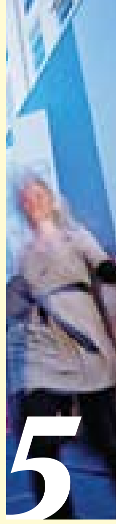
5
Financial statements



Financial highlights

What is the Council's reported surplus?

The Council's operating surplus for the year, after vested asset contributions, was $40.2 million, $2.2 million above plan.

Why has the Council made a surplus?

The majority of the surplus has not arisen from operating activities. Under accounting standards we are required to show all revenue, including capital revenues as income received for the year. This year we have received $29.9 million of development contributions and vested assets, (footpaths, water and drainage infrastructure and reserves land) from developers which will be held in the balance sheet either as an asset or a reserve to be offset against the cost of future development. We have also received interest on funds which are held for special purposes. After adjusting for these the Council has made a cash operating surplus for the year of $2.9 million.

What will the Council do with the surplus?

The $2.9 million is moved into a reserve and will be used immediately to fund capital expenditure in lieu of borrowing. By doing this ratepayers are getting the benefit of the surplus.

What caused the difference?

The operating cash surplus of $2.9 million is the result of gains received from the sale of land. We received more than budgeted because of the increase in property prices over the past 18 months.

Sources of operating income

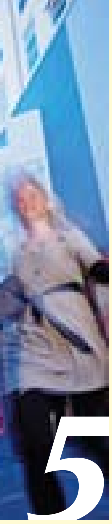
Total income for the year ended 30 June 2008 is $433.3 million. It was received from the following sources:

	Actual $m	Plan $m
Rates Revenue	$223.4	$221.1
Sale of Goods / Services	$32.3	$32.6
Rental Revenue	$23.3	$21.2
Interest Revenue	$25.8	$27.4
Dividends	$34.2	$35.8
Development Contributions	$14.8	$9.4
Land Transport New Zealand Subsidies	$20.3	$29.2
Other Revenue	$44.5	$31.5
Vested Assets	$15.1	$22.8

Understanding the Council's operating expenditure

The Council's total operating expenditure for the year ended 30 June 2008 was $392.5 million. Key components include:

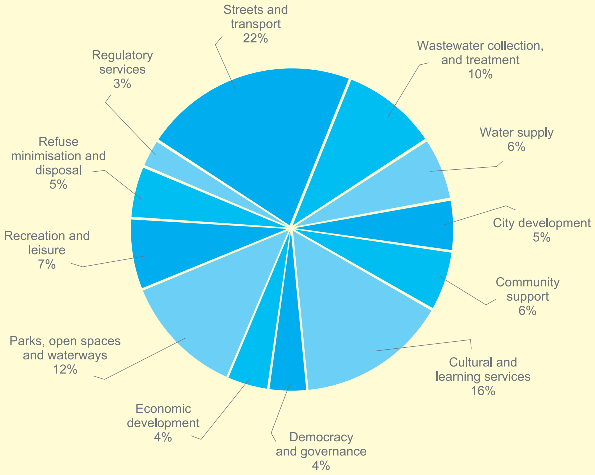
	Actual $m	Plan $m
Depreciation and Amortisation	$92.8	$93.7
Finance Costs	$6.0	$9.9
Employee Costs	$114.0	$108.8
Grants / Donations	$23.0	$23.8
Other Operating Expenses	$156.7	$156.7



Financial highlights

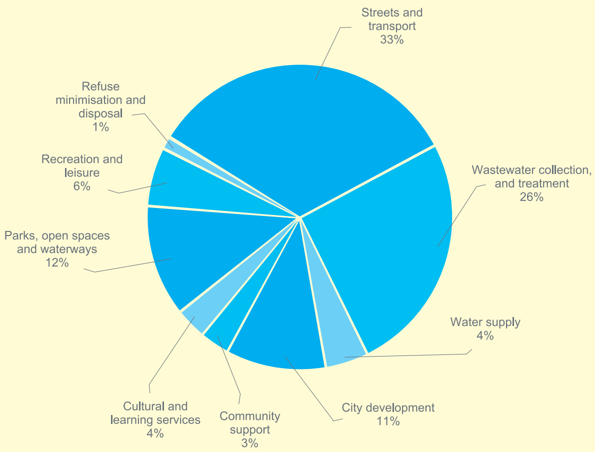
How your rates dollars were spent

The $223.4 million of rates collected was allocated across groups of activities as shown below.



Investing in the assets of the city

The council has continued to invest in the city. $209.3 million was spent on capital expenditure projects during the year.



Major capital projects

The Council spent $18.8 million acquiring the site for the new transport interchange and $20.6 million on land at Henderson's basin and at Awatea to provide for the stormwater needs in both areas.

Projects completed for the year include the Whakahoa Village housing development in Gowerton Place ($2.5 million), housing improvements and redecoration ($2.1 million), carriageway and footpath resurfacing ($ 9.6 million), and kerb and channel replacement ($14.3 million). A further $4.7 million was spent on new library books.

Projects progressed include the ocean outfall pipeline at South New Brighton ($31.1 million), redevelopment of the Jellie Park swimming complex ($10.1 million), the City Mall upgrade ($5.3 million), and ongoing work with the fifth and sixth digesters at the Wastewater Treatment Plant ($4.6 million).

Looking forward

Major capital works planned for the year to June 2009 include:

- completing the Ocean Outfall project,
- commissioning of the fifth and sixth digestors,
- continuing the City Mall upgrade,
- finalising the design for the new transport Interchange
- construction of the Graham Condon Sport and Recreation Centre at Papanui,
- ongoing housing maintenance,
- retendering and commencing the biosolids drying project,
- ongoing development of the network of integrated water catchment plans, beginning with the upper Heathcote and mid-Heathcote area,
- ongoing work with kerb and channel replacement.

Operational work planned includes:

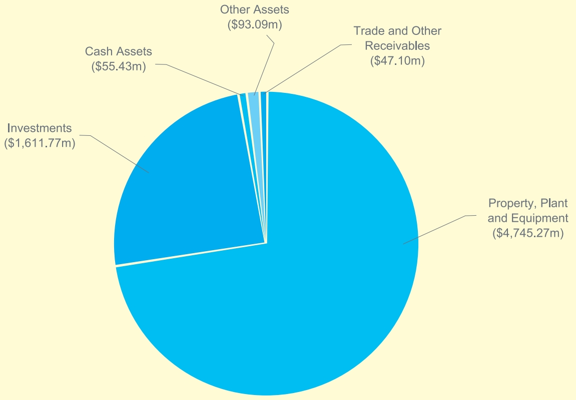
- ongoing work on the Urban Development Strategy,
- implementing the Safe City policy,
- further work on the Libraries 2025 plan,
- rolling out the wheelie bin refuse minimisation service.

Financial highlights

Financial position

The Council's balance sheet reflects our strong position with total assets of $6.6 billion and net assets of $6.3 billion. Equity increased by $838.0 million during the year the main drivers being a $584 million revaluation of property, plant and equipment and a $217 million revaluation in the Council's investments.

Our asset breakdown is as shown:



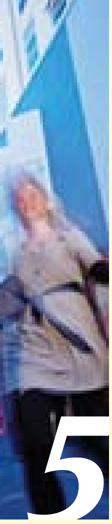
Group results

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
Turnover	851,629
Operating surplus (before tax)	123,584
Total assets	7,381,511
Total liabilities	983,247
Total equity	6,398,264

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

Standard and Poor's affirmed the Council's and Christchurch City Holdings Ltd long-term rating of AA+ and short-term rating of A-1+, and have confirmed that we are no longer on negative outlook.

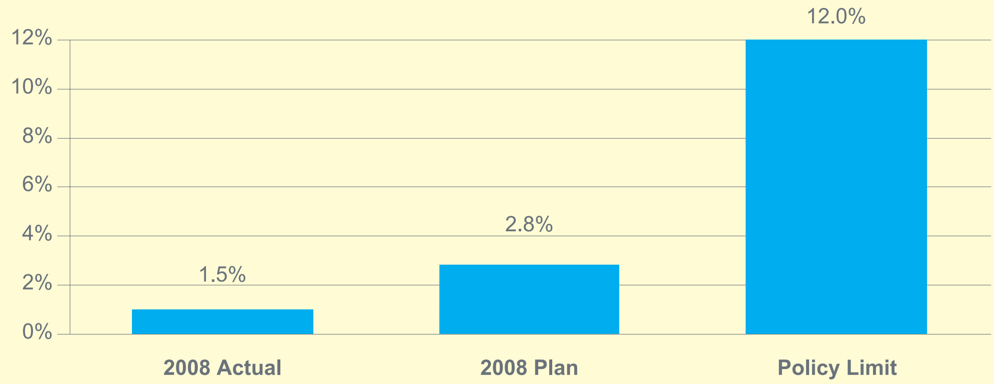


Financial highlights

Financial ratios

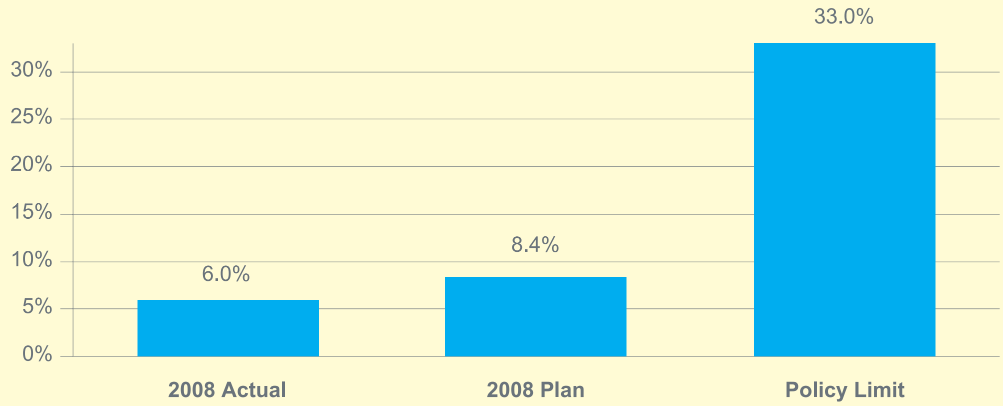
The Council has four financial ratios which form a key part of its financial risk management strategy. These ratios relate to the Council and CCHL combined and define the limits within which the Council must maintain its balance sheet and borrowing ratios. The actual ratios for the year are set out in detail on the pages which follow and in all cases fall well within policy limits.

External Council Debt to Total Assets Ratio Policy Limit 12%



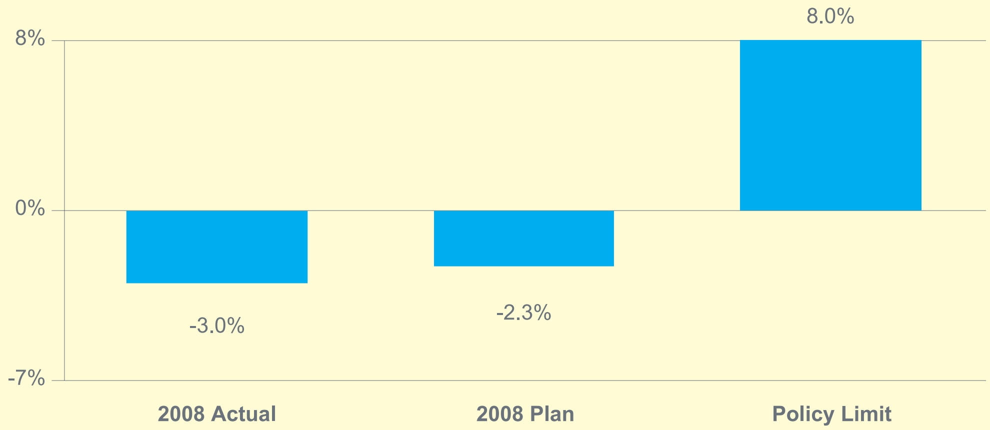
This graph compares the total external debt of the Council with the total assets of the Council (including CCHL). It is the equivalent of measuring your mortgage against all of your assets.

External Council/CCHL 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.

Net Interest to Operating Revenue Ratio Policy Limit 8%



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

Net Council/CCHL Debt to Funds Flow Policy Limit 5 Times

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.

Audit NZ report

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

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AUDIT REPORT

TO THE READERS OF CHRISTCHURCH CITY COUNCIL AND GROUP'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2008

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 2008, including the financial statements.

Unqualified Opinion

In our opinion:

- The financial statements of the City Council and group on pages 23 to 72 and 81 to 169:
  - comply with generally accepted accounting practice in New Zealand; and
  - fairly reflect :
    - the City Council and group's financial position as at 30 June 2008; 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 23 to 72 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 16 October 2008, 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, performance information 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, performance information and the other requirements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

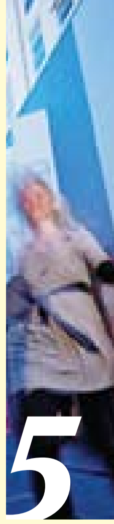
The audit involved performing procedures to test the information presented in the financial statements, performance information and the other requirements. We assessed the results of those procedures in forming our opinion.

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, performance information and the other requirements.

We evaluated the overall adequacy of the presentation of information in the financial statements, performance information 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. The financial statements must fairly reflect the financial position of the City Council and group as at 30 June 2008. 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 meeting the other requirements of Schedule 10 and including that information in the annual report. 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, performance information 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.

We carried out four assignments for Council's subsidiaries. These assignments were a review of interim financial statements and issuing audit certificates pursuant to the Commerce Act (Electricity Information Disclosure Requirements) Notice 2004, the Commerce Act (Electricity Distribution Thresholds) Notice 2004 and the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999. These assignments are compatible with those independence requirements.

Other than the audit and in conducting the audit of the Long Term Council Community Plan, and the assignments detailed above, we have no relationship with or interests in the City Council or any of its subsidiaries.

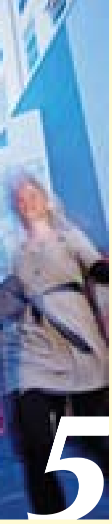
S M Tobin
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand

Matters Relating to the Electronic Presentation of the Audited Financial Statements, Performance Information and the Other Requirements

This audit report relates to the financial statements, performance information and the other requirements of Christchurch City Council and group for the year ended 30 June 2008 included on Christchurch City Council's website. The Christchurch City Council is responsible for the maintenance and integrity of Christchurch City Council's website. We have not been engaged to report on the integrity of Christchurch City Council's website. We accept no responsibility for any changes that may have occurred to the financial statements, performance information and the other requirements since they were initially presented on the website.

The audit report refers only to the financial statements, performance information and the other requirements named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements, performance information and the other requirements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements, performance information and the other requirements as well as the related audit report dated 16 October 2008 to confirm the information included in the audited annual report presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.



Summary of consolidating CCTOs

The following pages report the financial results of Christchurch City Council and its subsidiaries and associates for the year ended 30 June 2008.

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 plus the subsidiaries and associates listed below.

Subsidiaries and associates are:

Christchurch City Holdings Ltd (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 2008. Major subsidiaries and associates of this company are:

- **Orion Group Ltd**

This company owns Orion New Zealand Ltd and subsidiaries and is an energy network management company. Christchurch City Holdings Ltd has an 89.3% interest in Orion Group Ltd. The financial statements consolidated are for the year ended 31 March 2008.

- **Christchurch International Airport Ltd**

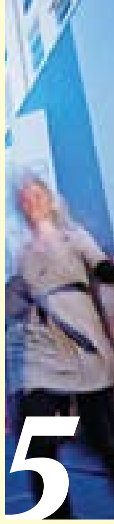
This company is 75% owned by Christchurch City Holdings Ltd. The financial statements consolidated are for the year ended 30 June 2008.

- **Red Bus Ltd**

Red Bus Ltd is a public transport company and is wholly owned by Christchurch City Holdings Ltd. The financial statements consolidated are for the year ended 30 June 2008.

- **Lyttelton Port Company Ltd**

This company is 75.2% owned by Christchurch City Holdings Ltd. The financial statements consolidated are for the year ended 30 June 2008.



Summary of consolidating CCTOs

- **City Care Ltd**

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 2008.

- **Christchurch City Networks Ltd**

This wholly owned company was established to make an investment in fibre optic networks and ducting in the city.

The financial statements consolidated are for the year ended 30 June 2008.

- **Vbase Ltd**

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. It manages AMI Stadium under contract to the Victory Park Board. It owns assets constructed or purchased since June 1998 and will operate all of AMI 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.

On 30 April 2008 Christchurch City Facilities amalgamated with its subsidiary Vbase Ltd and Vbase No 2 Ltd a wholly owned subsidiary of Christchurch City Council. The amalgamated entity was renamed Vbase Ltd.

The financial statements consolidated are for the year ended 30 June 2008.

This company owns 100% of Jet Engine Facility Ltd, a company which has been set up to construct, own and lease an aero engine testing facility.

- **Selwyn Plantation Board Ltd**

This associate company is 39.3% owned by Christchurch City Holdings Ltd. The financial statements for the year ended 31 March 2008 are equity accounted.

- **Transwaste Canterbury Ltd**

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

The financial statements for the year ended 30 June 2008 are equity accounted.

- **Tuam Ltd**

This company is wholly owned by Christchurch City Council. It owns and manages the existing civic building and related Tuam Street properties and leases them to the Council. The financial statements consolidated are for the year ended 30 June 2008.

- **Civic Building Ltd**

This company is wholly owned by Christchurch City Council. The company was incorporated on 12 October 2007 and, in conjunction with its wholly owned subsidiary Tuam 2 Ltd, manages the Council's 50% interest in the joint venture with Ngāi Tahu Property Ltd which is charged with expanding and refurbishing the existing building on Worcester Street that will become the new Civic offices.

The financial statements consolidated are for the year ended 30 June 2008.

Financial statements

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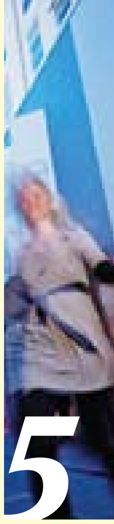
Income Statement

The financial statements consolidated are for the year ended 30 June 2008

		Parent			Group	
		2008 Actual	2008 Plan	2007 Actual	2008 Actual	2007 Actual
	Note	$'000	$'000	$'000	$'000	$'000
Rates revenue	2(a)	223,366	221,091	204,578	218,863	201,276
Other revenue	2(a)	190,440	187,000	182,599	632,766	582,693
Revenue from Operations		**413,806**	**408,091**	**387,177**	**851,629**	**783,969**
Other gains	2(b)	4,422	-	1,287	15,680	10,954
Share of profits of associates	11	-	-	-	(528)	2,173
Total revenue		**418,228**	**408,091**	**388,464**	**866,781**	**797,096**
Depreciation and amortisation	2(c)	92,859	90,120	78,386	168,380	141,453
Finance costs	2(c)	5,972	9,918	6,399	30,479	30,893
Employee Costs	2(c)	114,000	108,824	103,267	254,256	232,447
Other expenses	2(c)	175,035	180,450	164,238	298,789	277,381
Expenses from Operations		**387,866**	**389,312**	**352,290**	**751,904**	**682,174**
Other losses	2(b)	4,630	3,536	9,266	6,436	9,494
Total expenses		**392,496**	**392,848**	**361,556**	**758,340**	**691,668**
Surplus before asset contributions		**25,732**	**15,243**	**26,908**	**108,441**	**105,428**
Vested assets	28	15,143	22,804	12,040	15,143	12,040
Surplus before income tax		**40,875**	**38,047**	**38,948**	**123,584**	**117,468**
Income tax expense/(credit)	3	652	-	-	29,058	21,770
Profit from continuing operations		40,223	38,047	38,948	94,526	95,698
Profit/(loss) from discontinued operations (after tax)	40	-	-	-	-	11,454
Surplus for the period		**40,223**	**38,047**	**38,948**	**94,526**	**107,152**
Surplus for the period						
Minority interest		-	-	-	14,012	15,991
Parent entity		40,223	38,047	38,948	80,514	91,161
		40,223	**38,047**	**38,948**	**94,526**	**107,152**

The accompanying notes form part of and are to be read in conjunction with these financial statements.

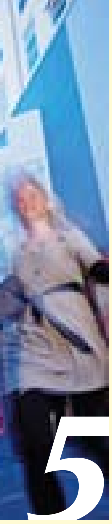


Balance Sheet

As at 30 June 2008

		Parent			Group	
		2008	**2008**	**2007**	**2008**	**2007**
		Actual	**Plan**	**Actual**	**Actual**	**Actual**
	Note	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Current assets						
Cash and cash equivalents	37	55,427	64,237	49,110	107,926	65,461
Trade and other receivables	4	44,101	28,125	22,678	64,313	56,645
Other financial assets	5	73,722	30,229	156,348	97,908	172,937
Inventories	6	1,296	1,573	1,316	14,195	10,587
Current tax assets	3	-	-	-	6,144	3,244
Other	7	-	-	-	3,665	3,808
		174,546	**124,164**	**229,452**	**294,151**	**312,682**
Non-current assets classified as held for sale	8	761	-	188	761	873
Total current assets		**175,307**	**124,164**	**229,640**	**294,912**	**313,555**
Non-current assets						
Trade and other receivables	9	3,000	-	3,000	33,930	28,514
Inventories	10	-	-	-	885	725
Investments accounted for using the equity method	11	6,196	-	6,196	36,420	37,688
Other financial assets	12	1,611,769	1,389,191	1,382,496	106,327	141,342
Property, plant and equipment	13	4,742,423	3,951,185	4,043,988	6,791,872	6,019,198
Investment property	14	-	12,939	-	81,219	77,689
Deferred tax assets	3	-	-	852	4,896	8,470
Goodwill	15	-	-	-	10,228	9,843
Intangible assets	16	13,963	5,676	4,020	20,822	9,459
Total non-current assets		**6,377,351**	**5,358,991**	**5,440,552**	**7,086,599**	**6,332,928**
Total assets		**6,552,658**	**5,483,155**	**5,670,192**	**7,381,511**	**6,646,483**
Current liabilities						
Trade and other payables	17	60,729	50,982	48,968	106,177	99,151
Borrowings	18	2,032	3,552	2,458	140,129	93,424
Other financial liabilities	19	-	-	-	228	3,378
Provisions	20	13,998	13,606	13,712	34,720	26,844
Other	21	-	-	-	5,246	3,939
Total current liabilities		**76,759**	**68,140**	**65,138**	**286,500**	**226,736**

The accompanying notes form part of and are to be read in conjunction with these financial statements.



Financial statements

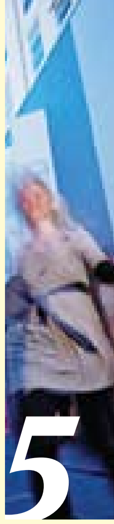
Balance Sheet (continued)

As at 30 June 2008

		Parent			Group	
		2008	**2008**	**2007**	**2008**	**2007**
		Actual	**Plan**	**Actual**	**Actual**	**Actual**
	Notes	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Non-current liabilities						
Borrowings	22	117,834	188,201	85,220	356,403	338,088
Other financial liabilities	23	131	-	411	361	1,135
Deferred tax liabilities	3	10,209	12,837	7,730	312,374	307,980
Provisions	24	18,475	20,788	21,411	19,530	22,780
Other	25	-	-	-	8,079	9,014
Total non-current liabilities		**146,649**	**221,826**	**114,772**	**696,747**	**678,997**
Total liabilities		**223,408**	**289,966**	**179,910**	**983,247**	**905,733**
Net assets		**6,329,250**	**5,193,189**	**5,490,282**	**6,398,264**	**5,740,750**
Equity						
Capital						
Reserves	29	4,562,213	3,116,179	3,817,408	3,704,026	3,183,754
Retained earnings		1,767,037	2,077,010	1,672,874	2,446,650	2,312,273
Parent entity interest		**6,329,250**	**5,193,189**	**5,490,282**	**6,150,676**	**5,496,027**
Minority interest	30	-	-	-	247,588	244,723
Total equity		**6,329,250**	**5,193,189**	**5,490,282**	**6,398,264**	**5,740,750**

The accompanying notes form part of and are to be read in conjunction with these financial statements.

Financial statements



Statement of Changes in Equity

For the year ended 30 June 2008

Parent	Retained earnings $'000	Other reserves $'000	Total equity $'000
Balance at 1 July 2006	**1,555,156**	**3,471,833**	**5,026,989**
Gain / (loss) on PPE	-	379,423	379,423
Investments valuation gain / (loss)	-	44,409	44,409
Income tax on items taken directly to or transferred from equity	(274)	737	463
Net income recognised directly in equity	**(274)**	**424,569**	**424,295**
Transfers:			
Surplus for the period	38,948	-	38,948
	38,948	**-**	**38,948**
Total recognised income and expense for the period	38,674	424,569	463,243
BPDC ratepayers equity	50	-	50
Transfer to/ (from) retained earnings	78,994	(78,994)	-
	79,044	**(78,994)**	**50**
Balance at 30 June 2007	**1,672,874**	**3,817,408**	**5,490,282**
Property, Plant & Equipment valuation gain	-	584,677	584,677
Investment Revaluation gain (loss)	-	217,000	217,000
Revalued gain on disposal of PPE	419	(419)	-
Income tax on items taken directly to or transferred from equity	-	(2,679)	(2,679)
Cash flow hedges gain/(loss) taken to equity	-	37	37
Transfers and other	-	(290)	(290)
Net income recognised directly in equity	419	798,326	798,745
Transfers:			
Surplus for the period	40,223	-	40,223
Total recognised income and expense for the period	**40,642**	**798,326**	**838,968**
Transfer to / (from) Other Reserves	53,521	(53,521)	-
	53,521	**(53,521)**	**-**
Balance at 30 June 2008	**1,767,037**	**4,562,213**	**6,329,250**
Balance in 2008 Annual Plan	**2,077,010**	**3,116,179**	**5,193,189**

The accompanying notes form part of and are to be read in conjunction with these financial statements.

Financial statements

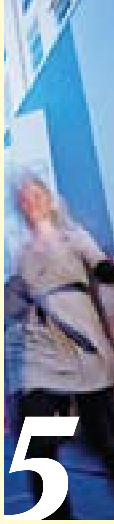
5

Statement of Changes in Equity (continued)

For the year ended 30 June 2008

Group	Retained earnings $'000	Other reserves $'000	Minority interest $'000	Total equity $'000
Balance at 1 July 2006	**2,142,068**	**2,514,860**	**146,462**	**4,803,390**
Gain / (loss) on PPE	-	816,567	101,356	917,923
Investments valuation gain / (loss)	-	2,903	258	3,161
Cash flow hedges gain/(loss) taken to equity	-	7,576	815	8,391
Share of increment in reserves attributable to associates	-	2,121	-	2,121
Income tax on items taken directly to or transferred from equity	-	(77,825)	(11,347)	(89,172)
Transfers and Other	-	(3,454)	(552)	(4,006)
Net income recognised directly in equity	**-**	**747,888**	**90,530**	**838,418**
Transfers:				
Surplus for the period	91,161	-	15,991	107,152
	91,161	**-**	**15,991**	**107,152**
Total recognised income and expense for the period	91,161	747,888	106,521	945,570
BPDC ratepayers equity	50	-	-	50
Dividends	-	-	(8,260)	(8,260)
Transfer to/from retained earnings	78,994	(78,994)	-	-
	79,044	**(78,994)**	**(8,260)**	**(8,210)**
Balance at 30 June 2007	**2,312,273**	**3,183,754**	**244,723**	**5,740,750**
Gain/(loss) on property revaluation	-	589,890	-	589,890
Realised gain on disposal of PPE	342	(342)	-	-
Impact of change in Corporate tax rate on Deferred tax liability	-	(6,967)	-	(6,967)
Transferred to profit and loss on sale	-	(2,500)	(280)	(2,780)
Cash flow hedges gain/(loss) taken to equity	-	(4,669)	(845)	(5,514)
Share of increment in reserves attributable to associates	-	1,484	-	1,484
Impairment Losses	-	(220)	(26)	(246)
Income tax on items taken directly to or transferred from equity	-	(2,882)	320	(2,562)
Translation of foreign operations exchange differences taken to equity	-	(193)	(64)	(257)
Transfers and other	-	192	(214)	(22)
Net income recognised directly in equity	**342**	**573,793**	**(1,109)**	**573,026**
Transfers:				
Surplus for the period	80,514	-	14,012	94,526
	80,514	**-**	**14,012**	**94,526**
Total recognised income and expense for the period	80,856	573,793	12,903	667,552
Dividends	-	-	(8,672)	(8,672)
Adjustments from Share Acquisitions	-	-	(1,366)	(1,366)
Transfer to/from retained earnings	53,521	(53,521)	-	-
	53,521	**(53,521)**	**(10,038)**	**(10,038)**
Balance at 30 June 2008	**2,446,650**	**3,704,026**	**247,588**	**6,398,264**

The accompanying notes form part of and are to be read in conjunction with these financial statements.



Cash Flow Statement

For the year ended 30 June 2008

	Note	Parent			Group	
		2008 Actual $'000	2008 Plan $'000	2007 Actual $'000	2008 Actual $'000	2007 Actual $'000
Cash flows from operating activities						
Rates, grants, subsidies, receipts from customers and other sources		343,818	344,916	333,246	814,323	752,495
Interest received		27,550	27,359	29,193	27,099	28,182
Dividends received		28,101	35,805	30,336	1,724	1,357
Payments to suppliers and employees		(281,547)	(290,789)	(273,364)	(545,515)	(512,704)
Interest and other finance costs paid		(5,759)	(9,918)	(6,611)	(28,142)	(30,766)
Income tax paid		-	-	-	(31,988)	(22,840)
Net GST movement		(4,722)	-	793	(4,666)	2,590
Other		-	-	-	-	(4,526)
Net cash provided by/(used in) operating activities	**37b**	**107,441**	**107,373**	**113,593**	**232,835**	**213,788**
Cash flows from investing activities						
Payment for investment securities		(21,384)	(23,337)	(2,750)	(25,663)	(3,396)
Proceeds on sale of investment securities		125,094	1,841	71,759	135,674	75,798
Proceeds from repayment of related party loans		-	-	1,700	-	36
Amounts advanced to related parties		(30,866)	-	(1,700)	-	(1,656)
Payment for property, plant and equipment		(195,505)	(241,319)	(158,934)	(321,094)	(232,710)
Proceeds from sale of property, plant and equipment		3,707	7,678	4,684	5,898	5,563
Payment for intangible assets		(11,624)	-	(523)	(15,371)	(1,778)
Payment for Equity Investment in Subsidiaries		(2,734)	-	-	-	-
Proceeds from sale of businesses		-	-	-	-	13,391
Payment for investment properties		-	-	-	-	(3,279)
Other		-	-	-	(10,353)	(540)
Net cash (used in)/provided by investing activities		**(133,312)**	**(255,137)**	**(85,764)**	**(230,909)**	**(148,571)**
Cash flows from financing activities						
Proceeds from borrowings		34,673	82,607	750	57,685	81,270
Repayment of borrowings		(2,485)	(2,458)	(25,352)	(8,497)	(133,188)
Dividends paid:						
- minority interests		-	-	-	(8,649)	(8,260)
Net cash provided by/(used in) financing activities		**32,188**	**80,149**	**(24,602)**	**40,539**	**(60,178)**
Net increase in cash and cash equivalents		6,317	(67,615)	3,227	42,465	5,039
Cash and cash equivalents at beginning of year		49,110	131,852	45,883	65,461	60,422
Cash and cash equivalents at end of year	**37a**	**55,427**	**64,237**	**49,110**	**107,926**	**65,461**

The accompanying notes form part of and are to be read in conjunction with these financial statements.

Notes to financial statements

1. Statement of Accounting Policies

Reporting entity

Christchurch City Council ("Council") is a territorial authority under the Local Government Act 2002. The consolidated entity consists of the entities listed on pages 154 to 170.

The primary objective of Council is to provide goods or services for the community or social benefit rather than to make a financial return. Accordingly, Council has designated itself a public benefit entity ("PBE") for the purposes of New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS"). Council is therefore subject to policies and exemptions that may not apply to other entities in the group. Where PBE treatment of specific issues differs from the usual treatment, this fact is noted in each policy.

The financial statements of Council are for the year ended 30 June 2008. The financial statements were approved by Council on 16 October 2008. Council does not have the power to amend the financial statements after this date.

Basis of preparation

The financial statements of Council have been prepared in accordance with the requirements of the Local Government Act 2002: Part 6, Section 98 and Part 3 of Schedule 10, which includes the requirement to comply with General Accepted Accounting Practice in New Zealand ("NZ GAAP").

The financial statements have been prepared in accordance with NZ GAAP. They comply with NZ IFRS, and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

The financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments.

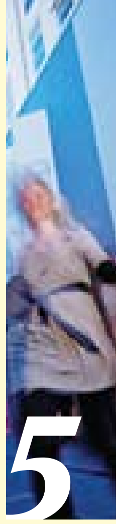
The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ($'000). The functional currency of Council is New Zealand dollars.

New standards and interpretations issued and not yet adopted

The following new standards, interpretations and amendments are not yet effective for the year ended 30 June 2008, and have not been applied in preparing these consolidated financial statements:

	Effective for annual reporting periods commencing on or after
NZ IAS 1 Presentation of Financial Statements (revised 2007)	1 January 2009
NZ IAS 23 Borrowing Costs (revised 2007)	1 January 2009
NZ IFRS 3 Business Combinations (revised 2008)	1 July 2009
NZ IAS 27 Consolidated and Separate Financial Statements	1 July 2009

The group has not yet determined the potential impact of the new standards, interpretations and amendments.



1. Statement of Accounting Policies (continued)

Principles of consolidation

(i) Subsidiaries

Subsidiaries include special purpose entities and are those over which the Council has the power to govern financial and operating policies, generally accompanying a shareholding of at least half of the voting rights. Potential exercisable or convertible voting rights are considered when assessing whether the Council controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Council and de-consolidated from the date control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries.

Intercompany transactions, balances and unrealised gains on transactions are eliminated. Unrealised losses are also eliminated, unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Council.

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet.

(ii) Associates

Associates are entities over which the Council has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in associates are accounted for in the parent's financial statements using the cost method and in the consolidated financial statements using the equity method, after initially being recognised at cost. The Council's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Council's share of its associates' post acquisition profits or losses is recognised in the income statement, and its share of post acquisition movements in reserves is recognised in reserves. The cumulative post acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent's income statement, while in the consolidated financial statements they reduce the carrying amount of the investment.

When the Council's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Council does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Council and its associates are eliminated to the extent of the Council's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Council.

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling on the day of the transaction.

Foreign currency monetary assets and liabilities at the balance date are translated to NZ dollars at the rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to NZ dollars at rates ruling at the dates the fair value was determined.

Translation differences on equities held at fair value through profit or loss are reported as part of the fair value gain or loss. Translation differences on equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

Derivative financial instruments

The Council uses derivative financial instruments to hedge its exposure to interest rate and foreign exchange risks arising from operational, financing and investment activities. In accordance with the treasury policies of the respective group entities, the Council does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see Hedging policy).

The fair value of interest rate swaps is the estimated amount that the group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

1. Statement of Accounting Policies (continued)

Hedging

Derivatives are first recognised at fair value on the date a contract is entered into and are subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Council designates certain derivatives as either; (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (2) hedges of highly probable forecast transactions (cash flow hedges).

The Council documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Council also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non financial asset (for example, inventory) or a non financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires or is sold or cancelled, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(iii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

Property, plant and equipment

The following assets (except for investment properties) are shown at fair value, based on periodic valuations by external independent valuers, less subsequent depreciation:

- Land (other than land under roads)
- Buildings
- Electricity distribution network
- Airport sealed surfaces
- Infrastructure assets
- Heritage assets
- Works of art

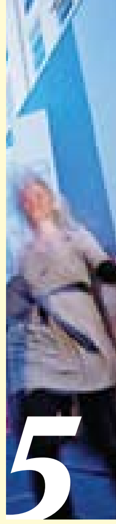
Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Valuations are performed with sufficient regularity to ensure revalued assets are carried at a value that is not materially different from fair value.

All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Where the Council has elected to account for revaluations of property, plant and equipment on a class of asset basis, increases in the carrying amounts arising on revaluation of a class of assets are credited directly to equity under the heading revaluation reserve. However, the net revaluation increase shall be recognised in profit or loss to the extent it reverses a net revaluation decrease of the same class of assets previously recognised in profit or loss.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives.



1. Statement of Accounting Policies (continued)

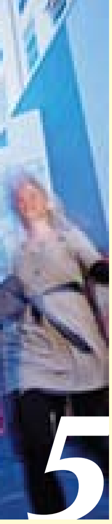
Assets to be depreciated include:

Operational Assets:	
Buildings	1-100 yrs
Office and computer equipment	4-10 yrs
Mobile plant including vehicles	2-30 yrs
Buses	17-26 yrs
Sealed surfaces (other than roads)	9-100 yrs
Container cranes	30 yrs
Harbour structures	3-50 yrs
Electricity distribution system	60 yrs
Electricity load control equipment	60 yrs
Leasehold land improvements	5-100 yrs
Library books	3-8 yrs
Vessels	5-25 yrs
Resource consents and easements	5-10 yrs
Infrastructure Assets:	
Formation	Not depreciated
Pavement sub-base	Not depreciated
Basecourse	40-120 yrs
Footpaths and cycleways	20-80 yrs
Surface	1-25 yrs
Streetlights and signs	15-40 yrs
Kerb, channel, sumps and berms	80 yrs
Landscape/medians	8-80 yrs
Drain pipes/culverts/retaining walls	20-100 yrs
Bridges	70-100 yrs
Bus shelters and furniture	15-30 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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, the amounts included in other reserves in respect of those assets are transferred to retained earnings.



1. Statement of Accounting Policies (continued)

Non-current assets (or disposal groups) held for sale

Non current assets (or disposal groups) are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

An impairment loss is recognised for any initial or subsequent write down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non current asset (or disposal group) is recognised at the date of de-recognition.

Non current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. Further, the liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet. Those assets and liabilities shall not be offset and presented as a single amount.

Intangible assets

(i) Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries, associates and joint ventures.

In respect of acquisitions prior to 30 June 2005, goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous GAAP.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is no longer amortised but is tested annually for impairment (see Impairment policy). In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

Negative goodwill arising on an acquisition is recognised directly in the income statement.

(ii) Computer software

Acquired computer software licenses are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Council, and that will generate economic benefits exceeding costs beyond one year, are capitalised and recognised as intangible assets. Capitalised costs include the software development employee direct costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised over their estimated useful lives.

(iii) Other intangible assets

Other intangible assets that are acquired by the Council are stated at cost less accumulated amortisation (see below) and impairment losses (see Impairment policy).

(iv) Subsequent expenditure

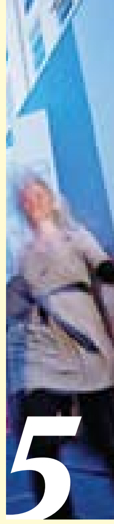
Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates, and it meets the definition of, and recognition criteria for, an intangible asset. All other expenditure is expensed as incurred.

(v) Amortisation

An intangible asset with a finite useful life is amortised on a straight-line basis over the period of that life. The asset is reviewed annually for indicators of impairment, and tested for impairment if these indicators exist. The asset is carried at cost less accumulated amortisation and accumulated impairment losses. Estimated useful lives are:

Software	1-10 yrs
Resource consents and easements	5-10 yrs
Patents, trademarks and licenses	20 yrs

An intangible asset with an indefinite useful life is not amortised, but is tested for impairment annually, and is carried at cost less accumulated impairment losses.



1. Statement of Accounting Policies (continued)

Investments

The Council classifies its investments in the following categories:

(a) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

(c) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity.

(d) Financial assets at fair value through equity

Financial assets at fair value through equity are non-derivatives that are either designated in this category or not classified in any of the other categories.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

(i) Parent company investment in subsidiaries

For the purposes of the parent company financial statements, the Council's equity investments in its subsidiaries are designated as financial assets at fair value through equity. They are measured at fair value, with valuations performed by an independent, external valuer with sufficient regularity to ensure no investments are included at a valuation that is materially different from fair value. The valuation changes are held in a revaluation reserve.

(ii) Investments in debt and equity securities

Financial instruments held for trading are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in the income statement.

General and community loans are designated as loans and receivables. They are measured at initial recognition at fair value, and subsequently carried at amortised cost less impairment losses.

Financial instruments classified as held-for-trading or fair value through equity investments are recognised / derecognised by the Council on the date it commits to purchase / sell the investments. Securities held-to-maturity are recognised / derecognised on the day they are transferred to / by the Council.

(iii) Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties generate cashflow largely independent of other assets held by the entity. Investment properties are stated at fair value. An external, independent valuer, having an appropriate recognised professional qualification and recent experience in the location and category of property being valued, values the portfolio every year. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction.

Any gain or loss arising from a change in fair value is recognised in the income statement.

Rental income from investment property is accounted for as described in the Revenue policy below.

When an item of property, plant and equipment is transferred to investment property following a change in its use, any differences arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity if it is a gain. Upon disposal the gain is transferred to retained earnings. Any loss arising in this manner is recognised immediately in the income statement.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes its cost for subsequent recording. When the Council begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property, which is measured based on the fair value model, and is not reclassified as property, plant and equipment during the re-development.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Council holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value. Lease payments are accounted for as described in the Expenses policy below.

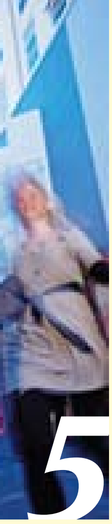
Trade and other receivables

(i) Construction work in progress

Construction work in progress is stated at cost plus profit recognised to date (see Revenue policy) less a provision for foreseeable losses and less progress billings. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Council's contract activities based on normal operating capacity.

(ii) Other trade and other receivables

Trade and other receivables are stated at their cost less impairment losses (see Impairment policy).



Notes to financial statements

1. Statement of Accounting Policies (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Inventories held for distribution at no charge, or for a nominal amount, are stated at the lower of cost and current replacement cost.

The cost of other inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits, and other short-term highly liquid investments with maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Council's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows, and in current liabilities on the balance sheet.

Impairment

The carrying amounts of the Council's assets, investment property (see Investments policy), inventories (see Inventories policy) and deferred tax assets (see Income Tax policy), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill, other intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement. Impairment losses on revalued assets offset any balance in the asset revaluation reserve, with any remaining impairment loss being posted to the income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

(i) Calculation of recoverable amount

The recoverable amount of the Council's investments in receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their market value less cost to sell and value in use.

As a public benefit entity, Council uses depreciated replacement cost to assess value in use where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where Council would, if deprived of the asset, replace its remaining future economic benefits or service potential.

The value in use for cash-generating assets is the present value of expected future cash flows.

(ii) Reversals of impairment

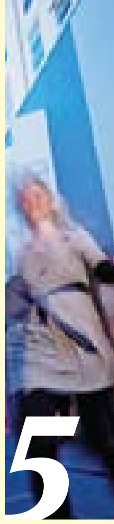
An impairment loss in respect of a held-to-maturity security or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through profit or loss. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in profit or loss.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.



1. Statement of Accounting Policies (continued)

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Creditors and other payables

Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

Provisions

A provision is recognised in the balance sheet when the group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits, the amount of which can be reliably estimated, will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(i) Landfill aftercare provision

As operator of several closed landfill sites, including Burwood, the Council has a legal obligation to provide ongoing maintenance and monitoring services at these sites after closure.

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 6.88%.
- 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.

Employee entitlements

The Group's employee compensation policy is based on Total Cash Remuneration: a single cash payment in compensation for work, where the employee is responsible for and able to individually decide how best to use their remuneration to meet their needs over time in the mix and type of benefits purchased. Provision is made in respect of the Council's liability for the following short and long-term employee entitlements.

(i) Short-term entitlements

Liabilities for annual leave and time off in lieu are accrued at the full amount owing at the pay period ending immediately prior to the balance sheet date.

Liabilities for accumulating short-term compensated absences (e.g., sick leave) are measured as the amount of unused entitlement accumulated at the pay period ending immediately prior to the balance sheet date, that the entity anticipates employees will use in future periods, in excess of the days that they will be entitled to in each of those periods.

(ii) Long-term entitlements

The retiring gratuity and long-service leave liabilities are 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 are discounted to their present value using an interpolated 10 year government bond rate.

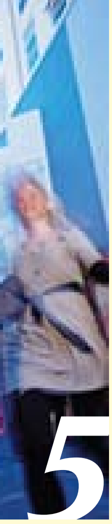
Superannuation is provided as a percentage of remuneration.

(iii) National Provident Fund's Defined Benefit Plan Scheme (the 'Scheme')

Council participates in the Scheme, which is a multi-employer defined benefit plan. However, because it is not possible to determine, from the terms of the Scheme, the extent to which the deficit will affect future contributions by employers the Council participation in the Scheme is accounted for as if the Scheme were a defined contribution plan.

(iv) Super Trust of New Zealand ('Super Trust')

Council participates in Super Trust, a multi-employer master trust, where money invested in separate schemes is pooled for investment purposes. Super Trust is a defined contribution plan, and contributions to the plan are expensed as incurred. (see Contingencies note)



1. Statement of Accounting Policies (continued)

Leases

Leases in which substantially all of the risks and rewards of ownership transfer to the lessee are classified as finance leases. At inception, finance leases are recognised as assets and liabilities on the balance sheet at the lower of the fair value of the leased property and the present value of the minimum lease payments. Any additional direct costs of the lessee are added to the amount recognised as an asset. Subsequently, assets leased under a finance lease are depreciated as if the assets are owned.

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Revenue

(i) Rates, goods sold and services rendered

Revenue from rates is recognised in the income statement at the time of invoicing. Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to surveys of work performed. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods or continuing management involvement with the goods.

(ii) Construction contracts

As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognised in the income statement in proportion to the stage of completion of the contact. The stage of completion is assessed by reference to surveys of work performed.

An expected loss on a contract is recognised immediately in the income statement.

(iii) Rental income

Rental income from investment and other property is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income.

(iv) Government grants

Grants from the government are recognised as income at their fair value where there is a reasonable assurance that the grant will be received and the Council will comply with all attached conditions.

(v) Dividend income

Dividend income is recognised when the shareholder's right to receive payment is established.

(vi) Finance lease income

Finance lease income is allocated over the lease term on a systematic and rational basis. This income allocation is based on a pattern reflecting a constant periodic return on the Council's net investment in the finance lease.

(vii) Development Contributions

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

Expenses

(i) Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

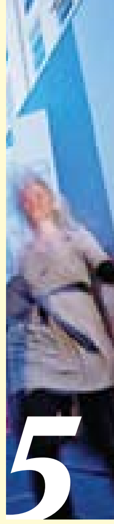
(ii) Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(iii) Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, dividends on redeemable preference shares (which are redeemable at the option of the holder), interest receivable on funds invested, foreign exchange gains and losses, and gains and losses on hedging instruments that are recognised in the income statement (see Hedging policy).

Interest income is recognised in the income statement as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established which in the case of quoted securities is usually the ex-dividend date. The interest expense component of finance lease payments is recognised in the income statement using the effective interest rate method. All interest payable on borrowings is recognised as an expense in the income statement as it accrues.



1. Statement of Accounting Policies (continued)

Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Research and development costs

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility, and costs can be measured reliably. Other development expenditures are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Development costs with a finite useful life that have been capitalised are amortised from the commencement of the commercial production of the product on a straight-line basis over the period of its expected benefit, not exceeding five years.

Third party transfer payment agencies

The Council collects monies for many organizations. Where collections are processed through the Council's books, any monies held are shown as Accounts Payable in the Balance Sheet. Amounts collected on behalf of third parties are not recognised as revenue, but commissions earned from acting as agent are recognised in revenue.

Goods and Services Tax

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

Donated goods and services

The Council receives the benefit of many services provided by volunteers. These services are greatly valued. They are, however, difficult to measure in monetary terms, and for this reason are not included in the financial statements, as their value from an accounting point of view is considered immaterial in relation to total expenditure.

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, the cost recovery is made by way of a direct charge. Where this has not been possible, the costs are allocated by way of corporate overhead.

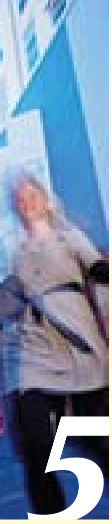
Plan values disclosed

The plan values shown in the financial statements represent the 2007/08 budget included in the Long Term Council Community Plan 2006-16, as amended by the 2007/08 Annual Plan.

Critical judgements, estimates and assumptions in applying Council's accounting policies

Preparing financial statements to conform with NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions have been based on historical experience and other factors that are believed to be reasonable under the circumstances. These estimates and assumptions have formed the basis for making judgements about the carrying values of assets and liabilities, where these are not readily apparent from other sources. Actual results may differ from these estimates.

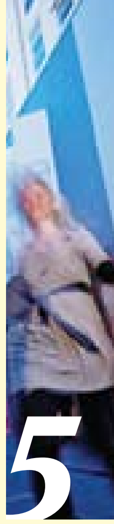
Estimates and underlying assumptions are regularly reviewed. Any change to estimates is recognized in the period if the change affects only that period, or into future periods if it also affects future periods.



1. Statement of Accounting Policies (continued)

In the process of applying the company's accounting policies, management has made the following judgements, estimates and assumptions that have had the most significant impact on the amounts recognised in these financial statements:

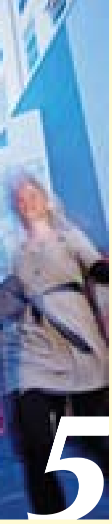
- The physical deterioration and condition of an asset, for example the Council could be carrying at an amount that does not reflect its actual condition. This is particularly so for those assets which are not visible, for example stormwater, wastewater and water supply pipes that are underground. The risk is minimised by Council performing a combination of physical assessments and condition modelling of underground assets;
- Estimating any obsolescence or surplus capacity of an asset; and
- Estimates are made when determining the remaining useful lives over which the asset will be depreciated. These estimates can be impacted by the local conditions, for example weather patterns and traffic growth. If useful lives do not reflect the actual consumption of the benefits of the asset, then Council could be over or underestimating the annual depreciation charge recognised as an expense in the income statement. To minimise this risk Council's infrastructural asset useful lives have been determined with reference to the NZ Infrastructural Asset Valuation and Depreciation Guidelines published by the National Asset Management Steering Group, and have been adjusted for local conditions and past experience. Asset inspections, depreciation and condition modelling are also carried out regularly as part of Council's asset management planning activities, which gives Council further reassurance over its useful life estimates. Finally, Council's assets are also periodically revalued by experienced independent valuers who provide assurance that Council's useful life estimates are valid.
- Management are required to exercise judgement in calculating provisions for doubtful debts, assessing the level of unrecoverable work in progress and calculating provisions for employee benefits.
- Orion Group Ltd's electricity distribution network comprises large numbers of relatively minor individual network asset components which are replaced on a regular basis. The costs of recording and tracking such components substantially outweigh the benefits of doing so. Management use estimates of the quantities and carrying values of these components. Any errors in the estimates are corrected at the next asset revaluation and are not considered to be material.
- Orion Group Ltd invoices its customers (predominantly electricity retailers) monthly for electricity delivery services on the basis of an estimation of usage, adjusted for the latest washed-up data available from the electricity wholesale market and certain metering data from electricity retailers. Management has made an allowance in revenue and in current assets/liabilities for any amounts which are estimated to be under/over charged during the reporting period. However, as final wash-up metering data is not available for in excess of twelve months, it is possible that the final amounts payable or receivable may vary from that calculated.
- Management of Christchurch International Airport Ltd use judgement in identifying which components of property, plant and equipment are to be reclassified as investment property. The company has developed a predetermined method of classification for this purpose.
- Management of Christchurch International Airport Ltd have assessed the life of the existing domestic terminal as being equal to the estimated build time for the new terminal for valuation purposes.
- Management of Lyttelton Port Company Ltd are required to exercise judgement in determining the carrying value of land, buildings and harbour structures.
- The Non-current Provisions note discloses an analysis of Council's exposure in relation to estimates and uncertainties surrounding the landfill aftercare provision.
- In respect of the parent entity, the valuation of its investments in subsidiary and associated companies at fair value has a material impact on the amounts recognised in these financial statements and involves a significant amount of judgement. Independent valuers are commissioned to perform these valuations on a periodic basis, at intervals sufficient to ensure that the fair value of these investments does not differ materially from their carrying value.



2. Profit From Operations

(a) Revenue	Notes	Parent			Group	
		2008 Actual $'000	2008 Plan $'000	2007 Actual $'000	2008 Actual $'000	2007 Actual $'000
Rates revenue (excluding rates penalties)		**223,366**	**221,091**	**204,578**	**218,863**	**201,276**
Other operating revenue:						
Sale of goods		12,976	13,553	13,809	15,951	22,539
Rendering of services		19,142	18,750	19,681	408,027	374,779
Contracting revenue		197	273	-	30,032	28,365
		32,315	**32,576**	**33,490**	**454,010**	**425,683**
Rental revenue:						
Operating lease rental revenue						
Contingent rental revenue (investment properties)		-	-	-	37,708	30,339
Other		23,245	21,159	21,331	23,245	21,564
		23,245	**21,159**	**21,331**	**60,953**	**51,903**
Interest revenue:						
Finance lease interest revenue		-	-	-	1,940	1,825
Investments		20,637	20,273	24,485	20,825	28,752
Related parties		5,142	7,086	4,912	4,879	-
Other		-	11	48	-	-
		25,779	**27,370**	**29,445**	**27,644**	**30,577**
Dividends:						
Subsidiaries		32,601	34,000	29,484	-	-
Associates		1,580	1,805	739	-	-
Other entities		61	-	-	61	-
		34,242	**35,805**	**30,223**	**61**	**-**
Petroleum Tax		2,366	2,282	2,283	2,366	2,283
Development Contributions		14,757	9,439	13,256	14,757	13,256
Subvention Payments Received		3,871	-	3,211	-	-
Land Transport New Zealand subsidies		20,257	29,203	19,701	20,257	19,701
Subsidies (excl LTNZ)		548	616	526	548	526
Sundry (incl rates penalties) (i)		33,060	28,550	29,133	52,170	38,764
		74,859	**70,090**	**68,110**	**90,098**	**74,530**
Total other operating revenue		**190,440**	**187,000**	**182,599**	**632,766**	**582,693**
Total revenue (before other gains)		**413,806**	**408,091**	**387,177**	**851,629**	**783,969**

(i) This includes subsidies from the Ministry of Education of $1.1 million (2007: $0.9 million).



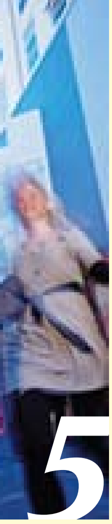
Notes to financial statements

2. Profit From Operations (continued)

(b) Other gains / losses	Notes	Parent			Group	
		2008 Actual $'000	2008 Plan $'000	2007 Actual $'000	2008 Actual $'000	2007 Actual $'000
(Gain) on disposal of property, plant and equipment		(1,979)	-	(1,287)	(2,431)	(5,296)
Loss on disposal of property, plant and equipment		448	-	2,149	1,233	2,377
Impairment of Goodwill		-	-	-	978	-
(Gain)/loss on assets written off		4,182	3,536	7,117	4,182	7,117
Government grants received		(2,443)	-	-	(5,497)	(539)
Hedging (gains)/losses		-	-	-	(407)	(467)
Realisation of Available for sale in Revaluation reserve		-	-	-	(2,780)	-
Gain on Disposal of Investments		-	-	-	(786)	-
Change in fair value of assets classified as fair value		-	-	-	43	(386)
Investment property revaluation (gains)/losses through profit & loss		-	-	-	(3,530)	(4,223)
Other (gains)/losses		-	-	-	(249)	(43)
		208	**3,536**	**7,979**	**(9,244)**	**(1,460)**
(Gains) attributable to continuing operations		(4,422)	-	(1,287)	(15,680)	(10,954)
Losses attributable to continuing operations		4,630	3,536	9,266	6,436	9,494
Net (gains)/losses		**208**	**3,536**	**7,979**	**(9,244)**	**(1,460)**

2. Profit From Operations (continued)

(c) Expense disclosures:		Parent			Group	
		2008	2008	2007	2008	2007
		Actual	Plan	Actual	Actual	Actual
	Notes	$'000	$'000	$'000	$'000	$'000
Depreciation and amortisation:						
Depreciation of non-current assets	13	91,158	90,120	77,267	164,306	138,286
Amortisation of non-current assets	16	1,701	-	1,119	4,074	3,167
Total depreciation and amortisation		**92,859**	**90,120**	**78,386**	**168,380**	**141,453**
Finance costs:						
Interest on loans		5,972	9,918	6,399	30,479	30,893
Total finance costs		**5,972**	**9,918**	**6,399**	**30,479**	**30,893**
Employee Costs:						
Employee benefit expense:						
Remuneration and other expenses		114,000	108,824	103,267	254,256	232,447
Total employee costs		**114,000**	**108,824**	**103,267**	**254,256**	**232,447**
Inventory:						
Write-down of inventory to net realisable value		-	-	-	-	15
Net bad and doubtful debts		-	-	-	-	148
Donations		22,985	23,798	20,044	23,038	20,112
Impairment of non-current assets		-	-	-	1,438	1,119
Provision expenses		(553)	-	(1,320)	270	(181)
Operating lease expenses:						
Minimum lease payments		3,379	3,472	2,488	8,350	5,603
General operating expenses		149,224	153,180	143,026	265,693	250,565
Total other operating expenses		**175,035**	**180,450**	**164,238**	**298,789**	**277,381**
Total expenses (before other losses)		**387,866**	**389,312**	**352,290**	**751,904**	**682,174**



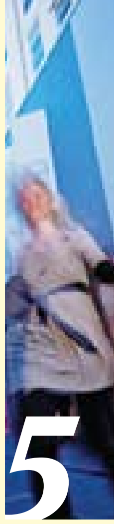
Notes to financial statements

2. Profit From Operations (continued)

(d) Disclosure of Group of Activities results	Parent		
Notes	2008 Actual $'000	2008 Plan $'000	2007 Actual $'000
Groups of activities revenue	119,919	114,451	111,588
Rates revenue	223,366	221,091	204,578
Other revenue (primarily interest and dividends)	74,943	72,549	72,298
	418,228	**408,091**	**388,464**
Groups of activities expenditure	378,080	378,615	349,285
Other expenditure	14,416	14,233	12,271
	392,496	**392,848**	**361,556**

3. Income Taxes

(a) Income tax recognised in profit or loss	Parent		Group	
	2008	2007	2008	2007
Tax expense/(income) comprises:	$'000	$'000	$'000	$'000
Current tax expense/(income)	-	-	31,203	30,377
Adjustments recognised in current year in relation to the current tax of prior years	-	-	(260)	61
Deferred tax expense/(income) relating to the origination	-			
and reversal of temporary differences	652	-	5,406	959
Benefit arising from previous unrecognised tax losses of prior years	-	-	(324)	-
Deferred tax expense/(income) relating to changes in tax rates	-	-	(6,967)	(9,627)
Total tax expense/(income)	**652**	**-**	**29,058**	**21,770**



3. Income Taxes (continued)

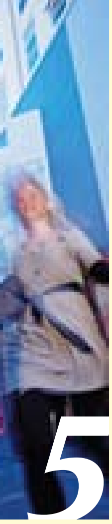
(a) Income tax recognised in profit or loss	Parent		Group	
	2008	2007	2008	2007
Reconciliation of prima facie income tax:	$'000	$'000	$'000	$'000
(Profit)/loss before tax from continuing operations	**40,875**	**38,948**	**123,584**	**117,468**
Income tax expense calculated at 33%	13,489	12,853	40,783	38,764
Non-deductible expenses	-	-	1,427	590
Non-assessable income	-	-	(8,513)	(9,229)
Unused tax losses and tax offsets not recognised as deferred tax assets	-	-	1,042	893
Effect on deferred tax balances due to a change in income tax rate from 33% to 30% (effective 2009 financial year)	-	-	(6,967)	(9,627)
Previously unrecognised and unused tax losses, now recognised as deferred tax assets			(242)	-
Imputation credit adjustment	(13,817)	(14,522)	-	-
Other temporary differences	980	1,669	1,962	297
	652	**-**	**29,492**	**21,688**
(Over)/under provision of income tax in previous year	-	-	(434)	82
	652	**-**	**29,058**	**21,770**

The tax rate used in the above reconciliation is the corporate tax rate of 33% payable by New Zealand companies on taxable profits under New Zealand tax law. There has been no change in the corporate tax rate from the previous year.

The corporate tax rate in New Zealand changed from 33% to 30% with effect from 1 April 2008. This revised rate has no impact on the current tax payable for the 2008 financial year, but does have an impact on future periods and hence the group's deferred tax liability. Adjustments were made in the 2007 financial year group financial statements to reflect the estimated impact of the change in corporate tax rate on the group at that time. The 2008 financial year includes further adjustments subsequently found to be necessary to the group's financial statements on further re-assessment in respect of the impact of the corporate tax rate change.

Last year's parent company losses were subsequently utilised through subvention payments and loss offsets within the Christchurch City Council group. Similarly, the current year losses will be used to reduce group tax payments in the 2008/09 year.

(b) Current tax assets and liabilities	Parent		Group	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Current tax assets:				
Tax refund receivable	-	-	6,144	3,244



Notes to financial statements

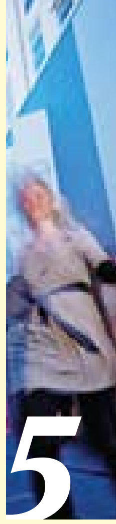
3. Income Taxes (continued)

(c) Deferred tax balances

Taxable and deductible temporary differences arise from the following:

Parent Year ended 30 June 2008	Opening balance	Charged to income	Charged to equity	Closing balance
	$'000	$'000	$'000	$'000
Deferred tax liabilities:				
Cash flow hedges	-	-	45	45
Deferred tax liability on Buildings	7,730	(200)	2,634	10,164
	7,730	**(200)**	**2,679**	**10,209**
Deferred tax assets:				
Tax Losses	852	(852)	-	-
	852	**(852)**	**-**	**-**
Net deferred tax balance	**6,878**	**652**	**2,679**	**10,209**

Parent Year ended 30 June 2007	Opening balance	Charged to income	Charged to equity	Closing balance
	$'000	$'000	$'000	$'000
Deferred tax liabilities:				
Deferred tax liability on Town Hall	8,467	-	(737)	7,730
	8,467	**-**	**(737)**	**7,730**
Deferred tax assets:				
Tax Losses	1,126	-	(274)	852
	1,126	**-**	**(274)**	**852**
Net deferred tax balance	**7,341**	**-**	**(463)**	**6,878**



3. Income Taxes (continued)

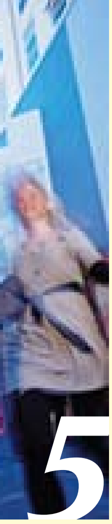
(c) Deferred tax balances

Taxable and deductible temporary differences arise from the following:

Group Year ended 30 June 2008	Opening balance $'000	Charged to income $'000	Charged to equity $'000	Closing balance $'000
Deferred tax liabilities:				
Cash flow hedges	3,438	754	(1,696)	2,496
Property, plant and equipment	297,737	3,274	4,636	305,647
Intangible assets	223	(57)	-	166
Other	6,582	(2,139)	(378)	4,065
	307,980	**1,832**	**2,562**	**312,374**
Deferred tax assets:				
Provisions	2,782	209	-	2,991
Doubtful debts and impairment losses	65	(20)	-	45
Tax Losses	3,662	(3,335)	-	327
Other	1,961	(428)	-	1,533
	8,470	**(3,574)**	**-**	**4,896**
Net deferred tax balance	**299,510**	**5,406**	**2,562**	**307,478**

Group Year ended 30 June 2007	Opening balance $'000	Charged to income $'000	Charged to equity $'000	Closing balance $'000
Deferred tax liabilities:				
Cash flow hedges	1,117	846	1,475	3,438
Property, plant and equipment	220,288	(9,876)	87,325	297,737
Intangible assets	233	(10)	-	223
Other	5,742	462	378	6,582
	227,380	**(8,578)**	**89,178**	**307,980**
Deferred tax assets:				
Provisions	2,856	(80)	6	2,782
Doubtful debts and impairment losses	57	8	-	65
Tax Losses	3,536	126	-	3,662
Other	1,925	36	-	1,961
	8,374	**90**	**6**	**8,470**
Net deferred tax balance	**219,006**	**(8,668)**	**89,172**	**299,510**

Included within the above movements for the year ended 30 June 2007 is a credit to equity of $13.2 million and a credit to the income statement of $9.2 million in respect of an announced reduction in the corporate income tax rate from 33% to 30% effective from the 2009 financial year.



Notes to financial statements

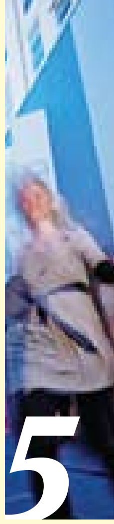
3. Income Taxes (continued)

(d) Unrecognised deferred tax balances	Parent		Group	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
The following tax losses have not been brought to account as assets:				
Tax losses	-	-	3,158	2,706
Tax effect			**1,042**	**893**
Finance lease receivable	**-**	**-**	**227**	**28**

A deferred tax liability has not been recognised on taxable temporary differences relating to undistributed profits of subsidiaries and associates.

(e) Imputation credit account balances	Group	
	2008	2007
	$'000	$'000
Christchurch City Holdings Ltd	67,847	60,521
Vbase Ltd	63	105
Tuam Ltd	40	2
Civic Building Ltd	2	-
	67,952	**60,628**

At balance date the imputation credits available to Council were indirectly available through interests in subsidiaries.



4. Current trade and other receivables

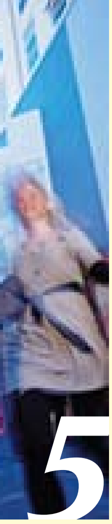
	Parent		Group	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Rates debtors	**8,743**	**6,274**	**8,743**	**6,274**
Trade receivables	19,862	8,744	48,671	41,783
Allowance for doubtful debts (i)	(900)	(339)	(1,168)	(650)
	18,962	**8,405**	**47,503**	**41,133**
Finance lease receivable	**-**	**-**	**330**	**227**
Amounts due from customers under construction contracts	-	-	-	4,468
GST receivable	6,487	2,242	4,873	-
Dividend receivables	6,141	-	540	-
Amounts owing by subsidiaries	254	472	-	-
Interest receivable	3,514	5,285	2,324	4,543
	16,396	**7,999**	**7,737**	**9,011**
	44,101	**22,678**	**64,313**	**56,645**

Debtors and other receivables are non-interest bearing and receipt is normally on 30 day terms, therefore the carrying value of debtors and other receivables approximates their fair value.

No impairment is provided on rates receivables as the Council has various powers under the Local Government (Rating) Act 2002 to recover any outstanding debts.

An allowance has been made for estimated irrecoverable amounts from trade debtors, determined by reference to past default experience. The balance of the movement was recognised in the profit or loss for the current financial year.

Notes to financial statements



5. Other current financial assets

	Parent		Group	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
At fair value:				
Interest rate swaps	105	256	663	292
Currency swaps	-	-	7	-
Interest bearing loans to related parties	-	-	3,632	3,270
	105	**256**	**4,302**	**3,562**
At amortised cost:				
Interest-bearing loans advanced to:				
Subsidiaries	-	1,800	-	-
Foreign currency balance	-	-	11,787	-
Current portion of term investments	61,617	51,491	61,617	51,491
CRFU deposit	-	-	1,102	-
Short term deposits with maturities of 91-365 days	12,000	102,801	19,100	117,884
	73,617	**156,092**	**93,606**	**169,375**
	73,722	**156,348**	**97,908**	**172,937**

As at 30 June 2008 Christchurch International Airport Ltd had an investment in foreign currency of $11.8 million (2007: Nil) to finance offshore purchases for the integrated terminal project, to offset possible currency fluctuations.

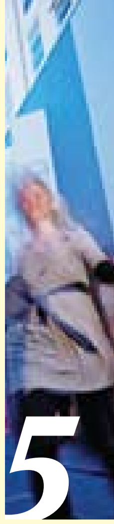
6. Current inventories

	Parent		Group	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Raw materials at cost	-	-	4,570	3,789
Work in progress at cost	-	-	6,824	2,996
Finished goods at cost	1,296	1,316	2,801	3,915
Less: Impairment	-	-	-	(113)
	1,296	**1,316**	**14,195**	**10,587**

Certain inventories are subject to security interests created by retention of title clauses.

7. Other current assets

	Parent		Group	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Prepayments	-	-	2,704	2,878
Contract retentions	-	-	957	930
Other current assets	-	-	4	-
	-	**-**	**3,665**	**3,808**



8. Non-current assets held for sale

	Parent		Group	
	2008	**2007**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
Land held for sale	761	188	761	873
	761	**188**	**761**	**873**

These include assets which have been declared as surplus, and are being actively marketed for sale.

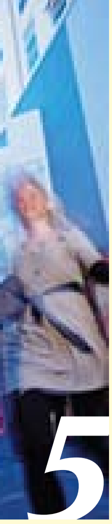
9. Non-current trade and other receivables

	Parent		Group	
	2008	**2007**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
Finance lease receivable	-	-	27,120	25,514
Deferred sale proceeds	3,000	3,000	3,000	3,000
Prepayments	-	-	3,810	-
	3,000	**3,000**	**33,930**	**28,514**

Further information on finance lease receivables is provided in Note 33(d).

10. Non-current inventories

	Group	
	2008	**2007**
	$'000	**$'000**
Maintenance items and other	885	725
Total non-current inventories	**885**	**725**



Notes to financial statements

11. Investments in associates

(a) Investments in associates	Parent		Group	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Balance at start of year	6,196	6,196	37,688	44,053
Share of total recognised revenues and expenses	-	-	(528)	2,173
Dividends from associates	-	-	(2,224)	(1,211)
Share of revaluations - land and buildings	-	-	1,484	2,121
Disposal	-	-	-	(9,448)
Total investments in associates	**6,196**	**6,196**	**36,420**	**37,688**

There is no goodwill included in the carrying value of associates (2007: Nil).

(b) Investments in associates

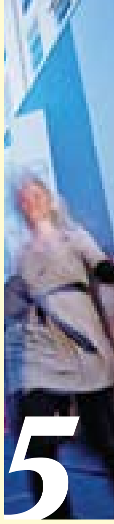
Name of entity	Country of incorporation	Ownership interest 2008	Ownership interest 2007
		%	%
Associates:			
Transwaste Canterbury Ltd - Parent	NZ	39%	39%
Selwyn Plantation Board Ltd - Group	NZ	39%	39%
4rf Communications Ltd - Group	NZ	26%	26%

No public price quotations exist for these investments.

(c) Investments in associates

Summarised financial information of associates:	2008	2007
	Actual	Actual
	$'000	$'000
Current assets	29,285	27,801
Non-current assets	121,346	118,294
	150,631	**146,095**
Current liabilities	14,610	12,858
Non-current liabilities	46,603	41,064
	61,213	**53,922**
Net assets	**89,418**	**92,173**
Revenue	60,299	58,635
Net profit	(774)	3,148

The group has not recognised its 26% share of the accumulated losses relating to 4rf Communications Ltd amounting to $8.8 million. The group has no obligation in respect of these losses. This total includes $0.1 million for 2008 and $0.7 million for 2007. The group's carrying value for this investment was nil in 2008 (2007: Nil).



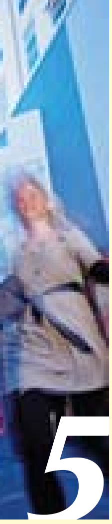
12. Other non-current financial assets

	Parent		Group	
	2008	**2007**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
At fair value:				
Shares in controlled entities (i)	1,430,344	1,210,610	-	-
Shares (ii)	-	-	3,684	9,291
Interest rate swaps	53	131	8,264	15,519
Other - Cash beyond one year	21,000	-	21,000	-
	1,451,397	**1,210,741**	**32,948**	**24,810**
At amortised cost:				
Interest-bearing loans advanced to:				
Subsidiaries (iii)	87,889	55,223	-	-
Endeavour I-Cap	2,410	2,212	2,410	2,212
Capitalised contract set up costs	-	-	896	-
Other - Community, Special & Other Loans (iv)	2,881	3,125	2,881	3,125
	93,180	**60,560**	**6,187**	**5,337**
Investment in NZLGIC	1,617	1,617	1,617	1,617
Theatre Royal	2,300	2,300	2,300	2,300
Stocks and bonds with over 1 year to maturity	63,275	107,278	63,275	107,278
	67,192	**111,195**	**67,192**	**111,195**
	1,611,769	**1,382,496**	**106,327**	**141,342**

(i) The fair value of Council's investments in its subsidiary companies was assessed by independent valuers KPMG, as at 30 June 2006 based on full discounted cash flow or future maintainable earnings.

For the purposes of the 2008 balance sheet, it was considered appropriate to use the fair values brought forward from the previous years, other than in respect of Christchurch City Holdings Ltd, (CCHL), and Vbase Ltd (Christchurch City Facilities Ltd). CCHL's value is based on the value of its equity investments, which increased by $217 million (2007: $43 million) during the year. This increase was caused by revaluations of CCHL's investments in Orion Group Ltd ($69 million) and Christchurch International Airport Ltd. ($151 million), and $9.5 million of additional shares were issued to Christchurch City Networks Ltd. Lyttelton Port Company Ltd's carrying value reduced by $13 million from the 2007 level on the basis of its quoted NZX price. [2007, Lyttelton Port Company Ltd ($31 million) and City Care Ltd ($12 million)].

Additional capital of $0.7 million was advanced to Vbase Ltd, during the year.



12. Other non-current financial assets (continued)

(a) The carrying values of subsidiary companies are as follows:

	Parent	
	2008	2007
	$'000	$'000
Christchurch City Holdings Ltd	1,354,350	1,137,350
Vbase Ltd (2007: Christchurch City Facilities Ltd and Vbase No2 Ltd)	71,500	70,750
Tuam Ltd	2,510	2,510
Civic Building Ltd	1,984	-
	1,430,344	**1,210,610**

(ii) Available for sale shares

These amounts relate to Orion Groups Ltd's investments in Enertech Capital Partners (an offshore venture capital Ltd liability partnership). The Enertech investment has a carrying value of $3.7 million (2007: $5.1 million), and invests in individual high technology and start up type entities. Individual investments remain in the name of the venture capital partnership. The investment held is not publicly traded and is recorded at the directors' estimate of fair value and is revalued annually.

(b) Loans advanced to subsidiaries included:

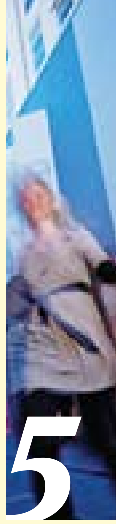
	Parent	
	2008	2007
	$'000	$'000
Loans advanced to subsidiaries included:		
Vbase Ltd (2007: Vbase No.2 Ltd)	42,573	30,723
Jet Engine Facility Ltd	12,550	12,550
Tuam Ltd	13,750	13,750
Civic Building Ltd	19,016	-
	87,889	**57,023**

The prior year figures include the current portion of this loan of $1.8 million, as reported in Note 5.

(iv) The fair value of loans to community organisations such as sports clubs and service organisations is $1.0 million (2007: $1.1 million). These loans are initially recognised at fair value, and subsequently carried at cost. Community loans have been valued at the net present value of expected future repayments, using market interest rates for instruments with a similar maturity profile as the discount factor. The effect of this has been a reduction in the receivable carrying value.

The face value of community loans is $1.4 million (2007: $1.5 million).

Other loans, totalling $1.9 million (2007: $2.0 million), have been advanced to other organisations as bridging finance on conferences, and for other community service purposes.



13. Property, plant and equipment

	Parent		Group	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Operational assets	1,064,014	756,513	3,113,464	2,731,723
Infrastructural assets	2,929,494	2,806,664	2,929,494	2,806,663
Restricted assets	748,915	480,811	748,914	480,812
	4,742,423	**4,043,988**	**6,791,872**	**6,019,198**

(a) Reconciliation of movement in property, plant and equipment

Parent Operational assets	Land & Land Improvements at fair value $'000	Buildings at fair value $'000	Landfill at cost $'000	Library books at cost $'000	Plant & equipment at cost $'000	Work in progress at cost $'000	Total $'000
Gross carrying amount:							
Balance at 1 July 2006	**289,850**	**437,915**	**8,217**	**72,782**	**83,042**	**5,495**	**897,301**
Additions	3,610	6,045	-	4,315	5,941	-	19,911
Disposals	(6,809)	(3,206)	-	(95)	(4,591)	-	(14,701)
Transfers between asset classes	(850)	1,092	-	-	(321)	-	(79)
Movement in WIP	-	-	-	-	-	9,660	9,660
Assets held for resale	(188)	-	-	-	-	-	(188)
Balance at 30 June 2007	**285,613**	**441,846**	**8,217**	**77,002**	**84,071**	**15,155**	**911,904**
Additions	25,216	18,512	-	4,688	7,792	-	56,208
Disposals	(1,641)	(1,167)	-	-	(690)	-	(3,498)
Transfers between asset classes	(90)	(6,867)	-	-	-	-	(6,957)
Net revaluation increments/(decrements)	156,304	74,841	-	-	-	-	231,145
Movement in WIP	-	-	-	-	-	18,347	18,347
Assets held for resale	(573)	-	-	-	-	-	(573)
Balance at 30 June 2008	**464,829**	**527,165**	**8,217**	**81,690**	**91,173**	**33,502**	**1,206,576**
Accumulated depreciation, amortisation and impairment:							
Balance at 1 July 2006	**(993)**	**(12,418)**	**(8,217)**	**(56,740)**	**(54,564)**	**-**	**(132,932)**
Disposals	-	394	-	95	3,440	-	3,929
Depreciation expense	(1,070)	(12,961)	-	(4,884)	(7,234)	-	(26,149)
Transfers between asset classes	-	(275)	-	-	36	-	(239)
Balance at 30 June 2007	**(2,063)**	**(25,260)**	**(8,217)**	**(61,529)**	**(58,322)**	**-**	**(155,391)**
Disposals	3	408	-	-	464	-	875
Net revaluation increments/(decrements)	792	38,195	-	-	-	-	38,987
Depreciation expense	(1,136)	(13,714)	-	(4,616)	(7,938)	-	(27,404)
Transfers between asset classes		371	-	-	-	-	371
Balance at 30 June 2008	**(2,404)**	**-**	**(8,217)**	**(66,145)**	**(65,796)**	**-**	**(142,562)**
Net book value at 30 June 2007	**283,550**	**416,586**	**-**	**15,473**	**25,749**	**15,155**	**756,513**
Net book value at 30 June 2008	**462,425**	**527,165**	**-**	**15,545**	**25,377**	**33,502**	**1,064,014**

Notes to financial statements

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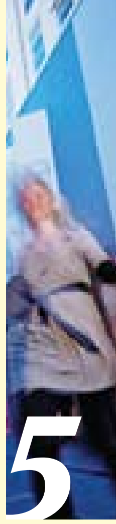
13. Property, plant and equipment (continued)

(b) Reconciliation of movement in property, plant and equipment

Group Operational assets	Land & Land Improvements at fair value $'000	Buildings at fair value $'000	Plant & equipment at cost $'000	Electricity distribution system at fair value $'000	Specialised assets at cost $'000	Landfill at cost $'000	Work in progress at cost $'000	Total $'000
Gross carrying amount:								
Balance at 1 July 2006	**521,101**	**722,494**	**309,228**	**718,471**	**229,640**	**8,217**	**34,254**	**2,543,405**
Additions	3,733	23,354	25,365	30,708	10,675	-	-	93,835
Disposals	(6,809)	(3,206)	(9,457)	(1,065)	(153)	-	-	(20,690)
Transfers between asset classes	(8,583)	(12,483)	(6,851)	-	27,838	-	-	(79)
Net revaluation increments/(decrements)	201,094	22,821	-	104,348	58,633	-	-	386,896
Movement in WIP	-	-	-	-	-	-	12,742	12,742
Assets held for resale	(188)	-	-	-	-	-	-	(188)
Balance at 30 June 2007	**710,348**	**752,980**	**318,285**	**852,462**	**326,633**	**8,217**	**46,996**	**3,015,921**
Additions	31,348	43,090	36,180	43,875	20,653	-	-	175,146
Disposals	(1,861)	(1,888)	(8,608)	(839)	(47)	-	-	(13,243)
Transfers between asset classes	(90)	(6,865)	-	-	145	-	(145)	(6,955)
Net revaluation increments/(decrements)	165,718	70,772	-	-	(1,102)	-	-	235,388
Movement in WIP	-	-	-	-	-	-	44,908	44,908
Assets held for resale	(573)	-	-	-	-	-	-	(573)
Balance at 30 June 2008	**904,890**	**858,089**	**345,857**	**895,498**	**346,282**	**8,217**	**91,759**	**3,450,592**
Accumulated depreciation, amortisation and impairment:								
Balance at 1 July 2006	**(996)**	**(79,647)**	**(146,548)**	**(45,196)**	**(73,362)**	**(8,217)**	**-**	**(353,966)**
Disposals	-	394	6,188	82	147	-	-	6,811
Net revaluation increments/(decrements)	-	70,158	-	68,672	12,606	-	-	151,436
Impairment losses charged to profit	(10)	(385)	(669)	(8)	-	-	-	(1,072)
Depreciation expense	(1,070)	(28,223)	(19,876)	(23,596)	(14,403)	-	-	(87,168)
Transfers between asset classes	-	264	3,260	-	(3,763)	-	-	(239)
Balance at 30 June 2007	**(2,076)**	**(37,439)**	**(157,645)**	**(46)**	**(78,775)**	**(8,217)**	**-**	**(284,198)**
Disposals	3	408	6,812	17	40	-	-	7,280
Net revaluation increments/(decrements)	791	39,083	-	-	83	-	-	39,957
Impairment losses charged to profit	-	-	14	-	-	-	-	14
Depreciation expense	(1,138)	(29,350)	(25,501)	(29,496)	(15,067)	-	-	(100,552)
Transfers between asset classes	-	371	-	-	-	-	-	371
Accumulated depreciation, amortisation and impairment:	**(2,420)**	**(26,927)**	**(176,320)**	**(29,525)**	**(93,719)**	**(8,217)**	**-**	**(337,128)**
Net book value at 30 June 2007	**708,272**	**715,541**	**160,640**	**852,416**	**247,858**	**-**	**46,996**	**2,731,723**
Net book value at 30 June 2008	**902,470**	**831,162**	**169,537**	**865,973**	**252,563**	**-**	**91,759**	**3,113,464**

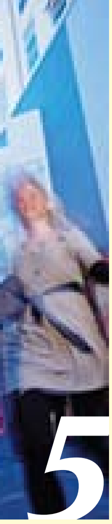
"Specialised assets" = finance lease assets, airport sealed surfaces, harbour structures and other specialised assets



13. Property, plant and equipment (continued)

(c) Reconciliation of movement in property, plant and equipment

Parent and Group Infrastructural assets	Roading network at fair value $'000	Sewerage system at fair value $'000	Water system at fair value $'000	Stormwater system at fair value $'000	Work in progress at cost $'000	Total $'000
Gross carrying amount:						
Balance at 1 July 2006	**1,300,937**	**573,848**	**271,578**	**257,033**	**43,060**	**2,446,456**
Additions	44,593	11,083	7,919	8,080	-	71,675
Disposals	(4,867)	(563)	(1,110)	-	-	(6,540)
Net revaluation increments/(decrements)	168,037	42,724	50,375	-	-	261,136
Transfers between asset classes	1,004	72	105	-	-	1,181
Movement in WIP	-	-	-	-	50,983	50,983
Part disposal of acquired busines - LPC	-	-	-	-	-	-
Balance at 30 June 2007	**1,509,704**	**627,164**	**328,867**	**265,113**	**94,043**	**2,824,891**
Additions	50,028	22,679	9,229	10,429	-	92,365
Disposals	(4,240)	(119)	(684)	-	-	(5,043)
Transfers between asset classes	90	3,700	3,165	-	-	6,955
Net revaluation increments/(decrements)	-	-	-	61,414	-	61,414
Movement in WIP	-	-	-	-	15,300	15,300
Balance at 30 June 2008	**1,555,582**	**653,424**	**340,577**	**336,956**	**109,343**	**2,995,882**
Accumulated depreciation, amortisation and impairment:						
Balance at 1 July 2006	**(46,172)**	**(26,754)**	**(11,771)**	**(3,413)**	**-**	**(88,110)**
Disposals	1,429	42	160	-	-	1,631
Net revaluation increments/(decrements)	71,535	26,754	17,761	-	-	116,050
Depreciation expense	(25,922)	(11,403)	(6,090)	(3,407)	-	(46,822)
Transfers between asset classes	(870)	(46)	(60)	-	-	(976)
Balance at 30 June 2007	**-**	**(11,407)**	**-**	**(6,820)**	**-**	**(18,227)**
Disposals	1,192	10	117	-	-	1,319
Net revaluation increments/(decrements)	-	-	-	10,278	-	10,278
Depreciation expense	(36,632)	(11,806)	(7,491)	(3,458)	-	(59,387)
Transfers between asset classes	-	(6)	(365)	-	-	(371)
Balance at 30 June 2008	**(35,440)**	**(23,209)**	**(7,739)**	**-**	**-**	**(66,388)**
Net book value at 30 June 2007	**1,509,704**	**615,757**	**328,867**	**258,293**	**94,043**	**2,806,664**
Net book value at 30 June 2008	**1,520,142**	**630,215**	**332,838**	**336,956**	**109,343**	**2,929,494**

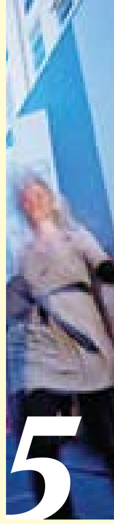


Notes to financial statements

13. Property, plant and equipment (continued)

(d) Reconciliation of movement in property, plant and equipment

Parent and Group Restricted assets	Restricted land & buildings at fair value $'000	Artworks at fair value $'000	Heritage assets at fair value $'000	Library books at cost $'000	Work in progress at cost $'000	Total $'000
Gross carrying amount:						
Balance at 1 July 2006	**395,916**	**48,862**	**15,838**	**5,220**	**1,124**	**466,960**
Additions	18,088	354	97	138	-	18,677
Disposals	(20)	-	-	-	-	(20)
Net revaluation increments/(decrements)	-	-	2,334	-	-	2,334
Transfers between asset classes	290	(1)	-	-	-	289
Movement in WIP	-	-	-	-	1,268	1,268
Balance at 30 June 2007	**414,274**	**49,215**	**18,268**	**5,358**	**2,392**	**489,507**
Additions	28,746	408	160	171	-	29,485
Disposals	(8)	-	-	-	-	(8)
Net revaluation increments/(decrements)	220,883	20,815	-	-	-	241,698
Movement in WIP	-	-	-	-	140	140
Balance at 30 June 2008	**663,895**	**70,438**	**18,428**	**5,529**	**2,532**	**760,822**
Accumulated depreciation, amortisation and impairment:						
Balance at 1 July 2006	**(4,224)**	**(144)**	**(69)**	**-**	**-**	**(4,437)**
Net revaluation increments/(decrements)	-	-	73	-	-	73
Depreciation expense	(4,211)	(50)	(35)	-	-	(4,296)
Transfers between asset classes	(35)	-	-	-	-	(35)
Balance at 30 June 2007	**(8,470)**	**(194)**	**(31)**	**-**	**-**	**(8,695)**
Net revaluation increments/(decrements)	910	245	-	-	-	1,155
Depreciation expense	(4,281)	(51)	(35)	-	-	(4,367)
Balance at 30 June 2008	**(11,841)**	**-**	**(66)**	**-**	**-**	**(11,907)**
Net book value at 30 June 2007	**405,804**	**49,021**	**18,238**	**5,358**	**2,392**	**480,812**
Net book value at 30 June 2008	**652,054**	**70,438**	**18,363**	**5,529**	**2,532**	**748,915**



13. Property, plant and equipment (continued)

Deemed cost approach on NZ IFRS Adoption

The consolidated entity elected to take the deemed cost approach on adoption of NZ IFRS. This approach has utilised the fair value determined for each asset category at its most recent valuation and then adjusted for subsequent additions at cost, disposals and depreciation to determine deemed cost at the date of IFRS adoption.

Revaluations and impairment review

Those asset classes that are revalued are valued on a three yearly valuation cycle on the basis described below. All other asset classes are carried at depreciated historical cost. The carrying values of revalued items are reviewed at each balance date to ensure that those values are not materially different to fair value.

Parent

Land and buildings were revalued by Good Earth Matters Consulting Ltd at 30 June 2008 to a fair value of $1.564 billion (operational assets $974 million and restricted assets $590 million).

In addition, operational land and land improvements and restricted land and buildings include Park and Open Space assets. These were last valued by Maunsell Ltd at 1 July 2005 to a fair value of $55.5 million using the optimised depreciated replacement cost method .

Stormwater, Waterways and Wetlands infrastructure assets were revalued by GHD Ltd at 30 June 2008 to a fair value of $453.2 million using the optimised depreciated replacement cost method.

Works of art have been valued at a fair value of $70.4 million as at 30 June 2008 by Art + Object Ltd. The fair value is assessed as the estimated market value.

Roading assets were revalued by Maunsell Ltd at 30 June 2007 to a fair value of $1.1 billion using the optimised depreciated replacement cost method. In addition, the roading class of assets includes $404 million of land under roads which has not been revalued. Council's policy is not to revalue these assets.

Water reticulation infrastructure assets were revalued by Maunsell Ltd at 30 June 2007 to a fair value of $310 million using the optimised depreciated replacement cost method.

Sewerage infrastructure assets were revalued by GHD Ltd at 1 July 2006 to a fair value of $617.8 million using the optimised depreciated replacement cost method.

Heritage assets were valued at depreciated reproduction cost at 1 July 2006 of $18.3 million by Plant and Machinery Valuers Ltd.

Group

Each member of the group has revalued their assets in accordance with group policy. The material revaluations are detailed below.

Orion Group Ltd

The company's electricity distribution network and substation buildings were revalued at 31 March 2007 to a fair value of $854 million by Ms Lynne Taylor, a former director, and Mr Craig Rice, a partner of independent valuers, PricewaterhouseCoopers. The valuations were undertaken on an optimised depreciated replacement cost basis.

The company's land and other buildings, were revalued to $51.5 million as at 31 March 2007 by independent valuer Mr Marius Ogg of CB Richard Ellis Ltd.

In accordance with NZ IAS 36, the company, assisted by PricewaterhouseCoopers and CB Richard Ellis Ltd, undertook a review to determine whether the carrying values of any items of property, plant and equipment might be impaired. Other than for a minor write-down of both land assets and building assets, both against revaluation reserves, the company does not believe that any such carrying values are materially impaired at 31 March 2008.

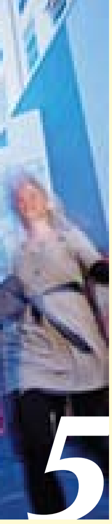
Christchurch International Airport Ltd

Christchurch International Airport Ltd's land, terminal facilities, buildings, sealed surfaces, infrastructure and car parking assets were revalued by independent valuers Seagar & Partners (land, buildings and car park) and Opus International Ltd (terminal facilities, sealed surfaces and infrastructure assets) as at 30 June 2007. These assets were reviewed for impairment as at 30 June 2008 by the independent valuers. No adjustment for impairment was considered necessary.

Lyttelton Port Company Ltd

Lyttelton Port Company Ltd revalued their land, certain buildings and certain harbour structures as at 30 June 2005 in preparation for the transition to NZ IFRS. The valuation was determined by HG Livingstone Ltd, in conjunction with DTZ New Zealand Ltd, both registered valuers, and was based on highest and best use or, where this could not be established, depreciated replacement cost. During the course of the year the company reviewed the useful economic lives of its major items of property, plant and equipment. As a consequence of this review, the useful lives of a number of these assets were reduced.

Notes to financial statements



14. Investment Property

	Parent		Group	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Balance at beginning of financial year	-	-	77,689	70,187
Additional capitalised expenditure	-	-	-	3,279
Net gain/(loss) from fair value adjustments	-	-	3,530	4,223
Balance at end of financial year	**-**	**-**	**81,219**	**77,689**

Group

Orion Group Ltd

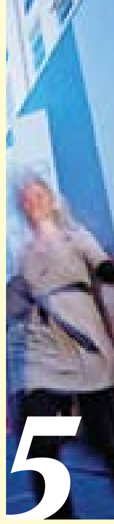
The company's investment property was valued by independent registered valuer Mr Marius Ogg of CB Richard Ellis Ltd as at 31 March 2008. Mr Ogg is a senior member of the Property Institute of New Zealand and is a director of CB Richard Ellis Ltd.

The valuations were performed to assess fair value in accordance with NZ IAS 40. Various valuation approaches were undertaken relating closely to appropriate market evidence.

Christchurch International Airport Ltd

The valuation as at 30 June 2008 was completed by Seagar and Partners, registered valuers and member of the New Zealand Property Institute.

The basis of valuation is fair value being the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion.



15. Goodwill

	Parent		Group	
	2008	**2007**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
Gross carrying amount:				
Balance at beginning of financial year	-	-	10,323	9,748
Additional amounts recognised from business combinations	-	-	1,363	575
Balance at end of financial year	**-**	**-**	**11,686**	**10,323**
Accumulated impairment losses:				
Balance at beginning of financial year	-	-	(480)	(480)
Impairment losses for the period	-	-	(978)	-
Balance at end of financial year	**-**	**-**	**(1,458)**	**(480)**
Net book value:				
At the beginning of the financial year	**-**	**-**	**9,843**	**9,268**
At the end of the financial year	**-**	**-**	**10,228**	**9,843**

During the year, the group assessed the recoverable amount of goodwill which arises from consolidation of the group's results and position, and determined that there had been impairment charges of $978k .These impairment charges were mainly due to the impairment of the Vbase Ltd goodwill. The goodwill was impaired during the amalgamation of Christchurch City Facilities Ltd and Vbase No2 Ltd (see page 163 for further information.)

The carrying amount of goodwill allocated to Council's subsidiaries (each of which is considered a cash-generating unit for the purposes of goodwill impairment testing) is as follows:

(a) Amount of goodwill allocated to cash-generating units

	Group	
	2008	**2007**
	$000's	**$000's**
Christchurch City Holdings Ltd	10,228	8,942
Vbase Ltd	-	901
	10,228	**9,843**

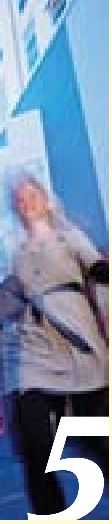
Goodwill on consolidation in respect of the above companies is not considered to be impaired for the following reasons:

Group

Christchurch City Holdings Ltd's goodwill is due to its investments in Lyttelton Port Company Ltd and City Care Ltd

A report was commissioned from independent valuers, KPMG, confirmed that there were no factors indicating any material impairment in the carrying values brought forward from the previous year .

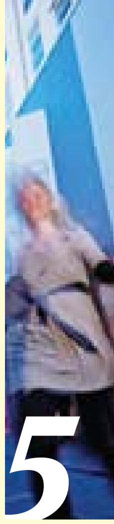
The investment in Lyttelton Port Company Ltd was revalued at 30 June 2008 on the basis of its quoted NZX price. While the carrying value reduced by $13 million from the 2007 level, the market capitalisation of this company significantly exceeds its original acquisition value.



16. Other intangible assets

Parent	Software and Other $'000
Gross carrying amount:	
Balance at 1 July 2006	8,623
Additions	524
Balance at 30 June 2007	**9,147**
Additions	11,644
Balance at 30 June 2008	**20,791**
Accumulated amortisation and impairment:	
Balance at 1 July 2006	(4,008)
Amortisation expense	(1,119)
Balance at 30 June 2007	**(5,127)**
Amortisation expense	(1,701)
Balance at 30 June 2008	**(6,828)**
Net book value at 30 June 2007	**4,020**
Net book value at 30 June 2008	**13,963**

Group	Software and Other $'000
Gross carrying amount:	
Balance at 1 July 2006	25,692
Additions	2,424
Disposals or classified as held for sale	(138)
Balance at 30 June 2007	**27,978**
Additions	15,528
Disposals	(1,577)
Balance at 30 June 2008	**41,929**
Accumulated amortisation and impairment:	
Balance at 1 July 2006	(15,430)
Amortisation expense	(3,167)
Disposals or classified as held for sale	78
Balance at 30 June 2007	**(18,519)**
Amortisation expense	(4,074)
Disposals	1,486
Balance at 30 June 2008	**(21,107)**
Net book value at 30 June 2007	**9,459**
Net book value at 30 June 2008	**20,822**



17. Current Trade and Other Payables

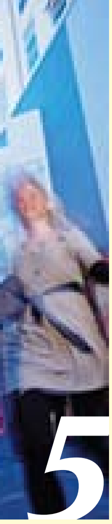
	Parent		Group	
	2008	**2007**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
Trade payables	54,802	47,503	97,521	84,810
Amounts due to customers under construction contracts	-	-	-	1,343
GST payable	-	-	-	1,012
Owing to subsidiaries	5,927	1,465	-	-
Other current payables	-	-	8,656	11,986
	60,729	**48,968**	**106,177**	**99,151**

18. Current Borrowings

	Parent		Group	
	2008	**2007**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
Unsecured:				
Loans from subsidiaries	2,013	1,800	-	-
Current portion of term debt	19	658	64,821	65,658
Bonds and floating rate notes	-	-	50,000	-
Commercial paper	-	-	24,864	26,472
	2,032	**2,458**	**139,685**	**92,130**
Secured:				
Finance lease liabilities	-	-	411	241
Bank loans	-	-	33	1,053
	-	**-**	**444**	**1,294**
	2,032	**2,458**	**140,129**	**93,424**

19. Other Current Financial Liabilities

	Parent		Group	
	2008	**2007**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
At fair value:				
Foreign currency forward contracts	-	-	228	3,294
Interest rate swaps	-	-	-	84
	-	**-**	**228**	**3,378**



20. Current Provisions

	Parent		Group	
	2008	**2007**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
Employee benefits	12,251	11,748	32,973	24,704
Restructuring and termination costs	-	-	-	47
Landfill aftercare	1,347	1,964	1,347	1,963
Purchase provision	-	-	-	130
Other - Weathertight Homes	400	-	400	-
	13,998	**13,712**	**34,720**	**26,844**

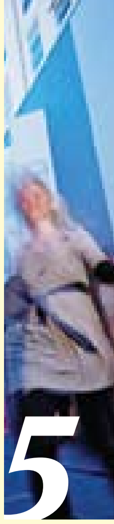
See Note 24 Non-current Provisions for additional detail.

21. Other Current Liabilities

	Parent		Group	
	2008	**2007**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
Deferred income	-	-	1,076	1,006
Revenue in advance	-	-	4,170	2,933
	-	**-**	**5,246**	**3,939**

22. Non-Current Borrowings

	Parent		Group	
	2008	**2007**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
Unsecured:				
Loans from:				
Subsidiaries	83,081	85,220	-	-
Other external parties	-	-	154,769	135,011
Bonds and floating rate notes	-	-	144,000	193,766
Redeemable preference shares	-	-	14,402	-
	83,081	**85,220**	**313,171**	**328,777**
Secured:				
Bank loans	34,673	-	41,373	7,955
Finance lease liabilities	-	-	1,779	1,356
Loans	80	-	80	-
	34,753	**-**	**43,232**	**9,311**
Total non-current borrowings	**117,834**	**85,220**	**356,403**	**338,088**



22. Non-Current Borrowings (continued)

Parent

The Council's term loans are secured over the city's rates. The average effective interest rate on borrowings was 7.13% (2007: 6.48%).

Group

Details of the material borrowings are as follows:

CCHL's non-current borrowings at 30 June 2008 comprised bonds in five tranches ranging from $7 million to $70 million. These borrowings mature at various intervals until June 2016. Coupon rates are between 6.21% and 8.27%. The borrowings were put in place under a $350 million debt issuance programme. The company has entered into derivative contracts to hedge its exposure to interest rate fluctuations. The borrowings are unsecured but the loan documentation imposes certain covenants and restrictions on CCHL.

Orion Group Ltd's bank debt of $43.0 million (2007: $38.3 million) is unsecured against the company but a deed of negative pledge requires the company to comply with certain covenants. The facility matures on 25 August 2008 and may be extended for a further 2 years at the option of Orion New Zealand Ltd. Interest rates are floating based on bank bill rates plus a margin. The average rate for the year to March was 8.95%, (2007: 7.93%). The company has entered into derivative contracts to hedge its exposure to interest rate fluctuations. All borrowings are in $NZ.

Christchurch International Airport Ltd has a $250 million funding facility with four banks to fund the ongoing business and the proposed terminal development, plus an overdraft facility of $1 million. (2007: $250 million funding facility and $1.0 million overdraft facility). All borrowings are unsecured and supported by a negative pledge. Interest rates ranged from 7.07% to 7.84%.(2007: 7.02% to 7.64%).

Lyttelton Port Company Ltd has raised term advances under a multi-currency facility agreement. The facility is in two tranches of $95 million and $55 million each with renewal dates of 1 July 2011 and 30 June 2009 respectively. (2007: two tranches of $55 million with renewal dates of 30 June 2008 and 30 June 2009). All borrowings are unsecured and supported by a negative pledge.

23. Other Non-Current Financial Liabilities

	Parent		Group	
	2008	**2007**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
At fair value:				
Interest rate swaps	131	411	325	1,135
Contract retentions	-	-	36	-
	131	**411**	**361**	**1,135**

24. Non-Current Provisions

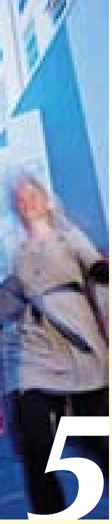
	Parent		Group	
	2008	**2007**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
Employee benefits	6,225	6,485	7,280	7,513
Landfill aftercare	11,850	14,126	11,850	14,126
Purchase provision	-	-	-	341
Weathertight homes	400	800	400	800
	18,475	**21,411**	**19,530**	**22,780**

Employee benefits

The provision for long service leave is an actuarial assessment of entitlements that may become due to employees in the future. The provision is affected by a number of estimates, including the expected length of service of employees and the timing of benefits being taken. Most of the liability is expected to be incurred over the next 5 years.

Landfill aftercare

In previous years Council operated several landfills. Council has responsibility under the resource consents to provide ongoing maintenance and monitoring of these landfills after the sites are closed. There are closure and post-closure responsibilities such as the following:



24. Non-Current Provisions (continued)

Closure responsibilities:

- final cover application and vegetation;
- incremental drainage control features;
- completing facilities for leachate collection and monitoring;
- completing facilities for water quality monitoring; and
- 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; and
- 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 $13.2 million.

The Council participates in the regional waste disposal joint venture run by Transwaste Canterbury Ltd 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 Ltd is 38.9%.

(a)	Parent		Group	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Landfill aftercare provision				
Balance at beginning of financial year	16,090	19,125	16,090	19,125
Additional / (reduction of) provision made	(1,426)	(1,320)	(1,426)	(1,320)
Amount utilised	(1,467)	(1,715)	(1,467)	(1,715)
	13,197	**16,090**	**13,197**	**16,090**
Non-current portion	11,850	14,126	11,850	14,126
Current portion	1,347	1,964	1,347	1,964
	13,197	**16,090**	**13,197**	**16,090**

Weathertight Homes

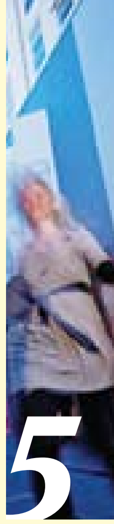
The Council through its insurers is processing a number of weathertight (leaky) home claims. Provision has been made for the estimated cost of known claims based on the average actual settlement costs. The provision this year has been split between Current and Non-current provisions. A contingent liability also exists for future claims which may be made through to the cut-off date in 2015.

25. Other Non-Current Liabilities

	Parent		Group	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Deferred government grants	-	-	-	219
Deferred income	-	-	7,183	7,969
Deferred purchase consideration	-	-	235	-
Other	-	-	661	826
	-	**-**	**8,079**	**9,014**

Deferred income

On 11 September 2002 Lyttelton Port Company Ltd entered into a 15-year coal handling agreement with Solid Energy New Zealand Ltd which provided for the company to receive a $13 million prepayment of agreement charges. Should Lyttelton Port Company fail to meet its material obligations in respect of the agreement and Solid Energy exercises its right of termination then the company would be required to repay to Solid Energy a proportion of the value of its agreement charge prepayment up to a maximum of $13 million. Deferred lease income received is recognised in the Income Statement on a straight line basis over the 15 year term of the agreement.



26. Rates Remissions

	Parent		Group	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Community Service	95	46	95	46
Cultural	286	238	286	238
Housing	1,025	1,087	1,025	1,087
Church	103	112	103	112
Maori Land	3	-	3	-
Recreation & Sport	780	759	780	759
	2,292	**2,242**	**2,292**	**2,242**

Rates remissions are expensed when granted.

27. Major Budget Variations

Income Statement

	2008 $'000	
Explanations for major variances from the Council's Plan figures are as follows:		
Revenue:		
Higher than plan Rates revenue	2,275	
Higher than planned Rental Income	2,086	
Interest received lower than plan	(1,591)	
Development Contributions: higher to plan	5,318	
Subvention Payments Received / (Paid): higher to plan*	3,871	*Net
Dividends Received : lower than planned*	(1,563)	2,308
Land Transport New Zealand subsidies: lower to plan	(8,946)	
Sundry (incl rates penalties) : higher to plan	4,510	
Other Gains (refer Note 2b)	4,422	
Other Revenue	(245)	
Revenue Favourable to plan	**10,137**	
Expenditure:		
Depreciation and amortisation: lower than plan	2,739	
Finance costs : lower due to lower volume of Capital works	(3,946)	
Employee costs higher than plan	5,176	
Other Expenses	(4,602)	
Lower than budgeted Grants and Levies paid	(813)	
Other Losses (refer Note 2b)	1,094	
Expenditure Unfavourable to plan	**(352)**	
Movement in Vested Assets	**(7,661)**	
Total Net Surplus Variance to Plan	**2,828**	

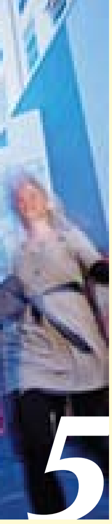
* The net benefit from dividends and tax loss offsets from subsidiaries and associates was $2.5 million higher than planned. Dividends from CCHL were as planned ($34 million), but were received as cash dividends $32.6 million and tax subvention credits $3.9 million

Statement of Changes in Equity

Revaluations of land and buildings and investments in subsidiaries were each higher than planned resulting in a greater than expected change to equity.

Balance Sheet

Net assets were $1.1 billion higher than planned primarily as a result of the revaluations noted above.



Notes to financial statements

28. Vested Assets

	Parent		Group	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Restricted land and buildings	3,329	3,685	3,329	3,685
Infrastructure assets	11,706	8,189	11,706	8,189
Other	108	166	108	166
	15,143	**12,040**	**15,143**	**12,040**

29. Reserves

Parent

	Reserve Funds $'000	Asset revaln $'000	Hedging $'000	Capital reserves $'000	Total $'000
Balance at 01 July 2006	**318,890**	**1,419,114**	**(24)**	**1,733,853**	**3,471,833**
Gain/(loss) on property revaluation	-	379,423	-	-	379,423
Investments valuation gain/(loss)	-	44,409	-	-	44,409
Income tax on items taken directly to equity	-	737	-	-	737
Net income recognised directly in equity	**-**	**424,569**	**-**	**-**	**424,569**
Total recognised income and expense for the period	-	424,569	-	-	424,569
Transfers (to) from retained earnings	(78,994)	-	-	-	(78,994)
Balance at 30 June 2007	**239,896**	**1,843,683**	**(24)**	**1,733,853**	**3,817,408**
Gain/(loss) on property revaluation	-	584,677	-	-	584,677
Realised gain on disposal of PPE	-	(419)	-	-	(419)
Investment Revaluation gain/ (loss)	-	217,000	-	-	217,000
Investments valuation gain/(loss)	-	(2,634)	(45)	-	(2,679)
Cash flow hedges gain/(loss) taken to equity	-	-	37	-	37
Other	(290)	-	-	-	(290)
Net income recognised directly in equity	**(290)**	**798,624**	**(8)**	**-**	**798,326**
Total recognised income and expense for the period	(290)	798,624	(8)	-	798,326
Transfers (to) from retained earnings	(53,521)	-	-	-	(53,521)
Balance at 30 June 2008	**186,085**	**2,642,307**	**(32)**	**1,733,853**	**4,562,213**

Reserve Funds

These include special funds and reserve funds, some of which are restricted by legislation or Council resolution.

Asset Revaluation Reserves

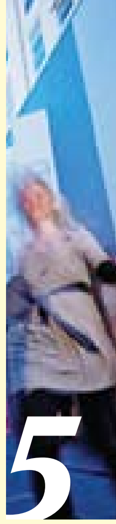
These include revaluations of property, plant and equipment and investments in subsidiary companies.

Capital Reserve

This reserve represents ratepayers' equity assumed upon amalgamation of several councils in 1989.

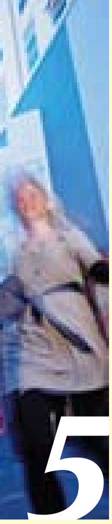
Hedging Reserve

The hedging reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges.



29. Reserves (continued)

Group	Reserve Funds $'000	Asset revaln $'000	Hedging $'000	Capital reserves $'000	Foreign currency translation $'000	Available for sale revaln $'000	Total $'000
Balance at 01 July 2006	**319,842**	**458,837**	**2,299**	**1,733,853**	**120**	**(91)**	**2,514,860**
Gain/(loss) on property revaluation	-	816,567	-	-	-	-	816,567
Investments valuation gain/(loss)	-	-	-	-	-	2,903	2,903
Cash flow hedges gain/(loss) taken to equity	-	-	7,576	-	-	-	7,576
Share of increment in reserves attributable to associates	-	2,121	-	-	-	-	2,121
Net gain/(loss) on hedge of net investment in foreign operation taken to equity	-	-	-	-	(3,454)	-	(3,454)
Income tax on items taken directly to or transferred from equity	-	(76,350)	(1,475)	-	-	-	(77,825)
Net income recognised directly in equity	**-**	**742,338**	**6,101**	**-**	**(3,454)**	**2,903**	**747,888**
Total recognised income and expense for the period	-	742,338	6,101	-	(3,454)	2,903	747,888
Transfer (to) / from retained earnings	(78,994)	-	-	-	-	-	(78,994)
Balance at 30 June 2007	**240,848**	**1,201,175**	**8,400**	**1,733,853**	**(3,334)**	**2,812**	**3,183,754**
Gain/(loss) on property revaluation	-	589,890	-	-	-	-	589,890
Realised gain on disposal of PPE	-	(342)	-	-	-	-	(342)
Income Tax on items taken directly to or transferred from equity	-	(4,320)	1,043		58	337	(2,882)
Change on Corporate on Deferred tax liability	-	(6,967)	-	-	-	-	(6,967)
Cash flow hedges gain/(loss) taken to equity	-	-	(4,669)	-	-	-	(4,669)
Transferred to Profit & loss on sale	-	-	-	-	-	(2,500)	(2,500)
Share of increment in reserves attributable to associates	-	1,484	-	-	-	-	1,484
Translation of foreign operations exchange differences, taken to equity	-	-	-	-	(193)	-	(193)
Impairment Losses	-	(220)	-	-	-	-	(220)
Transfers and others	(1,242)	1,645	(706)	-	1,144	(649)	192
Net income recognised directly in equity	**(1,242)**	**581,170**	**(4,332)**	**-**	**1,009**	**(2,812)**	**573,793**
Available for sale investments:							
Transferred to profit or loss on sale							
Total recognised income and expense for the period	(1,242)	581,170	(4,332)	-	1,009	(2,812)	573,793
Transfer (to) / from retained earnings	(53,521)	-	-	-	-	-	(53,521)
Balance at 30 June 2008	**186,085**	**1,782,345**	**4,068**	**1,733,853**	**(2,325)**	**-**	**3,704,026**



Notes to financial statements

30. Minority Interests

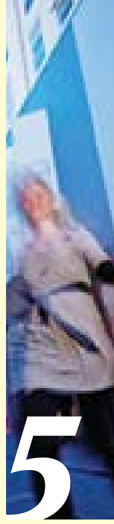
	Group	
	2008	2007
	$'000	$'000
Orion Group Ltd	74,641	72,824
Christchurch International Airport Ltd	140,818	140,049
Lyttelton Port Company Ltd	32,129	31,850
	247,588	**244,723**

31. Commitments for Expenditure

	Parent		Group	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Capital expenditure commitments:				
Plant and equipment	49,576	99,029	60,952	122,496
Electricity distribution network	-	-	9,075	10,831
Other	-	-	4,745	490
Lease commitments:				
See Lease note				
Other expenditure commitments:				
Other operating commitments	16,901	10,036	16,901	10,036

32. Contingent Liabilities and Contingent Assets

	Parent		Group	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Contingent liabilities:				
Uncalled capital in Christchurch City Holdings Ltd	488,999	488,999	-	-
Uncalled capital in Tuam Ltd	7,000	15,000	-	-
Uncalled capital in Transwaste Canterbury Ltd	1,556	1,514	1,556	1,514
Uncalled capital in Civic Building Ltd	10,000	-	-	-
Adjudication proceedings (IRD) 1.	-	12,789	-	12,789
Professional Indemnity Weathertight Homes insurance claims 2.	1,802	1,764	1,802	1,764
Other Professional Indemnity insurance claims	200	200	200	200
Construction Contract Claim 3.	3,800	-	3,800	-
Additional funding AMI Stadium 4.	20,000	-	20,000	-
Performance Bonds - City Care Ltd	-	-	7,740	5,790
Performance Bonds - Red Bus Ltd	-	-	1,080	1,130
Performance Bonds - Orion Group Ltd	-	-	250	290
Contingent assets:				
Vested assets - Nurses Chapel (at valuation)	440	440	440	440



32. Contingent Liabilities and Contingent Assets (continued)

1. The Council's dispute with the Inland Revenue Department over the availability of income tax deductions for donations was resolved in the Council's favour.

2. The Council through its insurers is processing a number of weather-tight home claims, and provision has been made within the accounts for the estimated cost of known claims. A further liability exists for future claims which may be made through to the cut-off date in 2015. This liability has been calculated based on the average claims settled each year. No adjustment has been made for inflation or for the net present value.

3. An extras claim has been made by a contractor for additional costs incurred on a construction project. This claim is being disputed.

4. When funding of $40 million was approved by Council for the Deans Stand at AMI Stadium there was an expectation that an additional $20 million would be funded by other entities. This is now less certain and in the event of Vbase Ltd being unable to secure other funding the Council will be called upon to meet the shortfall.

5. The Council is a participating employer in the National Provident Fund's Defined Benefit Plan Contributors Scheme (the 'Scheme'), which is a multi-employer defined benefit scheme. As at 31 March 2007, the Scheme had a past service surplus of $33.7 million (11.4% of the liabilities). This amount is exclusive of specified superannuation contribution withholding tax. This surplus was calculated by the actuary to the Scheme using a discount rate equal to the expected return on the assets, but otherwise the assumptions and methodology were consistent with the requirements of NZ IAS 19. The actuary to the Scheme has recommended the employer contribution continues at 2.0 times contributors' contributions at present. The 2.0 times is inclusive of specified superannuation contribution withholding tax. The equivalent information as at 31 March 2008 is not available at the date of preparation of these financial statements.

33. Leases

(a) Finance lease liabilities

	Minimum future lease payments Group		Present value of minimum future lease payments Group	
	2008	**2007**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
No later than one year	603	415	411	241
Later than one year and not later than five years	1,851	1,171	1,343	714
Later than five years	600	878	436	642
Minimum lease payments*	**3,054**	**2,464**	**2,190**	**1,597**
Less future finance charges	(896)	(867)	-	
Present value of minimum lease payments	**2,158**	**1,597**	**2,190**	**1,597**
Included in the financial statements as:				
Current borrowings			411	241
Non-current borrowings			1,779	1,356
			2,190	**1,597**

*Minimum future lease payments includes the aggregate of all lease payments and any guaranteed residual.

The finance lease liability above primarily relates to agreements between Orion Group Ltd and Transpower New Zealand Ltd (Transpower) for Transpower to construct assets at Transpower grid exit points. The agreements are for terms of 10 or 20 years. Also included are agreements by City Care Ltd in respect of motor vehicles. The company does not have an option to purchase the leased assets at the expiry of the lease period and there are no renewal rights.

(b) Non-cancellable operating lease liabilities

	Parent		Group	
	2008	**2007**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
No later than one year	3,347	2,701	7,381	5,064
Later than one year and not later than five years	7,311	6,749	13,817	10,312
Later than five years	4,604	4,137	10,525	1,263
	15,262	**13,587**	**31,723**	**16,639**

Notes to financial statements

33. Leases (continued)

Parent

The Council leases computer equipment, property and motor vehicles.

(c) Finance lease receivables

	Minimum future lease payments		Present value of minimum future lease payment	
	Parent		Group	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
No later than one year	355	248	330	227
Later than one year and not later than five years	12,551	9,140	9,795	6,931
Later than five years	33,498	37,170	17,325	18,583
Minimum lease payments	**46,404**	**46,558**	**27,450**	**25,741**
Unguaranteed residual	-	-	-	-
Gross finance lease receivables	**46,404**	**46,558**	**27,450**	**25,741**
Less future finance income	(18,954)	(20,817)	-	-
Present value of minimum lease payments	**27,450**	**25,741**	**27,450**	**25,741**
Included in the financial statements as:				
Current trade and other receivables			330	227
Non-current trade and other receivables			27,120	25,514
			27,450	**25,741**

Jet Engine Facility Ltd, a subsidiary of Vbase Ltd, is party to a long term lease arrangement with a Pratt & Whitney / Air New Zealand joint venture, trading as the Christchurch Engine Centre. Lease payments are guaranteed by Pratt & Whitney's holding company, United Technologies.

(d) Non-cancellable operating lease receivables

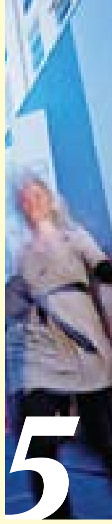
	Parent		Group	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
No later than one year	5,804	6,205	12,929	9,534
Later than one year and not later than five years	18,187	20,584	34,510	34,238
Later than five years	53,037	46,803	72,930	59,904
	77,028	**73,592**	**120,369**	**103,676**

Parent

The Council leases properties to various parties.

Group

The group figures are primarily those of Lyttelton Port Company Ltd. The company leases land, buildings and equipment to a number of customers, with some of the leases including rights of renewal for periods of up to 12 years. Receivables for the company total $34.5 million, (2007: $32.9 million).



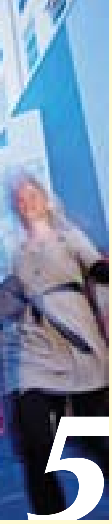
34. Related Party Disclosures

Council is the ultimate parent of the group. For details of subsidiaries, and associates over which Council has significant influence, see page 154.

(a) Receipts from related parties

	2008 $'000	2007 $'000
Transactions:		
Interest received		
- Tuam Ltd	990	988
- Civic Building Ltd	14	-
- Vbase Ltd	4,138	3,924
Dividends received		
- Christchurch City Holdings Ltd	32,601	29,484
- Transwaste Canterbury Ltd	1,580	739
Sales of goods / services		
- Christchurch City Holdings Ltd	1,469	1,010
- Transwaste Canterbury Ltd	-	2
- Vbase Ltd	582	128
Subvention receipts		
- Christchurch City Holdings Ltd	3,871	3,211
Rates received		
- Vbase Ltd	434	344
- Christchurch City Holdings Ltd	3,910	2,863
- Tuam Ltd	159	95
Other receipts		
- Debt issued by Christchurch City Holdings Ltd	-	1,144
- Loan repayment from Vbase Ltd	-	1,700

Prior period transactions shown against Vbase Ltd include those for Christchurch City Facilities Ltd, Vbase Ltd and Vbase No.2 Ltd. These three companies amalgamated and became Vbase Ltd on 30 April 2008.



Notes to financial statements

34. Related Party Disclosures (continued)

(b) Payments to related parties

	2008	2007
	$'000	$'000
Transactions:		
Interest paid		
- Christchurch City Holdings Ltd	5,665	5,643
Purchases of goods / services		
- Christchurch City Holdings Ltd	68,709	68,161
- Tuam Ltd	1,363	1,204
- Vbase Ltd	479	269
- Transwaste Canterbury Ltd	42	-
- Riccarton Bush Trust	35	19
Share purchases		
- Vbase Ltd	750	750
- Tuam Ltd	-	2,000
- Civic Building Ltd	1,984	-
Other payments		
- loan repayment to Christchurch City Holdings Ltd	1,800	1,700
Loans to related parties		
- Civic Building Ltd	19,016	-
Grants to related parties		
- Riccarton Bush Trust	139	155
Levies to related parties		
- Riccarton Bush Trust	108	108

Prior period transactions shown against Vbase Ltd include those for Christchurch City Facilities Ltd, Vbase Ltd and Vbase No.2 Ltd. These three companies amalgamated and became Vbase Ltd on 30 April 2008.

(c) Year-end balances arising from transactions

	2008	2007
	$'000	$'000
Balances:		
Receivables from related parties		
- Christchurch City Holdings Ltd	5,842	302
- Tuam Ltd	-	70
- Vbase Ltd	13	100
Payables to related parties		
- Christchurch City Holdings Ltd	5,851	1,465
- Tuam Ltd	35	-
- Transwaste Canterbury Ltd	2	-
- Vbase Ltd	39	-
Loans from related parties		
- Christchurch City Holdings Ltd	85,094	87,020
Loans to related parties		
- Tuam Ltd	13,750	13,750
- Civic Building Ltd	19,016	-
- Vbase Ltd	55,123	43,273
- Theatre Royal	75	79

Prior period transactions shown against Vbase Ltd include those for Christchurch City Facilities Ltd, Vbase Ltd and Vbase No.2 Ltd. These three companies amalgamated and became Vbase Ltd on 30 April 2008.

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34. Related Party Disclosures (continued)

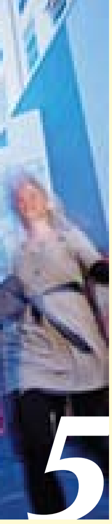
(d) Key management personnel and elected members of the Council

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

	2008	2007
	$'000	$'000
Transactions:		
Funding to Canterbury Development Corporation	3,900	3,759
Sales to Canterbury Development Corporation	88	139
- Norm Withers and Bob Shearing are directors		
Funding to CEDF Trustee Ltd	1,300	1,200
- Bob Shearing is a director		
Loan Repayment by Theatre Royal Charitable Foundation	4	4
- Barry Corbett is a director		
Funding to Christchurch and Canterbury Marketing Ltd	4,426	1,814
Sales to Christchurch and Canterbury Marketing Ltd	-	210
- Norm Withers is a director		
Purchases from R A Shearing Contractors Ltd	2	2
- Bob Shearing is a director		
Funding to Canterbury Museum Trust	4,941	4,688
- Bob Parker,Helen Broughton and Mike Wall are trustees		

During the year Councillors and key management personnel, as part of a normal customer relationship, engaged in minor transactions with Council (such as payment of rates, purchase of rubbish bags, etc.) Except for these transactions, the transactions listed above, and items of a trivial nature, no other Councillors or key management personnel entered into any related party transactions within the Group.

Remuneration of elected members and key management personnel is detailed in Note 35 Remuneration.



Notes to financial statements

35. Remuneration

(a) Chief Executive

The Chief Executive of the Council is appointed in accordance with section 42 of the Local Government Act 2002.

The total cost of the role for the year to 30 June 2008 was $370,825 – this compares with $472,612 (included payments to the previous Chief Executive and Acting Chief Executive) for the year ending 30 June 2007.

The current Chief Executive's remuneration package was at 30 June 2008 was $373,542

(b) Cost of severance payments

In accordance with Schedule 10, section 19 of the Local Government Act 2002 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 the legislation.

For the year ending 30 June 2008 Council made three payments of $47,470, $14,063, and $8,500 that require disclosure (2007: $21,000, $15,000, $10,000.

(c) Key management personnel

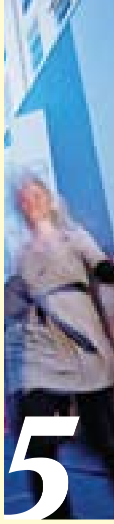
	Parent		Group	
	2008	**2007**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
The compensation of the directors and executives, being the key management personnel of the entity is set out below:				
Short term benefits	1,868	1,722	1,868	1,722
Termination payments	-	15	-	15
	1,868	**1,737**	**1,868**	**1,737**

(d) Elected Members

Local Body elections were held in October 2007 , The Mayor Garry Moore along with Councillors Crighton, Evans and Harrow did not offer themselves for re-election , subsequently their remuneration is shown until the end of the term.

Councillor Condon was tragically killed in a road accident in September 2007 and the remuneration reflects payments paid up until that time.

Remuneration paid to Councillors Williams, Button, Johanson, Wall and Reid are for the period from the 22 October to 30 June 2008.



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Elected Members

	2008	2008	2008	2007	2007	2007
	Council Remuneration	Directors Fees	TOTAL	Council Remuneration	Directors Fees	
Helen Broughton	83,565	-	83,565	79,256	-	79,256
Sally Buck	83,395	18,000	101,395	78,293	-	78,293
Graham Condon	15,413	11,875	27,288	78,712	28,500	107,212
Barry Corbett	81,780	30,708	112,488	77,981	28,500	106,481
David Cox	86,705	24,833	111,538	82,166	20,000	102,166
Anna Crighton	24,676	-	24,676	79,379	-	79,379
Carole Evans	28,929	-	28,929	90,065	-	90,065
Pat Harrow	24,293	-	24,293	78,712	-	78,712
Bob Parker	135,580	17,272	152,852	77,981	-	77,981
Garry Moore	47,236	13,350	60,586	151,123	28,500	179,623
Bob Shearing	81,780	17,270	99,050	77,981	-	77,981
Gail Sheriff	81,780	36,000	117,780	77,981	34,000	111,981
Sue Wells	91,258	30,708	121,966	78,753	28,500	107,253
Norm Withers	90,618	-	90,618	77,981	-	77,981
Ngaire Button	59,646	-	59,646	-	-	-
Yani Johanson	57,572	-	57,572	-	-	-
Claudia Reid	57,530	-	57,530	-	-	-
Mike Wall	57,624	-	57,624	-	-	-
Chrissie Williams	57,485	-	57,485	-	-	-
	1,246,865	**200,016**	**1,446,881**	**1,186,364**	**168,000**	**1,354,364**

See Note 34 Related Parties for detail on transactions between Council and elected members and key management personnel.

Notes to financial statements

36. Remuneration of Auditors

	Parent		Group	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Audit New Zealand:				
Audit of the financial statements	245	216	693	637
Audit-related services not reported above - transition to NZ IFRS	50	45	146	193
Audit services in relation to the LTCCP	20	15	20	15
Other non audit-related services	-	-	40	65
	315	**276**	**899**	**910**
Auditor(s) of entities in the group (not including the parent entity):				
Audit of the financial statements	-	-	56	45
Other non-audit services	-	-	24	35
	-	**-**	**80**	**80**

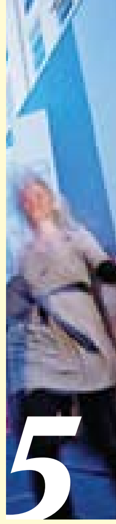
The auditor of Christchurch City Council and the rest of the group excluding Lyttelton Port Company Ltd is Audit New Zealand. Lyttelton Port Company Ltd is audited by KPMG. Both are appointed by the Office of the Auditor-General.

37. Notes to the Cash Flow Statement

(a) Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in bank and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

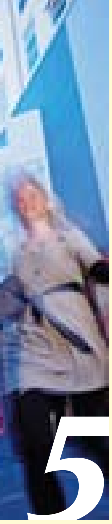
	Parent		Group	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Cash and cash equivalents	55,427	49,110	107,926	65,461
	55,427	**49,110**	**107,926**	**65,461**



37. Notes to the Cash Flow Statement (continued)

(b) Reconciliation of profit for the period to net operating Cash Flows

	Parent		Group	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Net profit for the period	**40,223**	**38,948**	**94,526**	**107,152**
(Gain)/loss on disposal of non-current assets	(1,531)	862	(1,984)	(2,919)
(Gain)/loss on revaluation of investment property	-	-	(3,530)	(4,223)
Change in fair value of assets classified as fair value through profit or loss	-	-	43	(386)
(Gain)/loss on sale of investments	-	-	-	(13,998)
Deferred tax adjustment	-	-	(6,967)	-
Share of associates' profit (less dividends)	-	-	528	(2,173)
Depreciation and amortisation of non-current assets	92,859	78,386	168,380	141,453
Impairment of non-current assets	-	-	1,438	1,119
Hedging (gains)/losses	-	-	407	(467)
Impairment of goodwill	-	-	978	-
Realisation of available for sale assets revaluation reserve	-	-	(2,780)	-
Finance lease income	-	-	(1,940)	(1,825)
Assets written off	4,182	7,117	4,182	7,117
Vested / donated assets	(15,143)	(12,040)	(15,143)	(12,040)
Other non-cash items	-	(1,162)	(502)	(2,364)
	80,367	**73,163**	**143,110**	**109,294**
Changes in net assets and liabilities:				
(Increase)/decrease in current tax balances	-	-	(2,900)	2,998
Increase/(decrease) in deferred tax balances	652	-	5,406	(8,668)
(Increase)/decrease in assets				
Current receivables	(21,423)	5,301	(7,768)	(3,669)
Current inventories	20	257	(3,608)	2,470
Other current assets	-	-	143	475
Non-current receivables	-	(3,000)	(5,416)	(4,586)
Non-current inventories	-	-	(160)	(463)
Increase/(decrease) in liabilities				
Current payables	11,761	(888)	7,026	8,798
Current provisions	286	(1,096)	7,876	112
Other current liabilities	-	-	(935)	269
Non-current payables	-	(2,208)	-	-
Non-current provisions	(2,936)	-	(3,430)	(2,368)
Other non-current liabilities	-	-	1,307	(1,142)
Less: items reclassified as investing activities				
Movement in fixed asset related creditors	(1,509)	116	(2,342)	116
Movement in fixed asset related debtors	-	3,000		3,000
Net changes in net assets and liabilities	**(13,149)**	**1,482**	**(4,801)**	**(2,658)**
Net cash from operating activities	**107,441**	**113,593**	**232,835**	**213,788**



Notes to financial statements

38. Business Combinations

Council purchased the business and assets of the Ellerslie International Flower Show on 30 November 2007. Council considers the purchase price paid to acquire the property, plant and equipment, business records, trademarks and goodwill to be commercially sensitive on the basis that disclosure of the purchase price is likely to prejudice the Council's position with sponsors and suppliers, for both the flower show and other events, and weakens its negotiating position for future events.

Consequently Council resolved to incorporate the purchase price in its financial statements on a basis that would not disclose the amount paid. Council has followed generally accepted accounting practice except to the extent that it does not specifically identify the amount paid or components which would enable the amount paid to purchase the event to be determined. This means Council does not fully comply with NZ IFRS 3: Business Combinations which requires disclosure of:

- the cost of the combination
- the amounts recognised at acquisition date for each class of the Ellerslie International Flower Show's assets, liabilities and contingent liabilities, and the carrying amounts of those classes immediately before the combination.
- The amount of any excess of acquirer's interest or goodwill on acquisition

In terms of the other disclosures required under NZ IFRS-3:

- The cost of the acquisition of the Ellerslie International Flower Show is not material to the financial statements overall.
- The purchase was not financially significant in terms of Council's Significance Policy.
- The purchase of the Ellerslie International Flower Show was settled in cash.
- The first event is to occur in March 2009. There was no event held in the 2008 financial year, therefore there is no profit or loss from the business since acquisition. Accordingly it is impractical to determine the revenue or profit or loss from the event as if the Ellerslie International Flower Show had been owned by Council for the full financial year 2007/08.
- Any goodwill arising on acquisition has not been separately determined from the amounts paid for the trademarks and business records. Council was unable to obtain an independent valuation of the trademarks and business records purchased as distinct from goodwill, therefore all of the intangibles purchased have been treated as goodwill.

In note 16 to the financial statements the intangible assets purchased have been aggregated with software rather than disclosed separately so the amounts paid for the intangibles cannot be determined.

NZ IAS 36 requires goodwill to be assessed annually for impairment. A formal impairment test has not been performed because of the changed nature of the event, and because a valuation was not considered cost effective. It is possible therefore that some or all of the amount included as goodwill could be impaired and should be expensed in the financial statements.

Notwithstanding the provisions of NZ IAS 36 Council believes that the price paid remains the best indicator of fair value. The goodwill balance will be reassessed in 2009 after completion of the first flower show.

39. Capital Management

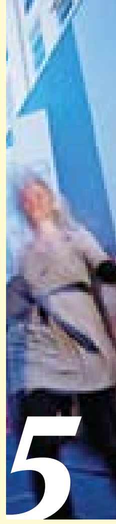
Council's capital is its equity (or ratepayer's funds), which comprise retained earnings and reserves. Equity is represented by net assets.

The Local Government Act 2002 (the Act) requires Council to manage its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently and in a manner that promotes the current and future interests of the community. Ratepayer's funds are largely managed as a by-product of managing revenues, expenses, assets, liabilities, investments, borrowings and general financial dealings.

(a) Intergenerational Equity

Where possible it is Council's objective to manage the balance between rating (for funds) and borrowing to achieve intergenerational equity, which is a principle promoted in the Act and applied by Council. Intergenerational equity requires today's ratepayers to meet the costs of utilising the Council's assets and not expecting them to meet the full cost of long term assets that will benefit ratepayers in future generations. Additionally, Council has in place asset management plans for major classes of assets dealing with renewal and maintenance programmes, to ensure ratepayers in future generations are not required to meet the costs of deferred renewals and maintenance.

The Act requires Council to make adequate and effective provision in its Long Term Council Community Plan (LTCCP) and in its annual plan (where applicable) to meet the expenditure needs identified in those plans. The Act also sets out factors that Council is required to consider when determining the most appropriate sources of funding for each of its activities. The sources and level of funding are set out in the funding and financial policies of Council's LTCCP 2006-16 as amended by the Annual Plan 2008-09.



40. Discontinued Operations

	Group	
	2008	**2007**
	$'000	**$'000**
Profit from discontinued operations:		
Revenue	-	396
Expenses	-	(4,188)
Profit / (loss) before income tax expense	**-**	**(3,792)**
Tax benefit (expense)	-	1,248
Gain / (loss) on disposal of operation	-	13,998
Profit / (loss) from discontinued operations after tax	**-**	**11,454**
Cash flows from discontinued operations:		
Net cash flows from operating activities	-	(1,791)
Net cash flows from investing activities	-	(185)
Net cash flows from financing activities	-	13,391
Net cash flows	**-**	**11,415**

Group

On 1 July 2006 the Orion group sold all but 5% of its investment in Whisper Tech Ltd and all of its shares in Orion (Whisper Tech Ltd) (effectively being its 60% interest in the Whisper Tech Joint Venture) to Meridian Energy Ltd for $12 million. The disposal of this business interest is consistent with the Orion group's intention to focus on the electricity distribution network. This operation was not classified as held for sale at 30 June 2006. The comparative income statement has been restated to show the discontinued operation separately from the continuing operations.

Notes to financial statements

41. Financial Instrument Risks

Financial risk management objectives

The Council and group have a series of policies to manage the risk associated with financial instruments.

The Council and group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The use of financial derivatives is governed by the group's policies, which provide written principles on the use of financial derivatives.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, and the basis of measurement applied in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

Capital management

The Council and group's capital includes share capital, reserves and retained earnings. The group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the Council and group. The impact of the level of capital on shareholders' return is also recognised and the group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Council and group is not subject to any externally-imposed capital requirements. However, it has provided certain covenants to its key lenders by way of a negative pledge deed that it will not create any security interest over its assets, except under certain agreed circumstances. The deed also imposes financial covenants from its lenders relating to equity levels and interest cover.

There have been no material changes in the Group's management of capital during the period.

Market Risk

The Group enters into derivative arrangements in the ordinary course of its business to manage interest rate and foreign currency risks.

Interest rate risk management

The group is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings, by the use of interest rate swaps contracts and forward interest rate contracts.

The following tables summarises the Council's and group's exposure to interest rate risk.

Parent 2008	Weighted average effective interest rate	Variable interest rate $'000	Fixed interest rate $'000	Non-interest bearing $'000	Total $'000
Financial assets:					
Cash and cash equivalents	8.55%	7,050	48,377	-	55,427
Trade receivables		-	-	47,101	47,101
Interest rate swaps	7.13%	158	-	-	158
Shares and options		-	-	1,440,457	1,440,457
Other investments	8.63%	51,000	34,592	-	85,592
Stocks and bonds	7.47%	15,000	57,300	-	72,300
Loans to subsidiaries, community and other	8.80%	20,016	70,754	-	90,770
Venture capital investment		-	-	2,410	2,410
		93,224	**211,023**	**1,489,968**	**1,794,215**
Financial liabilities:					
Trade payables		-	-	60,729	60,729
Interest rate swaps	7.13%	131	-	-	131
Bank loans	8.50%	21,000	13,673	-	34,673
Related party loans	6.55%	2,944	82,150	-	85,094
Other loans	3.50%	-	99	-	99
		24,075	**95,922**	**60,729**	**180,726**

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41. Financial Instrument Risks (continued)

Parent 2007	Weighted average effective interest rate	Variable interest rate $'000	Fixed interest rate $'000	Non-interest bearing $'000	Total $'000
Financial assets:					
Cash and cash equivalents	8.15%	-	49,110	-	49,110
Trade receivables		-	-	25,678	25,678
Interest rate swaps	7.45%	387	-	-	387
Shares and options		-	-	1,220,723	1,220,723
Other investments	8.05%	30,000	124,292	-	154,292
Stocks and bonds	7.21%	20,000	87,278	-	107,278
Loans to subsidiaries, community and other	8.47%	-	60,148	-	60,148
Venture capital investment				2,212	2,212
		50,387	**320,828**	**1,248,613**	**1,619,828**
Financial liabilities:					
Trade payables		-	-	48,968	48,968
Interest rate swaps	7.45%	411	-	-	411
Related party loans	6.51%	2,967	84,053	-	87,020
Other loans	8.12%	658	-	-	658
		4,036	**84,053**	**48,968**	**137,057**

Group 2008	Weighted average effective interest rate	Variable interest rate $'000	Fixed interest rate $'000	Non-interest bearing $'000	Total $'000
Financial assets:					
Cash and cash equivalents	8.36%	57,869	48,980	1,077	107,926
Trade receivables		-	-	70,793	70,793
Finance lease receivables	7.36%	-	27,450	-	27,450
Foreign currency forward contracts		-	-	7	7
Interest rate swaps	6.45%	3,830	5,097	-	8,927
Other receivables		-	-	896	896
Shares and options		-	-	40,337	40,337
Other investments	8.62%	59,102	34,692	-	93,794
Loans to subsidiaries, community and other	2.00%	-	2,881	-	2,881
Loans to Victory Park Board		-	-	3,632	3,632
Stocks and bonds	7.47%	15,000	57,300	-	72,300
Venture capital investment		-	-	6,094	6,094
Foreign currency forward contracts	3.40%	11,787	-	-	11,787
		147,588	**176,400**	**122,836**	**446,824**
Financial liabilities:					
Trade payables		-	-	106,177	106,177
Foreign currency forward contracts		-	-	228	228
Interest rate swaps	7.57%	325	-	-	325
Bank loans	8.34%	193,304	67,673	-	260,977
Other loans	3.50%	-	99	-	99
Redeemable preference shares	8.50%	-	14,402	-	14,402
Contract retentions		-	-	36	36
Finance lease liabilities	10.84%	463	1,727	-	2,190
Commercial paper	8.61%	-	24,864	-	24,864
Bonds and floating rate notes	7.41%	10,000	184,000	-	194,000
		204,092	**292,765**	**106,441**	**603,298**

Notes to financial statements

41. Financial Instrument Risks (continued)

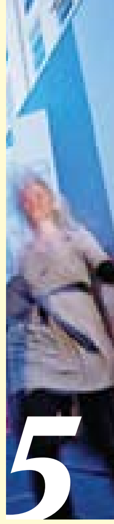
Group 2007	Weighted average effective interest rate	Variable interest rate $'000	Fixed interest rate $'000	Non-interest bearing $'000	Total $'000
Financial assets:					
Cash and cash equivalents	7.98%	11,860	53,450	151	65,461
Trade receivables		-	-	59,418	59,418
Finance lease receivables	7.36%	-	25,741	-	25,741
Interest rate swaps	6.55%	6,980	8,831	-	15,811
Shares and options		-	-	45,824	45,824
Other investments	8.02%	40,800	128,575		169,375
Loans to subsidiaries, community and other	2.00%	-	3,125	-	3,125
Loan to Victory Park Board		-	-	3,270	3,270
Stocks and bonds	7.21%	20,000	87,278	-	107,278
Venture capital investment		-	-	7,284	7,284
		79,640	**307,000**	**115,947**	**502,587**
Financial liabilities:					
Trade payables		-	-	99,151	99,151
Foreign currency forward contracts		-	-	3,294	3,294
Interest rate swaps	7.75%	1,219	-	-	1,219
Bank overdraft	7.11%	36	-	-	36
Bank loans	7.79%	181,714	27,269	-	208,983
Other loans	8.12%	658	-	-	658
Finance lease liabilities	10.53%	530	1,067	-	1,597
Commercial paper	7.58%	-	26,472	-	26,472
Bonds and floating rate notes	7.12%	-	193,766	-	193,766
		184,157	**248,574**	**102,445**	**535,176**

Interest rate swap contracts

Under interest rate swap contracts, the group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the group to mitigate the risk of changing interest rates on debt held. The fair value of interest rate swaps are based on market values of equivalent instruments at the reporting date and are disclosed below. The average interest rate is based on the outstanding balances at the start of the financial year.

Interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated and effective as cash flow hedges.

The following tables detail the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at reporting date:



41. Financial Instrument Risks (continued)

Parent	Average contracted fixed interest rate		Notional principal amount		Fair value	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
	%	**%**	**$'000**	**$'000**	**$'000**	**$'000**
Outstanding floating for fixed contracts:						
Less than I year	6.93%	7.09%	25,000	5,000	105	256
1 to 2 years	7.02%	7.69%	10,000	25,000	(126)	(313)
2 to 5 years	8.34%	7.02%	5,000	10,000	48	33
5 years plus	N/A	N/A	-	-	-	-
			40,000	**40,000**	**27**	**(24)**

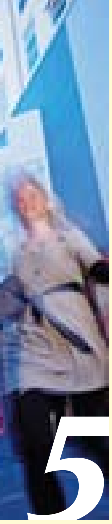
Group	Average contracted fixed interest rate		Notional principal amount		Fair value	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
	%	**%**	**$'000**	**$'000**	**$'000**	**$'000**
Outstanding floating for fixed contracts:						
Less than I year	6.47%	6.81%	68,900	6,800	663	292
1 to 2 years	6.56%	7.20%	88,000	46,900	1,542	151
2 to 5 years	6.53%	6.39%	88,000	156,000	3,634	10,264
5 years plus	6.54%	6.44%	75,000	50,000	2,957	4,693
			319,900	**259,700**	**8,796**	**15,400**

Group	Average contracted fixed interest rate		Notional principal amount		Fair value	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
	%	**%**	**$'000**	**$'000**	**$'000**	**$'000**
Outstanding fixed for floating contracts:						
Less than I year		7.75%	-	12,000	-	(84)
1 to 2 years	8.91%		17,000	-	(194)	-
2 to 5 years		8.03%	-	17,000	-	(724)
			17,000	**29,000**	**(194)**	**(808)**

Price risk management

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices. The group is exposed to equities securities price risk on its investments in Lyttelton Port Company Ltd, a company listed on the New Zealand Stock Exchange. The investment in Lyttelton Port Company Ltd is classified as a financial asset held at fair value through equity, and is revalued annually on the basis of its quoted share price. While the share price can and does fluctuate, the investments is held as a long term asset with no intention of sale, and such fluctuations do not impact on the group's profits.

Orion Group Ltd is exposed to market risk through its investment in unlisted companies. Its policy is not to hedge its exposures to market risk.



41. Financial Instrument Risks (continued)

Foreign currency risk management

Foreign currency risk is the risk that the value of the group's assets and liabilities or revenues and expenses will fluctuate due to changes in foreign exchange rates. The group is exposed to currency risk as a result of transactions that are denominated in a currency other than New Zealand dollars. These currencies are primarily Australian dollars, US dollars, and Euros. The group's policy is to hedge any material foreign currency exposure, usually with forward exchange contracts.

The following table summarises the group's exposure to foreign currency transactions:

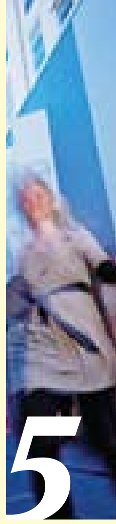
Foreign currency exchange risk

Group
2008
in thousands of New Zealand dollars

	USD	AUD	EURO
Foreign currency risk			
Trade payables	105	30	16
Net balance sheet exposure before hedging activity	**105**	**30**	**16**
Estimated forecast purchases	-	-	1,809
Net cash flow exposure before hedging activity	**-**	**-**	**1,809**
Forward exchange contracts			
Notional amounts	-	-	1,449
Net unhedged exposure	**105**	**30**	**376**

2007
in thousands of New Zealand dollars

	USD	AUD	EURO
Foreign currency risk			
Trade payables	370	-	158
Net balance sheet exposure before hedging activity	**370**	**-**	**158**
Forward exchange contracts			
Notional amounts	**365**	**-**	**158**
Net unhedged exposure	**5**	**-**	**-**



41. Financial Instrument Risks (continued)

The following table details the forward foreign currency contracts outstanding as at reporting date:

	Average rate Group		Principal amounts FC Group		Principal amounts NZD Group	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
			$'000	**$'000**	**$'000**	**$'000**
Describe each significant contract						
Buy Euro - less than 12 months	0.49	0.57	708	83	1,449	158
Buy USD - less than 3 months	-	0.77	-	250	-	365
	-	0.77	-	250	-	365
			708	**333**	**1,449**	**523**

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the entity.

Financial instruments that potentially subject the group to concentrations of credit risk consist principally of cash and short-term investments, trade receivables, loans and interest rate swaps. The Council and 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 the treasury policies of the respective members of the group.

The Council's Investment policy includes parameters for investing in financial institutions and other organisations including where applicable entities that have required Standard and Poor's credit ratings.

Council receivables mainly arise from statutory functions, therefore there are no procedures in place to monitor or report the credit quality of debtors and other receivables with reference to internal or external credit ratings. The Council has no significant concentrations of credit risk in relation to these receivables, as it has a large number of credit customers, mainly ratepayers, and the Council has powers under the Local Government (Rating) Act 2002 to recover outstanding debts.

Orion Group Ltd has a concentration of credit risk with regard to its trade receivables, as it only has a small number of electricity retailed customers. Christchurch International Airport Ltd also has a concentration of credit risk on a small number of customers, with 71.6% (2007: 73.6%) of trade receivables due from 10 customers. City Care Ltd also has a concentration of credit risk in respect of its transactions with 54% of its revenue derived from its ultimate shareholder, the Council.

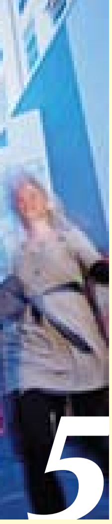
Vbase Ltd has a receivable of $27 million under a finance lease which the company considers a principal credit risk. The risk is ameliorated by the fact that a global listed company is a party to the lease arrangement.

The group manages its exposure to credit risk arising from trade receivables by performing credit evaluations on all significant customers requiring credit, wherever practicable, and continuously monitors the outstanding credit exposure to individual customers. With the exception of Orion Group Ltd, which generally requires collateral security (such as bank letters of credit) from its electricity retailer customers against credit risk, the group does not generally require collateral security from its customers.

The carrying value is the maximum exposure to credit risk for bank balances, accounts receivable and interest rate swaps. No collateral is held in respect of these financial assets.

The group has not renegotiated the terms of any financial assets which would result in the carrying amount no longer being past due or avoid a possible past due status other than trade receivables.

The following table summarises the status of receivables as at balance date:



41. Financial Instrument Risks (continued)

Receivables

	Gross receivables				Impairment			
	Parent		Group		Parent		Group	
	2008	2007	2008	2007	2008	2007	2008	2007
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Not past due	39,958	17,795	53,067	46,331	-	-	-	-
Past due 0-30 days	3,274	3,585	7,543	3,883	-	-	-	-
Past due 31-60 days	561	598	1,621	842	-	-	-	-
Past due 61-90 days	140	249	855	217	-	-	(4)	(27)
Past due more than 90 days	1,068	790	2,076	573	(900)	(339)	(1,164)	(623)
	45,001	**23,017**	**65,162**	**51,846**	**(900)**	**(339)**	**(1,168)**	**(650)**

	Parent		Group	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Gross trade receivables	45,001	23,017	65,162	51,846
Individual impairment	(342)	(339)	(610)	(650)
Collective impairment	(558)	-	(558)	-
Trade receivables (net)	**44,101**	**22,678**	**63,994**	**51,196**

Liquidity risk

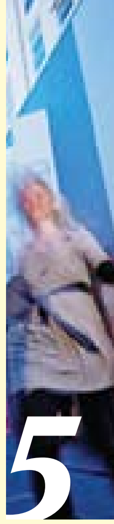
Liquidity risk is the risk that the group will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

In meeting its liquidity requirements, the group manages its investments and borrowings in accordance with its written investment policies. In general the group generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has funding arrangements in place to cover potential shortfalls.

Sensitivity analysis

In managing interest rate risks, the group aims to reduce the impact of short term fluctuations on the group's earnings. Over the longer term, however, changes in interest rates will affect reported profits.

The following table summarises the estimated impact of movements in interest rates, foreign exchange rates and share prices on the Council and group's pre-tax profits and equity:



41. Financial Instrument Risks (continued)

Sensitivity

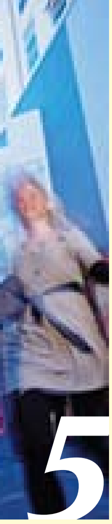
	Effect on equity				Effect on net profit			
	Parent		Group		Parent		Group	
	2008	2007	2008	2007	2008	2007	2008	2007
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Impact of:								
1% increase in interest rates	1,364	2,650	1,731	2,522	1,698	(2,650)	1,404	2,364
1% decrease in interest rates	(1,349)	(2,650)	(2,257)	(3,630)	(1,698)	(2,650)	(1,404)	(2,364)
5% decrease in value of NZD v USD	-	-	(579)	(523)	-	-	(40)	(15)
5% increase in value of NZD v USD	-	-	698	636	-	-	40	15
1% increase in value of NZD v other currency	-	-	-	-	-	-	-	-
1% decrease in value of NZD v other currency	-	-	-	-	-	-	-	-
5 years plus	N/A	N/A	-	-	-	-	256	256

Fair value of financial instruments

The group consider that the carrying amounts of the financial assets and financial liabilities recorded in the financial statements approximate their fair values. The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

Classification of financial assets and liabilities

The following tables classify the group's financial assets and liabilities between the various categories set out in NZ IAS 39 and IFRS 7:



41. Financial Instrument Risks (continued)

Parent 2008	Notes	Designated at fair value	Loans & receivables	Cost	Other amortised cost	Total carrying amount
		$'000	$'000	$'000	$'000	$'000
Current assets						
Cash and cash equivalents	37	-	55,427	-	-	55,427
Trade and other receivables	4	-	44,101	-	-	44,101
Other financial assets	5	105	73,617	-	-	73,722
		105	**173,145**	**-**	**-**	**173,250**
Non-current assets						
Trade and other receivables	9	-	3,000	-	-	3,000
Other financial assets	11+12	1,453,014	156,455	8,496	-	1,617,965
		1,453,014	**159,455**	**8,496**	**-**	**1,620,965**
Total financial assets		**1,453,119**	**332,600**	**8,496**	**-**	**1,794,215**
Current liabilities						
Trade and other payables	17	-	-	-	60,729	60,729
Borrowings	18	-	-	-	2,032	2,032
		-	**-**	**-**	**62,761**	**62,761**
Non-current liabilities						
Borrowings	22	-	-	-	117,834	117,834
Other financial liabilities	23	131	-	-	-	131
		131	**-**	**-**	**117,834**	**117,965**
Total financial liabilities		**131**	**-**	**-**	**180,595**	**180,726**

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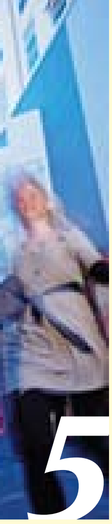
41. Financial Instrument Risks (continued)

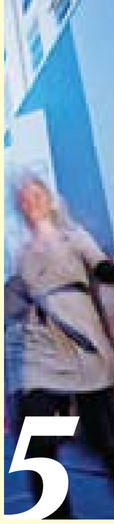
Parent 2007	Notes	Designated at fair value	Loans & receivables	Cost	Other amortised cost	Total carrying amount
		$'000	$'000	$'000	$'000	$'000
Current assets						
Cash and cash equivalents	37	-	49,110	-	-	49,110
Trade and other receivables	4	-	22,678	-	-	22,678
Other financial assets	5	256	156,092	-	-	156,348
		256	**227,880**	**-**	**-**	**228,136**
Non-current assets						
Trade and other receivables	9	-	3,000	-	-	3,000
Other financial assets	11+12	1,212,358	167,838	8,496	-	1,388,692
		1,212,358	**170,838**	**8,496**	**-**	**1,391,692**
Total financial assets		**1,212,614**	**398,718**	**8,496**	**-**	**1,619,828**
Current liabilities						
Trade and other payables	17	-	-	-	48,968	48,968
Borrowings	18	-	-	-	2,458	2,458
		-	**-**	**-**	**51,426**	**51,426**
Non-current liabilities						
Borrowings	22	-	-	-	85,220	85,220
Other financial liabilities	23	411	-	-	-	411
		411	**-**	**-**	**85,220**	**85,631**
Total financial liabilities		**411**	**-**	**-**	**136,646**	**137,057**



41. Financial Instrument Risks (continued)

Group 2008	Notes	Designated at fair value	Loans & receivables	Cost	Other amortised cost	Total carrying amount
		$'000	$'000	$'000	$'000	$'000
Current assets						
Cash and cash equivalents	37	-	107,926	-	-	107,926
Trade and other receivables	4	-	64,313	-	-	64,313
Other financial assets	5	4,302	93,606	-	-	97,908
		4,302	**265,845**	**-**	**-**	**270,147**
Non-current assets						
Trade and other receivables	9	-	33,930	-	-	33,930
Other financial assets	11+12	34,565	69,462	38,720	-	142,747
		34,565	**103,392**	**38,720**	**-**	**176,677**
Total financial assets		**38,867**	**369,237**	**38,720**	**-**	**446,824**
Current liabilities						
Trade and other payables	17	-	-	-	106,177	106,177
Borrowings	18	-	-	-	140,129	140,129
Other financial liabilities	19	228	-	-	-	228
		228	**-**	**-**	**246,306**	**246,534**
Non-current liabilities						
Borrowings	22	-	-	-	356,403	356,403
Other financial liabilities	23	361	-	-	-	361
		361	**-**	**-**	**356,403**	**356,764**
Total financial liabilities		**589**	**-**	**-**	**602,709**	**603,298**

TOTAL FINANCIAL LIABILITIES



41. Financial Instrument Risks (continued)

Group 2007	Notes	Designated at fair value	Loans & receivables	Cost	Other amortised cost	Total carrying amount
		$'000	$'000	$'000	$'000	$'000
Current assets						
Cash and cash equivalents	37	-	65,461	-	-	65,461
Trade and other receivables	4	-	56,645	-	-	56,645
Other financial assets	5	3,562	169,375	-	-	172,937
		3,562	**291,481**	**-**	**-**	**295,043**
Non-current assets						
Trade and other receivables	9	-	28,514	-	-	28,514
Other financial assets	11+12	26,427	112,615	39,988	-	179,030
		26,427	**141,129**	**39,988**	**-**	**207,544**
Total financial assets		**29,989**	**432,610**	**39,988**	**-**	**502,587**
Current liabilities						
Trade and other payables	17	-	-	-	99,151	99,151
Borrowings	18	-	-	-	93,424	93,424
Other financial liabilities	19	3,378	-	-	-	3,378
		3,378	**-**	**-**	**192,575**	**195,953**
Non-current liabilities						
Borrowings	22	-	-	-	338,088	338,088
Other financial liabilities	23	1,135	-	-	-	1,135
		1,135	**-**	**-**	**338,088**	**339,223**
Total financial liabilities		**4,513**	**-**	**-**	**530,663**	**535,176**

TOTAL FINANCIAL LIABILITIES

42. Subsequent Events

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