



Christchurch  
City Holdings  
Limited

July 2016—June 2017

A WHOLLY OWNED SUBSIDIARY  
of CHRISTCHURCH CITY COUNCIL

# Annual Report 2017







**Lyttleton Port  
Company Ltd**

Cover Photo Christchurch at Dawn  
by Richard Simmonds

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Control tower lit  
up orange for  
World Vision







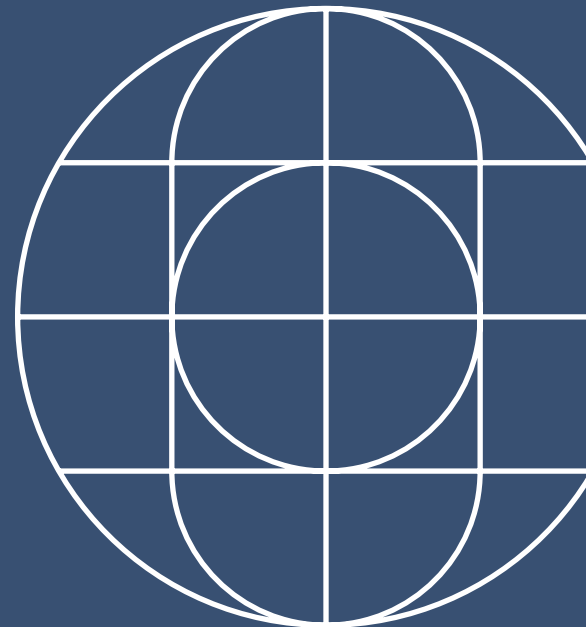
# Group Structure



Christchurch City Holdings Ltd (CCHL) is the commercial and investment arm of Christchurch City Council (the Council). The company is responsible for managing the Council's investment in eight fully or partly-owned trading companies – Orion New Zealand Ltd, Christchurch International Airport Ltd, Lyttelton Port Company Ltd, Enable Services Ltd, City Care Ltd, Red Bus Ltd, EcoCentral Ltd and Development Christchurch Ltd.

# About CCHL

CCHL's key purpose is to invest in and promote the establishment of key infrastructure, for the City.



## Financial Contribution

Christchurch City Council's decision in 1993 to retain its key infrastructural assets through the establishment of CCHL has created a successful public ownership model. The model has enabled CCHL to make over \$1.37 billion of capital and dividend payments to the Council since 1995, allowing major investments in community assets, while reducing the impact on rates from such investments.

Over the same period, the asset value of CCHL through its trading companies has grown from some \$400m to \$3.6bn. Total group equity has risen from \$261m in 1995 to over \$1.8bn today (of which \$1.6bn is attributable to Christchurch City Council as the 100% shareholder of CCHL).

CCHL is working closely with the Council to implement its capital release programme as outlined in its Long Term Plan.

CCHL's ordinary dividend to the Council for the 2018 year is forecast at \$55m, plus the return of any capital release funds, potentially amounting to \$140m

## Independent Governance of Trading Companies

One reason for such a strong growth and return rate is the independent and commercial

approach taken by the boards and management of the trading companies.

CCHL places a great deal of emphasis on ensuring the group has first class governance processes in place. Through a structured, independent process, CCHL recommends director appointments to subsidiary companies and monitors those companies on behalf of the Council. Further detail regarding the company's corporate governance policies is set out on pages 16 and 17.

## Accountability to the Council

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

Approval of CCHL's annual Statement of Intent;

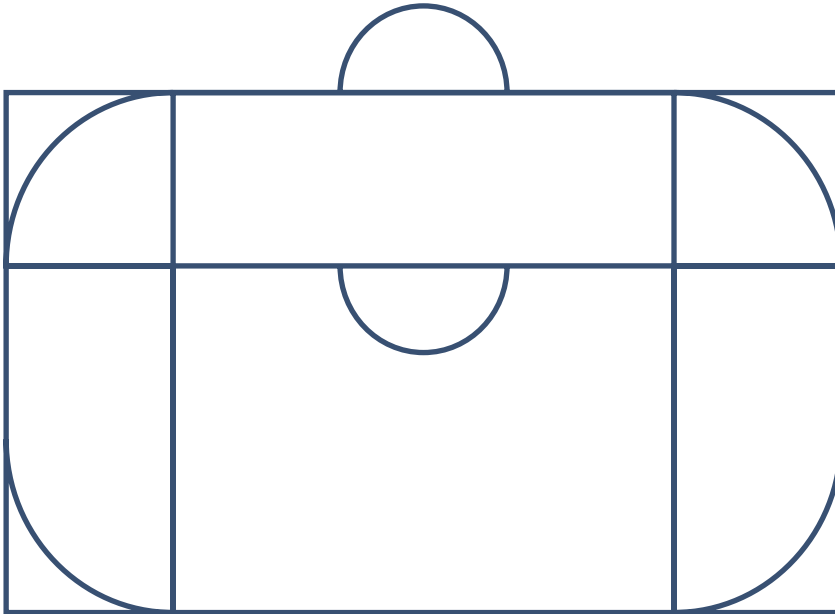
Council appointment of CCHL directors (four councillors and four external);

Confirmation of new director appointments to subsidiary companies

Quarterly reporting to the Council; and

Publication of six monthly and annual reports.

## Chair/CEO Report



Christchurch City Holdings Ltd's (CCHL) mission is to support the future growth of Christchurch by investing in key infrastructure assets that are commercially viable and environmentally and socially sustainable.

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The CCHL approach of working with the Council to identify infrastructure needs of the region not being filled by the private sector or existing Council operations has led to the establishment of entities like Enable Services Ltd (ESL), and more recently Development Christchurch Ltd (DCL). This approach has and will continue to result in CCHL's 100% shareholder, Christchurch City Council (CCC), being in the position of owning a valuable portfolio of trading assets.

2017 has seen the CCHL group continue to grow in value through the success of its long held strategic assets, and the growth of some of its newer additions. The commitment to build a Cruise berth at Lyttelton Port and the successful opening of the Christchurch Adventure Park are two projects that benefited the city as a whole.

In June 2016 the Council adopted its amended Long Term Plan, which incorporated a proposed strategy to release capital from CCHL to the Council as part of its 'Capital Release Programme'.

To fund its capital release commitments, CCHL has initiated a debt funding programme which will result in additional debt being raised at the CCHL Parent level. This will allow \$280m of capital to be released in the 2018 and 2019 financial years. This commitment would not be possible without the ongoing support of our subsidiaries, and their continued commitment to enhance dividend returns to their parent.



## Group Result

The reported consolidated profit for the year was \$116.4m. This is significantly higher than the \$38.8m recorded in the 2016 financial year which was impacted by the booking of an impairment by Lyttelton Port Company (LPC).

The 2016 underlying operating profit, after removing the net impact of the impairment of \$75.8m, was \$115m which is consistent with the 2017 result.

The 2017 group result is significantly up on the Statement of Intent forecast of \$64.9m. One of the reasons for this is the inclusion of City Care Ltd (Citycare) results, where the forecast had anticipated a sale in 2016. In addition other individual company results are all ahead of targets, but most significant is Christchurch International Airport Ltd's (CIAL) after tax profit up \$25m on forecast.

Further information regarding the financial results and position of the group and parent company is provided in the "Financial overview" section on pages 12-15 and in the reviews of the individual companies on pages 20-35.

## CCHL Parent

The parent company's net profit for the year of \$71m is in line with expected results. In comparison to 2016, the net profit last year of \$82.3m, included a special dividend from Orion New Zealand Ltd of \$13m.

Parent company reserves increased by \$149m, primarily as a result of the revaluation of the company's investment in Orion from \$673m to \$809.5m. All other investments remained unchanged, bringing the total investments in our subsidiaries to \$2.587b.

The company paid dividends to Christchurch City Council of \$113.7m which included a special dividend of \$70m towards the capital release programme.



## Electricity Network

Orion New Zealand Ltd recorded another strong year in 2017, a consistent performer for the group, Orion has delivered \$49m in distributions to CCHL this year, which included an additional \$2.7m ahead of target.

Orion's 66,000 volt "Northern Loop" project was fully commissioned in March 2016 and is a central part of Orion's network resilience. The focus on resilience was continued this year with further investment in equipment and technology at key substations.

With the earthquake recovery programme substantially complete, the next couple of years will see the capital expenditure returning to normal maintenance levels.

Customer connections hit 198,000 customers this year, the largest annual growth in ten years and Orion have an expectation of reaching 200,000 customers by the end of 2017.

Orion continues to encourage the uptake of Electric vehicles by extending the public EV chargers around the region and running one of New Zealand's largest electric powered corporate vehicle fleets.



## Airport

Christchurch International Airport Ltd (CIAL) has produced another strong result, including delivering distributions of \$24.7m to CCHL.

CIAL's Net Profit after tax of \$64.6 million is up 50% on last years result. This is due to strong growth in profitability as well as revaluation gains of \$36 million (2016: \$12.5m) reflecting the significant investment in property development over the last few years.

Passenger numbers through the terminal have reached 6.6m helped by international partners operating wide-bodied aircraft on a variety of routes, including a daily A380 by Emirates.

Property development continues to be a strong focus for the airport with new tenants in Dakota Park and Mustang Park, the tourism transport hub. The Christchurch Airport Novotel construction continues to progress with completion expected during 2018.

CCHL would like to note the retirement of David Mackenzie after 9 years as the CIAL Board Chair, and thank him for his tremendous contribution.



## Port

Lyttelton Port Company Ltd (LPC) has had a very successful year achieving a record annual container volume of 401,711 TEU's this year. In addition the Port delivered \$5.2m of distributions to CCHL.

LPC's net profit after tax of \$14.4m is on the back of strong operational performance and some significant milestones including:

- Construction of rail connection between Rolleston and Lyttelton through establishment of Midland Port
- Development of new Te Ana Marina
- Announcement of the construction of a Cruise berth
- Port reclamation in Te Awaparahi Bay reaching 10 hectares
- Resource consent to deepen harbour's shipping channel

LPC is undergoing a rebuild and development phase, so although they continue to maintain significant cash balances, most of this is allocated for future capital projects.



### Broadband

Enable Services Ltd (ESL), has completed its first year of operation after taking full ownership of Enable Networks Ltd in June 2016. This year has seen the achievement of 50,000 customers connected, representing over 100 customers connected a day, and well ahead of plan.

Gross telecommunications revenue grew by 80%, a direct result of increasing demand for fibre broadband by the wider community.

The Enable Group is now EBIT (earnings before interest and tax) positive from its business operations, with this being achieved one year earlier than expected. Customer experience is a high priority for Enable as they quickly move from a construction company to a customer services/asset management entity. Enable has implemented a range of new initiatives to keep customers informed throughout the connection process, which has helped improve customer experience by 30%.

Approximately 30,000 more homes and businesses will be provided with access to fibre broadband during 2018, as Enable moves swiftly towards the completion of its network build.



### Contracting

Following a tough year last year as the company went through a very demanding sales process, and competing in a market that is in a tightening cycle, Citycare has managed to achieve some good wins this year. Whilst their financial results of NPAT of \$3.5m are well down on target, they delivered distributions

of \$6.1m to CCHL, and won a substantial Auckland City Council Facilities Contract.

The company has taken the opportunity post the sales process to redefine its operational delivery model, to better position itself in key market sectors:

Citycare Water, Citycare Property and Citycare Civil.

Citycare continues to receive strong support from its customers and staff, and while Citycare's involvement in Stronger Christchurch Infrastructure Rebuild Team (SCIRT) is now complete, new contracts such as the Auckland Facilities Contract referred to above, provides significant momentum for the company to build on.



### Public Transport

Red Bus Ltd continues to improve on its financial performance in a challenging setting, returning another profit for the year.

Red Travel introduced in 2015 has continued to show strong growth, with additional coaches being added to the fleet during the year. In light of this success, the company purchased the tourism company Aaron Travel, which has doubled the size of the Red Travel fleet to 24 vehicles.

The purchase of eight mid-sized urban buses to replace some of the large urban buses last year has been welcomed by the communities in which they travel, and is a good example of Red Bus meeting the needs of our community.

Red Bus continues to lead the way in customer satisfaction in the urban public transport passenger surveys, and were on board to help evacuees that arrived in Lyttelton following the Kaikoura earthquake.



### Recycling

EcoCentral Ltd recorded another good result for the year, contributed by recycling commodity prices and favourable foreign currency rates. This was especially positive as the company returns to pre earthquake levels of waste volumes.

Trading through the EcoDrop transfer stations has reduced as expected as the demolition activity in the city diminishes.

EcoSort continues its innovative measures to make recycling affordable by purchasing new equipment to enhance efficiencies.

EcoShop supports the environment and community by recovering product for resale, and the Nurse Maude partnership continues to be a successful relationship.



### Urban Development

2017 is the first full year of operating for CCHL's newest company Development Christchurch Ltd (DCL). DCL was established at the request of Council in 2016 to help progress and contribute to the region through development, investment and regeneration activities.

Successful projects during the year include:

- Opening of Christchurch Adventure Park – DCL is a key investor;
- Funding approval for the beachside playground, surf lifesaving club relocation and the hot salt water pools in New Brighton;
- Development of an Investor Ready City Strategy;

- Development of a Land development strategy to develop surplus Council owned land for specific regeneration outcomes.

2018 will see these key projects progress, including working with its preferred development partner to redevelop the site of the old convention centre (the Peterborough Quarter).

### Governance

The CCHL Board recognises that good governance is critical to the ongoing success of the group, and this continues to be a key focal point of its activities.

CCHL has a governance and appointments committee whose role is to recommend director appointments, review governance policies and ensure that good succession policies are in place for key governance positions on both the parent and subsidiary companies.

This year CCHL saw the retirement of three of its long serving independent directors on its Board:

Bruce Irvine – appointed to CCHL in 2003 and took over as Chair in 2007. Working with four Mayors, Bruce led the CCHL board through significant strategic and financial issues, and provided strong governance and leadership to the CCHL Board, Council and the wider CCHL Group.

Bill Dwyer – appointed to CCHL in 2005, Bill brought commercial legal experience to the board and was hugely involved in the introduction of the Director Intern programme.

Andy Pearce – appointed to CCHL in 2006, Andy brought strong governance and commercial skills to the board and was a member of the Audit and Risk Management Committee.

We wish to take the opportunity to thank these three for their support and commitment to CCHL over the last 10 plus years, and wish them well for the future.

The three retirees were replaced by:

**Jeremy Smith** – new Chair, and previously the Chair of Orion.

**Alex Skinner** – ex KPMG Managing Partner of Christchurch office, Alex is the Audit and Risk Management Committee Chair elect.

**Mary Devine** – joined in April this year and brings a wealth of commercial and governance experience.

In addition, following the 2016 Council Elections, Yani Johanson retired after three years on the board and the Mayor Lianne Dalziel and Deputy Mayor Andrew Turner both joined the board.

The quality of governance that results from this focus has been recognised by the business community in Christchurch, and by local authorities elsewhere in New Zealand which seek to emulate the CCHL model. In particular, we are delighted at the number and calibre of the experienced and talented people who continue to put their names forward for consideration as directors within the group.

### Acknowledgements

The CCHL Board and management are particularly appreciative of the contribution made by the boards, management and all the staff of our subsidiary companies as they continue to grow and provide support to the Christchurch community.

The CCHL Board would also like to acknowledge the continuing support of its 100% shareholder, the Christchurch City Council.



**Jeremy Smith**  
Chair



**Paul Munro**  
CEO



# Financial Overview

The purpose of this section is to provide a financial overview of the CCHL group results, and explain movements in the financial statements between 2016 and 2017.

## Overview

The CCHL parent company does not undertake trading operations in its own right. Its primary assets are its investments in its operating subsidiaries and associated companies, and advances to its subsidiaries.

## Investment Overview

CCHL records investments in subsidiaries at fair value, and reviews them annually for material changes in value. The Board considers that recording

assets at fair value rather than historical cost ensures greater accountability for its custodianship of these investments.

The subsidiary and associated companies are independent commercial businesses, and not subsidised in any way by CCHL or the Council.

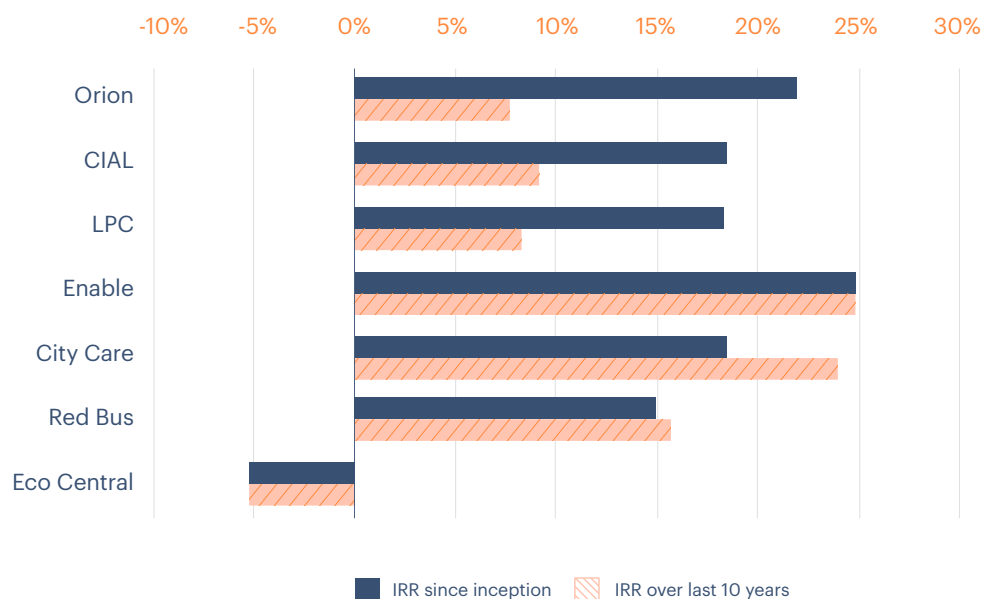
The total carrying value of CCHL's main investments as at balance date is \$2.587b compared to \$2.403b in 2016. Our strategic assets reflected in this total are

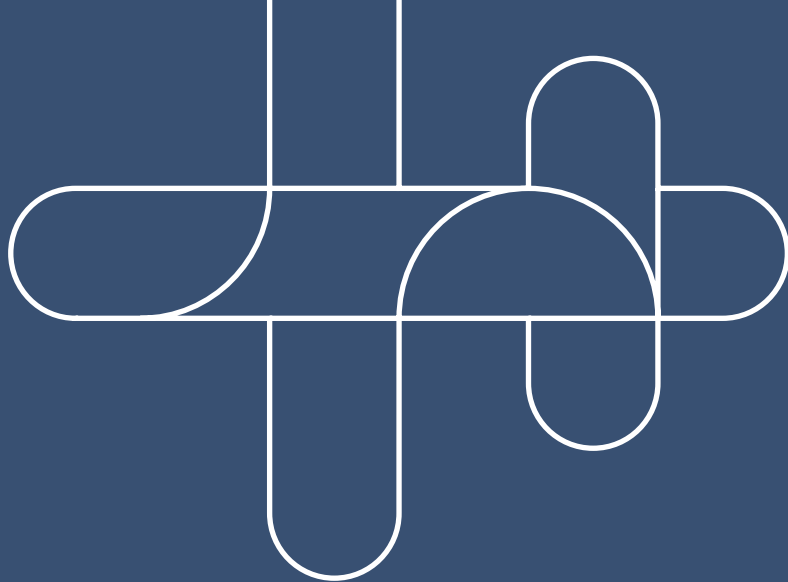
Orion at \$809.5m including an increase of \$136.8m from last year following a revaluation. Christchurch International Airport \$862m and Lyttelton Port \$459m both remain at 2016 valuation levels.

## Return on Investment

This chart shows what CCHL has earned on its investments - since CCHL acquired each investment and over the last 10 years.

The chart uses an annualised internal rate of return (IRR) methodology. This includes dividend received and changes in the value of each investment. The valuation of each investment is an important, but necessarily subjective, input in the IRR calculations. Nevertheless, CCHL believes that IRR is a good indicator of investment returns over long periods.





CCHL acquired its shares in Orion from Christchurch City Council in 1993 and holds 89.275% of the total shares in the company. CCHL has benefitted from impressive returns from Orion. Orion achieved significant one-off gains when it sold its electricity retail activities (Southpower) in 1999 and its North Island natural gas distribution operations (Enerco) in 2001. Since then, Orion's earnings have been relatively consistent with those of a regulated infrastructure company. Investing in the resilience of the network has been a strong focus for Orion over the last number of years, but now that this is mostly complete, a relatively lower level of future capex requirements along with more clarity on the future 'normalised' level of earnings and cash flow, has reflected in an increased valuation of this investment for CCHL. In 2017 Orion continued to make a significant contribution to the group by distributing \$55m of dividends to its shareholders, \$3m more than target.

CCHL acquired its shares in the airport from Christchurch City Council in 1995 and holds 75% of the total shares in the company. CCHL has benefitted from good returns from this investment. After relatively high earnings early on in relation to the original cost of investment, earnings have since stabilised, partly due to quake impacts and partly due to increased competition and regulation. In 2016 the Board of CIAL increased the dividend payout policy to 90% of NPAT (from 60%), which coupled with strong growth over the past two years

has resulted in an improved return from this investment. In 2017 CIAL distributed \$33m of dividends to its shareholders.

CCHL originally acquired shares in the port in 1995, however in 2015 acquired 100% of the shares and delisted the company. While the port's physical assets suffered extensive damage from the earthquakes, the recovery has gone well, and the port is now turning its focus to future growth, with significant investment being committed to a new Cruise berth, a marina and new infrastructure. In 2017 LPC distributed \$5.2m to its shareholder.

Enable Services, which won the Crown's ultra-fast broadband fibre roll-out contract for Christchurch in 2011, has made and will continue to make losses during the fibre network build period. However, as the company moves swiftly towards the end of its network build, forecasts indicate a profitable result in 2019, well ahead of original targets. In 2016 Enable Services acquired the Crown Fibre Holdings shares held in Enable Networks Ltd and in 2017 Enable achieved a significant milestone of connecting 50,000 customers.

CCHL acquired City Care from Christchurch City Council in 2002. Citycare has been a strong performer, over the past few years, mainly driven by the increased workloads post- quakes. Since the completion of the SCIRT programme, and an industry tightening of the construction market, City Care results have been down as it continues the move back to business as usual. In 2017 however, strong

operating cashflows have allowed the company to distribute \$6.1m to its shareholder.

CCHL acquired Red Bus from the Council in 1995. Red Bus has performed steadily, but its recent earnings have reduced due to increased competition, post- quakes disruptions and reduced demand. In 2017, the company acquired tourism company Aaron Travel. This with the introduction of the Red Travel brand in 2015 has returned the company back to profit.

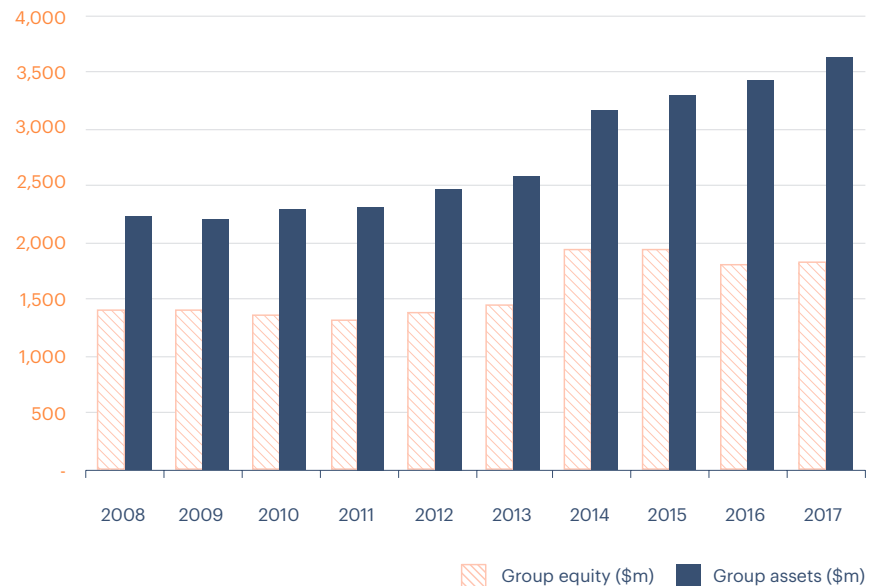
EcoCentral has only been in the CCHL group since 2011, and was recapitalised in 2012. Whilst the company has shown steady growth over the last six years with an increase at the Ecodrops due to the earthquakes, the peak of activity post-earthquake has been reached. Focus has now moved onto new initiatives to enhance recovery of product and increase waste minimization.

CCHL established Development Christchurch in 2015 at the request of Council to deliver on the city's ambition to enable investment, development and regeneration activities that will drive better inter-generational outcomes across the city. DCL current investments includes a share in the Christchurch Adventure Park, which opened in December 2016, although is currently closed for repairs after the February 2017 Port Hills fires.

### Group Equity and Assets

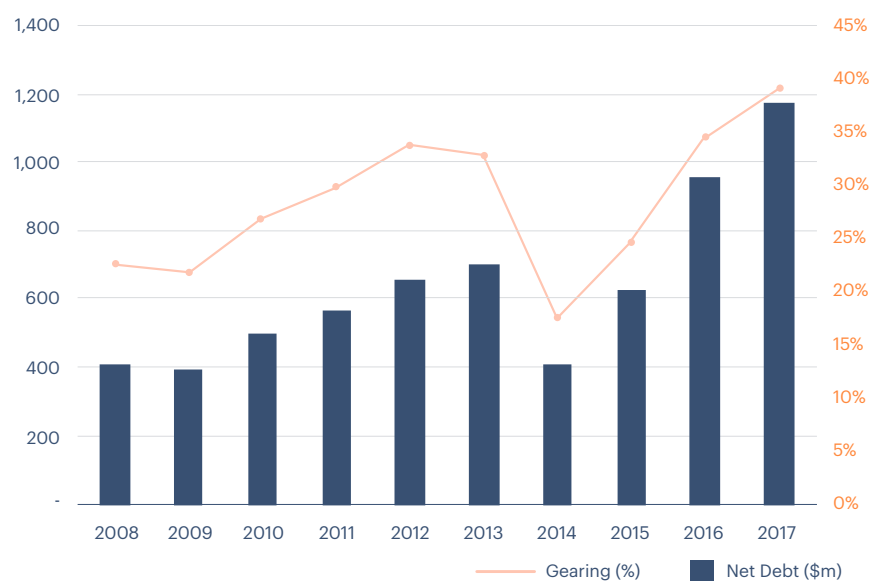
The chart shows the growth in group assets and equity over the last 10 years.

This growth has been achieved in addition to the payment of \$642m of dividends to the Council over the same period.



### Group Debt and Gearing

The chart shows the level of the CCHL group's debt and gearing levels over the last 10 years.



Group debt levels remain relatively low for a group that predominantly comprises stable infrastructure businesses, and interest cover ratios are correspondingly conservative. The increase in debt from 2014 to 2017 is largely the result of the airport's ongoing development programme, the continued expansion of Enable's broadband construction

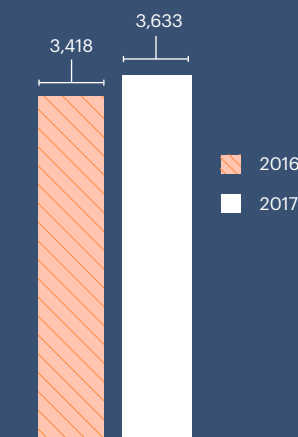
programme, including the purchase of the Crown Fibre Holdings shareholding in Enable Networks Ltd, the increase in debt by Orion to fund the share buy-back and increased debt by CCHL parent to fund the FY17 component of the capital release to its shareholder.

The large LPC insurance settlement in early 2014 resulted in a significant

reduction in group net debt, although this is reversing over time as the port's earthquake repair and reinstatement programme progresses.

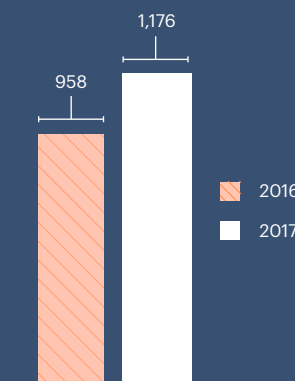


## Group Positions & Results



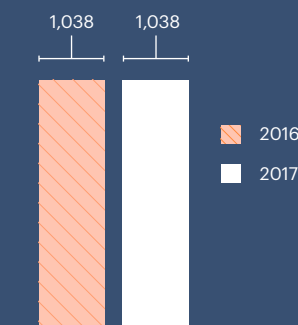
### Group assets (\$m)

Total assets have increased by \$215m. This reflects the continued capital expenditure programmes of Orion and Enable as it continues the build of its network. CIAL continues to recognise revaluation gains on its investment property portfolio.



### Group net debt (\$m)

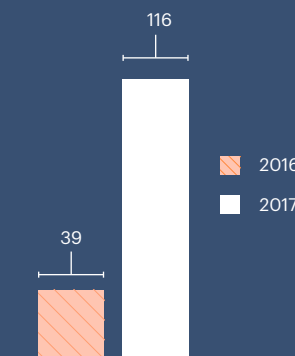
Net debt has increased by 23% to \$1,176m. This primarily reflects additional borrowing by CCHL to fund Enable's ongoing build programme for the UltraFast broadband network, as well as the ongoing capital programmes of Orion, CIAL and LPC. In addition CCHL increased its borrowing to fund the FY17 component of capital release to its shareholder.



### Group operating revenue (\$m)

Operating revenue is in line with last year, however the makeup is different with Enable's Group revenue this year being from connections rather than the sale of the network to Enable Networks. CIAL continued to show good growth across the business, but there were significant gains on revaluation of its investment properties this year. LPC showed good gains this year, with revenues up 8.5%.

Please note group operating revenue does not include finance income.



### Group NPAT (\$m)

The Group NPAT comparison is impacted by the impairment taken in 2016 by LPC. However when you add back the net impairment impact of \$75.8m, the 2016 result is similar to the NPAT reported in 2017.

# Corporate Governance Statement

This statement gives readers an overview of the company's main corporate governance policies, practices and processes adopted or followed by the CCHL Board.

## Role of the Board

The primary role of the Board is the governance of the company. The Board undertakes stewardship on behalf of the shareholders to ensure the ongoing health and viability of the company.

The Board effectively represents, and promotes the interests of the shareholders with a view to adding long-term value to the company's shares.

The Board has all the powers necessary for managing, and for directing and supervising the management of the business and affairs of the company.

Having regard to its role, the Board directs and overviews the business and affairs of the company by confirming that, in particular:

- The company goals are clearly established, and that strategies are in place for achieving them;
- Policies for strengthening the performance of the company and subsidiaries, to ensure enhancement of shareholder value is established;
- The role the company and its subsidiaries can play in the provision of essential infrastructure services for the region are overviewed;
- The performance of subsidiaries is monitored;
- Whatever steps are necessary to protect the company's financial position and the ability to meet its

debts and other obligations when they fall due are taken;

- The company's financial statements are true and fair and otherwise conform with law;
- The company adheres to high standards of ethics and corporate behaviour;
- The company has appropriate risk management/regulatory compliance policies in place;
- The company approves and implements the business plan and Statement of Intent of the company, and;
- The company reviews and approves the company's capital investments and distributions;
- Health and Safety is top of mind for our company and subsidiaries.

The Board monitors economic, political, social and legal issues and other relevant external matters that may influence or affect the development of the business or the interests of the shareholder and, if thought appropriate, will take outside expert advice on these matters.

## Board Relationship with Shareholder

The Board uses its best endeavours to familiarise itself with issues of concern to the shareholder.

The Board aims to ensure that the Council is informed of all major developments affecting the company's and group's state of affairs, while at the same time recognising that commercial sensitivity may preclude certain information being made public. Within this constraint, information is communicated to the Council through periodic reports to the Council, occasional seminars and through both the annual report and the half yearly report.

The Board recommends to the Council the appointment of directors to subsidiary companies and the adoption of the subsidiary Statements of Intent.

## Conduct of Directors

The conduct of directors is required to be consistent with their duties and responsibilities to the company and, indirectly, to the shareholder. In carrying out its role the Board places emphasis on strategic issues and policy.

Directors are expected to keep themselves abreast of changes and trends in the business and in the company's environment and markets.

Directors use their best endeavours to attend Board meetings and to prepare thoroughly and are expected to participate fully, frankly and constructively in Board discussions and other activities and to bring the benefit of their particular knowledge, skills and abilities to the Board table.

Directors are entitled to have access to all relevant company information and to management.

Directors are expected to strictly observe the provisions of the Companies Act 1993 applicable to the use and confidentiality of company information.

## Board Chairperson

The shareholder appoints from among the directors a Board Chair.

The Chair is responsible for representing the Board to the shareholder, and for ensuring the integrity and effectiveness of the governance process of the Board.

The Chair is responsible for maintaining regular dialogue with the CEO over all operational matters and consults with the remainder of the Board promptly over any matter that gives him or her cause for major concern.

The Chair acts as facilitator at meetings of the Board to ensure that discussion results in logical and understandable outcomes.

The Chair leads a Board and director evaluation exercise every two years.

A Deputy Chairperson may fulfil the Chair's responsibilities in the absence of the latter.

### **Board Committees**

The Board has two standing committees namely the Audit and Risk Management Committee and the Governance and Appointments Committee. Other committees are formed for specific purposes and disbanded as required.

The purposes of the standing committees are as follows:

- The Audit & Risk Management Committee provides a forum for effective communication between the Board and the auditors. The Committee reviews the annual and half-yearly financial statements prior to their approval by the Board, the effectiveness of management information and systems of internal control, the efficiency and effectiveness of the external audit functions and the financial role of management and policy. The Committee also keeps under review risk management issues and practices of CCHL and its subsidiaries.
- The Governance & Appointments Committee reviews the policies of the Board and conducts an annual review and appointment process regarding the directors of the subsidiaries and advises on appointment of the best people to meet the companies' needs.

### **Board Composition and Mix**

The composition of the Board reflects the duties and responsibilities it has to discharge and perform in the interests of its shareholders, and in setting the company's strategy and seeing that it is implemented.

The Board comprises eight directors: four councillors and four appointed external to the Council. This mix is to ensure that the Board has

the confidence of the Council and has strong commercial expertise so that it can effectively carry out its role as a buffer between the Council and its commercial trading entities.

Generally, the requirements for Board membership are the ability and experience to make sensible business decisions and recommendations, entrepreneurial talent for contributing to the creation of shareholder value, the ability to see the wider picture, the ability to ask the hard questions, high ethical standards, sound practical sense, and a total commitment to furthering the interests of the shareholder and the achievement of the company goals.

### **Directors' Remuneration**

The Board recommends to the shareholder on a triennial basis the level of remuneration paid to directors.

### **Protocol on Conflicts of Interest**

The Board maintains a separate policy on conflicts of interest which meets all current legislative requirements.

The Board maintains a full and updated interest register which is available at all Board meetings.

### **Board and Director Evaluations**

The Board, every two years, evaluates its own performance, and its own processes and procedures to ensure that they are not unduly complex, that each director is performing adequately and that the Board as a whole is effectively fulfilling its role.

### **Indemnities and Insurance**

The company provides directors with, and pays the premiums for, directors and officers liability insurance cover while acting in their capacities as directors, to the fullest extent permitted by the Companies Act 1993.

The company indemnifies all directors and the CEO to the fullest extent allowed for, and in compliance with the requirements of the Companies Act 1993.

### **The Chief Executive**

The CEO is an employee of the company and employed in terms of a contract between the CEO and the company.

On an annual basis the Chair will undertake a performance appraisal with the CEO and set appropriate key performance targets for the year ahead.

### **Board – Management Relationship**

The Board delegates management of the day to day affairs, and management responsibility of the company, to the executive team under the leadership of the CEO to deliver the strategic direction and goals determined by the Board.

All Board authority conferred on management is delegated through the CEO.

The CEO is responsible to the Board to provide advice and implement Board policy.

The CEO:

- Ensures that appropriate, relevant reporting systems are in place and maintained to provide relevant, complete, accurate and timely information to the Board;
- Provides day to day management of the company;
- Acts as a spokesperson for the company unless the Chairperson has specifically adopted this role for a particular issue; and
- Meets business plan and Statement of Intent targets set by the Board.

When the Board agrees with the CEO to achieve specific results directed towards the company goals, the CEO is authorised to make any decision and take any action directed at achieving those specific results.

The CEO is expected to act within all specific authorities delegated to him or her by the Board.



## Board of Directors



### **Jeremy Smith**

Chair

*BSc BCom LLB CMinstD*

Jeremy was appointed to the CCHL Board in August 2016. He was a Director of Orion from August 2013 and Chairman from August 2014 to 2016. He is also Chairman of Holmes Group Limited. Jeremy has broad experience in a variety of senior executive and corporate governance roles. Jeremy was formerly Managing Director and then a Director of Holcim NZ Ltd. Prior to taking up a management career he practiced as a commercial lawyer.



### **Lianne Dalziel**

Mayor | Director

*LLB*

Lianne was appointed to the CCHL Board in December 2016. Lianne is the Mayor of Christchurch. Previously Lianne was a Member of Parliament, having served for 23 years. She has served as a Director of the Canterbury Development Corporation and of Transition Holdings Ltd.



### **Vicki Buck**

Director

*MA (Hons)*

Vicki was appointed to the CCHL board in December 2013. Vicki is a City Councillor and has previously served as Mayor of Christchurch for 9 years. She has a background in education, climate change businesses and community initiatives. Vicki is also a Trustee for the Otautahi Community Housing Trust.



### **Mary Devine**

Director

*ONZM, B.Com, MBA*

Mary was appointed to the CCHL Board in April 2017. Mary was awarded an ONZM for services to business. Mary is currently Managing Director of Devine Consultancy Limited, and a Director of Meridian Energy, Briscoe Group, IAG New Zealand and Top Retail Limited. Mary is also a Board member of Christ's College Canterbury. Mary is a former CEO of Carter Group Limited, Managing Director of J.Ballantyne & Co Ltd and CEO of Australasian multi-channel retailer EziBuy. She has particular expertise in corporate strategy, brand management and organisational design.



**Jamie Gough**

Director

*CMInstD*

Jamie was appointed to the CCHL Board in December 2013. Jamie is a City Councillor, Chair of Civic Building Ltd and a Director of Gough Corporation Holdings Ltd and Gough Property Corporation Ltd. Jamie has a commercial background in property, asset management and corporate governance. He has also served as Chair of Vbase Ltd and as a Director of Gough Holdings Ltd, Jet Engine Facility Ltd and Canterbury Development Corporation Ltd.



**Alex Skinner**

Director

*CA, FCA (ICAEW), CMInstD*

Alex was appointed to the CCHL Board in November 2016. Alex's professional life has predominantly been in the CA environment, retiring as a Partner of KPMG in 2016. He is currently the Chair of the Otautahi Community Housing Trust and a Director for Anchorage Trustee Services Limited. Alex has gained broad commercial and governance experience having worked with many businesses across diverse industries, from the NZX, SOEs, local government, and government departments through to privately owned companies.



**Sarah Smith**

Director

*BCom, CFInstD*

Sarah was appointed to the CCHL board in November 2007. She is Chair of Ngai Tahu Tourism Ltd, a Director of SLI Systems Ltd, Director of WhereScape Software Ltd and a Director of Eco Central Ltd. Sarah is also a Trustee of Ohinetahi Charitable Trust and Warren Architects Education Charitable Trust. Sarah has 20+ years of governance experience in both private and public companies.



**Andrew Turner**

Deputy Mayor | Director

Andrew was appointed to the CCHL Board in December 2016. Andrew is in his second term as Councillor for the Banks Peninsula ward, and was appointed Deputy Mayor of Christchurch in October 2016. Andrew's career prior to Council included the establishment and running of small and medium sized businesses. He has worked in business development roles in New Zealand and in developing and emerging markets overseas. Andrew is a Director of Transition Holdings Ltd, the Otautahi Community Housing Trust and the Rod Donald Banks Peninsula Trust.

## Orion New Zealand Ltd

Orion New Zealand Ltd (Orion) owns and operates the electricity distribution network between Waimakariri and Rakaia rivers and from the Canterbury coast to Arthur's Pass. Providing power to around 198,000 homes and businesses.

**89.3%**

owned by Christchurch City Holdings Limited.

Orion, New Zealand's third largest electricity distribution company, has delivered another year of strong financial performance and continues to build the capacity and resilience of its electricity network. Its post-earthquake recovery and renewal programme is well advanced and is delivering notable benefits.

### Financial Performance

The strength and consistency of Orion's financial performance in the year to 31 March, 2017 has enabled it to again make a significant contribution to Christchurch, paying its shareholders, Christchurch City Holdings Limited for Christchurch City Council and Selwyn District Council, \$55m of fully-imputed dividends, \$3m above its Statement of Intent (SOI) target.

Orion's \$52m profit was \$4m above its SOI target largely due to:

- \$6m below-budget expenses due to a calm and uneventful winter in 2016;
- partly offset by \$4m below budget network delivery revenues due to the warmer temperatures.

Orion's \$52m profit was \$1.7m lower than the previous year due to:

- lower electricity revenues because of the mild winter;
- a lower profit from its subsidiary Connetics, an electrical; contracting service provider, which remains profitable and a vital contributor to the group ;
- higher interest expenses from a one-off \$90m share buyback in the previous year.

Orion booked a post-tax \$16m upwards revaluation of its land, buildings and electricity distribution network this year, following its last revaluation three years ago.





Left page Orion control room

Lower right Orion worker maintaining power network

| FIVE YEAR SUMMARY    | 2013<br>\$M | 2014<br>\$M | 2015<br>\$M | 2016<br>\$M | 2017<br>\$M |
|----------------------|-------------|-------------|-------------|-------------|-------------|
| Operating revenue    | 260.9       | 269.5       | 332.9       | 307.3       | 309.7       |
| Profit               | 49.0        | 50.5        | 82.6        | 53.4        | 51.8        |
| Distributions        | 32.0        | 34.0        | 56.0        | 153.0       | 55.0        |
| Total assets         | 888.8       | 1,039.7     | 1,083.9     | 1,122.0     | 1,156.7     |
| Shareholders' equity | 636.9       | 733.0       | 759.7       | 660.1       | 672.7       |

To support its post-earthquake capital expenditure programme, the expansion of its customer base and the wider Canterbury rebuild, Orion increased its borrowings this year by \$21m to \$249m.

Orion's capital expenditure reduced by \$22m to \$70m this year as it makes substantial progress with its post-earthquake recovery programme. The company expects capital spending to decrease in the next year or so and borrowings to stabilise below \$300m, a prudent level supported by total assets approaching \$1.2 billion.

### Customer Growth

This year Orion experienced record customer growth with more than 3,600 new customers connecting to the network, driven by new subdivisions in Wigram, Burwood, Lincoln and Rolleston and taking connections to a total of 198,000 customers. That is the largest annual growth in ten years. Orion expects to reach 200,000 customers by the end of 2017, with more moderate growth in the near future.

Through planning and co-ordination with building developers and other service providers Orion is supporting the acceleration in migration of retailers, Crown agencies and businesses back into the CBD. To support growth this year Orion has installed three new 11kV cables in Rolleston, reconfigured and connected 18 new substations

with remotely operated switchgear in the CBD and installed 199 new transformers.

### Network investment

Orion's 66,000 volt "Northern Loop" project was fully commissioned in March 2016 and is a central part of Orion's network resilience.

This year's significant investments in network resilience have included:

- additional equipment and technology at the Papanui zone substation to reduce the chance of future outages for 30,000 customers in that area;
- new remotely operated power switches in the Leeston and Banks Peninsula areas;
- interim standby generators at the Highfield zone substation to meet peak demand for irrigation until the Central Plains Water Scheme is online in late 2018.

In 2017 Orion reduced the frequency and duration of power outages for the third consecutive year, consistently meeting its post-earthquake reliability targets set by the Commerce Commission, and this is testament to investment in its network. The duration of outages per customer fell to 80 minutes this year from 113 minutes the year before.

Continuing to strengthening its health and safety culture is a priority. It reports again this year no notifiable injuries and a decrease in the rate of lost time injuries, continuing last year's downward trend.

### Future Focus

Orion's customers are seeking more flexibility and choice in management of their energy sources and Orion is committed to meeting that. It has placed the better understanding of its customers' needs at the centre of its business so that it can deliver cost effective energy and network solutions that meet their capacity and reliability requirements.

Leading by example, it is encouraging the uptake of Electric Vehicles by installing EV chargers around the region and is running one of New Zealand's largest electrically powered corporate fleets consisting of fifteen plug-in hybrid vehicles.



# Christchurch International Airport Ltd

Christchurch International Airport Limited (CIAL) recognises the importance of its role as the primary gateway for the South Island.

**75%**

owned by Christchurch City Holdings Limited.

**To champion the South Island, the airport company's key focus areas are enhancing customer experience, being great kaitiaki and embracing innovation.**

The regional leadership and activities at CIAL make a significant contribution to the social and economic wellbeing of the communities and economies of Christchurch, and Canterbury, and in regional social and economic development of the South Island – making a better contribution to the nation's outcomes. Independent estimates of commercial activity by CIAL has a 50:1 economic multiplier impact on the South Island economy, making it a significant value engine for the region's economic and social development. In other words, for every \$1 CIAL grows by, the wider South Island economy grows by \$50.



Left page      SOFIA Plane in front of the Novotel Christchurch Airport Hotel construction

Lower left      The South Island freight hub in Dakota Park

| FIVE YEAR SUMMARY    | 2013<br>\$M | 2014<br>\$M | 2015<br>\$M | 2016<br>\$M | 2017<br>\$M |
|----------------------|-------------|-------------|-------------|-------------|-------------|
| Revenue              | 125.2       | 139.9       | 177.4       | 182.7       | 213.5       |
| Profit               | 18.4        | 15.7        | 39.3        | 43.1        | 64.6        |
| Dividends            | 8.8         | 6.6         | 9.9         | 29.3        | 33.0        |
| Total assets         | 1,086.0     | 1,176.7     | 1,212.8     | 1,260.6     | 1,347.0     |
| Shareholders' equity | 668.4       | 745.2       | 766.8       | 791.2       | 826.9       |

Visitors arriving at Christchurch Airport travel more widely through the South Island than visitors arriving at any other New Zealand airport, and generate an average of 7.5 commercial guest nights in the South Island. The average visitor spend through Christchurch Airport is the highest in the country, at 7.8% higher than the national average.

The airport company continues to invest in "South", an initiative which sees all South Island regions and major tourism operators working collaboratively in tourist markets to make sure visitors are well catered for and the regional economic upside is realised.

### Financial Performance

Christchurch International Airport Limited has produced another strong result for shareholders in the financial year to 30 June 2017.

Net profit after tax was \$64.6m (2016: \$43.1m), with earnings before interest, tax, depreciation, and amortisation of \$108.7m (2016: \$103m).

The strong growth in profitability arises from both improved operational performance and various property developments currently being undertaken by the airport company being independently valued at a substantially increased amount over cost.

The dividend to shareholders will, for the 2017 year, total \$38.3m, equating to 66 cents per share (2016: \$31m, 54 cps). In line with

the Board's policy of paying 90% of distributable profit, the Board approved dividends of \$34.8m, plus a special one off dividend of \$3.5m to reflect the strong performance of the company.

The increased value of the airport company's property portfolio reflects work by CIAL property managers to achieve excellent rental returns on the airport company's property investments, as well as deliver new developments to efficiently use airport land.

### Property Development

The Southern Freight Hub, is a new development for Freightways and Courier Post, giving them both airside freight processing centres and a dedicated freight apron in Dakota Park, the freight and logistics precinct. Mustang Park, the tourism transport hub, has seen a large number of new operators established in facilities constructed for them.

The Novotel Christchurch Airport, the new hotel under construction near the international arrivals area of the terminal, is eagerly anticipated by the many international travellers who arrive at the airport late at night or who have an early morning check-in.

### Aeronautical

The airport company continues to work on a range of aeronautical strategies to enhance and protect its position as the gateway to the South Island. There are now numerous airlines operating wide-bodied aircraft on a variety

of international routes: to Australia (Perth), China, Singapore, Taiwan, and Dubai – in fact Christchurch has the distinction of being the smallest city in the world to have a regular daily A380 aircraft service.

Christchurch Airport has also shown good domestic traffic growth and has regained Trans-Tasman traffic levels lost after the seismic activity of 2011.

Passenger numbers through our terminals for the financial year ended 30 June 2017 were 6.57m (2016: 6.3m) and the airport company remains on track to achieve its 2025 target of 8.5m passengers per annum.

### Sustainability

Improvement has been achieved in all of the five key areas of sustainability - water protection and usage, energy efficiency and move to renewables, waste diversion, land remediation, and noise management and mitigation. Overall, the airport company has completed a good year by financial, social, and environmental measures.

### Board News

Board Chairman David Mackenzie has completed three three-year terms leading the board and is stepping down from the position, to be followed by current director Catherine Drayton.

# Lyttelton Port Company Ltd

Lyttelton Port Company Ltd (LPC) is the South Island's largest Port and Container Terminal, and the third largest container Port in the country processing over 400,000 TEUs (20-foot equivalent units) of containerised cargo.

**100%**

owned by Christchurch City Holdings Limited



LPC has achieved record container volume and operational efficiency in the last year. Major progress has been made in various Port developments that support Canterbury's growth and prosperity.

LPC is focused on the future and is taking the steps to provide world-class facilities and worldwide connections that will ensure the Port, Canterbury region and South Island continue to thrive.

In the last year, the Port's customer services have achieved record levels of performance. LPC doubled its total container volume in the last decade and has achieved record annual container volume this financial year. The Port achieved a 102 percent total growth in container volume from 199,352 TEUs in 2007 to 401,711 TEUs this year. This is the first time LPC has exceeded 400,000 TEUs and it is a significant increase on its

previous highest annual volume of 376,567 TEUs.

The establishment of MidlandPort led to the construction of the first rail connection for container freight between Rolleston and Lyttelton Port. It has removed about 80 trucks a day from the road route, and provides efficient transportation for the increasing production from the Canterbury Plains. MidlandPort has had a positive impact on improving freight transport efficiency in the South Island and will support Canterbury's long term trade growth.

Moreover, LPC received resource consent from Environment Canterbury in July to deepen the harbour's shipping channel so larger international container vessels can access the Port. LPC note there is currently an appeal process relating to this consent.

LPC is committed to futureproofing the Port to enable continued economic growth of Canterbury, and will not neglect its environmental responsibilities. This was recognised by the resource consent hearing panel. They stated that LPC's channel deepening resource consent application proposed environmental safeguards were 'impressive'. With 99% of New Zealand's freight carried by sea, it is important that this dredging project occurs so LPC continues to provide efficient transport services for the region.

Development of the new Te Ana Marina at the site of the Inner Harbour pile moorings in Lyttelton Harbour is well underway. The marina will be Canterbury's only walk-on floating marina for yachts and powerboats, and it will provide a waterfront promenade linking the marina to Lyttelton's town centre.



Left page     Lyttelton Port  
and harbour

| FIVE YEAR SUMMARY    | 2013<br>\$M | 2014<br>\$M | 2015<br>\$M | 2016<br>\$M | 2017<br>\$M |
|----------------------|-------------|-------------|-------------|-------------|-------------|
| Revenue              | 110.7       | 115.8       | 109.1       | 105.7       | 114.4       |
| Profit               | 16.9        | 343.2       | 20.6        | (59.8)      | 14.4        |
| Dividends            | -           | 2.0         | 22.2        | 2.6         | 5.2         |
| Total assets         | 270.7       | 597.5       | 589.5       | 491.5       | 506.1       |
| Shareholders' equity | 190.1       | 533.1       | 531.7       | 469.1       | 478.4       |

The first boats are expected to be at the new moorings before the end of this year, and 170 berths will be completed by April 2018. This project is the first stage of LPC's wider regeneration plan to improve public access and amenities in the area.

The investment in state-of-the-art infrastructure continues with the recent arrival of a new \$12.5 million Liebherr crane to replace the Port's oldest crane. The new crane will make a significant contribution to Lyttelton Port as the South Island's major international freight gateway.

### Financial Performance

In this last financial year \$4.7 billion in exports flowed through LPC, while imports were \$4.1 billion. Bulk fuels imports rose to 1.13 million tonnes, and log exports increased from 480,000 tonnes to 490,000. The number of motor vehicles also increased from 43,533 units to 55,488.

Strong operational performance has generated \$114.4 million in revenue, resulting in a net profit after tax of \$14.4 million.

LPC continues to trade profitably and maintains a significant cash balance, most of which is allocated for future capital projects. Lyttelton Port is undergoing a rebuild and development phase, and the level of dividends paid in the year reflects this.

### Health and Safety

LPC has enjoyed improvement in traditional performance indicators including Total Recordable Injury Frequency Rate (TRIFR), but also

recognises that a world-class safety performance is only achieved through an embedded safety culture with effective management of risk.

LPC is turning their focus to risk-based lead indicators including adoption and effective utilisation of risk management tools such as Job Safety Analysis (JSA) and Safe Work Method Statements (SWMS). LPC is setting foundations for a globally-accredited safety management system based on the international standards OHSAS 18001.

### Customer Service

There has been an 88 percent increase in full export container volume growth, while full import container volumes have increased even faster with 128 percent growth over the decade. The significant growth in import volumes reflects the continued move towards coastal shipping for domestic cargos.

While smaller in total numbers, LPC has also experienced a 209 percent increase in transshipment volumes. This is both export volume coming from other South Island ports and transshipping in Lyttelton, as well as import volumes destined for other New Zealand ports.

LPC is committed to supporting this growth by ensuring the Port is ready to service the production and prosperity of the region and the increasing requirements of its customers.

### Looking Ahead

LPC has achieved a number of milestones this year, including the announcement of the new \$56 million cruise berth at Gladstone Pier. This partnership of community and business interests will futureproof Christchurch as a cruise destination of choice.

The first cruise ship is expected to arrive in the spring of 2019, however this is reliant on the approval of LPC's resource consent to deepen the shipping channel. While the existing channel has sufficient depth to allow cruise vessels to reach the Port, dredging is required around the new wharf to allow ships to dock at the proposed berth. Upon completion, the berth will accommodate some of the largest cruise vessels visiting New Zealand now and in the future.

Furthermore, the Port's reclamation in Te Awaparahi Bay has reached 10 hectares and LPC remains committed to its expansion of another 24 hectares to provide the required space to move the Port's operations east, away from the Lyttelton community and residential area.

## Enable Services Ltd

Enable Services Ltd (ESL) is building and connecting local homes and businesses to a world-class fibre network. ESL owns the critical fibre infrastructure that is connecting our community with unlimited opportunity.

**100%**

owned by Christchurch City Holdings Limited



Enable's vision is for our fibre network to be an essential enabler of an economically and socially vibrant, connected, innovative and globally competitive Christchurch.

With more and more families, businesses, schools, healthcare providers and community service providers embracing fibre broadband, this vision is being realised today.

2017 was the first full year of operation for Enable Group – after Enable Services Limited took full ownership of Enable Networks Limited in June 2016. It was an exciting and challenging year for the business as it continued its remarkable growth trajectory.

### **50,000 customers connected across greater Christchurch**

At year end, 50,106 customers were connected to Enable fibre broadband and realising the benefits and opportunities of an ultra-fast, reliable and always present service – an increase of 24,289 throughout the year.

This represents almost 100 new customers connected per business day. This is well above the original peak connection rate predicted when the fibre network rollout began in 2011 – the maximum connection rate was expected to be 70 customers per day and would not occur until 2019.

The growth in business customers connecting was one of the highlights of the year. Growing by 2,142 to have a total of 6,240 local businesses taking the opportunity to gain a competitive advantage, and innovate and grow with Enable fibre broadband.



Left page      Enable Team  
connecting to  
our community

| FIVE YEAR SUMMARY    | 2013<br>\$M | 2014<br>\$M | 2015<br>\$M | 2016<br>\$M | 2017<br>\$M |
|----------------------|-------------|-------------|-------------|-------------|-------------|
| Revenue              | 46.4        | 63.8        | 74.4        | 75.2        | 36.3        |
| Profit/(loss)        | (3.7)       | (7.5)       | (10.0)      | 3.3         | (8.5)       |
| Dividends            | -           | -           | -           | -           | -           |
| Total assets         | 83.4        | 128.8       | 191.5       | 343.3       | 424.7       |
| Shareholder's equity | 21.6        | 20.6        | 13.6        | 100.8       | 138.9       |

Enable grew the number of customers that have access to Enable fibre broadband to 157,277 – an increase of 38,500 from last year, well ahead of plan.

### Providing Excellent Customer Experience

Enable continued to invest in providing an excellent customer experience throughout 2017. The business implemented a range of new initiatives to keep customers informed throughout the connection process, connect customers as quickly as possible and always respect the customer's home or business.

A significant shift in customer perceptions of connecting to fibre broadband has resulted from this work – with customer experience improving by 30 percent.

### Financial Performance

Enable's financial performance was strong with all financial targets being met or exceeded.

Total group operating revenue has decreased from \$63.3m to \$36.2m, due to accounting disclosure changes as a result of the shift to full ownership and subsequent reorganisation. Gross telecommunications revenue grew by 80 percent from \$14.3m in 2016 to \$25.7m. This strong performance is a direct result of the increasing demand for fibre broadband by our community.

EBITDA of \$14.3m was realised, exceeding the SOI target by \$2.6m.

This was achieved through the strong increase in telecommunications revenue, and our firm ongoing focus on cost management and cost reduction. Enable is now EBIT positive as a result of recurring business operations – one year earlier than planned.

### Health, Safety and Wellness

Enable's leadership believe Health, Safety and Wellness is more than an objective, priority or imperative. It needs to be a value, a constant part of everything Enable does, and management is focused on this transformation.

At year end, our Loss of Time Injury Frequency Rate (LTIFR) was 2.5 and a Total Recordable Injury Frequency Rate (TRIFR) of 5.5, both per million hours worked and including all contractors and sub-contractors. Both results were ahead of target and significant improvements on the previous year.

### The Year Ahead

Enable is focused on carrying the momentum from 2017 forward to ensure 2018 is another successful year. Ensuring customers have great confidence in Enable and receive an excellent customer experience when they connect to fibre broadband will remain a vitally important strategic imperative.

Enable will remain focused on rapidly growing the total number of customers connected to fibre broadband in greater Christchurch -

through extensive engagement with our community to explain the benefits and respond to any barriers in making the switch to Enable fibre broadband.

Approximately 30,000 more homes and businesses will be provided access to fibre broadband in the coming year. Enable is working to complete its network build by 31 December 2018 including Kennedys Bush, and more parts of Prestons, Hornby and Kainga under the Government's UFB2 initiative.

Enable will continue to manage its finances tightly as it moves towards the completion of its infrastructure build programme and closer to reaching peak debt levels. Maximising connection revenue while continuing to reduce and manage cost right across the business is critical to generating a fair rate of return to CCHL.

Developing an organisational culture to empower Enable people to deliver on the above, while staying safe and caring for each other, is critical if the business is to succeed in 2018 and beyond.

## City Care Ltd

City Care Ltd (Citycare) is a leading provider of construction, maintenance and management services. The company delivers its services to over two million New Zealanders, from 17 offices and depots across New Zealand.

**100%**

owned by Christchurch  
City Holdings Limited



### **Flat FY17 Performance Buoyed By FY18 Plans**

The industry-wide tightening of the construction market, compounded by the slower than expected timing of significant projects coming to market, as well as the company choosing not to make an acquisition whilst it was involved in a sale process, have all had an adverse effect on Citycare Group's FY17 performance. The result was also impacted by the need to make provisions relating to both an ongoing Holiday Act audit and the finalising of the SCIRT gain/loss provision. All this combined to see revenue at \$303.5m, nearly \$30m down on target, and a Net Profit After Tax of \$3.5m which was \$4.9m down on target.

But robust financial management meant that Citycare Group has still been able to achieve strong operating cash flows of \$16.5m and to pay solid dividends of \$6.2m, well in excess of NPAT, to its shareholder Christchurch City Holdings Ltd. The strong cash flow also enabled the company to support both its regular national annual capital expenditure and the additional capital investment required in readiness for a significant new Full Facilities contract with Auckland Council. These various cash outflows were delivered without going over the company's targeted debt position.



Left page Citycare team maintaining a community park

| FIVE YEAR SUMMARY    | 2013<br>\$M | 2014<br>\$M | 2015<br>\$M | 2016<br>\$M | 2017<br>\$M |
|----------------------|-------------|-------------|-------------|-------------|-------------|
| Revenue              | 351.1       | 350.8       | 333.5       | 306.8       | 303.5       |
| Profit               | 2.8         | 12.9        | 10.2        | 6.8         | 3.5         |
| Dividends            | 6.3         | 5.7         | 5.7         | 4.1         | 6.2         |
| Total assets         | 118.3       | 110.4       | 108.5       | 105.1       | 102.9       |
| Shareholder's equity | 43.3        | 50.6        | 55.7        | 58.9        | 56.3        |

The new Auckland Council contract has also had a significantly positive effect on Citycare's positioning for FY18. Not only does that contract offer Citycare scale and opportunity in Auckland that matches its strength in Christchurch, but it also talks directly to the Company's new business strategy, which is largely predicated on Citycare's capacity to 'bundle' services together and utilise innovation and technology solutions to drive efficiency and give tangible client benefits.

#### New Delivery Model

To this end, Citycare Group has recently announced a new operational delivery model that sees the company re-defining its structure to allow for a platform that positions it better for future growth in key market sectors:

- Citycare Water – construction and maintenance for water, wastewater and stormwater networks, with a focus on smarter management and optimisation of water sector infrastructure assets.
- Citycare Property – encompassing end-to-end construction and maintenance of public and private building and greenspace facilities.
- Citycare Civil – focusing on national construction and maintenance opportunities in roading, landscapes and subdivisions.

To capitalise on the likely interest in this new sector-led delivery model, Citycare Group has also recently

undertaken an associated brand uplift and is currently engaged in the transformational change of the business, aimed at deepening and extending customer relationships, collaborating with them more freely in areas like Innovation and Social Enterprise.

#### Satisfaction Ratings Remain High

We are pleased to report that even in a year of change and with the legacy of a prospective sale of Citycare Group impacting the business, both our customer and employee satisfaction ratings were maintained.

This year's Customer Satisfaction Survey delivered a 70% client satisfaction rating (identical to the FY16 rating), showing that overall our customers are satisfied with their relationships with Citycare. The challenge now is to demonstrably shift the dial and truly demonstrate through FY18 our appetite for greater collaboration, around the growing innovation and social procurement agendas of many of our customers.

Similarly, our staff satisfaction ratings for FY17 – as measured through the annual staff engagement survey – came in at 80%, as compared with 77% for FY16 and 74% for FY15. This is a pleasing result in the context of the year that was; this figure may well reflect the positive reception to our recent structural change and associated re-brand, as well as a keen interest in the new Auckland contract.

#### A Word on Safety

In spite of all the activity mentioned above, Citycare's focus on the safety of our people, and those who work with and around us, continues to be the single most important dynamic of our business.

We use the word 'dynamic' deliberately because robust safety management demands a dynamic approach to constantly optimising our safety systems and processes to maintain staff engagement and understanding of them.

To this end, Citycare Group continues to place the highest levels of attention to driving a 100% safe workplace culture and positively benchmarks our performance against similar organisations through active participation in the Business Leaders' Health & Safety Forum.

#### Final Word

Citycare Group's renewed vision for FY18 builds on that strong commitment to building great communities, with an additional future-looking flavour and a re-invigorated appetite to leverage our presence and the community-integrated DNA of our people to even greater effect during FY18 through:

**Building Great Communities,  
Today for Tomorrow.**

## Red Bus Ltd

Red Bus vision is to influence and grow passenger transport through world leading innovation. Currently Red Bus operate urban and school bus routes within Christchurch city, and tourism and coach services across the South Island.

**100%**

owned by Christchurch  
City Holdings Limited



Since the 2010 and 2011 earthquakes, Canterbury businesses have had to be nimble in their responses to the region's changing physical, social and economic landscapes. As one of these businesses, Red Bus has dealt with a number of challenges and is making steady progress.

We would like to take this opportunity to highlight some of the developments and achievements from the 2016/2017 financial year.

### Our People

The outcomes reported here are testament to the commitment and hard work of our drivers, support staff and managers. We thank them all for their service to Red Bus, the thousands of passengers who choose to use our services every day.

There are also the passengers who, without warning, find themselves needing us. When earthquake evacuees from Kaikoura arrived in Lyttelton aboard the HMNZS Canterbury, it was our people who welcomed them back on to dry land and took them on the final leg of their evacuation. We are committed to getting people to their destinations safely, whatever the circumstances.

We are also committed to the safety of our staff by providing them with a safe working environment. During 2016/2017, the lost time injury rate was 4.3 events per million worked hours, compared to 28.1 events per million worked hours in 2015/2016.

Left page      Red Bus coming into  
Bus Exchange

| FIVE YEAR SUMMARY    | 2013<br>\$M | 2014<br>\$M | 2015<br>\$M | 2016<br>\$M | 2017<br>\$M |
|----------------------|-------------|-------------|-------------|-------------|-------------|
| Revenue              | 17.2        | 17.4        | 18.3        | 19.1        | 20.6        |
| Profit/(loss)        | (0.6)       | (0.6)       | -           | 0.1         | 0.2         |
| Dividends            | -           | -           | 1.8         | 1.3         | -           |
| Total assets         | 49.4        | 44.0        | 42.0        | 43.2        | 43.5        |
| Shareholder's equity | 39.2        | 38.6        | 36.7        | 37.7        | 38.0        |

This was recognised during 2016/2017 by Qualmark gold certification for Red Travel, The Rebuild Tour and Akaroa Shuttle. Among the key contributors to this success was our use of the sophisticated Telematics monitoring system - which provides real time feedback to drivers on their acceleration, braking, cornering and speed - and our Safe and Fuel Efficient Driver (SAFED) training for all drivers.

Further, in 2016/2017 we invested in an upgrade of closed circuit television (CCTV) facilities on our buses and a workshop hoist replacement; and retained tertiary level accreditation with ACC's Accredited Employers Programme.

Getting our passengers and our staff home safe each day is paramount.

### Our Business

With Environment Canterbury's "hubs and spokes" public transport network now well established, Red Bus has been in a position - strategically and financially - to consolidate and think about how to best serve our customers now and into the future.

We are well aware that being open to new ideas and being ready to adapt is critical for meeting the evolving expectations of our customers and ensuring long-term sustainability. A very good example of this is the introduction during 2016/2017 of the new Mercedes neighbourhood buses in Christchurch, which makes Red Bus the first public transport operator in

New Zealand to use these types of vehicles for urban transport services.

The Mercedes 'City 45' buses can carry up to 22 passengers; they have air bags and all the latest safety features; and their Euro5 engines meet low emission exhaust standards.

They have been welcomed by communities which have been telling us that the size and limited manoeuvrability of these smaller buses make them just right for the small, suburban areas they live in.

Another demonstration during 2016/2017 of the company's commitment to improving the sustainability of our fleet has been the installation of solar panels on buses to enhance battery life, reduce delays caused by servicing and reduce operating costs.

### Our Result

The company has further improved its financial position with an operating after-tax paid profit of \$207,000 (\$93,000 in 2015/2016).

Revenue increased from \$19.1m in 2015/2016 to \$20.6m in 2016/2017 as a result of strong growth from Red Travel; the acquisition of Aaron Travel; previous year changes on Lyttelton, Rapaki and Eastgate routes; the staged introduction of Mercedes buses and improved revenues from Environment Canterbury school contracts.

The company continued to maintain positive operating cash flows during the year.

### Our Future

Red Bus recorded a small increase (0.5 percent) in urban passenger trips on our urban Metro services and a 3.3 percent increase on Metro school service passenger trips during 2016/2017. While we do not foresee any significant growth in these areas, we do anticipate strong growth for the charter and tourism transport side of the business which operates under the Red Travel brand.

International visitor arrivals in New Zealand increased by just over 10 percent two years in a row (2015/2016 and 2016/2017), and we expect the tourism sector to remain buoyant.

During 2016/2017, in anticipation of this buoyancy, the company purchased the tourism company Aaron Travel. The purchase has doubled the size of the Red Travel fleet to 24 vehicles, ranging in size from 10-passenger mini-buses to 51-seat luxury passenger tour coaches.

This larger coach fleet, combined with our well trained and capable people, commitment to customer safety and service, and strong operations and fleet management systems makes us well suited to serving the growing South Island visitor travel market.

Our commitment is to keep listening to our customers and to challenge ourselves to deliver services that meet the evolving transport need.

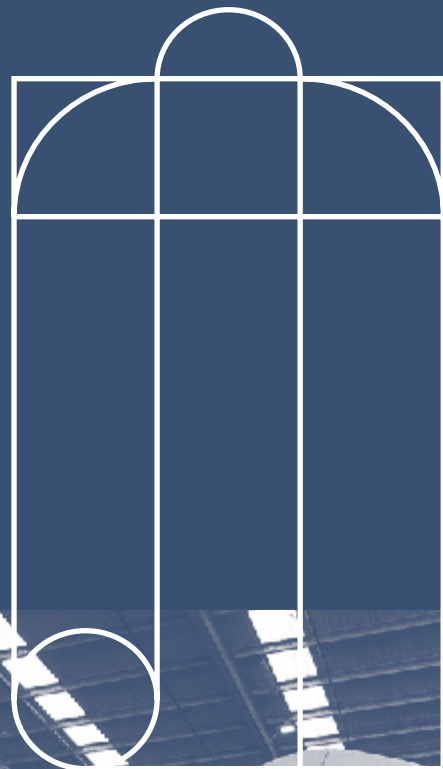


## EcoCentral Ltd

EcoCentral Ltd is committed to reducing the amount of waste going to landfill, and helping Christchurch lead the way in recycling. EcoCentral manages the processing of household and commercial refuse and the automated sorting of recycling throughout the Canterbury region.

**100%**

owned by Christchurch  
City Holdings Limited





Left page      EcoDrop and EcoSort  
in full action

| FIVE YEAR SUMMARY    | 2013<br>\$M | 2014<br>\$M | 2015<br>\$M | 2016<br>\$M | 2017<br>\$M |
|----------------------|-------------|-------------|-------------|-------------|-------------|
| Revenue              | 32.9        | 35.7        | 38.8        | 37.6        | 37.9        |
| Profit/(loss)        | 0.6         | 0.9         | 2.0         | 1.6         | 0.9         |
| Dividends            | -           | 0.2         | 0.2         | 0.3         | 0.3         |
| Total assets         | 18.2        | 17.4        | 16.3        | 15.9        | 16.3        |
| Shareholder's equity | 4.0         | 4.7         | 6.6         | 7.8         | 8.4         |

EcoCentral has enjoyed another positive year. The generally fickle cycle of recycling commodities and foreign currency exposure aligned for a good portion of the year contributing to a stronger result for the company. The diminishing waste volumes as post-earthquake activity subdued have materialized. The team continued to operate with safety as a focus, with a strong emphasis on training.

#### Financial Performance

The company returned a profit for the year which was impacted by the write down of the final portion of goodwill. The anticipated dividend has been paid along with further debt reduction leaving the balance sheet in a strong position.

#### EcoDrop

The anticipated reduction of volumes at the EcoDrop led to a revenue reduction year on year. The costs have been maintained well with a heightened emphasis on training, especially relating to hazardous products in the waste, including asbestos.

#### EcoSort

For the first time since September 2008, paper based commodity product value (including cardboard) returned to top of the cycle values. The increased value, combined with a weaker US dollar rate contributed to a strong cash flow for the year.

#### EcoShop

The shop has continued to support the environment and the community by recovering product for resale, recouping the cost to operate whilst continuing to support the partnership with Nurse Maude.

The newly combined team has performed extremely well, streamlining processes, enhancing the quality of stock available in the shop.

#### Health & Safety

The company has been recertified to both ACC tertiary level and AS/NZ 4801. This is a demonstration of the continued evolution of the commitment to sending everyone home safe. The culture and willingness of the team to learn and improve how we do things has been outstanding. The reporting of incidents and risks has strengthened the ability to respond to new trends as they arise.

#### The Team

The team have experienced some great changes in the last twelve months. This includes five internal promotions across the company as opportunities arose combined with well trained and suitable candidates in the business ready to step up for their next challenge. The growth of these individuals has been a fantastic support to their teams and the company alike. Six long serving team members retired throughout the year. Their unwavering commitment to our success will be missed, replacing that

inherent ability to perform, regardless of the task is always difficult, but equally we've recruited excellent candidates to help us take the business to its next level.

#### Outlook

As our pre-earthquake levels return, the focus will continue with safety and training. Several initiatives are being developed to enhance our recovery of product and increase waste minimization. There is an opportunity to participate in local plastic recycling opportunities to 'close the loop' which creates an exciting leap forward for New Zealand. A major investment in replacement equipment for the EcoSort will utilize the advancements in technology in this area bringing further efficiencies and cost savings to combat the likely fall in commodity prices.

EcoCentral strives to become a community centric business for the Canterbury community, employing local staff and recovering local resources. Further innovation and development in this area is a focus for the new year.

## Development Christchurch Ltd

Development Christchurch Ltd (DCL)'s objective is to accelerate development activities in Christchurch's built environment to achieve positive social outcomes that lead to a prosperous economy.

**100%**

owned by Christchurch  
City Holdings Limited

In its first full year of operations, DCL has moved quickly to establish itself as a nimble and effective urban development agency. Whilst completing establishment and relocating into permanent premises, DCL has made great progress on a number of key work streams which the Council has tasked DCL:

### **Creating change through urban regeneration**

Building on Council's 2015 New Brighton Suburban Centre Master Plan, DCL has joined conversations in the community that have been occurring for some time around revitalising the seaside suburb. The project includes the delivery of the Council funded hot salt water pools and beachside playground. It also involves working with landowners, businesses, investors, and the community to successfully revitalise New Brighton's commercial core.

DCL has made strong progress on this project. With \$19.2m of funding approved for the beachside playground, Surf Life Saving Club relocation, and the hot salt water pools, DCL is on track to transform New Brighton into a bustling seaside leisure destination for locals and visitors.



Left page      Breaking the sod for  
the new community  
playground in New  
Brighton

| FIVE YEAR SUMMARY    | 2013<br>\$M | 2014<br>\$M | 2015<br>\$M | 2016<br>\$M | 2017<br>\$M |
|----------------------|-------------|-------------|-------------|-------------|-------------|
| Revenue              |             |             |             | 0.3         | 4.3         |
| Profit/(loss)        |             |             |             | (1.2)       | 0.2         |
| Dividends            |             |             |             | -           | -           |
| Total assets         |             |             |             | 2.7         | 3.1         |
| Shareholder's equity |             |             |             | 2.3         | 2.4         |

Community engagement has been at the heart of this project, and the feedback processes for the regeneration project have been well responded to. Around 600 submissions were made during the 2017-2018 Annual Plan process in support of the hot salt water pools project. Over 350 responses were received by DCL in support of concept designs for the beachside playground.

One of the greatest achievements for DCL so far has been in earning the trust and confidence of that community, and in continuing to demonstrate the capability and capacity to deliver.

Achieving the buy-in of the private sector is essential to New Brighton's successful regeneration, and DCL has placed a high emphasis on engagement and collaboration with the business and investment community. DCL's \$100,000 Creating Momentum Regeneration Fund has been a valuable mechanism to assist community and commercial entities undertake projects that contribute to New Brighton's regeneration.

#### Unlocking Development Opportunities for Others

One of the early mandates given to DCL by Council was to lead the development of an Investor Ready City Strategy. One of the key challenges Christchurch is facing is how to pair strong investor appetite with easily executable opportunities that result in the sort of investment

that Christchurch requires. Too often the city has presented a fragmented investment offering, which has proved a barrier to successful long-term investment.

DCL is committed to working with other key entities in ensuring that the city develops a consistent strategy and implementation approach that addresses these gaps. The heart of this strategy is in articulating a clear vision for the city, which in turn drives an equally clear understanding of what investment Christchurch is seeking and how it expects to successfully attract it. DCL's work with its preferred development partner to redevelop the site of the old convention centre (the Peterborough Quarter) is one such example of this. This development provides an exciting opportunity to use surplus Council-owned land, in partnership with the private sector, to create a mixed-use development that will contribute strongly to the hustle and bustle of the inner city.

DCL received its first award in May when it won Institute of Finance Professionals New Zealand (INFINZ) Debt Deal of the Year 2017 award. This accolade recognised the unique funding structure between the Leisure Investments New Zealand partnership and China Construction Bank for the Christchurch Adventure Park.

#### Increased Strategic Capacity and Capability for Council

DCL's strong commercial focus and expertise, and commitment to engage

pro-actively with public and private sector entities adds to Council's strategic capacity and capability in the short and long term.

DCL has collaborated with Council staff to produce a Land Development Strategy (LDS) which provides a framework for working in partnership with the private sector in developing surplus Council-owned land for specific regeneration outcomes.

DCL has also provided strategic advice to Council on a variety of subjects, including the implementation of the Suburban Centre Master Plans, car-parking, the Metro Sports facility, and Christchurch Adventure Park.

#### Looking Forward

As DCL moves into its second year of operations, the organisation has set targets of becoming financially self-sustaining, whilst recycling capital effectively to accelerate urban development projects. New Brighton, Peterborough Quarter, and a variety of other projects under the LDS continue to present exciting opportunities for the city, and it is crucial for the city's future that these are captured and capitalised on.

# Directors' Responsibility Statement

## Financial Statements for the year ended 30 June 2017

These financial statements are for Christchurch City Holdings Group (Group), a group made up of Christchurch City Holdings Ltd and the entities over which it has control or joint control.

Christchurch City Holdings Ltd is registered in New Zealand under the Companies Act 1993

The directors are responsible for ensuring that the Group financial statements present fairly in all material respects:

- the financial position as at 30 June 2017, and;
- the financial performance and cash flows for the year ended 30 June 2017, and;
- the statement of performance for the year ended 30 June 2017.

The directors consider that the financial statements of the Group have been prepared using appropriate accounting policies, consistently applied and supported by reasonable judgments and estimates, and comply with New Zealand equivalents to International Financial Reporting Standards (IFRS) and IFRS as appropriate for profit-oriented entities.

The directors consider that proper accounting records have been kept, which enable, with reasonable accuracy, the determination of the financial position of the Group.

The directors have pleasure in presenting the financial statements of the Group, set out on pages 38 to 82, of Christchurch City Holdings Limited for the year ended 30 June 2017.

The Board of Directors of Christchurch City Holdings Limited authorises these financial statements for issue on 13 September 2017.

For and on behalf of the Board



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**Jeremy Smith**  
Chair  
Christchurch  
13 September 2017



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**Sarah Smith**  
Director  
Christchurch  
13 September 2017



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The accompanying notes form part of and are to be read in conjunction with these financial statements.

## Statement of financial position

As at 30 June 2017

|                                      | NOTE  | GROUP 2017<br>\$'000 | GROUP 2016<br>\$'000 |
|--------------------------------------|-------|----------------------|----------------------|
| <b>Non-current assets</b>            |       |                      |                      |
| Investments in associates            |       | 153                  | 347                  |
| Property, plant and equipment        | 5     | 2,892,317            | 2,717,620            |
| Investment property                  | 6     | 370,523              | 303,692              |
| Loans and other financial assets     | 11(b) | 28,040               | 29,091               |
| Intangible assets                    | 14    | 56,561               | 53,498               |
| Debtors, inventory and other assets  | 12(a) | 6,466                | 7,465                |
| <b>Total non-current assets</b>      |       | <b>3,354,060</b>     | <b>3,111,713</b>     |
| <b>Current assets</b>                |       |                      |                      |
| Cash and cash equivalents            | 13    | 14,740               | 1,851                |
| Debtors, inventory and other assets  | 12(a) | 146,863              | 149,446              |
| Loans and other financial assets     | 11(a) | 117,218              | 155,509              |
| <b>Total current assets</b>          |       | <b>278,821</b>       | <b>306,806</b>       |
| <b>Total assets</b>                  |       | <b>3,632,881</b>     | <b>3,418,519</b>     |
| <b>Non-current liabilities</b>       |       |                      |                      |
| Borrowings                           | 7     | 1,145,598            | 978,772              |
| Net deferred tax liabilities         | 10(d) | 309,692              | 302,874              |
| Provisions and other liabilities     | 16    | 32,206               | 57,299               |
| <b>Total non-current liabilities</b> |       | <b>1,487,496</b>     | <b>1,338,945</b>     |
| <b>Current liabilities</b>           |       |                      |                      |
| Borrowings                           | 7     | 161,906              | 133,977              |
| Creditors and other liabilities      | 15    | 106,038              | 88,036               |
| Provisions and other liabilities     | 16    | 42,725               | 37,684               |
| Current tax liabilities              |       | 4,741                | 6,507                |
| <b>Total current liabilities</b>     |       | <b>315,410</b>       | <b>266,204</b>       |
| <b>Total liabilities</b>             |       | <b>1,802,906</b>     | <b>1,605,149</b>     |
| <b>Net assets</b>                    |       | <b>1,829,975</b>     | <b>1,813,370</b>     |
| <b>Equity</b>                        |       |                      |                      |
| Capital and other equity instruments | 21    | 71,435               | 71,435               |
| Reserves                             |       | 456,714              | 431,928              |
| Retained earnings                    |       | 1,026,457            | 1,045,004            |
| Parent entity interests              |       | 1,554,606            | 1,548,367            |
| Non-controlling interests            | 3     | 275,369              | 265,003              |
| <b>Total equity</b>                  |       | <b>1,829,975</b>     | <b>1,813,370</b>     |

The accompanying notes form part of and are to be read in conjunction with these financial statements.

# Statement of comprehensive income

For the year ended 30 June 2017

|   | NOTE  | GROUP 2017<br>\$'000 | GROUP 2016<br>\$'000 |
|---|-------|----------------------|----------------------|
| <b>Operating and other revenue</b>                                  | 8     | <b>1,037,860</b>     | <b>1,037,869</b>     |
| Operating expenses  | 9     | 700,006              | 726,338              |
| Share of losses of associates and joint arrangements                |       | 194                  | 2,606                |
| <b>Earnings before interest, tax, depreciation and amortisation</b> |       | <b>337,660</b>       | <b>308,925</b>       |
| Depreciation  | 5     | 118,358              | 103,618              |
| Impairment  | 5, 14 | 10,069               | 107,425              |
| Amortisation  | 14    | 3,280                | 3,940                |
| <b>Earnings before interest and tax</b>                             |       | <b>205,953</b>       | <b>93,942</b>        |
| Finance income  |       | 6,556                | 14,129               |
| Finance costs   |       | 55,628               | 52,783               |
| <b>Net finance costs</b>  |       | <b>49,072</b>        | <b>38,654</b>        |
| <b>Net profit before tax</b>  |       | <b>156,881</b>       | <b>55,288</b>        |
| Income tax expense/(credit)   | 10    | 40,490               | 16,519               |
| <b>Net profit after tax</b>   |       | <b>116,391</b>       | <b>38,769</b>        |
| <b>Other comprehensive income</b>                                   |       |                      |                      |
| <i>Items that will not be recycled to profit or loss:</i>           |       |                      |                      |
| Revaluation of assets   |       | 14,720               | 26,746               |
| <i>Items that may be recycled to profit or loss in future:</i>      |       |                      |                      |
| Cash flow hedges  |       | 23,007               | (29,315)             |
|   |       | 37,727               | (2,569)              |
| Income tax (credit)/expense relating to other comprehensive income  |       | (9,690)              | 3,975                |
| <b>Other comprehensive income for the year, net of tax</b>          |       | <b>28,037</b>        | <b>1,406</b>         |
| <b>Total comprehensive income for the year, net of tax</b>          |       | <b>144,428</b>       | <b>40,175</b>        |
| <b>Profit for the year attributable to:</b>                         |       |                      |                      |
| Owners of the parent  |       | 94,608               | 22,284               |
| Non-controlling interests   |       | 21,783               | 16,485               |
|   |       | <b>116,391</b>       | <b>38,769</b>        |
| <b>Total comprehensive income attributable to:</b>                  |       |                      |                      |
| Owners of the parent  |       | 119,924              | 21,036               |
| Non-controlling interests   | 3     | 24,504               | 19,139               |
|   |       | <b>144,428</b>       | <b>40,175</b>        |

The accompanying notes form part of and are to be read in conjunction with these financial statements.

## Statement of changes in equity

For the year ended 30 June 2017

|   |      | SHARE<br>CAPITAL<br>\$'000 | ASSET<br>REVALUATION<br>RESERVE<br>\$'000 | HEDGING<br>RESERVE<br>\$'000 | RETAINED<br>EARNINGS<br>\$'000 | ATTRIBUTABLE<br>TO EQUITY<br>HOLDERS OF<br>PARENT<br>\$'000 | NON-<br>CONTROLLING<br>INTERESTS<br>\$'000 | Total<br>\$'000  |
|---|------|----------------------------|---|------------------------------|--------------------------------|---|--|------------------|
|   | Note | 21                         | 22  | 22                           |                                |   | 3  |                  |
| <b>Balance as at 1 July 2015</b>                |      | 71,435                     | 445,848                                   | (12,408)                     | 1,154,447                      | 1,659,322   | 269,097                                    | <b>1,928,419</b> |
| Profit for the year                             |      | -                          | -   | -                            | 22,284                         | 22,284  | 16,485                                     | <b>38,769</b>    |
| Other comprehensive income for year:            |      |                            |   |                              |                                |   |  |                  |
| Revaluation of assets                           |      | -                          | 20,656                                    | -                            | -                              | 20,656  | 6,090                                      | <b>26,746</b>    |
| Revaluation of derivative financial instruments |      | -                          | -   | (25,987)                     | -                              | (25,987)  | (3,328)                                    | <b>(29,315)</b>  |
| Tax associated with revaluation movements       |      | -                          | (3,164)                                   | 7,312                        | (65)                           | 4,083   | (108)                                      | <b>3,975</b>     |
| <b>Other comprehensive income for year</b>      |      | -                          | <b>17,492</b>                             | <b>(18,675)</b>              | <b>(65)</b>                    | <b>(1,248)</b>  | <b>2,654</b>                               | <b>1,406</b>     |
| Transfer on disposal of revalued assets         |      | -                          | (329)                                     | -                            | 329                            | -   | -  | -                |
| Dividends paid or provided for                  | 21   | -                          | -   | -                            | (131,991)                      | (131,991)   | (14,072)                                   | <b>(146,063)</b> |
| Adjustment for share acquisitions               |      | -                          | -   | -                            | -                              | -   | (9,653)                                    | <b>(9,653)</b>   |
| Other   |      |                            |   |                              |                                |   | 492  | <b>492</b>       |
| <b>Balance as at 30 June 2016</b>               |      | <b>71,435</b>              | <b>463,011</b>                            | <b>(31,083)</b>              | <b>1,045,004</b>               | <b>1,548,367</b>  | <b>265,003</b>                             | <b>1,813,370</b> |
| Profit for the year                             |      | -                          | -   | -                            | 94,608                         | 94,608  | 21,783                                     | <b>116,391</b>   |
| Other comprehensive income for year:            |      |                            |   |                              |                                |   |  |                  |
| Revaluation of assets                           |      | -                          | 13,671                                    | -                            | -                              | 13,671  | 1,049                                      | <b>14,720</b>    |
| Revaluation of derivative financial instruments |      | -                          | -   | 20,337                       | -                              | 20,337  | 2,670                                      | <b>23,007</b>    |
| Tax associated with revaluation movements       |      | -                          | (2,192)                                   | (6,456)                      | (44)                           | (8,692)   | (998)                                      | <b>(9,690)</b>   |
| <b>Other comprehensive income for year</b>      |      | -                          | <b>11,479</b>                             | <b>13,881</b>                | <b>(44)</b>                    | <b>25,316</b>   | <b>2,721</b>                               | <b>28,037</b>    |
| Transfer on disposal of revalued assets         |      | -                          | (573)                                     | -                            | 573                            | -   | -  | -                |
| Dividends paid or provided for                  | 21   | -                          | -   | -                            | (113,682)                      | (113,682)   | (14,138)                                   | <b>(127,820)</b> |
| Other   |      |                            |   | (1)                          | (2)                            | (3)   | -  | <b>(3)</b>       |
| <b>Balance as at 30 June 2017</b>               |      | <b>71,435</b>              | <b>473,917</b>                            | <b>(17,203)</b>              | <b>1,026,457</b>               | <b>1,554,606</b>  | <b>275,369</b>                             | <b>1,829,975</b> |

The accompanying notes form part of and are to be read in conjunction with these financial statements.



## Statement of cash flows

For the year ended 30 June 2017

|   | NOTE      | GROUP 2017<br>\$'000 | GROUP 2016<br>\$'000 |
|---|-----------|----------------------|----------------------|
| <b>Cash flows from operating activities</b>                 |           |                      |                      |
| Receipts from customers and other sources                   |           | 1,005,209            | 985,436              |
| Interest received   |           | 3,393                | 5,130                |
| Payments to suppliers and employees                         |           | (686,359)            | (775,280)            |
| Interest and other finance costs paid                       |           | (47,958)             | (41,810)             |
| Income tax paid   |           | (37,082)             | (39,118)             |
| Subvention payments   |           | (7,997)              | (16,165)             |
| <b>Net cash provided by/(used in) operating activities</b>  | <b>24</b> | <b>229,206</b>       | <b>118,193</b>       |
| <b>Cash flows from investing activities</b>                 |           |                      |                      |
| Payment for equity investment in subsidiaries/associates    |           | -                    | (2,000)              |
| Proceeds from investment in subsidiaries/associates         |           | 495                  |                      |
| Advances made   |           | (589)                | (651)                |
| Proceeds from repayment of related party loans              |           | -                    | 14,487               |
| Payment for property, plant and equipment                   |           | (285,750)            | (197,790)            |
| Proceeds from sale of property, plant and equipment         |           | 1,880                | 5,094                |
| Payment for goodwill  |           | -                    | (1,280)              |
| Payment for intangible assets                               |           | (7,063)              | (6,175)              |
| Proceeds from sale of businesses                            |           | -                    | 5,326                |
| Cash acquired in business combinations                      |           | -                    | 1,550                |
| Payment for investment properties                           |           | (30,905)             | (39,420)             |
| Proceeds from sale of investment properties                 |           | 2,500                | 3,308                |
| Maturity of/(investment in) term deposits                   |           | 35,493               | (19,052)             |
| Other   |           | -                    | 5,250                |
| <b>Net cash (used in)/provided by investing activities</b>  |           | <b>(283,939)</b>     | <b>(231,353)</b>     |
| <b>Cash flows from financing activities</b>                 |           |                      |                      |
| Proceeds from borrowing                                     |           | 341,344              | 349,850              |
| Repayment of borrowings                                     |           | (144,715)            | (167,090)            |
| Repayment of finance leases                                 |           | (1,187)              | (2,337)              |
| Share buy back - non-controlling interests                  |           | -                    | (9,652)              |
| Other   |           | -                    | 492                  |
| Dividends paid  |           | (113,682)            | (131,991)            |
| Dividends paid - non-controlling interests                  |           | (14,138)             | (14,072)             |
| <b>Net cash provided by/(used in) financing activities</b>  |           | <b>67,622</b>        | <b>25,200</b>        |
| <b>Net increase/(decrease) in cash and cash equivalents</b> |           | <b>12,889</b>        | <b>(87,960)</b>      |
| Cash and cash equivalents at beginning of year              |           | 1,851                | 89,811               |
| <b>Cash and cash equivalents at end of year</b>             | <b>13</b> | <b>14,740</b>        | <b>1,851</b>         |

The accompanying notes form part of and are to be read in conjunction with these financial statements.

## Notes to the financial statements

For the year ended 30 June 2017

# Group Structure

| GROUP OWNERSHIP                        |                          | SHAREHOLDERS |                                      | BALANCE DATE |
|--|--------------------------|--------------|--------------------------------------|--------------|
| Parent                                 | Business                 |              |                                      |              |
| Christchurch City Holdings Ltd         | Holding Company          | 100%         | Christchurch City Council            | 30 June      |
| Subsidiaries                           |                          | CCHL %       | NCI Holder                           | NCI %        |
| Orion New Zealand Ltd                  | Electricity network      | 89.275%      | Selwyn District Council              | 10.725%      |
| Christchurch International Airport Ltd | Airport                  | 75.0%        | Minister of Finance                  | 12.5%        |
|  |                          |              | Minister for State-Owned Enterprises | 12.5%        |
| Lyttelton Port Company Ltd             | Port                     | 100%         |                                      | 30 June      |
| Enable Services Ltd                    | Broadband network        | 100%         |                                      | 30 June      |
| City Care Ltd                          | Contracting              | 100%         |                                      | 30 June      |
| Red Bus Ltd                            | Passenger transport      | 100%         |                                      | 30 June      |
| EcoCentral Ltd                         | Waste recycling          | 100%         |                                      | 30 June      |
| Development Christchurch               | Urban Development Agency | 100%         |                                      | 30 June      |

### Accounting policy

#### Subsidiaries

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The financial statements of the subsidiaries (other than Orion New Zealand Ltd - see below) are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all inter-company balances and transactions, income

and expenses and profit and losses resulting from intra-group transactions are eliminated in full.

Orion New Zealand Ltd has a balance date of 31 March, as it has regulatory disclosure requirements. Due to this the 12 month results to 31 March are consolidated as part of the group numbers (30 June) as they are within three months of the group balance date.

Subsidiaries are fully consolidated from the date on which control is transferred to CCHL and cease to be consolidated from the date control ceases. The purchase method of accounting is used to account for the consolidation of subsidiaries.

## 1. Significant changes in the period

### Capital release programme

CCHL continues to work with its 100% shareholder Christchurch City Council, as it completes its capital works programme. During FY17, a \$70m special dividend was paid as part of CCHL's commitment to support the capital release programme. The remaining capital release requirements from CCHL are \$280m over the FY18-FY19 period.

## 2. Business combinations

### 2. (a) City Care Ltd

In July 2015, City Care Holdings No.1 Limited, a wholly owned subsidiary was incorporated with 3 shares. Following incorporation, City Care Holdings No. 1 Limited purchased the trade and assets of Apex Environmental Limited and simultaneously changed its name to Apex Environmental Limited. On this day a further 24,997 shares were issued, 14,287 of these to City Care resulting in a 57.16% shareholding. Apex Environmental Limited is involved in the designing, building, installing and commissioning water and wastewater treatment plants for the food and beverage, dairy, textiles, winery and municipal sectors.

In September 2014, Command Building Services Ltd (a wholly owned subsidiary of City Care Ltd) acquired the assets and business of Command Management Ltd and related companies - a heating, ventilation and air conditioning installation and servicing business. The contingent consideration of \$.25m was released to City Care as EBIT targets were not met, and was included in Revenue for the year ended 30 June 2016. In March 2017, Command Building Services Limited was amalgamated into the Parent (City Care Limited) using the short-form amalgamation process under the Companies Act 1993. Under the amalgamation City Care Limited took control of all the assets of Command Building Services Limited and assumed responsibility for its liabilities. Command Building Services has been removed from the New Zealand register of companies.

## 2. (b) Enable Services Ltd

The net assets of Enable Networks Ltd were acquired on 29 June 2016 as a consequence of the reorganisation between Enable Services Ltd (ESL), Enable Networks Ltd (ENL), Crown Fibre Holdings Ltd and CCHL. For the year ended 30 June 2017, ENL has been a wholly owned subsidiary of ESL and therefore the financial results of the Enable group have been included in the CCHL Group results. However as the acquisition on ENL occurred on 29 June 2016, the CCHL Group comparatives show no revenue or expenditure of the acquiree (ENL), ESL had recorded its equity-accounted share of ENL's losses for the period up to 29 June 2016.

## 2. (c) Red Bus

In November 2016, Red Bus Limited purchased the business assets of Aaron Travel Ltd. Total consideration paid was \$2.7m, which was for Plant & Equipment of \$2m, customer lists \$.3m and Goodwill of \$.3m. Included in these assets was a contingent consideration of \$.2m paid based on the achievement of sales targets.

## 3. Non-controlling interests in subsidiary companies

Set out below is summarised financial information for each subsidiary that has non-controlling interests. At 30 June 2017, Orion New Zealand Ltd ('Orion') and Christchurch International Airport Ltd ('CIAL') were the only subsidiaries not 100%-owned by CCHL.

|                                  | 30 JUNE 2017    |                |                           |                 | 30 JUNE 2016    |                |                           |                 |
|----------------------------------|-----------------|----------------|---------------------------|-----------------|-----------------|----------------|---------------------------|-----------------|
|                                  | ORION<br>\$'000 | CIAL<br>\$'000 | CONSOL<br>ADJ'S<br>\$'000 | TOTAL<br>\$'000 | ORION<br>\$'000 | CIAL<br>\$'000 | CONSOL<br>ADJ'S<br>\$'000 | TOTAL<br>\$'000 |
| Non-controlling interest (NCI)   | 10.7%           | 25.0%          |                           |                 | 10.7%           | 25.0%          |                           |                 |
| Revenue                          | 311,811         | 213,129        |                           |                 | 307,295         | 182,527        |                           |                 |
| Net profit after tax             | 51,770          | 64,590         |                           |                 | 53,446          | 43,055         |                           |                 |
| Other comprehensive income (OCI) | 15,831          | 4,094          |                           |                 | -               | 10,615         |                           |                 |
| Total comprehensive income       | 67,601          | 68,684         |                           |                 | 53,446          | 53,670         |                           |                 |
| Profit allocated to NCI          | 5,552           | 16,148         | 83                        | 21,783          | 5,732           | 10,764         | (11)                      | 16,485          |
| <b>OCI allocated to NCI</b>      | <b>1,698</b>    | <b>1,024</b>   | <b>0</b>                  | <b>2,721</b>    | <b>-</b>        | <b>2,654</b>   | <b>(0)</b>                | <b>2,654</b>    |
| Current assets                   | 23,202          | 18,165         |                           |                 | 21,600          | 17,183         |                           |                 |
| Non-current assets               | 1,136,948       | 1,333,858      |                           |                 | 1,104,691       | 1,251,242      |                           |                 |
| Current liabilities              | 81,396          | 53,347         |                           |                 | 43,165          | 84,431         |                           |                 |
| Non-current liabilities          | 406,013         | 471,776        |                           |                 | 422,986         | 392,821        |                           |                 |
| <b>Net assets</b>                | <b>672,741</b>  | <b>826,900</b> |                           |                 | <b>660,140</b>  | <b>791,173</b> |                           |                 |
| Carrying amount of NCI           | 72,151          | 206,725        | (3,507)                   | 275,369         | 70,800          | 197,793        | (3,590)                   | 265,003         |
| Operating cash flows             | 100,415         | 75,014         |                           |                 | 103,383         | 49,466         |                           |                 |
| Investing cash flows             | (66,680)        | (85,552)       |                           |                 | (91,631)        | (48,222)       |                           |                 |
| Financing cash flows*            | (33,537)        | 13,043         |                           |                 | (11,988)        | (3,262)        |                           |                 |
|                                  | 198             | 2,505          |                           |                 | (236)           | (2,018)        |                           |                 |
| * Includes dividends paid to NCI | (5,899)         | (8,239)        |                           |                 | (6,757)         | (7,316)        |                           |                 |

The consolidation adjustment includes the non-controlling interest in Apex Environmental Limited recognised in City Care Ltd's financial statements as per note 2.

Accounting policy

Non-controlling interests

Non-controlling interests are allocated their share of net profit after tax in the statement of comprehensive income and are presented within equity in the consolidated balance sheet, separately from the equity of the owners of the parent.

4. Joint arrangements

Joint Venture

In December 2014, City Care Ltd entered into an unincorporated joint venture - City Care Ltd John Fillmore Contracting Ltd Joint Venture. The joint venture is a 50/50 strategic partnership to tender relevant contracts. There are no commitments or contingent liabilities in respect of this joint venture.

Joint operation

City Care Ltd also has a 20% interest in the Stronger Christchurch Infrastructure Rebuild Team Joint Venture (SCIRT JV). The SCIRT JV is structured as an unincorporated joint venture and is not a separate vehicle, therefore the arrangement is treated as a joint operation. The company reflects its share of revenue and profit through its financial statements.

Neither of these arrangements are considered material on the Group.

Accounting policy

Joint arrangements

The group applies NZ IFRS 11 to all joint arrangements. Under NZ IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor.

Joint ventures are accounted for using the equity method. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the group's net investment in the joint ventures), the group does not recognise further losses, unless it has incurred obligations or

made payments on behalf of the joint ventures.

Unrealised gains on transactions between the group and its joint ventures are eliminated to the extent of the group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the group.

For jointly controlled operations, the group recognises in its consolidated financial statements the assets it controls, the liabilities and expenses it incurs, and the share of income that it earns from the joint operations.



# Key Assets and Liabilities

## 5. Property, plant & equipment

|   | FREEHOLD<br>LAND<br>\$'000 | BUILDINGS<br>\$'000 | PLANT &<br>EQUIPMENT<br>\$'000 | ELECTRICITY<br>DISTRIBUTION<br>SYSTEM<br>\$'000 | SPECIALISED<br>ASSETS<br>\$'000 | WORK IN<br>PROGRESS<br>\$'000 | TOTAL<br>\$'000  |
|---|----------------------------|---------------------|--------------------------------|---|---------------------------------|-------------------------------|------------------|
| <b>Gross carrying amount</b>            |                            |                     |                                |   |                                 |                               |                  |
| Cost/valuation at 1 July 2015           | 461,117                    | 413,683             | 389,224                        | 948,518   | 446,854                         | 99,554                        | 2,758,950        |
| Additions                               | 6,997                      | 5,409               | 20,604                         | 112,580   | 65,237                          | 54,763                        | 265,590          |
| Additions through business combinations | -                          | -                   | 58                             | -   | 297,720                         | -                             | 297,778          |
| Disposals                               | (1,633)                    | (17)                | (17,913)                       | (2,048)   | (43)                            | -                             | (21,654)         |
| Net movements in work in progress       | -                          | -                   | 415                            | -   | -                               | (29,994)                      | (29,579)         |
| Net revaluation increments/(decrements) | 4,275                      | 1,760               | -                              | -   | (2,677)                         | -                             | 3,358            |
| Transfers                               | (12,760)                   | (2,486)             | 2,751                          | (217)   | 19,979                          | (46,695)                      | (39,428)         |
| <b>Cost/valuation at 30 June 2016</b>   | <b>457,996</b>             | <b>418,349</b>      | <b>395,139</b>                 | <b>1,058,833</b>                                | <b>827,070</b>                  | <b>77,628</b>                 | <b>3,235,015</b> |
| Additions                               | 234                        | 7,474               | 48,870                         | 41,639  | 104,674                         | 92,774                        | 295,665          |
| Additions through business combinations | -                          | -                   | 2,083                          | -   | -                               | -                             | 2,083            |
| Disposals                               | (33)                       | (495)               | (13,724)                       | (2,309)   | (1)                             | -                             | (16,562)         |
| Re-classification as held for sale      | (1,010)                    | -                   | (2,125)                        | -   | -                               | -                             | (3,135)          |
| Net movements in work in progress       | -                          | -                   | (415)                          | -   | -                               | 23,676                        | 23,261           |
| Net revaluation increments/(decrements) | 10,585                     | (1,557)             | -                              | (117,416)                                       | (5,240)                         | -                             | (113,628)        |
| Transfers and other                     | 72                         | 8,988               | 5,004                          | (47)  | 21,233                          | (63,366)                      | (28,116)         |
| <b>Cost/valuation at 30 June 2017</b>   | <b>467,844</b>             | <b>432,759</b>      | <b>434,832</b>                 | <b>980,700</b>                                  | <b>947,736</b>                  | <b>130,712</b>                | <b>3,394,583</b> |

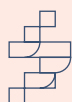
### Accumulated depreciation and impairment

|  |                 |                 |                  |                 |                  |          |                  |
|--|-----------------|-----------------|------------------|-----------------|------------------|----------|------------------|
| Accumulated balance at 1 July 2015         | (62)            | (35,649)        | (203,418)        | (35,480)        | (79,279)         | -        | (353,888)        |
| Disposals                                  | -               | 12              | 15,335           | 823             | 1,109            | -        | 17,279           |
| Revaluation adjustments                    | -               | 1,875           | -                | -               | 21,513           | -        | 23,388           |
| Impairment losses                          | (11,116)        | (3,236)         | (30,744)         | (6,856)         | (49,083)         | -        | (101,035)        |
| Depreciation expense                       | -               | (22,721)        | (26,213)         | (36,798)        | (17,886)         | -        | (103,618)        |
| Transfers and other                        | 2               | (106)           | 588              | (6)             | 1                | -        | 479              |
| <b>Accumulated balance at 30 June 2016</b> | <b>(11,176)</b> | <b>(59,825)</b> | <b>(244,452)</b> | <b>(78,317)</b> | <b>(123,625)</b> | <b>-</b> | <b>(517,395)</b> |
| Disposals                                  | -               | 487             | 12,862           | 291             | -                | -        | 13,640           |
| Revaluation adjustments                    | -               | 1,725           | -                | 125,097         | 1,527            | -        | 128,349          |
| Re-classified as held for sale             | -               | -               | 1,518            | -               | -                | -        | 1,518            |
| Impairment losses                          | -               | -               | -                | (9,035)         | -                | -        | (9,035)          |
| Depreciation expense                       | -               | (23,609)        | (27,705)         | (38,053)        | (28,991)         | -        | (118,358)        |
| Transfers and other                        | -               | (140)           | (861)            | 16              | -                | -        | (985)            |
| <b>Accumulated balance at 30 June 2017</b> | <b>(11,176)</b> | <b>(81,362)</b> | <b>(258,638)</b> | <b>(1)</b>      | <b>(151,089)</b> | <b>-</b> | <b>(502,266)</b> |

|  |                |                |                |                |                |                |                  |
|--|----------------|----------------|----------------|----------------|----------------|----------------|------------------|
| Carrying amount at 30 June 2016        | 446,820        | 358,524        | 150,687        | 980,516        | 703,445        | 77,628         | 2,717,620        |
| <b>Carrying amount at 30 June 2017</b> | <b>456,668</b> | <b>351,397</b> | <b>176,194</b> | <b>980,699</b> | <b>796,647</b> | <b>130,712</b> | <b>2,892,317</b> |

### Carrying Amount significantly attributable to:

|  | % OF<br>GROUP | 2017<br>\$'000   | 2016<br>\$'000   |
|--|---------------|------------------|------------------|
| Orion New Zealand Ltd                  | 39%           | 1,130,052        | 1,096,966        |
| Christchurch International Airport Ltd | 33%           | 948,707          | 929,234          |
| Enable Services Ltd                    | 13%           | 378,438          | 299,720          |
| Other Subsidiaries                     | 15%           | 435,120          | 391,700          |
| <b>Total</b>                           |               | <b>2,892,317</b> | <b>2,717,620</b> |



### Orion New Zealand Ltd

#### Electricity distribution network

The electricity distribution network, including substation buildings, ('the network') was revalued to fair value of \$980.7m as at 31 March 2017, by independent valuer Ernst & Young Transaction Advisory Services Limited (EY). Including capital work in progress, EY's valuation resulted in a total network valuation of \$1,028m.

In the absence of an active market for the network, EY calculated fair value using significant unobservable inputs (level 3, as defined in NZ IFRS 13). EY used a discounted cash flow (DCF) methodology. EY based its cash flow forecasts on the company's cash flow forecasts and adjusted those forecasts to remove the impacts of expansionary growth on forecast future revenues, operating expenditure and capital expenditure.

EY's key valuation assumptions were that:

- network revenues will be consistent with the company's customised price-quality path (CPP) limit for the two years ending 31 March 2019;
- for the year ended 31 March 2020, the company's price limit will be reset at the previous year's limit, minus claw-back, plus CPI;
- for the five years ended 31 March 2025, the company's price limit will be reset to achieve returns of regulatory WACC on regulatory investment value;
- non-expansionary 'infill' growth will be 0.1% per annum;
- the appropriate DCF discount rate is 5.5% post-tax.

EY reviewed the network carrying value as at 31 March 2016, using a similar methodology to that described above. EY concluded that there were no indicators that the network carrying value was materially different from fair value as at that date.

In the year ended 31 March 2017, the company has impaired the carrying value of its electricity distribution network and substation buildings on the basis that capital contributions reduce the value of the company's regulatory asset base, and this in turn reduces the company's future revenues from future regulatory price resets.

The company has recognised:

- \$9.9m (2016: \$7.1m) of capital contribution revenue during the year;
- \$9.9m (2016: \$7.1m) of associated impairment expense during the year.

#### Land and non-substation buildings

Orion's land and non-substation buildings were revalued to fair value as at 31 March 2017, by Marius Ogg. Mr Ogg is a registered valuer and a director of CBRE Limited. Mr Ogg used significant observable inputs (level 2, as defined in NZ IFRS 13) and significant unobservable inputs (level 3, as defined in NZ IFRS 13).

Mr Ogg's valuations resulted in a total land and non-substation buildings valuation of \$86m. Mr Ogg undertook the following:

- selected a representative sample of the company's substation sites and valued land at those sites using sales comparisons and unit metre frontage methodologies (level 2). Mr Ogg compared his values with their respective rateable values. He used these comparisons to develop standard site multipliers, which he applied to rateable land values for approximately 2,300 substation sites;

- valued the company's head office land and building using a market rental assessment and a capitalisation rate of 7.5% (level 3);
- valued the company's Waterloo Road depot site using a sales comparison method, and the buildings under construction using a depreciated cost method (level 2).

Mr Ogg reviewed the company's carrying value for land and non-substation buildings as at 31 March 2016, using similar methodologies to those described above. He concluded that there were no indicators that the company's carrying values for land and non-substation buildings were materially different to fair value as at that date.

Fair values for approximately 23% of the company's land and non-substation buildings (by value) were calculated using significant unobservable inputs (level 3, as defined in NZ IFRS 13).

#### Restrictions over title

There are no restrictions over the title of Orion's property, plant and equipment, nor is any property, plant and equipment pledged as security for liabilities.

| Change in                       | Increase (\$m) | Decrease (\$m) |
|---------------------------------|----------------|----------------|
| Gross Margin (- or + 2.5%)      | 59             | (66)           |
| Discount rate (- or + 0.3%)     | 62             | (55)           |
| Capital expenditure (- or + 5%) | 39             | (33)           |



### Christchurch International Airport Ltd

The company's land, buildings, terminal facilities, car parking assets, and sealed surface and infrastructure assets are recorded at fair value and, in the absence of significant observable inputs, are classified as Level 3 within the fair value hierarchy as defined by NZ IFRS 13 – Fair Value Measurement. The methods of valuation applied by independent valuers are as follows:

#### Land

- Specialised assets: where there is no market based evidence of the sale of such land the value has been determined taking into account:
  - its existing zoning and use as an airport;
  - benchmark selling prices for land in the local commercial, industrial, service, residential and rural markets;
  - adjustments to reflect the unique features of the land which includes its size, location, titles, easements and services;
  - the overall land use plan for Christchurch Airport.
- Commercial portfolio: with valuations taking reference to the wider market for sales evidence of land zoned for similar permitted activities, with adjustments made for the size, location and physical characteristics of these assets.

#### Buildings

At market value based on the estimated amount for which a property would exchange on the date of valuation between a willing buyer and willing seller in an arm's length

transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion, but with the explicit assumption that the existing use of the asset is ignored.

Where a building is a specialised asset then it is valued at optimised depreciated replacement cost (ODRC). ODRC measures the minimum cost of replacing or replicating the service potential embodied in the assets with modern equivalent assets in the most efficient way practicable, given the service requirements, the age and condition of the existing assets and replacement in the normal course of business.

#### Terminal facilities

Terminal facilities are a specialised asset and are valued at optimised depreciated replacement cost.

#### Car parking assets

Car parking assets are valued using a discounted cash flow valuation approach, using a forecast ten year discount period and an allowance for an appropriate terminal value reflecting an estimate of their residual estimated life. The approach to the allocation of the car park valuation is to assess the pro-rata share of an ODRC based valuation of the car parking assets, and then apportion the additional value over and above this to the underlying land value.

#### Sealed surfaces and infrastructure assets

The ODRC approach is utilised to value sealed surfaces and infrastructure assets. The optimisation process minimises

the cost of replacing the services offered, given the age and condition of the existing assets and recognising the incremental process (brownfield) associated with airport development. Costs reflect the replacement of current assets with modern equivalents, an optimised construction sequence and adjustment to allow for the difficulties associated with a "brownfield" environment. Adjustments have been made to eliminate surplus assets, obsolescence and over design. The valuation methodology considers the asset inventory (description and quantity of assets), relevant optimisation, estimation of the current replacement cost and depreciation to reflect remaining life expectancy.

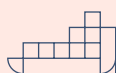
#### Revaluation

On 30 June 2017 car parking assets were revalued by independent valuers, Crighton Anderson Property and Infrastructure Ltd. Land and commercial buildings were revalued by independent valuers, Crighton Anderson Property and Infrastructure Ltd as at 30 June 2016. Sealed surfaces, infrastructure assets and specialised buildings were valued by independent valuers Opus International Limited as at 30 June 2016. The terminal was last valued by Opus International Limited as at 30 June 2014.

The valuation methodologies used in the revaluation as at 30 June 2017 were consistent with those used in the last valuation.

The valuers performed a sensitivity analysis on a number of variables, as follows:

| Category                       | Change in                 | Increase (\$m) | Decrease (\$m) |
|--------------------------------|---------------------------|----------------|----------------|
| Land                           | Discount rate (- or + 5%) | 25.8           | (25.8)         |
| Infrastructure/sealed surfaces | Cost estimate (- or + 5%) | 11.8           | (11.8)         |
| Buildings                      | Cost estimate (- or + 5%) | 1.7            | (1.7)          |
| Terminal                       | Cost estimate (- or + 5%) | 17             | (17)           |
| Car parking                    | Discount rate (- or + 5%) | 3.4            | (3.4)          |



### Lyttelton Port Company Ltd

Net carrying value at 30 June 2017 was \$336m (2016: \$296m). Lyttelton Port Company Ltd's (LPC's) assets are carried at 2006 valuation (or cost for subsequent additions) less accumulated depreciation and impairment charges.

As required by NZ IAS 36 Impairment of Assets, in the year ended 30 June 2016, the LPC board

undertook an impairment test and wrote down the carrying value of Plant Property and Equipment by \$99.5 million. There is no indicator of impairment in the year ended 30 June 2017.

Capital work in progress comprises all costs directly attributable to the construction of an asset including cost of materials, professional services, direct labour, finance

costs and an appropriate allocation of overhead. Costs cease to be capitalised as soon as the asset, or a significant component of the asset, is in the location and condition necessary for it to be capable of operating in the manner intended by management. Capital work in progress included in the net carrying value \$52m (2016: \$19m).



### Enable Services Ltd

Net carrying value at 30 June 2017 was \$378m (2016: \$300m). Property, plant and equipment includes the original fibre optic network owned by the Enable Group and the subsequent capital cost of deploying the UFB network covering circa 85% of Christchurch; all of Rolleston and Lincoln; and parts of Rangiora, Kaiapoi and Woodend. The UFB network assets are long term infrastructure assets with long term investment horizons.

UFB network Layer 1 assets comprise the physical fibre network assets which are essentially the unlit pipeline or pathway that the electronics use to transmit data, otherwise known as dark fibre. These assets include ducting and optical fibre.

UFB network Layer 2 assets comprise the electronics necessary to light the optical fibre or the means by which communication occurs down the Layer 1 pathway. These assets are located in Central Offices and in the premises of end users.

Central Offices include both building costs and setup costs – fire protection, security and backup generator assets.

The UFB network Layers 1 and 2 assets, together with the Central Offices (collectively described as UFB network assets), are owned by ESL's 100% subsidiary ENL. These UFB network assets were revalued

to fair value as at 30 June 2016 by independent valuers EY. EY are considered to have the appropriate qualifications and experience in the fair value measurement of such assets.

EY considered that the discounted cash flow (DCF) methodology was the most appropriate method of valuation, given that:

- long term cash flow forecasts were available;
- there is a reasonable degree of predictability around the cash flows;
- a potential buyer of these assets would primarily be interested in the future economic benefits they could generate.

The DCF methodology involved assessing:

- the future free cash flows of the business (excluding expansionary capital expenditure and related revenue);
- a terminal value for cash flows beyond the forecast period;
- discounting the above cash flows using a discount rate based on weighted average cost of capital;
- whether there were any surplus assets.

Using this methodology the mid-point enterprise value of ENL was assessed at \$307m. Working capital of \$9m was deducted from this figure to arrive at the estimated value of the UFB network assets of \$298m.

The current book value of \$389m reflects this value plus the net effect of additions and disposals at cost, and depreciation, in the 2017 financial year.

The carrying value of property, plant and equipment as at 30 June 2017 approximates fair value, supported by the current business plan, financial forecasts and performance of the Enable Group remain consistent with the forecasts underpinning the 2016 valuation.

At balance date, the Enable Group reviews the useful life and residual value of its UFB network assets. Assessing the appropriateness of useful life and residual value estimates of UFB network assets requires the Enable Group to consider a number of factors, such as the physical condition of the assets, expected period of use of the assets by the Enable Group, and expected disposal proceeds from the future sale of the assets.

Crown Fibre Holdings Ltd has a first ranking security of the Enable Group's assets.



### City Care Ltd, Red Bus Ltd, EcoCentral Ltd and Development Christchurch Ltd

The net carrying value of the property, plant and equipment of these companies at 30 June 2017 comprised less than 5% of total group assets. Assets of these companies are either independently revalued at regular intervals, or carried at cost less accumulated depreciation.

#### Accounting policy – property, plant and equipment

Land, buildings, electricity distribution network, airport sealed surfaces, car parking building and infrastructure assets (except for investment properties – refer to Note 6, and for land and buildings owned by Lyttelton Port Company Ltd and EcoCentral Ltd) are shown at fair value, based on valuations by external independent valuers, in accordance with NZ IAS 16 – Property, Plant and Equipment, NZ IAS 36 – Impairment of Assets, and NZ IRFS 13 – Fair Value Measurement.

Airport sealed surfaces, car parking building, car parks, harbour structures and other infrastructure assets are aggregated and disclosed as specialised assets.

Valuations are performed with sufficient regularity to ensure that the fair value of the assets does not vary materially from their carrying value.

Any revaluation increase arising on the revaluation of these assets is credited to the asset revaluation reserve included in other comprehensive income, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense through profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of these assets is charged as an expense through profit or loss to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Additions are recorded at historical cost less depreciation until the next revaluation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

All other property, plant and equipment is stated at historical cost less depreciation.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives.

#### Assets to be depreciated include:

|                                      |            |                                  |           |
|--------------------------------------|------------|----------------------------------|-----------|
| Buildings/ Building fit-out/services | 1-100 yrs  | Electricity distribution system  | 60 yrs    |
| Car park                             | 7-30 yrs   | Airport infrastructure and roads | 15-70 yrs |
| Office/computer equipment            | 3-9 yrs    | Provision of unlit optical fibre | 20-50yrs  |
| Mobile plant incl. vehicles          | 5-16 yrs   | Ethernet communication equip.    | 5-12yrs   |
| Buses                                | 17-26 yrs  | Vessels                          | 5-25 yrs  |
| Sealed surfaces (other than roads)   | 15-120 yrs | Seawalls                         | 100 yrs   |
| Harbour structures                   | 3-50 yrs   | Container cranes                 | 30 yrs    |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Capital work in progress is not depreciated until commissioned. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are recognised through profit or loss. When revalued assets are sold, any revaluation reserve relating to the particular asset is transferred to retained earnings.

#### Distinction between capital and revenue expenditure

Capital expenditure is defined as all expenditure incurred in the creation of a new asset and any expenditure that results in a significant restoration or increased service potential for existing assets. Constructed assets are included in property, plant and equipment as each becomes operational and available for use. Revenue expenditure is defined as expenditure that is incurred in the maintenance and operation of the property, plant and equipment of the Group.

## 6. Investment property

|  | NOTE | GROUP 2017<br>\$'000 | GROUP 2016<br>\$'000 |
|--|------|----------------------|----------------------|
| Balance at beginning of financial year         |      | 303,692              | 255,092              |
| Transfer (to)/from property, plant & equipment |      | (6,464)              | 19,697               |
| Additional capitalised expenditure             |      | 37,369               | 19,722               |
| Disposal                                       |      | -                    | (3,308)              |
| Net gain/(loss) from fair value adjustments    | 8    | 35,926               | 12,489               |
| <b>Balance at end of financial year</b>        |      | <b>370,523</b>       | <b>303,692</b>       |

All of the Group's investment property is held by Christchurch International Airport Ltd. Included in the amount above is \$3.5m (2016: \$12.4m) relating to investment properties under construction, but sufficiently advanced to enable a fair value to be assessed by the independent valuer. These properties are carried at fair value on completion less estimated costs to complete.

### Valuation of investment property

The valuation as at 30 June 2017 was completed by Crighton Anderson Property and Infrastructure Ltd, trading as Colliers International Ltd, registered valuers and member of the New Zealand Property Institute. The basis of valuation is fair value, being the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The valuation methodologies used were a direct sales comparison or a direct capitalisation of rental income using market comparison of capitalisation rates, supported by a discounted cash flow approach. The valuation methodologies are consistent with the prior year.

Principal assumptions used in establishing the valuations were:

- Average rental yield rate 7.68% (2016: 8.41%);
- Average market capitalisation rate 7.19% (2016: 7.68%);
- Weighted average lease term 6.45 years (2016: 4.17 years).

| CATEGORY            | CHANGE IN                 | INCREASE (\$M) | DECREASE (\$M) |
|---------------------|---------------------------|----------------|----------------|
| Investment Property | Cost estimate (- or + 5%) | 14.6           | (14.6)         |

#### Accounting policy – investment property

Land is held by the airport for long term and strategic purposes and is not held for resale. Investment properties are land and buildings where the building is built to maximise the return on land and buildings as an "interim use", are held for long term rental yield and are not occupied by the company. Investment property also includes property that is being constructed or developed for future use as investment property.

Properties leased to third parties under operating leases are generally classified as investment property unless:

- The occupants provide services that are integral to the operation of the company's business;
- The property is being held for future delivery of services.

Land where there are infrastructure services in place up to its boundary or there is a firm commitment to provide such infrastructure and the further development of that land is signalled within the next 3 years (being the current business planning cycle) is classified as investment property. Buildings that are held for a currently undetermined future use, or that are vacant but held to be leased out under one or more operating leases, are classified as investment properties.

The classification of properties is done at the lowest possible level. Thus, where part of a property is occupied by a party other than the

company, consideration is given to whether that portion of the building could be classified as an investment property. Classification as an investment property will be indicated if the section of the building could be separately sold or leased under a finance lease. If the section of the property occupied by a party other than the company is unable to be sold or leased separately from the rest of the building, the building is assessed as a whole and will usually only be classified as investment property if the company occupies an insignificant portion of the total building.

Investment property is carried at fair value, based on discounted cash flow projections, as determined annually by external valuers. Gains or losses arising from a change in fair value are recorded in the Statement of Financial Performance.

Fair value measurement on property under construction is only applied if the fair value is considered to be reliably measurable.

If it is determined that the fair value of an investment property under construction is not reliably determinable but the company has an expectation that the fair value of the property will be reliably determinable when construction is complete, the investment property under construction will be measured at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier).

## 7. Borrowings and finance costs

### 7. (a)

| NOTE                                   | CURRENT<br>2017<br>\$'000 | NON-<br>CURRENT<br>2017<br>\$'000 | TOTAL<br>2017<br>\$'000 | CURRENT<br>2016<br>\$'000 | NON-<br>CURRENT<br>2016<br>\$'000 | TOTAL<br>2016<br>\$'000 |
|--|---------------------------|-----------------------------------|-------------------------|---------------------------|-----------------------------------|-------------------------|
| <b>Unsecured:</b>                      |                           |                                   |                         |                           |                                   |                         |
| Bonds and floating rate notes          | -                         | 266,151                           | 266,151                 | 25,000                    | 217,026                           | 242,026                 |
| Loans from external parties            | 65,000                    | 364,000                           | 429,000                 | 43,000                    | 342,350                           | 385,350                 |
| Loans from related entities 23(a)(iii) | 96,000                    | 383,500                           | 479,500                 | 65,000                    | 323,500                           | 388,500                 |
| Finance lease liabilities 7(c)         | 897                       | 12,329                            | 13,226                  | 977                       | 13,932                            | 14,909                  |
|  | <b>161,897</b>            | <b>1,025,980</b>                  | <b>1,187,877</b>        | <b>133,977</b>            | <b>896,808</b>                    | <b>1,030,785</b>        |
| <b>Secured:</b>                        |                           |                                   |                         |                           |                                   |                         |
| Loan from external parties             | 1                         | 119,618                           | 119,619                 | -                         | 81,964                            | 81,964                  |
| Finance lease liabilities 7(c)         | 8                         | -                                 | 8                       | -                         | -                                 | -                       |
|  | <b>9</b>                  | <b>119,618</b>                    | <b>119,627</b>          | <b>-</b>                  | <b>81,964</b>                     | <b>81,964</b>           |
| <b>Total group borrowings</b>          | <b>161,906</b>            | <b>1,145,598</b>                  | <b>1,307,504</b>        | <b>133,977</b>            | <b>978,772</b>                    | <b>1,112,749</b>        |

Except as disclosed in Note 25, the carrying amount of the Group's current and non-current borrowings approximates their fair value – ie. the amount at which these liabilities are expected to be settled for.

| CHRISTCHURCH CITY HOLDINGS LTD<br>NATURE OF DEBT | 2017<br>\$'000 | AVG RATE | MATURITY      | 2016<br>\$'000 |
|--|----------------|----------|---------------|----------------|
| Floating Rate Notes                              | 90,000         | 2.64%    | Nov 18-Feb 20 | 115,000        |
| Short Term loans - Christchurch City Council     | 96,000         | 2.14%    | Jul 17-Sep 17 | 65,000         |
| Long Term loans - Christchurch City Council      | 384,000        | 4.24%    | Jun 19-Apr 27 | 324,000        |
| Crown Fibre Holdings Ltd (CFH)                   | 120,503        | -        | May-21        | 83,896         |
| Undrawn Bank Facility                            | 100,000        | -        | Dec 18-Dec 19 | 100,000        |

All borrowings other than the CFH Loan facility are unsecured and have been put in place under a \$1.3bn (2016: \$850m) debt issuance programme. CCHL has issued uncalled capital of \$1.3bn to support this programme (refer Note 21). The company has entered into derivative contracts to hedge its exposure to interest rate fluctuations (refer Note 25).

In June 2016, CCHL entered into a Loan Facility Agreement with Crown Fibre Holdings Ltd (CFH) as part of the reorganisation of Enable Services Ltd (ESL). The loan is drawn down as network stages/premises are completed, and is used to subscribe in redeemable preference shares in ESL. This interest free loan has been fair valued over the life of the loan, resulting in a fair value loss this year of \$.7m (2016: \$8m gain). The loan is secured over the assets of the Enable Group.

| ORION NEW ZEALAND LTD<br>NATURE OF DEBT | 2017<br>\$'000 | AVG RATE | MATURITY      | 2016<br>\$'000 |
|---|----------------|----------|---------------|----------------|
| Bank Loans                              | 236,000        | 2.66%    | Nov 17-Sep 20 | 213,350        |
| Undrawn Bank Facility                   | 54,000         |          | Nov 17-Sep 20 | 46,650         |

All borrowings are unsecured, however a deed of negative pledge and guarantee requires the company to comply with certain covenants. The company has entered into derivative contracts to hedge its exposure to bank bill interest rate fluctuations.

| CHRISTCHURCH INTERNATIONAL AIRPORT LTD<br>NATURE OF DEBT | 2017<br>\$'000 | AVG RATE | MATURITY  | 2016<br>\$'000 |
|--|----------------|----------|-----------|----------------|
| Bank Facility  | 193,000        | 5.2-5.9% | 2017-2027 | 172,000        |
| Bond Funding   | 175,000        | 5.1-6.2% | 2019-2027 | 125,000        |
| Loans from Group Entities                                | –              |          |           | 25,000         |
| Undrawn Bank Facility                                    | 102,000        |          |           | 63,000         |

All borrowings under the bank facility and overdraft facility are unsecured and supported by a negative pledge deed. The bond constitutes direct, unsecured, unsubordinated obligations and will rank equally with all other unsecured, unsubordinated indebtedness.

#### City Care Ltd

Bank loans of \$6.9m (2016: \$6.5m) are secured by a debenture over the assets and undertakings of the company, and made under a committed cash advance facility of \$50m (2016: \$50m). Average Interest rate 3.16% for the year (2016: 3.71%).

#### Red Bus Ltd

The company entered into a bank revolving credit facility of \$2m, interest rate of 4.74%.

#### Lyttelton Port Company Ltd, Enable Services Ltd, EcoCentral Ltd and Development Christchurch Ltd

These companies had no external debt as at 30 June 2017 (2016: Nil). Enable Services has a subordinated loan from CCHL of \$258m (2016: \$219m), EcoCentral has a subordinated loan from CCHL of \$2m (2016: \$3m)

#### Accounting policy – borrowings

Interest-bearing borrowings are recognised initially at fair value less directly attributable transaction costs. Subsequently borrowings are stated at amortised cost with any difference between cost and redemption value being recognised through profit or loss over the period of the borrowings on an effective interest basis.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.



**7. (b) Undrawn borrowing facilities**

|   | <b>GROUP 2017</b><br>\$'000 | <b>GROUP 2016</b><br>\$'000 |
|---|-----------------------------|-----------------------------|
| Floating rate - expiring within one year  | 97,234                      | 112,000                     |
| Floating rate - expiring beyond one year  | 204,100                     | 141,130                     |
| <b>Total undrawn borrowing facilities</b> | <b>301,334</b>              | <b>253,130</b>              |

**7. (c) Finance lease liabilities**

|   | <b>GROUP 2017</b><br>\$'000 | <b>GROUP 2016</b><br>\$'000 |
|---|-----------------------------|-----------------------------|
| No later than one year                            | 2,085                       | 2,352                       |
| Later than one year and not later than five years | 7,590                       | 8,991                       |
| Later than five years                             | 20,528                      | 22,153                      |
| <b>Minimum lease payments</b>                     | <b>30,203</b>               | <b>33,496</b>               |
| Less future finance charges                       | (16,969)                    | (18,587)                    |
| <b>Present value of minimum lease payments</b>    | <b>13,234</b>               | <b>14,909</b>               |

**Minimum future lease payments**

|  | <b>GROUP 2017</b><br>\$'000 | <b>GROUP 2016</b><br>\$'000 |
|--|-----------------------------|-----------------------------|
| No later than one year                               | 905                         | 977                         |
| Later than one year and not later than five years    | 3,808                       | 4,726                       |
| Later than five years                                | 8,521                       | 9,206                       |
| <b>Total present value of minimum lease payments</b> | <b>13,234</b>               | <b>14,909</b>               |

**Represented by**

|                     | <b>GROUP 2017</b><br>\$'000 | <b>GROUP 2016</b><br>\$'000 |
|---------------------|-----------------------------|-----------------------------|
| Current portion     | 905                         | 977                         |
| Non-current portion | 12,329                      | 13,932                      |
|                     | <b>13,234</b>               | <b>14,909</b>               |

The finance lease liability relates to agreements between Orion and Transpower New Zealand Ltd to install new assets at or near its local grid exit points. The agreements have remaining terms of between three and 31 years. Orion does not own the assets at the end of the lease term and there is no residual value or security provided.

**Accounting policy – finance lease liabilities**

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

# Profit and Loss Information

| 8. Operating revenue                               | NOTE | GROUP 2017<br>\$'000 | GROUP 2016<br>\$'000 |
|--|------|----------------------|----------------------|
| Sale of goods                                      |      | 43,049               | 37,038               |
| Rendering of services                              |      | 681,513              | 649,688              |
| Construction contract revenue                      |      | 163,739              | 217,640              |
| Capital contributions                              |      | 9,856                | 7,054                |
| Electricity transmission rental rebates            |      | 3,796                | 4,230                |
| Rental income from investment properties           |      | 21,227               | 18,785               |
| Other rental revenue                               |      | 37,966               | 47,099               |
| Gross telecommunications revenue                   |      | 25,676               | 390                  |
| Gains on disposal of property, plant and equipment |      | 852                  | 2,558                |
| Gains on revaluation of investment property        | 6    | 35,926               | 12,489               |
| Gain on revaluation of investment in associate     |      | 494                  | 11,838               |
| Gain on Joint Venture                              |      | 1,650                | 1,000                |
| Gains on Interest Free Loan                        |      | -                    | 8,451                |
| Ineffectiveness - fair value hedges                |      | (69)                 | 114                  |
| Reimbursement for services to associates           |      | -                    | 9,552                |
| Other  |      | 12,185               | 9,943                |
|  |      | <b>1,037,860</b>     | <b>1,037,869</b>     |

Gross telecommunications revenue is required to be disclosed in accordance with the information disclosure requirements under section 83 of the Telecommunications Act 2001.

## Accounting policy – revenue

### (i) Services rendered and goods sold

Revenue from services rendered is recognised through profit or loss in proportion to the stage of completion of the transaction at the balance sheet date. Revenue from the sale of goods is recognised through profit or loss when the significant risks and rewards of ownership have been transferred to the buyer.

### (ii) Construction contracts

As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognised through profit or loss in

proportion to the stage of completion of the contract. The stage of completion is assessed by reference to surveys of work performed. An expected loss on a contract is recognised immediately through profit or loss.

### (iii) Rental income

Rental income from investment property is recognised through profit or loss on a straight-line basis over the term of the lease. Contingent rental income is recognised as income in the periods in which it is earned. Lease incentives granted are recognised as an integral part of the total rental income.

## 9. Operating costs

### 9. (a) Operating costs

|  | NOTE | GROUP 2017<br>\$'000 | GROUP 2016<br>\$'000 |
|--|------|----------------------|----------------------|
| <b>Personnel costs:</b>                                  |      |                      |                      |
| Salaries and wages                                       |      | 272,948              | 255,846              |
| Defined contribution/benefit plan employer contributions |      | 3,249                | 3,053                |
| Other  |      | 2,069                | 4,492                |
| <b>Total Personnel</b>                                   |      | <b>278,266</b>       | <b>263,391</b>       |
| Audit fees   | 9(b) | 933                  | 935                  |
| Consultants and legal fees                               |      | 10,932               | 12,511               |
| Directors' fees  |      | 2,456                | 2,099                |
| Donations  |      | 184                  | 169                  |
| Net foreign exchange losses/(gains)                      |      | 498                  | 10                   |
| Provision expenses/(gains)                               |      | 862                  | (423)                |
| Minimum lease payments under operating leases            |      | 9,641                | 9,229                |
| Orion network maintenance and transmission expenses      |      | 96,696               | 93,934               |
| Raw materials and consumables used                       |      | 46,609               | 57,193               |
| Repairs and maintenance                                  |      | 7,258                | 8,506                |
| Service contracts (including sub-contractors)            |      | 121,426              | 123,520              |
| Investment property direct operating expenses            |      | 2,892                | 2,720                |
| Other operating expenses                                 |      | 118,760              | 148,603              |
| Losses on assets written off                             |      | 1,465                | 930                  |
| Ineffectiveness - fair value hedges                      |      | 462                  | 115                  |
| Financial assets fair value change                       |      | 666                  | 2,896                |
| <b>Total</b>   |      | <b>700,006</b>       | <b>726,338</b>       |

### 9. (b) Remuneration of auditors

|                                       | NOTE | GROUP 2017<br>\$'000 | GROUP 2016<br>\$'000 |
|---------------------------------------|------|----------------------|----------------------|
| <b>Audit New Zealand</b>              |      |                      |                      |
| Audit of the financial statements     |      | 729                  | 748                  |
| Special audits required by regulators |      | 87                   | 100                  |
| Assurance related                     |      | 4                    | 4                    |
|                                       |      | <b>820</b>           | <b>852</b>           |
| <b>Other auditor - KPMG</b>           |      |                      |                      |
| Audit of the financial statements     |      | 99                   | 83                   |
| Other non-audit services              |      | 14                   | -                    |
|                                       |      | <b>113</b>           | <b>83</b>            |
| <b>Total</b>                          | 9    | <b>933</b>           | <b>935</b>           |

The auditor of Christchurch City Holdings Limited and the rest of the Group, excluding Lyttelton Port Company Ltd, is Audit New Zealand, on behalf of the Auditor-General. The auditor of Lyttelton Port Company Ltd is KPMG, on behalf of the Auditor-General.

#### Audit New Zealand

Other audit and assurance services principally comprised:

#### Orion New Zealand Limited

- annual assurance reviews of the company's annual customised price-quality path (CPP) compliance statement;
- regulatory information disclosures and fraud risk review.

#### Christchurch International Airport Limited

- audit of the company's disclosures pursuant to the Commerce Act (Specified Airport Services Information Disclosure) Determination 2010;
- review of compliance with bond conditions.

## 10. Income taxes

### 10. (a) Components of tax expense

|   | GROUP 2017<br>\$'000 | GROUP 2016<br>\$'000 |
|---|----------------------|----------------------|
| Current tax expense/(income)              | 42,366               | 47,220               |
| Adjustments to current tax of prior years | 996                  | (4,294)              |
| Deferred tax expense/(income)             | (2,872)              | (26,407)             |
| <b>Total tax expense</b>                  | <b>40,490</b>        | <b>16,519</b>        |

### 10. (b) Reconciliation of prima facie income tax:

|   | GROUP 2017<br>\$'000 | GROUP 2016<br>\$'000 |
|---|----------------------|----------------------|
| Profit before tax                                     | 156,881              | 55,288               |
| Tax at statutory rate of 28%                          | 43,927               | 15,481               |
| Non-deductible expenses                               | 1,517                | 9,797                |
| Non-assessable income and deductible items            | (3,177)              | (1,863)              |
| Other   | (1,970)              | (6,086)              |
| (Over)/under provision of income tax in previous year | 193                  | (810)                |
| <b>Total tax expense</b>                              | <b>40,490</b>        | <b>16,519</b>        |

This note provides an analysis of the group's income tax expense, shows what amounts are recognised directly in other comprehensive income, and how the tax expense is affected by non-assessable and non-deductible items.

The tax rate used in the above reconciliation is the corporate tax rate of 28% (2016: 28%) payable by New Zealand companies on taxable profits under New Zealand tax law.

### 10. (c) Imputation credits

The amount of imputation credits available for use in subsequent reporting periods by the Group and the CCC Tax Consolidation Group (of which CCHL is a member) is \$101.6m (2016: \$68.7m).

No adjustments have been made for credits/debits associated with tax payable/receivable due to uncertainty regarding the utilisation of group losses.

## 10. (d) Deferred tax balances

|   | 30 JUNE 2016                 |                           |   |   |                              | 30 JUNE 2017              |   |                              |
|---|------------------------------|---------------------------|---|---|------------------------------|---------------------------|---|------------------------------|
|   | OPENING<br>BALANCE<br>\$'000 | PROFIT/<br>LOSS<br>\$'000 | OTHER<br>COMPRE-<br>HENSIVE<br>INCOME<br>\$'000 | ACQ<br>THROUGH<br>BUSINESS<br>COMBINATION<br>\$'000 | CLOSING<br>BALANCE<br>\$'000 | PROFIT/<br>LOSS<br>\$'000 | OTHER<br>COMPRE-<br>HENSIVE<br>INCOME<br>\$'000 | CLOSING<br>BALANCE<br>\$'000 |
| <b>Deferred tax liabilities:</b>          |                              |                           |   |   |                              |                           |   |                              |
| Cash flow/Fair value hedges               | 964                          | -                         | -   | 3,640   | 4,604                        | 17                        | -   | 4,621                        |
| Property, plant and equipment             | 322,437                      | (37,703)                  | 4,269   | 6,156   | 295,159                      | (8,058)                   | 2,486   | 289,587                      |
| Intangible assets                         | 487                          | (6)                       | -   | -   | 481                          | 5                         | -   | 486                          |
| Other                                     | 18,743                       | 10,597                    | -   | -   | 29,340                       | 4,302                     | -   | 33,642                       |
|   | <b>342,631</b>               | <b>(27,112)</b>           | <b>4,269</b>                                    | <b>9,796</b>  | <b>329,584</b>               | <b>(3,734)</b>            | <b>2,486</b>                                    | <b>328,336</b>               |
| <b>Deferred tax assets:</b>               |                              |                           |   |   |                              |                           |   |                              |
| Cash flow/Fair value hedges               | 7,925                        | 834                       | 8,244   |   | 17,003                       | (586)                     | (7,204)   | 9,213                        |
| Provisions/employee entitlements          | 7,198                        | 205                       | -   | -   | 7,403                        | 1,030                     | -   | 8,433                        |
| Doubtful debts/impairment losses          | 95                           | 30                        | -   | -   | 125                          | 11                        | -   | 136                          |
| Tax losses                                | 2,581                        | (2,335)                   | -   | -   | 246                          | (212)                     | -   | 34                           |
| Other                                     | 1,322                        | 561                       | -   | 50  | 1,933                        | (1,105)                   | -   | 828                          |
|   | <b>19,121</b>                | <b>(705)</b>              | <b>8,244</b>                                    | <b>50</b>   | <b>26,710</b>                | <b>(862)</b>              | <b>(7,204)</b>                                  | <b>18,644</b>                |
| <b>Net deferred tax liability/(asset)</b> | <b>323,510</b>               | <b>(26,407)</b>           | <b>(3,975)</b>                                  | <b>9,746</b>  | <b>302,874</b>               | <b>(2,872)</b>            | <b>9,690</b>                                    | <b>309,692</b>               |

**Accounting policy – income tax**

Income tax on the profit or loss for the year comprises current and deferred tax.

Current tax assets and liabilities are based on the current period's taxable income, plus adjustments to income tax payable for prior periods. Current tax is calculated rates and laws that are enacted or substantively enacted by balance date.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is calculated at tax rates that are expected to apply in the period when the liability is settled or the asset is realised, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.



## Other Assets and Liabilities

### 11. Loans and other financial assets

#### 11. (a) Current portion

|   | GROUP 2017<br>\$'000 | GROUP 2016<br>\$'000 |
|---|----------------------|----------------------|
| Other loans and investments                 | 84                   | 160                  |
| Term deposits                               | 117,000              | 152,493              |
| Other                                       | 134                  | 2,856                |
| <b>Total current other financial assets</b> | <b>117,218</b>       | <b>155,509</b>       |

#### 11. (b) Non-current portion

|   | NOTE  | GROUP 2017<br>\$'000 | GROUP 2016<br>\$'000 |
|---|-------|----------------------|----------------------|
| Other loans and investments                                   | 11(c) | 26,049               | 28,662               |
| Interest rate swaps   |       | 1,991                | 429                  |
| <b>Total non-current other financial assets</b>               |       | <b>28,040</b>        | <b>29,091</b>        |
| <b>Total other financial assets (current and non-current)</b> |       | <b>145,258</b>       | <b>184,600</b>       |

#### 11. (c) Other loans and investments

##### Loan to Christchurch Engine Centre

On 29 June 2012, CCHL entered into a loan agreement with Christchurch Engine Centre to advance up to US\$17m, effectively replacing the Council's previous combined equity/debt investment in Jet Engine Facility Ltd. CCHL has entered into a cross currency interest rate swap to achieve a fixed interest rate on the US\$ loan (Note 17).

### 12. Debtors, inventory and other assets

#### 12. (a)

|   | NOTE  | CURRENT<br>\$'000 | NON-<br>CURRENT<br>\$'000 | TOTAL<br>2017<br>\$'000 | CURRENT<br>\$'000 | NON-<br>CURRENT<br>\$'000 | TOTAL<br>2016<br>\$'000 |
|---|-------|-------------------|---------------------------|-------------------------|-------------------|---------------------------|-------------------------|
| Trade receivables                               | 12(b) | 68,613            | -                         | 68,613                  | 81,648            | -                         | 81,648                  |
| Provision for impairment                        |       | (709)             | -                         | (709)                   | (430)             | -                         | (430)                   |
| Chargeable work in progress                     |       | 19,577            | -                         | 19,577                  | 20,556            | -                         | 20,556                  |
| Inventory - raw materials and maintenance items |       | 13,808            | -                         | 13,808                  | 15,042            | -                         | 15,042                  |
| Inventory - work in progress                    |       | 22,220            | -                         | 22,220                  | 10,609            | -                         | 10,609                  |
| Inventory - finished goods                      |       | 4,699             | -                         | 4,699                   | 4,468             | -                         | 4,468                   |
| Inventory - allowance for impairment            |       | (194)             | -                         | (194)                   | (222)             | -                         | (222)                   |
| Prepayments                                     |       | 7,982             | 6,466                     | 14,448                  | 8,164             | 7,465                     | 15,629                  |
| Interest receivable                             |       | 1,651             | -                         | 1,651                   | 1,984             | -                         | 1,984                   |
| Non-current assets held for sale                |       | 1,617             | -                         | 1,617                   | -                 | -                         | -                       |
| Contract retentions                             |       | 4,782             | -                         | 4,782                   | 4,559             | -                         | 4,559                   |
| Other   |       | 2,817             | -                         | 2,817                   | 3,068             | -                         | 3,068                   |
|   |       | <b>146,863</b>    | <b>6,466</b>              | <b>153,329</b>          | <b>149,446</b>    | <b>7,465</b>              | <b>156,911</b>          |

Included in trade receivables are amounts due from the ultimate shareholder, Christchurch City Council as disclosed in Note 23.

**12. (b) Credit risk - aging of receivables**

|                            | <b>GROUP 2017</b><br>\$'000 | <b>GROUP 2016</b><br>\$'000 |
|----------------------------|-----------------------------|-----------------------------|
| <b>Gross receivables</b>   |                             |                             |
| Not past due               | 56,676                      | 69,409                      |
| Past due 0-30 days         | 8,954                       | 9,260                       |
| Past due 31-60 days        | 1,059                       | 1,216                       |
| Past due more than 60 days | 1,924                       | 1,763                       |
| <b>12(a)</b>               | <b>68,613</b>               | <b>81,648</b>               |

**12. (c) Construction contracts**

|   | <b>GROUP 2017</b><br>\$'000 | <b>GROUP 2016</b><br>\$'000 |
|---|-----------------------------|-----------------------------|
| <b>For contracts in progress at balance date:</b> |                             |                             |
| Contract costs incurred                           | 281,572                     | 218,092                     |
| Progress billings                                 | 268,491                     | 205,378                     |
| Gross amounts due from customers                  | 16,226                      | 15,072                      |
| Gross amounts due to customers                    | 362                         | 90                          |

Construction contract work in progress is primarily held by City Care Ltd. It is determined on a percentage of completion basis.

**12. (d) Inventory**

Certain inventories are subject to security interests created by retention of title clauses.

**Accounting policies****Debtors and other receivables**

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.

Collectability of trade receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable.

**Construction work in progress**

Construction work in progress is stated at cost plus profit recognised to date (see Revenue policy) less a provision for foreseeable losses and less progress billings. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

**Prepayments**

A prepayment is recognised where expenditure is incurred in the period and where the benefit of that expenditure will be recognised in future periods.

**Inventories**

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

**13. Cash and cash equivalents**

|  | <b>GROUP 2017</b><br>\$'000 | <b>GROUP 2016</b><br>\$'000 |
|--|-----------------------------|-----------------------------|
| <b>Cash and cash equivalents denominated in:</b> |                             |                             |
| New Zealand dollars                              | 14,675                      | 1,790                       |
| Foreign currency                                 | 65                          | 61                          |
|  | <b>14,740</b>               | <b>1,851</b>                |

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short term deposits are made for periods of between one day and three months, and earn interest at the respective short term deposit rates.

**Accounting policy – cash and cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits, and other short-term highly liquid investments with maturities of three months or less, and which are subject to an insignificant risk of changes in value.

**14. Intangible assets****14. (a)**

|  | <b>GOODWILL</b><br>\$'000 | <b>EASEMENTS<br/>&amp; CONSENTS</b><br>\$'000 | <b>SOFTWARE<br/>AND OTHER</b><br>\$'000 | <b>TOTAL</b><br>\$'000 |
|--|---------------------------|---|---|------------------------|
| <b>Gross carrying amount</b>                   |                           |   |   |                        |
| Gross carrying amount at 1 July 2015           | 45,528                    | 9,415   | 44,961                                  | 99,904                 |
| Additions                                      | 2,128                     | 2,853   | 2,785                                   | 7,766                  |
| Disposals                                      | (3,391)                   | -   | (951)                                   | (4,342)                |
| Gross carrying amount at 30 June 2016          | 44,265                    | 12,268  | 46,795                                  | 103,328                |
| Additions                                      | 325                       | 3,624   | 3,496                                   | 7,445                  |
| Disposals                                      | -                         | -   | (429)                                   | (429)                  |
| <b>Gross carrying amount at 30 June 2017</b>   | <b>44,590</b>             | <b>15,892</b>                                 | <b>49,862</b>                           | <b>110,344</b>         |
| <b>Accumulated amortisation and impairment</b> |                           |   |   |                        |
| Accumulated balance at 1 July 2015             | (5,823)                   | (1,025)                                       | (33,508)                                | (40,356)               |
| Amortisation expense                           | -                         | (58)  | (3,882)                                 | (3,940)                |
| Impairment                                     | (553)                     | (5,823)                                       | (14)                                    | (6,390)                |
| Disposals                                      | -                         | -   | 856                                     | 856                    |
| Accumulated balance at 30 June 2016            | (6,376)                   | (6,906)                                       | (36,548)                                | (49,830)               |
| Amortisation expense                           | -                         | (49)  | (3,231)                                 | (3,280)                |
| Impairment                                     | (1,034)                   | -   | -                                       | (1,034)                |
| Disposals                                      | -                         | -   | 361                                     | 361                    |
| <b>Accumulated balance at 30 June 2017</b>     | <b>(7,410)</b>            | <b>(6,955)</b>                                | <b>(39,418)</b>                         | <b>(53,783)</b>        |
| <b>Carrying amount</b>                         |                           |   |   |                        |
| Carrying amount at 30 June 2016                | 37,889                    | 5,362   | 10,247                                  | 53,498                 |
| <b>Carrying amount at 30 June 2017</b>         | <b>37,180</b>             | <b>8,937</b>                                  | <b>10,444</b>                           | <b>56,561</b>          |

Included in intangible assets is capital work in progress of \$9.4m (2016: \$.3m).

**Accounting policy – intangible assets****(i) Computer software**

Acquired computer software licenses are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives.

Costs of developing or maintaining computer software programmes are recognised as an expense as incurred. Costs directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets and amortised over their estimated useful lives. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

**(ii) Other intangible assets**

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (see below) and impairment losses (see Impairment policy).

**(iii) Amortisation**

An intangible asset with a finite useful life is amortised over the period of that life. The asset is reviewed annually for indicators of impairment, and tested for impairment if these indicators exist. The asset is carried at cost less accumulated amortisation and accumulated impairment losses. Estimated useful lives are:

|   |                    |
|---|--------------------|
| <b>Software</b>                         | <b>2-10 years</b>  |
| <b>Resource consents</b>                | <b>5-10 years</b>  |
| <b>Patents, trademarks and licences</b> | <b>10-20 years</b> |

An intangible asset with an indefinite useful life, such as goodwill, is not amortised, but is tested for impairment annually, and is carried at cost less accumulated impairment losses.

**14. (b) Amount of goodwill allocated to cash-generating units:**

|  | <b>GROUP 2017</b><br>\$'000 | <b>GROUP 2016</b><br>\$'000 |
|--|-----------------------------|-----------------------------|
| Orion New Zealand Ltd                  | 2,648                       | 2,648                       |
| Christchurch International Airport Ltd | 1,740                       | 1,740                       |
| Lyttelton Port Company Ltd             | 21,749                      | 21,749                      |
| Enable Services Ltd                    | 848                         | 848                         |
| City Care Ltd                          | 4,130                       | 4,130                       |
| Red Bus                                | 325                         | -                           |
| EcoCentral Ltd                         | 5,740                       | 6,774                       |
|  | <b>37,180</b>               | <b>37,889</b>               |

Goodwill on consolidation in respect of the above companies is not considered to be impaired. Independent valuations of the companies listed above have remained similar or increased substantially since the previous year.

The Directors of EcoCentral reviewed the trading performance of the EcoSort business unit and determined due to the market conditions that the goodwill attributed to this business combination was fully impaired, resulting in an impairment of \$1m.

**Accounting policy – goodwill**

Goodwill, representing the excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired, is recognised as an asset. After initial recognition, goodwill is measured at the amount recognised at acquisition date less any accumulated impairment losses.

Goodwill is allocated to cash-generating units and is tested annually for impairment (see Impairment policy Note 26). Impairments are recognised immediately in profit or loss, and are not subsequently reversed.

**15. Creditors and other payables**

|                                     | <b>GROUP 2017</b><br>\$'000 | <b>GROUP 2016</b><br>\$'000 |
|-------------------------------------|-----------------------------|-----------------------------|
| Trade payables and accrued expenses | 92,881                      | 76,844                      |
| Other Payables                      | 13,157                      | 11,192                      |
|                                     | <b>106,038</b>              | <b>88,036</b>               |

The carrying value of creditors and other payables approximates their fair value.

**Accounting policy – creditors and other payables**

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method. They represent liabilities for goods and services provided to the Group prior to the

end of the financial year that are unpaid. The amounts are usually paid within 30 days of recognition.

**16. Provisions and other liabilities**

|   | CURRENT<br>\$'000 | NON-<br>CURRENT<br>\$'000 | TOTAL<br>2017<br>\$'000 | CURRENT<br>\$'000 | NON-<br>CURRENT<br>\$'000 | TOTAL<br>2016<br>\$'000 |
|---|-------------------|---------------------------|-------------------------|-------------------|---------------------------|-------------------------|
| Employee entitlements:                      |                   |                           |                         |                   |                           |                         |
| Accrued pay                                 | 7,423             | -                         | 7,423                   | 6,316             | -                         | 6,316                   |
| Annual leave                                | 24,907            | -                         | 24,907                  | 21,177            | -                         | 21,177                  |
| Bonuses and other                           | 4,254             | 2,624                     | 6,878                   | 5,994             | 2,169                     | 8,163                   |
|   | <b>36,584</b>     | <b>2,624</b>              | <b>39,208</b>           | <b>33,487</b>     | <b>2,169</b>              | <b>35,656</b>           |
| SCIRT contract wash up and other provisions | 830               | -                         | 830                     | 431               | -                         | 431                     |
| Interest rate swaps                         | 2,329             | 27,913                    | 30,242                  | 1,883             | 53,548                    | 55,431                  |
| Deferred income                             | 313               | 684                       | 997                     | 954               | 496                       | 1,450                   |
| Income in advance                           | 2,669             | 985                       | 3,654                   | 929               | 1,086                     | 2,015                   |
|   | <b>42,725</b>     | <b>32,206</b>             | <b>74,931</b>           | <b>37,684</b>     | <b>57,299</b>             | <b>94,983</b>           |

City Care Ltd is party to the SCIRT alliance agreement. The agreement contains provision for sharing contract gains and/or losses against budget on conclusion of the agreement. Physical construction works concluded at 30 June 2017. At 30 June 2017 the Alliance was in a net loss against budget position. City Care's share of this provision for loss has been reflected in the Income Statement. The audit of SCIRT projects was completed as at 30 June 2017. In view of the fact that the company's defects liability obligations continue for a further 12 months the Directors have continued to recognise a \$250,000 provision.

**Holiday Act**

Following guidance issued by the Ministry of Business, Innovation and Employment, some members of the Group have determined they may have obligations to pay entitlements under the Holidays Act 2003 in respect of prior periods.

Whilst some of the Group are still completing investigations as at 30 June 2017, where possible the Directors of each company have provided for the best estimate possible at this time of the obligation that is considered to be payable.

**Accounting policies****Provisions**

A provision is recognised in the balance sheet when the Group has a present obligation as a result of a past event, and it is probable that an outflow of economic benefits, the amount of which can be reliably estimated, will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at an appropriate pre-tax rate.

**Employee entitlements**

Liabilities for annual leave and time off in lieu are accrued at the full amount owing at the pay period ending immediately prior to the balance sheet date.

Provisions in respect of employee benefits that are not expected to be settled within 12 months, such as long service leave, are measured as the present value of the estimated future cash flows to be made by the Group in respect of services provided by employees up to reporting date taking into account years of service, years to entitlement and the likelihood of staff reaching the point of entitlement.



# Areas of Judgement and Financial Risk

## 17. Areas of judgement and financial risk

### 17. (a) Critical judgements, estimates and assumptions

In preparing the financial statements, management has made estimates and assumptions about the future that affect the reported amounts of assets and liabilities at balance date, and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

In applying the Group's accounting policies, management has made the following judgements, estimates and assumptions that have had the most significant impact on the amounts recognised in these financial statements:

#### Valuation of property, plant and equipment (Note 5)

Management of most of the subsidiary companies use independent valuers to determine the fair value of certain assets. The valuation process requires the use of assumptions and estimates which are based on market conditions at the time. Any changes in market conditions subsequent to balance date will impact future valuations. A movement in the fair value of an asset is subsequently recorded within profit or loss or other comprehensive income, depending on the asset classification.

In addition to the above factors, the following areas requiring critical judgements, estimates and assumptions that are specific to individual companies within the Group are as follows:

#### Classification of investment property (Note 6)

The identification by Christchurch International Airport Ltd of which components of property, plant & equipment are to be reclassified to investment property involves the use of judgement. A key factor for this classification is whether the property is used for aircraft-related activities. The classification has implications as to whether revaluation gains and losses are recognised through profit or loss or through other comprehensive income.

### 17. (b) Credit risk

|  | COUNTERPARTY<br>CREDIT RATING | GROUP 2017<br>\$'000 | GROUP 2016<br>\$'000 |
|--|-------------------------------|----------------------|----------------------|
| Cash and deposits                      | AA                            | 111,874              | 154,200              |
| Cash and deposits                      | A                             | 20,000               | 35                   |
| Debtors and other receivables          |                               | 96,389               | 111,291              |
| Loans                                  | Lower than BBB or unrated     | 24,133               | 26,822               |
| Derivative financial instrument assets | AA                            | 1,991                | 429                  |
|  |                               | <b>254,387</b>       | <b>292,777</b>       |

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Group. Financial instruments that potentially subject the Group to concentrations of credit risk are summarised above. The Group places its cash and short-term investments with high credit quality financial institutions and limits the amount of credit exposure to any one financial institution in accordance with the treasury policies of the respective companies. The Group does not hold any credit derivatives to offset its credit exposure.

There is some concentration of credit risk at subsidiary level in relation to trade receivables, however all of these major customers are considered to be of high credit quality, and as such on a Group-wide basis, it is not considered that there is a significant risk of losses arising. Geographically there is no significant credit risk concentration for the Group outside New Zealand.

**17. (c) Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

In meeting its liquidity requirements, the Group manages its investments and borrowings in accordance with its written treasury policies, which include restrictions on the amount of debt maturing in any 12 month period and require sufficient approved financing facilities to cover a specified percentage over the anticipated peak debt over a rolling 12 month period. In general the Group generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has funding arrangements in place to cover potential shortfalls.

The Group's exposure to liquidity risk based on undiscounted contractual cash flows is as follows:

| <b>30 June 2017</b>                 | <b>BALANCE<br/>SHEET<br/>\$'000</b> | <b>CONTRACTUAL<br/>CASH FLOWS<br/>\$'000</b> | <b>LESS THAN<br/>1 YEAR<br/>\$'000</b> | <b>1-2 YEARS<br/>\$'000</b> | <b>2-5 YEARS<br/>\$'000</b> | <b>5 YEARS +<br/>\$'000</b> |
|-------------------------------------|-------------------------------------|--|--|-----------------------------|-----------------------------|-----------------------------|
| Cash, cash equivalents and deposits | 131,874                             | 131,874                                      | 131,874                                | -                           | -                           | -                           |
| Debtors and other receivables       | 96,389                              | 96,390                                       | 96,390                                 | -                           | -                           | -                           |
| Loans and advances                  | 24,133                              | 28,992                                       | 781                                    | 700                         | 5,836                       | 21,675                      |
| Creditors and other payables        | (106,038)                           | (106,038)                                    | (106,038)                              | -                           | -                           | -                           |
| Derivative financial instruments    | (28,251)                            | (3,693)                                      | (9,468)                                | (7,919)                     | (2,887)                     | 16,581                      |
| Borrowings - external               | (814,770)                           | (903,441)                                    | (89,316)                               | (319,311)                   | (430,991)                   | (63,823)                    |
| Borrowings - related parties        | (479,500)                           | (578,115)                                    | (113,770)                              | (43,146)                    | (189,919)                   | (231,280)                   |
| Finance lease liabilities           | (13,234)                            | (30,203)                                     | (2,085)                                | (2,085)                     | (5,505)                     | (20,528)                    |
|                                     | <b>(1,189,397)</b>                  | <b>(1,364,234)</b>                           | <b>(91,632)</b>                        | <b>(371,761)</b>            | <b>(623,466)</b>            | <b>(277,375)</b>            |

| <b>30 June 2016</b>                 | <b>BALANCE<br/>SHEET<br/>\$'000</b> | <b>CONTRACTUAL<br/>CASH FLOWS<br/>\$'000</b> | <b>LESS THAN<br/>1 YEAR<br/>\$'000</b> | <b>1-2 YEARS<br/>\$'000</b> | <b>2-5 YEARS<br/>\$'000</b> | <b>5 YEARS +<br/>\$'000</b> |
|-------------------------------------|-------------------------------------|--|--|-----------------------------|-----------------------------|-----------------------------|
| Cash, cash equivalents and deposits | 154,235                             | 154,235                                      | 154,235                                | -                           | -                           | -                           |
| Debtors and other receivables       | 111,291                             | 112,976                                      | 112,976                                | -                           | -                           | -                           |
| Loans and advances                  | 26,822                              | 30,600                                       | 875                                    | 771                         | 6,120                       | 22,834                      |
| Other assets                        | 2,856                               | 2,856  | 2,856                                  | -                           | -                           | -                           |
| Creditors and other payables        | (87,927)                            | (87,927)                                     | (87,927)                               | -                           | -                           | -                           |
| Derivative financial instruments    | (55,002)                            | (39,178)                                     | (9,416)                                | (12,290)                    | (8,771)                     | (8,701)                     |
| Borrowings - external               | (709,340)                           | (775,363)                                    | (83,824)                               | (168,616)                   | (471,360)                   | (51,563)                    |
| Borrowings - related parties        | (388,500)                           | (487,495)                                    | (80,327)                               | (15,370)                    | (196,841)                   | (194,957)                   |
| Finance lease liabilities           | (14,909)                            | (33,496)                                     | (2,369)                                | (2,323)                     | (6,651)                     | (22,153)                    |
|                                     | <b>(960,474)</b>                    | <b>(1,122,792)</b>                           | <b>7,079</b>                           | <b>(197,828)</b>            | <b>(677,503)</b>            | <b>(254,540)</b>            |

**17. (d) Interest rate risk**

The Group is exposed to interest rate risk as they borrow funds at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings, by the use of interest rate swaps, options and forward interest rate contracts (Note 17(f)).

At balance date the Group had a mix of financial assets and liabilities exposed to the re-pricing of interest rates as set out in the following tables. To the extent assets and liabilities exposed to variable interest rate risk are hedged, they are classified as fixed.

## Interest rate re-pricing analysis

| Interest rate re-pricing analysis | RE-PRICES         |           |           |           |           |
|-----------------------------------|-------------------|-----------|-----------|-----------|-----------|
|                                   | CARRYING<br>VALUE | < 1 YR    | 1-2 YRS   | 2-5 YRS   | > 5 YRS   |
|                                   | \$'000            | \$'000    | \$'000    | \$'000    | \$'000    |
|                                   |                   |           |           |           |           |
| 30 June 2017                      |                   |           |           |           |           |
| Cash and deposits                 | 131,740           | 131,740   | -         | -         | -         |
| Loans and advances                | 24,133            | 84        | -         | -         | 24,049    |
| Borrowings                        | (1,307,504)       | (599,135) | (100,000) | (428,369) | (180,000) |
|                                   | (1,151,631)       | (467,312) | (100,000) | (428,369) | (155,951) |
|                                   |                   |           |           |           |           |
| 30 June 2016                      |                   |           |           |           |           |
| Cash and deposits                 | 154,393           | 154,393   | -         | -         | -         |
| Loans and advances                | 26,822            | 216       | -         | -         | 26,606    |
| Borrowings                        | (1,112,865)       | (572,545) | (30,000)  | (370,506) | (139,814) |
|                                   | (931,651)         | (417,937) | (30,000)  | (370,506) | (113,208) |

## 17. (e) Interest rate sensitivity

In managing interest rate risks, the Group aims to reduce the impact of short term fluctuations on earnings. Over the longer term, however, changes in interest rates will affect reported profits. The following table summarises the estimated impact of a 1% movement in interest rates on the Group's pre-tax profit and equity (excluding retained earnings), taking into account the effect of interest rate swaps.

|                          | 2017                  |                  | 2016                  |                  |
|--------------------------|-----------------------|------------------|-----------------------|------------------|
|                          | Profit/loss<br>\$'000 | Equity<br>\$'000 | Profit/loss<br>\$'000 | Equity<br>\$'000 |
| 100 basis point increase | (642)                 | 12,878           | (78)                  | 13,767           |
| 100 basis point decrease | 883                   | (14,497)         | (102)                 | (15,043)         |

## 17. (f) Interest rate hedging activity

The Group uses interest rate swaps in the normal course of business to reduce its exposure to fluctuations in interest rates. The notional principal values and fair values of swaps held at balance date are summarised in the following table:

|                                     | NOTIONAL PRINCIPAL |                  | FAIR VALUE      |                 |
|-------------------------------------|--------------------|------------------|-----------------|-----------------|
|                                     | 2017<br>\$'000     | 2016<br>\$'000   | 2017<br>\$'000  | 2016<br>\$'000  |
| <b>Floating for fixed contracts</b> |                    |                  |                 |                 |
| Less than 1 year                    | 162,000            | 112,000          | (2,268)         | (1,800)         |
| 1 to 2 years                        | 381,000            | 234,000          | (13,391)        | (8,462)         |
| 2 to 5 years                        | 222,000            | 436,000          | (8,140)         | (24,314)        |
| More than 5 years                   | 321,000            | 336,000          | (5,581)         | (19,454)        |
|                                     | <b>1,086,000</b>   | <b>1,118,000</b> | <b>(29,380)</b> | <b>(54,030)</b> |
| <b>Fixed for floating contracts</b> |                    |                  |                 |                 |
| 2 to 5 years                        | 75,000             | 75,000           | 1,567           | 2,579           |
| More than 5 years                   | 21,725             | 21,725           | (377)           | (3,336)         |
|                                     | <b>96,725</b>      | <b>96,725</b>    | <b>1,190</b>    | <b>(757)</b>    |

## 17. (g) Foreign exchange risk

Foreign currency risk is the risk that the value of the Group's assets and liabilities or revenues and expenses will fluctuate due to changes in foreign exchange rates. The Group has some exposure to foreign currency risk as a result of transactions that are denominated in a foreign currency - primarily Australian dollars, US dollars and Euros. The Group's policy is to hedge any material foreign currency exposure, usually with forward exchange contracts.

The Group has assessed that a reasonably possible change in foreign exchange rates (a 10% variance either way) would not have a significant impact on profit or equity.

## 17. (h) Commodity price and demand risk

EcoCentral Ltd's operations can be significantly impacted by fluctuations in commodity prices and international demand for certain of its products. This risk is mitigated to an extent by tendering and entering into supply contracts. Any residual risk is not considered material to the Group.

### Accounting policies

#### Derivative financial instruments

The Group uses derivative financial instruments to hedge its risks associated with interest rate and foreign exchange fluctuations, and does not hold or issue them for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially and subsequently at fair value. Fair value is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

#### Hedging

The method of recognising movements in the fair value of derivatives depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either; fair value hedges (hedges of the fair value of recognised assets or liabilities or a firm commitment); or cash flow hedges (hedges of highly probable forecast transactions).

#### Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the surplus or deficit together with any changes in the fair value of the hedged asset or liability.

#### Cash flow hedge

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recorded in other comprehensive revenue and expense in the hedging reserve. When the derivative is no longer on effective hedge or is sold or cancelled the cumulative gain or loss recognised to date on the derivative is recognised in profit or loss.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the surplus or deficit.

#### Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately through profit or loss.

#### Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling on the day of the transaction.

Foreign currency monetary assets and liabilities at the balance date are translated to NZ dollars at the rate ruling at that date. Foreign exchange differences arising on translation are recognised through profit or loss, except when deferred in equity as qualifying cash flow hedges.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Those that are stated at fair value are translated to NZ dollars at rates ruling at the dates the fair value was determined.

# Unrecognised Items

## 18. Capital and operating lease commitments

### 18. (a) Capital commitments

|                                  | NOTE | GROUP 2017<br>\$'000 | GROUP 2016<br>\$'000 |
|----------------------------------|------|----------------------|----------------------|
| Ultra fast broadband network     | (i)  | 144,250              | 239,918              |
| Property, plant & equipment      |      | 79,430               | 65,643               |
| Electricity distribution network |      | 27,636               | 7,458                |
|                                  |      | <b>251,316</b>       | <b>313,019</b>       |

### 18. (b) Non-cancellable operating leases as lessee

|   | GROUP 2017<br>\$'000 | GROUP 2016<br>\$'000 |
|---|----------------------|----------------------|
| No later than one year                            | 6,211                | 7,426                |
| Later than one year and not later than five years | 8,275                | 16,011               |
| Later than five years                             | 789                  | 10,774               |
|   | <b>15,275</b>        | <b>34,211</b>        |

### Non-cancellable operating leases as lessor

|   | GROUP 2017<br>\$'000 | GROUP 2016<br>\$'000 |
|---|----------------------|----------------------|
| No later than one year                            | 65,276               | 61,343               |
| Later than one year and not later than five years | 186,595              | 161,357              |
| Later than five years                             | 152,863              | 138,685              |
|   | <b>404,734</b>       | <b>361,385</b>       |

## Capital commitments

### (i) Ultra fast broadband network

Enable Services Ltd and Enable Networks Ltd (Enable Group) has entered into agreements to build, operate and maintain a UFB network with completion by December 2019. The Enable Group is required to build Communal Infrastructure and Central Offices, and to connect the network to relevant premises when an end user requests this from a retail service provider.

The Enable Group must pass at least 21,000 Premises (excluding Greenfield Premises) per annum, to meet quarterly milestone targets.

As at 30 June 2017 the estimated cost of the communal network build programme over the remainder of the contractual period (through to 31 December 2019) is \$45m. The estimated cost of network connections through to June 2022 is \$99m.

CCHL has committed the necessary funding required by the Enable Group to meet these obligations.

### Operating lease receivables

Of the total lease receivables of \$405m (2016: \$361m), 88% are attributable to Christchurch International Airport Ltd. The company has a number of property leases that generate rental income. The leases are for terms between 1 month and 36 years, and the majority of the lease agreements are renewable at the end of the lease period at market rates.

Lyttelton Port Company Ltd has non-cancellable operating lease receivables of \$34m (2016: \$38m). The company leases a range of land, buildings and equipment to a number of customers. A number of leases include rights of renewal for further periods including "in perpetuity".



**Accounting policy – operating leases**

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

**(i) As lessee**

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently

reduced by allocating lease payments between rental expense and reduction of the liability.

**(ii) As lessor**

Leases in which the Group retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as rental income.

**19. Contingent liabilities and assets****19. (a) Quantifiable contingent liabilities - Performance Bonds**

|                                | <b>GROUP 2017</b><br>\$'000 | <b>GROUP 2016</b><br>\$'000 |
|--------------------------------|-----------------------------|-----------------------------|
| Christchurch City Holdings Ltd | 35,000                      | 40,000                      |
| City Care Ltd                  | 8,859                       | 6,448                       |
| Orion New Zealand Ltd          | 400                         | 434                         |
| Red Bus Ltd                    | 950                         | 920                         |
|                                | <b>45,209</b>               | <b>47,802</b>               |

CCHL entered into a \$50m performance bond with ANZ bank in June 2011 in support of Enable Services Ltd's obligations under the UltraFast Broadband initiative. The amount of the bond decreased down to \$30m as at 1 July 2017, and terminates in 2022.

None of the above companies expect to have these contingent liabilities called upon by external parties and hence no provision has been made.

**Enable Services Ltd**

The Enable Group has provided a guarantee on the Crown Fibre Holdings Ltd's loan to CCHL. As at 30 June 2017 this loan amounted to \$120.5m (2016: \$83.9m)

**Orion New Zealand Ltd**

In February 2017, two fires started on the Port Hills near Christchurch. The fires worsened and spread over 2,100 hectares on the hills over several days. The fires caused significant costs and losses for third parties, including fire suppression costs and damage to private property, but little damage to the company's electricity distribution network. The company insures for liability risks, in line with good industry practice. It is too early to determine whether these events will result in a financial liability for the company.

**National Provident Defined Benefit Scheme**

Some members of the Group are participating employers in the National Provident Defined Benefit Scheme (the scheme) which is a multi-employer defined benefit plan. In the unlikely event that the other participating employers ceased to participate in the scheme, the Group could be responsible for the entire deficit of the scheme. Similarly, if a number of employers ceased to participate in the scheme, the Group could be responsible for an increased share of the deficit. Because it is not possible to determine the extent to which any deficit will affect future contributions by employers, the Group participation in the Scheme is accounted for as if it were a defined contribution plan.

**19. (b) Contingent assets****Lyttelton Port Company Ltd**

On 29 June 2015, Lyttelton Port Company Ltd (LPC) filed a statement of claim against Aon Ltd in the High Court. The claim centres on Aon's responsibilities in relation to LPC's insurance policies during the Canterbury earthquakes. Aon filed its Statement of Defence, which refutes LPC's claims, on 4 August 2015. The LPC board is confident of its case, but they are unable to estimate the company's chance of success or the final amount which may be awarded.

**Enable Services Ltd**

BroadSpectrum has lodged a \$45m (2016: \$45m) performance bond with Enable Group under the Network Delivery Alliance agreement.

The Group had no other material or significant contingent liabilities or assets as at 30 June 2017.

**20. Events after the balance sheet date**

The Group is unaware of any significant events between the preparation and authorisation of these financial statements on 13 September 2017.

## Other Disclosures

**21. Share capital and dividends**

|  | GROUP 2017<br>\$'000 | GROUP 2016<br>\$'000 |
|--|----------------------|----------------------|
| Fully paid ordinary shares                       | 71,434               | 71,434               |
| Partly paid redeemable preference shares         | 1                    | 1                    |
|  | <b>71,435</b>        | <b>71,435</b>        |
| Dividends declared on fully paid ordinary shares | 113,682              | 131,991              |
| Cents per share                                  | 448                  | 520                  |

There were no movements in shares during the year. CCHL has on issue:

- 25,381,528 fully paid ordinary shares to Christchurch City Council, carrying one vote per share and the right to dividends;
- 1,300,139,000 (2016: 850,139,000) redeemable preference shares, paid to \$1,390, to Christchurch City Council. No further calls have been made on these shares. Dividends are only payable to the extent that the shares are paid up. CCHL may elect to redeem the whole or any part of the shares. The shares do not carry any right to conversion into ordinary shares in CCHL. The shares have no par value.

**Capital management**

The Group's capital includes share capital, reserves and retained earnings. The Group's policy is to maintain a strong capital base so as to maintain public, shareholder, investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

Management monitors capital through the gearing ratio (net debt: net debt + equity) and a strong credit rating (currently A+/A-1 (stable outlook) from Standard & Poor's), although it is noted that the CCHL parent company's rating is largely determined by the Council's rating due to the close financial relationship between the two entities. The gearing ratio at balance date is disclosed in Note 27.

**Accounting policy – dividends**

Dividends are recognised as a liability in the period in which they are declared.

**22. Reserves****Revaluation reserve – property, plant and equipment**

The revaluation reserve is used to record increments and decrements on the revaluation of non-current assets, as described in note 5.

**Cash flow hedges**

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised in other comprehensive income, as described in Note 17.

### 23. Related party disclosures

The parent entity in the group structure is CCHL, which is 100% owned by Christchurch City Council (CCC). The Group undertakes transactions with CCC and its related parties, all of which are carried out on a commercial basis. No material transactions were entered into with related parties except as disclosed below.

#### 23. (a) Transactions between CCHL group entities and Christchurch City Council(CCC)

##### 23. (a) (i) Routine transactions

|   | GROUP 2017<br>\$'000 | GROUP 2016<br>\$'000 |
|---|----------------------|----------------------|
| Dividends paid/payable to CCC                       | 113,682              | 131,991              |
| Interest received from CCC                          | -                    | 987                  |
| Interest paid to CCC                                | 16,064               | 12,014               |
| Services provided to CCC                            | 100,615              | 91,231               |
| Services provided by CCC (including rent and rates) | 15,452               | 12,650               |

##### 23. (a) (ii) Subvention payments and loss offsets between CCHL group entities and CCC entities

Members of the CCC group, including the CCHL group of companies, are grouped for tax purposes. Some profit-making companies in the group reduce their tax liabilities by making subvention payments to, or offsetting their taxable profits with, entities within the group that generate tax losses, as summarised in the following table:

|                             | 30 JUNE 2017<br>PAID BY: |               |               |               |               | 30 JUNE 2016<br>PAID BY: |               |               |               |               |
|-----------------------------|--------------------------|---------------|---------------|---------------|---------------|--------------------------|---------------|---------------|---------------|---------------|
|                             | CIAL<br>\$'000           | LPC<br>\$'000 | CCL<br>\$'000 | ECL<br>\$'000 | RBL<br>\$'000 | CIAL<br>\$'000           | LPC<br>\$'000 | CCL<br>\$'000 | ECL<br>\$'000 | RBL<br>\$'000 |
| <b>Subvention payments</b>  |                          |               |               |               |               |                          |               |               |               |               |
| <b>Paid to:</b>             |                          |               |               |               |               |                          |               |               |               |               |
| CCC                         | 2,316                    | 1,921         | 2,524         | 606           |               | 4,473                    | 5,967         | 3,739         |               | 81            |
| Enable Services Ltd         |                          | 2,224         |               |               |               | 1,418                    |               |               | 862           |               |
| Vbase group                 |                          |               |               |               |               |                          | 1,253         |               |               |               |
| CBL/Tuam Ltd/ChristchurchNZ | 496                      |               |               |               | 134           | 609                      | 43            |               |               |               |
| <b>Total</b>                | <b>2,812</b>             | <b>4,145</b>  | <b>2,524</b>  | <b>606</b>    | <b>134</b>    | <b>6,500</b>             | <b>7,263</b>  | <b>3,739</b>  | <b>862</b>    | <b>81</b>     |
| <b>Tax loss offsets:</b>    |                          |               |               |               |               |                          |               |               |               |               |
| <b>Losses provided by:</b>  |                          |               |               |               |               |                          |               |               |               |               |
|                             |                          |               |               |               |               |                          |               |               |               |               |
| CCC                         | 5,956                    | 4,941         | 6,490         | 1,559         |               | 4,327                    | 7,891         | 9,615         |               | 207           |
| Enable Services Ltd         |                          | 5,719         |               |               |               | 3,645                    |               |               | 2,218         |               |
| Vbase group                 |                          |               |               |               |               |                          | 3,222         |               |               |               |
| CBL/Tuam Ltd/ChristchurchNZ | 1,276                    |               |               |               | 346           | 1,567                    | 421           |               |               |               |
| <b>Total</b>                | <b>7,232</b>             | <b>10,660</b> | <b>6,490</b>  | <b>1,559</b>  | <b>346</b>    | <b>9,539</b>             | <b>11,534</b> | <b>9,615</b>  | <b>2,218</b>  | <b>207</b>    |

CIAL = Christchurch International Airport Ltd  
LPC = Lyttelton Port Company Ltd

CCL = City Care Ltd  
ECL = EcoCentral Ltd

RBL = Red Bus Ltd  
CBL = Civic Building Ltd

The loss offsets in 2017 relate to the 2016 tax year (2016: relate to the 2015 tax year).

**23. (a) (iii) Other transactions between CCHL group entities and CCC entities**

Other transactions between members of the CCHL Group and CCC or its subsidiaries were as follows:

- CCHL borrows from CCC, based on the borrowing rate of CCC plus a margin. Current borrowing is \$305.5m fixed, with the balance of \$174m floating. Weighted average borrowing cost at balance date post hedging was 4.50% (2016: 4.48%).

| BORROWING MATURITY    | GROUP 2017<br>\$'000 | GROUP 2016<br>\$'000 |
|-----------------------|----------------------|----------------------|
| Short term < 3 months | 96,000               | 65,000               |
| 1-2 years             | 25,000               | -                    |
| 3-5 years             | 148,500              | 153,500              |
| 6-8 years             | 164,500              | 119,000              |
| 9-10 years            | 45,500               | 51,000               |
|                       | <b>479,500</b>       | <b>388,500</b>       |

- EcoCentral Ltd made payments of \$18.1m in relation to the disposal of waste (2016: \$19m), to Transwaste Canterbury Ltd, a company in which the ultimate shareholder, CCC, has a material shareholding.

| BALANCES BETWEEN CCHL GROUP AND CCC    | OWING BY<br>CCC<br>2017<br>\$'000 | OWING BY<br>CCC<br>2016<br>\$'000 | OWING TO<br>CCC<br>2017<br>\$'000 | OWING TO<br>CCC<br>2016<br>\$'000 |
|--|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| CCHL                                   | -                                 | -                                 | 61                                | 2,287                             |
| Orion New Zealand Ltd                  | 1,252                             | 841                               | 38                                | 23                                |
| Christchurch International Airport Ltd | -                                 | -                                 | 1                                 | 5                                 |
| Lyttelton Port Company Ltd             | 3                                 | 3                                 | 28                                | 24                                |
| Enable Services Ltd                    | -                                 | -                                 | 14                                | 19                                |
| City Care Ltd                          | 8,064                             | 9,792                             | 196                               | 76                                |
| Red Bus Ltd                            | -                                 | -                                 | -                                 | 1                                 |
| EcoCentral Ltd                         | 801                               | 853                               | 401                               | 339                               |
| Development Christchurch Ltd           | 255                               | 317                               | 96                                | -                                 |
|  | <b>10,375</b>                     | <b>11,806</b>                     | <b>835</b>                        | <b>2,774</b>                      |

**23. (b) Transactions of the CCHL Group with other related parties**

City Care Ltd made sales of \$39.6m (2016: \$50.4m) to its jointly-controlled operation, Stronger Christchurch Rebuild Team Joint Venture, and had an outstanding receivable balance of \$0.09m at 30 June 2017 (2016: \$0.19m).

**23. (c) Transactions between CCHL directors and members of the CCHL Group**

There were no transactions between CCHL directors (and entities in which they have an interest) and members of the CCHL group, other than the payment of director's fees and the reimbursement of valid company-related expenses

**23. (d) Key Management Personnel compensation**

The compensation of the directors and executives of CCHL parent, being the Key management personnel of the entity was \$.734m (2016: \$.783m). These all relate to short term employee benefits.

**24. Reconciliation of profit to net cash operating flows**

|   | NOTE  | GROUP 2017<br>\$'000 | GROUP 2016<br>\$'000 |
|---|-------|----------------------|----------------------|
| <b>Profit for the year</b>  |       | <b>116,391</b>       | <b>38,769</b>        |
| <b>Add/(less) non-cash items</b>  |       |                      |                      |
| Depreciation, amortisation and impairment expense                       |       | 131,707              | 214,983              |
| (Gains)/losses in fair value of investment property                     | 6     | (35,926)             | (12,489)             |
| (Gains)/losses in fair value of derivative financial instruments        |       | (896)                | 2,897                |
| Share of associates' losses   |       | 194                  | 2,606                |
| Net foreign exchange (gains)/losses                                     |       | (27)                 | 10                   |
| Deferred tax charged/(credited) to income                               | 10(d) | (2,872)              | (26,407)             |
| Shares received as consideration for UFB build                          |       | -                    | (28,567)             |
| Fair value gain   |       | -                    | (8,451)              |
| Revaluation of investment in associate prior to acquisition             |       | -                    | (11,838)             |
| Other   |       | (631)                | (111)                |
|   |       | <b>91,549</b>        | <b>132,633</b>       |
| <b>Add/(less) items classified as investing or financing activities</b> |       |                      |                      |
| (Gain)/loss on disposal of non-current assets                           |       | 119                  | (1,628)              |
| Movement in capital creditors   |       | (5,947)              | 7,264                |
| Other   |       | 413                  | 1,381                |
|   |       | <b>(5,415)</b>       | <b>7,017</b>         |
| <b>Add/(less) movement in working capital items</b>                     |       |                      |                      |
| Debtors, inventory and other current assets                             |       | 4,200                | (27,911)             |
| Non-current receivables, prepayments and other                          |       | 999                  | 3,415                |
| Creditors and other liabilities   |       | 18,111               | (23,682)             |
| Provisions and other liabilities  |       | 3,496                | 1,192                |
| Current tax liabilities   |       | (1,766)              | (12,384)             |
| Non-current provisions and other liabilities                            |       | 1,641                | (856)                |
|   |       | <b>26,681</b>        | <b>(60,226)</b>      |
| <b>Net cash from operating activities</b>                               |       | <b>229,206</b>       | <b>118,193</b>       |



## 25. Classification of assets and liabilities

This note provides further information about the group's financial instruments, including:

- An overview of all financial instruments held by the group, and their classification;
- Disaggregated information for those instruments that the directors consider to be most significant in the context of the group's operations;
- Specific accounting policies where relevant;
- Information about determining the fair value of the instruments, including judgements and estimation uncertainty involved.

The group's exposure to various risks associated with the financial instruments is discussed in Note 17.

### 25. (a) Classification of financial assets and liabilities

The group holds the following financial instruments.

|   | 30 JUNE<br>2017    | QUOTED<br>PRICES<br>IN ACTIVE<br>MARKETS | SIGNIFICANT<br>OBSERVABLE<br>INPUTS | SIGNIFICANT<br>UNOBSERVABLE<br>INPUTS | 30 JUNE<br>2016  | QUOTED<br>PRICES<br>IN ACTIVE<br>MARKETS | SIGNIFICANT<br>OBSERVABLE<br>INPUTS | SIGNIFICANT<br>UNOBSERVABLE<br>INPUTS |
|---|--------------------|--|-------------------------------------|---------------------------------------|------------------|--|-------------------------------------|---------------------------------------|
|   |                    | Level 1                                  | Level 2                             | Level 3                               |                  | Level 1                                  | Level 2                             | Level 3                               |
| <b>Fair value through income statement</b>                          |                    |  |                                     |                                       |                  |  |                                     |                                       |
| Derivative financial instrument assets                              | 1,991              | -  | 1,991                               | -                                     | 429              | -  | 429                                 | -                                     |
| Derivative financial instrument liabilities                         | (2,289)            | -  | (2,289)                             | -                                     | (3,741)          | -  | (3,741)                             | -                                     |
| <b>Derivatives that are hedge accounted</b>                         |                    |  |                                     |                                       |                  |  |                                     |                                       |
| Derivative financial instrument liabilities                         | (27,953)           | (61)                                     | (27,892)                            | -                                     | (51,690)         | (215)                                    | (51,475)                            | -                                     |
| <b>Available-for-sale (or fair value through equity)</b>            |                    |  |                                     |                                       |                  |  |                                     |                                       |
| Shares in other unlisted  | 2,000              | -  | -                                   | 2,000                                 | 2,000            |  |                                     | 2,000                                 |
| <b>Fair value through income statement upon initial recognition</b> |                    |  |                                     |                                       |                  |  |                                     |                                       |
| Borrowings  | (76,300)           | -  | (76,300)                            | -                                     | (77,212)         | -  | (77,212)                            | -                                     |
| <b>Total financial assets/(liabilities) at fair value</b>           | <b>(102,551)</b>   | <b>(61)</b>                              | <b>(104,490)</b>                    | <b>2,000</b>                          | <b>(130,214)</b> | <b>(215)</b>                             | <b>(131,999)</b>                    | <b>2,000</b>                          |
| <b>Financial assets/(liabilities) at amortised cost</b>             |                    |  |                                     |                                       |                  |  |                                     |                                       |
| Cash and deposits   | 131,740            |  |                                     |                                       | 154,235          |  |                                     |                                       |
| Debtors and other receivables                                       | 96,389             |  |                                     |                                       | 111,291          |  |                                     |                                       |
| Loans   | 24,133             |  |                                     |                                       | 26,822           |  |                                     |                                       |
| Other   | 134                |  |                                     |                                       | 2,856            |  |                                     |                                       |
| Creditors and other payables  | (106,038)          |  |                                     |                                       | (87,927)         |  |                                     |                                       |
| Borrowings  | (1,231,204)        |  |                                     |                                       | (1,035,537)      |  |                                     |                                       |
|   | <b>(1,084,846)</b> |  |                                     |                                       | <b>(828,260)</b> |  |                                     |                                       |
| <b>Total financial assets and liabilities</b>                       | <b>(1,187,397)</b> |  |                                     |                                       | <b>(958,474)</b> |  |                                     |                                       |

## 25. (b) Non-financial assets measured at fair value

|                               | 30 JUNE<br>2017   | QUOTED<br>PRICES<br>IN ACTIVE<br>MARKETS | SIGNIFICANT<br>OBSERVABLE<br>INPUTS | SIGNIFICANT<br>UNOBSERVABLE<br>INPUTS | 30 JUNE<br>2016   | QUOTED<br>PRICES<br>IN ACTIVE<br>MARKETS | SIGNIFICANT<br>OBSERVABLE<br>INPUTS | SIGNIFICANT<br>UNOBSERVABLE<br>INPUTS |
|-------------------------------|-------------------|--|-------------------------------------|---------------------------------------|-------------------|--|-------------------------------------|---------------------------------------|
|                               | CARRYING<br>VALUE | Level 1                                  | Level 2                             | Level 3                               | CARRYING<br>VALUE | Level 1                                  | Level 2                             | Level 3                               |
| Property, plant and equipment | 2,466,378         | -  | 66,507                              | 2,399,871                             | 2,334,660         | -  | 52,904                              | 2,281,756                             |
| Investment property           | 370,523           | -  | -                                   | 370,523                               | 303,692           | -  | -                                   | 303,692                               |
| Other                         | -                 | -  | -                                   | -                                     | 15                | -  | -                                   | 15                                    |
|                               | 2,836,901         | -  | 66,507                              | 2,770,394                             | 2,638,367         | -  | 52,904                              | 2,585,463                             |

| Analysis of movements<br>in Level 3 assets | 30 JUNE<br>2017<br>TOTAL | P,P&E     | INVESTMENT<br>PROPERTY | OTHER | 30 JUNE<br>2016<br>TOTAL | P,P&E     | INVESTMENT<br>PROPERTY | OTHER |
|--|--------------------------|-----------|------------------------|-------|--------------------------|-----------|------------------------|-------|
| Opening carrying value                     | 2,585,463                | 2,281,771 | 303,692                | -     | 2,196,660                | 1,941,553 | 255,092                | 15    |
| Additions                                  | 242,859                  | 205,490   | 37,369                 | -     | 290,218                  | 270,496   | 19,722                 | -     |
| Disposals                                  | (2,050)                  | (2,050)   | -                      | -     | (7,881)                  | (4,573)   | (3,308)                | -     |
| Transfer (to)/from investment property     | -                        | 6,464     | (6,464)                | -     | -                        | (19,697)  | 19,697                 | -     |
| Fair value movements                       | 41,127                   | 5,201     | 35,926                 | -     | 54,510                   | 42,021    | 12,489                 | -     |
| Depreciation                               | (87,684)                 | (87,684)  | -                      | -     | (79,240)                 | (79,240)  | -                      | -     |
| Reclassified assets and impairments        | (9,321)                  | (9,321)   | -                      | -     | 131,196                  | 131,196   | -                      | -     |
| Closing carrying value                     | 2,770,394                | 2,399,871 | 370,523                | -     | 2,585,463                | 2,281,756 | 303,692                | 15    |

## Fair value of assets and liabilities

The above tables classify the Group's assets and liabilities in accordance with NZ IFRS 13 as described in the accounting policies set out below.

The property, plant and equipment that is classified as Level 2 arises from the use by Orion's valuer of significant observable inputs – sales comparisons and unit metre frontage methodologies – in determining the fair value of land at substation sites. In addition they valued the company's Waterloo Road depot site using a sales comparison method and the buildings under construction using a depreciated cost method (level 2).

Fixed rate debt is recognised in the financial statements at amortised cost, except for \$76m of debt held by Christchurch International Airport Ltd which is matched by an interest rate swap agreement in place with a notional amount of \$75m (2016: \$75m) whereby the company receives a fixed rate of interest of 5.15% and pays interest at a variable rate on the notional amount. The swap is being used to hedge the exposure to changes in the fair value of its 5.15% \$75m bond.

The CCHL parent company has total fixed rate debt held at amortised cost of \$305.5m (2016: \$234.5m). The fair value of this debt, determined by discounting cash flows from the instruments using a discount rate derived from relevant market inputs, at balance date was \$327.3m (2016: \$262.4m).

## Transfer between categories

There were no transfers between Level 1 and Level 2 during the year.

The directors consider that the carrying amounts of all other financial assets and financial liabilities approximate their fair values, on the basis that settlement is due in the short term and expected to be at or very close to carrying value.

**Accounting policy – fair value**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, based on the highest and best use of that asset.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows:

- **Level 1:** The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period.
- **Level 2:** The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- **Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

Specific valuation techniques used to value financial instruments are described in the relevant notes. External valuers are involved for valuation of significant assets, such as properties and investments held at fair value through equity. Selection criteria for valuers include market knowledge, reputation, independence and whether professional standards are maintained.

**Classification of investments and financial assets**

The Group classifies its investments in the following categories in accordance with NZ IAS 39 Financial Instruments: Recognition and Measurement:

**(a) Financial assets at fair value through profit or loss**

A financial asset is classified at fair value through profit or loss if acquired principally for the purpose of selling in the short term with the intention of making a profit. Derivatives are also categorised as held for trading unless they are designated as effective hedging instruments. Gains or losses on financial assets held for trading are recognised in profit or loss.

**(b) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired.

**(c) Held-to-maturity investments**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold to maturity.

**(d) Fair value through equity assets**

Fair value through equity assets are non-derivative financial assets, principally equity securities. NZ IAS 39 uses the terminology “available for sale” for this class of assets – however, the CCHL Board considers that this is a misleading description given the nature of its business, and hence the term “fair value through equity” is used in these financial statements.

**26. Statement of accounting policies****Corporate information**

Christchurch City Holdings Limited (‘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.

The financial statements of CCHL are for the year ended 30 June 2017. The financial statements were authorised for issue by the CCHL Board of directors on 13 September 2017. The Board of Directors has the power to amend the financial statements after issue.

**Statement of compliance**

The consolidated financial statements of the Group comply with New Zealand Equivalents to International Financial Reporting Standards (‘NZ IFRS’), and with International Financial Reporting Standards (IFRS).

**Basis of preparation**

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP). For the purposes of complying with NZ GAAP the entity is a Tier 1 for-profit entity, and is reporting in accordance with Tier 1 for-profit accounting standards.

The accounting policies set out in these financial statements have been applied consistently to all periods presented in these financial statements.

The financial statements, in New Zealand dollars, are prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments.

The financial statements are prepared exclusive of GST with the exception of receivables and payables that are shown inclusive of GST. Where GST is not recoverable as an input tax it is recognised as part of the related asset or expense.

**Impairment**

The carrying amounts of the group’s assets, other than inventory, investment property and deferred tax assets, are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists

for an asset, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent of other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs. A cash-generating unit is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The recoverable amounts are the higher of fair value (less costs to sell) or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Goodwill is tested for impairment annually, and whenever there is an indication that it may be impaired. An impairment of goodwill is not subsequently reversed.

If a revalued asset is determined to be impaired, then the impairment is firstly applied against the revaluation reserve related to that asset, with any remaining impairment loss expensed in profit or loss. If the impairment loss is subsequently reversed, the reversal is firstly applied to profit or loss to the extent of previously expensed impairment losses relating to that asset, with any further increase taken to the revaluation reserve.

For assets which are not revalued, an impairment loss is expensed immediately in profit or loss. If an impairment loss is subsequently reversed, the carrying value of the asset is stated at not more than what its carrying value would have been had the earlier impairment not occurred.

When a decline in the fair value of a fair value through equity financial asset has been recognised directly in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in other comprehensive income is recognised through profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised through profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised through profit or loss.

### **Other accounting policies**

All other accounting policies are shown in the relevant Note.

### **New accounting standards and interpretations**

No new accounting standards or interpretations that became effective for the period had a material impact on the Group.

Certain new standards, frameworks, amendments and interpretations that have not been early adopted, and which are relevant to the Group are listed below. The financial statement impact of adoption of these standards has not yet been analysed.

#### **NZ IFRS 15 Revenue from contracts with customers**

Effective for periods beginning on or after 1 January 2018.

This standard introduces principles for reporting cohesive and useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

#### **NZ IFRS 16 – Leases**

Effective for periods beginning on or after 1 January 2019.

This standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the entity.

#### **NZ IFRS 9 – Financial Instruments**

Effective for periods beginning on or after 1 January 2018.

NZ IFRS 9 is the IASB's replacement of IAS 39 financial Instruments: Recognition and measurement. The standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting.

# Performance Statement

## 27. Performance against Statement of Intent targets

The Statement of Intent ('Sol') issued by CCHL last year in respect of the 2016/17 financial year included a number of financial and non-financial performance measures. The following table compares the actual financial results for the year ended 30 June 2017 with the financial targets contained within the Sol:

| FINANCIAL PERFORMANCE TARGETS                   | GROUP<br>ACTUAL | GROUP<br>TARGET |
|---|-----------------|-----------------|
| Net Profit after tax (\$'000)                   | 116,391         | 64,900          |
| Net debt/net debt plus equity (%)               | 39.1%           | 39.9%           |
| Interest cover (times)                          | 3.7             | 2.9             |
| Dividends to Christchurch City Council (\$'000) | 113,682         | 40,600          |
| Return on average equity (%)                    | 6.4%            | 3.5%            |

### Group profit for the period and return on average equity

The Group's profitability and return on average equity are higher than Sol targets mainly due to:

- Christchurch International Airport Ltd's net profit was ahead of target by \$25m, largely reflecting a greater than expected gain on the revaluation of investment properties and lower than forecast interest and depreciation costs;
- Orion New Zealand Ltd's net profit was ahead of target mainly due to below budget expenses;
- Lyttelton Port Ltd's net profit was ahead of target due to record container volumes and below budget expenses;
- The Sol target did not include City Care due to the sales process being undertaken at the time.

Further information on the performance of the Group is provided in the review section of this annual report.

### Dividends

CCHL declared a gross ordinary dividend of \$46.4m, ahead of target, however in agreement with the Council, deducted \$2.72m from the final dividend payment. This deduction was equivalent to the amount that CCHL would normally have received as a subvention payment from other members of the Group in return for making its tax losses available. CCHL elected to forego this subvention receipt to assist with Group tax planning.

In addition CCHL made a special dividend of \$70m (2016: \$90m) toward the Capital Release programme, bringing the total dividends paid for the year to \$113.7m.

### Non-financial performance targets

CCHL's performance against the non-financial performance measures set out in its Sol are described in the following tables.

## Governance

|    | Objective   | Performance target   | Performance   |
|----|---|--|---|
| 1. | CCHL maintains a strategic direction that is consistent with that of 100% shareholder Christchurch City Council (CCC).                      | CCHL adopts plans and strategies to put into effect the Council's planned restructuring of its commercial assets.  | CCHL has periodically met with Councillors and Council management to ensure strategic directions are aligned.   |
|    |   | CCHL will submit a draft Sol for 2018/20 for approval to CCC by 1 March 2017.  | Achieved, with subsequent feedback from the Council incorporated into the final document.   |
| 2. | CCHL keeps CCC informed of all significant matters relating to CCHL and its subsidiaries, within the constraints of commercial sensitivity. | CCHL submits at least four written reports to CCC in the financial year, and presents at least three seminars to Councillors.  | Target achieved.  |
|    |   | CCHL will provide a quarterly report showing progress against Sol targets which will be submitted to the Strategy and Finance Committee.                                 | Sent to Council for each quarter and presented to Finance and Performance and Council.  |
|    |   | Major matters of urgency are reported to CCC at the earliest opportunity.  | Completed as required.  |
|    |   | CCHL will attend Strategy and Finance Committee meetings and report as required.   | Completed as required.  |
|    |   | CCHL CEO will meet with Council Management on a regular basis, and attend other meetings as required.  | Fortnightly meetings with Council CFO. Regular meetings with other members of ELT as required.  |
|    |   | CCHL will arrange company visits for Councillors, targeting one visit to each company every two years.   | Enable Services Ltd – August 16<br>EcoCentral Ltd – May 2017  |
|    |   | CCHL will work with Council to develop an annual Letter of Expectation for CCHL.   | Completed including briefing with Councillors in Nov 2016.  |
|    |   | Following the election CCHL will invite all Councillors to participate in an induction programme to provide background understanding of the companies in the CCHL Group. | Councillor induction with CCHL achieved through: <ul style="list-style-type: none"> <li>▪ CCHL AGM (all Councillors were invited);</li> <li>▪ CCHL Annual Report provided to new Councillors;</li> <li>▪ CCHL and Subsidiary Company LoE and Sol process – several workshops held.</li> </ul> |



|    | Objective  | Performance target   | Performance  |
|----|--|--|--|
| 3. | Corporate governance procedures are appropriate, documented and reflect best practice.   | The company's policies will be reviewed in accordance with a schedule approved by the Board. Policies due for review in the 2016 and 2017 calendar years include the ARMC terms of reference policy, fraud policy and various governance and staff policies. | All CCHL policies reviewed in September 2016.  |
| 4. | Directors make an effective contribution to the CCHL board, and their conduct is in accordance with generally accepted standards.            | The Chair will conduct a formal biennial performance evaluation for each CCHL director with the next one being scheduled in the 2016 calendar year.  | The Board decided to defer the 2016 review until the Council completed its Governance review in 2017. Due to change in Directors during year, this will be initiated during FY18.  |
|    |  | The Governance committee will review the training needs of individual CCHL directors, and ensure training is provided where required.  | The Board has approved a policy on director training, and this was followed.   |
| 5. | CCHL's process for the selection and appointment of directors to the boards of subsidiary and monitored companies is rigorous and impartial. | The process followed for each appointment to a subsidiary or monitored company board is transparent, fully documented and in line with approved policies and procedures.   | Director appointments made during the year complied with Council/CCHL policies.  |
| 6. | Subsidiary and monitored companies complete, on a timely basis, Statements of Intent that meet best practice standards.                      | CCHL will issue letters of expectation to and engage with subsidiary and monitored companies prior to the 2017 Sol round regarding the structure and content of the group Sols.  | CCHL wrote to all subsidiaries in December 2016 requesting them to consider certain matters in their draft Sols. It is considered the Sols adequately reflect these matters.<br>A workshop was held with the Subsidiary CFO's to discuss the Letter of Expectations. |
|    |  | Subsidiary companies submit draft Statements of Intent for 2017/18 to CCHL by 1 March 2017.  | Target Achieved  |
|    |  | CCHL will review Statements of Intent and respond to the subsidiaries and make recommendations to CCC within six weeks of receipt.   | Target Achieved  |

## Governance (continued)

|    | Objective  | Performance target   | Performance   |
|----|--|--|---|
| 7. | <p>Subsidiary and monitored companies that are CCTOs comply with the Local Government Act's requirements that their principal objectives be:</p> <ul style="list-style-type: none"> <li>• achieving the objectives of its shareholders as set out in the Sol;</li> <li>• being a good employer;</li> <li>• exhibiting a sense of social and environmental responsibility; and</li> <li>• conducting their affairs in accordance with sound business practice.</li> </ul> | CCHL will review the companies' performance in the context of these statutorily required objectives.   | <p>The CCHL Board satisfactorily completed this review for the 2016 annual reports. This year's review will be performed on receipt of the published 2017 annual reports from each subsidiary.</p> <p>In addition year to date performance has been monitored on a quarterly basis by CCHL.</p> |
| 8. | CCHL maintains contact with subsidiary and monitored company boards, and remains aware of their strategic and business issues.   | CCHL meets subsidiary and monitored company boards, or representatives thereof, on a formal basis at least two times in the 2017 financial year. | Achieved for all companies except:<br>LPC booked for September 2017<br>CIAL booked for October 2017   |
|    |  | CCHL receives an appropriate level of reporting from subsidiary and monitored company boards.  | <p>Additional meetings scheduled with companies as required.</p> <p>Quarterly reporting received from all companies on time.</p>  |

## Group strategic, financial and sustainability objectives

|    | Objective  | Performance target  | Performance  |
|----|--|---|--|
| 1. | Meet Council's requirements for Capital Release in alignment with its Long Term Plan   | CCHL to manage the sale process of City Care, with an expectation of achieving a completed agreement by end of 2016 financial year.             | City Care sale process completed in July 2016. Decision not to complete sale was made. |
|    |  | CCHL will review the gearing levels of its subsidiaries as part of its involvement in implementation of the Councils Capital Release programme. | Completed in September 2016 as part of our financial strategy.                         |
| 2. | Subsidiary companies have sufficient (but not excessive) financial flexibility, whether through their own capital structures or through the availability of capital from CCHL, to undertake growth and investment initiatives. | CCHL will monitor the capital structure of each subsidiary company on an ongoing basis, and determine whether any change is required.           | As above.  |

**Group strategic, financial and sustainability objectives (continued)**

|    | Objective  | Performance target   | Performance   |
|----|--|--|---|
| 3. | Subsidiary and monitored companies adopt strategies that are compatible with the strategic direction of CCHL and CCC.  | CCHL will engage with subsidiary and monitored companies prior to the 2017 Sol round regarding key shareholder strategies and, subsequently, review their Sols for compatibility with those strategies.                                      | CCHL wrote to each subsidiary in December 2016 setting out the shareholder's expectations in relation to a number of matters, including dividend levels, communication, health and safety reporting, sustainability, innovation and support of Council's key outcomes. It is considered that the Sols addressed these adequately. |
| 4. | Subsidiary and monitored companies adopt strategies that contribute to regional growth.  | CCHL will work closely with Enable Services as it undertakes the rollout of the network under the Government's Ultra Fast Broadband initiative.  | Quarterly reporting being received from Enable CEO and provided to board, in addition to specific 'no surprises' undertaking agreed with ESL to advise CCHL if any unexpected issues emerge with the network deployment (or uptake).  |
|    |  | CCHL will continue to support Development Christchurch Ltd with funding support approved by Council.   | Regular updates with DCL, Quarterly review received.  |
|    |  | CCHL will manage a project to establish a business case for provision and funding of a cruise terminal at Lyttelton.   | Cruise Berth at Lyttelton committed.  |
| 5. | Subsidiary and monitored companies set and attain environmental and social performance objectives that are compatible with their activities, commercial nature and other objectives. | CCHL will engage with subsidiaries and monitored companies regarding the progressive development and inclusion of relevant and appropriate environmental, social and innovative objectives and performance targets in their respective Sols. | CCHL has actively encouraged subsidiaries to continue improving their environmental and social reporting. All Sols now contain specific measurable targets, which will be reported against in the respective annual reports.  |

## Parent company financial objectives

|    | Objective   | Performance target  | Performance   |
|----|---|---|---|
| 1. | CCHL financial and distribution performance meets the shareholder's expectations.                                     | CCHL pays a dividend for the 2017 financial year that meets or exceeds budget, and achieves the other budgeted key performance measures.  | CCHL paid an ordinary dividend of \$46.4m, less a deduction of \$2.7m agreed with the Council in relation to subvention receipts voluntarily foregone by CCHL. Performance against other targets is described in Note 27. |
| 2. | CCHL's capital structure is appropriate for the nature of its business.   | CCHL will monitor the level and composition of its debt facilities to ensure it remains appropriate in the context of its funding commitments (in particular Enable Services Ltd).  | Funding structures are reviewed on an ongoing basis. CCHL has secured further longer term funding from Christchurch City Council to assist with funding the Enable broadband rollout.                                     |
|    |   | Support of Council will be obtained for an increase in uncalled capital to cover additional borrowings from Crown Fibre Holdings Limited.   | Uncalled Capital limit increased in December 2016.  |
| 3. | CCHL's investments provide an appropriate return in relation to their business risk, and against external benchmarks. | CCHL will periodically review the performance of its major subsidiary companies and other investments against external benchmarks, and assess the value of the investment in the individual company in relation to its inherent business risk and community benefits. | The performance of the major infrastructure companies was benchmarked against their Australasian peers in June 2017.  |
| 4. | CCHL's treasury management policies and practices are consistent with best practice.                                  | CCHL's treasury management policy will be reviewed in the 2017 calendar year.   | The treasury policy was reviewed by Audit and Risk Committee in March 2017.   |

# Statutory Information

## Ownership and principal activities

The company is owned 100% by Christchurch City Council. Its principal activity during the year was to operate as an investment company of the Council.

### Jeremy Smith – Appt: 18 August 2016

Director – *Farra Engineering Ltd*  
 Director – *Holmes Group Ltd*  
 Director – *Seamount Advisory Ltd*  
 Director – *Water Utilities Ashburton Ltd*  
 Director – *Barhill Chertsey Irrigation Ltd*  
 Director – *Graymont (NZ) Ltd*

### Lianne Dalziel – Appt: 9 December 2016

Mayor – *Christchurch City Council*  
 Director – *Transition Holdings Ltd*

### Vicki Buck

Councillor – *Christchurch City Council*  
 Director – *Think Inc Ltd*  
 Trustee – *Scorpio Family Trust*  
 Trustee – *Otautahi Community Housing Trust*

### Mary Devine – Appt: 1 April 2017

Director – *Meridian Energy Limited*  
 Director – *IAG New Zealand Limited*  
 Director – *Briscoe Group Limited*  
 Director & Shareholder – *Top Retail Limited*  
 Fellow – *Christ's College*

### Jamie Gough

Councillor – *Christchurch City Council*  
 Director – *Gough Property Corporation Ltd*  
 Director – *Gough Corporation Holdings Ltd*  
 Chairman – *Civic Building Ltd*  
 Trustee – *Antony Gough Trust*  
 Shareholder – *The Terrace Carpark*  
 Shareholder – *Gough Group/Gough Gough & Hamer Ltd*

### Andrew Turner – Appt: 9 December 2016

Deputy Mayor – *Christchurch City Council*  
 Director – *Transition Holdings Ltd*  
 Trustee – *Otautahi Community Housing Trust*  
 Trustee – *Banks Peninsula War Memorial Society*  
 Director & Shareholder – *Harbour Wind Limited*  
 Trustee – *Lyttelton Harbour Information Centre*  
 Trustee – *Okains Bay Maori & Colonial Museum*  
 Director – *Otautahi Community Housing Development GP Ltd*  
 Shareholder – *Purple Cow Limited*  
 Trustee – *Rod Donald Banks Peninsula Trust*  
 Shareholder – *Harbour Co-op*

### Alex Skinner – Appt: 25 November 2016

Trustee & Chair – *Otautahi Community Housing Trust*  
 Director – *Alex Skinner Ltd*  
 Trustee – *World Buskers Festival*  
 Director – *Anchorage Trustee Services Limited*  
 Trustee – *Dream, Believe, Succeed Foundation*  
 Chair – *Otautahi Community Housing Development GP Ltd*

### Sarah Smith

Director – *EcoCentral Ltd*  
 Director – *Sasco Holdings Ltd*  
 Trustee – *Warren Architects Education Charitable Trust*  
 Chair – *Ohinetahi Charitable Trust*  
 Director – *SLI Systems Ltd*  
 Director – *Lion Foundation*  
 Director – *Wherescape Software Ltd*  
 Chair – *Ngai Tahu Tourism*

**Yani Johnanson – Resigned: 9 December 2016**

Councillor – Christchurch City Council  
 Linwood / Ferrymead Community Board

**Bill Dwyer – Resigned: 18 August 2016**

Trustee – Wavertree Trust  
 Director – Coconut Culture Ltd  
 Director – Lyttelton Port Company Limited  
 Director – Ten Star Homes Ltd  
 Chairman – Development Christchurch Limited

**Andy Pearce – Resigned 25 November 2016**

Chairman – Focus Genetics Management Ltd  
 Chairman – Hawke’s Bay Regional Investment Company Ltd  
 Director and Shareholder – Seon Pearce and Associates Ltd  
 Shareholder – Migco Pharmaceuticals Ltd  
 Chairman – Regional Committee, Canterbury Water Management Strategy  
 Director – Fauna Ltd

**Bruce Irvine – Resigned: 1 April 2017**

Director – Heartland Bank Ltd  
 Director – Godfrey Hirst Ltd; Godfrey Hirst Australia & subsidiaries  
 Director – House of Travel Holdings Ltd  
 Director – PGG Wrightson  
 Director – MG Marketing Ltd subsidiaries  
 Director – Rakon Ltd  
 Director – Scenic Circle Hotels Ltd  
 Director – Skope Industries Ltd  
 Trustee – Christchurch Symphony Trust  
 Director and Shareholder – Seon Pearce and Associates Ltd  
 Shareholder – Migco Pharmaceuticals Ltd  
 Chairman – Regional Committee, Canterbury Water Management Strategy  
 Director – Fauna Ltd

The company has arranged directors’ liability insurance for all directors, and indemnified all directors and the CEO through a Deed of Indemnity executed on 22 November 2006.

Transactions between CCHL and entities with whom certain directors are associated are described in Note 23 to the financial statements. No loans were made to directors.

**Board and committee attendance**

|                                    | BOARD MEETINGS | AUDIT & RISK<br>MANAGEMENT<br>COMMITTEE MEETINGS | GOVERNANCE &<br>APPOINTMENTS<br>COMMITTEE MEETINGS |
|------------------------------------|----------------|--|--|
| NUMBER OF MEETINGS                 | 10             | 3  | 4  |
| Jeremy Smith (Appointed: Aug 16)   | 10             | *  | 3  |
| Vicki Buck                         | 10             | *  | 4  |
| Lianne Dalziel (Appointed: Dec 16) | 6              | *  | *  |
| Jamie Gough                        | 8              | *  | 3  |
| Andrew Turner (Appointed: Dec 16)  | 6              | 2  | *  |
| Mary Devine (Appointed: Apr 17)    | 2              | *  | 1  |
| Alex Skinner (Appointed: Nov 16)   | 6              | 2  | *  |
| Sarah Smith                        | 10             | 3  | 4  |
| Bruce Irvine (Resigned: Apr 17)    | 7              | *  | 1  |
| Yani Johnanson (Retired: Dec 16)   | 3              | *  | 1  |
| Andy Peace (Resigned: Nov 16)      | 4              | 1  | *  |
| Bill Dwyer (Resigned: Aug 16)      | 1              | *  | *  |

\* Not a member of this committee



## Remuneration of Directors

Remuneration and other benefits paid or due and payable to directors for services as a director during the year were as follows:

| CHRISTCHURCH CITY HOLDINGS LTD |        | ORION NEW ZEALAND LTD |        | CHRISTCHURCH INTERNATIONAL AIRPORT LTD |        | LYTTELTON PORT COMPANY LTD |        | ENABLE SERVICES LTD |        |
|--------------------------------|--------|-----------------------|--------|--|--------|----------------------------|--------|---------------------|--------|
|                                | \$     |                       | \$     |  | \$     |                            | \$     |                     | \$     |
| B Irvine                       | 60,487 | J Smith               | 83,000 | D McKenzie                             | 88,500 | T Burt                     | 87,740 | M Bowman            | 89,449 |
| J Smith                        | 45,203 | J Austin              | 48,000 | C Drayton                              | 52,300 | R Carr                     | 13,314 | C Birkett           | 11,395 |
| W Dwyer                        | 5,880  | N Crauford            | 48,000 | A Lovatt                               | 47,300 | D Elder                    | 36,382 | B Gamble            | 56,109 |
| A Skinner                      | 24,083 | P Munro               | 24,000 | J Murray                               | 50,300 | J Quinn                    | 48,947 | W Luff              | 44,667 |
| M Devine                       | 10,081 | B Simpson             | 44,000 | L Palomino Forbes                      | 47,300 | K Smith                    | 12,824 | O Scott             | 50,749 |
| A Pearce                       | 16,802 | G Vazey               | 69,000 | C Paulsen                              | 50,300 | B Wood                     | 50,807 | C Walsh             | 47,264 |
| S Smith                        | 40,325 | B Gemmell             | 29,000 |  |        | G Gilfillan                | 48,136 | T Lusk              | 46,451 |
| L Dalziel                      | -      | N Miller              | 29,000 |  |        | W Dwyer                    | 48,136 | M Milner            | 2,917  |
| A Turner                       | -      |                       |        |  |        |                            |        |                     |        |
| V Buck                         | -      |                       |        |  |        |                            |        |                     |        |
| J Gough                        | -      |                       |        |  |        |                            |        |                     |        |
| Y Johnanson                    | -      |                       |        |  |        |                            |        |                     |        |

| DEVELOPMENT CHRISTCHURCH LTD |        | CITY CARE LTD |         | RED BUS LTD   |        | ECOCENTRAL LTD |        |
|------------------------------|--------|---------------|---------|---------------|--------|----------------|--------|
|                              | \$     |               | \$      |               | \$     |                | \$     |
| W Dwyer                      | 76,667 | H Martyn      | 109,587 | P Kieranowski | 59,800 | D Kerr         | 63,000 |
| J Gregg                      | 35,000 | M Devlin      | 45,536  | T Keenan      | 38,000 | G Campbell     | 31,500 |
| P Houghton                   | 35,000 | G Leech       | 39,457  | R Lineham     | 32,833 | S Smith        | 31,500 |
| F Mules                      | 35,000 | C Price       | 41,023  | T Mountford   | 8,575  | S Horgan       | 31,500 |
| D Wright                     | 35,000 | J Rolfe       | 38,374  | S Kunz        | 22,425 |                |        |
|                              |        | M Todd        | 41,023  |               |        |                |        |

## Donations

CCHL made a donation of \$71,701 to the Mayor's Welfare Fund during the year (2016: \$57,189), and \$71,701 to the Imagination Station (2016: \$74,550). Donations of \$41,000 (2016: \$37,000) were made by subsidiaries.

### Employee Remuneration

The CEO of CCHL received a base salary of \$350,000 and Kiwisaver employer contributions of 3% during the 2017 financial year.

Details of remuneration ranges for employees of the Group are:

#### SALARY BANDS >\$100K GROUP 2017

##### \$'000

|         |     |
|---------|-----|
| 100-110 | 205 |
| 110-120 | 137 |
| 120-130 | 89  |
| 130-140 | 57  |
| 140-150 | 45  |
| 150-160 | 26  |
| 160-170 | 24  |
| 170-180 | 14  |
| 180-190 | 11  |
| 190-200 | 7   |
| 200-210 | 16  |
| 210-220 | 9   |
| 220-230 | 3   |
| 230-240 | 4   |
| 240-250 | 5   |
| 250-260 | 5   |
| 260-270 | 1   |
| 270-280 | 1   |
| 280-290 | 2   |
| 290-300 | 2   |
| 300-310 | 2   |
| 310-320 | 2   |
| 320-330 | 2   |
| 330-340 | 2   |
| 340-350 | 1   |
| 350-360 | 2   |
| 360-370 | 2   |
| 390-400 | 2   |
| 420-430 | 1   |
| 430-440 | 1   |
| 470-480 | 2   |
| 610-620 | 1   |
| 710-720 | 1   |
| 720-730 | 1   |
| 800-810 | 1   |
| 950-960 | 1   |
|         | 687 |

### Use of company information

During the year the board received no notices from directors of the company requesting to use company information received in their capacity as directors which would not otherwise have been available to them.

### Auditors

The Auditor-General is appointed as auditor under Section 14 of the Public Audit Act 2001 and Section 70 of the Local Government Act 2002. Audit New Zealand has been appointed to provide these services.

# Independent Auditor's Report

**AUDIT NEW ZEALAND**  
Mana Arotake Aotearoa

## Independent Auditor's Report

### **To the readers of Christchurch City Holdings Limited's group financial statements and performance information for the year ended 30 June 2017**

The Auditor-General is the auditor of Christchurch City Holdings Limited Group (the Group). The Auditor-General has appointed me, Andy Burns, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the performance information of the Group, on his behalf.

#### **Opinion**

We have audited:

- the financial statements of the Group on pages 38 to 76, that comprise the statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the Group on pages 77 to 82.

In our opinion:

- the financial statements of the Group on pages 38 to 76:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2017; and;
    - its financial performance and cash flows for the year then ended; and;
  - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to International Financial Reporting Standards.
- the performance information of the Group on pages 77 to 82 presents fairly, in all material respects, the Group's actual performance compared against the performance targets and other measures by which performance was judged in relation to the Group's objectives for the year ended 30 June 2017.

Our audit was completed on 13 September 2017. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

#### **Basis for opinion**

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Responsibilities of the Board of Directors for the financial statements and the performance information**

The Board of Directors is responsible on behalf of the Group for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Board of Directors is also responsible for preparing the performance information for the Group.



The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the Group for assessing the Group's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Local Government Act 2002.

#### **Responsibilities of the auditor for the audit of the financial statements and the performance information**

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;
- We evaluate the appropriateness of the reported performance information within the Group's framework for reporting its performance;
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial statements and the performance information of the entities or business activities within the Group to express an opinion on the consolidated financial statements and the consolidated performance information. We are responsible solely for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit

and significant audit findings, including any significant deficiencies in internal control that we identify in our audit.

Our responsibilities arise from the Public Audit Act 2001.

### **Other information**

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 6 to 35, 83 to 86, and page 90 but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report the fact. We have nothing to report in this regard.

### **Independence**

We are independent of the Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners, issued by New Zealand Auditing and Assurance Standards Board.

In addition to this audit, we have carried out other audit and assurance engagements for the group. These audit and assurance engagements, as described in note 9(b) on pages 55 and 56, are compatible with those independence requirements.

Other than the audit, and these assignments, we have no relationship with or interests in the group.



Andy Burns  
Audit New Zealand  
On behalf of the Auditor-General  
Christchurch, New Zealand

# Ten Year Summary

| YEAR ENDED 30 JUNE CCHL GROUP             | 2008<br>\$m | 2009<br>\$m | 2010<br>\$m | 2011<br>\$m | 2012<br>\$m | 2013<br>\$m | 2014<br>\$m | 2015<br>\$m | 2016<br>\$m | 2017<br>\$m |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Financial performance and position        |             |             |             |             |             |             |             |             |             |             |
| Total revenue                             | 542         | 592         | 595         | 750         | 903         | 958         | 1,352       | 1,095       | 1,052       | 1,044       |
| Profit for the period                     | 91          | 79          | 55          | 77          | 97          | 71          | 403         | 132         | 39          | 116         |
| Total assets                              | 2,219       | 2,211       | 2,286       | 2,321       | 2,473       | 2,576       | 3,166       | 3,301       | 3,418       | 3,633       |
| Shareholders' equity                      | 1,405       | 1,414       | 1,367       | 1,309       | 1,373       | 1,450       | 1,945       | 1,928       | 1,813       | 1,830       |
|   |             |             |             |             |             |             |             |             |             |             |
| Payments to Christchurch City Council     |             |             |             |             |             |             |             |             |             |             |
| Dividends paid                            | 33          | 37          | 114         | 44          | 35          | 36          | 52          | 46          | 132         | 114         |
|   |             |             |             |             |             |             |             |             |             |             |
| Ratios                                    |             |             |             |             |             |             |             |             |             |             |
| Ratio of net debt to net debt plus equity | 23%         | 22%         | 27%         | 30%         | 34%         | 33%         | 18%         | 25%         | 35%         | 39%         |
| Return on average equity                  | 6.6%        | 5.6%        | 4.0%        | 5.9%        | 7.3%        | 5.0%        | 23.7%       | 6.8%        | 2.1%        | 6.4%        |



# Directory

## Registered Office

Level 2  
77 Hereford Street  
Christchurch

## Directors

- J B Smith (Chair)  
(Appointed 18 Aug 2016)
- L A Dalziel (Appointed 9 Dec 2016)
- V S Buck
- M M Devine (Appointed 1 Apr 2017)
- J T Gough
- A M G Skinner  
(Appointed 25 Nov 2016)
- S L Smith
- A D Turner (Appointed 9 Dec 2016)
- W J Dwyer (Resigned 18 Aug 2016)
- A J Pearce (Resigned 25 Nov 2016)
- Y Johanson (Resigned 9 Dec 2016)
- B R Irvine (Resigned 1 Apr 2017)

## Management team

P Munro – Chief Executive  
L Scales – Chief Financial Officer  
N Halstead – Executive Officer

## Bankers

Bank of New Zealand, Christchurch  
Westpac Institutional Bank,  
Auckland  
ANZ Bank , Wellington

## Auditors

Audit New Zealand on behalf of the  
Auditor-General  
Christchurch

## Contact Details

Christchurch City Holdings Limited  
Level 2  
77 Hereford Street  
PO Box 73049, Christchurch 8154  
Telephone: (03) 941 8475  
Email: [info@cchl.co.nz](mailto:info@cchl.co.nz)  
Web site: [www.cchl.co.nz](http://www.cchl.co.nz)

## Group contact details

### Orion New Zealand Limited

565 Wairakei Rd  
PO Box 13896 Christchurch 8141  
Telephone: (03) 363 9898  
Email: [info@oriongroup.co.nz](mailto:info@oriongroup.co.nz)  
Web site: [www.oriongroup.co.nz](http://www.oriongroup.co.nz)

### Christchurch International Airport Limited

Top floor, Car Park Building,  
30 Durey Road  
Memorial Avenue  
PO Box 14001 Christchurch 8544  
Telephone: (03) 358 5029  
Web site:  
[www.christchurch-airport.co.nz](http://www.christchurch-airport.co.nz)

### Lyttelton Port Company Limited

41, Chapmans Rd, Woolston  
Private Bag 501, Lyttelton 8841  
Telephone: (03) 328 8198  
Web site: [www.lpc.co.nz](http://www.lpc.co.nz)

### Enable Services Limited

Enable House, 2nd Floor  
106 Wrights Road, Addington  
PO Box 9228, Tower Junction,  
Christchurch  
Telephone: (03) 363 2962  
Email: [support@enable.net.nz](mailto:support@enable.net.nz)  
Web site:  
[www.enablenetworks.co.nz](http://www.enablenetworks.co.nz)

### City Care Limited

226 Antigua Street  
P O Box 7669 Christchurch  
Telephone: (03) 941 7200  
Web site: [www.citycare.co.nz](http://www.citycare.co.nz)

### Red Bus Limited

120 Ferry Road  
P O Box 10 171, Christchurch  
Telephone: (03) 379 4260  
Web site: [www.redbus.co.nz](http://www.redbus.co.nz)

### EcoCentral Ltd

Level 1, Baigent Way, Middleton  
PO Box 6320, Christchurch  
Telephone: (03) 336 0080  
Email: [admin@ecocentral.co.nz](mailto:admin@ecocentral.co.nz)  
Web site: [www.ecocentral.co.nz](http://www.ecocentral.co.nz)

### Development Christchurch Ltd

Level 2, Building 2  
181 High Street, PO Box 333  
Christchurch 8140  
Telephone: (03) 941 5992  
Email: [info@dcl.org.nz](mailto:info@dcl.org.nz)  
Website: [www.dcl.org.nz](http://www.dcl.org.nz)



Christchurch  
City Holdings  
Limited