

STATEMENT OF ACCOUNTING POLICIES

REPORTING ENTITY

The Christchurch City Council is a territorial local authority formed under the Local Government Act 1974 as amended.

MEASUREMENT BASE

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

ACCOUNTING POLICIES

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

A. Basis of Consolidation

Subsidiary Companies and Local Authority Trading Enterprises

Subsidiaries and other entities in which the Council has a controlling shareholding are accounted for using the Purchase method, which shows the revenues and expenditures in the Consolidated Statement of Financial Performance, and the assets and liabilities in the Consolidated Statement of Financial Position. All significant inter company transactions are eliminated upon consolidation.

Associate Organisations

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

Joint Ventures

Joint Ventures are incorporated into the parent's financial statements using the proportionate method.

B. Operational and Fixed Assets

(i) Council Operational Assets:

(a) The following operational assets were valued as at 30 June 1991 by Harcourts Valuations Ltd.

- Chattels
- Mobile Plant (including vehicles)
- Plant

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

(b) Land and Buildings were valued by Simes Ltd at 30 June 1999 to net current value on an existing use basis.

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

Operational Assets will be valued in future, as follows:

All Plant and Chattels and Library Books	At initial valuation and cost for subsequent purchases.
Land & Buildings	To be cyclically revalued every three years by external valuers.

(ii) Airport Fixed Assets:

Fixed assets are recorded at original cost less accumulated depreciation.

Cost recognises the acquisition price paid on the purchase of the Airport assets from the Christchurch Airport Authority and subsequent capital expenditure. Fixed assets have not been revalued above original cost, except for Land which is revalued every three years. The current valuation of land is at net current value as at 30 June 1999 by Crighton Seed & Associates Ltd.

(iii) Port Fixed Assets:

Fixed assets are recorded at cost less accumulated depreciation.

(iv) Public Transport Fixed Assets:

Buses were revalued to net open market value at 30 June 2000 by Darroch Limited.

(v) Electricity Distribution Systems:

All fixed assets were revalued by Ernst and Young, registered valuer, to net current value at 31 March 2000.

(vi) Assets purchased since valuation have been recorded at cost.

C. Infrastructural Assets

Roading, (including Traffic Signals and Bus Shelters,) Stormwater and Water Reticulation Infrastructural Assets have been valued using the optimised depreciated replacement cost method at 30 June 1999, by Opus International Consultants Limited. Sewerage Infrastructural Assets have been valued using the optimised depreciated replacement cost at 30 June 2000 by the City Design Unit of the Council and peer reviewed by Opus International Consultants Limited and Beca Valuations Limited. Land under roads was valued at 30 June 1992, by Quotable Value NZ for rating purposes.

Additions to Infrastructural Assets since valuation are recorded at cost. This includes vested assets that are recorded at the cost to the subdivider except for land that is included at current value.

D. Assets under Construction

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

E. Restricted Assets

These assets are:

Land and Buildings with restrictions on sale - eg Parks and Reserves

Library Books - New Zealand Collection

Properties held in Trust for other organisations

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

Works of Art:

Works of Art have been valued at market value by the Senior Curator of the Robert McDougall Art Gallery at 30 June 2000.

F. Investment and Development Property

The Council has no properties purchased or acquired for the primary purpose of earning capital gains or rental income.

G. Depreciation

Depreciation provided in respect of operational and infrastructural assets is intended to write off the cost of assets over their estimated useful lives. For operational assets, the straight line method is used except for mobile

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plant that is depreciated on a diminishing value (DV) basis.

Infrastructure assets are depreciated using the long run average renewals approach (LRARA) where the decline in service potential (depreciation) is the average of the estimated expenditure on renewals required to keep the networks at their current levels of potential and service. A twenty year period has been used to calculate the average renewals expenditure except for wastewater where a thirty year period was applied. The estimated useful lives disclosed for infrastructure assets are used for planning and valuation purposes.

The main bases are the following periods:

Buildings	25 - 100 Yrs
Office and Computer Equipment	4-5Yrs
Motor Vehicles/Motorised Plant	2-16 Yrs
Mobile Plant	7.5 - 50% DV
Buses	5-6 Yrs
Sealed Surfaces (other than roads)	30-50 Yrs
Harbour Structures	5-58 Yrs
Electricity Distribution System	70 Yrs
Gas Mains and Services	80 Yrs
Meters and Local Control Equipment	30 Yrs
Leasehold Land Improvements	14 Yrs
Library Books	3-10 Yrs

Infrastructural Assets

Roading	9-60 Yrs
Sewers, Stormwater and Water Systems and Plant	10-125 Yrs
Streetlights	25 Yrs
Bridges	50 or 100 Yrs
Bus Shelters	40 Yrs

Restricted assets are not depreciated except for Historic Buildings which are depreciated at 1% on a straight line basis.

H. Provision for Resealing Surfaces (Airport Company)

Whereas depreciation is provided for in respect of Airport sealed surfaces, recognising the ultimate economic life of those surfaces, additional provision is made for periodic maintenance involving the resealing of the surfaces. The resealing provision takes account of the accruing maintenance throughout the financial period and has the character of a timing difference which is not deductible for taxation purposes until the eventual expenditure is incurred.

The selected economic life for sealed surfaces is based on the assumption that periodic maintenance will be carried out. The provision is, therefore, regarded as being the equivalent of additional depreciation which will be reversed when the actual resurfacing is carried out. Total provision is deducted from the carrying value of sealed surfaces.

I. Landfill After Care Costs

As operator of the Burwood landfill, the Council has a legal obligation to provide ongoing maintenance and monitoring services at the landfill site after closure. To provide for the estimated cost of aftercare, a charge is made each year to spread the costs over the life of the landfill.

The estimated cost is calculated based on estimates of:

(i) Total current cost

This is defined as the amount that would be paid if all

equipment, facilities and services included in the estimate were acquired during the current period.

The estimate has been based on costs of closure of similar landfills by other local authorities.

(ii) Total capacity

The estimated length of time needed for post-closure care is 30 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 to perform this obligation have been accrued and charged.

The calculations assume no change in the legislative requirements for closure and post-closure treatment.

J. Goods and Services Tax

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

K. Research and Development Costs

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

L. Goodwill

Goodwill represents the excess of the purchase consideration over the fair value of net tangible and identifiable intangible assets acquired at the time of Orion Group Ltd's and Christchurch City Holdings Ltd's acquisition of the shares in subsidiaries.

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

M. Income Tax

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

Orion Group Ltd and Christchurch International Airport Ltd apply tax effect accounting on a partial basis to all timing differences. All other subsidiaries apply tax effect accounting on a comprehensive basis.

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

N. Inventories

Inventories are valued at the lower of cost and net realisable value.

Cost is determined by FIFO or weighted average methods.

O. Leases

(i) Finance Leases

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

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

(ii) Operating Leases

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

P. Employment Entitlements

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

The liabilities for leave have been calculated on an actual entitlement basis at current rates of pay. The retiring gratuity liability has been assessed on an actuarial basis.

Q. Investments

Subsidiaries, apart from Christchurch City Holdings Ltd (CCHL), Associates and shares in Local Government Insurance Corporation Limited and New Zealand Counties Investment Company Limited are valued at share of equity of the latest Statement of Financial Position. Shares in CCHL were revalued at 30 June 2000, based on the market valuation undertaken by Ernst & Young at 31 March 1999 which Council considers to be sustainable.

R. Financial Instruments

Christchurch City Council and its subsidiaries are party to financial instrument arrangements as part of its everyday operations. These financial instruments include Banking funds, Bank Deposits, Short Term Investments, Accounts Receivable, Long Term Receivable, Sinking Fund Investments, Accounts Payable and Term Debt.

Revenues and Expenses in relation to all financial instruments are recognised in the Statement of Financial Performance.

All financial instruments are recognised in the Statement of Financial Position, with the exception of Guarantees and Contingent Assets and Liabilities, which are disclosed by way of Note to the Financial Statements. Any income or expenditure arising from the exercising of a Guarantee, or upon a contingency becoming an actual asset or liability, will be recognised in the Statement of Financial Performance at the time of confirmation.

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

- (a) Accounts Receivable and Long Term Receivable are recorded at estimated realisable value.
- (b) Short Term Investments are valued at fair value.
- (c) Investments in Government and Local Authority Stock are valued at cost with premiums paid or discounts taken on acquisition amortised over the life of the investment. Income is recognised on a yield to maturity basis.
- (d) Share investments, gifted in trust, are valued at market value as at 30 June 2000.
- (e) Loans to various sporting and cultural organisations are recorded at fair value.
- (f) All other financial instruments, including Cash and Bank balances, Accounts Payable and Term Debt are valued at fair value.

S. Debt Servicing Costs

Debt Servicing Costs are apportioned on the basis on the book value of the Operational and Infrastructural Assets employed at 1 July 1999.

T. Cost Allocations

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

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

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

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

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

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

U. Donated Goods and Services

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

Vested Land is included at current value and Infrastructural Assets are included at the cost to the subdivider.

V. Third Party Transfer Payment Agencies

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

W. Budgets/Estimates Disclosed

The budget and estimate figures shown in the financial statements represent the budgets included in the Annual Plan for the year ended 30 June 2000 adjusted for expenditure and revenue carried forward into the next financial year, and budget changes authorised by the Council.

X. Changes in Accounting Policies

Previously Council accounted for employee entitlements to retiring gratuities on an entitlement basis. These are now assessed on an actuarial basis. This had the effect of reducing the Operating Surplus by \$1.8 million.

There were no other changes in Accounting Policies. These have been applied on a basis consistent with those used in previous years.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1:

Income

	Actual 2000 Parent \$000's	Estimate 2000 Parent \$000's	Actual 1999 Parent \$000's	Actual 2000 Group \$000's	Actual 1999 Group \$000's
Significant Activity Income:	\$74,614	\$76,816	\$71,670	\$70,377	\$69,903

(Refer to Summary of Activities on Page 40)

	Actual 2000 Parent \$000's	Estimate 2000 Parent \$000's	Actual 1999 Parent \$000's	Actual 2000 Group \$000's	Actual 1999 Group \$000's
Other Income:					
Interest Income					
Subsidiaries	768	608	952	0	0
Loan Repayment Investments	383	412	408	383	408
Short Term Investments	1,419	5,126	1,363	8,608	6,338
Special and Other Fund Investments	1,673	1,264	1,682	1,791	1,682
Total Interest Income	\$4,243	\$7,410	\$4,405	\$10,782	\$8,428

	Actual 2000 Parent \$000's	Estimate 2000 Parent \$000's	Actual 1999 Parent \$000's	Actual 2000 Group \$000's	Actual 1999 Group \$000's
Dividend Income:					
Christchurch City Holdings Ltd					
-Ordinary	40,263	26,987	20,050	0	0
-Special	22,500	22,500	30,000	0	0
Local Government Insurance Corporation Ltd	0	40	22	0	22
NZ Counties Investment Co Ltd	0	0	62	0	62
Selwyn Plantation Board Ltd	342	240	236	342	236
City Care Ltd	870	32	94	0	0
Total Dividend Income	\$63,975	\$49,799	\$50,464	\$342	\$320

	Actual 2000 Parent \$000's	Estimate 2000 Parent \$000's	Actual 1999 Parent \$000's	Actual 2000 Group \$000's	Actual 1999 Group \$000's
Sundry Income:					
Petroleum Tax	2,005	1,950	1,946	2,005	1,946
Sundry	2,011	1,046	743	26,244	27,792
Goodwill Received	0	0	0	0	154,582
Grants	3,732	3,500	4,333	3,732	4,333
Trading Subsidiaries Operating Income (Segment Report in Note 3)	0	0	0	379,050	515,820
Total Sundry Income	\$7,748	\$6,496	\$7,022	\$411,031	\$704,473

Total Other Income	\$75,966	\$63,705	\$61,891	\$422,155	713,221
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NOTE 2:

Expenditure

	Actual 2000 Parent \$000's	Estimate 2000 Parent \$000's	Actual 1999 Parent \$000's	Actual 2000 Group \$000's	Actual 1999 Group \$000's
Significant Activity Expenditure	\$224,180	\$225,512	\$211,541	\$217,305	\$206,677

(Refer to Summary of Activities on Page 40)

	Actual 2000 Parent \$000's	Estimate 2000 Parent \$000's	Actual 1999 Parent \$000's	Actual 2000 Group \$000's	Actual 1999 Group \$000's
Other Expenditure					
Levies	4,000	4,182	3,662	4,000	3,662
Professional Fees re Subsidiaries	10	80	101	10	101
Grants	0	0	627	0	627
Sundry	2,979	2,498	2,294	17,572	20,028
Trading Subsidiaries Operating Expenditure (Segment Report in Note 3)	0	0	0	294,876	468,680
Total Other Expenditure	\$6,989	\$6,760	\$6,684	\$316,458	\$493,098

NOTES TO THE FINANCIAL STATEMENTS

	Actual 2000	Actual 1999
	Parent	Parent
	\$000's	\$000's
Expenditure disclosures required pursuant to Section 223 J and K of the Local Government Act 1974 and Canterbury Museum Trust Board Act 1993		
(a) Insurance Premiums paid	1,131	995
(b) Ex Gratia payments to any persons suffering a loss while rendering assistance or performing any action while under control or authority of the Council	0	0
(c) Ceremonies for the public or a section of the public	101	104
(d) Purchase of insignia and robes of office and civic insignia of any kind	0	0
(e) Provision of Entertainment	72	75
(f) Payment of levies or general contributions to organisations considered appropriate to the functions of the Council		
Civil Defence	752	614
Canterbury Museum	2,608	2,359
Riccarton Bush	335	335
Rural Fire Fighting	304	354
(g) Unauthorised Expenditure	0	0

(h) Council appoints four members as its representatives on the Canterbury Museum Trust Board

NOTE 3:

	Actual 2000	Estimate 2000	Actual 1999	Actual 2000	Actual 1999
	Parent	Parent	Parent	Group	Group
	\$000's	\$000's	\$000's	\$000's	\$000's
(a) Operating Surplus					
After Charging:					
Audit fees					
Fees paid to principal auditor	160	150	140	355	317
Fees paid to other auditors	0	0	0	39	109
Other services provided by principal auditor	11	0	0	23	17
Other services provided by other auditors	0	0	0	54	30
Amortisation of Goodwill	0	0	0	3,884	2,364
Bad Debts	58	25	118	1,342	1,909
Depreciation	47,295	49,930	47,925	98,000	100,772
Interest	6,824	7,285	8,699	36,005	46,999
Leasing and Rental Costs	3,330	3,547	75	5,863	2,339
Increase/(Decrease) in Provision for Doubtful Debts	0	0	0	356	1,133
Councillors' Remuneration	1,290	1,275	1,193	1,290	1,193
Directors Fees	0	0	0	844	1,283
Gain/(Loss) on Sale of Assets	318	0	94	6,933	171
Severance and Restructuring Costs	1,170	0	0	1,711	3,984
Research and Development	0	0	0	16	391
Parent Company Expenses	0	0	0	1,227	1,158
Movement in Provision For Resealing	0	0	0	806	31
Foreign Exchange Losses/(Gains)	0	0	0	92	(114)
Exploration Expenditure Written off	0	0	0	18,638	1,552
Donations	10	0	0	122	113
Commerce Commission Penalty	0	0	0	0	11
Assets written off	2,997	0	472	3,471	472

NOTES TO THE FINANCIAL STATEMENTS

(b) Discontinued Activities

On 1 April 2000, Orion New Zealand Limited sold its North Island gas networks and contracting activities. Effective 20 April 2000, Orion New Zealand Limited sold its industrial gas trading business. In the preceding year, Orion New Zealand Limited disposed of its electricity supply operation, and gas retail operations. Revenue and Profits attributable to continuing and discontinued activities are summarised as follows:

	Actual 2000 Parent \$000's	Actual 1999 Parent \$000's	Actual 2000 Group \$000's	Actual 1999 Group \$000's
Continuing Activities:				
Revenue	276,610	255,756	504,298	609,656
Net surplus/deficit	74,573	51,731	45,658	39,106
Discontinued Activities				
Revenue	0	0	113,344	294,631
Net surplus/deficit	0	0	15,439	98,894

(c) Segment Information

	2000 Group \$000's	1999 Group \$000's
Segmental Income		
Energy and Energy Networks	272,903	575,976
Airport	54,903	51,361
Port	58,069	55,274
Public Transport	15,521	15,062
	<u>401,396</u>	<u>697,673</u>
Inter Entity Movement	(22,346)	2,201
Entity Income	<u>\$379,050</u>	<u>\$699,874</u>
Being:		
Operating Revenues	383,246	519,533
Goodwill on Sale	0	154,582
Interest Received	7,179	4,975
Other Income.	15,776	20,784
	<u>406,201</u>	<u>699,874</u>
Offset on Consolidation	(27,151)	(3,713)
	<u>\$379,050</u>	<u>\$696,161</u>
Segmental Expenditure		
Energy and Energy networks	242,472	435,897
Airport	41,675	39,205
Port	43,212	42,160
Public Transport	14,237	13,673
	<u>341,596</u>	<u>530,935</u>
Inter entity elimination	(46,720)	(58,133)
Entity Expenditure	<u>\$294,876</u>	<u>\$472,802</u>
Being:		
Operating Costs	187,889	367,265
Interest	35,940	39,236
Depreciation	45,187	49,122
Other Expenses	84,903	17,179
	<u>353,919</u>	<u>472,802</u>
Offset on consolidation	(59,043)	(4,122)
	<u>\$294,876</u>	<u>\$468,680</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4:

Equity	Actual 2000 Parent \$000's	Actual 1999 Parent \$000's	Actual 2000 Group \$000's	Actual 1999 Group \$000's
(a) Reserve Funds				
Opening Balance	34,840	42,274	34,840	42,274
Transferred (to)/from Retained Earnings	140,627	(7,434)	140,627	(7,434)
Closing Balance	<u>\$175,467</u>	<u>\$34,840</u>	<u>\$175,467</u>	<u>\$34,840</u>
(b) Capital Reserve				
Opening Balance	1,735,689	1,756,223	1,735,689	1,756,223
Infrastructural Assets Adjustment	(1,836)	(20,534)	(1,836)	(20,534)
Closing Balance	<u>\$1,733,853</u>	<u>\$1,735,689</u>	<u>\$1,733,853</u>	<u>\$1,735,689</u>
(c) Asset Revaluation Reserves				
Opening Balance	1,215,580	608,992	361,936	494,629
Revaluation of Shares of Subsidiaries and Associates	159,620	466,996	(20)	104
Revaluation of Assets	(7,046)	141,624	(7,046)	162,093
Realised Assets Revaluation Reserve	(24)	(2,032)	(24)	(294,890)
Closing Balance	<u>\$1,368,130</u>	<u>\$1,215,580</u>	<u>\$354,846</u>	<u>\$361,936</u>
(d) Retained Earnings				
Opening Balance	218,501	157,304	704,823	264,499
Add Surplus for Year	74,573	51,731	61,097	138,000
Add Transfers (to)/from Reserves	(140,627)	7,434	(140,627)	7,434
Movement Relating to Preacquisition Revaluation Reserves	0	0	(51,631)	0
Realised Assets Revaluation Reserve	24	2,032	24	294,890
Closing Balance	<u>\$152,471</u>	<u>\$218,501</u>	<u>\$573,686</u>	<u>\$704,823</u>
Minority Interest*	0	0	\$80,889	\$105,532
Total Equity	<u>\$3,429,921</u>	<u>\$3,204,610</u>	<u>\$2,918,741</u>	<u>\$2,942,820</u>
*Minority Interest			2000 \$000's	1999 \$000's
Christchurch International Airport Ltd			30,241	36,422
Lyttelton Port Company Limited			11,340	13,242
Orion NZ Ltd			39,308	55,868
			<u>\$80,889</u>	<u>\$105,532</u>

NOTE 5:

Non Current Liabilities	Actual 2000 Parent \$000's	Actual 1999 Parent \$000's	Actual 2000 Group \$000's	Actual 1999 Group \$000's
Term Debt-Note 7	41,922	62,672	256,491	501,332
Provision for Landfill Aftercare	13,578	13,598	13,578	13,598
Provision for Employee Entitlements	7,142	5,914	7,418	5,914
Other	0	0	1,732	0
Total Non Current Liabilities	<u>\$62,642</u>	<u>\$82,184</u>	<u>\$279,219</u>	<u>\$520,844</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6:

Current Liabilities	Actual 2000	Actual 1999	Actual 2000	Actual 1999
	Parent \$000's	Parent \$000's	Group \$000's	Group \$000's
Trade Creditors	32,263	39,571	99,854	84,557
Owing to Subsidiaries	20,878	954	0	0
Bank Overdrafts	0	1,403	511	8,125
Proposed Dividend	0	0	8,811	3,850
Provision for Taxation	636	744	1,991	12,426
Current Portion of Term Debt	20,750	37,371	294,707	123,962
Unsecured Debt	0	1,446	0	1,446
Deferred Tax	0	0	18,100	0
Other	0	0	79,508	4,185
	<u>\$74,527</u>	<u>\$81,489</u>	<u>\$503,482</u>	<u>\$238,551</u>
Employee Entitlements				
Accrued pay	1,689	945	1,947	959
Annual leave	7,238	8,491	8,844	16,394
	<u>\$8,927</u>	<u>\$9,436</u>	<u>\$10,791</u>	<u>\$17,353</u>
Total Current Liabilities	<u>\$83,454</u>	<u>\$90,925</u>	<u>\$514,273</u>	<u>\$255,904</u>

NOTE 7:

Public Debt	Actual 2000	Actual 1999	Actual 2000	Actual 1999
	Parent \$000's	Parent \$000's	Group \$000's	Group \$000's
(a) Current				
Secured loans	20,750	37,371	294,707	123,962
	<u>\$20,750</u>	<u>\$37,371</u>	<u>\$294,707</u>	<u>\$123,962</u>
(b) Non-Current				
Unsecured Loans	0	0	100,000	0
Secured Loans	41,922	62,672	156,491	501,332
	<u>\$41,922</u>	<u>\$62,672</u>	<u>\$256,491</u>	<u>\$501,332</u>

(c) Security

Council Term Loans are secured either by general rates of the City, or by Council income. The Council has no Finance Leases.

(d) Repayment Terms

The following is a summary of Term Debt according to the year of repayment:

	Actual 2000	Actual 1999	Actual 2000	Actual 1999
	Parent \$000's	Parent \$000's	Group \$000's	Group \$000's
1999/2000	0	37,371	0	123,962
2000/2001	20,750	20,750	294,707	320,135
2001/2002	7,656	7,656	90,262	57,656
2002/2003	10,223	10,223	60,002	27,223
2003/2004	3,174	3,174	12,924	3,174
2004/2005	376	376	376	376
Later	20,493	20,493	92,927	92,768
	<u>\$62,672</u>	<u>\$100,043</u>	<u>\$551,198</u>	<u>\$625,294</u>

Of the \$294,707,000 debt due within one year, \$271,600,000 relates to debt of Orion New Zealand Limited. This debt was repaid subsequent to balance date from the proceeds of the North Island gas network sale.

(e) Interest Rates

The weighted average effective interest rates on borrowings (current and non-current) were:

	Actual 2000	Actual 1999	Actual 2000	Actual 1999
	Parent	Parent	Group	Group
Secured Loans and Debentures	7.86%	7.86%	5.27% to 7.09%	5.99% to 7.86%

	Parent Actual 2000 \$000's	Parent Actual 1999 \$000's
The Council has loan repayment investments (sinking funds) which are to be used for repayment of Term Debt.	6,000	6,557
The Council also has a Loan Repayment Reserve to be applied to reduction of Term Debt.	\$123,000	\$7,000

NOTES TO THE FINANCIAL STATEMENTS

Christchurch City Holdings Ltd (CCHL) has borrowings at 30 June 2000, comprising two tranches of \$50 million, with one tranche (coupon rate 7.0%) maturing in 2002, and the other (coupon 7.75%) maturing in 2006. These borrowings were effected on 25 August 1999 under a \$350 million debt issuance programme.

The purpose of the new debt programme is to enable CCHL to borrow on behalf of Christchurch City Council to fund its future capital expenditure programme. The two tranches of \$50 million each, were issued at a discount that will be amortised over the period to maturity. These borrowings are unsecured, but the loan documentation imposes certain covenants and restrictions on CCHL.

Orion NZ Ltd Group's debt is all unsecured, but it is required to comply with certain covenants under the loan agreement. Interest rates for almost all borrowings are floating, based on 90 day bank bill rates plus a margin. These rates varied from 6.21% to 6.87% during the year. The Orion group has entered into interest rate swaps to hedge its exposure to interest rate fluctuations.

Christchurch International Airport Ltd uses a multi-option

facility of \$120 million, provided by the ANZ Banking Group NZ Ltd, that is underwritten to March 2003. All borrowings are unsecured and are supported by a negative pledge deed. At 30 June 2000, the Company had on issue 90 day short term registered notes with a face value of \$84million. (1999 \$64 million) with a discounted value of \$83 million (1999 \$63 million). Interest rates are determined by reference to prevailing market rates and during the year ranged from 5.27% to 7.09%.

Lyttelton Port Company Limited has short term borrowings and term advances raised pursuant to a multi-option credit line agreement with Westpac Trust. These funds have been lent against a negative pledge deed where the bank ranks equally with other creditors. The effective interest rate during the year was 6.96% (1999 7.37%).

Unsecured Loans

The Council has no unsecured loans (1999 \$1.446 million at an interest rate of 5.25%).

Variations/ Changes to the Borrowing Management Policy

There have been no changes or variations to this Policy.

NOTE 8:

Current Assets	Actual 2000 Parent \$000's	Actual 1999 Parent \$000's	Actual 2000 Group \$000's	Actual 1999 Group \$000's
Cash at Bank, and Short Term Investments	\$168,538	\$33,396	\$194,727	\$97,250
Receivables and Prepayments	Actual 2000 Parent \$000's	Actual 1999 Parent \$000's	Actual 2000 Group \$000's	Actual 1999 Group \$000's
Rates Debtors	6,741	4,982	6,741	4,982
Other Trade Debtors	6,243	7,031	34,340	134,388
Amount owing by Subsidiaries	316	1,914	0	0
Amount owing by Associates	8	7	8	7
Other Receivables/Prepayments	8,037	5,971	8,073	6,033
GST Receivable	437	1,911	804	1,942
Taxation Receivable	0	0	14,487	6,116
Dividends Receivable	21,436	5,321	303	219
Goodwill	0	0	63,311	0
Amounts owing by Directors/Councillors	0	0	0	0
	<u>43,218</u>	<u>27,137</u>	<u>128,067</u>	<u>153,687</u>
Less Provision for Doubtful Debts	(250)	(250)	(250)	(250)
Total Receivables and Prepayments	<u>\$42,968</u>	<u>\$26,887</u>	<u>\$127,817</u>	<u>\$153,437</u>
Inventories	Actual 2000 Parent \$000's	Actual 1999 Parent \$000's	Actual 2000 Group \$000's	Actual 1999 Group \$000's
General Stores	1,354	1,609	7,178	8,401
Livestock and Feed	219	206	219	206
Souvenirs and Food	272	164	272	164
Development Land	162	150	162	150
Total Inventories	<u>\$2,007</u>	<u>\$2,129</u>	<u>\$7,831</u>	<u>\$8,921</u>
Fixed Assets Held for Resale	Actual 2000 Parent \$000's	Actual 1999 Parent \$000's	Actual 2000 Group \$000's	Actual 1999 Group \$000's
Fixed Assets Held for Resale	\$0	\$0	\$286,988	\$7,815
Total Current Assets	<u>\$213,513</u>	<u>\$62,412</u>	<u>\$617,363</u>	<u>\$267,423</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9:

Non-Current Assets	Actual 2000	Actual 1999	Actual 2000	Actual 1999
	Parent \$000's	Parent \$000's	Group \$000's	Group \$000's
Investments				
Government and Local Body Stock	6,560	13,163	6,560	13,163
Sinking Funds	6,000	6,557	6,000	6,557
General Investments				
Mortgages and Loans	12,857	4,489	11,088	5,489
Investment in Companies (at share of equity)				
NZ Counties Investments Co Ltd	235	285	235	285
NZ Local Government Insurance Co Ltd (at market valuation)	677	673	677	673
Shares held on a/c MK Richards Trust	665	565	665	565
Subsidiary Companies (at share of equity)				
City Care Ltd	10,107	438	0	0
Christchurch City Facilities Ltd	47,654	50,625	0	0
Jade Stadium Ltd	2,255	1,500	0	0
Streetworks Management Ltd	0	41	0	0
Windsor Central Ltd	0	9,690	0	0
Christchurch City Holdings Ltd (CCHL) (at market value)	1,000,531	1,000,531	0	0
Associate Companies (at share of equity)				
Selwyn Plantation Board Ltd	31,429	30,453	31,429	30,453
Transwaste Canterbury Ltd	2,747	918	2,747	918
Loans to Subsidiary Companies				
City Care Ltd	33	57	0	0
Travis Finance Ltd	1,516	1,516	0	0
Subsidiary Company Investments	0	0	20,160	26,132
Total Investments	\$1,123,266	\$1,121,501	\$79,561	\$84,235
	2000	1999		
Publicly Traded Investments	\$000's	\$000's		
Market Value of CCHL's investment in Lyttelton Port Company Ltd at 30 June	\$99,948	\$106,611		

NOTE 10:

Operational Assets	Valuation or	Accumulated	N.B.V	N.B.V
	Cost	Depreciation	30 June 2000	30 June 1999
Parent	\$000's	\$000's	\$000's	\$000's
Land	141,200	0	141,200	128,967
Buildings	281,644	5,973	275,670	263,306
Buildings in Progress	16,506	0	16,506	26,614
Plant	14,418	6,285	8,133	8,456
Work in Progress-Plant	3,136	0	3,136	1,933
Chattels	32,562	19,593	12,969	9,193
Library books	48,331	36,306	12,025	11,339
Mobile Plant	8,437	4,279	4,159	14,727
Total Parent Operational Assets	\$546,234	\$72,436	\$473,798	\$464,535

Net book value of Land and Buildings as 30 June 2000 is considered to be fair value.

Group	Valuation or	Accumulated	N.B.V	N.B.V
	Cost	Depreciation	30 June 2000	30 June 1999
Group	\$000's	\$000's	\$000's	\$000's
Land	270,311	0	270,311	255,164
Site Improvements	8,192	271	7,921	3,031
Buildings	467,927	37,475	430,452	457,772
Plant and Chattels	137,337	69,026	68,311	73,108
Buses	10,078	491	9,587	8,505
Mobile Plant	8,437	4,279	4,158	14,728
Sealed Surfaces	32,192	19,635	12,557	13,825
Electricity Distribution System	401,541	0	401,541	696,651
Harbour Structures	39,056	9,350	29,706	28,082
Vessels	2,613	1,320	1,293	1,812
Other Assets	56,540	36,532	20,008	20,384
Total Group Operational Assets	\$1,434,224	\$178,379	\$1,255,845	\$1,573,062

Net book value of Land and Buildings as 30 June 2000 is considered to be fair value.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 11:

Infrastructural Assets	Valuation or Cost \$000's	Accumulated Depreciation \$000's	N.B.V 30 June 2000 \$000's	N.B.V 30 June 1999 \$000's
Parent and Group				
Bus Shelters	370	15	355	370
Roading	879,748	20,496	859,252	842,528
Sewers	297,277	0	297,277	263,875
Stormwater	178,205	2,090	176,115	170,387
Water Reticulation	119,938	3,494	116,444	115,796
Water Meters	14,033	488	13,545	16,020
Streetlights	12,857	503	12,354	12,640
Traffic Lights	7,126	285	6,841	7,126
Water Pumping Stations	7,023	442	6,581	5,625
Sewer Pumping Stations	2,252	0	2,252	38,162
Total Infrastructural Assets	\$1,518,829	\$27,813	\$1,491,016	\$1,472,529

NOTE 12:

Restricted Assets	Valuation or Cost \$000's	Accumulated Depreciation \$000's	N.B.V 30 June 2000 \$000's	N.B.V 30 June 1999 \$000's
Parent and Group				
Art Works	26,294	0	26,294	20,587
Library Books NZ Room	4,548	0	4,548	4,447
Reserve Land and Improvements	228,888	230	228,658	217,281
Reserve Land and Improvements in Progress	478	0	478	0
Buildings-Historic	14,599	206	14,393	14,374
Properties held in trust for other organisations	53	0	53	53
Total Restricted Assets	\$274,860	\$436	\$274,424	\$256,742

Net book value of Land and Buildings as 30 June 2000 is considered to be fair value.

The ownership of urban portions of the State highway network is unclear although there is legal opinion indicating that the ownership rests with local authorities. Transit NZ maintains the carriageway of the highways in their entirety without any costs accruing to local authorities. As a consequence, even if the ownership resides with local authorities, in practice, Transit NZ controls the economic

resources. Pending clarification of ownership, and further consideration of the accounting issues which may arise, the Christchurch City Council has not recognised the urban portion of the State highway network as an asset in these statements. Christchurch City Council concurs with the legal opinion that ownership of urban portions of State highways should belong to local authorities.

NOTE 13:

Contingencies	Actual 2000 Parent \$000's	Actual 1999 Parent \$000's	Actual 2000 Group \$000's	Actual 1999 Group \$000's
(a) Contingent Liabilities				
Uncalled Capital in Christchurch City Holdings Ltd	488,999	138,999	0	0
Uncalled Capital in Transwaste Ltd	2,839	3,217	0	3,217
Ratepayers for Uniform Annual General Charges Levied	925	925	925	925
Redbus Limited- Performance Bonds	0	0	1,320	870
City Care Ltd- Performance Bonds	0	0	606	23
City Care Ltd- Letter of Credit Facility	0	0	0	20
Guarantees to Sporting and Community Organisations	315	315	0	315
	\$493,078	\$143,456	\$2,851	\$5,370

- In August 1999, Christchurch City Holdings Ltd issued \$350 million of new redeemable preference shares to the Christchurch City Council. No call has been made on these shares. This amount is included in the contingent liability shown above.

- A national issue has arisen as to the correctness of levying certain uniform annual charges on rating apportionments.

All Councils which include uniform annual charges as part of their general rates, have potentially been adversely impacted by the Court of Appeal's decision to overturn the ruling that

the local authorities did have sufficient authority for the historical levying of uniform annual general charges on rating apportionments. Leave to appeal to the Privy Council has been granted by the Court of Appeal. Therefore the Council has made no provision in these financial statements for the potential liability of \$925,000.

- There are also contingent liabilities arising from claims from the parents of children attending the Civic Child Care Centre. The financial effect of these claims cannot be quantified.

NOTES TO THE FINANCIAL STATEMENTS

(b) Contingent Assets

	Actual 2000 Parent \$000's	Actual 1999 Parent \$000's	Actual 2000 Group \$000's	Actual 1999 Group \$000's
Vested Assets- Nurses Chapel (at valuation)	\$400	\$400	\$400	\$400

NOTE 14:

Capital Commitments	Actual 2000	Actual 1999	Actual 2000	Actual 1999
	Parent \$000's	Parent \$000's	Group \$000's	Group \$000's
Computer Equipment	0	1,793	0	1,793
Council Works	50,289	39,503	50,289	39,503
Library Computers	0	68	0	68
Christchurch International Airport Ltd	0	0	396	0
City Care Ltd	0	0	75	3
Jade Stadium Limited	0	0	2,691	491
Lytelton Port Company Ltd	0	0	324	24
Orion NZ Ltd	0	0	11,498	14,884
Red Bus Ltd	0	0	0	280
	<u>\$50,289</u>	<u>\$41,364</u>	<u>\$65,273</u>	<u>\$57,046</u>
	Actual 2000 Parent	Actual 1999 Parent	Actual 2000 Group	Actual 1999 Group
At balance date, lease commitments were as follows:	\$000's	\$000's	\$000's	\$000's
Under 1 year	0	0	2,274	1,542
1-2 years	0	0	945	878
2-5 years	0	0	1,300	1,100
Over 5 years	0	0	2,185	2,606
	<u>\$0</u>	<u>\$0</u>	<u>\$6,704</u>	<u>\$6,126</u>

Christchurch City Facilities Limited has leased land from Addington Raceway Limited, for a Sports and Entertainment site. The lease has a 50 year term from 2 December 1996 with a right of renewal. The minimum annual lease payment is \$40,000.

NOTE 15:

Reconciliation of Net Operating Cash Flow and Operating Surplus	Actual 2000	Actual 1999	Actual 2000	Actual 1999
	Parent \$000's	Parent \$000's	Group \$000's	Group \$000's
Net Surplus after Taxation	74,219	51,713	72,627	175,822
Non-Cash Items				
Depreciation	47,295	47,925	98,000	100,772
Increase/(Decrease) in Deferred Tax	0	0	5,766	(9,411)
Goodwill Written Off	0	0	3,884	2,364
Assets Vested in Council	(22,477)	(13,257)	(22,477)	(13,257)
Other Movements in Minority Interest	0	0	0	0
Assets Written Off	2,997	472	3,471	472
Provision for Resealing	0	0	806	0
Equity Accounted Earnings	0	0	(295)	0
Other Non-Cash Items	0	0	(60)	0
Increase in Landfill Aftercare Provision	518	282	518	282
Movements in Working Capital Items (Increase)/Decrease in:				
Accounts Receivable & Accruals	(17,956)	885	11,885	2,999
Taxation Receivable	0	0	(8,371)	6,574
Inventory	122	(105)	1,090	5,086
Increase/(Decrease) in:				
Accounts Payable and Accruals	(2,328)	4,361	(15,697)	(11,051)
Taxation Payable	(108)	(111)	(10,435)	10,571
Non-Current Employee Entitlements	1,228	765	1,504	626
Less Items classified as Investing:				
Net (Gain)/Loss on Sale of Fixed Assets	(318)	94	(6,933)	171
Unrealised Revaluation of Assets	0	0	474	0
Exploration Expenditure Written Off	0	0	18,638	0
Goodwill on Sale of Energy Retailing	0	0	0	(154,582)
Net Cash Inflow/(Outflow) from Operating Activities	<u>\$83,192</u>	<u>\$93,024</u>	<u>\$154,395</u>	<u>\$117,438</u>

The following items are presented as Net:

- (a) Goods and Services Tax
- (b) Short Term Money Market Investments

Cash Balances at year end include Special Funds and other Funds which are restricted in their use. At 30 June 2000, these were \$175,467K (1999 \$34,840K).

NOTES TO THE FINANCIAL STATEMENTS

NOTE 16:	Actual 2000	Actual 1999	Actual 2000	Actual 1999
Taxation	Parent \$000's	Parent \$000's	Group \$000's	Group \$000's
Net Surplus/(Deficit) before Tax	74,219	51,713	112,657	218,694
Prima Facie Tax Expense at 33%	24,492	17,065	37,177	72,169
Permanent Differences	4,795	9,304	518	(26,307)
Timing Differences not Recognised	0	0	3,831	21,229
Loss not Previously Recognised	0	0	(897)	1,939
Imputation Credit Adjustment	(31,510)	(26,158)	(168)	(26,158)
Tax Credit Re Group Losses	2,223	(211)	0	0
Under/(Over) Provision	0	0	(431)	0
	<u>\$0</u>	<u>\$0</u>	<u>\$40,030</u>	<u>\$42,872</u>
	Actual 2000	Actual 1999	Actual 2000	Actual 1999
	Parent	Parent	Group	Group
	\$000's	\$000's	\$000's	\$000's
Comprising:				
Current Taxation	0	0	35,999	43,441
Deferred Taxation	0	0	4,031	(569)
	<u>\$0</u>	<u>\$0</u>	<u>\$40,030</u>	<u>\$42,872</u>
Deferred Taxation				
Opening Balance	0	0	(1,796)	(11,207)
Prior Year Adjustment	0	0	(18,249)	8842
Current Year	0	0	(4,031)	569
Deferred Tax Asset/(Liability Current + Deferred)	<u>\$0</u>	<u>\$0</u>	<u>(\$24,076)</u>	<u>(\$1,796)</u>

Unrecognised future income tax benefits from timing differences existing in the Group, amount to \$1,735K (1999 \$1,810K)

Orion Group Limited has an unrecognised deferred tax liability of \$33 million. This relates to potential tax depreciation recovered on the electricity distribution network. This liability would crystallise if these assets were sold at their carrying value.

NOTE 17:

	Actual 2000	Actual 1999
	Group	Group
	\$000's	\$000's
Imputation Credit Account		
Christchurch City Holdings Ltd	61,379	37,572
CCHL Subsidiaries	24,400	45,749
Other CCC Subsidiaries	16	17
	<u>\$85,795</u>	<u>\$83,338</u>

Dividend income of the parent includes an accrual for final dividends. All these dividends, except those from one subsidiary, carry imputation credits when the dividend is received.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 18:

Remuneration

The remuneration package of the Council's City Manager, appointed under Section 119C(1) (a) of the Local Government Act 1974, is \$215,040 per annum.

This is comprised of:	2000	1999
	\$	\$
Salary	184,400	173,342
Superannuation Subsidy	18,440	17,334
Imputed Value of Vehicle	7,500	7,500
Allowances	4,700	4,700
	<u>\$215,040</u>	<u>\$202,876</u>

For the year ended 30 June 2000, the total cost to the Council, including fringe benefit tax and salary arrears, was \$226,529 (1999 \$211,607).

Six Directors are employed on remuneration packages in the following range: Annual Salary : \$110,000 to \$140,000. Other elements of remuneration : \$25,000 to \$35,000.

ranges: (Additional benefits are generally between 10% and 20% of salary and consist of superannuation subsidy, professional fees, and use of a vehicle varying between limited private use to no private use). :

19 Senior Managers are employed on salaries in the following

Salary Range	2000	1999
	Number in	Number in
	Range	Range
\$60,000-\$70,000	-	1
\$70,000-\$80,000	4	3
\$80,000-\$90,000	8	12
\$90,000-\$100,000	6	2
\$100,000-\$110,000	<u>1</u>	<u>1</u>
	<u>19</u>	<u>19</u>

Cost of Severance Payments

Section 223 E (12) 1 (a) of the Local Government Act requires reporting of severance payments including any tax liability, over \$50,000. For the year ended 30 June* 2000, the following payments were made: (1999 \$108,047.)

Engineering Officer \$74,332

NOTE 19:

Landfill Aftercare Liability

The Christchurch City Council gained a resource consent in April 1998 to operate Stage 2 of the Burwood Landfill. The Council has responsibility under the resource consent to provide on-going maintenance and monitoring of the landfill after the site is closed. There are closure and post-closure responsibilities such as the following:

Closure responsibilities:

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

Post-closure responsibilities:

- treatment and monitoring of leachate.
- ground monitoring and surface monitoring
- implementation of remedial measures such as those needed for cover and control systems.
- on-going site maintenance for drainage systems, final cover, and vegetation.

To provide for the estimated cost of aftercare a charge is made each year. This charge is based on the following formula:

$$\frac{\text{Estimated total current cost} \times \text{cumulative capacity used.}}{\text{Total estimated capacity} \\ \text{less Amount previously recognised}}$$

The estimated total liability for closure and post-closure is \$3.5 million. The amount remaining to be recognised is \$2.3 million.

Capacity of the Site

The resource consent expires on 31 May 2002 but due to problems that have occurred in the selection of a site for the new regional landfill, it is now anticipated that the Council will not be able to use the new landfill until at least 30 June 2004.

Because of the uncertainty Council will be applying for a resource consent extension to May 2006 or when the new landfill opens, whichever comes first. Burwood Landfill does have the capacity to accommodate the waste stream until 2006 if this proves necessary.

NOTES TO THE FINANCIAL STATEMENTS

Closed Landfills

The Council is still awaiting the issue of resource consents for the closed landfills for which it is responsible for the on-going monitoring and maintenance. The liability has been estimated based on the assumption that monitoring will be required for a period of 30 years after the application for the resource consents. The estimated cost for the closed landfills, excluding the first three stages of the Burwood landfill, is \$7.9 million.

NOTE 20:

Financial Instruments

(a) Credit Risk

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

(b) Credit Risk Exposure

Maximum exposures to credit risk at balance date are:

	Actual 2000 Parent \$000's	Actual 1999 Parent \$000's	Actual 2000 Group \$000's	Actual 1999 Group \$000's
Cash, Bank and Short Term Deposits	168,538	33,936	194,727	97,250
Accounts Receivable	42,968	26,887	127,817	153,437
Loans to Cultural and Sporting Organisations	12,857	4,489	11,088	5,489
Shares Gifted in Trust	665	565	665	565
Government and Local Body Stock	6,560	13,163	6,560	13,163
Loans	1,549	1,573	0	0

No collateral security is held for the above.

(c) Off Balance Sheet Risk

Interest rate swaps may be employed by Council subsidiaries to manage interest rate exposure. Fluctuations in interest rates give rise to market risk.

Contracts have been entered into with various counterparties, having such credit ratings and in accordance with such dollar limits as set forth by authorised policies. No collateral or other security is required to support financial instruments with credit risk. While the Group may be subject to credit losses up to the notional principal or contract amounts in the event of non performance by its counterparts, it does not expect such losses to occur. The notional principal or contract amounts outstanding at 30 June are as follows:

	Actual 2000 Parent \$000's	Actual 1999 Parent \$000's	Actual 2000 Group \$000's	Actual 1999 Group \$000's
Foreign Currency Forward Exchange Contracts	0	0	0	1,076
Interest Rate Swaps and Forward Rate Agreements (FRA's)	0	0	56,250	538,250
Interest Rate Options	0	0	0	0
Bond Forward Rate Agreement	0	0	21,000	100,000

(d) Concentration of Credit Risk

Financial instruments which potentially subject the Group to concentrations of credit risk consist principally of cash and short term investments, trade and notes receivable and various off balance sheet instruments. The Group places its cash and short term investments with high credit quality financial institutions and sovereign bodies and limits the amount of credit exposure to any one financial institution in accordance with its treasury policies. Concentrations of credit risk with respect to accounts receivable are limited due to the large number of customers included in the subsidiaries' customer bases.

(e) Fair Values.

	Actual 2000 Parent \$000's	Actual 1999 Parent \$000's	Actual 2000 Group \$000's	Actual 1999 Group \$000's
Interest Rate Options	0	0	0	(6)
Interest Rate Swaps and FRA's	0	0	1,567	12,311
Bond Forward Rate Agreement	0	0	20	(752)

(Figures in brackets are receivables)

NOTES TO THE FINANCIAL STATEMENTS

NOTE 21:

Transit New Zealand Act disclosures

	Actual 2000 Parent \$000's	Actual 1999 Parent \$000's
Works Operations Business Unit		
Revenue from TNZ Minor and Ancillary Works	872	846
Revenue from Other Activities	12,220	30,275
Total Works Performed	<u>13,092</u>	<u>31,121</u>
Total Operating Costs	<u>(14,937)</u>	<u>(30,672)</u>
Surplus/(Deficit) on Operations	<u>(\$1,845)</u>	<u>\$449</u>

The Surplus/(Deficit) is transferred to the Council's General Fund.

In House Professional Services

	Actual 2000 Parent \$000's	Actual 1999 Parent \$000's
City Streets Business Unit		
Revenue from In-house Professional Services for TNZ Financially Assisted Roading	1,913	988
Revenue from Other Activities	2,381	5,233
Total Works Performed	<u>4,294</u>	<u>6,221</u>
Total Operating Costs	<u>(4,294)</u>	<u>(6,221)</u>
Surplus on Operations	<u>0</u>	<u>0</u>

City Design Business Unit

Revenue from In-house Professional Services for TNZ Financially Assisted Roading	1,293	678
Revenue from Other Activities	5,590	5,798
Total Works Performed	<u>6,883</u>	<u>6,476</u>
Total Operating Costs	<u>(6,549)</u>	<u>(6,248)</u>
Surplus on Operations	<u>\$334</u>	<u>\$228</u>

The Surplus is transferred to the Council's General Fund.

NOTE 22:

Annual Residents' Survey

These indicators are based on the Annual Residents' Survey of Participation and Satisfaction. This was originally designed in consultation with Statistics New Zealand and is now performed by National Research Bureau Ltd under contract to the Christchurch City Council. Where actual results from the survey are included in the Statement of Service Performance, these are based on interviews conducted with 755 Christchurch City residents in March/April 2000 and have a margin of error of +/- 3%.

NOTE 23:

Parking Survey

These indicators are based on results drawn from surveys of off-street and on-street car park users designed by Statistics NZ and actioned by Parking Unit staff. 350 off-street car park users and 234 on-street park users were interviewed in 2000. The estimated sampling error for these surveys lies within the +/-3% range.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 24:

Related Party Transactions:

All members of the Group are considered to be related parties of Christchurch City Council. This includes Subsidiaries, Associates and Joint Ventures.

	Actual 2000 \$000's	Actual 1999 \$000's
Related Parties and Balances		
Interest received on loans to related parties	766	952
Interest paid on loans to related parties	495	0
Dividends paid to the Council	62,763	50,380
Accounts payable to the Council	538	1,921
Accounts receivable from the Council	6,468	954
Loans to related parties	10,203	1,573
Loans from related parties	16,430	0
Issue of shares to the Council	12,203	36,257
Services provided to the Council	23,779	7,679
Services provided by the Council	4,441	4,414
Subvention receipts from the Council	746	739
Rates paid to the Council	924	1,032
Reimbursement of Construction Costs to the Council	0	34,857
Fixed assets sold by the Council	10,251	0
Capital repatriation to the Council	162,000	0

In May 2000, Christchurch City Holdings Limited (CCHL), the Council's wholly owned investment holding company, repurchased 3,185,972 of its ordinary shares at their market value of \$33.04 per share at a total cost of \$105,255,020. It also redeemed 56,745 preference shares at their redemption value of \$1,000 per share at a total cost of \$56,745,000. This resulted in a return to the Council of \$162 million.

	Actual 2000 \$000's	Actual 1999 \$000's
Transactions between Subsidiaries:		
Dividends received/receivable to Christchurch City Holdings Ltd	145,928	87,189
Interest received/receivable Christchurch City Holdings Ltd	11,129	10,094
Subvention payments	0	2,051

Key Management and Members of the Council.

During the year, Councillors and key management, as part of a normal customer relationship, were involved in minor transactions with the Council (such as the payment of rates, purchase of rubbish bags).

Except for these transactions, and items of a trivial nature, no other Councillors or senior management have entered into related party transactions with the Group.

NOTE 25:

Subsequent Events

- On 24 July 2000, Streetworks Management (Christchurch) Limited distributed its surplus assets to its shareholder and a request was made for the company to be removed from the Companies' Register.
- A decision has been made to transfer the majority of Council staff involved with maintenance work to the Council LATE, City Care Limited.
- The Council has commenced the implementation of a restructuring plan that will reduce the staffing levels by up to fifty full time equivalents.
- On 1 April 2000, Orion Group Limited (balance date 31 March 2000), sold its North Island gas networks and contracting activities to United Networks Limited for \$550 million.
- Effective 30 April 2000, Orion Group Limited sold its gas trading business to Contact Energy Limited for \$10.2 million.

Both of these sales cease Orion Group Limited's operation in these sectors. The resulting tax liability on depreciation recovered on the assets sold as part of the transactions is expected to be approximately \$21.1 million.

The net surplus after tax on the sale of the above activities, after write off of \$64.1 million of related goodwill, is estimated as follows:

- Gas Networks & Contracting Activities \$181.9m
- Industrial Gas Trading Activities \$ 5.3m

These net surpluses will be reported in Orion Group Limited's financial statements for the year ending 31 March 2001, and in the Christchurch City Council's consolidated financial statements for the year ended 30 June 2001.

- Other than those described above, there are no subsequent balance date events in relation to the Council or its subsidiaries that materially affect the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 26:

There is a difference between the Annual Plan and the Annual Report in respect of the amount shown in the Estimates. This difference has been brought about by the full allocation of Support Services to External Significant Service Delivery Costs. 2000 Estimate figures are restated as per the table below.

Reconciliation of Estimates reported in the Annual Plan and Annual Report

	Annual Plan Cost of Service Statements \$000's	Property Surplus Allocated \$000's	Other Internal Service Provider Surpluses Allocated \$000's	Projects and Other Costs Carried Forward \$000's	Transfers and Other Adjustments \$000's	Annual Report Service Statements \$000's
Art Gallery	2,151				(39)	2,112
Car Parking	(1,488)	(824)	(39)		(991)	(3,342)
City Streets	31,854		(230)	(88)	338	31,874
Community Services	11,209	(1,563)	(97)	198	(2,288)	7,459
Economic Development	11,610			(4)	70	11,676
Environmental Policy and Services	12,132			(662)	(40)	11,430
Housing	(1,943)			20	(166)	(2,089)
Library and Information Services	18,184	(1,205)	(155)	(50)	(1,318)	15,456
Parks	15,471		(752)	(542)	(765)	13,412
Public Accountability	9,694			10	(291)	9,413
Sewerage	13,868		(75)		(857)	12,936
Sports, Leisure and Events	10,470			23	(51)	10,442
Waste Minimisation and Disposal	6,096		(75)	(347)	(528)	5,146
Water Supply	10,033		(152)	(150)	(433)	9,298
Waterways and Wetlands	8,148		(152)	60	98	8,154
	<u>\$157,489</u>	<u>(\$3,592)</u>	<u>(\$1,727)</u>	<u>(\$1,532)</u>	<u>(\$7,261)</u>	<u>\$143,377</u>
Add Back Service Provider Income						1,727
Adjustments for Budget Transfers						3,592
						<u>\$148,696</u>

NOTE 27:

Major Budget Variations - Parent

Statement of Financial Performance

Explanations for major variations from the Council's estimate figures in the 1999/00 annual plan are as follows:

	\$000's
Higher than Budgeted Dividends from subsidiaries due to Christchurch City Holdings paying higher dividends due to its delayed capital repatriation and because of the special dividends by two of its subsidiaries.	14,176
Higher than Budgeted Vested Assets Income.	7,463
Lower than Budgeted Interest Income due to the delayed receipt of the capital repatriation monies and lower than budgeted interest rates in the first half of the year.	(3,167)
Lower than budgeted Depreciation principally related to depreciation on plant sold to City Care Limited when the Works Operations Unit was corporatised on 1 December 1999 and delays in the completion of capital projects.	2,635
Higher than budgeted Significant Activity expenditure principally due to restructuring costs and the writeoff of the book value of Infrastructure Assets replaced early to facilitate more efficient renewal of the networks.	(1,303)
Lower than budgeted Significant Activity Income due to corporatisation of the Works Operations Unit and Mechanical Services Section on 1 December 1999.	(2,202)
Higher than Budgeted Grants Income Received for new Art Gallery from the Ministry of Cultural and Heritage Affairs.	2,700

NOTES TO THE FINANCIAL STATEMENTS

Statement of Movements in Equity

Apart from the increased unbudgeted income referred to above, there is an increase brought about by the three-yearly revaluation of Artworks, an increase in the value of ownership of subsidiary companies, partially offset by the decrease from the downward revaluation of Liquid Waste Infrastructure Assets.

Statement of Financial Position

The upward revaluation of Artworks and the increase in value of subsidiary companies, partially offset by the downward revaluation of Liquid Waste Infrastructural Assets, resulted in an increase in Non-Current Assets and a resulting increase in Equity.

NOTE 28:

Financial involvement in LATE's and Other Companies or Organisations

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

	Dividends 2000 \$000's	Interest 2000 \$000's	Total 2000 \$000's	Total 1999 \$000's
Subsidiaries:				
City Care Ltd	870	15	885	101
Christchurch City Facilities Ltd	0	0	0	4
Christchurch City Holdings Ltd	62,763	0	62,763	50,256
Jade Stadium Ltd	0	18	18	0
Travis Finance Ltd	0	735	735	735
Associates:				
Selwyn Plantation Board Limited	342	0	342	236
Transwaste Canterbury Ltd	0	0	0	0
	<u>\$63,975</u>	<u>\$768</u>	<u>\$64,743</u>	<u>\$51,332</u>

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

NOTE 29:

Vested Assets	Actual 2000 Parent \$000's	Actual 1999 Parent \$000's	Actual 2000 Group \$000's	Actual 1999 Group \$000's
Restricted Land and Buildings	5,049	2,960	5,049	2,960
Infrastructural Assets	16,716	10,297	16,716	10,297
Artworks	712	0	712	0
	<u>\$22,477</u>	<u>\$13,257</u>	<u>\$22,477</u>	<u>\$13,257</u>

NOTE 30:

Grants/Contributions to Major Projects

	Actual 2000 Parent \$000's	Actual 1999 Parent \$000's	Actual 2000 Group \$000's	Actual 1999 Group \$000's
Ministry for Cultural & Heritage Affairs for New Art Gallery	5,790	0	5,790	0
The Community Trust Grant for New Art Gallery	344	822	344	822
Other Sponsorships and Contributions	167	103	167	103
	<u>\$6,301</u>	<u>\$925</u>	<u>\$6,301</u>	<u>\$925</u>

NOTE 31:

Accounting Standards Review Board Release 5

In June 1999, the stormwater and water infrastructure assets were revalued. The resulting decrease in value of \$20.534 million was debited to equity in accordance with ASRB Release 5. In 2000, based on better information, the valuation of water meters was decreased by \$1.836 million. This adjustment was debited to the capital reserve.

NOTE 32:

Restructuring

Restructuring costs totalling \$1.17 million were incurred by the Council with City Care Limited's acquisition of the Works Operations business unit and the Mechanical Services Section of the Plant & Building Services Unit.

SUMMARY OF ACTIVITIES

	Costs(After Internal Recoveries)		Income	Net Costs	Estimate	Actual
	2000 \$000's	2000 \$000's	2000 \$000's	2000 \$000's	2000 \$000's	1999 \$000's
A SUMMARY OF SERVICE DELIVERY ACTIVITIES						
Art Gallery	2,440	256		2,184	2,112	2,110
Car Parking	7,446	10,783		(3,337)	(3,342)	(3,229)
City Streets	47,448	12,891		34,557	31,874	33,522
Community Services	11,260	1,517		9,743	7,459	7,866
Economic Development and Employment	12,051	1,131		10,920	11,676	9,053
Environmental Policy and Services	19,632	8,662		10,970	11,430	10,307
Housing	5,878	9,310		(3,432)	(2,089)	(2,988)
Library and Information Services	17,589	1,124		16,465	15,456	14,146
Parks	16,648	1,789		14,859	13,412	12,830
Public Accountability	8,869	0		8,869	9,413	7,991
Sewerage	15,307	3,469		11,838	12,936	15,129
Sport, Leisure and Events	16,905	5,943		10,962	10,442	9,048
Waste Minimisation and Disposal	16,470	10,944		5,526	5,146	4,006
Water Supply	13,251	2,621		10,630	9,298	9,277
Waterways and Wetlands	9,196	384		8,812	8,154	10,803
Total Cost of Service Delivery	220,390	70,824		149,566	143,377	139,871
Add Back Service Provider Income	3,790	3,790		0	1,727	0
Adjustments for Carry Forwards				0	0	
Adjustments for Budget Transfers					3,592	
Activity Results represented in Statement of Financial Performance	<u>\$224,180</u>	<u>\$74,614</u>		<u>\$149,566</u>	<u>\$148,696</u>	<u>\$139,871</u>
				Income	Net Result	Net Result
				2000	After Tax	After Tax
				\$000's	After Deducting	After Deducting
					Minority Interest	Minority Interest
					2000	1999
					\$000's	\$000's
B SUMMARY OF CONSOLIDATING SUBSIDIARY AND ASSOCIATED ORGANISATIONS						
City Care Ltd				24,347	1,740	129
Canterbury Technology Park				383	172	678
Christchurch City Facilities Ltd				9,221	(3,671)	(4,186)
Christchurch City Holdings Ltd				161,367	150,201	91,002
Christchurch International Airport Ltd				54,903	13,228	12,156
Jade Stadium Limited				1,580	(157)	(88)
Lyttelton Port Co Ltd				58,069	14,857	13,151
Orion NZ Ltd				272,903	30,431	144,248
Red Bus Limited				15,521	1,285	2,457
Selwyn Plantation Board Ltd				5,367	1,452	717
Streetworks Management Christchurch Ltd				0	(40)	0
Transwaste Canterbury Limited				0	(331)	(74)
Travis Finance Ltd				746	1	(5,834)
Windsor Central Ltd				0	0	26
				<u>\$604,407</u>	<u>\$209,168</u>	<u>\$254,382</u>