

cchl

CHRISTCHURCH CITY HOLDINGS LIMITED

Unaudited financial report

The directors are pleased to present the unaudited financial report of Christchurch City Holdings Limited for the six months ended 31 December 2007



Director
Christchurch
19 March 2008



Director
Christchurch
19 March 2008

CHRISTCHURCH CITY HOLDINGS LIMITED

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DIRECTORY

REGISTERED OFFICE

163 Tuam Street
Christchurch
New Zealand

DIRECTORS

B R Irvine (Chair)
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 Limited, Wellington

SOLICITORS

Chapman Tripp
Christchurch

AUDITORS

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

OWNERSHIP

Christchurch City Council – 100%

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 2007.

Financial

Group

The consolidated profit for the half year to 31 December 2007 was \$69.2 million, up slightly from the \$68.2 million recorded in the previous equivalent reporting period. All of the trading companies reported satisfactory results, with Lyttelton Port Company Ltd in particular recording an improved performance over the previous period.

Group assets have increased significantly since 31 December 2006, from \$1.6 billion to \$2.1 billion, principally as a result of asset revaluations by Christchurch International Airport Ltd and Orion Group Ltd at their year end balance dates.

CCHL remains conservatively geared following the above-noted asset revaluations and provided a sound profit performance.

Parent

The parent company's profit for the period was \$30.6 million, a similar result to that recorded in the previous half year ended December 2006.

In the current financial year, the company has paid fully-imputed dividends to the Council of \$27 million and is on track to pay a final dividend in June 2008 to meet the budgeted target of \$34 million (less any adjustments in respect of subvention payments and loss offsets between CCHL and the Council).

Operations

Orion Group Ltd

Orion Group Ltd's ('Orion's') electricity distribution network continues to perform well, with a relatively storm-free period contributing to network reliability statistics ahead of or consistent with statement of intent targets.

Major projects under way include the conversion of the Middleton substation from 33kV to 66kV, construction of a new 66kV/11kV substation at Dunsandel and a new 66kV line between Brookside and Springston that will link in with a new Transpower grid exit point.

Regulatory issues continue to be a key focus for Orion, given the impact this can have on the business and on shareholder value. The Government is currently reviewing the regulatory control provisions of the Commerce Act, and new legislation is due to be introduced in the near future. At the same time, the Commerce Commission is still proceeding with a 1 April 2009 price/quality threshold reset under the existing Act, which could also impact on Orion's pricing and returns.

Christchurch International Airport Ltd

Christchurch International Airport Ltd ('CIAL') recorded improved profits over the previous period. Domestic passenger numbers increased by 4.8% to 2.06 million and international passenger numbers by 7.4%. While passenger growth was initially slow, reflecting a warm winter and reduced winter snow tourism, the entry of Pacific Blue into the domestic market in November resulted in a significant increase in domestic passenger numbers. Despite this, aircraft numbers were down on budget, reflecting the drive by airlines to achieve higher aircraft load ratios and a general shortage of aircraft to service international routes.

The company achieved a major milestone in its environmental management through achieving a carbonZero certification from Landcare Research.

Lyttelton Port Company Ltd

Lyttelton Port Company Ltd ('LPC') achieved a significant improvement in revenues and profits for the half year, primarily reflecting a significant 17% increase in container flow through the port. The log trade and car volumes also exceeded expectations.

A new deal between Solid Energy and Pike River Coal will have major benefits for the port's coal operations, with possibly an additional 1.2 million tonnes of coal moving through the coal terminal within two years.

A two year maintenance programme, costing \$3.4 million per annum, to refurbish key harbour structures is now well over half way through. In addition, work has commenced on a \$10 million upgrade of the oil berth.

Christchurch City Networks Ltd

Christchurch City Networks Ltd ('CCNL') continues to grow its business, and is currently exceeding forecast customer connection targets. In line with forecasts, CCNL recorded a small net deficit for the period.

CCNL's completed revenue-earning network is valued at \$1.1 million, with a further \$3 million under construction. CCNL has developed business relationships with five approved network operators, who will on-sell value added services over the "dark fibre" provided by CCNL.

The company has met all of the targets required by the Ministry of Economic Development as part of Broadband Challenge funding programme and, to date, CCHL has received \$3 million of grants, which it has used to subscribe for shares in CCNL.

Red Bus Ltd

Red Bus Ltd had a successful half year, with profits up from \$1.0 million to \$1.3 million. The period was relatively stable, enabling the company to focus on business improvements before entering a major tender round in late 2008 for a July 2009 contract start.

Patronage has shown signs of accelerating growth over recent months.

The Public Transport Management Bill is potentially a significant legislative change, which would have an adverse impact on the provision of commercial services. The industry and Red Bus have submitted against this Bill.

City Care Ltd

City Care Ltd has had a successful half year, with profits well up on the previous period, even after excluding the impact of a gain on sale of property. The improved profit largely arose from increased efficiency rather than higher turnover.

The company's balance sheet has strengthened, with increased assets and reduced debt.

Selwyn Plantation Board Ltd

Selwyn Plantation Board Ltd, an associated company, recorded a modest profit for the period. Its main focus over the last year has been the conversion of former forestry operations on the Canterbury Plains into farming land. Over 1200 hectares is currently being farmed and the remaining area is in various stages of conversion.

Acknowledgements

The CCHL Board underwent some changes at its annual meeting in November 2007. Paddy Austin and Garry Moore both retired from the Board, having made outstanding contributions over the period of their directorships. At the same meeting, we welcomed Sarah Astor, Bob Parker and Bob Shearing to the Board, and I look forward to working with them and the rest of the Board in my new role as Chair.

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



Bruce Irvine
Chairman

Income Statement

For the six months ended 31 December 2007

	6 months 31-Dec-07 Group \$000's	6 months 31-Dec-06 Group \$000's	Full year 30-Jun-07 Group \$000's	6 months 31-Dec-07 Parent \$000's	6 months 31-Dec-06 Parent \$000's	Full year 30-Jun-07 Parent \$000's
Revenue	286,709	271,064	489,926	36,728	38,566	63,698
Share of profits of associates	260	969	907	-	-	-
Other gains	4,910	4,679	9,667	1,799	337	480
	<u>291,879</u>	<u>276,712</u>	<u>500,500</u>	<u>38,527</u>	<u>38,903</u>	<u>64,178</u>
Depreciation and amortisation	34,658	27,870	56,996	-	-	-
Finance costs	14,112	14,441	30,103	7,217	6,940	15,174
Other expenses	151,412	151,275	298,047	700	1,660	2,001
Other losses	-	-	228	-	-	-
Total expenses	<u>200,182</u>	<u>193,586</u>	<u>385,374</u>	<u>7,917</u>	<u>8,600</u>	<u>17,175</u>
Profit before income tax expenses	91,697	83,126	115,126	30,610	30,303	47,003
Income tax expense/(credit)	22,961	26,357	27,971	36	-	(12)
Profit from continuing operations	68,736	56,769	87,155	30,574	30,303	47,015
Profit from discontinued operations (after tax)	477	11,454	11,454	-	-	-
Profit for the period	69,213	68,223	98,609	30,574	30,303	47,015
Profit comprises:						
Parent interest	60,608	58,818	82,618	30,574	30,303	47,015
Minority interest	8,605	9,405	15,991	-	-	-
	<u>69,213</u>	<u>68,223</u>	<u>98,609</u>	<u>30,574</u>	<u>30,303</u>	<u>47,015</u>

The accompanying accounting policies and notes form part of these financial statements

Statement of changes in equity

For the six months ended 31 December 2007

	6 months 31-Dec-07 Group \$000's	6 months 31-Dec-06 Group \$000's	Full year 30-Jun-07 Group \$000's	6 months 31-Dec-07 Parent \$000's	6 months 31-Dec-06 Parent \$000's	Full year 30-Jun-07 Parent \$000's
Equity at beginning of the period	1,367,725	854,086	854,086	1,158,741	1,095,160	1,095,160
Gain/(loss) on property revaluation	-	-	534,596	-	-	-
Available-for-sale investments valuation gain/(loss)	(2,402)	-	3,038	9,911	6,107	42,778
Cash flow hedges gain/(loss) taken to equity	31	680	8,391	(174)	397	4,669
Translation of foreign operations exchange differences taken to equity	(185)	-	(4,006)	-	-	-
Income tax on items transferred directly to/(from) equity	(6,304)	-	(91,366)	-	-	(1,397)
Share of increment in reserves attributable to associates	-	-	2,121	-	-	-
Other	(232)	(402)	-	-	-	-
	(9,092)	278	452,774	9,737	6,504	46,050
Transfers:						
Profit for the period	69,213	68,223	98,609	30,574	30,303	47,015
Recognised income and expense for the period	60,121	68,501	551,383	40,311	36,807	93,065
Dividends	(31,015)	(27,063)	(37,744)	(27,000)	(22,000)	(29,484)
Balance at end of period	1,396,831	895,524	1,367,725	1,172,052	1,109,967	1,158,741

The accompanying accounting policies and notes form part of these financial statements

Balance Sheet

As at 31 December 2007

	31-Dec-07 Group \$000's	31-Dec-06 Group \$000's	30-Jun-07 Group \$000's	31-Dec-07 Parent \$000's	31-Dec-06 Parent \$000's	30-Jun-07 Parent \$000's
Current assets						
Cash and cash equivalents	14,575	1,150	11,860	31,813	19,027	24,368
Trade and other receivables	34,725	35,652	33,269	1,445	1,827	1,751
Other financial assets	439	10,428	10,836	-	8,000	10,836
Inventories	11,711	8,907	8,877	-	-	-
Current tax assets	-	-	1,777	-	-	-
Other	90	696	3,719	-	169	32
	<u>61,540</u>	<u>56,833</u>	<u>70,338</u>	<u>33,258</u>	<u>29,023</u>	<u>36,987</u>
Non-current assets classified as held for sale	-	-	685	-	-	-
Total current assets	61,540	56,833	71,023	33,258	29,023	36,987
Non-current assets						
Trade and other receivables	110	128	117	-	-	-
Inventories	618	-	725	-	-	-
Investments accounted for using the equity method	30,808	29,362	30,810	29,200	29,200	29,200
Other financial assets	106,734	92,365	111,596	1,335,395	1,276,851	1,318,543
Property, plant & equipment	1,842,000	1,310,744	1,830,185	-	-	-
Investment property	77,689	70,187	77,689	-	-	-
Deferred tax assets	-	-	7,317	136	12	218
Goodwill	21,413	20,302	20,877	-	-	-
Intangible assets	5,645	5,015	5,422	-	-	-
Total non-current assets	2,085,017	1,528,103	2,084,738	1,364,731	1,306,063	1,347,961
TOTAL ASSETS	2,146,557	1,584,936	2,155,761	1,397,989	1,335,086	1,384,948
Current liabilities						
Trade and other payables	39,830	39,347	49,956	3,171	3,168	3,017
Borrowings	12,327	40,227	92,774	-	27,165	26,472
Other financial liabilities	3,585	-	3,378	-	-	-
Current tax liability	20,764	12,472	-	-	-	-
Provisions	15,475	15,524	12,221	-	-	37
Other	-	867	1,006	-	-	-
Total current liabilities	91,981	108,437	159,335	3,171	30,333	29,526
Non-current liabilities						
Borrowings	377,631	375,261	338,068	220,216	193,798	193,766
Other financial liabilities	475	864	724	475	-	724
Deferred tax liabilities	271,294	194,410	280,662	2,075	-	2,191
Provisions	743	1,048	1,028	-	-	-
Other	7,602	9,392	8,219	-	988	-
Total non-current liabilities	657,745	580,975	628,701	222,766	194,786	196,681
TOTAL LIABILITIES	749,726	689,412	788,036	225,937	225,119	226,207
NET ASSETS	1,396,831	895,524	1,367,725	1,172,052	1,109,967	1,158,741
Equity						
Capital and other equity instruments	71,435	71,435	71,435	71,435	71,435	71,435
Reserves	357,974	4,814	366,780	762,877	713,984	753,140
Retained earnings	719,008	671,451	684,787	337,740	324,548	334,166
Parent entity interest	1,148,417	747,700	1,123,002	1,172,052	1,109,967	1,158,741
Minority interest	248,414	147,824	244,723	-	-	-
TOTAL EQUITY	1,396,831	895,524	1,367,725	1,172,052	1,109,967	1,158,741

The accompanying accounting policies and notes form part of these financial statements

Cash Flow Statement

For the six months ended 31 December 2007

	6 months 31-Dec-07 Group \$000's	6 months 31-Dec-06 Group \$000's	Full year 30-Jun-07 Group \$000's	6 months 31-Dec-07 Parent \$000's	6 months 31-Dec-06 Parent \$000's	Full year 30-Jun-07 Parent \$000's
Cash flows from operating activities						
Operating receipts	289,818	269,081	483,583	38,903	38,373	63,828
Operating payments	(185,768)	(185,014)	(357,986)	(7,800)	(9,561)	(17,896)
	<u>104,050</u>	<u>84,067</u>	<u>125,597</u>	<u>31,103</u>	<u>28,812</u>	<u>45,932</u>
Cash flows from investing activities						
Investing receipts	17,796	18,948	19,046	10,800	-	1,700
Investing payments	(47,068)	(42,085)	(78,114)	(7,436)	286	(5,016)
	<u>(29,272)</u>	<u>(23,137)</u>	<u>(59,068)</u>	<u>3,364</u>	<u>286</u>	<u>(3,316)</u>
Cash flows from financing activities						
Financing receipts	2,000	12,078	82,162	-	-	76,700
Financing payments	(43,012)	(54,966)	(109,294)	(22)	(4,095)	(81,488)
Dividends	(27,000)	(22,000)	(29,484)	(27,000)	(22,000)	(29,484)
Dividend payments to minorities	(4,015)	(5,063)	(8,260)	-	-	-
	<u>(72,027)</u>	<u>(69,951)</u>	<u>(64,876)</u>	<u>(27,022)</u>	<u>(26,095)</u>	<u>(34,272)</u>
Net inflow/(outflow) of cash	2,751	(9,021)	1,653	7,445	3,003	8,344
Opening bank and short term investments	11,824	10,171	10,171	24,368	16,024	16,024
Ending bank and short term investments	<u>14,575</u>	<u>1,150</u>	<u>11,824</u>	<u>31,813</u>	<u>19,027</u>	<u>24,368</u>
Represented by:						
Bank and short-term deposits	14,575	1,150	11,860	31,813	19,027	24,368
Bank overdraft/short term facility	-	-	(36)	-	-	-
	<u>14,575</u>	<u>1,150</u>	<u>11,824</u>	<u>31,813</u>	<u>19,027</u>	<u>24,368</u>

The accompanying accounting policies and 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 trading 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 2007 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 2007.

The balance date of all subsidiary companies, other than Orion which has a balance date of 31 March, is 30 June. This interim report therefore includes the results of Orion for the six months to 30 September 2007, and the results of the other subsidiaries for the six months to 31 December 2007.

The accounting policies as published in the Annual Report for the year ended 30 June 2007 have been consistently applied in determining the earnings and cash flows for the six months ended 31 December 2007, and the financial position as at that date.

The comparative figures for the six months ended 30 June 2006 have been adjusted where required to reflect the final changes made in adopting NZ IFRS in the financial statements for the year ended 30 June 2007.

Note 3. Impact of seasonality on results

The profit for the period from the electricity distribution operations is significantly affected by seasonal 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 cyclicity impacts in the group.

Note 4. Deferred taxation

The consolidated financial statements for the year ended 30 June 2007 included an adjustment to deferred tax balances arising from the impact on Orion Group Ltd ('Orion') of the Government's announced change in corporate tax rate from 33% to 30% with effect from the 2009 tax year. Orion had not reflected this adjustment in its own financial statements for the year ended 31 March 2007 as its own financial statements had been completed prior to the announcement of the tax rate change. The consolidation adjustment resulted in a reduction of the group deferred tax liability of \$19.3 million, an increase in reserves of \$13.0 million and a decrease in income tax expense of \$6.3 million. This change was made on our best estimate of the impact and the accounting treatment at that time.

Orion has since reflected the impact of the tax rate change in its own financial statements for the current financial year. Following expert advice the previously estimated impact of the change was reassessed, and it has been determined that the impact of the tax rate change on Orion's deferred tax provision results in a decrease in income tax expense of \$13.9 million and an increase in reserves of \$5.2 million. This revised accounting treatment has been reflected in CCHL's consolidated results for the six months to 31 December 2007.

Note 5. Reconciliation of net surplus after tax with operating cash flows

	6 months 31-Dec-07 Group \$000's	6 months 31-Dec-06 Group \$000's	Full year 30-Jun-07 Group \$000's	6 months 31-Dec-07 Parent \$000's	6 months 31-Dec-06 Parent \$000's	Full year 30-Jun-07 Parent \$000's
Profit for the period	69,213	68,223	98,609	30,574	30,303	47,015
(Gain)/loss on disposal of non-current assets	(549)	170	(3,781)	-	-	-
(Gain)/loss on disposal of investment property	-	-	(4,223)	-	-	-
(Gain)/loss on disposal of business	(2,780)	(17,168)	(13,998)	-	-	-
(Gain)/loss on revaluation of fair value through profit or loss financial assets	-	(201)	(386)	-	-	(80)
Share of associates' profit (less dividends)	(260)	(969)	(907)	-	-	-
Share of jointly-controlled entities' profit (less dividends)	-	-	100	-	-	-
Depreciation and amortisation of non-current assets	34,658	27,870	56,996	-	-	-
Hedging (gains)/losses	-	1,206	(467)	-	-	-
Foreign exchange (gain)/loss	-	-	-	-	-	-
Amortisation of bond FRA	-	(110)	(32)	-	(110)	(32)
Impairment of non-current assets	-	-	1,119	-	-	-
Other non-cash items	(316)	(1,199)	(5,530)	2	(1,410)	(40)
	<u>30,753</u>	<u>9,599</u>	<u>28,891</u>	<u>2</u>	<u>(1,520)</u>	<u>(152)</u>
Changes in net assets and liabilities						
(Increase)/decrease in current tax balances	22,541	16,119	2,377	-	-	-
Increase/(decrease) in deferred tax balances	(9,130)	(3,885)	(9,196)	36	43	(11)
<i>(Increase)/decrease in assets</i>						
Current receivables	(1,456)	(2,139)	2,462	375	(459)	-
Current inventories	(2,834)	2,695	(1,996)	-	-	(383)
Other current assets	3,629	562	449	-	35	3
(Increase)/decrease in non-current receivables	7	3	14	-	-	-
(Increase)/decrease in non-current inventories	107	-	(463)	-	-	-
<i>Increase/(decrease) in liabilities</i>						
Current payables	(10,126)	(5,688)	4,283	116	(426)	(577)
Other current liabilities	3,254	(103)	859	-	-	37
Non-current provisions	(1,771)	(41)	(61)	-	-	-
Other non-current liabilities	(137)	(1,278)	(631)	-	836	-
Net changes in net assets and liabilities	<u>4,084</u>	<u>6,245</u>	<u>(1,903)</u>	<u>527</u>	<u>29</u>	<u>(931)</u>
Net cash from operating activities	<u>104,050</u>	<u>84,067</u>	<u>125,597</u>	<u>31,103</u>	<u>28,812</u>	<u>45,932</u>

Note 6. Contingent liabilities

The contingent liabilities of the group as disclosed in Note 35 of the Annual Report for the year ended 30 June 2007 are materially the same as at 31 December 2007.

Note 7. Events subsequent to balance date

As at 31 December 2007, CCHL had increased its shareholding in Lyttelton Port Company Ltd from 74.06% to 74.60%. Subsequent to balance date CCHL acquired further shares to bring its holding up to 75.01%.

Other than for the above, there were no significant events requiring disclosure up to the date of authorisation of these financial statements.