ORION

CHRISTCHURCH AIRPORT

LYTTELTON PORT COMPANY

ENABLE SERVICES

CITY CARE

RED BUS

ECOCENTRAL

Christchurch City Holdings Limited is a wholly-owned subsidiary of Christchurch City Council.

cchl

Christchurch City Holdings

2014 ANNUAL review.

2014 snapshot

$1.1 billion

the capital and dividend payments CCHL has made to the Council since 1995

Allowing major investments in community assets, while reducing the impact on rates.

$52.0 million

the dividend CCHL paid

to the Christchurch City Council for the 2014 year. This exceeded the budgeted $46m in CCHL's Statement of Intent.

6,000

the number of people employed at the Christchurch airport campus

20

the number of city/district council clients serviced by City Care

7.2%

The rise in container volumes into Lyttelton Port

9,400

the average number of Red Bus passenger trips per day

2015 & beyond

The CCHL group has grown significantly in value over the years, and the Council is in the fortunate position of owning a valuable portfolio of trading assets. We understand that over the next few months the Council will be developing a number of options to address its forecast funding shortfall, which may or may not include a restructuring of the CCHL group, and that these will be put out for public consultation as part of its Long Term Plan in March – April 2015.

190,000

the number of homes and businesses Orion distributes power to

seven

the number of subsidiary companies that make up CCHL

Orion, Christchurch Airport, Lyttelton Port Company, Enable Services, City Care, Red Bus and EcoCentral.

107,300

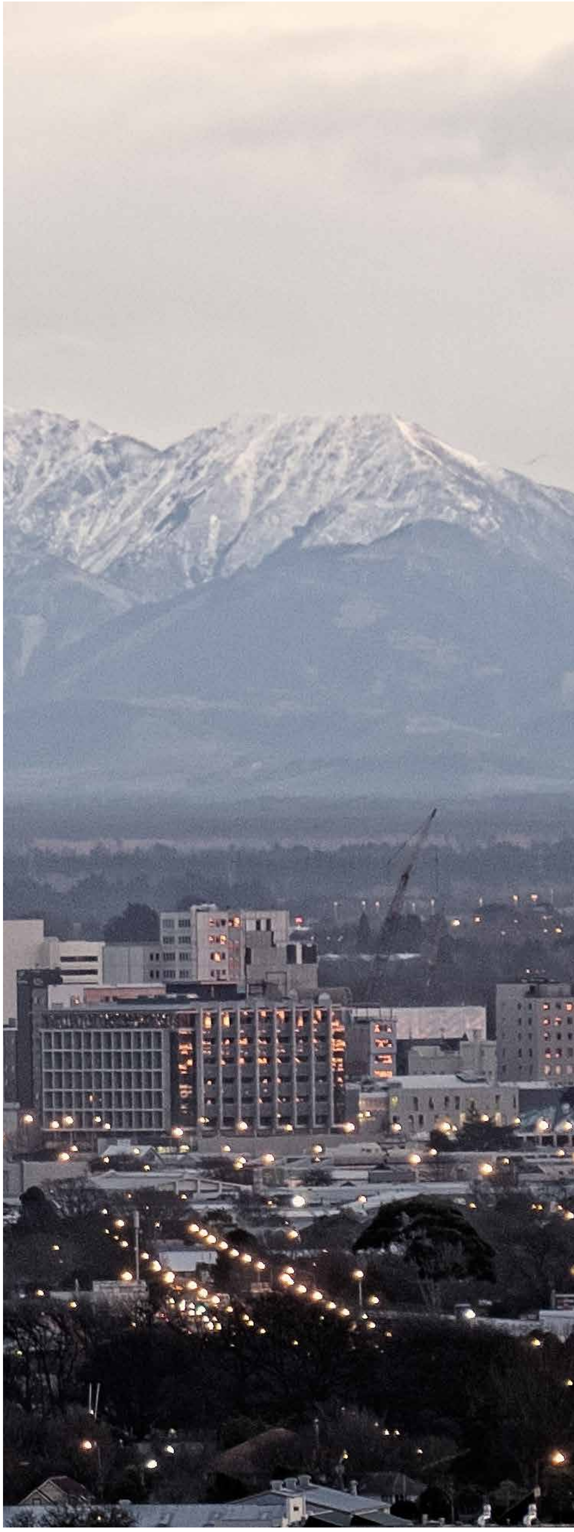
tonnes of material diverted from landfill by EcoCentral

56,000

the number of homes, businesses, schools & healthcare facilities that can now access fibre broadband services

the rebuild

The CCHL group continues to play a vital role in the re-build of Christchurch and Canterbury following the series of earthquakes that struck the region in 2010 and 2011. CCHL remains ready to assist its 100% shareholder Christchurch City Council as it addresses the multitude of challenges in rebuilding Christchurch.



Contents

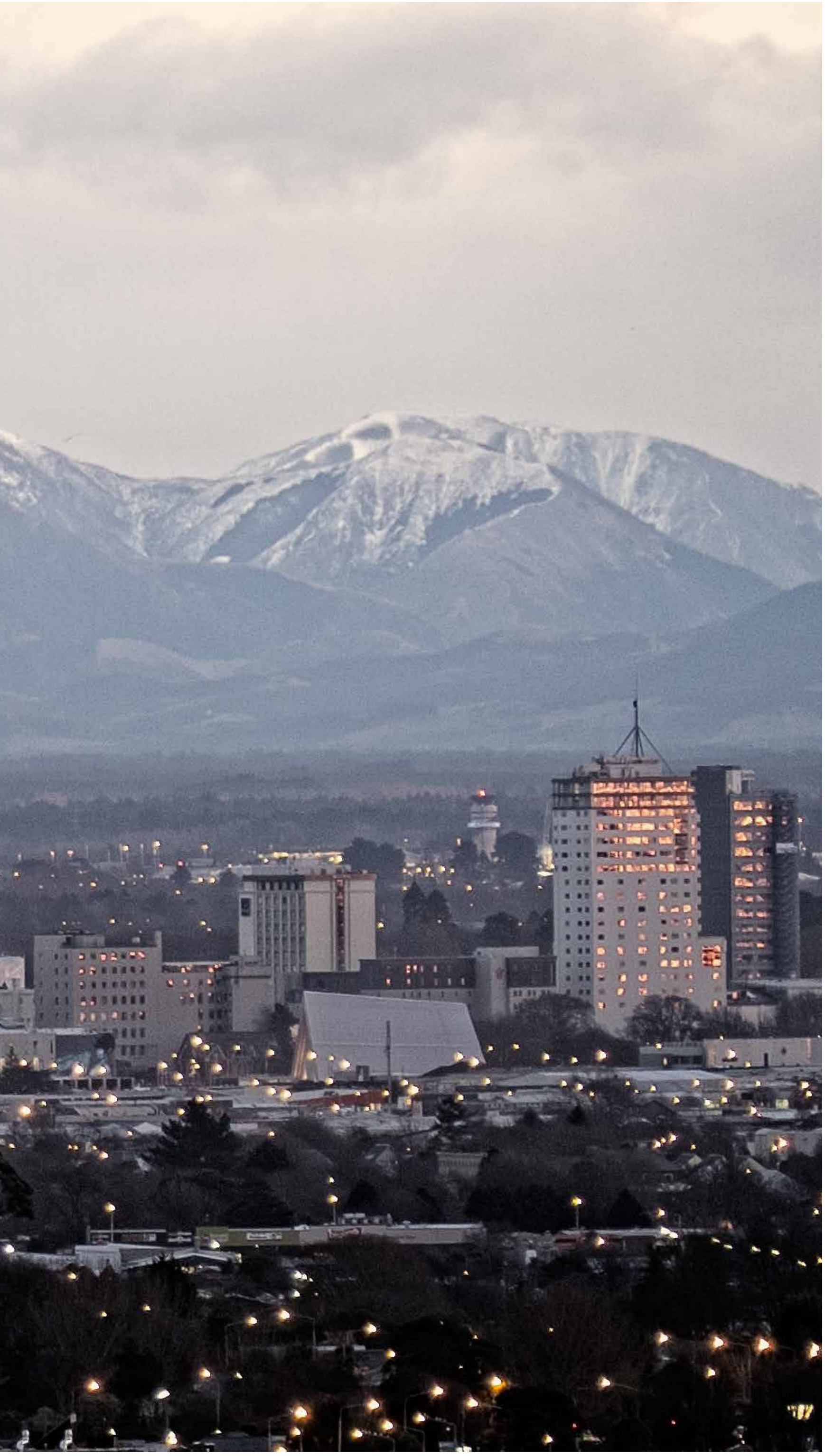
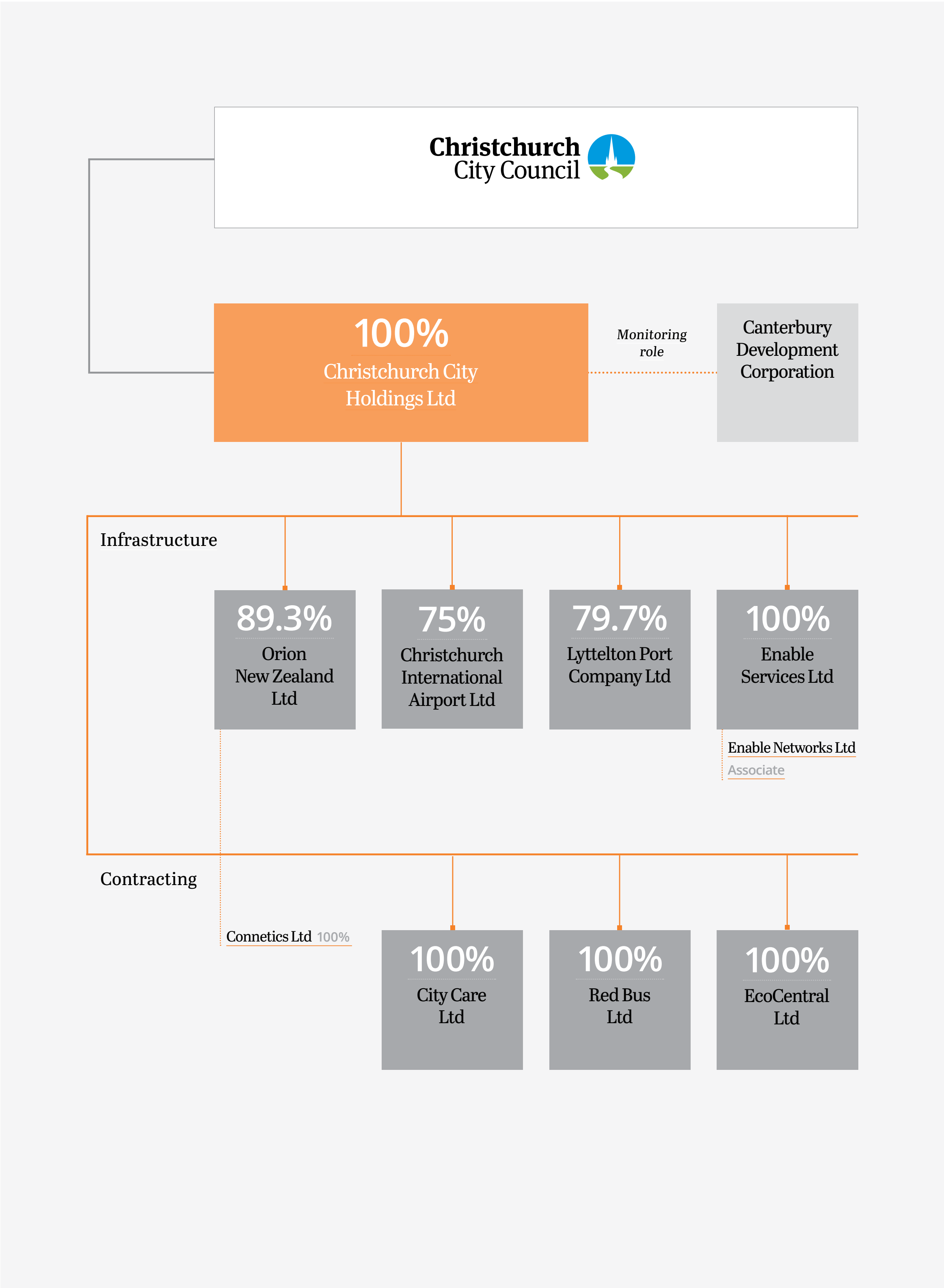


Photo courtesy www.rsphotos.co.nz

THE CCHL Group



ABOUT CCHL

Christchurch City Holdings Ltd (CCHL) is the commercial and investment arm of Christchurch City Council (the Council). The company is responsible for managing the Council's investment in seven fully or partly-owned trading companies –

Orion New Zealand Ltd, **Christchurch International Airport Ltd**, **Lyttelton Port Company Ltd**, **Enable Services Ltd**, **City Care Ltd**, **Red Bus Ltd** and **EcoCentral Ltd**.

CCHL also monitors the Canterbury Development Corporation on behalf of the Council.

Investing in the City's infrastructure

CCHL's key purpose is to invest in and promote the establishment of key infrastructure. This now extends to assisting the Council in the rebuild and redevelopment of Christchurch following the Canterbury earthquakes, and to working with the Council as it formulates its long term financial strategy and reviews the structuring of its assets.

CCHL's approach is to identify infrastructural needs that either are not or cannot be filled by the private sector or existing Council operations. CCHL then take a role in helping to meet those needs through joint ventures, public-private partnerships, establishing new entities or simply acting as a catalyst for others.

CCHL also encourages and, if necessary will facilitate, appropriate investment by its trading companies when significant upgrades are required to existing infrastructural assets. Recent examples being the funding of Enable Services Ltd, and the provision of some of the funding requirements for the construction of the new airport terminal. CCHL continues to be supportive of its companies as they deal with post-earthquake repairs and rebuild of assets and markets.

Financial contribution

Christchurch City Council's decision in 1993 to retain its key infrastructural assets through the establishment of CCHL has created a successful public ownership model. The model has enabled CCHL to make over $1.1 billion of capital and dividend payments to the Council since 1995, allowing major investments in community assets, while reducing the impact on rates from such investments.

Over the same period, the asset value of CCHL through its trading companies has grown from some $400m to $3.2bn. Total group equity has risen from $261m in 1995 to over $1.9bn today (of which $1.57bn is attributable to Christchurch City Council as the 100% shareholder of CCHL).

CCHL's dividend to the Council for the 2015 year is forecast at $52.0m.

Independent governance of trading companies

One reason for such a strong growth and return rate is the independent and commercial approach taken by the board and management of the trading companies.

CCHL places a great deal of emphasis on ensuring the group has first class governance processes in place. Through a structured, independent process, CCHL recommends director appointments to subsidiary companies and monitors those companies on behalf of the Council. Further detail regarding the company's corporate governance polices is set out on page 23.

Accountability to the Council

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

- Approval of CCHL's annual Statement of Intent (SoI);
- Council appointment of CCHL directors (four Councillors and four external);
- Confirmation of director appointments to subsidiary companies;
- Periodic reporting to the Council; and
- Publication of six monthly and annual reports.

THE CCHL Group subsidiaries

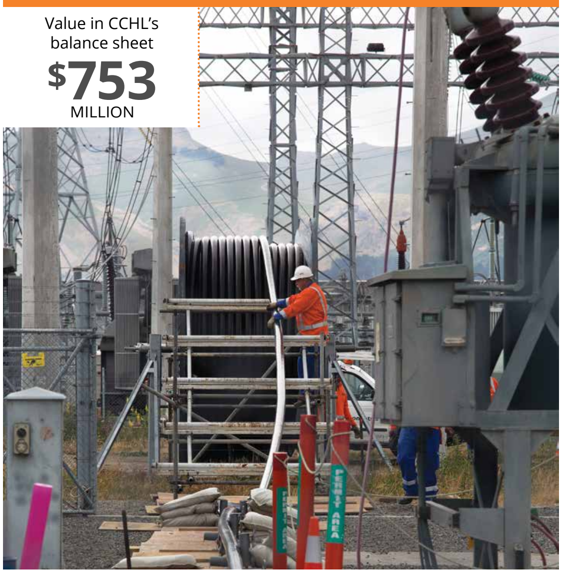
An Orion contractor guiding 66kV cable on the Bromley to Rawhiti stage of the north-east Christchurch 66kV cable project.

89.3%

Orion New Zealand Ltd

Value in CCHL's balance sheet

$753 MILLION



Orion owns and operates the electricity distribution network that provides power to around 190,000 homes and businesses. Orion aims to provide a safe, resilient, reliable and cost effective electricity distribution network.

As one of the largest electricity distributors in New Zealand, Orion's network covers remote rural areas, regional towns and the city of Christchurch. Its network traverses 8,000 square kilometres between the Waimakariri and Rakaia rivers and from the Canterbury coast to Arthur's Pass.

Electricity retailers pay Orion for the network delivery service and include this in their retail charges to homes and businesses.

Around 180 employees work directly for Orion, and most days a further 250 contractors work on the network. All of these people are critical to Orion's business as they plan, engineer, operate and control the network, manage finances and contracts, and give customers the best service they can.

Orion owns Connetics - an electrical contracting service provider to utility network operators, local authorities, developers and commercial/industrial customers.

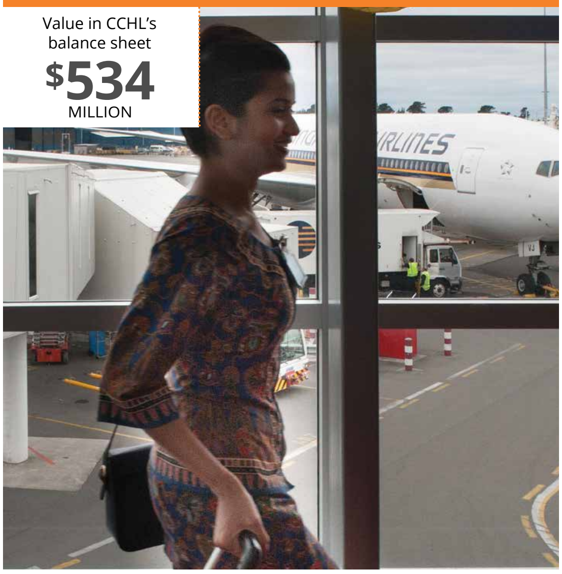
Singapore Airlines has served Christchurch Airport for more than 25 years, a relationship both companies are very proud of.

75%

Christchurch International Airport Ltd

Value in CCHL's balance sheet

$534 MILLION



As the gateway for Christchurch and the South Island, Christchurch Airport is a major hub and the busiest and most strategic air connection to the world's trade and tourism markets. The airport occupies a unique position both physically and economically, and is New Zealand's second largest airport.

Some 5.7m passengers travelled in and out of Christchurch International Airport from 1 July 2013 to 30 June 2014. Over the past financial year, passenger numbers have shown an increase of more than 189,000 travellers.

Christchurch Airport is the largest single centre of employment in the South Island, with approximately 6,000 people employed on the campus in full time, part time or casual roles. Another 20,000 full time equivalent workers (FTEs) are created in the Canterbury region because of the airport.

Orion yourNETwork

CHRISTCHURCH AIRPORT bringing the world South

LPC Foreman, Glen Walker, at the Lyttelton Container Terminal.

79.7%

Lyttelton Port Company Ltd

Value in CCHL's balance sheet

$261

MILLION

Lyttelton Port of Christchurch (LPC) is the South Island's biggest port and the third largest in New Zealand.

The port facilitates import and export trade for the region, playing a vital role in supporting the economy, businesses, people and the global transport network.

A full array of shipping services, including stevedoring and cargo-handling, are offered for a diverse range of trades. On the water, full marine services are provided including the provision of tugs and pilots to escort ships into and out of the port.

Over 376,000 TEUs (20-foot equivalent units) of containerised cargo travels through the port each year. The port is fully serviced by rail.

LPC's coal facility is the largest in New Zealand.

Situated six kilometres from the Lyttelton Container Terminal, is LPC's inland port, CityDepot. This container storage and repair facility has the capacity to store up to 9,000 TEUs.

LPC is the largest employer in Lyttelton with over 500 permanent staff and operates 24 hours a day, 365 days a year.

lpc Lyttelton Port of Christchurch

Technician installing Enable's fibre broadband in a local home.

100%

Enable Services Ltd

Value in CCHL's balance sheet

$41

MILLION

Enable Services Limited (ESL) is investing in a fibre broadband network that will transform how people use technology in their businesses and homes, and will provide tremendous value to the community as an enabler of future innovation and economic growth.

ESL is a shareholder in local fibre company, Enable Networks Limited (ENL), with Government agency Crown Fibre Holdings Limited the other shareholder – as part of the national ultra-fast broadband (UFB) initiative. Today, ENL's network provides fibre broadband services to 56,000 homes, businesses, schools and healthcare facilities within the community. Once complete, it will reach 180,000 potential customers across Christchurch and parts of Waimakariri and Selwyn districts.

As well as being an investor in the UFB initiative, ESL is also an infrastructure service company contracted to build and operate the network and to provide a range of management services to ENL. As the provider of network and management services, ESL has generated approximately 400 new jobs within the local community since the project began in 2011.

enable Delivering new possibilities

THE CCHL Group subsidiaries CONTD.

City Care is a national company, with 18 office locations nationwide and revenue of $351 million.

100%

City Care Ltd

Value in CCHL's balance sheet

$136 MILLION

City Care is a leading provider of construction, maintenance and facilities management services across the built environment. City Care delivers its services to over two million New Zealanders, from 18 offices and depots throughout New Zealand.

Since its launch in 1999 as a company operating solely in Christchurch, City Care has grown into a large national and profitable entity. It now holds a major portion of the local government infrastructure maintenance market, with over 20 city/district council clients (including Christchurch City Council) and is recognised as a major player within the building, civil construction, water and wastewater, greenspace, roading, construction and facilities management sectors.

In 2011, City Care joined four other contractors in signing the Stronger Christchurch Infrastructure Rebuild Team (SCIRT) agreement to rebuild Christchurch's earthquake damaged roads, water networks and bridges. This work is expected to continue until the end of 2016.

City Care is known for the calibre and dedication of its people who are proud to work around the clock in their communities to keep things working 24/7.

city care

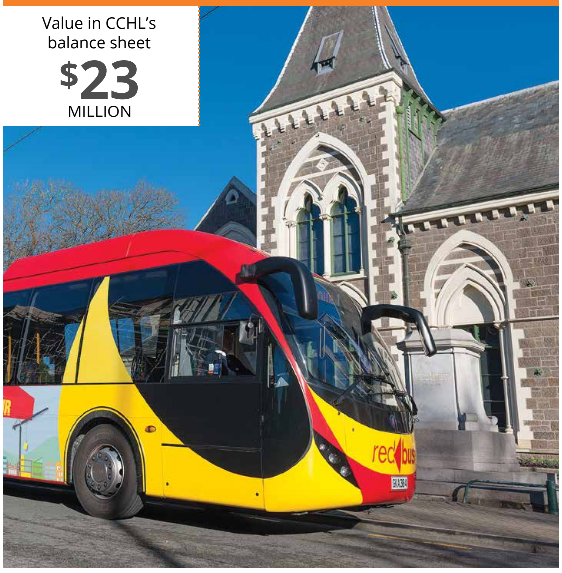
The Rebuild Tour is a partnership between Red Bus and Canterbury Museum.

100%

Red Bus Ltd

Value in CCHL's balance sheet

$23 MILLION



Red Bus Limited operates an extensive passenger transport business in Canterbury with approximately 230 employees and 122 vehicles.

Red Bus' vision is to "lead the way in passenger transport".

The company aims to achieve this by operating a profitable and innovative passenger service while maintaining its reputation as a good employer. The company is very conscious of its responsibilities in getting Christchurch residents to work, school, and other engagements around and about the city and district.

Yearly, the company's urban bus fleet delivers 3.4 million urban passenger trips and travels around 5.7 million kilometres, delivering an average of 9,400 passenger trips each day on services that operate 20 hours a day, 7 days a week.

Urban services provided by Red Bus are predominantly operated under contract to Environment Canterbury (ECan), the planner and regulator for Canterbury public transport.

The company also operates one commercial urban service without ratepayer-subsidy alongside their charter and tourism services.

red bus

The superior recycling efforts of Canterbury are sorted at the EcoSort.

100%

EcoCentral Ltd

Value in CCHL's balance sheet

$12 MILLION

EcoCentral Ltd manages the processing of household and commercial refuse and the automated sorting of recycling throughout the Canterbury region.

The company is committed to reducing the amount of waste going to landfill and finding ways to ensure Christchurch leads the way in recycling.

EcoCentral Ltd manages:

- EcoSort, a large facility that receives all the 'yellow bin' recycling from Christchurch and surrounding areas. Here the materials are automatically sorted, baled and sold as reclaimed material either in New Zealand or overseas.
- EcoDrops, three transfer stations that manage the City's recycling and refuse. Each station accepts unwanted household items, recycling, household hazardous waste, general refuse, green waste and hardfill.
- EcoShop, on Blenheim Road, is the retail outlet for the household recycled goods received from the EcoDrop transfer stations. Goods are inspected by workshop staff before they are sold in the shop.

ECO CENTRAL

Chairman's & Chief Executive's REPORT

The CCHL group continues to play a vital role in the re-build of Christchurch and Canterbury following the series of earthquakes that struck the region in 2010 and 2011. Overall the group is in good heart and in strong financial shape, with many of the companies now experiencing improved profitability and growth.

CCHL remains ready to assist its 100% shareholder Christchurch City Council as it addresses the multitude of challenges in rebuilding Christchurch. We have already provided input into the Council's review of its trading assets as part of its wider review of its financial position. This follows the release of a report by Cameron Partners in July 2014. CCHL aim to continue to assist the Council as required.

The CCHL group has grown significantly in value over the years, and the Council is in the fortunate position of owning a valuable portfolio of trading assets. We understand that over the next few months the Council will be developing a number of options to address its forecast funding shortfall, which may or may not include a restructuring of the CCHL group. These will be put out for public consultation March to April 2015 as part of its Long Term Plan. We look forward to working closely with the Council during this process.

Financial

Group

The reported consolidated after tax profit for the year was $402.6m. This is significantly higher than the $58.2m forecast in last year's Statement of Intent, and the $70.7m recorded in the 2013 financial year. There were a number of one-off factors – in particular the recognition of insurance revenues by Lyttelton Port Company Ltd – that make a direct comparison of the results difficult.

The following table adjusts the reported pre-tax group profits of 2014 and 2013, and the forecasts in last year's Statement of Intent (SoI), to arrive at a normalised underlying profit before tax figure:

	Group 2014 $'000	Group 2013 $'000	SoI forecast $'000
Profit before tax for year as reported	**454,801**	**101,308**	**83,300**
Insurance proceeds recognised	(357,732)	(17,952)	–
Gain on disposal of investments	(4)	(1,788)	–
Investment property (gains)/losses	(9,223)	(7,775)	(3,900)
	(366,959)	(27,515)	(3,900)
Underlying profit before tax	87,842	73,793	79,400

The underlying profit before tax for the year has improved by some $14.0m from the 2013 result, and is $8.4m higher than the SoI forecast.

The main reasons for the improvement over the previous year are a $14m improvement in City Care Ltd's underlying pre-tax profit as it returned to normal levels of earnings after a poor year in 2013, and an $8m improvement in Orion New Zealand Ltd's result. Partially offsetting these was a reduction in Lyttelton Port Company Ltd's underlying profit before tax, mainly reflecting a $3.9m increase in various earthquake-related net costs that are not captured in the reconciling items between reported profit before tax and underlying profit before tax shown in the table above. Additionally there was a $3m increase in Enable Services Ltd's loss, which was in line with expectations as the broadband rollout ramps up.

The $8.4m improvement over last year's SoI forecasts was mainly due to a higher than budgeted result from Orion New Zealand Ltd, which recorded improved revenues and below-budget expenses.

Further information regarding the financial results and position of the group and parent company is provided in the "Financial overview" section on pages 13 to 22, and in the reviews of the individual companies on pages 28 to 41.

Parent company

The parent company's net profit for the year of $37.0m was down on the previous year's result of $44.0m. Included in the 2013 result, however, was a $13.1m gain recognised on the liquidation of Selwyn Plantation Board Ltd, with previously accumulated revaluation balances being transferred to profit.

CCHL's underlying profit was therefore higher than last year's result, reflecting an improvement in dividends from Orion New Zealand Ltd and the first payment of a dividend by Lyttelton Port Company Ltd since the earthquakes.

Parent company reserves increased by $121m, primarily as a result of revaluations of the company's investments in Orion New Zealand Ltd and Lyttelton Port Company Ltd.

The company paid an ordinary dividend to Christchurch City Council of $52m which exceeded the budgeted $46m in CCHL's Statement of Intent. CCHL will aim to continue to provide the financial certainty that the Council requires with regard to on-going and sustainable dividends.

Lyttelton Port Company Ltd takeover offer

After year end, following consultation with the Council, CCHL entered into a lock up agreement with Port Otago Ltd to purchase its 15.5% stake in Lyttelton Port Company Ltd at a price of $3.95 per share. This was conditional on the port company paying a special dividend of $0.20 per share. CCHL simultaneously announced its intention to make an offer to the remaining shareholders to acquire their shares at the same price. If necessary, CCHL will compulsorily acquire the remaining shares once the Port Otago Ltd purchase has gone through.

Acquiring 100% of Lyttelton Port Company Ltd will enable that company to be de-listed from the Stock Exchange, hence enabling a freer flow of information between Lyttelton Port Company and CCHL. It will also provide CCHL with the necessary flexibility for any future restructuring options.

Electricity network

Orion New Zealand Ltd recorded a sound result for the 2014 financial year, $13.5m above its Statement of Intent target and $1.5m above last year.

The company has continued to invest in rebuild projects to reinstate the electricity network following the earthquakes, taking into account changes in the distribution of the city's and region's population and businesses.

Under the Commerce Act, the Commerce Commission determines Orion's pricing levels. In April 2014, Orion increased its charges to reflect the Commission's 2013 decision on its post-earthquake pricing. After this increase, Orion's prices are still below the New Zealand average and make up around one quarter of a household electricity bill.

Orion was significantly impacted by a series of wind and rain storms that battered Canterbury this year. The worst of these was on 10 September 2013, when gale force winds caused extensive and widespread damage to the network – an impact double that of any previous storm experienced.

Airport

Christchurch International Airport Ltd recorded a similar trading result to last year, with an increase in revenues and operating profits being offset by an increase in depreciation and interest costs following the completion of the integrated terminal project.

Passenger numbers, which have been adversely affected by the impact of the earthquakes, showed pleasing growth trends, particularly in the second half of the year. Especially notable was Christchurch becoming the fastest growing entry point for Chinese visitors to New Zealand.

The company's property portfolio has continued to develop, particularly in Dakota Park – the airport's logistics, freight and light industrial centre. The new Spitfire Square retail development is under way, as is Mustang Park, the vehicle rental and service centre. There has also been a significant revamp of the airport's parking services.

Port

Lyttelton Port Company Ltd recorded a solid result with good volume growth in containers and bulk cargo, and increased operating revenue, despite continuing to operate in an environment with earthquake-damaged infrastructure.

During the year, the company reached final settlement with its insurers with an aggregate total of $438m. Final payment of the balance of $383m was received in February 2014. This will support the port's future development.

During the year, the company launched the Port Lyttelton Plan, a 30 year vision requiring community and stakeholder consultation.

Chairman's & Chief Executive's REPORT CONTD.

Work on the land reclamation at Te Awaparahi Bay is progressing well, with 6.5 hectares created to date from earthquake demolition rubble. This is providing invaluable additional capacity for cargo storage. Pile driving began in March 2014 for the rebuild of the container terminal. The port's fourth crane, a new Liebherr ship-to-shore gantry crane, arrived in May 2014 and is operating at Cashin Quay.

The company is committed to continuously reviewing and improving health and safety to support a safe working environment, and is working with other New Zealand ports to develop a national port industry code of practice.

Broadband

Enable Services Ltd had a successful year, with fibre broadband network deployment completed to over 25,000 homes and business premises in the 2014 year – almost twice the rate of the previous year. All 148 schools within the coverage area will be reached by the end of 2015.

A significant factor in this improved performance was the formation of a Network Delivery Alliance between Enable and its network build partner Transfield Services.

Rates of fibre uptake have been very pleasing, with an overall rate of 10%. In some communities, such as Rolleston, Lincoln and Halswell, uptake is closer to 20%. Thirty-eight retail service providers have been contracted to deliver broadband services over the network, with the most significant retail launch in the year being that of Spark (previously Telecom).

By mid-2015, Enable aims to deploy network to another 30,000 potential customers, with the total network footprint reaching 88,000 homes and businesses.

Contracting

The year marked a return to City Care's strong financial performance after a challenging 2012/13 year.

City Care Ltd continued to be an integral part of the Christchurch city rebuild, through its participation in the Stronger Christchurch Infrastructure Rebuild Team (SCIRT) that is responsible for rebuilding the City's horizontal infrastructure. This includes damaged roads, fresh water, wastewater and stormwater networks. The company's rebuild work also includes building new subdivisions and commercial buildings as well as rebuilding and repairing homes.

Additionally, the company continued to expand its operations, winning a contract to maintain Dunedin's water and wastewater network, various contracts with the Ministry of Education for the construction of modular re-locatable classrooms, and a contract with Housing New Zealand to manage their repair programme for earthquake-damaged properties in Christchurch. City Care also completed the construction of Trimble's New Zealand headquarters, and the Watermark phase of CERA's Avon River Precinct anchor project.

During the year City Care had significant involvement in emergency response operations – in particular a number of widespread floods in the early part of 2014.

Public transport

Red Bus Ltd had another year of subdued trading. Charter and tourism activity continues to be at lower levels post-earthquakes, although there were indications of growth during the year. Passenger volumes on the company's urban contracts were slightly down on the previous year, mainly as a result of a reallocation of service routes in December 2013.

The Rebuild Tour which evolved from the Red Zone Tour is growing steadily with excellent customer feedback.

The Government has reviewed public transport legislation, and introduced the new Passenger Transport Operating Model (PTOM). Red Bus supports the PTOM objectives for regional councils and operators to innovate and cooperate to improve long term value for money in public transport.

Recycling

EcoCentral Ltd recorded an improved result for the year, despite a high New Zealand dollar and mid-range commodity prices. It continues to play a key role in Christchurch's infrastructure.

Trading through the EcoDrop transfer stations continued to be strong, although the EcoSort recycling facility had a number of challenges, including some extreme weather, tightened import regimes in China and restricted container access and shipping.
The EcoShop, while small in relation to the other activities, performed particularly well.

Economic development

The Canterbury Development Corporation is owned by Christchurch City Council, but is not part of the CCHL group. However, at the request of the Council, CCHL has assumed a monitoring role for this organisation.

CDC's role is to support, encourage and influence the economic success of the Greater Christchurch region. The organisation works with business, government agencies and private sector experts to drive exports and innovation, generate wealth and provide better ways to develop a strong economy.

Following the launch of the updated Canterbury Economic Development Strategy (CEDS) last year, the focus for 2014 was on the delivery and implementation of the projects identified in the strategy. CDC has been reporting quarterly on the progress of these projects, many of which are led by other organisations.

There was also significant activity and progress in CDC's innovation, business partner and business services areas.

District Energy System

As reported last year, CCHL has been active in investigating and promoting the implementation of a district energy system (DES) in Christchurch, following an earlier feasibility study undertaken by the Christchurch Agency for Energy.

Current indications are that the project is likely to proceed, which should enable significant financial and environmental benefits to be realised by the participants and the city as a whole.

The development of the DES is a good example of how CCHL can promote infrastructure projects in Christchurch without necessarily investing directly in them. Further information is provided on page 12.

Governance

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

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

During the year four director appointments were made to subsidiary companies. CCHL was delighted with the calibre of both the potential and successful candidates for these roles.

An important initiative undertaken by CCHL during the year was the establishment of intern director positions on the boards of CCHL and the subsidiary companies.
This encourages diversity and the next generation of directors. The positions were advertised, and CCHL received an overwhelming response from a large number of high quality applicants.
The successful applicants are now established with their respective companies, and initial indications are that both the companies and interns are finding the programme to be a rewarding experience.

CCHL remains committed to the ownership and monitoring role entrusted to it by its shareholder, Christchurch City Council.

The quality of governance that results from this focus has been recognised by the business community in Christchurch, and by local authorities elsewhere in New Zealand which seek to emulate the CCHL model.

Acknowledgements

During the year, the four previous Councillor directors of CCHL – Tim Carter, Barry Corbett, Sir Bob Parker and Sue Wells – retired from the Board following the Council elections. We would like to acknowledge their significant contributions to the Board. In December 2013 we welcomed Vicki Buck, Jamie Gough, Yani Johanson and Raf Manji to the Board in their place.

The CCHL Board and management are particularly appreciative of the contribution made by the boards, management and all the staff of our subsidiary companies as they continue to grow and rebuild in this post-earthquake environment.

The high quality decision-making and disaster-preparedness of our companies is undoubtedly a major strength of the group and we value the very positive relationships we have with each one of them.

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

Bruce Irvine
Chairman

Bob Lineham
Chief Executive

District Energy System OVERVIEW

Introduction to District Energy

In a District Energy System (DES), thermal energy (for space heating and cooling and domestic hot water) for multiple buildings is generated at an external energy centre and delivered to each building through a network of insulated pipes.

District Energy Systems are commonly found in other countries, but are rare in New Zealand. The rebuild of Christchurch presents a unique opportunity to introduce the first large-scale, CBD-wide District Energy System in the city.

Typical Benefits of District Energy

District Energy Systems offer a number of advantages over conventional onsite energy generation:

- **Increased efficiency plant which leads to lower energy costs**
  Large, industrial-scale plant can be justified when servicing multiple buildings. This improves efficiency and also reduces the overall upfront costs.
- **Carbon abatement**
  Increased scale allows for the use of more sophisticated technologies, which typically have higher upfront costs but generate even greater improvements in operational efficiency, or utilise renewable energy sources, or both.
- **Risk Transfer**
  District Energy outsources the risks associated with operating and maintaining onsite energy supply systems.
- **Space Savings**
  Connected buildings have much lower requirements for in-building heating and cooling plants; liberating space for occupier-related uses.
- **Increased resilience and future proofing**
  District Energy Systems that have multiple energy centres benefit from system redundancy and the ability to generate energy from a range of fuels.

CCHL Role

Early stage feasibility studies into the potential to introduce District Energy into Christchurch were initially led by the Christchurch Agency for Energy. In late 2012 this work transitioned to CCHL, acting in close co-operation with Christchurch City Council. CCHL conducted its own feasibility studies, and concluded that a modified scheme was viable for the central city. Acting in a facilitative capacity, CCHL has managed the following:

- **Partner Selection**
  Following a rigorous and international selection process, Cofely Energy Services (the world leader in District Energy, part of GDF Suez) and Pioneer Generation (a New Zealand based, community owned, energy services and solutions business) were appointed to further evaluate the system.
- **Formation of the DES Alliance**
  The Christchurch DES Alliance has been formed comprising Canterbury District Health Board, Christchurch City Council, CCHL, the Canterbury Earthquake Recovery Agency, Cofely Energy Services and Pioneer Generation. This powerful combination of organisations should provide the impetus needed to get such a complex project off the ground and will ensure benefits are delivered across the city.
- **Detailed Engineering Design & Customer Acquisition**
  The Alliance will shortly begin the detailed engineering works required to design and build the system. Extensive works are underway to identify customers for the DES across the central city and work with them to ensure connection to the system.

CCHL anticipates that it will continue to act as a facilitator on this important infrastructure project. Since April 2014, CCHL's costs for this work have been assumed by other members of the Christchurch DES Alliance; this is expected to continue being the case. CCHL does not intend, at this stage, being an investor in the scheme but will leverage its considerable experience in city-wide infrastructure initiatives for the benefit of the project.

The Energy, Efficiency Conservation Authority (EECA) has supported this project since its inception.

FINANCIAL overview.

This section provides a financial overview of the parent company and group, and explains movements in the financial statements between 2013 and 2014.

The full, audited financial statements, which provide further information on the matters outlined in this section, are available on request or can be found on CCHL's website.

Financial Overview CONTD.

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 advances to its subsidiaries and shareholder Christchurch City Council.

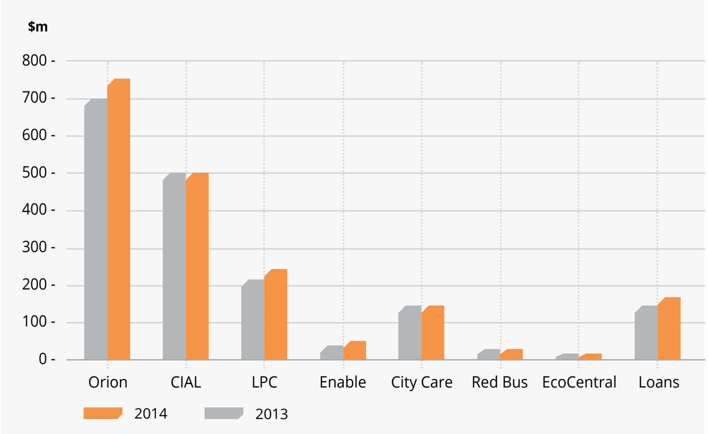
Investment overview

CCHL records investments in subsidiaries at fair value, and reviews them annually for material changes in value. The Board considers that recording assets at fair value rather than historical cost ensures greater accountability for its custodianship of these investments.

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

This table summarises the value of CCHL's main investments as at balance date, and compares them to the carrying value at the previous year end:

CCHL investments

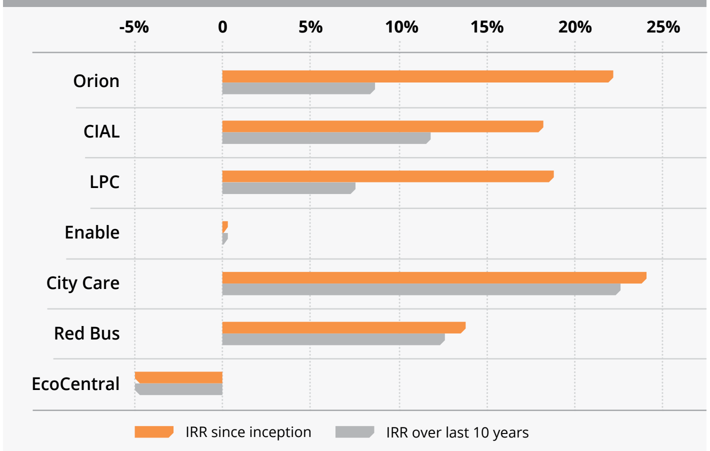


Investment returns

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

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

CCHL investment returns



CCHL acquired its shares in Orion from Christchurch City Council in 1993. CCHL has benefitted from impressive returns from Orion. Orion achieved significant one-off gains when it sold its electricity retail activities (Southpower) in 1999 and its North Island natural gas distribution operations (Enerco) in 2001. Since then, Orion's earnings have been relatively consistent with those of a regulated infrastructure company.

CCHL acquired its shares in the airport and port shares from Christchurch City Council in 1995. CCHL has benefitted from good returns from these investments. After relatively high earnings early on, earnings from each have since stabilised, partly due to quake impacts and partly due to increased competition and regulation. The airport's return from its aeronautical operations has been particularly affected by the reduction in passenger numbers since the earthquakes, coinciding with the major capital investment in completing the Integrated Terminal Project.

Enable Services, which won the Crown's fibre roll-out contract for Christchurch in 2011, has made and will continue to make losses during the fibre network build period. However, CCHL forecasts that Enable's earnings and IRR will be in line with expected returns from an infrastructure company over a 30 year period.

CCHL acquired City Care from Christchurch City Council in 2002. City Care has been a strong performer, especially due to sharply increased workloads post-quakes.

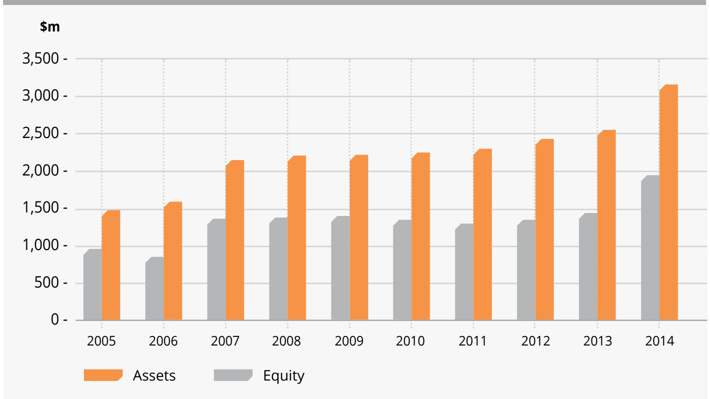
CCHL acquired Red Bus from the Council in 1995. Red Bus has performed steadily, but its recent earnings have reduced due to increased competition, post-quakes disruptions and reduced demand.

EcoCentral has only been in the CCHL group since 2011. EcoCentral was recapitalised in 2012.

10 year growth

This chart shows the growth in group assets and equity over the last 10 years. This growth has been achieved in addition to the payment of $457m of dividends to the Council over the same period.

CCHL assets and equity

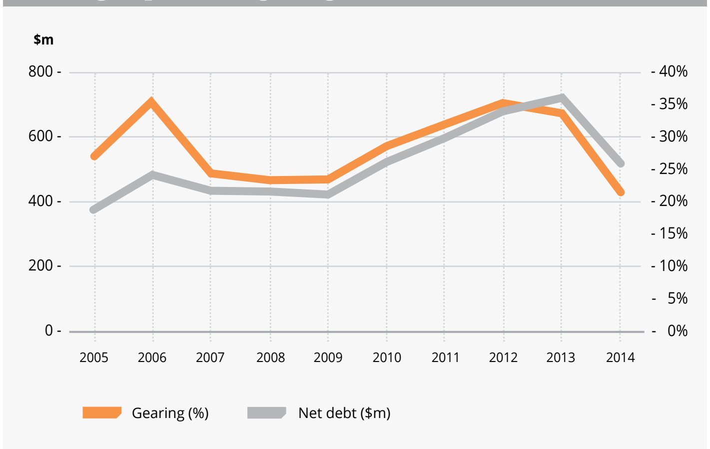


Group debt and gearing

Parent and group debt levels remain relatively low for a group that predominantly comprises stable infrastructure businesses, and interest cover ratios are correspondingly conservative. The increase in debt from 2009 to 2013 is largely the result of Christchurch International Airport Ltd's terminal redevelopment programme and the continued expansion of Enable Services Ltd's broadband construction programme.

The large Lyttelton Port Company Ltd insurance settlement in early 2014 has resulted in a significant reduction in group net debt, although this will reverse over time as the port's earthquake repair and reinstatement programme progresses.

CCHL group debt and gearing



Financial Overview CONTD.

Summarised statement of comprehensive income FOR THE YEAR ENDED 30 JUNE 2014

	Note	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Operating and other revenue	*(i), (vi)*	1,330,673	945,372	48,177	42,379
Other gains		13,841	9,563	426	13,119
Total income		1,344,514	954,935	48,603	55,498
Depreciation and amortisation		99,643	96,160	–	–
Other operating costs	*(ii)*	744,808	717,845	2,469	2,122
Other losses		3,752	2,168	–	533
Total operating expenses		848,203	816,173	2,469	2,655
Share of (losses)/profits of associates	*(iii)*	(5,158)	(2,365)	–	–
Earnings before interest and tax		491,153	136,397	46,134	52,843
Finance income		8,159	3,260	9,662	7,021
Finance costs		44,511	38,349	18,708	15,944
Net finance costs		36,352	35,089	9,046	8,923
Profit before income tax expense		454,801	101,308	37,088	43,920
Income tax expense/(credit)	*(vii)*	52,170	30,596	–	(91)
Profit for the year	*(iv)*	402,631	70,712	37,088	44,011
Other comprehensive income					
Revaluation of assets	*(v)*	185,408	27,585	–	–
Revaluation of investments	*(viii)*	–	–	117,809	50,573
Cash flow hedges		13,799	18,067	2,972	6,299
Income tax		(48,674)	3,448	–	–
Other comprehensive income		150,533	49,100	120,781	56,872
Total comprehensive income for the year		**553,164**	**119,812**	**157,869**	**100,883**

Group

(i) Operating and other revenue

Group operating and other revenue has increased by $386m. This principally reflects $358m of insurance revenue recognised by Lyttelton Port Company Ltd after reaching settlement with its insurers in respect of its earthquake claims. Additionally, there was a $19m increase in Enable Services Ltd's revenue as it ramps up construction activity on the Ultrafast Broadband (UFB) network and sells it to joint venture company Enable Networks Ltd, and smaller increases in most of the other companies.

(ii) Other operating costs

Other operating costs have increased by $27m, broadly reflecting increases across all the companies in line with their operating revenues.
The exception is City Care Ltd, which recorded a $15m reduction in costs following its poor performance in the 2013 financial year.

(iii) Share of profits/(losses) of associates

This line item comprises the group's share of Enable Networks Ltd, in which 100% subsidiary Enable Services Ltd holds a 49% interest. Enable Networks Ltd is jointly-owned with Crown Fibre Holdings Ltd. Its losses have increased (in line with expectations) as the broadband roll out ramps up.

(iv) Profit for the year

The reported group profit for the period has increased by some $332m, reflecting in the main the Lyttelton Port Company Ltd insurance recoveries referred to above.
After allowing for these items, the underlying group trading profitability has still improved – this is discussed further in the Chairman's/CEO's review.

(v) Revaluation of assets

See comment (ii) on page 22.

Parent company

(vi) Operating and other revenue

The parent company's operating revenue increased from $42m to $48m, mainly reflecting improved dividends from Orion New Zealand Ltd and the payment of the first dividend since the earthquakes by Lyttelton Port Company Ltd, partially offset by lower dividends from Christchurch International Airport Ltd.

(vii) Income tax

The CCHL parent company normally incurs tax losses on an annual basis, as the majority of its income is in the form of fully-imputed or exempt dividends. These losses are made available to other profit-making companies within the group.
They are not recognised as an asset in the parent company accounts.

(viii) Revaluation of investments in subsidiaries and associates

See comments on page 22.

Financial Overview CONTD.

Summarised balance sheet AS AT 30 JUNE 2014

	Note	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Current assets					
Cash and short term investments	*(i)*	221,921	(2,838)	2,341	1,774
Debtors, other receivables, prepayments		152,125	162,544	1,916	1,631
Other financial assets	*(ii)*	97,456	17,892	25,000	11,450
Non-current assets re-classified as held for sale		366	3,234	–	–
Inventories		18,813	16,810	–	–
Total current assets		490,681	197,642	29,257	14,855
Non-current assets					
Debtors, inventories and other receivables		14,227	8,200	4	–
Financial assets, associates and derivatives	*(iii) (viii)*	97,232	58,027	1,929,837	1,774,688
Property, plant & equipment, investment property	*(iv)*	2,508,831	2,246,550	–	–
Intangible assets and goodwill		54,782	53,391	–	–
Deferred tax assets		9,165	11,821	–	–
Total non-current assets		2,684,237	2,377,989	1,929,841	1,774,688
Total assets		3,174,918	2,575,631	1,959,098	1,789,543
Current liabilities					
Creditors and other payables		143,012	110,507	2,546	1,661
Borrowings	*(v)*	79,486	113,197	78,000	88,000
Total current liabilities		222,498	223,704	80,546	89,661
Non-current liabilities					
Borrowings	*(v)*	649,379	585,761	306,500	230,000
Deferred tax liabilities	*(vi)*	340,690	284,547	–	–
Other non-current liabilities	*(vii)*	16,918	31,240	4,024	7,723
Total non-current liabilities		1,006,987	901,548	310,524	237,723
Total liabilities		1,229,485	1,125,252	391,070	327,384
Net assets		1,945,433	1,450,379	1,568,028	1,462,159
Equity					
Capital and other equity instruments		71,435	71,435	71,435	71,435
Retained earnings and reserves		1,500,330	1,104,352	1,496,593	1,390,724
Non-controlling interests		373,668	274,592	–	–
Total equity		1,945,433	1,450,379	1,568,028	1,462,159

Group

(i) Cash and short term investments

The significant increase in cash and investments reflects the Lyttelton Port Company Ltd earthquake insurance settlement referred to on the preceding page. The proceeds are invested and are gradually being utilised as repairs proceed.

(ii) Other financial assets

The increase in other financial assets also arises from the Lyttelton Port Company Ltd insurance settlement, with $90 million of the proceeds being invested in deposits with maturities of between four and 12 months.

(iii) Non-current financial assets, associates and derivatives

The increase in this line item principally relates to loans made by Enable Services Ltd to associated company Enable Networks Ltd, and to the full drawdown of a US dollar loan from the CCHL parent company to Christchurch Engine Centre.

(iv) Property, plant and equipment, investment property

Group fixed assets have increased by $262m, mainly reflecting asset revaluations by Orion and Christchurch International Airport Ltd, as well as continuing capital expenditure programmes by the main infrastructure companies.

(v) Current and non-current borrowings

Current borrowings have decreased by $34m, reflecting in the main a decrease in the level of Christchurch International Airport Ltd's short term funding following a $50m long term bond issue during the year, and replacement of short term debt with long term debt by the CCHL parent company.

Non-current borrowings have increased by $63m, mainly reflecting an increase in the CCHL parent company's debt to fund Enable Services Ltd's broadband project and in Orion New Zealand Ltd's debt to fund its network rebuild, but partially offset by the repayment by Lyttelton Port Company Ltd of all of its debt following its insurance settlement, and also a reduction in City Care Ltd's debt as it has brought its working capital down.

Total group debt has increased by $29m from the previous year.

(vi) Deferred tax liabilities

The increase in deferred tax liabilities arises principally as a result of the asset revaluations by Orion New Zealand Ltd and Christchurch International Airport Ltd referred to above.

(vii) Other non-current liabilities

The main component of this line item is the liability recognised in respect of interest rate hedges held by the CCHL parent company and Christchurch International Airport Ltd. The liability has decreased from 2013, reflecting an increase in prevailing interest rates, and also the close out of Lyttelton Port Company Ltd's hedges following the receipt of its insurance proceeds.

Parent company

(viii) Financial assets, associates and derivatives

The increase of $155m principally relates to an $89m upwards movements in the value of the investment in Orion, a $29m increase in the value of the investment in Lyttelton Port Company Ltd and a $47m increase in loans to Enable Services Ltd, partially offset by an $11m loan repayment from Christchurch City Council.

Financial Overview CONTD.

Summarised statement of cash flows FOR THE YEAR ENDED 30 JUNE 2014

	Note	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Cash flows from operating activities					
Receipts from customers and other sources	*(i)*	960,555	902,008	2	3
Interest received		2,848	2,909	9,233	6,687
Dividends received		–	–	48,175	42,377
Payments to suppliers and employees	*(i)*	(764,370)	(711,401)	(2,349)	(2,240)
Interest and other finance costs paid		(41,591)	(39,071)	(17,834)	(15,739)
Income tax paid		(21,714)	(17,812)	–	–
Other operating receipts and payments		(1,081)	(7,471)	–	–
Net cash provided by/(used in) operating activities		134,647	129,162	37,227	31,088
Cash flows from investing activities					
Payment for assets		(157,402)	(156,844)	(6,905)	(8,123)
Repayment of advances/other	*(ii)*	18,322	3,342	18,450	5,044
Other investmenting receipts and payment	*(iii)*	270,177	22,839	(62,705)	(19,021)
Net cash (used in)/provided by investing activities		131,097	(130,663)	(51,160)	(22,100)
Cash flows from financing activities					
Net borrowing (repayment of borrowing)	*(iv)*	16,719	35,189	66,500	16,000
Dividends paid		(57,704)	(41,968)	(52,000)	(36,324)
Net cash provided by/(used in) financing activities		(40,985)	(6,779)	14,500	(20,324)
Net decrease in cash and cash equivalents		224,759	(8,280)	567	(11,336)
Cash and cash equivalents at beginning of year		(2,838)	5,442	1,774	13,110
Cash and cash equivalents at end of year		221,921	(2,838)	2,341	1,774

Group and parent

(i) Receipts from customers and other sources/Payments to suppliers and employees (group)

Both operating receipts and payments have increased over the previous financial year. This reflects across the board increases in the trading companies as activity increases.

(ii) Repayment of advances/other (group and parent)

The increase primarily relates to proceeds from the repayment by Christchurch City Council to the CCHL parent company of $11m of advances.

(iii) Other investing receipts and payments

The large increase in 2014 primarily relates to the Lyttelton Port Company Ltd insurance settlement.

The parent company investing cash outflows primarily relate to advances made to, and equity invested in, Enable Services Ltd to fund the broadband rollout, as well as the completion of the loan to Christchurch Engine Centre.

(iv) Net borrowing/repayment of borrowing

The parent company's increased borrowing was to fund the above-noted loans to, and equity investment in, Enable Services Ltd and Christchurch Engine Centre.

Financial Overview CONTD.

Summarised statement of changes in equity FOR THE YEAR ENDED 30 JUNE 2014

	Note	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Equity at beginning of year		1,450,379	1,372,661	1,462,159	1,397,601
Profit for the year	*(i)*	402,631	70,712	37,088	44,011
Other comprehensive income	*(ii)*	150,533	49,100	120,781	56,872
Other movements		(406)	(125)	–	–
Dividends	*(iii)*	(57,704)	(41,969)	(52,000)	(36,325)
Equity at end of year		1,945,433	1,450,379	1,568,028	1,462,159

Group and parent

(i) Profit for the year

See page 16 and the Chairman's/Chief Executive's review for explanation of movements in group and parent company profit.

(ii) Other comprehensive income

Group

Other comprehensive income of the group, comprising asset revaluations and hedging movements, has increased by some $101m over the previous year. The increase mainly comprises asset revaluations by Orion New Zealand Ltd and Christchurch International Airport Ltd, and hedging gains credited to reserves.

Parent company

As at balance date, CCHL revalued its investments in Orion New Zealand Ltd and Lyttelton Port Company Ltd, resulting in respective uplifts of $89m and $29m. CCHL also recorded interest rate hedging gains of $3m.

(iii) Dividends

The parent company paid a dividend to Christchurch City Council of $52m which exceeded the budgeted $46m in CCHL's Statement of Intent.

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.

Corporate Governance Statement CONTD.

Role of the Board

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

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

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

Having regard to its role, the Board is responsible for:

- Ensuring that the company goals are clearly established, and that strategies are in place for achieving them;
- Establishing policies for strengthening the performance of the company and subsidiaries, to ensure enhancement of shareholder value;
- Overviewing the role the company and its subsidiaries can play in the provision of essential infrastructure services for the region;
- Monitoring the performance of subsidiaries;
- Deciding on what steps are necessary to protect the company's financial position and the ability to meet its debts and other obligations when they fall due, and ensuring that such steps are taken;
- Ensuring that the company's financial statements are true and fair and otherwise conform with law;
- Ensuring that the company adheres to high standards of ethics and corporate behaviour;
- Ensuring that the company has appropriate risk management/ regulatory compliance policies in place;
- Approving and implementing the business plan and Statement of Intent of the company, and
- Reviewing and approving the company's capital investments and distributions.

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

Board relationship with its shareholder

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

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

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

Conduct of Directors

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

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

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

Directors are entitled to have access, 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.

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

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

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

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

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

Board committees

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

The purposes of the standing committees are as follows:

- The Audit & Risk Management Committee provides a forum for effective communication between the Board and the auditors. The Committee reviews: the annual and half-yearly financial statements prior to their approval by the Board; the effectiveness of management information and systems of internal control; the efficiency and effectiveness of the external audit functions; and the financial role of management and policy. The Committee also keeps under review risk management issues and practices of CCHL and its subsidiaries.
- The Governance & Appointments Committee reviews the policies of the Board and conducts an annual review and appointment process regarding the directors of the subsidiaries and advises on appointments 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 shareholders, and in setting the company's strategy and seeing that it is implemented.

The Board comprises eight directors: four Councillors and four appointed external to the Council. This mix is to ensure that the Board has the confidence of the Council and has strong commercial expertise so that it can effectively carry out its role as a buffer between the Council and its commercial trading entities.

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

Directors' remuneration

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

Protocol on conflicts of interest

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

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

Board and director evaluations

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

Indemnities and insurance

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

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

The Chief Executive

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

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

Board – management relationship

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

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

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

The CEO:

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

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

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

Board of Directors

Bruce Irvine

BCom, LLB, FCA, F.Inst.D
Chairman

Bruce Irvine was first appointed to the CCHL Board in November 2003, and became Chairman in November 2007.

Bruce is Chairman of Heartland Bank Ltd and is a director of a number of other public and private companies.

He is also a trustee of the Christchurch Art Gallery Trust and Christchurch Symphony Trust.

Vicki Buck

MA (Hons) PolSci.

Vicki Buck is the Deputy Mayor of Christchurch, and was appointed to the CCHL Board in December 2013.

Vicki is also a director of NZ Windfarms Ltd and Think Inc Ltd.

Bill Dwyer

LL.B (Hons), B.Ed

Bill Dwyer joined the CCHL Board in 2005. Bill is managing partner of Lane Neave Lawyers and a trustee of the Wavertree Trust.

Jamie Gough

CM.Inst.D

Jamie Gough is a City Councillor, and Chairman of the Council's Strategy and Planning Committee.

He was appointed to the CCHL Board in December 2013.

He is Chairman of Vbase Ltd and Civic Building Ltd, and is also a director of the Gough Group and Gough Corporation Holdings Ltd.

Yani Johanson

Yani Johanson is a City Councillor and Chairman of the Council's Community Committee.

He was appointed to the CCHL Board in December 2013. He is a trustee of the Arts Centre Trust.

Raf Manji

BA Econ. (Manchester), Grad DipArts (PolSci) Dist. (Canty), MIntLAw & Pols, First Class Hon. (Canty)

Raf Manji is a City Councillor and Chairman of the Council's Finance Committee.

He was appointed to the CCHL Board in December 2013.

He is a director of Sustento Ltd.

Andy Pearce

BSc (Hons), MSc, PhD, FNZIM

Andy Pearce was appointed to the CCHL Board in 2006.

He is Chairman of Focus Genetics Management Ltd, Hawke's Bay Regional Investment Company Ltd and Regional Committee, Canterbury Water Strategy, and a director of Bank of New Zealand and a number of other companies.

Sarah Smith

BCom, CA, AF.Inst.D

Sarah Smith was appointed to the CCHL Board in November 2007.

She is the Chairperson of Meteorological Service of NZ Ltd, and director of a number of other public and private companies.

Sarah is also a trustee of Ohinetahi Charitable Trust and Warren Architects' Education Charitable Trust.

Bob Lineham

BCom, FCA, FNZIM, MinstD

Chief Executive

Bob Lineham has been the Chief Executive of CCHL since it was established in 1993.

He was a director of Civic Assurance until his retirement from that position in July 2013.

Bob is also a director of Red Bus Ltd and Local Government Finance Corporation Ltd, and a member of the Canterbury District Health Board Quality, Finance, Audit and Risk Committee.

89.3%

Owned by Christchurch City Holdings Ltd

An Orion network operator turning the power on to a new commercial development in the Christchurch central business district.

190,000

homes & businesses

Orion owns and operates the electricity distribution network that provides power to around 190,000 homes and businesses.

10,000+

new homes & businesses to be added to network

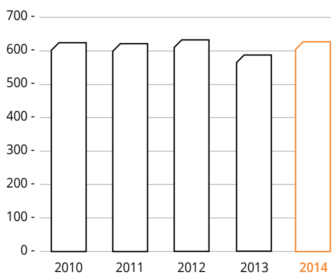
over the next five years.

5 year summary

	2010 $m	2011 $m	2012 $m	2013 $m	2014 $m
Operating revenue	222.4	222.1	245.3	260.9	268.2
Profit for the year	46.8	28.4	54.2	49.0	50.5
Dividends	37.0	38.0	34.0	32.0	34.0
Total assets	967.3	821.4	861.2	888.8	1,039.7
Shareholders' equity	706.2	599.6	619.6	636.9	733.0

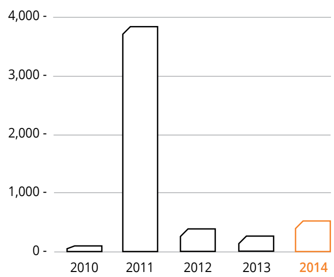
Electricity Maximum Demand

(MW)



SAIDI

*(Average customer minutes of interruption)**



*Includes the impact of earthquakes & storm events.

Orion New Zealand LTD

The most important contribution Orion can make to boost business and community confidence in Canterbury is to provide a resilient and reliable power supply.

Since the Canterbury earthquakes, Orion has invested in recovery and rebuild projects that reflect the wider rebuild of the city and region. That investment continues, with around $300m to be spent in the next five years on new assets to restore network resilience and to meet customer growth.

Orion is experiencing unprecedented activity in residential and commercial development, with the demand for new connections and alterations to its network at levels never experienced before.

Financial performance

Orion achieved a net profit of $50m, $1m above last year, as network delivery revenues continued to recover post-quakes and the company controlled costs. Orion paid $34m of fully imputed dividends to shareholders during the year - in line with its statement of intent.

Orion's large capital expenditure programme over the next five years will see the company's debt rise. Debt will however remain within prudent levels.

On 1 April 2014, Orion increased its prices to reflect the Commerce Commission's decisions on a new five year price path. Orion's prices remain below the New Zealand average for electricity distribution companies.

Orion's land and network values rose by $110m in 2014, reversing the majority of post-quake valuation decreases in 2011.

Network plans

Orion continues to repair, rebuild and grow its network following the quakes. Good progress is being made on significant projects and the reliability of the network continues to improve.

Before the quakes, Orion's customers were without power for an average of 75 minutes per year. In the coming year, Orion expects to have reliability back to around 100 minutes.

With over 10,000 new homes and businesses to be added to Orion's network over the next five years, and 350km of new high voltage cable to be laid, much work remains.

Orion aims to ensure this future work is undertaken efficiently and in a manner that mitigates the impact of disaster on consumers. Orion's past performance was recognised during the year when it was awarded the Civil Defence Emergency Management Gold Award for 'setting the benchmark for lifeline utility resilience'.

Storms

A number of severe storms have hit the Orion network over the past few years, including a windstorm in September 2013 which caused more damage to the Orion network than any other storm experienced.

Such storms have highlighted the need for the rural community, including Banks Peninsula, to carefully consider the location and size of trees near power lines, as the vast majority of storm damage to Orion's network is caused by tree branches or whole trees falling through power lines.

Orion continues to publicise the impact of trees on power lines and continues to work with various organisations to ensure consumers are ready for power outages should they occur.

Keep people safe

Orion's excellent safety record reflects its aims to keep people safe.

This effort includes ongoing presentations to hundreds of contractors on how to work safely near its network, extensive employee training on how to identify and eliminate or mitigate safety risks, and keeping the power on to the community to keep people safe and warm. Orion continues to be a proud sponsor of Community Energy Action – a charity that provides insulation and energy advice to the vulnerable.

75%

Owned by Christchurch City Holdings Ltd

In the past financial year, Christchurch Airport welcomed 5.7m passengers and aircraft including these Emirates A380s and the black world-first Air New Zealand Dreamliner 787-900.

5,690,157

passengers

travelled in and out of Christchurch International Airport.

6,000

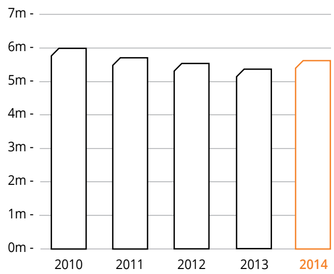
people employed on the campus

5 year summary

	2010 $m	2011 $m	2012 $m	2013 $m	2014 $m
Total revenue	96.1	97.4	119.8	125.2	139.9
Profit/(loss) for the year	(0.3)	21.8	19.6	18.4	15.7
Dividends	10.5	8.5	17.2	8.8	6.6
Total assets	852.0	964.5	1,036.1	1,086.0	1,176.7
Shareholders' equity	570.1	601.1	618.0	668.4	745.2

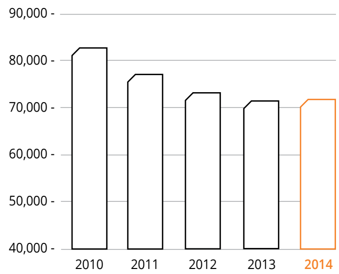
Total Passengers

(Millions)



Total Aircraft Movements

(Thousands)



Christchurch International Airport LTD

The past financial year saw the airport company complete its infrastructure renewal. The rebuild progress gathering pace in the city is being felt at the airport through a return to passenger number growth, both international and domestic. Another sign of the city's recovery is an increasing demand for commercial developments, with tenants seeking premium locations for their operations and finding them on the airport campus.

The appetite for South Islanders to travel, alongside the South Island's pivotal role in and appeal to New Zealand's international visitor markets, underpins its aeronautical performance and will also be key drivers of its future growth.

Almost 5000 competitors took part in this year's Christchurch Airport Marathon, which included the rare treat of part of the airfield being included in the course.

Financial performance

Christchurch International Airport Limited (CIAL) enjoyed a pleasing year with operating revenue[1] growing by 10.1% to $130.4m, and EBITDAF[2] growing by 11.7% to $72.5m, on a year on year basis.

This was the first full year that depreciation and financing charges applied for the new integrated terminal investment, lifting depreciation and financing costs by $7.5m compared to the prior year. Despite this, the higher than forecast growth in EBITDAF, allowed the net surplus after tax and before deferred tax adjustment of $18.0m to be held largely in line with the prior year and above forecast, resulting in above forecast returns to shareholders. The after tax result includes a net unrealised gain from investment property revaluations of $6.5m (last year $6.4m).

The balance sheet remains in a solid position, with the debt to debt plus equity ratio falling slightly and the debt profile (term and interest rate) becoming more stable as a result of two successful bond issues over the previous 18 months.

Passenger growth

Passenger numbers for the year returned to sustained growth with solid outcomes over the second six months of the year. Domestic passengers grew 3.4 per cent, while international grew 3.6 per cent. Traditional long haul markets returned to growth, especially notable with Christchurch being the fastest growing entry point for Chinese visitors to New Zealand (up 56 per cent).

Attracting Australians across the Tasman remains a focus for the airport.

They currently make up most of the current deficit against pre-quake levels of international passengers on Tasman air services into Christchurch. It seems the whole of South Island is around 100,000 air seats down on pre-quake Tasman capacity for the past year, which has impacted on all regions across the island.

Non-aeronautical revenue

Christchurch Airport has made a number of improvements to its commercial activities in and around the new terminal. This includes a major review of all parking choices at the airport, based on valuable feedback gathered from visitors. The result was a complete revamp of parking at the airport to reflect the choices visitors asked for, as well as a new EconoPark and online booking options.

Similarly, CIAL introduced a new ground transport licence structure to offer equity and transparency for companies that do business through the airport campus.

A number of the airport company's commercial developments have been completed in Dakota Park, the airport logistics, freight and light industrial centre; establishment began of Spitfire Square, the retail precinct; and also of Mustang Park, the vehicle rental and service centre.

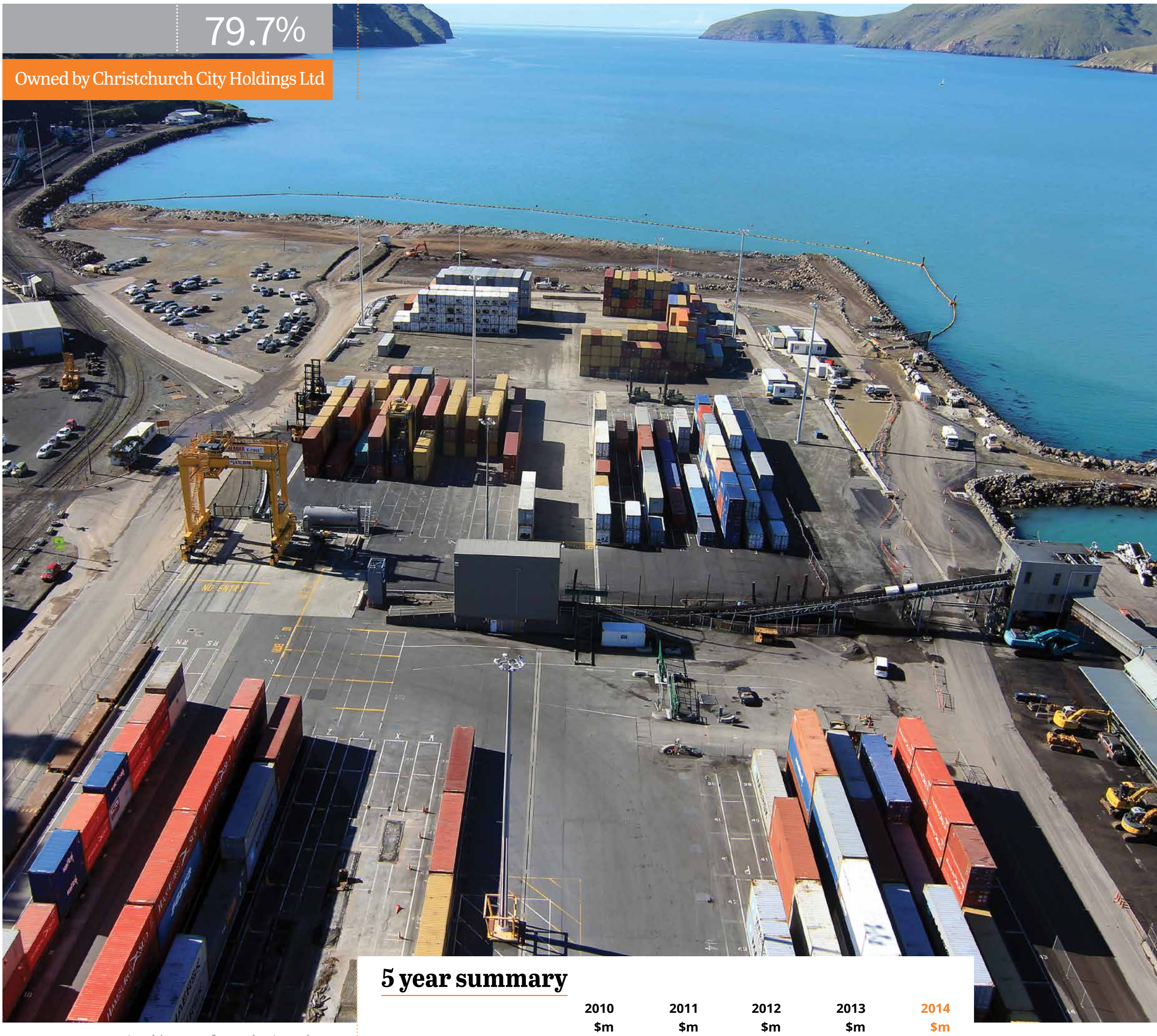
Outlook

A new ten-year strategy has been developed for the airport, entitled 'Real Growth 2025' or RG25. RG25 defines what success will look like for CIAL, why the company exists, what its mission is and what the journey will likely look like. CIAL now better understands its place in the world and has put in place a framework to support the company's determination to rebuild, reclaim and grow its vital role in the South Island.

[1] Operating revenue excludes interest income and all unrealised fair value gains.
[2] Earnings before interest, tax, depreciation, amortisation, and net unrealised fair value movements.

79.7%

Owned by Christchurch City Holdings Ltd



Looking out from the Lyttelton Container Terminal across the new Empty Container Yard and reclamation.

14.5%

rise in ship visits

500+

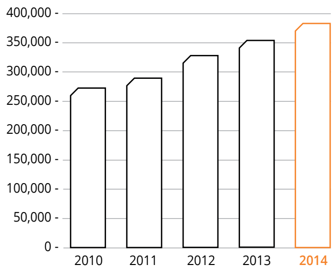
permanent staff employed by LPC

5 year summary

	2010 $m	2011 $m	2012 $m	2013 $m	2014 $m
Revenue	87.3	104.5	100.5	110.7	115.8 *
Profit for the year	9.0	24.1	17.2	16.9	343.2
Dividends	5.0	3.0	–	–	2.0
Total assets	232.5	236.9	273.5	270.7	597.5
Shareholders' equity	133.9	155.2	172.0	190.1	533.1

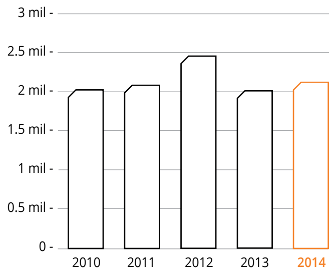
Total Container Throughput

(TEUs)



Coal Volumes

(Tonnes)



*Excluding insurance payout.

Lyttelton Port Company LTD

Lyttelton Port of Christchurch (LPC) is focused on building a strong future for the company and its stakeholders. It is in a strong financial position to fund the Port's redevelopment. LPC had good volume growth and has produced a solid financial result. The result was achieved in an environment with significantly earthquake damaged infrastructure.

The Port's rebuild is integral to the recovery of the region and the release in June 2014 of the Port Lyttelton Plan (PLP) was the first step towards engaging with the community and stakeholders to produce and implement a recovery plan.

LPC staff at the commissioning celebration for the new ship-to-shore gantry crane.

Financial Results

LPC delivered a solid financial result for the year to 30 June 2014, with increased operating revenues from the rise in volumes and a final settlement of earthquake insurance claims.

The statutory consolidated result of $343.2 million includes earthquake related income and expenditure. This compares with $16.9 million for the previous year. After adjusting for insurance recoveries and other earthquake-related costs and revenues, the earthquake adjusted profit after tax was $15.1m – the same as the previous year.

Operating Result

Operating revenue totalled $115.8m, up 4.7% from $110.7m the previous year due to strong growth in container and bulk cargo volumes.

The after-tax result for the financial year reflects LPC's fundamental strength and continuing growth.

Insurance

In December 2013, LPC announced, following a mediation process with its insurers (Vero, NZI and QBE), that all the claims under the company's material damage, business interruption and contract works insurance policies arising out of the September 2010, February 2011 and June 2011 earthquakes had been settled. The settlements involve the payment in aggregate by the three insurers of $438.3m plus GST (being a gross amount of $450m less deductibles of $11.7m).

Health and Safety

CCHL's annual review is to the end of June, but the tragic circumstances in which it is being delivered must be acknowledged. On 28 August 2014 LPC Mechanic Brad Fletcher was killed in a terrible accident at the Container Terminal. This occurred eight months after two workers employed by other companies operating at the Port were killed late last year. It was also distressing and deeply concerning that in January this year a staff fork hoist driver at CityDepot suffered injuries when a dislodged container hit his cab.

The LPC Board and everyone in the Company are deeply saddened by these terrible accidents.

LPC is committed to continuously reviewing and improving health and safety to support a safe working environment. LPC is working with other New Zealand ports to develop a consistent approach to safety.

Record Volumes

Container volumes are one of the most significant areas of LPC's operations.

The Port achieved a new record of 376,567 TEUs for the year ended June 2014. The 7.2% growth was largely because of increased dairy exports, imports for the Christchurch rebuild and the continuing strength of the Canterbury economy.

Dry bulk imports also reached a record high, achieving 769,019 tonnes, an 18.4% increase. Another record was set with a 62.7% increase in log export volumes, reaching 601,485 tonnes. Vehicle imports increased by 14.6% and coal exports rose 2.7% to 2,069,432 tonnes, while the fishing trade lifted 13.4% to 32,799 tonnes.

LPC added a new service route in November 2013, with CMA CGM and Marfret Compagnie Maritime making Lyttelton their only South Island call in their operation to the east coast of the United States and Europe. Ship visits rose 14.5% because of increased volume in general cargo.

New Infrastructure

Pile driving began in March 2014 for the rebuild of Cashin Quay 2 wharf. This is a critical piece of infrastructure. Once construction is complete, two ships can be worked simultaneously at the Container Terminal.

The Port's fourth crane, the new Liebherr ship-to-shore gantry crane, arrived in May 2014 and is operating at Cashin Quay. Four Leibherr diesel-electric straddle carriers also arrived in May, further increasing the terminal straddle fleet and allowing the retirement of older machines.

Outlook

Looking ahead, LPC's immediate focus will be on health and safety right across the Port. The Port's future development will be a step-change for the Port, the business sector and regions it serves.

The Port is focused on enhancing operations and reconfiguring facilities to support a safe working environment within an efficient, prosperous Port that will enable LPC to be an employer of choice, provide outstanding customer service and sustainably boost the economy.

100%

Owned by Christchurch City Holdings Ltd

Civil contractors deploying Enable's new fibre broadband network in a Christchurch street.

56,553

homes, businesses, schools & healthcare facilities

can access fibre broadband services.

400

new jobs

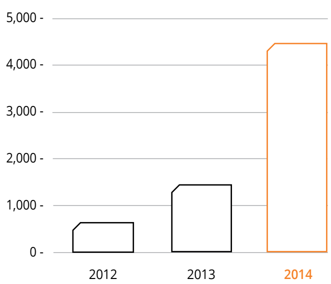
generated (approximately) within the local community since the project began in 2011.

5 year summary

	2010 $m	2011 $m	2012 $m	2013 $m	2014 $m
Revenue	2.9	4.9	11.9	46.4	65.8
Profit/(loss) for the year	0.4	0.5	(0.9)	(3.7)	(6.5)
Dividends	–	–	–	–	–
Total assets	25.1	32.4	47.6	83.4	129.8
Shareholder's equity	19.7	23.1	22.3	21.6	21.5

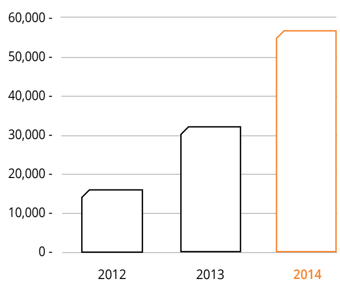
Connections

(Total customers - cumulative)



Customers able to access fibre

(Total customers)



Enable Services LTD

It has been an outstanding year for Enable in relation to its two most significant drivers – the roll-out of the fibre broadband network and the uptake of fibre broadband services by the greater Christchurch community.

At year end 56,553 homes, businesses, schools and healthcare facilities could access fibre broadband services, an 80 percent increase in the number of potential customers against last year – and almost one third of the premises in Enable's UFB area.

Additionally, almost 10 percent of these potential customers have already chosen to move to fibre – which represents uptake well ahead of the national average and Enable's business plan.

Enable Services Limited's (ESL's) financial performance

The 2014 financial performance was aligned with expectations – and with the business' dual role as a significant investor in fibre broadband to the Christchurch community (through its shareholding in Enable Networks Ltd) and as the infrastructure services company building and managing the network.

Revenue reflected the acceleration in network deployment – increasing by $19.4m compared to the previous year to $65.8m. Overall, ESL made a net loss of $6.5m, up from last year's $3.7m, which again aligned with expectations.

It is worth noting Enable Networks Limited's revenue performance – which is a direct reflection of the high uptake of fibre broadband services. It grew over 30% from $3.99m in the previous financial year to $5.27m in 2014.

Increasing fibre broadband network coverage

Network deployment was completed to over 25,000 home and business premises in 2014, almost twice the rate of network deployment compared to the previous year. The areas covered included Rolleston and Lincoln townships, making them the first fully fibred towns in New Zealand, along with a number of other suburbs across Christchurch.

25 more schools were able to connect to fibre as part of this deployment programme, taking the total to 111. All 148 schools within the coverage area will be reached by the end of 2015.

Establishing the Network Delivery Alliance

A significant factor in this successful deployment programme was ESL and its network build partner Transfield Services (NZ) Limited implementing a new operating model where all the people working on the deployment of the network came together under one team.

The Network Delivery Alliance was formed on 3 February 2014 and resulted in an immediate acceleration in deployment with over 11,000 homes and businesses provided service in the last quarter of the year.

Driving fibre broadband uptake

By 30 June 2014, 4,477 customers were connected to fibre broadband, with another 991 connections underway. In total, 5,468 customers, or close to 10 percent of those with access, have embraced fibre broadband – representing one of the fastest uptake rates in the country. In some communities such as Rolleston, Lincoln and Halswell uptake has passed or is fast approaching 20 percent.

By year end, 38 retail service providers were contracted to deliver fibre broadband services over the network, of which seven had launched in the residential market.

The most significant retail launch of 2014 was that of Spark (formerly Telecom) – with business services launched in December 2013 and full residential launch in February 2014.

Marketing the availability and benefits of fibre broadband at a Christchurch home show.

Looking ahead

The overarching focus of the year ahead is to achieve 'high performance' across the key functional areas of the business: health and safety; market uptake; customer service; network deployment; connections; and network operations. This will be achieved by creating a business environment where the team is highly engaged and feels supported to continually seek outstanding results for the business and its customers.

As always, health and safety will be ESL's top priority with continual improvement a key focus ensuring all people involved in the business have a healthy and safe environment to work in.

On 1 July 2014, ESL began a Year Four deployment that will see another 30,000 potential customers receive access to fibre broadband services by mid-2015 and will see the total network footprint reach 88,000 homes and businesses.

The combination of: more retail service providers; a growing network footprint, increased consumer awareness of fibre and its benefits, and marketing effort are all expected to contribute to much greater order volumes in the coming year. The business needs to be fully prepared to manage 1,000 customer connections per month by the end of 2014.

100%

Owned by Christchurch City Holdings Ltd

City Care provided emergency response support to many disaster-hit communities during the winter of 2014.

$12.9m net profit returned by City Care Ltd

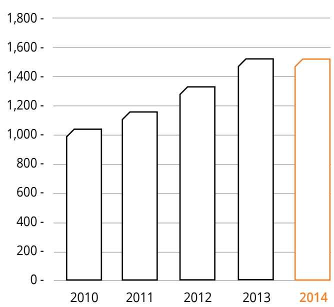
twenty the number of City Care's city/district council clients

5 year summary

	2010 $m	2011 $m	2012 $m	2013 $m	2014 $m
Revenue	145.5	237.5	354.0	351.1	350.8
Profit for the year	4.0	11.3	16.5	2.8	12.9
Dividends	1.9	6.4	7.9	6.3	5.7
Total assets	53.9	86.4	96.3	118.3	110.4
Shareholder's equity	31.8	37.6	46.2	43.3	50.5

City Care continued its participation in the rebuild of Christchurch's horizontal infrastructure during 2013/14.

Staff Numbers



City Care LTD

To reflect the expanded scope of City Care's business, a new vision was launched this year: *to build great communities – our people making it work* and this has certainly been supported in the work that it does.

Whether building or maintaining vertical and horizontal infrastructure, building new partner relationships, building the company performance or re-building the city of Christchurch, City Care and its people are fully engaged in this vision.

The year marked a return to City Care's strong financial performance after a challenging 2012/13 year. The company has continued to invest in its people, processes and systems to maintain its outstanding service delivery and state-of-the-art technical capabilities.

Financial performance

City Care performed strongly in 2013/14, returning a net profit after tax of $12.9m, a significant increase on last year's net profit of $2.8m. During the year City Care paid an annual dividend of $5.67m to CCHL, up on the Statement of Intent (SOI) target of $2.1m.

City Care also met the majority of its other financial, operational, social and environmental targets as laid out in the SOI.

Significant Projects

Partnerships with clients continued to reinforce City Care's growth and expansion strategy. This strength was demonstrated during the year by the successful commencement or completion of a number of key projects:

Dunedin Three Waters

In December City Care was awarded the contract to maintain the city of Dunedin's water and wastewater network for a term of up to eight years. This contract win marked a significant milestone for City Care, in not only re-establishing the company's presence in Dunedin, but also in transitioning the work from Dunedin City Council's previous in-house unit.

Ministry of Education

During the year City Care won a Ministry of Education (MoE) project to build eight modular, relocatable classrooms for Linwood College, Christchurch. The classrooms were constructed off-site at the company's Springs Road facility and were moved on-site in November.

City Care was also awarded a further MoE contract as Managing Contractor for a number of relocatable classrooms at Avonhead School and Bromley School.

Housing New Zealand

In a joint venture with MWH NZ, City Care was selected by Housing New Zealand (HNZ) to manage their Minor Repairs Programme for earthquake-damaged HNZ properties in Christchurch.

The City Care/MWH project management office (PMO) will manage the repair of approximately 5,000 of HNZ's Christchurch housing stock, with City Care providing half of the personnel required to run the PMO.

Trimble Building

The completion of Trimble's New Zealand headquarters in Birmingham Drive, Christchurch marks City Care's highest-profile building construction project to date. The building is the first structure in the world to incorporate the three damage-avoidance technologies of post-tensioned rocking Laminated Veneer Lumber (LVL) fames, post-tensioned LVL rocking shear walls and timber-concrete composite floors into one single building.

Avon River Precinct

During 2013 City Care completed the Watermark phase of CERA's Avon River Precinct anchor project in Christchurch. During the year the company was also awarded the contract to undertake the next stage of the project. Completed in June, the in-river works are part of the largest urban river restoration programme ever undertaken in New Zealand, and will play a key role in regenerating the central city after the earthquakes.

Emergency Response

Extreme weather played a large role in City Care's operations this year. Four separate rainfall events in Christchurch in the early part of 2014 caused widespread flooding. City Care teams provided swift and effective emergency services to mitigate flood encroachment as well as sewer, stormwater, roading, tree and other issues.

Cyclone Lusi made landfall in New Zealand in mid-March, wreaking havoc in many of City Care's client catchment areas. The company once again activated its emergency response capability, with teams working tirelessly to restore normal services and to help many communities.

Community Sponsorships

City Care's close community connections were reinforced during the year with several local sponsorship initiatives. These included the installation of two significant civic artworks: a life-size bronze sculpture of Hairy Maclary and Friends on Tauranga's waterfront and an eight-metre stylised rimu grove made out of recycled rimu rescued from a demolished red-zone property in the Christchurch CBD.

100%

Owned by Christchurch City Holdings Ltd

The Rebuild Tour bus stops to let of visitors at Christchurch's Transitional Cardboard Cathedral.

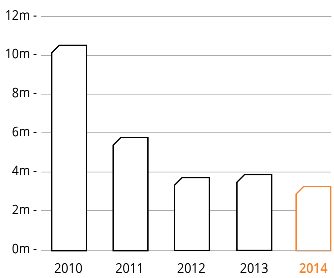
3.4m urban passenger trips delivered in 2014

over **230** Red Bus employees

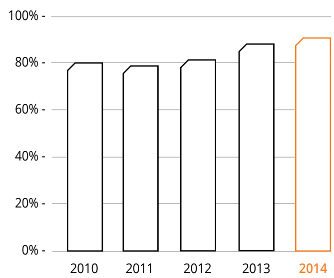
5 year summary

	2010 $m	2011 $m	2012 $m	2013 $m	2014 $m
Revenue	33.4	30.4	19.0	17.2	17.4
Profit/(loss) for the year	1.1	6.2	0.1	(0.6)	(0.6)
Dividends	0.7	–	–	–	–
Total assets	53.2	51.9	47.7	49.4	44.0
Shareholder's equity	31.4	37.6	37.7	39.2	38.6

Passengers Carried
(Millions)



Fleet Standard
(Euro 2 and above)



Red Bus LTD

Throughout the year Red Bus continued to deliver reliable and professional passenger transport services despite the damaged transport network and its ongoing reconstruction.

The company continues its commitment to customer service, vehicle safety and presentation to ensure safe and reliable public transport services for the Canterbury region. Monthly mystery shopper surveys consistently demonstrate that Red Bus' customer service leads that of other urban operators.

The company's operating margins did not deliver the financial results expected after the second phase of the 2012 Environment Canterbury urban contract negotiations. Charter and tourism activity post earthquake continues to be lower than prior to the earthquakes although there are encouraging signs of business growth this year.

Financial performance

Red Bus maintained a strong balance sheet in challenging and volatile business circumstances.

The company made a net loss of $0.62m, a similar result to the previous year. Two core elements causing this loss were the inability to sell surplus buses and delayed leasing of surplus depot capacity. The bulk of the surplus buses have been sold early in the new financial year and negotiations are well advanced for the short term lease of surplus land.

Red Bus continues to operate with a lean and flat management structure that ensures operational efficiency and a close connection between all management and staff.

Revenue increased marginally from $17.2m last year to $17.4m this year.

A full and final insurance settlement was agreed and payment received for all outstanding earthquake claims in June 2014.

Additionally, Red Bus repaid the $5m loan to CCHL in full during the year and since balance date has paid a dividend of $0.5m from cash surpluses.

Patronage

Passenger volumes were slightly lower on Red Bus' urban contracts this year at 3,445,000 passenger trips; this is compared with 3,457,000 passenger trips in 2013. This was mainly due to the reallocation of service routes in December 2012. Environment Canterbury passenger network trips overall have grown approximately 6% from the previous year although these are still 17% below pre-earthquake passenger trip numbers.

By comparison school passenger trips are 17% higher than in the prior year and are now 3% above those for the 2010 calendar year.

Regulatory Changes

June 2013 amendments to the Land Transport Act and repeal of Public Transport Management Act set the scene for implementation of Public Transport Operating Model (PTOM). Red Bus supports the core PTOM principle to improve value for money in public transport through partnering between Regional Councils and Operators.

Both Auckland Transport and Greater Wellington Regional Council are preparing to introduce PTOM contracts in the next 12 to 18 months.

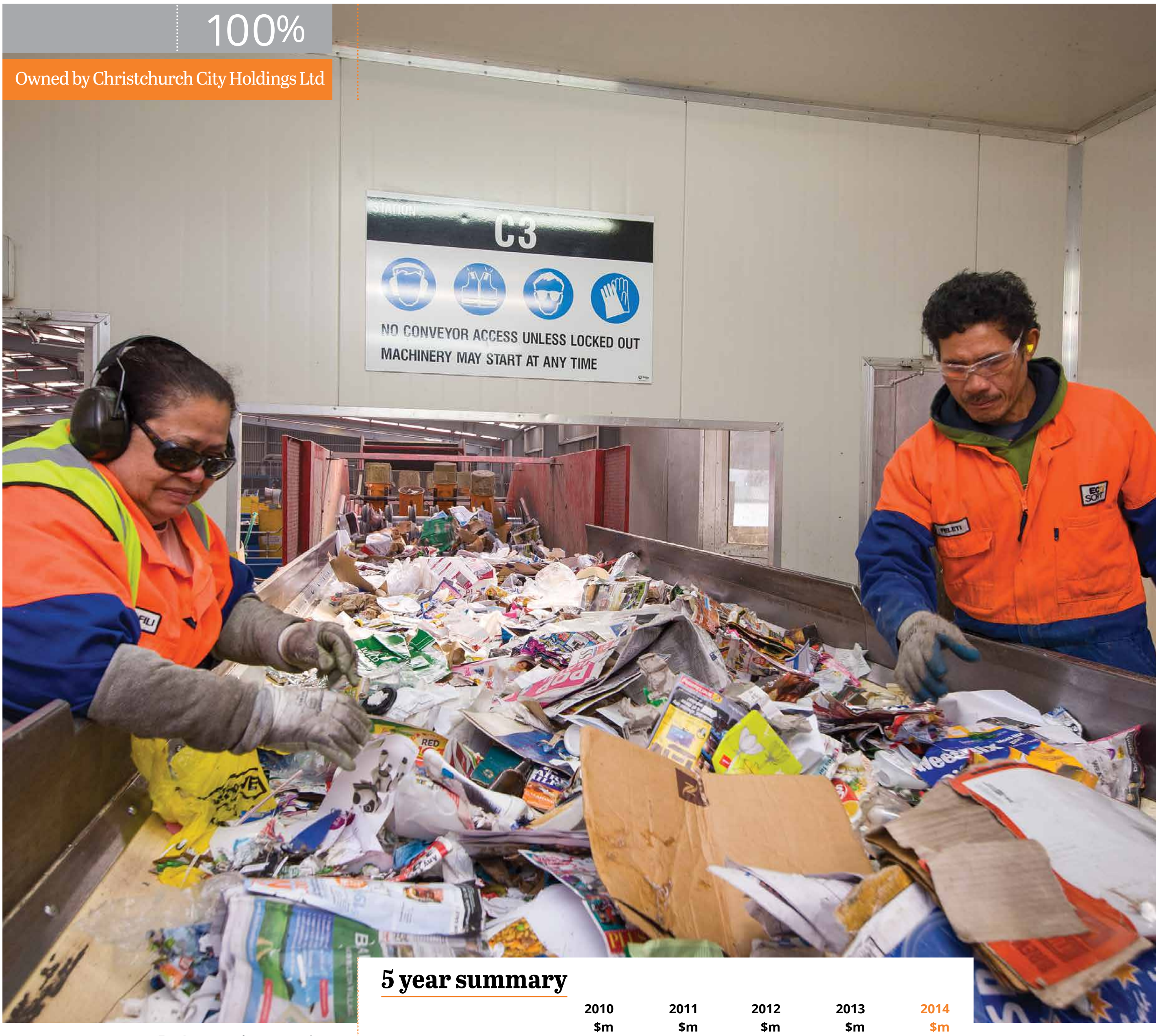
Highlights

- The company continues to be a leader in urban driver training with 55% of drivers holding a National Certificate level driving qualification. The Safe and Fuel Efficient Driver (SAFED) training programme is being rolled out in conjunction with a telematics trial.
- 2014 saw a marked reduction in lost time injuries (LTI) with the lost time incident ratio at 12.3 per million worked hours this year (23.8 for 2013). No LTI's occurred in the seven months from August 2013 to February 2014. The longest period without LTI's recorded to date. The ultimate target is no lost time injuries.
- Red Bus' charter services remain in strong demand from schools, community groups, corporate and sports groups for a variety of functions and events. The acquisition of coaches broadens the company's service range from small groups through to large scale and complex events such as City to Surf, A Run to Remember and school sports.
- The Rugby Express service Red Bus initiated last year continues to be well supported as a fully commercial service after the funding through VBase came to an end in March 2014.
- The Rebuild Tour which evolved on from the Red Zone Tour is growing steadily with excellent customer feedback. This tour is regularly ranked in the top ten attractions in Christchurch by TripAdvisor and TripAdvisor awarded this tour with a certificate of excellence in 2014.

Red Bus' Rugby Express service offers a 'park and ride' system to and from AMI Stadium.

100%

Owned by Christchurch City Holdings Ltd



EcoSort employees review the region's recyclables for contamination.

0.9m

net profit returned by EcoCentral Ltd

107,300

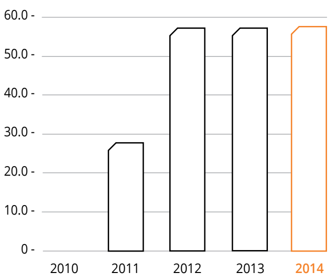
tonnes diverted from landfill

5 year summary

	2010 $m	2011 $m	2012 $m	2013 $m	2014 $m
Revenue	–	18.6	30.2	32.9	35.7
Profit for the year	–	0.8	(3.3)	0.8	0.9
Dividends	–	–	–	–	0.2
Total assets	–	21.6	17.4	18.2	17.4
Shareholder's equity	–	1.9	(1.6)	4.0	4.7

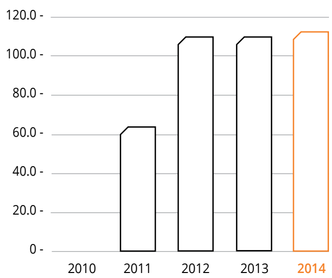
EcoSort Volumes*

(Tonnes)



Diverted from Landfill*

(Tonnes)



*CCHL aquired 100% of the shares in EcoCentral Ltd on 1 January 2011.
These tables shows the results and position of EcoCentral Ltd since this aquisition.

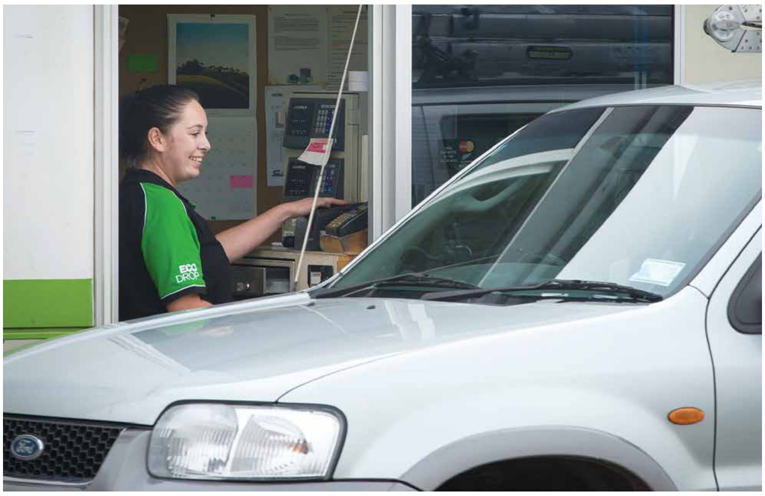
EcoCentral LTD

EcoCentral continues to play a key role as a critical infrastructure asset supporting Christchurch. Whilst still operating at some earthquake affected sites, EcoCentral has recognised the value of providing facilities where families can bring their accumulated excess items and recycle them into someone else's treasure at the EcoShop.

Canterbury residents continue to participate strongly in the 'three bin' recycling and refuse system that saw a consistent supply of recycling products through the EcoSort facility.

Overall, 2014 has been a strong trading year for the company despite a high New Zealand dollar and mid-range commodity prices.

Christchurch residents make use of the EcoDrops to get rid of unwanted household items.



Financial performance

The "fit for purpose" and "fit for profit" mantra has been a theme throughout EcoCentral's processes, procedures, and policies across all of the company's activities.

EcoCentral recorded a net profit after tax of $0.9m, an increase on $0.3m in the previous year.

All three of EcoCentral's operations showed improvements on the previous years. EcoDrop in particular traded well.

Despite these good results, the financial year has seen challenges with a very high New Zealand dollar and commodity prices remaining in the mid range, on a historical basis. To a degree, this has been mitigated by the company's foreign exchange policy and EcoCentral's constant attention to the pricing of materials sold and received.

Operations

EcoDrop

The three EcoDrops have continued to trade strongly as Canterbury settles into the routine of the rebuild. This however has not been at the expense of resource recovery.

As many households move out of their homes while their house is repaired or rebuilt, many choose to clear out unwanted items. This has resulted in an increase in quality product flowing into the recycling areas at the EcoDrop, corresponding to improved performance at the EcoShop.

Hazardous household goods, asbestos and other items emerging from red zone properties have been directed to the facilities to ensure safe and efficient handling minimising any impact on the environment.

EcoSort

Despite some challenges with extreme weather coupled with tightened import regimes in China at the beginning of 2014, the EcoSort has managed to sustain the volumes of recyclables in and out of the facility.

Container access and shipping were again challenges throughout the year but managed exceptionally well with logistics and some lateral thinking. A treasury policy adopted by the Board in May 2012 successfully protected EcoSort's cash-flows as the US dollar remained strong throughout the financial year.

EcoShop

EcoShop reported an extremely strong year owing to the high quality product received from the EcoDrops coupled with the many new residents to Christchurch looking to furnish their temporary or permanent home on a budget. The retail and procurement team have ensured the shop is consistently fully stocked with a variety of items which results in a steady line of customers waiting for the doors to open each day.

Health and Safety

Significant research has been undertaken to improve the safety of both the staff at EcoSort, and members of the public and staff at the EcoDrop. Health and safety systems and documentation have been further augmented and progress has continued towards the safety certification - NZS 4801.

100%

Owned by Christchurch City Council

CDC Client Manager Manufacturing John Hamilton with Tom Thomson Managing Director Elastomer Products Ltd.

$340,000

issued in central government funding

CDC issued 153 vouchers.

320

assessments

Christchurch businesses received three hundred and twenty assessments from CDC.

Canterbury Development Corporation

Canterbury Development Corporation's (CDC) role is to support, encourage and influence the economic success of Christchurch, recognising the value of the wider regional rural economy to the city.

CDC works with business, government agencies and the private sector to drive exports, business growth and innovation to generate wealth and provide a better way of life through a strong economy.

The aims of CDC are to:

- Forecast changes in economic, workforce and infrastructure dynamics.
- Support businesses and sectors with high-growth potential to get bigger and better.
- Enhance the regional innovation system and have the region recognised as the leader in commercialisation.

CDC Three Year Strategic Plan

After the election of the new council and the appointment of the new Councillors to CDC's Board a review of the organisation's priorities and direction was undertaken. It provided an opportunity to better align CDC in some key areas where the priorities of the new Council had changed. As a result of this process CDC will place more emphasis on defining its role in the rebuild and transition of economic and business-related activities from the Canterbury Earthquake Recovery Authority (CERA) to the city, supporting skills and education, investigating some community based projects, and bringing Business Mentors back into CDC.

Christchurch Economic Development Strategy

Following the review and launch of the Christchurch Economic Development Strategy (CEDS) in early 2013, the focus this year was on the delivery and implementation of projects and engagement with over 25 key lead agencies of economic development projects and programmes. This enables CDC to monitor and report quarterly on progress of the implementation of the CEDS projects, many of which are led by other organisations.

CDC Innovation

CDC Innovation supports start-ups, existing business and industry partners to improve innovation processes and commercialisation outcomes within the region.

Over the last year the highlights were:

- Development of the Hi-Growth Launch Programme.
- Active involvement in the development of the Innovation Precinct in the Central City.
- The Innovation Hub (a co–working and incubation space expected to be open in early 2015).
- Three investment and screening committees for national innovation funding.
- Hosting of five events featuring leading innovation specialists.

In addition to delivery against these contracts, Canterbury Regional Innovation System (CRIS) provides early stage investment to high-tech start-up companies via Powerhouse Ventures Ltd. CRIS Ltd also holds CDC's 25% stake in powerHouse itself (which CDC has supported as a founding shareholder and cornerstone investor).

Canterbury Regional Business Partner Programme

From July 2013 to June 2014 under the Regional Business Partner Programme, CDC issued $340,485 in central government funding (153 individual vouchers) to assist in building management capability in high-growth potential businesses in Christchurch. In addition,

Nicola and Pat Martin, founders of SolarBright feature in the Spring issue of the CDC Canterbury Report.

320 businesses received assessments and had actions or referrals identified as part of the assessment process, some of which were referred on for research and development assistance.

CDC business services

Over the last year CDC has increased the suite of business support it offers to organisations. Some of the new services delivered over the last year include:

Productivity improvement services

A suite of services have been developed targeting productivity improvement in the manufacturing sector.

Workforce profiling

Profiling the technology and manufacturing sectors to attract skilled migrants and provide information about education and career choices.

Governance for Growth

Building on a successful pilot programme run by CDC and the Department of Labour in 2009.

Education trade mission to India

CDC participated in a trade mission to India earlier this year, which was lead and funded by Education New Zealand and Immigration New Zealand. The joined-up approach was a first for an education trade mission and was very well received.

CCHL GROUP

10 YEAR summary.

	2005 Old GAAP $m	2006 NZ IFRS $m	2007 NZ IFRS $m	2008 NZ IFRS $m	2009 NZ IFRS $m	2010 NZ IFRS $m	2011 NZ IFRS $m	2012 NZ IFRS $m	2013 NZ IFRS $m	2014 NZ IFRS $m
Financial performance and position										
Total revenue	449	492	501	524	592	595	750	903	958	1,353
Profit for the year	66	79	99	91	79	55	77	97	71	403
Total assets	1,496	1,592	2,156	2,219	2,211	2,286	2,321	2,473	2,576	3,175
Shareholders' equity	963	854	1,368	1,405	1,414	1,367	1,309	1,373	1,450	1,945
Payments to Christchurch City Council										
Dividends paid	30	47	30	33	37	114	43	35	36	52
Ratios										
Ratio of net debt to net debt plus equity	27%	35%	23%	23%	22%	27%	30%	33%	33%	21%
Return on average equity	7.7%	9.3%	8.9%	6.6%	5.6%	4.0%	5.9%	7.3%	5.0%	23.7%

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A J Pearce
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R Simmonds *(Chief Financial Officer)*
N Halstead *(Executive Officer)*

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Westpac Institutional Bank, Auckland
ANZ Bank, Wellington

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Christchurch

cchl
Christchurch City Holdings

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