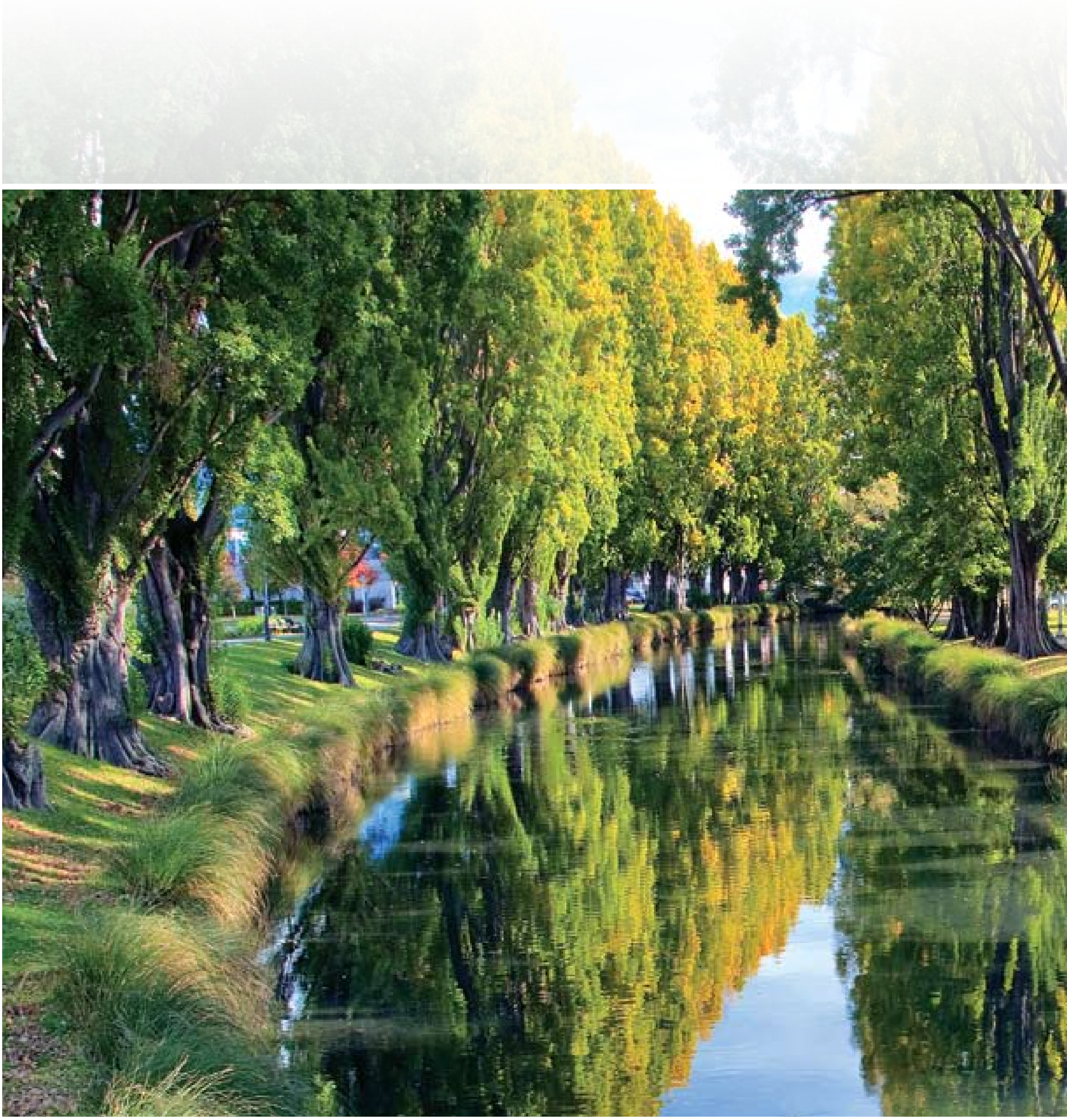
cchl

Christchurch City Holdings

ANNUAL REVIEW 10

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



Christchurch City Holdings Limited (CCHL) is the commercial and investment arm of Christchurch City Council, responsible for managing the Council's investment in its council-controlled trading organisations.

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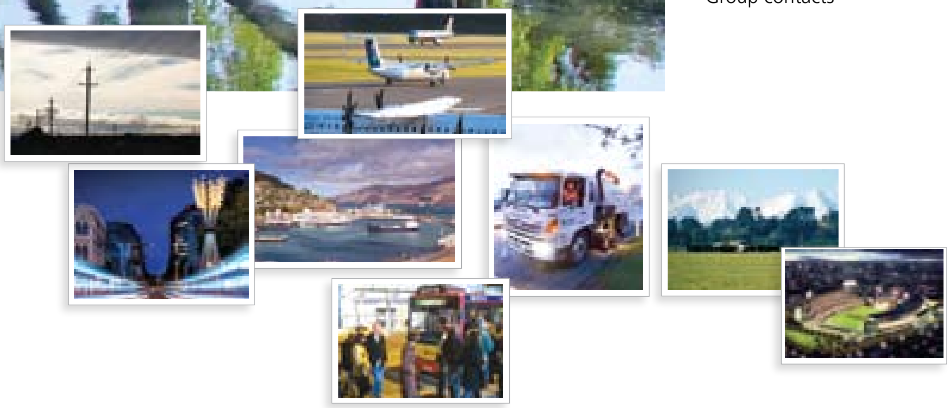
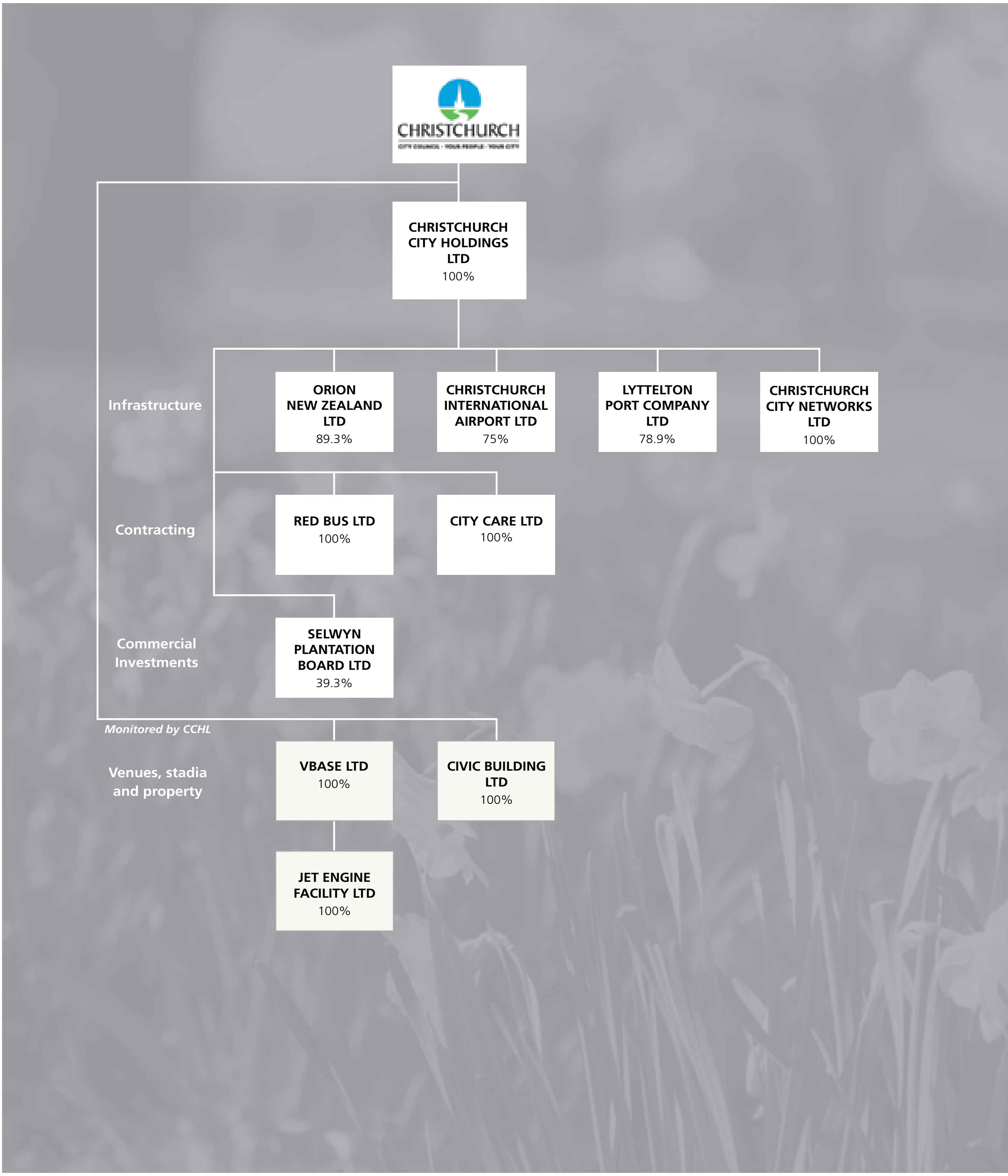


The CCHL group



About CCHL

About CCHL

Christchurch City Holdings Ltd (CCHL) is the commercial and investment arm of Christchurch City Council. The company is responsible for managing the Council's investment in seven fully or partly-owned Council-controlled trading organisations – Orion New Zealand Ltd, Christchurch International Airport Ltd, Lyttelton Port Company Ltd, Christchurch City Networks Ltd (trading as Enable Networks), Red Bus Ltd, City Care Ltd and Selwyn Plantation Board Ltd.

In addition, CCHL monitors Council-owned company Vbase Ltd (which owns and manages AMI Stadium, the Christchurch Convention Centre, the Christchurch Town Hall for the Performing Arts and the CBS Canterbury Arena), as well as Jet Engine Facility Ltd and Civic Building Ltd.

Investing in the City's infrastructure

CCHL's key purpose is to assist the Council in achieving its vision for Christchurch as a world class boutique city, through investing in existing and new infrastructural assets such as the electricity distribution network, the airport, port, transport and high speed broadband.

Our strategic approach is to identify infrastructural needs that cannot be filled by the private sector or existing Council operations, 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 – a recent example is the provision of some of the funding requirements for the construction of the new airport terminal.

Financial contribution

Christchurch City Council's decision in 1993 to retain its key infrastructural assets through the establishment of CCHL has created a public ownership model that is the envy of many councils nationwide. The model has enabled CCHL to make over $900 million 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 $400 million to $2.2 billion. Total group equity has risen from $261 million in 1995 to just under $1.4 billion today.

CCHL's dividend to the Council for the 2011 year is forecast at $46.0 million.

This growth in both value and cash returns represents an average shareholder return to ratepayers of over 16% per annum since 1995.

CCHL currently has an AA+/A-1+ credit rating from credit rating agency Standard & Poor's. An AA+ rating means that CCHL is considered to have a very strong capacity to meet its financial commitments.

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. All companies made a positive contribution to the group results and to the annual dividend paid to Christchurch City Council.

CCHL places a great deal of emphasis on ensuring the group has first class governance processes in place. Through a structured, independent process, CCHL recommends director appointments to subsidiary companies and monitors those companies on behalf of the Council. Further detail regarding the company's corporate governance policies is set out on page 18.

Accountability to the Council

- CCHL is accountable to the Council through a number of mechanisms, including:
- Approval of CCHL's annual Statement of Intent;
- Council appointment of CCHL directors (four councillors and four external);
- Regular reporting to the Council; and
- Publication of six monthly and annual reports.

The CCHL group subsidiaries

ORION NEW ZEALAND LIMITED

89.3% owned by Christchurch City Holdings Limited

Value in CCHL's Balance Sheet

$650 million

Orion New Zealand Ltd owns and operates the electricity distribution network in central Canterbury between the Waimakariri and Rakaia Rivers, and as far inland as Arthur's Pass.

The electricity network covers 8,000 square kilometres of diverse geography, including Christchurch city, Banks Peninsula, farming communities and high country.

Orion's network delivers electricity to more than 192,000 homes and businesses. Electricity retailers pay Orion for this network delivery service and in turn charge homes and businesses for it.

Orion also owns the electrical contracting business Connetics Limited. Connetics is a contracting service provider to utility network operators, local authorities, developers and commercial/industrial customers.

The other 10.7% shareholder in Orion is Selwyn Investment Holdings Ltd, a wholly-owned subsidiary of Selwyn District Council.

Orion yournetwork

CHRISTCHURCH INTERNATIONAL AIRPORT LIMITED

75% owned by Christchurch City Holdings Limited

Value in CCHL's Balance Sheet

$528 million

The international gateway to the South Island, Christchurch International Airport Ltd (CIAL) hosted just over 6 million passengers in the 2010 year, arriving or departing on over 79,000 aircraft servicing destinations as close as Timaru and as distant as Tokyo.

Ten airlines arrive from ten international and 16 domestic airports, meaning a wide range of direct services are available to the city's travellers.

The company is embarking on a major project to build a new combined domestic and international terminal.

With a new terminal including integrated check-in facilities, large passenger lounges, extra seating, improved passenger flows and enhanced retail and food and beverage areas, the new terminal will offer a top class airport experience.

The remaining 25% shareholding in CIAL is owned by the Government.

Christchurch International | airport Limited

LYTTELTON PORT COMPANY LIMITED

78.9% owned by Christchurch City Holdings Limited

Value in CCHL's Balance Sheet

$187 million

Lyttelton Port Company Ltd (LPC), the South Island's major deep-water port, is a hub of international trade.

This year the port handled approximately 9.8 million tonnes of cargo.

The container terminal provides specialised cargo handling and stevedores to handle more than 250,000 container (TEU) units.

On the water, full marine services are provided, including tugs, pilots, and service staff. Over 1,100 ships visit the port every year, with a steadily increasing number of cruise liners.

Lyttelton has the largest export coal facility in New Zealand, currently handling over two million tonnes a year for Solid Energy.

LPC is listed on the New Zealand Stock Exchange.

lpc Lyttelton Port of Christchurch

CHRISTCHURCH CITY NETWORKS LIMITED

(Trading as ENABLE NETWORKS)

100% owned by Christchurch City Holdings Limited

Value in CCHL's Balance Sheet

$18 million

Enable Networks owns the largest open access fibre network in Christchurch which is purpose-built for direct connection to the customer.

Enable Networks operates over 250 kilometres of fibre network around Christchurch, providing potential coverage to over 75% of public and private businesses, and telecommunications and IT service providers within the commercial and business areas of Christchurch.

A full range of fibre and Ethernet services are provided on a wholesale basis or directly to the customer. Demand for these services has been greater than forecast for the third year running.

Over half of the schools in Christchurch are contracted to connect to the network, with approximately 35 schools connected to date.

The company is continuing to expand its network to serve the majority of businesses, schools, health and government organisations over the next two years.

The company continues to attract business and Government clients as well as companies wishing to deliver their services over Enable Networks' fibre.

enable NETWORKS

RED BUS LIMITED

100% owned by Christchurch City Holdings Limited

Value in CCHL's Balance Sheet

$28 million

Red Bus Ltd carries approximately 10.5 million passengers in Christchurch city each year with a fleet of 200 buses, travelling 12.5 million kilometres a year.

Its urban public transport services are predominantly contracted to Environment Canterbury, which plans and regulates the city's public transport. The company also delivers a broad base of charter services and operates some commercial urban services.

Red Bus is the city's largest urban passenger transport business with approximately 400 staff and 200 buses.

Red Bus Ltd maintains a strong commitment to customer service and has achieved continued improvement in passenger satisfaction.

The company's focus is on patronage growth through improved customer service and service reliability, underpinned by continuous improvement to operational efficiency.

red bus

CITY CARE LIMITED

100% owned by Christchurch City Holdings Limited

Value in CCHL's Balance Sheet

$26 million

City Care Ltd is a leading provider of construction, maintenance and management services across New Zealand's infrastructure.

City Care's employees work around the clock maintaining parks, gardens, sportsfields and cemeteries, waterways and coastal areas, buildings and public facilities, roading networks and water, wastewater and stormwater networks. The company keeps an eye on the future, working with its clients to create new infrastructure for the wellbeing and enjoyment of people throughout the country.

City Care employs over 1,000 staff across 15 operational offices in Rodney, Auckland, Hamilton, New Plymouth, Hawera, Tauranga, Whakatane, Masterton, Wellington, Christchurch, Timaru and Dunedin.

Clients include local and central government authorities, commercial businesses and other major owners of infrastructure. City Care also undertakes work for other contracting companies and private individuals.

city care

Group highlights for the year

ORION NEW ZEALAND LIMITED

Operational

- Continued to rank as one of the most reliable and efficient networks in the country, meeting virtually all key network reliability targets.
- Invested over $34 million on capital expenditure, including projects to connect new customers, reinforce the network and replace ageing equipment.
- Implemented the second of three phases of a fully integrated network management system, to be completed by April 2011. This will streamline network control room functions and improve management of both day-to-day network operations and major events.

Environmental

- Continued to support and sponsor Community Energy Action - a Christchurch-based charitable trust focused on improving energy efficiency for the low income housing sector in particular.
- Continued to manage peak electricity demands on its network, including a collaborative project with other upper South Island electricity distribution businesses.
- Formally incorporated the cost of carbon into the company's key network investment decisions. Some 77% of the company's carbon footprint arises from electrical losses through the network, so this step favours purchases of equipment with lower electrical losses.
- Phased out the future installation of lead-based underground cables.

Community and employees

- Continued the company's public safety education campaign and awareness programme in the safe use of electricity.
- Excluding car-versus-pole incidents, achieved zero injury accidents involving members of the public.
- Continued the company's engineering trainee programme and Connetics' apprentice scheme to ensure the group retains and develops its high skill base well into the future. The company also continued with its sponsorship of and support for the local CPIT trades innovation and training centre.

CHRISTCHURCH INTERNATIONAL AIRPORT LIMITED

Operational

- A record number of passengers passed through the airport during the 2010 financial year – passing six million for the first time.
- Continued to make good progress on the construction of the new terminal, and commenced building a new regional lounge to serve turbo-prop aircraft. Both projects are currently proceeding on time and on budget.
- Commenced a number of new initiatives to enhance commercial revenue to reduce reliance on fluctuating aeronautical revenues, including the launch of the $9.5 million redevelopment of international airside retail.
- Achieved agreement on the reset of airline charges with all airlines and re-tendered a number of the major concession contracts, both resulting in positive value improvements.

Environmental

- Retained carbon neutral certification for the airport company's operational activities.
- Continued programme development to support tenants and business partners to become carbon neutral and held educational workshops.
- Installed recycling programme in International Terminal and car park to reduce waste to landfill.
- Labelled all new storm water drainage inlets, and continued programme to label all existing drainage outlets.
- Produced environmental training awareness DVD with a focus on groundwater protection.

Community and employees

- Continued the community engagement strategy with neighbours and the wider community more effectively, incorporating periodic community forums and meetings with stakeholders and community groups.
- Completed a range of organisational reviews under a Worksmart efficiency programme to improve business performance.
- Implemented a performance management programme across relevant sectors of staff.
- Developed an integrated and focused leadership structure including both the executive management and senior management teams.

LYTTELTON PORT COMPANY LIMITED

Operational

- Continued growth in total container volumes through the port, up by 5.3% on last year to a record 273,789 TEUs.
- Achieved productivity gains in the container terminal of 5.8% for the year.
- Expanded the container terminal rail system, significantly increasing rail receival capacity and container throughput.
- Increased landside capacity in the container terminal to meet peak demand.
- Completed Stage 1 of the coal yard expansion project in conjunction with Solid Energy.
- Achieved average coal loading volumes of over 25,000 tonnes (over all coals) per day for the first time.

Environmental

- Progressed the measurement stage of the CEMARS (Certified Emission Management and Reduction Scheme) – Landcare's carboNZero programme.
- Established a baseline of greenhouse gas emissions for the 2009 year against which the company can manage progress in energy efficiency over time.
- Installed an ion exchange column treatment system for waste water from the dry dock.
- Completed further three acoustic treatments of dwellings included in the noise mitigation plan.

Community and employees

- Further developed the STEPS Safe Behaviours programme in a number of operational areas, with a particular highlight at CityDepot being no lost-time injuries.
- Recruited 31 people during the year, against the trend in the current economic environment.
- Introduced a drug and alcohol policy with education and awareness training as part of the implementation process.
- Continued sponsorship of local Lyttelton community events, as well as the wider community, including weekly support from company staff at Ronald McDonald House.
- Provided financial support for the Lyttelton Sea Scouts' 100 year celebration in October 2010.

CHRISTCHURCH CITY NETWORKS LIMITED
(Trading as ENABLE NETWORKS)

Operational

- Achieved a 97% increase in customer connections, following a 123% increase in the previous year.
- Extended the ducted fibre network to cover much of the CBD and many other business areas in the city and over half the Christchurch schools.
- Established an Ethernet-based switching platform with two core diverse switching hubs located on either side of the city, providing Ethernet base access services to a wide range of service providers and customers.
- Continued growth in the number of service providers offering services over the network, with more than 20 now either providing services or re-selling services.
- Delivered high standards of design and operational performance, achieving a network performance level of greater than 99.995% availability.

Environmental

- Ensured network construction has had minimal impact on the environment with all construction under ground and by way of 'trenchless' technology where possible. In addition, the technology deployed minimises the likelihood of future disruption to the environment and community.
- Customers are using Enable's network for the transmission of high definition video conferencing which provides realistic alternatives for remote meetings, reducing fuel consumption, traffic congestion and roading infrastructure deterioration.

Community and employees

- Continued to operate an extensive fibre network which provides crime prevention camera connectivity directly back to the central police station for a large number of these cameras, enabling a safer CBD.
- Launched a schools connectivity product, EnableSCHOOLS™ where a school can connect to the network at 1Gbps speed for $195 per month. Thirty five schools are currently connected to the network with a growing waiting list.
- Provided support for not-for-profit organisations such as Youthline and the Christchurch Symphony Orchestra.

RED BUS LIMITED

Operational

- Commenced eight re-tendered contracts in November 2009 under a new gross contract model with Environment Canterbury.
- Six routes were lost in the final Environment Canterbury tender round of the year necessitating a business restructure in the new financial year.
- A minor reduction in passenger numbers on Red Bus urban services occurred this year. Achieved 10.5 million passengers in line with the target.
- Completed the majority of the fleet replacement programme with 35 new buses being delivered during the year.
- Launched a new commercial scheduled service to Darfield.

Environmental

- Purchased 35 new urban buses with the latest Euro IV emissions standards.
- Measured & certified greenhouse gas emissions at 13,052 tonnes of CO_2.
- Completed the Target Sustainability initiative sponsored by the Christchurch City Council.
- Carried 10.5 million passengers equating to an average of 28,800 passengers per day. This equates to approximately 19,000 car journeys, reducing city congestion and exhaust emissions across the city.

Community and employees

- 277 drivers (79%) hold a National Certificate level driving qualification.
- After three years of drug and alcohol testing non-negative results are now stable at approximately 1.3%.
- Supported community festivals by arranging transport to outlying areas, such as the Akaroa French Festival, A&P Show, concerts in Waipara, and community events within the city such as the Christchurch Arts Festival and Ellerslie Flower show.
- Implemented software to improve the efficiency and effectiveness of managing staff leave.

CITY CARE LIMITED

Operational

- Won three new long-term maintenance contracts – a street landscape maintenance contract with Hamilton City Council, a water and wastewater utilities maintenance contract with Masterton District Council and a general mowing contract with Upper Hutt City Council.
- Successfully negotiated a new water and wastewater network maintenance contract (held since 1999) and a new facilities maintenance management contract (held since 2002) with Christchurch City Council.
- Reduced the company's health and safety Lost Time Injury Incidents (LTI) severity rate by 53% and the LTI frequency rate by 38%
- Grew the company's total population served to 1.9 million people throughout New Zealand.
- Established two operational offices in Hamilton and Masterton, giving a total of 15 offices nationwide.

Environmental

- Continued to concentrate on improving environmental efficiency through removing wastage from operations, increasing solid waste recycling and investigating alternative energy options.
- Converted the company's asphalt plant's fuel supply from mineral diesel to a bio-boiler fuel made from 100% recycled cooking oil. This will reduce greenhouse gas emissions by 1,143 tonnes annually.
- Adopted the environmental management systems standard ISO 14064 for quantifying and reporting greenhouse gas emissions.

Community and employees

- Reached a significant milestone of over 1,000 employees, with a total year end workforce of 1,032 people.
- Increased staff satisfaction by 5% with more than 77% of employees indicating they are satisfied working for City Care.
- Continued to commit to employee training and development, investing $317,030 or $326 per employee through external service providers. 322 employees (31%) held a qualification at National Certificate Level 3 or above at year end and 196 employees were actively studying towards trades or other qualifications.

Chairman's and Chief Executive's Report

Financial

Group

The reported consolidated profit for the year was $55.0 million, compared with $78.6 million in the 2009 financial year. There were a number of one-off factors in both years, including deferred tax adjustments, investment property revaluations, asset impairment charges and interest rate swap movements, that make a simple comparison of the results difficult.

By far the largest one-off expense in 2010 was an adjustment to deferred tax following the removal in the 2010 Government Budget of the ability to claim depreciation on buildings for taxation purposes. This adjustment was required to be recorded as a tax expense for the 2010 financial year, and had the result of reducing the reported group profit by $36.3 million. This is an accounting adjustment which should be looked through when assessing the financial performance of the group. It does not reflect information that is useful to shareholders, directors or analysts. Such an adjustment is non-cash, and has no relevance to underlying or future performance.

The impact of the above deferred tax adjustment was partially offset by a credit to deferred tax of $11.8 million, reflecting the future benefit of the reduction in tax rates from 30% to 28%, also announced in the 2010 Budget. Again this is a one-off non-cash accounting adjustment.

The following table adjusts the reported group profits of 2010 and 2009 for the above-noted one-off adjustments to arrive at a normalised profit figure:

	Jun 10 Group $'000	**Jun 09 Group** $'000
Profit for period as reported	54,990	78,588
Add back: one-off deferred tax impact of:		
Change to depreciation on buildings	36,327	-
Tax rate change	(11,850)	-
Profit adjusted for deferred tax changes:	79,467	78,588
Reverse impact of:		
Investment property revaluations	(2,087)	4,426
Associated company result	1,019	(2,276)
Asset impairment charges	1,401	5,238
Interest rate swap adjustments	(3,251)	3,826
Normalised profit for period	**76,549**	**89,802**

The normalised profit for the year has decreased by some $13.3 million from the 2009 result.

Bruce Irvine
Chairman

Bob Lineham
Chief Executive

The principal reasons for the lower group result were:

- Lower profits in Orion New Zealand Ltd reflecting reduced capital contributions and vested assets as a result of subdued economic conditions, and higher network maintenance expenditure;
- Reduced revenues and margins in Red Bus Ltd as a result of a highly competitive tendering environment;
- Higher depreciation charges within the group;
- A significant one-off gain by Enable Networks in the 2009 year;
- Higher interest costs within the CCHL parent company.

Conversely, Christchurch International Airport Ltd and City Care Ltd had very successful years, with increased operating profits over the prior year.

While the underlying trading result for the group has decreased, the year under review was one of difficult economic conditions and reduced commercial activity. In these circumstances, it is considered that the group has performed well, and should rebound to record an improved result for the 2011 financial year.

Other comprehensive income for the group (which essentially comprises asset revaluations and hedging movements) increased from a negative $18.4 million to a positive $19.2 million. This increase was largely a result of upwards asset revaluations in Christchurch International Airport Ltd and lower downwards interest rate hedging movements.

Further information regarding the financial results and position of the parent company and group is provided in the "Financial overview" section on pages 11 to 17, and in the reviews of the individual companies on pages 22 to 35.

Parent company

The parent company's net profit after tax of $41.0 million was lower than the previous year's result of $46.7 million, principally as a result of a higher than budgeted dividend paid by Orion New Zealand Ltd in the previous year. Other contributing factors were increased borrowing costs and the fact that CCHL did not receive any intra-group sub-vention payments in the 2010 financial year.

Other comprehensive income for the parent company was a negative $28.2 million, compared with less than $1 million in the previous year. The reduction arose primarily from a downwards revaluation of the company's investment in Orion New Zealand Ltd for the reasons noted in the review of the financial statements contained within this Annual Review.

The company paid an ordinary dividend to Christchurch City Council of $35.6 million which, when combined with subvention receipts voluntarily foregone, equated to the budgeted $38.0 million in CCHL's Statement of Intent. In addition the company paid fully imputed special dividends of $78.2 million out of reserves.

Relationships

CCHL is committed to investing in infrastructure that will benefit the economic wellbeing of the city and region, and also promoting and encouraging external investment.

In 2010, CCHL has continued to strengthen its relationship with the Canterbury Development Corporation (CDC). The two organisations continue to work together on a number of projects, particularly those driven out of the recently completed Christchurch Economic Development Strategy.

CCHL continues to seek and develop closer relationships with other key stakeholders in the region – in particular Ngai Tahu. An example of this is the recently completed Civic Building, which was a joint venture between Ngai Tahu and Civic Building Ltd.

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

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.

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

Electricity network

Orion New Zealand Ltd, CCHL's largest investment, has had another solid year, and maintained its impressive record of network reliability, ranking as one of the most reliable networks in the country.

Orion has continued to foster partnerships with neighbouring networks, and in partnership with other network businesses in the upper South Island, developed New Zealand's first regional load management system to monitor the load of eight networks, successfully reducing the region's peak demand on the national grid.

The company completed and installed two of three phases of an integrated network management system which will improve management of the network both on a day-to-day basis and in any major events.

Regulation continues to be a focus for Orion as the new regulatory framework takes shape, and the company is actively participating in industry discussions and submissions.

Airport

Christchurch International Airport Ltd had a successful year, with a record number of passengers and an improved operating result.

Work is progressing well on the integrated terminal project (ITP). Stage 1 (new integrated check-in hall and first floor retail and food and beverage spaces) is due for completion in February 2011, with the new terminal as a whole due for completion in mid-2012. The company is also constructing a new regional lounge to serve turbo-prop aircraft. At this time, both projects are proceeding on time and on budget.

During the year, CIAL successfully tendered several of its key commercial operations, including duty free, food and beverage and foreign exchange, and began developing Dakota Park, a new freight and logistics precinct close to the terminal.

CIAL made extensive submissions into the regional policy statement process aimed at protecting the airport from further encroachment by residential development, the maintenance of the existing 24/7 operating capability, and to provide further surety around CIAL's future development. For the future of the airport, and indeed the regional economy, it is vital that the airport retains its non-curfewed status.

Port

The port company achieved a solid result in a challenging market, with improving profits in the second half of the year.

It continued its trend of growth in containerised cargo, with total container volumes through the port up by 5.3% on last year to a record 273,789 TEUs.

The company also achieved productivity gains in the container terminal of 5.8% for the year. Over the last six years, productivity has increased by over 70%.

The company has continued to hold merger discussions with Port Otago Ltd, with a view to presenting a case to the Commerce Commission. CCHL is not, and has not been, a party to these discussions, as it is important that it preserves its ability to vote on a proposal if and when it eventuates. CCHL remains of the view that there is no value in the port company being listed on the New Zealand Stock Exchange.

The port has continued to develop operationally, with an expansion of the container rail system, increased landside capacity in the container terminal to meet peak demand, completion of Stage 1 of the coal yard expansion project in conjunction with Solid Energy, and the purchase of additional land adjoining its inland port, CityDepot.

Broadband

CCHL's newest investment, Enable Networks, has continued to perform beyond expectations. Enable's underlying business proposition is that it operates an 'open access' fibre optic network which is available to any communication or IT service provider or individual business on the same terms and conditions.

Chairman's and Chief Executive's Report CONTD.

The company already has 176 kms of ducted network in place, and demand for its product remains strong. Enable connected 32 schools to the network with a further 53 schools contracted to connect over the coming months.

A major focus for the year was the submission of an extensive proposal to the Government in response to their Ultra-Fast Broadband (UFB) initiative. Currently Enable is engaged through a confidential selection process. Crown Fibre Holdings is expecting to make a recommendation on the preferred investment partners to Shareholding Ministers in October 2010, with the initiative commencing before the end of the year.

Enable Networks' achievements were recognised during the year by industry and business groups throughout the country. Enable Networks won the service category of the Champion Canterbury Awards and the South Island category of the Vero 'Excellence in Business Support' Awards. Enable was also a finalist in the TUANZ Innovation Awards.

Contracting

City Care Ltd continued its strategic development of operations throughout the country, securing three significant new contracts in Hamilton, Masterton and Upper Hutt.

In addition, City Care negotiated two significant renewed contracts with Christchurch City Council, covering facilities maintenance and management services for all Council owned property assets, and the provision of water and wastewater network maintenance services.

City Care also achieved a number of successful contract retentions within the northern region.

The company achieved outstanding results in reducing both the severity and frequency of its Lost Time Injury Incidents, largely through its innovative behavioural-focused health and safety programme, Behave Safe.

Public transport

Red Bus Ltd had a difficult year, with the gross contract model implemented by ECan and the highly competitive tender market in recent tender rounds having a significant impact on Red Bus's revenue and margins. The company lost some contracted services during the year, and further routes after the financial year end, leading the company to commence a revision of its business structure subsequent to balance date.

Red Bus has continued to work with Environment Canterbury (ECan) and Christchurch City Council on the development of the new Transport Interchange, bus priority measures, implementation of city-wide public transport standards and identifying and resolving infrastructural and access issues that impact on the operational performance of passenger services.

Selwyn Plantation Board Ltd

CCHL has a minority stake in SPBL, with Selwyn Investment Holdings Ltd having the controlling shareholding. With the agreement of its shareholders, SPBL has embarked on an orderly realisation of its assets with a view to returning the capital invested to its shareholders.

The sale process commenced in the 2010 year, and the first capital return to shareholders is expected to occur in the 2011 financial year.

Venues

CCHL is responsible for monitoring Vbase Ltd, a company that owns and manages key city venues including AMI Stadium, Westpac Arena, Christchurch Convention Centre and the Christchurch Town Hall for the Performing Arts. Vbase Ltd is wholly-owned by the Council and hence not part of the CCHL group.

Vbase achieved growth in event revenue in 2010, driven by continued high levels of venue occupancy, improved event yield and increased memberships at AMI Stadium. Improved attendances at AMI Stadium rugby events were also a feature of the year and this coincided with the successful commissioning of the Deans Stand.

The Rugby World Cup 2011 will be a major focus for the year ahead.

Vbase also manages Civic Building Ltd which, in conjunction with Ngai Tahu, managed the development of the NZ Post building in Hereford Street into the new civic offices for Christchurch City Council. This major project was successfully completed on time and on budget.

Acknowledgements

The CCHL Board and management acknowledge and appreciate the enormous contribution made by the boards, management and staff of the subsidiary companies. We value highly the positive relationship we have with the companies, and we appreciate the high quality of decision-making that is demonstrated on a regular basis, which is contributing to the continued strength of the group.

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

Bruce Irvine
Chairman

Bob Lineham
Chief Executive

POSTSCRIPT

Since the writing of this report, the Canterbury region has been hit by a major earthquake.

The response of the various subsidiary companies involved in infrastructure and contracting has been outstanding. To have the city's infrastructure operating effectively in such a short time after the earthquake is testament to both the quality of the existing infrastructure and the efficiency of the response.

While some damage to property and infrastructure owned by the subsidiary companies occurred, it is too early to quantify the monetary value of such damage. It is expected that insurance will cover virtually all reinstatement costs. In the meantime, all companies are operational and doing what is necessary to get the city's infrastructure back to normal. We do not anticipate that the earthquake will have a major impact on the group's revenues.

Other than for this postscript, this annual review does not incorporate any commentary relating to the earthquake.

Financial overview

Introduction

The purpose of this section is to provide a financial overview of the parent company and group, and explain movements in the financial statements between 2010 and 2009.

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 www.cchl.co.nz

Overview

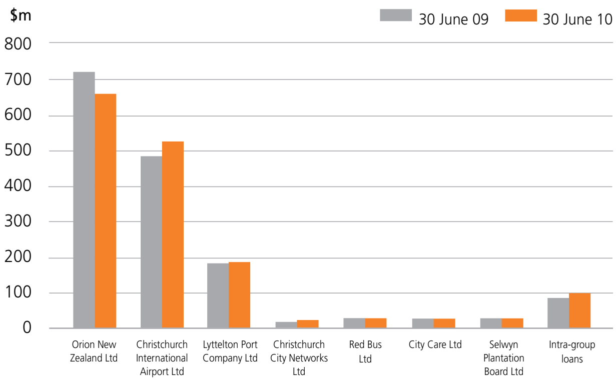
The CCHL parent company does not undertake trading operations in its own right. Its primary assets are its investments in its operating subsidiaries and associated companies, and advances to the shareholder, Christchurch City Council, and subsidiaries.

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 not subsidised in any way by CCHL or the Council.

The following table summarises the value of CCHL's main investments, including loans to Christchurch City Council, as at balance date, and compares them to the carrying value at the previous year end:

CCHL INVESTMENTS



Commentary on the 2010 valuations of these investments is provided further on in this review and in the separate financial statements.

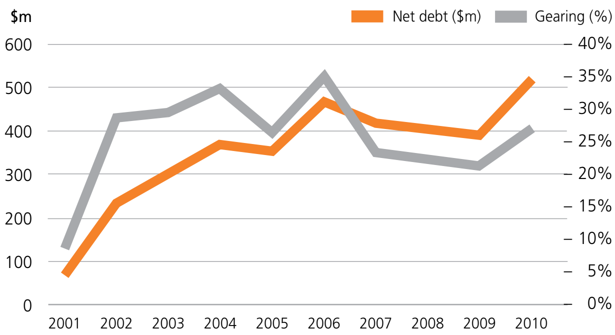
The following chart shows the growth in group assets and equity over the last 10 years. This growth has been achieved despite the payment of $337 million in ordinary dividends and $298 million in the form of special dividends and capital repayments to the Council over the same period.

There has been steady growth in group assets since Orion disposed of its retail activities and its investment in Enerco, although growth has plateaued to an extent in the last few years. In part the latter trend reflects the asset revaluation cycle of the larger companies in the group.

Equity fell in 2006 as a result of one-off adjustments when the group adopted international financial reporting standards. There was also a reduction in equity in the 2010 financial year following the payment of special dividends by CCHL to Christchurch City Council.

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

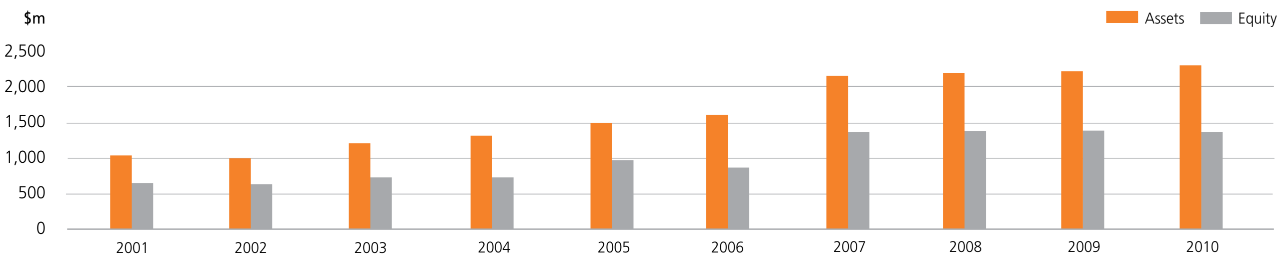
GROUP DEBT LEVELS & GEARING



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 relatively low level of gearing has served the group well in the current difficult economic climate. The increase in debt in the 2010 year was largely the result of the payment of special dividends by CCHL, Christchurch International Airport Ltd's terminal redevelopment programme, and the continued expansion of Enable Networks' broadband network.

The following section provides an overview of the CCHL parent company's and group's financial results and position for the year ended 30 June 2010.

GROUP ASSETS AND EQUITY



Financial overview CONTD.

SUMMARISED STATEMENT OF COMPREHENSIVE INCOME	Note	June 10 Group $'000	June 09 Group $'000	June 10 Parent $'000	June 09 Parent $'000
Operating and other revenue	*(i)*	583,637	583,700	47,691	57,355
Finance income	*(ii)*	5,978	8,495	6,538	6,821
Other gains	*(iii)*	5,839	107	2,573	–
Total income	*(vii)*	595,454	592,302	56,802	64,176
Depreciation and amortisation		77,016	77,846	–	–
Finance costs		27,323	27,009	14,141	13,200
Other operating costs		372,595	368,153	1,512	1,633
Other losses		160	8,252	132	2,573
Total operating expenses	*(viii)*	477,094	481,260	15,785	17,406
Share of profits/(losses) of associates	*(iv)*	(1,019)	2,276	–	–
Profit before income tax expense		117,341	113,318	41,017	46,770
Income tax expense/(credit)	*(v), (ix)*	62,351	34,730	–	47
Profit for the period	*(vi)*	**54,990**	**78,588**	**41,017**	**46,723**
Other comprehensive income					
Revaluation of assets		25,188	(7,436)	–	–
Revaluation of investments	*(x)*	–	–	(25,555)	6,531
Cash flow hedges	*(xi)*	(5,308)	(21,817)	(2,602)	(7,145)
Translation of foreign exchange differences/other		(187)	3,420	–	–
Share of asset revaluations of associates		(1,441)	(1,247)	–	–
Income tax		940	8,700	–	1,352
Other comprehensive income		19,192	(18,380)	(28,157)	738
Total comprehensive income for the period		**74,182**	**60,208**	**12,860**	**47,461**

Under new accounting rules, the Income Statement is now referred to as the Statement of Comprehensive Income. As well as the "normal" profit for the period, the statement now also includes such items as the revaluation of assets and cash flow hedges, to arrive at a "total comprehensive income" figure for the year.

The following commentary provides explanations for significant movements between the 2010 and 2009 financial years.

Further information is provided in the reviews of the individual companies set out elsewhere in this document.

Group

(i) Operating and other revenue

Group operating and other revenue remained static, with increases in Christchurch International Airport Ltd and City Care Ltd being offset by reductions in Orion New Zealand Ltd and Red Bus Ltd.

(ii) Finance income

Group finance income reduced by $2.5 million, largely as a result of the repayment by Christchurch City Council to the CCHL parent company of intra-group advances, and lower cash holdings in the CCHL parent company. The reduction is not so apparent in the parent company figures, because in 2010 it received additional interest income from a $50 million advance to Christchurch International Airport Ltd and a $3 million advance to Enable Networks (this interest of course eliminates on consolidation).

(iii) Other gains/Other losses

Other gains have increased from $0.1 million to $5.8 million. This increase primarily relates to a $2.1 million revaluation gain on investment properties owned by Christchurch International Airport Ltd, and a $2.6 million non-cash gain realised by the CCHL parent company on the transfer of an interest rate swap to Christchurch City Council. In the previous year, there were downwards movements in investment property valuations and interest rate swaps, and these are shown in the "Other losses" line.

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

This line item comprises the group's share of the results of Selwyn Plantation Board Ltd, in which CCHL holds a 39% interest. In the 2009 financial year, Selwyn Plantation Board Ltd's results included a $9 million forest revaluation increase which significantly affected CCHL's share of SPBL's result.

(v) Income tax expense

The group income tax expense for the 2010 financial year was significantly affected by a $36.3 million charge to deferred tax expense, as a result of a change in tax rules announced in the 2010 Budget relating to depreciation on buildings. This expense is a one-off accounting adjustment, and does not affect the group's underlying profitability or cash flows. The expense was partially offset by a credit to deferred tax of $11.8 million reflecting the recently announced reduction in company tax rate from 30% to 28%.

(vi) Profit for the period

The group profit for the period has reduced by $23.6 million, from $78.6 million to $55.0 million. The movement in the group result has been affected by a number of one-off items, in particular the deferred tax expense referred to above, and also investment property revaluations and interest rate swap movements. After allowing for these items, the underlying group trading profitability has fallen – this is discussed further in the Chairman's and Chief Executive's Report.

Parent company

(vii) Total income

The parent company's total income decreased from $64.2 million to $56.8 million, in the main reflecting lower dividend income from Orion New Zealand Ltd (in the 2009 year Orion paid an unbudgeted additional dividend). There were also reductions in the dividends received from Christchurch International Airport Ltd and Red Bus Ltd. Additionally, in the 2009 financial year, CCHL received subvention payments of $1.3 million from other group companies in part payment for the use of its tax losses, whereas in the 2010 financial year it received no such payments.

The parent company realised a non-cash gain of $2.6 million on the transfer of an interest rate swap to Christchurch City Council.

(viii) Total operating expenses

Total operating expenses, of which the main component is interest costs, reduced from $17.4 million to $15.8 million, mainly because of a one-off non-cash expense included in the 2009 results relating to an interest rate swap (this swap was transferred to Christchurch City Council in the 2010 financial year, resulting in the above-noted gain).

(ix) Income tax

The CCHL parent company incurs tax losses on an annual basis, as the majority of its income is in the form of fully-imputed dividends. These losses are made available to other profit-making companies within the group. There is therefore normally no tax expense recorded in the parent company.

(x) Revaluation of investments in subsidiaries and associates

As at balance date, CCHL revalued its investments in Orion New Zealand Ltd and Christchurch International Airport Ltd, on the basis of independent valuations by consulting firm Ernst & Young, and in Lyttelton Port Company Ltd on the basis of its quoted share price at balance date.

The revaluation of the Orion investment resulted in a significant decrease, from $719 million to $650 million. The principal reasons for this reduction were:

- A change in regulatory environment. Orion New Zealand Ltd now operates under a Commerce Commission-imposed price control regime. Considerable uncertainty remains as to how the new regime will be applied;
- Lower expected cash flows from capital contributions in relation to sub-divisions over the next few years;
- An inability of buyers to access low-cost capital, which has had a genuine effect on price given that there are fewer entities capable of transacting high value assets.

The revaluation of Christchurch International Airport Ltd resulted in an upwards movement of $41.6 million. This primarily reflected an upwards movement in the company's property portfolio, partially offset by an increase in debt.

The investment in Lyttelton Port Company Ltd increased in value slightly, from $185 million to $187 million.

(xi) Cash flow hedges

There was a further reduction in the value of CCHL's interest rate swaps, taken out to hedge the future cost of borrowing, as a result of lower prevailing interest rates.

Financial overview CONTD.

SUMMARISED BALANCE SHEET					
	Note	June 10 Group $'000	June 09 Group $'000	June 10 Parent $'000	June 09 Parent $'000
Current assets					
Cash and cash equivalents	*(i)*	1,083	17,123	13,607	19,112
Debtors, other receivables, prepayments		49,456	48,456	1,316	1,197
Other financial assets	*(ii)*	4,482	46,074	2,663	44,683
Inventories		10,238	9,855	–	–
Total current assets		65,259	121,508	17,586	64,992
Non-current assets					
Debtors, inventories and other receivables	*(iii)*	10,112	363	–	–
Financial assets, associates and derivatives	*(ix)*	70,847	74,389	1,560,973	1,531,373
Property, plant & equipment, investment property		2,091,301	1,967,479	–	–
Intangible assets and goodwill		37,447	35,421	–	–
Deferred tax assets		11,154	11,435	–	–
Total non-current assets		2,220 ,861	2,089,087	1,560,973	1,531,373
Total assets		2,286,120	2,210,595	1,578,559	1,596,365
Current liabilities					
Creditors and other payables		84,047	80,814	1,924	1,844
Borrowings	*(iv)*	189,704	47,325	106,000	47,000
Total current liabilities		273,751	128,139	107,924	48,844
Non-current liabilities					
Borrowings	*(v)*	316,410	368,961	175,000	150,000
Deferred tax liabilities	*(vi)*	300,873	274,149	–	–
Other non-current liabilities		28,550	25,206	5,579	6,479
Total non-current liabilities		645,833	668,316	180,579	156,479
Total liabilities		919,584	796,455	288,503	205,323
Net assets		1,366,536	1,414,140	1,290,056	1,391,042
Equity					
Capital and other equity instruments		71,435	71,435	71,435	71,435
Retained earnings and reserves		1,048,212	1,099,999	1,218,621	1,319,607
Minority interest		246,889	242,706	–	–
Total equity	*(vii), (x)*	1,366,536	1,414,140	1,290,056	1,391,042

The following commentary provides explanations for significant movements between the 2010 and 2009 financial years.

Group

(i) Cash and cash equivalents

Group cash has reduced from $17 million last year to $1 million. This principally relates to lower cash holdings by the parent company (down from $19 million to $14 million) and Red Bus Ltd (down from $7 million to $1 million following a new bus acquisition programme). There were also smaller reductions in Christchurch City Networks Ltd and City Care Ltd.

(ii) Other financial assets

Other financial assets have fallen from $46 million to $4 million. This line item principally relates to loans made by CCHL to Christchurch City Council. During the 2010 financial year, the Council repaid $42 million of these advances.

(iii) Debtors, inventories and other receivables

Non-current debtors, inventories and other receivables have increased from under $1 million to $10 million. This is mainly due to a $10 million prepayment recognised by Christchurch International Airport Ltd in relation to a lease arrangement with Air New Zealand.

(iv) Current borrowings

Current borrowings have increased from $47 million to $190 million. The increases arises both from an increase in debt levels (see below), and also the re-classification of debt from non-current to current.

The CCHL parent company paid special dividends to Christchurch City Council of $78 million, and these were funded by short term borrowing in the form of commercial paper. In addition, a $30 million bank loan maturing in July 2010 was re-classified from non-current to current – subsequent to balance date this was re-financed through the issue of long term bonds. The increase in parent company current debt was partially offset by the repayment of short term commercial paper following the repayment of advances by Christchurch City Council (see comment in "Other financial assets" above).

Additionally, borrowing by Orion New Zealand Ltd, Christchurch International Airport Ltd and Red Bus Ltd totalling $83 million was re-classified from non-current to current in the 2010 financial year.

(v) Non-current borrowings

Non-current borrowings have reduced from $369 million to $316 million, reflecting the reclassifications to current noted above. In total, group net debt has increased by $106 million from $399 million to $505 million. This increase has principally arisen from the payment of $78 million of special dividends by the parent company, partially offset by the repayment by Christchurch City Council of $42 million of advances made by the parent company, and a $57 million increase in Christchurch International Airport Ltd's debt to fund the new terminal.

(vi) Deferred tax liabilities

Deferred tax liabilities have increased from $274 million to $301 million. The principal reason for this is the change made in the 2010 Government Budget in relation to depreciation on buildings – this is commented on further in the Chairman's and Chief Executive's Report

(vii) Equity

Group equity has reduced by $48 million from $1,414 million to $1,366 million. In broad terms this reflects an increase of $74 million relating to group profits and revaluations, offset by the payment of dividends of $121 million (including special dividends of $78 million).

Parent company

(viii) Other financial assets

See explanation in the "group" section above.

(ix) Financial assets, associates and derivatives

This line item has increased by a net $30 million. Broadly, this reflects $53 million of new lending to subsidiaries ($50 million to Christchurch International Airport Ltd and $3 million to Christchurch City Networks Ltd), less net revaluation movements relating to CCHL's investment in Orion New Zealand Ltd and Christchurch International Airport Ltd.

(x) Equity

The parent company equity has reduced by $101 million. In broad terms this results from the payment of special dividends to Christchurch City Council and a net reduction in the value of CCHL's equity investments.

Financial overview CONTD.

SUMMARISED STATEMENT OF CASH FLOWS	Note	June 10 Group $'000	June 09 Group $'000	June 10 Parent $'000	June 09 Parent $'000
Cash flows from operating activities					
Receipts from customers and other sources		579,337	572,006	2	392
Interest received		5,969	8,846	6,754	7,154
Dividends received		–	–	47,690	72,201
Payments to suppliers and employees		(381,737)	(373,935)	(1,364)	(1,893)
Interest and other finance costs paid		(27,076)	(27,872)	(14,528)	(14,203)
Income tax paid		(26,869)	(23,855)	–	–
Other operating receipts and payments		(8,378)	(3,859)	–	1,268
Net cash provided by/(used in) operating activities		141,246	151,331	38,554	64,919
Cash flows from investing activities					
Payment for assets	*(i)*	(168,957)	(106,889)	(3,216)	(15,706)
Sale of assets/repayment of advances	*(ii)*	43,976	5,753	42,000	1,900
Other investing cashflows	*(iii)*	(238)	18,316	(52,997)	3,000
Net cash (used in)/provided by investing activities		(125,219)	(82,820)	(14,213)	(10,806)
Cash flows from financing activities					
Net borrowing/(repayment of borrowing)	*(iv)*	89,502	(35,272)	84,000	(21,885)
Dividends paid		(121,569)	(51,449)	(113,846)	(42,332)
Net cash provided by/(used in) financing activities		(32,067)	(86,721)	(29,846)	(64,217)
Net increase in cash and cash equivalents		(16,040)	(18,210)	(5,505)	(10,104)
Cash and cash equivalents at beginning of year		17,123	35,333	19,112	29,216
Cash and cash equivalents at end of year	*(v)*	1,083	17,123	13,607	19,112

The following commentary provides explanations for significant movements between the 2010 and 2009 financial years.

Group and parent

(i) Payment for assets

Group payments for assets have increased from $107 million to $169 million. Most of this increase is attributable to Christchurch International Airport Ltd's terminal expansion project, with the balance relating to a new bus acquisition programme by Red Bus Ltd.

Parent company payments for assets in the 2010 financial year primarily relate to the acquisition of a further $3 million of shares in Enable Networks. In the previous year, payments were for further equity investment into Enable Networks and the acquisition of a further 3.6% ownership stake in Lyttelton Port Company Ltd.

(ii) Sale of assets/repayment of advances

This line item principally relates to the repayment by Christchurch City Council of $42 million of intra-group advances to the CCHL parent company.

(iii) Other investing cash flows

The change in group other investing cash flows principally relates to the realisation in the 2009 financial year of a $15.3 million foreign currency cash investment held by Christchurch International Airport Ltd for the purposes of the integrated terminal development.

In relation to the parent company, the investing cash outflows primarily related to a $50 million subordinated advance made to Christchurch International Airport Ltd and a $3 million advance to Enable Networks. In the previous year, the investing cash flows reflect the realisation of $3 million of cash held on term deposit for periods greater than 90 days.

(iv) Net borrowing/repayment of borrowing

In the 2009 financial year, the group repaid a net $35 million of borrowing. Conversely, in 2010, the group borrowed a net $89 million. The increased borrowing has principally arisen from the payment of $78 million of special dividends by the parent company and a $57 million increase in Christchurch International Airport Ltd's debt to fund the new terminal, partially offset by the repayment by Christchurch City Council of $42 million of advances made by the parent company.

(v) Cash and cash equivalents at end of year

See comment under "Summarised Balance Sheet" relating to the reason for the reduction in cash holdings. Group cash is lower than parent company cash as the result of a consolidation adjustment required in relation to the payment of dividends by Orion New Zealand Ltd to the CCHL parent company between their respective balance dates of 31 March and 30 June.

SUMMARISED STATEMENT OF CHANGES IN EQUITY

	Note	June 10 Group $'000	June 09 Group $'000	June 10 Parent $'000	June 09 Parent $'000
Equity at beginning of year		1,414,140	1,404,455	1,391,042	1,380,312
Profit for the period	*(i)*	54,990	78,588	41,017	46,723
Other comprehensive income	*(ii)*	19,192	(18,380)	(28,157)	738
Other movements	*(iii)*	(217)	(4,675)	–	–
Dividends	*(iv)*	(121,569)	(45,848)	(113,846)	(36,731)
Equity at end of year		1,366,536	1,414,140	1,290,056	1,391,042

Group and parent

(i) Profit for the period

See comment in Chairman's and Chief Executive's Report for explanation of movements in group and parent company profit.

(ii) Other comprehensive income

Other comprehensive income of the group has changed from a negative $18 million in the 2009 financial year to a positive $19 million in 2010. The latter movement primarily reflects upwards asset revaluations by Christchurch International Airport Ltd, partially offset by downwards movements in the value of interest rate swaps held by the CCHL parent company, Christchurch International Airport Ltd and Lyttelton Port Company Ltd. The swaps are held to hedge existing or forecast debt commitments.

In the 2009 year, there were asset devaluations in Orion New Zealand Ltd and Christchurch International Airport Ltd, and also higher downwards movements in the value of interest rate swaps.

The negative $28 million movement recorded for the CCHL parent company relates primarily to a $69 million downward movement in the value of CCHL's investment in Orion New Zealand Ltd, partially offset by increases in the value of Christchurch International Airport Ltd and Lyttelton Port Company Ltd – see comments under "Summarised Statement of Comprehensive Income" for more detail.

(iii) Other movements

These movements primarily relate to adjustments to the carrying value of non-controlling interests (previously known as minority interests) following the on-market acquisition of shares in Lyttelton Port Company Ltd by the CCHL parent company.

(iv) Dividends

The parent company paid an ordinary dividend to Christchurch City Council of $35.6 million which, when combined with subvention receipts voluntarily foregone, equated to the budgeted $38.0 million in CCHL's Statement of Intent. In addition the company paid fully imputed special dividends of $78.2 million.

Corporate governance statement

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

Role of the Board

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

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

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

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

- 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 whatever steps are necessary to protect the company's financial position and the ability to meet its debts and other obligations when they fall due, 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 shareholder

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

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

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

Conduct of Directors

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

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

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

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

Board composition and mix

The composition of the Board reflects the duties and responsibilities it has to discharge and perform in the interests of 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 at the time of the triennial Council elections 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.

10 year summary

CCHL GROUP Year ended 30 June	2001 Old GAAP $m	2002 Old GAAP $m	2003 Old GAAP $m	2004 Old GAAP $m	2005 Old GAAP $m	2006 NZ IFRS $m	2007 NZ IFRS $m	2008 NZ IFRS $m	2009 NZ IFRS $m	2010 NZ IFRS $m
Financial performance and position										
Total revenue	536[1]	348	367	387	449	492	501	544	592	595
Profit for the period	232[1]	62	51	34	66	79	99	91	79	55
Total assets	1,042	992	1,216	1,286	1,496	1,592	2,156[4]	2,219	2,211	2,286
Shareholders' equity	701	599	741	762	963	854	1,368	1,405	1,414	1,367[5]
Payments to Christchurch City Council										
Ordinary dividends paid	24	31	29	26	30	29	30	33	37	36
Special dividends paid	–	154[2]	3	39[3]	–	18	–	–	–	78[5]
Ratios										
Ratio of net debt to net debt plus equity	8%	28%	30%	33%	27%	35%	23%	23%	22%	27%
Return on average equity	45.3%	9.6%	7.6%	4.6%	7.7%	9.3%	8.9%	6.6%	5.6%	4.0%

Notes

1. In 2001, group revenue included a $200 million gain on the sale by Orion of its investment in North Island gas company Enerco.
2. CCHL paid special dividends to Christchurch City Council of $154 million in the 2002 financial year following the sale by Orion of its interest in Enerco.
3. In the 2004 financial year CCHL paid special dividends of $39 million to Christchurch City Council, reflecting the receipt of an equivalent special dividend from Orion.
4. Group assets and equity increased significantly in the 2007 financial year, mainly as a result of asset revaluations by Christchurch International Airport Ltd and Orion New Zealand Ltd.
5. Group equity fell in the 2010 financial year, primarily as the result of the CCHL parent company paying a special dividend of $78 million.

Board of directors

Standing – left to right: Bob Lineham (Chief Executive), Barry Corbett, Sue Wells, Bruce Irvine (Chairman), Andy Pearce

Seated – left to right: Bill Dwyer, Bob Parker, Sarah Astor, Bob Shearing

Bruce Irvine

BCom, LLB, FCA (Chairman)

Bruce Irvine was first appointed to the CCHL Board in November 2003, and became Chairman in November 2007. Bruce is also Chairman of Pyne Gould Corporation Ltd and subsidiaries (including MARAC Ltd and Perpetual Trust Ltd), and a director of Godfrey Hirst Ltd and subsidiaries, House of Travel Holdings Ltd, MG Marketing Ltd and subsidiaries, PGG Wrightson Ltd, Rakon Ltd, Retail Adventures Pty Ltd, Scenic Circle Hotels Ltd and Skope Industries Ltd. Bruce is also a trustee of Christchurch Art Gallery Trust and Christchurch Symphony Trust.

Sarah Astor

BCom, CA, AF InstD

Sarah Astor was appointed to the CCHL Board in November 2007. She is the Chairperson of Meteorological Service of NZ Ltd and Metra Information Ltd, and director of Cashel Properties Ltd, Devon Chambers Ltd, Novo Strategic Brand Management Ltd, Oxford Estates Ltd, Sasco Holdings Ltd and Selwyn Plantation Board Ltd. Sarah is also a trustee of Church Property Trustees, Ohinetahi Charitable Trust and Warren Architects Education Charitable Trust.

Barry Corbett

Barry Corbett has been a City Councillor since October 1998, joining the CCHL Board in 2004. He is a director of the Theatre Royal Charitable Foundation, and is a trustee of the Christchurch Casino Charitable Trust and chairman of the Eureka Trust.

Bill Dwyer

LLB (Hons), B,Ed

Bill Dwyer joined the CCHL Board in 2005. He is a partner of Lane Neave Lawyers and director of Canterbury GP Group Capitated Funding Trust Ltd, Christchurch City Networks Ltd, Demona Ltd, Lane Neave Ltd, Lane Neave Nominees 2007 Ltd, Lane Neave Ronaldson Solicitors Nominee Coy Ltd, LNR Client Services Ltd, Pegasus Health 24 Hour Surgery Ltd and 24 Hour Surgery Ltd. He is also a trustee of the Emergency Care Foundation.

Bob Parker

Bob Parker, the Mayor of Christchurch, became a director of CCHL in December 2007. He is also a director of Canterbury Development Corporation and its subsidiaries, and the Canterbury Museum Board.

Andy Pearce

BSc (Hons), MSc, Phd, FNZIM

Andy Pearce was appointed to the CCHL Board in 2006. He is Chairman of Terranova Trust. He is a director of Anark Ltd, Bank Of New Zealand, Energy Efficiency and Conservation Authority, MigCo Pharmaceuticals Ltd and Seon Pearce and Associates Ltd.

Bob Shearing

Bob Shearing is a City Councillor, and was appointed to the CCHL Board in December 2007. He is a director of Canterbury Development Corporation and subsidiaries, Canterbury Economic Development Fund and RA Shearing Contractors Ltd.

Bob is also a trustee of RNZAF Museum Trust Board, Christchurch Racecourse Reserve Trustees, Riccarton House and Bush Trust and Templeton Welfare Trust, and Chairman of the Church of the Holy Family Trust, Enrich Community Chaplaincy Trust, Hornby Community Care Centre and Rose Historic Chapel Trust.

Sue Wells

BA

Sue Wells has been a City Councillor since 1998, and Community Board member since 1995. She joined the CCHL Board in 2004. Until August 2007 she was a director of Christchurch City Networks Ltd, and served on the Board of Orion Group Ltd prior to her appointment to the CCHL Board.

Bob Lineham

BCom, FCA, FNZIM (Chief Executive)

Bob Lineham has been the Chief Executive of CCHL since it was established in 1993. He is a director of Christchurch City Networks Ltd, Civic Assurance and Local Government Finance Corporation Ltd. Bob is also a member of the Canterbury District Health Board Quality, Finance, Audit and Risk Committee.

FIVE YEAR SUMMARY	2006	2007	2008	2009	**2010**
Orion New Zealand Ltd	$m	$m	$m	$m	**$m**
Operating Revenue	186.2	193.5	208.7	231.3	**222.4**
Profit for the year	46.3	60.6	65.5	49.9	**46.8**
Total assets	776.2	955.0	961.1	967.2	**967.3**
Shareholders' equity	526.2	676.7	700.0	697.4	**706.2**

Following the amalgamation of Orion Group Ltd and Orion New Zealand Ltd as at 31 March 2009, the above comparatives have been restated to reflect the results and financial position of Orion New Zealand Ltd.

89.3% owned by Christchurch City Holdings Limited

Orion New Zealand
LIMITED

Financial performance

Orion achieved a net profit for the year of $46.8 million, compared with $49.9 million in the previous year. The reduction in profit was primarily the result of reduced capital contribution and vested asset revenues, reflecting subdued economic conditions and reduced land subdivision activity.
There was also increased expenditure on network maintenance, reflecting an increased focus on network safety and performance, and a lower profit by Orion's wholly owned contracting company Connetics Limited. Partially offsetting these factors was an improvement in electricity distribution revenues, largely driven by strong growth in electricity demand during winter.

Electricity distribution network

Network security and reliability are crucial aspects of Orion's performance. Orion's comprehensive 10-year network asset management plan aims to ensure that its electricity distribution network remains of a high standard. On average Orion's customers experience less than one interruption to power supply a year, and Orion has maintained its ranking as one of the most efficient and reliable networks in the country.

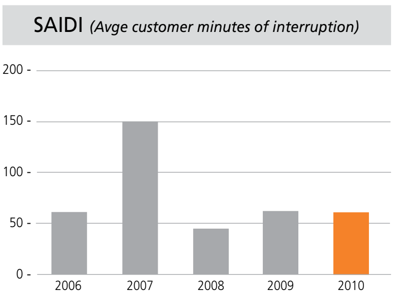
Orion has successfully completed two of the three phases of its three-year network management system project – a new supervisory control and data acquisition (SCADA) system, and a distribution network management system which enables Orion to control the network from a single viewpoint via electronic network diagrams in Orion's network control centre. An outage management system is scheduled to be completed by April 2011 as the final phase of the project.

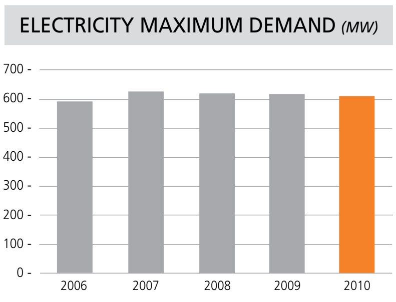
The continuing rollout of another technology – the Ground Fault Neutraliser (GFN) – has the potential to reduce rural power cuts by 20 to 40% over the next five to ten years. Orion has so far installed eight GFNs in its rural substations. Orion has exclusive distribution rights to market the GFN in New Zealand and Australia, and has sold several units to Australasian electricity network companies.

Orion began or completed several major projects to reinforce its electricity distribution network during the year. Orion replaced 11kV switchgear at the Transpower Papanui grid exit point, completed the new Larcomb district substation near Rolleston and upgraded the 33kV overhead line from Springston to Larcomb. Orion also completed a major multi-year maintenance project to replace 66kV oil filled cable joints on its network.

Regional load management

Orion successfully collaborated with Transpower and eight upper South Island electricity networks to develop New Zealand's first regional load management system. This helps reduce peak demand on the respective electricity distribution networks and the national grid. Orion also continues to work closely with Transpower as it upgrades and replaces local transmission assets.





Safety

Orion continues to strengthen its safety culture and practices - building upon its low incidence of injury record. This is a long term strategy and Orion has already implemented a number of measures designed to protect its staff, contractors and the community.

Regulation

The Commerce Commission is developing input methodologies under Part 4 of the Commerce Act which will form the basis of future economic regulation of electricity distribution networks. These are expected to be published by December 2010, and will underpin Orion's future revenues. The new Electricity Authority is expected to take office in October 2010. Orion will continue to engage with all regulators to ensure economic regulation achieves its objective of long term benefits for its customers.

Looking ahead

Over the next 10 years, Orion plans to invest an average of $44 million a year to meet increasing city and rural demand and replace older equipment. Orion will continue to work with neighbouring electricity network operators on a range of projects and will also continue to work closely with regulators - for the long term benefit of customers, the industry and the company.

FIVE YEAR SUMMARY

Christchurch International Airport Ltd	2006 $m	2007 $m	2008 $m	2009 $m	**2010 $m**
Revenue	83.8	83.7	89.4	86.8	**96.1**
Profit for the year	23.5	24.0	23.4	14.7	**(0.3)**
Total assets	362.5	729.3	756.9	743.0	**852.0**
Shareholders' equity	238.5	552.8	563.3	560.1	**570.1**

75% owned by Christchurch City Holdings Limited

Christchurch International Airport
LIMITED

Financial performance

The company recorded a normalised net profit for the year of $26.8m after tax, before one-off adjustments, compared with $14.7 million in the previous year. The company's operating revenues increased by $3.7 million and EBITDA (earnings before interest, tax, depreciation and amortisation) improved 9.4% to $60.8 million, and costs were less than budgeted. However, owing to the removal in the 2010 Budget of the ability to claim depreciation on buildings for taxation purposes, the company was required to make a deferred tax adjustment, which reduced the reported result to a net loss of ($0.3) million. This is an accounting adjustment which should be looked through when assessing the financial performance of the company. It does not affect the company's underlying profitability or cash flow. After adjusting for the one-off deferred tax expense, the result was the best the airport has ever recorded.

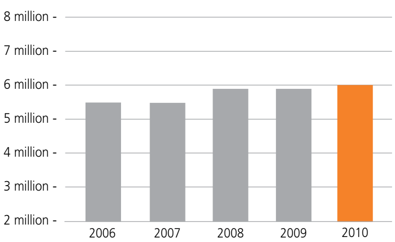
Market growth and performance

The 2010 year saw the company achieve for the first time a record 6 million passengers in a 12 month period. This represents an increase of 1.6% over the previous 12 months.

The loss of some domestic services from Pacific Blue during the year and the post-balance date announcement of the departure of Pacific Blue from the domestic market in New Zealand is disappointing to the company. However, both Air New Zealand and Jetstar produced sound domestic numbers throughout the year.

A pleasing performance on international routes was delivered through strong trans-Tasman numbers across all airlines as a result of competitive pricing, marketing initiatives, a favourable exchange rate, and a strong marketing campaign by Tourism NZ together with excellent ski conditions in both 2009 and the early part of 2010 seasons.

TOTAL PASSENGERS



Terminal development

Work is progressing well on the first stage of the integrated terminal project (ITP), namely the new integrated check-in hall and landside retail and food and beverage spaces. The first stage is due for completion in February 2011, following which the existing domestic terminals will be demolished and construction will begin on the new airside facilities and airside civil works. The new terminal is due for completion in total in mid-2012, with final work on the aircraft aprons concluding in early 2013. The company is also constructing a new regional lounge to serve turbo-prop aircraft, primarily to service regional destinations. At this time, both projects are proceeding on time and on budget.

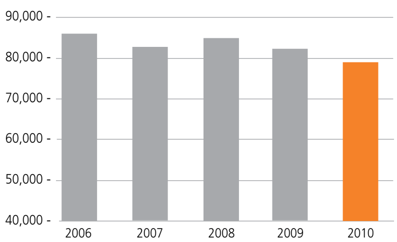
Property and commercial operations

The company's long term aim is to offset the impacts of the volatility of aeronautical revenue through diversifying and increasing the share of total revenue received from property and commercial activity. The company has successfully tendered several of its key commercial concessions, including duty free, food and beverage and foreign exchange. The company has also begun developing Dakota Park, a new freight and logistics precinct to the south of the cross-wind runway.

Planning

During the year, the company made extensive submissions into the regional policy statement process aimed at protecting CIAL from further encroachment by residential development, the maintenance of the existing 24/7 operating capability, and to provide further surety around CIAL's future development.

TOTAL AIRCRAFT MOVEMENTS



The initial findings by the commissioners were by and large favourable from CIAL's point of view, although the company remains concerned over the status of some areas of land surrounding the airport. For the future of the airport company and indeed the economy of Christchurch and Canterbury, it is vital that the airport continues to retain its non-curfewed status and the company's efforts are directed towards this end.

Regulation

The company has been intensely involved in consultation with the Commerce Commission in developing a new Information Disclosure regulatory regime for the provision of airport services at Christchurch, Auckland and Wellington International Airports. The Commission released its draft determination on input methodologies and information disclosure in May. Submissions have now been made on this crucial phase of regulation development. While the initial determination has taken significant recognition of airports' submissions, uncertainty still exists until the final determination is released by the Commerce Commission. Implementation of the new Information Disclosure regime will begin in January 2011.

Looking ahead

Over the next few years the company will be making investment decisions to implement the strategy that has been put in place to ensure Christchurch International Airport is rated as a leading airport by passengers, visitors, the community and airlines. The company is making significant investments in commercial and property projects, infrastructure, and customer relationships. They will form the basis of good growth and return in the future.

FIVE YEAR SUMMARY	2006	2007	2008	2009	**2010**
Lyttelton Port Company Ltd	$m	$m	$m	$m	**$m**
Revenue	79.3	76.4	83.4	84.4	**87.3**
Profit for the year	10.5	9.6	10.3	10.1	**9.0**
Total assets	216.2	219.7	225.6	227.4	**232.5**
Shareholders' equity	118.0	122.6	128.0	129.9	**133.8**

78.9% owned by Christchurch City Holdings Limited

Lyttelton Port Company
LIMITED

Financial performance

The company reported a net profit for the year of $9.0 million, compared with $10.1 million in the preceding year. The result was impacted by costs relating to the ongoing merger discussions with Port Otago Ltd and in relation to the acquisition of land adjacent to CityDepot, as well as deferred tax movements. After allowing for these factors, the normalised result was $9.8 million. Market conditions were challenging, particularly in the first half of the financial year. However, there were signs of improvement, with 60% of the profit for the period being earned in the last six months.

Despite the challenging economic conditions of the last 12 months, total tonnage through the port increased by 3.9% to 9.8 million tonnes, and total container volumes by 5.3%. There was a record year in log exports, with a 58.7% increase in volumes, vehicle imports rose by 21.1%, and fertiliser imports increased by 22.0%. Coal volumes were down, however, by 2.7% to just over 2 million tonnes, but volumes are expected to improve in the 2011 financial year as mining production increases.

Operations

The company continued its record of productivity improvements, with berth productivity improving by a further 5.8%. Productivity has improved by over 70% over the past six years. For the first time, the coal operations team achieved average annual coal loading volumes (over all coals) of over 25,000 tonnes per day.

It was very pleasing to note that there were no lost-time injuries in the CityDepot inland port during the year, indicating that the company's STEPS safety programme is paying dividends.

Port development

Having invested significantly in recent years on improving port facilities and new equipment, the company has now commenced its long term value phase of the port's development with two key projects. Firstly, the port's container capacity was increased by extending the container yard through the removal of a shed on Cashin Quay 1. Secondly, the company undertook an expansion of the railway sidings in the container terminal, significantly increasing rail receival capacity and container throughput.

The resource consent for an expansion of the coal stockyard was lodged in August 2009, and this is still going through the Resource Management Act process. Also in progress is a resource consent application to deepen and extend the navigation channel to create a 14.5 metre draught capability at all tides.

During the year, the company successfully implemented, in conjunction with KiwiRail, a rail shuttle service from CityDepot to the wharfside. Subsequent to balance date the company purchased 7.3 hectares of land adjacent to the CityDepot site. The latter acquisition will enhance the logistics options for the port's customers.

Port amalgamation

Discussions are continuing with Port Otago Ltd on the possible merger of operations between the two ports. Following completion of these discussions, it is intended to take a joint application to the Commerce Commission for its review. All stakeholders will then have the opportunity to participate in the rigorous process that the Commerce Commission follows*.

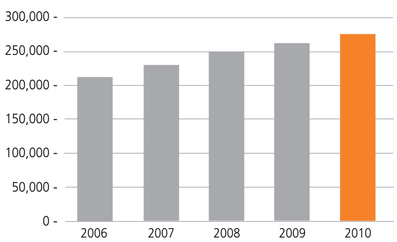
Looking ahead

The financial year ahead is showing very promising signs of producing significant volume growth across containers, coal and LPC's general cargo trades. Recent infrastructure projects support the company's strategy of adding long-term value through growth and innovation.

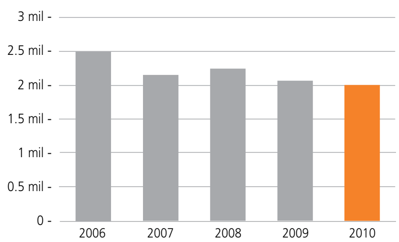
The move to bigger ships is happening. The port welcomed the 4,500 TEU capacity OOCL New Zealand on its maiden voyage to New Zealand in April – this was the largest container vessel to ever call on Lyttelton. With the port's long-term development plans now well in hand, the company will be well placed to capitalise on all opportunities as they arise.

The company will also continue to work with coal exporters to prepare the coal yard for expected growth, and is replacing the storm wastewater system and considering a number of other options which will improve capacity and performance in the area.

TOTAL CONTAINER THROUGHPUT *(TEUs)*

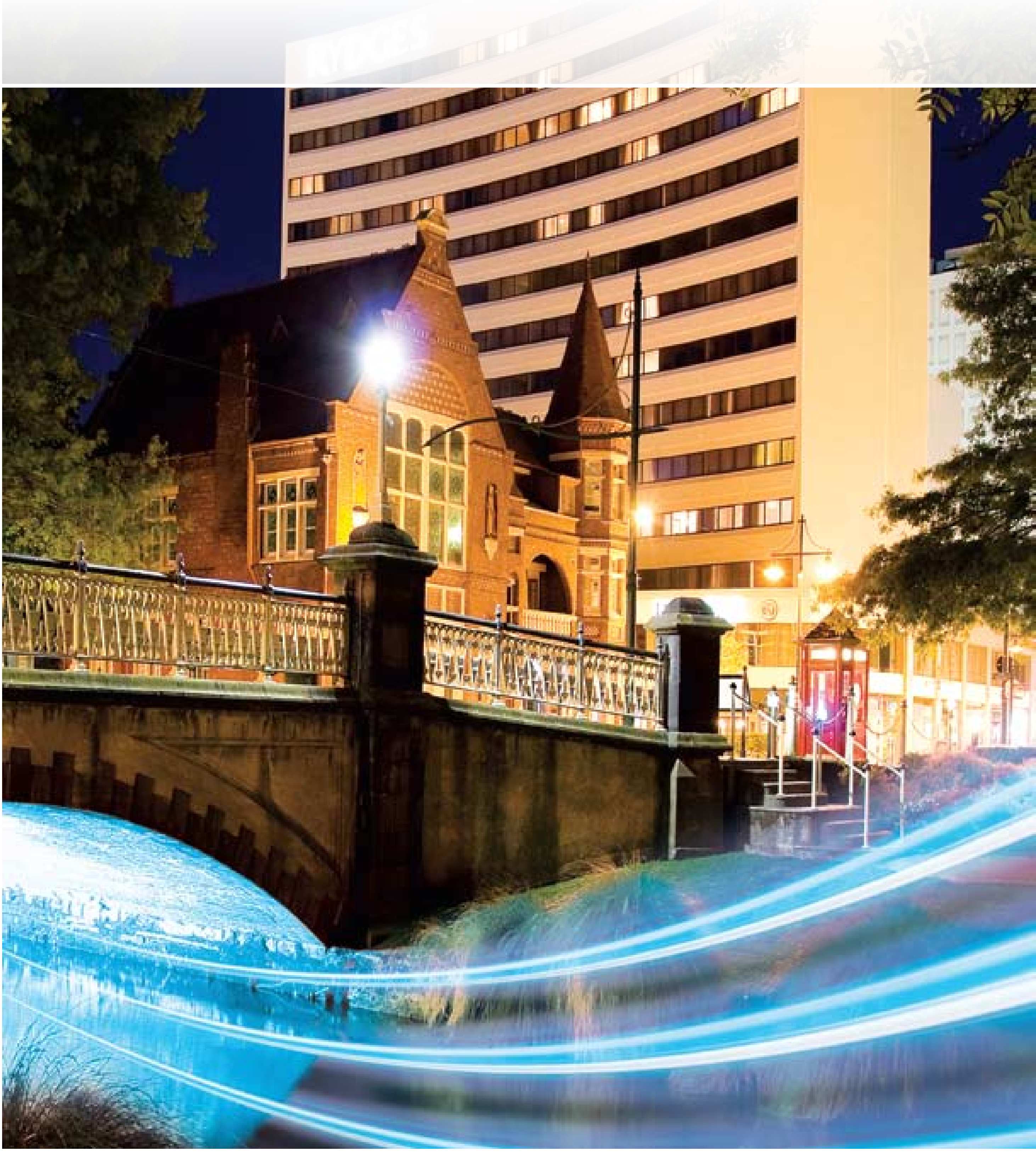


COAL VOLUMES *(Tonnes)*



* POSTSCRIPT

Since completion of this report, the company has announced that it has ceased negotiations with Port Otago Limited to enable it to focus on recovery from the Canterbury earthquake.



FIVE YEAR SUMMARY

Christchurch City Networks Ltd	2006 $m	2007 $m	2008 $m	2009 $m	**2010 $m**
Revenue	-	-	0.6	3.5	**2.9**
Profit for the year	-	(0.3)	(0.3)	1.4	**0.4**
Total assets	-	0.4	10.1	19.1	**25.1**
Shareholder’s equity	-	0.2	8.9	16.2	**19.7**

The company commenced operations in the 2007 financial year.

100% owned by Christchurch City Holdings Limited

Christchurch City Networks
LIMITED (Trading as ENABLE NETWORKS)

Financial performance

The company recorded a net profit for the period of $0.4 million, compared with $1.4 million in the preceding year. Last year's result benefited from a significant one-off transaction, and hence is not directly comparable with the 2010 result. The latter result was ahead of expectations, despite difficult economic conditions.

Operations

An annual investment in network and business infrastructure of approximately $9 million has resulted in 62 kilometres of additional ducted network during the year. Enable now has over 176 kilometres of ducted network around Christchurch and the network is terminated in over 300 locations. Fibre network capability, which takes account of multiple cables within a duct and building lead-ins, is in excess of 250 kilometres.

Network availability has continued to perform at world class levels, exceeding 99.995% availability to all Enable Networks customers.

New products

In the first quarter of the year Enable Networks launched a range of new open access Ethernet products, offering simplicity of connection and a range of networking speeds from 10Mbps to 1000Mbps. The new products are aligned to the 'Metro Ethernet Forum' (MEF) international standards which ensure interoperability with other networks and IT applications.

The affordability of the Ethernet services has enabled the company to provide connections to small and medium size businesses while the unconstrained fibre products continue to address mainly large business, unlimited bandwidth requirements. 48% of total new connections in the year used the Ethernet services, with the remainder utilising point to point fibre-based products.

Government's UFB Initiative

Enable Networks has submitted an extensive proposal to the Government in response to their Ultra-Fast Broadband (UFB) initiative. Currently Enable is engaged through a confidential selection process. Crown Fibre Holdings is expecting to make a recommendation on the preferred investment partners to Shareholding Ministers in October 2010, with the initiative commencing before the end of the year.

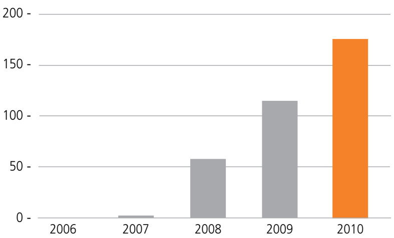
Christchurch schools

Enable made a significant investment throughout the year to extend the fibre network into schools and to raise awareness within the schools of the educational benefits that can be gained from an ultra high speed education network. In the year, Enable connected 35 schools to the EnableSCHOOLS™ network with a further 53 schools contracted to connect over the coming months as the network is extended.

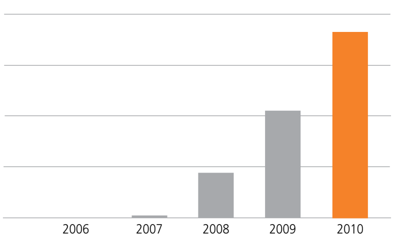
Channel partners

There are now over 25 channel partners promoting or re-selling Enable's fibre and Ethernet services to their customers. Increased investment is being made in Christchurch by these service providers by way of new data centre and co-location facilities, and new broadband based services such as voice over IP and software as a service.

TOTAL DUCTED NETWORK DEPLOYED *(kms)*



EQUIVALENT CONTRACTED CIRCUITS



Reward and recognition

Enable Networks' goals and performance were recognised during the year by industry and business groups throughout the country. Enable Networks won the service category of the Champion Canterbury Awards and the South Island category of the Vero 'Excellence in Business' Awards. Enable was also a finalist in the TUANZ Innovation Awards. These achievements are recognition of both the value that the business is contributing and the way the business is operated.

Looking ahead

The focus in the year ahead will primarily be on building on the current business to achieve a position of strength, whilst also investigating the possibility of Fibre To The Home (FTTH) and a possible partnership with the Government and its 'Ultra-Fast Broadband' initiative. FTTH in Christchurch requires 3,000 kms of fibre network to deliver fibre to every premise (businesses and homes) in the city. Enable Networks is well advanced in developing its plans and designs for the wide scale deployment of FTTH in Christchurch.

The company is continuing to invest in network capability to expand the network and services to cover all businesses, schools and health locations by early 2012.

FIVE YEAR SUMMARY

Red Bus Ltd	2006 $m	2007 $m	2008 $m	2009 $m	**2010 $m**
Revenue	28.3	31.5	33.5	36.8	**33.2**
Profit for the year	0.9	1.9	2.7	4.1	**1.1**
Total assets	39.8	40.8	41.5	44.5	**52.4**
Shareholder's equity	21.9	26.6	28.3	31.1	**31.4**

100% owned by Christchurch City Holdings Limited

Red Bus
LIMITED

Financial performance

The company achieved a net tax paid profit of $1.1 million, significantly down from the $4.1 million recorded in the previous year. The fall in profit reflected reduced revenue and margins in the highly competitive tendering environment, and financing costs associated with bus fleet replacement. A provision was also made for one-off restructuring costs following the loss of other tendered routes since balance date.

Patronage declined by 1.2%, after a 3.6% increase in the previous year. The decrease reflected a combination of reductions across the transport network, and minor service losses from November 2009.

In the 2010 year, the company carried approximately 10.5 million passengers, and its fleet of buses travelled 12.5 million kilometres.

Operations

Increasing traffic congestion has had a significant impact on Red Bus's service reliability on some routes, causing some peak time services to run late. The bus priority lanes on Colombo Street and Papanui Road are proving to be good initiatives for addressing the effects of congestion, with peak travel times falling up to 22% and travel time variations reducing by up to 40%, thus greatly improving arrival time consistency for passengers.

The company purchased 35 new super low floor single step entry, low emission (Euro 4) buses during the year to meet contractual requirements and replace old buses at the end of their operational life. It also upgraded its financial and HR systems.

Red Bus has continued to work with Environment Canterbury (ECan) and Christchurch City Council on the development of the new Transport Interchange, bus priority measures, implementation of city-wide public transport standards and identifying and resolving infrastructural and access issues that impact on the operational performance of passenger services.

The gross contract model implemented by ECan and the highly competitive tender market in recent tender rounds have had a significant impact on Red Bus's revenue and margins. The company lost some contracted services during the year, and further routes after the financial year end, leading the company to commence a revision of its business structure subsequent to balance date.

Commercialisation and regulation

The Public Management Transport Act is under review with a view to encouraging more commercialisation of public transport to meet identified growth needs without additional Government funding. The cross-industry working party led by the Ministry of Transport is making good progress and it is hoped that new industry agreements for combined commercial and contracted services will emerge later in 2010.

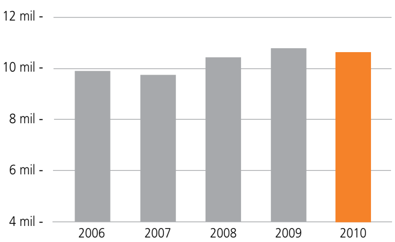
The New Zealand Transport Agency (NZTA) has completed the revised tendering framework for public transport. The framework provides for regional variations, longer contract periods and larger scale contracts. The NZTA also continues to develop an operator safety rating system for implementation in 2012 in order to raise industry standards.

Looking ahead

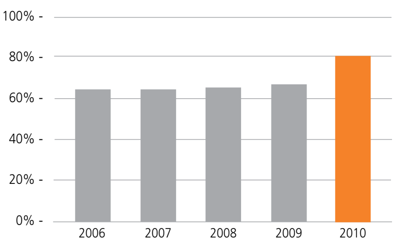
Red Bus is undertaking a major business restructure in the second half of the 2010 calendar year, prompted by the loss of service contracts effective from 1 November 2010 and the limited availability of growth opportunities in ECan's contracted services in the short term. Only one further urban service contract will be tendered in the coming year. The lack of opportunities and heightened competition in all other markets has challenged the company to explore a range of new opportunities such as the weekday Darfield service launched in May.

Strategically there remains significant long term growth potential in the public transport market in Canterbury given the small number of people travelling to work by bus (currently below 6%) and the high proportion of work travel by single occupant car (over 70%). Mounting traffic congestion, fuel pricing and environmental tariffs such as those from the Emissions Trading Scheme are likely to result in rising levels of passenger transport patronage.

PASSENGERS CARRIED



FLEET STANDARD *(Euro 2 and above)*



FIVE YEAR SUMMARY

City Care Ltd	2006 $m	2007 $m	2008 $m	2009 $m	**2010 $m**
Revenue	98.9	101.8	115.2	141.5	**145.5**
Profit for the year	3.5	2.1	3.3	3.7	**4.0**
Total assets	41.7	45.0	50.2	52.9	**53.9**
Shareholder's equity	20.7	25.7	27.4	29.6	**31.8**

100% owned by Christchurch City Holdings Limited

City Care
LIMITED

Financial performance

The company achieved a strong financial performance, with profit for the period of $4.0 million, compared with $3.7 million in the previous year. The improved profit largely resulted through enhanced returns from existing business, reflecting gains from productivity and service quality improvement initiatives implemented over the last two years.

City Care achieved a return on equity of 13.2% - a pleasing performance given the difficult economic conditions at present, and ahead of its Statement of Intent target.

Growth

The company continued its strategic development of operations throughout the country, securing three significant new contracts. In October 2009 City Care commenced a street landscape maintenance contract with Hamilton City Council, providing roadside turf mowing and street garden maintenance throughout Hamilton city. The contract brought new employees to City Care's team and extended the company's operations within the Waikato region. It also resulted in the establishment of a new operational base in Hamilton.

In May 2010, Masterton District Council awarded their water and wastewater utilities maintenance services contract to City Care. The contract, City Care's first in the Wairarapa region, will start on 1 July 2010. As a result of the contract win, City Care has established a new office in Masterton where employees providing operational contract services will be based.

In June 2010, City Care was awarded a general mowing contract with Upper Hutt City Council. This is the first greenspace contract for City Care in the Wellington region. The contract involves mowing of all reserve lands and open space areas and will start in August 2010.

During the year City Care also secured additional work with Christchurch City Council, winning the Banks Peninsula greenspace maintenance contract. Contract works started on 1 December 2009 and include mowing and gardening of all parks, gardens and reserves on the peninsula, as well as playground maintenance.

Retaining existing work

In addition to the new work referred to above, City Care negotiated two significant new contracts with Christchurch City Council. The first covers facilities maintenance and management services for all council owned property assets within Christchurch city. The second is the provision of water and wastewater network maintenance services, including city-wide pumps and reservoirs and the operation and maintenance of water and wastewater treatment facilities on Banks Peninsula.

City Care achieved a number of successful contract retentions within the northern region. These included re-winning electrical maintenance contracts with both Western Bay of Plenty District Council and Matamata Piako District Council under competitive tender. The company also negotiated a successful extension to its streetscape maintenance contract with North Shore City Council.

Health and safety

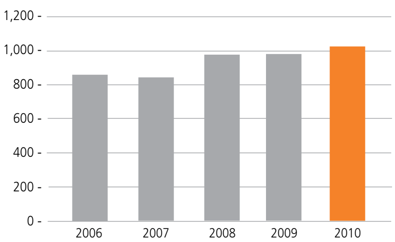
City Care achieved outstanding results in reducing both the severity and frequency of its Lost Time Injury Incidents (LTI). The Statement of Intent contained target reductions of 20% for both LTI severity and frequency – these targets were well exceeded; with LTI severity reduced by 53% and frequency by 38%.

These figures can largely be attributed to City Care's innovative behavioural-focused health and safety programme, Behave Safe. Introduced in late 2005, Behave Safe encourages City Care's people to increase safe behaviours and decrease at-risk behaviours. The award winning programme received further industry recognition at the 2009 Roading Excellence Awards, winning the InfraTrain New Zealand Best Practice – People category.

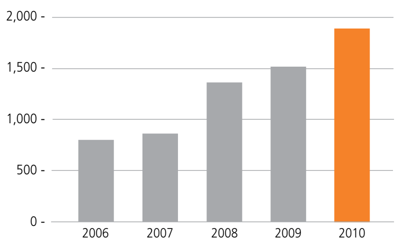
Looking ahead

City Care's clear strategic plans place the company in a strong position to identify and capitalise on growth opportunities. Despite the ongoing difficult trading conditions, the company remains confident it will continue to work successfully with clients to deliver good results for all parties.

STAFF NUMBERS



POPULATION SERVED *(000's)*



FIVE YEAR SUMMARY

Selwyn Plantation Board Ltd	2006 $m	2007 $m	2008 $m	2009 $m	**2010** **$m**
Revenue	21.5	16.5	16.0	21.5	**20.5**
Profit/(loss) for the year	3.8	2.3	(5.4)	5.8	**(2.6)**
Total assets	74.1	80.8	78.8	81.9	**76.8**
Shareholders' equity	71.9	78.3	75.0	77.6	**71.4**

39.3% owned by Christchurch City Holdings Limited

Selwyn Plantation Board
LIMITED

Financial performance

The company recorded a loss for the year of ($2.6) million, compared with a profit of $5.8 million in the previous period. The 2010 result was significantly impacted by a $9.1 million value reduction in farm land properties, whereas the 2009 result included a $9.0 million forest revaluation increase. There were various other revaluation movements, fair value adjustments and movements in provisions.

The actual trading result prior to provisions, revaluations, and impairment was a pre-tax profit of $1.8 million, compared with $0.9 million in the previous year. The improvement reflected higher profits from forestry operations, although farming again resulted in a loss.

At the beginning of the financial year the shareholders of SPBL approved a plan by SPBL to sell all of its assets in an orderly manner and return the proceeds to its shareholders. This process commenced in the 2010 year.

Forestry

Export demand and price strengthened at the start of the year, and maintained this upward trend, with China now the leading export destination for SPBL logs. Domestic sawmill demand also gained some ground during the year and upward log price adjustments were achieved to narrow the margin between export and domestic log prices. Harvested log volumes were ahead of budget at year end with several factors contributing to this position. Some volume was uncut last year and was carried over into this year, and greater than predicted log volume recovery from some harvesting sites was also achieved.

Additional volume was produced from the introduction of production thinning from selected stands in Bottle Lake and Dalethorpe forests.

With the pending sale of the forest estate, operations consistent with the current forest management plan continue.

Farming

Farming operations during the year were difficult as production gains slowed due to prolonged dry periods, which severely restricted pasture establishment and growth of all the non-irrigated areas.

Farm land sales were a predominant activity during the year as the decision to divest the farming operations was initiated. Settlement of the Te Oka farm sale early in the year was followed by the successful marketing and sale of the Flagpole farm and forest which settled in March 2010. A strategic and considered approach was adopted for the marketing and sale of the Plains farm land with selected properties staged sales ongoing during the second half of the year, with some still in transition and others still to be negotiated through to settlement beyond year end.

Farming operations have progressively scaled down as land sales have reduced the available farming areas. The remaining farm areas continue to be farmed and managed effectively through the sale process, although forward planning considerations are now all based on expected short term tenure through to the final asset realisation.

Some residual and follow up work relating to the land conversion programme was completed during the year. This programme is now finished and options regarding the

sale of the plant and equipment purchased for this operation have been evaluated. Some sales of the now surplus plant and equipment were successfully concluded prior to year end and negotiations are continuing to dispose of the remainder. Strategic amenity and shelter planting on some of the newly converted blocks was again incorporated into the overall conversion programme.

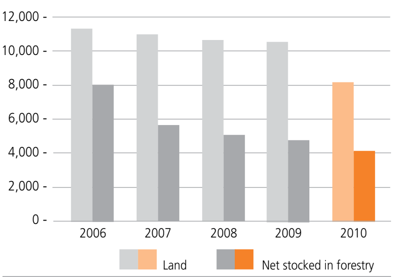
Bankside fuel depot

The removal and disposal of all of the solid waste from the Bankside Fuel Depot site was completed during August 2009. The Bankside remediation project, now very close to completion, was a significant contribution by SPBL in terms of cost and resources to ensure that its legal obligations and responsibility as the land owner were fulfilled. The site remains secure and is being maintained as required in an effort to deter any further indiscriminate and illegal dumping. Work is continuing to reach an acceptable solution regarding the future management of this somewhat isolated land area.

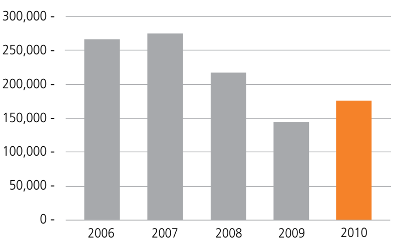
Looking ahead

The priority is to complete the sale of the remaining assets of the business at the earliest opportunity, and over time return funds to shareholders.

LAND *(hectares)*



HARVESTED



<table>
<tr><th>FIVE YEAR SUMMARY
Vbase Ltd</th><th>2006
$m</th><th>2007
$m</th><th>2008
$m</th><th>2009
$m</th><th>2010
$m</th></tr>
<tr><td>Revenue</td><td colspan="3" rowspan="6">Note: Historical audited information is not readily available as the activities of Vbase Ltd were carried out in a number of separate companies prior to amalgamation on 30 April 2008</td><td>29.4</td><td>34.7</td></tr>
<tr><td>EBITDA</td><td>6.2[1]</td><td>7.1</td></tr>
<tr><td>Profit/(loss) for the year</td><td>(3.4)</td><td>(30.2)[2]</td></tr>
<tr><td>Total assets</td><td>242.0</td><td>285.6</td></tr>
<tr><td>Shareholders' equity</td><td>110.1</td><td>129.2</td></tr>
<tr><td>Operating cash flow (excl. interest)</td><td>4.5</td><td>8.1</td></tr>
</table>

[1] Normalised result excluding one off adjustment associated with vesting of Victory Park Board (VPB) assets with Christchurch City Council and final dissolution of VPB.

[2] 2010 result impacted by one-off deferred tax expense relating to the change in the depreciation rates on buildings contained in the 2010 Government Budget.

100% owned by Christchurch City Holdings Limited

Vbase
LIMITED (and related companies)

Financial Performance

Vbase Ltd is a fully owned subsidiary of Christchurch City Council. CCHL monitors the activities of Vbase on behalf of Council.

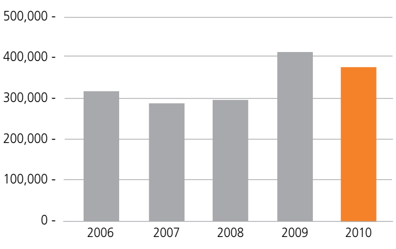
Vbase owns and manages the city's four premier event venues, Christchurch Convention Centre, Christchurch Town Hall for Performing Arts, CBS Canterbury Arena and AMI Stadium.

The core business of Vbase is venue management and development which includes securing and hosting all the events staged at the venues. The venues are commercially managed for community benefit – economically, socially and culturally. There is strong emphasis on national and international conferences and conventions which are key drivers of business tourism. The other main emphasis is on attracting events to Christchurch.

Vbase achieved growth in event revenue in 2010, driven by continued high levels of venue occupancy, improved event yield and increased memberships at AMI Stadium. Improved attendances at AMI Stadium rugby events were also a feature of the year and this coincided with the successful commissioning of the Deans Stand.

Strong operating cash flow enables Vbase to fund interest on borrowings, business as usual building and operational equipment maintenance and operational asset replacement. The business is however asset-intensive and non-cash depreciation expense results in a bottom line loss.
The 2010 loss was significantly impacted by a one-off deferred tax expense of $23.3m relating to Government Budget changes to tax depreciation on buildings, as explained elsewhere in this annual report.

TOWN HALL/CONVENTION CENTRE
GUEST ATTENDANCE

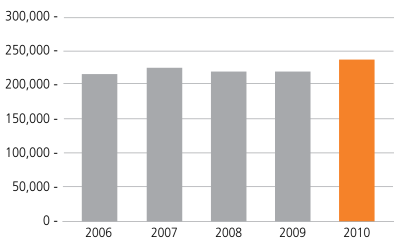


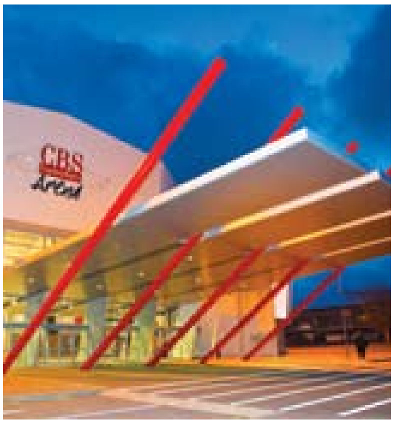
Highlights

Vbase made significant further progress towards achieving its vision of being "A Great Stage and Great Host", with the following highlights in the 2010 financial year;

- Completed and commissioned AMI Stadium redevelopment
- Re-launch of AMI Stadium membership and success of high-yield premier 1881 Private Members Club and Captains Club
- Installation of new information management system EBMS
- Vbase Great Hosts training suite developed including launch of website and online recruitment
- Town Hall conservation and refurbishment project commenced
- Convention Centre expansion proposal submitted to Ministry of Economic Development
- RWC 2011 match allocation goal achieved with award of five pool matches and two quarter finals
- RWC 2011 catering rights secured
- CBS Canterbury Arena and Deloitte Lounge (Deans Stand main lounge) naming rights partnerships
- Renewal of naming rights and sponsorships with Orion (AMI Stadium replay screen) and DB (AMI Stadium, Tui Stand)
- Deloitte Lounge successfully positioned and utilised as a non-game day function venue.

WESTPAC ARENA
GUEST ATTENDANCE





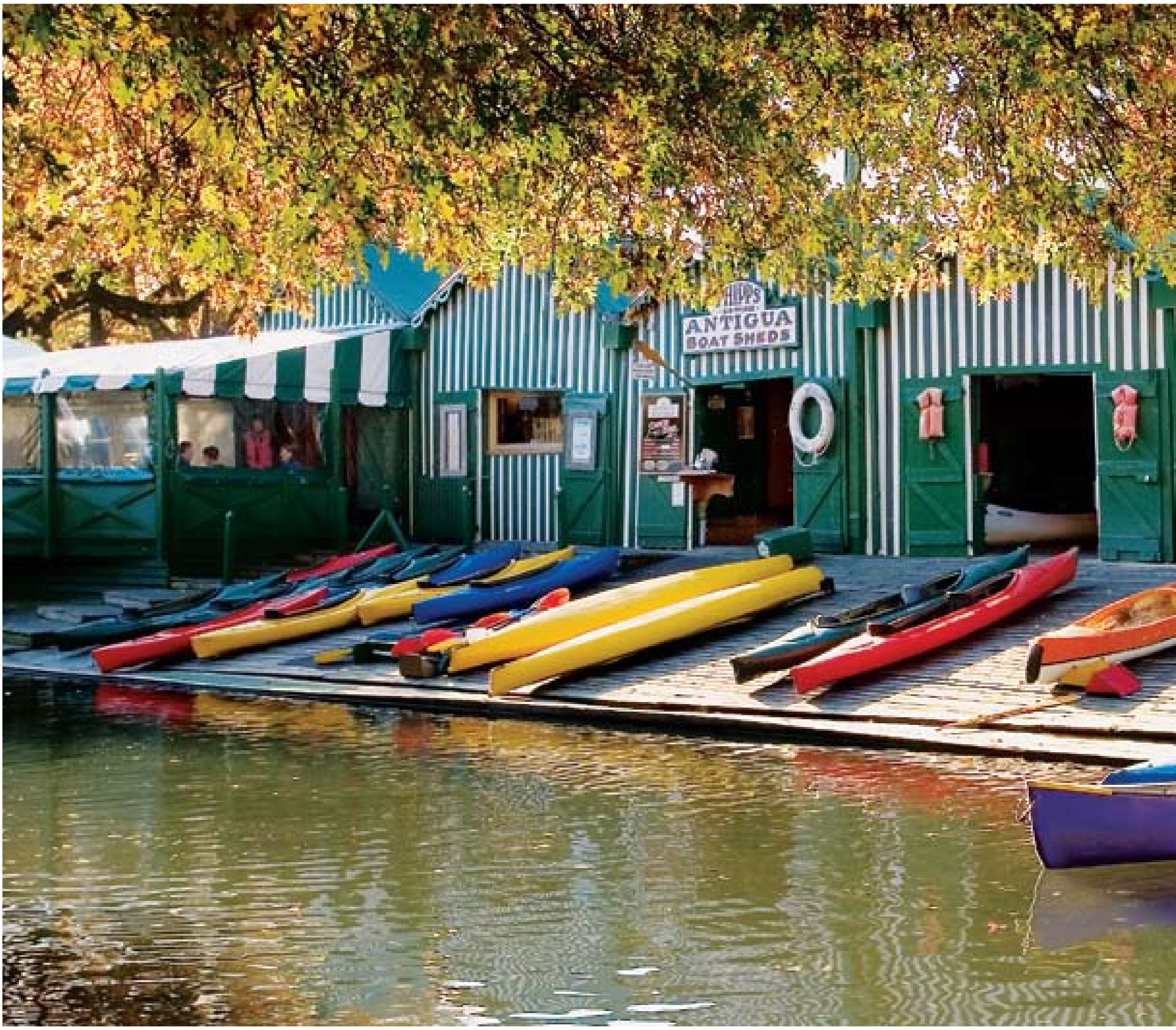
Properties

Vbase also manages a related company Civic Building Ltd (CBL). CBL is 50% shareholder of the Christchurch Civic Building Joint Venture with Ngai Tahu Property Ltd.
The redevelopment of the NZ Post building in Hereford Street as the new Christchurch City Council Civic Offices was completed on time and on budget.

Vbase 100% owned subsidiary Jet Engine Facility Ltd (JEFL) owns and leases an aero engine test facility to the Christchurch Engine Centre (a joint venture between Air New Zealand and Pratt & Whitney). JEFL traded to budget.

Looking Ahead

Forward bookings are solid with growth in event numbers forecast in most market segments. Rugby World Cup 2011 will be a major focus for the year ahead as Vbase continues planning to deliver an outstanding venue experience that will delight visitors and make Cantabrians proud of their stadium.



CCHL is committed to investing in infrastructure that will benefit the economic wellbeing of the city and region, and also promoting and encouraging external investment.

Directory

Registered Office

53 Hereford Street

Christchurch

Directors

B R Irvine *(Chairman)*

S L Astor

B A Corbett

W J Dwyer

R J Parker

A J Pearce

R A Shearing

S A Wells

Management team

R Lineham (*Chief Executive)*

R Simmonds (*Chief Financial Officer)*

N Halstead (*Executive Officer)*

Bankers

Bank of New Zealand, Christchurch

Westpac Institutional Bank, Wellington

ANZ National Bank Ltd, Wellington

Auditors

Audit New Zealand

on behalf of the

Controller and Auditor-General

Christchurch

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.

Group contacts

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53 Hereford Street
PO Box 237 Christchurch
Telephone: (03) 941 8475
Fax: (03) 941 8572
Email: info@cchl.co.nz
Website: www.cchl.co.nz

Orion New Zealand Limited
218 Manchester Street
PO Box 13 896 Christchurch
Telephone: (03) 363 9898
Fax: (03) 363 9899
Email: info@oriongroup.co.nz
Website: www.oriongroup.co.nz

Christchurch International Airport Limited
4th Floor, Car Park Building
Memorial Avenue
PO Box 14 001 Christchurch
Telephone: (03) 358 5029
Fax: (03) 353 7730
Website: www.christchurch-airport.co.nz

Lyttelton Port Company Limited
Administration Building
Cnr Norwich Quay and Dublin Street
Private Bag 501, Lyttelton
Telephone: (03) 328 8198
Fax: (03) 328 7828
Website: www.lpc.co.nz

Christchurch City Networks Limited (Enable Networks)
1 Show Place, Building 4
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PO Box 9228 Christchurch
Telephone: (03) 363 2962
Fax: (03) 363 2960
Email: support@enablenetworks.co.nz
Website: www.enablenetworks.co.nz

Red Bus Limited
120 Ferry Road
P O Box 10 171 Christchurch
Telephone: (03) 379 4260
Fax: (03) 366 5643
Website: www.redbus.co.nz

City Care Limited
226 Antigua Street
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Telephone: (03) 941 7200
Fax: (03) 941 7202
Website: www.citycare.co.nz

Selwyn Plantation Board Limited
Horndon Street Darfield
PO Box 48 Darfield
Telephone: (03) 318 8311
Fax: (03) 318 8812
Email: office@spbl.co.nz
Website: www.spbl.co.nz

Vbase Limited
95 Kilmore Street
PO Box 13 144 Christchurch
Telephone: (03) 366 8899
Fax: (03) 363 3364
Website: www.vbase.co.nz

Christchurch scenic photography on front/inside front cover, pages 2, 24, 28, 38 and 40 provided courtesy of Richard Simmonds (CFO of CCHL). **www.rsphotos.co.nz**

cchl

www.cchl.co.nz