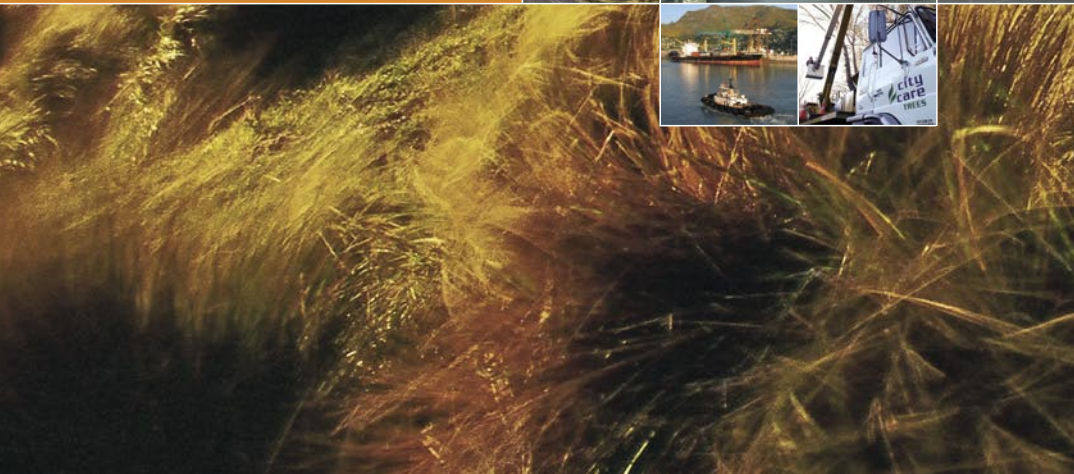
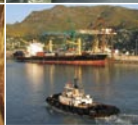




**cchl**  
summary  
financial report

CHRISTCHURCH CITY HOLDINGS LIMITED  
A wholly-owned subsidiary of Christchurch City Council

For the year ended 30 June 2006

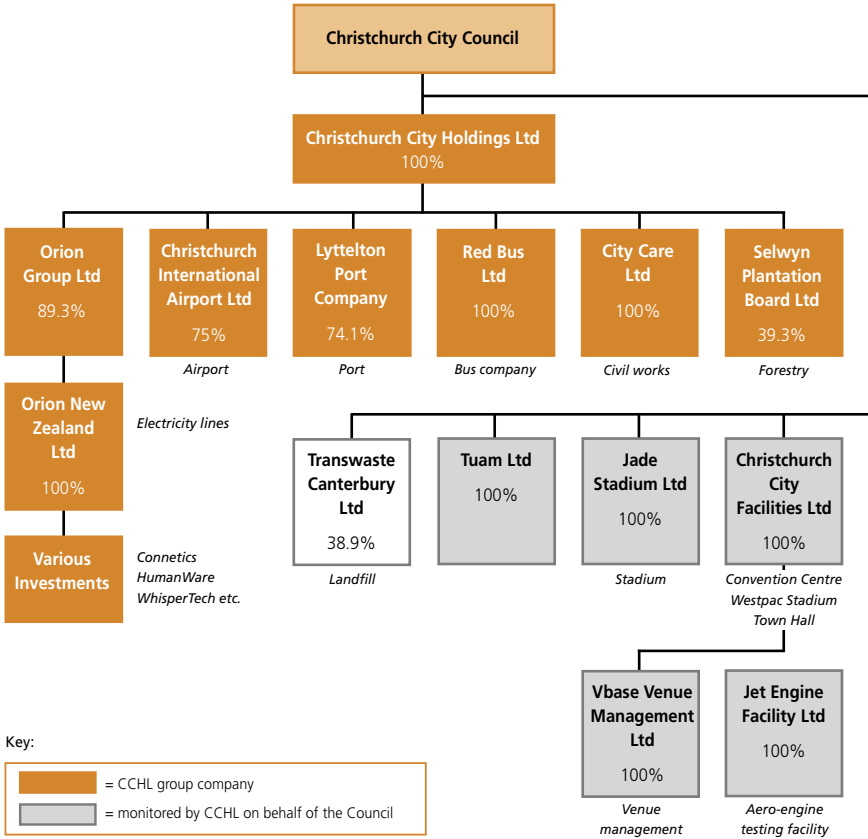


# Introduction

## 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 and their subsidiaries.

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 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 \$1,094 million. Standard and Poor's, an international credit rating agency, has assessed CCHL's credit rating at AA+ (although currently on credit watch), making CCHL one of the highest-rated companies in New Zealand.

The trading companies pay regular dividends to CCHL. These 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 ?

Historically, CCHL's key functions in relation to its governance responsibilities have included:

- 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,
- initiating opportunities in infrastructure development,
- making opportunities for subsidiary boards to network and discuss developments in governance practice,
- dealing with other issues as they arise.

As signalled in the current Statement of Intent, CCHL believes it can now play a more proactive role in supporting the Council's aim of making Christchurch a "world class boutique city". In addition to its core role of monitoring the Council's existing commercial investments, CCHL's goal is now to:

**"invest in, and promote the establishment of, key infrastructure assets in a commercially viable manner..."**

This more proactive role for the company has implications in terms of its structure and capabilities, and these areas are currently being reviewed.

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

CCHL also undertakes borrowing in the capital markets to meet the Council's debt requirements.

### 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 of over \$30 million a year, hence diversifying the Council's income and helping reduce rates by 15% plus a year. Additionally, capital returns and special dividends of \$450 million over the last 11 years have allowed the Council to make major investments in community assets, such as the Art Gallery, without a significant impact on rates.

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 are \$1.6 billion.

### Who manages CCHL's operations?

The CCHL Board currently comprises four Councillors and four externally-appointed directors. As at 30 June 2006 the directors were:

Paddy Austin, PhD (Chairperson)

Craig Boyce, BCom, FACA FNZIM, FIOD

Graham Condon

Barry Corbett

Bruce Irvine, Bcom, LLB, FCA

Garry Moore, CA, FNZIM

Bill Dwyer, LLB (Hons), B.Ed

Sue Wells, BA

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 2006, and was authorised for issue by the Board of CCHL on 18 October 2006.

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 2006 was audited by Audit New Zealand, on behalf of the Office of the Auditor-General, and received an unqualified audit report.

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

## Financial Summary of the CCHL parent company

### Statement of Financial Performance

(what CCHL earned and where it went)

#### Operating revenue (what CCHL received):

Interest received and other income

= Total income to the company

#### Less: What CCHL paid:

Interest on borrowings and other expenses

= Profit before income tax

Income tax

#### Leaving a net profit after income tax for the year of

Add: Revaluation of CCHL's investments in its trading companies

= total recognised revenues and expenses

Less: Dividends paid to the Council

#### = Net increase/(decrease) in CCHL's equity for the year

Add: CCHL's equity at the start of the year

#### = CCHL's equity at the end of the year

	2006 \$m	2005 \$m
Operating revenue (what CCHL received):	36.8	47.0
Interest received and other income	6.2	8.6
= Total income to the company	43.0	55.6
Less: What CCHL paid:		
Interest on borrowings and other expenses	13.4	12.3
= Profit before income tax	29.6	43.3
Income tax	0.1	-
Leaving a net profit after income tax for the year of	29.5	43.3
Add: Revaluation of CCHL's investments in its trading companies	269.8	10.0
= total recognised revenues and expenses	299.3	53.3
Less: Dividends paid to the Council	(47.3)	(30.0)
= Net increase/(decrease) in CCHL's equity for the year	252.0	23.3
Add: CCHL's equity at the start of the year	838.6	815.3
= CCHL's equity at the end of the year	<b>1,090.6</b>	<b>838.6</b>

### Statement of Financial Position (assets and liabilities of the company)

#### What CCHL owns

Cash and other current assets

Loans to the Council

Investments in the trading companies and other assets

#### Less: What CCHL owes

Borrowings from banks and other lenders

Other liabilities

#### = Net assets (what the company owns after deducting what it owes)

	\$m	\$m
Cash and other current assets	25.4	23.3
Loans to the Council	87.5	71.6
Investments in the trading companies and other assets	1,206.3	907.4
	1,319.2	1,002.3
Less: What CCHL owes		
Borrowings from banks and other lenders	225.0	153.3
Other liabilities	3.6	10.4
	228.6	163.7
= Net assets (what the company owns after deducting what it owes)	<b>1,090.6</b>	<b>838.6</b>

### Statement of Cash Flows

#### Cash that CCHL received or paid:

re its operating activities (dividends received less expenses)

re its investing activities (share purchases, loans made etc)

re its financing activities (dividends paid, borrowing etc)

Add: Cash at the start of the year

#### = Cash at the end of the year

	\$m	\$m
re its operating activities (dividends received less expenses)	29.9	42.4
re its investing activities (share purchases, loans made etc)	(45.2)	(13.7)
re its financing activities (dividends paid, borrowing etc)	17.5	(25.3)
	2.2	3.4
Add: Cash at the start of the year	21.8	18.4
= Cash at the end of the year	<b>24.0</b>	<b>21.8</b>

## Financial Summary of the whole CCHL group

### Consolidated Statement of Financial Performance (what all the CCHL group companies earned and where it went)

#### What the group companies received:

	2006 \$m	2005 \$m
Operating revenues	466.3	408.2
Interest received and other income	25.2	40.6
	491.5	448.8

#### Less: What the group companies paid

Less: Operating costs	373.6	320.5
Less: Interest	26.5	28.2
= Net profit before income tax	91.4	100.1
Less: Income tax	36.7	33.9

#### = Net profit after income tax of the whole group

	<b>54.7</b>	<b>66.2</b>
--	-------------	-------------

Less: attributable to the minority shareholders of subsidiary companies

	( 10.5)	( 13.5)
--	---------	---------

#### = Net profit after income tax attributable to CCHL

	<b>44.2</b>	<b>52.7</b>
--	-------------	-------------

Add: Revaluations of assets, minority interests and other movements

	( 8.9)	188.7
--	--------	-------

= total recognised revenues and expenses of the group

	35.3	241.4
--	------	-------

Less: Dividends paid to the Council and other shareholders

	( 56.9)	( 39.6)
--	---------	---------

= Net increase/(decrease) in the group's equity for the year

	<b>( 21.6)</b>	<b>201.8</b>
--	----------------	--------------

Add: Group's equity at the start of the year

	963.4	761.6
--	-------	-------

= Equity of the whole group at the end of the year

	<b>941.8</b>	<b>963.4</b>
--	--------------	--------------

### Consolidated Statement of Financial Position

(assets and liabilities of all the CCHL group companies)

#### What all the group companies own

	\$m	\$m
Cash and other current assets	79.4	93.5
Property, plant and equipment	1,335.5	1,278.5
Investments, loans and other non-current assets	148.6	124.4
	1,563.5	1,496.4

#### Less: What all the group companies owe

Creditors and other liabilities	153.2	155.4
Borrowings	468.5	377.6
	621.7	533.0

= Net assets

(what the company owns after deducting what it owes)

The group equity belongs to:

CCHL	785.3	785.2
Other minority shareholders in subsidiary companies	156.5	178.2
<b>Total group equity as above</b>	<b>941.8</b>	<b>963.4</b>

### Consolidated Statement of Cashflows

(cash flows of the CCHL group companies)

#### Cash that the companies received or paid:

operating activities

	113.4	104.2
--	-------	-------

re investing activities (including fixed asset purchases)

	( 128.2)	( 47.6)
--	----------	---------

re their financing activities

	23.6	( 57.1)
--	------	---------

	8.8	( 0.5)
--	-----	--------

Add: Cash at the start of the year

	26.9	20.4
--	------	------

Other adjustments

	( 9.5)	7.0
--	--------	-----

= Cash at the end of the year

	<b>26.2</b>	<b>26.9</b>
--	-------------	-------------

## Summarised Notes to the Financial Statements

### Commitments

The group has capital commitments of \$35.1 million (2005: \$19.0 million) and lease commitments of \$3.8 million (2005: \$4.5 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 \$5.1 million (2005: \$4.4 million).

### Related party transactions

In the 2006 and 2005 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

#### Returns to Christchurch City Council

	2006 Actual \$m	2006 Target \$m
Dividend - ordinary	29.4	30.0
Dividend - special	17.9	-
Total dividend to Council	47.3	30.0
Repayment of capital	-	-

#### Financial targets for the CCHL parent company

Net profit before tax	29.6	30.6
Net profit after tax	29.6	30.6
Net debt/net debt plus equity	15.6%	15.1%
Interest cover	3.7	4.0
Return on average equity	3.1%	3.7%

#### Financial targets for the whole CCHL group

Net profit before tax	91.4	91.2
Net profit after tax	54.7	53.6
Net debt/net debt plus equity	31.9%	39.7%
Interest cover	4.4	3.7
EBIT/closing assets	7.5%	8.8%
Return on average equity	5.7%	7.0%

## Report of the Auditor-General

AUDIT NEW ZEALAND  
 Mana Arotake Aotearoa

### AUDIT REPORT TO THE READERS OF CHRISTCHURCH CITY HOLDINGS LIMITED AND GROUP'S SUMMARY FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

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 2006.

#### Basis of opinion

Our audit was conducted in accordance with the Auditor-General's Auditing Standards, which include the 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 Christchurch City Holdings Limited and 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.

#### Matters relating to the electronic presentation of the audited summary financial statements

This audit report relates to the summary financial statements of Christchurch City Holdings Limited for the year ended 30 June 2006 included on Christchurch City Holdings Limited's web site. The company's Board is responsible for the maintenance and integrity of the Christchurch City Holdings Limited's web site. We have not been engaged to report on the integrity of Christchurch City Holdings Limited's web site. We accept no responsibility for any changes that may have occurred to the summary financial statements since they were initially presented on the web site. The audit report refers only to the summary financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these summary financial statements. 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 summary financial statements and related audit report dated 18 October 2006 to confirm the information included in the audited summary financial statements presented on this web site.

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



S M Tobin  
 Audit New Zealand  
 On behalf of the Auditor-General  
 Christchurch, New Zealand  
 18 October 2006

## How can I contact CCHL?

#### Street address

163-173 Tuam Street

#### Postal address

PO Box 237 Christchurch

**Telephone** (03) 941 8475

**Fax** (03) 941 8572

**Email** cchl@ccc.govt.nz

**Web** www.ccc.govt.nz/cchl

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

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

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

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



CHRISTCHURCH CITY HOLDINGS LIMITED  
 A wholly-owned subsidiary of Christchurch City Council