



# summary financial report

FOR THE YEAR ENDED  
JUNE 30, 2004

## cchl

CHRISTCHURCH CITY HOLDINGS LIMITED

A wholly-owned subsidiary of Christchurch City Council

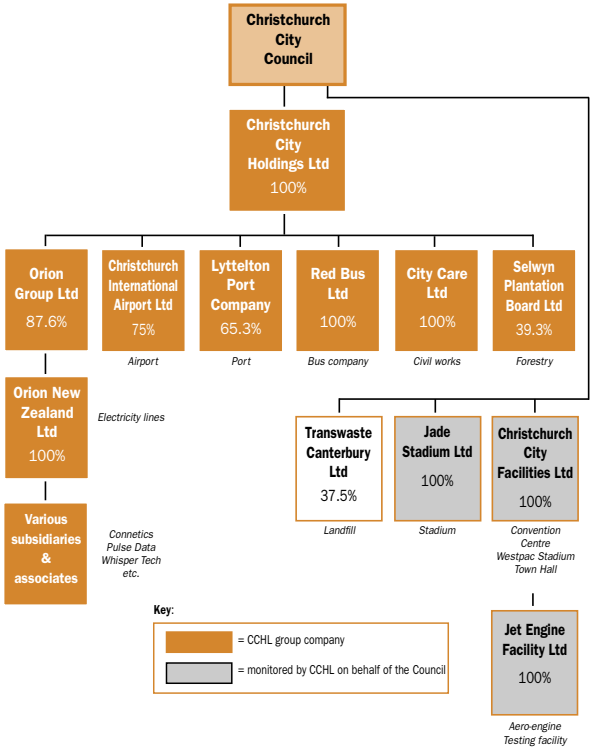


## Introduction

### Overview of CCHL

CCHL is the wholly-owned investment arm of Christchurch City Council, holding shares in six trading companies and monitoring three further companies.

The Council's group structure and percentage ownership (excluding non-trading companies) is as follows:



Most of these trading companies (known as “council-controlled trading organisations” or “CCTOs”) form part of the key infrastructure of Christchurch – electricity delivery, the port, the airport, public transport and general city facilities – and are critical to the regional economy.

CCHL was set up in 1993 in response to calls for a confidential independent non-political buffer between the Council and the companies it owned. CCHL therefore ensures that a proper commercial approach is taken to managing the interface with the Council's companies.

The Council's investment in CCHL and its subsidiary companies is valued at \$814 million. Standard and Poor's, the international credit rating agency, has assessed CCHL's credit rating at AA+, making CCHL one of the highest-rated companies in New Zealand.

The trading companies pay regular dividends to CCHL. Dividends, averaging \$30m a year, are passed onto the Council. They have also provided significant capital for the Council to fund other projects.

### What does CCHL actually do?

Tasks that CCHL undertakes include:

- reviewing Statements of Intent provided by the CCTOs,
- reviewing periodic financial reporting by the CCTOs and reporting to the Council,

- selecting, appointing and evaluating chairpersons of subsidiary companies,
- recommending, through a robust and independent process, director appointments to subsidiary companies,
- capital structure reviews,
- monitoring business developments,
- assisting subsidiary boards with community issues,
- keeping well informed on strategic issues facing the sectors that the subsidiaries operate within,
- having strategic discussions with the chairs and boards of those subsidiaries, where appropriate,
- making opportunities for subsidiary boards to network and discuss developments in governance practice,
- dealing with other issues as they arise.

CCHL also undertakes borrowing in the capital markets to meet the Council's debt requirements, and is party to a \$100 million commercial paper programme and \$250 million medium term note programme. A separate Information Memorandum in respect of these programmes is available.

CCHL is accountable to the Council through a number of mechanisms, including:

- Negotiation of an annual Statement of Intent;
- Council appointment of directors (six councillors and three external);
- Regular reporting to the Council's Strategy & Finance Committee;
- Publication of six monthly and annual reports.

Neither CCHL nor the Council plays any part in the management of the CCTOs and other companies – this is solely the prerogative of their respective Boards and management, who are charged with running their businesses in a commercial manner, and on an arm's length basis from CCHL and the Council.

### Why does the Council retain ownership?

The Council has an interest in ensuring that the region's strategic assets are operated in a commercial manner, but also in a way that is beneficial for the region as a whole. Through Statements of Intent, the Council is able to establish broad parameters reflecting the public nature of these assets, but without inhibiting proper commercial management.

CCHL endeavours to ensure that the city's commercial assets have best practice governance and commercial expertise at board level.

From a financial perspective, the income stream from the CCTOs enables CCHL to pay dividends to the Council averaging some \$30 million a year, hence diversifying the Council's income and helping reduce rates by 15% plus a year. Past capital returns through the trading companies have allowed the Council to make further major investments in community assets, such as the Art Gallery, without a significant impact on rates.

## Introduction

Additionally, returns of capital and special dividends of \$432 million over the last ten years have provided significant capital for the Council to fund other projects.

The CCHL group companies have generated average shareholder returns, including capital growth, for the ratepayers of 19% per annum since 1995. The total assets of the CCHL group exceed \$1.2 billion.

### Who manages CCHL's operations?

The CCHL Board currently comprises six Councillors and three externally-appointed directors. As at 30 June 2004 the directors were:

**Paddy Austin**, PhD (Chairperson)

**Oscar Alpers**, LLB, Notary Public

**Craig Boyce**, BCom, FCA FNZIM, FIOD

**Pat Harrow**, Dip Hort

**Bruce Irvine**, Bcom, LLB, CA

**Alister James**, LLB, QSO

**Garry Moore**, ACA, FNZIM

**Barbara Stewart**

**David Stock**, LLB

The Chief Executive officer of CCHL is Bob Lineham, who is also the Council's Director of Strategic Investments. He is assisted by Council staff. CCHL also uses specialist external advice where required.

### Summary Financial Report

This summary financial report and its specific disclosures are derived from the full financial report of Christchurch City Holdings Limited (CCHL) for the year ended 30 June 2004, and was authorised for issue by the Board of CCHL on 3 November 2004.

Readers should be aware that this summary financial report cannot be expected to provide as complete an understanding as is provided by CCHL's full financial and annual report. The full CCHL financial report is available on request (see contact details on page 8).

The full CCHL financial report for the year ended 30 June 2004 was audited by Audit New Zealand, on behalf of the Office of the Auditor-General, and received an unqualified audit report.

Audit New Zealand has reviewed this summary financial report, and has confirmed that the information provided is consistent with the full financial report.

## Financial Summary

### of the CCHL parent company

<b>Statement of Financial Performance</b>	<b>2004</b>	<b>2003</b>
(what CCHL earned and where it went)	<b>\$m</b>	<b>\$m</b>
<b>Operating revenue (what CCHL received):</b>		
Dividends received from the group companies	74.6	41.9
Interest received and other income	5.7	5.7
= Total income to the company	80.3	47.6
<b>Less: What CCHL paid:</b>		
Interest on borrowings and other expenses	12.9	13.2
= Profit before income tax	<b>67.4</b>	<b>34.4</b>
Income tax	0.1	0.2
<b>Leaving a net profit after income tax for the year of</b>	<b>67.3</b>	<b>34.2</b>
Add: Revaluation of CCHL's investments in its trading companies	( 36.2)	126.3
= total recognised revenues and expenses	31.1	160.5
Less: Dividends paid to the Council	( 64.3)	( 32.3)
<b>= Net increase/(decrease) in CCHL's equity for the year</b>	<b>( 33.2)</b>	<b>128.2</b>
Add: CCHL's equity at the start of the year	848.5	720.3
<b>= CCHL's equity at the end of the year</b>	<b>815.3</b>	<b>848.5</b>

<b>Statement of Financial Position</b>	<b>2004</b>	<b>2003</b>
(assets and liabilities of the company)	<b>\$m</b>	<b>\$m</b>
<b>What CCHL owns</b>		
Cash and other current assets	19.5	30.6
Loans to the Council	60.4	59.9
Investments in the trading companies	894.9	934.7
	974.8	1,025.2
<b>Less: What CCHL owes</b>		
Borrowings from banks and other lenders	153.9	163.4
Other liabilities	5.6	13.3
	159.5	176.7
<b>= Net assets</b>	<b>815.3</b>	<b>848.5</b>
(what the company owns after deducting what it owes)		

<b>Statement of Cash Flows</b>	<b>2004</b>	<b>2003</b>
(cash that CCHL received or paid)	<b>\$m</b>	<b>\$m</b>
re its operating activities (dividends received less expenses)	67.9	34.5
re its investing activities (loans repaid etc)	3.0	12.6
re its financing activities (dividends paid, borrowing etc)	( 81.3)	( 48.0)
	( 10.4)	( 0.9)
Add: Cash at the start of the year	28.8	29.7
<b>= Cash at the end of the year</b>	<b>18.4</b>	<b>28.8</b>

## Financial Summary

### of the whole CCHL group

#### Consolidated Statement of Financial Performance

(what all the CCHL group companies earned and where it went)	2004 \$m	2003 \$m
Operating revenues	374.2	351.0
Interest received and other income	12.5	15.6
	<u>386.7</u>	<u>366.6</u>
<b>Less: What the group companies paid</b>		
Less: Operating costs	221.6	195.2
Less: Interest, depreciation and other costs	98.2	83.2
= Net profit before income tax	<u>66.9</u>	<u>88.2</u>
Less: Income tax	32.7	37.0
<b>= Net profit after income tax of the whole group</b>	<b><u>34.2</u></b>	<b><u>51.2</u></b>
Less: attributable to the minority shareholders of subsidiary companies	( 9.1)	( 11.0)
<b>= Net profit after income tax attributable to CCHL</b>	<b><u>25.1</u></b>	<b><u>40.2</u></b>
Add: Revaluations of assets, minority interests and other movements	74.1	145.4
= total recognised revenues and expenses of the group	<u>99.2</u>	<u>185.6</u>
Less: Dividends paid to the Council and other shareholders	( 78.7)	( 43.3)
<b>= Net increase/(decrease) in the group's equity for the year</b>	<b><u>20.5</u></b>	<b><u>142.3</u></b>
Add: Group's equity at the start of the year	741.1	598.8
<b>= Equity of the whole group at the end of the year</b>	<b><u>761.6</u></b>	<b><u>741.1</u></b>

#### Consolidated Statement of Financial Position

(assets and liabilities of all the CCHL group companies)	2004 \$m	2003 \$m
<b>What all the group companies own</b>		
Cash and other current assets	63.9	70.4
Fixed assets	1,056.6	980.5
Investments, loans and other non-current assets	165.1	164.6
	<u>1,285.6</u>	<u>1,215.5</u>
<b>Less: What all the group companies owe</b>		
Creditors and other liabilities	126.5	132.4
Borrowings	397.5	342.0
	<u>524.0</u>	<u>474.4</u>
<b>= Net assets</b>	<b><u>761.6</u></b>	<b><u>741.1</u></b>
(what the company owns after deducting what it owes)		
<b>The group equity belongs to:</b>		
CCHL	626.2	613.4
Other minority shareholders in subsidiary companies	135.4	127.7
<b>Total group equity as above</b>	<b><u>761.6</u></b>	<b><u>741.1</u></b>

#### Consolidated Statement of Cash Flows

(cash flows of the CCHL group companies)	2004 \$m	2003 \$m
<b>Cash that the companies received or paid:</b>		
re operating activities	97.5	102.8
re investing activities (including fixed asset purchases)	( 73.9)	( 135.5)
re their financing activities	( 32.8)	28.9
	<u>( 9.2)</u>	<u>( 3.8)</u>
Add: Cash at the start of the year	29.5	33.3
Other adjustments	0.1	0.0
<b>= Cash at the end of the year</b>	<b><u>20.4</u></b>	<b><u>29.5</u></b>

## Summarised Notes to the Financial Statements

### Commitments

The group has capital commitments of \$35.8 million (2003: \$37.4 million) and lease commitments of \$4.7 million (2003: \$3.1 million). The parent company has none.

Additionally, Lyttelton Port Company Ltd (LPC) has entered into a 15 year coal handling agreement with Solid Energy NZ Ltd, which involves certain commitments and obligations, details of which are provided in the full CCHL and LPC annual reports.

### Contingent liabilities and assets

The group has contingent liabilities in respect of contract performance bonds of \$3.1 million (2003: \$2.4 million).

### Related party transactions

In the 2004 and 2003 financial years, related party transactions principally related to dividends, subvention payments and loan principal and interest paid between group companies and the Council.

### Off balance sheet risk

The group companies have entered into various interest rate swaps and forward rate agreements to manage interest rate exposure.

### Performance information

	<b>2004 Actual \$m</b>	<b>2004 Target \$m</b>
<b>Returns to Christchurch City Council</b>		
Dividend - ordinary	25.8	28.2
Dividend - special	38.5	-
Total dividend to Council	64.3	28.2
Repayment of capital	-	-

### Financial targets for the CCHL parent company

Net profit before tax	67.4	29.3
Net profit after tax	67.3	29.3
Net debt/net debt plus equity	14.3%	18.1%
Interest cover (times)	6.8	3.5
Return on average equity	8.1%	4.1%

### Financial targets for the whole CCHL group

Net profit before tax	66.9	83.7
Net profit after tax	34.2	29.9
Net debt/net debt plus equity	33.1%	32.2%
Interest cover (times)	3.9	4.5
EBIT/closing assets	7.0%	8.9%
Return on average equity	4.5%	4.9%

## Introduction



Audit New Zealand

### AUDIT REPORT TO THE READERS OF CHRISTCHURCH CITY HOLDINGS LIMITED AND GROUP'S SUMMARY FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

We have audited the summary financial statements as set out on pages 5 to 7.

#### Unqualified opinion

In our opinion, the information reported in the summary financial statements complies with FRS-39: Summary Financial Reports and is consistent with the full financial statements from which it is derived and upon which we expressed an unqualified audit opinion in our report dated 14 September 2004.

#### Basis of opinion

Our audit was conducted in accordance with the Auditor-General's Auditing Standards, which include New Zealand Auditing Standards.

#### Responsibilities of the Board of Directors and the Auditor

The Board of Directors is responsible for preparing the summary financial statements and we are responsible for expressing an opinion on those statements.

#### Independence

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

In addition to the audit, we carried out assurance related assignments for subsidiaries within the group which are compatible with those independence requirements. Other than the audit and these assignments, we have no relationship with or interests in the company or any of its subsidiaries.

D Menon  
Audit New Zealand  
On behalf of the Auditor-General  
Christchurch, New Zealand  
3 November 2004

#### How can I contact CCHL?

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Telephone	(03) 941 8475
Fax	(03) 941 8572
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Web	www.ccc.govt.nz/cchl

Further information about the other group companies can be found at:

Orion New Zealand Ltd [www.oriongroup.co.nz](http://www.oriongroup.co.nz)

Christchurch International Airport Ltd  
[www.christchurch-airport.co.nz](http://www.christchurch-airport.co.nz)

Lyttelton Port Company Ltd [www.lpc.co.nz](http://www.lpc.co.nz)

Red Bus Ltd [www.redbus.co.nz](http://www.redbus.co.nz)

City Care Ltd [www.citycare.co.nz](http://www.citycare.co.nz)

Selwyn Plantation Board Ltd [www.spbl.co.nz](http://www.spbl.co.nz)

Jade Stadium Ltd [www.jadestadium.co.nz](http://www.jadestadium.co.nz)