Christchurch International airport Limited

DISCLOSURE FINANCIAL STATEMENTS

for the year ended 30 June 2003

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

Contents

Disclosure financial statements

The Directors have pleasure in presenting the Disclosure Financial Statements of Christchurch International Airport Limited for the year ended 30 June 2003. These statements present the results of the aeronautical operations of the company and additional information as required by the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999.

DIRECTORS

The Directors of the Company during the period were:

- Syd Bradley, Chairman
- Sue Sheldon, Deputy Chairman
- David Lyall
- Denis O'Rourke
- Gail Sheriff
- Barry Thomas

COMPANY'S AFFAIRS AND NATURE OF BUSINESS

The business of the Company is the provision of airport facilities and services. The nature of the Company's business has not changed during the period under review.

DIRECTORS' CERTIFICATE

These statements have been prepared for the purposes of, and in accordance with the provisions of the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999.

For and on behalf of the Board

……………………………………..
S.J Bradley
Chairman

25 November 2003

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S.J Sheldon
Deputy Chairman

25 November 2003

Statement of financial performance

for the year ended 30 June 2003

	Note	2003 $000	2002 $000
REVENUE			
Operating revenue	1	**32,705**	32,812
Interest income	2	**256**	145
Total revenue	20	**32,961**	32,957
EXPENSES			
Depreciation	3	**7,064**	6,981
Employee remuneration		**6,166**	5,913
Financing and interest costs		**2,346**	2,673
Other operating costs	4	**5,180**	3,152
Administration costs	5	**4,263**	2,948
Repairs and maintenance		**884**	866
Total expenses		**25,903**	22,533
Operating surplus before income tax		**7,058**	10,424
Income tax	6	**1,439**	3,381
Net operating surplus after income tax	20	**5,619**	7,043

The accompanying notes form part of these financial statements.

Statement of movements in equity

for the year ended 30 June 2003

	Note	2003 $000	2002 $000
Equity at beginning of year		**97,641**	65,136
SURPLUS			
Net operating surplus after income tax		**5,619**	7,043
Increase in asset revaluation reserves	9	**-**	30,523
Total recognised revenues and expenses for the year		**5,619**	37,566
OTHER MOVEMENTS			
Dividends to shareholders	7	**(8,370)**	(5,061)
Equity at end of year		**94,890**	97,641

The accompanying notes form part of these financial statements.

Statement of financial position

as at 30 June 2003

	Note	2003 $000	2002 $000
EQUITY			
Share capital	8	**33,020**	33,020
Reserves	9	**51,101**	51,101
Retained earnings		**10,769**	13,520
Total equity		**94,890**	97,641
NON-CURRENT LIABILITIES			
Borrowings	10	**35,247**	35,875
CURRENT LIABILITIES			
Bank overdraft		**39**	
Payables and accruals	12	**2,817**	2,568
Taxation payable	6	**-**	-
Total current liabilities		**2,856**	2,568
Total equity and liabilities		**132,993**	136,084
NON-CURRENT ASSETS			
Property, plant and equipment	13	**130,580**	132,764
CURRENT ASSETS			
Cash and short term deposits		**-**	720
Receivables and prepayments		**1,895**	2,159
Taxation receivable	6	**236**	210
Inventories	14	**282**	231
Total current assets		**2,413**	3,320
Total assets		**132,993**	136,084

For and on behalf of the Board

……………………………………………… ………………………………………………

S.J Bradley
Chairman

25 November 2003

S.J Sheldon
Deputy Chairman

25 November 2003

The accompanying notes form part of these financial statements.

Statement of cash flows

for the year ended 30 June 2003

	2003 $000	2002 $000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash was provided from:		
Receipts from customers	**32,940**	32,630
Interest received	**256**	145
Net Goods and Services Tax received	**-**	4
	33,196	32,779
Cash was applied to:		
Payments to suppliers and employees	**16,419**	12,718
Financing and interest costs	**2,340**	2,722
Income tax paid	**1,465**	4,022
	20,224	19,462
Net cash flows from operating activities	**12,972**	13,317
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash was provided from:		
Proceeds from sale of property, plant and equipment	**103**	25
	103	25
Cash was applied to:		
Purchase of property, plant and equipment	**4,836**	2,392
	4,836	2,392
Net cash flows from investing activities	**(4,733)**	(2,367)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash was provided from:		
Borrowings	**-**	--
Cash was applied to:		
Borrowings repaid	**628**	6,545
Dividends paid	**8,370**	5,061
Net cash flows from financing activities	**8,998**	11,606
	(8,998)	(11,606)
Net increase/(decrease) in cash held	**(759)**	(656)
Add cash at beginning of the year	**720**	1,376
Cash at the end of the year	**(39)**	720

The accompanying notes form part of these financial statements.

Statement of cash flows continued
for the year ended 30 June 2003

	2003	2002
	$000	$000
COMPOSITION OF CASH		
Cash		107
Bank and deposits	**(39)**	613
Cash at the end of the year	**(39)**	720
RECONCILIATION WITH OPERATING SURPLUS		
Reported net operating surplus after income tax	**5,619**	7,043
Items not involving cash flows		
Depreciation expense	**7,064**	6,981
	7,064	6,981
	12,683	14,024
Impact of changes in working capital items		
Increase/(decrease) in accounts payable	**249**	39
(Increase)/decrease in accounts receivable	**264**	(105)
(Increase)/decrease in inventories	**(51)**	17
(Increase)/decrease in taxation receivable	**(26)**	(210)
Increase/(decrease) in taxation payable	**-**	(431)
	436	(690)
Items classified as investing activities		
Capital creditors	**(167)**	(19)
Net loss on disposal of assets	**20**	2
	(147)	(17)
Net cash flows from operating activities	**12,972**	13,317

The accompanying notes form part of these financial statements.

Statement of accounting policies

for the year ended 30 June 2003

Reporting Entity

The financial statements are those of Christchurch International Airport Limited.

The disclosure financial statements are presented in accordance with the Airport Authorities Act 1966 as amended by the Airport Authorities Amendment Act 1997 and the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999 ("Regulations").

The disclosure financial statements are for the reporting entity of Christchurch International Airport Limited's Identified Airport Activities. Identified Airport Activities are defined as:

Airfield Activities

The provision of airfields, runways, taxiways and parking aprons for aircraft; the provision of facilities and services for air traffic control and parking apron control; provision of airfield and associated lighting; provision of services to maintain and repair airfields, runways, taxiways and parking aprons for aircraft; provision of rescue, fire safety and environmental hazard control services; and the provision of airfield supervisory and security services.

Aircraft and Freight Activities

The provision within a security area or other relevant areas of the airport of hangars, facilities and services for refuelling of aircraft, flight catering and waste disposal, facilities and services for the storing of freight and the provision of security, customs and quarantine services for freight.

Specified Passenger Terminal Activities

The provision, within a security area or other relevant areas, of an airport, of passenger seating areas, thoroughfares and airbridges, the provision of flight information systems, the provision of facilities and services for the operating of customs, immigration and quarantine checks and controls; facilities for the collection of duty free items and facilities for the operation of security and police services.

Basis of Preparation

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, the revaluation 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.

(b) **Accounts receivable**

Accounts receivable are stated at their expected realisable value after providing against debts where collection is doubtful.

(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) **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.

(e) **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

(f) **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.

(g) **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.

(h) **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.

(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.

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

(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) **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.

		2003	2002
		$000	$000
1.	**Operating Revenue**		
	Airport charges	**18,972**	19,382
	Passenger departure charge	**8,112**	7,871
	Lease rentals and concessions	**4,362**	4,585
	Other revenue	**1,259**	974
		32,705	32,812
2.	**Interest Income**		
	Interest income was derived from:		
	Short term bank deposits	**256**	145
		256	145
3.	**Depreciation of Property, Plant and Equipment**		
	Buildings	**227**	198
	Terminal facilities	**4,154**	4,085
	Sealed surfaces	**1,883**	1,817
	Roading	**56**	54
	Plant and equipment	**161**	191
	Office and computer equipment	**363**	400
	Motor vehicles	**214**	234
	Loss on disposal of assets	**6**	2
		7,064	6,981
4.	**Other Operating Costs**		
	Electricity, fuel and oil	**1,004**	792
	Subvention payment	**1,638**	-
	Other operating expenses	**2,538**	2,360
		5,180	3,152
5.	**Administration**		
	Audit fees - financial report	**29**	24
	- disclosure regulations	**5**	6
	Directors' fees	**94**	92
	Bad debts written off	**-**	5
	Donations	**4**	4
	Other administration expenses	**4,131**	2,817
		4,263	2,948

	2003 $000	2002 $000

6. Income Tax

(a) Income tax expense

	2003 $000	2002 $000
Operating surplus before income tax	**7,058**	10,424
Prima facie taxation at 33%	**2,329**	3,440
Plus(less) taxation effect of:		
Permanent differences	**13**	19
Timing differences not recognised	**55**	47
Group loss offset	**(956)**	-
	1,441	3,506
(Over)/under provision in prior years	**(2)**	(125)
Income tax attributable to operating surplus	**1,439**	3,381
Comprising:		
Current taxation	**1,439**	3,381
	1,439	3,381

The reversal of the above and previous timing differences will result in a future tax liability. At current taxation rates effective 1 July 2003 the unrecognised future income tax liability of timing differences not recognised in the financial statements is $1,998,241 (2002 : $2,376,092).

(b) Taxation provision

	2003 $000	2002 $000
Taxation payable/(receivable) as at 1 July	**(210)**	431
Income tax attributable to operating surplus	**1,439**	3,381
Income tax paid	**(1,465)**	(4,022)
Taxation payable/(receivable) as at 30 June	**(236)**	(210)

	2003 $000	2002 $000
(c) **Imputation credit memorandum account**		
Balance at beginning of the year	**12,625**	11,095
Income tax payments made	**1,465**	4,022
Imputation credits attached to dividends paid	**(4,123)**	(2,492)
Balance at end of the year	**9,967**	12,625

7. Dividends

Dividends paid	**(8,370)**	5,061
	(8,370)	5,061

8. Share Capital

33,020,000 ordinary shares	**33,020**	33,020

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

9. Reserves

(a) **Balances**		
Asset revaluation reserve	**50,891**	50,891
Capital reserve	**210**	210
Balance at end of the year	**51,101**	51,101
(b) **Asset revaluation reserve**		
Balance at beginning of the year	**50,891**	20,368
Net revaluations	**-**	30,523
Balance at end of the year	**50,891**	50,891
Comprising:		
Land revaluation reserve	**20,535**	20,535
Sealed surfaces revaluation reserve	**30,356**	30,356
	50,891	50,891

10. **Borrowings**

ANZ Banking Group (New Zealand) Limited provides a $120,000,000 multi-option facility which at 30 June 2003 was underwritten through a $75,000,000 revolving credit facility which expires in March 2005. 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 2003, the Company had on issue 90 day short term registered notes with a face value of $35,247,152 (2002 : $36,403,558) and a discounted value of $34,894,680 (2002 : $35,875,083).

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 5.4% to 6.6%.

11. **Financial Instruments**

The Company is subject to a number of financial risks which arise as a result of its activities. To manage and limit the effects of those financial risks, the Board of Directors has approved policy guidelines and authorised the use of certain financial instruments. The Company's financial risks, the policies approved to manage and limit the effects of those financial risks together with the financial instruments being utilised at balance date are set out below.

(a) **Credit risk**

In the normal course of its business, the Company incurs credit risk from trade debtors and financial institutions. The Company performs credit evaluations wherever appropriate and generally does not require collateral.

The Company places its cash and short term investments with high credit quality financial institutions. The Company's Treasury policy results in a spread of investments, with limitations placed on the level of credit exposure to any one financial institution. The Company does not require any collateral or security to support transactions with financial institutions.

The Company continuously monitors the credit quality of its major customers and does not anticipate non-performance by those customers.

Because of the limited number of customers, the Company is exposed to a concentration of credit risk. For the purposes of the Disclosure Financial Statements as at 30 June 2003, 57.4% of trade receivables were due from one customer. These receivables are considered to be fully recoverable.

(b) **Total Company interest rate risk**

The Company has variable rate long-term borrowings to fund ongoing activities. Forward rate agreements, interest rate options and swaps are entered into converting the interest rate exposure from floating rates to rates 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 relating to the total Company of interest rate contracts outstanding at 30 June are as follows:

	2003	2002
Interest rate swaps	**$19 million**	$40 million

(c) **Total Company Fair Values**

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

The fair values of the interest rate swaps as at balance date are assessed on the basis of the cost or benefits emerging from those agreements had settlement been made on balance date, calculated by using the interest rate prevailing on 30 June 2003 of 5.25%. Interest rates on that date would have resulted in a gain/(loss) to the Company of:

	2003	2002
Interest rate swaps	**($564,887)**	($312,105)

This amount relates to the Company's total portfolio. Given the volatility of interest rates and the lack of certainty of payment of these notional costs, the assessed costs at balance date have not been recognised as an expense in the financial statements.

	2003	2002
	$000	$000
12. Payables and Accruals		
Creditors	**1,030**	783
Employee entitlements	**479**	452
Goods and Services Tax	**127**	156
Accrued expenses	**1,181**	1,177
	2,817	2,568

13. Property, Plant and Equipment

As at 30 June 2003	**At Cost $000**	**At Valuation $000**	**Accumulated Depreciation $000**	**Book Value $000**
Land	**-**	**36,606**	**-**	**36,606**
Buildings	**6,687**	**-**	**1,669**	**5,018**
Terminal facilities	**73,644**	**-**	**26,738**	**46,906**
Sealed surfaces	**1,823**	**37,361**	**3,700**	**35,484**
Roading	**2,472**	**-**	**630**	**1,842**
Plant and equipment	**4,860**	**-**	**2,385**	**2,475**
Office and computer equipment	**3,879**	**-**	**3,193**	**686**
Motor vehicles	**4,122**	**-**	**3,193**	**929**
Work in progress	**634**	**-**	**-**	**634**
	98,121	**73,967**	**41,508**	**130,580**

As at 30 June 2002	At Cost $000	At Valuation $000	Accumulated Depreciation $000	Book Value $000
Land	-	36,606	-	36,606
Buildings	6,664	-	1,443	5,221
Terminal facilities	71,742	-	22,580	49,162
Sealed surfaces	779	37,361	1,818	36,322
Roading	2,327	-	582	1,745
Plant and equipment	3,433	-	2,245	1,188
Office and computer equipment	3,602	-	2,886	716
Motor vehicles	4,129	-	3,049	1,080
Work in progress	724	-	-	724
	93,400	73,967	34,603	132,764

The total land holding of the Company was revalued to fair value of $87,700,000 at 30 June 2002. The values were determined by independent registered valuers, Crighton Anderson & Associates Limited in a report dated 30 July 2002 on the basis of market value for the highest and best use for the properties.

The Company revalued its sealed surfaces to a component level on an optimised depreciated replacement cost basis at 1 July 2001. The valuation was performed by independent registered valuers Crighton Anderson & Associates Limited.

The fair value of all the Company's freehold land and buildings as at 30 June 2003 was estimated at $207,040,000 by independent registered valuers, Crighton Anderson & Associates Limited. The net current value of freehold land and buildings as at 30 June 2002 was estimated at $192,562,000 by the same valuers.

		2003	2002
		$000	$000
14.	**Inventories**		
	Materials	**227**	179
	Livestock	**55**	52
		282	231

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.

The Company received income from New Zealand Post Limited of $355,351 (2002 $355,351). Syd Bradley, a director of Christchurch International Airport Limited is also a director of New Zealand Post Limited.

During the year the company paid Meridian Energy Limited $763,438 (2002 $590,592) for electricity. Sue Sheldon, a director of Christchurch International Airport Limited is also a director of Meridian Energy Limited.

All transactions with related parties have been conducted on normal commercial terms.

		2003	2002
		$000	$000
16.	**Capital Expenditure Commitments**		
	Total capital expenditures committed to but Not recognised in the financial statements	**Nil**	Nil

17. **Contingent Liabilities**

There are no contingent liabilities outstanding (2002 : nil).

18. **Events Occurring After Balance Date**

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

20. **Segment Information**

The Company is required to present segmented information for three specified airport activities. These activities are defined in the Airport Authorities Act 1966 and subsequent amendments.

30 June 2003

	Specified Terminal $000	Airfield $000	Aircraft and Freight $000	Total $000
Revenue				
Airport charges	5,879	13,093	-	18,972
Passenger departure charge	8,112	-	-	8,112
Lease, rentals and concessions	2,139	66	2,157	4,362
Other revenue	687	541	31	1,259
Interest income	108	101	47	256
Total revenue	16,925	13,801	2,235	32,961
Expenses				
Depreciation	4,423	2,418	223	7,064
Employee remuneration	2,394	3,655	117	6,166
Financing and interest costs	1,853	136	357	2,346
Other operating costs	3,703	1,233	244	5,180
Administration costs	1,777	2,394	92	4,263
Repairs and maintenance	452	385	47	884
Total expenses	14,602	10,221	1,080	25,903
Operating surplus before income tax	2,323	3,580	1,155	7,058
Income tax	474	729	236	1,439
Net operating surplus after income tax	1,849	2,851	919	5,619
Segment assets	56,044	52,622	24,327	132,993
Average number of full-time staff equivalents	40	58	2	100

30 June 2002

	Specified Terminal $000	Airfield $000	Aircraft and Freight $000	Total $000
Revenue				
Airport charges	6,182	13,200	-	19,382
Passenger departure charge	7,871	-	-	7,871
Lease, rentals and concessions	2,317	61	2,207	4,585
Other revenue	580	369	25	974
Interest income	69	71	5	145
Total revenue	17,019	13,701	2,237	32,957
Expenses				
Depreciation	4,425	2,350	206	6,981
Employee remuneration	2,279	3,478	156	5,913
Financing and interest costs	1,146	1,038	489	2,673
Other operating costs	2,724	361	67	3,152
Administration costs	1,299	1,549	100	2,948
Repairs and maintenance	466	342	58	866
Total expenses	12,339	9,118	1,076	22,533
Operating surplus before income tax	4,680	4,583	1,161	10,424
Income tax	1,519	1,486	376	3,381
Net operating surplus after income tax	3,161	3,097	785	7,043
Segment assets	58,444	52,903	24,737	136,084
Average number of full-time staff equivalents	41	57	2	100

21. **Allocation Methodology Used in the Preparation of these Statements**

All revenue and expense items are allocated to appropriate activity based cost centres at the time of recording. The totals of the "overhead" cost centres are allocated to the operational cost centres which are combined to give the results reported.

The basis of allocation of "overhead" cost centres included;

- payroll costs
- total operating costs
- repairs and maintenance, and payroll costs
- fixed assets
- relevant expense/revenue totals
- earnings before taxation

Assets and liabilities were allocated to appropriate activity based cost centres at the time of recording. Those allocated to overhead cost centres were then allocated by one of the following bases.

- fixed assets
- relevant expense/revenue totals
- earnings before taxation

The financial performance and the financial position of the terminal activity cost centre was allocated to the specified passenger terminal activities on a basis of area used for each of those activities.

22. **Weighted Average Cost of Capital**

CIAL has estimated the prospective weighted average cost of capital (WACC) for its identified airport activities as at 1 July 2002, being the commencement of the current disclosure period.

CIAL has applied the standard post-tax WACC model. The post investor tax model has been used to estimate the appropriate cost of equity capital. The debt premium has been based on the estimated margin over the swap rate that CIAL would pay for longer-term debt.

The following table summarises the key parameters used in the CIAL WACC model.

	2003	2002
Risk free rate – five year Government Stock	**6.43%**	6.66%
Market risk premium	**9.0%**	9.0%
Company tax rate	**33%**	33%
Debt premium	**0.8%**	0.80%
Business risk factor (asset beta)	**0.65**	0.65

Based on these parameters CIAL estimates that as at 1 July 2002, the appropriate prospective WACC for its identified airport activities was 9.9% (as at 1 July 2001 : 10.1%) on a nominal after-tax basis.

23. **Methodology Used to Determine Airport Charges**

Overview

Christchurch International Airport Limited's (CIAL) current charges were last reviewed in late 2000 and prices set effective 1 January 2001. The pricing methodology determines charges on the basis of recovering the costs of providing the facilities and services as well as providing an adequate return on capital. The individual charges were applied to;

- Airfield
- Terminal

Cost Categories

CIAL's charges are based on recovering a cost of capital, operating costs and depreciation for the two cost categories set out above. Operating costs included direct wages, repairs and maintenance and other expenses directly attributable to the activity. Overheads have been allocated between the various cost centres on the basis of operating costs or capital employed.

Allocating Costs to Charges

Airfield

Airfield charges are based on recovering the costs of providing runways and taxiways and the rescue fire service. The charges are determined using an algorithm that reflected the aircraft weight or maximum certified take-off weight (MCTOW) for each aircraft type of the various aircraft. The rescue fire service component of charges are allocated between aircraft types reflecting the size of the aircraft. Rescue fire service manning and plant levels were determined by aerodrome operating rules.

Terminal

Terminal charges were based on the costs of providing public and common areas for passenger movement, queuing and access within the domestic and international terminal buildings. Terminal charges has been allocated to aircraft type based on the total available seats for each aircraft type.

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

24. **Schedule of Airport Charges**

Airport charges are levied on an aircraft departure basis and revised charges were effective 1 January 2001:

	Airfield $	Terminal $	Total $
International			
B747-400	3,110	1,297	4,407
B747-300	2,960	1,423	4,383
B777-200	2,248	1,270	3,518
B767-300	1,464	789	2,253
B767-200	1,254	677	1,931
B757-200	908	630	1,538
B737-800	619	522	1,141
B737-700	555	386	941
B737-500	474	366	840
B737-300	500	386	886
A340-300	2,155	898	3,053
MD 11	2,141	1,094	3,235
Domestic			
B767-300	1,464	377	1,841
B767-200	1,254	324	1,578
B737-300	500	184	684
B737-200	384	183	567
BAE146-300	313	145	458
Dash 8-100	88	64	152
Dash 8-300	109	81	190
ATR72-500	126	107	233
Saab 340	72	53	125
Metroliner	37	31	68
Nomad	45	26	71
CV58	147	91	238
Freight			
B767-300	1,464		1,464
B737-300	500		500
CV58	147		147
FK27	114		114
Metroliner	37		37
General Aviation	6		6

Note:

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

25. **Aircraft Movements (Departures)**

As Christchurch International Airport Limited's charges are determined on an aircraft departure basis, the aircraft movements as required by the Airport Authorities Amendment Act 1997 are based on aircraft departures. This is the same basis as was used to calculate the revenue disclosed in these disclosure financial statements.

Aircraft type	**Movements 2003**	Movements 2002
Aircraft in excess of 3 tonnes		
Scheduled domestic aircraft departures		
BAE146	**-**	2,103
B737	**10,943**	11,742
B767	**689**	480
ATR-72	**10,433**	6,845
BA31	**228**	483
DC3	**-**	45
BA32	**544**	20
CV58	**83**	76
DHC8	**1,012**	2,752
BA41	**4,162**	1,287
SWM	**489**	1,859
SB34	**3,494**	3,466
E110	**60**	465
BE19	**1,399**	48
	33,536	31,671
Scheduled international aircraft departures		
A340	**87**	182
B737	**1,912**	1,562
B747	**225**	204
B767	**1,358**	1,570
B777	**195**	-
	3,777	3,518
Non-scheduled, including military, freight and other aircraft departures		
B727	**46**	75
B737	**620**	497
B767	**37**	48
ATR-75	**213**	299
BA41	**73**	-
C130	**140**	165
C141	**75**	62
C402	**56**	35
CV58	**1,198**	1,088
F27	**544**	566
PA31	**83**	371
SWM	**1,464**	1,526
Other	**228**	90
	4,777	4,822
Aircraft less than 3 tonnes Non-scheduled aircraft departures	**36,565**	36,567
Scheduled aircraft departures		-
Total aircraft departures (includes non-scheduled flights)	**78,655**	76,578

26. **Passengers**

	For the year ended 30 June 2003		
	Arrivals	**Departures**	**Total**
Domestic *	**1,715,565**	**1,856,270**	**3,571,835**
International	**530,157**	**491,227**	**1,021,384**
Total passengers	**2,245,722**	**2,347,497**	**4,593,219**

	For the year ended 30 June 2002		
	Arrivals	**Departures**	**Total**
Domestic *	1,542,090	1,666,630	3,208,720
International	520,078	490,720	1,010,798
Total passengers	2,062,168	2,157,350	4,219,518

* Domestic transit passengers are included as departing passengers.

27. **Passenger Charge**

The passenger charge is payable by departing international passengers calculated at $25.00 per passenger aged twelve years and over. A total of $5.00 per passenger over the age of two is paid to the New Zealand Government for the provision of Aviation Security and Civil Aviation services.

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

28. **Interruptions to Services**

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

Year ended 30 June 2003

	PLANNED INTERRUPTIONS		UNPLANNED INTERRUPTIONS	
	Number	**Total Duration (hh:mm)**	**Number**	**Total Duration (hh:mm)**
Runway services	12	68 : 03	-	-
Stand position services	4	13 : 20	-	-
Airbridge services	18	27 : 30	17	465 : 30
Check-in baggage handling	29	181 : 00	45	83 : 21

Year ended 30 June 2002

	PLANNED INTERRUPTIONS		UNPLANNED INTERRUPTIONS	
	Number	**Total Duration (hh:mm)**	**Number**	**Total Duration (hh:mm)**
Runway services	12	111:15	0	0:00
Stand position services	8	665:35	1	5:09
Airbridge services	65	190:57	31	165:06
Check-in baggage handling	2	40:15	6	32:18

Audit New Zealand

REPORT OF THE AUDITOR-GENERAL

TO THE READERS OF THE DISCLOSURE FINANCIAL STATEMENTS OF CHRISTCHURCH INTERNATIONAL AIRPORT LIMITED FOR THE YEAR ENDED 30 JUNE 2002

We have audited the disclosure financial statements on pages 4 to 30. The disclosure financial statements provide information about the past financial performance and financial position of Christchurch International Airport Limited's identified airport activities as at 30 June 2002. This information is required by the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999 (the Regulations) and is stated in accordance with the accounting policies set out on pages 9 to 13.

Directors' Responsibilities

The Regulations require the Directors to prepare disclosure financial statements which comply with generally accepted accounting practice and give a true and fair view of the financial position of Christchurch International Airport Limited as at 30 June 2002, the results of its operations and cash flows and additional information required by the Regulations for the year ended 30 June 2002.

Auditor's Responsibilities

Section 6(2) of the Regulations requires the disclosure financial statements presented by the Directors, to be audited by a qualified auditor. It is the responsibility of the Auditor-General to express an independent opinion on the disclosure financial statements and report its opinion to you.

The Auditor-General has appointed Devan Menon, of Audit New Zealand, to undertake the audit.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the disclosure financial statements. It also includes assessing:

- the significant estimates and judgements made by the Directors in the preparation of the disclosure financial statements; and
- whether the accounting policies are appropriate to Christchurch International Airport Limited's circumstances, consistently applied and adequately disclosed.

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

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

Unqualified Opinion

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

In our opinion:

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

▲ the disclosure financial statements of Christchurch International Airport Limited on pages 4 to 30:

  — comply with generally accepted accounting practice; and

  — give a true and fair view of:

    - Christchurch International Airport Limited's financial position as at 30 June 2002; and

    - the results of its operations and cash flows for the year ended on that date; and

    - the additional information as required by the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999.

Our audit was completed on 29 November 2002 and our unqualified opinion is expressed as at that date.

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