

Financial summary

- Groups of activities

\$000	Actual 2008/09	Budget 2008/09	Actual 2007/08
Total Expenditure	109,012	108,963	104,263
Funded by:			
General rates	35,187	34,840	34,540
Targeted rates	33,401	32,945	31,203
Grants	26,737	22,503	25,356
User pays and other	14,999	15,535	13,032
Total Funding	110,324	105,823	104,131
Reserves Increase/(Decrease)	1,312	(3,140)	(132)

This year's surplus is higher than expected largely due to grants received from the Energy Efficiency and Conservation Authority to fund the Clean Heat project which significantly boosted grant income for the year. These grants were not budgeted for 2008/09 due to uncertainty at budget time around the level of funding available.

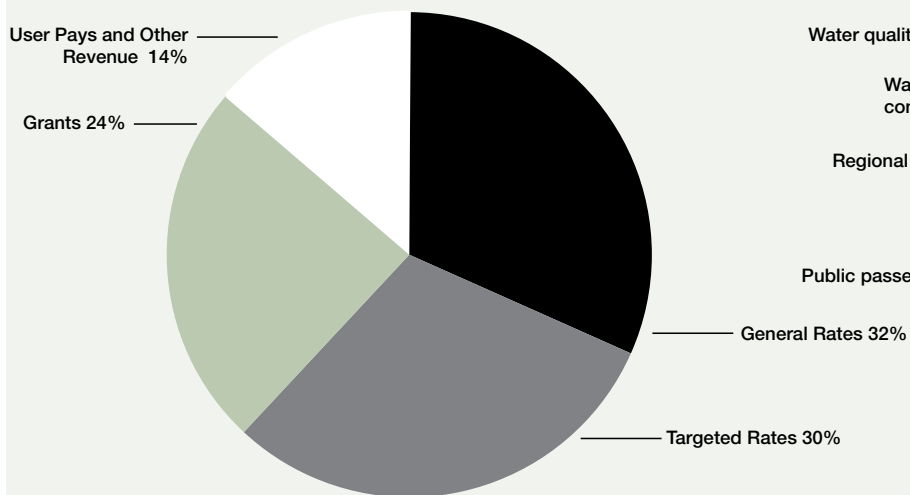
There have been some offsets to this increased expenditure, in particular additional expenditure on the Urban Development Strategy and the Canterbury Water Management Strategy to progress these ahead of the planned timetable.

As in previous years, rates continue to make up the most significant part of revenue and have been collected in line with the amounts budgeted.

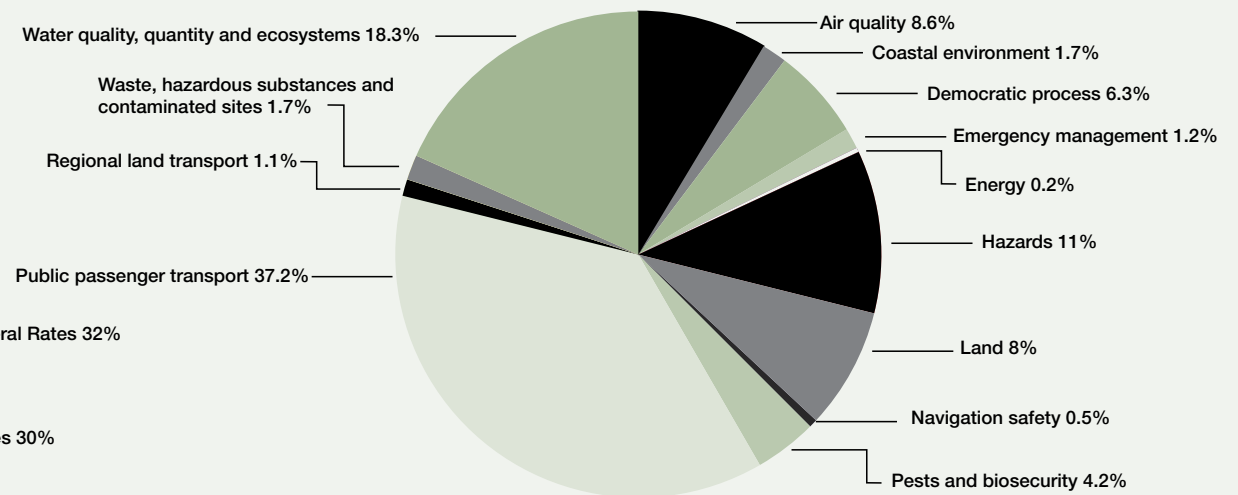
User pays income is up slightly on last year but down on budget. A number of large consent applications this year have consumed significant resources diverting them away from other user pays funded work.

Interest income is down on budget due to the economic situation and lower interest rates, but a competitive return has still been achieved on the funds invested.

Sources of Income



Expenditure on activities



The Auditor-General is the auditor of Canterbury Regional Council (Environment Canterbury). The Auditor-General has appointed me, Julian Tan, using the staff and resources of Audit New Zealand, to carry out an audit. The audit covers Environment Canterbury's compliance with the requirements of Schedule 10 of the Local Government Act 2002 that apply to the annual report of Environment Canterbury for the year ended 30 June 2009, including the financial statements.

Unqualified Opinion

In our opinion:

- The financial statements of Environment Canterbury on pages 63 to 83:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect :
 - Environment Canterbury's financial position as at 30 June 2009; and
 - the results of its operations and cash flows for the year ended on that date.
- The service provision information of Environment Canterbury on pages 6 to 60 and 96 to 98 fairly reflects the levels of service provision as measured against the intended levels of service provision adopted, as well as the reasons for any significant variances, for the year ended on that date; and
- Environment Canterbury has complied with the other requirements of Schedule 10 of the Local Government Act 2002 that apply to the annual report (the "other requirements").

The audit was completed on 24 September 2009, and is the date at which our opinion is expressed. The basis of our opinion is explained below. In addition, we outline the responsibilities of the Council and the Auditor, and explain our independence.

Basis of Opinion

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

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

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

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

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;

- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Council;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all required disclosures are adequate.

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

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

Responsibilities of the Council and the Auditor

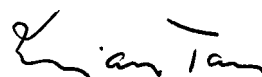
The Council is responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. The financial statements must fairly reflect the financial position of Environment Canterbury as at 30 June 2009. They must also fairly reflect the results of its operations and cash flows and the levels of service provision for the year ended on that date. The Council is also responsible for meeting the other requirements of Schedule 10 and including that information in the annual report. The Council's responsibilities arise from Section 98 and Schedule 10 of the Local Government Act 2002.

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

Independence

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

Other than the audit and in conducting the audit of the Long-Term Council Community Plan, we have no relationship with or interests in Environment Canterbury.



Julian Tan
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand

Matters relating to the electronic presentation of the audited financial statements, performance information and the other requirements

This audit report relates to the financial statements, performance information and the other requirements of Canterbury Regional Council (Environment Canterbury) for the year ended 30 June 2009 included on its website. Environment Canterbury's Council is responsible for the maintenance and integrity of this website. We have not been engaged to report on the integrity of the website. We accept no responsibility for any changes that may have occurred to the financial statements, performance information and the other requirements since they were initially presented on the website.

The audit report refers only to the financial statements, performance information and the other requirements named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements, performance information and the other requirements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements, performance information and the other requirements as well as the related audit report dated 24 September 2009 to confirm the information included in the audited financial statements, performance information and the other requirements presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

Financial information

Commentary on Financial Results

This year's surplus is higher than expected due to higher grants received from the Energy Efficiency and Conservation Authority to fund the Clean Heat project – due to uncertainty at the time budgets were set, these grants were not budgeted for 2008/09. Environment Canterbury's financial position is similar to last year except for expected increases in Clean Heat advances to ratepayers and higher than expected receivables as a result of large group consent hearings which have now progressed to objection hearings.

Loans to fund the Clean Heat Loan programme have been drawn down this year, increasing liabilities by \$4 million. Hedges have been put in place in accordance with Environment Canterbury's liability management policy to provide certainty around the interest rate risk exposure. The value of Environment Canterbury's flood protection assets was not affected by the unexpected flood events during the year, with remedial works undertaken to address the worst affected areas. Public equity has increased by \$2.7 million for the year as a result of the surplus across the organisation.

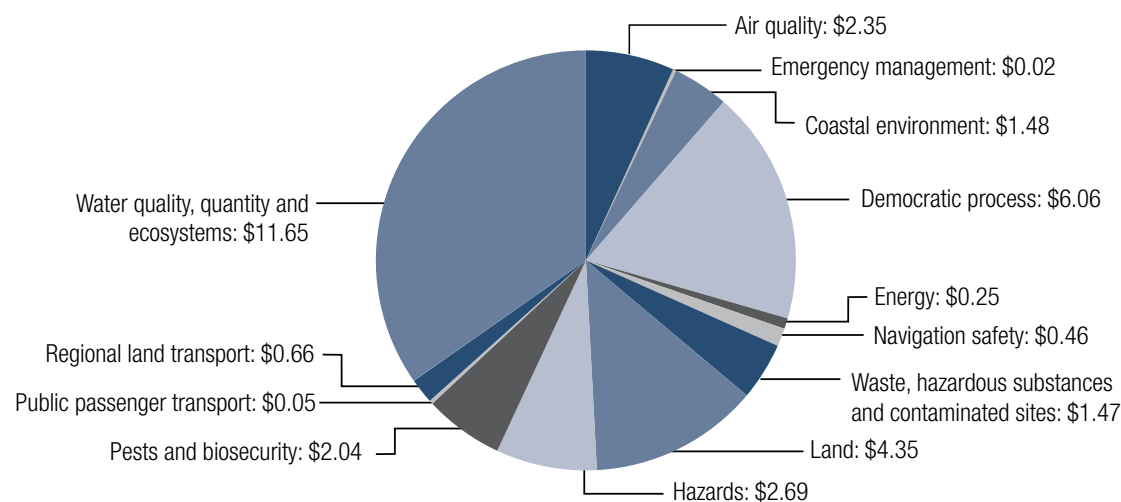
The general reserve decreased by \$0.7 million after transferring funds to the Building Redevelopment reserve in line with the repayment plan determined when Council agreed to fund the Kilmore Street site redevelopment internally. The Clean Heat reserve has increased by \$2.6 million due to grant funding from the Energy Efficiency and Conservation Authority to support Clean Heat programmes in Ashburton, Christchurch, Timaru and Waimakariri. The Water Study reserve now has a negative balance due to the work carried out this year to complete the Canterbury Water Management Strategy – this will be recovered via rates over the next few years to bring the reserve back to a nil balance.

Environment Canterbury Financial Statistics							\$000
	2009	2008	2007	2006	2005	2004	2003
Proportion of rates to total income (%)	62	63	64	58	60	61	63
General rate per \$100,000 capital value (\$) GST included	33.53	42.06	44.55	40.83	50.46	52.46	50.68
Total public debt as a percentage of total assets (%)	0.8	0.18	0.24	0.33	0.32	0.57	0.16

Environment Canterbury Financial Performance							\$000
	2009	2008	2007	2006	2005	2004	2003
Rates	68,588	65,743	60,306	49,909	47,222	44,675	40,227
Net surplus/(deficit)	2,673	1,299	685	(2,374)	3,891	4,066	2,629
Public debt	4,863	1,089	1,039	965	1,403	2,159	586
Total Assets	606,872	600,508	436,188	434,469	438,544	376,486	367,599

General rates

For every \$100,000 of capital value, the owner of a property in the Canterbury region paid an average of \$33.53 in general rates to Environment Canterbury. Environment Canterbury collects general rates for activities which benefit the whole of the region. A breakdown of the \$33.53 into significant activities is as follows:



Accounting policies

Reporting entity

Environment Canterbury is a regional local authority governed by the Local Government Act 2002.

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 2009. Council authorised the financial statements for issue on 24 September 2009.

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 (NZIFRS) 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.

New standards and interpretations on issue but not yet effective

The following standards are 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.

NZ IFRS 7 Financial Instruments: Disclosures. The amendments introduce a three-level fair value disclosure hierarchy that distinguishes fair value measurements by the significance of the inputs used. Environment Canterbury has not determined the potential impact of this revised standard.

NZ IAS 23 Borrowing Costs (revised). The revised standard requires all borrowing costs to be capitalised if they are directly attributable to the acquisition, construction, or production of a qualifying asset. Environment Canterbury does not currently incur any borrowing costs in relation to qualifying assets and therefore will not be impacted by the revised standard.

There are no other standards or interpretations that have been issued but not yet effective, that are applicable to 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:

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.

Critical judgements in applying Environment Canterbury's accounting policies

Management has exercised the following critical judgement in applying Environment Canterbury's accounting policies for the year ended 30 June 2009:

Leases classification

Environment Canterbury has exercised its judgement on the appropriate classification of property and equipment leases and, has determined a number of lease arrangements are finance leases under which all the risks and rewards incidental to ownership are substantially transferred to Environment Canterbury.

Taxation

Income tax expense comprises both current tax and deferred tax, and is calculated using tax rates that have been enacted or substantively enacted by balance date. Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses.

Current tax and deferred tax is charged or credited 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.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

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 long-term 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 revaluing 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 offsets 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 write-off 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 as maintenance all repairs, and capitalises additions, which increases 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.

Derivative financial instruments and hedging activities

Environment Canterbury uses derivative financial instruments to hedge exposure to interest rate risks arising from financing activities. In accordance with treasury policy, Environment Canterbury does not hold or issue derivative financial instruments for trading purposes.

Hedging instruments held by Environment Canterbury are classified as hedges of highly probable forecast transactions (cash flow hedges) and are recognised initially at fair value. Subsequent to initial recognition, these derivative financial instruments are stated at fair value. The effective portion of changes in the fair value of derivatives is recognised in equity and the gain or loss relating to the ineffective portion is recognised immediately through the income statement.

The fair value of interest rate swaps is the estimated amount that Environment Canterbury would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates.

Environment Canterbury documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. Environment Canterbury also documents its assessments, both at hedge inception and on an ongoing basis, of whether the derivatives that are used for hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

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 that 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 2009.

Statement of Financial Performance				\$000
Revenue	Note	Actual 2008/09	Budget 2008/09	Actual 2007/08
General Rates	2	35,187	34,840	34,540
Targeted Rates	2	33,401	32,945	31,203
Grants	2	26,737	22,503	25,356
User Pays		12,677	13,681	11,199
Interest		1,070	1,854	1,094
Other Revenue		1,636	-	1,458
Gains	2	103	-	12
Total Operating Revenue	1	110,811	105,823	104,862

Expenditure

Employee Benefit Expenses		30,428	29,873	28,023
Other Expenditure		74,031	74,872	72,444
Depreciation and Amortisation	3	3,347	2,197	2,969
Interest		329	663	108
Total Operating Expenditure	1,3	108,135	107,605	103,544

Surplus/(deficit) before taxation		2,676	(1,782)	1,318
Tax (expense)/benefit net of loss offset	4	(3)	-	(19)
Surplus/(deficit) after taxation		2,673	(1,782)	1,299

Attributable to:

Environment Canterbury		2,673	(1,782)	1,299
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Statement of Changes in Equity				\$000
	Note	Actual 2008/09	Budget 2008/09	Actual 2007/08
Equity at the beginning of the year	15	584,071	419,490	421,554
Revaluation of Assets	15	(44)	-	161,218
Valuation of Cashflow hedges	15	36	-	-
Net surplus/(deficit) for the year - Environment Canterbury		2,673	(1,782)	1,299
Total recognised revenues and expenses		2,665	(1,782)	162,517
Equity at the end of the year		586,736	417,708	584,071

These statements should be read in conjunction with the Statement of Accounting Policies and notes to the financial statements on page 63.

Statement of Financial Position

\$000

Current Assets	Note	Actual 2008/09	Budget 2008/09	Actual 2007/08
Cash and Cash Equivalents		8,432	5,456	6,614
Investments	5	5,327	8,602	5,261
Receivables and Accruals	6	16,750	12,460	14,575
Derivative Financial Instruments	7	36	-	-
Income Tax receivable		-	-	38
Clean Heat Loan Receivable	8	349	1,759	228
Inventories	9	1,166	526	612
Total Current Assets		32,060	28,803	27,328
Non-Current Assets				
Investments	5	435	422	482
Clean Heat Loan Receivable	8	3,870	8,411	2,770
Deferred Tax	4	84	-	87
Property Plant and Equipment	10	569,293	407,897	568,592
Intangible Assets	11	1,130	1,816	1,249
Total Non-Current Assets		574,812	418,546	573,180
Total Assets		606,872	447,349	600,508
Current Liabilities				
Current loans and borrowings	14	542	2,284	690
Accounts Payable and Accruals	12	12,566	13,967	12,940
Employee Entitlements	13	2,707	2,277	2,408
Total Current Liabilities		15,815	18,528	16,038
Non-Current Liabilities				
	14	4,321	11,113	399
Total Liabilities		20,136	29,641	16,437
Net Assets		586,736	417,708	584,071
Equity	15	586,736	417,708	584,071

These statements should be read in conjunction with the Statement of Accounting Policies and Notes to the financial statements on pages 63-83.

Statement of Cashflows				\$000
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Cashflows from operating activities		Note	Actual 2008/09	Budget 2008/09	Actual 2007/08
<i>Cash was provided from:</i>	Rates		67,848	67,785	65,169
	Grants		26,380	22,503	24,446
	Interest received		801	1,854	1,163
	Recoveries/miscellaneous income		12,488	13,681	10,690
	Goods and services tax (net)		334	-	118
			107,851	105,823	101,586
<i>Cash was applied to:</i>	Payment of interest on loans		329	663	108
	Payments to suppliers and employees		104,771	101,479	98,513
	Income tax paid		-	-	-
			105,100	102,142	98,621
Net cashflows from operating activities		16	2,751	3,681	2,965

Cashflows from investing activities

<i>Cash was provided from:</i>	Sales of investments		-	-	3,310
	Sale of fixed assets		442	180	383
	Clean Heat loans repaid		787	1,152	440
			1,229	1,332	4,133
<i>Cash was applied to:</i>	Purchases of fixed and intangible assets		3,577	3,981	4,601
	Purchases of investments		25	-	-
	Clean Heat loans advanced		2,334	4,680	2,073
			5,936	8,661	6,674
Net cashflows from investing activities			(4,707)	(7,329)	(2,541)

Cashflows from financing activities

<i>Cash was provided from:</i>	Loans raised		4,602	4,680	675
			4,602	4,680	675
<i>Cash was applied to:</i>	Repayment of principal on loans (Finance Leases)		828	1,667	625
			828	1,667	625
Net cashflows from financing activities			3,774	3,013	50
<i>Movement in Cash:</i>	Net Increase/(Decrease) in cash held		1,818	(635)	474
	Add cash bought forward		6,614	6,091	6,140
	Cash carried forward		8,432	5,456	6,614
<i>Made up of:</i>	Cash and Bank		8,432	5,456	6,614

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 \$602,240 (2008 \$674,732) by means of finance leases.

Notes to the financial statements

for the year ended 30 June 2009.

Note 1: Cost of services summary

Summary of revenue and expenditure for significant groups of activities

\$'000

Revenue	Actual 2008/09	Budget 2008/09	Actual 2007/08	Expenditure	Actual 2008/09	Budget 2008/09	Actual 2007/08
Air	11,591	10,641	9,392	Air	9,365	12,836	10,548
Coastal Environment	1,830	2,012	1,775	Coastal Environment	1,863	2,051	1,704
Democratic Process	7,043	7,028	7,785	Democratic Process	6,865	7,413	7,950
Emergency Management	1,473	1,385	1,468	Emergency Management	1,284	1,385	1,504
Energy	296	371	247	Energy	263	371	241
Hazards	12,102	12,139	11,070	Hazards	12,002	11,300	10,390
Land	7,874	8,076	6,966	Land	8,751	8,009	7,535
Navigation Safety	636	696	724	Navigation Safety	593	696	648
Pests and Biosecurity	4,513	4,951	9,895	Pests and Biosecurity	4,550	5,319	9,320
Public Passenger Transport	40,969	38,281	35,517	Public Passenger Transport	40,420	38,753	35,823
Regional Land Transport	1,290	1,191	1,217	Regional Land Transport	1,242	1,276	1,097
Waste, hazardous substances and contaminated sites	1,945	1,827	1,704	Waste, hazardous substances and contaminated sites	1,836	1,857	1,458
Water	18,762	17,225	16,371	Water	19,978	17,697	16,045
Total income for significant activities	110,324	105,823	104,131	Total Expenditure for significant activities	109,012	108,963	104,263
Other revenue	487	-	731	Less Business Unit Expenditure	(1,374)	(1,358)	(1,487)
Total revenue	110,811	105,823	104,862	Other Expenditure	497	-	768
				Total Expenditure	108,135	107,605	103,544
				Surplus/(Deficit) Before Taxation	2,676	(1,782)	1,318
				Tax Benefit/(Expense) Net of Tax Loss Offset	(3)	-	(19)
				Surplus/(Deficit) After Taxation	2,673	(1,782)	1,299

Note 2: Revenue

\$000		
Revenue from rates	Actual 2008/09	Actual 2007/08
General Rates	35,187	34,540
Targeted rates:		
Works Rating Districts	4,155	4,193
Catchment Works and Services Rates	1,163	965
Clean Heat	5,822	5,129
Civil Defence	1,278	1,235
Pest Rating Districts	1,492	1,752
Passenger Transport	18,200	16,895
Regional Park	854	899
Water Study	437	135
Total Targeted Rates	33,401	31,203
Total Rates	68,588	65,743

Rates on properties owned by Environment Canterbury totalling \$42,037 (2008 \$38,885) 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 2009 totalled \$397,436 (2008 \$351,800).

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	Actual 2008/09	Actual 2007/08
Gain on investments	86	4
Gain on disposal of property, plant and equipment	17	8
Total Gains	103	12

\$000		
Government Grants	Actual 2008/09	Actual 2007/08
New Zealand Transport Agency	22,767	18,546
Animal Health Board	597	5,397
Energy Efficiency and Conservation Authority	2,247	854
Other	391	277
Total*	26,002	25,074

Grant income includes \$22.8 million (2008 \$18.5 million) from New Zealand Transport Agency for bus contract payments, \$0.6 million (2008 \$5.4 million) from Animal Health Board for bovine Tb control programmes, \$2.2 million (2008 \$0.9 million) from Energy Efficiency and Conservation Authority for clean air incentive programmes, and \$0.4 million (2008 \$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	Actual 2008/09	Actual 2007/08
Audit fees – Audit New Zealand	89	84
Audit fees – LTCCP	62	14
Other services – Audit New Zealand	-	-
Cost of credit		
Bad debts written off	32	11
Discount on Clean Heat Loans	652	715
Interest expense	329	108
Movement in doubtful debts provision	287	(2)
Governance fees		
Councillors' fees	825	773
Directors' fees	-	-

\$000		
General costs	Actual 2008/09	Actual 2007/08
Donations	-	-
Loss on sale of assets	137	155
Inventories	868	547
Employee benefits	30,303	27,574
Rental expense on operating leases	464	340
Severance payments*	125	449

* The value of each of the four severance payments was \$63,341, \$33,516, \$14,351 and \$13,379 (2008 four payments of \$21,663, \$32,159, \$183,151 and \$212,008).

Depreciation and amortisation expense

Depreciation - Buildings	576	518
Depreciation - Motor vehicles	361	366
Depreciation - Computer Equipment	106	99
Depreciation - Furniture and Fittings	88	87
Depreciation - Leased Assets	828	625
Depreciation - Plant and Equipment	455	457
Depreciation - River Control and Land Drainage	442	280
Depreciation - Restricted Assets	19	30
Amortisation - Intangibles	472	507
Total Amortisation and Depreciation	3,347	2,969

Remuneration of Members and Chief Executive Officer

		2008/2009	2007/2008
Hon Sir Kerry Burke	Chairperson	131,959	123,033
Richard Budd*	Councillor	-	18,011
Anne Carroll*	Councillor	-	13,743
Elizabeth Cunningham*	Councillor	-	14,203
Jane Demeter	Councillor	52,283	33,181
Carole Evans	Councillor	48,730	33,839
Patrick Harrow	Councillor	48,934	33,181
Johanne Kane	Councillor	55,117	36,343
Bob Kirk	Councillor	60,760	58,958
Ross Little	Councillor	51,144	48,765
Angus McKay	Councillor	53,230	53,661
Bronwen Murray	Councillor	50,107	33,181
Alec Neill	Councillor	59,988	55,737
Mark Oldfield	Councillor	56,430	56,626
Eugenie Sage	Councillor	50,753	33,181
Dr June Slee*	Councillor	-	13,277
David Sutherland	Councillor	52,470	33,725
Richard Tindall	Councillor	52,759	33,555
Nicky Wagner*	Councillor	-	13,863
Judy Waters*	Councillor	-	16,094
Bill Woods*	Councillor	-	17,123
Dr Bryan Jenkins	Chief Executive Officer	315,044	316,123

*Councillors retired or ceased holding office in 2007/08.

Note 4: Taxation

\$000		
	Actual 2009	Actual 2008
Surplus/(deficit) for the year before tax	2,676	1,318
Prima facie tax (expense)/benefit at 30% (2008 33%)	(803)	(435)
Plus/(less) tax effect of permanent differences	800	416
Tax (expense)/benefit	(3)	(19)
Less loss offset	-	-
Tax (expense)/benefit net of loss offset	(3)	(19)
Comprising:		
Current tax	(3)	(19)
Deferred tax	-	-
Total	(3)	(19)
Deferred tax asset		
\$000		
Opening balance	87	106
Movement charged to income/(expenditure)	(3)	(19)
Closing balance	84	87

Deferred tax has been recognised in relation to tax losses.

Note 5: Investments

\$000		
	Actual 2009	Actual 2008
Current Investments		
Short-term deposits	-	-
Fixed interest deposits (Forsyth Barr Portfolio)	5,327	5,261
Total current investments	5,327	5,261
Non-Current Investments		
	Actual 2009	Actual 2008
<i>Available for Sale:</i>		
Shares NZ Local Government Insurance Corporation	212	211
Marlborough Forestry Corp	223	271
Total non-current investments	435	482
Total Investments	5,762	5,743

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:

	Actual 2009	Actual 2008
Short-term deposits	5.02%	6.73%
Fixed interest deposits	9.81%	8.08%

Note 6: Receivables and accruals

\$000		
	Actual 2009	Actual 2008
Trade receivables	7,572	5,321
Rates receivable	3,653	2,913
Accrued income	5,541	5,862
Prepayments	212	309
GST receivable	475	809
	17,453	15,214
Less provision for impairment	(703)	(639)
Total Accounts Receivable	16,750	14,575

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 \$296,973 (2008 \$7,754).

The status of receivables as at 30 June 2009 and 2008 are detailed in the table on the following page:

	\$000			\$000		
	Actual 2009			Actual 2008		
	Gross	Impairment	Net	Gross	Impairment	Net
Not past due	11,106	(227)	10,879	10,762	(450)	10,312
Past due 1-60 days	4,265	-	4,265	3,158	-	3,158
Past due > 60 days	2,082	(476)	1,606	1,294	(189)	1,105
Total Accounts Receivable	17,453	(703)	16,750	15,214	(639)	14,575

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 2009	Actual 2008
Opening Balance	639	420
Additional provision	100	304
Provisions reversed	(36)	(85)
Receivables written off during year	-	-
Closing Balance	703	639

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

Note 7: Derivative financial instruments

	\$000	
Current asset portion	Actual 2009	Actual 2008
Interest rate swaps - fair value hedges	36	-
Total current asset portion	36	-
Total derivative financial instruments assets	36	-

Fair Value

The fair values of interest rate swaps have been determined using a discounted cash flows valuation technique based on quoted market prices.

Interest rate swaps

The notional principal amounts of the outstanding interest rate swap contracts for Environment Canterbury were \$4,000,000 (2008 nil). As at 30 June 2009, the fixed interest rates of cash flow hedge interest rates swaps were between 5.06% and 5.95%.

Note 8: Clean Heat Loans

	\$000	
	Actual 2009	Actual 2008
Fair Value Current Portion	349	228
Fair Value Non-Current Portion	3,870	2,770
Total Clean Heat Loans Receivable	4,219	2,998

Repayment terms Clean Heat Loans	Amount Receivable 2009	Amount Receivable 2008
Current	349	228
One to Two Years	375	245
Two to Five Years	1,303	859
Five to Ten Years	2,192	1,666
Total Clean Heat Loans Receivables	4,219	2,998

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 \$5,794,855 (2008 \$4,242,407). The discount rate for loans taken out in 2009 was 7.05% (2008 7.73%).

Note 9: Inventories

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

	\$000	
	Actual 2009	Actual 2008
Inventories	1,166	612

Note 10: Property, Plant and Equipment

2009											\$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	14,557	-	14,557	-	-	-	-	14,557	-	14,557	
Buildings	14,179	-	14,179	479	-	(576)	-	14,658	(576)	14,082	
Motor vehicles	5,240	(1,957)	3,283	531	(288)	(361)	-	5,159	(1,994)	3,165	
Furniture and fittings	1,493	(989)	504	143	-	(88)	-	1,636	(1,077)	559	
Computer equipment	3,210	(1,860)	1,350	696	(1)	(934)	-	3,867	(2,756)	1,111	
Plant and equipment	7,767	(5,117)	2,650	1,049	(14)	(455)	-	8,270	(5,040)	3,230	
Capital WIP - Operational	765	-	765	1,019	(765)	-	-	1,019	-	1,019	
Total Operational Assets	47,211	(9,923)	37,288	3,917	(1,068)	(2,414)	-	49,166	(11,443)	37,723	
Infrastructural Assets											
River control works and land drainage schemes	361,492	-	361,492	-	-	(413)	-	361,492	(413)	361,079	
Forests	4,113	-	4,113	51	(220)	-	-	3,944	-	3,944	
Wells	848	(93)	755	170	-	(29)	-	1,018	(122)	896	
Capital WIP - Infrastructural	1,100	-	1,100	726	-	-	-	1,826	-	1,826	
Total Infrastructural Assets	367,553	(93)	367,460	947	(220)	(442)	-	368,280	(535)	367,745	
Restricted Assets											
Land reserves	163,844	-	163,844	-	-	(19)	-	163,844	(19)	163,825	
Total Restricted Assets	163,844	-	163,844	-	-	(19)	-	163,844	(19)	163,825	
Total Property, Plant and Equipment	578,608	(10,016)	568,592	4,864	(1,288)	(2,875)	-	581,290	(11,997)	569,293	

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 Maunsell 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 \$862,879 (2008 \$1,088,708).

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.

2008

\$'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	-	-	-	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 Assets	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

Note 11: Intangible assets

\$000		
Living Canterbury Museum	Actual 2009	Actual 2008
Cost		
Balance at beginning of year	546	546
Balance at year end	546	546
Accumulated amortisation and impairment losses		
Balance at beginning of year	546	504
Amortisation expense	-	42
Balance at year end	546	546
Carrying amounts		
As at beginning of year	-	42
Balance at year end	-	-
Software		
Cost		
Balance at beginning of year	3,245	2,804
Additions	361	441
Disposals	(63)	-
Balance at year end	3,543	3,245
Accumulated amortisation and impairment losses		
Balance at beginning of year	1,996	1,531
Amortisation expense	472	465
Disposals	(55)	-
Balance at year end	2,413	1,996
Carrying amounts		
As at beginning of year	1,249	1,273
Balance at year end	1,130	1,249
Total Intangibles at year end	1,130	1,249

Note 12: Payables and accruals

\$000		
	Actual 2009	Actual 2008
Trade Payables	3,666	6,249
Employee entitlements - Accrued Pay	1,815	1,581
Other Payables and Accruals	7,085	5,110
Total Accounts Payable	12,566	12,940

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 13: Employee entitlements

\$000		
Provision for Employee Leave	Actual 2009	Actual 2008
Opening Balance	2,408	2,189
Additional provision	4,896	4,377
Amount utilised	(4,597)	(4,158)
Closing Balance	2,707	2,408
Employee Leave		
Annual Leave	2,641	2,346
Sick Leave	66	62
Total Employee Benefit Liabilities	2,707	2,408
Comprising:		
Current	2,707	2,408
Non Current	-	-
Total Employee Benefits	2,707	2,408

Note 14: Debt

	\$000		
(a) Current	Interest Cost and Other Expenses	Actual 2009	Actual 2008
Lease Liabilities	53	542	690
(b) Non-Current			
Lease Liabilities	28	321	399
Borrowing Facility	225	4,000	-
Total Current and Non-Current Debt		4,863	1,089
(c) Repayment terms			
2008/2009			690
2009/2010	53	542	361
2010/2011	20	230	32
2011/2012	5	54	6
2012/2013	2	24	-
2013/2014	1	4,013	-

Total minimum lease payments are payable

Not later than 1 year	595	755
Later than 1 year and not more than five years	349	419
Later than five years	-	-
Total Minimum Lease Payments	944	1,174
Future Finance Charge	81	85
Present value of Minimum Lease Payments	863	1,089

Present Value of minimum lease payments are payable

Not later than 1 year	542	690
Later than 1 year and not more than five years	321	399
Later than five years	-	-
Total Minimum Lease Payments	863	1,089

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 10. 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 and 2008/09 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.

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 Redevelopment 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.

Biosecurity 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 Canterbury region.

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
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Bioresecurity Reserve	Actual 2009	Actual 2008
Opening Balance	245	-
Transfer (to)/from General Funds	15	245
Closing Balance	260	245

Catchment Rating District Reserve	Actual 2009	Actual 2008
Opening Balance	6,401	6,794
Transfer (to)/from General Funds	(226)	(393)
Closing Balance	6,175	6,401

Civil Defence Reserve	Actual 2009	Actual 2008
Opening Balance	105	145
Transfer (to)/from General Funds	164	(40)
Closing Balance	269	105

Clean Heat Reserve	Actual 2009	Actual 2008
Opening Balance	(1,508)	(160)
Transfer (to)/from General Funds	2,565	(1,348)
Closing Balance	1,057	(1,508)

Passenger Transport Reserve	Actual 2009	Actual 2008
Opening Balance	4,335	4,726
Transfer (to)/from General Funds	507	(391)
Closing Balance	4,842	4,335

Pest Rating Districts Reserve	Actual 2009	Actual 2008
Opening Balance	1,344	1,189
Transfer (to)/from General Funds	(97)	155
Closing Balance	1,247	1,344

Water Study Reserve	Actual 2009	Actual 2008
Opening Balance	(48)	85
Transfer (to)/from General Funds	(536)	(133)
Closing Balance	(584)	(48)

Regional Park Reserve	Actual 2009	Actual 2008
Opening Balance	441	152
Transfer (to)/from General Funds	157	289
Closing Balance	598	441

Capital and Asset Reserves		\$000
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Asset Replacement Reserve	Actual 2009	Actual 2008
Opening Balance	3,709	3,544
Transfer (to)/from General Funds	121	165
Closing Balance	3,830	3,709

Asset Revaluation Reserve	Actual 2009	Actual 2008
Opening Balance	488,026	326,877
Transfer to General Funds on disposal	(85)	(69)
Revaluation of Assets	(8)	161,218
Closing Balance	487,933	488,026

Building Redevelopment Reserve	Actual 2009	Actual 2008
Opening Balance	(4,277)	(4,777)
Transfer (to)/from General Funds	250	500
Closing Balance	(4,027)	(4,277)

Capital Reserve	Actual 2009	Actual 2008
Opening Balance	80,004	78,297
Transfer (to)/from General Funds	597	1,707
Closing Balance	80,601	80,004

Other Reserves		\$000
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Kainga Land Purchase Reserve	Actual 2009	Actual 2008
Opening Balance	38	446
Transfer (to)/from General Funds	(2)	(408)
Closing Balance	36	38

General Accumulated Funds	Actual 2009	Actual 2008
Opening Balance	5,256	4,236
Operating Surplus for the Year	2,673	1,299
Other Reserve Fund Transfers	(3,430)	(279)
Closing Balance	4,499	5,256

Total Equity	586,736	584,071
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Note 16: Cashflow reconciliation with net surplus

	\$000	
	Actual 2008/09	Actual 2007/08
Net Surplus per Statement of Financial Performance	2,673	1,299
Add/(Deduct) Non-Cash Items		
Depreciation and Amortisation	3,347	2,970
(Increase)/Decrease in Clean Heat Investment	326	453
(Increase)/Decrease in Deferred Tax	3	19
(Increase)/Decrease in investment	(38)	-
Provision for bad and doubtful debts	287	(2)
Non-cash movement in provisions	(223)	220
Bad debts written off	32	11
	3,734	3,671
Add/(Deduct) Movements in Working Capital		
(Increase)/Decrease in receivables and accruals	(2,330)	(3,679)
(Increase)/Decrease in prepayments	97	18
(Increase)/Decrease in inventories	(554)	(86)
Increase/(Decrease) in accrued leave	299	219
Increase/(Decrease) in payables and accruals	(203)	902
Increase/(Decrease) in income in advance	(171)	632
	(2,862)	(1,994)
Investing Activity		
Net (gain)/Loss on disposal of fixed assets	120	147
(Increase)/Decrease in fixed asset related payables	(914)	(158)
	(794)	(11)
Net Cashflows from operating activities	2,751	2,965

Note 17: Commitments

	\$000	
	Actual 2009	Actual 2008
Operating Lease Commitments		
Payable no later than one year	407	404
Later than one year no later than two	234	338
Later than two years no later than five	250	396
Later than five years	-	93
Total Operating Lease Commitments	891	1,231
Capital Commitments	4,774	219

The council has committed to expenditure under the Clean Heat Project of \$2,576,333 (2008 \$2,182,413).

Note 18: Operating Lease Rental Income Commitments

	\$000	
	Actual 2009	Actual 2008
Operating Lease Rental Income		
Receivable no later than one year	1,945	1,545
Later than one year no later than five	5,973	4,556
Later than five years	6,523	5,964
Total Operating Lease Rental Income	14,441	12,065

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) and some creditors of the companies 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.

Note 20: Post Balance date events

There have been no post balance events that are of a material nature as to require adjustment to the amounts contained in the financial statements or separate note disclosure (2008 nil).

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.

Environment Canterbury generally raises long-term borrowings at floating rates and swaps them into fixed rates using interest rate swaps in order to manage the cash flow interest rate risk. Such interest rate swaps have the economic effect of converting borrowings at floating rates into fixed rates that are generally lower than those available if Environment Canterbury borrowed at fixed rates directly. Under interest rate swaps, Environment Canterbury agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

If interest rates on financial assets had fluctuated by plus or minus 0.5%, the effect would have been to increase/decrease interest income by \$56,662 (2008 \$65,033). Movements in interest rates have no effect on derivative financial liabilities as hedges are 100% effective.

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	2009				
		Total	Less than 1 year	1-2 years	2-5 years	More than 5 years
Available for sale						
Investments (NZLGIC, Marlborough Forestry)	*	435	-	-	-	435
Fair value through profit and loss - Held for trading						
Investments (Forsyth Barr Portfolio)	BBB-	853	853	-	-	-
	A+	701	701	-	-	-
	AA-	1,260	1,260	-	-	-
	AA	2,085	2,085	-	-	-
	AAA	131	131	-	-	-
	Unrated - Local Authority Bond	92	92	-	-	-
	Unrated - other	205	205	-	-	-
Total Fair Value through profit and loss - Held for trading		5,327	5,327			
Loans and receivables						
Cash & Cash Equivalents	AA	8,432	8,432	-	-	-
Receivables & Accruals	*	16,750	16,750	-	-	-
Clean Heat Loans	*	4,219	349	375	1,303	2,192
Total loans and receivables		29,401	25,531	375	1,303	2,192
Total financial assets		35,163	30,858	375	1,303	2,627

Financial Liabilities	Credit Rating	2009				
		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		4,863	542	230	91	4,000
Accounts Payable & Accruals		12,566	12,566	-	-	-
Total fair value through profit and loss - Held for trading		17,429	13,108	230	91	4,000
Total financial liabilities		17,429	13,108	230	91	4,000

**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	2008				
		Total	Less than 1 year	1-2 years	2-5 years	More than 5 years
Available for sale						
Investments (NZLGIC, Marlborough Forestry)	*	482	-	-	-	482
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	-	-	-
Total fair value through profit and loss - held for trading		5,261	5,261			
Loans and receivables						
Cash & Cash Equivalents	AA	6,614	6,614	-	-	-
Receivables & Accruals	*	14,613	14,613	-	-	-
Clean Heat Loans	*	2,998	228	245	859	1,666
Total loans and receivables		24,225	21,455	245	859	1,666
Total financial assets		29,968	26,716	245	859	2,148

Financial Liabilities	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	1,089	690	361	38	-
Accounts Payable & Accruals	12,940	12,940	-	-	-
Total fair value through profit and loss - Held for trading	14,029	13,630	361	38	-
Total financial liabilities	14,029	13,630	361	38	-

*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 has an interest in two other council controlled organisations, along with several other territorial authorities, as follows:

- The Varroa Agency Incorporated – to co-ordinate a contribution to the National Management Strategy for the Varroa Bee Mite
- Canterbury Regional Economic Governance Group – to act as an interface with central government and to co-ordinate the disbursement of government funding particularly the Regional Strategy Fund.

Information on these entities is included in the portfolio reports where significant.

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 legal services from Wynn Williams & Co, a legal firm, in which a partner is a close family member of a director. These services cost \$631,383 (2008 \$542,894) and were supplied on normal commercial terms. There is a balance of \$16,187 outstanding for unpaid invoices at year end (2008 \$71,997).

During the prior 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 were supplied on normal commercial terms. No purchases were made during the current year (2008 \$74,927). There is no balance outstanding for unpaid invoices at year end (2008 \$nil).

No provision has been required for impairment of receivables for any loans or other receivables to related parties (2008 \$nil).

*Key Management Personnel Compensation	\$000	
	2008/09	2007/08
Salaries and other short-term employee benefits	2,484	2,218
Post-employment benefits	-	-
Other long-term benefits	-	-
Termination Benefits	20	395
Total	2,504	2,613

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