

cchl

CHRISTCHURCH CITY HOLDINGS LIMITED

Unaudited financial statements

The directors are pleased to present the unaudited financial statements of Christchurch City Holdings Ltd for the six months ended 31 December 2008



Director
27 February 2009



Director
27 February 2009

Christchurch City Holdings Ltd

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Directory

Registered Office

163 Tuam Street
Christchurch

Directors

B R Irvine (Chairman)
S L Astor
B A Corbett
W J Dwyer
R J Parker
A J Pearce
R A Shearing
S A Wells

Bankers

Bank of New Zealand, Christchurch
Westpac Institutional Bank, Wellington
ANZ National Bank Ltd, Wellington

Solicitors

Chapman Tripp
Christchurch

Auditors

Audit New Zealand (on behalf of the
Controller and Auditor-General)
Christchurch

Ownership

100% owned by Christchurch City Council

Chairman's review

I have pleasure in presenting the unaudited financial statements of the CCHL group and parent company for the six months ended 31 December 2008.

Financial

Group

The consolidated profit for the half year to 31 December 2008 was \$65.1 million, compared with \$69.2 million in the previous equivalent period.

Total group income increased by 13% to \$331.6 million. While all operating companies recorded improved revenues, Orion Group Ltd and City Care Ltd were the main contributors to this increase. These revenue increases have not flowed through to a corresponding increase in net profit for the period, primarily as a result of adjustments to deferred tax in the previous equivalent period following the change in corporate tax rate from 33% to 30%.

Several group companies use interest rate swaps as a means of managing their borrowing costs. The recent significant decline in prevailing interest rates has meant that these swaps have also fallen in value – a trend which has continued since balance date. As the group employs hedge accounting, the reduction in value has been reflected through equity rather than the income statement.

Parent

The parent company's profit for the period was \$28.4 million, slightly down on the \$30.6 million recorded in the previous half year. The lower profit mainly reflects reduced grants from the Ministry of Economic Development under the Broadband Challenge. The period in review saw the final payments under this project following the achievement by subsidiary Christchurch City Networks Ltd of its final milestones. There were also slight timing differences in dividend payments from subsidiaries.

During the period CCHL acquired more shares in Lyttelton Port Company Ltd, increasing its holding from 75.1% to 78.3%, as part of CCHL's strategy to ultimately de-list the company.

Operations

Orion Group Ltd

Orion Group Ltd's ('Orion's') electricity distribution network continues to perform well, with the snowstorms in Orion's region having minimal impact on network reliability. Orion therefore expects to achieve its reliability targets for the full year.

Major network projects in the current financial year include an upgrade of Middleton district substation from 33kV to 66kV, commissioning a new district substation to support the new Synlait milk processing plant at Dunsandel, a new 66kV line between Brookside and Springston, a new district substation east of Rolleston and the replacement of 11kV switchgear at Transpower's Papanui grid exit point.

Following recent amendments to the Commerce Act, regulatory issues continue to be a key focus for Orion, given the impact these can have on the business and on shareholder value.

Christchurch International Airport Ltd

Christchurch International Airport Ltd ('CIAL') had a solid half year, with improved revenues and profits. Domestic passenger numbers were up 8.1% on the previous equivalent period. However, international passenger numbers fell 4%, reflecting global economic conditions, and this trend is expected to continue for the rest of the year.

CIAL management have a number of major projects in train, including the planned redevelopment of the airport and its funding, the setting of aeronautical charges, the revision of noise contours to protect the airport's ability to operate on a 24 hour, 7 day a week basis, and development of its property portfolio. Following the recent resignation of CIAL Chief Executive Renee Bakx, Board member Jim Boulton has stepped into the role until a permanent successor is appointed.

Lyttelton Port Company Ltd

Lyttelton Port Company Ltd's profit for the half year was \$5.5 million, up from \$4.9 million in the previous equivalent period.

Key factors contributing to the improved result were a 5.7% increase in total container volumes and reduced maintenance costs following the completion of a two year deferred wharf maintenance programme.

Highlights for the period included the completion of the oil berth upgrade, advances in planning related to a capital dredging resource consent and potential coal stockyard expansion and the announcement of merger talks with Port Otago Ltd.

Christchurch City Networks Ltd

Christchurch City Networks Ltd ('CCNL') had a successful period, with a net profit of \$0.9 million, compared with a loss of \$0.1 million in the previous period. The result was boosted by a major contract with Transpower to provide fibre services. The company also secured another major contract with NZ Communications.

The Government is currently assessing its policy with regard to the rollout of broadband on a national basis, having abandoned the Broadband Investment Fund initiative of its predecessor. CCNL has already briefed the Minister with regard to its business model and capabilities, and is currently assessing opportunities under the new business environment.

Red Bus Ltd

Red Bus Ltd also performed well in the six months to 31 December 2008, with a profit for the period of \$2.0 million, compared with \$1.3 million in the previous half year. The period was relatively stable, enabling the company to focus on business improvements before entering several major route tenders over the next few months.

Patronage growth over the Christchurch urban passenger network improved by some 7% over the previous equivalent period.

City Care Ltd

City Care Ltd generated a significant increase in revenue, up from \$50.4 million to \$66.4 million, reflecting good work volumes from new contracts as well as existing contracts. Margins have tightened, however, with net profit for the half year of \$1.1 million only just up from the \$1.0 million (before one-off gains on the sale of property) recorded in the previous period.

City Care Ltd have continued to grow and develop their North Island operations.

Selwyn Plantation Board Ltd

Selwyn Plantation Board Ltd, in which CCHL has a minority interest, recorded a small profit for the period. It has cleared its plains forests and converted the land to farming. It has contracted out its remaining forestry operations to PF Olsen Ltd.

Vbase Ltd

Vbase Ltd, which is owned by the Council but monitored by CCHL, had a successful half year, with above budget revenues and results. The Convention Centre was operating at capacity for the majority of the first four months of the year, the Westpac Arena traded steadily, with trade shows continuing to be the backbone of its business, and AMI Stadium membership levels are at record levels with no vacant suites at the stadium.

Outlook

The group faces significant challenges from potentially worsening economic conditions. However, it is financially strong and has the potential to play a significant role in assisting the region lead a recovery through being prepared to commit resources now in investing for the future in key infrastructure.

Acknowledgments

I would like to acknowledge the very significant contributions made by the boards, management and staff of the CCHL group companies.

A handwritten signature in black ink, appearing to read 'Bruce Irvine', with a large, sweeping initial 'B'.

Bruce Irvine
Chairman

Income statement

For the six months ended 31 December 2008

	6 months 31 Dec 08 Group \$'000	6 months 31 Dec 07 Group \$'000	Full year 30 Jun 08 Group \$'000	6 months 31 Dec 08 Parent \$'000	6 months 31 Dec 07 Parent \$'000	Full year 30 Jun 08 Parent \$'000
Operating and other revenue	327,073	282,696	526,206	31,763	32,343	59,279
Finance income	3,758	4,514	9,544	3,661	4,385	8,812
Other gains and losses	806	4,886	7,725	401	1,799	(43)
Total income	331,637	292,096	543,475	35,825	38,527	68,048
Depreciation and amortisation	36,887	34,658	69,635	-	-	-
Finance costs	13,450	14,112	29,038	6,459	7,217	15,192
Personnel costs	60,874	52,419	134,379	260	235	445
Other expenses	126,365	98,993	183,026	603	465	933
Total operating expenses	237,576	200,182	416,078	7,322	7,917	16,570
Share of (losses)/profits of associates	48	260	(2,136)	-	-	-
Profit before income tax expense	94,109	92,174	125,261	28,503	30,610	51,478
Income tax expense/(credit)	29,056	22,961	33,910	84	36	(23)
Profit for the period	65,053	69,213	91,351	28,419	30,574	51,501
Attributable to:						
Minority interest	9,169	8,605	14,012	-	-	-
Parent entity	55,884	60,608	77,339	28,419	30,574	51,501
	65,053	69,213	91,351	28,419	30,574	51,501

The accompanying notes form part of these financial statements

Statement of changes in equity

For the six months ended 31 December 2008

	6 months 31 Dec 08 Group \$'000	6 months 31 Dec 07 Group \$'000	Full year 30 Jun 08 Group \$'000	6 months 31 Dec 08 Parent \$'000	6 months 31 Dec 07 Parent \$'000	Full year 30 Jun 08 Parent \$'000
Opening equity	1,404,455	1,367,725	1,367,725	1,380,312	1,158,741	1,158,741
Impairment losses	-	-	(246)	-	-	-
Impact of tax rate change on deferred tax liability	-	-	(6,967)	-	-	-
Fair value through equity valuation gain/(loss)	-	(2,402)	(2,614)	24,440	9,911	204,183
Cash flow hedges gain/(loss) taken to equity	(24,450)	31	(5,539)	(13,772)	(174)	(2,157)
Translation of foreign exchange differences taken to equity	-	(185)	(257)	-	-	-
Deferred tax on items taken directly to equity	-	(6,304)	2,179	-	-	645
Transfers and other	-	(232)	(22)	-	-	-
Share of increment in reserves attributable to associates	-	-	1,484	-	-	-
Net income recognised directly in equity	<u>(24,450)</u>	<u>(9,092)</u>	<u>(11,982)</u>	<u>10,668</u>	<u>9,737</u>	<u>202,671</u>
Profit for the period	65,053	69,213	91,351	28,419	30,574	51,501
Total recognised income and expense	<u>40,603</u>	<u>60,121</u>	<u>79,369</u>	<u>39,087</u>	<u>40,311</u>	<u>254,172</u>
Dividends	(26,428)	(31,015)	(41,273)	(22,000)	(27,000)	(32,601)
Adjustment from share acquisitions	(4,014)	-	(1,366)	-	-	-
Closing equity	<u>1,414,616</u>	<u>1,396,831</u>	<u>1,404,455</u>	<u>1,397,399</u>	<u>1,172,052</u>	<u>1,380,312</u>

The accompanying notes form part of these financial statements

Balance sheet

As at 31 December 2008

	31 Dec 08	31 Dec 07	30 Jun 08	31 Dec 08	31 Dec 07	30 Jun 08
	Group	Group	Group	Parent	Parent	Parent
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current assets						
Cash and cash equivalents	7,475	14,575	35,333	16,739	31,813	29,216
Debtors and other receivables	37,136	32,660	35,930	1,143	1,415	18,064
Derivative financial instruments	129	90	565	-	-	45
Other financial assets	14,041	17	16,687	14,041	17	4,900
Prepayments	2,414	1,958	2,419	15	13	37
Inventories	13,780	11,711	12,641	-	-	-
Current tax assets	2,086	-	2,587	-	-	-
Other	-	90	107	-	-	-
Total current assets	<u>77,061</u>	<u>61,101</u>	<u>106,269</u>	<u>31,938</u>	<u>33,258</u>	<u>52,262</u>
Non-current assets						
Debtors and other receivables	94	110	102	-	-	-
Inventories	784	618	784	-	-	-
Investments in associates	29,562	30,808	29,514	29,200	29,200	29,200
Derivative financial instruments	-	8,048	8,211	-	-	4,532
Other financial assets	74,881	98,686	86,878	1,547,501	1,335,395	1,523,454
Prepayments	574	-	574	-	-	-
Property, plant and equipment	1,895,381	1,842,000	1,871,218	-	-	-
Investment property	81,220	77,689	81,219	-	-	-
Intangible assets	7,618	5,645	6,848	-	-	-
Deferred tax assets	1,754	-	4,861	68	136	68
Goodwill	26,754	21,413	22,163	-	-	-
Other	-	-	322	-	-	-
Total non-current assets	<u>2,118,622</u>	<u>2,085,017</u>	<u>2,112,694</u>	<u>1,576,769</u>	<u>1,364,731</u>	<u>1,557,254</u>
Total assets	2,195,683	2,146,118	2,218,963	1,608,707	1,397,989	1,609,516
Current liabilities						
Creditors and other payables	50,084	38,195	57,347	1,646	3,171	8,740
Borrowings	132,102	12,327	140,061	41,900	-	74,864
Derivative financial instruments	228	3,741	228	-	-	-
Employee entitlements	19,217	16,247	19,450	-	-	33
Current tax liabilities	17,140	20,764	-	-	-	-
Provisions	-	-	567	-	-	-
Other	1,857	-	1,006	-	-	-
Total current liabilities	<u>220,628</u>	<u>91,274</u>	<u>218,659</u>	<u>43,546</u>	<u>3,171</u>	<u>83,637</u>
Non-current liabilities						
Borrowings	255,047	377,631	307,243	157,000	220,216	144,000
Derivative financial instruments	25,966	-	194	9,389	475	194
Employee entitlements	805	743	1,055	-	-	-
Deferred tax liabilities	270,851	271,294	280,138	1,373	2,075	1,373
Provisions	-	743	-	-	-	-
Other	7,770	7,602	7,219	-	-	-
Total non-current liabilities	<u>560,439</u>	<u>658,013</u>	<u>595,849</u>	<u>167,762</u>	<u>222,766</u>	<u>145,567</u>
Total liabilities	781,067	749,287	814,508	211,308	225,937	229,204
Net assets	<u>1,414,616</u>	<u>1,396,831</u>	<u>1,404,455</u>	<u>1,397,399</u>	<u>1,172,052</u>	<u>1,380,312</u>
Equity						
Capital and other equity instruments	71,435	71,435	71,435	71,435	71,435	71,435
Reserves	336,823	357,974	355,472	966,479	762,877	955,811
Retained earnings	760,645	719,008	729,960	359,485	337,740	353,066
Parent entity interest	1,168,903	1,148,417	1,156,867	1,397,399	1,172,052	1,380,312
Minority interest	245,713	248,414	247,588	-	-	-
Total equity	<u>1,414,616</u>	<u>1,396,831</u>	<u>1,404,455</u>	<u>1,397,399</u>	<u>1,172,052</u>	<u>1,380,312</u>

The accompanying notes form part of these financial statements

Cash flow statement

For the six months ended 31 December 2008

	6 months 31 Dec 08 Group \$'000	6 months 31 Dec 07 Group \$'000	Full year 30 Jun 08 Group \$'000	6 months 31 Dec 08 Parent \$'000	6 months 31 Dec 07 Parent \$'000	Full year 30 Jun 08 Parent \$'000
Cash flows from operating activities						
Receipts from customers and other sources	324,585	285,768	515,189	420	1,800	2,901
Interest received	4,175	4,315	9,404	3,906	4,312	8,710
Dividends received	-	573	623	48,278	32,791	39,080
Subvention receipts	-	-	-	-	-	1,231
Payments to suppliers and employees	(189,333)	(169,738)	(314,008)	(907)	(699)	(1,401)
Interest and other finance costs paid	(14,391)	(13,064)	(28,137)	(7,919)	(7,101)	(14,965)
Income tax paid	(11,624)	(3,804)	(31,985)	(84)	-	(141)
Subvention payments	-	-	(3,950)	-	-	-
Net cash provided by/(used in) operating activities	113,412	104,050	147,136	43,694	31,103	35,415
Cash flows from investing activities						
Payment for investment securities	-	(1,436)	(15,575)	(11,603)	(7,436)	(11,731)
Proceeds from sale of investment securities	3,000	16,139	6,216	3,000	10,800	-
Proceeds from repayment of related party loans	-	-	1,823	-	-	1,823
Payment for property, plant and equipment	(46,939)	(45,207)	(100,198)	-	-	-
Proceeds from sale of property, plant and equipment	806	1,744	2,191	-	-	-
Payment for intangible assets	(1,219)	(416)	(3,747)	-	-	-
Payment for goodwill	(4,591)	(150)	(1,332)	-	-	-
Other	(195)	54	7,467	-	-	8,041
Net cash (used in)/provided by investing activities	(49,138)	(29,272)	(103,155)	(8,603)	3,364	(1,867)
Cash flows from financing activities						
Proceeds from borrowing	35,879	2,000	19,559	30,000	(22)	-
Repayment of borrowings	(95,982)	(43,012)	(4,382)	(49,967)	-	(1,700)
Dividends paid	(27,601)	(27,000)	(27,000)	(27,601)	(27,000)	(27,000)
Dividends paid - minority interests	(4,428)	(4,015)	(8,649)	-	-	-
Net cash provided by/(used in) financing activities	(92,132)	(72,027)	(20,472)	(47,568)	(27,022)	(28,700)
Net increase in cash and cash equivalents	(27,858)	2,751	23,509	(12,477)	7,445	4,848
Cash and cash equivalents at beginning of year	35,333	11,824	11,824	29,216	24,368	24,368
Cash and cash equivalents at end of year	7,475	14,575	35,333	16,739	31,813	29,216

The accompanying notes form part of these financial statements

Notes to the financial statements

Note 1. Reporting entity

Christchurch City Holdings Ltd ('CCHL') is a wholly-owned subsidiary of Christchurch City Council, formed for the purpose of holding investments in subsidiary organisations. The company was incorporated on 12 May 1993, and commenced operations on 14 May 1993.

CCHL is a reporting entity for the purposes of the Financial Reporting Act 1993 and its financial statements comply with that Act. The reporting currency used in the preparation of these financial statements is New Zealand dollars.

The consolidated financial statements comprise CCHL, its subsidiaries ("the group") and the group's interest in associates and joint ventures.

Note 2. Basis of preparation

The financial statements for the period ended 31 December 2008 are unaudited.

The financial statements have been prepared in accordance with New Zealand Equivalents to International Financial Reporting Standards 34, Interim Financial Reporting, as adopted by the New Zealand Institute of Chartered Accountants, and should be read in conjunction with the audited financial statements for the year ended 30 June 2008.

The balance date of all subsidiary companies, other than Orion Group Ltd which has a balance date of 31 March, is 30 June. This interim report therefore includes the results of Orion Group Ltd for the six months to 30 September 2008, and the results of other subsidiaries for the six months to 31 December 2008.

The format of the financial statements has changed, with more detail now being presented. The comparative figures have been adjusted accordingly.

The accounting policies as published in the annual report for the year ended 30 June 2008 have been consistently applied in determining the earnings and cash flows for the six months ended 31 December 2008, and the financial position as at that date.

Note 3. Impact of seasonality on results

The profit for the period from Orion Group Ltd's electricity distribution operations is significantly affected by seasonality factors, as Orion's peak demand pricing during the winter months results in the significant majority of its annual net profits being earned during that period. There are no other material seasonality impacts in the group.

Note 4. Reconciliation of profit for the period with operating cash flows

	6 months 31 Dec 08 Group \$'000	6 months 31 Dec 07 Group \$'000	Full year 30 Jun 08 Group \$'000	6 months 31 Dec 08 Parent \$'000	6 months 31 Dec 07 Parent \$'000	Full year 30 Jun 08 Parent \$'000
Profit for the period	65,053	69,213	91,351	28,419	30,574	51,501
Add/(less) non-cash items						
Depreciation, amortisation and impairment expense	36,887	34,658	71,050	-	-	-
Donated and subsidised assets	(3,500)	(1,900)	(8,696)	-	-	-
Transferred from equity on realisation of available-for-sale assets	-	(2,780)	(2,614)	-	-	-
(Gains)/losses in fair value of investment property	-	-	(3,530)	-	-	-
(Gains)/losses in fair value of derivative financial instruments	402	-	(2,835)	-	-	43
Share of associates' loss/(profit) (less dividends)	(48)	(260)	2,136	-	-	-
Net foreign exchange (gains)/losses	-	-	(10)	-	-	-
Deferred tax charged/(credited) to income	255	(9,130)	4,086	-	36	(23)
Deferred tax adjustment	-	-	(6,789)	-	-	-
Other	(49)	(153)	883	-	-	92
	<u>33,947</u>	<u>20,435</u>	<u>53,681</u>	<u>-</u>	<u>38</u>	<u>112</u>
Add/(less) items classified as investing or financing activities						
(Gain)/loss on disposal of non-current assets	(49)	(549)	(1,360)	-	-	-
Dividend accrued at previous period end	5,601	-	(5,601)	5,601	-	(5,601)
Movement in capital creditors	105	-	-	-	-	-
	<u>5,657</u>	<u>(549)</u>	<u>(6,961)</u>	<u>5,601</u>	<u>-</u>	<u>(5,601)</u>
Add/(less) movement in working capital items						
Current trade and other receivables	(1,206)	984	(2,661)	-	375	(16,311)
Current inventories	(1,139)	(2,836)	(3,764)	-	-	-
Current prepayments	5	834	373	22	-	-
Income tax receivable	501	1,777	(913)	-	-	-
Other current assets	107	-	820	16,780	-	(5)
Non-current receivables	8	7	15	-	-	-
Non-current inventories	-	107	(59)	-	-	-
Current payables	(7,263)	(5,237)	7,531	(7,095)	116	5,723
Current provisions and employee benefits	(800)	(2,036)	8,663	(33)	-	(4)
Income tax payable	17,140	20,764	-	-	-	-
Other current liabilities	851	274	102	-	-	-
Non-current provisions	-	-	(729)	-	-	-
Other non-current liabilities	551	313	(313)	-	-	-
Net changes in net assets and liabilities	<u>8,755</u>	<u>14,951</u>	<u>9,065</u>	<u>9,674</u>	<u>491</u>	<u>(10,597)</u>
Net cash from operating activities	<u>113,412</u>	<u>104,050</u>	<u>147,136</u>	<u>43,694</u>	<u>31,103</u>	<u>35,415</u>

Note 5. Contingent liabilities

The contingent liabilities of the group as disclosed in Note 34 of the annual report for the year ended 30 June 2008 are materially the same as at 31 December 2008.

Note 6. Events subsequent to balance date

There were no significant events subsequent to balance date requiring disclosure up to the date of authorisation of these financial statements.