Executive team

GEORGE BELLEW
Chief Executive
George joined Christchurch International Airport Ltd as Chief Executive in 1988 when the company was corporatised. He already had extensive management and director experience including 11 years as Executive Director of Ceramco Ltd running a diverse portfolio of engineering and distribution companies.

During his time with CIAL he has been an active member of the Airports Council International at both a Pacific region and international level. He has also held directorships in the health and electricity distribution sector.

VIC ALLEN
General Manager
Business Development
Vic has been with Christchurch International Airport Ltd since 1986. With an engineering background Vic has considerable experience in airport infrastructure and forward planning. He is heavily involved in aviation and tourism marketing, and is also chairman of the Mount Hutt Marketing Group.
Team Role:
Incorporating marketing initiatives, retail and property development and planning strategies, the Business Development team has an external focus that centres on key partnerships with airlines, tourism operators, retailers, airport businesses, local councils and governing bodies.

NEIL COCHRANE
General Manager Business Services
Neil joined Christchurch International Airport Ltd in 2005 after nearly six years with Meridian Energy, where he was responsible for the Group s Enterprise Services functions since the company s inception. He has extensive experience in establishing new corporate entities and in companies undergoing major organisational change across a range of industries, including telecommunications, health and construction.
Team Role:
Business Services provides business support to the company through the finance, organisational development (human resources and risk management) and technology solutions functions. Working closely with all other teams, the team is focused on identifying ways to enhance the overall running and decision support systems of the business, through providing expert business support and capability.

DARIN CUSACK
General Manager
Service and Operations
Darin joined Christchurch International Airport Ltd in 2001, after seven years with Tranz Scenic where he was Regional Manager responsible for customer service and operations. Prior to this, he held management roles with DHL.
Team role:
With a total of 114 staff, Service & Operations is the largest team within the company. The team is responsible for providing superior value to our customers and the community — whether they be the travelling public, airline partners, tenants, staff or agencies. At the same time the team is focused on providing a safe and secure airport experience.

ALAN BEUZENBERG
General Manager Facilities Services
Alan has extensive experience in Facilities Management. Prior to joining Christchurch International Airport Ltd in 2002, Alan spent 10 years as Manager, Maintenance and Engineering for Canterbury District Health Board where he was responsible for the facilities at Christchurch and Christchurch Women's Hospitals.
Team Role:
The Facilities Services team provides a comprehensive facilities service to the airport. This includes responsibility for the terminal facilities, airfield (runways, taxiways and aprons), outlying buildings and lands. The team also ensures provision of utility services such as electricity, water, sewer, air-conditioning, heating and cooling.

Sustainability Index

The Global Reporting Initiative (GRI) is an international framework for reporting the impact of company performance. We have adopted it to provide a tangible measure of our achievements from an economic, environmental and social perspective.

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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 2005 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 47 to 61, of Christchurch International Airport Limited for the year ended 30 June 2005.

The Board of Directors of Christchurch International Airport Limited authorise these financial statements for issue on 5 September 2005.

For and on behalf of the Board

Syd Bradley
CHAIRMAN

Sue Sheldon
DEPUTY CHAIRMAN

Corporate Governance Statement

Governance at Christchurch International Airport Limited
The Board and management are committed to ensuring that Christchurch International Airport Ltd (CIAL) has in place a best practice governance structure and adhere to the highest ethical standards. This entails the Board progressively reviewing and assessing CIALs governance structures and processes to ensure that they become consistent with international best practice, both in form and substance.

1. Approach to Corporate Governance
Governance objectives
The Board has adopted the following governance objectives to:

¥ approve Corporate Strategy and direction, laying down solid foundations for management and oversight;
¥ structure itself to add value
¥ promote ethical and responsible decision-making
¥ safeguard the integrity of its financial reporting and make timely and balanced disclosure;
¥ recognise and manage risk and encourage enhanced performance;
¥ remunerate fairly and responsibly; and
¥ respect the rights of and recognise the legitimate interests of stakeholders.

These objectives are reflected in the Board s regulation of itself and its Committees, CIALs policies and governance practices.

2. The Board of Directors
2.1 Role of the Board and responsibility
The Board of Directors is appointed by shareholders to govern CIAL in their interests. The Board is the overall and final body responsible for all decision-making within the Company. The Board Charter describes the Board s role and responsibilities and regulates internal Board procedure.

The Board has the responsibility to work to enhance the value of the Company in the interests of the Company and its shareholders. In summary, the Board:

¥ is engaged in strategic planning and approves corporate strategies;
¥ reviews and approves the Business Plan for the forthcoming year and following two years and reviews performance against strategic objectives;
¥ assesses business opportunities and risks on an ongoing basis and oversees the Company s control and accountability systems, monitors and approves the Company's financial reporting and dividend policies;
¥ appoints and monitors the performance of the Chief Executive Officer and approves the recommendations of the Remuneration Committee regarding the Chief Executive Officer s remuneration (which is based on his performance); and
¥ oversees succession planning for the Chief Executive Officer and senior management.

To enhance efficiency, the Board has delegated some of its powers to Board Committees and other powers to the Chief Executive Officer and senior executives. The Chief Executive Officer has, in some cases, formally delegated certain authorities to his direct reports and has established a formal process for his direct reports to sub-delegate certain authorities.

2.2 Board membership, size and composition

As at 30 June 2005 the Board comprised 6 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 Board has a broad range of commercial, financial, business and other skills, experience and expertise to meet its objectives. The Board composition with details about the background of individual Directors is set out on the Board of Directors page.

During the year two new Directors, Philip Carter and Hanlin Johnstone were appointed to fill the vacancy arising from the retirement of CCHL appointee, Gail Sheriff, and to fill the Crown appointee vacant Director position.

2.3 Selection and role of Chairman

The Chairman is appointed by the Shareholders. The Chairman s role is to manage the Board effectively, to provide leadership to the Board and to facilitate the Board s interface with the Chief Executive Officer. The current Chairman, Syd Bradley, is a member of both Board Committees and is also Chairman of the Remuneration Committee.

Sue Sheldon is the Deputy Chairman and is the Chairman of the Risk, Audit and Finance Committee.

2.4 Conflicts of interest

The constitution specifically provides guidance on how conflicts of interest shall be addressed.

2.5 Nominations and appointment of new Directors

The procedures for the appointment and removal of Directors are governed by the Company s constitution. When considering candidates to act as Director, the shareholder takes into account such factors as it deems appropriate, including the experience, qualifications, availability and judgement of a candidate and the candidate s ability to work with other Directors.

2.6 Chief Executive Officer performance review

The Remuneration Committee reviews the performance of the Chief Executive Officer and is responsible for the evaluation of the Chief Executive Officer against his key performance objectives.

2.7 Director induction and education

The Board seeks to introduce new Directors to management and the business through specifically tailored induction programmes depending on the needs of the individual Director. All Directors are periodically updated on relevant industry and Company issues, including briefings from key executives and industry experts.

2.8 Board access to information and advice

The Directors generally receive materials for Board meetings five days in advance. Further, Directors have unrestricted access to company records and information.

The Board, the Board Committees and each Director has the right, subject to the approval of the Chairman, to seek independent professional advice at CIALs expense to assist them to carry out their responsibilities.

Corporate Governance (Continued)

2.9 Indemnities and insurance

Deeds of Indemnity have been given to Directors in relation to potential liabilities and costs they may incur for acts or omissions in their capacity as Directors. In addition, Deeds of Indemnity have been provided to certain senior staff in relation to potential liabilities and costs they may incur for acts or omissions in their capacity as employees of CIAL.

During the year, the Directors and Officers liability insurance was renewed to cover risks normally covered by such policies arising out of acts or omissions of Directors and employees in their capacity as such. Insurance is not provided for dishonest, fraudulent, malicious or wilful acts or omissions.° The insurance cover is provided by QBE Insurance (International) Ltd and Vero Liability Insurance (NZ). The cost of the cover for the year to 30 June 2005 is $24,000.°

2.10 Attendance at Board and Committee Meetings for the year 1 July 2004 — 30 June 2005

The full Board had eleven formal meetings during the year ended 30 June 2005. The table below shows attendance at Board meetings by Directors and Committee meetings by Committee members.

Board and Committee Meeting Attendance

	Board Meetings	Risk audit & finance Committee meetings	Remuneration Committee meetings
Total number of meetings held	11	4	3
Bradley	11	4	3
Sheldon	11	4	3
O Rourke	11	1	
Boult	11		
Sheriff (Resigned March 05)	8		
Carter (Appointed March 05)	3		
Johnstone (Appointed June 05)	1		

In late 2004 two Directors attended an international forum on Global Airport Developments in the aviation/airport sector. In addition special workshops were held to ensure Directors were fully appraised of the relevant information with respect to the proposed Terminal Development Project.

Directors Interests

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

Director	Entity	Interest
S J Bradley	Canterbury District Health Board	Chairman
	Waipara Hills Wine Estates Limited	Chairman
S J Sheldon	Asure New Zealand Limited	Director
	CanWest MediaWorks (NZ) Limited	Director
	FibreTech Holdings Limited	Director
	FibreTech New Zealand Limited	Director
	Freightways Limited	Director
	National Provident Fund Board of Trustees	Chairman
	Ngai Tahu Holdings Corporation Limited	Director
	Nimbus Bedware Limited	Director
	Smiths City Group Limited	Director
J Boult	Armada Holdings Limited	Director
	Armada Tourism Limited	Director
	Cobb & Co Restaurants Limited	Director
	Luggate Holdings Limited	Director
	Meadow 3 Limited	Director
	Meadow 5 Limited	Director
	Armada Publishing Limited	Director
D J O Rourke	Central Plains Water Trust	Trustee
	RMF Canterbury Limited	Chairman
	Transwaste Canterbury Ltd	Chairman
P Carter	Carter Group Limited and its Subsidiaries	Chairman
	Philip Carter Management Limited	Chairman
	Crystal Plaza Limited	Chairman
	ReMark Holdings Limited	Director
	Avonhead Mall Limited	Director
H Johnstone	Christchurch City Facilities Limited	Director
	Dunedin Casinos Limited	Chairman
	Envirowaste Limited	Director
	Fulton Hogan Limited	Director
	FRH Pty Limited	Director
	St Margaret s College	Director

3 Board Committees

3.1 Board Committees and membership

Two Board Committees have been established to assist in the execution of the Board s responsibilities — the Remuneration Committee and the Risk Audit and Finance Committee.

The Chief Executive Officer and General Manager Business Services have a standing invitation to attend Committee meetings except where held in executive session.

3.2 Committee Charters

Charters for each Committee have been established, and the Board periodically reviews these Charters.

Remuneration Committee

Role

The Remuneration Committee s role is to assist the Board in overseeing the management of the human resources activities of the CIAL Group.

The Committee s responsibilities include:

¥ reviewing the remuneration and human resources strategy, structure and policy for the Company and reviewing remuneration practices to ensure that they are consistent with such policies;

¥ overseeing the Company s recruitment, retention and termination policies and procedures for senior management, and oversee the succession planning for senior management and the Chief Executive Officer;

¥ reviewing the performance of the Chief Executive Officer, the employment agreements and benefit structures for the Chief Executive officer and Executive Management group, and the recommendations to the Board with respect to senior executive incentive remuneration plans, other employee benefits, and key performance objectives of the Chief Executive Officer and executive management group;

Composition

The members of Remuneration Committee as at 30 June 2005 were: Syd Bradley (Chairman), and Sue Sheldon.

Risk Audit and Finance Committee

Role

The Risk Audit and Finance Committee s role is to assist the Board in its oversight of both the integrity of the financial reporting and the risk management framework.

The Risk Audit and Finance Committee s responsibilities include:

¥ reviewing the external financial reporting and recommending adoption to the Board, considering and, if appropriate approving, major accounting policy changes

¥ assessing the adequacy and standard of internal controls, accounting policies after consultation with management, the external and internal Auditors;

¥ ensuring that policies and processes exist to effectively identify, manage and monitor principal business risks and the Company s risk profile, and pre-approving and monitoring all audit and related assurance services provided;

¥ annually reviewing the external Auditors report which includes a description of the relationships between CIAL and the external Auditors, the Company s internal control procedures, and critical accounting policies relating to external financial reporting;

¥ Setting the principals and standards with respect to the treasury policy (including adherence to policy), raising of finance, and recommending new financing arrangements to the board.

The Risk Audit and Finance Committee will meet the External and Business Assurance Auditors without management present at least annually.

Composition

The members of the Risk Audit and Finance Committee as at 30 June 2005 were:
Sue Sheldon (Chairman), and Syd Bradley

Corporate Governance (Continued)

4 Audit Governance and Independence

The external Auditors are only permitted to engage on assurance activity work

5 Controlling and Managing Risks

5.1 CEO/General Manager Business Services assurance

The Chief Executive Officer and General Manager Business Services have stated to the Board in writing that in respect of the year ended 30 June 2005, to the best of their knowledge and belief that a sound system of risk management and internal compliance and control, exists in order to provide assurance that the CIAL financial statements give a true and fair view of the matters to which they relate and are in accordance with New Zealand Generally Accepted Accounting Practice.

5.2 Business Assurance

CIAL has now established an outsourced Business Assurance Service. The Business Assurance Service Charter defines the group s objectives, scope, independence, responsibilities and authority. The primary objective is to assist the Board and Chief Executive Officer in exercising good governance by providing independent assurance on CIALs control and risk management processes.

6 Corporate Responsibility and Sustainability

6.1 Approach to corporate responsibility and sustainability

The CIAL purpose and values statements guide the behaviour of all CIAL staff and how they conduct CIALs business. The purpose defines what CIAL does and CIALs values state how CIAL people choose to interact with each other, customers, suppliers and communities.

The Chief Executive Officer is required to ensure that managers act in a manner which is consistent with corporate policy and direction.

The Board has established governance principles, providing a broad description of the way in which the Board expects the Company to be managed for shareholders benefit. These are:

¥ the Company exists to grow shareholder value, with business strategies being customer and market focused;

¥ overarching strategy and policy will be decided at corporate level, with relationships being a source of competitive advantage;

¥ accountability will be clear and measurable, and systems and processes will support strategy, and;

¥ the organisational model will enable flexibility to change.

6.2 Legal Compliance Policy
All CIAL staff are responsible for ensuring that CIAL carries out its business activities in a way that gives due consideration to all applicable legal requirements, minimises the cost of legal risk and maximises business opportunities.

6.3 Shareholder and stakeholder communications
CIAL is committed to providing comprehensive disclosure to shareholders. CIALs website contains media releases, annual and half annual financial information, current and past annual reports and other information about the Company.

Remuneration at CIAL

Directors
The total remuneration paid to Directors for the year ended 30 June 2005 is;

NAME	REMUNERATION
S J Bradley	$43,000
S J Sheldon	$31,000
D J O Rourke	$21,500
J Boult	$21,500
G A Sheriff (retired March 05)	$16,125
P Carter (Appointed March 05)	$ 6,010
H Johnstone (Appointed June 05)	$ 1,792

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 to any Director nor has the company guaranteed any debts incurred by a Director.

CIAL Employees

Framework for remuneration

The Remuneration Committee is responsible for reviewing remuneration and human resources strategy, structure, policy and practices. It seeks external expert advice on best practice remuneration structures and market trends to ensure that the remuneration strategy for CIAL contributes to effective performance and value creation. To grow and be successful, CIAL must be able to attract, retain and motivate capable individuals.

The key principles determined by the HR Committee that underpin CIALs remuneration policies are that rewards are market-competitive, remuneration is linked to performance to attract and retain talented individuals. The overall cost of remuneration is managed and linked to the ability of the Company to pay.

The Remuneration Committee reviews the Chief Executive Officer s performance evaluation of his direct reports and approves the remuneration and other variations to the terms and conditions of employment of his direct reports.

Employee Remuneration

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

REMUNERATION RANGES	NUMBER OF EMPLOYEES
$100,001—$110,000	2
$110,001—$120,000	3
$120,001—$130,000	2
$130,001—$140,000	2
$140,001—$150,000	1
$200,001—$210,000	1
$360,001—$370,000	1

Statement of financial performance for the year ended 30 June 2005

	Note	2005 $000	2004 $000
REVENUE			
Operating revenue	1	70,824	63,273
Interest income	2	955	461
Total revenue		71,779	63,734
EXPENSES			
Employee remuneration		10,445	9,984
Other operating costs	3	18,087	18,951
Financing and interest costs		5,735	4,394
Depreciation	4	13,327	11,731
Total expenses		47,594	45,060
Operating surplus before income tax		24,185	18,674
Income tax	5	7,634	3,830
Net operating surplus after income tax		16,551	14,844

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		215,474	158,773
SURPLUS			
Net operating surplus after income tax		16,551	14,844
Increase in asset revaluation reserves	8	-	50,555
Total recognised revenues and expenses for the year		16,551	65,399
OTHER MOVEMENTS			
Dividends paid to shareholders	6	(9,376)	(8,698)
Equity at end of year		222,649	215,474

The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2005

	Note	2005 $000	2004 $000
EQUITY			
Share capital	7	57,600	57,600
Reserves	8	129,543	129,543
Retained earnings		35,506	28,331
Total equity		222,649	215,474
NON-CURRENT LIABILITIES			
Borrowings	9	87,459	68,987
CURRENT LIABILITIES			
Payables and accruals	11	8,806	4,947
Total current liabilities		8,806	4,947
Total equity and liabilities		318,914	289,408
NON-CURRENT ASSETS			
Property, plant and equipment	12	311,560	284,287
CURRENT ASSETS			
Cash and short term deposits		2,160	816
Receivables and prepayments	13	3,877	3,254
Taxation receivable	5	803	554
Inventories	14	514	497
Total current assets		7,354	5,121
Total assets		318,914	289,408

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	69,068	62,619
Interest received	955	461
Net Goods and Services Tax received	181	-
	70,204	63,080
Cash was applied to:		
Payments to suppliers and employees	26,248	24,144
Financing and interest costs	5,517	4,408
Net Income tax paid	3,296	4,050
Subvention payments	4,587	4,008
Net Goods and Services Tax paid	-	166
	39,648	36,776
Net cash flows from operating activities	30,556	26,304
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash was provided from:		
Proceeds from sale of property, plant and equipment	59	65
Cash was applied to:		
Purchase of property, plant and equipment	38,366	15,082
Net cash flows from investing activities	(38,307)	(15,017)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash was provided from:		
Borrowings	18,471	-
Cash was applied to:		
Borrowings repaid	-	2,044
Dividends paid	9,376	8,698
	9,376	10,742
Net cash flows from financing activities	9,095	(10,742)
Net increase/(decrease) in cash held	1,344	545
Add cash at beginning of the year	816	271
Cash at the end of the year	2,160	816

The accompanying notes form part of these financial statements.

	Note	2005 $000	2004 $000
COMPOSITION OF CASH			
Cash		81	76
Bank and deposits		2,079	740
Cash at the end of the year		2,160	816
RECONCILIATION WITH OPERATING SURPLUS			
Reported net operating surplus after income tax		16,551	14,844
Items not involving cash flows			
Depreciation expense		13,327	11,731
		29,878	26,575
Impact of changes in working capital items			
Increase/(decrease) in accounts payable		3,859	411
(Increase)/decrease in accounts receivable		(623)	(765)
(Increase)/decrease in inventories		(17)	(28)
(Increase)/decrease in taxation receivable		(249)	(219)
		2,970	(601)
Items classified as investing activities			
Capital Accounts Payable		(2,319)	339
Gain on disposal of assets		27	(9)
		(2,292)	330
Net cash flows from operating activities		30,556	26,304

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 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.

The Statement of Financial Performance and Statement of Cashflows are prepared on a GST exclusive basis. All items in the Statement of Financial Position are stated net of GST, except for Receivables and Payables, which include GST invoiced.

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	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.

Statement of accounting policies (Continued) for the year ended 30 June 2005

(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.

3) Investment properties

It is likely that some properties that are currently classified for as property, plant and equipment will be reclassified as investment property on adoption of NZ IFRS. Under NZ IFRS investment properties are required to be revalued to fair value annually, with revaluation increments/decrements to be taken to the income statement. This is likely to increase the volatility of the Company s reported earnings. In addition, as buildings are currently carried at historical cost less accumulated depreciation, there is likely to be some change in the carrying values of buildings that are re-categorised.

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

Notes to the financial statements for the year ended 30 June 2005

		2005 $000	2004 $000
1. Operating Revenue			
Airport charges		23,596	20,883
Passenger departure charge		11,937	9,494
Lease rentals and concessions		27,554	24,952
Vehicle parking		5,751	5,055
Gain on disposal of assets		27	34
Other revenue		1,959	2,855
		70,824	63,273
2. Interest Income			
Interest income was derived from:			
Short term bank deposits		497	204
Other		458	257
		955	461
3. Other Operating Costs			
Audit fees	— financial report	42	40
	— disclosure regulations	6	5
Directors fees		141	139
Doubtful Debts		102	327
Donations		11	3
Other administration expenses		9,290	6,792
Electricity, fuel and oil		2,076	1,348
Lease and Rental Payments		240	224
Maintenance expense	— buildings and plant	1,902	2,265
	— sealed surfaces	46	183
Subvention payments		-	4,008
Other		4,231	3,617
		18,087	18,951

In 2005 the subvention payment ($4,587,000) has been recorded through the Taxation provision (See Note 5(b)).

	2005 $000	2004 $000
4. Depreciation of Property, Plant and Equipment		
Buildings	1,476	1,346
Terminal facilities	7,541	7,016
Sealed surfaces	2,635	1,859
Roading	145	138
Plant and equipment	596	537
Office and computer equipment	638	534
Motor vehicles	277	264
Loss on disposal of assets	19	37
	13,327	11,731

Terminal facilities depreciation includes an additional amount of $1,804,699 (2004 : $2,118,000) 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 2008 as part of the proposed integrated terminal redevelopment.

	2005 $000	2004 $000

5. Income Tax

(a) Income tax expense

Operating surplus before income tax	24,185	18,674
Prima facie taxation at 33%	7,981	6,162
Plus(less) taxation effect of:		
Permanent differences	29	34
Timing differences not recognised	(64)	328
Group loss offset	-	(2,685)
	(35)	3,839
(Over)/under provision in prior years	(312)	(9)
Income tax attributable to operating surplus	7,634	3,830
Comprising:		
Current taxation	7,634	3,830
	7,634	3,830

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 2005 the unrecognised future income tax liability of timing differences not recognised in the financial statements is $4,519,836 (2004 : $4,679,513). This mainly relates to asset revaluations and depreciation expense.

(b) Taxation provision	2005 $000	2004 $000
Taxation payable/(receivable) as at 1 July	(554)	(335)
Income tax attributable to operating surplus	7,634	3,830
Subvention payment paid to Christchurch City Holdings Limited Group companies	(4,587)	-
Income tax paid to Inland Revenue Department	(8,750)	(4,049)
Income tax refunded by Inland Revenue Department	5,454	-
Taxation payable/(receivable) as at 30 June	(803)	(554)

(c) Imputation credit memorandum account

Balance at beginning of the year	16,912	17,146
Income tax payments made	3,296	4,050
Imputation credits attached to dividends paid	(4,618)	(4,284)
Balance at end of the year	15,590	16,912

6. Dividends

Final dividend paid	4,839	4,378
Interim dividend paid	4,537	4,320
	9,376	8,698

7. Share Capital

57,600,000 fully paid ordinary shares	57,600	57,600

All shares have equal voting rights and share equally to dividends and surplus on winding up.

Notes to the financial statements (Continued) for the year ended 30 June 2005

	2005 $000	2004 $000
8. Reserves		
(a) Balances		
Asset revaluation reserve	129,177	129,177
Capital reserve	366	366
Balance at end of the year	129,543	129,543
(b) Asset revaluation reserve		
Balance at beginning of the year	129,177	78,622
Net revaluations	-	50,555
Balance at end of the year	129,177	129,177
Comprising:		
Land revaluation reserve	82,125	82,125
Sealed surfaces revaluation reserve	47,052	47,052
	129,177	129,177

9. Borrowings

The company has a $120,000,000 multi-option facility which at 30 June 2005 was underwritten through a $75,000,000 revolving credit facility which expires in March 2008. 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 company has a money line facility of $5,000,000 and 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 $89,000,000 (2004 : $70,000,000) and a discounted value of $87,458,836 (2004 : $68,987,424).

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 2005, 36% 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.

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:

	2005	2004
	$000	$000
Interest rate options	$5 million	$5 million
Interest rate swaps	$55 million	$39 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 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

	2005	2004
	$000	$000
11. Payables and Accruals		
Creditors	2,745	3,021
Employee entitlements	778	549
Goods and Services Tax	303	122
Accrued expenses	4,980	1,255
	8,806	4,947

12. Property, Plant and Equipment

As at 30 June 2005	**At Cost $000**	**At Valuation $000**	**Accumulated Depreciation $000**	**Book Value $000**
Land	1,885	125,725		127,610
Terminal facilities	121,045		50,901	70,144
Other buildings	45,054		10,631	34,423
Sealed surfaces	7,586	52,045	2,635	56,996
Roading	7,688		1,568	6,120
Plant and equipment	12,202		7,472	4,730
Office and computer equipment	9,273		7,062	2,211
Motor vehicles	5,112		3,945	1,167
Work in progress	8,159			8,159
	218,004	177,770	84,214	311,560

As at 30 June 2004	At Cost $000	At Valuation $000	Accumulated Depreciation $000	Book Value $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

The fair value of the Company s freehold land, terminal facilities and other buildings as at 30˚June 2005 was estimated at $290,530,000 (2004, 228,985,000) by independent registered valuers, Crighton Anderson Property & Infrastructure Limited.

	2005 $000	2004 $000
13. Receivables and Prepayments		
Accounts Receivable	3,656	3,031
Prepayments	221	223
	3,877	3,254
14. Inventories		
Materials	282	281
Retail stock	128	104
Livestock	104	112
	514	497

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 $ 000	2004 $ 000	Relationship
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 Meridian Energy Limited.

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

16. 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.

17. Capital Expenditure Commitments	**2005**	2004
	$000	$000
Total capital expenditures committed to but not recognised in the financial statements	5,494	22,255

18. Contingent Assets and Liabilities

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

19. Events Occurring After Balance Date

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

20. 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 2005 with those targets are as follows:

	2005	2005
	Actual	Target
Financial performance	**$000**	$000
Revenue	71,779	68,604
EBITDA	42,292	44,144
Surplus after tax	16,551	16,274
Dividend Payment	9,376	9,686
Ratio of after-tax surplus to average equity	7.5%	9.1%
Operational performance		
Aircraft		
Aircraft departures excluding general aviation	44,504	47,000
Passengers		
Domestic	4,066,665	4,143,239
International	1,489,660	1,473,526
Total passengers	5,556,325	5,616,287
Employees		
Average full-time equivalent employees	159	158

	2005	2005
Performance Indicators	**Actual**	Target
Operating revenue per employee	$445,433	$433,367
Operating revenue per passenger	$12.75	$12.19
Surplus after-tax per employee	$104,094	$103,000
Surplus after-tax per passenger	$2.98	$2.90
Total assets per passenger	$57.39	$51.76
Net debt per passenger	$15.35	$18.39
Ratio of aeronautical revenue to operating revenue	50.17%	51.8%

Audit Report

TO THE READERS OF
Christchurch International Airport Limited
FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION
FOR THE YEAR ENDED 30 JUNE 2005

The Auditor-General is the auditor of Christchurch International Airport Limited (the company). The Auditor-General has appointed me, K J Boddy, 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 2005.

Unqualified opinion
In our opinion:

¥ The financial statements of the company on pages 47 to 61:

i comply with generally accepted accounting practice in New Zealand; and

ii give a true and fair view of:

a. the company s financial position as at 30 June 2005; and

b. the results of its operations and cash flows for the year ended on that date.

¥ The performance information of the company on page 19 gives a true and fair view of the achievements measured against the performance targets adopted for the year ended 30 June 2005.

¥ Based on our examination the company kept proper accounting records.

The audit was completed on 12 September 2005, and is the date at which our opinion is expressed.

The basis of our 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 the 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 our opinion.

The 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 our 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 2005. 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 2005. 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.

Other than the audit, we have no relationship with or interests in the company.

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

Audit New Zealand

Five year review

	2005 $000	2004 $000	2003 $000	2002 $000	2001 $000
FINANCIAL					
Revenue	71,779	63,734	55,397	53,834	56,862
Expense	47,594	45,060	39,017	32,751	36,641
Operating surplus before Income tax	24,185	18,674	16,380	21,083	20,221
Operating surplus after income tax	16,551	14,844	13,041	14,249	13,536
Dividends paid	9,376	8,698	16,647	9,216	8,295
Return on average shareholders' equity	7.5%	7.9%	8.1%	9.9%	10.9%
Total equity	222,649	215,474	158,773	162,379	126,207
Total assets	318,914	289,408	233,913	231,575	204,696
Net asset backing per share	$3.86	$3.74	$2.76	$2.82	$2.19
Shareholders' equity ratio	69.8%	74.5%	67.9%	70.1%	61.7%
OPERATIONAL					
Passengers					
Domestic passengers	4,066,665	3,944,895	3,571,835	3,208,720	3,209,169
International passengers	1,489,660	1,191,180	1,021,384	1,010,798	1,134,420
Total passengers	5,556,325	5,136,075	4,593,219	4,219,518	4,343,589
Total Aircraft Movements (Arrivals and Departures)					
Domestic aircraft	76,838	81,535	78,894	74,553	74,813
International aircraft	11,990	9,259	7,807	7,391	7,683
Total aircraft	88,828	90,794	86,701	81,944	82,496
PERSONNEL					
Average staff numbers (full-time equivalents)	159	156	155	150	150

Directory

DIRECTORS

Syd Bradley
Chairman

Sue Sheldon
Deputy Chairman

Jim Boult
Director

Denis O Rourke
Director

Philip Carter
Director

Hanlin Johnston
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
General Manager Business Development

Alan Beuzenberg
General Manager Facilities Services

Darin Cusack
General Manager Service & Operations

Neil Cochrane
General Manager Business Services

REGISTERED OFFICE

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Christchurch International Airport
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Christchurch, New Zealand
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Facsimile: +64 3 353 7730
Website: www.christchurch-airport.co.nz

AUDITORS

Audit New Zealand
On behalf of the Auditor-General

Christchurch International airport Limited

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