Christchurch City Holdings Limited

Annual report 2020

July 2019-June 2020

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Contents

Chair's report

As we report on the results of the 2020 financial year and the performance of the Christchurch City Holdings Limited Group, it is impossible to do so without considering the effects of COVID-19, both in the immediate impact of the nationwide lockdown, which occurred at the end of the financial year, and the more far-reaching implications for the Group over the longer term.

As the whole world is discovering, the short-term health, community and economic impacts of the global pandemic were significant and unprecedented. The full scale of the effects of COVID-19 on our economy and our community has yet to be measured, even though New Zealand has found itself comparatively better off than many other nations.

In the face of a host of major crises over the last decade, the term 'resilience' is often used to describe businesses and communities in Christchurch and Canterbury. However, rather than simply being able to bounce back after being struck by adversity, we have demonstrated that our ability to cope with upheaval is as much a factor of preparation, of adaptability, of the willingness to make prudent decisions now that will protect and enhance our assets for generations, and above all, to put our faith in the skills and talents of our people.

This approach encapsulates what the board recognised when establishing the CCHL Group's strategic pillars: Kaitiakitanga, Mana, Sustainability, Financial and People. Over the last quarter of a century, the Group has been evolving to meet not only the challenges and opportunities in the economic environment but to also focus on the developing needs of our community, the liveability of the city and the wellbeing of local people.

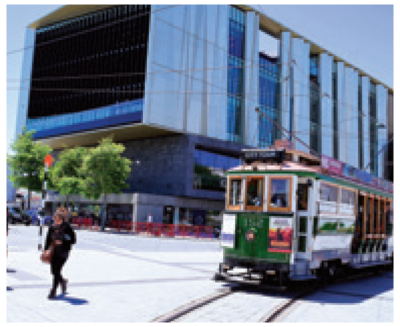
As they did during the earthquakes, multiple parts of the Group have played a vital role in supplying essential support to our community during the Level 4 lockdown in March. They kept power running to households, maintained vital internet, transport and trade connections to the rest of the country and the world, and offered a range of support and services to our city during the COVID-19 response. So too, will the Group continue to provide jobs, training, opportunities and – as it is prudently able – financial returns to the city to help support the wider economy over the longer term.

Over the last decade in particular – a decade of enormous change for our city and region – the CCHL Group has time and again demonstrated that the value of the organisation is much more than its considerable financial assets. The true strength of the Group lies in its ability to respond to the needs of the region by leveraging its combined capabilities, to provide a strong and stable foundation for development and – even in the face of major crises – to remain focused on the long-term growth and sustainability of the local economy and community.

CCHL Board of Directors (from left): Claire Evans, Leighton Evans (Associate Director), Andrew Turner, Alex Skinner, Jeremy Smith (Chair), Lianne Dalziel, Greg Campbell, Sara Templeton, James Gough.

A decade of change

A little over ten years ago, the 7.2 magnitude Darfield earthquake triggered a sequence of destruction that would forever change the Canterbury region. The series of massive earthquakes, which would blight the top of the South Island for over five years, culminating in the 7.8 Kaikoura magnitude earthquake in 2016, would cost 187 lives, cause damage measured in the tens of billions, and create extraordinary disruption to the economy. A decade on, despite the horror brought by an act of terror visited on the city in 2019, Christchurch's recovery was gaining real momentum, just as the region was forced to contend with the impacts of an unprecedented global health crisis.



Against the background of this decade of enormous change, the vital importance of having a group of companies owned by the people of Christchurch, with a focus on intergenerational guardianship of key strategic assets, has been made very clear. Despite the enormous social and economic upheaval experienced over the last ten years, the combined strength of the CCHL Group has made a major contribution to the city's recovery and development. As well as providing jobs for local people, attracting talent and investment to the city, and supporting wide-ranging growth and development, the Group – through sound financial management – was able to release more than $862 million to the Christchurch City Council over the last 10 years to help support the city's rebuild.

The Group's kaitiakitanga – its intergenerational guardianship – also guided its focus on making Christchurch and Canterbury not only economically successful, but a vibrant, dynamic and liveable city for residents, new migrants and visitors. Over the decade, the scale of the Group and the scope of its activities meant its subsidiary organisations were able to undertake initiatives designed to both support the financial growth of the Group, and the wellbeing of the community. From reducing the digital divide through the provision of fibre broadband to schools, to making substantial investments in environmental sustainability – from electric vehicles to world-leading ocean science, the Group has been dedicated to providing real leadership in many facets of the city's development.

With the present COVID-19 crisis, this focus does not change. In the third quarter of the 2019/2020 financial year, some of the Group's key organisations – notably Christchurch International Airport Ltd and Lyttelton Port Company (LPC) – began to experience the initial effects of the emerging global crisis. By the end of March, as the country entered COVID-19 Alert Level 4 lockdown, the widespread economic impacts of the pandemic were widespread and inescapable.

During that time, however, the Group was already demonstrating how this decade of change had shaped both the financial resilience and adaptability of the organisations, and the skills and experience of its people. Drawing on the hard-won experience of the last decade, the key priority of the Group was to not only respond to the immediate impacts of the crisis but to ensure the entire organisation was ready to rapidly adapt and respond to underpin the city's recovery.

Response to COVID-19

Supporting local people

During the immediate response to the COVID-19 pandemic, the Group worked to keep the people of Christchurch connected with work, friends and loved ones, provided power and other essential services, maintained trade and transport links, helped essential workers travel to their jobs, and supported employment for thousands of local people.

Maintaining connections

As a lifeline utility and essential service provider, Enable Services Ltd (Enable) continued to provide the community with quality fibre broadband services and connect essential service customers to fibre broadband throughout all COVID-19 Alert Levels. Within 24 hours of the Government's announcement of the move to Alert Level 4, all Enable people were working remotely, operating at full productivity and focused on serving the community.

During the COVID-19 lockdown, the switch to online learning highlighted the lack of internet access at home for some students in Christchurch. In response, Enable committed to providing free wholesale fibre broadband services to every home where the Ministry of Education had identified a student without internet access, where infrastructure was available.

Enable also supported local businesses by placing a hold on any product price increases until 1 October 2020 and introducing a short-term, no-charge suspension of business services. Recognising the increased need in local homes for higher upload speeds, driven by the demand for video conferencing and streamed entertainment, Enable also offered a free high-speed upgrade for existing residential customers.

Keeping the region supplied

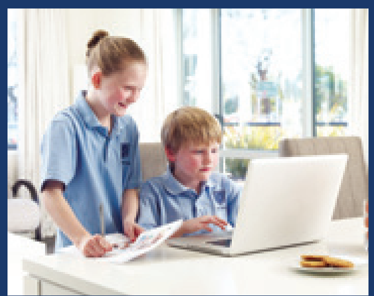
The LPC team ensured the region was supplied with the food, fuel, medicine and essential goods needed every day during the COVID-19 outbreak.

As LPC is a critical link for Canterbury and the South Island, the team was aware of the importance of maintaining safe and efficient port operations during the lockdown. From the Cargo Handlers who worked on the wharf to the Marine Pilots who welcomed vessels to local waters, the teams working at the Inland Ports, and staff diligently working from home, the LPC team took changes in shift patterns, increased hygiene measures and physical distancing requirements in their stride to keep the supply of goods flowing to the region.

The importance of fibre broadband in a changing environment

During the COVID-19 lockdown, broadband usage habits changed – video conferencing to connect with friends, family and workmates became the norm; the number of people relying solely on the internet to do business skyrocketed; children were online learning every day; and streamed content was the primary source of entertainment.

The speed, low latency, consistency and reliability of fibre broadband meant the Enable network was ready for whatever customers needed. Enable experienced a significant increase in data usage across its network – doubling during the day and up to 70% higher at peak times in the evening.



The Commerce Commission's Autumn 2020 Report on broadband performance highlighted the importance of fibre broadband in supporting New Zealand though the pandemic. With so many people dependent on the quality of their home broadband, usage increased significantly as a result. During this time, 100Mbps fibre service average speeds were unaffected but fixed wireless broadband average speeds reduced by 20% to 25%.

With many businesses, educators and community service providers looking to lock in changes to their operating models, which will rely on connectivity, demand for high quality broadband will continue to grow. Enable is ready for this demand.

Maintaining essential services

Understanding that many people in the community worked or lived in compromised situations due to Alert Level 4, Orion NZ Ltd (Orion) stopped all planned work on its network that was not required to ensure a safe and reliable electricity supply. This minimised power outages for people at home and in essential service workplaces. To help businesses during this challenging time, Orion also offered a programme of support through retailers for business customers.

Orion ran local advertising during the period, reassuring the community that its crews continued to be on the road to respond to any emergency issues and ensure power was maintained. This was especially important when so many were working and schooling children from home.

The COVID-19 pandemic also had considerable impact on Red Bus' operations during the lockdown. In Level 4, the public transport operator ran a Sunday timetable with a reduced workforce and with management and administrative staff working from home. A range of other measures including on-board exclusion zones, additional cleaning and reduced cash handling, were implemented.

Helping ensure essential personnel from across the city had access to safe and reliable public transport to their workplaces, was a source of pride for the organisation.

Management of waste is a critical service, especially during times of crisis. As well as providing a facility for the kerbside collection waste disposal, EcoCentral's EcoDrops were able to offer a service for essential and urgent waste disposal for residential and commercial customers. As restrictions were lifted and EcoCentral was able to open more services to a wider range of customers, the organisation maintained a booking system and operated in a manner to maintain physical distancing, traceability and safety for both customers and staff.

During COVID-19, Citycare Water continued to provide essential three waters maintenance services across over 20,000kms of piping networks throughout the country, from Auckland in the north down to Clutha in the south. Citycare Property continued to do essential nationwide grounds maintenance services covering parks, toilets, rubbish bins.

Managing impacts

In January 2020, Christchurch Airport, which was outgrowing national trends in a number of areas, was looking confidently at a strong finish to the financial year, and a very positive 2021. Within four weeks, international borders were closing and New Zealand was moving rapidly through Alert Levels to the Level 4 lockdown.

The company had a financial, operational and strategic plan ready for a pandemic and activated that when COVID-19 arrived in February 2020. This plan was underpinned by a philosophy of maintaining stakeholder equity across customers, staff and shareholders. The airport had learnt from the Canterbury earthquakes that short-term cash flows will be volatile in such events, however it is imperative to focus on preserving and creating long-term value because these events all have an end, and all create a 'new normal'.

The changes made to the business in the post-earthquake years meant the company had already reduced its headcount by around 20% when COVID-19 arrived. The additional flexibility built into its operating cost structures allowed the airport company to reduce short-term operating costs by up to 30%, without the need to shed any of the talent it would need in the near future to support the recovery. Christchurch Airport remains committed to completing current capital projects and will have budget available to take on new investment property development over the next one or two years, as opportunities arise.

Drawing on the experience of the past decade, to manage COVID-19, Citycare's operational focus was on keeping staff and contractors safe, while providing essential services around the country, as required. By managing operating costs, the organisation was able to maintain cash-flow and sustain the employment of its people.

Kaitiakitanga

Crisis sharpens intergenerational focus

For the CCHL Group, the demands of the COVID-19 crisis, while challenging both in terms of operations and financial impacts, reinforced the vital importance of the city's infrastructure assets to the local economy and community.

Smart investments

The increased demand for a broad range of digital services during the lockdown underscored the importance of making smart, long-term investments that will support the needs of the city, in any circumstances.

A decade ago, Enable was a small start-up fibre provider with 250 kilometres of network assets and less than 300 customers. Today, the business has over 117,000 customers connected to its extensive fibre telecommunications network throughout Christchurch, and towns in Waimakariri and Selwyn districts. As a result of a decade of investment, the people of Christchurch now own a fibre broadband infrastructure asset that will be incredibly important as an enabler of innovation and growth in the future of the city, delivering increasing economic and social returns.

Enable is now creating a product roadmap to ensure its ongoing investment in the capability of its network will stay ahead of demand. Its 10-year strategy focuses on maintaining excellent operational performance and extending the business to deliver additional economic and social value to the people of Christchurch.

In June, LPC opened a second rail siding at the Lyttelton Container Terminal (LCT) as part of the terminal development plan. The new siding will double the capacity to handle trains, and can accommodate trains up to 24 wagons long – the same as Midland Port, LPC's Rolleston depot.

The new siding is part of LPC's long-term capacity development programme. The volume of goods carried by rail to the port has increased significantly, to around 15%, since the introduction of Midland Port in 2016. The extra capacity will allow this growth to continue. Every train that stops at LCT also removes large numbers of trucks from the city's roads. This not only reduces traffic congestion but also creates significant environmental and community benefits as well.

Making greener transitions

Although the COVID-19 crisis is likely to have a significant short-term impact on the city, the Group is also focused on intergenerational issues that could have more lasting effects on the community.

As New Zealand transitions to a low-carbon economy, the energy sector has a critical part to play. The Orion Group is poised to be a vital player in that transition for our region. It is embracing its Purpose: *To power a cleaner and brighter future for our communities.*

Orion is challenging itself to prepare for what a changed future will hold – a future where the community has more choice than ever about how it generates, stores and shares energy. The company is also working on supporting the sustainability goals that resonate most strongly for its customers and stakeholders, including moving towards more sustainable communities and cities, acting on climate change, fostering good health and wellbeing in the community and being responsible in the consumption and production of its business.

Engaging the community

Around the world, the recycling industry remains in a state of flux. In New Zealand, there has been increased pressure to shift towards a sustainable approach to recycling and reduce reliance on overseas markets to manage our recycling material. The concepts of product stewardship and better-informed consumer purchasing are driving more sustainable packaging and improving the opportunities for onshore processing of recycling.

EcoCentral focuses on dealing with waste in the most sustainable way and particularly on waste reduction through education, advocacy and action. This supports the organisation's long-term aspirations of moving to a circular economy. The recycling and waste industry will continue to change significantly in the next few years as public awareness of and desire for sustainable waste practices transforms into political and regulatory action. EcoCentral's role will remain as a promoter, through action and advice, of best practice for managing waste.

Citycare's role in the community has also evolved to provide a key point of difference for the organisation, as it focuses on making concrete and measurable improvements in the local environment. In partnership with clients, this year the organisation has delivered over 39,000 community-led volunteer hours – almost four times its annual target, including tree planting, landscaping, waste collection and removal, graffiti removal and painting, through its national Community Guardians platform and continued support of the Student Volunteer Army.

Building for the future

Over the last year, Christchurch Airport has continued to advance its long-term strategy of being a champion for both Christchurch and the regions of New Zealand, with the recently announced acquisition of land near Tarras providing the platform for Christchurch Airport to begin discussions on the potential of building a world-class sustainable airport in Central Otago. This long-term strategic project presents an opportunity for all South Islanders to work together on a once-in-a-lifetime opportunity to create a piece of vital infrastructure for our South Island region.

For Christchurch Airport, COVID-19 has reinforced the need to build greater breadth and depth for its operations, which means building deeper partnerships and meeting the challenges of the next 50 years in aviation infrastructure.

2 in a Ute platform innovation launched

This year saw the launch of an innovative collaboration between Citycare Water and Auckland Council, deploying pairs of 'locals' – provided with a ute, the necessary tools and a few weeks' specific training – to independently maintain the various swales, rain gardens, ponds and coastal outfalls that have been established across the city to filter out pollutants from storm water run-off and to improve the quality of the water that filters into Auckland's waterways.

Much of the work is labour intensive and requires small, agile units to be deployed. The 2 in a Ute pilot is now well underway and more permanent investment in the programme is currently being considered. If the pilot is a success, Citycare Water is well-positioned to establish the model in other parts of the country, with the potential to provide some significant longer term social and environmental outcomes for clients and communities.

Mana

Leadership and engagement

The experience of the past decade has also highlighted the importance of the Group's leadership role in the city, the partnerships and networks it has established across the region and the contribution the management and staff make to their community. The mana the Group holds in the region is constantly built and reinforced through the work its people do on a raft of local initiatives.

Maintaining focus in a crisis

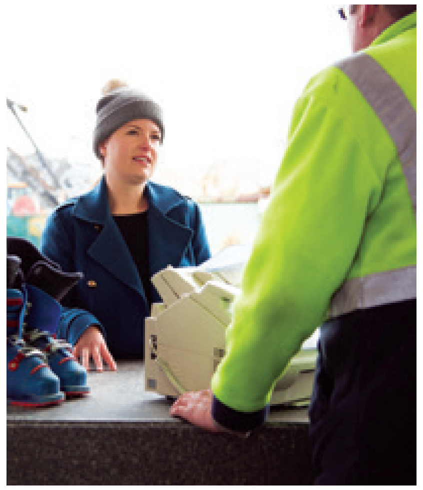
COVID-19 provided EcoCentral with an opportunity to maintain focus on the promotion of waste reduction goals while also dealing with an unheralded crisis. Engagement with the industry is an important aspect of EcoCentral's leadership role. The organisation maintains strong relationships with both WasteMINZ and the Ministry for Environment for innovation opportunities and sustainability initiatives.

This year, EcoCentral has been involved in working groups on standardising kerbside collection methodology and recycling acceptance criteria, the review of the Container Return Scheme investigation project, and improvements in sorting technology for fibre and plastic. At a local level, EcoCentral contributed advice towards the CCC Waste Minimisation Management Plan and provided recommendations on future development opportunities on the Transfer Station sites.

Developing local capability

Through a new initiative called the Energy Academy, Orion Group is working on improving capability development to ensure people in their industry are "match fit". Orion, and its subsidiary Connetics, are collaborating with others across the sector to look at how different parts of the industry share their knowledge, how the industry recognises and rewards achievement, how to ensure the industry has a strong supply of diverse workers who are excited about future opportunities in the energy sector and to reimagine the current system to provide meaningful, long term careers for people in the energy sector.

In collaboration with local and national partners, the Energy Academy is now preparing to launch a series of experiments to introduce new ways of developing capability and create a shared and collaborative industry approach.



Addressing community issues

The COVID-19 pandemic highlighted the immediate and longer-term need to address the digital divide present in the Christchurch community. Enable is focused on building partnerships to work towards eliminating the issue – addressing digital access, skills, motivation and trust issues. Industry, government, NGOs and other community service providers all have a role to play. And while access to fibre broadband services is part of the approach, the solution will also include provision of digital devices, literacy skills, computer use skills and confidence in using technology.

Enable is also working to grow the use of its fibre broadband through established and new partnerships – such as providing high capacity free Wi-Fi services in Cathedral Square – while also providing education and support for both local businesses and residents to help them make the most of the fibre network.

Delivering smarter services

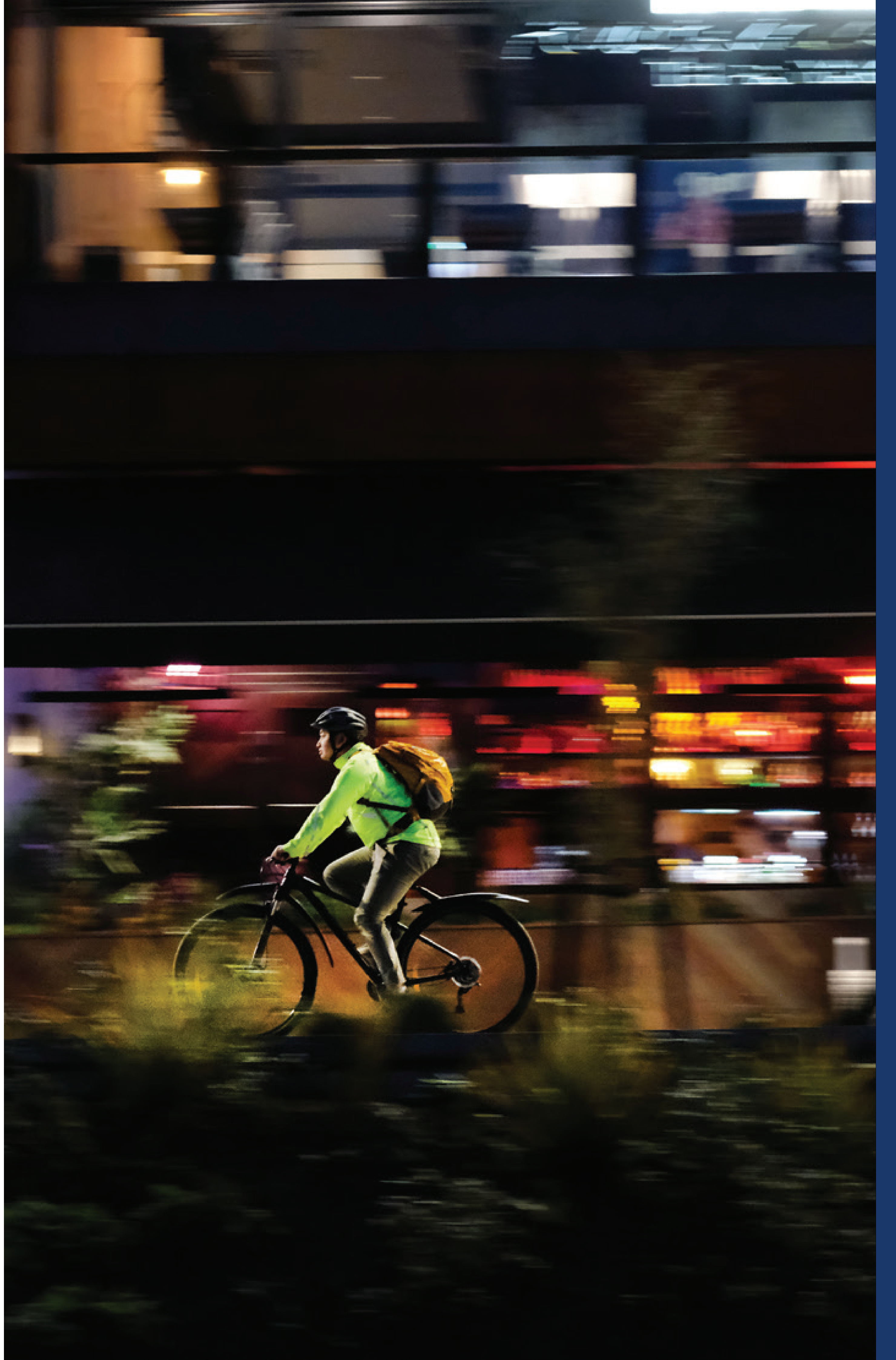
Technology leadership has also played an important role in the value Citycare offers customers. This is particularly a priority in long-term maintenance contracts, where real-time data plays a critical role in managing asset OPEX costs and long-term capital works programme planning.

This year, Citycare further developed its EventManager customer data technology platform to deliver operational efficiencies and improvements in customer response time. The organisation is also using smart, fit-for-purpose sensor devices, allowing Citycare to anticipate events and fix potential problems before they arise.

Attracting leadership talent

The Group has continued to attract high quality talent to the region, to help provide leadership across the organisation.

In February, Roger Gray joined the Group as LPC's chief executive. With extensive management and logistics experience at Air New Zealand, Blue Star Print Group and Goodman Fielder, Roger says he's excited about the opportunities ahead for the country's third largest port, despite the disruption created by COVID-19. He says improving workplace culture is a key priority for LPC, with work underway on developing a set of values and behaviours collaboratively with all staff at LPC. This will set the way forward as to how people are expected to act and behave, and what it means to be an employee of LPC.



Customers have Powerful Conversations with Orion

Most of us give little thought to our power service, except when it comes to paying the bill. So, when 60 people signed up for Orion's Powerful Conversations workshops, few were expecting it to be a riveting evening.

Participants were surprised to find it a stimulating experience and they enjoyed the chance to contribute their views on some of the big questions facing their local power distributer.

Orion runs Powerful Conversations workshops regularly and invites a range of customers to tell them what they think on a variety of topical issues. This customer feedback informs Orion's infrastructure development plans and company decisions.

Orion sought people's views on what they thought represented good value for money in Orion's expenditure budgets; who should be responsible for trimming trees away from powerlines; what people thought Orion's priorities should be to contribute effectively to our region's sustainability and their preferences for the duration of power outages while Orion does planned maintenance work.

These were lively conversations that aired the diverse views of those in our community. While there was some variation across the groups, there was general consensus on key issues that will help Orion answer their frequently asked question, "What would our customer want us to do?"

Financial

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 $1.78 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 $4.55bn. Total group equity has risen from $261m in 1995 to over $1.84bn today (of which $1.5bn is attributable to Christchurch City Council as the 100% shareholder of CCHL).

2020 Group Result

The reported consolidated Group loss for the year ended 30 June 2020 was $(53)m, compared with FY19's Group profit of $132.1m.

The 2020 result has been impacted by two significant matters:

- COVID-19
- Revaluation of Lyttelton Port Company Ltd (LPC) net assets

COVID-19

On 11 March 2020, the World Health Organisation declared the outbreak of COVID-19 a pandemic and two weeks later the New Zealand Government declared a State of National Emergency. The New Zealand Government responded to COVID-19 by imposing significant restrictions around travel, including quarantining of international travellers arriving into New Zealand and introducing an alert level system with restrictions on business activity and societal interaction at different levels. From this, the country was in lockdown at Alert Level 4 for the period 26 March to 27 April and remained in lockdown at Alert Level 3 until 13 May inclusive.

The overall impact of COVID-19 on the CCHL Group has been reflective of the different sectors that each subsidiary operates in. However, the strength of the Group that holds a diverse group of key infrastructure assets is the ability to balance the challenges of some of the entities in the short term with others that are not as badly impacted.

All identified impacts of COVID-19 have been reflected in the financial statements, and in the relevant note disclosures. The primary area that COVID-19 has impacted on the Group is in the estimates and assumptions in respect of the fair value measurement of property, plant and equipment and investment properties.

Revaluation of LPC assets

Due to the specialised nature of the entity, all the Port assets are deemed as being inextricably linked and are therefore treated as a single cash generating unit (CGU) for valuation and impairment purposes. This means that all of its assets work together to generate cash flows. As at 30 June 2020, LPC has changed its accounting policy from carrying property, plant and equipment at historical cost less depreciation and impairment to carrying property, plant and equipment at fair value as one CGU. This is in line with the Group policy of valuing land and buildings, and specialised assets at fair value.

The impact of this change in accounting policy at LPC on the Group is a reduction in the value of the Port assets that form part of the CGU. As this net reduction is reducing the original cost of the assets, it impacts the statement of comprehensive income as a negative revaluation movement. The impact is a fair-value negative adjustment of $157.8m post tax to the Group financial profit.

Over the past 10 years, using a combination of insurance proceeds and debt, LPC has invested in assets and capacity to develop the port and create vital infrastructure to support the Canterbury economy. They have delivered a rebuilt and expanded port, now able to strongly support the region's economic development and drive our export growth. They have many key projects that have been completed in the financial year or will be delivered in the first half of next year. This will bring to an end the large-scale redevelopment of the port following the earthquakes.

However, due to COVID-19 and some other factors, it is going to take LPC longer to make a return on these assets.

This readjustment recognises that the asset value and LPC's ability to generate earnings in the current environment are out of line. It brings LPC's value back in line to reflect how much they can actually earn from their assets.

This accounting adjustment does not change the fact that the Port remains a strong long-term infrastructure business.

New seaside attractions

He Puna Taimoana, the hot pools at New Brighton, opened on 30 May 2020.

DCL worked with Christchurch City Council and the community to create an exciting combination of open-air hot pools, sauna and steam room, and public beach-facing facilities.

In July 2020, DCL was awarded the Innovation Project of the Year and the Sustainability Project of the Year 2020 from the Royal Institution of Chartered Surveyors (RICS). The judges commented that "this project is a catalyst to the regeneration of the area and clearly demonstrates the team's innovative and professional approach, teamwork and achievement".

Since opening He Puna Taimoana has proved hugely popular with locals and visitors from around the region, with more than 41,000 guests visiting in the first four months.

Other aspects of the New Brighton Regeneration Project, a suite of projects that aims to revitalise the seaside village, have included the beachside playground and the revival of the commercial centre by attracting private investment, residential development and transport improvement projects.

Other Group results

Total operating revenue for the Group was $1,031m in FY20, compared to $1,076m FY19. The main impact on this result was due to a drop in revenue by Christchurch International Airport Ltd (CIAL) of $22m in the fourth quarter of FY20, as a direct result of the Government's decision to impose lockdowns and close borders in response to COVID-19 and the resulting impact on aeronautical and terminal lease revenue. LPC year-on-year revenue was down, however this was only approximately $5m relating to COVID-19 impacts with the variance related to a one-off gain last year. Orion NZ Ltd (Orion), with a March balance date, didn't have any direct impact by COVID-19 on this year's revenue, and although down on last year's revenue, was in line with target. Enable Services Ltd (Enable) continues to grow their revenue base as new connections are achieved. Their gross telecommunications revenue showed an increase of $13m compared to last year.

Group assets have increased to $4,548m from $4,252m, due mainly to:

- the continued property development programme by CIAL
- the capital programme at Orion
- the revaluation of the fibre network at Enable
- the capital programme at LPC offset by the revaluation of assets

This has resulted in a net impact on the overall Group net assets which have decreased from $1,848m in FY19 to $1,842m in FY20. The capital programmes have also increased net debt by $223m across the Group.

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 Parent 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 have increased to $2,928m, up from $2,782m in FY19. This increase is predominately due to revaluation increases at Orion and Enable, with reductions in CIAL and LPC.

CCHL paid dividends to its shareholder, Christchurch City Council, of $22m (FY19: $188.3m). This reduction against the Statement of Intent target of $48.3m was a direct response to the COVID-19 impact, where our final dividend was not paid in light of the reduction in dividend income received by CCHL and the uncertainty surrounding future revenue impact. It should be noted that the FY19 dividend included special dividends of $140m.

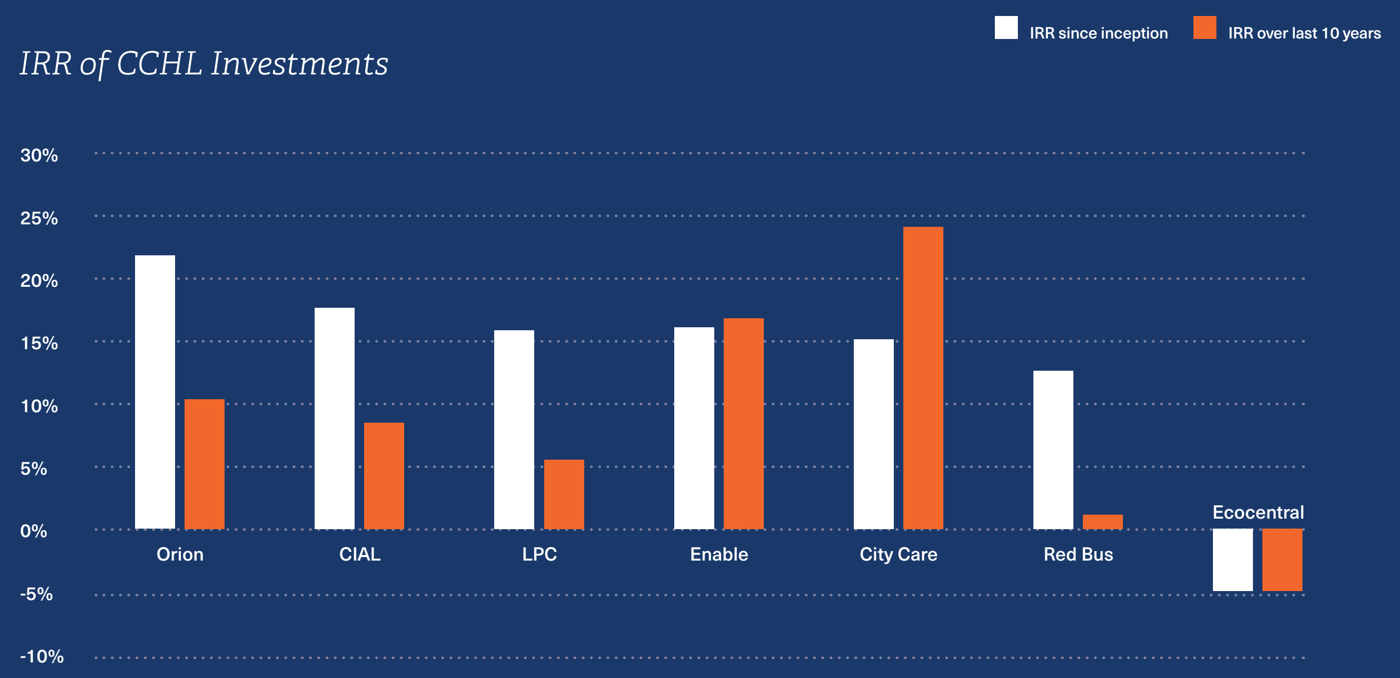
There has been little impact on our total liabilities to total tangible assets ratio of 34.2% from 33.8%, which remains well within our financial covenant of 60%. However, the reduced dividend income this financial year has reduced our CCHL Parent interest cover ratio to 2.14 from 3.08. Whilst we continue to monitor this, this continues to remain comfortably above our 1.5 covenant under our Master Trust Deed.

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.

IRR of CCHL Investments

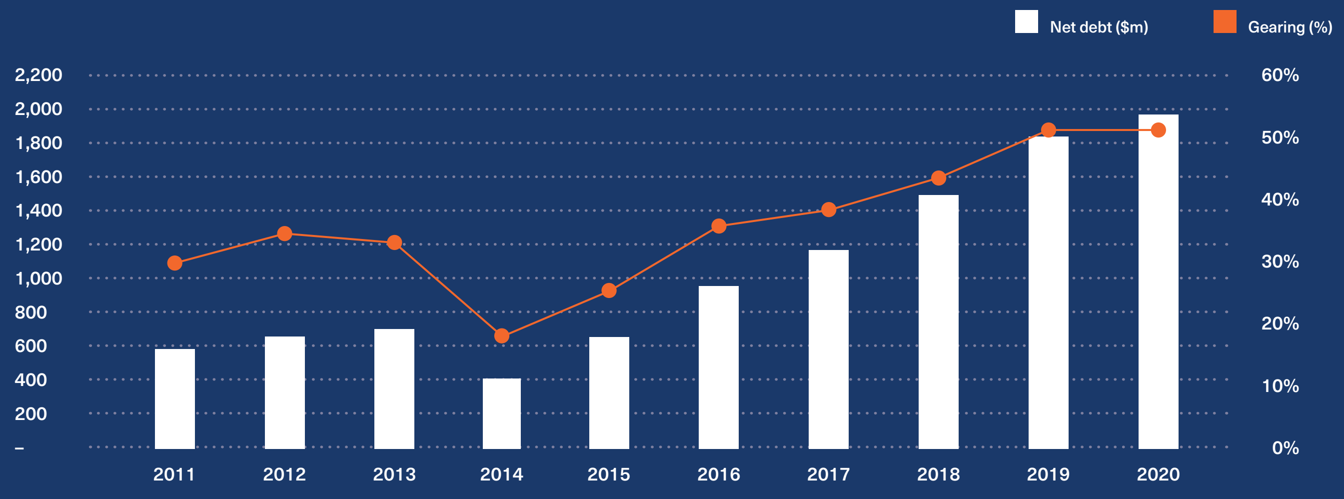


Group debt and gearing

The increase in debt from 2014 to 2020 is largely the result of:

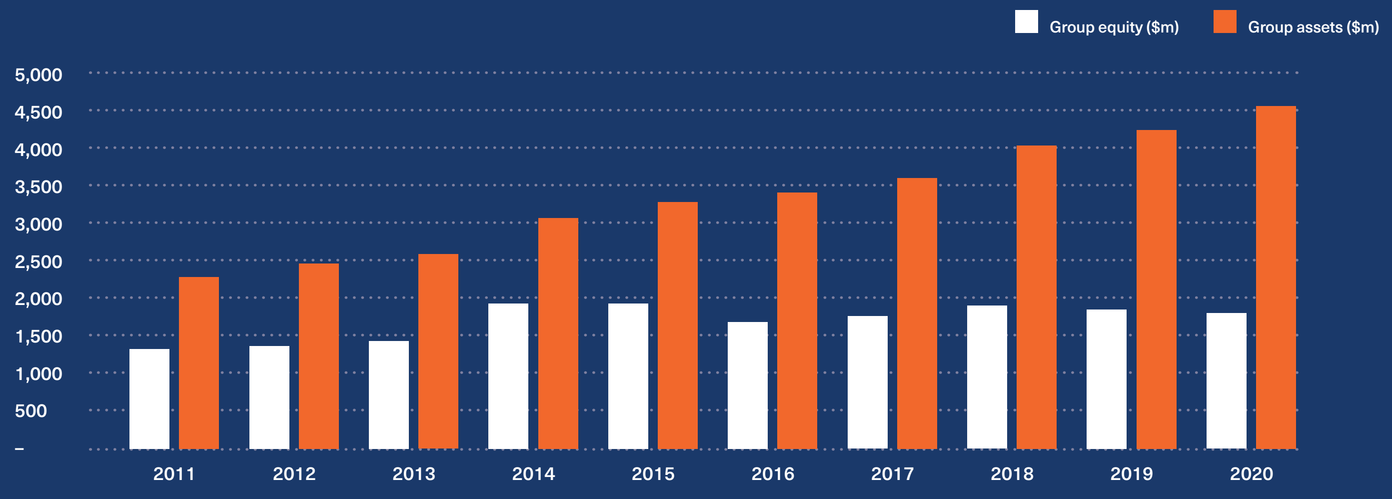
- CIAL's ongoing property development programme
- Orion and LPC's earthquake recovery and capital works programmes
- Enable's fibre network construction programme
- Capital release programme, including share buy-back by Orion.

Although Group debt levels are increasing, they remain relatively low for a group that predominantly comprises stable infrastructure businesses.



Group equity and assets

This chart shows the growth in Group equity and assets over the last 10 years. This growth is in addition to the payment of $862m of dividends to the Council over the same period.



Sustainability

A sustainable future

Managing the raft of challenges over the last decade, and looking to build greater capability, protections and opportunities for growth over the last decade has been the driver of the Group's focus on sustainability. While the coronavirus pandemic has highlighted the need to prepare for future disruptions, the Group is also firmly focused on identifying opportunities to establish Christchurch and Canterbury as a leader in environmental management, sustainable technology and community wellbeing.

Investing in quality

In the last year, EcoCentral has commenced an upgrade of its material recovery facility equipment, designed to improve the quality and value of the recycled material, while reducing operating costs.

As well as improvements to sorting technology, EcoCentral has also been investing in improvements in waste reduction and recycling habits. The organisation recently completed a feasibility study into onshore options for processing mixed plastic and mixed paper. The study identified a number of areas to improve the overall recycling process, including optimising collection methodologies, improving sorting technology, securing new markets in New Zealand and investing in emerging technology to generate energy from residual waste. This extensive study has resulted in EcoCentral recently being awarded $16.8m in Government funding to upgrade its optical and mechanical sorting machines. This will make it easier to remove contaminants from the recycling stream and deliver consistently high-quality plastic and fibre products.

Introducing efficient technology

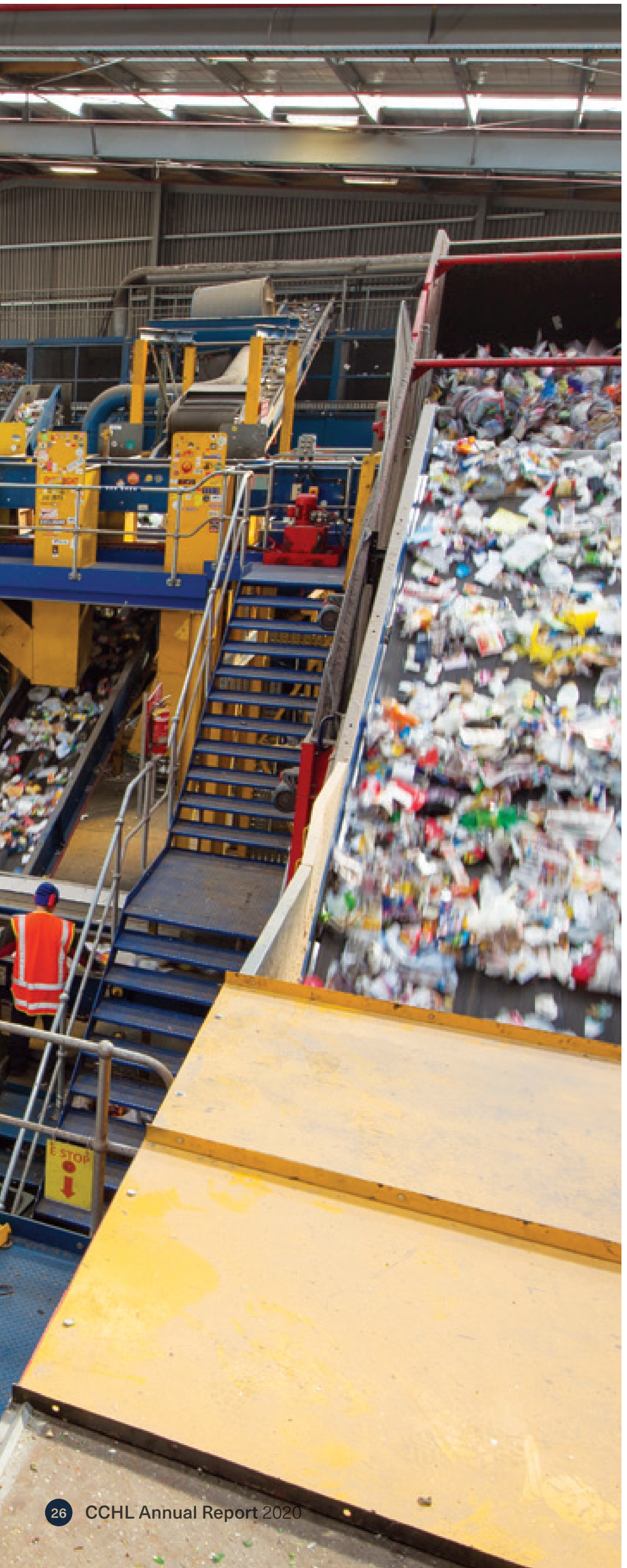
In mid 2019, Red Bus started operating three ADL Enviro200EV battery electric buses – the only electric buses operating in greater Christchurch. The new buses have been very successful in proving the cost, performance and operational parameters for the new technology.

The response from passengers and the public to the buses' clean, quiet and comfortable performance has also been very positive – with their Airport-to-City route one of few in the city to show improved patronage. In addition to its electric bus initiatives, Red Bus worked towards wider sustainability goals and achieved Toitu (Enviro-mark) Bronze certification during the year.

Making change accessible

A passionate advocate for clean energy, Orion is helping businesses and communities to reduce their carbon footprint through more efficient use of low carbon energy sources. In July 2019, Orion released its first report on the opportunities and risks posed to its operations by climate change. The report, prepared in accordance with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD), is the first of its kind produced by an electricity distributor in New Zealand.

Orion's climate change report provides the local community with an understanding of how climate risks and opportunities might impact its business, and what the company is doing to prepare for a changed future. It also shares the actions Orion is taking to contribute to New Zealand's carbon zero 2050 commitment. The report is the first step in Orion's journey to assess the impact of climate change on the business and the region, and safeguard its essential service for the future.



Making measurable improvements

This year has seen particular success for Citycare in terms of measurable environmental performance. The organisation achieved a company-wide reduction of 9.4% greenhouse gas emissions (against a target of 2%). Citycare remains committed to achieving a net carbon neutral target by no later than 2035.

Citycare is also focused on bringing environmental innovation and improvement to its customers and partners. Late in the financial year, the organisation received EECA funding to undertake energy audits at five of Auckland Council's higher use facilities – creating an excellent opportunity for local collaboration related to environmental awareness and improvements.

Sustainability targets set by Enable include achieving a 49% reduction in carbon emission over the next three years and reducing business waste by 50% over the same period. Enable is also committed to establishing a framework for all future supply and contract arrangements that align with sustainability goals.

Enable has introduced new flexible work arrangements and modern workspace design that allowed it to consolidate its corporate office space, and new technology to support this way of working. It has begun to transition away from petrol and diesel fleet vehicles with the introduction of three hybrids – as part of a plan to move to all electric and hybrid vehicles. This resulted in a 4% reduction in emissions over the first six months of implementing the strategy, equating to an estimated saving of 13 tonnes of carbon dioxide emissions.

Christchurch Airport's commitment to executing its Green Transition Plan remains through COVID-19. The airport has removed 65% of Scope 1 emissions from its operations and remains focused on advancing sustainability programmes across the Christchurch campus.

Supporting world-leading science

In an extension to a programme initiated in the last financial year, LPC is hosting a study led by ESR to learn more about ocean plastics. In 2019, two types of plastics were attached to the pontoon outside Waterfront House. In March this year, the second phase of the study added five types of common plastics – new samples that are artificially aged – which will be kept in the sea for 12 months.

The researchers will be looking at how the plastics change over time, what chemicals they absorb and release, how quickly they degrade, and what types of organisms grow on them. ESR scientists are also examining whether plastics can act as rafts for marine organisms that could threaten New Zealand's marine biosecurity by bringing in pathogens and other marine pests that wouldn't otherwise be able to reach this country. The project team will also look at the microbes that interact with the plastics to see if any have the ability to use the plastics as an energy source and therefore degrade it.

Health of the harbour

LPC's Chief Executive Officer Roger Gray has been appointed co-chair of the Whaka-Ora Healthy Harbour governance group, joining Yvette Couch-Lewis from Te Hapū o Ngāti Wheke to guide the programme forward.

The kaupapa/purpose of the plan is to restore the ecological and cultural health of Whakaraupō/Lyttelton Harbour as mahinga kai.

Roger says working with the partner organisations, Environment Canterbury, Te Hapū o Ngāti Wheke, Te Rūnanga o Ngāi Tahu, and Christchurch City Council is the best way to gather momentum behind this important programme.

"The Port is part of the fabric of Whakaraupō/Lyttelton Harbour, and because of that we are firmly focused on ensuring the sustainability of our environment, and the Port, which supports thousands of jobs, for future generations.

Roger says he is also proud to work alongside Yvette from Te Hapū o Ngāti Wheke as co-chair, who he describes as a champion of Whakaraupō.

"Yvette has played a vital role in the programme since its inception, so I am proud to walk alongside her as co-chair, and together take the project forward."

People

Building a community of support

From across the community and in roles that connect with every part of the city, CCHL Group's people drive the success of each subsidiary organisation, while offering essential services, support and leadership for the region.

The focus of the Group is not only ensuring that the more than 3,000 people it employs are valued, protected and provided opportunity for growth and development, it also sees its people as a crucial connection to the community, and – through its unique ownership structure – representative of the Christchurch population it is working for.

Enhancing opportunities

To match skills and experience with new opportunities across the Group, CCHL is piloting a new cloud-based platform. Te Whāriki creates an opportunity for CCHL companies its subsidiaries and others in the Council group to explore new ways of working together and developing the human capabilities needed for the future.

By exploring this new way of working, the Group hopes it will be able to:

- Better manage peaks and flows of work between CCHL companies
- Better access and utilise the specialist skills that might exist across CCHL before recruiting or paying external consultants
- Provide new avenues for our people to develop new or enhance existing capabilities
- Create new ways to identify and retain talent within the CCHL Group
- Accelerate collaboration on common challenges and opportunities across the Group
- Enable the CCHL Group to better prepare for and recover from a crisis like COVID-19.

There are now eight companies participating in the pilot, with over 400 users, more than 50 collaboration projects, and over 180 people currently working on projects across the Group. Recent projects include experimenting with virtual reality technology, seeking short term business analyst capabilities, and collaborating on wellbeing challenges.

Understanding our customers

As part of the move away from positioning as a commodity energy supplier, Orion is responding to increasing customer interest in self-managed energy consumption and options for reducing their carbon footprint. The organisation is adopting a new strategy to get to know its customers better and join with them in co-creating services for the future.

Orion's customer strategy is based on meeting customer needs with personalised services within dynamic groups. Grouping customers means Orion can identify and offer expertise and relevant experience to similar customers, based around their shifting needs. This customer strategy will be underpinned by a new Customer Relationship Management platform to enable and support improved customer interactions and experiences.

Reaching our community

Education of community and school groups is also an important aspect of EcoCentral's engagement approach. During the last year, EcoCentral has presented to over 50 different community groups and facilitated holiday and Learning through Action programmes for school aged children. By educating the younger and older age groups, EcoCentral hopes they will, in turn, influence those in the middle age brackets, who can be more challenging to reach.

Red Bus has remained active in the community throughout the year. Activities ranged across sporting, cultural and environmental areas, with Red Bus sponsoring the Court Theatre and providing buses for the Schools Strike 4 Climate voluntary tree planting day.

LPC is working to promote diversity and opportunities for the community in a range of different working environments. LPC Customer Service and R&D Manager Abbey Clapp joined Women in Road Transport NZ to help make changes in what remains a male dominated industry. Women in Road Transport NZ has helped introduce flexible work options like shift sharing to make it easier for women with families to work in the industry.

Supporting our teams

Future Way of Working is an organisation-wide project for Enable, aimed at supporting its people and sustainability goals. The programme is being led by a cross-section of Enable's staff, with the team working to understand the needs of all employees and the organisation. The insights from the programme will shape future flexible work practices, employee benefits and support services, and future office requirements.

While maintaining certainty around employment and supporting the general health and wellbeing of employees during COVID-19 lockdown has been an important focus for Citycare, the financial year has also been exceptional in terms of keeping staff and contractors safe. By looking at safety 'differently', the organisation has been able to embed a culture where teams are empowered to 'live' its safety culture. This shift ensures improved management of critical risks and has significantly improved site safety and sub-contractor engagement. This culture of greater personal accountability is reflected in Citycare's safety performance results for the year, with a Total Recordable Injury Frequency Rate of just 5.19 – down from 13.00 last year.

Of increasing importance to Citycare is also the ability to stimulate greater diversity of thought across the organisation, provided by employing people of different age, gender and ethnicity, ensuring fresh views that challenge previous operational norms and add value to the business.

During the year, the first intake of five CCHL Associate Directors completed their terms on Group boards. Through the programme, the personal development of governance capability combined with the positive feedback we received from the Group boards – in terms of the individual contributions each Associate Director made during their tenures, supports our continued commitment to invest in the development of governance skills for the Canterbury region. Accordingly, we look forward to welcoming the next group of Associate Directors to the CCHL Group during the next financial year.

Pumping the Heat

Citycare Property was selected as one of the contractor teams tasked with the installation of over 1,900 heat pumps into Ōtautahi Community Housing Trust (OCHT) homes.

The Warm & Dry Initiative is a collaboration between the Christchurch City Council and OCHT to manage and deliver this significant programme of work to improve the warmth and dryness of OCHT community rental properties.

Installation work started in February 2020 but was put on hold in March due to the COVID-19 lockdown. Work restarted in late April with strict guidelines in place to ensure contractor and tenant safety. A great deal of hard work was put in by contractors to bring the installation programme back on track and provide tenants with warmer homes for winter.

Christchurch City Holdings Limited

Financial Statements

For the Year Ending 30 June 2020

A WHOLLY OWNED SUBSIDIARY *of* CHRISTCHURCH CITY COUNCIL

Directors' Responsibility Statement

These financial statements are for Christchurch City Holdings Group (Group), a group comprising 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 Statement of Financial Position as at 30 June 2020, and
- the Statement of Financial Performance, Statement of Change in Equity and Statement of Cash Flows for the year ended 30 June 2020, and
- the Statement of Performance for the year ended 30 June 2020

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 (NZIFRS) 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 35 to 103, of the Christchurch City Holdings Limited annual report for the year ended 30 June 2020.

The Board of Directors of Christchurch City Holdings Limited authorises these financial statements for issue on 21 October 2020.

For and on behalf of the Board.

Jeremy Smith	Alex Skinner
Chair	**Director**
Christchurch	Christchurch
21 October 2020	21 October 2020

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Statement of financial position

As at 30 June 2020

	Note	Group 2020 $'000	Group 2019 $'000
Non-current assets			
Property, plant and equipment	4	3,616,191	3,532,133
Investment property	5	571,658	491,202
Other financial assets	10b	35,044	28,798
Intangible assets	13	27,895	41,969
Inventory	11d	16,532	11,139
Right of use assets	17c	34,484	–
Finance lease receivable	17c	42,688	–
Debtors and other assets	11a	6,273	6,510
Total non-current assets		**4,350,765**	**4,111,751**
Current assets			
Cash and cash equivalents	12	50,334	8,767
Debtors and other assets	11a	85,964	89,454
Contract assets	11e	21,051	22,420
Finance lease receivable	17c	502	–
Inventory	11d	18,233	17,618
Net assets classified as held for sale	7c	2,199	–
Other financial assets	10a	12,528	2,475
Current tax asset		6,331	–
Total current assets		**197,142**	**140,734**
Total assets		**4,547,907**	**4,252,485**
Non-current liabilities			
Borrowings	6a	1,432,905	1,560,249
Net deferred tax liabilities	9d	297,585	329,167
Provisions and other liabilities	15	120,688	73,948
Lease liabilities	6c,17b	70,959	10,020
Total non-current liabilities		**1,922,137**	**1,973,384**
Current liabilities			
Borrowings	6a	612,269	262,102
Creditors and other payables	14	113,087	119,747
Provisions and other liabilities	15	45,700	41,204
Contract liabilities	11e	4,897	5,615
Lease liabilities	6c,17b	7,444	1,083
Current tax liabilities		–	1,468
Total current liabilities		**783,397**	**431,219**
Total liabilities		**2,705,534**	**2,404,603**
Net assets		**1,842,373**	**1,847,882**
Equity			
Share capital	20	94,144	86,779
Reserves	21	657,342	588,821
Retained earnings		749,417	838,053
Parent entity interests		**1,500,903**	**1,513,653**
Non-controlling interests	3	341,470	334,229
Total equity		**1,842,373**	**1,847,882**

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 2020

	Note	Group 2020 $'000	Group 2019 $'000
Operating revenue	7a	1,030,791	1,076,053
Other income including revaluations of investment property	7b	15,099	16,761
Total revenue and gains		1,045,890	1,092,814
Operating expenses	8	708,948	712,384
Share of profits/(losses) of associates and joint ventures		–	1,010
Earnings before interest, tax, depreciation and amortisation		**336,942**	**381,440**
Depreciation	4,17c	141,876	128,239
Impairment and revaluation movements	4,13	193,285	12,203
Amortisation	13	6,272	4,631
		341,433	145,073
Earnings before interest and tax		**(4,491)**	**236,367**
Finance income		2,394	4,122
Finance costs		78,867	69,430
		76,473	65,308
Net (loss)/profit before tax		**(80,964)**	**171,059**
Income tax expense	9	(28,488)	38,888
(Loss)/profit from continuing operations (after tax)		(52,476)	132,171
(Loss)/profit from discontinued operations (after tax)	7c	(568)	(59)
Net (loss)/proft after tax		**(53,044)**	**132,112**
OTHER COMPREHENSIVE INCOME			
Items that will not be recycled to profit or loss:			
Revaluation of assets		133,596	27,924
Income tax effect		(27,016)	–
Revaluation of assets, net of income tax effect		106,580	27,924
Items that may be recycled to profit or loss in future:			
Cash flow hedges		(41,957)	(36,127)
Income tax effect		12,370	10,980
Cash flow hedges, net of income tax effect		(29,587)	(25,147)
Other comprehensive income for the year, net of tax		**76,993**	**2,777**
Total comprehensive income for the year, net of tax		**23,949**	**134,889**
(Loss)/profit for the year attributable to:			
Owners of the parent		(69,924)	113,092
Non-controlling interests	3	16,880	19,020
		(53,044)	**132,112**
Total comprehensive income attributable to:			
Owners of the parent		1,305	111,844
Non-controlling interests	3	22,644	23,045
		23,949	**134,889**

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 2020

	Note	Share capital 20 $'000	Asset revaluation reserve 21 $'000	Hedging reserve 21 $'000	Retained earnings $'000	Attributable to equity holders of parent $'000	Non-controlling interests 3 $'000	Total $'000
Balance as at 1 July 2018		**81,784**	**609,413**	**(19,063)**	**913,530**	**1,585,664**	**324,393**	**1,910,057**
Profit for the year		–	–	–	113,092	**113,092**	19,020	**132,112**
Other comprehensive income for year:								
Revaluation of assets		–	20,943	–	–	**20,943**	6,981	**27,924**
Revaluation of derivative financial instruments		–	–	(32,021)	–	**(32,021)**	(4,106)	**(36,127)**
Tax associated with revaluation movements		–	109	9,830	(109)	**9,830**	1,150	**10,980**
Other comprehensive income for year		–	21,052	(22,191)	(109)	(1,248)	4,025	2,777
Total comprehensive income		**–**	**21,052**	**(22,191)**	**112,983**	**111,844**	**23,045**	**134,889**
Transfer on disposal of revalued assets		–	(390)	–	390	**–**	–	–
Dividends paid or provided for	20	–	–	–	(188,300)	**(188,300)**	(16,892)	**(205,192)**
Adjustment for share acquisitions		4,995	–	–	–	**4,995**	–	**4,995**
Other		–	–	–	(550)	**(550)**	3,683	**3,133**
Balance as at 30 June 2019		**86,779**	**630,075**	**(41,254)**	**838,053**	**1,513,653**	**334,229**	**1,847,882**
(Loss)/profit for the year		–	–	–	(69,924)	**(69,924)**	16,808	**(53,044)**
Other comprehensive income for year:								
Revaluation of assets		–	124,665	–	–	**124,665**	8,931	**133,596**
Revaluation of derivative financial instruments		–	–	(37,741)	–	**(37,741)**	(4,216)	**(41,957)**
Tax associated with revaluation movements		–	(26,800)	11,190	(85)	**(15,695)**	1,049	**(14,646)**
Other comprehensive income for year		**–**	97,865	(26,551)	**(85)**	**71,229**	5,764	76,993
Total comprehensive income		–	97,865	(26,551)	(70,009)	**1,305**	22,644	**23,949**
Transfer on disposal of revalued assets		–	(2,793)	–	2,793	**–**	–	**–**
Dividends paid or provided for	20	–	–	–	(22,000)	**(22,000)**	(15,403)	**(37,403)**
Issue of shares	20	7,365	–	–	–	**7,365**	–	**7,365**
Other		–	–	–	580	**580**	–	**580**
Balance as at 30 June 2020		**94,144**	**725,147**	**(67,805)**	**749,417**	**1,500,903**	**341,470**	**1,842,373**

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 2020

	Note	Group 2020 $'000	Group 2019 $'000
Cash flows from operating activities			
Receipts from customers and other sources		1,038,448	1,071,746
Interest received		2,311	4,718
Payments to suppliers and employees		(706,146)	(710,716)
Interest and other finance costs paid		(72,182)	(69,523)
Income tax paid		(20,148)	(39,787)
Subvention payments		(4,602)	(6,486)
Net cash from operating activities of discontinued operations	7c	464	613
Net cash provided by/(used in) operating activities	23	238,145	250,565
Cash flows from investing activities			
Proceeds from investment in subsidiaries/associates		–	218
Payment for equity investment in associates		–	(3,252)
Payment for property, plant and equipment		(288,418)	(309,872)
Proceeds from sale of property, plant and equipment		1,790	1,805
Payment for intangible assets		(8,419)	(14,775)
Payment for investment properties		(66,683)	(49,221)
Payment for investment into bank deposits		(25,000)	(69,829)
Proceeds from bank deposits maturing		14,301	131,000
Other		(1,587)	3,573
Net cash (used in)/provided by investing activities		(374,016)	(310,353)
Cash flows from financing activities			
Proceeds from borrowing		453,692	815,206
Repayment of borrowings		(239,400)	(556,948)
Repayment of lease liabilities		(6,816)	(1,107)
Proceeds from issue of shares	20	7,365	4,995
Dividends paid	20	(22,000)	(188,300)
Dividends paid – non-controlling interests		(15,403)	(16,881)
Net cash provided by/(used in) financing activities		177,438	56,965
Net (decrease)/increase in cash and cash equivalents		41,567	(2,823)
Cash and cash equivalents at beginning of year		8,767	11,590
Cash and cash equivalents at end of year	**12**	**50,334**	**8,767**

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 2020

Reporting entity

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

CCHL is an issuer for the purposes of the Financial Markets Conduct Act 2013 as its issued debt securities are listed on the New Zealand Debt Exchange ("NZDX").

The financial statements include the consolidated position of CCHL, its subsidiaries ("the Group") and the Group's interest in associates and joint ventures.

The financial statements of CCHL are for the year ended 30 June 2020. The financial statements were authorised for issue by the CCHL Board of directors on 21 October 2020. The Board of Directors has the power to amend the financial statements after issue.

Basis of preparation

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP), comply with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS'), other New Zealand accounting standards and with International Financial Reporting Standards (IFRS). 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 financial statements have been prepared in accordance with the requirements of Part 7 of the Financial Markets Conduct Act 2013.

The accounting policies set out in these financial statements have been applied consistently to all periods presented in these financial statements except for the voluntary change in accounting policy to measure the harbour structures asset class under the fair value model as as disclosed in Note 4 on page 53, and the impact of the new standard as explained in Note 25 on page 99. The changes in these accounting policies are made in accordance with the standard's requirements, including paragraph 17 of NZ IAS 8, which requires a change from the cost model to the fair value model to be accounted for as a valuation under NZ IAS 16 rather than accounted for through a retrospective restatement.

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.

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%	31 March
Christchurch International Airport Ltd	Airport	75.0%	Minister of Finance	12.5%	30 June
			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 Ltd	Urban Development Agency	100%			30 June

Section 461(3) of the Financial Markets Conduct Act requires the reporting entity and all its subsidiaries to have the same balance date. As noted above, Orion New Zealand Ltd (Orion) and its subsidiary has a 31 March balance date. CCHL applied for and has received an exemption from this obligation from the Financial Markets Authority until 27 August 2023.

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 has a balance date of 31 March. When the balance dates between a subsidiary and group differ, NZ IFRS 10 require the subsidiary to prepare financial statements as at the group's balance date for consolidation, unless this is impracticable to do so. Orion is subject to distinct legislative and regulatory regimes governing electricity distribution businesses (EDBs). Under the electricity industry regime, EDB's must demonstrate compliance with price-quality path requirements, and make extensive audited financial information disclosures assessed against a 12 month period ending on 31 March each year. It would be unduly burdensome, highly inefficient and therefore impractical for Orion and its subsidiaries to duplicate accounting and audit practices and resource to run two different balance dates for its financial and regulatory reporting. Consequently Orion's twelve month results to 31 March are consolidated into the Group's financial statements to 30 June, as they are within three months of the Group balance date. Adjustments are made to the 31 March information for effects of significant transactions or events that occur between 31 March and 30 June each year.

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

COVID-19

On 11 March 2020, the World Health Organisation declared the outbreak of COVID-19 a pandemic and two weeks later the New Zealand Government declared a State of National Emergency. The New Zealand government responded to COVID-19 by imposing significant restrictions around travel including quarantining of international travellers arriving into New Zealand and introducing an alert level system with restrictions on business activity and societal interaction at different levels. From this, the country was in lockdown at Alert Level 4 for the period 26 March to 27 April and remained in lockdown at Alert Level 3 until 13 May inclusive.

The overall impact of COVID-19 on the CCHL Group has been reflective of the different sectors that each subsidiary operates in. The following list recognises the impact on each of the subsidiaries and their financial results:

Orion NZ Ltd (Orion):

Orion business activity during Level 4 was restricted to emergency works response, some essential preventative maintenance and high priority capital work. Most of their staff were working from home. During Level 2, most of their business activity resumed with the required health and safety protocols in place and the staff returned to their usual place of work. Level 1 predominantly saw a return to pre COVID-19 activity.

As the Level 4 lockdown occurred in the last week of March there was minimal impact on the Orion operational result for FY20. Electricity delivery service revenue for March was only slightly reduced and the network maintenance and other expenditure impacts were negligible. There was no impact on their SAIDI and SAIFI measures.

Christchurch International Airport Ltd (CIAL):

COVID-19 has had a significant impact on the aviation industry and on CIAL's business in the short term. Passenger numbers have fallen as a result of the travel restrictions, impacting both the aeronautical and non-aeronautical passenger-based business activities of the company. As a result, CIAL has taken a number of actions including:

- suspension of dividends;
- rationalised operations and related operating cost to reflect new environment;
- asking all their people to accept the same wage and salary freeze for 18 months and implemented an 18-month recruitment freeze with sinking lid on staff numbers;
- suspended or cancelled capital expenditure projects;
- obtained $105m of new available bank facilities for additional liquidity;
- subsequent to 30 June 2020:
  - obtained extensions on all bank facilities maturing before 31 December 2020;
  - obtained bank and bond supervisor financial covenant waivers from 31 December 2020 to 31 December 2021 inclusive;
- CIAL worked closely with the Ministry of Transport, and in partnership with government, to secure air freight capacity that enabled 75% of last year's volumes to be exported directly from Christchurch Airport;
- It should also be noted, the Novotel Christchurch Airport is now being used as a Managed Isolation and Quarantine facility providing a certainty of revenue stream until the end of the current contract in December 2020.

Lyttelton Port Company Ltd (LPC)

LPC was deemed an essential service, and as such continued the majority of operations during Alert Levels 3 & 4. This was closely managed and only essential staff were allowed to remain onsite with all other staff working from home during Alert Level 4. At 30 June 2020, however there was an impact on trade volumes, specifically in respect of fuel, logs, coal, motor vehicles and containers. LPC has estimated the impact for the current financial year was a reduction in revenue of $5 million and expenses were closely managed to a reduction of $4 million, relative to the full year budget. With the exception of the essential worker scheme, LPC did not qualify or apply for any Government Wage subsidy.

Enable Services Ltd (Enable)

Enable business activity during Level 4 was restricted to emergency works response, some essential preventative maintenance and high priority capital work. During Level 2, most of Enable business activity resumed with the required health and safety protocols in place and their staff returned to their usual place of work. Level 1 predominantly saw a return to pre COVID-19 activity.

There has been minimal impact on the Group's operational result for FY20. Gross telecommunication service revenue for the last quarter of 2020 was only slightly reduced and the network maintenance and other expenditure impacts were negligible.

City Care Ltd (Citycare)

The impact on Citycare's operations and financial performance and position was directly related to the New Zealand Alert Level 4 lockdown during March and April and into early May 2020, and Alert Level 3 during May 2020. The impact of COVID-19 resulted in a significant reduction in operations and therefore revenue and profit in April 2020, however the business recovered in line with the lowering of Alert Levels in May.

All three City Care Limited sectors provided essential services to a varying degree during Alert Level 3 and 4, however this work was well down on normal operations, particularly during the month of April.

- The Water sector provided essential services relating to New Zealand's three waters infrastructure to ensure the health and safety of the public.
- The Civil sector provided services related to road maintenance inspections and essential repairs, with the asphalt plant operating at a reduced capacity to support essential services being carried out.
- The Property sector provided services relating to the maintenance of public facilities that were deemed essential by their clients.

City Care was committed to retaining all employees, with staff entitlements partly offset by wage subsidy claimed from the Ministry of Social Development. The key focus for the Group was the health and safety and the immediate retention, of staff.

EcoCentral Ltd (EcoCentral)

During Alert Levels 4 and 3, a number of EcoCentral staff worked remotely, while other staff continued to attend their refuse stations and recycling plant operation. EcoCentral services were limited to essential services, particularly the managing of household and essential commercial refuse. After 13 May 2020, they resumed all normal operations.

Impacts on the business were the closure of the retail store for the duration of Alert Levels 4 and 3, and the closure of the recycling plant from 3 April 2020, until 4 May 2020. EcoCentral also closed one of its three refuse stations during Alert Level 4. The effect on the revenue and expenses in FY20 was the most significant during the month of April 2020, where the company's revenue was down by more than 30% from the previous year.

Red Bus Ltd (Red Bus)

Public transport was materially scaled back during the COVID-19 Lockdown and was offered free while New Zealand was at Alert level 3 and 4, so as to maintain physical distances for passengers and workers and to remove the need to handle cash. At Alert Level 2, Christchurch public transport reverted back to regular timelines and the Bus Interchange was reopened. Red Bus recommenced collecting fares on public transport. At Alert level 1 public transport returned to normal service.

NZTA implemented a financial support package for Urban and ECan schools contracts which saw Red Bus paid normal revenue less the avoidable costs (eg fuel and road user charges) of services not actually provided. Consequently both revenues and costs were lower than normal periods. The net effect on earnings was not material.

The main impact of COVID-19 was on the Red Travel services which ceased and further contributed to the decision for this part of the business to be considered a discontinued operation as at 31 March 2020 (refer to note 7c for more detail on discontinued operations).

Development Christchurch Ltd (DCL)

The impact of COVID-19 was the closure of the Christchurch Adventure Park during Level 4 and 3 impacting revenue during this period.

CCHL Group Impact

All identified impacts of COVID-19 have been reflected in the financial statements, and in the relevant note disclosures. The primary area that COVID-19 has impacted on the Group is in the estimates and assumptions in respect of the fair value measurement of property, plant and equipment and investment properties. Refer to Note 4 and 5 for further detail on the assumptions used in the valuation and the sensitivity of fair value to changes in these assumptions.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustment in the year ending 30 June 2020 are included in:

Note 4: property, plant and equipment

Note 5: investment property

Note 9: deferred tax

Note 11: leases

Other key judgements and impacts

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. Note 16 details the areas of judgement, estimates and assumptions relating to the preparation of the Group financial report, however the following list relates to significant changes to this year's results.

Revaluation of LPC assets

Due to the specialised nature of the entity, all the Port assets are deemed as being inextricably linked and are therefore treated as a single cash generating unit (CGU) for valuation and impairment purposes. This means that all of its assets work together to generate cash flows. As at 30 June 2020, LPC has changed its accounting policy from carrying property, plant and equipment at historical cost less depreciation and impairment to carrying property, plant and equipment at fair value as one CGU.

As LPC is not currently achieving a full recovery, the Equity value (EV) is less than the optimised depreciated replacement cost (ODRC) and the ODRC, in effect, overstates the value of LPC's assets at this time.

The EV is based upon cash flows and approximates the price that a willing buyer or seller would pay for the company's combined assets. LPC believes that valuing the assets based on future cash flows (the income approach) is the most appropriate technique to use to assess fair value. The overall strategy change from the prior year is an expectation of lower forecast TEU growth, a focus on margins and reducing short term capital spend.

The impact of this change in accounting policy at LPC on the CCHL Group is a reduction in the value of the Port assets that form part of the CGU. As this net reduction is reducing the original cost of the assets, it impacts the statement of comprehensive income as a negative revaluation movement.

Refer to Note 4 for more detail on the assumptions and estimations relating to this change in policy and valuation.

Impact of loss of Red Bus Urban contracts

In late 2019, Environment Canterbury retendered urban transport contracts for Canterbury. As an outcome Red Bus lost approximately one third of its existing urban transport contracts. Whilst the loss of the contracts has not impacted the CCHL Group financial result for FY20 other than recognising a provision for redundancy costs included in employee entitlements, it has resulted in the consideration by CCHL of exiting the Red Bus operations.

2 Segment reporting

The reportable segments of the CCHL Group have been identified in accordance with NZ IFRS 8, *Operating Segments*. The Group's operating segments are identified on the basis of the nine significantly different businesses whose individual operating results are received on a quarterly basis by the Group chief operating decision maker (CCHL Board) to assess and monitor performance.

The nine reportable segments are as follows:

i) **Orion New Zealand Ltd (Orion)** – owns and operates the electricity distribution network in Christchurch and central Canterbury.

ii) **Christchurch International Airport Ltd (CIAL)** – operates predominantly in the business of providing airport facilities and services to airline and airport users at Christchurch International Airport.

iii) **Lyttelton Port Company Ltd (LPC)** – primarily involved in providing and managing port services and cargo handling facilities over three sites in the Canterbury region.

iv) **Enable Services Ltd (ESL)** – owns and operates the ultra-fast broadband fibre network across greater Christchurch and parts of Waimakariri and Selwyn Districts.

v) **City Care Ltd (Citycare)** – provides construction, maintenance and management services in the infrastructure sector throughout New Zealand.

vi) **Red Bus Ltd (Red Bus)** – provides transport services in the urban bus sector primarily in the Canterbury region.

vii) **EcoCentral Ltd (EcoCentral)** – manages the processing of refuse and sorting of recycling throughout Canterbury.

viii) **Development Christchurch Ltd (DCL)** – provides commercial and strategic support to Christchurch City Council to enable investment, development and regeneration activities for Christchurch City.

ix) **Christchurch City Holdings Ltd (Parent)** – does not trade in its own right, its primary assets are its investments in and advances to its operating subsidiaries.

Major customers: Revenue from Christchurch City Council amounted to $113m (2019: $106m) mainly from sales by Citycare, Orion, EcoCentral and DCL (refer to note 22). All group assets are domiciled and operated in New Zealand.
The Group's revenue from external customers by geographical location are not allocated to operating segments as they are not reported at group level.

Segment reporting explanation:

1. Revenue from external customers reflects the revenue of each separate segment excluding revenue earned from other group entities.
2. Segment profit/(loss) represents the actual profit/(loss) of each segment.
3. The Parent total non-current assets and total assets includes the investment held in subsidiaries which have been measured at fair value as at 30 June 2020 per independent valuations completed by Deloitte. These investments and advances to subsidiaries have been eliminated on consolidation and do not form part of the primary statements. They are recognised in the 'other' column. Refer to Note 16a in regard to the critical judgements, estimates and assumptions relating to these valuations.
4. Capital expenditure and investments in the Parent total relates to equity investments made in subsidiaries during the period, which is then eliminated for the group total.
5. Intra-group transactions between segments have been eliminated on consolidation and recognised in the 'other' column.

2a For the year ended 30 June 2020

	Parent $'000	Orion $'000	CIAL $'000	LPC $'000	ESL $'000	Citycare $'000	Red Bus $'000	Eco Central $'000	DCL $'000	Other $'000	Total $'000
Segment revenue	59,087	307,471	165,721	128,258	76,985	294,305	18,912	34,638	18,147	(72,733)	1,030,791
Inter–segment revenue	(59,087)	(1,901)	(910)	–	–	(9,941)	–	(367)	(527)	72,733	–
Revenue from external customers	**–**	**305,570**	**164,811**	**128,258**	**76,985**	**284,364**	**18,912**	**34,271**	**17,620**	**–**	**1,030,791**
Share of earnings of associate companies	–	–	–	–	–	–	–	–	–	–	–
Interest income	14,225	32	86	1,437	81	102	28	31	47	(13,675)	2,394
Interest expense	(39,400)	(12,253)	(23,565)	(2,869)	(13,499)	(666)	–	(335)	(81)	13,801	(78,867)
Depreciation and amortisation and impairment	(109)	(51,288)	(42,059)	(206,737)	(24,186)	(12,033)	(737)	(4,166)	(510)	392	(341,433)
Net realisations and revaluations	–	(856)	13,482	(606)	6	290	28	51	–	–	12,395
Taxation expense	–	(11,908)	3,138	31,153	(3,661)	(2,375)	(222)	207	(376)	12,532	28,488
Segment profit/(loss)	**31,972**	**48,315**	**47,825**	**(152,781)**	**11,320**	**5,616**	**(30)**	**(74)**	**1,126**	**(46,333)**	**(53,044)**
Total non–current assets (excluding derivatives and deferred tax)	3,323,685	1,216,500	1,842,386	492,215	642,067	57,942	27,775	14,995	24,651	(3,301,746)	4,340,470
Total assets	3,329,826	1,250,329	1,885,606	557,263	666,790	131,538	36,294	21,292	28,881	(3,359,912)	4,547,907
Total liabilities	1,140,450	578,840	805,988	201,201	355,467	72,431	4,035	12,003	1,405	(466,286)	2,705,534
Additions to non–current assets	12,956	70,555	132,551	105,712	33,160	5,632	45	1,339	7,678	(12,956)	356,672

The results of Orion, CIAL, LPC, ESL and CCL are deemed significant to the Group as they provide 94% of the total revenue and 99% of total assets.

2b For the year ended 30 June 2019

	Parent $'000	Orion $'000	CIAL $'000	LPC $'000	ESL $'000	Citycare $'000	Red Bus $'000	Eco Central $'000	DCL $'000	Other $'000	Total $'000
Segment revenue	85,547	325,200	187,347	166,708	58,768	298,883	18,613	35,306	6,589	(106,908)	1,076,053
Inter-segment revenue	(85,547)	(1,401)	(136)	(3)	(16)	(19,314)	–	(491)	–	106,908	–
Revenue from external customers	**–**	**323,799**	**187,211**	**166,705**	**58,752**	**279,569**	**18,613**	**34,815**	**6,589**	**–**	**1,076,053**
Share of earnings of associate companies	–	–	–	–	–	(139)	–	–	1,149	–	1,010
Interest income	16,580	109	102	859	68	166	14	61	50	(13,887)	4,122
Interest expense	(33,021)	(11,627)	(23,031)	(1,076)	(13,951)	(567)	–	(29)	(15)	13,887	(69,430)
Depreciation and amortisation and impairment	(24)	(51,714)	(35,520)	(16,046)	(20,471)	(9,006)	(8,377)	(1,958)	(1,957)	–	(145,073)
Net realisations and revaluations	2,703	421	13,159	249	–	179	35	15	–	–	16,761
Taxation expense	–	(18,249)	(22,529)	(4,945)	7,025	327	1,895	(440)	655	(2,627)	(38,888)
Segment profit/(loss)	**68,540**	**47,863**	**57,472**	**42,170**	**10,830**	**(724)**	**(5,311)**	**1,130**	**(1,684)**	**(88,174)**	**132,112**
Total non-current assets (excluding derivatives and deferred tax)	3,097,371	1,181,218	1,708,416	543,716	539,650	47,003	32,536	8,296	19,511	(3,072,713)	4,105,004
Total assets	3,106,066	1,212,577	1,741,207	585,528	556,230	106,278	37,568	14,286	21,740	(3,128,995)	4,252,485
Total liabilities	1,049,161	546,673	689,189	68,624	328,242	51,899	4,809	4,924	3,487	(342,405)	2,404,603
Additions to non-current assets	9,517	72,433	93,161	150,500	48,420	4,592	1,959	744	4,401	(9,201)	376,526

Accounting policy – segment reporting

CCHL applies NZ IFRS 8 to its consolidated financial statements as it has fixed rate bonds traded in a public market. NZ IFRS 8's core principle is for an entity to disclose information to enable users to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates.

3 Non-controlling interests in subsidiary reporting

Set out below is summarised financial information for each subsidiary that has non-controlling interests. At 30 June 2020, Orion New Zealand Ltd ('Orion') and Christchurch International Airport Ltd ('CIAL') were the only subsidiaries not 100%-owned by CCHL.

	30 Jun 20				30 Jun 19			
	Orion $'000	CIAL $'000	Consul adjs $'000	Total $'000	Orion $'000	CIAL $'000	Consul adjs $'000	Total $'000
Non-controlling interest (NCI)	**10.725%**	**25.0%**			**10.725%**	**25.0%**		
Revenue	307,663	179,203			325,621	200,506		
Net profit after tax	48,315	47,825			47,863	57,472		
Other comprehensive income (OCI)	4,270	21,224			–	16,099		
Total comprehensive income	52,585	69,049			47,863	73,571		
Profit allocated to NCI	**5,182**	**11,956**	**(258)**	**16,880**	**5,133**	**14,368**	**(481)**	**19,020**
OCI allocated to NCI	**458**	**5,306**	**(0)**	**5,764**	**–**	**4,025**	**(0)**	**4,025**
Current assets	26,706	18,975			27,346	15,827		
Non-current assets	1,223,623	1,866,631			1,185,231	1,725,380		
Current liabilities	149,663	155,286			49,187	152,727		
Non-current liabilities	429,177	650,702			497,486	536,462		
Net assets	671,489	1,079,618			665,904	1,052,018		
Carrying amount of NCI	**72,017**	**269,905**	**(452)**	**341,470**	**71,418**	**263,005**	**(194)**	**334,229**
Operating cash flows	93,129	72,747			97,056	80,616		
Investing cash flows	(67,713)	(142,978)			(71,715)	(93,096)		
Financing cash flows*	(25,692)	73,551			(25,207)	11,169		
	(276)	3,320			134	(1,311)		
* Includes dividends paid to NCI	(5,041)	(10,362)			(5,684)	(11,208)		

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.

Key assets and liabilities

4 Property, plant and equipment

	Land $'000	Buildings $'000	Plant and equipment $'000	Electricity distribution system $'000	Airport infrastructure assets $'000	Harbour structures $'000	Optical fibre network $'000	Work in progress $'000	Total $'000
Gross carrying amount									
Cost/valuation at 1 July 2018	593,587	429,844	408,929	1,041,603	353,865	322,348	476,854	141,749	3,768,779
Additions	21,055	4,719	50,143	64,395	–	83,403	60,033	51,741	335,489
Disposals	–	(2,132)	(15,970)	(3,420)	(4)	(2,546)	(7)	–	(24,079)
Net movements in work in progress	–	–	179	–	–	–	–	6,536	6,715
Re-classified as held for sale	–	–	1,843	–	–	–	–	–	1,843
Net revaluation increments/ (decrements)	–	–	–	–	26,637	–	–	–	26,637
Transfers	(9,740)	1,935	17,372	–	11,793	(4,561)	–	(563)	16,236
Cost/valuation at 30/06/2019	604,902	434,366	462,496	1,102,578	392,291	398,644	536,880	199,463	4,131,620
Additions	66,579	120,124	30,377	73,932	33,543	54,007	37,050	43,233	458,845
Disposals	–	(39)	(25,386)	(2,669)	–	(2,379)	–	–	(30,473)
Net movements in work in progress	–	–	–	–	–	–	–	(165,697)	(165,697)
Re-classified as held for sale	–	–	(4,437)	–	–	–	–	–	(4,437)
Net revaluation increments/ (decrements)	6,269	(960)	–	(127,210)	29,305	–	53,139	–	(39,457)
Transfers	89,993	148	6,732	(13,191)	(21,353)	(70,049)	(1,920)	(90)	(9,730)
Cost/valuation at 30/06/2020	767,743	553,639	469,782	1,033,440	433,786	380,223	625,149	76,909	4,340,671
Accumulated depreciation and impairment									
Accumulated balance at 1 July 2018	(11,179)	(21,559)	(266,032)	(48,565)	–	(135,472)	(846)	–	(483,653)
Disposals	–	1,942	15,075	2,100	–	2,650	6	–	21,773
Revaluation adjustments	–	–	–	–	1,287	–	–	–	1,287
Re-classified as held for sale	–	–	(1,689)	–	–	–	–	–	(1,689)
Impairment losses	–	–	(4,370)	(5,500)	–	–	–	–	(9,870)
Depreciation expense	–	(24,284)	(29,721)	(39,833)	(11,226)	(4,918)	(18,910)	–	(128,892)
Transfers and other	(464)	726	612	–	–	683	–	–	1,557
Accumulated balance at 30/06/2019	(11,643)	(43,175)	(286,125)	(91,798)	(9,939)	(137,057)	(19,750)	–	(599,487)
Disposals	–	35	24,190	1,621	–	1,716	–	–	27,562
Revaluation adjustments	18	3,212	–	129,364	1,342	–	39,117	–	173,053
Re-classified as held for sale	–	–	1,081	–	–	–	–	–	1,081
Revaluation adjustments charged to Income Statement	(70,033)	(10,771)	–	–	–	(74,342)	–	–	(155,146)
Impairment losses	(15)	(563)	(35,234)	(1,864)	–	–	–	–	(37,676)
Reversal of impairment losses charged to Income Statement	–	–	1,713	–	–	–	–	–	1,713
Depreciation expense	(720)	(27,125)	(29,225)	(39,879)	(11,800)	(4,902)	(20,619)	–	(134,270)
Transfers and other	(3,056)	1,749	(5,150)	2,555	34	1,454	1,104	–	(1,310)
Accumulated balance at 30/06/2020	(85,449)	(76,638)	(328,750)	(1)	(20,363)	(213,131)	(148)	–	(724,480)
Carrying amount at 30/06/2019	**593,259**	**391,191**	**176,371**	**1,010,780**	**382,352**	**261,587**	**517,130**	**199,463**	**3,532,133**
Carrying amount at 30/06/2020	**682,294**	**477,001**	**141,032**	**1,033,439**	**413,423**	**167,092**	**625,001**	**76,909**	**3,616,191**

Notes to the financial statements

For the year ended 30 June 2020

	% of Group	2020 $'000	2019 $'000
Carrying amount significantly attributable to:			
Orion New Zealand Ltd	33%	1,198,233	1,177,293
Christchurch International Airport Ltd	35%	1,263,491	1,208,026
Lyttelton Port Ltd	12%	441,971	524,751
Enable Services Ltd	17%	631,023	529,734
Other subsidiaries	3%	81,473	92,329
Total		3,616,191	3,532,133
% of Group Total		100%	100%
For assets that are revalued			
If these revalued assets had been measured using the cost model, the net carrying amount would be:			
Freehold land		456,694	185,048
Buildings		341,914	207,508
Plant and equipment		141,989	18,617
Electricity distribution system		1,002,918	982,914
Airport infrastructure assets		191,870	168,530
Harbour structures		241,435	–
Optical fibre network		498,382	481,873
Total		**2,875,202**	**2,044,490**

The following categories of property, plant and equipment are subject to operating leases:

- land associated with aeronautical activities, retail facilities within the terminal and other commercial activities carried at $91m (2019: $84m)
- terminal facilities, being 33.8% of total floor area or $100m (2019: 33.8% of total floor area or $102m)
- buildings associated with aeronautical activities $18m (2019: $18m)
- land associated with Port activities $8.2m (2019: $11.7m)
- buildings associated with Port activities $0.1m (2019: $0.1m)

Orion New Zealand Ltd

Electricity distribution network

The electricity distribution network, including substation buildings and easements, ('the network') was revalued to fair value of $1,044.6m as at 31 March 2020, based on a valuation range provided by independent valuer Deloitte Limited (Deloitte), in accordance with NZ IAS 16, *Property, Plant and Equipment*, NZ IAS 36, *Impairment of Assets*, and NZ IFRS 13, *Fair Value Measurement*. Deloitte has significant experience in undertaking valuations of unlisted entities and assets for unit pricing, accounting and commercial purposes.

Including capital work in progress, Deloitte's valuation resulted in a total network valuation of $1,080.1m.

In the absence of an active market for the network, Deloitte calculated fair value using significant unobservable inputs (level 3, as defined in NZ IFRS 13). Deloitte used a discounted cash flow (DCF) methodology. Deloitte 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.

Deloitte's key valuation assumptions were that:

- for the ten years ending 31 March 2030 estimated network revenues follow the Commerce Commission's building blocks approach, but exclude growth assumptions related to expansionary growth
- for the five years ending 31 March 2025 network revenues will be below the company's default price-quality path (DPP) limit as a result of excluding expansionary revenue and expenditure
- for the five years ending 31 March 2030 network revenues will be reset to achieve returns based on the new expected regulatory parameters (reset regulatory WACC on regulatory investment value)
- the estimated DCF mid-point discount rate is 5.0% (nominal, post-tax). The discount rate is a matter of professional judgement. Deloitte has used the ten year NZ government bond rate as at the valuation date as the basis of risk free rate. This has been used in conjunction with a view of an appropriate post tax market risk premium. Deloitte has used the same level of asset beta and similar level of leverage to that set by the Commerce Commission for the five year regulatory period starting 1 April 2020.

Deloitte performed sensitivity analysis as follows:

- a capital expenditure increase/(decrease) of 5% would decrease/(increase) fair value by $7m/($7m)
- an operating expenditure increase/(decrease) of 5% would decrease/(increase) fair value by $20m/($20m)
- a discount rate increase/(decrease) of 0.5% would decrease/(increase) fair value by $49m/($47m)
- an increase/(decrease) in distribution revenue of 0.5% would increase/(decrease) fair value by $5m/($5m).

Deloitte considered the impact of COVID-19 within its valuation, and:

- made no specific adjustments to cash flows as delivery revenues are regulated and electricity is an essential service, and therefore any impact is expected to be relatively short-term with respect to long-life assets
- allowed a specific equity risk premium of 0.5% in its WACC calculation to allow for increased uncertainty in market conditions at the date of the valuation, which equates to 0.3% of total WACC. If this premium was changed/removed Deloitte would expect to consider a range of other assumptions. However, if a single point change was made to remove this, the valuation would have been $29m higher.

In the year ended 31 March 2020, Orion 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:

- $1.2m (2019: $4.9m) of capital contribution revenue during the year
- $1.9m (2019: $5.5m) 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 2020, by Marius Ogg, in accordance with NZ IAS 16, *Property, Plant and Equipment*, NZ IAS 36, *Impairment of Assets*, and NZ IFRS 13, *Fair Value Measurement*. Mr Ogg is a registered valuer and a senior director of Colliers International Limited. Mr Ogg used significant observable inputs (level 2, as defined in NZ IFRS 13).

Mr Ogg's valuations resulted in a total land and non-substation buildings valuation of $108m. Mr Ogg:

- selected a representative sample of Orion'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 2,500 substation sites
- valued Orion's head office land and building using a market rental assessment and a capitalisation rate of 7.0% and compared his result with recent market transactions (level 2)
- valued Orion's Waterloo Road property using a market rental assessment and a capitalisation rate of 5.75% and compared his result with recent market transactions (level 2).

Mr Ogg considered the impact of COVID-19 within his valuation, and:

- applied various discounts to assessed market values to reflect the movements in those markets due to COVID-19
- allowed a margin in his derived capitalisation rates for the various properties of between 0.25% and 0.50% to reflect the current market uncertainty
- issued his valuation report as being subject to "material valuation uncertainty". The overall reduction in value due to COVID-19 adjustments is of the order of 3-4%.

Christchurch International Airport Ltd

CIAL'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*.

At each reporting date CIAL assesses whether the carrying value of each asset class differs materially from the fair value and consequently determine if a revaluation is required. This assessment is completed by independent valuers. Management reviews the key inputs, assesses valuation movements and holds discussions with the values as part of the process.

Buildings, Terminal, Sealed Surfaces and Infrastructure assessment (excluding Hotel)

For the year ended 30 June 2020, WSP New Zealand Limited completed a desktop, high level review of the current carrying value of the airports building and infrastructure assets. This review was completed by adjusting the previous valuation at 30 June 2018 to reflect changes in the costs of construction and depreciation to 30 June 2020. Adjustments were also made to account for capital expenditure and disposals in the period since the full revaluation, as well as changes to valuation parameters / assumptions around asset lives, construction cost rates and residual values. Additionally, impairment due to COVID-19 and the optimisation of certain assets was also factored into this assessment.

The assessment concluded that there was not a material difference between the carrying value and the fair value of these asset classes.

Hotel – Novotel Christchurch Airport

The hotel building was transferred from work in progress to property, plant and equipment and initially recognised at cost when it opened in the current financial year. Hence as at 30 June 2020 it is carried at cost less accumulated depreciation and impairment losses, which approximates fair value.

Land

Crighton Anderson Property and Infrastructure Ltd trading as Colliers International Ltd completed an assessment of the carrying value of land within the Property, Plant and Equipment classification. This review considered comparable industrial and rural land sales within the Christchurch area.

The assessment concluded that there had not been a material change in land values and therefore a revaluation was not required.

Car parking assets

On 30 June 2020, car parking assets were revalued by independent valuers Crighton Anderson Property and Infrastructure Ltd, trading as Colliers International Ltd.

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 knowledgably, 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 ODRC.

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 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. Where appropriate, 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 2020 and 30 June 2019 car parking assets were revalued by independent valuers Crighton Anderson Property and Infrastructure Ltd trading as Colliers International Ltd.

The result of the revaluations at 30 June 2020 were:

	2020 $'000	2019 $'000
Car parking	32,259	27,924
	32,259	27,924

The valuation methodologies used in the revaluation as at 30 June 2020 were consistent with those used in the last valuation.

Fair value hierarchy

Asset classification and description	Valuation approach	Key valuation assumptions	Fair value hierarchy Level	Valuation sensitivity
Land Includes land used for airport activities and specialised aeronautical assets and for non-aeronautical purposes e.g. industrial, service, retail and land associated with the vehicle business.	Market value highest and best use approach, with an allowance being deducted to allow for services valued as infrastructure assets. Land included in car parking and Investment property categories are not included in this category.	Adopted rate per hectare of $600,000.	3	+/- $19 million (of a 5% change in adopted rate).
Infrastructure and Sealed Surfaces Infrastructure and sealed surfaces including site services.	Optimised depreciated replacement cost - the cost of constructing equivalent asset at current market based input cost rates, adjusted for the remaining useful life of the assets (depreciation) and the sub-optimal usage of the assets in their current application (optimisation). These inputs are deemed unobservable.	**Sealed Surfaces** Unit costs of combined concrete and asphalt pavement construction sqm: Range of $133-$271 with weighted average of $155. **Infrastructure** Unit costs of road and footpaths construction sqm: Range of $7-$88 with weighted average of $39. Unit costs of water and drainage construction m: Range of $195-$1,196 with weighted average of $516.	3	+/- $11.5 million (of a 5% change of cost estimate).
Buildings Buildings for identified airport activities, including office space and storage that exist because of the airport activities.	Specialised buildings are valued by Optimised depreciated replacement cost derived from modern equivalent asset rate, as described for Infrastructure and Sealed Surfaces above. Buildings that are owned by CIAL that could be leased by a third party are valued on an income valuation approach similar to that used for Investment Properties.	Unit costs of construction sqm: Range of $483-$3,037 with weighted average of $912	3	+/- $1.35 million (of a 5% change of cost estimate).
Terminal	Optimised depreciated replacement cost derived from modern equivalent asset rate, as described for Infrastructure and Sealed Surfaces above.	Unit costs of construction sqm: Range of $2,906-$5,412 with weighted average of $4,111	3	+/- $15.96 million (of a 5% change of cost estimate).
Carparking Assets associated with car parking, taxi, shuttle and bus services (Including land).	Discounted cash flow valuation performed by independent valuers based on: Internal management information such as forecast future revenues, costs and capital expenditure. Assumptions such as the discount rate. These are based on management's judgement and arrived at in consultation with external experts. Both the internal management information and the discount rate are deemed to be unobservable inputs.	Revenue Growth per annum 0.5% and 0.5% for the 10 year cashflow period from year 11. Cost growth per annum 2% for the 10 year cashflow period and 2% from year 11. Discount rate 7.5% post tax, 10 year cash flow period and 7.5% from year 11.	3	+/- $9.0 million (of a 5% change in discount rate) +/- $0.5million (of a change in growth rate to 0% or 1.0% for year 11 onwards).

Impairment

As noted above for the year ended 30 June 2020, WSP New Zealand Limited completed an assessment of the current carrying value of the airports building and infrastructure assets. Additionally, impairment due to COVID-19 and the optimisation of certain assets was also factored into this assessment. The assessment concluded that there was not a material difference between the carrying value and the fair value of these asset classes and no indicators of impairment at this time.

Crighton Anderson Property and Infrastructure Ltd trading as Colliers International Ltd completed an assessment of the carrying value of land within the Property, Plant and Equipment classification. This review considered comparable industrial and rural land sales within the Christchurch area. The assessment concluded that there had not been a material change in land values and there was no indicators of impairment at this point in time.

CIAL has also considered whether there is any further indication of impairment at the cash-generating unit level for any group of assets not already subject to annual revaluation in 2020. CIAL assessed that it has one core cash generating unit which comprises all of its terminal and airfield assets together with the hotel, car parking assets and investment property portfolio (noting that car park assets and investment property have been revalued).

Hotel – Novotel Christchurch Airport

An impairment assessment was completed on the carrying value of the Hotel, including land at 30 June 2020, using a discounted cashflow approach.

This assessment includes:

- the most recent budgets provided by the hotel manager for the next three years
- a terminal growth rate of 1.85%, which reflects the historical long-term growth rate of Christchurch based hotels of a comparable quality
- a pre-tax discount rate of 8% which reflects their assessment of the underlying risk associated with the Hotel asset.

The discounted cashflow valuation utilising the above variables highlighted no indication of impairment of the current carrying value of the Hotel, including land.

Sensitivity of the impairment assessment to changes in growth rate or discount rate

- A change of -0.25% applied to the growth rate would result in an impairment amount of $1,933k.
- A change of +0.25% applied to the pre-tax discount rate would result in an impairment amount of $2,606k.

Terminal & Airfield CGU

The company has also performed an impairment assessment of its core terminal and airfield CGU using its overall enterprise wide commercial valuation as a base. This applied a discounted cashflow approach and included the following inputs:

- the most recent revenue and expenses budgets for CIAL taken from the FY21 Business Plan
- a terminal growth rate of 2%, which reflects a prudent estimate of the historical long- term growth rate of CIAL's revenue and operating costs over the last 20 years
- a discount rate of 6.62% which reflects an appropriately blended assessment of a regulatory WACC for priced assets and related revenue streams and the risk related to the other non-regulated revenue streams from these assets.

The discounted cashflow valuation utilising the above variables highlighted no indication of impairment at this cash generating unit level. With no change in any other variables a WACC in excess of 7.12% would result in an impairment being recognised.

Impact of COVID-19

The assessments of CIAL's specialist assets including terminals, sealed surfaces, infrastructure and land were performed including the impacts of COVID-19 and its related impacts on various inputs.

In respect to underlying cash flows used in the car park and other impairment models, the major inputs and assumptions were based on forecasts of passenger number recoveries with a focus on the most important areas of domestic and then trans-Tasman. These forecasts are based on detailed views of current schedules and likely recovery of additional capacity over the next 3-year period.

It should be noted that some of the reasonable assumptions made at 30 June used in these forecasts are unlikely to eventuate as originally assumed, particularly in respect to the likely opening of the trans-Tasman and then wider international borders.

Independent valuers have carried out any valuations by applying assumptions regarding the reasonably possible impacts of COVID-19 based on information available as at 30 June 2020. Given the circumstances, the carpark valuation and land impairment assessment as at 30 June 2020 have been prepared on the basis of 'significant valuation uncertainty' or 'material valuation uncertainty', and therefore the independent valuers have advised that less certainty should be attached to their valuations than would normally be the case.

Lyttelton Port Company Ltd

Net carrying value at 30 June 2020 was $442m (2019: $525m). During the year, CCHL has changed its accounting policy from carrying harbour structures fixed assets at historical cost less depreciation and impairment to carrying the harbour structures asset class at fair value. This is due to LPC having changed its accounting policy from carrying fixed assets at historical cost less depreciation and impairment to carrying fixed assets at fair value. LPC have determined fair value by reference to NZ IFRS 13. Due to the specialised nature of the entity all the Port assets are deemed as being inextricably linked and therefore the LPC Board has taken the decision to assess the fair value of all of LPC's fixed assets as a single cash generating unit (CGU). This means that all of its assets work together to generate cashflows.

The key premise of this assumption is that the shipping channel enables the port to exist. The inland ports are a natural extension of the port at Lyttelton as without them, the port would not be able to operate as efficiently and would need more land at Lyttelton.

The marina is included in the CGU as it requires the protection of some of the port's seawalls and breakwaters to exist. Fair value of the CGU has been determined by reference to NZ IFRS 13.

LPC believes that valuing the assets based on future cash flows (the income approach) is the most appropriate technique to use to assess fair value. In assessing the present value, the cash flows have been aggregated across all assets as they are, in effect, interdependent and cannot be meaningfully be separated into individual units. Therefore, a single enterprise valuation (EV) has been estimated.

As LPC is not currently achieving a full recovery, the EV is less than the ODRC and the ODRC, in effect, overstates the value of LPC's assets at this time. Therefore, they believe EV is a more accurate estimate of the value of the LPC's assets than ODRC.

The EV is based upon cash flows and approximates the price that a willing buyer or seller would pay for the company's combined assets. LPC's property, plant and equipment are all categorised as Level 3 in the fair value hierarchy. LPC engaged an independent valuer to assess the fair value of the company's property, plant and equipment on a cost-approach using ODRC as the valuation technique. LPC also prepared an internal enterprise valuation using a discounted cash flow technique. The LPC Board assessed that an income-approach under IFRS 13 to fair value property, plant and equipment was a better assessment of fair value than using the cost-based approach. Therefore, the Board has adopted the internal valuation to fair value the assets.

The assets in the CGU have been split across the asset classes as follows:

	Land $'000	Buildings $'000	Plant and equipment $'000	Harbour structures $'000	CGU total $'000
2020	158,018	29,673	87,188	167,092	441,971
2019	120,313	28,130	114,721	261,587	524,751

Whilst LPC plant and equipment have been fair valued as part of the CGU, it is deemed that the fair value of plant and equipment is an appropriate proxy for cost less impairment in line with CCHL Group policy.

Key Valuation Assumptions

LPC have adopted a set of assumptions for the EV model that reflect a change in strategy from prior years and include the expected impact of COVID-19.

There is significant uncertainty in those future forecasts which is why the Board of LPC have been conservative in their adoption of assumptions.

The overall strategy change from the prior year is an expectation of lower forecast TEU (20 foot equivalent container) growth, a focus on margins and reducing short term capital spend. The forecast does include the replacement of three of the Cashin Quay wharves over the 15 year period at an estimated future cost of $312m.

A 15 year EV has been used instead of a 5 year EV due to the industry life-cycle. The 15 year EV has been used as it incorporates a large capex replacement programme and utilisation of LPC's current land footprint and is more appropriate for a long-term strategic infrastructure asset.

COVID-19 has significantly impacted the Cruise, Fuel, Coal and Car business which they have forecast to recover slowly but from a lower base.

The key drivers of the valuation are growth in container volume and rate, capital spend and the WACC rate used. The adopted assumptions in these areas are shown in the table below.

LPC has an established control framework with respect to the measurement of fair values. This includes a valuation team made up of engineers, finance and operational professionals for overseeing all significant inputs into the underlying EV model.

When measuring the fair value of plant, property and equipment held by the Group, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities
- **Level 2:** inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- **Level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Property, Plant and Equipment	Discounted cash flows: The valuation model considers the present value of the net cash flows expected to be generated by the Group. The cash flow projections include specific estimates for 15 years. The expected net cash flows are discounted using a risk-adjusted discount rate.		**The estimated fair value would increase (decrease) if:**
		EBITDA Margin (Average over 15 year period 35%). The Group has assumed container pricing increases of up to 12% which will have a material impact on the valuation.	The estimated EBITDA margin was higher (lower).
		Risk-adjusted Discount Rate 6.42%.	The Risk-adjusted Discount Rates were lower (higher).
		Container TEU Growth Rate 2.5%-3%.	The estimated Growth Rate of TEU were higher (lower).
		Estimated Capital expenditure: LPC has used previous capital expenditure to estimate the cost of future capital expenditure.	The estimated Capital Replacement Costs were lower (higher).
		Terminal Growth Rate 2%.	The estimated Terminal Growth Rates were higher (lower).

Key Sensitivities – Impact of EV	Fair Value Impact ($'000)	Impact on Equity Value
EBITDA Margin +1% EBITDA Margin -1%	29,000 (29,000)	Increase in Equity Value Decrease in Equity Value
WACC +0.5% WACC -0.5	(78,000) 100,000	Decrease in Equity Value Increase in Equity Value
Container TEU Growth +0.5% Container TEU Growth -0.5%	115,000 (108,000)	Increase in Equity Value Decrease in Equity Value
Capital Cost +10% Capital Cost -10%	(74,000) 74,000	Decrease in Equity Value Increase in Equity Value
Terminal Growth +.5% Terminal Growth -.5%	64,000) (51,000)	Increase in Equity Value Decrease in Equity Value

In determining the assumptions within the valuation, LPC has had consideration to the estimated impact of COVID-19 on the forecast levels of growth. Combined with the current year impact on volumes this has resulted in the forecasts for the purposes of the valuation for fuel, logs, motor vehicles and coal starting from a lower base than previous forecasts. We are also expecting COVID-19 to have a significant impact on the Cruise trade with zero income forecast for FY21 and a much slower recovery than previously forecast. Due to the interconnectedness of the assumptions within the valuation and the impact of changes in the LPC strategy it is impractical to separately quantity the impact of COVID-19 on the year-end fair value adjustment to property, plant and equipment. However, the sensitivity of isolated changes in key assumptions is set out in the table above. The general economic uncertainty created by COVID-19 means that the forecasts could be subject to material change which is outside LPC's control. LPC will continue to monitor the impact of COVID-19 on their business and respond and adapt as changes occur.

Enable Services Ltd

Net carrying value at 30 June 2020 was $631m (2019: $530m). 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 all of Christchurch; 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 Layer 1 and 2 assets, together with the Central Offices (collectively described as UFB network assets) were revalued to fair value as at 30 June 2020 based on a range provided by independent valuers Deloitte. Deloitte are considered to have the appropriate qualifications and experience in the fair value measurement of such assets.

Deloitte 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 future expansionary capital expenditure and related revenue)
- a 50 year cash flow forecast capturing future capital expenditure versus depreciation and the expected useful life of the existing asset base
- discounting the cash flows using a discount rate based on weighted average cost of capital (WACC)
- whether there were any surplus assets.

Deloitte considered that there would not be a long term impact of COVID-19 on Enable. Short to medium term economic impacts had been reflected in the cash flow forecast upon which the valuation was based.

The estimated value of UFB network is $625m.

The sensitivity of the valuation of $625m to relevant factors is summarised as follows:

Movement in	Range	Lower Value	Upper Value
Long run uptake %	+ or – 10.0%	$547m	$703m
Average revenue per user	+ or – 0.5%	$580m	$674m
WACC	+ or – 0.5%	$584m	$670m

All property, plant and equipment is classified as Level 3 within the fair value hierarchy under NZ IFRS 13, *Fair Value Measurement*. Assets are classified as Level 3 where one or more significant inputs into the determination of fair value is not based on observable market data. The Enable Group had no other Level 1, Level 2 or Level 3 non-financial assets measured at fair value during the year.

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.

An incorrect estimate of the useful life or residual value will impact on the depreciation expense recognised in the profit or loss, and the carrying amount of the asset in the statement of financial position. The Enable Group minimises the risk of this estimation uncertainty by:

- investing in high quality, class-leading assets and infrastructure
- physical inspections of assets; and
- asset replacement programmes in line with useful life expectations.

Crown Infrastructure Partners Ltd has a first ranking security over the Enable Group 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 2020 comprised less than 2% (2019: 3%) of total group assets. Assets of these companies are either independently revalued at regular intervals, or carried at cost less accumulated depreciation and impairment.

Accounting policy – property, plant and equipment

Land, buildings, electricity distribution network, airport infrastructure assets, harbour structures and the optical fibre network (except for investment properties refer note 5), are shown at fair value in accordance with NZ IAS 16, *Property, Plant and Equipment*, NZ IAS 36, *Impairment of Assets*, and NZ IFRS 13, *Fair Value Measurement*. These assets were valued by external independent valuers as described in note 4, except for the assets of LPC. An internal valuation of LPC's CGU was completed and adopted by the LPC Board.

Airport sealed surfaces, car parking building, car parks and other infrastructure assets are aggregated and disclosed as airport infrastructure 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 and impairment.

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	20-50 yrs
Mobile plant incl. vehicles	5-16 yrs
Ethernet communication equip.	5-12 yrs
Buses	17-20 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.

5 Investment property

	Note	Group 2020 $'000	Group 2019 $'000
Balance at beginning of financial year		491,202	428,848
Transfer (to)/from property, plant and equipment		19,555	–
Additional capitalised expenditure		21,645	16,185
Investment properties under construction at cost		25,775	33,036
Net gain/(loss) from fair value adjustments	7	13,481	13,133
Balance at end of financial year		**571,658**	**491,202**

All of the Group's investment property is held by Christchurch International Airport Ltd.

Valuation of investment property

The valuation as at 30 June 2020 and 30 June 2019 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 6.26%** (2019: 6.61%)
- **Average market capitalisation rate 6.94%** (2019: 7.13%)
- **Weighted average lease term 6.56 years** (2019: 6.00 years)
- **Rental ranges in aggregate across the different property asset types were as follows:**

Asset type	Rental range
Office	$180-$260/sqm
Warehouse	$90-$140/sqm

Fair value hierarchy

Asset classification and description	Valuation approach	Key valuation assumptions	Fair value hierarchy Level	Valuation sensitivity
Investment Properties are land and buildings which are owned to earn rental income, for capital appreciation or both.	The income based valuation approach is used.	Land is included when infrastructure services are available and future development is expected within the next 3 years.	3	+ $25.5 million /- $22.9 million (of a 5% change of capitalisation rate)
Level 3 Asset Classification	Sensitivity of significant unobservable inputs.			
Investment Properties	An increase in the cashflow from an asset will increase the fair value. A decrease in the cashflow from an asset will decrease the fair value of the asset.			

Impact of COVID-19

The group's overall existing investment property portfolio has remained stable despite COVID-19. Retail and tourism service-based properties have been the most affected due to a reduction in foot traffic during lockdown and the continued impacts of further lockdowns and border restrictions on passenger throughput. Industrial properties have been supported by high quality tenants with long leases. CIAL offered its tenants directly impacted by COVID-19 a mixture of rental abatements and deferrals. Rent abatements were generally limited to retail terminal tenants whose businesses have been most impacted, while deferrals were given to tenants who faced disruption, largely as a result of the Level 4 lockdown.

Valuers have carried out any valuations by applying assumptions regarding the reasonably possible impacts of COVID-19 based on information available as at 30 June 2020. Given the circumstances, the property valuations as at 30 June 2020 have been prepared on the basis of 'material valuation uncertainty', and therefore the valuers have advised that less certainty should be attached to the property valuations than would normally be the case.

All valuations have been subject to peer review and have been reviewed by the company's property management team who, notwithstanding the uncertainty due to COVID-19, have determined the valuations to be appropriate as at 30 June 2020.

Accounting policy – investment property

Land is held by the Group 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 Group. 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 Group'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 Group, 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 Group occupies an insignificant portion of the total building.

Investment property is carried at fair value, based on valuation methodologies using direct sales comparison or a direct capitalisation of rental income using market comparison of capitalisation rates, supported by a discounted cashflow approach. These values are 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 Group 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).

6 Borrowings and finance costs

6a Group borrowings

	Note	Current 2020 $'000	Non-current 2020 $'000	Total 2020 $'000	Current 2019 $'000	Non-current 2019 $'000	Total 2019 $'000
Unsecured:							
Bonds and floating rate notes		–	650,005	650,005	115,502	646,548	762,050
Loans from external parties		275,000	393,200	668,200	40,000	301,600	341,600
Loans from related entities	22(a)(iii)	183,500	389,700	573,200	94,000	434,500	528,500
		458,500	1,432,905	1,891,405	249,502	1,382,648	1,632,150
Secured:							
Loan from external parties		153,769	–	153,769	12,600	177,601	190,201
Total group borrowings		**612,269**	**1,432,905**	**2,045,174**	**262,102**	**1,560,249**	**1,822,351**

Except as disclosed in Note 24, the carrying amount of the Group's current and non-current borrowings approximates their fair value.

Christchurch City Holdings Ltd	2020 $'000	Avg rate	Maturity	2019 $'000
Nature of debt:				
Floating rate notes	–	0.00%	–	40,000
Commercial Paper	55,000	0.60%	2021	–
Short term loans – Christchurch City Council	183,500	2.84%	2020-2021	27,000
Long Term Loans – Christchurch City Council	389,700	2.37%	2021-2027	501,500
Fixed Rate Bond	300,000	3.49%	2022-2024	300,000
Crown Infrastructure Partners Ltd (CIP)	153,769	0.00%	2021	142,601
Undrawn bank facility	100,000	0.00%	2020-2021	100,000

All borrowings other than the CIP Loan facility are unsecured and have been put in place under a $1.5bn (2019: $1.3bn) debt issuance programme. CCHL has issued uncalled capital of $1.5bn to support this programme (refer Note 20). The company has entered into derivative contracts to hedge its exposure to interest rate fluctuations (refer Note 24).

In June 2016, CCHL entered into a Loan Facility Agreement with Crown Infrastructure Partners Ltd (CIP) (previously known as Crown Fibre Holdings Ltd) 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. The loan is interest free and is reflected at its amortised cost over the life of the loan. The loan is secured over the assets of the Enable Group.

Notes to the financial statements

For the year ended 30 June 2020

Orion New Zealand Ltd	2020 $'000	Avg rate	Maturity	2019 $'000
Nature of debt:				
Bank loans	174,200	1.72%	2020-2022	151,600
US Private Placement floating rate notes	140,000	2.24%	2028-2030	140,000
Undrawn bank facility	35,800			58,400

All bank loans are unsecured, however a deed of negative pledge and guarantee requires the company to comply with certain covenants. The US Private Placement floating rate notes are also unsecured. The Note Purchase agreement with the US investors has terms which are substantially similar to those in the negative pledge deed referred to above. The company has entered into derivative contracts to hedge its exposure to bank bill interest rate fluctuations.

Christchurch International Airport Ltd	2020 $'000	Avg rate	Maturity	2019 $'000
Nature of debt:				
Bank facility	380,000	3.90%	2020-2021	190,000
Bond funding	210,005	4.00%	2021-2027	282,050
Undrawn bank facility	105,000		2021-2023	30,000

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

Impact of COVID-19

Due to the impact of COVID-19, subsequent to 30 June 2020, CIAL undertook the following bank financing activity:

- the $120m of current facilities (with three banks) were extended out for 2 or 3 year periods;
- an additional $40m facility was obtained from one bank; and
- in addition to the new bank facility and extensions, CIAL also sought waivers of its financial covenants from both bank lenders and the bond supervisor. The waivers were granted in August 2020 and take the following form:
  - waive compliance with the interest cover ratio for the Financial Periods ending 31 December 2020 and 30 June 2021 (which would otherwise be required to be at least 1.75:1); and
  - waive compliance with the interest cover ratio for the Financial Period ending 31 December 2021, provided that the interest cover ratio for that Financial Period must be no less than 1.50:1.

Lyttelton Port Company Ltd	2020 $'000	Avg rate	Maturity	2019 $'000
Nature of debt:				
Bank facility	59,000	1.11%	2022-2023	35,000
Undrawn bank facility	106,000	–	–	197,000

All borrowings under the bank facility and overdraft facility are unsecured and supported by a negative pledge deed. In addition to the above, during 2020 LPC entered into a CCHL loan facility for $65m which is fully drawn.

City Care Ltd

During the year, the company reorganised its borrowing facilities and reduced its facility with the BNZ and partially replaced this reduction with a facility from CCHL. The BNZ facility expires on 31 December 2021 and the CCHL facility expires on 31 July 2022. The drawn related party loan of $10m (2019: Bank loan $12.6m) is secured by a debenture over the assets and undertakings of the company, and made under a committed cash advance facility of $35m (2019: $50m). Average interest rate 2.59% for the year (2019: 3.26%).

Enable Services Ltd, Red Bus Ltd, EcoCentral Ltd and Development Christchurch Ltd

These companies had no external debt as at 30 June 2020 (2019: Nil). Enable Services has a subordinated loan from CCHL of $294m (2019: $291m). Development Christchurch had a loan facility from CCHL of $1.2m which was fully repaid during 2020 (2019: $1.2m).

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.

6b Undrawn borrowing facilities

	Group 2020 $'000	Group 2019 $'000
Floating rate – expiring within one year	119,500	89,400
Floating rate – expiring beyond one year	247,300	333,400
Total undrawn borrowing facilities	366,800	422,800

6c Changes in liabilities arising from financing activities

	Opening 1 July 2019 $'000	Cash flows $'000	Changes in fair value $'000	New leases $'000	Adoption NZIFRS 16 leases $'000	Other $'000	Closing 30 June 2020 $'000
2020							
Current liabilities:							
External borrowings	168,101	107,400	(519)	–	–	153,786	428,768
Related party borrowings	94,001	(94,000)	–		–	183,500	183,501
Lease liabilities	1,083	(4,630)	–	3,273	6,134	1,584	7,444
Non-current liabilities:							
External borrowings	1,125,749	62,193	8,997		–	(153,734)	1,043,205
Related party borrowings	434,500	138,700	–			(183,500)	389,700
Lease liabilities	10,020	(2,186)	–	2,522	62,306	(1,703)	70,959
Derivative liabilities	72,216	–	45,602		–	–	117,818
Total liabilities from financing activities	**1,905,670**	**207,477**	**54,080**	**5,795**	**68,440**	**(67)**	**2,241,395**

	Opening 1 July 2018 $'000	Cash flows $'000	Changes in fair value $'000	Other $'000	Closing 30 June 2020 $'000
2019					
Current liabilities:					
External borrowings	121,139	47,564	(646)	44	168,101
Related party borrowings	110,001	(16,000)	–	–	94,001
Lease liabilities	983	(980)	–	1,080	1,083
Non-current liabilities:					
External borrowings	951,935	170,702	3,077	35	1,125,749
Related party borrowings	378,500	56,000	–	–	434,500
Lease liabilities	11,236	(135)	–	(1,081)	10,020
Derivative liabilities	30,516	–	39,538	2,162	72,216
Total liabilities from financing activities	**1,604,310**	**257,151**	**41,969**	**2,240**	**1,905,670**

Accounting policy – Changes in liabilities from financing activities

NZ IAS7.44A requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The above disclosure reflects changes from cashflows and non-cash changes.

Profit and loss information

7 Operating revenue and other income

7a Disaggregation of revenue

	Orion $'000	CIAL $'000	LPC $'000	ESL $'000	Citycare $'000	Red Bus $'000	Eco Central $'000	DCL $'000	Intragroup $'000	Total $'000
2020										
Revenue from contracts with customers										
Electricity Distribution	242,450	–	–	–	–	–	–	–	(1,901)	240,549
Airport Services	–	80,238	–	–	–	–	–	–	(547)	79,691
Port Services	–	–	124,125	–	–	–	–	–	–	124,125
Gross telecommunications revenue	–	–	–	67,729	–	–	–	–	–	67,729
Construction contract revenue	–	–	–	–	87,378	–	–	9,779	–	97,157
Contracting	45,107	–	–	–	190,680	–	–	–	(9,941)	225,846
Bus and Coach Services	–	–	–	–	–	18,767	–	–	–	18,767
Waste and recycling services	–	–	–	–	–	–	30,009	–	(367)	29,642
Sale of goods	12,172	–	–	2,000	7,078	–	3,704	4,239	–	29,193
Total revenue from contracts with customers	**299,729**	**80,238**	**124,125**	**69,729**	**285,136**	**18,767**	**33,713**	**14,018**	**(12,756)**	**912,699**
Other operating revenue										
Rent and Lease income	383	26,669	4,133	–	–	145	–	561	(890)	34,001
Rental income from investment property	–	35,237	–	–	–	–	–	–	–	35,237
Other	7,359	20,577	–	7,256	9,169	–	925	3,568	–	48,854
Total other operating revenue	**7,742**	**85,483**	**4,133**	**7,256**	**9,169**	**145**	**925**	**4,129**	**(890)**	**118,092**
Segment revenue	**307,471**	**165,721**	**128,258**	**76,985**	**294,305**	**18,912**	**34,638**	**18,147**	**(13,645)**	**1,030,791**

Other balance includes Government COVID-19 wage subsidy of $11.5m. All conditions attached to this grant have been fulfilled at 30 June 2020.

	Orion $'000	CIAL $'000	LPC $'000	ESL $'000	Citycare $'000	Red Bus $'000	Eco Central $'000	DCL $'000	Intragroup $'000	Total $'000
2019										
Revenue from contracts with customers										
Electricity Distribution	264,726	–	–	–	–	–	–	–	(1,401)	263,325
Airport Services	–	109,838	–	–	–	–	–	–	(136)	109,702
Port Services	–	–	129,108	–	–	–	–	–	(3)	129,105
Gross telecommunications revenue	–	–	–	54,566	–	–	–	–	(16)	54,550
Construction contract revenue	–	–	–	–	89,574	–	–	2,606	–	92,180
Contracting	45,433	–	–	–	201,325	–	–	–	(19,314)	227,444
Bus and Coach Services	–	–	–	–	–	18,472	–	–	–	18,472
Waste and recycling services	–	–	–	–	–	–	25,513	–	(491)	25,022
Sale of goods	12,544	–	–	2,486	7,984	–	9,793	–	–	32,807
Total revenue from contracts with customers	**322,703**	**109,838**	**129,108**	**57,052**	**298,883**	**18,472**	**35,306**	**2,606**	**(21,361)**	**952,607**
Other operating revenue										
Rent and Lease income	–	40,328	–	–	–	118	–	77	–	40,523
Rental income from investment property	–	29,022	–	–	–	–	–	–	–	29,022
Other	2,497	8,159	37,600	1,716	–	23	–	3,906	–	53,901
Total other operating revenue	**2,497**	**77,509**	**37,600**	**1,716**	**–**	**141**	**–**	**3,983**	**–**	**123,446**
Segment revenue	**325,200**	**187,347**	**166,708**	**58,768**	**298,883**	**18,613**	**35,306**	**6,589**	**(21,361)**	**1,076,053**

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

7b Other income including revaluation of investment property

	Note	Group 2020 $'000	Group 2019 $'000
Gains on disposal of property, plant and equipment		568	707
Gains on revaluation of investment property	5	13,481	13,133
Gain on revaluation of investment in associate		–	218
Fair value through income statement financial assets fair value change		1,038	2,703
Ineffectiveness – cash flow hedges		12	–
		15,099	**16,761**

7c Discontinued operations

	Note	Group 2020 $'000	Group 2019 $'000
Revenue		1,348	2,147
Other Gains		9	–
Depreciation, amortisation and impairment expense		(1,157)	(653)
Employee benefits expense		(597)	(878)
Other expenses		(392)	(630)
Profit (loss) before income tax expense		(789)	(14)
Income tax credit/(expense)		221	(45)
Net surplus/ (loss) after taxation from discontinued operations		**(568)**	**(59)**

Due to the impact of COVID-19, in March 2020 Red Bus resolved to close their Red Travel business and report it as a discontinued operation. This has required the income and expenses relating to these operations being separated out in the statement of comprehensive income, for both the current and previous financial years. The associated assets being the coach fleet recorded at fair value of $2.2m were consequently presented as held for sale in the FY20 year.

Accounting policy – revenue

Airport and port services

Services are provided on demand and the transaction price recognised as revenue based on their stand-alone selling price. The stand-alone selling price is based on published prices, and calculated on a price per unit of the service. Revenue is recognised over time as the customer simultaneously obtains the benefits from the service as its being performed. Where applicable separate incentive or rebate agreements are signed with individual customers and associated adjustments are made to the transaction prices recognised as revenue. These charges are invoiced monthly in arrears and payment is generally expected within 30 days.

Electricity Distribution revenue

Electricity delivery service revenue relates to the provision of electricity distribution services to both electricity retailers and directly contracted customers. Electricity retailer delivery services are performed on a daily basis and considered as a series of distinct services provided over time. Prices are regulated and retailers are charged through a combination of fixed charges and variable charges based on the quantities delivered. Revenue is recognised over time using an output method based on the actual quantity of delivery services provided on a daily basis.

For directly contracted customers, the Group has determined that the individual construction contracts and individual delivery service agreements were negotiated as a package with a single commercial objective, to provide the required delivery capacity to the customer. This performance obligation has been assessed as being satisfied over time based on the duration of the contractual arrangement. The contract term is the period during which the parties have present and enforceable rights and obligations. A term of ten years has been determined based on the requirements of the contract and the company's business practice. The transaction price includes both the initial upfront customer contributions and subsequent delivery charges based on an estimate of quantities delivered. Revenue is recognised over time based on an output method, as the performance obligation is satisfied on a straight line basis over the term of the contract.

Customer contribution revenue relates to contributions received from customers (other than delivery service customers who are directly contracted) towards the cost of new connections and network extensions. The customer's supply of electricity is contracted separately, interposed through a retailer, and is therefore considered a separate commercial arrangement. Pricing is fixed and contributions are paid in advance for new connections. Capital contributions are recognised as revenue at the point in time of livening the connection to the network. Capital contributions that are refundable to customers are treated as a contract liability until cancelled or applied. Delivery charges for the current month are billed around the 10th of the month for payment on the 20th of that month.

Gross Telecommunications revenue

The Group recognises telecommunications revenue as it provides services to its customers, based on published fixed charges. Billings are made on a monthly basis. Unbilled revenues from the billing cycle date to the end of each month are recognised as revenue during the month the service is provided. Revenue from installations and connections is recognised upon completion of the installation or connection. These charges are invoiced monthly in arrears and payment is generally expected within 30 days.

Construction contract and contracting revenue

Where maintenance contracts involve various different activities and services that are highly inter-related they are treated as one performance obligation, otherwise separate performance obligations are identified. The transaction price is allocated across each service or performance obligation based on the individual stand-alone selling prices. Revenue from maintenance services is recognised over time relative to the proportion of work that has been performed under the contract. The input method is used to estimate the proportion of work performed. An assessment is completed at balance date to ensure the revenue recognised under the input method fairly depicts the transfer of goods or services to the customer.

For construction contracts the construction of each individual piece of infrastructure is normally assessed as one performance obligation. Where contracts are entered into for several projects the total transaction price is allocated across each project based on stand-alone selling prices.

Revenue from construction contracts is recognised over time as the work enhances an asset that the customer controls. An output method based on a statement of work provided to the customer is used to determine the amount of revenue to be recognised at each reporting date.

Any amount recognised as a contract asset is reclassified to trade receivables at the point at which the Group has an enforceable right to consideration. If a payment received exceeds the revenue recognised, the Group recognises a contract liability for the difference.

Bus and coach services

Contract revenues mainly relate to Environment Canterbury bus contracts. Revenues are recognised as the services are provided over the length of the contract, and based on a transactional price which is defined in the terms of the contract. The transaction price is calculated based on the total consideration expected to be received in relation to the performance of the contract, net of variable consideration.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

Charter and private hire predominantly relates to charter work for both schools with extracurricular activities and third parties with general transportation needs. Revenue is recognised over the period in which the charter/private hire is provided to the customer.

Any payment received in advance of the services being provided is recognised as a contract liability and is released as the related revenue is recognised. Revenue for urban contracts are prepared as buyer-credited invoices and paid by last day of that month, all other invoices are issued monthly in arrears and payment is generally expected within 30 days.

Waste and recycling services

EcoCentral operates three refuse stations and a materials recovery facility for the processing of recyclable products. Revenue for the processing of waste and recyclables is recognised when the product or waste is received by EcoCentral. EcoCentral's performance obligations for each customer are satisfied at the time of delivery as no further work or processing is required, the quantity and quality of the goods has been determined and the price is fixed.

Sale of goods revenue

Revenue from goods sold is recognised at a point in time when the control of the goods has transferred to the customer. Revenue is determined based on standalone selling prices for each unit sold. Payment for each transaction is due immediately.

Rental and lease income

Rent and Lease income is recognised on a straight-line basis over the term of the lease where the Group is the lessor.

Other

This includes non core operating aspects of the Group including but not limited to transmission rental rebates, greenfield development contributions, operating recoveries from investment properties, and Government grants.

8 Operating expenses

8a Personnel and other costs

	Note	Group 2020 $'000	Group 2019 $'000
Personnel costs:			
Salaries and wages		274,858	267,991
Defined contribution/benefit plan employer contributions		4,018	3,796
Other		3,499	2,608
		282,375	274,395
Other Costs:			
Remuneration of auditors	8b	1,250	1,157
Consultants and legal fees		10,566	15,102
Directors' fees		2,619	2,543
Donations		491	348
Net foreign exchange losses/(gains)		14	19
Provision expenses/(gains)		2,724	1,671
Minimum lease payments under operating lease		–	9,930
Orion network maintenance and transmission expenses		84,967	98,270
Raw materials and consumables used		44,759	49,200
Repairs and maintenance		9,482	9,027
Service contracts (including sub-contractors)		98,330	117,215
Investment property direct operating expenses		4,955	4,275
Other operating expenses		163,521	123,780
Losses on assets written off/disposed		1,654	1,470
Ineffectiveness – cash flow hedges		15	88
Ineffectiveness – fair value hedges		–	15
Loss from joint venture		62	899
Financial assets fair value change		1,164	2,980
		708,948	712,384

8b Remuneration of auditors

	Note	Group 2020 $'000	Group 2019 $'000
Audit New Zealand			
Audit of the financial statements		964	884
Special audits required by regulators		99	112
Assurance related		4	42
		1,067	1,038
Other auditors			
Audit of the financial statements – KPMG		182	92
Other non-audit services – KPMG		1	24
Other non-audit services – PWC		–	3
		183	119
Total	8a	**1,250**	**1,157**

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.

Christchurch International Airport Limited
- audit of the disclosure regulations
- review of compliance with bond conditions.

Christchurch City Holdings Limited
- limited assurance engagement for Bond Trust Deed
- agreed upon procedure relating to interim financial statements.

Enable Services Ltd
- assurance engagement of specified disclosure information, required under section 83 of the Telecommunications Act 2001
- assurance engagement required under the LFC Information Disclosure Determination 2018.

9 Income and deferred taxes

9a Components of tax expense

	Note	Group 2020 $'000	Group 2019 $'000
Current tax expense/(income)		17,773	46,261
Adjustments to current tax of prior years		(1,208)	(305)
Deferred tax expense/(income)	9d	(45,053)	(7,068)
Total tax expense/(income)		**(28,488)**	38,888

9b Reconciliation of prima facie income tax

	Note	Group 2020 $'000	Group 2019 $'000
Profit before tax		(80,964)	171,059
Tax at statutory rate of 28%		(22,670)	47,897
Non-deductible expenses		22,042	1,714
Non-assessable income and deductible items		(6,541)	(1,272)
Effect on deferred tax balances due to legislative change		(5,159)	–
Tax loss not recognised as deferred tax asset		(118)	(1,420)
Previously unrecognised and unused tax losses now recognised as deferred tax assets		(15,034)	(7,574)
Other		(1,765)	(911)
(Over)/under provision of income tax in previous year		757	454
Total tax expense/(income)		**(28,488)**	**38,888**

This note provides an analysis of the Group's income tax expense, 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% (2019: 28%) payable by New Zealand companies on taxable profits under New Zealand tax law.

9c 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 $151m (2019: $164m).

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

9d Deferred tax balances

	30 Jun 19 Opening balance $'000	30 Jun 19 Profit/loss $'000	30 Jun 19 Other Comprehensive income $'000	30 Jun 19 Closing balance $'000	30 Jun 20 Profit/loss $'000	30 Jun 20 Other Comprehensive income $'000	30 Jun 20 Other adjustments $'000	30 Jun 20 Closing balance $'000
Deferred tax liabilities:								
Cash flow/Fair value hedges	4,621	–	–	4,621	–	–	–	4,621
Property, plant and equipment	322,430	(4,195)	–	318,235	(46,382)	27,016	–	298,869
Intangible assets	332	65	–	397	34	–	–	431
Other	39,275	5,042	–	44,317	(2,030)	–	–	42,287
	366,658	912	–	367,570	(48,378)	27,016	–	346,208
Deferred tax assets:								
Cash flow/Fair value hedges	9,538	834	10,980	21,352	238	12,370	–	33,960
Provisions/employee entitlements	9,011	(1,418)	21	7,614	1,585	–	–	9,199
Doubtful debts/impairment losses	123	(51)	115	187	(17)	–	–	170
Tax losses	34	8,795	–	8,829	(6,241)	–	–	2,588
Other	601	(180)	–	421	1,110	–	1,175	2,706
	19,307	7,980	11,116	38,403	25,453	12,370	1,175	48,623
Net deferred tax liability/(asset)	**347,351**	**(7,068)**	**(11,116)**	**329,167**	**(45,053)**	**14,646**	**(1,175)**	**297,585**

In March 2020, the Government re-introduced depreciation deductions on commercial buildings for tax purposes. This amendment applies from 1 April 2020 and the depreciation rates is 2% diminishing value. The impact of this change increases the depreciable tax base for these assets, which results in an immediate one-off reduction in deferred tax liability and a reduction in tax expenses. While this transaction is non-cash in the year ended 30 June 2020, it represents future tax benefits that will be realised as reduced income tax payments over the remaining lives of the buildings.

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 based on 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

10 Other financial assets

	Note	Group 2020 $'000	Group 2019 $'000
10a Current portion			
Current portion			
Interest rate swaps		–	646
Term deposits		12,528	1,829
Total current other financial assets		12,528	2,475
10b Non-current portion			
Non-current portion			
Other loans and investments	10(c)	24,749	22,051
Interest rate swaps		10,295	6,747
Total non-current other financial assets		35,044	28,798
Total other financial assets (current and non-current)		**47,572**	**31,273**

10c 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 16). The next instalment of US$6m repayment is due in FY24, with the remaining balance payable in FY28. The loan is assessed to have low credit risk at each reporting date based on Group's internal assessment. As such, the Group has assessed that the credit risk on this financial instrument has not increased significantly since initial recognition as permitted by NZ IFRS 9 and recognises 12-months ECL for the asset. No material provision has been made.

Whilst COVID-19 has impacted the short term work at the Engine Centre, volumes of work are expected to increase over the next few months.

11 Debtors, inventory and other assets

11a Debtors and other assets

	Note	Current 2020 $'000	Non-current 2020 $'000	Total 2020 $'000	Current 2019 $'000	Non-current 2019 $'000	Total 2019 $'000
Trade receivables – other		–	–	–	1,521	–	1,521
Trade receivables – contracted		71,259	–	71,259	71,826	1,098	72,924
	11b	71,259	–	71,259	73,347	1,098	74,445
Provision for impairment – other		–	–	–	(19)	–	(19)
Provision for impairment – contracted		(2,070)	–	(2,070)	(385)	–	(385)
	11b	(2,070)	–	(2,070)	(404)	–	(404)
Prepayments		13,197	6,209	19,406	11,800	5,374	17,174
Interest receivable		40	–	40	11	–	11
Contract retentions		3,216	–	3,216	3,385	–	3,385
Other		322	64	386	1,315	38	1,353
		85,964	6,273	92,237	89,454	6,510	95,964

Included in trade receivables are amounts due from the ultimate shareholder, Christchurch City Council, as disclosed in Note 22.

11b Credit risk – aging of receivables

	Note	Group 2020 $'000	Group 2019 $'000
Gross receivables			
Not past due		49,940	61,009
Past due 0-30 days		10,514	9,279
Past due 31-60 days		3,635	1,685
Past due more than 60 days		7,170	2,472
		71,259	74,445
Impairment			
Not past due		(424)	(6)
Past due 0-30 days		(484)	(4)
Past due 31-60 days		(215)	–
Past due more than 60 days		(947)	(394)
		(2,070)	(404)
Gross trade receivables		71,259	74,445
Individual impairment	11c	(516)	(177)
Collective impairment	11c	(1554)	(227)
Trade receivables (net)		69,189	74,041

The following table details the risk profile of trade receivables based on the Group's provision matrix. As the Group's historical credit loss experience show different loss patterns for different reporting segments, the provision for loss allowance based on past due status is further distinguished by Group's segments.

	Not past due	Past due 0-30 days	Past due 31-60 days	Past due more than 60 days	Total
30 Jun 2020					
Expected credit loss rate	.001%-8.8%	.001%-21%	.001%-40.5%	.001%-100%	–
Estimated total gross carrying amount at default	42,916	9,913	3,415	6,259	59,696
Lifetime ECL	366	270	179	739	1,554
30 Jun 2019					
Expected credit loss rate	.002%-.2%	.02%-2.0%	.02%-3.0%	.02%-90%	0
Estimated total gross carrying amount at default	43,041	7,124	1,017	1,570	52,752
Lifetime ECL	38	25	15	149	227

11c Movements in expected credit loss of receivables

	Note	Group 2020 $'000	Group 2019 $'000
Balance at start of year		404	495
Expected credit loss made during year		1,703	121
Expected credit loss reversed during year		(32)	(207)
Receivables written off during year		(5)	(5)
Balance at end of year	11b	2,070	404

11d Inventories

	Note	Group 2020 $'000	Group 2019 $'000
Inventories – Current			
Inventory – raw materials and maintenance items		12,531	12,185
Inventory – finished goods		5,915	5,736
Inventory – allowance for impairment		(213)	(303)
		18,233	**17,618**
Inventories – Non-current			
Inventory – finished goods/WIP		16,714	11,549
Inventory – allowance for impairment		(182)	(410)
		16,532	**11,139**
Total Inventories		**34,765**	**28,757**

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

11e Contract Assets and Contract Liabilities

	Group 2020 $'000	Group 2019 $'000
Contract Assets and Contract Liabilities		
Contract assets	21,051	22,420
Contract liabilities	4,897	5,615
Revenue recognised in the period from:		
Amounts included in the contract liability at the beginning of the period	5,615	3,506
Performance obligations satisfied in previous periods	–	–
Performance obligations that are unsatisfied (or partially unsatisfied):		
Revenue to recognise during the following period	11,027	9,649
Costs to obtain contracts		
Current	31	33
Non-current	64	38
Amortisation (a straight–line basis over the period of construction)	42	43

Contract assets and liabilities are held by Orion New Zealand Ltd and City Care Ltd. All performance obligations that are unsatisfied (or partially unsatisfied) for City Care Ltd are part of a contract that have an original duration of one year or less, therefore as permitted under NZ IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

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.

The average credit period on sales of goods is 60 days. No interest is charged on outstanding trade receivables.

The Group always measures the loss allowance for trade receivables at an amount equal to lifetime expected credit loss (ECL). The ECL's on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group has recognised a loss allowance of 100% against all receivables over 120 days past due because historical experience has indicated that these receivables are generally not recoverable.

The impact of COVID-19 was reviewed in relation to expected credit losses, resulting in a slight increase in provisions for the Group, which reflects the uncertainty associated with the collection of certain outstanding debts at year end. This increase is not considered material. There has been no other change in the estimation techniques or significant assumptions made during the current reporting period.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities.

The Group applies the NZ IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

Contract assets and liabilities

Contract assets are initially recognised at fair value. They are subsequently adjusted for credit impairment loss. The Group will recognise a contract asset for work performed where they do not have an unconditional right to consideration. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point which the Group has an unconditional right to consideration. If the payment received exceeds the revenue recognised to date then the Group recognises a contract liability for the difference. There is not considered to be a significant financing component in construction contracts with customers as the period between the recognition of revenue and receipt of payment is always less than one year.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for the amounts due from customers under construction contracts.

Prepayments

A prepayment is recognised where payment is incurred in the period and where the benefit of that payment 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.

12 Cash and cash equivalents

	Group 2020 $'000	Group 2019 $'000
Cash and cash equivalents denominated in:		
New Zealand dollars	49,769	8,755
Foreign currency	565	12
	50,334	8,767

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.

13 Intangible assets

13a

	Goodwill $'000	Easements and consents $'000	Software and other $'000	Total $'000
Gross carrying amount				
Gross carrying amount at 1 July 2018	43,843	18,876	55,441	118,160
Additions	1,743	1,021	7,498	10,262
Additions from internal developments	–	–	522	522
Disposals	–	–	(1,399)	(1,399)
Gross carrying amount at 30/06/2019	45,586	19,897	62,062	127,545
Additions	–	10	8,409	8,419
Additions from internal developments	–	–	320	320
Disposals	–	–	(4,604)	(4,604)
Transfers	–	(14,212)	–	(14,212)
Gross carrying amount at 30/06/2020	45,586	5,695	66,187	117,468
Accumulated amortisation and impairment				
Accumulated balance at 1 July 2018	(36,642)	(4,429)	(40,074)	(81,145)
Amortisation expense	–	(106)	(4,525)	(4,631)
Impairment	(2,068)	–	(265)	(2,333)
Disposals	–	1,138	1,395	2,533
Accumulated balance at 30/06/2019	(38,710)	(3,397)	(43,469)	(85,576)
Amortisation expense	–	(40)	(6,232)	(6,272)
Impairment	(1,740)	(147)	(289)	(2,176)
Disposals	–	–	4,451	4,451
Accumulated balance at 30/06/2020	(40,450)	(3,584)	(45,539)	(89,573)
Carrying amount at 30/06/2019	**6,876**	**16,500**	**18,593**	**41,969**
Carrying amount at 30/06/2020	**5,136**	**2,111**	**20,648**	**27,895**

Included in intangible assets is capital work in progress of $3.9m (2019: $19.7m).

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/Impairment

An intangible asset with a finite useful life is amortised on a straight-line basis 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:

Software	2-10 years
Resource consents	5-10 years
Patents, trademarks and licences	10-20 years

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.

13b Amount of goodwill allocated to cash-generating units

	Group 2020 $'000	Group 2019 $'000
Orion New Zealand Ltd	2,648	2,648
Christchurch International Airport Ltd	–	1,740
Enable Services Ltd	848	848
City Care Ltd	1,640	1,640
	5,136	6,876

Of the total carrying amount of goodwill, $2.7m (2019: $4.5m) originates from the subsidiary balance sheets, and is reviewed for impairment annually by each individual Board. CCHL Board have reviewed and accept the assessment of the individual subsidiaries noting the impairment of the goodwill taken by the CIAL Board due to the closure of their Craddocks carparking site. Goodwill on consolidation of $2.4m (2019: $2.4m) is generated from goodwill on acquisition of our subsidiaries.

The CCHL Board have reviewed the carrying amount of each cash-generating unit and compared to the independent valuers' estimate of recoverable amount or value in use, and have determined no additional impairment exists.

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 25).

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Recoverable amount is the higher of the asset's net fair value less costs of disposal, or its value in use. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the recoverable amount. Impairments are recognised immediately in profit or loss, and are not subsequently reversed.

14 Creditors and other payables

	Group 2020 $'000	Group 2019 $'000
Trade payables and accrued expenses	94,210	104,447
GST payable	7,798	2,522
Interest payable	7,203	7,243
Retentions	3,389	3,323
Deposits held	487	1,672
Other Payables	–	540
	113,087	119,747

The carrying value of creditors and other payables approximates their fair value. Included in trade payables are amounts owing to the ultimate shareholder, Christchurch City Council, as disclosed in Note 22

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.

15 Provisions and other liabilities

	Current 2020 $'000	Non-current 2020 $'000	Total 2020 $'000	Current 2019 $'000	Non-current 2019 $'000	Total 2019 $'000
Employee entitlements:						
Accrued pay	7,079	–	7,079	4,711	–	4,711
Annual leave	24,486	–	24,486	22,054	–	22,054
Bonuses and other	2,496	3,656	6,152	4,404	2,722	7,126
	34,061	3,656	37,717	31,169	2,722	33,891
Other provisions	3,504	240	3,744	1,525	–	1,525
Interest rate swaps	2,716	115,102	117,818	2,934	69,282	72,216
Deferred income and other	1,410	1,008	2,418	70	1,161	1,231
Income in advance	4,009	682	4,691	5,506	783	6,289
	45,700	**120,688**	**166,388**	**41,204**	**73,948**	**115,152**

Provisions

A provision is recognised in the statement of financial position 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 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

16 Areas of judgement and financial risk

16a 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 and investment property (Note 4 and 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 the statement of comprehensive income, depending on the asset classification.

The assets of Lyttelton Port Company have been deemed as being inextricably linked and are therefore treated as a single cash generating unit (CGU) for valuation and impairment purposes.

Impairment assessments are completed annually on various asset classes. An impairment assessment measures the recoverable amount of an asset based on projections and estimates of future cash flows specifically related to the asset. An impairment charge is recognised for any asset with a carrying value in excess of its recoverable amount.

Valuation of investment in our subsidiaries (Note 2)

The total value of the CCHL Parent investment in our subsidiaries at fair value is $2,928m (FY19: $2,728m). Independent experts are appointed each year to value the investments. The valuation relies, in part, on publicly available information, management forecasts and other information provided by the respective management groups in relation to market conditions.

The valuations are based on the prevailing economic, market and other conditions as at 30 June 2020. This situation is continuing to evolve and many uncertainties remain as to the effect of the COVID-19 crisis will have on the subject entities and the broader domestic and global economies.

Classification of investment property (Note 5)

The identification by Christchurch International Airport Ltd of which components of property, plant and 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.

16b Credit risk

	Counterparty Credit rating	Group 2020 $'000	Group 2019 $'000
Cash and deposits	AA	62,862	10,596
Debtors, contract assets and other receivables		93,787	100,975
Loans	Lower than BBB or unrated	24,749	22,051
Derivative financial instrument assets	AA	10,295	7,393
		191,693	141,015

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.

16c 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:

	Balance sheet $'000	Contractual cash flows $'000	Less than 1 year $'000	1-2 years $'000	2-5 years $'000	5 years+ $'000
30 Jun 2020						
Creditors and other payables	113,087	113,087	113,087	–	–	–
Derivative financial instruments	107,523	92,180	17,423	21,010	35,315	18,432
Borrowings – external	1,471,974	1,624,352	466,170	357,287	590,133	210,762
Borrowings – related parties	573,200	614,515	197,496	168,469	179,005	69,545
Lease liabilities	78,403	108,023	9,697	9,358	22,135	66,833
	2,344,187	2,552,107	803,873	556,124	826,588	365,572
30 Jun 2019						
Creditors and other payables	119,747	119,747	119,747	–	–	–
Derivative financial instruments	64,823	66,124	5,982	16,680	21,522	21,940
Borrowings – external	1,293,851	1,530,788	204,644	496,214	450,742	379,188
Borrowings – related parties	528,500	590,644	111,492	169,856	191,377	117,919
Lease liabilities	11,103	25,666	2,056	1,963	3,056	18,591
	2,018,024	2,332,969	443,921	684,713	666,697	537,638

16d Interest rate risk

The Group is exposed to interest rate risk as it borrows 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 16(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

	Carrying value $'000	<1 year $'000	Re-prices 1-2 years $'000	2-5 years $'000	>5 years $'000
30 Jun 2020					
Cash and deposits	62,862	62,862	–	–	–
Loans and advances	24,749	24,749	–	–	–
Borrowings	(2,129,716)	(977,832)	(326,805)	(613,169)	(211,910)
	(2,042,104)	(890,221)	(326,805)	(613,169)	(211,910)
30 Jun 2019					
Cash and deposits	10,596	10,596	–	–	–
Loans and advances	22,051	22,051	–	–	–
Borrowings	(1,833,454)	(419,105)	(383,121)	(484,228)	(547,000)
	(1,800,806)	(386,458)	(383,121)	(484,228)	(547,000)

16e 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.

	Profit/loss 2020 $'000	Equity 2020 $'000	Profit/loss 2019 $'000	Equity 2019 $'000
100 basis point increase	(4,187)	(6,417)	937	16,726
100 basis point decrease	3,541	8,165	(1,156)	(18,105)

16f 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:

	2020 %	2019 %	Notional principal 2020 $'000	Notional principal 2019 $'000	Fair value 2020 $'000	Fair value 2019 $'000
	Avg contracted fixed interest rate					
Floating for fixed contracts						
Less than 1 year	3.46%	3.40%	146,000	149,000	(2,607)	(2,758)
1 to 2 years	3.17%	3.46%	160,000	261,000	(9,702)	(6,361)
2 to 5 years	2.70%	3.56%	599,000	350,000	(42,604)	(24,303)
More than 5 years	2.64%	3.57%	527,000	411,000	(58,917)	(36,737)
			1,432,000	1,171,000	(113,830)	(70,159)
	Avg contracted floating interest rate					
Fixed for floating contracts						
Less than 1 year	0.00%	5.20%	–	75,000	–	646
2 to 5 years	4.10%	4.10%	100,000	100,000	10,295	6,747
More than 5 years	2.95%	2.95%	24,749	22,051	(3,879)	(1,629)
			124,749	197,051	6,416	5,764
Total			**1,556,749**	**1,368,051**	**(107,414)**	**(64,395)**

The following tables shows the amount of debt being hedged by interest rate swaps plus the various related figures that impact on the statement of financial position and statement of comprehensive income.

Hedged items 30/06/2020	Nominal amount of the hedged item assets/ (liabilities)	Change in value used for calculating hedge ineffectiveness	Balance in cash flow hedge reserve for continuing hedges	Balance in cash flow hedge reserve arising from hedging relationships for which hedge accounting is no longer applied
Variable rate borrowings	(1,432,000)	(28,760)	75,170	–

Hedging instruments 30/06/2020	Current period hedging gains (losses) recognised in OCI	Amount of hedge ineffectiveness recognised in profit or loss (SOCI)	Line item in SOCI in which hedge ineffectiveness is	Due to hedged future cash flows being no longer expected to occur (i)	Due to hedged item affecting SOCI	Line item in SOCI in which reclassification adjustment is include
Interest rate swaps	(41,957)	(1,190)	Other income/ losses	–	–	N/A

Hedged items 30/06/2019	Nominal amount of the hedged item assets/ (liabilities)	Change in value used for calculating hedge ineffectiveness	Balance in cash flow hedge reserve for continuing hedges	Balance in cash flow hedge reserve arising from hedging relationships for which hedge accounting is no longer applied
Variable rate borrowings	(1,044,000)	(13,768)	56,273	–

Hedging instruments 30/06/2019	Current period hedging gains (losses) recognised in OCI	Amount of hedge ineffectiveness recognised in profit or loss (SOCI)	Line item in SOCI in which hedge ineffectiveness is	Due to hedged future cash flows being no longer expected to occur (i)	Due to hedged item affecting SOCI	Line item in SOCI in which reclassification adjustment is include
Interest rate swaps	(35,810)	(106)	Other income/ losses	–	–	N/A

16g Derivative financial instruments

Fair value of total derivatives analysed as:

	Notional principal 2020	Interest rate swaps 2020	Notional principal 2019	Interest rate swaps 2019
Current assets				
Derivatives not designated as hedging instruments	–	–	–	–
Derivatives designated as hedging instruments	–	–	75,000	646
	–	–	75,000	646
Non-current assets				
Derivatives not designated as hedging instruments	–	–	–	–
Derivatives designated as hedging instruments	100,000	10,295	100,000	6,747
	100,000	10,295	100,000	6,747
Current liabilities				
Derivatives not designated as hedging instruments	–	–	40,000	191
Derivatives designated as hedging instruments	148,375	2,607	109,000	2,567
	148,375	2,607	149,000	2,758
Non-current liabilities				
Derivatives not designated as hedging instruments	–	–	180,000	4,133
Derivatives designated as hedging instruments	1,310,749	115,102	864,051	64,897
	1,310,749	115,102	1,044,051	69,030
Total	**1,559,124**	**(107,414)**	**1,368,051**	**(64,395)**

16h 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 CCHL parent company has lent US$14m (2019: US$14m) to Christchurch Engine Centre (see Note 10(c)). This asset is fully hedged to New Zealand Dollars using a cross-currency interest rate swap, which reduces the net currency exposure on this transaction to zero.

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.

16i 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 derivatives only for economic hedging purposes and not as speculative investments. All derivatives meet the hedge accounting criteria, so they are initially recognised at fair value on the date they are entered into, and are subsequently re-measured to their fair value at balance date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a cash flow hedge or a fair value hedge under NZ IFRS 9.

At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments, to ensure that an economic relationship exists between the hedged item and hedging instrument.

The Group enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. The Group may not hedge 100% of its borrowings, therefore the hedged item may by identified as a proportion of an outstanding borrowing up to the notional amount of the swap.

Hedge ineffectiveness for interest rate swaps may occur due to the credit value/debit value adjustment on the interest rate swaps which is not matched by the loan, and differences in critical terms between the interest rate swaps and loans.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Statement of comprehensive income together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Group only applies fair value hedge accounting for hedging fixed interest risk on borrowings. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the Statement of comprehensive income within "Other income, or losses".

Changes in the fair value of the hedged fixed rate borrowings attributable to interest rate movements are also recognised in the Statement of comprehensive income within "Other income, or losses".

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately as other income or loss in the Statement of comprehensive income. Amounts accumulated in other comprehensive income are recycled in the Statement of comprehensive income. In the periods when the hedged item will affect profit or loss (for instance when the forecast transaction that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non financial asset (for example, asset purchase) or a non financial liability, the gains and losses previously deferred in other comprehensive income are transferred from other comprehensive income and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income and is recognised when the forecast transaction is ultimately recognised in the Statement of comprehensive income or is capitalised on the recognition of a non-financial asset. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the Statement of comprehensive income.

Derivatives that do not qualify for hedge accounting

In the event that a derivative does not qualify for hedge accounting or for which hedge accounting has not been adopted, changes in its fair value would be recognised immediately in the Statement of comprehensive income as other income 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.

17 Capital and lease commitments

17a Capital commitments

	Group 2020 $'000	Group 2019 $'000
Ultra fast broadband network	–	14,450
Property, plant and equipment	73,443	113,452
Electricity distribution network	16,223	17,757
Investment property	13,285	27,064
Intangible assets	123	636
	103,074	173,359

17b Lease liabilities

	Group 2020 $'000	Group 2019 $'000
Current	7,444	1,083
Non-current	70,959	10,020
	78,403	11,103

The group leases various land and buildings, equipment and vehicles. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the lease are renegotiated.

The 2019 comparative table relates to finance lease liabilities relating to agreements between Orion and Transpower NZ Ltd to install new assets at or near its local grid exit points.

17c Right of use assets and sub-lease receivable

	Buildings	Plant and equipment	Electricity distribution system	Total
Cost at 1 July 2019	16,283	4,076	13,191	33,550
Additions	9,008	2,032	–	11,040
Revaluation adjustment to cost	–	–	(3,778)	(3,778)
As at 30 June 2020	25,291	6,108	9,413	40,812
Accumulated Depreciation at 1 July 2019	–	–	2,555	2,555
Revaluation adjustment to accumulated depreciation	–	–	(3,833)	(3,833)
Depreciation on right of use asset	4,590	1,738	1,278	7,606
As at 30 June 2020	4,590	1,738	–	6,328
Carrying Amount at 30 June 2020	**20,701**	**4,370**	**9,413**	**34,484**
Lease term (range in years)	4-29 years		1-28 years	

	Group 2020 $'000	Group 2019 $'000
Right of use assets	34,484	–
Sub-lease receivable non-current	42,688	–
Sub-lease receivable current	502	–
	77,674	–

The Group has assessed subleases where they act as a lessor for subleases on sites that they lease. The Group has assessed each sublease based on the right of use asset and expected useful life of the head lease and where a sublease is for a significant part of the expected life of the lease. The Group has derecognised part of the right of use asset and recorded this as sublease receivable.

17d Leases (Group as lessee)

	Group 2020 $'000	Group 2019 $'000
Expense relating to short term leases	1,062	–
Expense relating to leases of low value assets	225	–
Expense relating to variable lease payments not included in the measurement of lease liability	102	–
Income from subleasing right of use assets	1,304	–
At 30 June, the commitment for short term leases	186	–
Cash outflows for leases		
Interest on lease liabilities	3,134	–
Repayments of lease liabilities	6,816	–
Payments of short term leases	1,061	–
Payments of low value leases	224	–

17e Non-cancellable operating leases as lessor

	Group 2020 $'000	Group 2019 $'000
Less than 1 year	46,120	67,564
Between 1 to 2 years	42,536	68,356
Between 2 to 3 years	39,564	57,664
Between 3 to 4 years	35,880	51,515
Between 4 to 5 years	33,621	46,027
Later than five years	168,075	154,196
At 30 June, the commitment for short term leases	375,796	445,322

Operating lease receivables as lessor

Of the total lease receivables of $366m (2019: $445m), 86% are attributable to Christchurch International Airport Ltd. The company has a number of property leases that generate rental income.

The total future receivable for current operating leases has reduced from the prior year due to the change in leasing arrangements associated with some tenants due to the COVID-19 outbreak and the associated reductions in passenger numbers. The leases are for terms between 1 month and 25 years, and the majority of the lease agreements are renewable at the end of the lease period at market rates. The lessee does not have an option to purchase the property at the end of the expiry period. Although there is exposure to changes in the unguaranteed residual value at the end of the current leases, this risk is not presently considered significant due to the airport typically entering new operating leases prior to the end of the existing leases and therefore will not immediately realise any reduction in residual value. Expectations about the future residual values are reflected in the fair value of the properties.

Lyttelton Port Company Ltd has non-cancellable operating lease receivables of $51m (2019: $57m). 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".

Disclosure required by NZ IAS 17:

The Group changed its accounting policies following the adoption of NZ IFRS16, *Leases*, refer to Note 25 for details of the full impact on the financial statements. The following disclosure is required by NZ IAS 17 as it relates to the comparative period.

Operating lease payments were recognised as expenses in the statement of comprehensive income on a straight-line basis over the lease term. Operating lease incentives were recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

	Group 2020 $'000	Group 2019 $'000
Non-cancellable operating leases as lessee		
No later than one year	–	8,065
Later than one year and not later than five years	–	21,022
Later than five years	–	18,279
	–	47,366

Accounting policy – leases

(i) Right-of-use assets and lease liabilities

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.

All leases are classified as leases of right-of-use assets unless they meet the definition of short term or low value leases, or are sub-let. Lease payments that are short-term or low value are recognised as an expense on a straight-line basis over the lease term.

Lease liability payments are allocated between expense and reduction of the lease liability over the term of the lease. Capitalised right-of-use 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.

Right of use assets are subsequently measured at cost less accumulated depreciation and impairment losses. The group applies NZ IAS 36, *Impairment of Assets* to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss under this standard.

As practical expedient, NZ IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has adopted this practical expedient.

(ii) Sub-lease receivable

At transition, sub-lease receivables were measured using the present value of the future sublease income, discounted using the incremental borrowing rate. Sub-leases which are not classified as being for a significant part of the expected life of the lease or of marginal costs have been classed as operating leases and will continue to be accounted for as they have been prior to transition to NZ IFRS 16.

(iii) 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.

18 Contingent liabilities and assets

18a Quantifiable contingent liabilities – Performance Bonds

	Group 2020 $'000	Group 2019 $'000
Christchurch City Holdings Ltd	15,000	25,000
City Care Ltd	11,321	11,999
Orion New Zealand Ltd	2,032	2,140
Red Bus Ltd	40	100
	28,393	39,239

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. This bond reduces each year 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 Infrastructure Partner's loan to CCHL. As at 30 June 2020 this loan amounted to $160m (2019: $154m)

Orion New Zealand Ltd

On 13 February 2017, two fires started on the Port Hills near Christchurch and eventually spread to over 1,600 hectares. On 30 January 2018, Fire and Emergency New Zealand released its independent reports into the causes of the fires, with an official 'undetermined' cause for both fires, but it believes that both were deliberately lit and it will only investigate further if new evidence comes to light. IAG Insurance, on behalf of a number of its clients, has filed a statement of claim in the High Court with two key claims that the company's electricity network caused the first fire on Early Valley Road, that in turn caused $4.6m of losses for its clients. The company has filed a statement of defence in the High Court denying IAG's claims and any liability. The Court has set a trial start date for August 2020. The company insures for liability risks, in line with good industry practice.

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.

18b Contingent assets

The Group had no other material or significant contingent liabilities or assets as at 30 June 2020.

19 Events after the balance sheet date

The Group is aware of the following significant events between balance date and authorisation of these financial statements on 21 October 2020.

On 12 August 2020, the New Zealand Government reinstated COVID-19 Alert level 3 for the Auckland region, which includes restrictions on non-essential travel into and out of Auckland. The rest of New Zealand moved into Alert level 2. These restrictions remained in place until 31 August when Auckland region was reduced to Alert level 2 with some continued social distancing and gatherings restrictions. At the time of writing this report the whole of New Zealand has returned to Alert level 1. The CCHL Group is well placed to withstand a long recovery period and this temporary setback has not materially impacted previous forecasts.

On 26th August 2020, the New Zealand Government announced it will be investing $36.7 million in high-tech recycling plants nationwide. As part of this agreement, EcoCentral has reached an agreement in principle to receive up to $1.8 million grant funding for a plastics optical sorter and up to $15 million grant funding for a fibre optical and mechanical sorter.

In September 2020, a settlement was reached in the claim against Orion NZ Ltd in relation to the Port Hills Fires. This settlement had no impact on the financial statements of the CCHL Group.

Other disclosures

20 Share capital and dividends

Dividend Distribution

	Group 2020 $'000	Group 2019 $'000
Fully paid ordinary shares	94,143	86,778
Partly paid redeemable preference shares	1	1
	94,144	**86,779**
Dividends declared on fully paid ordinary shares	22,000	188,300
Cents per share	46	462

There was an issue of 7,365,000 shares for $7,365,000 made to Christchurch City Council this year. CCHL has on issue:

- 48,090,528 (2019: 40,725,528) fully paid ordinary shares to Christchurch City Council, carrying one vote per share and the right to dividends.
- $1,300,139,000 (2019: $1,300,139,000) of redeemable preference shares, paid up 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 and dividend policy

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 shareholder's 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 AA-/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.

In response to COVID-19, CIAL agreed financial covenant waivers with their bank funding providers and bond supervisor for reporting periods to 31 December 2021 inclusive. As part of obtaining these waivers, CIAL has agreed that it will not make or pay any Distribution to shareholders until it is in compliance with all financial covenants and has delivered a certificate demonstrating that compliance. In light of the above and the impact of COVID-19 on the Group results and the uncertainty on future financial impacts, the CCHL Board has decided to not declare a final dividend for FY20 to its shareholder the Christchurch City Council.

Accounting policy – dividends

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

21 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 4.

Hedging reserve

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 16.

22 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.

22a Transactions between CCHL Group entities and Christchurch City Council (CCC)

22(a)(i) Routine transactions

	Group 2020 $'000	Group 2019 $'000
Dividends paid/payable to CCC	22,000	188,300
Interest paid to CCC	16,733	18,633
Services provided to CCC	113,245	106,386
Services provided by CCC (including rent and rates)	24,079	18,742

22(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:

	30/6/2020			30/6/2019				
Paid by:	**CIAL** $'000	**LPC** $'000	**ECL** $'000	**CIAL** $'000	**LPC** $'000	**ECL** $'000	**DCL** $'000	**RBL** $'000
Subvention payments								
Paid to:								
CCC Group		4,102		2,280	3,429	261	363	153
Enable Services Ltd	915	740	644		2,000			
Red Bus Ltd								
Development Christchurch Ltd		363						
CBL/Tuam Ltd/ChristchurchNZ	–	500	–	–				
	915	5,705	644	2,280	5,429	261	363	153
Tax loss offsets:								
Losses provided by:	**Offset with**			**Offset with**				
CCC Group		10,550		5,863	8,816	672	934	393
Enable Services Ltd	2,354	1,905	1,655		5,143			
Red Bus Ltd								
Development Christchurch Ltd		933						
CBL/Tuam Ltd/ChristchurchNZ		1,286						
	2,354	14,674	1,655	5,863	13,959	672	934	393

The loss offsets in 2020 relate to the 2019 tax year (2019: relate to the 2018 tax year).

CIAL Christchurch International Airport Ltd
CCL City Care Ltd
RBL Red Bus Ltd
LPC Lyttelton Port Company Ltd
ECL EcoCentral Ltd
CBL Civic Building Ltd

22(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 $219.5m fixed, with the balance of $354m floating. Weighted average borrowing cost at balance date pre hedging was 2.52% (2019: 3.42%).

	2020 $'000	2019 $'000
Borrowing maturity		
Short term < 3 months	–	27,000
3 months-2 years	343,200	221,500
3-5 years	164,500	169,000
6-8 years	65,500	111,000
9-10 years	–	–
	573,200	528,500

EcoCentral Ltd made payments of $17m in relation to the disposal of waste (2019: $16m), to Transwaste Canterbury Ltd, a company in which the ultimate shareholder, CCC, has a material shareholding.

Transactions to other CCC owned entities are:

- Sales to V Base Ltd – $.2m, purchases of .06m
- Sales to Tuam Ltd – $.001m, purchases of .05m

22b Balances between CCHL Group and CCC

	Owing by CCC 2020 $'000	Owing by CCC 2019 $'000	Owing to CCC 2020 $'000	Owing to CCC 2019 $'000
CCHL	–	–	2,363	74
Orion New Zealand Ltd	2,200	1,684	7	9
Christchurch International Airport Ltd	–	–	1,704	74
Lyttelton Port Company Ltd	3	–	89	75
Enable Services Ltd	8	2	14	13
City Care Ltd	10,428	9,382	13	40
Red Bus Ltd	–	63	–	–
EcoCentral Ltd	1,962	1,047	1	222
Development Christchurch Ltd	16	–	62	–
	14,617	12,178	4,253	507

22c Key management personnel compensation

The compensation of the directors and executives of CCHL parent, being the key management personnel of the entity, was $0.82m (2019: $0.78m). This comprises all short-term employee benefits.

23 Reconciliation of profit to net cash operating flows

	Note	Group 2020 $'000	Group 2019 $'000
Profit for the year		(53,044)	132,112
Add/(less) non-cash items			
Depreciation, amortisation and impairment expense		341,433	145,073
(Gains)/losses in fair value of investment property	5	(13,481)	(13,133)
(Gains)/losses in fair value of derivative financial instruments		203	1,279
Share of associates' losses		–	(1,010)
Net foreign exchange (gains)/losses		14	19
Deferred tax charged/(credited) to income	9	(46,228)	(7,068)
Capital Creditors		3,431	–
Discontinued operations	7c	1,151	653
Other		4,437	(4,272)
		290,960	121,541
Add/(less) items classified as investing or financing activities			
(Gain)/loss on disposal of non-current assets		1,086	545
Movement in capital creditors		9,576	(15,854)
Other		985	(918)
		11,647	(16,227)
Add/(less) movement in working capital items			
Debtors, inventory and other current assets		(2,087)	2,450
Non-current receivables, prepayments and other		(5,156)	(787)
Creditors and other liabilities		(6,638)	9,746
Provisions and other liabilities		4,785	(453)
Current tax liabilities		(2,127)	(270)
Non-current provisions and other liabilities		(195)	2,453
		(11,418)	13,139
Net cash from operating activities		**238,145**	**250,565**

24 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 16.

The group holds the following financial instruments:

24a Classification of financial assets and liabilities

	30 Jun 20 $'000	Quoted prices in active markets Level 1 $'000	Significant observable inputs Level 2 $'000	Significant unobservable inputs Level 3 $'000	30 Jun 19 $'000	Quoted prices in active markets Level 1 $'000	Significant observable inputs Level 2 $'000	Significant unobservable inputs Level 3 $'000
Financial assets (liabilities) at fair value								
Fair value hedge derivatives								
Derivative financial instrument assets	10,295	–	10,295	–	7,393	–	7,393	–
Derivative financial instrument liabilities	–	–	–	–	(4,324)	–	(4,324)	–
Cash flow hedge derivatives								
Derivative financial instrument assets	–	–	–	–	–	–	–	–
Derivative financial instrument liabilities	(117,818)	–	(117,818)	–	(67,892)	–	(67,892)	–
Total financial assets/(liabilities) at fair value	(107,523)	–	(107,523)	–	(64,823)	–	(64,823)	–
Financial assets/(liabilities) at amortised cost								
Cash and deposits	62,862				10,596			
Debtors and other receivables	93,787				100,975			
Loans	24,749				22,051			
Other	–				–			
Subtotal – assets	**181,398**				**133,622**			
Creditors and other payables	(113,087)				(119,747)			
Borrowings and lease liabilities	(2,123,577)				(1,833,454)			
Subtotal – liabilities	(2,236,664)				(1,953,201)			
Net financial assets/(liabilities) at amortised cost	(2,055,266)				(1,819,579)			
Total financial assets and liabilities	**(2,162,789)**				**(1,884,402)**			

24b Non-financial assets measured at fair value

	Carrying value 30 Jun 20 $'000	Quoted prices in active markets Level 1 $'000	Significant observable inputs Level 2 $'000	Significant unobservable inputs Level 3 $'000	Carrying value 30 Jun 19 $'000	Quoted prices in active markets Level 1 $'000	Significant observable inputs Level 2 $'000	Significant unobservable inputs Level 3 $'000
Property, plant and equipment	3,531,148	–	115,853	3,415,295	2,750,407	–	80,823	2,669,584
Investment property	571,658	–	–	571,658	491,202	–	–	491,202
	4,102,806	**–**	**115,853**	**3,986,953**	**3,241,609**	**–**	**80,823**	**3,160,786**

Analysis of movements in Level 3 assets

	30 Jun 20 Total $'000	P,P&E $'000	Investment property $'000	30 Jun 19 Total $'000	P,P&E $'000	Investment property $'000
Opening carrying value	3,160,786	2,669,584	491,202	3,063,780	2,634,932	428,848
Additions	345,709	298,289	47,420	135,525	86,304	49,221
Disposals	(1,048)	(1,048)	–	(1,350)	(1,350)	–
Transfer (to)/from investment property	–	(19,555)	19,555	–	–	–
Fair value movements	137,445	123,964	13,481	41,057	27,924	13,133
Depreciation	(77,253)	(77,253)	–	(72,726)	(72,726)	–
Reclassified assets and impairments	421,314	421,314	–	(5,500)	(5,500)	–
Closing carrying value	3,986,953	3,415,295	571,658	3,160,786	2,669,584	491,202

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 polices 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 $100m (2019: $175m) of debt held by Christchurch International Airport Ltd which is matched by an interest rate swap agreement in place with a notional amount of $100m (2019: $175m) whereby the company receives a fixed rate of interest of 4.13% and pays interest at a variable rate on the notional amounts. The swap is being used to hedge the exposure to changes in the fair value of its 4.13% $100m bond. The accumulated fair value hedge adjustments made on the carrying amount of these bonds total $10.3m (2019: $7.1m), resulting in total carrying value of the fair valued hedged debt of $110m (2019: $182m).

The CCHL parent company has total fixed rate debt held at amortised cost of $519.5m (2019: $509.5m). 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 $571m (2019: $552.9m).

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

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

25 Statement of accounting policies

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

The following new accounting standards became effective during the period.

The group changed its accounting policies following the adoption of NZ IFRS 16, *Leases* ("NZ IFRS 16").

NZ IFRS 16 became effective on 1 July 2019 (the transition date) for the Group. NZ IFRS 16 has removed the distinction between operating and finance lease and requires the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted.

On transition, the Group applied the modified retrospective transition method as permitted under the specific transition provisions in the standard. Under this transition approach, comparative figures are not restated.

The group elected to apply the practical expedient to not reassess whether a contract is, or contains, a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under NZ IAS 17, *Leases* ("NZ IAS 17") and NZ IFRIC 4 Determining whether an arrangement contains a lease were not reassessed. The definition of a lease under NZ IFRS 16 was applied only to contracts entered into or modified on or after 1 July 2019.

The group took advantage of the following practical expedients available when applying NZ IFRS 16 on the transition date to leases previously classified as operating leases under NZ IAS 17:

- A single discount rate has been applied to a portfolio of leases with similar characteristics;
- Rely on previous assessments of whether a lease is onerous applying NZ IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*;
- Leases of low-value assets have not been recognised as right-of-use assets;
- Leases with 12 months or less remaining have been accounted for as short-term leases with no right-of-use asset recognised;
- Initial direct costs have been excluded from the measurement of the right-of-use asset; and
- Use hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

Leases previously classified as operating leases under NZ IAS 17 were initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payment that are based on an index or a rate,
- amounts expected to be payable by the Group under residual value guarantees,
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right of use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right of use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs; and
- expected restoration costs.

Right of use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the Right of use buildings held by the Group.

Right of use buildings held by the group.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Group	
Weighted average incremental borrowing rate on transition date (NZ IFRS 16.C12(a))	
Weighted Average Incremental Borrowing rate:	3.25%
Lease liability recognised	68,440
Reconciliation to operating lease commitments (NZ IFRS 16.C12(b)	
Operating Lease Commitments at 30 June 2019	47,439
Short-term leases and leases of low-value assets (negative)	(526)
Effect of discounting the above amounts (negative)	(5,662)
Finance lease liabilities recognised under NZ IAS 17 at 30 June 2019	–
Present value of the variable lease payments that depend on a rate or index (negative)	–
Present value of the lease payments due in periods covered by extension options that are included in the lease term and not previously included in operating lease commitments	27,449
Other	(260)
Lease liabilities recognised at 1 July 2019	**68,440**

No other new accounting standards or interpretations that will become effective after the period are expected to have a material impact on the group.

Performance statement

26 Performance against Statement of Intent targets

The Statement of Intent ('SoI') issued by CCHL last year in respect of the 2019/20 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 2020 with the financial targets contained within the SoI:

	Group Actual $'000	Group Target $'000
Financial performance targets		
Net Profit after tax	(53,044)	92,000
Net debt/net debt plus equity (%)	51.8%	52.0%
Interest cover (times)	(0.06)	2.8
Dividends to Christchurch City Council	22,000	48,300
Return on average equity (%)	-2.9%	4.9%

Group profit for the period and return on average equity

The Group's profitability and return on average equity are lower than SoI targets mainly due to the impact of COVID-19 and the revaluation of LPC CGU to fair value.

Group Interest cover

The Group interest cover ratio has been significantly impacted by the revaluation of LPC CGU to fair value. Removal of this non-cash adjustment from the calculation results in a Group interest cover ratio of 2.35 times.

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 $22m, this is less than the expected $48.3m SoI target. With the impact of COVID-19 on the Group results and the uncertainty on future financial impacts, the CCHL Board decided to not declare a final dividend for the 2020 financial year.

Non-financial performance targets – CCHL Parent

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

	Objective	Performance target	Performance
1	CCHL maintains a strategic direction that is consistent with that of 100% shareholder Christchurch City Council (CCC).	CCHL will submit a draft SoI for 2020/21 for approval to CCC by 1 March 2020.	Achieved
		CCHL will issue letters of expectation to and engage with subsidiary companies prior to the 2020 SoI round regarding the structure and content of the group SoIs.	Achieved
		CCHL will review the companies' performance in the context of its statutory obligations under the Local Government Act.	Achieved
2	CCHL keeps CCC informed of all significant matters relating to CCHL and its subsidiaries, within the constraints of commercial sensitivity and NZX listing requirements.	Major matters of urgency are reported to CCC at the earliest opportunity.	Achieved
		CCHL will provide a quarterly report showing progress against SoI targets. which will be submitted to the agreed Council committee.	Achieved
		CCHL will attend Committee meetings and report as required.	Achieved
3	CCHL manages its continuous disclosure requirements for NZX effectively.	Matters of material impact are disclosed in line with CCHL framework for continuous disclosure.	**Achieved** – all NZX disclosure requirements completed on time.
4	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.	**Achieved** – All policy reviews completed in August 2019.
5	Directors make an effective contribution to the CCHL board, and their conduct is in accordance with generally accepted standards.	The Chair will conduct a board effectiveness review with the Board.	**Not applicable in FY20** as the Chair conducts the board effectiveness review with the Board on a triennial basis. The next board effectiveness review is due to be completed in FY21.
6	CCHL's process for the selection and appointment of directors to the boards of subsidiary companies is rigorous and impartial and is aligned with governance best practice including supporting diversity of thought around the board table.	The process followed for each appointment to a subsidiary company board is transparent, fully documented and in line with approved policies and procedures.	**Achieved** – Director appointments made during the year complied with Council/CCHL policies.
		CCHL will actively monitor board diversity (considering all relevant diversity perspectives/measures) across the CCHL Group.	**Achieved** – monitored as regular governance appointment processes.
7	CCHL maintains contact with subsidiary company boards, and remains aware of their strategic and business issues.	CCHL receives a report noting progress against performance on a quarterly basis from its subsidiaries.	**Achieved** – New reporting format agreed post LGA amendments (Nov 19) including dashboard quarterly report against SoI targets plus periodic strategic performance reports.
		CCHL management will meet with subsidiary company management regularly to review current performance and strategic focus areas.	**Achieved** – At least quarterly meetings with subsidiary CEO and CFO.

Group strategic, financial and sustainability objectives

	Objective	Performance target	Performance
1	CCHL and its 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 it's capital structure and that of each subsidiary company on an ongoing basis. CCHL will implement an intra-group funding (IGFF) programme to support the growth of its subsidiaries and provide lower cost of funding for the Group.	**Achieved** – Capital structure considered through annual benchmarking review. **Achieved** – IGFF established and two IGF facilities in place (City Care ($10m) and LPC ($65m)) with material interest rate savings in line with the business case.
2	Subsidiary and monitored companies adopt strategies that are compatible with the strategic direction of CCHL and CCC.	CCHL will actively engage with subsidiary companies to ensure they are strategically aligned with shareholder expectations. CCHL will continue to work actively with its subsidiaries to ensure that (where appropriate) regional growth initiatives are included in their business strategies.	**Achieved** – Letter of expectations (LOE) issued in Dec 19 and COVID-19 LOE issued on 25 March 2020. **Achieved** – During FY20, to support strategic alignment of subsidiaries with shareholder expectations, CCHL provided: (a) letters of expectation to all subsidiaries; and (b) feedback on all subsidiary company draft statements of intent. In addition, the CCHL Chair, CEO and CFO engaged with the respective subsidiary Chairs, CEOs and CFOs during the year, both formally (through CCHL Group-wide Chair, CEO and CFO forums, and informally (as strategic matters required). Finally, during FY20, all subsidiary company Chairs and CEOs met with the CCHL Board to provide a strategic update and receive strategic feedback from the CCHL Board.
3	Subsidiary companies set and attain environmental, social and innovative performance objectives that are compatible with their activities, commercial nature and other objectives.	CCHL will encourage its subsidiary companies to include relevant and appropriate environmental, social and innovative objectives and performance targets in their respective SoIs. CCHL will work with its subsidiary companies to create an Integrated reporting framework over the next three years.	**Achieved** – SoIs for FY20 have commitments to develop appropriate environmental plans. Sustainability stocktake project of Group completed. Decarbonisation Strategy Project initiated between CCHL, Orion and CIAL. **Achieved** – Progress towards goal achieved with introduction of strategic pillars into reporting.

CCHL Parent financial objectives

	Objective	Performance target	Performance
1	CCHL financial and distribution performance meets the shareholder's expectations.	CCHL pays a dividend for the 2020 financial year that meets or exceeds budget, and achieves the other budgeted key performance measures set out in their SoI.	**Not Achieved** – Due to the impact of COVID-19 on the Group, the dividend payment to Council for the year to June 2020 was less than budget.
2	CCHL's investments provide an appropriate return in relation to their business risk, and against external benchmarks.	CCHL will annually review the performance of its major subsidiary companies against external benchmarks, and assess the value of the investment in the individual company in relation to its inherent business risk and community benefits.	**Achieved** – benchmarking review completed with independent advisors in April 2020.
3	CCHL's treasury management policies and practices are consistent with best practice.	CCHL's treasury management policies are reviewed on an annual basis.	**Achieved** – Treasury policy reviewed by CCHL Audit and Risk Committee and approved by CCHL Board in April 2020.

Non-financial performance targets – CCHL Group

The achievement of key significant non-financial performance measures for each of our significant subsidiaries (Orion, CIAL, LPC, ESL and CityCare) as set out in their SoI's are described in the following tables.

Orion

	Objective	Performance target	Performance
1	Network reliability	Duration of supply interruptions per connected customer: SAIDI 73 SAIFI 0.9	**Achieved** – SAIDI 68 **Achieved** – SAIFI 0.7
2	Network development	Upgrade Highfield zone substation from 33kV to 66kV. Install at least 100 low voltage monitoring devices around the network.	**Achieved** **Materially achieved** with 96 installed during the period.
3	Sustainability	Measure the electricity distribution network resource consumption footprint. Keep annual (SF_6) gas losses to the atmosphere from our network equipment below .8% per year.	**Achieved** – a comprehensive review of business assets was undertaken to identify information on life cycle and determine where they can improve knowledge and management. **Not Achieved** – .86%
4	Health & Safety	No serious safety events impacting employees or contractors.	**Not achieved** – 1 serious event during the year involving an employee that did not result in an injury. 3 serious events involving contractors, 2 of which resulted in injury.
5	Community and employment	Ensure Connetics has sustainable industry competence via its apprentice and electrical training schemes.	**Achieved** – Connetics employed 29 apprentices and 11 other employees in training to gain industry qualification licences.

Christchurch International Airport Ltd

	Objective	Performance target	Performance
1	Passenger numbers	Domestic – 5,038,593 International – 1,836,859	**Not Achieved** Domestic – 3,886,462 International – 1,308,520
2	**Sustainability**		
	Carbon	20% reduction on CIAL carbon emissions benchmarked against FY16.	**Achieved** – Scope 1, 2, and 3 emissions for FY20 were 2281.12TCO2-e. This is a 51% reduction from FY16 baseline year.
	Waste	Work with airlines to achieve greater recycling of waste off aircraft.	**In progress** – Quarantine waste investigation underway aiming to decrease quarantine waste to landfill, through a transitional waste sortation facility.
	Energy	Domestic jet ground power stands commissioned.	**Materially achieved** – Jet ground power installed at all international stands. except Gate 16 & 17 still to be completed. Overall 80% completed with 20% deferred.
	Water	Install accurate water metering devices to better understand passenger terminal water use.	**Materially achieved** – Telemetry devices installed across CIAL campus. These are currently being tuned with the end goal of being able to provide live water usage information.
	Noise	Noise complaints are limited to 10 per 10,000 aircraft movements per annum.	**Materially achieved** – Noise complaints in relation to CIAL managed operations were limited to 10 per 10,000 aircraft movements with the exception of March, May and June, due to the significant drop in aircraft movements in this period but consistent number of noise complaints.
3	Health & Safety	Incremental improvements in our annual culture and engagement survey for health, safety and wellbeing.	**Achieved** FY20 (2021) – overall 86% FY19 (2020) – overall 80%
4	People – to be a fair employer that celebrates equality and diversity	Activate Wawata Iwi Fair Employer Charter.	**Achieved** – A new set of Diversity and Inclusion questions (which align with CIAL's Fair Employer Charter) were included in their last annual culture engagement survey. Over 80% of their team agreed or strongly agreed with the questions asked which provides a solid foundation to work from when developing their Diversity, Inclusion and Belonging framework later in 2020.

Lyttelton Port Company Ltd

	Objective	Performance target	Performance
1	Operational	Gross Crane rate (containers per hour per crane) 27. Ship Rate – 65(TEU per hour per ship.	**Not achieved** Gross Crane Rate – 24 Ship Rate – 62 The above two rates were impacted by COVID-19 due to less flexible working arrangements, and organisation policy change.
		Coal load out rate 25,000 (tonnes per day).	**Achieved** – Coal load out rate 25,172.
2	Environmental	Straddle Fleet that is an electric/diesel hybrid – 65%.	**Achieved** 80%
		Ratio of rail containers through gate 11.7%.	**Achieved** 14.8%
3	Health & Safety	Significant incidents frequency rate (per 200,000 hours) – 6.4.	**Achieved** 5.4

Enable Services Ltd

	Objective	Performance target	Performance
1	Operational	Number of connections (cumulative) 123,838.	**Not achieved** – 117,690 – due to increased focus on fixed wireless services by some internet providers and the COVID-19 pandemic restricting connection activity for several weeks.
2	Total Network availability	>99.977%	**Achieved** – 99.997%
3	Health & Safety	Total recordable injury frequency rate (per million hours) <=3.0.	**Not Achieved** – TRIFR –13.20 – a deeper understanding of contractors' work activities and Health and safety practices has created greater visibility of incidents, leading to a higher than target TRIFR.
		Serious harm injuries – Nil.	**Not Achieved** –1

City Care Limited

	Objective	Performance target	Performance
1	Sustainability	Annual reduction of 2% company-wide greenhouse gas emissions normalised against annual turnover.	**Achieved**
2	Engagement	>16% of workforce to be female.	**Achieved**
		Positive customer net promoter score year on year based on an annual survey of >5 key customers.	**Achieved**
3	Health & Safety	<20 notifiable incidents.	**Achieved**
		<2 Worksafe investigations.	**Achieved**
4	Community	Coordinate safe delivery of >10,000 volunteer hours.	**Achieved**

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.

Directors' interests

The company maintains an interests register in which particulars of certain transactions and matters involving the directors are recorded. These are requirements under the Companies Act 1993. The following entries were recorded in the interests register during the year ended 30 June 2020:

Jeremy Smith
Director Farra Engineering Ltd
Director Holmes Group Ltd
Director Seamount Advisory Ltd
Director Barhill Chertsey Irrigation Ltd
Director Graymont (NZ) Ltd
Director Graymont Ltd (Canada) & Asia Pacific Subsidiaries

Vicki Buck (Resigned 5 December 2019)
Councillor CCC
Director Think Inc Ltd
Trustee Scorpio Family Trust
Trustee Otautahi Community Housing Trust
Director Otautahi Community Housing Development GP Ltd
Director Accessible Properties

Lianne Dalziel
Mayor CCC

Gregory Campbell
Director Ravensdown Aerowork Ltd
Director Ravensdown Australian Holdings Ltd
Director Soil Fertility Services Ltd
Director NZ Phosphate Company Ltd
Director Overseer Ltd
Director Ravensdown Australia Properties Pty Ltd
Director Ravensdown Fertiliser Australia Pty Ltd

James Gough
Councillor CCC
Director Gough Property Corporation Ltd
Director Gough Corporation Holdings Ltd
Chair Civic Building Ltd
Trustee Antony Gough Trust
Director The Terrace Carpark Ltd
Director The Terrace on Avon Ltd
Shareholder The Russley Village Ltd
Director & Shareholder Countrywide Residential (2018) Ltd
Board Member Canterbury District Health Board

Alex Skinner
Trustee & Chair Otautahi Community Housing Trust
Director & Chair Otautahi Community Housing Development GP Ltd
Director Alex Skinner Ltd
Director Anchorage Trustee Services Limited
Trustee Dream, Believe, Succeed Foundation
Director Effectus Ltd
National Board Member Royal NZ Plunket Trust
Independent Trustee Loyal Canterbury Lodge Investment Fund
Director Quotable Value Ltd
Director Wild in Art NZ Limited

Andrew Turner
Deputy Mayor CCC
Director ChristchurchNZ Holdings Ltd
Trustee Banks Peninsula War Memorial Society
Trustee Lyttelton Harbour Information Centre
Trustee Lyttelton Returned Services Association
Trustee Okains Bay Maori & Colonial Museum
Trustee Rod Donald Banks Peninsula Trust
Trustee The Christchurch Foundation
Shareholder Harbour Co-op
Board Member Banks Peninsula Community Board

Claire Evans (Appointed 5 August 2019)
Director Canterbury Linen Services Ltd
Trustee Emergency Care Foundation
Trustee Christchurch Symphony Trust
Director SCC Investment Ltd
Director Case Holdings Ltd
Trustee Evans & Walton Family Trusts
Director Lane Neave Holdings

Sara Templeton (Appointed 5 December 2019)
Councillor CCC

The company has arranged directors' liability insurance for all directors, and indemnified all directors and the CEO and CFO 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 22 to the financial statements. No loans were made to directors.

Board and committee attendance

The Board and the two standing committees have a number of scheduled meetings each financial year. The following table is a summary of attendance for the company's financial year ended 30 June 2020:

	Board meetings	Audit and risk management committee meetings	Governance and appointments committee meetings
	11	7	7
Jeremy Smith	11	*	5
Lianne Dalziel	11	*	*
James Gough	11	*	7
Andrew Turner	10	7	*
Claire Evans	11	*	5
Alex Skinner	11	7	*
Greg Campbell	9	4	*(2)
Sara Templeton	7	*	5
Vicki Buck	4	*	2

Not a standing member of this committee, however may be seconded on occasion so attendance in brackets.

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:

Orion New Zealand Ltd	$	Christchurch International Airport Ltd	$	Lyttelton Port Company Ltd	$	Enable Services Ltd	$	City Care Ltd	$
J Taylor	97,000	C Drayton	97,600	M Devlin	90,122	M Bowman	90,000	B Jamison	37,396
J Austin	50,000	P Reid	48,700	D Elder	57,035	C Elliott	52,180	C Price	43,940
N Crauford	25,000	J Murray	53,700	J Quinn	16,876	B Gamble	36,885	J Rolfe	40,499
J McDonald	69,000	K Morrison	53,700	M Johns	51,134	W Luff	25,465	M Todd	62,472
G Vazey	72,000	C Paulsen	53,700	B Woods	54,928	K Meads	56,180	G Darlow	44,555
B Gemmell	56,000	S Ottrey	48,700	G Gilfillan	8,787	M Petrie	49,180	P Hoogerwef	41,482
				W Dwyer	51,134	S Weenink	51,805	G Leech	58,028
				F Mules	37,171				

Red Bus Ltd	$	EcoCentral Ltd	$	Development Christchurch Ltd	$	Christchurch City Holdings Ltd	$
B Jamison	75,000	D Kerr	61,572	W Dwyer	72,229	J Smith	91,865
P Kiesanowski	40,000	B Reed	20,273	J Gregg	36,543	A Skinner	55,433
T King	34,517	S Horgan	33,850	P Houghton	31,467	G Campbell	45,933
J McDonald	33,333	M Jordan	30,773	F Mules	36,543	C Evans	41,903
L Scales	40,000	S Smith	10,500	D Wright	36,543	V Buck	8,058

Donations

CCHL made a donation of $125,672 to the The Mayor's Welfare Fund Charitable Trust during the year (2019: $61,300), and $50,000 to the Imagination Station (2019: $100,000 to Innovation and Sustainability Fund). These donations were paid in lieu of directors fees paid to CCHL Councillor Directors, as agreed with our shareholder. Donations of $315,000 (2019: $187,000) were made by subsidiaries.

Audit New Zealand
Mana Arotake Aotearoa

Employee Remuneration

The CEO of CCHL was entitled to receive a base salary of $374,710 and Kiwisaver employer contributions of 3% during the 2020 financial year. However due to the COVID-19 impact, effective from May 2020, the CEO accepted to a 20% salary reduction for six months.

Details of remuneration ranges for employees of the Group are:

100-110	236
110-120	165
120-130	84
130-140	90
140-150	54
150-160	37
160-170	23
170-180	14
180-190	16
190-200	11
200-210	9
210-220	6
220-230	4
230-240	4
240-250	4
250-260	2
260-270	5
270-280	2
280-290	1
290-300	1
300-310	5
310-320	1
320-330	2
330-340	4
360-370	3
370-380	2
380-390	1
400-410	1
430-440	2
440-450	1
450-460	2
540-550	1
670-680	1
700-710	1
890-900	1
1170-1180	1
1410-1420	1
	798

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

To the readers of Christchurch City Holdings Limited's consolidated financial statements and performance information for the year ended 30 June 2020.

The Auditor General is the auditor of Christchurch City Holdings Limited and subsidiaries (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 consolidated financial statements and the performance information of the group, on his behalf.

Opinion

We have audited:

- the consolidated financial statements of the group on pages 35 to 103, that comprise the statement of financial position as at 30 June 2020, 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 104 to 109.

In our opinion:

- the consolidated financial statements present fairly, in all material respects the financial position of the group as at 30 June 2020, and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards; and
- the performance information 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 2020.

Basis for opinion

We conducted 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 *Auditor's responsibilities for the consolidated financial statements and the performance information* section of our report.

We are independent of the group in accordance with the Auditor-General's Auditing Standards, which incorporate Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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 8b on page 70, are compatible with those independence requirements. Other than the audit and these assignments, we have no relationship with or interests in the group.

Key audit matters

Key audit matters are those that, in our professional judgement, were of most significance in our audit of the consolidated financial statements and performance information for the current period. In applying our professional judgement to determine key audit matters, we considered those matters that are complex, have a high degree of estimation uncertainty, or are important to the public because of their size or nature. During the period, the COVID-19 pandemic significantly impacted the group. The effect of the COVID-19 pandemic has been disclosed by the group in the annual report and we make reference to those disclosures where they are relevant to our key audit matters.

These key audit matters were addressed in the context of our audit of the financial statements and performance information as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	**How did the audit address this matter?**
Valuation of group property, plant and equipment	
CCHL and its subsidiary companies have sufficient (but not excessive) The carrying value of group property, plant and equipment is $3.62 billion. Group property, plant and equipment is characterised by a large number of specialised service delivery and infrastructure assets, in addition to land and buildings. The valuation of these assets requires significant judgement due to uncertainties inherent in the valuation of these assets. The following significant group asset classes that apply the revaluation model, were revalued as at 30 June 2020: • electricity distribution system; • optical fibre network; • harbour structures; • freehold land; and • buildings. Due to the varied nature of these asset classes, some are valued at optimised depreciated replacement cost, with others valued based on discounted cash flows or market based approaches. Lyttelton Port Company Land, Buildings, and Harbour structures were revalued for the first time as at 30 June 2020. An internally prepared discounted cash flow valuation was adopted. All other valuations are carried out by independent specialist valuers. Independent valuers have considered the impacts of COVID-19, and where relevant the material uncertainty in assessing fair values in the current economic environment. Note 4 to the consolidated financial statements provides information on the most recent valuations, including the impacts COVID-19 has had on valuation, and whether the valuer has disclosed a material valuation uncertainty. We consider this a key audit matter due to the significance of the carrying values to the financial statements, material uncertainty disclosed by valuers, and the judgements involved.	**Where external valuers were engaged to complete valuations:** • We read the valuation reports and met with the valuers to discuss key judgements and their approach. • We assessed the valuers' expertise for the work and their objectivity, including reading their terms of engagement and considering the existence of other engagements or relationships with the group. • We obtained representations from the valuers that the valuation approaches are in accordance with accepted professional valuation standards. • We confirmed our understanding of the valuation methodologies and key assumptions. We assessed them for compliance with the requirements of the applicable financial reporting standards (NZ IAS 16, *Property, Plant, and Equipment*, and NZ IFRS 13, *Fair Value Measurement*) and evaluated their reasonableness based on our experience and knowledge of other specialised valuations in the public sector. • We assessed the sensitivity of the valuations to changes in assumptions and confirmed that the significant assumptions and sensitivities were appropriately disclosed in the annual report. • We obtained an understanding of the source data used for the valuations. We assessed the reliability of the source data and the risk of errors or omissions in that data. **Where valuations were prepared internally by the group:** • We engaged finance and valuation experts to review the appropriateness of the valuation methodology, and key assumptions that had been used. This involved establishing a valuation based on other assumptions than those used by management, and considering alternative views on valuations such as earnings multiples of comparable companies. We reviewed the overall valuation changes and challenged the forecast assumptions adopted in the DCF model, based on historical actual performance. We ensured appropriate disclosures were made regarding uncertainties in valuations, and their sensitivity to key assumptions. We found that the valuations adopted by the group were supportable and used approaches consistent with our expectations for public sector specialised valuations.
Impairment assessment of Property, Plant and Equipment for Christchurch International Airport Limited	
Christchurch International Airport Limited (CIAL) identified the economic impact of the COVID-19 pandemic as an indicator of impairment. Where indicators of impairment are identified NZ IAS 36, *Impairment of Assets* requires the completion of a formal impairment test. CIAL completed impairment tests for the terminal and airfield cash generating unit and hotel cash generating unit to determine whether the recoverable amount of each cash generating unit exceeded its carrying amount. CIAL determined that no impairment of these cash generating units was required. However, the impairment tests were sensitive to changes in key assumptions, with small changes in those assumptions resulting in significant changes to the outcome of the impairment tests and therefore to asset carrying values. Note 4 to the financial statements provides information on the impairment tests. The carrying value of the group's other cash generating units was assessed as part of the revaluation to fair value of these assets. We consider this a key audit matter due to the significance of the carrying values to the financial statements, their sensitivity to assumptions, and the judgements involved..	**Our audit procedures for assessing both impairment tests included:** • Understanding the source data used for the assessments. We assessed the reliability of the source data and the risk of errors or omissions in that data. This included confirming appropriate adjustments were considered by the group relating to the COVID-19 pandemic. • Confirming the methodology used for the impairment assessments complied with the requirements of the applicable financial reporting standards (NZ IAS 36, *Impairment of Assets*). • Reviewing key assumptions applied and evaluating their reasonableness based on our experience and knowledge of other impairment assessments for commercial entities, and applying alternative assumptions to the assessments. • Assessing the sensitivity of the valuations to changes in assumptions and confirming that the significant assumptions and sensitivities were appropriately disclosed. In addition, for the hotel impairment test, we engaged a hotel valuation specialist to provide assurance over key assumptions compared to established industry benchmarks. We found that the impairment assessments prepared by CIAL were reasonable and supportable, and that no impairment was required in the financial statements.

Key audit matter	**How did the audit address this matter?**
Valuation of Investment Property	
The group's investment property portfolio comprises industrial, commercial and retail investments in the area surrounding Christchurch International Airport. Investment properties are revalued annually by independent valuers. The value of the portfolio is $571.7 million as at 30 June 2020. The value of the portfolio continues to grow as available land is developed for further investment properties. Changes in use, as a result of development or changes in the business, can result in transfers of properties between investment property and property, plant and equipment. Note 5 to the consolidated financial statements provides information on the valuation and the movements in the investment property balance since the previous year. The valuation of investment property applies assumptions that include adjustments for the impact of the COVID-19 pandemic on the group's investment property. The adjustments include amendments to reflect such matters as rental abatements, or concessions. There is also a lower volume of sales transactions to consider, when establishing fair values, resulting in higher estimation uncertainty. As such the valuer has concluded a material valuation uncertainty exists with regard to the valuation. Further information regarding these uncertainties is contained in note 5. We consider this a key audit matter due to the significance of the carrying value and fair value gains, the material uncertainty disclosed by the valuer, and because of the judgements involved in determining fair value.	**Our audit procedures included:** • Reviewing any changes in use of properties and considered whether they were correctly classified as either investment property or property, plant and equipment. • Reading the valuation report and meeting with the valuer to discuss the valuation. We assessed the valuer's expertise for the work and their objectivity, including reading their terms of engagement and considering the existence of other engagements or relationships. • Obtaining representations from the valuer that the valuation was in accordance with accepted professional valuation standards. • Confirming our understanding of the valuation methodology and key assumptions. We assessed them for compliance with the requirements of the applicable financial reporting standards (NZ IAS 40, *Investment Property*, and NZ IFRS 13, *Fair Value Measurement*) and evaluated their reasonableness based on our experience and knowledge of other valuations. • Engaging a property valuation specialist to assist with the assessment of the methodologies applied and critique and challenge the key assumptions used by the valuers, including the appropriateness of the assumptions made for COVID-19 impacts. • Obtaining an understanding of the market data sources used by the valuer and the reliability of this data. Specifically we considered the impacts of the material valuation uncertainty disclosed by the valuer. • Confirming a sample of lease term information (such as current rental rates) back to the lease documents and sample testing valuation calculations. • Assessing the sensitivity of the valuations to changes in assumptions and confirming that the significant assumptions and sensitivities were appropriately disclosed. • Reviewing the overall valuation changes and obtaining explanations from the valuers for any significant or unusual changes in value. We considered the adequacy of the disclosures made in note 5 to the financial statements, particularly in relation to the key assumptions and significant uncertainties in value as a result of COVID-19. We found that the valuations adopted by the group were reasonable and supportable, and the disclosures about valuation uncertainty were appropriate.
Valuation of Investment in Subsidiaries at fair value	
The group is required to comply with NZ IFRS 8, *Operating Segments*. Operating segments are defined as each company in the group, including the parent entity. Because of the structure of the operating segments, a consequence is that the parent's investment in subsidiaries of $2.93 billion is disclosed in aggregate within total assets in the 'Parent' operating segment. Note 16(a) to the consolidated financial statements provides information on how the group determines fair value of its investments in subsidiaries. The group values its investments in subsidiaries annually because it has designated them under NZ IFRS 9, *Financial Instruments* as fair value through other comprehensive income. The group engages specialist valuers to complete the revaluations because of the complexity and significance of assumptions applied. The valuation of investments in subsidiaries applies assumptions and forecasts that include adjustments for the impact of the COVID-19 pandemic. These forecasting assumptions present a higher degree of estimation uncertainty in the current economic environment. We consider this a key audit matter due to the significance of the carrying value of investments, the public interest in the valuations, and their sensitivity to changes in key assumptions.	**Our audit procedures included:** • Reading the valuation reports and meeting with the valuers to discuss key inputs and assumptions. • Assessing the valuers' expertise for the work and their objectivity, including reading their terms of engagement and considering the existence of other engagements or relationships with the group. • Obtaining representations from the valuers that the valuation approaches are in accordance with accepted professional valuation standards. • Confirming our understanding of the valuation methodology and key assumptions. We assessed them for compliance with the requirements of the applicable financial reporting standards (NZ IFRS 9, *Financial Instruments*, and NZ IFRS 13, *Fair Value Measurement*) and evaluated their reasonableness based on our experience and knowledge of other valuations in the public sector. • Obtaining an understanding of the market data sources used by the valuer and the reliability of this data. Specifically we considered the impacts of the material valuation uncertainty disclosed by the valuer. • Assessing the robustness of forecast cash flow information, by reviewing the process to develop forecasts, and assessing forecasts against historical actual performance. • Confirming the appropriateness of discount rates applied, by reviewing the reasonableness of inputs used, and comparing these to discount rates applied for similar entities. • Assessing the sensitivity of the valuations to changes in assumptions and confirming that appropriate disclosure is included in the annual report. • Reviewing the overall valuation changes and obtaining explanations from the valuers for any significant or unusual changes in value. We found that the valuations adopted by the group were reasonable and supportable, and appropriate disclosures were made in the annual report.

Audit New Zealand
Mana Arotake Aotearoa

Other information

The directors are responsible on behalf of the group for the other information. The other information comprises the information included on pages 1 to 34, 110 to 112, and 118 to 124 of the annual report, but does not include the consolidated financial statements and the performance information and our auditor's report thereon.

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

Directors' responsibilities for the consolidated financial statements and the performance information

The directors are responsible on behalf of the group for the preparation and fair presentation of the consolidated financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The directors are also responsible for preparing the performance information.

In preparing the consolidated financial statements and the performance information, the directors are responsible on behalf of the group for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

The directors' responsibilities arise from the Financial Markets Conduct Act 2013 and the Local Government Act 2002.

Auditor's responsibilities for the consolidated financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the consolidated 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 conducted in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of readers taken on the basis of these consolidated 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. We also:

- Identify and assess the risks of material misstatement of the consolidated 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.
- 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the appropriateness of the reported performance information within the group's framework for reporting its performance.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the 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 consolidated 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.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the performance information, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements of the group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the 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 during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements and the performance information of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Our responsibilities arise from the Public Audit Act 2001.

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

21 October 2020

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 shareholder to ensure the ongoing health and viability of the company.

The Board represents, and promotes the interests of the shareholder with a view to adding long-term value to the company.

The Board has all the powers necessary for managing, 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 the following are established and overviewed:

- Company goals and strategies in place for achieving them;
- Policies for strengthening the performance of the company and subsidiaries;
- The role the company and its subsidiaries can play in the provision of essential infrastructure services for the region;
- The performance of subsidiaries;
- The company's financial position and the ability to meet its debts and other obligations when they fall due;
- 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;
- The company approves and implements its business plan and Statement of Intent (SoI);
- The company reviews and approves it's capital investments and distributions, and
- 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.

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 CCC 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. Information is communicated to CCC through periodic reports, occasional seminars and through both the annual report and the half yearly report.

The Board recommends to CCC the appointment of directors to subsidiary companies.

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 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, at all reasonable times, 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 Chairperson (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 them 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 Chair 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 (ARMC) manages the efficiency and effectiveness of the external audit functions. The ARMC reviews the annual and half-yearly financial statements prior to their approval by the Board, the effectiveness of management information and systems and the financial role of management and policy. The ARMC also keeps under review risk management issues and practices of CCHL.
- The Governance & Appointments Committee 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 shareholder, and in setting the company's strategy and seeing that it is implemented.

The Board comprises eight directors: four councillors and four independent directors. This mix is to ensure that the Board has the confidence of the CCC and has strong commercial expertise so that it can effectively carry out its role as a buffer between the CCC 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 and 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.

Gender diversity

CCHL has adopted a Diversity and Inclusion Policy, a copy of which can be found on the website.

As at balance date and the date of this report, the Board comprised three female directors out of a total of eight (2019: three out of eight). The Executive team comprises one male and one female, which is unchanged from the prior year.

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 three 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, the CEO and the CFO 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 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.

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; and
- Meets business plan and SoI targets set by the Board.

The CEO is expected to act within all specific authorities delegated to them by the Board.

Continuous disclosure obligations

Under the Financial Markets Conduct Act 2013 and the NZX Listing Rules, CCHL must (subject to certain exceptions) immediately disclose any "Material Information" to the NZX of which CCHL, its directors or senior managers become aware.

Material Information is any information which a reasonable person would expect (if available to the market) to have a material effect on the price of the Bonds.

Information is likely to be material if it is not generally available to the market and it relates to CCHL's ability to make interest payments to the holders of the Bonds, or repay the principal amount of the Bonds on maturity, and any information that relate to those factors.

Investor relations

Investor Centre

CCHL's website, www.cchl.co.nz, enables Bondholders to view information about the Group, including SoIs, annual reports for CCHL and its subsidiaries and announcements.

Bondholder Interest Payments

Interest is paid semi-annually in June and December each year, until redemption.

Registrar

Computershare Investor Services Limited is the registrar with responsibility for administering and maintaining the Bond Register. Computershare can be contacted directly:

Computershare Investor Services Limited
Private Bag 92119
Auckland 1142
Level 2, 159 Hurstmere Road
Takapuna
Auckland 0622

Telephone **+64 9 488 8777**
Email **enquiry@computershare.co.nz**

Managing your Bondholding online

To view and update your bondholder details please visit www.investorcentre.com/nz.

Bondholder Distribution and Holdings

In line with clause 10.4.5 of the NZX listing rules, the following table details the spread of bondholders as at 15 September 2020:

	CH010		CH020		Combined	
	Holder count	Holding quantity	Holder count	Holding quantity	Holder count	Holding quantity
5,000 to 9,999	9	49,000	7	43,000	16	92,000
10,000 to 49,999	118	2,330,000	19	377,000	137	2,707,000
50,000 to 99,999	26	1,587,000	9	580,000	35	2,167,000
100,000 to 499,999	19	4,273,000	9	1,864,000	28	6,137,000
500,000 to 999,999	8	4,963,000	1	524,000	9	5,487,000
1,000,000 to 9,999,999,999,999	14	136,798,000	15	146,612,000	29	283,410,000
Total	**194**	**150,000,000**	**60**	**150,000,000**	**254**	**300,000,000**

The 20 largest bondholders as at 15 September 2020 were:

CH010 – Maturing December 2022

Rank	Name	$ Holdings	% of total
1	BNP Paribas Nominees (NZ) Ltd – NZCSD <COGN40>	28,496,00	19.00
2	Citibank Nominees (New Zealand) Ltd – NZCSD <CNOM90>	24,227,000	16.15
3	Tea Custodians Ltd Client Property Trust Account – NZCSD <TEA C40>	12,662,000	8.44
4	Forsyth Barr Custodians Ltd <1-CUSTODY>	12,098,000	8.07
5	BNP Paribas Nominees (NZ) Ltd – NZCSD <BPSS40>	11,059,000	7.37
6	JP Morgan Chase Bank NA NZ Branch Segregated Clients Acct – NZCSD <CHAM24>	10,430,000	6.95
7	National Nominees Ltd – NZCSD <NNLZ90>	10,000,000	6.67
8	HSBC Nominees (New Zealand) Ltd – NZCSD <HKBN90>	9,435,000	6.29
9	Investment Custodial Services Ltd <A/C C>	7,513,000	5.01
10	FNZ Custodians Limited	3,065,000	2.04
11	Lynette Therese Erceg & Darryl Edward Gregory & Catherine Agnes Quinn <Saint Jude's A/C>	3,000,000	2.00
12	Forsyth Barr Custodians Limited <Account 1 E>	1,922,000	1.28
13	Custodial Services Ltd <A/C 1>	1,891,000	1.26
14	Investment Custodial Services Ltd <990058098>	1,000,000	0.67
15	ANZ Custodial Services New Zealand Ltd <PBNK90>	957,000	0.64
16	FNZ Custodians Ltd <DTA Non Resident A/C>	930,000	0.62
17	Thomas Hermann Grothe	576,000	0.38
18	HSBC Nominees (New Zealand) Ltd A/C State Street – NZCSD <HKBN45>	500,000	0.33
18	Investment Custodial Services Ltd <990050855>	500,000	0.33
18	Investment Custodial Services Ltd <99055142>	500,000	0.33
18	JB Were (NZ) Nominees Ltd <57812 A/C>	500,000	0.33
18	JB Were (NZ) Nominees Ltd <57813 A/C>	500,000	0.33

CH020 – Maturing November 2024

Rank	Name	$ Holdings	% of total
1	BNP Paribas Nominees (NZ) Ltd – NZCSD <COGN40>	48,709,000	32.47
2	BNP Paribas Nominees (NZ) Ltd – NZCSD <BPSS40>	11,953,000	7.97
3	National Nominees Ltd – NZCSD <NNLZ90>	11,900,000	7.93
4	Tea Custodians Ltd Client Property Trust Account – NZCSD <TEA C40>	11,380,000	7.59
5	Citibank Nominees (New Zealand) Ltd – NZCSD <CNOM90>	11,080,000	7.39
6	HSBC Nominees (New Zealand) Ltd – NZCSD <HKBN90>	10,338,000	6.89
7	ANZ Fixed Interest Fund – NZCSD <PNL90>	9,800,000	6.53
7	HSBC Nominees (New Zealand) Ltd A/C State Street – NZCSD <HKBN45>	9,800,000	6.53
9	NZPT Custodians (Grosvenor) Ltd – NZCSD <NZPG40>	7,400,000	4.93
10	Forsyth Barr Custodians Ltd <1-CUSTODY>	5,852,000	3.90
11	FNZ Custodians Limited	2,445,000	1.63
12	Risk Reinsurance Ltd	2,000,000	1.33
13	JP Morgan Chase Bank NA NZ Branch Segregated Clients Acct – NZCSD <CHAM24>	1,700,000	1.13
14	Custodial Services Ltd <A/C 1>	1,255,000	0.84
15	University of Otago Foundation Trust	1,000,000	0.67
16	Forsyth Barr Custodians Limited <Account 1 E>	524,000	0.35
17	Custodial Services Ltd <A/C 3>	455,000	0.30
18	James Hargest High School Board	300,000	0.20
19	Custodial Services Ltd <A/C 4>	266,000	0.18
20	Westpac Banking Corporate NZ Financial Markets Group – NZCSD <WPAC40>	223,000	0.15

Directory

Registered Office
Level 1, 151 Cambridge Terrace
Christchurch

Directors
J B Smith (Chair)
L A Dalziel
C A Evans (Appointed 5 August 2019)
J T Gough
A M G Skinner
A D Turner
G S Campbell
S Templeton (Appointed 5 December 2019)
V S Buck (Resigned 5 December 2019)

Management team
P Munro – Chief Executive
L Scales – Chief Financial Officer
S Ballard – Treasurer

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 1, 151 Cambridge Terrace
PO Box 1151, Christchurch 8140

Telephone: (03) 941 8475
Email: info@cchl.co.nz
Web site: www.cchl.co.nz

Supervisor
Public Trust
Level 9, 34 Shortland Street
Auckland 1010

Telephone:
Email cts.enquiry@publictrust.co.nz

Group contact details

Orion New Zealand Limited
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Christchurch International Airport Limited
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Website: www.christchurch-airport.co.nz

Lyttelton Port Company Limited
41 Chapmans Rd, Woolston
Private Bag 501, Lyttelton 8841

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Enable Services Limited
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City Care Limited
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Red Bus Limited
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EcoCentral Ltd
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Development Christchurch Ltd
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Christchurch City Holdings Limited

Christchurch City Holdings Ltd

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