

Financial information



>> Financial highlights

Commentary on Financial Results

The positive financial result for the year and the increased values placed on land, buildings, forestry, river protection and reserve lands as a result of the valuation exercise carried out at the end of the year have increased equity and reserves.

The result was better than expected with higher grant income and lower expenditure than budgeted. Additional grants were received from central government for clean air incentive programmes. Operating expenditure was lower than budget across a number of programmes.

Valuations are carried out every three years with the aim of showing assets at a current value. The increase since valuations were last carried out is a result of increases in the property market and the increasing cost of replacing assets such as the river protection infrastructure, which has been built up over many years.

Council's financial position remains strong with debt still low and working capital positive. Clean Heat loans advanced are now a significant item in the statement of financial position and a facility has been put in place which will allow funding for the scheme to be matched with the term of the loans.

Environment Canterbury Financial Statistics

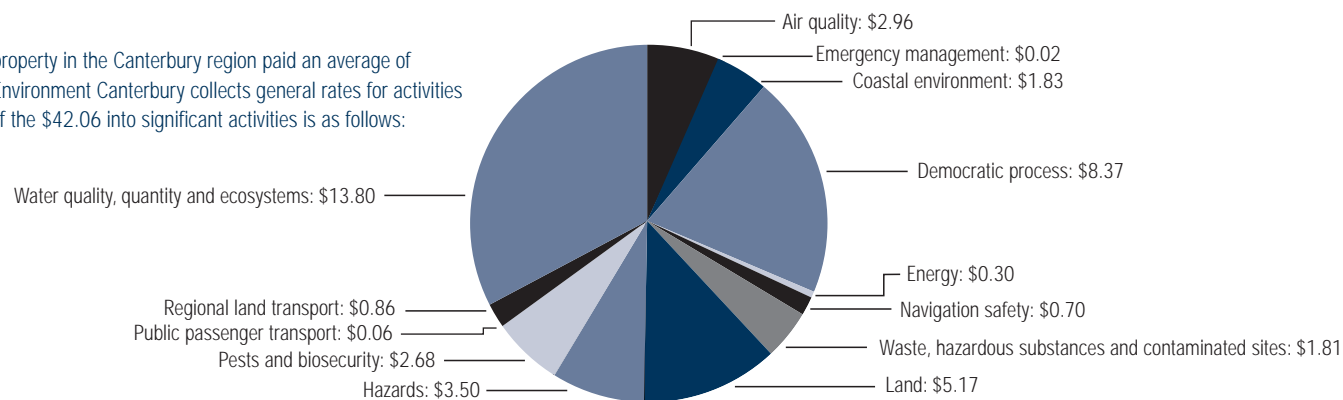
	2008	2007	2006	2005	2004	2003	2002
Proportion of rates to total income (%)	63	64	58	60	61	63	64
General rate per \$100,000 capital value (\$) GST included	42.06	44.55	40.83	50.46	52.46	50.68	49.09
Total public debt as a percentage of total assets	0.18	0.24	0.33	0.32	0.57	0.16	0.17

Environment Canterbury Financial Performance

	2008	2007	2006	2005	2004	2003	2002
Rates	65,743	60,306	49,909	47,222	44,675	40,227	35,641
Net surplus/(deficit)	1,299	685	(2,374)	3,891	4,066	2,629	869
Public debt	1,089	1,039	965	1,403	2,159	586	586
Total Assets	600,508	436,188	434,469	438,544	376,486	367,599	342,076

General rates

For every \$100,000 of capital value, the owner of a property in the Canterbury region paid an average of \$42.06 in general rates to Environment Canterbury. Environment Canterbury collects general rates for activities which benefit the whole of the region. A breakdown of the \$42.06 into significant activities is as follows:



>> Accounting policies

Reporting entity

Environment Canterbury is a regional local authority governed by the Local Government Act 2002. The Environment Canterbury group consisted of Environment Canterbury and its subsidiary, Target Pest Enterprises Limited up until 22 May 2007 when Target Pest Enterprises Limited was placed into receivership. Target Pest Enterprises Limited consisted of the parent company and its subsidiary, Target Pest Contracting Limited (100% owned).

Environment Canterbury is a Public Benefit Entity whose primary objective is to provide goods and services for regional or social benefit and where any equity has been provided with a view to supporting that primary objective rather than for a financial return. All available reporting exemptions allowed under the framework for Public Benefit Entities have been adopted. Accordingly, Environment Canterbury has designated itself as a public benefit entity for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS). The financial statements of Environment Canterbury are for the year ended 30 June 2008. Council authorised the financial statements for issue on 25 September 2008.

Basis of preparation

The financial statements of Environment Canterbury have been prepared in accordance with the requirements of the Local Government Act 2002, Part 6, Section 98 and Part 3 of Schedule 10, which includes the requirement to comply with New Zealand Generally Accepted Accounting Practice (NZ GAAP). These financial statements have been prepared in accordance with NZ GAAP. The financial statements comply with New Zealand International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for Public Benefit Entities.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand (\$000). The functional currency of Environment Canterbury is New Zealand dollars. There are no standard interpretations and amendments that have been issued but are not yet effective, that Environment Canterbury has not yet applied.

New standards and interpretations on issue but not yet effective

The following standard is relevant to Environment Canterbury's operations and will become mandatory when preparing its 2009-10 financial statements:

NZ IAS 1 Presentation of Financial Statements (revised). This revision changes the presentation and components of the statement of changes in equity and introduces a new statement of comprehensive income. Environment Canterbury has not determined the potential impact of this revised standard.

There are no other standards or interpretations that have been issued but not yet effective, that are applicable to the Environment Canterbury.

Measurement base

The financial statements are prepared using a measurement base of historical cost modified by the revaluation of certain assets as set out in the specific accounting policies below.

Specific accounting policies

The following accounting policies, which materially affect the measurement of results and financial position, have been applied:

Basis of consolidation

The subsidiary in which Council had a controlling shareholding was consolidated using the purchase method by separate line-by-line aggregations of like items of assets, liabilities, equity, revenues, expenses and cashflows recognised in the financial statements of all entities in the consolidated entity. All significant intra-group balances, transactions, income and expenses were eliminated on consolidation. As council no longer controlled Target Pest Enterprises as at the date of receivership (22 May 2007), council ceased consolidating and hence comparatives are only shown for the 2007 year.

Revenue recognition

Revenue is measured at the fair value of consideration received.

All revenue is recognised when it is billed or earned on an accrual basis with the following exceptions:

- Rates revenue is recognised when levied.
- Grants are recognised when any conditions are complied with.
- Transfund passenger services subsidies are recognised upon entitlement.
- Dividends are recognised net of imputation credits when the right to receive payment has been established.
- Profits on significant contracts are recognised on a percentage of completion basis.
- Profits on minor contracts are recognised when contracts are completed.
- Interest revenue is recognised using the effective interest method.

Budget figures

The budget figures in the financial statements are those approved by Environment Canterbury as part of the annual planning process. Council has approved no additional expenditure outside the planning process.

The budget figures have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP) and are consistent with the accounting policies adopted by the council for the preparation of these financial statements.

Critical accounting estimates and assumptions

The financial statements are prepared using estimates and assumptions concerning the future and may differ from the subsequent actual results. Estimates and assumptions are continually reviewed and are believed to be reasonable under the circumstances. There are no estimates or assumptions that are likely to have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Taxation

Income tax is charged in the statement of financial performance in respect of the current year's earnings after allowing for permanent differences. Income tax is determined on a comprehensive basis using the liability method. Permanent differences are items of revenue or expenditure that are included in the current year's surplus but are not part of taxable income or vice versa. Deferred tax assets attributable to timing differences or tax losses are only recognised where it is probable that future taxable profits will be available against which the asset can be used. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Current tax and deferred tax is charged to the statement of financial performance, except when it relates to items charged or credited directly to equity, in which case the tax is dealt with in equity.

Goods and Services Tax

The financial statements have been prepared exclusive of GST with the exception of receivables and payables, which are stated with GST included. The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position. The net amount of GST paid to or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cashflow in the statement of cashflows. Commitments and contingencies are disclosed exclusive of GST.

Receivables

Receivables may include both current and long-term amounts due and are stated at cost less any impairment losses. Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Clean Heat loans issued at nil interest rates are initially recognised at the present value of their expected future cashflows, discounted at the current internal rate of return for a similar asset/investment. They are subsequently measured at amortised cost using the effective interest rate method. The difference between the face value and present value of expected future cashflows of the loan is recognised in the statement of financial performance as an expense.

A provision for impairment of receivables is established when there is evidence that Environment Canterbury will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the assets carrying amount and the present value of the estimated future cashflows, discounted using the effective interest rate method.

Inventory

Inventories (such as spare parts and other items) held for distribution or consumption in the provision of services that are not supplied on a commercial basis are measured at the lower of cost and current replacement cost.

Investments

Environment Canterbury classifies its financial assets into four categories; the classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Investments are valued according to the following classifications:

- **Financial assets at fair value through profit or loss:** This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance date. After initial recognition they are measured at their fair values. Gains or losses on measurement are recognised in the statement of financial performance.

The Forsyth Barr Portfolio is recognised as held for trading and recorded under current investments.

- **Loans and receivables:** These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition they are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or derecognised are recognised in the statement of financial performance.

Clean Heat loans are categorised as Loans and Receivables and have both a current and non-current portion. Due to their material value they are disclosed separately in the statement of financial position

- **Held to maturity investments:** These are assets with fixed or determinable payments and fixed maturities that Environment Canterbury has the positive intention and ability to hold to maturity. After initial recognition they are measured at amortised cost using the effective interest method. Gains and

losses when the asset is impaired or derecognised are recognised in the statement of financial performance.

- **Financial assets available for sale:** These include those investments that are designated as fair value through equity or are not classified in any of the other categories above. This category encompasses investments that Environment Canterbury intends to hold longterm but which may be realised before maturity and shareholdings that Environment Canterbury holds for strategic purposes. After initial recognition these investments are measured at their fair value. Gains and losses are recognised directly in equity except for impairment losses, which are recognised in the statement of financial performance. In the event of impairment, any cumulative losses previously recognised in equity will be removed from equity and recognised in the statement of financial performance even though the asset has not been derecognised. On derecognition, the cumulative gain or loss previously recognised in equity is recognised in the statement of financial performance.

NZ Local Government Insurance Corporation and Marlborough Forestry Corporation are designated as "Available for Sale" (IAS 39) and are required to be measured at fair value or cost (where fair value cannot be determined reliably).

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date. Financial assets and liabilities are initially measured at fair value plus transaction costs unless they are carried at fair value through profit or loss in which case the transaction costs are recognised in the statement of financial performance. Purchases and sales of investments are recognised on trade-date, the date on which Environment Canterbury commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cashflows from the financial assets have expired or have been transferred and Environment Canterbury has transferred substantially all the risks and rewards of ownership. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance date. The quoted market price used is the current bid price. The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Environment Canterbury uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cashflows, are used to determine fair value for the remaining financial instruments.

Impairment of financial assets

At each balance date, Environment Canterbury assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. Any impairment losses are recognised in the statement of financial performance.

Property plant and equipment

Property plant and equipment is shown at cost or valuation, less any accumulated depreciation and impairment losses.

Recognition: Property plant and equipment consists of operational assets, infrastructural assets, and restricted assets. Expenditure is capitalised as property plant and equipment when it creates a new asset or increases the economic benefits over the total life of an existing asset. Costs that do not meet the criteria for capitalisation are expensed.

- (a) **Operational assets** - These include land, buildings, plant and equipment, motor vehicles and furniture and fittings.
- (b) **Infrastructural assets** - Infrastructural assets comprise mainly river control works, land drainage schemes, and forests, which are planted with the primary objective of river and erosion control. There are a number of assumptions and estimates used when performing Depreciated Replacement Cost (DRC) valuations for infrastructural assets including:

- estimating any obsolescence or surplus capacity of an asset,
- the physical deterioration and condition of an asset, for example the council could be carrying an asset at an amount that does not reflect its actual condition. Council performing a combination of physical inspections and condition modelling assessments of assets minimises this risk, and
- estimates made when determining the remaining useful lives over which the asset will be depreciated. These estimates can be impacted by the local conditions, for example, weather patterns and ground conditions. To minimise this risk to Environment Canterbury's infrastructural asset useful lives have been determined with reference to the NZ Infrastructural Asset Valuation and Depreciation Guidelines published by the National Asset Management Steering Group, and have been adjusted for local conditions based on past experience. Asset inspections, deterioration and condition modelling are carried out regularly as part of Environment Canterbury's asset management planning activities, which gives Environment Canterbury further assurance over its useful life estimates. Experienced independent valuers perform or review the council's infrastructural asset revaluations.

- (c) **Restricted assets** - Restricted assets are reserves owned by Environment Canterbury that provide a benefit or service to the community, which cannot be disposed of because of legal or other restrictions.

Environment Canterbury receives lease rental income from its reserve land under leases granted to a number of third parties. Environment Canterbury classifies all of its reserve land as property, plant and equipment as the land is held for strategic purposes and / or service delivery (river protection works).

Additions

The cost of an item of property, plant and equipment is recognised as an asset only if it is probable that future economic benefits or service potential associated with the item will flow to Environment Canterbury and the cost of the item can be measured reliably. In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to Environment Canterbury and the cost of the item can be measured reliably.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the statement of financial performance. When revalued assets are sold, the amounts included in asset revaluation reserves, in respect of those assets, are transferred to retained earnings.

Valuation

All assets are initially valued at cost. Those asset classes that are revalued are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value and at least every three years. Between valuations expenditure on asset improvements is capitalised at cost. Revaluation methodologies applied are as follows:

Land and buildings: These have been valued at fair value. Valuations were carried out by registered valuer, John Coleman, of Good Earth Matters Ltd as at 30 June 2008 and were determined from market-based evidence and conditions as at that date.

Infrastructural assets: River control works and land drainage schemes are valued at replacement cost. Valuations were carried out as at 30 June 2008, based on a methodology developed by the council's engineers. Floodgates and culverts are valued at depreciated replacement cost. The valuation was performed by Matthew Surman of Environment Canterbury with the methodology being independently reviewed by Maunsell Ltd who determined the methodology to be appropriate.

Restricted assets: These have been valued at fair value. Valuations were carried out by registered valuer, John Coleman, of Good Earth Matters Ltd as at 30 June 2008 and were determined from market-based evidence and conditions as at that date.

Forestry assets: A forestry valuation dated 30 June 2008 has been prepared by David Owen of Environment Canterbury and independently reviewed by registered forestry consultant Owen Springford. The forestry assets continue to be treated as property plant and equipment due to the nature of the asset, which is primarily for protection rather than being operated as a commercial enterprise.

Accounting for revaluations: Environment Canterbury accounts for revaluations of property, plant and equipment on a class of asset basis. The results of revaluating are credited or debited to an asset revaluation reserve for that class of asset. Where this results in a debit balance in the asset revaluation reserve, this balance is expensed in the statement of financial performance. Any subsequent increase on revaluation that off-sets a previous decrease in value recognised in the statement of financial performance will be recognised first in the statement of financial performance up to the amount previously expensed, and then credited to the revaluation reserve for that class of asset.

Depreciation

Depreciation is provided on a straight-line basis at rates, which will writeoff the cost or valuation of the assets to their estimated residual values over their useful lives. Land and forests are not depreciated, as they are not considered to depreciate. Depreciation is not provided for components of river control works and land drainage schemes except for culverts, floodgates, groynes, tracks and fences. An asset management plan has been prepared for these schemes and, in the absence of significant flood events, they are not considered to deteriorate.

Environment Canterbury expenses all repairs, and capitalises additions, which increase the service potential of the assets.

The useful lives and associated depreciation rates of Environment Canterbury's assets have been estimated as follows:

Environment Canterbury's assets estimated useful life			
Asset category	Estimated useful life (years)	Residual value (%)	% of cost depreciated annually
Fixed assets:			
Buildings: structure	5-100	1	1-20
Buildings: fitout	5-20	1	5-20
Motor vehicles	5-10	37-40	6-12
Furniture and fittings	10	1	10
Computer equipment	4	1	25
Plant and equipment	4-10	1-30	8-20
Infrastructural assets:			
Groynes	200	0	0.5
Culverts and floodgates	80	0	1.25
Tracks and fences	50 - 75	0	1.33 - 2
Wells	33	0	3

Impairment of non-financial assets

Non-financial assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the council would, if deprived of the asset, replace its remaining future economic benefits or service potential. The value in use for cash-generating assets is the present value of expected future cashflows. If an asset's carrying amount exceeds its recoverable amount the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets, the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the statement of financial performance. For assets not carried at a revalued amount, the total impairment loss is recognised in the statement of financial

performance. The reversal of an impairment loss on a revalued asset is credited to the revaluation reserve. However, to the extent that an impairment loss for that class of asset was previously recognised in statement of financial performance, a reversal of the impairment loss is also recognised in the statement of financial performance. For assets not carried at a revalued amount (other than goodwill), the reversal of an impairment loss is recognised in the statement of financial performance.

Leases

Leases under which Environment Canterbury assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired by way of finance lease are stated initially at an amount equal to the present value of the future minimum lease payments, and are depreciated over the period Environment Canterbury is expected to benefit from their use. Operating lease payments are representative of the pattern of benefits derived from the leased assets and accordingly, are charged to the statement of financial performance in the periods of expected benefit.

Intangible assets

Intangible assets are the costs associated with the Living Canterbury Museum exhibition and purchased software. The Living Canterbury Museum was programmed to run for a period of six years. The cost of the asset is being amortised over its programmed life of six years. Acquired software licenses are capitalised on the basis of the costs incurred to bring in to use the specific software. The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Environment Canterbury's intangible assets			
Asset category	Estimated useful life (years)	Residual value (%)	% of cost depreciated annually
Computer Software	3-8 years	33	12.5-33
Living Canterbury Museum	6 years	0	16.67

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown with borrowings in current liabilities in the statement of financial position.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Statement of cashflows

The statement of cashflows has been prepared using the direct approach subject to the netting of cashflows in respect of investments and borrowings that have been rolled over under arranged facilities to provide more meaningful information. The following are the definitions used in the Statement of Cashflows:

- Cash means cash on hand and current accounts in banks net of overdrafts.
- Operating activities include all transactions and other events that are not investing or financing activities.
- Investing activities are those activities relating to the acquisition, holding and disposal of property, plant and equipment and of investments.
- Financing activities are those activities which result in changes in the size and composition of the capital structure of Environment Canterbury including both equity and debt not falling within the definition of cash.

Employee entitlements

Annual, sick, long service, retirement leave and time in lieu entitlements estimated to be payable to employees are accounted for on the basis of statutory and contractual requirements as employees become entitled to them. Liability for sick leave is measured as the amount of unused entitlement accumulated at balance date that the council anticipates employees will use in future periods in excess of the days which they are entitled to.

Financial instruments

Environment Canterbury is a party to financial instrument arrangements as part of everyday operations. These financial instruments include bank accounts, investments, loans, accounts receivable and accounts payable. All of these are recognised in the statement of financial position. Revenues and expenses in relation to financial instruments are recognised as set out in the relevant policy.

Cost of service statements

The cost of service statements provide the net cost of service delivery of significant activities of Environment Canterbury. The statements represent all revenue and costs that can be allocated either directly or indirectly to these activities. Direct costs are those costs directly attributable to a significant activity. Indirect costs are those costs, which cannot be identified in an economically feasible manner, with a specific significant activity. Direct costs are charged directly to significant activities and indirect costs are allocated to significant activities based on direct labour dollars charged to each activity.

Provisions

Environment Canterbury recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditures will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Equity

Equity is the community's interest in Environment Canterbury and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into a number of reserves. The components of equity are retained earnings, restricted reserves and asset revaluation reserves.

Restricted reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by Environment Canterbury. Restricted reserves are those subject to specific conditions accepted as binding by Environment Canterbury and which may not be revised by Environment Canterbury without reference to the Court or a third party. Transfers from these reserves may be made only for certain specified purposes or when certain specified conditions are met. Also included in restricted reserves are reserves restricted by council decision. The council may alter them without reference to any third party or the Courts. Transfers to and from these reserves are at the discretion of the council. Environment Canterbury's objectives, policies and processes for managing capital are described in note 15.

Changes in Accounting policies

There have been no changes to accounting policies. These policies have been applied on a basis consistent with those used in the previous period.

>> Financial Statements for the year ended 30 June 2008

Statement of Financial Performance

\$000

Revenue	Note	Parent			Consolidated
		Actual 2008	Budget 2008	Actual 2007	Actual 2007
General Rates	2	34,540	34,144	32,406	32,406
Targeted Rates	2	31,203	30,805	27,900	27,900
Grants	2	25,356	24,209	23,544	23,544
User Pays		11,199	11,271	9,010	9,010
Interest		1,094	1,449	1,190	1,190
Other Revenue		1,458	-	928	9,644
Gains	2	12	-	35	2,515
Total Operating Revenue	1	104,862	101,878	95,013	106,209

Expenditure

Employee Benefit Expenses		28,023	27,102	23,831	32,104
Other Expenditure		72,444	73,990	67,831	69,729
Depreciation and Amortisation	3	2,969	2,261	2,721	2,849
Interest		108	589	51	287
Total Operating expenditure	1,3	103,544	103,942	94,434	104,969

Surplus/(deficit) before taxation		1,318	(2,064)	579	1,240
Tax (expense)/benefit net of loss offset	4	(19)	-	106	106
Surplus/(deficit) after taxation		1,299	(2,064)	685	1,346

<i>Attributable to:</i>					
Environment Canterbury		1,299	(2,064)	685	1,569
Minority Interest		-	-	-	(223)

Statement of Changes in Equity

	Note	Parent			Consolidated
		Actual 2008	Budget 2008	Actual 2007	Actual 2007
Equity at the beginning of the year	15	421,554	418,922	420,850	419,966
Minority interest on dilution of subsidiary		-	-	-	223
Revaluation of Assets	15	161,218	-	19	19
Net surplus/(deficit) for the year - Environment Canterbury		1,299	(2,064)	685	1,569
Net surplus/(deficit) for the year - Minority Interest		-	-	-	(223)
Total recognised revenues and expenses		162,517	(2,064)	704	1,588
Equity at the end of the year		584,071	416,858	421,554	421,554

These statements should be read in conjunction with the Statement of Accounting Policies and notes to the financial statements on pages 91-104.

Statement of Financial Position

\$'000

Current Assets	Note	Actual 2008	Parent		Consolidated
			Budget 2008	Actual 2007	Actual 2007
Cash and Cash Equivalents		6,614	6,091	6,140	6,140
Investments	5	5,261	8,602	8,571	8,571
Receivables and Accruals	6	14,575	12,808	11,143	11,143
Income Tax receivable		38	-	38	38
Clean Heat Loan Receivable	7	228	-	246	246
Inventories	8	612	388	526	526
Total Current Assets		27,328	27,889	26,664	26,664
Non Current Assets					
Investments	5	482	428	422	422
Clean Heat Loan Receivable	7	2,770	7,991	1,573	1,573
Deferred Tax	4	87	-	106	106
Property Plant and Equipment	9	568,592	406,372	406,108	406,108
Intangible Assets	10	1,249	1,251	1,315	1,315
Total Non Current Assets		573,180	416,042	409,524	409,524
Total Assets		600,508	443,931	436,188	436,188
Current Liabilities					
Current loans and borrowings	14	690	1,297	444	444
Accounts Payable and Accruals	11	12,940	13,259	11,406	11,406
Employee Entitlements	12	2,408	2,077	2,189	2,189
Total Current Liabilities		16,038	16,633	14,039	14,039
Non Current Liabilities	14	399	10,440	595	595
Total Liabilities		16,437	27,073	14,634	14,634
Net Assets		584,071	416,858	421,554	421,554
Equity	15	584,071	416,858	421,554	421,554

These statements should be read in conjunction with the Statement of Accounting Policies and Notes to the financial statements on pages 91-104.

Statement of Cashflows
\$'000

Cashflows from operating activities		Note	Actual 2008	Parent Budget 2008	Actual 2007	Consolidated Actual 2007
<i>Cash was provided from:</i>	Rates		65,169	64,692	60,329	60,329
	Grants		24,446	24,209	24,785	24,785
	Interest received		1,163	1,356	1,131	1,131
	Recoveries/miscellaneous income		10,690	11,005	8,333	17,330
	Goods and services tax (net)		118	-	207	207
			101,586	101,262	94,785	103,782
<i>Cash was applied to:</i>	Payment of interest on loans		108	589	51	244
	Payments to suppliers and employees		98,513	98,073	88,507	99,608
	Income tax paid		-	-	38	38
			98,621	98,662	88,596	99,890
		16	2,965	2,600	6,189	3,892
Net cashflows from operating activities						

Cashflows from investing activities

<i>Cash was provided from:</i>	Sales of investments		3,310	3,000	3,031	3,031
	Sale of fixed assets		383	200	716	818
	Clean Heat loans repaid		440	622	23	23
			4,133	3,822	3,770	3,872
<i>Cash was applied to:</i>	Purchases of fixed and intangible assets		4,601	3,361	5,856	6,000
	Clean Heat loans advanced		2,073	5,921	2,141	2,141
	Disposal of subsidiary		-	-	-	348
			6,674	9,282	7,997	8,489
			(2,541)	(5,460)	(4,227)	(4,617)
Net cashflows from investing activities						

Cashflows from financing activities

<i>Cash was provided from:</i>	Loans raised		675	5,921	541	1,811
	Issue of shares to minority shareholders		-	-	-	1,000
			675	5,921	541	2,811
<i>Cash was applied to:</i>	Repayment of principal on loans (Finance Leases)		625	1,120	467	479
			625	1,120	467	479
			50	4,801	74	2,332
<i>Movement in Cash:</i>	Net Increase/(Decrease) in cash held		474	1,941	2,036	1,607
	Add cash bought forward		6,140	4,150	4,104	4,533
	Cash carried forward		6,614	6,091	6,140	6,140
<i>Made up of:</i>	Cash and Bank		6,614	6,091	6,140	6,140

The GST (net) component of operating activities reflects the net GST paid and received with the Inland Revenue Department. The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.

During the period, Environment Canterbury acquired equipment totalling \$674,732 (2007 \$486,547) by means of finance leases.

» Notes to the financial statements *for the year ended 30 June 2008*

Note 1: Cost of services summary

Summary of revenue and expenditure for significant groups of activities

\$'000

Revenue	Actual 2008	Parent Budget 2008	Actual 2007	Expenditure	Actual 2008	Parent Budget 2008	Actual 2007
Air	9,392	8,667	8,893	Air	10,548	10,642	10,612
Coastal Environment	1,775	1,792	1,525	Coastal Environment	1,704	1,833	1,424
Democratic Process	7,785	7,267	7,346	Democratic Process	7,950	7,664	6,488
Emergency Management	1,468	1,363	1,576	Emergency Management	1,504	1,363	1,533
Energy	247	350	243	Energy	241	350	200
Hazards	11,070	11,084	10,433	Hazards	10,390	10,608	8,851
Land	6,966	7,690	5,872	Land	7,535	7,840	5,526
Navigation Safety	724	736	667	Navigation Safety	648	737	536
Pests and Biosecurity	9,895	10,111	9,186	Pests and Biosecurity	9,320	10,278	8,646
Public Passenger Transport	35,517	34,333	30,839	Public Passenger Transport	35,823	34,783	32,954
Regional Land Transport	1,217	1,264	1,276	Regional Land Transport	1,097	1,350	1,326
Waste, hazardous substances and contaminated sites	1,704	1,760	1,708	Waste, hazardous substances and contaminated sites	1,458	1,779	1,461
Water	16,371	15,461	14,038	Water	16,045	15,842	12,845
Total income for significant activities	104,131	101,878	93,602	Total Expenditure for significant activities	104,263	105,069	92,402
Other revenue	731	-	1,411	Less Business Unit Expenditure	(1,487)	(1,127)	(1,186)
Total revenue	104,862	101,878	95,013	Other Expenditure	768	-	3,218
				Total Expenditure	103,544	103,942	94,434
				Surplus/(Deficit) Before Taxation	1,318	(2,064)	579
				Tax Benefit/(Expense) Net of Tax Loss Offset	(19)	-	106
				Surplus/(Deficit) After Taxation	1,299	(2,064)	685

Note 2: Revenue

\$000			
Revenue from rates	Parent Actual 2008	Parent Actual 2007	Consolidated Actual 2007
General Rates	34,540	32,406	32,406
Targeted rates:			
Works Rating Districts	4,193	4,147	4,147
Catchment Works and Services Rates	965	913	913
Clean Heat	5,129	4,980	4,980
Civil Defence	1,235	1,194	1,194
Pest Rating Districts	1,752	2,029	2,029
Passenger Transport	16,895	13,543	13,543
Regional Park	899	951	951
Water Study	135	143	143
Total Targeted Rates	31,203	27,900	27,900
Total Rates	65,743	60,306	60,306

Rates on properties owned by Environment Canterbury totalling \$43,746 (2007 \$35,373) have not been eliminated from revenue and expenditure.

Rates Remissions: Revenue from rates is shown net of rates remissions. The council remits rates in accordance with its rates remission policies. The total rates remitted during the year to 30 June 2008, totalled \$395,775 (2007 \$465,054).

Non-Rateable Land: Under the Local Government (Rating) Act 2002 certain properties are non-rateable. This includes schools, churches and public gardens. This land is non-rateable in respect of general rates but, where applicable, is rateable in respect of targeted rates. Non-rateable land does not constitute a remission under the council's rates remission policies.

\$000			
Other Gains	Parent Actual 2008	Parent Actual 2007	Consolidated Actual 2007
Gain on disposal of subsidiary and dilution of shares	-	-	2,480
Gain on investments	4	30	30
Gain on disposal of property, plant and equipment	8	5	5
Total Gains	12	35	2,515

\$000			
Government Grants	Parent Actual 2008	Parent Actual 2007	Consolidated Actual 2007
Land Transport New Zealand	18,546	17,098	17,098
Animal Health Board	5,397	4,793	4,793
Other	277	518	518
Total*	24,220	22,409	22,409

Grant income includes \$18.5 million from Land Transport New Zealand for bus contract payments, \$5.4 million from Animal Health Board for bovine Tb control programmes, and \$0.3 million for other central government-funded initiatives.

**Other grant income is received from non-governmental agencies.*

Note 3: Expenditure

\$000			
Auditor's remuneration	Parent		Consolidated
	Actual 2008	Actual 2007	Actual 2007
Audit fees – Audit New Zealand	84	98	98
Audit fees – LTCCP	14	-	-
Other services – Audit New Zealand	-	20	20

Cost of credit

Bad debts written off	11	502	508
Discount on Clean Heat Loans	715	777	777
Interest expense	108	51	286
Movement in doubtful debts provision	(2)	38	38

Governance fees

Councillors' fees	759	781	781
Directors' fees	-	-	58

\$000			
General costs	Parent		Consolidated
	Actual 2008	Actual 2007	Actual 2007
Donations	-	-	-
Loss on sale of assets	155	181	233
Inventories	547	454	506
Employee benefits	27,574	23,762	32,104
Rental expense on operating leases	188	133	247
Subvention payment	-	-	-
Severance payments*	449	69	69

* The value of each of the four severance payments was \$21,663, \$32,159, \$183,151 and \$212,008 (2007 three payments of \$6,476, \$20,842 and \$42,188).

Depreciation and amortisation expense

Depreciation - Buildings	518	531	531
Depreciation - Motor vehicles	366	349	349
Depreciation - Computer Equipment	99	78	78
Depreciation - Furniture and Fittings	87	87	87
Depreciation - Leased Assets	625	437	437
Depreciation - Plant and Equipment	457	431	559
Depreciation - River Control and Land Drainage	280	273	273
Depreciation - Restricted Assets	30	22	22
Amortisation - Intangibles	507	513	513
Total Amortisation and Depreciation	2,969	2,721	2,849

Remuneration of Members and Chief Executive Officer

		\$000	
		2008	2007
Hon Sir Kerry Burke	Chairperson	123,033	123,791
Richard Budd*	Councillor	16,094	51,805
Anne Carroll*	Councillor	13,277	42,374
Elizabeth Cunningham*	Councillor	13,863	41,474
Jane Demeter	Councillor	33,181	-
Carole Evans	Councillor	33,181	-
Patrick Harrow	Councillor	33,181	-
Robert Johnston*	Councillor	16,094	65,300
Johanne Kane	Councillor	36,343	-
Bob Kirk	Councillor	50,798	52,773
Ross Little	Councillor	48,000	47,272
Angus McKay	Councillor	51,897	51,053
Bronwen Murray	Councillor	33,181	-
Alec Neill	Councillor	52,073	54,198
Mark Oldfield	Councillor	48,000	53,673
Eugenie Sage	Councillor	33,181	-
Dr June Slee*	Councillor	13,277	41,474
David Sutherland	Councillor	33,181	-
Richard Tindall	Councillor	33,181	-
Nicky Wagner*	Councillor	13,863	46,473
Judy Waters*	Councillor	16,094	52,120
Bill Woods*	Councillor	13,863	57,399
Dr Bryan Jenkins	Chief Executive Officer	316,123	304,923

*Councillors retired or ceased holding office in 2008.

Note 4: Taxation

		Parent		Consolidated
		Actual 2008	Actual 2007	Actual 2007
Surplus/(deficit) for the year before tax		1,318	579	1,240
Prima facie tax (expense)/benefit at 33%		(435)	(191)	(409)
Plus/(less) tax effect of permanent differences		416	297	515
Tax (expense)/benefit		(19)	106	106
Less loss offset		-	-	-
Tax (expense)/benefit net of loss offset		(19)	106	106

Comprising:

Current tax	(19)	-	-
Deferred tax	-	106	106
Total	(19)	106	106

Deferred tax asset

		Parent		Consolidated
Opening balance		106	-	-
Movement charged to income/(expenditure)		(19)	106	106
Closing balance		87	106	106

Deferred tax has been recognised in relation to tax losses

Imputation credit account (Target Pest)

		Consolidated
		Actual 2007
Opening balance		135
Imputation credits written off		(135)
Dividends paid - imputation credits		-
Closing balance		-

Note 5: Investments

			\$000
Current Investments	Parent		Consolidated Actual 2007
	Actual 2008	Actual 2007	
Short-term deposits	-	-	-
Fixed interest deposits (Forsyth Barr Portfolio)	5,261	8,571	8,571
Total current investments	5,261	8,571	8,571
Non-Current Investments	Parent		Consolidated Actual 2007
	Actual 2008	Actual 2007	
<i>Available for Sale:</i>			
Shares NZ Local Government Insurance Corporation	211	195	195
Marlborough Forestry Corp	271	227	227
Total non-current investments	482	422	422
Total Investments	5,743	8,993	8,993

Available for sale assets are recorded at fair value. With no market to determine the market value, net asset backing has been used to approximate the fair value of these assets.

There were no impairment provisions for other financial assets.

Interest Rates

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

	Parent		Consolidated
	Actual 2008	Actual 2007	Actual 2007
Short-term deposits	6.73%	7.60%	7.60%
Fixed interest deposits	8.08%	7.76%	7.76%

Subsidiaries

Target Pest Enterprises was a council controlled organisation under Section 6 of the Local Government Act 2002. On 22 May 2007, Target Pest Enterprises & Target Pest Contracting were placed in receivership and on 6 August 2007 both companies were placed in liquidation. As council no longer controlled Target Pest Enterprises, council ceased consolidating as at the date of receivership.

Note 6: Receivables and accruals

			\$000
	Parent		Consolidated Actual 2007
	Actual 2008	Actual 2007	
Trade receivables	5,321	4,020	4,020
Rates receivable	2,913	2,339	2,339
Accrued income	5,862	3,950	3,950
Prepayments	309	327	327
GST receivable	809	927	927
	15,214	11,563	11,563
Less provision for impairment	(639)	(420)	(420)
Total Accounts Receivable	14,575	11,143	11,143

Debtors and other receivables are non-interest bearing and receipt is normally due by the 20th of the following month, therefore, the carrying value of debtors and other receivables approximates their fair value.

Environment Canterbury does not provide for any impairment on rates receivable as it has various powers under the Local Government (Rating) Act 2002 to recover any outstanding debts. These powers allow Environment Canterbury to commence legal proceedings to recover rates that remain unpaid four months after the due date for payment. If payment has not been made within three months of the court's judgement, then Environment Canterbury can apply to the Registrar of the High Court to have the judgement enforced by sale or lease of the rating unit. Ratepayers can apply for payment plan options in special circumstances. Where such payment plans are in place, debts are discounted to the present value of future payments.

The carrying amount of receivables that would otherwise be past due or impaired, whose terms have been renegotiated is \$7,754.

The status of receivables as at 30 June 2008 and 2007 are detailed in the table on the following page:

\$000						
	Actual 2008			Actual 2007		
	Gross	Impairment	Net	Gross	Impairment	Net
Parent						
Not past due	10,762	(450)	10,312	8,196	(230)	7,966
Past due 1-60 days	3,158	-	3,158	2,124	-	2,124
Past due > 60 days	1,294	(189)	1,105	1,243	(190)	1,053
Total Accounts Receivable	15,214	(639)	14,575	11,563	(420)	11,143

The impairment provision has been calculated by reviewing all debtors individually at year end and calculation is based on the total of the expected losses from each debtor. Impaired receivables have been determined to be impaired because of difficulties being experienced in obtaining payment from the debtor.

Movements in the provision for impairment of receivables are as follows:

\$000		
	Actual 2008	Actual 2007
Opening Balance	420	313
Additional provision	304	227
Provisions reversed	(85)	(74)
Receivables written off during year	-	(46)
Closing Balance	639	420

Environment Canterbury holds no collateral as security or other credit enhancements that are either past due or impaired.

Note 7: Clean Heat Loans

\$000			
	Parent		Consolidated
	Actual 2008	Actual 2007	Actual 2007
Fair Value Current Portion	228	246	246
Fair Value Non Current Portion	2,770	1,573	1,573
Total Clean Heat Loans Receivable	2,998	1,819	1,819

Repayment terms Clean Heat Loans	Amount Receivable 2008	Amount Receivable 2007
Current	228	246
One to Two Years	245	228
Two to Five Years	859	590
Five to Ten Years	1,666	755
	2,998	1,819

Community loans for the Clean Heat Project are provided at nil interest; the recognition criteria for these loans is to recognise their fair value. Fair value has been determined using future cashflows discounted at a rate based on the current market return for a similar asset. The face value of loans outstanding is \$4,242,407 (2007 \$2,609,181). The discount rate for loans taken out in 2008 was 7.73% (2007 7.73%).

Note 8: Inventories

Environment Canterbury only holds inventory for distribution and the carrying amount of inventories for distribution is measured at weighted average cost.

\$000			
	Parent		Consolidated
	Actual 2008	Actual 2007	Actual 2007
Inventories	612	526	526

Note 9: Property, Plant and Equipment

2008 Parent											\$'000
Operational Assets	Opening Cost/ Revaluation	Accumulated Depreciation	Carrying value at start of year	Additions	Disposals (net)	Depreciation	Revaluations	Closing Cost/ Revaluation	Accumulated Depreciation	Carrying value at end of year	
Land	9,037	-	9,037	-	-	-	5,520	14,557	-	14,557	
Buildings	16,180	(1,097)	15,083	102	-	(518)	(488)	14,179	-	14,179	
Motor vehicles	5,136	(2,008)	3,128	823	(302)	(366)	-	5,240	(1,957)	3,283	
Furniture and fittings	1,444	(902)	542	49	-	(87)	-	1,493	(989)	504	
Computer equipment	2,240	(1,054)	1,186	970	-	(806)	-	3,210	(1,860)	1,350	
Plant and equipment	7,447	(4,891)	2,556	616	(65)	(457)	-	7,767	(5,117)	2,650	
Capital WIP - Operational	978	-	978	765	(978)	-	-	765	-	765	
Total Operational Assets	42,462	(9,952)	32,510	3,325	(1,345)	(2,234)	5,032	47,211	(9,923)	37,288	
Infrastructural Assets											
River control works and land drainage schemes	287,386	(514)	286,872	1,105	-	(259)	73,774	361,492	-	361,492	
Forests	4,060	-	4,060	28	(203)	-	228	4,113	-	4,113	
Wells	579	(72)	507	269	-	(21)	-	848	(93)	755	
Capital WIP - Infrastructural	825	-	825	1,100	(825)	-	-	1,100	-	1,100	
Total Infrastructural Asset	292,850	(586)	292,264	2,502	(1,028)	(280)	74,002	367,553	(93)	367,460	
Restricted Assets											
Land reserves	81,375	(41)	81,334	416	-	(30)	82,124	163,844	-	163,844	
Total Restricted Assets	81,375	(41)	81,334	416	-	(30)	82,124	163,844	-	163,844	
Total Property, Plant and Equipment	416,687	(10,579)	406,108	6,243	(2,373)	(2,544)	161,158	578,608	(10,016)	568,592	

Land and Buildings have been valued at fair value. Valuations were carried out by registered valuers Good Earth Matters Ltd as at 30 June 2008.

Infrastructural Assets: River control works and land drainage schemes are valued at replacement cost as at 30 June 2008, based on methodology developed by the council's engineers. Floodgates and culverts are valued at depreciated replacement cost. The methodology was independently reviewed by Maunsel Ltd, who determined the methodology to be appropriate.

Restricted Assets: These have been valued at fair value. Valuations were carried out by registered valuers Good Earth Matters Ltd as at 30 June 2008.

Disposals are reported net of accumulated depreciation.

The net carrying amount of Computer Equipment held under finance leases is \$1,088,708 (2007 \$1,030,604).

Fixed assets were reviewed for impairment and as a result of this there was no change to the value as impairment was assessed to be negligible.

Refer to Note 15 for revaluation reserves and explanation of revaluation movements.

2007 Parent and Consolidated

\$'000

Operational Assets	Opening Cost/ Revaluation	Accumulated Depreciation	Carrying value at start of year	Additions	Disposals (net)	Depreciation	Revaluation	Closing Cost/ Revaluation	Accumulated Depreciation	Carrying value at end of year
Land	9,037	-	9,037	-	-	-	-	9,037	-	9,037
Buildings	16,209	(590)	15,619	195	(200)	(531)	-	16,180	(1,097)	15,083
Motor vehicles	5,070	(1,972)	3,098	621	(542)	(349)	-	5,136	(2,008)	3,128
Furniture and fittings	1,779	(1,308)	471	163	(5)	(87)	-	1,444	(902)	542
Computer equipment	2,420	(1,228)	1,192	517	(8)	(515)	-	2,240	(1,054)	1,186
Plant and equipment	7,760	(5,248)	2,512	612	(137)	(431)	-	7,447	(4,891)	2,556
Capital WIP - Operational	535	-	535	978	(535)	-	-	978	-	978
Total Operational Assets	42,810	(10,346)	32,464	3,086	(1,127)	(1,913)	-	42,462	(9,952)	32,510

Infrastructural Assets

River control works and land drainage schemes	286,076	(259)	285,817	1,310	-	(255)	-	287,386	(514)	286,872
Forests	4,158	-	4,158	47	(145)	-	-	4,060	-	4,060
Wells	564	(61)	503	73	(51)	(18)	-	579	(72)	507
Capital WIP - Infrastructural	-	-	-	825	-	-	-	825	-	825
Total Infrastructural Asset	290,798	(320)	290,478	2,255	(196)	(273)	-	292,850	(586)	292,264

Restricted Assets

Land reserves	80,808	(19)	80,789	567	-	(22)	-	81,375	(41)	81,334
Total Restricted Assets	80,808	(19)	80,789	567	-	(22)	-	81,375	(41)	81,334

Total Property, Plant and Equipment	414,416	(10,685)	403,731	5,908	(1,323)	(2,208)	-	416,687	(10,579)	406,108
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Target Pest Enterprises Plant and Equipment	1,176	(390)	786	44	(702)	(128)	-	518	(518)	-
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Total Plant Property and Equipment Consolidated	415,592	(11,075)	404,517	5,952	(2,025)	(2,336)	-	417,205	(11,097)	406,108
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Note 10: Intangible assets

\$000			
Living Canterbury Museum	Parent Actual 2008	Parent Actual 2007	Consolidated Actual 2007
Cost			
Balance at beginning of year	546	546	546
Balance at year end	546	546	546
Accumulated amortisation and impairment losses			
Balance at beginning of year	504	414	414
Amortisation expense	42	90	90
Balance at year end	546	504	504
Carrying amounts			
As at beginning of year	42	132	132
Balance at year end	-	42	42
Software			
Cost			
Balance at beginning of year	2,804	2,169	2,169
Additions	441	717	717
Disposals	-	(82)	(82)
Balance at year end	3,245	2,804	2,804
Accumulated amortisation and impairment losses			
Balance at beginning of year	1,531	1,189	1,189
Amortisation expense	465	423	423
Disposals	-	(81)	(81)
Balance at year end	1,996	1,531	1,531
Carrying amounts			
As at beginning of year	1,273	980	980
Balance at year end	1,249	1,273	1,273
Total Intangibles at year end	1,249	1,315	1,315

Note 11: Payables and accruals

\$000			
	Parent Actual 2008	Parent Actual 2007	Consolidated Actual 2007
Trade Payables	6,249	6,815	6,815
Employee entitlements - Accrued Pay	1,581	976	976
Other Payables and Accruals	5,110	3,615	3,615
Total Accounts Payable	12,940	11,406	11,406

Trade and other payables are non-interest bearing and are normally settled on 30-day terms; therefore, the carrying value of trade and other payables approximates their fair value.

Note 12: Employee entitlements

\$000			
Provision for Employee Leave	Parent Actual 2008	Parent Actual 2007	Consolidated Actual 2007
Opening Balance	2,189	1,984	2,423
Additional provision	4,377	3,712	3,712
Amount utilised	(4,158)	(3,507)	(3,946)
Closing Balance	2,408	2,189	2,189

Employee Leave

Annual Leave	2,346	2,125	2,125
Sick Leave	62	64	64
Total Employee Benefit Liabilities	2,408	2,189	2,189

Comprising:

Current	2,408	2,189	2,189
Non Current	-	-	-
Total Employee Benefits	2,408	2,189	2,189

Note 13: Provisions

\$000			
Provision for rework	Parent Actual 2008	Parent Actual 2007	Consolidated Actual 2007
Opening Balance	-	-	333
Rework	-	-	-
Amount utilised	-	-	(333)
Closing Balance	-	-	-

Note 14: Debt

				\$000
(a) Current	Interest Cost and Other Expenses	Parent Actual 2008	Parent Actual 2007	Consolidated Actual 2007
Lease Liabilities	65	690	444	444
Borrowing Facility	-	-	-	-
(b) Non Current				
Lease Liabilities	20	399	595	595
Total Current and Non Current Debt		1,089	1,039	1,039
(c) Repayment terms				
2007/2008	-	-	444	444
2008/2009	65	690	472	472
2009/2010	18	361	123	123
2010/2011	2	32	-	-
2011/2012	-	6	-	-
Total minimum lease payments are payable				
Not later than 1 year		755	506	506
Later than 1 year and not more than five years		419	626	626
Later than five years		-	-	-
Total Minimum Lease Payments		1,174	1,132	1,132
Future Finance Charge		85	93	93
Present value of Minimum Lease Payments		1,089	1,039	1,039

Present Value of minimum lease payments are payable

Not later than 1 year	721	484	484
Later than 1 year and not more than five years	368	555	555
Later than five years	-	-	-
Total Minimum Lease Payments	1,089	1,039	1,039

Environment Canterbury has entered into finance leases for various items of property, plant and equipment. The net carrying amount of leased items within each class of property, plant and equipment is shown under Property, Plant and Equipment in Note 9. There are no restrictions placed on Environment Canterbury by any of the finance leasing arrangements. The rate of interest applied to lease liabilities is 7% when a contract was entered into prior to the 2007/08 year and 8.75% for contracts entered into during the 2007/08 year.

The council has negotiated two draw-down facilities with the Bank of New Zealand. A \$6 million facility is in place in case of a major disaster and a \$12 million facility exists to finance loans offered as part of the Clean Heat Programme. No drawings against either facility have occurred.

Note 15: Equity

The council's capital is its equity (or ratepayers' funds), which comprise retained earnings and reserves. Equity is represented by net assets. The Local Government Act 2002 [the Act] requires the council to manage its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently and in a manner that promotes the current and future interests of the community. Ratepayers' funds are largely managed as a by-product of managing revenues, expenses, assets, liabilities, investments, and general financial dealings. The objective of managing these items is to achieve intergenerational equity, which is a principle promoted in the Act and applied by the council. Intergenerational equity requires today's ratepayers to meet the costs of utilising the council's assets and not expecting them to meet the full cost of long term assets that will benefit ratepayers in future generations. Additionally, the council has in place asset management plans for major classes of assets detailing renewal and maintenance programmes, to ensure ratepayers in future generations are not required to meet the costs of deferred renewals and maintenance. The Act requires the council to make adequate and effective provision in its Long Term Council Community Plan (LTCCP) and in its Annual Plan (where applicable) to meet the expenditure needs identified in those plans. The Act sets out the factors that the council is required to consider when determining the most appropriate sources of funding for each of its activities. The sources and levels of funding are set out in the funding and financial policies in the council's LTCCP.

Reserves for different areas of benefit are used where there is a discrete set of rate or levy payers as distinct from the general rate. Any surplus or deficit relating to these separate areas of benefit is applied to the specific reserves. Self-insurance reserves are built up annually from general rates and are made available for specific unforeseen events. The release of these funds generally can only be approved by council.

The following are definitions of various reserves within Environment Canterbury's equity:

General Reserve: The income appropriation account for general funds.

Asset Replacement Reserves: Used to fund capital purchase programmes for operational assets, excluding infrastructural assets, assets funded from depreciation and interest on capital.

Asset Revaluation Reserve: Reserves generated by movements in the valuations of fixed and infrastructural assets.

Building Redvelopment Reserve: Used to fund the development of the council's Christchurch offices funded by an annual rental charge.

Capital Reserve: The capital reserves representing the council's investment in fixed and infrastructural assets.

Kainga Land Purchase Reserve: Proceeds from sale of land at Kainga, legislation restricts what it can be used for.

Biodiversity Reserve: Reserves for Environment Canterbury's contribution to the Varroa Bee Mite National Pest Management strategy.

Catchment District Reserves: Reserves that are restricted to catchment works within catchment districts.

Civil Defence Reserve: Reserves that are restricted to the provision of civil defence emergency management services within the Canterbury region.

Clean Heat Incentive Reserve: Reserves that are restricted to Clean Heat programmes in the Christchurch area.

Passenger Transport Reserve: Reserves generated largely from the competitive tendering process within public passenger transport, only used in relation to public passenger transport services in the areas concerned.

Pest District Reserves: Reserves that are restricted to pest management within pest districts.

Water Study Reserve: Reserves that are restricted to the provision of strategic water study services to the Canterbury region.

Regional Park Reserve: Reserves that are restricted to the provision of regional park activities within the Canterbury region.

Targeted Rate Reserves **\$000**

	Actual 2008	Parent Actual 2007	Consolidated Actual 2007
Biodiversity Reserve			
Opening Balance	-	(7)	(7)
Transfer (to)/from General Funds	245	7	7
Closing Balance	245	-	-

Catchment Rating District Reserve

Opening Balance	6,794	7,295	7,295
Transfer (to)/from General Funds	(393)	(501)	(501)
Closing Balance	6,401	6,794	6,794

Civil Defence Reserve

Opening Balance	145	105	105
Transfer (to)/from General Funds	(40)	40	40
Closing Balance	105	145	145

Clean Heat Reserve

Opening Balance	(160)	2,229	2,229
Transfer (to)/from General Funds	(1,348)	(2,389)	(2,389)
Closing Balance	(1,508)	(160)	(160)

Passenger Transport Reserve

Opening Balance	4,726	6,895	6,895
Transfer (to)/from General Funds	(391)	(2,169)	(2,169)
Closing Balance	4,335	4,726	4,726

Pest Rating Districts Reserve

Opening Balance	1,189	850	850
Transfer (to)/from General Funds	155	339	339
Closing Balance	1,344	1,189	1,189

Water Study Reserve

Opening Balance	85	83	83
Transfer (to)/from General Funds	(133)	2	2
Closing Balance	(48)	85	85

Regional Park Reserve

Opening Balance	152	-	-
Transfer (to)/from General Funds	289	152	152
Closing Balance	441	152	152

Capital and Asset Reserves **\$000**

	Actual 2008	Parent Actual 2007	Consolidated Actual 2007
Asset Replacement Reserve			
Opening Balance	3,544	2,662	2,662
Transfer (to)/from General Funds	165	882	882
Closing Balance	3,709	3,544	3,544

Asset Revaluation Reserve

Opening Balance	326,877	326,905	326,905
Transfer to General Funds on disposal	(69)	(47)	(47)
Revaluation of Assets	161,218	19	19
Closing Balance	488,026	326,877	326,877

Building Redevelopment Reserve

Opening Balance	(4,777)	(5,277)	(5,277)
Transfer (to)/from General Funds	500	500	500
Closing Balance	(4,277)	(4,777)	(4,777)

Capital Reserve

Opening Balance	78,297	76,472	76,472
Transfer (to)/from General Funds	1,707	1,825	1,825
Closing Balance	80,004	78,297	78,297

Other Reserves **\$000**

	Actual 2008	Parent Actual 2007	Consolidated Actual 2007
Kainga Land Purchase Reserve			
Opening Balance	446	764	764
Transfer (to)/from General Funds	(408)	(318)	(318)
Closing Balance	38	446	446

General Accumulated Funds

Opening Balance	4,236	1,874	990
Operating Surplus for the Year	1,299	685	1,569
Other Reserve Fund Transfers	(279)	1,677	1,677
Closing Balance	5,256	4,236	4,236

Total Equity	584,071	421,554	421,554
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Note 16: Cashflow reconciliation with net surplus

\$000			
	Parent		Consolidated
	Actual 2008	Actual 2007	Actual 2007
Net Surplus per Statement of Financial Performance	1,299	685	1,346
Add/(Deduct) Non Cash Items			
Depreciation and Amortisation	2,970	2,721	2,849
(Increase)/Decrease in Investment	453	2,330	746
(Increase)/Decrease in Deferred Tax	19	(106)	(106)
Provision for bad and doubtful debts	(2)	38	38
Non cash movement in provisions	220	69	69
Bad debts written off	11	420	423
	3,671	5,472	4,019

Add/(Deduct) Movements in Working Capital

(Increase)/Decrease in receivables and accruals	(3,679)	(463)	(323)
(Increase)/Decrease in prepayments	18	(146)	(146)
(Increase)/Decrease in inventories	(86)	(138)	(226)
Increase/(Decrease) in accrued leave	219	205	(72)
Increase/(Decrease) in payables and accruals	902	566	966
Increase/(Decrease) in income in advance	632	(10)	(10)
	(1,994)	14	189

Investing Activity

Net (gain)/Loss on disposal of fixed assets	147	227	227
Net (gain)/Loss on disposal of subsidiary and dilution of shares	-	-	(1,680)
(Increase)/Decrease in fixed asset related payables	(158)	(209)	(209)
	(11)	18	(1,662)

Net Cashflows from operating activities	2,965	6,189	3,892
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Note 17: Commitments

\$000			
	Parent		Consolidated
Operating Lease Commitments	Actual 2008	Actual 2007	Actual 2007
Payable no later than one year	404	322	322
Later than one year no later than two	338	200	200
Later than two years no later than five	396	239	239
Later than five years	93	120	120
Total Operating Lease Commitments	1,231	881	881
Capital Commitments	219	24	24

The council has committed to expenditure under the Clean Heat Project of \$2,182,413 (2007 \$1,528,183).

Note 18: Operating Lease Rental Income Commitments

\$000			
	Parent		Consolidated
Operating Lease Rental Income	Actual 2008	Actual 2007	Actual 2007
Receivable no later than one year	1,545	2,009	2,009
Later than one year no later than five	4,556	3,729	3,729
Later than five years	5,964	3,044	3,044
Total Operating Lease Rental Income	12,065	8,782	8,782

Note 19: Contingent Liabilities and Assets

The liquidators of Target Pest Enterprises Limited (in receivership and in liquidation) and Target Pest Contracting Limited (in receivership and in liquidation) have signalled an intention to claim losses incurred by those companies against the directors of those companies and the Canterbury Regional Council. The Canterbury Regional Council denies liability for all of the claims indicated by the liquidators for both companies. There are no other contingent liabilities or assets as at 30 June 2008 (2007 nil).

Note 20: Post Balance date events

There have been no post balance date events that are of a material nature as to require adjustment to the amounts contained in the financial statements or separate note disclosure.

Note 21: Financial Instrument Risks

Environment Canterbury has a series of policies to manage the risks associated with financial instruments. Environment Canterbury is risk averse and seeks to minimise exposure from its treasury activities. Environment Canterbury has established council-approved Liability Management and Investment policies. These policies do not allow any transactions that are speculative in nature to be entered into.

The council's financial instruments include financial assets (cash, investments and receivables) and financial liabilities (payables and borrowings arising from operations).

Fair Values

Fair value is the amount for which an item could be exchanged, or a liability settled, between knowledgeable and willing parties in an arms' length transaction. The fair values of financial instruments are equivalent to the carrying amounts as stated in the statement of financial position.

As part of its normal operations the council is exposed to credit risk, interest rate risk and liquidity risk. The council's exposure to these risks and the action that the council has taken to minimise the impact of these risks is outlined below:

Credit Risk

Credit risk is the risk that a third party will default on its obligations to the council, therefore, causing a loss. The maximum exposure to credit risk at balance date is the fair value of the financial instruments as stated in the statement of financial position. Significant concentrations of credit risk apply principally in respect of bank accounts and receivables. In the case of bank accounts, the council reduces the risk by diversification and investing with high credit rated institutions. With respect to receivables, the risk is minimised by operation of the council's collection procedures including the use of a collection agency.

Interest Rate Risk

Interest rate risk is the risk that the value of the council's financial instruments will fluctuate due to changes in market interest rates. The council is exposed to interest rate risk from its interest earning financial assets and interest bearing liabilities. The council is risk averse and seeks to minimise exposure arising from its treasury activities. Investment and borrowing are undertaken in accordance with the council's Investment and Liability Management Policies.

If interest rates on investments had fluctuated by plus or minus 0.5%, the effect would have been to increase/decrease interest income by \$65,033 (2007 \$64,100).

Liquidity Risk

Liquidity risk is the risk arising from unmatched cashflows and maturities. The council maintains sufficient funds in short-term facilities to cover all obligations as they fall due. Facilities are maintained in accordance with the council's Investment and Liability Management Policies.

The following tables show the credit ratings, credit risk and maturity periods of Environment Canterbury's financial assets and liabilities:

Financial Assets	Credit Rating	2008				
		Total	Less than 1 year	1-2 years	2-5 years	More than 5 years

Held to maturity

Investments (NZLGI, Marlborough Forestry)	*	482	-	-	-	482
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Fair value through profit and loss - Held for trading

Investments (Forsyth Barr Portfolio)	A	200	200	-	-	-
	AA	4,336	4,336	-	-	-
	AAA	436	436	-	-	-
	Unrated Local Authority Bond	289	289	-	-	-
		5,261	5,261	-	-	-
Cash & Cash Equivalents	AA	6,614	6,614	-	-	-
Receivables & Accruals	*	14,613	14,613	-	-	-
Clean Heat Loans - Current	*	228	228	-	-	-
Clean Heat Loans - Non Current	*	2,770	-	245	859	1,666
Total fair value through profit and loss - Held for trading		29,486	26,716	245	859	1,666

Financial Liabilities	Credit Rating	2008				
		Total	Less than 1 year	1-2 years	2-5 years	More than 5 years

Fair value through profit and loss - Held for trading

Loans & Borrowings - Current		690	690	-	-	-
Loans & Borrowings - Non Current		399	-	361	32	6
Accounts Payable & Accruals		12,940	12,940	-	-	-
Total fair value through profit and loss - Held for trading		14,029	13,630	361	32	6

**Where receivables arise from the Council's statutory functions, there are no procedures to monitor credit quality with reference to external credit ratings. The Council's main source of revenue is rates which are collected on behalf of the Council by the relevant territorial authorities, who exercise powers under the Local Government (Rating) Act 2002 to recover outstanding debt. The Council has no significant concentrations of credit risk in relation to receivables.*

Financial Assets	Credit Rating	2007				
		Total	Less than 1 year	1-2 years	2-5 years	More than 5 years

Held to maturity

Investments (NZLGIC, Marlborough Forestry)	*	422	-	-	-	422
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Fair value through profit and loss - Held for trading

Investments (Forsyth Barr Portfolio)	AA-	659	659	-	-	-
	A	202	202	-	-	-
	A+	536	536	-	-	-
	AA	6,390	6,390	-	-	-
	AAA	785	785	-	-	-
		8,572	8,572	-	-	-
Cash & Cash Equivalents	AA	6,140	6,140	-	-	-
Receivables & Accruals	*	11,181	11,181	-	-	-
Clean Heat Loans - Current	*	246	246	-	-	-
Clean Heat Loans - Non Current	*	1,573	-	228	590	755
Total fair value through profit and loss - Held for trading		27,712	26,139	228	590	755

Financial Liabilities	2007				
	Total	Less than 1 year	1-2 years	2-5 years	More than 5 years

Fair value through profit and loss - Held for trading

Loans & Borrowings - Current	444	444	-	-	-
Loans & Borrowings - Non Current	595	-	472	123	-
Accounts Payable & Accruals	11,406	11,406	-	-	-
Total fair value through profit and loss - Held for trading	12,445	11,850	472	123	-

*Where receivables arise from the Council's statutory functions, there are no procedures to monitor credit quality with reference to external credit ratings. The Council's main source of revenue is rates which are collected on behalf of the Council by the relevant territorial authorities, who exercise powers under the Local Government (Rating) Act 2002 to recover outstanding debt. The Council has no significant concentrations of credit risk in relation to receivables.

Note 22: Related party transactions

Environment Canterbury owns 100% of the following companies:

- Environment Canterbury Limited
- Living Streams Limited
- Living Canterbury Limited

Environment Canterbury Limited, Living Streams Limited, and Living Canterbury Limited are non-trading companies held for the purposes of name protection.

Environment Canterbury also owned Target Pest Enterprises Limited until 22 May 2007, when both it and its subsidiary, Target Pest Contracting, were placed in receivership. On 6 August 2007, both companies were placed in liquidation. Target Pest Enterprises was a council controlled organisation under Section 6 of the Local Government Act 2002.

Target Pest Enterprises Limited

Target Pest Enterprises Limited	2007
Services provided by Target Pest Enterprises Limited	2,944
Services provided to Target Pest Enterprises Limited	853
Amounts receivable from Target Pest Enterprises Limited	-
Amounts owing to Target Pest Enterprises Limited	-
Subvention payment to Target Pest Enterprises Limited	-
Cash Advance Facility	-

Key management personnel

During the year, councillors and key management, as part of a normal customer relationship, were involved in minor transactions with Environment Canterbury (such as payment of rates, resource consent applications, etc).

During the year the council purchased catering supplies and services from Janice Thomas Catering in which the party is a close family member of a director. These services cost \$74,927 (2007 \$89,431) and were supplied on normal commercial terms. There is no balance outstanding for unpaid invoices at year end (2007 \$11,200).

During the year the council purchased legal services from Wynn Williams & Co, a legal firm, in which a partner is a close family member of a director. These services cost \$542,894 (2007 \$414,858) and were supplied on normal commercial terms. There is a balance of \$71,997 outstanding for unpaid invoices at year end (2007 \$91,984).

No provision has been required for impairment of receivables for any loans or other receivables to related parties (2007 \$nil).

*Key Management Personnel Compensation	2008	2007
Salaries and other short-term employee benefits	2,218	2,227
Post-employment benefits	-	-
Other long-term benefits	-	-
Termination Benefits	395	-
Total	2,613	2,227

*Key management personnel include the Chief Executive, Directors and Councillors.

