55,397	53,834	56,862	54,903
Expenditure	**45,060**	39,017	32,751	36,641	35,017
Operating surplus before income tax	**18,674**	16,380	21,083	20,221	19,886
Net operating surplus after income tax	**14,844**	13,041	14,249	13,536	13,228
Dividends paid	**8,698**	16,647	9,216	8,295	37,949
Return on average shareholders' equity	**7.9%**	8.1%	9.9%	10.9%	9.9%
Total equity	**215,474**	158,773	162,379	126,207	120,966
Total assets	**289,408**	233,913	231,575	204,696	212,549
Net asset backing per share	**$3.74**	$2.76	$2.82	$2.19	$2.10
Shareholders' equity ratio	**74.5%**	67.9%	70.1%	61.7%	56.9%
OPERATIONAL					
Passengers					
Domestic	**3,944,895**	3,571,835	3,208,720	3,209,169	3,017,888
International	**1,191,180**	1,021,384	1,010,798	1,106,254	1,066,495
Total passengers	**5,136,075**	4,593,219	4,219,518	4,315,423	4,084,383
Aircraft Movements (Excluding general aviation)					
Domestic	**81,535**	78,894	74,553	74,813	74,971
International	**9,259**	7,807	7,391	7,683	7,635
Total aircraft movements	**90,794**	86,701	81,944	82,496	82,606
PERSONNEL					
Average staff strength (full-time equivalents)	**156**	155	150	150	168

Directory

DIRECTORS

Syd Bradley
Chairman

Sue Sheldon
Deputy Chairman

Jim Boult
Director

Denis O'Rourke
Director

Gail Sheriff
Director

SHAREHOLDERS

Christchurch City Holdings Limited
43,200,000 shares (75%)

Minister of Finance
7,200,000 shares (12.5%)

Minister for State Owned Enterprises
7,200,000 shares (12.5%)

Total shares
57,600,000 shares

BANKERS

ANZ Banking Group (New Zealand) Ltd
Bank of New Zealand
Westpac Banking Corporation

SOLICITORS

Buddle Findlay, Christchurch
Chapman Tripp, Christchurch

SENIOR MANAGEMENT

George Bellew
Chief Executive

Vic Allen
Manager Market Development

Alan Beuzenberg
Facilities Services Manager

Darin Cusack
Manager Service & Operations

John Duncan
Human Resources Manager

Rebecca Smith
Property Manager Terminals

John Thompson
Property Manager Development

Ian Walker
Chief Financial Officer

REGISTERED OFFICE

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International Terminal Building
Christchurch International Airport
Memorial Avenue
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Christchurch 8030
New Zealand

Telephone: +64 3 358 5029
Facsimile: +64 3 353 7730
Website: www.christchurch-airport.co.nz

AUDITORS

Audit New Zealand
On behalf of the Auditor-General