

statement of accounting policies

REPORTING ENTITY

The Christchurch City Council is a territorial local authority formed under the Local Government Act 1974 as amended. The group consists of the entities listed on page 18.

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 intercompany transactions are eliminated upon consolidation.

Associate Organisations

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

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

Stormwater 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. Roading and Water Reticulation Infrastructural Assets (including Traffic Signals & Bus Shelters) have been valued using the optimised depreciated replacement cost method at 30 June 2001 by Meritec 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.

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 as 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 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
Streetlights	25 yrs
Bridges	50 or 100 yrs
Bus Shelters	40 yrs
Sewers, Stormwater and Water Supply Systems and Plant	10-125 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 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. Revenue Recognition

Rates revenue is recognised when levied. Water billing revenue is recognised on an accrual basis. Unbilled sales, as a result of unread meters at year end, are accrued on an average basis. Transfund roading subsidies are recognised as revenue upon entitlement, that is, when the conditions related to eligible expenditure have been fulfilled. Other grants and bequests and assets vested in the Council, are recognised as revenue when control over the assets is obtained. Dividends are only recognised as income, net of imputation credits, when the dividends have been declared and have or are almost certain to receive the necessary shareholder approval.

K. 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.

L. 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.

M. 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.

N. 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.

Christchurch International Airport Ltd applies 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.

O. Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined by FIFO or weighted average methods.

P. 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.

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.

Q. 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.

R. Investments

Shares in 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 off the latest Statement of Financial Position. Shares in CCHL were revalued at 30 June 2001, based on a market valuation undertaken by KPMG of three of its subsidiaries. All other investments are stated at lower of cost and net realisable value.

S. Financial Instruments

Christchurch City Council and its subsidiaries are party to financial instrument arrangements as part of their everyday operations. These financial instruments include Banking funds, Bank Deposits, Short Term Investments, Accounts Receivable, 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 Receivables 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 2001.
- (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.

T. 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 2000.

U. 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 Solutions, the cost recovery is made by way of direct charge.

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

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

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

V. 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.

W. 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.

X. Budgets/Estimates Disclosed

The budget and estimate figures shown in the financial statements represent the budgets included in the Financial Plan for the year ended 30 June 2001 adjusted for expenditure and revenue carried forward into the next financial year, and budget changes authorised by the Council.

Y. Changes in Accounting Policies

Previously Council recognised as dividend income, the dividends declared after balance date by the directors of those companies out of profits earned for periods ending up to balance date.

Under the new policy, that conforms with the new accounting standard FRS-5, Events After Balance Date, dividend income is only recognised if the dividends have been declared and have or are almost certainly likely to have the necessary shareholder approval.

The effect of the change in accounting policy has been to reduce Dividend Income by \$0.6 million and reduce Retained Earnings by \$0.6 million.

The Group companies' policy of accounting for dividends has changed to reflect revisions of FRS-5. This change has seen the provision for dividend classified as part of equity. In prior years this provision would have been classified as a current liability. The effect would be to increase Equity by \$870,000 and reduce Current Liabilities by \$870,000.

During the 2001 year, Orion Group Limited changed its method of accounting for deferred tax from the partial basis to the comprehensive basis (liability method) and now accounts for deferred tax on all timing differences. The implementation of this change has resulted in the following impact on the financial statements for the current year: Surplus after Tax has decreased by \$4,577,000 and Shareholders' Equity has decreased by \$27,984,000.

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 2001 Parent \$000's	Estimate 2001 Parent \$000's	Actual 2000 Parent \$000's	Actual 2001 Group \$000's	Actual 2000 Group 000's
Significant Activity Income:	\$77,072	\$81,039	\$74,614	\$86,188	\$70,377
(Refer to Summary of Activities on Page 47)					
Other Income:					
Interest Income					
Subsidiaries	1,036	1,507	768	0	0
Loan Repayment Investments	398	401	383	398	383
Short Term Investments	6,977	6,822	1,419	27,256	8,608
Special and Other Fund Investments	2,070	1,956	1,673	2,070	1,791
Total Interest Income	\$10,481	\$10,686	\$4,243	\$29,724	\$10,782
Dividend Income:					
Christchurch City Holdings Ltd					
- Ordinary	24,160	24,160	40,263	0	0
- Special	0	0	22,500	0	0
Local Government Insurance Corporation Ltd	0	22	0	0	0
Selwyn Plantation Board Ltd	889	234	342	889	342
City Care Ltd	624	1,100	870	0	0
Total Dividend Income	\$25,673	\$25,516	\$63,975	\$889	\$342
Sundry Income:					
Petroleum Tax	1,943	1,980	2,005	1,943	2,005
Sundry	9,467	6,844	2,011	28,548	26,244
Goodwill Received	0	0	0	0	0
Grants	3,563	3,200	3,732	3,563	3,732
Trading Subsidiaries Operating Income (Segment Report in Note 3)	0	0	0	487,892	379,050
Total Sundry Income	\$14,973	\$12,024	\$7,748	\$521,946	\$411,031
Total Other Income	\$51,127	\$48,226	\$75,966	\$552,559	\$422,155

Note 2: Expenditure

	Actual 2001 Parent \$000's	Estimate 2001 Parent \$000's	Actual 2000 Parent \$000's	Actual 2001 Group \$000's	Actual 2000 Group \$000's
Significant Activity Expenditure	\$234,137	\$238,878	\$224,180	\$240,896	\$217,305
(Refer to Summary of Activities on Page 47)					
Other Expenditure					
Levies	4,225	4,287	4,000	4,225	4,000
Professional Fees re Subsidiaries	32	40	10	32	10
Grants	0	0	0	0	0
Sundry	2,124	2,692	2,979	27,427	17,572
Trading Subsidiaries Operating Expenditure (Segment Report in Note 3)	0	0	0	204,960	294,876
Total Other Expenditure	\$6,381	\$7,019	\$6,989	\$236,644	\$316,458

	Actual 2001 Parent \$000's	Actual 2000 Parent \$000's
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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	1191	1131
(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	48	101
(d) Purchase of insignia and robes of office and civic insignia of any kind	5	0
(e) Provision of Entertainment	48	72
(f) Payment of levies or general contributions to organisations considered appropriate to the functions of the Council		
Civil Defence	685	752
Canterbury Museum	2,875	2,608
Riccarton Bush	235	335
Rural Fire Fighting	430	304
(g) Unauthorised Expenditure	0	0

Note 3:

(a) Operating Surplus	Actual 2001 Parent \$000's	Estimate 2001 Parent \$000's	Actual 2000 Parent \$000's	Actual 2001 Group \$000's	Actual 2000 Group \$000's
After Charging:					
Audit Fees					
Fees paid to principal auditor	150	150	160	358	355
Fees paid to other auditors	0	0	0	43	39
Other services provided by principal auditor	0	0	11	31	23
Other services provided by other auditors	0	0	0	93	54
Amortisation of Goodwill	0	0	0	2,331	3,884
Bad Debts	132	25	58	1,469	1,342
Depreciation	47,281	48,442	47,295	86,788	98,000
Interest	5,740	6,177	6,824	23,504	36,005
Leasing and Rental Costs	3,511	4,181	3,330	5,809	5,863
Increase/(Decrease) in Provision for Doubtful Debts	100	0	0	141	356
Councillors' Remuneration	1,145	1,275	1,195	1,145	1,195
Directors Fees	0	0	0	904	844
Gain/(Loss) on Sale of Assets	(1,026)	0	318	208,356	6,933
Severance and Restructuring Costs	848	0	1,170	1,281	1,711
Research and Development	0	0	0	79	16
Movement in Provision For Resealing	0	0	0	806	806
Foreign Exchange Losses/(Gains)	0	0	0	0	92
Exploration Expenditure Written off	0	0	0	20,986	18,638
Donations	0	0	10	148	122
Assets Written off	3,662	0	2,997	5,143	3,471

(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 2001 Parent \$000's	Actual 2000 Parent \$000's	Actual 2001 Group \$000's	Actual 2000 Group \$000's
Continuing Activities:				
Revenue	259,549	276,610	547,547	504,298
Net surplus/deficit	43,612	74,573	33,445	45,658
Discontinued Activities				
Revenue	0	0	221,542	113,344
Net surplus/deficit	0	0	216,309	15,439

Note 3 cont...

(c) Segment Information

	2001 Group \$000's	2000 Group \$000's
Segmental Income		
Energy and Energy Networks	400,383	272,903
Airport	56,862	54,903
Port	58,255	58,069
Public Transport	16,601	15,521
	<u>532,101</u>	<u>401,396</u>
Inter Entity Movement	(44,209)	(22,346)
Entity Income	<u>\$487,892</u>	<u>\$379,050</u>
Being:		
Operating Revenues	284,696	383,246
Interest Received	17,194	7,179
Profit on Sale of North Island Gas Operations	209,396	0
Other Income.	20,815	15,776
	<u>532,101</u>	<u>406,201</u>
Offset on Consolidation	(44,209)	(27,151)
	<u>\$487,892</u>	<u>\$379,050</u>
Segmental Expenditure		
Energy and Energy Networks	148,442	242,472
Airport	36,641	41,675
Port	37,646	43,212
Public Transport	15,219	14,237
	<u>237,948</u>	<u>341,596</u>
Inter Entity Elimination	(32,988)	(46,720)
Entity Expenditure	<u>\$204,960</u>	<u>\$294,876</u>
Being:		
Operating Costs	156,098	187,889
Interest	20,079	35,940
Depreciation	32,581	45,187
Other Expenses	29,190	84,903
	<u>237,948</u>	<u>353,919</u>
Offset on Consolidation	(32,988)	(59,043)
	<u>\$204,960</u>	<u>\$294,876</u>

Note 4: Equity

	Actual 2001 Parent \$000's	Actual 2000 Parent \$000's	Actual 2001 Group \$000's	Actual 2000 Group \$000's
(a) Reserve Funds				
Opening Balance	175,467	34,840	175,467	34,840
Transferred (to)/from Retained Earnings	(68,006)	140,627	(68,006)	140,627
Closing Balance	\$107,461	\$175,467	\$107,461	\$175,467
(b) Capital Reserve				
Opening Balance	1,733,853	1,735,689	1,733,853	1,735,689
Infrastructural Assets Adjustment	0	(1,836)	0	(1,836)
Closing Balance	\$1,733,853	\$1,733,853	\$1,733,853	\$1,733,853
(c) Asset Revaluation Reserves				
Opening Balance	1,368,130	1,215,580	354,846	361,936
Revaluation of Shares of Subsidiaries and Associates	(149,258)	159,620	(1,489)	(20)
Revaluation of Assets	112,485	(7,046)	112,485	(7,046)
Realised Assets Revaluation Reserve	(97,273)	(24)	(985)	(24)
Closing Balance	\$1,234,084	\$1,368,130	\$464,857	\$354,846
(d) Retained Earnings				
Opening Balance	152,471	218,501	573,686	704,823
Add Surplus for Year	43,612	74,573	249,754	61,097
Add Transfers (to)/from Reserves	68,006	(140,627)	68,006	(140,627)
Movement Relating to Preacquisition	0	0	(24,237)	(51,631)
Realised Assets Revaluation Reserve	97,273	24	985	24
Closing Balance	\$361,362	\$152,471	\$868,194	\$573,686
Minority Interest*	0	0	\$100,908	\$80,889
Total Equity	\$3,436,760	\$3,429,921	\$3,275,273	\$2,918,741

	2001 \$000's	2000 \$000's
*Minority Interest		
Christchurch International Airport Ltd	31,552	30,241
Lytelton Port Company Limited	14,946	11,340
Orion NZ Ltd	54,410	39,308
	\$100,908	\$80,889

Note 5: Non-Current Liabilities

	Actual 2001 Parent \$000's	Actual 2000 Parent \$000's	Actual 2001 Group \$000's	Actual 2000 Group \$000's
Term Debt-Note 7	52,910	41,922	276,369	256,491
Provision for Landfill Aftercare	14,582	13,578	14,582	13,578
Provision for Employee Entitlements	7,090	7,142	7,403	7,418
Other	0	0	1,306	1,732
Total Non Current Liabilities	\$74,582	\$62,642	\$299,660	\$279,219

Note 6: Current Liabilities

	Actual 2001 Parent \$000's	Actual 2000 Parent \$000's	Actual 2001 Group \$000's	Actual 2000 Group \$000's
Trade Creditors	31,234	32,263	72,748	99,854
Owing to Subsidiaries	6,591	4,448	0	0
Bank Overdrafts	0	0	860	511
Proposed Dividend	0	0	0	8,811
Provision for Taxation	636	636	1,907	1,991
Current Portion of Term Debt - Subsidiaries	24,993	16,430	0	0
Current Portion of Term Debt - Other	7,657	20,750	13,795	294,707
Deferred Tax	0	0	0	18,100
Other	0	0	14,779	79,508
	<u>\$71,111</u>	<u>\$74,527</u>	<u>\$104,089</u>	<u>\$503,482</u>
Employee Entitlements				
Accrued Pay	1,705	1,689	3,545	1,947
Annual Leave	7,395	7,238	15,377	8,844
Total Employee Entitlements	<u>\$9,100</u>	<u>\$8,927</u>	<u>\$18,922</u>	<u>\$10,791</u>
Total Current Liabilities	<u>\$80,211</u>	<u>\$83,454</u>	<u>\$123,011</u>	<u>\$514,273</u>

Note 7: Public Debt

	Actual 2001 Parent \$000's	Actual 2000 Parent \$000's	Actual 2001 Group \$000's	Actual 2000 Group \$000's
(a) Current				
Owing to Subsidiaries	24,993	0	0	0
Other Secured Loans	7,657	20,750	13,795	294,707
Total Current Debt	\$32,650	\$20,750	\$13,795	\$294,707
(b) NonCurrent				
Unsecured Loans	0	0	125,000	100,000
Owing to Subsidiaries	18,648	0	0	0
Secured Loans	34,262	41,922	151,369	156,491
Total Non-Current Debt	\$52,910	\$41,922	\$276,369	\$256,491

(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 2001 Parent \$000's	Actual 2000 Parent \$000's	Actual 2001 Group \$000's	Actual 2000 Group \$000's
Payable no later than 1 year	32,650	20,750	13,795	294,707
1 - 2 years	10,223	7,656	134,066	90,262
2 - 3 years	21,822	10,223	50,321	60,002
3 - 4 years	376	3,174	17,946	12,924
4 - 5 years	138	376	208	376
Later than 5 years	20,351	20,493	73,828	92,927
	\$85,560	\$62,672	\$290,164	\$551,198

(e) Interest Rates

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

	Actual 2001 Parent	Actual 2000 Parent	Actual 2001 Group	Actual 2000 Group
Secured Loans and Debentures	6.96%	7.86%	5.27% to 7.09%	5.27% to 7.09%
			Actual 2001 Parent \$000's	Actual 2000 Parent \$000's

The Council has loan repayment investments (sinking funds) which are to be used for repayment of Term Debt 7,139 6,000

The Council also has a Loan Repayment Reserve to be applied to reduction of Term Debt. 58,942 123,000

Christchurch City Holdings Ltd has borrowings at 30 June 2001, comprising two tranches of \$50 million and one tranche of \$25 million. These borrowings mature in 2002, (coupon rate 7.00%), 2006 (coupon rate 7.75%) and 2004 (coupon rate 6.25%) respectively. 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 partially 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 2001, the Company had on issue 90 day short term registered notes with a face value of \$75 million. (2000 \$84 million) with a discounted value of \$74 million (2000 \$83 million). Interest rates are determined by reference to prevailing market rates and during the year ranged from 6.42% to 7.17%.

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 rates equally with other creditors. The effective interest rate during the year was 6.89% (2000 6.96%).

Unsecured Loans

The Council has no unsecured loans (2000 Nil).

Variations/Changes to the Borrowing Management Policy

There have been no changes or variations to this Policy.

Note 8: Current Assets

	Actual 2001 Parent \$000's	Actual 2000 Parent \$000's	Actual 2001 Group \$000's	Actual 2000 Group \$000's
Cash at Bank, and Short Term Investments	\$141,248	\$168,538	\$328,807	\$194,727
Receivables and Prepayments				
Rates Debtors	6,776	6,741	6,776	6,741
Other Trade Debtors	7,145	6,243	49,006	34,340
Amount Owing by Subsidiaries	774	316	0	0
Amount Owing by Associates	0	8	0	8
Other Receivables/Prepayments	5,808	8,037	5,843	8,073
GST Receivable	2,451	437	3,117	804
Taxation Receivable	0	0	22,371	14,487
Dividends Receivable	377	21,436	377	303
Goodwill	0	0	0	63,311
Amounts Owing by Directors/Councillors	0	0	0	0
	23,331	43,218	87,490	128,067
Less Provision for Doubtful Debts	(350)	(250)	(350)	(250)
Total Receivables and Prepayments	\$22,981	\$42,968	\$87,140	\$127,817
Inventories				
General Stores	1,576	1,354	7,866	7,178
Livestock and Feed	319	219	319	219
Souvenirs and Food	200	272	200	272
Development Land	54	162	54	162
Total Inventories	\$2,149	\$2,007	\$8,439	\$7,831
Fixed Assets Held for Resale	0	0	0	286,988
Total Current Assets	\$166,378	\$213,513	\$424,386	\$617,363

Note 9: Non-Current Assets

	Actual 2001 Parent \$000's	Actual 2000 Parent \$000's	Actual 2001 Group \$000's	Actual 2000 Group \$000's
Investments				
Government and Local Body Stock	4,285	6,560	4,285	6,560
Sinking Funds	7,139	6,000	7,139	6,000
General Investments				
Mortgages and Loans	1,313	10,087	1,313	8,318
Investment in Companies (at share of equity)				
NZ Counties Investments Co Ltd	13	235	13	235
NZ Local Government Insurance Co Ltd	677	677	677	677
Investment in Companies (at market valuation)				
Shares held on a/c MK Richards Trust	681	665	681	665
Subsidiary Companies (at share of equity except CCHL)				
City Care Ltd	11,924	10,107	0	0
Christchurch City Facilities Ltd	45,302	47,654	0	0
Jade Stadium Ltd	2,535	2,255	0	0
Christchurch City Holdings Ltd (CCHL)	855,000	1,000,531	0	0
Associate Company (at share of equity)				
Selwyn Plantation Board Ltd	30,005	31,429	30,005	31,429
Transwaste Canterbury Ltd	5,221	2,747	5,221	2,747
Loans to Subsidiary Companies				
City Care Ltd	7	33	0	0
Jade Stadium Ltd	18,593	2,770	0	0
Travis Finance Ltd	1,683	1,516	0	0
Subsidiary Company Investments	0	0	11,740	22,930
Total Investments	\$984,378	\$1,123,266	\$61,074	\$79,561

	Actual 2001 \$000's	Actual 2000 \$000's
Publicly Traded Investments		
Market Value of CCHL's investment in Lyttelton Port Company Ltd at 30 June	\$116,606	\$99,948

Note 10: Operational Assets

Parent	Valuation or Cost \$000's	Accumulated Depreciation \$000's	N.B.V 30 June 2001 \$000's	N.B.V 30 June 2000 \$000's
Land & Land Improvements	146,204	155	146,049	141,200
Buildings	285,531	11,899	273,632	275,670
Buildings in Progress	31,286	0	31,286	16,506
Plant	14,728	6,822	7,906	8,133
Work in Progress-Plant	1,850	0	1,850	3,136
Chattels	36,637	22,400	14,237	12,969
Library books	51,849	38,937	12,912	12,025
Mobile Plant	7,578	4,262	3,316	4,159
Total Parent Operational Assets	\$575,663	\$84,475	\$491,188	\$473,798

Net book value of Land and Buildings as at 30 June 2001 is considered to be fair value.

Group	Valuation or Cost \$000's	Accumulated Depreciation \$000's	N.B.V 30 June 2001 \$000's	N.B.V 30 June 2000 \$000's
Land	250,032	155	249,877	270,311
Site Improvements	3,136	302	2,834	7,921
Buildings	533,423	53,851	479,572	430,452
Plant and Chattels	142,738	75,445	67,293	68,311
Buses	16,703	1,171	15,532	9,587
Mobile Plant	7,578	4,262	3,316	4,158
Sealed Surfaces	33,038	21,296	11,742	12,557
Electricity Distribution System	428,528	14,787	413,741	401,541
Harbour Structures	39,493	10,495	28,998	29,706
Vessels	2,653	1,420	1,233	1,293
Other assets	61,932	41,307	20,625	20,008
Total Group Operational Assets	\$1,519,254	\$224,491	\$1,294,763	\$1,255,845

Net book value of Land and Buildings as at 30 June 2001 is considered to be fair value.

Note 11: Infrastructural Assets

Parent and Group	Valuation or Cost \$000's	Accumulated Depreciation \$000's	N.B.V 30 June 2001 \$000's	N.B.V 30 June 2000 \$000's
Bus Shelters	781	0	781	355
Roading	995,312	0	995,312	859,252
Sewers	311,807	5,314	306,493	297,277
Stormwater	177,389	4,179	173,210	176,115
Water Reticulation	130,229	0	130,229	116,444
Water Meters	21,186	0	21,186	13,545
Streetlights	12,400	0	12,400	12,354
Traffic Lights	6,928	0	6,928	6,841
Water Pumping Stations	8,932	0	8,932	6,581
Sewer Pumping Stations	2,980	140	2,840	2,252
Total Infrastructural Assets	\$1,667,944	\$9,633	\$1,658,311	\$1,491,016

Note 12: Restricted Assets

Parent and Group	Valuation or Cost \$000's	Accumulated Depreciation \$000's	N.B.V 30 June 2001 \$000's	N.B.V 30 June 2000 \$000's
Art Works	26,681	0	26,681	26,294
Library Books NZ Room	4,642	0	4,642	4,548
Reserve Land and Improvements	245,116	475	244,641	228,658
Reserve Land and Improvements in Progress	1,648	0	1,648	478
Buildings-Historic	13,999	366	13,633	14,393
Properties Held in Trust for Other Organisations	53	0	53	53
Total Restricted Assets	\$292,139	\$841	\$291,298	\$274,424

Net book value of Land and Buildings as at 30 June 2001 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 highway 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 2001 Parent \$000's	Actual 2000 Parent \$000's	Actual 2001 Group \$000's	Actual 2000 Group \$000's
(a) Contingent Liabilities				
Uncalled Capital in Christchurch City Holdings Ltd	488,999	488,999	0	0
Uncalled Capital in Transwaste Canterbury Ltd	2,082	2,839	0	0
Ratepayers for Uniform Annual General Charges Levied	925	925	925	925
Professional Indemnity Insurance Claims Lodged with FAI (NZ) General Insurance Company Ltd	600	0	600	0
Redbus Limited- Performance Bonds	0	0	907	1,320
City Care Ltd- Performance Bonds	0	0	107	606
Guarantees to Sporting and Community Organisations	100	315	100	315
	\$492,706	\$493,078	\$2,639	\$3,166

- In August 1999, Christchurch City Holdings Ltd issued \$350 million 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.

From 1989 until 30 June 1997, the Council's professional indemnity and public liability insurance cover was placed with FAI (NZ) General Insurance Company. In February 1999, HIH (NZ) Ltd took control of FAI (NZ) Ltd including the Council's outstanding claims. HIH (NZ) Ltd went into liquidation on 19 July 2001 following the collapse of its Australian parent company. The purchaser of parts of the HIH (NZ) Ltd's portfolio did not take over the company's liabilities. Therefore, there is uncertainty as to whether the Council will receive either full or partial recovery of the losses for which it has lodged claims. The maximum loss is estimated to be \$600,000.

- 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.

	Actual 2001 Parent \$000's	Actual 2000 Parent \$000's	Actual 2001 Group \$000's	Actual 2000 Group \$000's
(b) Contingent Assets				
Vested Assets- Nurses Chapel (at valuation)	\$400	\$400	\$400	\$400

Note 14: Capital Commitments

	Actual 2001 Parent \$000's	Actual 2000 Parent \$000's	Actual 2001 Group \$000's	Actual 2000 Group \$000's
Council Works	46,049	50,289	46,049	50,289
Christchurch International Airport Ltd	0	0	1,329	396
City Care Ltd	0	0	337	75
Jade Stadium Ltd	0	0	26,085	2,691
Lyttelton Port Company Ltd	0	0	1,651	324
Orion NZ Ltd	0	0	29,613	11,498
Red Bus Ltd	0	0	3,100	0
	<u>\$46,049</u>	<u>\$50,289</u>	<u>\$108,164</u>	<u>\$65,273</u>
At balance date, lease commitments were as follows;				
Under 1 year	0	0	1,676	2,274
1-2 years	0	0	1,458	945
2-5 years	0	0	2,270	1,300
Over 5 years	0	0	2,562	2,185
	<u>\$0</u>	<u>\$0</u>	<u>\$7,966</u>	<u>\$6,704</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 2001 Parent \$000's	Actual 2000 Parent \$000's	Actual 2001 Group \$000's	Actual 2000 Group \$000's
Net Surplus after Taxation	43,912	74,219	289,514	72,627
Non Cash items				
Depreciation	47,281	47,295	86,788	98,000
Increase/(Decrease) in Deferred Tax	0	0	7,812	5,766
Goodwill Written Off	0	0	2,331	3,884
Assets Vested in Council/Subsidiaries	(24,396)	(22,477)	(24,996)	(22,477)
Other Movements in Minority Interest	0	0	0	0
Assets Written Off	3,662	2,997	5,143	3,471
Provision for Resealing	0	0	806	806
Equity Accounted Earnings	0	0	0	(295)
Other Non-cash Items	0	0	(419)	(60)
Increase in Landfill Aftercare Provision	1,125	518	1,125	518
Movements in Working Capital Items				
(Increase)/ Decrease in:				
Accounts Receivable & Accruals	19,987	(17,956)	(11,961)	11,885
Taxation Receivable	0	0	(7,968)	(8,371)
Inventory	(142)	122	(608)	1,090
Increase/ (Decrease) in:				
Accounts Payable and Accruals	2,064	(2,328)	(19,658)	(15,697)
Taxation Payable	0	(108)	0	(10,435)
Non-current Employee Entitlements	(52)	1,228	779	1,504
Less Items classified as Investing:				
Net (Gain)/Loss on Sale of Fixed Assets	1,026	(318)	(208,356)	(6,933)
Unrealised Revaluation of Assets	0	0	0	474
Exploration Expenditure Written Off	0	0	20,986	18,638
Asset Sales on Sales of Businesses	0	0	(7,376)	0
Net Cash Inflow/(Outflow) from Operating Activities	\$94,467	\$83,192	\$133,942	\$154,395

The following terms 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 2001, these were \$107,461K (2000 \$175,467K)

Note 16:**Taxation**

	Actual 2001 Parent \$000's	Actual 2000 Parent \$000's	Actual 2001 Group \$000's	Actual 2000 Group \$000's
Net Surplus/(Deficit) before Tax	43,912	74,219	316,430	112,657
Prima Facie Tax Expense at 33%	14,491	24,492	104,422	37,177
Permanent Differences	(2,186)	4,795	(69,910)	518
Timing Differences not Recognised	0	0	(2,518)	3,831
Loss not Previously Recognised	0	0	2,270	(897)
Imputation Credit Adjustment	(12,338)	(31,510)	438	(168)
Tax Credit Re Group Losses	33	2,223	0	0
Writeoff of Tax Asset	0	0	5,330	0
Prior Year Loss Recognised	0	0	(246)	0
Under/(Over) Provision	0	0	(12,870)	(431)
Income Tax Expense	\$0	\$0	\$26,916	\$40,030
Comprising:				
Current Taxation	0	0	19,108	35,999
Deferred Taxation	0	0	7,808	4,031
	\$0	\$0	\$26,916	\$40,030
Deferred Taxation				
Opening Balance	0	0	(24,076)	(1,796)
Prior Year Adjustment	0	0	(26,710)	(18,249)
Current Year	0	0	18,898	(4,031)
Deferred Tax Asset/(Liability) - Current + Deferred	\$0	\$0	(\$31,888)	(\$24,076)

Taxable losses for the Council of \$530K with a tax effect of \$175K (2000 Nil) and for the Group of \$5,466K with a tax effect of \$1,804K (2000 Nil), have not been recognised. These losses are available to be carried forward to offset against future assessable income.

Unrecognised future income tax benefits for the Group, arising from timing differences amount to \$2,122K (2000 \$1,735K).

Note 17:**Imputation Credit Account**

	Actual 2001 Group \$000's	Actual 2000 Group \$000's
Christchurch City Holdings Ltd	67,762	61,379
CCHL Subsidiaries	25,301	24,400
Other CCC Subsidiaries	6	16
	\$93,069	\$85,795

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

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 \$225,734 per annum.

This is comprised of:

	Actual 2001 \$	Actual 2000 \$
Salary	194,122	184,400
Superannuation Subsidy	19,412	18,440
Imputed Value of Vehicle	7,500	7,500
Allowances	4,700	4,700
	<u>\$225,734</u>	<u>\$215,040</u>

For the year ended 30 June 2001, the total cost to the Council, including fringe benefit tax, was \$234,400 (2000 \$226,529).

Six Directors are employed on remuneration packages in the following range:

Annual Salary of \$110,000 to \$150,000.

Additional elements of remuneration of \$30,000 to \$35,000.

(Additional benefits are generally between 10% and 20% of salary and consist of superannuation subsidy, professional fees, and use of a vehicle.)

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 2001, the following payments were made: (2000 \$74,332.)

Utility Mapping Officer	\$81,986	Trade Wastes Officer	\$65,908
Housing Manager	\$67,254	Utility Mapping Officer	\$53,600

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 ongoing maintenance and monitoring of the landfill after the site is closed. There are closure and post-closure responsibilities such as the following:

Closure responsibilities:

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

Post-closure responsibilities:

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

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 \$4.0 million. The amount remaining to be recognised is \$2.0 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.

Closed Landfills

The Council is still awaiting the issue of resource consents for the majority of the closed landfills for which it is responsible for the ongoing monitoring and maintenance. The liability has been estimated, based on an assumed monitoring 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 \$8.2 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 2001 Parent \$000's	Actual 2000 Parent \$000's	Actual 2001 Group \$000's	Actual 2000 Group \$000's
Cash, Bank and Short Term Deposits	141,248	168,538	328,807	194,727
Accounts Receivable	22,981	42,968	87,140	127,817
Loans to Cultural and Sporting Organisations	1,313	10,087	1,313	8,318
Shares Gifted in Trust	681	665	681	665
Government and Local Body Stock	4,285	6,560	4,285	6,560
Loans	20,283	4,319	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 2001 Parent \$000's	Actual 2000 Parent \$000's	Actual 2001 Group \$000's	Actual 2000 Group \$000's
Foreign Currency Forward Exchange Contracts	0	0	299	1,076
Interest Rate Swaps and Forward Rate Agreements(FRA's)	0	0	93,192	56,250
Interest Rate Caps	0	0	11,000	2,000
Bond Forward Rate Agreement	0	0	41,000	21,000

(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 2001 Parent \$000's	Actual 2000 Parent \$000's	Actual 2001 Group \$000's	Actual 2000 Group \$000's
Foreign Currency Forward Exchange Contracts	0	0	(2)	0
Interest Rate Caps	0	0	1	2
Interest Rate Swaps and FRA's	0	0	525	1,567
Bond Forward Rate Agreement	0	0	0	20

(Figures in brackets are receivables)

Note 21: Transit New Zealand Act Disclosures

	Actual 2001 Parent \$000's	Actual 2000 Parent \$000's
Works Operations Business Unit		
Revenue from TNZ Minor and Ancillary Works	0	872
Revenue from Other Activities	0	12,220
Total Works Performed	0	13,092
Total Operating Costs	0	(14,937)
Surplus/(Deficit) on Operations	\$0	(\$1,845)

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

In House Professional Services

City Streets Business Unit

Revenue from In-house Professional Services for		
TNZ Financially Assisted Roading	1,478	1,913
Revenue from Other Activities	5,603	2,381
Total Works Performed	7,081	4,294
Total Operating Costs	(7,081)	(4,294)
Surplus on Operations	0	0

City Solutions Business Unit

Revenue from In-house Professional Services for		
TNZ Financially Assisted Roading	1,247	1,293
Revenue from Other Activities	6,386	5,590
Total Works Performed	7,633	6,883
Total Operating Costs	(7,331)	(6,549)
Surplus on Operations	\$302	\$334

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 788 Christchurch City residents in March/April 2001 and has 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. 195 off-street car park users and 308 on-street park users were interviewed in 2001. The estimated sampling error for these surveys lies within the +/- 3% range.

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.

Related Parties and Balances	Actual 2001 \$000's	Actual 2000 \$000's
Interest received on loans to related parties	1,057	766
Interest paid on loans to related parties	2,027	495
Dividends paid to the Council	24,784	62,763
Accounts payable to the Council	1,331	538
Accounts receivable from the Council	6,591	6,468
Loans to related parties	26,000	10,203
Loans from related parties	43,641	16,430
Issue of shares to the Council	4,990	12,203
Services provided to the Council	40,618	23,779
Services provided by the Council	4,597	4,441
Subvention receipts from the Council	0	746
Subvention payments to the Council	9,348	0
Rates paid to the Council	1,003	924
Fixed Assets sold by the Council	723	10,251
Capital Repatriation to the Council	0	162,000

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.

Transactions between Subsidiaries:	Actual 2001 \$000's	Actual 2000 \$000's
Dividends received/receivable to Christchurch City Holdings Ltd	30,733	145,928
Interest received/receivable Christchurch City Holdings Ltd	11,122	11,129
Subvention payments	0	0

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.

In addition, during the year, the Council purchased goods and services amounting to \$162,947, exclusive of GST, from PDL Electronics Limited, a firm in which Councillor Stewart has an indirect shareholder interest. These goods and services were supplied on normal commercial terms and Councillor Stewart did not participate in any of the approval processes.

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

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

Note 26:

There is a difference between Financial Plan and 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 in 2001.

Estimate figures are restated as per the table below. This allocation does not alter the total amount shown in the Financial Plan.

Reconciliation of Estimates reported in the Financial Plan and Annual Report	Financial Plan Cost of Service Statements \$000's	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	2,588	(4)	0	31	2,615
Car Parking	(1,640)	(1,475)	(91)	(50)	(3,256)
City Streets	31,620	(704)	614	0	31,530
Community Services	13,015	(737)	91	703	13,072
Economic Development	13,821	(107)	(106)	(1,220)	12,388
Environmental Policy and Services	12,424	(385)	(141)	(450)	11,448
Housing	(1,733)	(41)	0	(216)	(1,990)
Library and Information Services	19,380	(1,729)	(118)	154	17,687
Parks	15,949	(238)	163	492	16,366
Public Accountability	9,063	(220)	(91)	(198)	8,554
Sewerage	14,050	(615)	(13)	(711)	12,711
Sports, Leisure and Events	12,239	(180)	(162)	438	12,335
Waste Minimisation and Disposal	5,368	(166)	347	(81)	5,468
Water Supply	10,290	(104)	(232)	432	10,386
Waterways and Wetlands	8,514	(79)	0	90	8,525
	164,948	(6,784)	261	(586)	157,839
Rates	(129,835)	0	0	(1,415)	(131,250)
Internal Service Provider Surpluses	(6,784)	6,784	0	0	0
Interest Income	(9,985)	0	0	(700)	(10,685)
Dividend Income	(31,656)	0	0	6,140	(25,516)
Vested Assets	(15,000)	0	0	(25)	(15,025)
Capital Grants/Contributions	(1,587)	0	1,138	(188)	(637)
Other Income	(5,180)	0	0	(6,808)	(11,988)
Community Contributions	3,110	0	0	0	3,110
Emergency Services	1,177	0	0	0	1,177
Sundry Expenditure	2,527	0	0	168	2,695
Net Surplus for Year	(\$28,265)	\$0	\$1,399	(\$3,414)	(\$30,280)

It should be noted that the budget for 200/01 was prepared on a net cost basis rather than the gross cost basis used for reporting the actual performance. This has been changed for the 2002/03 year.

NOTE 27:

Major Budget Variations- Parent

Statement of Financial Performance

Explanations for major variations from the Council's estimate figures in the 2000/01 Annual Plan are as follows:	\$000's
Higher than Budgeted Vested Assets Income due to higher than expected subdivision activity.	9,371
Lower than budgeted Depreciation principally due to delays with the capital expenditure programme.	(1,161)
Higher than budgeted Significant Activity Expenditure principally due to restructuring costs, the writeoff of the book value of the replaced QE II Pool and the write off of the book value of the Infrastructure Assets replaced early to facilitate the more efficient renewal of the networks.	5,902
Lower than budgeted Significant Activity Income due to corporatisation of the maintenance services operations of the CCC on 1 Dec 2000.	(3,967)
Higher than Budgeted Corporate Revenue principally from unbudgeted Subvention Receipts.	8,059

Statement of Movements in Equity

Apart from the increased unbudgeted income referred to above, there is an increase brought about by the upward revaluation of Roothing and Water Supply Infrastructure Assets of \$112.5M offset by a decrease in the value of ownership of subsidiary companies of \$149.3M.

The decrease in the value of ownership of subsidiary companies of \$149.3M was due to the effect of the capital repatriation of \$162.0M by Christchurch City Holdings in 2000.

Statement of Financial Position

The Net Surplus after Taxation plus the upward revaluation of Roothing and Water Supply Infrastructure Assets exceeded the decrease in the value of ownership of subsidiary companies resulting in a small increase in Total 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 2001 \$000's	Interest 2001 \$000's	Total 2001 \$000's	Total 2000 \$000's
Subsidiaries:				
City Care Ltd	624	2	626	885
Christchurch City Facilities Ltd	0	0	0	0
Christchurch City Holdings Ltd	24,160	0	24,160	62,763
Jade Stadium Ltd	0	463	463	18
Travis Finance Ltd	0	571	571	735
Associates:				
Selwyn Plantation Board Ltd	889	0	889	342
Transwaste Canterbury Ltd	0	0	0	0
	<u>\$25,673</u>	<u>\$1,036</u>	<u>\$26,709</u>	<u>\$64,743</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 2001 Parent \$000's	Actual 2000 Parent \$000's	Actual 2001 Group \$000's	Actual 2000 Group \$000's
Restricted Land and Buildings	5,166	5,049	5,166	5,049
Infrastructural Assets	19,230	16,716	19,230	16,716
Artworks	0	712	0	712
	<u>\$24,396</u>	<u>\$22,477</u>	<u>\$24,396</u>	<u>\$22,477</u>

Note 30: Grants/Contributions to Major Pojects

	Actual 2001 Parent \$000's	Actual 2000 Parent \$000's	Actual 2001 Group \$000's	Actual 2000 Group \$000's
Ministry for Cultural & Heritage Affairs for New Art Gallery	0	5,790	0	5,790
The Community Trust Grant for New Art Gallery	0	344	0	344
Other Grants and Donations for New Art Gallery	428	35	428	35
Other Sponsorships and Contributions	57	132	57	132
	<u>\$485</u>	<u>\$6,301</u>	<u>\$485</u>	<u>\$6,301</u>

Note 31: Restructuring

Restructuring costs totalling \$0.85 million were incurred by the Council with City Care Limited's acquisition of its maintenance services operations and other changes instituted to improve efficiency and the quality of services provided.