

8. CHANGES TO NZ GAAP - COMPLIANT ACCOUNTING POLICIES

General Manager responsible:	General Manager Corporate Services, DDI 941-8540
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PURPOSE OF REPORT

1. The purpose of this report is to make recommendations to the Audit and Risk Subcommittee regarding changes to the current NZ GAAP-compliant accounting policies for the accounts to 30 June 2006.

EXECUTIVE SUMMARY

2. Under the current policy shares in Christchurch City Holdings Limited are revalued on a three yearly basis. Shares in Christchurch City Facilities Limited and Jade Stadium Limited have not been revalued at all.
3. It is proposed that shares in all three subsidiaries be revalued and that this revalued amount be considered as cost for the purpose of the opening balance under NZ IFRS-compliant policies.
4. The note detailing rates of depreciation on restricted assets does not consider planted areas, sealed areas within reserves or structures within reserves. It is proposed that the note be expanded to include those areas.
5. The note on revenue recognition does not mention Development Contributions. It is proposed that the note be expanded to correct this.

FINANCIAL AND LEGAL CONSIDERATIONS

6. Adopting the change to the current NZ GAAP compliant policies will increase the value of investments and the revaluation reserve by at least \$65.2 million. There are no legal implications.

STAFF RECOMMENDATIONS

It is recommended that the following changes be made:

- (a) A new note be added:
 "Shares in subsidiaries and associates"
 Shares in Christchurch City Holdings Limited, Christchurch City Facilities Limited and Jade Stadium Limited are revalued with sufficient regularity to ensure that no investments are included at a valuation that is materially different from fair value.
- (b) The note "Changes in accounting policies" be amended to reflect this new policy and the \$ impact to the investments and revaluation reserve.
- (c) Note G "Depreciation" be amended as follows:
 Delete "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."
 Add:

"Restricted Assets	
Planted areas	5 to 110 yrs
Reserves - sealed areas	10 to 40 yrs
Reserves - structures	25 to 150 yrs
Historic buildings	100 yrs
Art works	1000 yrs
Heritage assets	1000 yrs"
- (d) Note I "revenue recognition" be amended by adding: "development contributions are recognised in the income statement in the year in which they are received".