

# Financial Highlights

## Parent results<sup>1</sup>

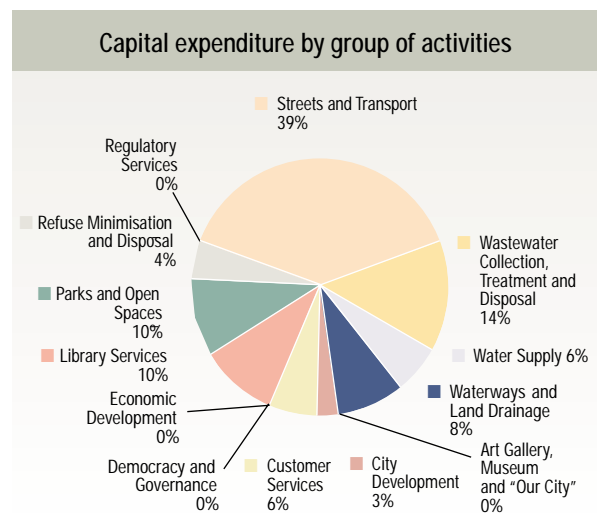
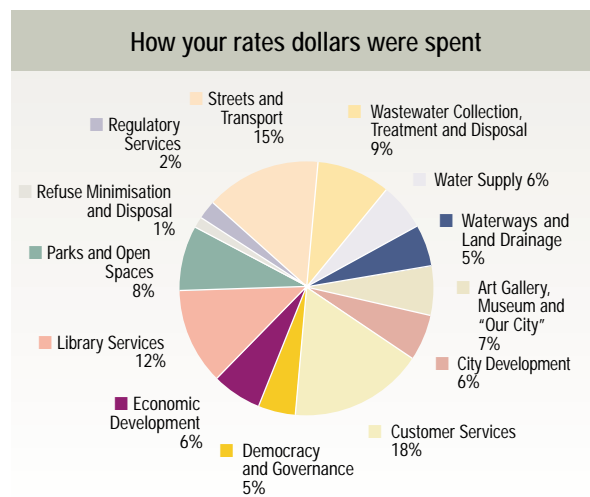
Our operating surplus before asset contributions for the year was \$45.9m, \$29.6m ahead of the estimate. Contributions to this performance are outlined in note 24 of the detailed accounts and include; interest income of \$6.5m due to delayed capital spending and higher interest rates; \$6.2m of capital contributions, consent fees and other related income due to higher than planned subdivision activity; depreciation of \$1.4m less than plan due to delayed capital spending and a decrease of \$1.4m in the closed landfill expense provision.

The Council has continued to strive to deliver cost-effective services, allocating the \$167.9 million of rates collected across the areas as detailed in the pie chart below.

Our statement of Financial Position reflects the Council's strong position with a growth in equity of over \$64 million

to a new high of \$4.2 billion. This strength supported the Council's ability to deliver \$87 million of new capital expenditure. (see pie chart below)

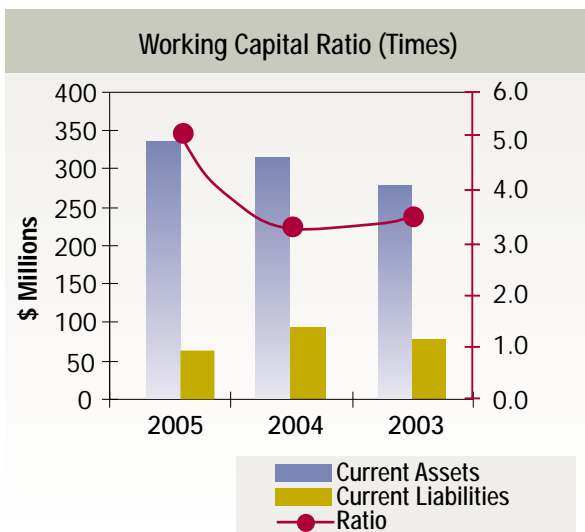
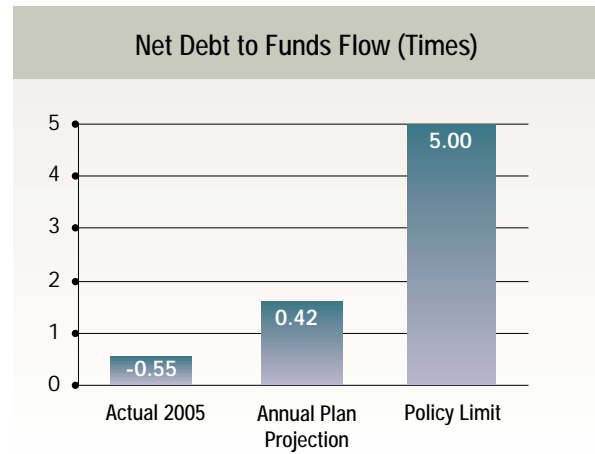
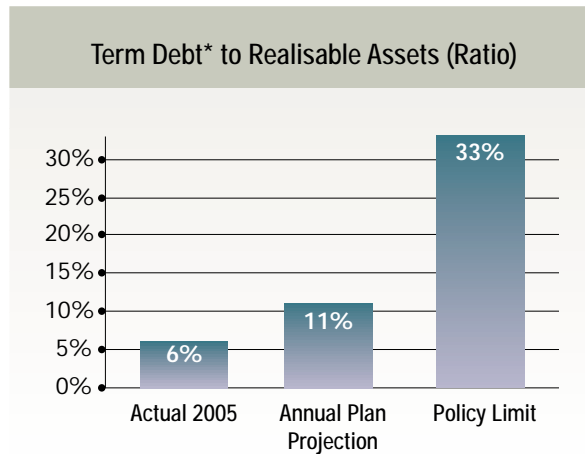
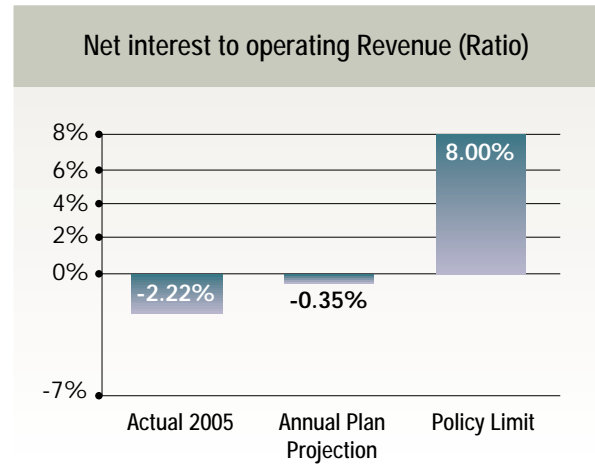
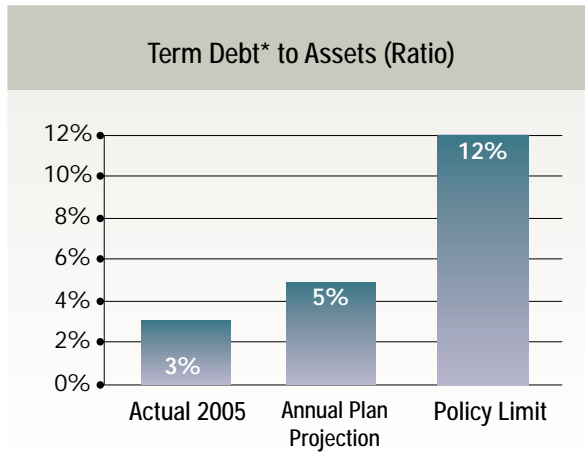
Major capital projects progressed during 2004/05 include the Parklands Library and Upper Riccarton Library (\$2.8m), the Ocean Outfall consent and investigation (\$1.6m), strategic Waterways and Wetlands land purchases (\$2.1m), and the Belfast pressure main (\$1.2m). Other significant items included additional library book purchases (\$3.6m), carriageway surfacing and sealing and footpath resurfacing (\$8.1m), and treatment plant improvements (\$1.6m).



<sup>1</sup> Covers the Council operations only

### Financial overview

This information has been extracted from the financial statements to provide an overview of the financial health of the Council. This data relates to the City Council only and does not include the consolidated results of the incorporated trading enterprises.



\* Term Debt Annual Plan values have been recalculated to reflect a consistent basis to Actual 2005.

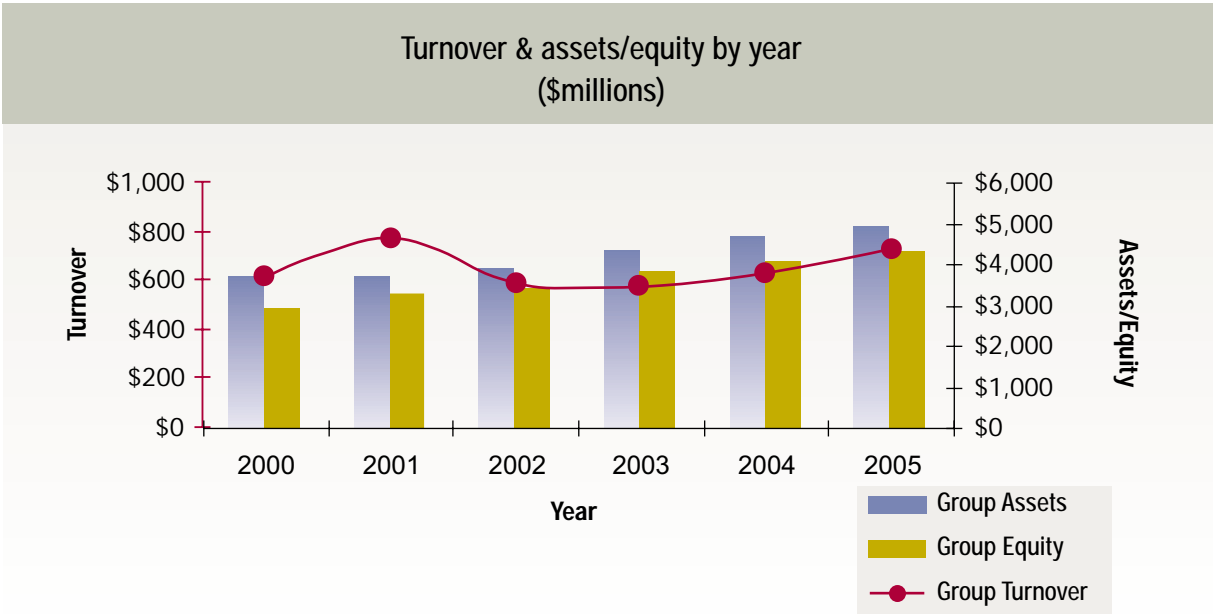
### Group Result

The Group covers the Council and its trading operations (refer to page 24). The numbers, after all inter-company transactions have been eliminated, reflect the financial strength and size of the organisation as a whole.

	\$ Millions
Turnover	720
Operating Surplus	131
Total assets	4,936
Total liabilities	632
Total equity	4,304

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

The Council's financial strength was confirmed during the year by international rating agency Standard and Poor's (SandP). The agency affirmed the Council's and the Council's holding company, Christchurch City Holdings Limited long-term rating of AA+ and short-term rating of A-1+, and said the outlook was stable. The announcement followed a visit to the Council by Standard and Poor's officers in September 2004. Standard and Poor's said "fiscal flexibility to adjust rates and a transparent and forward-looking corporate governance structure also support the rating". The Council held a long-term rating of AA by SandP from 1994 to 2000. In 2001 this was lifted to AA+, the agency's second-highest ranking. Only three New Zealand local authorities have earned this rating or better. The short-term rating is the highest possible.





## AUDIT REPORT

### To the readers of Christchurch City Council and Group's Annual Report For The Year Ended 30 June 2005

The Auditor-General is the auditor of Christchurch City Council (the City Council) and group. The Auditor-General has appointed me, Devan Menon, using the staff and resources of Audit New Zealand to carry out an audit on his behalf. The audit covers the requirements of Schedule 10 of the Local Government Act 2002 that apply to the annual report of the City Council and group for the year ended 30 June 2005, including the financial statements.

#### Unqualified opinion

In our opinion:

- The financial statements of the City Council and group on pages 24 to 136:
  - comply with generally accepted accounting practice in New Zealand; and
- fairly reflect:
  - the City Council and group's financial position as at 30 June 2005; and
  - the results of operations and cash flows for the year ended on that date.
  - The service provision information of the City Council on pages 67 to 136 fairly reflects the levels of service provision as measured against the intended levels of service provision adopted, as well as the reasons for any significant variances, for the year ended on that date; and
  - The Council has complied with the other requirements of Schedule 10 of the Local Government Act 2002 that apply to the annual report (the "other requirements"), including the provisions of Clause 15(f) of Schedule 10 relating to the significant acquisitions or replacements of assets.

The audit was completed on 15 September 2005, and is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Council and the Auditor, and explain our independence.

#### Basis of opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements and the other requirements did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and the other requirements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

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



Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Council;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all required disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and the other requirements.

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

#### **Responsibilities of the Council and the Auditor**

The Council is responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. Those financial statements must fairly reflect the financial position of the City Council and group as at 30 June 2005. They must also fairly reflect the results of operations and cash flows for the year ended on that date. The Council is also responsible for preparing the information in the other requirements, including service provision information that must fairly reflect the Council's level of service provision. The Council's responsibilities arise from Schedule 10 of the Local Government Act 2002.

We are responsible for expressing an independent opinion on the financial statements and the other requirements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 99 of the Local Government Act 2002.

#### **Independence**

When carrying out the audit we followed the independence requirements of the Auditor General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

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

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

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

## Christchurch City Council Group

The following pages report the financial statements of the Christchurch City Council and its subsidiaries and associates for the year ended 30 June 2005.

### Christchurch City Council Parent Statements include:

Christchurch City Council  
Various Bequest and Special Funds  
Mayor's Welfare Fund

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

### Subsidiaries and Associates are:

#### Christchurch City Holdings Limited

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

The financial statements consolidated are for the year ended 30 June 2005. Major subsidiaries and associates of this Company are:

- **Orion Group Limited**

This Company owns Orion New Zealand Limited and subsidiaries and is an energy network management company. Christchurch City Holdings Limited has an 87.625% interest in Orion Group Limited. The financial statements consolidated are for the year ended 31 March 2005.

- **Christchurch International Airport Limited**

This Company is 75% owned by Christchurch City Holdings Limited. The financial statements consolidated are for the year ended 30 June 2005.

- **Red Bus Limited**

Red Bus Limited is a public transport company and is wholly owned by Christchurch City Holdings Limited. The financial statements consolidated are for the year ended 30 June 2005.

- **Lyttelton Port Company Limited**

This Company is 65.16% owned by Christchurch City Holdings Limited. The financial statements consolidated are for the year ended 30 June 2005.

- **City Care Limited**

This wholly owned Company provides construction and maintenance services for the Council and other organisations, and manufactures and supplies road paving material. The financial statements consolidated are for the year ended 30 June 2005.

- **Selwyn Plantation Board Limited**

This associate company is 39.32% owned by Christchurch City Holdings Limited. The financial statements for the year ended 31 March 2005 are equity accounted.

#### **Christchurch City Facilities Limited**

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

The financial statements consolidated are for the year ended 30 June 2005.

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

#### **Jade Stadium Limited**

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

The financial statements consolidated are for the year ended 30 June 2005.

#### **Transwaste Canterbury Limited**

This Company has the principal purpose of selecting, developing and operating a non-hazardous landfill in Canterbury. The Council has 37.85% of the shareholding. The financial statements for the year ended 30 June 2005 are equity accounted.

#### **Travis Finance Limited**

This Company is a non-trading company wholly owned by Christchurch City Council, that formerly owned and maintained Travis Heritage Park, a natural reserve protecting native species. The financial statements consolidated are for the year ended 30 June 2005.

