

# Financial highlights

## Parent result

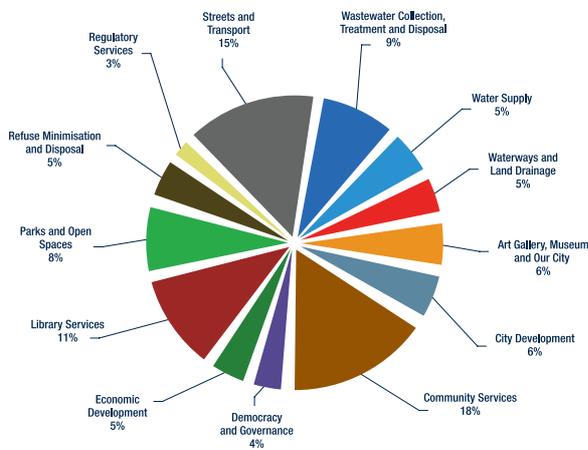
The Council's operating surplus before asset contributions for the year was \$27.2M, \$13.4M ahead of the plan. Contributions to this performance are outlined in note 24 of the detailed accounts and include: higher than budgeted dividends, principally from Christchurch City Holdings Limited, of \$17.0M, and higher than budgeted interest income of \$9.0M due to delayed capital spending and higher interest rates. Offsetting this is increased depreciation of \$6.8M due to a non-budgeted revaluation of buildings and parks assets, and an unbudgeted loss on the sale of the Civic building. The net surplus for the year is \$51.0M, \$22.2M over plan due to higher than budgeted vested asset contributions. This is a reflection of the ongoing strength of the building industry.

The Council has continued to strive to deliver cost-effective services, allocating the \$180.3M of rates collected across the areas as detailed in the pie chart below.

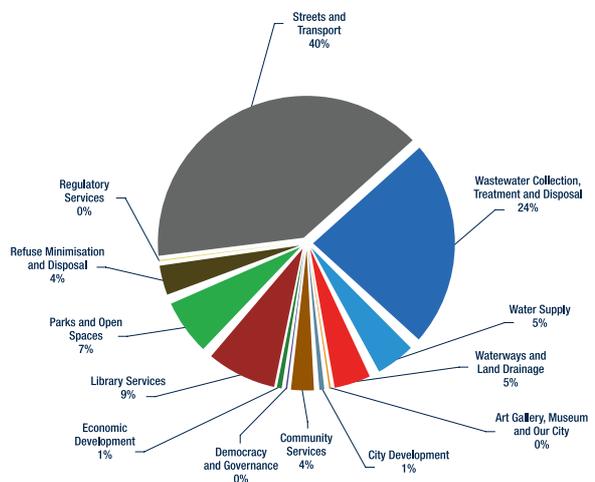
Our Statement of Financial Position reflects the Council's strong position with a growth in equity of over \$873M. Of this increase \$246M is the equity of Banks Peninsula District Council, and \$577M results from the revaluations. This strength supported the Council's ability to deliver \$126M of new capital expenditure (see pie chart below).

Major capital projects completed during the year include the Upper Riccarton Library, (\$1.1M), the New Brighton Mall slow road, (\$1.2M), the Opawa road widening (\$1.2M), closure of the Belfast Oxidation ponds, (\$7.0M), the QEII Southside development (\$0.8M) and the Islington sewer system (\$0.7M). Major projects underway include the Blenheim road deviation, (\$3.4M), refuse station modifications, (\$1.2M), and the landfill station gas extraction pipeline, (\$1.2M). Other significant items included carriageway surfacing and sealing and footpath resurfacing (\$10.1M), the restoration and capping of Burwood landfill (\$2.2M) and an increase in the library collection (\$4.3M).

How your rates dollars were spent

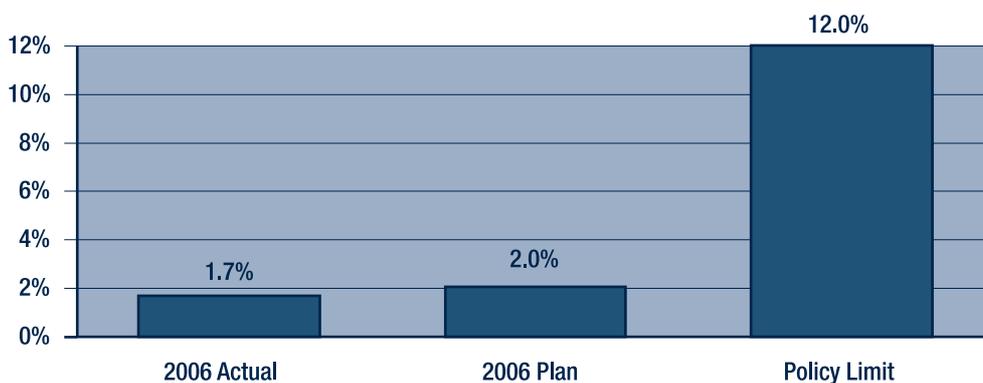


Capital expenditure by group of activities



# Financial highlights

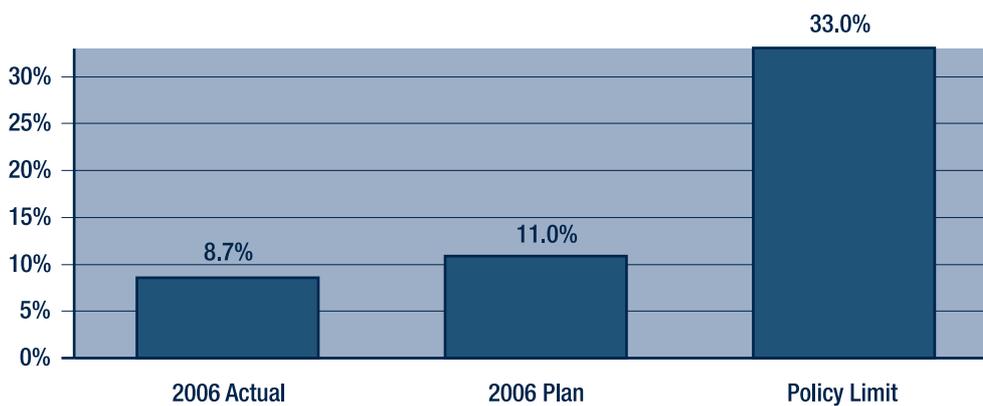
External Council Debt to Total Assets  
Ratio Policy Limit 12%



This graph compares the total external debt of the Council with the total assets of the Council (including CCHL). It is the equivalent of

measuring your mortgage against all of your assets.

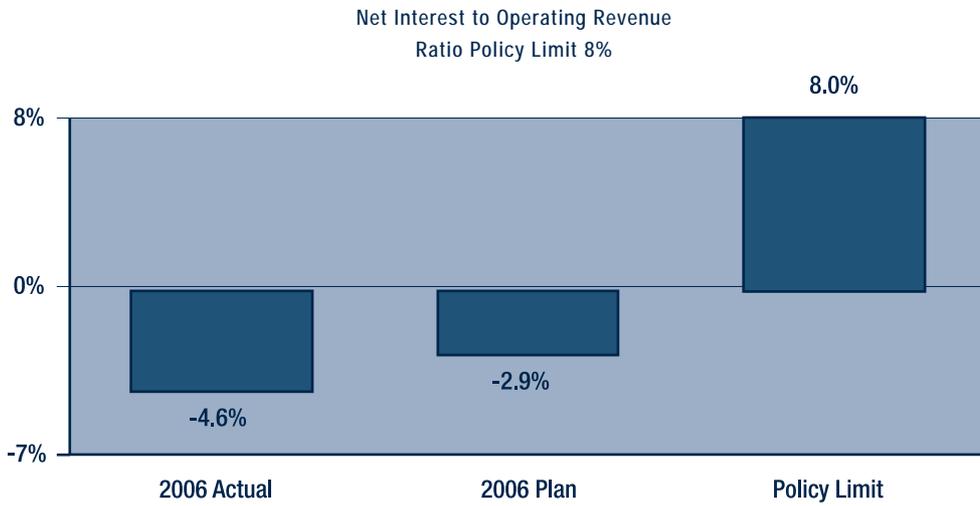
External Debt to Realisable Assets  
Ratio Policy Limit 33%



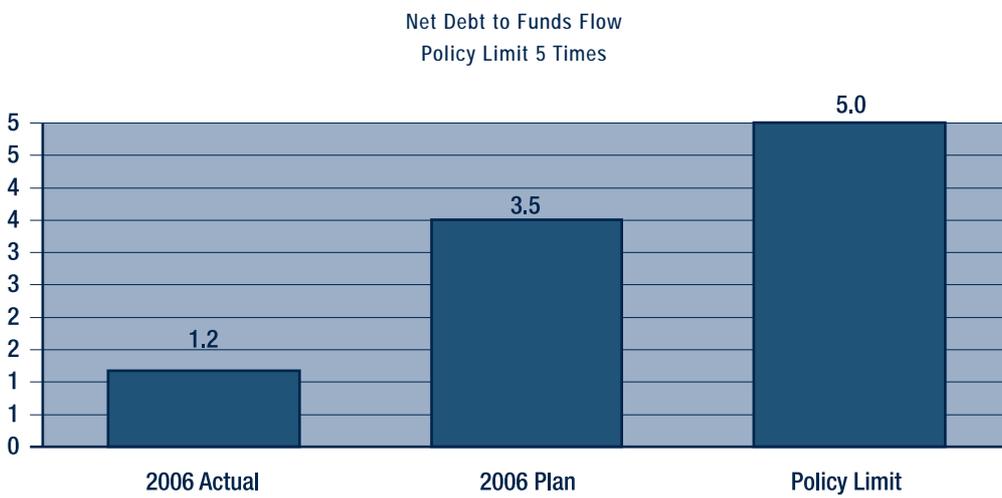
This graph compares the total external debt of the Council and CCHL with a significantly reduced category of assets. The assets excluded from the calculation are those which are basic to the needs of the

city, such as roads, sewers, parks and water supply; the assets included are property, vehicles and trading investments.

# Financial highlights



This graph measures how much of the Council's income is spent on servicing your mortgage. It is like comparing how much of your income goes toward



Net debt is total external debt less all cash reserve funds which the Council holds. The graph compares net debt to the annual cash flow of the Council (including CCHL). It is like checking how many years' total income it would take to repay your mortgage.

## Capital Projects

The Council works continually to improve and upgrade the city's infrastructure. This section highlights the major capital projects the Council was involved in for the year ended 30 June 2006.

### Major projects completed

#### *Parklands Library*

An existing 1970s church was recycled and converted into the new Parklands Library. Opened in August 2005, the new library provides a light, bright, dynamic environment. The library interior has the flexibility to be reconfigured to suit various purposes throughout the day, and includes a computer-equipped study centre used by the community and local schools.

#### *New Brighton Mall slow road*

A new one way road was constructed through the previously pedestrian-only mall. It opened in December 2005 as part of the New Brighton Christmas parade, and has been well received in the community. Many businesses have reported a marked difference in the number of customers in the mall.

#### *Opawa Road widening*

Opawa Road was upgraded from Garlands Road, to Curries Road greatly improving the efficiency and appearance of this major arterial route and section of the State Highway network. Residents on the road are very pleased with the result as it decreases the noise and vibration caused by heavy vehicles using this route. The project was undertaken jointly with Transit New Zealand.

#### *Spencer Park playground*

The Spencer Park playground was upgraded so it is less spread out and easier to supervise children. New flying foxes, mounds, a sand play area, cargo nets, wheelchair swing, space net and art works were installed.

#### *Closure of the Belfast Oxidation Ponds*

A sewer pipe was laid to connect Belfast with the Christchurch wastewater treatment plant at Bromley. Trench-less technology was used to minimise disruption to natural wildlife and road users. The Belfast oxidation ponds will be decommissioned after some minor works at the ponds and possibly a small section of pipe is renewed.

#### *Islington Sewer System*

Due to concerns about possible groundwater aquifer contamination from septic tanks, the Council installed a system to pump sewerage from the Marshes Road/Main South Road Templeton area to the city's wastewater treatment plant at Bromley. Residents can now connect their properties to the new sewer pipe and decommission their septic tanks.

#### *Upper Riccarton library*

Upper Riccarton Community and School Library opened in January 2006. Located on Riccarton High School grounds, it is the first combined secondary school and community library built in New Zealand. The library integrates community use with school activities and provides a tremendous resource for schools in the area.

#### *QEII Park Southside development*

The fitness centre roof and trusses at QEII Park were upgraded and the asbestos ceiling was removed and replaced with a new ceiling. The training pool's heating, ventilation and air conditioning system was upgraded.

### Major projects progressed

#### *Ferrymead Park*

A new park is being developed in the Heathcote Valley adjacent to the Heathcote River and Ferrymead Heritage Park. As well as satisfying the area's floodplain requirements via a series of water treatment ponds and wetlands, the park will restore the area's ecology and incorporate a range of recreational activities.

#### *Ocean outfall pipeline*

Consents were gained for the construction of a three kilometre marine pipeline for the city's treated waste water. The focus for the coming year will be to sign a contract for construction and to commence works so the city's treated wastewater discharge is removed from the Avon-Heathcote Estuary by September 2009.

#### *Landfill gas pipeline from Burwood to QEII Park*

Wells were sunk at the closed Burwood landfill and a four kilometre gas pipeline was laid between Burwood and the QEII Pool complex. Specialist plant is being procured which will enable a significant part of QEII's energy and heating requirements to be supplied using 'waste' landfill gas (methane) from March 2007.

## Financial highlights

### *New Digesters at Bromley wastewater treatment plant*

Two new sludge digesters are being built at the Christchurch wastewater treatment plant to reduce odour release and provide for future growth. The foundations of the 27m diameter tanks have been built and work has started on the floor and steel covers. The digesters are expected to be finished in September 2007.

### **New projects initiated**

#### *Christchurch Botanic Gardens facilities redevelopment*

Details of the proposed redevelopment of Botanic Gardens staff and visitor facilities are in the draft Hagley Park/Botanic Gardens Master Plan and the draft Christchurch Botanic Gardens Management Plan 2006. Once public consultation on these plans is completed, they will be finalised and adopted by Council in about March 2007. Implementation may then proceed.

#### *Snellings drain*

Catchment-wide discharge permits were granted for "naturalization" of the Snellings drain. The Council decided to initiate the designation process for the waterway corridor from Prestons Road to Clare Park. An agreement was made to purchase waterway corridor through Vege Pot and Cameo Grove to Mairehau Road.

#### *Jellie Park upgrade*

Jellie Park refurbishment will include a new 25 metre deepwater pool, toddlers' pool, spa, gym, weights and cardio room and great modern changing facilities. The existing indoor and outdoor pools will also be refurbished. The outdoor pool work has been completed and the rest of the project is at the working drawing stage ready for construction in March 2007.

### *Planning water and sewer upgrades on Banks Peninsula*

To reduce water losses and allow better management of the Akaroa town water supply, work is underway to replace the Balquerie intake pipeline and to install improved water monitoring on the three stream intakes. Preliminary planning is under way for providing wastewater services for Wainui. Investigations into the provision of a new wastewater scheme at Little River are planned for 2006 and 2007. A joint working party is considering the options for discharges from the community sewage schemes at Lyttelton, Diamond Harbour and Governors Bay.

### **Business as usual**

- 350 trees (1% of stock) replaced
- 108 km new footpath surfaces
- 400 new bus shelters
- 4 km electrical undergrounding (120 power poles replaced)
- 20 km kerb and channel
- 100 km road resurfacing
- sewer pump station refit



## Group Results

The Group includes the Council and its trading operations. The financial results, after all inter-company transactions have been eliminated, reflect the financial strength and size of the organisation as a whole.

	\$000's
Turnover	754,666
Operating surplus (before tax)	94,778
Total assets	5,590,427
Total liabilities	733,931
Total equity	4,856,496

This result continues a positive trend in results for the Group, and the increasing value of the assets held by the city.

The Council's financial strength was confirmed during the year by international rating agency Standard & Poor's (S&P). The agency affirmed the Council's and the Council's holding company, Christchurch City Holdings Limited long-term rating of AA+ and short-term rating of A-1+. The announcement followed a visit to the Council by S&P officers in September 2005. S&P said "fiscal flexibility to adjust rates and a transparent and forward-looking corporate governance structure also support the rating". The Council held a long-term rating of AA by S&P from 1994 to 2000. In 2001 this was lifted to AA+, the agency's second-highest ranking. Only three New Zealand local authorities have earned this rating or better. The short-term rating is the highest possible.

# NZ IFRS Impact Statement

## NZ IFRS Impact Statement

### Adopting New Zealand Equivalents to International Financial Reporting Standards

In December 2002 New Zealand's accounting standard-setting bodies announced a significant change to financial reporting standards. Reporting entities have the option to adopt New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) for accounting periods beginning after 1 January 2005; with mandatory adoption required from 1 January 2007. The Council has adopted NZ IFRS for external reporting purposes (Annual Report and Long Term Council Community Plan (LTCCP)) for the accounting period commencing 1 July 2006.

### Managing the Transition

In late 2004 the Council established a steering committee, comprised of staff and external consultants, to oversee the adoption of NZ IFRS. As part of this process the accounting policies of the Council were updated and the 1 July 2005 Balance Sheet restated to ensure they are fully NZ IFRS compliant.

### Key Differences in Accounting Policies

As at the date of this impact statement, the project team has identified the following key differences in the Council's accounting policies that will have a material impact on the presentation of the Council's financial position from 1 July 2006. This information is provided for informational purposes only; all financial information presented in this Annual Report, other than in this statement, complies with NZ GAAP, not NZ IFRS.

#### 1. Deferred Taxation

In accordance with current NZ GAAP, deferred taxation is calculated on an income statement approach. Under NZ IFRS, deferred taxation will be calculated on the balance sheet approach. This method recognises deferred tax balances when there is a difference between the carrying value of an asset or liability and its tax base.

Differences identified include a deferred tax liability on properties rented to subsidiary companies, and a deferred tax asset for unrecognised tax losses. For the 2005/06 year, this impact is estimated as a net deferred tax liability of \$12.4 million. This liability will be incorporated into the balance sheet for comparative purposes for the 2007 Annual Report.

#### 2. Financial Instruments – Reclassification of Cash and Cash Equivalents

Under current NZ GAAP, cash and cash equivalents includes short-term investments with a maturity of less than one year. Under NZ IFRS, cash and cash equivalents include short-term investments with maturity of less than 90 days.

The impact on Council's results is a reclassification of assets from Cash and Cash Equivalents to Current Financial Instruments. For the 2005/06 year, the amount reclassified is estimated as \$56.7 million. This reclassification will be incorporated into the balance sheet for comparative purposes for the 2007 Annual Report.

#### 3. Investment Property

The Council will disclose its investment properties separately from other operational assets. An adjustment has been made to the 2005/06 budget, in the amount of \$9.3 million, for this reclassification. This reclassification will be incorporated into the balance sheet for comparative purposes for the 2007 Annual Report.

#### 4. Intangible Assets

The Council will disclose its intangible assets separately from other operational assets. An adjustment has been made to the 2005/06 budget, in the amount of \$4.1 million, for this reclassification. This reclassification will be incorporated into the balance sheet for comparative purposes for the 2007 Annual Report.

#### Cautionary Note

The information provided in this impact statement is for indicative purposes only. The actual impact of the transition to NZ IFRS on the financial position of Council may vary from the information presented above. Accordingly, the impact of any variation from the information presented above may be material.

21 September 2006

## Audit New Zealand report



To the readers of Christchurch City Council and group's Annual Report for the year ended 30 June 2006

The Auditor-General is the auditor of Christchurch City Council (the City Council) and group. The Auditor-General has appointed me, Scott Tobin, using the staff and resources of Audit New Zealand, to carry out an audit on his behalf. The audit covers the City Council's compliance with the requirements of Schedule 10 of the Local Government Act 2002 that apply to the annual report of the City Council and group for the year ended 30 June 2006, including the financial statements.

### Unqualified opinion

In our opinion:

- The financial statements of the City Council and group on pages 31 to 87 and 100 to 162:
  - comply with generally accepted accounting practice in New Zealand; and
  - fairly reflect:
    - the City Council and group's financial position as at 30 June 2006; and
    - the results of operations and cash flows for the year ended on that date.
- The service provision information of the City Council and group on pages 31 to 87 and 149 to 162 and 177 to 199 fairly reflects the levels of service provision as measured against the intended levels of service provision adopted, as well as the reasons for any significant variances, for the year ended on that date; and
- The Council has complied with the other requirements of Schedule 10 of the Local Government Act 2002 that apply to the annual report (the "other requirements").

The audit was completed on 21 September 2006, 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 Council 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 the other requirements 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 the other requirements. 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 the other requirements. 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 Council;
- 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 the other requirements.

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

### Responsibilities of the Council and the Auditor

The Council is responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. Those financial statements must fairly reflect the financial position of the City Council and group as at 30 June 2006. They must also fairly reflect the results of operations and cash flows and the levels of service provision for the year ended on that date. The Council is also responsible for preparing the information in the other requirements. The Council's responsibilities arise from Section 98 and Schedule 10 of the Local Government Act 2002.

We are responsible for expressing an independent opinion on the financial statements and the other requirements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 99 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.

In addition to the audit and conducting the audit of the Long Term Council Community Plan, we have carried out audit related and assurance assignments for the City Council and group. Within the group, we reviewed a subsidiary's December 2005 interim financial statements and audited its 2005 summary financial statements. We also completed three audit assignments within the group, involving issuing audit certificates pursuant to the Commerce Act (Electricity Information Disclosure Requirements) Notice 2004 and Commerce Act (Electricity Distribution Thresholds) Notice 2004, and an audit certificate pursuant to the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999. These assignments are compatible with those independence requirements.

Other than the audits and these assignments, we have no relationship with or interests in the City Council or any of its subsidiaries.



S M Tobin  
Audit New Zealand  
On behalf of the Auditor-General  
Christchurch, New Zealand

## Christchurch City Council Group

The following pages report the financial results of the Christchurch City Council and its subsidiaries and associates for the year ended 30 June 2006.

### Christchurch City Council Parent Statements include:

Christchurch City Council

Various Bequest and Special Funds

Mayor's Welfare Fund

The Council group in the financial statements comprises the Christchurch City Council parent above plus the subsidiaries and associates listed below.

### Subsidiaries and Associates are:

#### *Christchurch City Holdings Limited (CCHL)*

The company is a wholly owned company formed to hold Christchurch City Council's investments in subsidiaries and associates.

The financial statements consolidated are for the year ended 30 June 2006. Major subsidiaries and associates of this company are:

- **Orion Group Limited**

This company owns Orion New Zealand Limited and subsidiaries and is an energy network management company. Christchurch City Holdings Limited has an 89.3% interest in Orion Group Limited. The financial statements consolidated are for the year ended 31 March 2006.

- **Christchurch International Airport Limited**

This company is 75% owned by Christchurch City Holdings Limited. The financial statements consolidated are for the year ended 30 June 2006.

- **Red Bus Limited**

Red Bus Limited is a public transport company and is wholly owned by Christchurch City Holdings Limited. The financial statements consolidated are for the year ended 30 June 2006.

- **Lyttelton Port Company Limited**

This company is 74.1% owned by Christchurch City Holdings Limited. The financial statements consolidated are for the year ended 30 June 2006.

- **City Care Limited**

This wholly owned Company provides construction and maintenance services for the Council and other organisations, and manufactures and supplies road paving material. The financial statements consolidated are for the year ended 30 June 2006.

- **Selwyn Plantation Board Limited**

This associate company is 39.3% owned by Christchurch City Holdings Limited. The financial statements for the year ended 31 March 2006 are equity accounted.

***Christchurch City Facilities Limited (CCFL)***

This company is wholly owned by Christchurch City Council. It owns the Christchurch Convention Centre and the Westpac Centre and leases the Town Hall from the Christchurch City Council.

The financial statements consolidated are for the year ended 30 June 2006.

This company owns 100% of Jet Engine Facility Limited, a company which has been set up to construct, own and lease an aero engine testing facility. During the year CCFL acquired the remaining 50% Vbase Venue Management Group Limited, specialists in facility management.

***Jade Stadium Limited***

This company is wholly owned by Christchurch City Council. It manages Jade Stadium under contract to the Victory Park Board. It owns assets constructed or purchased since June 1998 and will operate all of Jade Stadium in its own right once the necessary legislation has been passed to transfer ownership from the Victory Park Board to the Council and the company.

The financial statements consolidated are for the year ended 30 June 2006.

***Transwaste Canterbury Limited***

This company has the principal purpose of operating a non-hazardous landfill in Canterbury. The Council has 38.9% of the shareholding.

The financial statements for the year ended 30 June 2006 are equity accounted.

***Tuam Limited***

(previously Travis Finance Limited)

This company is wholly owned by Christchurch City Council. It will purchase a site, construct a proposed new civic building on the site, and lease the land and building back to the Council. The purchase of the existing civic offices and related properties in June 2006 is an integral part of the company's longer term objectives.

This company has been dormant since 2000. The financial statements consolidated are for the year ended 30 June 2006.



## Statement of Financial Performance

For the year ended 30 June 2006

	Notes	Parent			Group	
		2006 Actual \$000's	2006 Plan* \$000's	2005 Actual \$000's	2006 Actual \$000's	2005 Actual \$000's
<b>Operating income</b>						
Groups of activities**	1	103,964	97,893	113,359	122,783	131,114
Rates		180,269	178,615	167,901	177,853	164,847
Dividends	1	47,389	30,340	30,053	586	1,723
Other	1	38,117	28,418	32,766	453,444	422,430
<b>Total operating income</b>		<b>369,739</b>	<b>335,266</b>	<b>344,079</b>	<b>754,666</b>	<b>720,114</b>
<b>Operating expenditure</b>						
Groups of activities**	2	327,608	315,425	293,850	336,158	318,295
Other	2	14,909	5,961	4,186	347,556	289,920
<b>Total operating expenditure</b>	<b>3</b>	<b>342,517</b>	<b>321,386</b>	<b>298,036</b>	<b>683,714</b>	<b>608,215</b>
<b>Operating surplus before asset contributions</b>		<b>27,222</b>	<b>13,880</b>	<b>46,043</b>	<b>70,952</b>	<b>111,899</b>
Vested assets	26	23,826	15,000	19,540	23,826	19,540
<b>Operating surplus</b>		<b>51,048</b>	<b>28,880</b>	<b>65,583</b>	<b>94,778</b>	<b>131,439</b>
Less tax expense/(benefit)	16	-	75	-	33,150	31,058
<b>Surplus after taxation</b>		<b>51,048</b>	<b>28,805</b>	<b>65,583</b>	<b>61,628</b>	<b>100,381</b>
Minority interests in surpluses of subsidiaries		-	-	-	(10,532)	(13,521)
<b>Net surplus for year</b>		<b>51,048</b>	<b>28,805</b>	<b>65,583</b>	<b>51,096</b>	<b>86,860</b>

\* Includes four months of Banks Peninsula District Council 2006 Annual Plan – see Note 27

\*\* refer to summary on page 31

# Financial statements

## Statement of Movements in Equity

For the year ended 30 June 2006

	Notes	Parent			Group	
		2006 Actual \$000's	2006 Plan* \$000's	2005 Actual \$000's	2006 Actual \$000's	2005 Actual \$000's
Equity at 1 July		4,161,753	4,128,620	4,097,794	4,304,057	4,038,070
Net surplus attributable to:						
Parent entity		51,048	28,805	65,583	51,096	86,860
Minority interests		-	-	-	10,532	13,521
Banks Peninsula equity	28	245,558	200,305	-	235,366	-
Adjustment from share acquisitions		-	-	-	(12,226)	-
Increases/(decreases) in revaluation reserves		576,503	(172)	(1,624)	277,272	136,316
<b>Total recognised revenues and expenses</b>		<b>873,109</b>	<b>228,938</b>	<b>63,959</b>	<b>562,040</b>	<b>236,697</b>
Distribution paid and provided to minority interests		-	-	-	(9,601)	(9,604)
Other movements in minority interests		-	-	-	-	38,894
<b>Equity at 30 June</b>	4	<b>5,034,862</b>	<b>4,357,558</b>	<b>4,161,753</b>	<b>4,856,496</b>	<b>4,304,057</b>

\* Includes Banks Peninsula District Council 2006 Annual Plan



## Statement of Financial Position

As at 30 June 2006

	Notes	Parent			Group	
		2006 Actual \$000's	2006 Plan* \$000's	2005 Actual \$000's	2006 Actual \$000's	2005 Actual \$000's
Equity	4	5,034,862	4,357,558	4,161,753	4,856,496	4,304,057
Non-current liabilities	5	110,624	112,401	113,188	476,685	465,886
Current liabilities	6	90,273	78,715	64,232	257,246	166,253
<b>Total equity and liabilities</b>		<b>5,235,759</b>	<b>4,548,674</b>	<b>4,339,173</b>	<b>5,590,427</b>	<b>4,936,196</b>
Represented by:						
Current assets						
Cash at bank, and short term investments	8	248,016	174,337	299,440	283,984	336,202
Receivables and prepayments	8	44,737	26,282	35,010	79,697	59,752
Inventories	8	1,573	1,831	1,755	13,320	11,846
Fixed assets held for resale	8	800	3,079	-	800	17,437
<b>Total current assets</b>		<b>295,126</b>	<b>205,529</b>	<b>336,205</b>	<b>377,801</b>	<b>425,237</b>
Non-current assets						
Investments	9	1,350,782	976,778	959,239	202,775	120,603
Goodwill		-	-	-	7,252	-
Operational assets	10	768,984	594,821	552,669	2,181,732	1,899,296
Infrastructural assets	11	2,358,346	2,399,530	2,116,823	2,358,346	2,116,823
Restricted assets	12	462,521	372,016	374,237	462,521	374,237
<b>Total non-current assets</b>		<b>4,940,633</b>	<b>4,343,145</b>	<b>4,002,968</b>	<b>5,212,626</b>	<b>4,510,959</b>
<b>Total assets</b>		<b>5,235,759</b>	<b>4,548,674</b>	<b>4,339,173</b>	<b>5,590,427</b>	<b>4,936,196</b>

\* Includes Banks Peninsula District Council 2006 Annual Plan

# Financial statements

## Statement of Cash Flows

For the year ended 30 June 2006

	Notes	Parent			Group	
		2006 Actual \$000's	2006 Plan* \$000's	2005 Actual \$000's	2006 Actual \$000's	2005 Actual \$000's
<b>Operating activities</b>						
Cash was provided from:						
Rates, grants, subsidies, and other sources		288,292	318,147	285,028	702,754	666,001
Interest received		26,863	18,933	23,729	24,811	22,649
Dividends		54,276	30,114	24,857	728	1,271
Subvention receipts		2,425	-	1,782	-	-
Net GST		1,002	-	(565)	1,115	(672)
		<b>372,858</b>	<b>367,194</b>	<b>334,831</b>	<b>729,408</b>	<b>689,249</b>
Cash was applied to:						
Payments to suppliers and employees		251,276	280,646	235,248	504,178	461,866
Income tax paid		-	-	-	22,080	20,890
Interest paid		5,866	6,260	6,202	27,336	30,181
		<b>257,142</b>	<b>286,906</b>	<b>241,450</b>	<b>553,594</b>	<b>512,937</b>
<b>Net cash flow from operating activities</b>	15	<b>115,716</b>	<b>80,288</b>	<b>93,381</b>	<b>175,814</b>	<b>176,312</b>
<b>Investing activities</b>						
Cash was provided from:						
Sale of assets		19,192	4,412	1,467	7,081	7,111
Cash received from incorporation of Banks Peninsula		4,632	-	-	4,632	-
Loans repaid		1,600	-	220	21,916	-
Investments realised		12,194	2,809	16,928	1,469	77,268
		<b>37,618</b>	<b>7,221</b>	<b>18,615</b>	<b>35,098</b>	<b>84,379</b>
Cash was applied to:						
Purchase of assets		116,559	165,615	85,108	222,209	194,109
Purchase of investments		85,558	2,270	10,750	102,684	8,845
Loans made/investing payments		13,866	-	15,281	17,641	12,097
Miscellaneous		-	-	(23)	294	(25)
		<b>215,983</b>	<b>167,885</b>	<b>111,116</b>	<b>342,828</b>	<b>215,026</b>
<b>Net cash flow from investing activities</b>		<b>(178,365)</b>	<b>(160,664)</b>	<b>(92,501)</b>	<b>(307,730)</b>	<b>(130,647)</b>
<b>Financing activities</b>						
Cash was provided from:						
Raising of loans		17,450	3,278	11,419	129,480	33,928
Other		-	-	-	237	-
		<b>17,450</b>	<b>3,278</b>	<b>11,419</b>	<b>129,717</b>	<b>33,928</b>
Cash was applied to:						
Repayment of term liabilities		6,225	1,980	546	31,444	58,442
Payment of dividends		-	-	-	9,122	9,604
		<b>6,225</b>	<b>1,980</b>	<b>546</b>	<b>40,566</b>	<b>68,046</b>
<b>Net cash flow from financing activities</b>		<b>11,225</b>	<b>1,298</b>	<b>10,873</b>	<b>89,151</b>	<b>(34,118)</b>

## Statement of Cash Flows (continued)

For the year ended 30 June 2006

	Notes	Parent			Group	
		2006 Actual \$000's	2006 Plan* \$000's	2005 Actual \$000's	2006 Actual \$000's	2005 Actual \$000's
Operating activities						
Increase/(decrease) in cash		(51,424)	(79,078)	11,753	(42,765)	11,547
Inter-entity transactions between balance dates		-	-	-	(9,490)	7,010
Add opening cash		299,440	253,415	287,687	335,971	317,414
Exchange fluctuations					74	-
Ending cash balance		248,016	174,337	299,440	283,790	335,971
Represented by:						
Cash and short term investments		248,016	174,337	299,440	283,984	336,202
Bank overdraft		-	-	-	(194)	(231)
		248,016	174,337	299,440	283,790	335,971

\*Includes four months of Banks Peninsula District Council 2006 Annual Plan

*Financial statements*



## Accounting policies

### *Reporting entity*

The Christchurch City Council is a territorial authority under the Local Government Act 2002. The group consists of the entities listed on the previous pages.

### *Measurement base*

The measurement base adopted is that of historical cost as modified by the revaluation of certain assets.

### Accounting policies

The following accounting policies which materially affect the measurement of financial performance and the financial position have been applied.

#### A. Basis of consolidation

##### *Subsidiary companies and council controlled trading organisations*

Subsidiaries are entities controlled by the Council and are accounted for by line aggregations of assets, liabilities, revenues, expenses and cash flows that are recognised in the financial statements of all entities in the consolidated group. All significant intercompany transactions are eliminated upon consolidation.

##### *Associate organisations*

Associate organisations are accounted for by the Equity method, which records the Council's share of profits and losses for the period in the Statement of Financial Performance, and shows the amount of equity held in Investments in the Statement of Financial Position. An associate organisation is one in which the Council has an equity interest of between 20% and 50% and the capacity to significantly influence the policies of that organisation.

#### B. Property, plant and equipment

##### Council operational assets:

The following operational assets were valued as at 30 June 1991 by Harcourts Valuations Limited.

##### Chattels

Mobile Plant (including vehicles)

Plant

Valuations above were based on depreciated replacement value. This is deemed to be cost.

Land and buildings were valued by Good Earth Matters Consulting Limited at 1 July 2005 to fair value by reference to their highest and best use.

Library books are shown at a valuation by Harcourts Valuations Limited at 30 June 1992. The valuation was based on the lower of the net current replacement cost, and the recoverable amount. This is deemed to be cost.

##### Operational assets are valued as follows:

All Plant and chattels and library books at initial valuation and cost for subsequent purchases.

Land and buildings are revalued every three years by external valuers.

##### Airport fixed assets:

Fixed assets are recorded at original cost less accumulated depreciation except for land and sealed surfaces which are revalued on a systematic basis at least once every three years.

Cost recognises the acquisition price paid on the purchase of the Airport assets from the Christchurch Airport Authority and subsequent capital expenditure. Land and sealed surfaces were revalued at 30 June 2004.

##### Port fixed assets:

All items of property, plant and equipment are initially recorded at cost, and except for land, depreciated.

Land, buildings and harbour structures are stated at valuation as determined every three years by independent registered valuers. Land, buildings and harbour structures were revalued as at 30 June 2005 by Good Earth Matters Consulting Limited.

##### Public transport fixed assets:

All fixed assets are initially recorded at cost and, except for land, depreciated. Land and buildings are revalued every three years, with additions between revaluations recorded at cost. Land and buildings were revalued as at 30 June 2005.

Buses were revalued to net open market value at 30 June 1999. These assets are no longer revalued with the carrying value being based upon this valuation.

##### Orion Group fixed assets:

The group's property, plant and equipment are revalued on a cyclic basis at least once every three years by independent valuers to fair value. The electricity distribution network, land and buildings were revalued at 1 April 2004.

##### Assets purchased since valuation

These are recorded at cost.

### C. Infrastructure assets

Infrastructure assets are revalued on a three-yearly rolling basis. Stormwater infrastructure assets were valued using the optimised depreciated replacement cost method at 1 July 2005 by Maunsell Limited. Sewerage infrastructure assets were valued using the optimised depreciated replacement cost at 30 June 2003 by GHD Limited. Roading and water reticulation infrastructure assets (including Traffic signals and bus shelters) were valued using the optimised depreciated replacement cost method at 30 June 2004 by Maunsell Limited. Land under roads was valued at 30 June 1992 by Quotable Value NZ. This is deemed to be cost. Additions to Infrastructure assets since valuation are recorded at cost. This includes vested assets that are recorded at the cost to the subdivider.

### D. Assets under construction

Assets under construction are not depreciated. The total cost of a project is transferred to the relevant asset class on its completion, and then depreciated.

### E. Restricted assets

These assets are:

Land and buildings with restrictions on sale e.g. parks and reserves

Library books – New Zealand Collection

Properties held in trust for other organisations

These assets have been valued on the same basis as Operational assets with vested Reserve land additions recorded at the cost to the subdivider.

### Heritage assets

These assets were valued at optimised depreciated reproduction cost at 30 June 2003 by Plant and Machinery Valuers Limited, or at cost to the Council if they were acquired after that date. The 30 June 2003 valuation is deemed to be cost.

### Works of art

Works of art have been valued at market value at 30 June 2003 by Neil Roberts, Senior Curator of the Christchurch Art Gallery Te Puna O Waiwetu, with a peer review performed by Marshall Seiffert, an experienced valuer of New Zealand art works.

Additions are recorded at cost for purchases and at valuation for vested assets.

### F. Depreciation

Depreciation provided in respect of Operational, Infrastructure and Restricted assets is intended to write off the cost of assets over their estimated useful lives. The straight line method is used.

The main bases are the following periods:

Buildings	10 – 100 yrs
Office and computer equipment	4 – 5 yrs
Mobile plant including vehicles	2 – 30 yrs
Buses	17 yrs
Sealed surfaces (other than roads)	9 – 100 yrs
Container cranes	5 – 20 yrs
Harbour structures	3 – 50 yrs
Electricity distribution system	60 yrs
Gas mains and services	80 yrs
Meters and local control equipment	30 yrs
Leasehold land improvements	5 – 100 yrs
Library books	3 – 8 yrs
Vessels	5 – 25 yrs



Infrastructure Assets

Formation and pavement sub-base	Not depreciated
Basecourse	40 – 120 yrs
Footpaths and cycleways	20 – 80 yrs
Surface	2 – 25 yrs
Streetlights and signs	6 – 50 yrs
Kerb, channel, sumps and berms	80 yrs
Landscape/medians	15 – 80 yrs
Drain pipes/culverts/retaining walls	25 – 100 yrs
Bridges	70 – 120 yrs
Bus shelters and furniture	30 yrs
Water supply	55 – 130 yrs
Water meters	20 – 25 yrs
Stormwater	20 – 150 yrs
Waterways	15 – 120 yrs
Sewer	50 – 150 yrs
Treatment plant	15 – 100 yrs
Pump stations	10 – 100 yrs

Restricted Assets

Planted areas	5 – 110 yrs
Reserves – sealed areas	10 – 40 yrs
Reserves – structures	25 – 150 yrs
Historic buildings	100 yrs
Art works	1000 yrs
Heritage assets	1000 yrs

G. Landfill after care costs

As operator of the Burwood landfill, the Council has a legal obligation to provide ongoing maintenance and monitoring services at the landfill site after closure.

Amounts provided for landfill post-closure costs are capitalised to the landfill asset where they give rise to future economic benefits. Components of the capitalised landfill asset are depreciated over their useful lives.

The provision is calculated based on:

- The estimated amount required by the Council to meet its obligations for all equipment, facilities and services. The estimated amounts are based on costs of closure of similar landfills by other local authorities with an allowance for inflation.
- The estimated costs have been discounted to their present value using a discount rate of 6%.
- The estimated length of time needed for post-closure care is 35 years.
- The Council also has a legal obligation to provide ongoing maintenance and monitoring services for the closed landfill sites of the former amalgamating authorities.
- The estimated future costs of meeting this obligation have been accrued and charged. The calculations assume no change in the legislative requirements for closure and post-closure treatment.

H. Revenue recognition

Rates revenue is recognised when levied. Water billing revenue is recognised on an accrual basis. Unbilled sales, as a result of unread meters at year end, are accrued on an average basis.

Land Transport NZ roading subsidies are recognised as revenue upon entitlement, that is, when the conditions related to eligible expenditure have been fulfilled. Other grants and bequests and assets vested in the Council, are recognised as revenue when control over the assets is obtained. Dividends are only recognised as income, net of imputation credits, when the dividends have been declared.

Development contributions are recognised in the income statement in the year in which they are received.

I. Goods and Services Tax

The financial statements have been prepared exclusive of GST with the exception of receivables and payables that have been shown inclusive of GST. Where GST is not recoverable as an input tax it is recognised as part of the related asset or expense.

## J. Research and development costs

Research and development costs are expensed in the period incurred. Development costs are deferred where it is probable that future benefits will exceed those costs. Deferred development costs are amortised over future periods in relation to expected future revenue.

## K. Goodwill

Goodwill represents the excess of the purchase consideration over the fair value of net tangible and identifiable intangible assets acquired.

Goodwill is amortised by the straight line method over the period during which benefits are expected to be received. This is a maximum of 20 years.

## L. Income tax

The income tax expense charged to the Statement of Financial Performance includes both the current year's expense and the income tax effects of timing differences applied on a comprehensive basis and calculated using the liability method.

A debit balance in the deferred tax account, arising from timing differences or income tax benefits from income tax losses, is only recognised when there is virtual certainty of realisation.

## M. Inventories and accounts receivable

Inventories are valued at the lower of cost and net realisable value. Cost is determined by FIFO or weighted average methods. Some inventories are subject to restriction of title.

Accounts receivable are valued at their expected realisable value. All known bad debts are written off during the financial year.

## N. Leases

### *Finance Leases*

As lessee - These leases effectively transfer all the risks and benefits of ownership to the lessee. Finance Leases are included in liabilities at their current value.

Assets purchased under such leases are included in fixed assets and depreciated at usual rates.

As lessor in subsidiary Jet Engine Facility Limited - From 13 May 2005, the date of practical completion of the test cell, all of the company's

assets were leased to the Christchurch Engine Centre, an independent third party. The terms of the lease are such that it meets the definition of a finance lease under Statement of Standard Accounting Practice 18 "Accounting for leases and hire purchase contracts". An asset equal to the present value of the future minimum lease payments is recognised in respect of the company's test cell assets. The interest income component of the finance lease is recognised in the Statement of Financial Performance using the effective interest rate method.

### *Operating Leases*

Under these leases, the lessor effectively retains all the risks and benefits of ownership. These lease payments are charged as expenses in the periods in which they are incurred.

## O. Employment entitlements

Provision is made in respect of the Council's liability for retiring gratuity allowances, and annual and long service leave.

The liabilities for leave have been calculated on an actual entitlement basis at current rates of pay. The retiring gratuity liability has been assessed on an actuarial basis using current rates of pay taking into account years of service, years to entitlement and the likelihood staff will reach the point of entitlement. These estimated amounts were discounted to their present value using an interpolated 10 year government bond rate.

## P. Investments

Shares in Christchurch City Holdings Limited, Christchurch City Facilities Limited and Jade Stadium Limited are revalued with sufficient regularity to ensure that no investments are included at a valuation that is materially different from fair value. These investments were valued by KPMG at 30 June 2006.

Shares in other subsidiaries, associates, and shares in New Zealand Local Government Insurance Corporation Limited are valued at share of equity off the latest Statement of Financial Position. All other investments are stated at lower of cost and net realisable value.

## Q. Financial instruments

Christchurch City Council and its subsidiaries are party to financial instrument arrangements as part of their everyday operations. These financial instruments include banking funds, bank deposits, short term investments, accounts receivable, sinking fund investments, accounts payable and term debt.

Revenues and expenses in relation to all financial instruments are recognised in the Statement of Financial Performance. All financial instruments are recognised in the Statement of Financial Position, with the exception of guarantees and contingent assets and liabilities, which are disclosed by way of note to the Financial Statements. Any income or expenditure arising from the exercising of a guarantee, or upon a contingency becoming an actual asset or liability, will be recognised in the Statement of Financial Performance at the time of confirmation.

The following methods and assumptions were used to value each class of financial instrument:

- Accounts receivable and long term receivables are recorded at estimated realisable value.
- Short term investments are valued at fair value.
- Investments in government and local authority stock are valued at cost with premiums paid or discounts taken on acquisition amortised over the life of the investment. Income is recognised on a yield to maturity basis.
- Loans to various sporting and cultural organisations are recorded at fair value.
- All of the financial instruments, including cash and bank balances, accounts payable and term debt are valued at fair value.

The group uses derivative financial instruments within predetermined policies and limits in order to reduce its exposure to fluctuations in interest rates and exchange rates.

While these financial instruments are subject to the risk that market rates may change subsequent to the acquisition of the financial instrument, such changes would generally be offset by opposite effects on the item being hedged. Any differential to be paid or received on forward rate or swap agreements is accrued as interest rates change, and is recognised as a component of interest expense over the life of the agreement.

The group does not engage in speculative transactions or hold derivative financial instruments for trading purposes.

## R. Foreign exchange transactions

Transactions in foreign currencies are converted at the New Zealand rate of exchange ruling at the date of the transaction. Short term transactions covered by forward exchange contracts are measured and reported at the forward rates specified in those contracts.

At balance date, foreign monetary assets and liabilities are translated at the closing rate, and exchange variations arising from these translations are recognised in the statement of financial performance.

The exchange difference on hedging transactions undertaken to establish the price of particular sales or purchases, together with any costs associated with hedging transactions, are deferred and included in the measurement of the purchase or sale transaction.

## S. Cost allocations

The costs of all internal service activities are allocated or charged directly to external service type activities.

External service activities refer to activities which provide a service direct to the public.

Internal service activities provide support for the external service activities. Where the user of a service can be identified, for example with City Solutions, the cost recovery is made by way of direct charge.

Where this has not been possible, the costs are allocated by way of corporate overhead.

The basis of the corporate overhead allocation is reviewed each year and every attempt is made to relate the allocation made with the service utilised.

Internal service costs which are allocated out as corporate overhead include Corporate Services and Financial Services.

## T. Donated goods and services

The Council receives the benefits of many services provided by volunteers. These services are greatly valued. They are, however, difficult to measure in monetary terms. From an accounting point of view these services are not considered material in relation to the Council's total expenditure.

### U. Third party transfer payment agencies

The Council collects monies for many organisations including Environment Canterbury, Building Industry Authority and others. Where collections are processed through the Council's books, any monies held are shown as Accounts Payable in the Statement of Financial Position.

### V. Plan values disclosed

The plan values shown in the financial statements represent the 2006 Annual Plan, including the former Banks Peninsula District Council 2006 Annual Plan from 5 March 2006.

### W. 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 Council and group adopted IFRS from 1 July 2006.

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 Council, 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 quantitative impacts of these changes have not been fully determined, but the impact identified to date is as set out in the Impact Statement.

### X. Changes in accounting policies

Shares in Christchurch City Facilities Limited and Jade Stadium Limited:

There has been a change in the accounting policies in the current accounting period in relation to the valuation of Council's investments in Christchurch City Facilities Limited and Jade Stadium Limited. To reflect the fair value of these subsidiaries in the financial statements, and to align the carrying values of these subsidiaries with Christchurch City Holdings Limited, Council has opted to revalue these subsidiaries as at 30 June 2006. Previously, these subsidiaries were not revalued. The change means that these subsidiaries will be revalued with sufficient regularity to ensure the investments are included at a valuation that is not materially different from fair value.

The change in policy has the effect of increasing the value of Investments and Equity by \$21.0M as at 30 June 2006.



## Notes to financial statements

## Note 1

Income	Parent			Group	
	2006 Actual \$000's	2006 Plan* \$000's	2005 Actual \$000's	2006 Actual \$000's	2005 Actual \$000's
Groups of activities income**	103,964	97,893	113,359	122,783	131,114
Dividend income					
Christchurch City Holdings Limited - ordinary	29,375	30,000	30,000	-	-
- special	17,900	-	-	-	-
Transwaste Canterbury Limited	55	114	-	55	-
Other stocks	59	226	53	59	53
Subsidiary companies' investments	-	-	-	472	1,670
<b>Total dividend income</b>	<b>47,389</b>	<b>30,340</b>	<b>30,053</b>	<b>586</b>	<b>1,723</b>
Other income					
Interest income					
Subsidiaries	3,957	4,042	3,971	358	-
Loan repayment investments	471	300	387	471	387
Short term investments	12,806	6,203	12,241	12,849	12,740
Special and other fund investments	10,870	8,537	8,676	10,870	8,676
Other	-	-	-	2,055	3,830
<b>Total interest income</b>	<b>28,104</b>	<b>19,082</b>	<b>25,275</b>	<b>26,603</b>	<b>25,633</b>
Sundry income					
Petroleum tax	2,237	2,119	2,197	2,237	2,197
Internal service provider revenues	3,049	6,667	2,979	3,049	2,979
Sundry	769	-	103	15,456	30,907
Grants	-	-	240	-	240
Grants/contributions to major projects	642	550	190	642	190
Equity accounted earnings of associates	891	-	-	6,916	1,170
Subvention receipts	2,425	-	1,782	-	-
Trading subsidiaries operating income	-	-	-	398,541	359,114
<b>Total sundry income</b>	<b>10,013</b>	<b>9,336</b>	<b>7,491</b>	<b>426,841</b>	<b>396,797</b>
<b>Total other income</b>	<b>38,117</b>	<b>28,418</b>	<b>32,766</b>	<b>453,444</b>	<b>422,430</b>

\* Includes four months of Banks Peninsula District Council 2006 Annual Plan – see Note 27

\*\* refer to summary on page 31

## Notes to financial statements

## Note 2

Expenditure	Parent			Group	
	2006 Actual \$000's	2006 Plan* \$000's	2005 Actual \$000's	2006 Actual \$000's	2005 Actual \$000's
Groups of activities expenditure**	327,608	315,425	293,850	336,158	318,295
Other expenditure					
Levies	-	-	368	-	368
Equity accounted deficit in associates	-	-	85	-	2,614
Internal service provider expenses	7,577	-	1,964	7,577	1,964
Sundry	7,332	5,961	1,769	12,989	1,770
Trading subsidiaries operating expenditure		-	-	326,990	283,204
<b>Total other expenditure</b>	<b>14,909</b>	<b>5,961</b>	<b>4,186</b>	<b>347,556</b>	<b>289,920</b>

\* Includes four months of Banks Peninsula District Council 2006 Annual Plan – see Note 27

\*\* refer to summary on page 31



## Note 3

Operating expenses	Parent			Group	
	2006 Actual \$000's	2006 Plan* \$000's	2005 Actual \$000's	2006 Actual \$000's	2005 Actual \$000's
Audit fees					
Fees paid to principal auditor	205	216	187	647	481
Fees paid to other auditors	-	-	-	29	40
LTCCP Audit provided by principal auditor	115	110	-	115	-
Other services provided by principal auditor	-	-	-	-	13
Other services provided by other auditors	-	-	-	-	7
Amortisation of goodwill	-	-	-	1,971	3,009
Bad debts	173	17	332	769	511
Depreciation					
Land improvements & buildings including restricted	17,914	-	10,260	34,488	25,632
Plant, equipment & vehicles	7,562	-	7,309	22,239	20,784
Library books	4,604	-	3,555	4,604	3,555
Artworks & heritage assets	70	-	69	70	69
Roading infrastructure	23,982	-	21,767	23,982	21,767
Sewerage infrastructure	9,136	-	8,835	9,136	8,835
Stormwater infrastructure	3,203	-	2,459	3,203	2,459
Water reticulation infrastructure	5,795	-	5,519	5,795	5,519
Vessels	-	-	-	360	360
Buses	-	-	-	2,036	1,558
Sealed surfaces	-	-	-	2,385	2,635
Electricity distribution system	-	-	-	22,054	21,499
Harbour structures	-	-	-	2,840	1,142
Other assets	-	-	-	10	32
<b>Total depreciation</b>	<b>72,266</b>	<b>65,514</b>	<b>59,773</b>	<b>133,202</b>	<b>115,846</b>
Interest	6,125	6,262	6,160	28,387	29,774
Leasing and rental costs	3,321	4,567	3,875	7,018	6,701
Increase/(decrease) in provision for doubtful debts	820	-	(33)	846	(33)
Councillors' remuneration	1,129	1,224	1,176	1,129	1,176
Directors' fees	-	-	-	1,315	1,195
Loss/(gain) on sale of assets	6,679	-	(296)	6,705	(2,203)
Research and development	-	-	-	-	1,552
Foreign exchange losses/(gains)	-	-	-	405	2,888
Donations	-	-	-	117	154
Assets written off	2,225	3,197	2,422	2,225	4,405
Investment revaluation - other	-	-	-	2,983	-
Other operating expenses	249,459	240,279	224,440	495,851	442,699
<b>Total operating expenses</b>	<b>342,517</b>	<b>321,386</b>	<b>298,036</b>	<b>683,714</b>	<b>608,215</b>

\* Includes four months of Banks Peninsula District Council 2006 Annual Plan – see Note 27

## Notes to financial statements

## Note 4

Equity	Notes	Parent		Group	
		2006 Actual \$000's	2005 Actual \$000's	2006 Actual \$000's	2005 Actual \$000's
(a) Reserve funds					
Opening balance		272,953	310,132	272,953	310,132
BPDC funds acquired	28	3,378	-	3,378	-
Transferred (to)/from retained earnings		42,377	(37,179)	42,377	(37,179)
Closing balance		318,708	272,953	318,708	272,953
(b) Capital reserve					
Opening balance		1,733,853	1,733,853	1,733,853	1,733,853
Transferred (to)/from retained earnings		-	-	-	-
Closing balance		1,733,853	1,733,853	1,733,853	1,733,853
(c) Asset revaluation reserves					
Opening balance		1,457,570	1,460,017	1,069,140	933,647
Transfer of minority interest on merger		-	-	3,790	-
Impact of share acquisitions		-	-	7,654	-
Revaluation of shares of subsidiaries and associates		297,783	(1,559)	1,389	4,886
Revaluation of other investments		464	-	464	-
Revaluation of fixed and infrastructural assets		278,256	(65)	275,418	131,430
Revaluation of assets - Banks Peninsula	28	143,067	-	139,277	-
Realised assets revaluation reserve		(1,013)	(823)	(1,067)	(823)
Closing balance		2,176,127	1,457,570	1,496,065	1,069,140
(d) Retained earnings					
Opening balance		697,377	593,792	1,049,895	925,033
Transfer of minority interest on merger		-	-	6,402	-
Add surplus for year		51,048	65,583	51,096	86,860
Add transfers (to)/from reserves		(42,377)	37,179	(42,377)	37,179
BPDC ratepayers equity		99,113	-	92,711	-
Impact of share acquisitions	28	-	-	(7,431)	-
Realised assets revaluation reserve		1,013	823	1,067	823
Closing balance		806,174	697,377	1,151,363	1,049,895
Minority interest		-	-	156,507	178,216
<b>Total equity</b>		<b>5,034,862</b>	<b>4,161,753</b>	<b>4,856,496</b>	<b>4,304,057</b>

## Note 4 (continued)

Equity	Parent		Group	
	2006 Actual \$000's	2005 Actual \$000's	2006 Actual \$000's	2005 Actual \$000's
Revaluation reserves				
Land & buildings	430,357	138,615	561,780	263,229
Library books	1,962	1,621	1,962	1,621
Artworks	24,172	23,936	24,172	23,936
Roading infrastructure	280,480	181,345	280,480	181,345
Sewerage infrastructure	216,802	210,073	216,802	210,073
Stormwater infrastructure	86,699	71,196	86,699	71,196
Water reticulation infrastructure	74,032	67,403	74,032	67,403
Investments	1,061,623	763,381	6,949	19,052
Harbour Structures	-	-	36,609	29,173
Electricity distribution network	-	-	174,085	169,618
Sealed surfaces	-	-	32,495	32,494
	<b>2,176,127</b>	<b>1,457,570</b>	<b>1,496,065</b>	<b>1,069,140</b>
Minority interest				
Christchurch International Airport Limited			55,270	54,761
Lyttelton Port Company Limited			34,959	46,539
Orion Group Limited			66,278	76,916
			<b>156,507</b>	<b>178,216</b>

## Notes to financial statements

## Note 5

Non-current liabilities	Notes	Parent		Group	
		2006 Actual \$000's	2005 Actual \$000's	2006 Actual \$000's	2005 Actual \$000's
Term debt	7	87,005	90,819	368,135	367,654
Provision for landfill aftercare	19	16,862	15,343	16,862	15,343
Provision for employee entitlements		6,757	7,026	6,757	7,026
Deferred tax		-	-	72,995	64,039
Other		-	-	11,936	11,824
<b>Total non-current liabilities</b>		<b>110,624</b>	<b>113,188</b>	<b>476,685</b>	<b>465,886</b>



## Note 6

Current liabilities	Notes	Parent		Group	
		2006 Actual \$000's	2005 Actual \$000's	2006 Actual \$000's	2005 Actual \$000's
Trade creditors		43,244	41,517	86,373	87,922
Owing to subsidiaries		7,189	7,240	-	-
Bank overdrafts		-	-	194	231
Employee entitlements		12,288	10,858	27,482	22,329
Current portion of term debt - subsidiaries	7	1,700	1,600	-	-
Current portion of term debt - other	7	23,589	83	125,013	30,634
Current portion of landfill aftercare	19	2,263	2,934	2,263	2,934
Other		-	-	15,921	22,203
<b>Total current liabilities</b>		<b>90,273</b>	<b>64,232</b>	<b>257,246</b>	<b>166,253</b>

Included within the Group amount for "Other" are the following provisions:

	Group	
	2006 Actual \$000's	2005 Actual \$000's
<b>Warranties, remedial work &amp; site restoration</b>		
Opening balance	758	403
Additional provision made	-	365
Amount utilised	(38)	(10)
<b>Closing balance</b>	<b>720</b>	<b>758</b>
<b>Restructuring</b>		
Opening balance	2	57
Additional provision made	-	300
Amount utilised	(2)	(355)
<b>Closing balance</b>	<b>-</b>	<b>2</b>
<b>Closing balance of all the provisions above</b>	<b>720</b>	<b>760</b>

## Notes to financial statements

## Note 7

Public debt	Parent		Group	
	2006 Actual \$000's	2005 Actual \$000's	2006 Actual \$000's	2005 Actual \$000's
<b>(a) Current</b>				
Unsecured loans	-	-	-	-
Owing to subsidiaries	1,700	1,600	-	-
Other secured loans	23,589	83	125,013	30,634
<b>Total current debt</b>	<b>25,289</b>	<b>1,683</b>	<b>125,013</b>	<b>30,634</b>
<b>(b) Non-current</b>				
Unsecured loans	-	-	366,903	346,858
Owing to subsidiaries	85,773	70,023	-	-
Other secured loans	1,232	20,796	1,232	20,796
<b>Total non-current debt</b>	<b>87,005</b>	<b>90,819</b>	<b>368,135</b>	<b>367,654</b>
<b>(c) Security</b>				
Council term loans are secured either by general rates of the city, or by council income.				
<b>(d) Repayment terms</b>				
The following is a summary of Term Debt according to the year of repayment:				
Payable no later than 1 year	25,289	1,683	125,013	30,634
1 - 2 years	2,458	21,738	74,258	158,541
2 - 3 years	1,919	2,457	156,888	135,012
3 - 4 years	2,641	1,918	25,858	50,018
4 - 5 years	2,210	2,641	3,427	24,046
Later than 5 years	77,777	62,065	107,704	37
<b>Total term debt</b>	<b>112,294</b>	<b>92,502</b>	<b>493,148</b>	<b>398,288</b>
<b>(e) Interest rates</b>				
The weighted average effective interest rates on borrowings (current and non-current) were:				
Loans and debentures	6.73%	7.12%	6.91%	7.29%
The Council has loan repayment investments (sinking funds) and a loan repayment reserve which are to be used for repayment of Term Debt.				
	24,161	18,097		
The Council also has a Debt Repayment Reserve which is being used for capital expenditure funding in lieu of further borrowing.				
	95,570	90,224		

**Note 7 (continued)****Christchurch City Holdings Limited**

Christchurch City Holdings Limited (CCHL) borrowings at 30 June 2006, comprised bonds and FRNs in five tranches ranging from \$7.0M to \$50.0M and commercial paper with a face value of \$31.5M. To manage liquidity risk these borrowings mature at regular intervals spread between 2006 and 2016. Coupon rates range between 6.21% and 7.75%. Interest rate risk is managed through derivatives where appropriate. The effective interest rate on CCHL's borrowings for the year was 6.90% (2005 7.18%).

All borrowing is made under a \$350.0M debt issuance program. The purpose of this debt programme is to partially fund CCHL's assets and to enable CCHL to borrow on behalf of Christchurch City Council. The Council uses this programme to partially fund its capital programme and advances to Council controlled organizations.

## Notes to financial statements

## Note 8

Current assets	Parent		Group	
	2006 Actual \$000's	2005 Actual \$000's	2006 Actual \$000's	2005 Actual \$000's
Cash at bank, and short term investments	248,016	299,440	283,984	336,202
Receivables and prepayments				
Rates debtors	6,090	4,687	6,090	4,687
Other trade debtors	6,331	7,205	38,188	40,013
Less provision for doubtful debts	(1,481)	(660)	(1,501)	(680)
Current portion of term investments	16,614	1,600	16,541	-
Amount owing by subsidiaries	2,701	1,389	-	-
Other receivables/prepayments	12,507	10,992	12,619	11,083
GST receivable	1,862	2,797	3,644	2,797
Taxation receivable	-	-	4,003	1,852
Dividends receivable	113	7,000	113	-
<b>Total receivables and prepayments</b>	<b>44,737</b>	<b>35,010</b>	<b>79,697</b>	<b>59,752</b>
Inventories				
General stores	974	1,243	12,720	11,334
Livestock and feed	242	168	243	168
Souvenirs and food	357	344	357	344
<b>Total inventories</b>	<b>1,573</b>	<b>1,755</b>	<b>13,320</b>	<b>11,846</b>
Assets held for resale	800	-	800	17,437
<b>Total current assets</b>	<b>295,126</b>	<b>336,205</b>	<b>377,801</b>	<b>425,237</b>



## Note 9

Non-current assets	Parent		Group	
	2006 Actual \$000's	2005 Actual \$000's	2006 Actual \$000's	2005 Actual \$000's
<b>Investments</b>				
Government and local body stock	49,993	18,943	49,993	18,943
Stocks & bonds	32,446	11,979	32,446	11,979
Other term cash investments	25,110	1,391	25,110	1,391
Sinking funds other than local body stock	7,708	6,619	7,708	6,619
General investments				
Mortgages and loans	4,445	3,922	4,445	3,922
Investment in companies and other entities				
NZ Local Government Insurance Company Limited	1,166	677	1,166	677
Theatre Royal Foundation	2,300	2,300	2,300	2,300
Subsidiary companies				
Christchurch City Facilities Limited	49,900	45,826	-	-
Jade Stadium Limited	20,100	3,193	-	-
Tuam Limited	510	10	-	-
Christchurch City Holdings Limited (CCHL)	1,094,000	814,000	-	-
Associate company investments	6,081	5,406	45,286	41,112
Loans to subsidiary companies				
Jade Stadium Limited	30,723	32,423	-	-
Jet Engine Facility Limited	12,550	12,550	-	-
Tuam Limited	13,750	-	-	-
Finance lease receivable	-	-	23,816	21,927
Subsidiary company investments	-	-	10,505	11,733
<b>Total Investments</b>	<b>1,350,782</b>	<b>959,239</b>	<b>202,775</b>	<b>120,603</b>

Average earnings rates	2006 Actual \$000's	2005 Actual \$000's
Cash investments	7.2%	6.7%
Community loans	2.5%	2.5%
Loans to subsidiary companies	8.6%	8.6%
<b>Publicly traded investments</b>		
Market Value of CCHL's investment in Lyttelton Port Company Limited at 30 June	152,983	119,937

## Notes to financial statements

## Note 9 (continued)

Non-current assets	Parent		Group	
	2006 Actual \$000's	2005 Actual \$000's	2006 Actual \$000's	2005 Actual \$000's
Carrying value of associates				
Opening balance - carrying value	5,406	5,491	39,702	37,174
Opening balance - goodwill	-	-	1,409	3,059
Equity accounted surplus / (deficit)	891	(85)	6,916	(1,444)
Purchase of shares in associates	-	-	-	606
Parent company share of revaluations	-	-	633	4,886
Carrying value adjustment	(161)	-	(259)	-
Goodwill amortised during the year	-	-	(1,409)	(2,540)
Dividends from associates	(55)	-	(704)	(629)
Investments realized	-	-	(1,002)	-
<b>Carrying value at end of year</b>	<b>6,081</b>	<b>5,406</b>	<b>45,286</b>	<b>41,112</b>
Closing balances are made up as follows:				
Carrying value	6,081	5,406	45,286	39,703
Goodwill	-	-	-	1,409
	<b>6,081</b>	<b>5,406</b>	<b>45,286</b>	<b>41,112</b>
Equity accounted earnings				
Surplus / (deficit) before tax	891	(85)	6,963	(1,258)
Income tax	-	-	(47)	(186)
<b>Total recognised revenues and expenses</b>	<b>891</b>	<b>(85)</b>	<b>6,916</b>	<b>(1,444)</b>
Goodwill relating to associates				
Closing balances are made up as follows:				
Gross amount	-	-	16,748	16,748
Accumulated amortisation	-	-	(16,748)	(15,339)
	-	-	-	1,409

## Note 10

Operational assets - parent	2006			2005		
	Cost or valuation	Acc depn	Book Value	Cost or valuation	Acc depn	Book Value
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Land & land improvements	289,850	993	288,857	174,920	-	174,920
Land & land improvements not revalued - Burwood Landfill	8,217	8,217	-	8,217	8,217	-
Buildings	438,237	12,740	425,497	347,381	25,426	321,955
Plant and chattels	82,971	54,919	28,052	75,923	50,240	25,683
Library books	72,782	56,740	16,042	67,490	52,087	15,403
Mobile plant	8,694	3,653	5,041	8,781	3,258	5,523
<b>Assets in progress - at cost</b>						
Land improvements in progress	1,639	-	1,639	1,037	-	1,037
Buildings in progress	2,050	-	2,050	4,023	-	4,023
Plant in progress	1,806	-	1,806	4,125	-	4,125
	5,495	-	5,495	9,185	-	9,185
<b>Total parent operational assets</b>	<b>906,246</b>	<b>137,262</b>	<b>768,984</b>	<b>691,897</b>	<b>139,228</b>	<b>552,669</b>

Net book value of Land and Buildings as at 30 June 2006 is considered to be fair value.

## Notes to financial statements

## Note 10 (continued)

Operational assets - group	2006			2005		
	Cost or valuation	Acc depn	Book Value	Cost or valuation	Acc depn	Book Value
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Land & land improvements	544,107	9,210	534,897	405,726	8,217	397,509
Site improvements	3,136	795	2,341	3,136	697	2,439
Buildings	754,129	120,240	633,889	644,448	116,352	528,096
Plant and chattels	294,508	145,132	149,376	253,598	131,319	122,279
Sealed surfaces	73,237	6,597	66,640	59,631	2,635	56,996
Electricity distribution system	686,067	43,553	642,514	663,328	21,499	641,829
Buses	33,930	7,812	26,118	30,264	6,331	23,933
Harbour structures	80,395	2,834	77,561	78,147	-	78,147
Vessels	10,106	2,421	7,685	10,133	2,088	8,045
Other assets - at cost	103,545	68,475	35,070	93,733	62,895	30,838
Assets in progress - at cost						
Land improvements in progress	1,782	-	1,782	1,037	-	1,037
Buildings in progress	2,050	-	2,050	4,023	-	4,023
Plant in progress	1,809	-	1,809	4,125	-	4,125
	5,641	-	5,641	9,185	-	9,185
<b>Total group operational assets</b>	<b>2,588,801</b>	<b>407,069</b>	<b>2,181,732</b>	<b>2,251,329</b>	<b>352,033</b>	<b>1,899,296</b>

Net book value of Land and Buildings as at 30 June 2006 is considered to be fair value.



## Note 11

Infrastructural assets Parent and group	2006			2005		
	Cost or valuation	Acc depn	Book Value	Cost or valuation	Acc depn	Book Value
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Bus shelters	1,741	137	1,604	840	63	777
Roading	1,247,480	39,425	1,208,055	1,066,896	18,574	1,048,322
Sewers	552,623	25,190	527,433	519,303	16,025	503,278
Stormwater	254,455	3,316	251,139	240,501	7,333	233,168
Water reticulation	203,904	7,587	196,317	186,020	3,484	182,536
Water meters	27,279	1,902	25,377	25,882	939	24,943
Streetlights	30,123	2,684	27,439	26,560	1,281	25,279
Traffic lights	21,593	3,925	17,668	21,044	1,829	19,215
Water & stormwater pumping stations	42,973	2,380	40,593	35,824	1,209	34,615
Sewer pumping stations	21,225	1,564	19,661	16,219	918	15,301
Assets in progress - at cost						
Roading in progress	15,807	-	15,807	10,734	-	10,734
Sewers in progress	15,441	-	15,441	4,351	-	4,351
Stormwater in progress	2,032	-	2,032	2,736	-	2,736
Water reticulation in progress	243	-	243	282	-	282
Streetlights in progress	438	-	438	252	-	252
Water pumping stations in progress	892	-	892	1,555	-	1,555
Sewer pumping stations in progress	8,207	-	8,207	9,479	-	9,479
Total Assets in progress - at cost	43,060	-	43,060	29,389	-	29,389
<b>Total infrastructural assets</b>	<b>2,446,456</b>	<b>88,110</b>	<b>2,358,346</b>	<b>2,168,478</b>	<b>51,655</b>	<b>2,116,823</b>

## Notes to financial statements

## Note 12

Restricted assets Parent and group	2006			2005		
	Cost or valuation	Acc depn	Book Value	Cost or valuation	Acc depn	Book Value
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Art works	48,862	144	48,718	48,665	95	48,570
Library books NZ Room	5,220	-	5,220	5,088	-	5,088
Reserve land & improvements	373,641	3,947	369,694	289,135	1,367	287,768
Reserve land & improvements in progress	1,124	-	1,124	3,867	-	3,867
Buildings-historic	22,275	277	21,998	14,240	573	13,667
Heritage assets	15,838	71	15,767	15,322	48	15,274
Heritage assets in progress	-	-	-	3	-	3
<b>Total restricted assets</b>	<b>466,960</b>	<b>4,439</b>	<b>462,521</b>	<b>376,320</b>	<b>2,083</b>	<b>374,237</b>

Net book value of Land and Buildings as at 30 June 2006 is considered to be fair value.



## Note 13

Contingencies	Parent		Group	
	2006 Actual \$000's	2005 Actual \$000's	2006 Actual \$000's	2005 Actual \$000's
(a) Contingent liabilities				
Uncalled capital in Christchurch City Holdings Limited	488,999	488,999	-	-
Uncalled capital in Tuam Limited	15,000	-	-	-
Uncalled capital in Transwaste Canterbury Limited	1,514	1,514	1,514	1,514
Professional Indemnity Insurance Claims lodged with FAI (NZ) General Insurance Company Limited	452	400	452	400
Linwood outfall drain	-	300	-	300
Other professional indemnity insurance claims lodged either unresolved or not accepted	794	540	794	540
Red Bus Limited - performance bonds	-	-	1,079	945
City Care Limited - performance bonds	-	-	3,799	277
Orion Group Limited - performance bonds	-	-	239	200
Loan guarantees	160	-	160	-
Guarantees to sporting and community organisations	100	100	100	100
	507,019	491,853	8,137	4,276

- June 2006, Tuam Limited issued \$15 million new redeemable preference shares to the Christchurch City Council. No call has been made on these shares.
- From 1989 until 30 June 1997, the Council's professional indemnity and public liability insurance cover was placed with FAI (NZ) General Insurance Company. In February 1999, HIH (NZ) Limited took control of FAI (NZ) Limited including the Council's outstanding claims. HIH (NZ) Limited went into liquidation on 19 July 2001 following the collapse of its Australian parent company. There is uncertainty as to whether the Council will receive either full or partial recovery of the losses for which it has lodged claims. The maximum loss is estimated to be \$452,000.
- Telecom NZ Limited has challenged the rating valuation of its telecommunications network. The Council believes that the valuations have been performed professionally in accordance with the relevant legislation. It is not possible to estimate the amount of any settlement that may occur.

(b) Contingent assets				
Vested assets- Nurses Chapel (at valuation)	400	400	400	400

## Notes to financial statements

## Note 14

Capital commitments	Parent		Group	
	2006 Actual \$000's	2005 Actual \$000's	2006 Actual \$000's	2005 Actual \$000's
Council Works	42,564	31,279	42,564	31,279
Christchurch International Airport Limited	-	-	23,627	7,073
City Care Limited	-	-	225	277
Christchurch City Facilities Limited	-	-	106	-
Lyttelton Port Company Limited	-	-	8,450	-
Orion NZ Limited	-	-	2,800	11,657
	42,564	31,279	77,772	50,286
At balance date, lease commitments were as follows:				
Under 1 year	2,488	859	4,040	2,874
1-2 years	1,450	158	2,611	1,831
2-5 years	2,616	274	3,898	1,124
Over 5 years	16	26	6,198	2,670
	6,570	1,317	16,747	8,499

Christchurch City Facilities Limited has leased land from Addington Raceway Limited, for the Westpac Centre. The lease has a 50 year term from December 1996 with a right of renewal. The minimum annual lease payment is \$40,000.



## Note 15

Reconciliation of net operating cash flow and operating surplus	Parent		Group	
	2006 Actual \$000's	2005 Actual \$000's	2006 Actual \$000's	2005 Actual \$000's
Net surplus after taxation	51,048	65,583	51,096	86,860
Minority interests in surpluses of subsidiaries	-	-	10,532	13,521
Non cash items:				
Depreciation	72,266	59,773	133,201	115,846
Increase/(decrease) in deferred tax	-	-	11,133	6,397
Goodwill written off	-	-	1,971	3,009
Other amortisation	-	-	157	(223)
Vested assets	(23,826)	(19,540)	(23,826)	(19,540)
Assets written off	2,225	2,422	3,460	4,405
Subsidised assets	-	-	(4,263)	(2,745)
Equity accounted earnings	(891)	85	(6,916)	1,444
Foreign exchange difference	-	-	109	(550)
Investment revaluations	-	-	2,983	(5,295)
Other non-cash items	1,846	36	2,664	3,367
Increase (decrease) in landfill aftercare provision	848	(1,375)	1,449	(1,375)
Movements in working capital items:				
(Increase)/decrease in:				
Accounts receivable & accruals	6,012	(8,949)	(1,253)	(9,109)
Taxation receivable	-	-	(2,146)	(362)
Inventory	182	76	(1,473)	(286)
Increase/(decrease) in:				
Accounts payable and accruals	1,124	5,994	2,067	11,284
Non-current employee entitlements	(269)	(515)	(269)	(515)
Less items classified as investing:				
Net (gain)/loss on sale of fixed assets	4,454	(296)	(552)	(2,203)
Profit / (loss) on sale of shares	-	-	(3,382)	(15,330)
Deferred revenue	-	-	-	(487)
Sale of business unit	-	-	(2,592)	(791)
Other	-	-	(227)	-
Movement in fixed asset related accounts payable	697	(9,913)	1,891	(11,010)
<b>Net cash inflow from operating activities</b>	<b>115,716</b>	<b>93,381</b>	<b>175,814</b>	<b>176,312</b>

GST and Short term money market investments are presented as net figures.

Cash balances at year end include Special Funds which are restricted in their use. At 30 June 2006 these were \$318.7M (2005 \$273.0M).

## Notes to financial statements

## Note 16

Taxation	Parent		Group	
	2006 Actual \$000's	2005 Actual \$000's	2006 Actual \$000's	2005 Actual \$000's
Net surplus/(deficit) before tax	51,048	65,583	94,778	131,439
Prima facie tax expense at 33%	16,846	21,642	31,277	43,375
Permanent differences	3,083	(16,297)	(1,260)	(17,820)
Timing differences not recognised	-	-	588	653
Loss not previously recognised	-	-	-	-
Imputation credit adjustment	(23,340)	(12,243)	-	-
Tax losses not recognised	3,411	1,968	5,332	3,696
Tax credit re group losses	-	4,930	(4,280)	-
Write-off of tax asset	-	-	-	501
Deferred tax adjustment	-	-	2,055	-
Under/(over) provision	-	-	(562)	653
<b>Income tax expense/(benefit)</b>	<b>-</b>	<b>-</b>	<b>33,150</b>	<b>31,058</b>
Comprising:				
Current taxation	-	-	23,913	24,481
Deferred taxation	-	-	9,237	6,577
	-	-	<b>33,150</b>	<b>31,058</b>
Deferred Taxation				
Opening balance	-	-	63,758	52,558
Adjustment via revaluation reserve	-	-	-	4,904
Prior year adjustment	-	-	411	(577)
Current year	-	-	8,826	7,154
<b>Net deferred tax liability/(asset)*</b>	<b>-</b>	<b>-</b>	<b>72,995</b>	<b>64,039</b>
* the net deferred tax liability is made up as follows:				
Deferred tax liability	-	-	73,919	65,317
Less deferred tax asset	-	-	(924)	(1,278)
<b>Net deferred tax liability/(asset)</b>	<b>-</b>	<b>-</b>	<b>72,995</b>	<b>64,039</b>

Taxable losses for the Council of \$3.4M (2005 \$2.0M) with a tax effect of \$1.1M (2005 \$0.6M) and for the Group of \$15.7M (2005 \$8.0M) with a tax effect of \$5.2M (2005 \$2.7M), have not been recognised. These losses are available to be carried forward to offset against future assessable income. Unrecognised future income tax liabilities for the Group, arising from timing differences, amount to \$Nil (2005 Nil).

Last year's losses were subsequently utilised through subvention payments of \$2.4M within the wider Council group. Similarly, the current year losses will be used to reduce group tax payments in the 2006/07 year.

Tax losses of \$3.4M (2005 \$2.0M) with a tax effect of \$1.1M (2005 \$0.7M) in respect of Jet Engine Facility Limited have been recognised to offset a deferred tax liability. Subsequent realisation of these losses is subject to the requirements of income tax legislation being met.

## Note 17

Imputation credit account	Group	
	2006 Actual \$000's	2005 Actual \$000's
Christchurch City Holdings Limited	29,259	22,532
CCHL Subsidiaries	30,269	29,127
Other CCC Subsidiaries	11	6
	59,539	51,665

# Notes to financial statements

## Note 18

### Remuneration

#### Chief Executive's remuneration

The Chief Executive of the Council was appointed in accordance with section 42 of the Local Government Act 2002. The total cost to the Council of the remuneration package received by the Chief Executive for the year ended 30 June 2006 was \$350,965 per annum plus provision for up to 10% performance bonus. The performance pay component for 2006 is yet to be determined. (2005 \$361,681 including performance bonus).

#### Cost of severance payments

In accordance with the Schedule 10, section 19 of the Local Government Act 2002 the Council is required to disclose the number of employees who received severance payments during the year and the amount of each severance payment made as defined under that legislation.

For the year ending 30 June 2006 the Council made five payments (\$24,000, \$5,000, \$3,000, \$3,000, \$3,000) that require disclosure under the Local Government Act 2002. (2005 \$20,000, \$10,000, \$5,500.)

#### Council remuneration

The following individuals held office as either elected members of the Council's governing body, as trustees or directors of Group entities, or both, during the reporting period.

The aggregate remuneration, including non-monetary remuneration, to the thirteen Councillors and the Mayor during the year totalled \$1,128,968 (2005 \$1,178,139) and is disaggregated and classified as follows:

	2006		
	Council Remuneration \$	Director's Fees* \$	Total \$
Council remuneration			
Helen Broughton	78,797	-	78,797
Sally Buck	79,597	-	79,597
Graham Condon	79,313	28,500	107,813
Barry Corbett	77,982	28,500	106,482
David Cox	81,802	22,917	104,719
Anna Crighton	78,230	-	78,230
Carole Evans	89,715	-	89,715
Pat Harrow	79,259	-	79,259
Bob Parker	22,494	-	22,494
Garry Moore	146,052	28,500	174,552
Bob Shearing	77,946	-	77,946
Gail Sheriff	77,932	31,000	108,932
Sue Wells	81,867	28,500	110,367
Norm Withers	77,982	-	77,982
	1,128,968	167,917	1,296,885

\*The director's fees listed here are fees paid by council-controlled companies. Councillors also represent the community on approximately 30 other local organizations which are not council-controlled. Some of these entities pay representative fees to Councillors, and these amounts are not included above.

## Note 18 (continued)

Council remuneration	2005		
	Council Remuneration \$	Director's Fees* \$	Total \$
Oscar Alpers	15,286	3,500	18,786
Carole Anderton	20,178	-	20,178
Paddy Austin	11,205	10,789	21,994
Helen Broughton	64,273	-	64,273
Sally Buck	70,948	-	70,948
Graham Condon	71,241	23,331	94,572
Barry Corbett	67,668	24,924	92,592
David Cox	67,256	12,500	79,756
Anna Crighton	70,321	-	70,321
Carole Evans	66,678	-	66,678
Megan Evans	14,995	-	14,995
Ishwar Ganda	16,745	4,920	21,665
Pat Harrow	65,683	6,087	71,770
Alister James	20,288	3,500	23,788
Lesley Keast	20,768	-	20,768
Garry Moore	141,910	22,196	164,106
Denis O'Rourke	23,456	5,375	28,831
Linda Rutland	13,035	-	13,035
Bob Shearing	56,472	-	56,472
Gail Sheriff	65,052	17,125	82,177
Barbara Stewart	15,375	3,500	18,875
Ingrid Stonhill	18,292	-	18,292
Sue Wells	74,298	46,109	120,407
Chrissie Williams	17,640	-	17,640
Norm Withers	68,158	-	68,158
Ron Wright	20,918	5,208	26,126
	1,178,139	189,064	1,367,203

\*The director's fees listed here are fees paid by council-controlled companies. Councillors also represent the community on approximately 30 other local organizations which are not council-controlled. Some of these entities pay representative fees to Councillors, and these amounts are not included above.

# Notes to financial statements

## Note 19

### Landfill aftercare liability

The Burwood Landfill operated from June 1984 until it closed on 30 June 2005. The Council has responsibility under the resource consent to provide ongoing maintenance and monitoring of the landfill after the site is closed. There are closure and post-closure responsibilities such as the following:

#### Closure responsibilities:

- final cover application and vegetation
- incremental drainage control features
- completing facilities for leachate collection and monitoring
- completing facilities for water quality monitoring
- completing facilities for monitoring and recovery of gas

#### Post-closure responsibilities:

- treatment and monitoring of leachate
- ground monitoring and surface monitoring
- implementation of remedial measures needed for cover and control systems
- ongoing site maintenance for drainage systems, final cover, and vegetation.

#### Closed landfills

The liability has been estimated, based on a monitoring period of 35 years. The estimated cost for all closed landfills, including the Burwood landfill is \$19.1M. The Council participates in the regional waste disposal joint venture run by Transwaste Canterbury Limited through its Kate Valley landfill site. This site has been granted resource consent for 35 years from opening date which was 8 June 2005. The Council's ownership share of Transwaste Canterbury Limited is 38.9%

Landfill aftercare costs provision	Parent		Group	
	2006 Actual \$000's	2005 Actual \$000's	2006 Actual \$000's	2005 Actual \$000's
Opening balance	18,277	20,885	18,277	20,885
Additional (reduction of) provision made	3,174	(1,436)	3,174	(1,436)
Amount utilised	(2,326)	(1,172)	(2,326)	(1,172)
<b>Closing balance</b>	<b>19,125</b>	<b>18,277</b>	<b>19,125</b>	<b>18,277</b>
Non-current portion	16,862	15,343	16,862	15,343
Current portion	2,263	2,934	2,263	2,934
<b>Total</b>	<b>19,125</b>	<b>18,277</b>	<b>19,125</b>	<b>18,277</b>

**Note 20**

## Financial instruments

**a) Credit risk**

Financial instruments which potentially subject Christchurch City Council and its subsidiaries to credit risk consist principally of cash and short term investments, accounts and long term receivables, and loans.

**b) Credit risk exposure**

Maximum exposures to credit risk at balance date are:

	Parent		Group	
	2006 Actual \$000's	2005 Actual \$000's	2006 Actual \$000's	2005 Actual \$000's
Cash, bank and short term deposits	248,016	299,440	283,984	336,202
Accounts receivable	44,737	35,010	79,697	59,752
Loans to cultural and sporting organisations	4,445	3,922	4,445	3,922
Government and local body stock	49,993	18,943	49,993	18,943
Stocks & bonds	32,446	11,979	32,446	11,979
Other term cash investments	25,110	1,391	25,110	1,391
Sinking funds other than local body stock	7,708	6,619	7,708	6,619
Loans to subsidiary companies	57,023	44,973	-	-
Accounts payable	43,244	41,517	86,373	87,922
Term debt	112,294	92,502	493,148	398,288
Finance lease receivable	-	-	23,816	21,927

No collateral security is held for the above.

The fair value of financial instruments is as shown in the Statement of Financial Position.

**c) Off balance sheet risk**

Interest rate swaps and bond forward rate transactions are employed by Council and Council subsidiaries to manage interest rate exposure. Fluctuations in interest rates give rise to market risk.

Contracts have been entered into with various counterparties, having such credit ratings and in accordance with such dollar limits as set forth by authorised policies. No collateral or other security is required to support financial instruments with credit risk. While the Group may be subject to credit losses up to the contract amounts in the event of non performance by its counterparts, it does not expect such losses to occur.

The notional principal or contract amounts outstanding at 30 June are as follows:

	Parent		Group	
	2006 Actual \$000's	2005 Actual \$000's	2006 Actual \$000's	2005 Actual \$000's
Foreign currency forward exchange contracts	-	-	3,827	-
Interest rate swaps and forward rate agreements (FRA's)	30,000	-	306,400	218,000
Interest rate caps	-	-	-	-
Interest rate options	-	-	10,000	-
Bond forward rate agreement	-	-	-	-

## Notes to financial statements

## Note 20 (continued)

## d) Concentration of credit risk

Financial instruments which potentially subject the Group to concentrations of credit risk consist principally of cash and short term investments, trade and notes receivable and various off balance sheet instruments.

The Group places its cash and short-term investments with high credit quality financial institutions and sovereign bodies and limits the amount of credit exposure to any one financial institution in accordance with its treasury policies.

Concentrations of credit risk with respect to accounts receivable are limited due to the large number of customers included in the subsidiaries' customer bases.

## e) Fair values

	Parent		Group	
	2006 Actual \$000's	2005 Actual \$000's	2006 Actual \$000's	2005 Actual \$000's
Foreign currency forward exchange contracts	-	-	527	-
Interest rate swaps and FRA's	(64)	-	(3,760)	(3,662)
Interest rate options	-	-	-	-
Bond forward rate agreement	-	-	-	-
(Figures in brackets are receivables)				

## Note 21

Rates remission disclosures	Parent	
	2006 Actual \$000's	2005 Actual \$000's
Sports bodies	568	717
Churches	54	88
Other social and cultural organisations	1,039	1,196
Other	73	466
<b>Total</b>	<b>1,734</b>	<b>2,467</b>

Rates remissions are expensed when granted.

**Note 22**

## Annual residents survey

Some key performance indicators are based on the Annual Survey of Residents. This was originally designed in consultation with Statistics New Zealand and was performed by National Research Bureau Limited under contract to the Christchurch City Council from 1998 to 2004 and by Opinions Market Research Limited in 2005 and 2006. Where actual results from the survey are included in the Statement of Service Performance, these are based on telephone interviews conducted with 760 Christchurch residents in March and April 2006 and have a margin of error of +/-3% at the 90% confidence level.

**Note 23**

## Related party transactions

All members of the Group are considered to be related parties of the Christchurch City Council. This includes subsidiaries, associates and joint ventures.

	2006 Actual \$000's	2005 Actual \$000's
<b>Transactions:</b>		
Interest received on loans to related parties	3,955	3,972
Interest paid on loans to related parties	4,629	4,612
Dividends paid to the Council	47,275	30,000
Issue of shares to the Council	3,700	8,450
Services provided to the Council	67,568	49,103
Services provided by the Council	1,130	1,129
Subvention payments to the Council	2,425	1,782
Rates paid to the Council	2,416	3,054
Purchase of fixed assets	558	-
Sale of fixed assets and shares	27,365	-
<b>Balances:</b>		
Accounts payable to the Council	2,700	1,389
Accounts payable by the Council	7,189	7,251
Loans to related parties	57,023	46,573
Loans from related parties	87,472	71,623
<b>Transactions between subsidiaries:</b>		
Dividends received/receivable by Christchurch City Holdings Limited	36,819	47,042
Interest received/receivable by Christchurch City Holdings Limited	326	325
Subvention payments	1,671	3,972

# Notes to financial statements

## Key management and members of the Council

The following transactions were entered into between the Council and entities in which the Councillors have an interest:

	2006 Actual \$000's
Funding to Canterbury Development Corporation	4,197
Sales to Canterbury Development Corporation - Pat Harrow and Garry Moore are directors	96
Funding to CEDF Trustee Limited - Pat Harrow and Garry Moore are directors	1,707
Grant to Theatre Royal Charitable Foundation	10
Loan repayment by Theatre Royal Charitable Foundation - Barry Corbett and Anna Crighton are directors	4
Funding to Christchurch and Canterbury Marketing Limited	1,377
Sales to Christchurch and Canterbury Marketing Limited - Anna Crighton and Norm Withers are directors	5

Councillors and key management were also involved in minor transactions with the Council such as the payment of rates and purchase of rubbish bags. Except for these transactions, the transactions listed above, and items of a trivial nature, no other Councillors or senior management have entered into related party transactions with the Group.

The following transactions were entered into between Christchurch City Holdings Limited and its directors:

- \$246,055 to Deloitte (Christchurch) for tax and consultancy services – Bruce Irvine is the managing partner of Deloitte Christchurch;
- \$36,294 to David Stock - Barrister, prior to his retirement as a director of CCHL, for legal and consultancy services.
- \$3,750 to Lane Neave for legal services – Bill Dwyer is a partner of Lane Neave.

The following transactions were entered into between Christchurch City Facilities Limited and its directors:

- \$30,718 to Simon Mortlock Partners for legal services – Simon Mortlock is a partner.
- \$39,442 to Deloitte (Christchurch) for tax and consultancy services - Bruce Irvine is the managing partner of Deloitte Christchurch.
- \$3,362 to Snowy Peak for sales and marketing services – Bruce Irvine is a director.
- \$23,463 to Marac Finance Limited – Bruce Irvine is a director.
- \$130,000 for consultancy services and \$220,242 for operating expenses to Addington Raceway– James Keegan is a director.

The following transaction was entered into between Jade Stadium Limited and one of its directors:

- \$62,730 to Deloitte (Christchurch) for tax and consultancy services - Bruce Irvine is the managing partner of Deloitte Christchurch.

## Note 24

Major budget variations - parent	
Statement of financial performance	2006
Explanations for major variations from the Council's Plan figures are as follows:	\$000's
Higher than budgeted rates income, including penalties	1,654
Higher than budgeted dividends, principally from Christchurch City Holdings Limited	17,049
Higher than budgeted interest on short-term investments	6,603
Higher than budgeted interest on special funds	2,333
Unbudgeted income from subvention receipts from subsidiary companies	2,425
Unbudgeted earnings from Transwaste Canterbury Limited	891
Sports promotion grant for Bishopdale YMCA redevelopment carried forward from prior year	(1,000)
Revenue from cash-in-lieu of reserves was greater than budget	6,655
Lower than budgeted capital revenue from streets and transport activities, due to realignment of capital projects	(1,056)
Higher than budgeted depreciation expense, primarily due to asset revaluations	(6,752)
Higher than budgeted vested asset receipts	8,826
Unbudgeted loss on sale of assets	(4,454)
Sandilands rehabilitation costs	(500)
Waste minimization levies unable to be charged due to High Court decision	(1,076)
Higher than budgeted refuse collection costs	(1,100)
Lower than budgeted internal service provider revenue	(3,618)
Higher than budgeted maintenance work on streets and footpaths	(2,698)
Other variances	(1,939)
<b>Total net surplus variance to plan</b>	<b>22,243</b>

## Statement of movements in equity

Apart from the increased unbudgeted income referred to above, there is a net increase due to the unbudgeted revaluations of fixed and infrastructural assets (\$279M) and shares of Christchurch City Holdings Limited, Christchurch City Facilities Limited, and Jade Stadium Limited (\$298M).

## Statement of financial position

The net surplus after taxation resulted in an increase in Equity of \$51M.

Net assets increased by \$687M, primarily due to:

- The increase in equity of \$51M;
- incorporation of Banks Peninsula net assets worth \$45M, and
- the revaluations of assets and shares of subsidiaries.

# Notes to financial statements

## Note 25

Financial involvement in subsidiaries and other companies or organizations

The cost to each entity for the financial interests, finance, or financial assistance of the Council is as follows:

	Dividends 2006 \$000's	Interest 2006 \$000's	Total 2006 \$000's	Total 2005 \$000's
<b>Subsidiaries:</b>				
Jet Engine Facility Limited	-	1,581	1,581	1,225
Christchurch City Holdings Limited	47,275	-	47,275	30,000
Jade Stadium Limited	-	2,373	2,373	2,746
	47,275	3,954	51,229	33,971

The financial assistance provided by Christchurch City Council to each of these organisations is through share capital and loans. It does not include any guarantee of their other borrowings.

## Note 26

Vested assets	Parent		Group	
	2006 Actual \$000's	2005 Actual \$000's	2006 Actual \$000's	2005 Actual \$000's
Restricted land and buildings	10,833	2,398	10,833	2,398
Infrastructure assets	12,993	17,142	12,993	17,142
Artworks & heritage assets	-	-	-	-
	23,826	19,540	23,826	19,540

## Note 27

Consolidated 2006 Annual Plan	CCC Plan \$000's	BPDC Plan \$000's	Total Plan \$000's
Operating income			
Groups of activities	95,451	2,442	97,893
Rates	175,409	3,206	178,615
Dividends	30,114	226	30,340
Other	28,120	298	28,418
<b>Total operating income</b>	<b>329,094</b>	<b>6,172</b>	<b>335,266</b>
Operating expenditure			
Groups of activities	310,198	5,227	315,425
Other	5,961	-	5,961
<b>Total operating expenditure</b>	<b>316,159</b>	<b>5,227</b>	<b>321,386</b>
Operating surplus before asset contributions	12,935	945	13,880
Vested assets	15,000	-	15,000
<b>Operating surplus</b>	<b>27,935</b>	<b>945</b>	<b>28,880</b>
Less tax expense (benefit)	-	75	75
<b>Surplus after taxation</b>	<b>27,935</b>	<b>870</b>	<b>28,805</b>

**Note 28****Banks Peninsula financial position as at 5 March 2006**

Under a Local Government Commission Reorganization Scheme, the Banks Peninsula District was abolished and included in the area of Christchurch city. The Banks Peninsula District Council ceased operations on 5 March 2006.

The amounts below reflect the financial position of Banks Peninsula District as incorporated in Christchurch City Council Parent accounts. The values consolidated into the Group accounts differ slightly as Banks Peninsula District held shares of Orion Group Limited, which forms part of the Group for reporting purposes.

	2006 Actual \$000's
<b>Assets</b>	
<b>Current assets</b>	
Cash and short-term investments	4,632
Receivables and inventory	2,404
<b>Total current assets</b>	<b>7,036</b>
<b>Non-current assets</b>	
Investments	22,637
Fixed assets	225,926
<b>Total non-current assets</b>	<b>248,563</b>
<b>Total assets</b>	<b>255,599</b>
<b>Liabilities</b>	
Current	1,591
Non-current	8,450
<b>Total Liabilities</b>	<b>10,041</b>
<b>Equity</b>	
Ratepayers equity	99,113
Asset revaluation reserve	143,067
Special funds	3,378
<b>Total equity</b>	<b>245,558</b>
<b>Total liabilities and equity</b>	<b>255,599</b>

**Note 29****Subsequent events**

There are no known subsequent balance date events in relation to the Council or its subsidiaries that materially affect the financial statements.