

Financial Statements

Statement of Financial Performance

For the year ended 30 June 2005

	Note	Parent			Group	
		2005	2005	2004	2005	2004
		Actual	Plan	Actual	Actual	Actual
		\$000's	\$000's	\$000's	\$000's	\$000's
Operating income						
Significant activities	1	113,359	102,649	107,289	131,114	118,110
Rates		167,901	166,030	156,714	164,847	153,927
Dividends	1	30,053	29,100	64,339	1,723	528
Other	1	32,576	23,376	28,989	422,240	356,753
Total operating income		343,889	321,155	357,331	719,924	629,318
Operating expenditure						
Significant activities	2	291,242	296,859	305,057	263,339	271,005
Other	2	6,794	8,044	7,891	344,876	314,414
Total operating expenditure	3	298,036	304,903	312,948	608,215	585,419
Operating surplus before asset contributions		45,853	16,252	44,383	111,709	43,899
Vested assets	26	19,540	15,000	106,638	19,540	106,638
Grants/contributions for major projects	27	190	274	542	190	542
Operating surplus		65,583	31,526	151,563	131,439	151,079
Less tax expense/(benefit)	16	-	-	-	31,058	32,724
Surplus after taxation		65,583	31,526	151,563	100,381	118,355
Minority interests in surpluses of subsidiaries		-	-	-	(13,521)	(9,142)
Net surplus for year		65,583	31,526	151,563	86,860	109,213

Statement of Movements in Equity

For the year ended 30 June 2005

	Note	Parent			Group	
		2005	2005	2004	2005	2004
		Actual	Plan	Actual	Actual	Actual
		\$000's	\$000's	\$000's	\$000's	\$000's
Equity at 1 July		4,097,794	3,973,267	3,908,359	4,038,070	3,799,959
Net surplus attributable to:						
Parent entity shareholders		65,583	31,526	151,563	86,860	109,213
Minority interests		-	-	-	13,521	9,142
Movement relating to preacquisition revaluation reserves, etc		-	-	-	-	(20)
Increases/(decreases) in revaluation reserves		(1,624)	-	37,872	136,316	121,224
Total recognised revenues and expenses		63,959	31,526	189,435	236,697	239,559
Distribution paid and provided to minority interests		-	-	-	(9,604)	(14,321)
Other movements in minority interests		-	-	-	38,894	12,873
Equity at 30 June	4	4,161,753	4,004,793	4,097,794	4,304,057	4,038,070

Statement of Financial Position

As at 30 June 2005

	Note	Parent			Group	
		2005	2005	2004	2005	2004
		Actual	Plan	Actual	Actual	Actual
		\$000's	\$000's	\$000's	\$000's	\$000's
Equity	4	4,161,753	4,004,793	4,097,794	4,304,057	4,038,070
Non-current liabilities	5	113,188	120,262	68,561	465,886	462,657
Current liabilities	6	64,232	53,540	93,883	166,253	160,376
Total equity and liabilities		4,339,173	4,178,595	4,260,238	4,936,196	4,661,103
Represented by:						
Current assets						
Cash at bank, and short term investments	8	299,440	211,123	287,687	336,202	317,636
Receivables and prepayments	8	35,010	32,921	24,482	59,752	47,446
Inventories	8	1,755	1,976	1,831	11,846	11,560
Fixed assets held for resale	8	-	-	-	17,437	1,773
Total current assets		336,205	246,020	314,000	425,237	378,415
Non-current assets						
Investments	9	959,239	1,006,178	953,635	120,603	151,576
Operational assets	10	552,669	605,156	549,151	1,899,296	1,687,660
Infrastructural assets	11	2,116,823	1,963,326	2,084,077	2,116,823	2,084,077
Restricted assets	12	374,237	357,915	359,375	374,237	359,375
Total non-current assets		4,002,968	3,932,575	3,946,238	4,510,959	4,282,688
Total assets		4,339,173	4,178,595	4,260,238	4,936,196	4,661,103

Statement of Cash Flows

For the year ended 30 June 2005

	Note	Parent			Group	
		2005 Actual \$000's	2005 Plan \$000's	2004 Actual \$000's	2005 Actual \$000's	2004 Actual \$000's
Operating activities						
Cash was provided from:						
Rates, grants, subsidies, and other sources		285,028	308,832	271,336	666,001	601,714
Interest received		23,729	18,443	19,412	22,649	18,324
Dividends		24,857	29,100	71,834	1,271	1,216
Subvention and tax receipts		1,782	-	-	-	-
Net GST		(565)	-	523	(672)	537
		334,831	356,375	363,105	689,249	621,791
Cash was applied to:						
Payments to suppliers and employees		235,248	269,754	215,278	461,866	401,840
Income tax paid		-	-	-	20,890	24,730
Interest paid		6,202	6,767	6,058	30,181	24,444
		241,450	276,521	221,336	512,937	451,014
Net cash flow from operating activities	15	93,381	79,854	141,769	176,312	170,777
Investing activities						
Cash was provided from:						
Sale of assets		1,467	1,849	2,099	7,111	4,545
Loans repaid		220	-	1,500	-	58
Investments realised		16,928	-	18,908	77,268	18,429
		18,615	1,849	22,507	84,379	23,032
Cash was applied to:						
Purchase of assets		85,108	130,046	86,210	194,109	166,657
Purchase of investments		10,750	1,580	26,022	8,845	21,635
Loans made/investing payments		15,281	-	-	12,097	596
Miscellaneous		(23)	-	3,484	(25)	-
		111,116	131,626	115,716	215,026	188,888
Net cash flow from investing activities		(92,501)	(129,777)	(93,209)	(130,647)	(165,856)
Financing activities						
Cash was provided from:						
Raising of loans		11,419	39,229	22,181	33,928	85,296
		11,419	39,229	22,181	33,928	85,296
Cash was applied to:						
Repayment of term liabilities		546	37,546	24,830	58,442	34,077
Payment of dividends		-	-	-	9,604	14,321
		546	37,546	24,830	68,046	48,398
Net cash flow from financing activities		10,873	1,683	(2,649)	(34,118)	36,898
Increase/(decrease) in cash		11,753	(48,240)	45,911	11,547	41,819
Inter-entity transactions between balance dates		-	-	-	7,010	131
Add opening cash		287,687	259,363	241,776	317,414	275,589
Exchange fluctuations		-	-	-	-	(125)
Ending cash balance		299,440	211,123	287,687	335,971	317,414
Represented by:						
Cash and short term investments		299,440	211,123	287,687	336,202	317,636
Bank overdraft		-	-	-	(231)	(222)
		299,440	211,123	287,687	335,971	317,414

The accompanying accounting policies and notes form part of these financial statements

Statement of Accounting Policies

Reporting Entity

The Christchurch City Council is a territorial authority under the Local Government Act 2002. The group consists of the entities listed on page 24.

Measurement Base

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

Comparative Figures

Certain prior year figures have been restated to reflect the basis of presentation of the 2005 figures.

Accounting Policies

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

A. Basis of Consolidation

Subsidiary Companies and Council Controlled

Trading Organisations

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

Associate Organisations

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

B. Property, Plant and Equipment

(i) Council Operational Assets:

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

- Chattels
- Mobile Plant (including vehicles)
- Plant

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

(b) Land and Buildings were valued by Simes Limited at 30 June 2002 to fair value by reference to their highest and best use.

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

Operational Assets are valued as follows:

All Plant and Chattels and Library Books at initial valuation and cost for subsequent purchases.

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

(ii) Airport Fixed Assets:

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

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

(iii) Port Fixed Assets:

All items of Property, Plant and Equipment are initially recorded at cost, and except for Land, depreciated.

Land, Buildings and Harbour Structures are stated at valuation as determined every three years by independent registered valuers. Land, Buildings and Harbour Structures were revalued as at 30 June 2005.

(iv) **Public Transport Fixed Assets:**

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

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

(v) **Orion Group Fixed Assets:**

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

(vi) **Assets purchased since valuation**

These are recorded at cost.

C. Infrastructure Assets

Infrastructure Assets are revalued on a three-yearly rolling basis. Stormwater Infrastructure Assets were valued using the optimised depreciated replacement cost method at 30 June 2002. Sewerage Infrastructure Assets were valued using the optimised depreciated replacement cost at 30 June 2003. Roading and Water Reticulation Infrastructure Assets (including Traffic Signals and Bus Shelters) were valued using the optimised depreciated replacement cost method at 30 June 2004. Land under roads was valued at 30 June 1992. This is deemed to be cost. Additions to Infrastructure Assets since valuation are recorded at cost. This includes vested assets that are recorded at the cost to the subdivider.

D. Assets under construction

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

E. Restricted Assets

These assets are:

Land and Buildings with restrictions on sale e.g.

Parks and Reserves

Library Books – New Zealand Collection

Properties held in trust for other organisations

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

Heritage Assets

These assets were valued at optimised depreciated reproduction cost at 30 June 2003 or at cost to the Council if they were recorded prior to this date or acquired after that date. The 30 June 2003 valuation is deemed to be cost.

Works of Art

Works of Art have been valued at market value at 30 June 2003.

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

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 Infrastructure Assets is intended to write off the cost of assets over their estimated useful lives.

For Operational Assets and Infrastructure Assets, the straight line method is used.

The main bases are the following periods:

Buildings	10–100 yrs
Office and Computer Equipment	4–5 yrs
Mobile Plant including Vehicles	2–30 yrs
Buses	17 yrs
Sealed Surfaces (other than roads)	9–100 yrs
Container Cranes	5–20 yrs
Harbour Structures	3–50 yrs
Electricity Distribution System	60 yrs
Gas Mains and Services	80 yrs

Meters and Local Control Equipment	30 yrs
Leasehold Land Improvements	5–100 yrs
Library Books	3–10 yrs
Vessels	5–25 yrs

Infrastructure Assets

Formation	Not depreciated
Pavement Sub-base	Not depreciated
Basecourse	40–120 yrs
Footpaths and Cycleways	20–80 yrs
Surface	2–25 yrs
Streetlights and Signs	6–50 yrs
Kerb, Channel, Sumps and Berms	80 yrs
Landscape/Medians	15–80 yrs
Drain Pipes/Culverts/Retaining Walls	20–120 yrs
Bridges	70–120 yrs
Bus Shelters and Furniture	30 yrs
Water Supply	55–130 yrs
Water Meters	20–25 yrs
Stormwater	30–120 yrs
Waterways	15–120 yrs
Sewer	50–150 yrs
Treatment Plant	15–100 yrs
Pump Stations	10–100 yrs

Restricted Assets are not depreciated except for Historic Buildings, Artworks and Heritage Assets that are depreciated on a straight line basis at 1%, 0.1% and 0.1% respectively.



H. Landfill after care costs

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

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

The provision is calculated based on:

The estimated amount required by the Council to meet its obligations for all equipment, facilities and services. The estimated amounts are based on costs of closure of similar landfills by other local authorities with an allowance for inflation.

The estimated costs have been discounted to their present value using a discount rate of 6%.

The estimated length of time needed for post-closure care is 35 years.

The Council also has a legal obligation to provide ongoing maintenance and monitoring services for the closed landfill sites of the former amalgamating authorities.

The estimated future costs of meeting this obligation have been accrued and charged. The calculations assume no change in the legislative requirements for closure and post-closure treatment.

I. Revenue recognition

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

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

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 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.

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's expense and the income tax effects of timing differences applied on a comprehensive basis and calculated using the liability method.

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

N. Inventories and Accounts Receivable

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

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

O. Leases

Finance Leases

- a. As lessee - These leases effectively transfer all the risks and benefits of ownership to the lessee. Finance Leases are included in liabilities at their current value.
Assets purchased under such leases are included in fixed assets and depreciated at usual rates.
- b. As lessor in subsidiary Jet Engine Facility Limited - From 13 May 2005, the date of practical completion of the test cell, all of the company's assets were leased to the Christchurch Engine Centre, an independent third party. The terms of the lease are such that it meets the definition of a finance lease under Statement of Standard Accounting Practice 18 "Accounting for leases and hire purchase contracts". An asset equal to the present value of the future minimum lease payments is recognised in respect of the company's test cell assets. The interest income component of the finance lease is recognised in the Statement of Financial Performance using the effective interest rate method.

Operating Leases

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

P. Employment Entitlements

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

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

Q. Investments

Shares in subsidiaries, apart from Christchurch City Holdings Limited (CCHL), associates and shares in Local Government Insurance Corporation Limited, are valued at share of equity off the latest Statement of Financial Position. Shares in CCHL were revalued at 30 June 2003, based on a market valuation undertaken by KPMG with this value reduced as a result of the annual impairment test. All other investments are stated at lower of cost and net realisable value.

R. Financial Instruments

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

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

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

- 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. Loans to various sporting and cultural organisations are recorded at fair value.
- e. All of the financial instruments, including Cash and Bank balances, Accounts Payable and Term Debt are valued at fair value.

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

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

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

S. Foreign exchange transactions

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

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

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

T. Cost Allocations

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

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

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

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

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

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

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.

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. Plan values disclosed

The plan values shown in the financial statements represent the 2004/05 budget included in the Long Term Council Community Plan 2004/14.

X. International Financial Reporting Standards

In December 2002 the New Zealand Accounting Standards Review Board announced that all New Zealand reporting entities will be required to comply with International Financial Reporting Standards (IFRS) for periods commencing on or after 1 January 2007, with the option to comply early for periods beginning on or after 1 January 2005.

The Council and group plan to adopt IFRS from 1 July 2006.

Upon first time adoption of NZ IFRS, comparative information will be restated in the NZ IFRS compliant financial statements. Details of the impact of the adoption to comparative information will be set out in those financial statements.

The adoption of NZ IFRS involves assessing the impacts

of NZ IFRS to the Council, then designing and implementing changes required to current accounting policies and procedures, as well as systems and processes, in order to successfully transition to NZ IFRS. The project is currently in the assessment stage and as such the quantitative impacts of these changes have not been fully determined.

Y. Changes in accounting policies

(i) Port Fixed Assets:

There have been changes in accounting policies in the current accounting period in relation to the valuation of non-current assets. To reflect the fair value of non-current assets in the Financial Statements the Lyttleton Port Company Limited has opted to revalue Land, Buildings and Harbour Structures as at 30 June 2005. Previously, Land, Buildings and Harbour Structures were recorded at cost less accumulated depreciation. The change means that Land, Buildings and Harbour Structures will be revalued every 3 years at fair value or, where this could not be established the depreciated replacement cost.

The change in policy has the effect of increasing the value of Property by \$86m and equity by \$82.1m as at 30 June 2005. Previously market valuations were disclosed by way of a note to the Financial Statements.

(ii) Public Transport Fixed Assets:

There has been a change in accounting policy during the period relating to revaluations of Land and Buildings, which had previously been shown on an historical cost basis.

The change in policy has the effect of increasing the value of Property and the Revaluation reserve by \$6.7 million as at 30 June 2005.

There have been no other changes to the accounting policies. All policies have been applied on bases consistent with those used in the previous year.



*“More than 6000 potholes
were repaired this year.”*

Notes to the Financial Statements

Note 1

Income	Parent			Group	
	2005 Actual \$000's	2005 Plan \$000's	2004 Actual \$000's	2005 Actual \$000's	2004 Actual \$000's
Significant activity income *	113,359	102,649	107,289	131,114	118,110
Dividend income					
Christchurch City Holdings Limited - ordinary	30,000	29,100	25,805	-	-
- special	-	-	38,534	-	-
Other stocks	53	-	-	53	-
Subsidiary companies investments	-	-	-	1,670	528
Total dividend income	30,053	29,100	64,339	1,723	528
Other income					
Interest income					
Subsidiaries	3,971	4,390	3,048	-	-
Loan repayment investments	387	759	653	387	653
Short term investments	12,241	11,867	9,694	12,740	11,535
Special and other fund investments	8,676	1,737	6,408	8,676	6,408
Other	-	-	-	3,830	-
Total Interest Income	25,275	18,753	19,803	25,633	18,596
Sundry income					
Petroleum tax	2,197	2,080	2,143	2,197	2,143
Internal service provider revenues	2,979	2,543	2,897	2,979	2,897
Sundry	103	-	272	30,907	5,902
Grants	240	-	296	240	296
Equity accounted earnings of associates	-	-	-	1,170	645
Subvention receipts	1,782	-	3,578	-	-
Trading subsidiaries operating income	-	-	-	359,114	326,274
Total sundry income	7,301	4,623	9,186	396,607	338,157
Total other income	32,576	23,376	28,989	422,240	356,753

* refer to summary on page 67

Note 2

Expenditure	Parent			Group	
	2005 Actual \$000's	2005 Plan \$000's	2004 Actual \$000's	2005 Actual \$000's	2004 Actual \$000's
Significant activity expenditure*	291,242	296,859	305,057	263,339	271,005
Other expenditure					
Levies	368	-	647	368	647
Equity accounted deficit in associates	85	-	113	2,614	4,214
Internal service provider expenses	1,964	1,907	2,143	1,964	2,143
Sundry	4,377	6,137	4,988	4,378	29,639
Trading subsidiaries operating expenditure	-	-	-	335,552	277,771
Total other expenditure	6,794	8,044	7,891	344,876	314,414

* refer to summary on page 67

Note 3

Operating expenses	Parent			Group	
	2005 Actual \$000's	2005 Plan \$000's	2004 Actual \$000's	2005 Actual \$000's	2004 Actual \$000's
Audit fees					
Fees paid to principal auditor	187	185	168	481	436
Fees paid to other auditors	-	-	-	40	40
Other services provided by principal auditor	-	-	-	13	18
Other services provided by other auditors	-	-	-	7	57
Amortisation of goodwill	-	-	-	3,009	5,797
Bad debts	332	-	764	511	1,312
Depreciation					
Land improvements and buildings including restricted	10,260		10,872	25,632	25,579
Plant, equipment and vehicles	7,309		7,104	20,784	16,018
Library books	3,555		3,482	3,555	3,482
Artworks and heritage assets	69		67	69	67
Roading infrastructure	21,767		22,135	21,767	22,135
Sewerage infrastructure	8,835		8,100	8,835	8,100
Stormwater infrastructure	2,459		3,447	2,459	3,447
Water reticulation infrastructure	5,519		3,592	5,519	3,592
Vessels	-		-	360	360
Buses	-		-	1,558	1,367
Sealed surfaces	-		-	2,635	1,997
Electricity distribution system	-		-	21,499	20,031
Harbour structures	-		-	1,142	1,193
Other assets	-		-	32	2,714
Total depreciation	59,773	61,199	58,799	115,846	110,082

Continued...

Note 3 (continued)

	Parent			Group	
	2005	2005	2004	2005	2004
	Actual	Plan	Actual	Actual	Actual
	\$000's	\$000's	\$000's	\$000's	\$000's
Interest	6,160	7,952	5,889	29,774	24,616
Leasing and rental costs	3,875	4,567	4,196	6,701	6,246
Increase/(decrease) in provision for doubtful debts	(33)	-	290	(33)	333
Councillors' remuneration	1,176	1,102	1,395	1,176	1,395
Directors' fees	-	-	-	1,195	1,115
Loss/(gain) on sale of assets	(296)	-	1,261	(2,203)	2,439
Research and development	-	-	-	1,552	348
Foreign exchange losses/(gains)	-	-	-	2,888	2,700
Donations	-	-	-	154	367
Assets written off	2,422	3,876	24,797	4,405	25,545
Orion group write-down of subsidiary company investments	-	-	-	-	2,209
Investment revaluation - EDL	-	-	-	-	2,214
Investment revaluation - other	-	-	-	-	2,000
Other operating expenses	224,440	226,022	215,389	442,699	396,150
Total operating expenses	298,036	304,903	312,948	608,215	585,419

Note 4

Equity	Parent		Group	
	2005	2004	2005	2004
	Actual	Actual	Actual	Actual
	\$000's	\$000's	\$000's	\$000's
(a) Reserve Funds				
Opening balance	310,132	256,551	310,132	256,551
Transferred (to)/from retained earnings	(37,179)	53,581	(37,179)	53,581
Closing balance	272,953	310,132	272,953	310,132
(b) Capital Reserve				
Opening balance	1,733,853	1,733,853	1,733,853	1,733,853
Transferred (to)/from retained earnings	-	-	-	-
Closing balance	1,733,853	1,733,853	1,733,853	1,733,853
(c) Asset Revaluation Reserves				
Opening balance	1,460,017	1,429,721	933,647	819,999
Revaluation of shares of subsidiaries and associates	(1,559)	(41,976)	4,886	3,460
Revaluation of assets	(65)	79,848	131,430	117,764
Realised assets revaluation reserve	(823)	(7,576)	(823)	(7,576)
Closing balance #	1,457,570	1,460,017	1,069,140	933,647
(d) Retained Earnings				
Opening balance	593,792	488,234	925,033	861,845
Add surplus for year	65,583	151,563	86,860	109,213
Add transfers (to)/from reserves	37,179	(53,581)	37,179	(53,581)
Movement relating to pre-acquisition revaluation reserves, etc	-	-	-	(20)
Realised assets revaluation reserve	823	7,576	823	7,576
Closing balance	697,377	593,792	1,049,895	925,033
Minority interest*	-	-	178,216	135,405
Total equity	4,161,753	4,097,794	4,304,057	4,038,070

Continued...

Note 4 (continued)

	Parent		Group	
	2005 Actual \$000's	2004 Actual \$000's	2005 Actual \$000's	2004 Actual \$000's
#Revaluation Reserves				
Land and buildings	138,615	138,953	263,229	205,565
Library books	1,621	1,621	1,621	1,621
Artworks	23,936	23,936	23,936	23,936
Roading infrastructure	181,345	181,663	181,345	181,663
Sewerage infrastructure	210,073	210,183	210,073	210,183
Stormwater infrastructure	71,196	71,314	71,196	71,314
Water reticulation infrastructure	67,403	67,408	67,403	67,408
Investments	763,381	764,939	19,052	9,432
Harbour Structures	-	-	29,173	-
Electricity distribution network	-	-	169,618	130,033
Sealed surfaces	-	-	32,494	32,492
	1,457,570	1,460,017	1,069,140	933,647
*Minority Interest				
Christchurch International Airport Limited			54,761	52,657
Lyttelton Port Company Limited			46,539	17,564
Orion Group Limited			76,916	65,184
			178,216	135,405

Note 5:

Non-Current Liabilities	Parent		Group	
	2005 Actual \$000's	2004 Actual \$000's	2005 Actual \$000's	2004 Actual \$000's
Term debt - note 7	90,819	44,302	367,654	372,315
Provision for landfill aftercare - note 19	15,343	16,718	15,343	16,718
Provision for employee entitlements	7,026	7,541	7,026	7,541
Deferred tax	-	-	64,039	52,558
Other	-	-	11,824	13,525
Total non-current liabilities	113,188	68,561	465,886	462,657

Note 6

Current Liabilities	Parent		Group	
	2005	2004	2005	2004
	Actual	Actual	Actual	Actual
	\$000's	\$000's	\$000's	\$000's
Trade creditors	41,517	33,035	87,922	70,682
Owing to subsidiaries	7,240	8,426	-	-
Bank overdrafts	-	-	231	222
Employee entitlements	10,858	10,929	22,329	22,353
Provision for taxation	-	-	-	-
Current portion of term debt - subsidiaries	1,600	37,000	-	-
Current portion of term debt - other	83	326	30,634	46,396
Current portion of landfill aftercare - note 19	2,934	4,167	2,934	4,167
Other	-	-	22,203	16,556
Total current liabilities	64,232	93,883	166,253	160,376

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

	Group	
	2005	2004
	Actual	Actual
	\$000's	\$000's
Warranties, remedial work and site restoration		
Opening balance	403	450
Additional provision made	365	(13)
Amount utilised	(10)	(34)
Closing balance	758	403
Revenue adjustments		
Opening balance	-	525
Additional provision made	-	(267)
Amount utilised	-	(258)
Closing balance	-	-
Restructuring		
Opening balance	57	994
Additional provision made	300	57
Amount utilised	(355)	(994)
Closing balance	2	57
Closing balance of all the provisions above	760	460

Note 7

Public Debt

	Parent		Group	
	2005 Actual \$000's	2004 Actual \$000's	2005 Actual \$000's	2004 Actual \$000's
(a) Current				
Unsecured loans	-	-	30,551	46,070
Owing to subsidiaries	1,600	37,000	-	-
Other secured loans	83	326	83	326
Total current debt	1,683	37,326	30,634	46,396

(b) Non-current

Unsecured loans	-	-	346,858	351,437
Owing to subsidiaries	70,023	23,424	-	-
Other secured loans	20,796	20,878	20,796	20,878
Total non-current debt	90,819	44,302	367,654	372,315

(c) Security

Council term loans are secured either by general rates of the city, or by council income.

(d) Repayment Terms

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

Payable no later than 1 year	1,683	37,326	30,634	46,396
1 - 2 years	21,738	83	158,541	5,183
2 - 3 years	2,457	20,037	135,012	267,874
3 - 4 years	1,918	657	50,018	657
4 - 5 years	42,096	18	24,046	81,518
Later than 5 years	22,610	23,507	37	17,083
Total term debt	92,502	81,628	398,288	418,711

Note 7 (continued)

(e) Interest rates

	Parent		Group	
	2005 Actual \$000's	2004 Actual \$000's	2005 Actual \$000's	2004 Actual \$000's
The weighted average effective interest rates on borrowings (current and non-current) were:				
Loans and Debentures	7.12%	7.11%	7.29%	7.10%
The Council has loan repayment investments (sinking funds) which are to be used for repayment of Term Debt	6,619	5,670		
The Council also has a Debt Repayment Reserve to be applied to reduction of Term Debt.	101,702	147,836		

Christchurch City Holdings Limited borrowings at 30 June 2005, comprised bonds and FRNs in four tranches ranging from \$7 million to \$50 million and commercial paper with a face value of \$30 million. These borrowings mature at annual intervals until April 2010. Coupon rates are between 6.21% and 7.75%. The borrowings were effected under a \$350 million debt issuance programme. The main purpose of the debt programme is to partially fund CCHL's assets and to enable CCHL to borrow on behalf of Christchurch City Council to partially fund its future capital expenditure programme. These borrowings are unsecured but the loan documentation imposes certain covenants and restrictions on CCHL. The effective interest rate on CCHL's borrowings for the year was 7.18% (2004 7.1%).

Orion NZ Limited Group's debt is all unsecured but it is required to comply with certain covenants under the loan agreement. Interest rates for all borrowings are floating, based on bank bill rates plus a margin. As at 31 March 2005, the Company had on issue interest bearing debt with a face value of \$51 million in New Zealand dollars (2004 \$75 million) and \$19 million in Australian dollars (\$A) (2004 \$A45 million). At 31 March 2005, interest rates were 7.07% (2004, 5.56%) and averaged 6.02% for \$A borrowing (2004, 5.86%).

Christchurch International Airport Limited uses a multi-

option facility of \$120 million, provided by the ANZ Banking Group NZ Limited, that is underwritten to March 2008 through a \$75 million revolving credit facility. All borrowings are unsecured and are supported by a negative pledge deed. ANZ also provides a \$5 million money line facility and the BNZ provides a \$1 million overdraft facility. At 30 June 2005, the Company had on issue 90 day short term registered notes with a face value of \$89 million (2004 \$70 million) with a discounted value of \$87 million (2004 \$69 million). Interest rates are determined by reference to prevailing market rates after adjusting for the effect of offsetting interest rate swaps.

Lyttelton Port Company Limited has short term borrowings and term advances raised pursuant to a multi-option credit line agreement with Westpac Bank. These funds have been lent against a negative pledge deed where the bank ranks equally with other creditors. The facility was renegotiated subsequent to balance date on similar terms and conditions. The effective interest rate during the year was 6.57% (2004 6.17%).

Variations/Changes to the Liability Management Policy

There have been no changes or variations to this Policy.

Note 8

Current Assets	Parent		Group	
	2005 Actual \$000's	2004 Actual \$000's	2005 Actual \$000's	2004 Actual \$000's
Cash at bank, and short term investments	299,440	287,687	336,202	317,636
Receivables and prepayments				
Rates debtors	4,687	5,196	4,687	5,196
Other trade debtors	7,205	6,567	40,013	31,015
Less provision for doubtful debts	(660)	(640)	(680)	(640)
Current portion of term investments	1,600	-	-	-
Amount owing by subsidiaries	1,389	1,580	-	-
Other receivables/prepayments	10,992	7,743	11,083	7,814
GST receivable	2,797	2,231	2,797	2,571
Taxation receivable	-	-	1,852	1,490
Dividends receivable	7,000	1,805	-	-
Total receivables and prepayments	35,010	24,482	59,752	47,446
Inventories				
General stores	1,243	1,249	11,334	10,978
Livestock and feed	168	254	168	254
Souvenirs and food	344	328	344	328
Total inventories	1,755	1,831	11,846	11,560
Assets held for resale	-	-	17,437	1,773
Total current assets	336,205	314,000	425,237	378,415

Note 9

Non-Current Assets

	Parent		Group	
	2005 Actual \$000's	2004 Actual \$000's	2005 Actual \$000's	2004 Actual \$000's
Investments				
Government and local body stock	18,943	14,977	18,943	14,977
Stocks and bonds	11,979	21,008	11,979	21,008
Other term cash investments	1,391	471	1,391	471
Sinking funds other than local body stock	6,619	5,670	6,619	5,670
General investments				
Mortgages and loans	3,922	5,379	3,922	5,379
Investment in companies				
NZ Local Government Insurance Company Limited	677	677	677	677
Theatre Royal Foundation	2,300	-	2,300	-
Subsidiary companies				
Christchurch City Facilities Limited	45,826	39,193	-	-
Jade Stadium Limited	3,193	2,935	-	-
Travis Finance Limited	10	10	-	-
Christchurch City Holdings Limited (CCHL)	814,000	814,000	-	-
Associate company investments	5,406	5,491	41,112	40,233
Loans to subsidiary companies				
Jade Stadium Limited	32,423	34,243	-	-
Jet Engine Facility Limited	12,550	9,581	-	-
Subsidiary company investments		-	33,660	63,161
Total Investments	959,239	953,635	120,603	151,576

Average earnings rates	2005 Actual	2004 Actual
Cash investments	6.7%	5.6%
Community loans	2.5%	5.2%
Loans to subsidiary companies	8.6%	8.0%

Publicly traded investments	2005 Actual \$000's	2004 Actual \$000's
Market Value of CCHL's investment in Lyttelton Port Company Limited at 30 June	119,937	109,942

Note 9 (continued)

Investment in Associates

	Parent		Group	
	2005	2004	2005	2004
	Actual	Actual	Actual	Actual
	\$000's	\$000's	\$000's	\$000's
Carrying value of associates				
Opening balance - carrying value	5,491	5,604	37,174	31,910
Opening balance - goodwill	-	-	3,059	8,174
Equity accounted surplus / (deficit)	(85)	(113)	(1,444)	(3,569)
Purchase of shares in associates	-	-	606	5,123
Parent company share of revaluations	-	-	4,886	4,398
Goodwill amortised during the year	-	-	(2,540)	(5,115)
Dividends from associates	-	-	(629)	(688)
Carrying value at end of year	5,406	5,491	41,112	40,233

Closing balances are made up as follows:

Carrying value	5,406	5,491	39,703	37,174
Goodwill	-	-	1,409	3,059
	5,406	5,491	41,112	40,233

Equity accounted earnings

Surplus / (deficit) before tax	(85)	(113)	(1,258)	(3,277)
Income tax	-	-	(186)	(292)
Total recognised revenues and expenses	(85)	(113)	(1,444)	(3,569)

Goodwill relating to associates

Closing balances are made up as follows:

Gross amount	-	-	16,748	15,858
Accumulated amortisation	-	-	(15,339)	(12,799)
	-	-	1,409	3,059

Note 10

Operational Assets - Parent

	2005			2004		
	Cost or		Book	Cost or		Book
	valuation	Acc depn	Value	valuation	Acc depn	Value
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Land and land improvements	183,137	8,217	174,920	183,041	7,974	175,067
Buildings	347,381	25,426	321,955	342,435	16,471	325,964
Plant and chattels	75,923	50,240	25,683	69,470	44,508	24,962
Library books	67,490	52,087	15,403	63,018	48,533	14,485
Mobile plant	8,781	3,258	5,523	8,369	3,266	5,103
Assets in progress - at cost						
Land improvements in progress	1,037	-	1,037	362	-	362
Buildings in progress	4,023	-	4,023	2,770	-	2,770
Plant in progress	4,125	-	4,125	438	-	438
	9,185	-	9,185	3,570	-	3,570
Total parent operational assets	691,897	139,228	552,669	669,903	120,752	549,151

Net book value of Land and Buildings as at 30 June 2005 is considered to be fair value.

Operational Assets - Group

	2005			2004		
	Cost or		Book	Cost or		Book
	valuation	Acc depn	Value	valuation	Acc depn	Value
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Land and land improvements	405,726	8,217	397,509	324,095	7,974	316,121
Site improvements	3,136	697	2,439	3,136	598	2,538
Buildings	644,448	116,352	528,096	611,772	94,766	517,006
Plant and chattels	253,598	131,319	122,279	220,877	115,449	105,428
Sealed surfaces	59,631	2,635	56,996	59,075	1,424	57,651
Electricity distribution system	663,328	21,499	641,829	609,790	20,031	589,759
Buses	30,264	6,331	23,933	25,779	4,809	20,970
Harbour structures	78,147	-	78,147	41,711	13,774	27,937
Vessels	10,133	2,088	8,045	10,125	1,728	8,397
Other assets - at cost	93,733	62,895	30,838	87,178	57,297	29,881
Assets in progress - at cost						
Land improvements in progress	1,037	-	1,037	362	-	362
Buildings in progress	4,023	-	4,023	11,172	-	11,172
Plant in progress	4,125	-	4,125	438	-	438
	9,185	-	9,185	11,972	-	11,972
Total group operational assets	2,251,329	352,033	1,899,296	2,005,510	317,850	1,687,660

Net book value of Land and Buildings as at 30 June 2005 is considered to be fair value.

Note 11

Infrastructural Assets Parent and Group	2005			2004		
	Cost or		Book	Cost or		Book
	valuation	Acc depn	Value	valuation	Acc depn	Value
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Bus shelters	840	63	777	568	-	568
Roading	1,066,896	18,574	1,048,322	1,025,673	-	1,025,673
Sewers	519,303	16,025	503,278	501,959	7,667	494,292
Stormwater	240,501	7,333	233,168	235,335	4,877	230,458
Water reticulation	186,020	3,484	182,536	181,347	-	181,347
Water meters	25,882	939	24,943	24,774	-	24,774
Streetlights	26,560	1,281	25,279	23,437	-	23,437
Traffic lights	21,044	1,829	19,215	17,860	-	17,860
Water and stormwater pumping stations	35,824	1,209	34,615	33,635	127	33,508
Sewer pumping stations	16,219	918	15,301	15,263	444	14,819
Assets in progress - at cost						
Roading in progress	10,734	-	10,734	13,198	-	13,198
Sewers in progress	4,351	-	4,351	13,685	-	13,685
Stormwater in progress	2,736	-	2,736	2,586	-	2,586
Water reticulation in progress	282	-	282	551	-	551
Streetlights in progress	252	-	252	462	-	462
Water pumping stations in progress	1,555	-	1,555	2,262	-	2,262
Sewer pumping stations in progress	9,479	-	9,479	4,597	-	4,597
Total Assets in progress - at cost	29,389	-	29,389	37,341	-	37,341
Total infrastructural assets	2,168,478	51,655	2,116,823	2,097,192	13,115	2,084,077

Note 12

Restricted Assets Parent and Group	2005			2004		
	Cost or valuation \$000's	Acc depn \$000's	Book Value \$000's	Cost or valuation \$000's	Acc depn \$000's	Book Value \$000's
Art works	48,665	95	48,570	48,309	47	48,262
Library books NZ Room	5,088	-	5,088	4,970	-	4,970
Reserve land and improvements	289,135	1,367	287,768	275,659	534	275,125
Reserve land and improvements in progress	3,867	-	3,867	1,849	-	1,849
Buildings-historic	14,240	573	13,667	14,238	385	13,853
Heritage assets	15,322	48	15,274	15,242	27	15,215
Heritage assets in progress	3	-	3	101	-	101
Total restricted assets	376,320	2,083	374,237	360,368	993	359,375

Net book value of Land and Buildings as at 30 June 2005 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

	Parent		Group	
	2005 Actual \$000's	2004 Actual \$000's	2005 Actual \$000's	2004 Actual \$000's
(a) Contingent liabilities				
Uncalled capital in Christchurch City Holdings Limited	488,999	488,999	-	-
Uncalled capital in Transwaste Canterbury Limited	1,514	1,514	1,514	1,514
Professional Indemnity Insurance Claims lodged with FAI (NZ) General Insurance Company Limited	400	400	400	400
Linwood outfall drain	300	300	300	300
Other professional indemnity insurance claims lodged either unresolved or not accepted	540	217	540	217
Red Bus Limited - performance bonds	-	-	945	1,075
City Care Limited - performance bonds	-	-	277	1,909
Orion Group Limited - performance bonds	-	-	200	100
Guarantees to sporting and community organisations	100	100	100	100
	491,853	491,530	4,276	5,615

- August 1999, Christchurch City Holdings Limited 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.
- From 1989 until 30 June 1997, the Council's professional indemnity and public liability insurance cover was placed with FAI (NZ) General Insurance Company. In February 1999, HIH (NZ) Limited took control of FAI (NZ) Limited including the Council's outstanding claims. HIH (NZ) Limited went into liquidation on 19 July 2001 following the collapse of its Australian parent company. The purchaser of parts of the HIH (NZ) Limited'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 \$400,000.
- Telecom NZ Limited has challenged the rating valuation of its telecommunications network. The Council believes that the valuations have been performed professionally in accordance with the relevant legislation. It is not possible to estimate the amount of any settlement that may occur.

Note 13 (continued)

(b) Contingent assets	Parent		Group	
	2005 Actual \$000's	2004 Actual \$000's	2005 Actual \$000's	2004 Actual \$000's
Vested assets- Nurses Chapel (at valuation)	400	400	400	400
Assistance to Central Plains Water Trust (CPWT)	-	494	-	494

Note 14

Capital commitments

Capital commitments	Parent		Group	
	2005 Actual \$000's	2004 Actual \$000's	2005 Actual \$000's	2004 Actual \$000's
Council Works	31,279	22,069	31,279	22,069
Christchurch International Airport Limited	-	-	7,073	22,255
City Care Limited	-	-	277	368
Christchurch City Facilities Limited	-	-	-	11,998
Lyttelton Port Company Limited	-	-	-	4,042
Orion NZ Limited	-	-	11,657	9,171
	31,279	22,069	50,286	69,903

At balance date, lease commitments were as follows

Under 1 year	-	-	2,015	2,126
1-2 years	-	-	1,673	1,381
2-5 years	-	-	850	1,473
Over 5 years	-	-	2,644	2,618
	-	-	7,182	7,598

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

Note 15

Reconciliation of Net Operating Cash Flow and Operating Surplus

	Parent		Group	
	2005 Actual \$000's	2004 Actual \$000's	2005 Actual \$000's	2004 Actual \$000's
Net surplus after taxation	65,583	151,563	86,860	109,213
Minority interests in surpluses of subsidiaries	-	-	13,521	9,142
Non cash items:				
Depreciation	59,773	58,799	115,846	110,082
Increase/(decrease) in deferred tax	-	-	6,397	5,308
Goodwill written off	-	-	3,009	5,797
Other amortisation	-	-	(223)	(148)
Vested assets	(19,540)	(106,638)	(19,540)	(106,638)
Assets written off	2,422	24,797	4,405	25,545
Subsidised assets	-	-	(2,745)	(2,771)
Equity accounted earnings	85	113	1,444	3,569
Foreign exchange difference	-	-	(550)	2,700
Investment revaluations	-	-	(5,295)	4,214
Forestry revaluations	-	-	-	(530)
Investment write-downs	-	-	-	2,209
Other non-cash items	36	-	3,367	2,191
Increase (decrease) in landfill aftercare provision	(1,375)	2,185	(1,375)	2,185
Movements in working capital items:				
(Increase)/decrease in:				
Accounts receivable and accruals	(8,949)	8,439	(9,109)	4,069
Taxation receivable	-	-	(362)	994
Inventory	76	145	(286)	(3,354)
Increase/(decrease) in:				
Accounts payable and accruals	5,994	1,296	11,284	(2,410)
Non-current employee entitlements	(515)	(177)	(515)	(177)

Note 15 (continued)

Less items classified as investing:

Net (gain)/loss on sale of fixed assets	(296)	1,261	(2,203)	1,969
Profit on sale of shares	-	-	(15,330)	-
Deferred revenue	-	-	(487)	(867)
Exploration expenditure written off	-	-	(791)	8
Movement in fixed asset related accounts receivable	-	437	-	437
Movement in fixed asset related accounts payable	(9,913)	(451)	(11,010)	(1,960)
Net cash inflow from operating activities	93,381	141,769	176,312	170,777

The following items are presented as net: (a) GST (b) Short term money market investments

Cash balances at year end include Special Funds which are restricted in their use. At 30 June 2005 these were \$272,953K (2004 \$310,132K).

Note 16

Taxation	Parent		Group	
	2005	2004	2005	2004
	Actual	Actual	Actual	Actual
	\$000's	\$000's	\$000's	\$000's
Net surplus/(deficit) before tax	65,583	151,563	131,439	151,079
Prima facie tax expense at 33%	21,642	50,016	43,375	49,856
Permanent differences	(16,297)	(23,663)	(17,820)	(28,524)
Timing differences not recognised	-	-	653	946
Loss not previously recognised	-	-	-	1
Imputation credit adjustment	(12,243)	(31,689)	-	-
Tax losses not recognised	1,968	5,336	3,696	10,266
Tax credit re group losses	4,930	-	-	-
Write-off of tax asset	-	-	501	688
Under/(over) provision	-	-	653	(509)
Income tax expense/(benefit)	-	-	31,058	32,724
Comprising:				
Current taxation	-	-	24,481	26,796
Deferred taxation	-	-	6,577	5,928
	-	-	31,058	32,724

Note 16 (continued)

Deferred Taxation				
Opening balance	-	-	52,558	47,250
Adjustment via revaluation reserve	-	-	4,904	-
Prior year adjustment	-	-	(577)	(33)
Current year	-	-	7,154	5,341
Net deferred tax liability/(asset)*.	-	-	64,039	52,558

* the net deferred tax liability is made up as follows:

Deferred tax liability	-	-	65,317	53,879
Less deferred tax asset	-	-	(1,278)	(1,321)
Net deferred tax liability/(asset)	-	-	64,039	52,558

Taxable losses for the Council of \$1,968K (2004 \$5,336K) with a tax effect of \$649K (2004 \$1,761K) and for the Group of \$7,968K (2004 \$16,452K) with a tax effect of \$2,629K (2004 \$5,429K), have not been recognised. These losses are available to be carried forward to offset against future assessable income. Unrecognised future income tax liabilities for the Group, arising from timing differences, amount to Nil (2004 Nil).

Tax losses of \$2,065k with a tax effect of \$682k in respect of Jet Engine Facility Limited have been recognised to offset a deferred tax liability. Subsequent realisation of these losses is subject to the requirements of income tax legislation being met. A deferred tax asset of \$547k (2004 \$143k) in respect of Christchurch City Facilities Limited has not been recognised as there is no virtual certainty of realisation.

Note 17

Imputation Credit Account

	Group	
	2005	2004
	Actual	Actual
	\$000's	\$000's
Christchurch City Holdings Limited	22,532	12,261
CCHL Subsidiaries	29,127	21,074
Other CCC Subsidiaries	6	3
	51,665	33,338

Dividend income of the parent includes dividends received from subsidiaries. These dividends, carry imputation credits when the dividend is received.

Note 18

Chief Executive's Remuneration

The Chief Executive of the Council was appointed in accordance with section 42 of the Local Government Act 2002. The total cost to the Council of the remuneration package received by the Chief Executive for the year ended 30 June 2005 was \$ 334,890 per annum plus provision for up to 10% performance pay. The performance pay component for 2005 is yet to be determined. (2004 \$335,965 including performance bonus)

Cost of Severance Payments

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

For the year ending 30 June 2005 the Council made payments to three employees (\$5,500; \$10,000 and \$20,000) that required disclosure under the Local Government Act 2002. (2004 Nil.)

Note 18 (continued)

Council Remuneration

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

The aggregate remuneration, including non-monetary remuneration, to the twenty five Councillors and the Mayor during the year totalled \$1,178,139 and is disaggregated and classified as follows:

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

Note 19

Landfill Aftercare Liability

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

Closure responsibilities:

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

Post-closure responsibilities:

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

Closed Landfills

The liability has been estimated, based on a monitoring period of 35 years. The estimated cost for all closed landfills, including the Burwood landfill is \$18.3 million.

The Council participates in the regional waste disposal joint venture run by Transwaste Canterbury Limited through its Kate Valley landfill site. This site has been granted resource consent for 35 years from opening date which was 8 June 2005. The Council's ownership share of Transwaste Canterbury Limited is 37.85%

Landfill Aftercare Costs Provision

	Parent		Group	
	2005	2004	2005	2004
	Actual	Actual	Actual	Actual
	\$000's	\$000's	\$000's	\$000's
Opening balance	20,885	18,700	20,885	18,700
Additional (reduction of) provision made	(1,436)	2,544	(1,436)	2,544
Amount utilised	(1,172)	(359)	(1,172)	(359)
Closing balance	18,277	20,885	18,277	20,885
Non-current portion	15,343	16,718	15,343	16,718
Current portion	2,934	4,167	2,934	4,167
Total	18,277	20,885	18,277	20,885

Note 20

Financial Instruments

a) Credit Risk

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

b) Credit Risk Exposure

Maximum exposures to credit risk at balance date are:

	Parent		Group	
	2005	2004	2005	2004
	Actual	Actual	Actual	Actual
	\$000's	\$000's	\$000's	\$000's
Cash, bank and short term deposits	299,440	287,687	336,202	317,636
Accounts receivable	35,010	24,482	59,752	47,446
Loans to cultural and sporting organisations	3,922	5,379	3,922	5,379
Government and local body stock	18,943	14,977	18,943	14,977
Stocks and bonds	11,979	21,008	11,979	21,008
Other term cash investments	1,391	471	1,391	471
Sinking funds other than local body stock	6,619	5,670	6,619	5,670
Loans to subsidiary companies	32,423	34,243	-	-

No collateral security is held for the above.

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

c) Off Balance Sheet Risk

Interest rate swaps and bond forward rate transactions are employed by Council 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:

	Parent		Group	
	2005	2004	2005	2004
	Actual	Actual	Actual	Actual
	\$000's	\$000's	\$000's	\$000's
Foreign currency forward exchange contracts	-	-	-	2,039
Interest rate swaps and forward rate agreements (FRA's)	-	-	218,000	297,818
Interest rate caps	-	-	-	5,000
Bond forward rate agreement	-	-	-	56,258

Note 20 (continued)

d) Concentration of Credit Risk

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

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

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

e) Fair Values

	Parent		Group	
	2005	2004	2005	2004
	Actual	Actual	Actual	Actual
	\$000's	\$000's	\$000's	\$000's
Foreign currency forward exchange contracts	-	-	-	(170)
Interest rate swaps and FRA's	-	-	3,662	(636)
Bond forward rate agreement	-	-	-	1,678
(Figures in brackets are receivables)				

Note 21

Rates Remission Disclosures

	Parent	
	2005	2004
	Actual	Actual
	\$000's	\$000's
Sports bodies	717	218
Churches	88	73
Other social and cultural organisations	1,196	164
Other	466	201
Total	2,467	656

The budget for remissions did not include remissions on penalties charged on the late payment of rates. It also did not take into account the large increase in the rateable values of some of the ratepayers who qualified for remissions. Remissions are included as a net reduction of Rates operating income in the Statement of Financial Performance.

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 was performed by National Research Bureau Limited under contract to the Christchurch City Council for 1998 to 2004 and by Opinions Market Research Limited in 2005. Where actual results from the survey are included in the Statement of Service Performance, these are based on interviews conducted with 750 Christchurch City residents in February and March 2005 and have a margin of error of +/-3% at the 90% confidence level.

Note 23

Related Party Transactions

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

Related parties and balances	2005	2004
	Actual	Actual
	\$000's	\$000's
Interest received on loans to related parties	3,972	3,048
Interest paid on loans to related parties	4,612	4,134
Dividends paid to the Council	30,000	64,339
Accounts payable to the Council	1,389	1,580
Accounts payable by the Council	7,251	8,426
Loans to related parties	46,573	43,824
Loans from related parties	71,623	60,424
Issue of shares to the Council	8,450	1,450
Services provided to the Council	49,103	47,872
Services provided by the Council	1,129	2,946
Subvention payments to the Council	1,782	3,578
Rates paid to the Council	3,054	2,787
Fixed assets sold by the Council	-	250
Transactions between subsidiaries:		
Dividends received/receivable by Christchurch City Holdings Limited	47,042	74,614
Interest received/receivable by Christchurch City Holdings Limited	325	339
Subvention payments	3,972	1,767

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 and purchase of rubbish bags. Christchurch City Facilities Limited paid legal fees to Simon Mortlock Partners, of which S G Mortlock, a director of the company, is a partner. The fees were charged on normal terms and conditions. Fees paid during the period totalled \$84,482 (2004 \$94,014). 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.

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

- \$71,498 to Deloitte (Christchurch) for tax and consultancy services – (Bruce Irvine is the managing partner of Deloitte Christchurch);
- \$4,980 to David Stock - Barrister, for legal and consultancy services.

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

- \$4,875 to Deloitte (Christchurch) for tax and consultancy services – (Bruce Irvine is the managing partner of Deloitte Christchurch).

Note 24

Major Budget Variations – Parent

Statement of Financial Performance

Explanations for major variations from the Council's estimate figures are as follows:	\$000's
Higher than budgeted Rates Income, including penalties	1,870
Higher than budgeted Dividends Income principally from Christchurch City Holdings Limited	953
Higher than Budgeted Vested Assets Income due to higher than expected subdivision activity	4,540
Unbudgeted income from Subvention Receipts from subsidiary companies	1,782
Higher than budgeted Interest Income due to the level of capital expenditure carried forward to 2005/06 being higher than budgeted, and interest rates being higher than planned	6,496
Lower than budgeted Interest Expense due to the level of capital expenditure carried forward to 2005/06 being higher than budgeted	1,010
Unbudgeted decrease in Closed Landfill Aftercare provision	1,436
Lower than budgeted depreciation costs principally due to the delays in completing the capital programme	1,426
Higher than budgeted income from cash in lieu of reserves and similar contributions due to higher than budgeted level of subdivision activity	4,192
Higher than budgeted income from regulatory activities principally due to higher than budgeted level of subdivision activity	2,081
Higher than budgeted income from dumping fees due to higher than budgeted quantities received	2,279
Higher than budgeted payment of earnings into the Canterbury Economic Development Fund (funded from the Council's Capital Endowment Fund 2003/04 earnings)	(1,140)
Lower than budgeted Sports Promotion grants as ongoing funding for the Bishopdale YMCA redevelopment was deferred to 2005/06.	1,000
Higher than budgeted expenditure on improving the levels of service provided by the Social Housing stock (funded from the Housing Development Fund)	(1,128)
Lower than budgeted electricity charges as a result of credits received from Meridian Energy for incorrect charges over the past 5 financial years.	1,135
Land Transport NZ subsidy to be repaid on overclaimed streetlighting charges as a result of credits received from Meridian Energy for incorrect charges over the past 5 financial years.	(438)
Other variances	6,563
Total Net Surplus Variance to Plan	34,057

Statement of Movements in Equity

Apart from the increased unbudgeted income referred to above, there is a net decrease brought about by a write-down in the value of subsidiary companies of \$1.6m. The decrease in the value of ownership of subsidiary and associate companies of \$1.6m was principally due to the reduction in the value of Christchurch City Facilities Limited of \$1.8m.

Statement of Financial Position

The Net Surplus after Taxation resulted in an increase in Equity of \$64M. This plus \$11m of new debt raised within the group substantially funded the increase in assets of \$79m.

Note 25

Financial Involvement in Subsidiaries 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	Interest	Total	Total
	2005	2005	2005	2004
	\$000's	\$000's	\$000's	\$000's
Subsidiaries:				
Jet Engine Facility Limited	-	1,225	1,225	124
Christchurch City Holdings Limited	30,000	-	30,000	64,339
Jade Stadium Limited	-	2,746	2,746	2,924
	30,000	3,971	33,971	67,387

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

Note 26

Vested Assets

	Parent		Group	
	2005	2004	2005	2004
	Actual	Actual	Actual	Actual
	\$000's	\$000's	\$000's	\$000's
Restricted land and buildings	2,398	6,470	2,398	6,470
Infrastructure assets	17,142	99,783	17,142	99,783
Artworks and heritage assets	-	385	-	385
	19,540	106,638	19,540	106,638

Note 27

Grants/Contributions to Major Projects

	Parent		Group	
	2005 Actual \$000's	2004 Actual \$000's	2005 Actual \$000's	2004 Actual \$000's
Grants and donations for new art gallery	190	439	190	439
Other sponsorships and contributions	-	103	-	103
	190	542	190	542

Note 28

Subsequent Events

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



