

cchl

Christchurch City Holdings

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

Orion

Christchurch Airport

Lyttelton Port Company

Enable Services

City Care

Red Bus

Development Christchurch

EcoCentral

# annual report

2016

## 2016 snapshot



**\$1.2**

billion

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

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



**\$113.9**

million

the dividend CCHL paid to Christchurch City Council for the 2016 year.



**6,000**

people work on the Christchurch airport campus

The largest employment site in the South Island.

over

**2 million**

New Zealanders serviced by City Care



**16%**

improvement in crane rates at Lyttelton Port



**5.6 million**

Red Bus fleet kms during the year



## 2016 and beyond

The CCHL group has grown significantly in value over the years, and the Council is in the position of owning a valuable portfolio of trading assets. We will work proactively with the Council in implementing its capital release programme over the next few years.



195,000

the number of  
homes & businesses  
to which Orion  
distributes power

eight

the number of  
subsidiary companies  
that make up CCHL

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



8,086  
tonnes

recovered for resale  
by EcoCentral



25,817

the number of  
business, school and  
home broadband  
users which were  
connected to Enable's  
fibre network



the rebuild

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







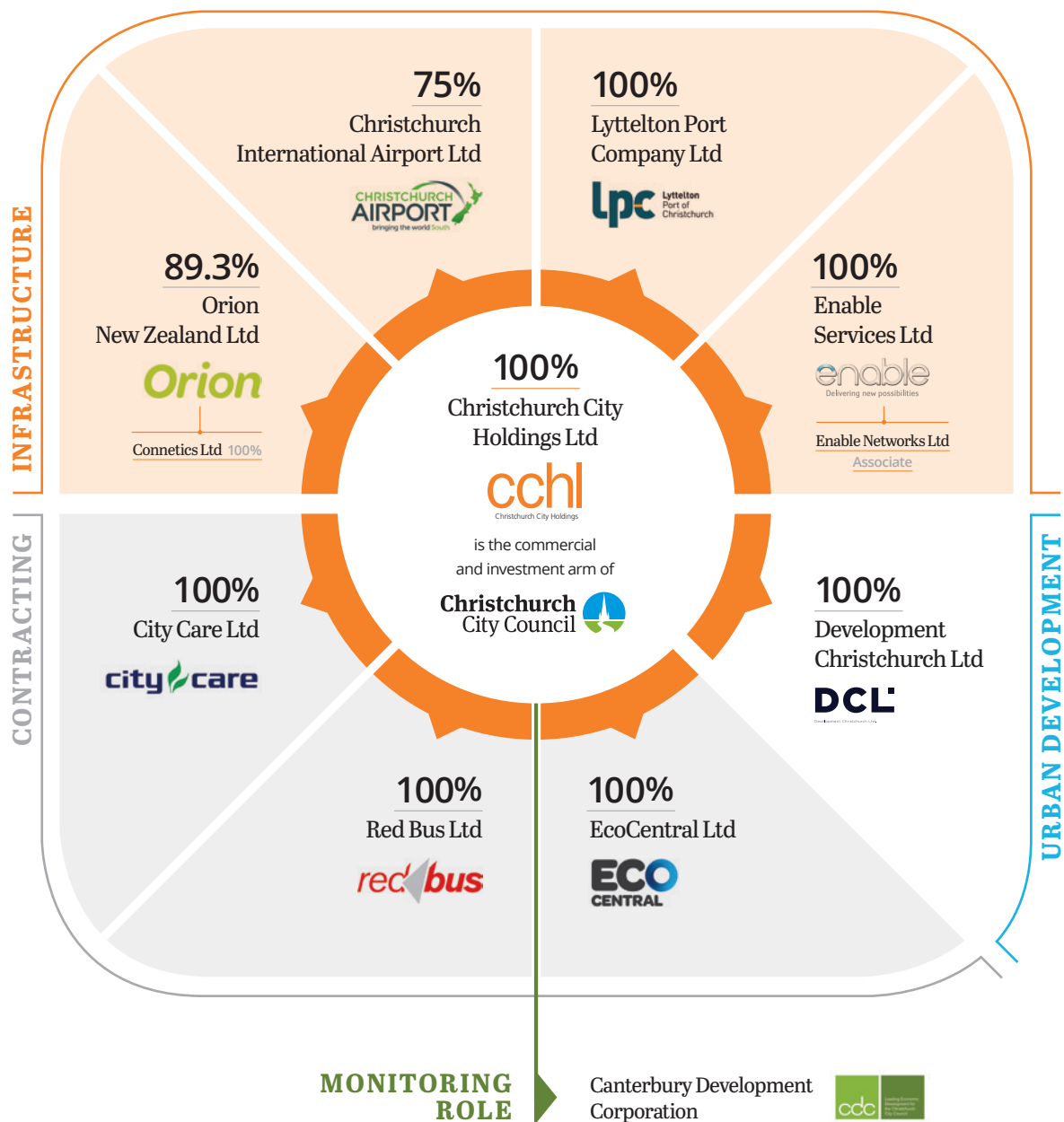


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# THE CCHL Group





## ABOUT CCHL

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

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

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

CCHL's key purpose is to invest in and promote the establishment of key infrastructure, and this now extends to assisting the Council in the rebuild and redevelopment of Christchurch following the Canterbury earthquakes, and to working with the Council to implement its capital release programme as outlined in its Long Term Plan. Currently, this involves the release of up to \$600m of capital from CCHL over the next three years.

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

### Financial contribution

Christchurch City Council's decision in 1993 to retain its key infrastructural assets through the establishment of CCHL has created a successful public ownership model. The model has enabled CCHL to make over \$1.2 billion of capital and dividend payments to the Council since 1995, allowing major investments in community assets, while reducing the impact on rates from such investments.

Over the same period, the asset value of CCHL through its trading companies has grown from some \$400m to \$3.4bn. Total group equity has risen from \$261m in 1995 to over \$1.8bn today (of which \$1.6bn is attributable to Christchurch City Council as the 100% shareholder of CCHL).

CCHL's ordinary dividend to the Council for the 2017 year is forecast at \$40.6m, plus the return of any capital release funds, potentially amounting to \$110m.

### Independent governance of trading companies

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

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

## THE CCHL Group subsidiaries

### 89.3%

Orion staff are on-hand in all weather conditions.

#### Orion New Zealand Ltd



Orion owns and operates the electricity distribution network that provides power to around 195,000 homes and businesses.

Orion aims to provide a safe, resilient, reliable and cost effective electricity distribution network. As one of the largest electricity distributors in New Zealand, Orion's network covers remote rural areas, regional towns and the city of Christchurch.

Its network traverses 8,000 square kilometres between the Waimakariri and Rakaia rivers and from the Canterbury coast to Arthur's Pass. Electricity retailers pay Orion for the network delivery service and include this in their retail charges to homes and businesses.

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

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

**Orion**

### 75%

Spitfire Square has 13 of 17 sites already leased.

#### Christchurch International Airport Ltd



Christchurch Airport is the Gateway to the South Island, the busiest and most strategic southern air connection to the world's trade and tourism markets. It welcomed more than six million passengers in the past year.

The airport is a major driver of the South Island regional economy, with some 6000 personnel working on the airport campus making it the largest site of employment in the South Island.

It is one of the partners in the "South" initiative, which sees all 15 regional tourism organisations working collegially to promote the South Island.

Christchurch Airport is consistently rated by an independent international quarterly travellers' survey as the best airport in Australia and New Zealand.

**CHRISTCHURCH  
AIRPORT**  
bringing the world South



**100%**

LPC's new Pilot Launch.

**Lyttelton Port Company Ltd**

Lyttelton Port of Christchurch (LPC) is the South Island's largest Port and Container Terminal, managing 80% of the area's container trade imports and more than half its exports. Over 360,000 TEUs (20-foot equivalent units) of containerised cargo travels through the Port each year.

Lyttelton Port is a vital link for national and international shipping with 14 container shipping lines and nine shipping services providing direct connections all over the world. More than 900 ships visit Lyttelton each year from 90 international ports and 39 countries.

LPC has a full array of shipping services, including stevedoring and cargo handling, and offers a diverse range of trades. On the water, full marine services are provided including the provision of tugs, a new Pilot Launch and experienced Pilots to escort ships in and out of the Port.

LPC has two Inland Ports. MidlandPort, opened in June 2016, provides a rail connection for freight containers between Rolleston and Lyttelton and unprecedented connectivity for South Island trade. LPC's other Inland Port is CityDepot, six kilometres from Lyttelton. This container storage and repair service has the capacity to store up to 9,000 TEUs.

The Port operates 24/7, has the largest coal facility in New Zealand, is the country's third largest port and is the largest employer in Lyttelton, with over 500 permanent staff.

**100%**

Deploying fibre broadband in Christchurch's CBD.

**Enable Services Ltd**

Enable Services Limited and its subsidiary Enable Networks Limited (Enable Group) are building and connecting local homes and businesses to a world-class fibre network as part of the Government's ultra-fast broadband (UFB) initiative.

Today, this network reaches 117,988 potential customers in Christchurch, Rangiora, Kaiapoi, Woodend, Rolleston and Lincoln. The network will continue to be extended until it reaches 180,000 potential customers, with a planned build completion date of 31 December 2018.

Enable owns this critical fibre infrastructure and provides wholesale fibre broadband services to 38 retailer service providers – so they can supply broadband services to homes, schools, businesses, hospitals and community service organisations within our region.

With over 25,000 customers connected, Enable's network is transforming how people in greater Christchurch use technology to do business, learn, provide community services, communicate with family and be entertained.

Enable has generated approximately 500 new jobs within the local community as a direct result of its UFB network rollout.



## THE CCHL Group subsidiaries CONTD.

### 100%

City Care won two major greenspace contracts during the year, in Dunedin and Waikato.

#### City Care Ltd



City Care is a leading provider of construction, maintenance and management services across the built environment. City Care delivers its services to over two million New Zealanders, from 17 offices and depots throughout New Zealand.

Since its launch in 1999 as a company operating solely in Christchurch, City Care has grown into a large, profitable national entity. It now holds a major portion of the local government infrastructure maintenance market, with 13 city and district council clients (including Christchurch City Council) and is recognised as a major player within the building, civil construction, water and wastewater, green space, roading, construction and facilities management sectors.

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

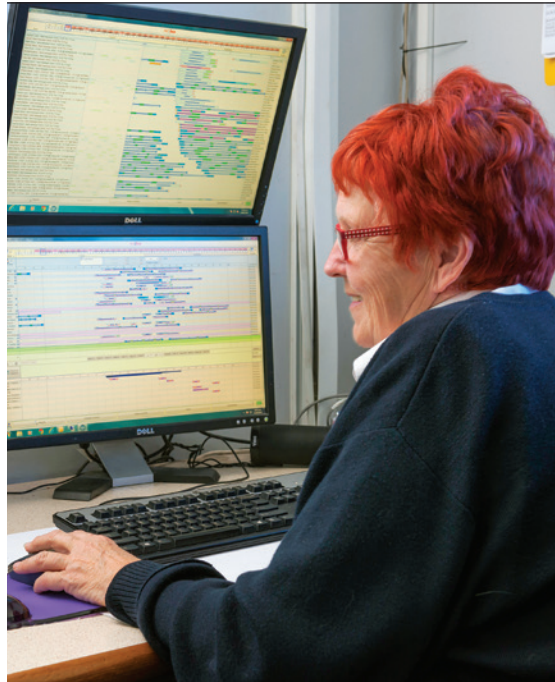
City Care is known for the calibre and dedication of its people who are proud to work around the clock in their communities to keep things working 24/7.



### 100%

Red Bus control room.

#### Red Bus Ltd



Red Bus' vision is to "lead the way in passenger transport" by operating a profitable and modern passenger service and maintaining a safe fleet and reputation as a good employer.

Delivering on this vision contributes to quality passenger transport services supporting the Canterbury recovery.

It operates a large passenger transport business serving Canterbury and the South Island.

Last year its Canterbury urban and school bus services carried 3.74 million passengers and travelled 5.6 million fleet kilometres.





100%

EcoSort team  
decontaminating the recycling  
– please recycle wisely.

## EcoCentral Ltd



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

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

EcoCentral Ltd manages:

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

**ECO**  
CENTRAL

100%

Artist's impression of the proposed  
Christchurch Adventure Park.

## Development Christchurch Ltd



Driving investment opportunities, encouraging urban development, aiding regeneration and engaging the community in activities that will benefit Christchurch, are all part of Development Christchurch Limited's (DCL's) mandate.

Established in 2015 by Christchurch City Council, DCL was created to deliver on the city's ambition to enable investment, development and regeneration activities that will drive better inter-generational outcomes across the city.

DCL's first year of operation has been an extremely busy one as it managed the challenges of both establishing a new entity and advancing the four priority projects the Council tasked DCL with leading. These included:

- Leading the implementation of the New Brighton Master Plan developed by the Council.
- Engaging with the private sector in respect of opportunities to partner in the development of new car-parking facilities across the central city.
- Preparing a development management plan for the redevelopment of the Peterborough Quarter, centred on the old convention centre site.
- Investing in the Christchurch Adventure Park as a significant new amenity for locals and visitors alike.

**DCL**  
Development Christchurch Ltd.

## THE CCHL Group subsidiaries CONTD.

**Monitored  
by CCHL**

John Morgan, FoodSouth chief executive (left) and Cookie Time general manager, Lincoln Booth trial a new variety of cookies - green tea - for the Japanese market.

### Canterbury Development Corporation



Canterbury Development Corporation (CDC) is a 100 percent Christchurch City Council controlled organisation. Christchurch City Holdings Limited (CCHL) undertakes a monitoring role of CDC on behalf of Council.

CDC's vision is a better way of life through a strong economy.

To achieve this CDC supports, encourages and influences the economic success of the greater Christchurch region. CDC works with business, government agencies and private sector experts to drive innovation and exports, generate wealth and prosperity and supports high-growth potential businesses to drive efficiencies, invest wisely and develop new markets.

The Christchurch Economic Development Strategy (CEDS) is a work programme under the Council Community Outcomes framework. CEDS outlines strategic priorities for growth and has over 20 other implementation partners across the private and government sectors. CDC is currently consulting with stakeholders to refresh and update the 2013 document.



# Chairman's REPORT

The Christchurch City Holdings Group (CCHL) continues to grow in value through the success of its long held strategic assets, and the growth of some of its newer additions. CCHL's approach of working with the Council to identify infrastructure needs of the region that are not being filled by the private sector or existing Council operations has led to the establishment of entities like Enable Services Ltd (ESL), and more recently Development Christchurch Ltd (DCL).

This approach has resulted in CCHL 100% shareholder, Christchurch City Council (CCC), being in the position of owning a valuable portfolio of trading assets.

Overall the group is in good heart and in strong financial shape, with many of the companies now experiencing improved profitability and growth.

As part of its Long Term Plan the CCC has determined that it will need to raise a substantial amount of capital from CCHL through its capital release programme in order to keep its forecast debt within appropriate limits.

During the year CCC requested CCHL to put City Care Ltd, a wholly owned subsidiary, into a sales process, with a view of using sales proceeds to fund the 2016 component of the capital release programme. After a rigorous sales process the decision to retain City Care was made in July 2016 by the shareholders (CCC). It is not anticipated that further sales processes will be undertaken with any strategic asset, however CCHL is committed to working proactively in executing the Council's capital release strategy over the anticipated timeframe of the next three years.

A significant achievement for the year was the completion of the acquisition of the Crown Fibre Holdings Ltd (CFH) shares in Enable Networks Ltd (ENL), by Enable Services Ltd (ESL). This essentially means that the Christchurch community now holds a 100% ownership stake in its fibre broadband network. Whilst this was ultimately always the intention, the success to date of the network rollout has allowed the group to work closely with CFH to bring forward this decision.

## Financial Group

The reported consolidated profit for the year was \$38.8m. This is significantly lower than the \$132.3m recorded in the 2015 financial year. The 2015 result included a \$29m insurance receipt by Orion, but the most significant discrepancy between the two years is the booking of an impairment by Lyttelton Port Company (LPC) in the 2016 year.

The LPC net asset position increased significantly in 2014 when insurance proceeds of \$358m were received as income. The funds were received to replace assets destroyed and damaged in the Earthquakes of 2010 and 2011. LPC invested significant capital to increase the resilience of the company's infrastructure, although that investment did not, in isolation, increase operating earnings. The resulting discrepancy between earnings and net assets gave rise to the impairment.

In 2016 the Board of LPC assessed the "value in use" of the company to be significantly lower than its net asset position. On this basis a net impairment impact on the profit and loss for the group of \$78.5m has been realised.

The CCHL Board fully support the assessment taken by the LPC board. Over the last couple of years there have been a number of indicators that have highlighted this potential impairment issue, including independent valuations undertaken by CCHL. The impairment of the LPC's net assets brings the net equity in its financial statements in line with the valuation of the investment in CCHL's Statement of Financial Position.

The following table normalises the reported pre-tax group profits of 2016 and 2015, and the forecasts in last year's Statement of Intent (Sol), for the above-noted factors to arrive at a more comparable portrayal of the underlying profit before tax figure:

Analysis of profit before tax	Group 2016 \$'000	Group 2015 \$'000	Sol forecast \$'000
Profit before tax for year as reported	55,288	177,995	123,700
Gain arising on business combination	(11,838)		
Impairment	107,425		
Insurance proceeds recognised	-	(29,000)	-
Investment property (gains)	(12,489)	(18,086)	(5,000)
	83,098	(47,086)	(5,000)
Underlying profit before tax	138,386	130,909	118,700

Overall the group is in good heart and in strong financial shape, with many of the companies now experiencing improved profitability and growth.

# Chairman's **REPORT** CONTD.

The gain arising on business combination reflects the revaluation of ESL's investment in ENL as an associate immediately prior to the purchase of the CFH's shares in ENL.

The underlying profit before tax for the year has improved by some \$7.5m from the 2015 result, and is \$19.6m higher than the Sol forecast.

The main reason for the improvement over the previous year is an improvement in Christchurch International Airport Ltd's (CIAL) underlying pre-tax profit reflecting continued growth in passenger numbers, one off gains on asset sales and continued focus on productivity and cost control.

Further information regarding the financial results and position of the group and parent company is provided in the "Financial overview" section on pages 14 to 16, and in the reviews of the individual companies on pages 20 to 37.

The main reason for the improvement over the previous year is an improvement in Christchurch International Airport Ltd's (CIAL) underlying pre-tax profit ...

## **Parent company**

The parent company's net profit for the year of \$82.3m was well up on the previous year's result of \$68.8m, mainly reflecting the receipt of a special dividend from Orion New Zealand Ltd and increased dividends from CIAL.

Parent company reserves increased by \$282m, primarily as a result of revaluations of the company's investments in its subsidiaries from \$2.098m to \$2.403m. The two material changes to investment value this year are Orion at \$673m down from \$753m after the share buy-back and Christchurch International Airport increased to \$862m from \$635m.

The company paid dividends to Christchurch City Council of \$131.9m which included a special dividend of \$90m towards the capital release programme.

## **Electricity network**

Orion New Zealand Ltd has recorded another strong year in 2016, a consistent performer for the group, Orion has delivered \$136m in distributions to CCHL this year including \$80m via a share buy back and a special dividend of \$13m.

After reviewing its capital structure last year, Orion increased its debt by \$90m, and reduced its equity by returning \$90m to its shareholders. Not only did this help with the capital release programme for the city, this moved the company towards a more efficient capital structure, well within prudent levels.

In addition, Orion continues to build capacity and resilience into its network with the completion of its \$60m sub-transmission 'northern loop' project, which means the city's 66kV network is now more interconnected, robust and ready for future customer growth.

Orion is continually looking for ways to meet customers changing needs. Electric vehicles are one of those so Orion has not only increased the number of hybrids in its own fleet, they have installed 12 EV charging stations at its head office – which are available for the public to use during the day. It is anticipated that further

public EV charging stations will be rolled out across the region this year.

## **Airport**

Christchurch International Airport Ltd is back on its growth plan with 2016 seeing an all-time record 6.3 million passengers. That is an average of 17,000 passengers a day passing through the airport.

CIAL's Net Profit before Tax of \$57.5 million is up 14.6% on previous years. In addition the CIAL Board has lifted its dividend payout policy to 90% of NPAT which means this year the airport delivered \$29m of dividends to CCHL – this was \$11m more than forecast. Results also included net investment property revaluation gains of \$9.2 million reflecting the significant investment in property development over the last few years.

Other key achievements this year by the airport included the arrival of China Southern Airlines, a direct long haul service to China. As well there were increased trans Tasman flights, all reflecting strong tourism growth in the region.

The airport continues its strong property development phase with the announcement of a new 200 room hotel being built in 2016. This is in response to demand from the airlines' partners, and supports the tourism growth the region is experiencing.

In addition, the successful opening of Spitfire Square, the new retail precinct and the expansion of the other precincts has moved the airport to being one of the largest single centre's of employment in the South Island with over 6000 people on campus.

## **Port**

Lyttelton Port Company Ltd (LPC) has had a significant year. Whilst the decrease in dairy prices and exports has impacted the container volumes, there were a number of key milestones achieved including:

- Approval of the Lyttelton Port Recovery Plan (LPRP), providing a framework for developing the Port as the South Island's major international trade gateway
- Opening of MidlandPort, the

company's new Inland Port at Rolleston, providing a rail connection for container freight with Lyttelton Port.

- Opening of the new Cashin Quay 2 wharf which doubles the container berth capability of the port.

An increased focus on health and safety this year has seen the Total Recordable Injury Frequency Rate (TRIFR) reduce by 45%, a reflection on the importance that LPC place on safety.

Land reclamation in Te Awaparahi Bay has increased to 9.85 hectares allowing for extra container storage.

A specific concentration on efficiencies has seen a significant improvement in the crane rate by 16%.

Community engagement has been high on the agenda this year for LPC. Two significant initiatives this year were the LPRP, which received overwhelmingly positive public feedback and the introduction of the free monthly port tours which have been consistently booked out and highly regarded by all who attend. LPC recognise and appreciate the importance of the ongoing relationship it has with the local Lyttelton community.

### **Broadband**

Enable Services Ltd had another successful year, with fibre broadband network deployment completed to over 31,000 homes and business premises, bringing the total to 117,988. In addition the key milestones of ensuring services were available to 100% of schools and 90% of businesses were achieved in December 2015.

Group income after the reorganisation exceeded expectations, and the net loss decreased against budget. These positive indicators have the company on track to be NPAT positive within the next four years.

Rates of fibre uptake continue to be very strong, which has had its challenges as Enable translates this higher than expected uptake into connections. Investment in resources and systems has gone some way to helping with this, but it remains a key focus of Enable to improve the customer experience.

2017 will be another significant year for Enable in terms of growth, completing its second to last deployment programme. Enable is targeting around 50,000 connections in the 2017 financial year.

### **Contracting**

City Care has had a tough year and the company has continued to perform well whilst being involved in a very demanding sales process. The company has had strong cashflows which have allowed it to purchase Apex Environmental Services, adding to its expertise in design and build wastewater treatment capability as well as paying dividends of \$4.1m and reducing debt.

A key highlight for the year was the opening of the Margaret Mahy Family Playground undertaken as a joint venture with John Filmore Contracting Ltd.

City Care Ltd's involvement in Stronger Christchurch Infrastructure Rebuild Team (SCIRT) is winding down this year, and the company is focused on replacing this work with new contracts. Key contracts won this year include the Dunedin City Council's parks maintenance south, the open spaces maintenance contract with Waikato District Council and an extension to its facilities management contract with Wellington City Council.

City Care also continues its significant involvement in emergency response operations – in particular some major flooding events in Timaru and various locations in the lower and central North Island.

### **Public transport**

Red Bus Ltd continues its improvement in its financial performance, returning another profit for the year. Patronage levels on Red Bus's urban passenger services have reduced slightly over the previous year as the company continues to explore new ways of growing the business. Red Travel which was introduced in 2015 has shown strong growth this year, with additional coaches being added to the fleet in the coming year.

Another success this year is the purchase of eight mid-sized urban

buses to replace some of the large urban buses on some of the existing routes, matching customer demand and reducing operating costs.

Red Bus continues to look for ways to improve its customer experience reflective in the introduction of telematics in 2015 being extended throughout the fleet, leading to a noticeable improvement in the smoothness of ride, as well as significant fuel savings.

### **Recycling**

EcoCentral Ltd recorded another good result for the year, and has continued to repay debt.

Trading through the EcoDrop transfer stations has reduced as expected as the demolition activity in the city diminishes. A strong ongoing focus on health and safety has seen the addition of pit face fall restraints added to all the EcoDrop sites as a means to continue to protect our customers.

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

A partnership with Nurse Maude is helping to increase support through the EcoShop.

### **Urban development**

In 2016 the Council approached CCHL and asked it to invest in a company that could work with the Council to help progress and contribute to the region through development, investment and regeneration activities. Development Christchurch was established to achieve this, working closely with Regenerate Christchurch, Otakaro Limited, other public sector agencies, community groups and the private sector. It will contribute to Christchurch by providing strong commercial focus and commitment to engage proactively in a variety of regeneration projects.

Whilst still in the early stages DCL has already achieved a significant milestone by providing the commercial advice and engagement into the region's investment into the Christchurch Adventure Park. Without this dedicated focus it is unlikely this



# Chairman's **REPORT** CONTD.

facility would have started this year, let alone be on target to opening in December.

Other priority projects that DCL have been committed to are the leadership and implementation of the New Brighton Master Plan and the redevelopment of the Peterborough Quarter. It is the intention that DCL will need to remain 'nimble' to be capable of responding to priority requests from CCC and the ever-changing development environment in Christchurch.

## Economic development

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

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

This year CDC has been reviewing the Canterbury Economic Development Strategy (CEDS) which was launched in 2013. The refreshed strategy based on stakeholder engagement will be presented to Council in October.

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

## Governance

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

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

This year CCHL initiated its second intern director programme. The feedback from the first intake of interns and the subsidiary boards was overwhelmingly positive, which allowed us to extend the programme outside of the group, increasing our intern placements to 12. We would like to thank the boards of Christchurch Development Corporation, Regenerate Christchurch Ltd and the Arts Centre Trust Board for joining our programme.

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

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

the number and calibre of the experienced and talented people who continue to put their names forward for consideration as directors within the group.

## Acknowledgements

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

Long serving employees Bob Lineham (CEO) and Richard Simmonds (CFO) both finished with CCHL this year and the Board would like to acknowledge their significant contributions over the last 20 odd years and wish them well for their future endeavours.

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



**Bruce Irvine**  
Chairman



CCHL 2016 intern directors. (left to right).  
Laura Meriluoto (CDC);  
Sina Cotter-Tait (EcoCentral);  
Karen Cameron (Lyttelton Port Company);  
Analisa Elstob (Enable Services);  
Matt Russell (Development Christchurch);  
Melanie Lynn (Red Bus);  
Hilary Walton (Regenerate Christchurch);  
Bill Dwyer (CCHL Director);  
Bruce Irvine (CCHL Chairman);  
Kate Morrison (Christchurch Airport);  
Bob Lineham (CCHL CEO);  
Andrew Nichol (Arts Centre Trust Board);  
Matt Cameron (Orion);  
Rebecca Hopkins (CCHL);  
Ben Hayward (CCHL).



## CCHL FAREWELLS

# Bob Lineham

Having held the reins as CEO since inception in 1993, Bob Lineham's name and imprint are synonymous with CCHL. He retired in June after a long career in local government.

Bob's influence on the city goes back even further. A Bachelor of Commerce graduate from Canterbury University, he started working life in 1971 as an Assistant Auditor in the Audit Office in Christchurch and progressed to the role of a senior Auditor in the Wellington Audit office.

He later moved to Timaru City Council as Assistant Town Clerk from 1974 to 1985 before joining the Christchurch City Council as City Treasurer and Deputy General Manager.

This was the start of a 31-year career in some form or other with Christchurch City Council with titles such as Group Manager Finance, Director of Finance and Director Strategic Investments and finally CEO of Christchurch City Holdings Ltd. During this time Bob worked with five Mayors – Sir Hamish Hay; Vicki Buck; Garry Moore; Sir Bob Parker and now Lianne Dalziel.

Through most of his Council years Bob has been Principal Advisor to the Council's Strategy & Finance Committee. He worked closely with Councillors Derek Anderson, David Close and Mayor Vicki Buck on the so called "Enhancement Projects" – a large list of projects the Council undertook in the 1990s. These included:

- Building of the tram line
- New Art Gallery
- Convention Centre
- Jade Stadium (to become AMI Stadium)
- Westpac Stadium
- Swimming pools, libraries and many more.

He provided strong leadership to Council which enabled it to develop prudent financial management policies which have contributed to the Council's development and financial strength.

### Christchurch City Holdings Limited

CCHL was started with Bob at the helm in 1993. It grew out of the Trading Activities Working Party, a committee of Council known as TAWP! CCHL began with the Council's shares in Southpower, now known as Orion, and the company soon acquired the shares in Christchurch International Airport Ltd, Lyttelton Port Company and Red Bus. In 2002 CCHL established City

Care (from a Council Works Department) and acquired Selwyn Plantation Board Ltd from Council.

In 2007 CCHL established Christchurch City Networks Ltd, which became Enable and soon after that Eco Central joined the list. In 2015 CCHL established Development Christchurch Ltd (DCL).

This portfolio is now worth over \$3.3bn and has provided capital and dividend payments of \$1.1bn to Council since 1995.

As well as the above acquisitions, Bob was at the helm for the sale of companies such as Selwyn Plantation Board and was involved in several establishment boards (City Care and Enable and now DCL) as well as being involved in the monitoring arrangements for Vbase and CDC.

The earthquakes presented Bob and his team with some of their most challenging times including discussions on where CCHL could help with what was obviously going to be a shortfall in funds for the Council.

The CCHL board strategised and discussed and reviewed many projects and options and suggestions during these tough times, including such as delisting Lyttelton Port Company, the new terminal at the airport, investment in broadband, overseeing a District Energy Scheme proposal, the Jet Engine Facility loan, Gap Analysis Projects, the possible sale of City Care (which did not eventuate) and many others.

Through Bob's stewardship, CCHL's commercial assets have helped underpin the city post earthquakes, through making significant and on-going major contributions towards the city's financial health.

Producing these dividends, while still retaining these assets, show that it was a good strategy, and has served the people of Christchurch well.

The benefit of having CCHL in the middle, supported by a good number of commercial directors, means the city has sensible commercial options and parameters to assist in future financing as it recovers and rebuilds following the devastation of 2011.

As he leaves, the company continues to deliver on the promise entrenched during Bob's time of "investing in and promoting key infrastructure assets" on behalf of the city. Bob leaves CCHL in good heart and should be proud of his contribution to the city. CCHL wish him a long and happy retirement.

**Bruce Irvine** *Chairman CCHL*

# 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 2015 and 2016.

## Overview

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

### Investment overview

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

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

The total carrying value of CCHL's main investments as at balance date is \$2.403m compared to \$2.098m in 2015. Our strategic assets reflected in this total are Orion at \$673m down from \$753m after the share buy-back this year, Christchurch International Airport increased to \$862m from \$635m after a revaluation reflected a higher level of earnings across the business and increase to the value of property portfolio, and Lyttelton Port remaining at 2015 valuation level of \$459m.

### Return on investment

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

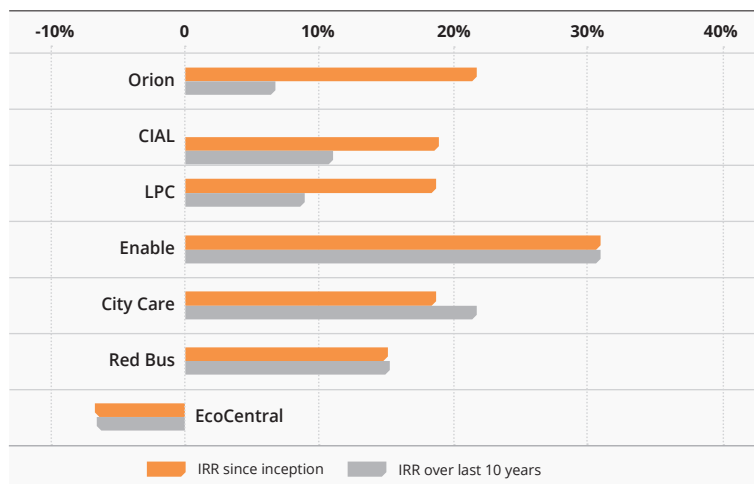
The chart on the right uses an annualised internal rate of return (IRR) methodology. This includes dividend received and changes in the value of each investment. The valuation of each investment is an important, but necessarily subjective, input in the IRR calculations. Nevertheless, CCHL believes that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

CCHL acquired its shares in Orion from Christchurch City Council in 1993. CCHL has benefitted from impressive returns from Orion. Orion achieved significant one-off gains when it sold its electricity retail activities (Southpower) in 1999 and its North Island natural gas distribution operations (Enerco) in 2001. Since then, Orion's earnings have been relatively consistent with those of a regulated infrastructure company. In 2016 Orion distributed \$90m to its shareholders in the form of a share buy-back reducing the level of investment in Orion by CCHL of \$80.3m.

CCHL acquired its shares in the airport from Christchurch City Council in 1995. CCHL has benefitted from good returns from this investment. After relatively high earnings early on in relation to the original cost of investment, earnings have since stabilised, partly due to quake impacts and partly due to increased competition and regulation. In 2016 the airport has continued its good growth story, and an increase in value after a revaluation reflecting a higher level of earnings across the business and increase to the value of property portfolio. In addition the Board of CIAL increased the dividend payout policy to 90% of NPAT from the previous policy of 60%.

The overall return from the port, also acquired in 1995, in part reflects the impact of an improved 2015 revaluation following its delisting during that year. While the port's physical assets suffered extensive damage from the earthquakes, trading volumes have held up well, with the growth in container trade continuing.

CCHL investment returns





Enable Services, which won the Crown's ultra-fast broadband fibre roll-out contract for Christchurch in 2011, has made and will continue to make losses during the fibre network build period. However, CCHL forecasts that Enable's earnings and IRR will be in line with expected returns from an infrastructure company over a 30 year period. In 2016 Enable Services acquired the Crown Fibre Holdings shares held in Enable Networks Ltd. The 2016 valuation reflects this new holdings and the earnings expectation of the group.

CCHL acquired City Care from Christchurch City Council in 2002. City Care has been a strong performer, especially due to sharply increased workloads post-quakes. In 2015 the Council requested CCHL to initiate a sales process of City Care, to help towards its capital release programme. After a full robust process, the decision to not sell City care was made on the 28 July 2016, consequently City Care remains included in the CCHL group this year.

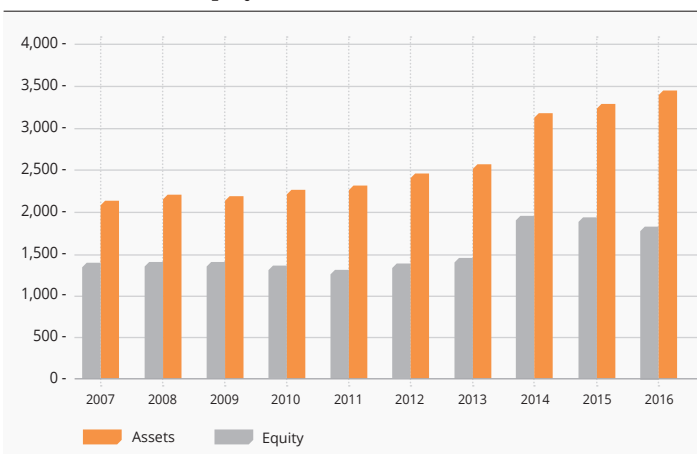
CCHL acquired Red Bus from the Council in 1995. Red Bus has performed steadily, but its recent earnings have reduced due to increased competition, post-quakes disruptions and reduced demand. In 2015/16 with the introduction of the Red Travel brand, the company has moved back to profit and dividend payments have recommenced.

EcoCentral has only been in the CCHL group since 2011, and was recapitalised in 2012. Whilst the company has shown steady growth over the last five years due to the increase at the Ecodrop due to the earthquakes, the peak of activity post-earthquake has now been reached.

The chart on the right shows the growth in group assets and equity over the last 10 years. This growth has been achieved in addition to the payment of \$558m of dividends to the Council over the same period.

The reduction in Equity in 2016 is reflective of the share buy back that Orion undertook this year, resulting in \$90m being returned to shareholders.

CCHL assets and equity \$m

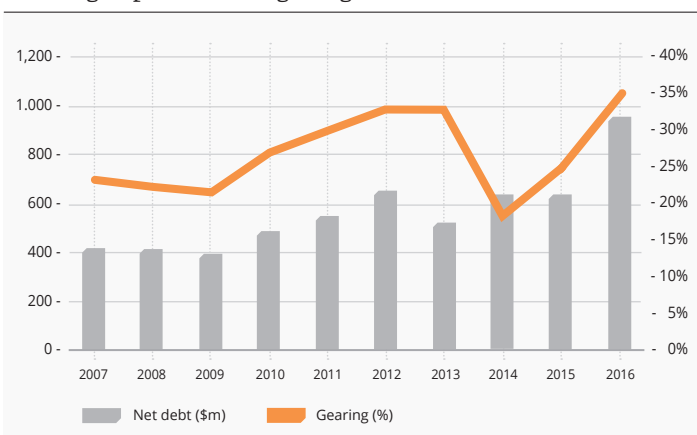


#### Group debt and gearing

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

Group debt levels remain relatively low for a group that predominantly comprises stable infrastructure businesses, and interest cover ratios are correspondingly conservative. The increase in debt from 2014 to 2016 is largely the result of Christchurch International Airport Ltd's terminal redevelopment programme, the continued expansion of Enable Services Ltd's broadband construction programme, including the purchase of the Crown Fibre Holdings shareholding in Enable networks Ltd and the increase in debt by Orion to fund the share buy back.

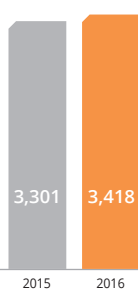
CCHL group net debt and gearing \$m



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

# Group position and results FINANCIAL OVERVIEW CONTD.

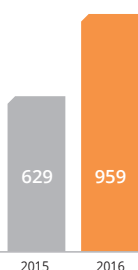
## GROUP TOTAL ASSETS (\$'000)



Total assets have increased by \$117m.

This reflects the continued capital expenditure programmes of Orion New Zealand Ltd and Lyttelton Port Company Ltd (LPC) as they reconstruct and enhance their earthquake-damaged assets. However, this has been offset with the impairment taken by LPC against some of its assets. In addition, Enable Services Ltd acquired the assets of Enable Networks Ltd as part of the reorganisation with Crown Fibre Holdings Ltd and Christchurch International Airport Ltd recognised some revaluation gains on its investment property portfolio.

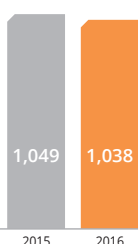
## GROUP NET DEBT (\$'000)



Net debt has increased by 52% to \$959m.

This primarily reflects additional borrowing by CCHL to fund Enable's ongoing build programme for the UltraFast broadband network, as well as ongoing capital programmes of Orion, the airport and the port company, in addition to the share buy back by Orion.

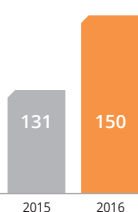
## GROUP OPERATING REVENUE excluding insurance (\$'000)



2015 revenue included a \$29m insurance recovery by Orion.

Excluding this, 2016 revenue was down slightly on the previous year. This is influenced by Orion changing their accounting treatment of capital contributions during the year, previously receipted as revenue these are now offset against capex. The airport continue to show good growth in aeronautical revenues and gains on revaluation of its investment properties.

## GROUP UNDERLYING NET PROFIT BEFORE TAX (\$'000) (normalised)



The underlying group trading profitability - excluding insurance revenues and unrealised valuation gains and impairment - has improved.

This mainly reflects improvements in the trading performance of the airport, and Enable, and is discussed further in the Chairman's/CEO's review.

# 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.



# Corporate Governance Statement CONTD.

## Board committees

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

The purposes of the standing committees are as follows:

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

## Board composition and mix

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

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

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

## Directors' remuneration

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

## Protocol on conflicts of interest

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

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

## Board and director evaluations

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

## Indemnities and insurance

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

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

## The Chief Executive

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

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

## Board – management relationship

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

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

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

## The CEO:

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

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

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

# Board of Directors



**Bruce Irvine**

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

Bruce Irvine was first appointed to the CCHL Board in November 2003, and became Chairman in November 2007. Bruce is Chairman of Heartland Bank Ltd and is a director of a number of other public and private companies. He is also a trustee of the Christchurch Symphony Trust.



**Vicki Buck**

MA (Hons) PolSci.

Vicki Buck is the Deputy Mayor of Christchurch, and was appointed to the CCHL Board in December 2013. Vicki is also a director of Think Inc Ltd and Trustee for Otautahi Community Housing Trust.



**Bill Dwyer**

LL.B (Hons), B.Ed

Bill Dwyer joined the CCHL Board in 2005. Bill is Chairman of Development Christchurch Ltd, a director of Coconut Culture and Ten Star Homes Ltd and a trustee of the Wavertree Trust.



**Jamie Gough**

CM.Inst.D

Jamie Gough is a City Councillor. He was appointed to the CCHL Board in December 2013. He is Chairman of Civic Building Ltd, a director of Gough Corporation Holdings Ltd, Gough Property Corporation Ltd and various other companies, and a trustee of the Antony Gough Trust.



**Yani Johanson**

Yani Johanson is a City Councillor. He was appointed to the CCHL Board in December 2013.



**Andy Pearce**

BSc (Hons), MSc, PhD,  
CMInstD, FNZIM

Andy Pearce was appointed to the CCHL Board in 2006. He is Chairman of Focus Genetics Management Ltd, Hawke's Bay Regional Investment Company Ltd and Regional Committee, Canterbury Water Strategy, and a director of Bank of New Zealand and a number of other companies.



**Sarah Smith**

BCom, CF.Inst.D

Sarah Smith was appointed to the CCHL Board in November 2007. She is Chair of Ngai Tahu Tourism Ltd and a director of SLI Systems Ltd and a number of other companies. Sarah is also a trustee of Ohinetahi Charitable Trust and Warren Architects Education Charitable Trust.



**Raf Manji**

(resigned 11/1/2016)

Raf Manji is a City Councillor. He was appointed to the CCHL Board in December 2013 and resigned 11 January 2016.



**Bob Lineham**

BCom, FCA, FNZIM, CF.InstD  
*Chief Executive*

Bob Lineham has been the Chief Executive of CCHL since it was established in 1993. Bob retired from his role as CEO on 30 June 2016. Bob is also a director of Red Bus Ltd and a member of the Canterbury District Health Board Quality, Finance, Audit and Risk Committee. Bob is also a Trustee on Riccarton Bush Trust.



89.3%

Owned by Christchurch City Holdings Ltd



One of Orion's electric vehicles,  
part of its hybrid fleet.

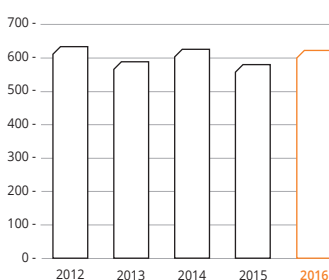
8,000  
sq. kilometres  
– the network traverses

\$1.1  
billion  
the value of  
company assets

### 5 year summary

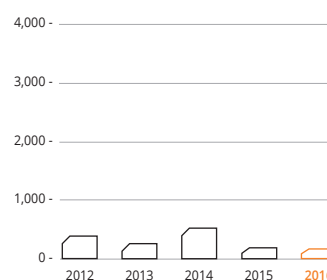
	2012 \$m	2013 \$m	2014 \$m	2015 \$m	2016 \$m
Operating revenue	245.3	260.9	269.5	334.1	307.3
Profit	54.2	49.0	50.5	82.6	53.4
Dividends	34.0	32.0	34.0	56.0	153.0
Total assets	861.2	888.8	1,039.7	1,083.9	1,122.0
Shareholders' equity	619.6	636.9	733.00	759.7	660.1

### Electricity maximum demand (MW)



### SAIDI

(Average customer minutes of interruption)\*



\*Includes the impact of earthquakes & storm events.



# Orion New Zealand LTD

Orion's vision is to connect communities and ignite innovation.

Orion's top priority is to operate its vital electricity distribution network safely and sustainably. Orion serves 195,000 customer connections in Christchurch and central Canterbury.

Orion's controlroom monitors the electricity network.

## Financial performance

Orion has delivered another year of strong results – with a post-tax profit of \$53m, \$4.6m above its statement of intent target. This year's profit isn't directly comparable with last year's because:

- Last year's included \$24m of revenue (post-tax) for a final quake insurance settlement.
- This year's includes a new \$5m impairment expense (post-tax) to recognise that capital contribution revenues reduce Orion's regulatory asset base, which in turn reduces Orion's future regulatory price resets.

Adjusting for these differences, this year's profit is very close to last year's.

Orion distributed \$153m to shareholders during the year:

- \$90m via a one-off share buy-back – in line with its statement of intent target.
- \$63m via imputed dividends – \$15m ahead of target and \$7m ahead of last year.

Orion has kept its operating costs under control and continued to invest in its electricity distribution network.

Its capital expenditure was \$92m, up \$5m on last year, as it continues to build capacity and resilience into its network post quakes with the completion of some major projects. Late in the year, the company achieved a major recovery milestone when it completed its \$60m sub-transmission 'northern loop' project, which means the city's 66kV network is now more interconnected, robust and ready for future customer growth.

Orion increased its network maintenance spend by \$1m to \$26m as a result of severe wind and snow storms and because of planned maintenance previously deferred while Orion focussed on quake recovery work.



Orion's borrowings have increased by \$143m to around \$230m, but its debt remains at prudent levels, with assets now valued at over \$1.1 billion.

Orion's subsidiary Connetics continues to contribute strongly to the group. Its profit was close to last year's and workloads remain strong.

## Customers

Orion strives to deliver a safe, reliable and cost effective network service to its 195,000 customers. Orion met its Commerce Commission targets for network reliability again this year, and it remains on track to restore the network's resilience and reliability by 2019.

Orion continues to work hard to meet changing customer needs – this includes exciting new technologies such as electric vehicles, new-generation battery technologies and solar PV generation.

Orion already has nine hybrid EVs and one fully electrical vehicle in its fleet, and it has installed 12 EV charging stations at its head office – which are available for the public to use during office hours. In conjunction with partners, the company will roll out further public charging stations throughout the region this year.

## Safety

The safety of contractors, employees and the public is a top priority at Orion. Orion's employees had no notifiable injuries during the year, but Orion's contractors had two. Orion aims to achieve fit-for-purpose safety management systems and safe outcomes and is investing accordingly to achieve those goals.

## Network investment

Orion completed a number of network projects last year, the most significant of which was the \$60m Northern Loop Cable project. This project is a key part of Orion's post-quake repair and resilience programme. It provides Orion with the ability to restore power more quickly in an emergency while also supporting the growth in the northern part of the city.

It is not just the big projects that make a difference for customers, however. Orion is constantly seeking incremental improvements in its service and operations. It is investing in new technology to more quickly identify and isolate faults in rural areas. For example, it is accelerating the installation of a number of smart switches in the Banks Peninsula area that will allow it to respond to outages more quickly.

75%

Owned by Christchurch City Holdings Ltd



Christchurch Airport offers long-haul international connectivity.

6.3 million

passengers welcomed

through Christchurch Airport in the past year.



28,000

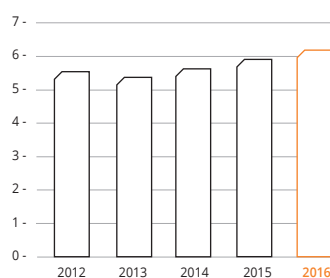
tonnes

of high value freight handled

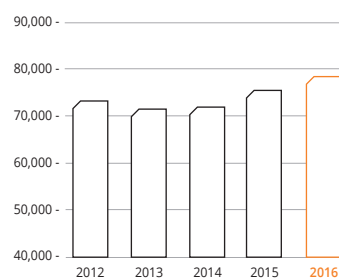
### 5 year summary

	2012 \$m	2013 \$m	2014 \$m	2015 \$m	2016 \$m
Total revenue	119.8	125.2	139.9	177.4	182.7
Profit after tax	19.6	18.4	15.7	39.3	43.1
Dividends	17.2	8.8	6.6	9.9	29.3
Total assets	1,036.1	1,086.0	1,176.7	1,212.8	1,260.6
Shareholders' equity	618.0	668.4	745.2	766.8	791.2

### Total passengers (millions)



### Total aircraft movements (thousands)



# Christchurch International Airport LTD

After much effort nationally and internationally, Christchurch Airport has moved from recovery to accelerated growth, with an all-time record 6.3m passengers. This has driven around \$180m of new GDP into the regions of the South Island.

The airport's 6.3m passengers was up from 5.9m the previous year, 800,000 more than the post-quake low, and the most passengers the airport has ever handled in a year.

## Financial Performance

Financial Year 2016 saw Christchurch International Airport Ltd (CIAL) continue to improve its commercial performance following its step change uplift in 2015.

CIAL recorded a Net Profit after Tax of \$43.1m, up 9.6% on last year. Operating Revenue grew 5.4% to \$169.9m and EBITDAF 10.6% to \$103.1m. This reflects a continued growth in passenger numbers (international up 7.1% and domestic up 6.1%), the growth in CIAL's investment property portfolio and a continued focus on productivity and cost control.

The Board has lifted its dividend payout ratio to 90% of NPAT with total declared dividends for 2016 of \$31m, up 50%. Return on Equity has lifted from 2.4% in 2014 to 5.4% in 2016 with a growth outlook.

CIAL's Net Profit before Tax of \$57.5m (up 14.6%), includes underlying operating profit of \$46.5m, one-off gains on the sale of assets of \$1.8m and net investment property revaluation gains of \$9.2m.

The move into an accelerated growth phase saw the airport team focus on building a stronger business, investing in enhancing customer journeys, being great kaitiaki (safety, security and sustainability) and lifting shareholder returns.

## Strong growth

Christchurch is the only city in Australia and New Zealand with a population of less than a million, that enjoys long haul international air connectivity. It is also seeing strong growth and expanding international connections

Record numbers of passengers used Christchurch Airport.



- driven solely by the South Island tourism industry. These included:

- China Southern Airlines commenced direct long haul services with China
- There were double-daily 777 services by long-standing airline partner Singapore Airlines. A 400% increase in A330 services from Taiwan by China Airlines
- Qantas adding a new 737 summer service between Christchurch and Brisbane (and since added Melbourne and Sydney services).
- Significantly increased trans-Tasman services from several airlines including Virgin Australia/Air New Zealand and increased domestic services from Air New Zealand.

## Property development

The airport company is currently in a phase of strong property development focused on growing value and lifting shareholder returns. The development continues through a precinct-based approach, with contracted anchor tenants.

Dakota Park is expanding with the South Island Logistics Centre development, where aircraft will have direct access to Freightways and NZ Post distribution centres.

Spitfire Square, the convenience retail precinct, has 13 of the 17 retail stores leased, including anchor tenant Countdown.

Tourism transport hub Mustang Park, with anchor tenant Tourism Holdings (THL), is now the home of rental vehicle operations, vehicle storage and vehicle servicing.

## New accommodation

The airport's accommodation offering will be boosted by the opening in October 2016 of JUCY Snooze, a 280-bed backpacker hostel.

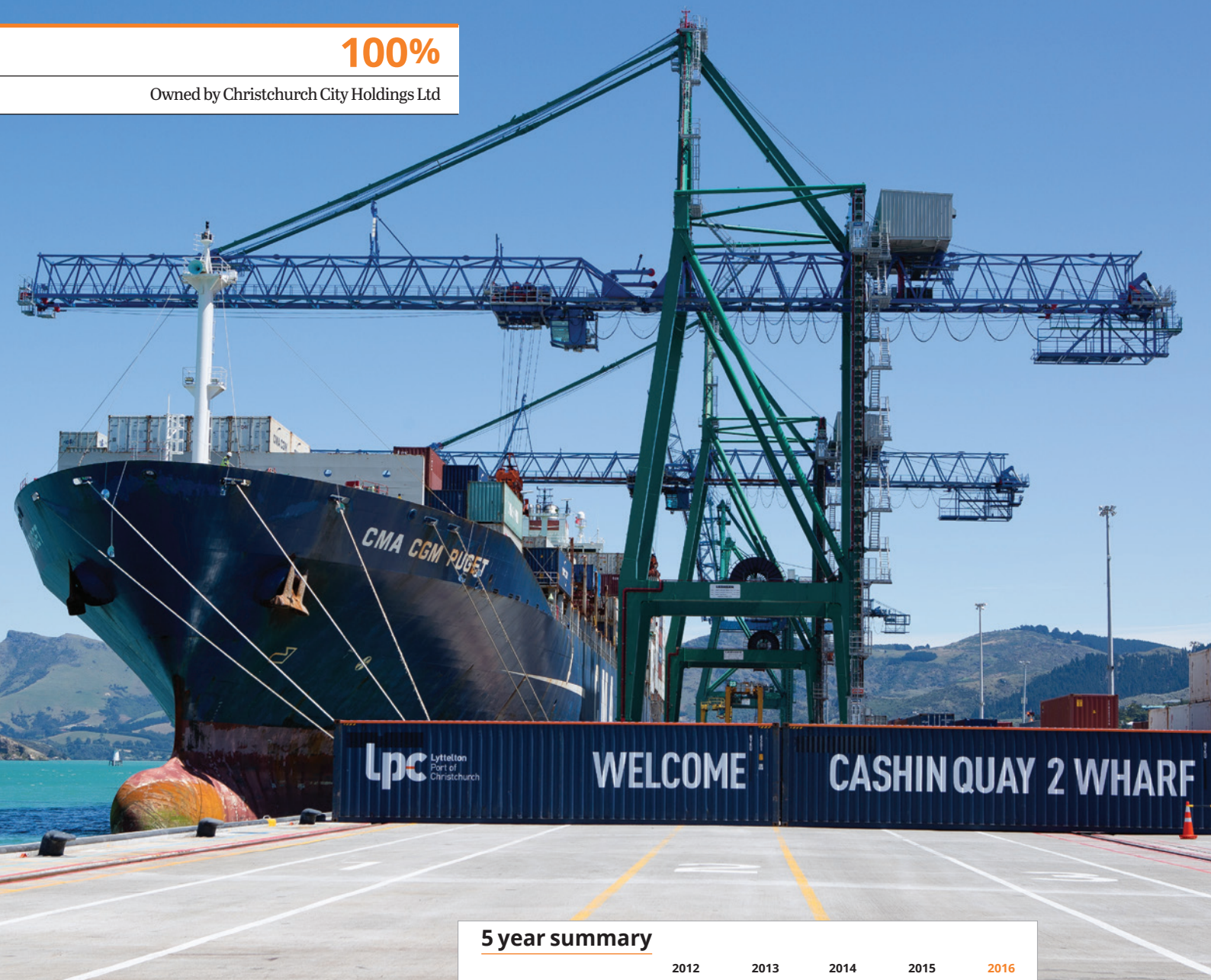
To support the strong tourism growth, and in response to demand from airline partners, we are building Novotel Christchurch Airport. Due for completion late 2017, the 4.5 star hotel will offer 200 rooms over eight levels, with function and event spaces, for short-stay airport customers.

Independent international research continued to place Christchurch Airport as the top performer for customer service across Australasia in all four quarters of 2016.



100%

Owned by Christchurch City Holdings Ltd



LPC's new Cashin Quay 2 wharf.

361,000

TEU's

(20-foot  
equivalent containers)



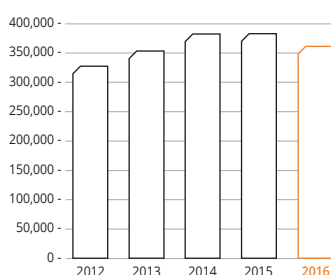
16%

improvement  
in crane rates

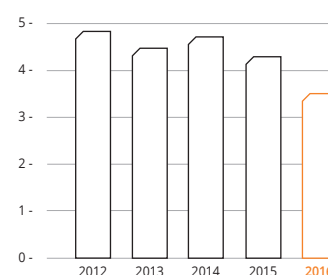
### 5 year summary

	2012 \$m	2013 \$m	2014 \$m	2015 \$m	2016 \$m
Revenue	104.5	110.7	115.8	109.1*	105.7
Profit	17.2	16.9	343.2	20.6	(59.8)
Dividends	-	-	2.0	22.2	2.6
Total assets	273.5	270.7	597.5	589.5	498.6
Shareholder's equity	172.0	190.1	533.1	531.7	469.1

### Total container volume (TEUs)



### Total other trades (million tonnes - excluding containers)



\*Excluding insurance payout.

# Lyttelton Port Company LTD

Lyttelton Port of Christchurch (LPC) has had another successful year, achieving record operational efficiency and the completion of some of the most important developments in the Port's history.

A milestone was reached with Ministerial approval of the Lyttelton Port Recovery Plan (LPRP) which provides the framework for developing the Port as the South Island's major international trade gateway. Many of the developments in the LPRP are now under way, or in planning, to ensure LPC supports Canterbury and the South Island's long term trade growth and meets customer needs for the future.

The decrease in dairy prices and exports impacted container volumes but in the second half of the year volumes increased 2% over the same period last year. The improvement is likely to continue with the lift in milk prices. Long term, the forecast is for container numbers to double over the next decade and double again by 2041.

## Financial Performance

Whilst our volumes in 2016 were impacted by a downturn in dairy prices, our operating result was in line with budget. A number of one off costs impacted the Company's net profit after tax, the most significant of which was the impairment of \$99.5m.

At 30 June 2016, the Directors assessed that the value of the Company was lower than its equity value for accounting. The accounting value of the Company increased significantly when insurance proceeds relating to Earthquake damage were received. At 30 June 2013 the value of the Company's equity was \$190m. At the end of June 2014 this increased to \$533m, primarily as a result of booking insurance income of \$358m.

Throughout the Earthquake period the Company maintained strong earnings. Therefore, incremental returns from replacing and repairing earthquake damaged assets are not as strong as had those revenue streams ceased post-earthquake. This has resulted in a mis-match between Company earnings and its accounting value, creating the need for an impairment.

Future cash flow predictions underpin the position taken by the Directors, who now consider the Company's accounting value to be more closely aligned to its actual value.

LPC engaging with the community about its plans and developments outside its 'Port Talk' information centre in Lyttelton.



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

## Health and Safety

The Total Recordable Injury Frequency Rate (TRIFR) reduced by 45% in the last year. This is a significant achievement and reflects the Port's commitment to Health and Safety. Software has been introduced which allows better tracking, management and resolution of incidents and hazards. An improved induction process is in place and risk assessments have been completed for all sections of the Port.

## Customer Service

The last year has seen a step change in LPC's customer services. There has been a record level of performance in the Container Terminal with a 16% improvement in crane rates for loading and unloading container vessels.

MidlandPort, the Company's new Inland Port at Rolleston, opened providing a rail connection for container freight with Lyttelton Port. This is a turning point for container freight efficiency and supports the increased production from the Canterbury plains. Already LPC has major customers using MidlandPort – The Warehouse and Westland Milk Products.

LPC has gained a number of important new customers, including Washdyke-based McCain Foods, which now exports all its products through

Lyttelton. All Golden Bay Cement's Canterbury and South Island tanks are being distributed through LPC's CityDepot.

Another major service improvement was the opening of the new \$85 million Cashin Quay 2 wharf, the largest development at the Port since the 1970s. It doubles container berth capability, boosts container trade capacity and helps future proof for predicted freight growth.

Container Terminal capacity has also increased with the nearby reclamation in Te Awaparahi Bay expansion reaching 9.85 hectares, providing space for an extra 42,000 TEUs (20 foot containers) and one hectare for log storage. In January, LPC's new state of the art Pilot Launch Awaroa arrived.

## Looking ahead

LPC is preparing for a significant forecast increase in freight and the arrival of bigger vessels carrying more containers. This requires an enlarged harbour navigation channel, deeper berths and more space to accommodate the larger vessels. LPC has proposed a shipping channel deepening project and is engaging with the public and other key stakeholders to seek feedback prior to submitting a resource consent application.

Planning for redevelopment of the Dampier Bay marina and creating a vibrant waterfront for the community to enjoy is also underway while LPC continues its focus on providing a Port fit to support the future needs of customers, Canterbury and New Zealand's economic prosperity.



100%

Owned by Christchurch City Holdings Ltd



A fibre technician preparing ducting for installation in a Christchurch street.

25,000<sup>+</sup>



customers connected

100% of schools  
90% of businesses

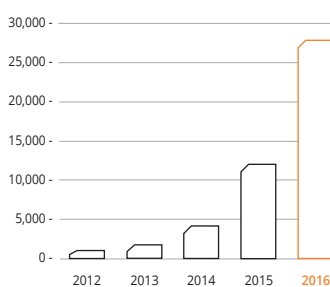
within the coverage area.

### 5 year summary

	2012 \$m	2013 \$m	2014 \$m	2015 \$m	2016 \$m
Revenue	11.9	46.4	63.8	74.4	75.2
Profit/(loss)	(0.9)	(3.7)	(7.5)	(10.0)	3.3
Dividends	-	-	-	-	-
Total assets	47.6	83.4	128.8	191.5	343.3
Shareholder's equity	22.3	21.6	20.6	13.6	100.8

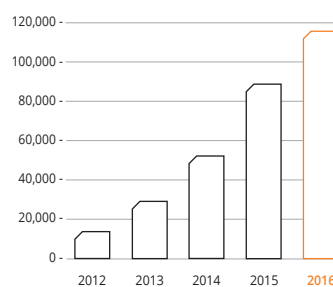
### Connections

(Total customers - cumulative)



### Customers able to access fibre

(Total Homes and Businesses)



# Enable Services LTD

Enable Services Limited, taking full ownership of Enable Networks Limited (collectively Enable Group), was a major milestone for the business in 2016. This was made possible by the success of the business and support for fibre broadband from the community.

## Enable becoming fully locally owned

Full ownership presents a number of benefits for the business, CCHL and the community. Enable remains a commercially funded company with some of its debt funding from Central Government. Yet, the Christchurch community owns 100 percent of an asset that will grow to generate significant returns.

Enable and CCHL now have the autonomy to determine capital structures and shareholder returns and fully drive key operational decisions. The business is able to operate a less complex model and ensure that its strategic direction maximises the benefits for the greater Christchurch community.

## Financial performance

The financial results reflect the initial benefits of the business taking full ownership of Enable.

Total Group revenue of \$75.2m includes a gain of \$11.8m from the increased value of Enable Services Limited's historical investment in Enable Networks Limited, recognised as a result of the reorganisation. Importantly, UFB income exceeded expectations and increased by 71% to \$14.3m – which demonstrates the long-term earning potential of the business.

The Group recorded a profit after tax of \$3.3m. This profit is largely a result of the effects of the reorganisation. The business expects to sustain small operating losses over the next three years, before an NPAT positive position becomes the norm.

## Health and Safety

Health, Safety and Wellness continues to underpin all aspects of the business – focussing on looking after Enable's people, partners and their people, customers, and the community.

At year end, Enable's Loss of Time Injury Frequency Rate (LTIFR) was 5.2 injuries per million hours worked with a Total Recordable Injury Frequency Rate (TRIFR) of 8.5. These results come

off the back of a considerable increase in operational activity. Both measures were below industry benchmarks.

## Connecting our community

At year end, 25,817 business, school and home broadband users were connected to Enable's fibre network. The business more than doubled the total connections on the network, with 13,522 net new connections, well above the stretch target of 12,000.

Managing the significant uplift in orders and translating these into connections, while continuing to improve customer experience, has been a key focus of Enable. The business has continued to invest in resources and systems to more effectively manage the fibre installation experience. Enable delivered service to 92 percent of new customers on time – ahead of last year's 87 percent.

## Extending the network

Enable also increased its network reach by more than 31,000 homes and businesses to 117,988. The deployment result was ahead of the plan agreed with the Government and also exceeded the commitment made to CCHL through the Statement of Intent.

As part of this network deployment, the business met the key objectives of ensuring services were available to all 154 schools and nine hospitals within the coverage area, and 90 percent of local businesses. At year end, 149 of the schools and all hospitals were connected.

## Looking ahead

The 2017 year will be another very significant one for Enable in terms of growth. It will include completing the second to last deployment programme, as the business shifts towards connecting more customers and managing a well-established infrastructure company.

Health, Safety and Wellness will continue to be the highest priority for Enable, as will developing the business

Celebrating 50% fibre uptake with the Rolleston community.



people and providing an environment where they are empowered to do their very best work.

Enable's already well established emphasis on delivering an outstanding customer experience will be an overarching strategic objective in the coming year, recognising that customers have choice in the Christchurch market. The business will continue to invest in systems and processes to manage more orders, provide a more consistent experience and provide better quality information to retail service providers.

Enable will grow connections to around 50,000 by the end of the 2017 financial year. This will be achieved by continuing to drive greater uptake in established fibre broadband areas and by significantly growing coverage, tapping in to the suppressed demand in areas yet to have access.

The business's sixth UFB deployment programme again targets reaching over 30,000 homes and businesses, with an emphasis on completing the build in western and northern parts of Christchurch, completing the vast majority of eastern Christchurch and extending coverage in Rangiora.

Enable's growth in the next year will be significant with greater coverage and presence, which will enable it to further enhance the economic and social growth and development of Christchurch.



100%

Owned by Christchurch City Holdings Ltd



Margaret Mahy Family Playground.  
Photo courtesy Playrope.

over 2 million

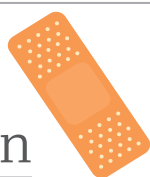
New Zealanders  
served by City Care

from 17 offices and  
depots nationwide.



50%  
reduction

in total recordable injury frequency rate.



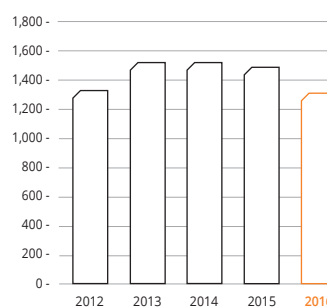
## 5 year summary

	2012 \$m	2013 \$m	2014 \$m	2015 \$m	2016 \$m
Revenue	354.0	351.1	350.8	333.5	306.8
Profit	16.5	2.8	12.9	10.2	6.8
Dividends	7.9	6.3	5.7	5.7	4.1
Total assets	96.3	118.3	110.4	108.5	105.1
Shareholder's equity	46.2	43.3	50.6	55.7	58.9



Work on the Avon River precinct  
included the refurbishment of  
Remembrance Park.

## Staff numbers





# City Care LTD

In a year in which CCHL announced the proposed sale of City Care, the company delivered a satisfactory financial result and continued to win strategically significant tenders, including two major greenspace maintenance contracts.

## Financial Performance

City Care performed satisfactorily in 2015/16, returning a net profit after tax of \$6.8m. There were a number of factors that impacted the result:

- The sale process took a significant amount of management time that inhibited the rollout of a number of initiatives.
- All acquisition activities were halted during the sale process.
- A very competitive marketplace in the construction sector.
- Command Building Services finished well below its planned financial performance.

Revenue for the year was \$306.8m and the after tax return on average equity was 12.0%. The equity ratio at 30 June 2016 was 56%.

City Care achieved strong operating cash flow of \$11.9m, which was invested in:

- The purchase of a majority-owned subsidiary, Apex Environmental Services.
- Dividends to the shareholder of \$4.1m.
- A reduction in interest-bearing debt to \$6.5m, from \$8.6m in the previous year.

## Health and Safety

City Care's industry-leading health and safety approach was further progressed during the year by the implementation of a three-year strategy focusing on the four pillars of Visible Leadership, Risk Management, Health and Wellness and Systems and Assurance. The success of this approach was demonstrated with a 50% reduction in serious harm injuries and a 50% decline in the total recordable injury frequency rate.

## Key Projects

In early 2016, City Care was awarded Dunedin City Council's Parks Maintenance South contract for an initial term of five years, commencing 1 July 2016.



Avon River Precinct – advanced works.

In May, the company gained a further greenspace maintenance contract win when Waikato District Council announced City Care as its new Open Spaces Maintenance contractor for a term of up to 10 years, commencing 1 August 2016.

A joint venture between City Care and John Fillmore Contracting Ltd was awarded a number of high-profile construction contracts within the Christchurch rebuild by CERA and the new crown company Ōtākaro Ltd. These projects included the construction of the Margaret Mahy Family Playground and the Avon River Precinct – Advanced Works.

Major building construction projects completed during the year for the Ministry of Education include works in Timaru and Auckland, as well as a new school in Marshland, Christchurch, which was officially opened by the Minister of Education Hon Hekia Parata in December.

The Cholmondeley Children's Centre project in Governors Bay, a combined rebuild of the earthquake-damaged sections and refurbishment of the surviving structures, was officially opened in October.

In September, Wellington Museum emerged from its shrink-wrapped shroud following an extensive maintenance project completed by City Care on behalf of its client Wellington City Council. The facility's refurbished exterior includes a new colour scheme which accentuates the building's architectural features and

allows it to 'pop' more conspicuously from its surroundings.

In April, City Care won a 12-month service trial to provide Ravensdown with reactive facilities maintenance across two North Island plants.

City Care successfully negotiated a three-year extension to its facilities management contract with Wellington City Council.

City Care's renowned emergency response capability was called upon several times during the year, including extreme rain events in Timaru and the central and lower North Island, and following the Valentine's Day 5.7 magnitude quake in Christchurch.

## People

City Care employs 1399 people to deliver its services throughout New Zealand. In order to deploy its work-force of highly competent, committed people, the company invests significantly in providing a comprehensive range of on-job and external training opportunities for employees to gain new skills and further develop their careers. A total of 762 City Care team members were actively engaged in training during the year.

The proposed sale process placed extraordinary stress on City Care staff over an extended period. Despite the uncertainty and increased pressure, City Care teams demonstrated exemplary professionalism in continuing to deliver the company's services on behalf of its clients and the communities within which it works.

# 100%

Owned by Christchurch City Holdings Ltd



Part of the new fleet of Mercedes  
mid-sized urban buses.

## 3.74 million



urban  
passengers  
carried

## 5.6 million

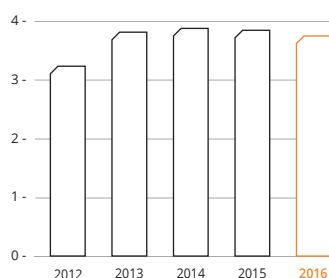


fleet kilometres  
travelled in 2016.

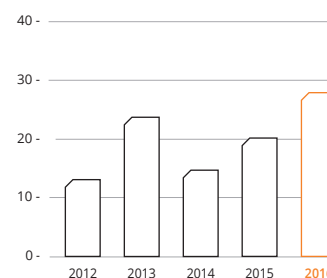
### 5 year summary

	2012 \$m	2013 \$m	2014 \$m	2015 \$m	2016 \$m
Revenue	19.0	17.2	17.4	18.3	19.1
Profit/(loss)	0.1	(0.6)	(0.6)	-	0.1
Dividends	-	-	-	1.8	1.3
Total assets	47.7	49.4	44.0	42.0	43.2
Shareholder's equity	37.7	39.2	38.6	36.7	37.8

### Passengers carried (millions)



### LTIFR (Lost Time Injury Accidents) (per million hours worked)



# Red Bus LTD

Red Bus' vision is to "lead the way in passenger transport" by operating a profitable and modern passenger service and maintaining a safe fleet and reputation as a good employer. Delivering on this vision contributes to quality passenger transport services supporting the Canterbury recovery.

It operates a large passenger transport business serving Canterbury and the South Island. Last year its Canterbury urban and school bus services carried 3.74m passengers and travelled 5.6m fleet kilometres.

## Financial Performance

The company made an operating after tax paid profit of \$93k and an overall profit of \$2.4m after incorporating the property revaluation gain.

Revenue increased from \$18.1m last year to \$19.1m this year as a result of strong growth from Red Travel, depot leasing and improved revenues on ECan school contracts from January forward. The company continued to maintain positive operating cash flows during the year.

Red Bus paid a dividend of \$1,350,000 during the financial year from operating cash surpluses.

## Ongoing investment

Core elements in this year's financial result were the retention of the majority of Environment Canterbury school contracts at improved profit margins from January 2016, the strong revenue growth and profitability of Red Travel coach services, fuel savings from Telematics and leasing of surplus property. Red Bus continues to invest in new equipment, technology and ongoing training to continue its leadership in service standards and growth capacity.

This year investments included:

- Commitment to purchase eight Mercedes mid-sized urban buses after agreement with ECan to reduce bus size to match customer demand and reduce costs.
- Commitment to purchase a fleet wide CCTV camera system replacement to improve reliability and on-bus security. Most of the replacement programme will occur during 2017.
- Commitment to purchase four coaches adding scale and capacity to Red Travel coach services.

- Continued investment in the Safe and Fuel Efficient Driver (SAFED) training programme to ensure drivers have the appropriate skills to deliver our customers safely and efficiently.
- An upgrade of all bus radio telephones onto a common digital platform.

## ECan Customer Service Rating

The company's successful delivery of professional services is reflected in the leading position on ECan's mystery shopper survey rating for Christchurch urban service providers. The average quarterly rating for Red Bus was 85.4% in 2016 (85.0% in 2015). This compares with 83% in 2016 (82% in 2015) for the entire Metro bus network.

## Bus Interchange

The new bus interchange became fully operational in October 2016. Although there was some initial driver anxiety about reversing out of the bus bays prior to completion, the system is working well. The only outstanding item is the installation of a camera above each bus bay to give drivers a clear and consistent view of their reversing space.

## Patronage

Red Bus patronage on ECan urban service contracts was 3.38m passenger trips in 2016, slightly lower (1.1%) than the 3.42m passenger trips in 2015. By comparison overall ECan urban passenger Metro network trips fell approximately 2.3% compared with 2015. 2016 Metro network passenger trip numbers were 20.5% below the 2010 pre-earthquake passenger trip volumes. Passenger numbers dipped during the second quarter with a partial recovery in the fourth quarter. School passenger trips are 4.5% lower this year than in 2015.

## Health and Safety

The company's commitment to maintaining a safe work environment for the protection of our people, customers and visitors ensured full compliance with the new Health and

Safety at Works Act that came into force on 4 April 2016.

## Looking ahead

Christchurch urban passenger transport services are expected to remain relatively flat with no significant Metro network changes in the coming year. The completion of the Justice Precinct building with 1,500 employees and other corporate and retail buildings is anticipated to increase passenger activity through the central bus interchange during the latter part of 2017.

Red Bus intends to continue diversification and grow the revenue base beyond urban services through the expansion of Red Travel, Charter and The Rebuild Tour as tourism continues to grow year-on-year. Investment from Christchurch International Airport and Christchurch and Canterbury Tourism profiling Christchurch as the South Island gateway aligns well with the Red Travel growth strategy.

Additional investment in coaches and charter capacity is planned to expand both the service capacity and the variety of services on offer. Although the primary growth path is organic, Red Bus will consider acquisition opportunities that have an appropriate fit and add business value.

A Government commitment at the December 2015 Paris climate conference to a 30% reduction in 2005 greenhouse gas emission level by 2030 is generating interest in alternative fuels and energy efficient hybrid and electric transport options. Red Bus is working with Christchurch City Council on options for a future potential trial.

The company intends to retain its focus on improving customer service and operational efficiency while continuing to meet or exceed projected budget results.

Reversing the recent rising trend in lost time accidents and continued systemic improvement of safety protocols and procedures are important operational objectives this year.



100%

Owned by Christchurch City Holdings Ltd



EcoShop customer with another quality pre-loved item.

**8,086**  
tonnes  
recovered for resale

**Community  
focus**

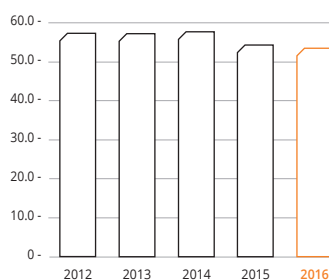
new partnership  
with Nurse Maude  
and EcoShop



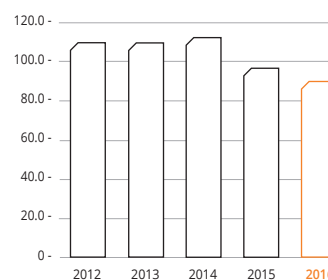
### 5 year summary

	2012 \$m	2013 \$m	2014 \$m	2015 \$m	2016 \$m
Revenue	30.2	32.9	35.7	38.9	37.6
Profit/(loss)	(3.2)	0.6	0.9	2.0	2.0
Dividends	-	-	0.2	0.2	0.2
Total assets	17.4	18.2	17.4	16.4	15.9
Shareholder's equity	(1.2)	4.0	4.7	6.6	7.8

### EcoSort volumes\* (tonnes)



### Diverted from landfill\* (tonnes)



\*CCHL acquired 100% of the shares in EcoCentral Ltd on 1 January 2011.

These tables show the results and position of EcoCentral Ltd since this acquisition.

# EcoCentral LTD

EcoCentral had another successful year with a better than expected result. While commercial volumes remained higher than anticipated for the first portion of the year, the peak of activity post-earthquake has been reached.

EcoShop – the one place to help your community and the environment.



Again, there was a strong focus on health and safety.

The strength and ability of our senior management team has been increased and the commitment of all our staff at all sites has been clearly evident and a prime reason for another successful year.

## Financial Performance

The company has continued to be profitable during the year and this has enabled further reduction in the level of debt that the company carries. In addition, we maintained the same level of dividend to our shareholder as previous years.

Cashflow protection has remained a priority ensuring all customers who utilize trade terms are kept to the agreed payment terms. As some building and construction firms migrated into challenging times, this protected EcoCentral's potential exposure to any unpaid debt.

A dramatic drop in plastic prices associated with the fall in oil pricing impacted negatively on our income. Fortunately, this was offset to a degree by effective foreign exchange trading and an increase in sales volumes.

## EcoDrop

It has been a challenging year balancing the elevated volumes of waste combined with the earthquake repairs while still remaining operational. A noticeable decrease in

hardfill post the demolition era of Red Zone properties was also notable. As an essential enhancement to ensure customers are protected, all three sites received safety additions to prevent falls into the pit.

## EcoSort

We made several advances in productivity and efficiency this year, firstly with the purchase of a new cardboard baler and secondly with the design and build of glass cleanup process.

The baler allowed us to improve shipping efficiency, combined with plant and labour utilisation, while the installation of the improved glass recovery system occurred after the end of the financial year.

To support this increase in throughput, we adopted a new computerised preventative maintenance programme along with further investment in equipment improvement, both of which resulted in increased throughput for the plant.

## EcoShop

The shop has continued its effective role in the community of repurposing goods for another life. Some organisational changes have been made which have resulted in a closer working relationship between the EcoShop and the transfer stations where product is left for potential sale. We anticipate that this initiative and the close working relationship with

Nurse Maude will combine to deliver on-going profitability at the EcoShop.

Not only do these purchases from the EcoShop help support Canterbury families, but help save the planet.

## The Team

This has been a year with a continued focus on the health and safety of all staff. The commitment and culture of looking after themselves, each other and members of the public has been demonstrated continuously. This commitment has been greatly acknowledged and appreciated by our customers.

We continue to have tertiary accreditation with ACC and have ISO accreditation to the gold standard of NZS4801.

## Looking Ahead

The peak of activity post earthquake has been reached. A 'steady-as-she-goes' forecast is anticipated with some initiatives to ensure cost control and enhanced recovery from the EcoSort plant.

The unpredictable exchange rate creates a challenging environment for revenue forecasts.

EcoCentral is committed to continuing to pursue sustainable waste minimization initiatives in a safe and effective manner.



100%

Owned by Christchurch City Holdings Ltd

(Above): View across the city from the site of the proposed Christchurch Adventure Park.

(Below): Under New Brighton Library.

2 million



invested into  
Christchurch  
Adventure Park

Focus for 2017



advancing **4**  
priority projects

### 5 year summary

	2012 \$m	2013 \$m	2014 \$m	2015 \$m	2016 \$m
Revenue	-	-	-	-	0.3
Profit/(loss)	-	-	-	-	(1.2)
Dividends	-	-	-	-	-
Total assets	-	-	-	-	2.7
Shareholder's equity	-	-	-	-	2.3





# Development Christchurch LTD

DCL's vision is to contribute to the enhanced well-being of Christchurch through the improved economic, social, community and sustainability outcomes that successful development, investment and regeneration activities bring.

As a new entity, DCL has already achieved several key goals relating to establishment activities in the past year including:

- *Statement of Intent* – the 2016/17 Statement of Intent has been accepted by the boards of DCL and CCHL along with Council.
- *Governance* – the full board of DCL has been appointed.
- *Strategic frameworks* – work-streams that advance the key engagement, development and investment frameworks are well under way.
- *Organisation design and resourcing* – the group structure has been finalised, and the Chief Executive and key senior management appointed.
- *Work programme* – DCL's work programme has been adopted and resourcing applied to priority work-streams.
- *Funding platform* – agreement has been reached with CCHL and the Council with regard to the funding platform that will support the activities of DCL over the next five years.
- *Reporting framework* – DCL has committed to meeting the expectations of its board, CCHL and the Council in ensuring that information around its key activities and performance flows in a timely fashion.

## A commitment to successful engagement

To deliver high quality outcomes, DCL needs to engage effectively with the Council and Community Boards as both stakeholders and service providers. It must also commit to early and effective engagement with Regenerate Christchurch, Otakaro Limited, other public sector agencies, community groups and the private sector if it is to realise the benefits that a 'shared value' approach to its projects can bring.

## Successful regeneration – a shared outcome

In asking DCL to provide advice on the implementation of the suburban master plans, which cover key activity centres across Christchurch, the Council prioritised the leadership and implementation of the New Brighton Master Plan as a part of DCL's work programme.

Progress toward the successful implementation of the New Brighton Master Plan is under way, with DCL's High Level Implementation Plan providing a template through which other implementation and regeneration plans can be developed.

## Successful investment and development

One of the challenges Christchurch has faced in recent years has been to match a strong investor appetite with opportunities that will benefit the city. DCL is working with other key entities to ensure the city develops a consistent Investor Ready City Strategy.

The redevelopment of the Peterborough Quarter is one example of an exciting opportunity to use surplus Council-owned land in partnering with the private sector to create a mixed-use development that will add to the vibrancy already building within this part of the central city.

## Increased strategic capacity and capability

DCL's strong commercial focus and commitment to engaging proactively with the private sector, community groups and other public sector agencies, in pursuing better long-term regeneration outcomes, will ultimately add to the Council's strategic capacity and capability.

Ballerina in the Rubble reflection  
– Christchurch street art.



## Looking ahead

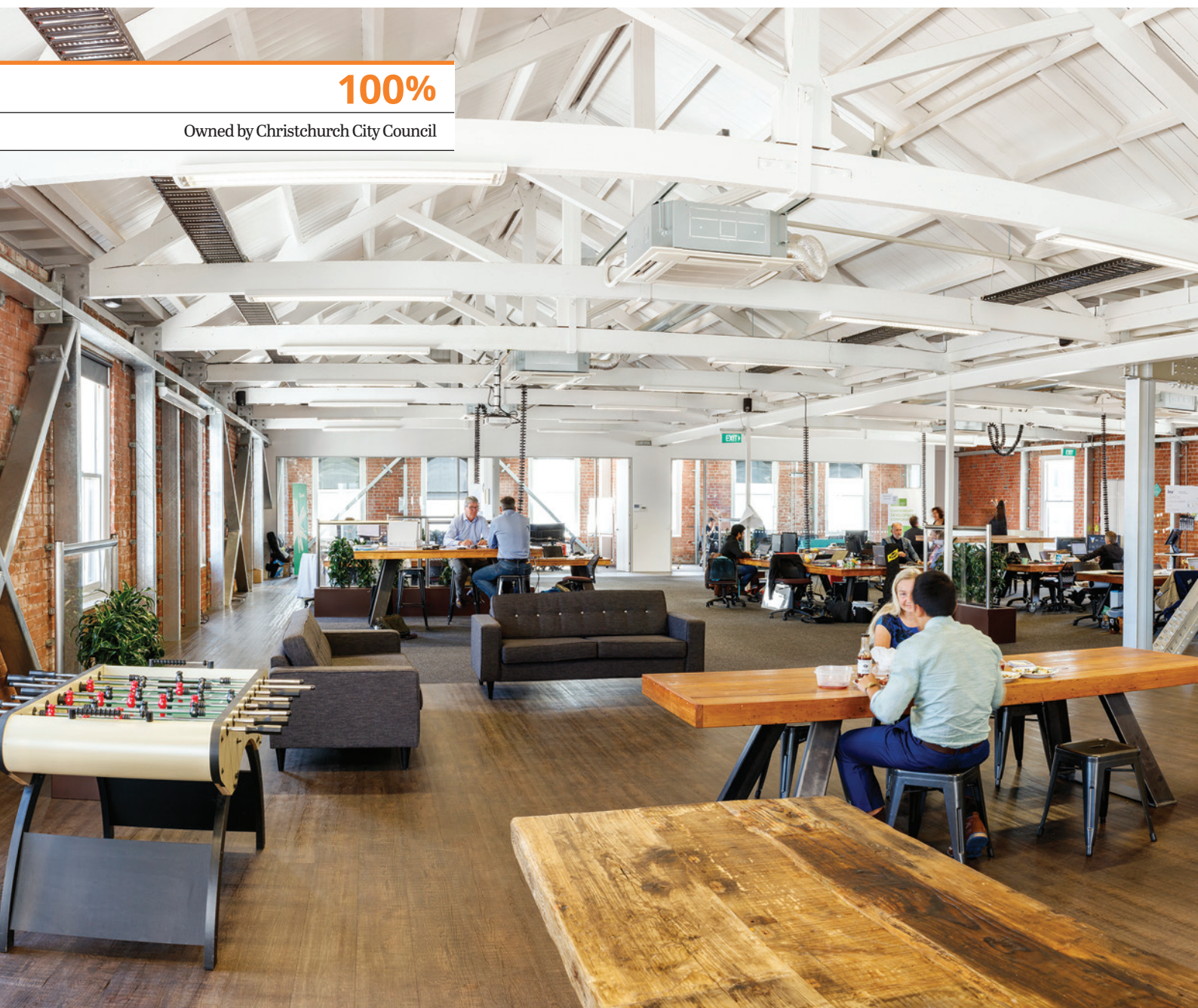
The start of the new financial year will see DCL move swiftly from establishment to full operation, supported by strong core strategies and staff.

DCL will need to remain 'nimble' and capable of responding to unforeseen customer requests and the ever-changing development environment in Christchurch.



100%

Owned by Christchurch City Council



GreenHouse interior - a collaborative hub focused on supporting and commercialising digital and ICT start-ups.

GreenHouse tenants at work

786   
businesses  
receiving mentoring

 20  
businesses  
progressed  
through the High Growth  
Launch Programme





# Canterbury Development Corporation

Canterbury Development Corporation (CDC) is the Economic Development Agency of Christchurch City Council. A wholly owned subsidiary, CDC's vision is to create a better way of life through a strong economy.

CDC delivers this vision by bringing their organisational values to life - embracing collaboration; working with the facts; doing what's right; building constructive relationships; keeping it simple and making it relevant.

CDC supports, encourages and influences the economic success of the greater Christchurch region by working with business, government agencies and private sector experts to drive innovation and exports, generate wealth and prosperity and support high-growth potential businesses to drive efficiencies, invest wisely and develop new markets. Below are some key highlights for the 15/16 year.

## Big Picture Thinker

Christchurch City Council mandates CDC to develop and drive the long-term vision for economic development in the City in partnership with stakeholders. The Christchurch Economic Development Strategy (CEDS) outlines the City's strategic priorities to optimise growth.

CEDS has over 20 implementation partners across the private and government sectors. CDC monitors and reports on the whole programme and leads some of the projects.

CDC has been reviewing CEDS. Our research programme and Background Paper draft were completed providing analysis and insights for informed stakeholder engagement. Stakeholder workshops were well attended with contributions from a wide range of participants. The refreshed strategy will require re-endorsement by Councillors following the local government elections in October 2016.

Engagement with our bi-annual Economic Update events and Canterbury Report publications continue to increase. Over the year they reflected a changing economic picture for Christchurch as we shifted from a high growth economy to the rebuild peak and growth plateau, but with very high levels of activity continuing in the city.

## New ideas enabler

CDC has continued to support and enhance a structure for the commercialisation of new ideas.

In collaboration with Callaghan Innovation and Lincoln University, CDC opened a purpose built food innovation facility, FoodSouth, which is part of the New Zealand Food Innovation Network. The facility provides three independent food safe development spaces to enable businesses to develop new products for local and international markets. [www.foodinnovationnetwork.co.nz](http://www.foodinnovationnetwork.co.nz)

The national Lightning Lab programme was delivered in Christchurch via CDC's GreenHouse facility in the Innovation Precinct. The programme shortlisted 10 start-up business ideas and ran them through an intensive accelerator programme finishing with a showcase event to local investors.

The final event was attended by over 300 people including out of region. [www.green-house.co.nz](http://www.green-house.co.nz)

In the year MBIE transitioned to CDC the responsibility for facilitating and promoting the activation of a vibrant and prosperous Innovation Precinct. CDC has been working with government partners and tenants as the Precinct starts to take shape on projects including promotion and brand establishment. [www.innovationprecinct.nz](http://www.innovationprecinct.nz)

## Business supporter and connector

In a joint venture with Canterbury Employers' Chamber of Commerce, CDC has delivered the nationally funded Regional Business Partner Programme for the last six years on behalf of Callaghan Innovation and New Zealand Trade and Enterprise in Canterbury. CDC client managers work with businesses to understand their needs and then oversee bespoke support packages in identified targeted areas such as capability development, export programmes, information sharing events and mentoring services.

Helping business:  
Harrington's Brewery have been brewing in Canterbury for 25 years.



In the 2015/16 financial year CDC undertook 357 business assessments and issued \$356,958 in funding to help businesses access expert coaching or training. CDC achieved an annual net promoter score of +68%, which measures the willingness of customers to recommend a company's products or services, the highest amongst the 14 national delivery partners.

The CDC Hi-Growth Launch Programme is a capability development programme for high growth potential businesses, supporting step change in existing business. Nineteen businesses participated in two programmes during the year, which included a series of workshops with leading New Zealand business people. [www.hi-growthlaunch.com](http://www.hi-growthlaunch.com)

CDC has participated in several offshore business and people attraction events. Collateral developed for these events including CDC's City of Opportunity booklet, has been popular with attendees and also used at International Education events by recruitment agencies and by offshore businesses. City of Opportunity provides a snapshot of the local economy and what life is like in Christchurch as the city is rebuilt.



# CCHL Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

## DIRECTORS' RESPONSIBILITY statement

The directors are responsible for ensuring that the financial statements give a true and fair view of the financial position of the company and Group as at 30 June 2016, and the financial performance and cash flows for the year ended on that date.

The directors consider that the financial statements of the company and Group have been prepared using appropriate accounting policies, consistently applied and supported by reasonable judgments and estimates, and that all relevant financial reporting and accounting standards have been followed.

The directors consider that proper accounting records have been kept, which enable, with reasonable accuracy, the determination of the financial position of the company and Group and facilitate compliance of the financial statements with the Financial Reporting Act 1993.

The directors consider they have taken adequate steps to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors have pleasure in presenting the financial statements, set out on pages 40 to 96, of Christchurch City Holdings Limited for the year ended 30 June 2016.

The Board of Directors of Christchurch City Holdings Limited authorises these financial statements for issue on 14 September 2016.

For and on behalf of the Board



**Bruce Irvine**  
*Chairman*  
Christchurch  
14 September 2016



**Sarah Smith**  
*Director*  
Christchurch  
14 September 2016

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## Statement of financial position AS AT 30 JUNE 2016

	Note	Group 2016 \$'000	Group 2015 \$'000
<b>Non-current assets</b>			
Investments in associates	4	347	40,790
Property, plant and equipment	5	2,717,620	2,405,062
Investment property	6	303,692	255,092
Loans and other financial assets	12(b)	29,091	100,604
Intangible assets	15	53,498	59,548
Debtors, inventory and other assets	13(a)	7,465	12,162
Total non-current assets		3,111,713	2,873,258
<b>Current assets</b>			
Cash and cash equivalents	14	1,742	89,811
Debtors, inventory and other assets	13(a)	149,446	226,890
Loans and other financial assets	12(a)	155,509	111,057
Total current assets		306,697	427,758
<b>Total assets</b>		3,418,410	3,301,016
<b>Non-current liabilities</b>			
Borrowings	7	978,772	660,513
Net deferred tax liabilities	10(e)	302,874	323,510
Provisions and other liabilities	17(a)	57,299	30,403
Total non-current liabilities		1,338,945	1,014,426
<b>Current liabilities</b>			
Borrowings	7	133,977	192,020
Creditors and other liabilities	16	87,927	111,215
Provisions and other liabilities	17(a)	37,684	36,045
Current tax liabilities		6,507	18,891
Total current liabilities		266,095	358,171
<b>Total liabilities</b>		1,605,040	1,372,597
<b>Net assets</b>		1,813,370	1,928,419
<b>Equity</b>			
Capital and other equity instruments	22	71,435	71,435
Reserves		431,928	433,440
Retained earnings		1,045,004	1,154,447
Parent entity interests		1,548,367	1,659,322
Non-controlling interests		265,003	269,097
<b>Total equity</b>		1,813,370	1,928,419

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



## Statement of comprehensive income FOR THE YEAR ENDED 30 JUNE 2016

	Note	Group 2016 \$'000	Group 2015 \$'000
Operating and other revenue	8	1,037,869	1,077,954
Operating expenses	9	726,338	757,073
Share of (losses)/profits of associates and joint arranger	4	(2,606)	(3,255)
<b>Earnings before interest, tax, depreciation and amortisation</b>		<b>308,925</b>	<b>317,626</b>
Depreciation	5	103,618	98,586
Impairment	5, 15	107,425	3,485
Amortisation	15	3,940	4,200
<b>Earnings before interest and tax</b>		<b>93,942</b>	<b>211,355</b>
Finance income	11	14,129	17,129
Finance costs	7(d)	52,783	50,489
<b>Net finance costs</b>		<b>38,654</b>	<b>33,360</b>
Profit before income tax expense		55,288	177,995
Income tax expense/(credit)	10	16,519	45,713
<b>Profit for the year</b>		<b>38,769</b>	<b>132,282</b>
<b>Other comprehensive income</b>			
<i>Items that will not be recycled to profit or loss:</i>			
Revaluation of assets		26,746	736
<i>Items that may be recycled to profit or loss in future:</i>			
Cash flow hedges		(29,315)	(15,330)
Share of other comprehensive income of associates		-	-
		(2,569)	(14,594)
Income tax relating to other comprehensive income		3,975	5,961
<b>Other comprehensive income for the year, net of tax</b>		<b>1,406</b>	<b>(8,633)</b>
<b>Total comprehensive income for the year, net of tax</b>		<b>40,175</b>	<b>123,649</b>
<b>Profit for the year attributable to:</b>			
Owners of the parent		22,284	113,497
Non-controlling interests		16,485	18,785
		<b>38,769</b>	<b>132,282</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the parent		21,036	106,810
Non-controlling interests	-	19,139	16,839
		<b>40,175</b>	<b>123,649</b>

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

## Statement of changes in equity FOR THE YEAR ENDED 30 JUNE 2016

Note	Share capital 22 \$'000	Asset revaluation reserve 23 \$'000	Hedging reserve 23 \$'000	Retained earnings \$'000	Attributable to equity holders of parent \$'000	Non-controlling interests 3 \$'000	Total \$'000
Balance as at 1 July 2014	71,435	449,006	(5,027)	1,056,351	1,571,765	373,668	1,945,433
Profit for the year	-	-	-	113,497	113,497	18,785	132,282
Other comprehensive income for year:							
Revaluation of assets	-	728	-	-	728	8	736
Revaluation of derivative financial instruments	-	-	(12,615)	-	(12,615)	(2,715)	(15,330)
Tax associated with revaluation movements	-	(34)	5,234	-	5,200	761	5,961
Other comprehensive income for year	-	694	(7,381)	-	(6,687)	(1,946)	(8,633)
Transfer on disposal of revalued assets	-	(3,852)	-	3,852	-	-	-
Dividends paid or provided for 22	-	-	-	(46,009)	(46,009)	(12,644)	(58,653)
Adjustment for share acquisitions	-	-	-	26,756	26,756	(108,766)	(82,010)
Balance as at 30 June 2015	71,435	445,848	(12,408)	1,154,447	1,659,322	269,097	1,928,419
Profit for the year	-	-	-	22,284	22,284	16,485	38,769
Other comprehensive income for year:							
Revaluation of assets	-	20,656	-	-	20,656	6,090	26,746
Revaluation of derivative financial instruments	-	-	(25,987)	-	(25,987)	(3,328)	(29,315)
Tax associated with revaluation movements	-	(3,164)	7,312	(65)	4,083	(108)	3,975
Other comprehensive income for year	-	17,492	(18,675)	(65)	(1,248)	2,654	1,406
Transfer on disposal of revalued assets	-	(329)	-	329	-	-	-
Dividends paid or provided for 22	-	-	-	(131,991)	(131,991)	(14,072)	(146,063)
Adjustment for share buy back	-	-	-	-	-	(9,653)	(9,653)
Other	-	-	-	-	-	492	492
Balance as at 30 June 2016	71,435	463,011	(31,083)	1,045,004	1,548,367	265,003	1,813,370

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

## Statement of cash flows FOR THE YEAR ENDED 30 JUNE 2016

	Note	Group 2016 \$'000	Group 2015 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers and other sources		985,436	980,015
Interest received		5,130	4,486
Proceeds from insurance		–	10,876
Payments to suppliers and employees		(775,389)	(756,635)
Interest and other finance costs paid		(41,810)	(38,611)
Income tax paid		(39,118)	(30,262)
Subvention payments		(16,165)	(17,714)
Net cash provided by/(used in) operating activities	25	118,084	152,155
<b>Cash flows from investing activities</b>			
Payment for equity investment in subsidiaries/associates		(2,000)	(500)
Advances made		(651)	(2,636)
Proceeds from repayment of related party loans		14,487	–
Payment for property, plant and equipment		(197,790)	(283,851)
Proceeds from sale of property, plant and equipment		5,094	9,916
Proceeds from insurance		–	18,124
Payment for goodwill		(1,280)	(553)
Payment for intangible assets		(6,175)	(9,546)
Proceeds from sale of businesses		5,326	–
Cash acquired in business combinations		1,550	–
Payment for investment properties		(39,420)	(41,536)
Proceeds from sale of investment properties		3,308	5,708
Maturity of/(investment in) term deposits		(19,052)	(39,867)
Other		5,250	–
Net cash (used in)/provided by investing activities		(231,353)	(344,741)
<b>Cash flows from financing activities</b>			
Proceeds from borrowing		349,850	141,701
Repayment of borrowings		(167,090)	(22,572)
Repayment of finance leases		(2,337)	–
Share buy back – non-controlling interests		(9,652)	–
Other		492	–
Dividends paid		(131,991)	(46,009)
Dividends paid – non-controlling interests		(14,072)	(12,644)
Net cash provided by/(used in) financing activities		25,200	60,476
Net decrease in cash and cash equivalents		(88,069)	(132,110)
Cash and cash equivalents at beginning of year		89,811	221,921
Cash and cash equivalents at end of year	14	1,742	89,811

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



## Notes to the financial statements FOR THE YEAR ENDED 30 JUNE 2016

# Group Structure

### 1. Significant changes in the period

#### *Capital release programme*

CCHL's 100% shareholder Christchurch City Council finalised its insurance settlements resulting in amendments to its Long Term Plan. The amendments reflected a reduction in the capital release requirements to \$600m (from \$750m) over the period FY16 through to FY19.

In October 2015 the Christchurch City Council (CCC) requested CCHL to put City Care Ltd, a wholly owned subsidiary, into a sales process, with a view of using sales proceeds to fund the 2016 component of the Capital release programme. After a rigorous sales process the decision to retain City Care was made in July 2016 by the shareholders (CCC). It is not anticipated that further sales processes will be undertaken with any strategic assets.

The CCHL board have concluded as at 30 June 2016, that City Care was not held for sale, as it was not 'highly probable' at that point that a sale would be completed, based on the information available at the time. On this basis, the City Care assets and liabilities have continued to be consolidated as part of the group position.

#### *Enable Group*

During the year, Enable Services Ltd (ESL), Enable Networks Ltd (ENL), Crown Fibre Holdings Ltd (CFH), together with CCHL entered into discussions about the restructuring of the existing arrangements, with a view to streamlining the structure established under the UFB contract. As a result of this, the parties entered into a Deed of Re-organisation, under which ESL purchased all of the shares held by CFH in ENL for \$1 per share on 29 June 2016.

Prior to the re-organisation ENL was accounted for in the books of ESL as an associated company using the equity method. As of 29 June 2016, ENL is now a wholly-owned subsidiary of ESL, thus the income statement and cash flows for the year reflect the results of ESL and the equity accounted results of ENL, whereas the Statement of Financial Position reflects the consolidated assets, liabilities and equity of the Enable Group.

#### *Lyttelton Port Company Ltd*

The Lyttelton Port Company (LPC) net asset position increased significantly in 2014 when insurance proceeds of \$358m were received as income. The funds were received to replace assets destroyed and damaged in the Earthquakes of 2010 and 2011. LPC invested significant capital to increase the resilience of the company's infrastructure, albeit that such investment did not in isolation increase operating earnings. The resulting discrepancy between earnings and net assets gives rise to a potential impairment. Over the last couple of years there have been a number of indicators that have highlighted this potential impairment issue, including independent valuations. The indicators of impairment in previous years meant the Board of LPC carried out detailed analysis. That analysis showed there was not an impairment to be recognised.

In 2016 the Board of LPC assessed the "value in use" of the company to be significantly lower than its net asset position. On this basis an impairment of \$99.5m against assets has been taken (\$93.7m of which is against Property, Plant and Equipment and \$5.8m of which is against intangible assets), resulting in a net impact on the profit and loss for the group of \$78.5m after taking into account the deferred tax adjustment.

The CCHL Board accept the conclusions reached by the Directors of Lyttelton Port Company Limited that an impairment expense of \$99.5 million (excluding related deferred tax effects) exists at 30 June 2016 and it is appropriate to consolidate this impairment expense in the group's financial statements.

<b>2. Business combinations</b>		<b>Note</b>	<b>Group 2016 \$'000</b>	<b>Group 2015 \$'000</b>
<b>Assets acquired in business combination</b>				
Property, plant and equipment			207,176	297
Other assets			3,245	-
Other payables			(77,828)	(185)
Total identifiable net assets			132,593	112
Goodwill		15	2,128	553
Total			134,721	665
<b>Consideration</b>				
Cash			1,149	415
Consideration paid for CFH shares in ENL			83,896	-
Contingent consideration			-	250
Fair value of equity investment in ENL prior to acquisition			49,676	-
			134,721	665
<b>Results included in Statement of Comprehensive income</b>				
<b>Revenue:</b>				
Apex Environmental Limited			3,560	-
Command Building Services Limited			9,424	6,275
Revaluation of investment in associate prior to full acquisition			11,838	-
<b>Profit/(Loss):</b>				
Apex Environmental Limited			(25)	-
Command Building Services Limited			(805)	68

**a) City Care Ltd acquisition**

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

In relation to Apex Environmental Limited, the group elected to recognise the non-controlling interests at its proportionate share of the acquired net identifiable assets.

In September 2014, City Care Ltd acquired the assets and business of Command Management Ltd and related companies - a heating, ventilation and air conditioning installation and servicing business. The contingent consideration of \$250,000 was released to City Care as EBIT targets were not met, this has been included in Revenue for the year ended 30 June 2016.

**b) Enable Services Ltd acquisition**

The net assets of Enable Networks Ltd were acquired on 29 June 2016 as a consequence of the reorganisation between Enable Services Ltd, Enable Networks Ltd, Crown Fibre Holdings Ltd and CCHL (refer note 1).

As the acquisition on Enable Networks Ltd (ENL) occurred on 29 June 2016, no revenue or expenditure of the acquiree (ENL) has been recognised in the financial statements. Enable Services Limited has recorded its equity-accounted share of ENL's losses for the period up to 29 June 2016. The business combination resulted in an overall gain as a result of the revaluation of the network assets to fair value, and the purchase of CFH's shares in ENL at \$1 per share.

The business combination did not result in any net cash outflow for the group, as the consideration for the purchase of the shares in ENL held by CFH was satisfied by the issue of redeemable preference shares to CCHL for an equivalent value. Both of these transactions were completed by book entry, with no cash flowing in or out, of the group.

## Notes to the financial statements FOR THE YEAR ENDED 30 JUNE 2016

### GROUP STRUCTURE contd.

#### 2. Business combinations (contd.)

Group	2016	2015	Balance Date
<b>Parent</b>	<b>Business</b>	<b>Effective Ownership</b>	
Christchurch City Holdings Ltd	Holding Company		30 June
<b>Subsidiaries</b>			
Orion New Zealand Ltd	Electricity network	89.3%	89.3% 31 March
Christchurch International Airport Ltd	Airport	75.0%	75.0% 30 June
Lyttelton Port Company Ltd	Port	100%	100% 30 June
Enable Services Ltd	Broadband network	100%	100% 30 June
City Care Ltd	Contracting	100%	100% 30 June
Red Bus Ltd	Passenger transport	100%	100% 30 June
EcoCentral Ltd	Waste recycling	100%	100% 30 June
Development Christchurch	Urban Development Agency	100%	100% 30 June

### Accounting policy

#### Subsidiaries

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

The financial statements of the subsidiaries (other than Orion New Zealand Ltd – see above) are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all inter-company balances and transactions, income and expenses and profit and losses resulting from intra-group transactions are eliminated in full.

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

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values. The difference between the above items and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a discount on acquisition.

A change in the ownership interest of a subsidiary that does not result in a loss of control is accounted for as an equity transaction. The difference between the carrying value of the non-controlling interests and the consideration paid is recognised directly in equity attributable to the parent, in accordance with the requirements of NZ IAS 27.

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

#### Joint ventures

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement. The Group's share of the assets, liabilities, revenues and expenses of any joint venture is incorporated into the Group's financial statements on a line by line basis using the proportionate method.



### 3. Non-controlling interests in subsidiary companies

Set out below is summarised financial information for each subsidiary that has non-controlling interests. At 30 June 2016, Orion New Zealand Ltd ('Orion') and Christchurch International Airport Ltd ('CIAL') were the only subsidiaries not 100%-owned by CCHL.

	30 June 2016				30 June 2015			
	Orion \$'000	CIAL \$'000	Consol adjs \$'000	Total \$'000	Orion \$'000	CIAL \$'000	adjs \$'000	Consol Total \$'000
Non-controlling interest (NCI)	10.7%	25.0%			10.7%	25.0%		
Revenue	307,295	182,527			332,894	177,264		
Net profit after tax	53,446	43,055			82,615	39,274		
Other comprehensive income (OCI)	-	10,615			83	(7,824)		
Total comprehensive income	53,446	53,670			82,698	31,450		
Profit allocated to NCI	5,732	10,764	(11)	16,485	8,860	9,819	106	18,785
OCI allocated to NCI	-	2,654	(0)	2,654	9	(1,956)	1	(1,946)
Current assets	21,600	17,183			24,367	17,219		
Non-current assets	1,104,691	1,251,242			1,062,910	1,199,713		
Current liabilities	43,165	84,431			50,264	57,561		
Non-current liabilities	422,986	392,821			277,319	392,606		
Net assets	660,140	791,173			759,694	766,765		
Carrying amount of NCI	70,800	197,793	(3,590)	265,003	81,477	191,691	(4,071)	269,097
Operating cash flows	103,383	49,466			114,187	63,885		
Investing cash flows	(91,631)	(48,222)			(68,094)	(43,677)		
Financing cash flows*	(11,988)	(3,262)			(46,281)	(18,918)		
	(236)	(2,018)			(188)	1,290		
* Includes dividends paid to NCI	(6,757)	(7,316)			(6,006)	(2,480)		

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

## Notes to the financial statements FOR THE YEAR ENDED 30 JUNE 2016

### GROUP STRUCTURE contd.

<b>4. Associated companies/Joint arrangements</b>	<b>Note</b>	<b>Group 2016 \$'000</b>	<b>Group 2015 \$'000</b>
Balance at start of year		40,790	37,245
Further investment	2	83,896	6,800
Share of total recognised revenues and expenses	25	(2,606)	(3,255)
Share of revaluations	2	11,838	-
Reclassification to subsidiary		(133,571)	-
		347	40,790
<b>Summarised financial statements for joint venture</b>			
Assets		2,398	1,493
Liabilities		(1,705)	(1,493)
Net Assets		693	-
Revenue		18,701	1,458
Net profit		693	-
Interest in Joint Venture		347	-

#### **a) Enable Networks Ltd (ENL)**

Following the re-organisation as outlined in note 1, ENL ceased being an associate on 29 June 2016, and became a wholly owned subsidiary of Enable Services Ltd. The following information relates to the period up to 29 June 2016, when ENL was still an associate.

Its principal place of business is Christchurch and is incorporated in New Zealand. Its balance date is 30 June.

Enable Services Ltd (ESL) entered an agreement with Crown Fibre Holdings Ltd (CFH) and ENL on 31 May 2011 relating to the construction, deployment and operation of the UFB network for the greater Christchurch area. ENL was jointly owned by ESL and CFH, and purchased the network in stages as it is constructed by ESL. Funding arrangements were as follows:

#### *A Shares*

A shares had voting rights but do not receive dividends. ESL funded approximately 33% of the cost of the Communal Infrastructure in return for A shares or debt in ENL as a non-cash transaction. The remaining 67% was funded by CFH to ENL in cash in return for A shares.

#### *B Shares*

B shares have dividend rights but do not have voting rights. ENL was funded by ESL using a hierarchy of specified equity, then debt through note instruments and if required through B shares.

#### *Associate status*

Until the Re-organisation, ESL was deemed to hold significant influence over ENL through its holding of A & B shares and it therefore accounted for ENL as an associate up until that date.

#### **b) City Care Ltd**

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

**4. Associated companies/Joint arrangements (contd.)***Joint operation*

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

**Accounting policy – associated companies**

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in associates are accounted for in the consolidated financial statements using the equity method, after initially being recognised at cost.

The Group's share of its associates' postacquisition profits or losses is recognised through profit or loss, and its share of postacquisition movements in reserves is recognised in reserves. The cumulative postacquisition movements are adjusted against the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between CCHL and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates are either changed where necessary to ensure consistency with the policies adopted by CCHL, or appropriate adjustments made in the consolidation.



## Notes to the financial statements FOR THE YEAR ENDED 30 JUNE 2016

## Key Assets &amp; Liabilities

## 5. Property, plant &amp; equipment

	Freehold land \$'000	Buildings \$'000	Plant & equipment \$'000	Electricity distribution system \$'000	Specialised assets \$'000	Work in progress \$'000	Total \$'000
<b>Gross carrying amount</b>							
Cost/valuation at 1 July 2014	423,242	406,312	370,066	903,975	396,303	77,526	2,577,424
Additions	46,295	2,471	21,608	45,632	44,660	-	160,666
Disposals	(5,590)	(232)	(7,699)	(1,205)	-	-	(14,726)
Re-classified as held for sale	-	-	1,833	-	-	-	1,833
Net movements in work in progress	-	-	-	-	-	32,669	32,669
Net revaluation increments/ (decrements)	619	-	-	116	-	-	735
Transfers	(3,449)	5,132	3,416	-	5,891	(10,641)	349
<b>Cost/valuation at 30 June 2015</b>	<b>461,117</b>	<b>413,683</b>	<b>389,224</b>	<b>948,518</b>	<b>446,854</b>	<b>99,554</b>	<b>2,758,950</b>
Additions	6,997	5,409	20,604	112,580	65,237	54,763	265,590
Additions through business combinations	-	-	58	-	297,720	-	297,778
Disposals	(1,633)	(17)	(17,913)	(2,048)	(43)	-	(21,654)
Net movements in work in progress	-	-	415	-	-	(29,994)	(29,579)
Net revaluation increments/ (decrements)	4,275	1,760	-	-	(2,677)	-	3,358
Transfers and other	(12,760)	(2,486)	2,751	(217)	19,979	(46,695)	(39,428)
<b>Cost/valuation at 30 June 2016</b>	<b>457,996</b>	<b>418,349</b>	<b>395,139</b>	<b>1,058,833</b>	<b>827,070</b>	<b>77,628</b>	<b>3,235,015</b>
<b>Accumulated depreciation and impairment</b>							
Accumulated balance at 1 July 2014	(60)	(13,042)	(182,706)	(1)	(65,959)	-	(261,768)
Disposals	-	113	6,509	50	-	-	6,672
Re-classified as held for sale	-	-	(1,467)	-	-	-	(1,467)
Depreciation expense	(2)	(22,720)	(25,754)	(35,529)	(14,581)	-	(98,586)
Transfers and other	-	-	-	-	1,261	-	1,261
<b>Accumulated balance at 30 June 2015</b>	<b>(62)</b>	<b>(35,649)</b>	<b>(203,418)</b>	<b>(35,480)</b>	<b>(79,279)</b>	<b>-</b>	<b>(353,888)</b>
Disposals	-	12	15,335	823	1,109	-	17,279
Revaluation adjustments	-	1,875	-	-	21,513	-	23,388
Impairment losses	(11,116)	(3,236)	(30,744)	(6,856)	(49,083)	-	(101,035)
Depreciation expense	-	(22,721)	(26,213)	(36,798)	(17,886)	-	(103,618)
Transfers and other	2	(106)	588	(6)	1	-	479
<b>Accumulated balance at 30 June 2016</b>	<b>(11,176)</b>	<b>(59,825)</b>	<b>(244,452)</b>	<b>(78,317)</b>	<b>(123,625)</b>	<b>-</b>	<b>(517,395)</b>
Carrying amount at 30 June 2015	461,055	378,034	185,806	913,038	367,575	99,554	2,405,062
Carrying amount at 30 June 2016	446,820	358,524	150,687	980,516	703,445	77,628	2,717,620

Of the carrying amount of \$2,718m as at 30 June 2016, \$1,097m (2015: \$1,055m) was attributable to Orion New Zealand Ltd and \$930m (2015: \$930m) to Christchurch International Airport Ltd – 75% in total (2015: 82%). The main increase in total PPE this year relates to the acquisition of Enable Networks Ltd assets by Enable Services Ltd (\$297m).

## 5. Property, plant & equipment (contd.)

### Orion New Zealand Ltd

#### Electricity distribution network

The electricity distribution network was revalued to fair value of \$904m as at 31 March 2014 by independent valuer Ernst & Young Transaction Advisory Services Limited (EY). Including capital work in progress, this resulted in a total network valuation of \$939m.

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

EY's key valuation assumptions were that:

- network revenues will be consistent with Orion's customised price-quality path (CPP) settings for the five years commencing 1 April 2014 and network revenues will return to the Commerce Commission's default price-quality path (DPP) from 1 April 2019, with prices thereafter forecast to increase at CPI
- non-expansionary "infill" growth will be 0.3% per annum
- the appropriate DCF discount rate is 6.7% post-tax.

EY performed a sensitivity analysis on a number of variables as follows:

Change in	Increase (m)	Decrease (m)
Operating expenses (– or + 10%)	16	(16)
Discount rate (– or + 0.25%)	40	(37)
Regulatory post tax cost of capital (–0.7%) <sup>1</sup>	N/A	(79)
Capital expenditure (– or + 5%)	24	(24)

EY reviewed the carrying value for the electricity network as at 31 March 2016, using a similar methodology to that described above, based on Orion's updated financial forecasts, and updated DCF discount rate, and the Commerce Commission's decision to reduce the regulatory cost of capital estimate to the 67th percentile estimate. EY concluded that there were no indicators that the carrying value for the electricity distribution network as at 31 March 2016 was materially different from fair value as at that date.

In the year ended 31 March 2016, the company has impaired the carrying value of its electricity distribution network and substation buildings. The company has recognised \$7.054m of capital contributions received as revenue during the year. The impairment expense of \$7.054m during the year reflects that capital contribution receipts reduce the value of the company's regulatory asset base, and this in turn reduces the company's future revenues from future regulatory price resets.

In the year ended 31 March 2016, the company ceased supplying builders temporary supply boxes. The company has since disposed of its remaining boxes and has written off their carrying value. This resulted in a \$299k impairment expense in the year ended 31 March 2016.

#### Land and non-substation buildings

Orion's land and non-substation buildings were revalued to fair value as at 31 March 2014, by CBRE Limited, in accordance with NZ IAS 16 – Property, Plant and Equipment, NZ IAS 36 – Impairment of Assets, and NZ IFRS 13 – Fair Value Measurement.

Land at a sample of substation sites was valued using sales comparisons and unit metre frontage methodologies (Level 2, as defined in NZ IFRS 13) and compared with their respective rateable values. The comparisons were then used to develop standard site multipliers, which were applied to rateable land values for approximately 2,200 substation sites. Fair values for approximately 35% of the Orion's land and non-substation buildings (by value) were calculated using significant unobservable inputs (Level 3, as defined in NZ IFRS 13). Land at the two largest substations using discounted cashflow and/or sales comparison approaches, reflecting the highest and best use of each (Level 3).

Orion's head office land and building was valued using a market rental assessment and a capitalization rate of 7.75% (Level 3). The valuer concluded that the fair values of the head office building and land were \$10.4m and \$3.6m respectively, thus confirming their carrying values.

The valuer reviewed the value of the above assets as at 31 March 2016, using a similar methodology, and concluded that there were no indicators that the carrying value as at 31 March 2016 was materially different to fair value.

## Notes to the financial statements FOR THE YEAR ENDED 30 JUNE 2016

### GROUP STRUCTURE contd.

#### 5. Property, plant & equipment (contd.)

##### *Restrictions over title*

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

#### **Christchurch International Airport Ltd**

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

##### *Land*

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

##### *Buildings*

At market value based on the estimated amount for which a property would exchange on the date of valuation between a willing buyer and willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion, but with the explicit assumption that the existing use of the asset is ignored.

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

##### *Terminal facilities*

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

##### *Car parking assets*

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

##### *Sealed surfaces and infrastructure assets*

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

##### *Revaluation*

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

The valuation methodologies used in the revaluation as at 30 June 2016 were consistent with those used in the last valuation.



**5. Property, plant & equipment** (contd.)

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

Category	Change in	Increase (m)	Decrease (m)
Land	Discount rate (– or + 5%)	25.8	(25.8)
Infrastructure/sealed surfaces	Cost estimate (– or + 5%)	11.8	(11.8)
Buildings	Cost estimate (– or + 5%)	1.7	(1.7)
Terminal	Cost estimate (– or + 5%)	17	(17)
Car parking	Discount rate (– or + 5%)	4.7	(4.7)

**Lyttelton Port Company Ltd**

Net carrying value at 30 June 2016 was \$296m (2015: \$328m). Lyttelton Port Company Ltd's (LPC's) assets are carried at 2006 valuation (or cost for subsequent additions) less accumulated depreciation and impairment charges.

As required by NZ IAS 36 Impairment of Assets, the LPC board undertook an impairment test and have assessed that at 30 June 2016 there is an indicator of impairment.

LPC has undertaken a significant capital investment programme to replace assets destroyed in the earthquakes of 2010 and 2011, and to increase the resilience of the Company's infrastructure. Total capital investment since the earthquake totals \$286.9 million which has been principally funded by insurance proceeds received in 2014 of \$357.6 million. LPC is committed to significant further capital investment to replace destroyed assets, increase resilience and maintain competitiveness. The Directors of LPC consider all investment decisions have been made in the best interests of the Company.

The impairment has arisen because the return generated by replacing destroyed assets, which do not in isolation increase operating earnings; and some of the capital projects that are necessary for the future of the port, do not meet the investment return established by the Directors of LPC.

Where this indicator exists, NZ IAS36 requires a comparison of the Company's net asset position to either its fair value less costs to sell, or value in use, using either market information or a discounted cash flow forecast. The LPC board have assessed the value in use of the Company to be significantly lower than its net asset position. The value in use calculation is based on reasonable and supportable assumptions that represent the Directors best estimate of future cash flows.

Based on those cash flows the Board have resolved to book an impairment of \$93.7m at 30 June 2016. This is consistent with the external valuation completed on behalf of the Company's shareholder which indicated the carrying value of the Company's assets exceeds its fair value.

The Company has undertaken the impairment as a single cash generating unit, whereby assets should be written off on a pro-rata basis until they are held at the higher of their value in use, sale value or nil. Assets have been impaired based on their value in use and not as a pro-rata across the entire asset base.

**Enable Services Ltd**

Net carrying value at 30 June 2016 was \$300m (2015: \$4m) reflective of the acquisition of the net assets of Enable Networks Ltd as described in note 2. Property, plant and equipment includes the original fibre optic network owned by the consolidated group and the subsequent capital cost of deploying the UFB network covering circa 60 percent of Christchurch; all of Rolleston and Lincoln; and parts of Rangiora, Kaiapoi and Woodend. The UFB network assets are long term infrastructure assets with long term investment horizons.

The UFB network Layer 1 and 2 assets, together with the Central Offices (collectively described as UFB network assets), are owned by ESL's 100% subsidiary ENL. These UFB network assets were revalued to fair value as part of the business combination described in Note 2 by independent valuers EY. EY are considered to have the appropriate qualifications and experience in the fair value measurement of such assets.

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

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

## Notes to the financial statements FOR THE YEAR ENDED 30 JUNE 2016

### GROUP STRUCTURE contd.

#### 5. Property, plant & equipment (contd.)

The DCF methodology involved assessing:

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

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

The sensitivity of the enterprise valuation of \$331m to relevant factors is summarised as follows:

Movement in	Range	Upper Value (m)	Lower Value (m)
EBITDA	+ – or – 5%	324	291
WACC	+ – or – 0.3%	322	295
Terminal growth rate	+ – or – 0.25%	314	302
Capital expenditure	+ – or – 5%	310	305

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

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

The net carrying value of the property, plant and equipment of these companies at 30 June 2016 comprised less than 5% of total group assets. Assets of these companies are either independently revalued at regular intervals, or carried at cost less accumulated depreciation.

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

Land, buildings, electricity distribution network, airport sealed surfaces, car parking building and infrastructure assets (except for investment properties – refer to Note 6, and for land and buildings owned by Lyttelton Port Company Ltd and EcoCentral Ltd) are shown at fair value, based on valuations by external independent valuers, less subsequent depreciation.

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

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

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

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

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

**5. Property, plant & equipment** (contd.)

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

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

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

Assets to be depreciated include:

Buildings	1-100 yrs	Harbour structures	3-50 yrs
Building fit-out/services	30-70 yrs	Electricity distribution system	60 yrs
Car park	50 yrs	Airport infrastructure and roads	15-50 yrs
Office/computer equipment	1-10 yrs	Active telecommunications equip.	5 yrs
Mobile plant incl. vehicles	2-30 yrs	Vessels	5-25 yrs
Buses	17-26 yrs	Seawalls	100 yrs
Sealed surfaces (other than roads)	9-100 yrs	Container cranes	30 yrs

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

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

**Distinction between capital and revenue expenditure**

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

<b>6. Investment property</b>	<b>Note</b>	<b>Group 2016 \$'000</b>	<b>Group 2015 \$'000</b>
Balance at beginning of financial year		255,092	193,175
Transfer (to)/from property, plant & equipment		19,697	14,754
Additional capitalised expenditure		19,722	31,261
Disposal		(3,308)	(2,184)
Net gain/(loss) from fair value adjustments	8	12,489	18,086
Balance at end of financial year		303,692	255,092

All of the Group's investment property is held by Christchurch International Airport Ltd. Included in the amount above is \$12.4m (2015: \$26.8m) relating to investment properties under construction, but sufficiently advanced to enable a fair value to be assessed by the independent valuer. These properties are carried at fair value on completion less estimated costs to complete.



## Notes to the financial statements FOR THE YEAR ENDED 30 JUNE 2016

### GROUP STRUCTURE *contd.*

#### 6. Investment property (*contd.*)

##### *Valuation of investment property*

The valuation as at 30 June 2016 was completed by Crichton Anderson Property and Infrastructure Ltd, registered valuers. The basis of valuation is fair value, being the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

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

Principal assumptions used in establishing the valuations were:

- Average rental yield rate 8.27% (2015: 8.56%)
- Average market capitalisation rate 7.68% (2015: 7.77%)
- Weighted average lease term 4.17 years (2015: 4.63 years).

Category	Change in	Increase (m)	Decrease (m)
Investment Property	Cost estimate (– or + 5%)	11.5	(11.5)

#### Accounting policy – investment property

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

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

- The occupants provide services that are integral to the operation of the Group's business and/or these services could not be provided efficiently and effectively by the lessee in another location;
- The property is being held for future delivery of services;

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

The classification of properties is done at the lowest possible level. Thus, where part of a property is occupied by a party other than the Group, consideration is given to whether that portion of the building could be classified as an investment property. Classification as an investment property will be indicated if the section of the building could be separately sold or leased under a finance lease. If the section of the property occupied by a party other than the Group is unable to be sold or leased separately from the rest of the building, the building is assessed as a whole and will usually only be classified as investment property if the Group occupies an insignificant portion of the total building.

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

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

## 7. Borrowings and financial costs

7 (a)		Current 2016 \$'000	Non-current 2016 \$'000	Total 2016 \$'000	Current 2015 \$'000	Non-current 2015 \$'000	Total 2015 \$'000
	Note						
<b>Unsecured:</b>							
Commercial paper		–	–	–	65,000	–	65,000
Bonds and floating rate notes		25,000	217,026	242,026	100,000	239,278	339,278
Loans from external parties		43,000	342,350	385,350	25,000	191,000	216,000
Loans from group entities	24(a)(iii)	65,000	323,500	388,500	–	208,000	208,000
Finance lease liabilities	7(c)	977	13,932	14,909	2,020	13,635	15,655
		133,977	896,808	1,030,785	192,020	651,913	843,933
<b>Secured:</b>							
Loans from external parties		–	81,964	81,964	–	8,600	8,600
		–	81,964	81,964	–	8,600	8,600
Total group borrowings		133,977	978,772	1,112,749	192,020	660,513	852,533

Except as disclosed in Note 26, the carrying amount of the Group's current and non-current borrowings approximates their fair value – ie. the amount at which these liabilities are expected to be settled for.

### CCHL parent company

CCHL's borrowings at 30 June 2016 comprised:

- Floating rate notes totalling \$115m (2015: \$215m) in six tranches ranging from \$10m to \$35m. These borrowings mature at various intervals until February 2020. Interest on floating rate bonds is based on bank bill rates plus the relevant issue margin, with a weighted average borrowing cost (before hedging) at balance date of 3.83% (2015: 4.51%).
- Loans from Christchurch City Council of \$388.5m (2015: \$208m) – see Note 24.
- The company also has an undrawn \$100m (2015: \$100m) bank facility. This matures in December 2016.
- CCHL's weighted average cost of borrowing (post-hedging) at balance date was 4.81% (2015: 5.42%).

In June 2016, CCHL entered into a Loan Facility Agreement with Crown Fibre Holdings Ltd (CFH) as part of the reorganisation of Enable Services Ltd (ESL) as outlined in note 1. The initial loan of \$84m (2015: 0) was used to subscribe in redeemable preference shares in ESL to enable ESL to acquire all the shares in ENL held by CFH. This interest free loan has been fair valued over the life of the loan, resulting in a fair value gain of \$8m (2015: 0). The loan is secured over the assets of the Enable Group. The loan is fully repayable on 31 May 2021.

The borrowings have been put in place under a \$850m (2015: \$650m) debt issuance programme. All borrowings other than the CFH Loan facility are unsecured, but the loan documentation imposes certain covenants and restrictions on CCHL. CCHL has issued uncalled capital of \$850m to support this programme (refer Note 22). The company has entered into derivative contracts to hedge its exposure to interest rate fluctuations (refer Note 26).

CCHL has complied with the financial covenants of its borrowing facilities during the 2016 and 2015 reporting periods.

### Orion New Zealand Ltd

Orion New Zealand Ltd's bank debt of \$213m (2015: \$70m) is unsecured against the company. However a deed of negative pledge and guarantee requires the company to comply with certain covenants.

Interest rates for all draw downs on the bank loan facilities are floating, based on bank bill rates plus a margin. As at 31 March 2016 this rate (including margin) averaged 3.22% (2015: 4.24%). The company has entered into derivative contracts to hedge its exposure to bank bill interest rate fluctuations. Daily commitment fees are also payable on the facilities.

## Notes to the financial statements FOR THE YEAR ENDED 30 JUNE 2016

### GROUP STRUCTURE contd.

#### 7 (a) Borrowings and financial costs (contd.)

##### Christchurch International Airport Ltd

The company has a \$235m (2015: \$235m) funding facility with four banks and a subordinated loan of \$25m (2015: \$25m) from CCHL, to fund the on-going business and future property and commercial development. It also has an overdraft facility of \$1m (2015: \$1m).

Total bond funding is \$125m (2015: \$125m). \$75m of the bond funding is held at fair value in the balance sheet, as it is subject to a fair value hedge relationship.

All borrowings under the bank facility and overdraft facility are unsecured and supported by a negative pledge deed. Interest rates paid during the year, including offsetting interest rate swaps, ranged from 5.6% to 6.3% (2015: 6.2% to 6.5%). The bond constitutes direct, unsecured, unsubordinated obligations and will rank equally with all other unsecured, unsubordinated indebtedness.

##### City Care Ltd

Bank loans of \$6.5m (2015: \$8.6m) are secured by a debenture over the assets and undertakings of the company, and made under a committed cash advance facility of \$50m (2015: \$50m). The facility is structured as a two year rolling facility with a current maturity date of 28 February 2018. Interest rates on the floating rate debt are based on bank bill rates plus a margin and averaged 3.71% for the year (2015: 4.35%).

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

These companies had no external debt as at 30 June 2016 (2015: Nil). Enable Services Ltd and EcoCentral Ltd are party to borrowing arrangements with CCHL as described in Note 24.

#### Accounting policy – borrowings

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

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

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset in accordance with NZ IAS 23 Borrowing costs (revised). All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

#### 7 (b) Undrawn borrowing facilities

	Group 2016 \$'000	Group 2015 \$'000
Floating rate – expiring within one year	112,000	120,000
Floating rate – expiring beyond one year	141,130	170,400
Total undrawn borrowing facilities	253,130	290,400



<b>7. Borrowings and financial costs (contd.)</b>	<b>Note</b>	<b>Group 2016 \$'000</b>	<b>Group 2015 \$'000</b>
<b>7 (c) Finance lease liabilities</b>			
No later than one year		2,352	4,856
Later than one year and not later than five years		8,991	8,455
Later than five years		22,153	25,835
Minimum lease payments*		33,496	39,146
Less future finance charges		(18,587)	(23,491)
Present value of minimum lease payments		14,909	15,655
<b>Minimum future lease payments</b>			
No later than one year		977	2,020
Later than one year and not later than five years		4,726	3,633
Later than five years		9,206	10,002
Total present value of minimum lease payments		14,909	15,655
<b>Represented by</b>			
Current portion		977	2,020
Non-current portion		13,932	13,635
		14,909	15,655

The finance lease liability relates to agreements between Orion and Transpower New Zealand Ltd of between one and 35 years for Transpower to construct assets at its local grid exit points. Orion does not own the assets at the end of the lease term and there is no residual value or security provided.

### Accounting policy – finance lease liabilities

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

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

### 7 (d) Financing costs

#### Interest expense

Bank borrowings		19,020	16,294
Debt instruments		20,249	22,855
Related party debt	24a(i)	12,014	9,656
Finance leases		1,476	1,684
Other interest		24	–
		52,783	50,489

## Notes to the financial statements FOR THE YEAR ENDED 30 JUNE 2016

## Profit &amp; Loss Information

8. Operating revenue	Note	Group 2016 \$'000	Group 2015 \$'000
Sale of goods		37,038	36,512
Rendering of services		649,688	655,408
Construction contract revenue		217,640	248,416
Capital contributions		7,054	6,467
Electricity transmission rental rebates		4,230	2,908
Rental income from investment properties		18,785	14,985
Other rental revenue		47,099	53,584
Insurance receipts		–	29,000
Gains on disposal of property, plant and equipment		2,558	4,892
Gains on revaluation of investment property	6	12,489	18,086
Gain on revaluation of investment in associate	2	11,838	–
Gain on Joint Venture		1,000	–
Gains on Interest Free Loan		8,451	–
Ineffectiveness – cash flow hedges		–	48
Ineffectiveness – fair value hedges		114	172
Reimbursement for services to associates		9,552	–
Other		10,333	7,476
		1,037,869	1,077,954

## Accounting policy – revenue

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

**(ii) Construction contracts** – As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognised through profit or loss in proportion to the stage of completion of the contract. The stage of completion is assessed by reference to surveys of work performed. An expected loss on a contract is recognised immediately through profit or loss.

**(iii) Earthquake insurance proceeds** – Earthquake insurance proceeds are recognised as revenues when they are received or when it is virtually certain that they will be received under the company's insurance contracts and the amounts can be reliably measured or estimated. If insurance cash receipts relate partially to business interruption and partially to property, plant and equipment, the cash flows are allocated between cash flows from operating activities (for example for the business interruption portion of the claim) and cash flows from investing activities (for example for the property, plant and equipment portion of the claim).

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

**(v) Dividend income** – Dividend income is recognised when the shareholder's right to receive payment is established.

9. Operating costs	Note	Group 2016 \$'000	Group 2015 \$'000
<i>Personnel costs:</i>			
Salaries and wages		255,846	255,753
Defined contribution plan employer contributions		2,912	2,885
Defined benefit plan employer contributions		141	138
Other		4,492	4,449
		263,391	263,225
Audit fees	9(a)	935	907
Consultants and legal fees		12,511	10,605
Directors' fees		2,099	1,934
Donations		169	201
Net foreign exchange losses/(gains)	25	10	(361)
Provision expenses/(gains)		(423)	(711)
Minimum lease payments under operating leases		9,229	9,104
Orion network maintenance and transmission expenses		93,934	98,236
Raw materials and consumables used		57,193	57,150
Repairs and maintenance		8,506	5,782
Service contracts (including sub-contractors)		123,520	129,845
Investment property direct operating expenses		2,720	2,420
Other operating expenses		148,603	176,754
Losses on assets written off		930	1,000
Ineffectiveness – cash flow hedges		-	13
Ineffectiveness – fair value hedges		115	-
Cash flow hedges – transfer from equity		-	218
Financial assets fair value change		2,896	751
		726,338	757,073
<b>9 (a) Remuneration of auditors</b>			
<b>Audit New Zealand</b>			
Audit of the financial statements		748	711
Special audits required by regulators		100	89
Assurance related		4	4
		852	804
<b>Other auditor – KPMG</b>			
Audit of the financial statements		83	88
Other non-audit services		-	15
		83	103
Total	9	935	907



## Notes to the financial statements FOR THE YEAR ENDED 30 JUNE 2016

### PROFIT & LOSS INFORMATION contd.

#### 9 (a) Remuneration of auditors (contd.)

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

#### Audit New Zealand

Other audit and assurance services principally comprised:

##### Orion New Zealand Limited

- annual assurance reviews of the company's annual compliance statement in accordance with the Commerce Commission's Electricity Distribution Services Default Price-Quality Path Determination 2010 (2016 and 2015)
- assurance reviews of the company's information disclosures in accordance with the Electricity Distribution Information Disclosure Determination 2012 (2016 and 2015)

##### Christchurch International Airport Limited

- audit of the company's disclosures pursuant to the Commerce Act (Specified Airport Services Information Disclosure Determination 2010)
- audit of the bond registry.

## 10. Income taxes

Group 2016  
\$'000

Group 2015  
\$'000

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

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

Current tax expense/(income)	47,220	47,159
Adjustments to current tax of prior years	(4,294)	1,313
Deferred tax expense/(income)	(26,407)	(2,759)
Impairment of deferred tax asset	-	-
Total tax expense/(income)	16,519	45,713

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

Profit before tax	55,288	177,995
Tax at statutory rate of 28%	15,481	49,839
Non-deductible expenses	9,797	4,151
Non-assessable income and deductible items	(1,863)	(7,100)
Other	(6,086)	(1,859)
(Over)/under provision of income tax in previous year	(810)	682
Total tax expense/(income)	16,519	45,713

The tax rate used in the above reconciliation is the corporate tax rate of 28% (2015: 28%) payable by New Zealand companies on taxable profits under New Zealand tax law.

**10. Income taxes (contd.)****Group 2016  
\$'000****Group 2015  
\$'000****10 (c) Unrecognised tax losses**

Tax losses	-	60
Tax effect	(0)	17

**10 (d) Imputation credits**

The amount of imputation credits available for use in subsequent reporting periods by the CCHL Group is \$34,154,000 (2015: \$61,432,000).

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

**10 (e) Deferred balances**

Group	30 June 2015				30 June 2016			
	Opening balance \$'000	Profit/loss \$'000	Other comprehen. income \$'000	Closing balance \$'000	Profit/loss \$'000	Other comprehen. income \$'000	Acq through business combination \$'000	Closing balance \$'000
<b>Deferred tax liabilities:</b>								
Cash flow hedges	-	-	-	-	-	-	-	-
Fair value hedges	1,092	(210)	82	964	-	-	3,640	4,604
Property, plant and equipment	328,607	(6,203)	33	322,437	(37,703)	4,269	6,156	295,159
Intangible assets	969	(482)	-	487	(6)	-	-	481
Other	10,022	8,721	-	18,743	10,597	-	-	29,340
	340,690	1,826	115	342,631	(27,112)	4,269	9,796	329,584
<b>Deferred tax assets:</b>								
Cash flow hedges	1,930	(81)	6,076	7,925	23	8,157	-	16,105
Fair value hedges	-	-	-	-	811	87	-	898
Provisions/employee entitlements	5,906	1,292	-	7,198	205	-	-	7,403
Doubtful debts/impairment losses	86	9	-	95	30	-	-	125
Tax losses	836	2,450	(705)	2,581	(2,335)	-	-	246
Other	407	915	-	1,322	561	-	50	1,933
	9,165	4,585	5,371	19,121	(705)	8,244	50	26,710
Net deferred tax liability/(asset)	331,525	(2,759)	(5,256)	323,510	(26,407)	(3,975)	9,746	302,874

## Notes to the financial statements FOR THE YEAR ENDED 30 JUNE 2016

### PROFIT & LOSS INFORMATION contd.

#### 10. Income taxes (contd.)

##### Accounting policy – income tax

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

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Differences relating to investments in subsidiaries are not recognised to the extent that they will probably not reverse in the foreseeable future.

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

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

#### 11. Finance income

	Group 2016 \$'000	Group 2015 \$'000
<b>Interest income</b>		
Bank deposits	9,548	13,453
Related party loans	3,462	2,260
Other	1,119	1,416
	<u>14,129</u>	<u>17,129</u>

##### Accounting policy – finance income

Interest revenue comprises interest receivable on funds invested and on loans advanced. Interest revenue is recognised through profit or loss as it accrues, using the effective interest method.

## Notes to the financial statements FOR THE YEAR ENDED 30 JUNE 2016

## Other Assets &amp; Liabilities

12. Loans and other financial costs	Note	Group 2016 \$'000	Group 2015 \$'000
<b>12 (a) Current portion</b>			
Loans to group entities	24	–	14,487
Other loans and investments		160	136
Forward foreign exchange contracts		–	96
Term deposits		152,493	93,441
Other		2,856	2,897
Total current other financial assets		155,509	111,057
<b>12 (b) Non-current portion</b>			
Loans to group entities	24	–	28,077
Other loans and investments	12(c)	28,662	30,959
Term deposits		–	40,000
Interest rate swaps		429	1,568
Total non-current other financial assets		29,091	100,604
Total other financial assets (current and non-current)		184,600	211,661

**12 (c) Other loans and investments***Loan to Christchurch Engine Centre*

On 29 June 2012, CCHL entered into a loan agreement with Christchurch Engine Centre to advance up to US\$17m, effectively replacing the Council's previous combined equity/debt investment in Jet Engine Facility Ltd. CCHL has entered into a cross currency interest rate swap to achieve a fixed interest rate on the US\$ loan (Note 18).



## Notes to the financial statements FOR THE YEAR ENDED 30 JUNE 2016

### OTHER ASSETS & LIABILITIES contd.

#### 13. Debtors, inventory and other assets

	Note	Current 2016 \$'000	Non-current 2016 \$'000	Total 2016 \$'000	Current 2015 \$'000	Non-current 2015 \$'000	Total 2015 \$'000
<b>13(a)</b>							
Trade receivables	13(b)	81,648	-	81,648	113,893	-	113,893
Provision for impairment	13(c)	(430)	-	(430)	(364)	-	(364)
Chargeable work in progress		20,556	-	20,556	72,583	-	72,583
Inventory - raw materials and maintenance items		15,042	-	15,042	15,742	-	15,742
Inventory - work in progress		10,609	-	10,609	-	879	879
Inventory - finished goods		4,468	-	4,468	4,124	-	4,124
Inventory - allowance for impairment		(222)	-	(222)	(459)	-	(459)
Prepayments		8,164	7,465	15,629	7,971	7,429	15,400
Interest receivable		1,984	-	1,984	3,289	-	3,289
Construction contract receivables		-	-	-	1,596	3,854	5,450
Contract retentions		4,559	-	4,559	4,416	-	4,416
Other		3,068	-	3,068	4,099	-	4,099
		149,446	7,465	156,911	226,890	12,162	239,052

Included in trade receivables are amounts due from the ultimate shareholder, Christchurch City Council, and from subsidiaries, as disclosed in Note 24.

	Note	Group 2016 \$'000	Group 2015 \$'000
<b>13 (b) Credit risks – aging of receivables</b>			
<b>Gross receivables</b>			
Not past due		69,409	104,067
Past due 0-30 days		9,260	7,976
Past due 31-60 days		1,216	728
Past due more than 60 days		1,763	1,122
	13(a)	81,648	113,893
<b>Impairment</b>			
Not past due		-	-
Past due 0-30 days		-	-
Past due 31-60 days		-	-
Past due more than 60 days		(430)	(364)
		(430)	(364)
Gross trade receivables		81,648	113,893
Individual impairment	13(c)	(425)	(364)
Collective impairment	13(c)	(5)	-
Trade receivables (net)		81,218	113,529

13. Debtors, inventory and other assets (contd.)	Note	Group 2016 \$'000	Group 2015 \$'000
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**13 (c) Movements in provision for impairment of receivables**

Balance at start of year		364	369
Provisions made during year		74	167
Provisions reversed during year		(5)	(27)
Receivables written off during year		(3)	(145)
Balance at end of year	13(b)	430	364

**13 (d) Construction contracts****For contracts in progress at balance date:**

Contract costs incurred	218,092	483,450
Progress billings	205,378	388,954
Gross amounts due from customers	15,072	16,778
Gross amounts due to customers	90	64

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

**13 (e) Inventory**

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

**Accounting policy****Debtors and other receivables**

Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

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

**Construction work in progress**

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

**Prepayments**

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

**Inventories**

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

## Notes to the financial statements FOR THE YEAR ENDED 30 JUNE 2016

### OTHER ASSETS & LIABILITIES contd.

<b>14. Cash and cash equivalents</b>	<b>Group 2016 \$'000</b>	<b>Group 2015 \$'000</b>
<b>Cash and cash equivalents denominated in:</b>		
New Zealand dollars	1,681	89,688
Foreign currency	61	123
	<b>1,742</b>	<b>89,811</b>

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

#### Accounting policy – cash and cash equivalents

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

### 15. Intangible assets

<b>15(a)</b>	<b>Goodwill \$'000</b>	<b>Easements &amp; consents \$'000</b>	<b>Software and other \$'000</b>	<b>Total \$'000</b>
<b>Gross carrying amount</b>				
Gross carrying amount at 1 July 2014	44,975	2,641	41,192	88,808
Additions	553	6,774	4,804	12,131
Additions from internal developments	–	–	308	308
Disposals	–	–	(1,343)	(1,343)
Gross carrying amount at 30 June 2015	45,528	9,415	44,961	99,904
Additions	2,128	2,853	2,785	7,766
Additions from internal developments	–	–	–	–
Disposals	(3,391)	–	(951)	(4,342)
Gross carrying amount at 30 June 2016	44,265	12,268	46,795	103,328
<b>Accumulated amortisation and impairment</b>				
Accumulated balance at 1 July 2014	(5,823)	(967)	(27,236)	(34,026)
Amortisation expense	–	(58)	(4,142)	(4,200)
Impairment	–	–	(3,474)	(3,474)
Disposals	–	–	1,344	1,344
Accumulated balance at 30 June 2015	(5,823)	(1,025)	(33,508)	(40,356)
Amortisation expense	–	(58)	(3,882)	(3,940)
Impairment	(553)	(5,823)	(14)	(6,390)
Disposals	–	–	856	856
Accumulated balance at 30 June 2016	(6,376)	(6,906)	(36,548)	(49,830)
<b>Carrying amount</b>				
Carrying amount at 30 June 2015	39,705	8,390	11,453	59,548
Carrying amount at 30 June 2016	37,889	5,362	10,247	53,498

**15. Intangible assets (contd.)**

Included in intangible assets is work in progress of \$0.3m (2015: \$1.3m).

During the year, LPC carried out a review of the recoverable amount of its intangible assets. The review led to the recognition of an impairment loss of \$5.8m which has been recognised in the profit or loss. The 2015 comparative relates to an impairment loss of \$3.5m by Enable Services Ltd.

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

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

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

**(ii) Other intangible assets**

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

**(iii) Amortisation**

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

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

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

	Group 2016 \$'000	Group 2015 \$'000
<b>15 (b) Amount of goodwill allocated to cash-generating units</b>		
Orion New Zealand Ltd	2,648	2,648
Christchurch International Airport Ltd	1,740	5,131
Lyttelton Port Company Ltd	21,749	21,749
City Care Ltd	4,978	3,403
EcoCentral Ltd	6,774	6,774
	<b>37,889</b>	<b>39,705</b>

City Care Ltd's goodwill increased by \$1.6m as the result of an acquisition - see Note 2. Christchurch International Airport Ltd recovered \$3.4m of its goodwill when it sold its interest in the International Antarctic Centre.

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



## Notes to the financial statements FOR THE YEAR ENDED 30 JUNE 2016

### OTHER ASSETS & LIABILITIES contd.

#### 15. Intangible assets (contd.)

##### Accounting policy – goodwill

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

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

#### 16. Creditors and other parties

	Group 2016 \$'000	Group 2015 \$'000
Trade payables and accrued expenses	76,735	98,700
GST payable	1,875	6,036
Interest payable	6,036	3,688
Retentions	3,100	2,622
Deposits held	181	169
	<b>87,927</b>	<b>111,215</b>

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

##### Accounting policy – creditors and other payables

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid. The amounts are usually paid within 30 days of recognition.

**17. Provisions and other liabilities**

	Current 2016 \$'000	Non-current 2016 \$'000	Total 2016 \$'000	Current 2015 \$'000	Non-current 2015 \$'000	Total 2015 \$'000
<b>17(a) Employee entitlements:</b>						
Accrued pay	6,316	–	6,316	6,184	–	6,184
Annual leave	21,177	–	21,177	19,414	–	19,414
Sick leave	257	–	257	195	–	195
Retirement and long service leave	1,916	1,708	3,624	1,848	1,714	3,562
Bonuses and other	3,821	461	4,282	3,888	478	4,366
	33,487	2,169	35,656	31,529	2,192	33,721
SCIRT contract wash up and other provisions	431	–	431	1,198	–	1,198
Interest rate swaps	1,883	53,548	55,431	743	25,988	26,731
Deferred income	954	496	1,450	980	1,036	2,016
Income in advance	929	1,086	2,015	1,595	1,187	2,782
	37,684	57,299	94,983	36,045	30,403	66,448

	Group 2016 \$'000	Group 2015 \$'000
<b>17(b) Movements in provisions</b>		
Opening balance	1,198	2,084
Additional provisions made	31	298
Amounts used	(344)	(175)
Unused amounts reversed	(454)	(1,009)
Closing balance	431	1,198

City Care Ltd is party to the SCIRT alliance agreement. The agreement contains provision for sharing contract gains and/or losses against budget on conclusion of the agreement, expected to conclude in late 2016. In addition the life to date revenue earned from the SCIRT alliance is subject to audit by the SCIRT auditors. At balance date, the alliance contract position reflected a net gain (2015: Net gain). After consideration of the results of the audits completed, the City Care board have agreed to release 50% of the remaining provision. The remaining provision relates to revenue still subject to ongoing audit by the SCIRT auditors.

## Notes to the financial statements FOR THE YEAR ENDED 30 JUNE 2016

### OTHER ASSETS & LIABILITIES contd.

#### 17. Provisions and other liabilities (contd.)

##### Accounting policy

###### Provisions

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

###### Employee entitlements

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

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

## Notes to the financial statements FOR THE YEAR ENDED 30 JUNE 2016



## Areas of Judgement and Financial Risk

### 18. Areas of judgement and financial risk

#### 18(a) Critical judgements, estimates and assumptions

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

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

#### Group

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

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

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

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

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

##### *Enable Services Ltd recovery of initial costs*

Enable Services Ltd is contracted to build the UFB network over a build programme concluding by December 2019. A project of this nature has a number of up-front costs, including initial design, resourcing of staff, and investment in total project infrastructure. These costs are required to be recovered throughout the build programme. The company has exercised its judgement as to whether these costs will be recoverable through the life of the project.

##### *City Care Ltd Sale*

In October 2015 the ultimate parent, Christchurch City Council (CCC) requested CCHL to put City Care Ltd, a wholly owned subsidiary, into a sales process, with a view of using sales proceeds to fund the 2016 component of the Capital release programme. After a rigorous sales process the decision to retain City Care was made in July 2016 by the CCC.

The decision to retain City Care Ltd was a post balance date event, but a significant judgement that CCHL has made is whether the sale process of City Care Ltd meets the requirements of NZ IFRS 5: Non-Current Assets Held for Sale and Discontinued Operations at 30 June 2016.

A key judgement that has been made by the CCHL board is in relation to whether the sale was highly probable at the point in time that City Care Ltd was put up for sale and throughout the period after that date.

Highly probable is a high threshold to meet in that it must be "significantly more than probable" that the proposed sale will occur.

After considering the accounting standard and based on the information available at the time, the CCHL board have concluded as at 30 June 2016, that City Care was not held for sale, as it was not 'highly probable' at that point that a sale would be completed. On this basis, the City Care assets and liabilities have continued to be consolidated as part of the group position.



## Notes to the financial statements FOR THE YEAR ENDED 30 JUNE 2016

### AREAS OF JUDGEMENT & FINANCIAL RISK *contd.*

#### 18. Areas of judgement and financial risk *(contd.)*

##### Risk management

The group's exposure to, and management of risks, is described in the following notes.

##### 18(b) Credit risk

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

Exposure to credit risk		Group 2016 \$'000	Group 2015 \$'000
Cash and deposits		154,235	223,252
Debtors and other receivables		111,291	203,366
Loans		26,822	73,659
Derivative financial instrument assets		429	1,664
		292,777	501,941
<b>Counterparty credit ratings</b>			
Cash and deposits	<b>Rating</b>		
	AA	154,200	203,252
	A	35	20,000
		154,235	223,252
Loans	A	–	14,487
	BBB	25,000	–
	Lower than BBB or unrated	1,822	59,172
		26,822	73,659
Derivative financial instrument assets	AA	429	1,568
		429	1,568

##### Trade receivables

Orion New Zealand Ltd has a concentration of credit risk with regard to its trade receivables, as it only has a small number of electricity retailer customers. Christchurch International Airport Ltd also has a concentration of credit risk on a small number of customers, with 91% (2015: 86%) of trade receivables due from 10 customers. Lyttelton Port Company Ltd's exposure to credit risk is reflective of its customer base and hence is concentrated to the default risk of its customers' industries. No more than 15% of its operating revenue results from transactions from any one customer. City Care Ltd also has a concentration of credit risk in respect of its transactions with Christchurch City Council with a 25% of its revenue derived from this source. Red Bus Ltd has a concentration of credit risk with Environment Canterbury, which provides 84% (2015: 84%) of the company's revenue.

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

**18. Areas of judgement and financial risk (contd.)**

The Group manages its exposure to credit risk arising from trade receivables by performing credit evaluations on all significant customers, wherever practicable, and continuously monitors the outstanding credit exposure to individual customers. The Group does not generally require collateral security from its customers.

**18(c) Liquidity risk**

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

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

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

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

	Balance sheet \$'000	Contractual cash flows \$'000	Less than 1 year \$'000	1-2 years \$'000	2-5 years \$'000	5 years + \$'000
<b>30 June 2015</b>						
Cash, cash equivalents and deposits	223,252	223,252	223,252	-	-	-
Debtors and other receivables	203,366	203,366	203,366	-	-	-
Loans and advances	73,659	100,197	18,400	2,949	17,863	60,985
Other assets	2,893	2,893	2,893	-	-	-
Creditors and other payables	(111,215)	(111,215)	(111,215)	-	-	-
Derivative financial instruments	(25,067)	(26,446)	(6,072)	(9,717)	(7,867)	(2,790)
Borrowings – external	(628,878)	(709,174)	(215,549)	(169,878)	(269,059)	(54,688)
Borrowings – related parties	(208,000)	(280,218)	(10,424)	(10,395)	(53,696)	(205,703)
Finance lease liabilities	(15,655)	(39,146)	(4,856)	(2,246)	(6,209)	(25,835)
	(485,645)	(636,491)	99,795	(189,287)	(318,968)	(228,031)

## Notes to the financial statements FOR THE YEAR ENDED 30 JUNE 2016

### AREAS OF JUDGEMENT & FINANCIAL RISK *contd.*

#### 18. Areas of judgement and financial risk (*contd.*)

##### 18(d) Interest rate risk

The Group is exposed to interest rate risk as they borrow funds at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings, by the use of interest rate swaps, options and forward interest rate contracts (Note 18(f)).

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

	Carrying value \$'000	<1 year \$'000	Re-prices		
Interest rate re-pricing analysis			1-2 yrs \$'000	2-5 years \$'000	>5 yrs \$'000
<b>30 June 2016</b>					
Cash and deposits	154,393	154,393	-	-	-
Loans and advances	26,822	216	-	-	26,606
Borrowings	(1,112,865)	(572,545)	(30,000)	(370,506)	(139,814)
	(931,651)	(417,937)	(30,000)	(370,506)	(113,208)
<b>30 June 2015</b>					
Cash and deposits	223,527	183,527	40,000	-	-
Loans and advances	73,659	21,940	-	-	51,719
Borrowings	(852,533)	(464,255)	(45,000)	(149,499)	(193,779)
	(555,347)	(258,788)	(5,000)	(149,499)	(142,060)

##### 18(e) Interest rate sensitivity

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

	2016		2015	
	Profit/loss \$'000	Equity \$'000	Profit/loss \$'000	Equity \$'000
100 basis point increase	(78)	13,767	1,530	9,641
100 basis point decrease	(102)	(15,043)	(1,558)	(10,638)

**18. Areas of judgement and financial risk (contd.)****18(f) Interest rate hedging activity**

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

	Notional principal		Fair Value	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>Floating for fixed contracts</b>				
Less than 1 year	112,000	100,000	(1,800)	(743)
1 to 2 years	234,000	182,000	(8,462)	(3,441)
2 to 5 years	436,000	314,000	(24,314)	(15,873)
More than 5 years	336,000	319,000	(19,454)	(1,594)
	1,118,000	915,000	(54,030)	(21,651)
<b>Fixed for floating contracts</b>				
Less than 1 year	-	-	-	-
2 to 5 years	75,000	75,000	2,579	(249)
More than 5 years	21,725	21,725	(3,336)	(3,263)
	96,725	96,725	(757)	(3,512)

**18(g) Foreign exchange risk**

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

The CCHL is party to a US\$17m loan agreement with Christchurch Engine Centre. The loan agreement is fully hedged with a cross currency interest rate swap, and CCHL has no exposure to foreign exchange fluctuations (2015: Nil).

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



## Notes to the financial statements FOR THE YEAR ENDED 30 JUNE 2016

### AREAS OF JUDGEMENT & FINANCIAL RISK *contd.*

#### 18. Areas of judgement and financial risk *(contd.)*

##### Accounting policy

###### Derivative financial instruments

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

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

###### Hedging

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

###### *Fair value hedge*

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

###### *Cash flow hedge*

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

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

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

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

###### Foreign currency

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

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

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

#### 18(h) Commodity price and demand risk

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

## Notes to the financial statements FOR THE YEAR ENDED 30 JUNE 2016

## Unrecognised Items

19. Capital and operating lease commitments	Note	Group 2016 \$'000	Group 2015 \$'000
<b>19(a) Capital commitments</b>			
Ultra fast broadband network	(i)	239,918	247,000
Property, plant & equipment		65,643	30,254
Electricity distribution network		7,458	26,047
		313,019	303,301
<b>19(b) Non-cancellable operating leases as lessee</b>			
No later than one year		7,426	7,727
Later than one year and not later than five years		16,011	16,123
Later than five years		10,774	12,506
		34,211	36,356
<b>Non-cancellable operating leases as lessor</b>			
No later than one year		61,343	54,581
Later than one year and not later than five years		161,357	162,805
Later than five years		138,685	149,742
		361,385	367,128

**Capital commitments***(i) Ultra fast broadband network*

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

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

As at 30 June 2016 the estimated cost of the communal network build programme over the remainder of the contractual period (through to 31 December 2019) is \$97m. The estimated cost of network connections through to June 2022 is \$128m.

CCHL has committed the necessary funding to ESL to meet the costs of building the network prior to sale to Enable Networks Ltd, and its share of the funding obligations to Enable Networks Ltd.

**Operating lease receivables**

Of the total lease receivables of \$361m, \$324m (90%) are attributable to Christchurch International Airport Ltd (2015: \$324m). The company has a number of property leases that generate rental income. The leases are for terms between 1 month and 37 years, and the majority of the lease agreements are renewable at the end of the lease period at market rates.

Lyttelton Port Company Ltd has non-cancellable operating lease receivables of \$38m (2015: \$43m). The Group leases a range of land, buildings and equipment to a number of customers. A number of leases include rights of renewal for further periods including "in perpetuity".

## Notes to the financial statements FOR THE YEAR ENDED 30 JUNE 2016

### AREAS OF JUDGEMENT & FINANCIAL RISK contd.

#### 19. Capital and operating lease commitments (contd.)

##### Accounting policy – operating leases

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

##### (i) As lessee

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

##### (ii) As lessor

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

#### 20. Contingent liabilities and assets

Group 2016	Group 2015
\$'000	\$'000

##### 20(a) Quantifiable contingent liabilities

Performance bonds	47,802	51,875
Port noise mitigation	–	1,200
	47,802	53,075

##### Contract performance bonds

The following contingent liabilities exist in respect of contract performance bonds:

- CCHL \$40.0m (2015: \$42.5m);
- City Care Ltd \$6.5m (2015: \$8.0m);
- Red Bus Ltd \$0.9m (2015: \$0.9m); and
- Orion New Zealand Ltd \$0.4m (2015: \$0.5m).

CCHL entered into a \$50m performance bond with ANZ bank in June 2011 in support of Enable Services Ltd's obligations under the UltraFast Broadband initiative. The amount of the bond decreases annually and terminates in 2022.

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

##### Enable Services Ltd

As part of the re-organisation (refer Note 3), the Enable Group has provided a guarantee of Crown Fibre Holdings Ltd's loan to CCHL. As at 30 June 2016 this loan amounted to \$83.9m (2015: \$0)

##### Lyttelton Port Company Ltd

It was identified during the period that LPC may not have fully complied with the requirements of the Holidays Act 2003 in respect of prior periods. Whilst a full investigation is being undertaken, at 30 June 2016, the Directors of LPC have provided for the best estimate of the obligation that is considered to be payable, based on a preliminary investigation. This provision has been recognised within Employee Entitlements.

**20. Contingent liabilities and assets (contd.)****National Provident Fund's Defined Benefit Plan Contributors Scheme**

Some members of the Group are participating employers in the National Provident Fund's Defined Benefit Plan Contributors Scheme (the scheme) which is a multi-employer defined benefit superannuation scheme. In the unlikely event that the other participating employers ceased to participate in the scheme, the Group could be responsible for the entire deficit of the scheme. Similarly, if a number of employers ceased to participate in the scheme, the Group could be responsible for an increased share of the deficit. The Fund has advised that insufficient information is available to use defined benefit accounting.

**20(b) Contingent assets****Lyttelton Port Company Ltd**

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

**Enable Services Ltd**

Broadspectrum has lodged a \$45m performance bond with Enable Group under the Network Delivery Alliance agreement (2015: \$22.5m).

The Group had no other material or significant contingent liabilities or assets as at 30 June 2016.

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

In October 2015 the Christchurch City Council requested CCHL to put City Care Ltd, a wholly owned subsidiary, into a sales process, with a view of using sales proceeds to fund the 2016 component of the Capital release programme. After a rigorous sales process the decision to retain City Care was made in July 2016 by the shareholders (Christchurch City Council).

Other than for the above, the Group is unaware of any significant events between the preparation and authorisation of these financial statements on 14 September 2016.



## Notes to the financial statements FOR THE YEAR ENDED 30 JUNE 2016

## Other disclosures

**22. Share capital and dividends**

	Group 2016 \$'000	Group 2015 \$'000
Fully paid ordinary shares	71,434	71,434
Partly paid redeemable preference shares	1	1
	71,435	71,435
Dividends declared on fully paid ordinary shares	131,991	46,009
Cents per share	520	181

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

- 25,381,528 fully paid ordinary shares to Christchurch City Council, carrying one vote per share and the right to dividends.
- 850,139,000 (2015: 650,139,000) redeemable preference shares, paid to \$1,390, to Christchurch City Council. No further calls have been made on these shares. Dividends are only payable to the extent that the shares are paid up. CCHL may elect to redeem the whole or any part of the shares. The shares do not carry any right to conversion into ordinary shares in CCHL.

**Capital management**

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

Management monitors capital through the gearing ratio (net debt: net debt + equity) and a strong credit rating (currently A+/A-1 (negative outlook) from Standard & Poor's), although it is noted that the CCHL parent company's rating is largely determined by the Council's rating due to the close financial relationship between the two entities. The gearing ratio at balance date is disclosed in Note 28.

**Accounting policy – dividends**

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

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

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

**Cash flow hedges**

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised in other comprehensive income, as described in Note 18.

## 24. Related party disclosures

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

### 24(a) Transactions between CCHL group entities and Christchurch City Council

#### 24(a)(i) Routine transactions

	2016 \$'000	2015 \$'000
Dividends paid/payable to CCC	131,991	46,009
Interest received from CCC	987	995
Interest paid to CCC	12,014	9,656
Services provided to CCC	91,231	102,304
Services provided by CCC (including rent and rates)	12,650	10,600

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

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

	30 June 2016					30 June 2015				
	Paid by: CIAL \$'000	LPC \$'000	CCL \$'000	ECL \$'000	RBL \$'000	Paid by: CIAL \$'000	LPC \$'000	CCL \$'000	ECL \$'000	
<b>Subvention payments</b>										
<b>Paid to:</b>										
CCC	4,473	5,967	3,739	-	81	236	2,615	7,219	-	
CCHL	-	-	-	-	-	-	-	-	-	
Enable Services Ltd	1,418	-	-	862	-	241	-	-	464	
Red Bus Ltd	-	-	-	-	-	462	-	-	-	
Vbase group	-	1,253	-	-	-	-	5,852	-	-	
Civic Building Ltd/Tuam Ltd	609	-	-	-	-	1,784	8	-	-	
CDC	-	43	-	-	-	-	-	-	-	
	6,500	7,263	3,739	862	81	2,723	8,475	7,219	464	
<b>Tax loss offsets:</b>										
<b>Losses provided by:</b>										
<b>Offset with:</b>										
CCC	4,327	7,891	9,615	-	207	-	-	10,490	-	
CCHL	-	-	-	-	-	606	6,725	8,073	-	
Enable Services Ltd	3,645	-	-	2,218	-	620	-	-	1,193	
Red Bus Ltd	-	-	-	-	-	1,187	-	-	-	
Vbase group	-	3,222	-	-	-	-	15,049	-	-	
Civic Building Ltd/Tuam Ltd	1,567	311	-	-	-	4,589	21	-	-	
CDC	-	110	-	-	-	-	-	-	-	
	9,539	11,534	9,615	2,218	207	7,002	21,795	18,563	1,193	
CIAL = Christchurch International Airport Ltd      CCL = City Care Ltd      RBL = Red Bus Ltd										
LPC = Lyttelton Port Company Ltd      ECL = EcoCentral Ltd										

The loss offsets in 2016 relate to the 2015 tax year (2015: relate to the 2014 tax year).

## Notes to the financial statements FOR THE YEAR ENDED 30 JUNE 2016

### OTHER DISCLOSURES contd.

#### 24. Related party disclosures (contd.)

##### 24(a)(iii) Other transactions between CCHL group entities and CCC entities

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

- In the 2014 financial year, CCHL commenced borrowing from CCC to fund its core operations and the Enable UFB programme. At balance date these loans totalled \$388.5m (2015: \$208m) with \$65m of short term maturing within three months of balance date, \$25m maturing in June 2019, \$32.0m maturing in April 2020, \$96.5m maturing in May 2021, \$85.0m in April 2023, \$25m in June 2023, \$9m in April 2024, \$5.5m in April 2025 and \$45.5m in April 2027. \$170.0m of these loans are at fixed rate, based on LGFA borrowing rate plus Christchurch City Council margin, with the balance on floating rate. Weighted average borrowing cost at balance date was 4.48% (2015: 5.09%).
- EcoCentral Ltd made payments of \$19m in relation to the disposal of waste (2015: \$19.9m), to Transwaste Canterbury Ltd, a company in which the ultimate shareholder, CCC, has a material shareholding.

##### 24(a)(iv) Balances between CCHL group activities and CCC entities

At balance date, balances owing by CCC to members of the CCHL Group totalled \$11.8m (2015: \$11.2m), including City Care Ltd balances of \$9.8m (2015:\$8.5m). Balances owing by members of the Group to CCC totalled \$2.95m (2015: \$469k).

Additionally, members of the CCHL group had the following balances at balance date with other entities owned or related to CCC:

- Owing to Vbase Ltd – \$0 (2015: \$5k)
- Owing by Vbase Ltd – \$0 (2015: \$87k)

##### 24(b) Transactions of the CCHL group with associates

As outlined in Note 1 and Note 2, Enable Networks Ltd ceased to be an associate of Enable Services Ltd on 29 June 2016, and became a wholly-owned subsidiary.

##### 24(c) Transactions of the CCHL group with other related parties

City Care Ltd made sales of \$50.4m (2015: \$69.7m) to its jointly-controlled operation, Stronger Christchurch Rebuild Team Joint Venture, and had an outstanding receivable balance of \$0.19m at 30 June 2016 (2015: \$0.29m).

##### 24(d) Transactions between CCHL directors and members of the CCHL group

There were no transactions between CCHL directors (and entities in which they have an interest) and members of the CCHL group, other than:

- the payment of directors' fees and the reimbursement of valid company-related expenses.
- Bill Dwyer a CCHL Director was paid fees for consulting and legal advice to CCHL during the period totalling \$104k.
- some minor transactions were entered into with companies in which some directors held directorships and with other related parties.

These transactions were carried out on a commercial and arm's length basis.

The Group paid directors' fees totalling \$2,099,295 (2015: \$1,933,562).

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

	Note	Group 2016 \$'000	Group 2015 \$'000
Profit for the year		38,769	132,282
<b>Add/(less) non-cash items</b>			
Depreciation, amortisation and impairment expense		214,983	106,271
(Gains)/losses in fair value of investment property	6	(12,489)	(18,086)
(Gains)/losses in fair value of derivative financial instruments		2,897	762
Share of associates' losses	4	2,606	3,255
Net foreign exchange (gains)/losses	9	10	(361)
Deferred tax charged/(credited) to income	10(e)	(26,407)	(2,759)
Shares received as consideration for UFB build		(28,567)	(16,421)
Fair value gain		(8,451)	-
Revaluation of investment in associate prior to acquisition	4	(11,838)	-
Other		(111)	1,756
		132,633	74,417
<b>Add/(less) items classified as investing or financing activities</b>			
(Gain)/loss on disposal of non-current assets		(1,628)	(3,892)
Movement in capital creditors		7,264	(575)
Insurance proceeds		-	(18,124)
Other		1,381	60
		7,017	(22,531)
<b>Add/(less) movement in working capital items</b>			
Debtors, inventory and other current assets		(27,911)	(55,952)
Non-current receivables, prepayments and other		3,415	2,065
Creditors and other liabilities		(23,791)	19,412
Provisions and other liabilities		1,192	4,486
Current tax liabilities		(12,384)	(166)
Non-current provisions and other liabilities		(856)	(1,858)
		(60,335)	(32,013)
Net cash from operating activities		118,084	152,155

**26. Classification of assets and liabilities**

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

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

The group's exposure to various risks associated with the financial instruments is discussed in Note 18.

The group holds the following financial instruments.



## Notes to the financial statements FOR THE YEAR ENDED 30 JUNE 2016

### OTHER DISCLOSURES *contd.*

#### 26. Classification of assets and liabilities (*contd.*)

##### 26(a) Classification of financial assets and liabilities

Financial assets at fair value	2016	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	2015	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3
<b>Fair value through income statement</b>								
Derivative financial instrument assets	429	-	429	-	1,568	-	1,568	-
Derivative financial instrument liabilities	(3,741)	-	(3,741)	-	(845)	-	(845)	-
<b>Derivatives that are hedge accounted</b>								
Derivative financial instrument assets	-	-	-	-	96	96	-	-
Derivative financial instrument liabilities	(51,690)	(215)	(51,475)	-	(25,886)	-	(25,886)	-
<b>Available-for-sale (or fair value through equity)</b>								
Shares in associates	-	-	-	-	-	-	-	-
Shares in other unlisted	2,000	-	-	2,000	-	-	-	-
Other	-	-	-	-	4	-	-	4
<b>Fair value through income statement upon initial recognition</b>								
Borrowings	(77,212)	-	(77,212)	-	(74,499)	-	(74,499)	-
Total financial assets/ (liabilities) at fair value	(130,214)	(215)	(131,999)	2,000	(99,562)	96	(99,662)	4
<b>Financial assets/(liabilities) at amortised cost</b>								
Cash and deposits	154,235				223,252			
Debtors and other receivables	111,291				203,366			
Loans	26,822				73,659			
Other	2,856				2,893			
Creditors and other payables	(87,927)				(111,215)			
Borrowings	(1,035,537)				(778,034)			
	(828,260)				(386,079)			
<b>Total financial assets and liabilities</b>	(958,474)				(485,641)			

**26. Classification of assets and liabilities (contd.)****26(b) Non-financial assets measured at fair value**

Non-financial assets measured at fair value	2016 Carrying value	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	2015 Carrying value	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3
Property, plant and equipment	2,334,660	–	52,904	2,281,756	1,988,551	–	46,998	1,941,553
Investment property	303,692	–	–	303,692	255,092	–	–	255,092
Other	15	–	–	15	15	–	–	15
	2,638,367	–	52,904	2,585,463	2,243,658	–	46,998	2,196,660

Analysis of movements in Level 3 assets	Total	P,P&E	Investment property	Other	Total	P,P&E	Investment property	Other
Opening carrying value	2,196,660	1,941,553	255,092	15	2,130,107	1,936,917	193,175	15
Additions	290,218	270,496	19,722	–	126,632	95,371	31,261	–
Disposals	(7,881)	(4,573)	(3,308)	–	(8,827)	(6,643)	(2,184)	–
Transfer (to)/from investment property	–	(19,697)	19,697	–	–	(14,754)	14,754	–
Fair value movements	54,510	42,021	12,489	–	18,822	736	18,086	–
Depreciation	(79,240)	(79,240)	–	–	(70,074)	(70,074)	–	–
Reclassified assets and impairments	131,196	131,196	–	–	–	–	–	–
Closing carrying value	2,585,463	2,281,756	303,692	15	2,196,660	1,941,553	255,092	15

**Fair value of assets and liabilities**

The above tables classify the Group's assets and liabilities in accordance with NZ IAS 39 as described in the accounting policies set out below.

The property, plant and equipment that is classified as Level 2 arises from the use by Orion's valuer of significant observable inputs – sales comparisons and unit metre frontage methodologies – in determining the fair value of land at substation sites.

Fixed rate debt is recognised in the financial statements at amortised cost, except for \$75m of debt held by Christchurch International Airport Ltd which is matched by an interest rate swap agreement in place with a notional amount of \$75m (2015: \$75m) whereby the company receives a fixed rate of interest of 5.15% and pays interest at a variable rate on the notional amount. The swap is being used to hedge the exposure to changes in the fair value of its 5.15% \$75m bond.

The CCHL parent company has total fixed rate debt held at amortised cost of \$234.5m (2015: \$214m). The fair value of this debt, determined by discounting cash flows from the instruments using a discount rate derived from relevant market inputs, at balance date was \$262.4m (2015: \$232.4m).

**Transfer between categories**

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

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

## Notes to the financial statements FOR THE YEAR ENDED 30 JUNE 2016

### OTHER DISCLOSURES *contd.*

#### 26. Classification of assets and liabilities (*contd.*)

##### Accounting policy – fair value

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

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

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

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

##### Classification of investments and financial assets

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

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

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

###### (b) *Loans and receivables*

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

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

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

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

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

## 27. Statement of accounting policies

### Corporate information

Christchurch City Holdings Limited ('CCHL') is a wholly owned subsidiary of Christchurch City Council formed for the purpose of holding investments in subsidiary organisations. The company was incorporated on 12 May 1993 and commenced trading operations on 14 May 1993.

The financial statements of CCHL are for the year ended 30 June 2016. The financial statements were authorised for issue by the CCHL Board of directors on 14 September 2016.

### (i) Statement of compliance

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

### (ii) Basis of preparation

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

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

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

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

### (iii) Use of judgements and estimates

Information about judgements made in applying accounting policies that have the most significant impact on the amounts recognised in the financial statements, or information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the financial statements, is included in Note 18.

### (iv) Impairment

The carrying amounts of the group's assets, other than inventory, investment property and deferred tax assets, are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists for an asset, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent of other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs. A cash-generating unit is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

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

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

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

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

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

**27. Statement of accounting policies (contd.)****Other accounting policies**

Accounting policies in relation to the following items are shown in the relevant Note, as follows:

	<b>Note</b>		<b>Note</b>
Associated companies/Joint Arrangements	4	Debtors and other receivables	13
Property, plant & equipment	5	Cash and cash equivalents	14
Investment property	6	Intangible assets	15
Borrowings and finance costs	7	Goodwill	15
Finance lease liabilities	7	Creditors and other payables	16
Derivative financial instruments	18	Employee entitlements	17
Foreign currency	18	Provisions	17
Revenue	8	Share capital and dividends	22
Income taxes	10	Operating lease payments	19
Inventory	13	Classification of assets and liabilities	26
Prepayments	13	Fair value	26

**(v) New accounting standards and interpretations**

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

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

**NZ IFRS 11 Joint arrangements – Effective for periods beginning on or after 1 January 2016.**

The standard outlines the accounting by entities that jointly control an arrangement. Joint control involves the contractual agreed sharing of control and arrangements subject to joint control are classified as either a joint venture (representing a share of net assets and equity accounted) or a joint operation (representing rights to assets and obligations for liabilities, accounted for under proportional consolidation).

**NZ IFRS 15 Revenue from contracts with customers – Effective for periods beginning on or after 1 January 2018.**

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

**NZ IFRS 16 – Leases – Effective for periods beginning on or after 1 January 2019.**

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



## Notes to the financial statements FOR THE YEAR ENDED 30 JUNE 2016

# Performance statement

### 28. Performance against Statement of Intent targets

The Statement of Intent ('Sol') issued by CCHL last year in respect of the 2015/16 financial year included a number of financial and non-financial performance measures. The following table compares the actual financial results for the year ended 30 June 2016 with the financial targets contained within the Sol:

Financial performance targets	Group Actual	Group Forecast
Profit for the year (\$'000)	38,769	83,400
Net debt/net debt plus equity (%)	34.6%	33.3%
Interest cover (times)	1.8	2.7
Dividends to Christchurch City Council (\$m)	131,991	46,000
Return on average equity (%)	2.1%	4.4%

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

The Group's profitability and return on average equity are lower than budgeted, primarily as a result of the impairment taken by Lyttelton Port Company Ltd (refer note 1), which had a negative net impact on profit of \$78.5m. Other impacts to the overall result were:

- Christchurch International Airport Ltd's net profit was ahead of target by \$8.3m, largely reflecting a realised gain on assets sales and a greater than expected gain on the revaluation of investment properties.
- Enable Services Ltd's net profit was ahead of target by \$14.8m, largely reflecting the reorganisation of the Enable Group as outlined in note 1.

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

#### *Dividends*

CCHL declared a gross ordinary dividend of \$46m, in line with budget but, in agreement with the Council, deducted \$4.01m from the final dividend payment. This deduction was equivalent to the amount that CCHL would normally have received as a subvention payment from other members of the Group in return for making its tax losses available. CCHL elected to forego this subvention receipt to assist with Group tax planning.

In addition CCHL made a special dividend of \$90m toward the Capital Release programme, bringing the total dividends paid for the year to \$131.9m.

## Notes to the financial statements FOR THE YEAR ENDED 30 JUNE 2016

### PERFORMANCE STATEMENT contd.

#### Non-financial performance targets

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

#### Governance

	Objective	Performance target	Performance
1.	CCHL maintains a strategic direction that is consistent with that of 100% shareholder Christchurch City Council (CCC).	CCHL develops and maintains appropriate communication lines with the Council to ensure CCHL remains aware of CCC's strategic priorities.  CCHL will submit a draft Sol for 2016/17 for approval to CCC by 1 March 2016.	CCHL has periodically met with Councillors and Council management to ensure strategic directions are aligned.  Achieved, with subsequent feedback from the Council incorporated into the final document.
2.	CCHL keeps CCC informed of all significant matters relating to CCHL and its subsidiaries, within the constraints of commercial sensitivity.	CCHL submits at least four written reports to CCC in the financial year, and presents at least three seminars to Councillors.  Major matters of urgency are reported to CCC at the earliest opportunity.	CCHL made 14 written reports to the Council and held three seminars for Councillors.  None arising.
3.	Corporate governance procedures are appropriate, documented and reflect best practice.	The company's policies will be reviewed in accordance with a schedule approved by the Board. Policies due for review in the 2015 and 2016 calendar years include the treasury policy, fraud policy and various governance and staff policies.	Treasury Policy and Health & Safety policies were updated in Feb and April 2016. All CCHL policies to be reviewed in September 2016.
4.	Directors make an effective contribution to the CCHL board, and their conduct is in accordance with generally accepted standards.	The Chair will conduct a formal biennial performance evaluation for each CCHL director with the next one being due in the 2015 calendar year.  The Governance committee will review the training needs of individual CCHL directors, and ensure training is provided where required.	The Board decided to defer the 2015 review until the Council completed its Governance review in 2016.  The Board has approved a policy on director training, and this was followed.
5.	CCHL's process for the selection and appointment of directors to the boards of subsidiary and monitored companies is rigorous and impartial.	The process followed for each appointment to a subsidiary or monitored company board is transparent, fully documented and in line with approved policies and procedures.	Director appointments made during the year complied with Council/CCHL policies.

	Objective	Performance target	Performance
6.	Subsidiary and monitored companies complete, on a timely basis, Statements of Intent that meet best practice standards.	<p>CCHL will engage with subsidiary and monitored companies prior to the 2016 Sol round regarding the structure and content of the group Sols.</p> <p>Subsidiary companies submit draft Statements of Intent for 2016/17 to CCHL by 1 March 2016.</p> <p>CCHL will review Statements of Intent and respond to the subsidiaries and make recommendations to CCC within six weeks of receipt.</p>	<p>CCHL wrote to all subsidiaries in December 2015 requesting them to consider certain matters in their draft Sols. It is considered the Sols adequately reflect these matters.</p> <p>Achieved.</p> <p>Achieved.</p>
7.	<p>Subsidiary and monitored companies that are CCTOs comply with the Local Government Act's requirements that their principal objectives be:</p> <ul style="list-style-type: none"> <li>• achieving the objectives of its shareholders as set out in the Sol;</li> <li>• being a good employer;</li> <li>• exhibiting a sense of social and environmental responsibility; and</li> <li>• conducting their affairs in accordance with sound business practice.</li> </ul>	CCHL will review the companies' performance in the context of these statutorily required objectives.	<p>The CCHL Board satisfactorily completed this review for the 2015 annual reports. This year's review will be performed on receipt of the published 2016 annual reports from each subsidiary.</p> <p>In addition year to date performance has been monitored on a quarterly basis by CCHL.</p>
8.	CCHL maintains contact with subsidiary and monitored company boards, and remains aware of their strategic and business issues.	<p>CCHL meets subsidiary and monitored company boards, or representatives thereof, on a formal basis at least two times in the 2016 financial year.</p> <p>CCHL receives an appropriate level of reporting from subsidiary and monitored company boards.</p>	<p>Achieved for all companies except: City Care – second meeting postponed pending outcome of sales process EcoCentral – second meeting held in August 2016 CDC – second meeting scheduled for September 2016.</p> <p>Additional meetings scheduled with companies as required. Quarterly reporting received from all companies on time.</p>

## Notes to the financial statements FOR THE YEAR ENDED 30 JUNE 2016

### PERFORMANCE STATEMENT contd.

#### Group strategic, financial and sustainability objectives

	Objective	Performance target	Performance
1.	Subsidiary companies have sufficient (but not excessive) financial flexibility, whether through their own capital structures or through the availability of capital from CCHL, to undertake growth and investment initiatives.	CCHL will monitor the capital structure of each subsidiary company on an ongoing basis, and determine whether any change is required.	<p>An independent review on the capital structure of Christchurch International Airport Ltd was undertaken during the year, and a similar report on Orion NZ Ltd capital structure was commenced.</p> <p>The results of the review will be incorporated into our financial strategy as part of the ongoing capital release programme.</p>
2.	Subsidiary and monitored companies adopt strategies that are compatible with the strategic direction of CCHL and CCC.	<p>CCHL will engage with subsidiary and monitored companies prior to the 2016 Sol round regarding key shareholder strategies and, subsequently, review their Sols for compatibility with those strategies.</p> <p>CCHL will take into account the compatibility of potential new shareholders when evaluating the potential sale of shares in the infrastructure companies.</p>	<p>CCHL wrote to each subsidiary in December 2015 setting out the shareholder's expectations in relation to a number of matters, including dividend levels, communication, health and safety reporting, sustainability, innovation and support of Council's key outcomes. It is considered that the Sols addressed these adequately.</p> <p>Reviewed as part of the City Care sales process. No current intention to sell shares in strategic companies.</p>

	Objective	Performance target	Performance
3.	Subsidiary and monitored companies adopt strategies that contribute to regional growth.	<p>CCHL will encourage subsidiary companies to seek opportunities that are both commercially sound and are capable of enhancing regional growth, and actively engage them with regard to specific opportunities that may arise.</p> <p>CCHL will co-operate with the Council in implementing its Capital Release Programme, if adopted.</p> <p>CCHL will co-operate with the Council in the identification of suitable investors to acquire partial stakes in infrastructure companies in line with the Council's strategic objectives.</p> <p>CCHL will work closely with Enable Services as it undertakes the rollout of the network under the Government's Ultra Fast Broadband initiative.</p>	<p>CCHL has encouraged subsidiaries to invest in opportunities where appropriate. The four infrastructure companies in particular have been investing extensively in growing/strengthening their business. Special dividend of \$90m paid in this financial year in relation to Capital release received from Orion. Regular communication with Council management regarding the timing of and requirements for Capital Release funds.</p> <p>Thorough Sales process undertaken in regard to City Care Ltd. No further sales activity undertaken.</p> <p>CCHL has worked closely with Enable during the year on a range of strategic, governance, contractual and valuation matters. This included the reorganisation agreement with Crown Fibre Holdings Ltd.</p>
4.	Subsidiary and monitored companies set and attain environmental and social performance objectives that are compatible with their activities, commercial nature and other objectives.	CCHL will engage with subsidiaries and monitored companies regarding the progressive development and inclusion of relevant and appropriate social and environmental objectives and performance targets in their respective Sols.	<p>CCHL has actively encouraged subsidiaries to continue improving their environmental and social reporting. All Sols now contain specific measurable targets, which will be reported against in the respective annual reports.</p> <p>The CCHL Board satisfactorily completed this review for the 2015 annual reports. This year's review will be performed on receipt of the published 2016 annual reports from each subsidiary. In addition quarterly performance against Sol targets are now undertaken and results reported to Council.</p>



## Notes to the financial statements FOR THE YEAR ENDED 30 JUNE 2016

### PERFORMANCE STATEMENT contd.

#### Parent company financial objectives

	Objective	Performance target	Performance
1.	CCHL financial and distribution performance meets the shareholder's expectations.	CCHL pays a dividend for the 2016 financial year that meets or exceeds budget, and achieves the other budgeted key performance measures.	CCHL paid a budgeted ordinary dividend of \$46.0m, less a deduction of \$4.0m agreed with the Council in relation to subvention receipts voluntarily foregone by CCHL. Performance against other targets is described in Note 28.
2.	CCHL's capital structure is appropriate for the nature of its business.	CCHL will monitor the level and composition of its debt facilities to ensure it remains appropriate in the context of its funding commitments (in particular Enable Services Ltd).	Funding structures are reviewed on an ongoing basis. CCHL has secured further longer term funding from Christchurch City Council to assist with funding the Enable broadband rollout.
3.	CCHL's investments provide an appropriate return in relation to their business risk, and against external benchmarks.	CCHL will periodically review the performance of its major subsidiary companies and other investments against external benchmarks, and assess the value of the investment in the individual company in relation to its inherent business risk and community benefits.	The performance of the major infrastructure companies was benchmarked against their Australasian peers in August 2015. The results of the review noted gearing levels of our main companies are lower than their industry peers. This will be further reviewed as part of the capital structure reviews.
4.	CCHL's treasury management policies and practices are consistent with best practice.	CCHL's treasury management policy will be reviewed in the 2016 calendar year.	The treasury policy was reviewed by Audit and Risk Committee in February 2016.

# Statutory Information

## Ownership and principal activities

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

## Directors' interests

The company maintains an interests register in which particulars of certain transactions and matters involving the directors are recorded. These are requirements under the Companies Act 1993. The following entries were recorded in the interests register as at 30 June 2016:

### Bruce Irvine

Chairman	–	Heartland Bank Ltd
Director	–	Godfrey Hirst Ltd; Godfrey Hirst Australia & subsidiaries
Director	–	House of Travel Holdings Ltd
Director	–	PGG Wrightson
Director	–	MG Marketing Ltd subsidiaries
Director	–	Rakon Ltd
Director	–	Scenic Circle Hotels Ltd
Director	–	Skope Industries Ltd
Trustee	–	Christchurch Symphony Trust

### Vicki Buck

Deputy Mayor, CCC	
Director	– Think Inc Ltd
Trustee	– Scorpio Family Trust
Trustee	– Otautahi Community Housing Trust

### Sarah Smith

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

### Yani Johnanson

Councillor, CCC	
Hagley / Ferrymead Community Board	

### Bill Dwyer

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

### Andy Pearce

Chairman	–	Focus Genetics Management Ltd
Chairman	–	Hawke's Bay Regional Investment Company Ltd
Director	–	Bank of New Zealand
Director & shareholder	–	Seon Pearce and Associates Ltd
Shareholder	–	Migco Pharmaceuticals Ltd
Chairman	–	Regional Committee, Canterbury Water Management Strategy
Director	–	Fauna Ltd

### Jamie Gough

Councillor, CCC	
Director	– Gough Property Corporation Ltd
Director	– Gough Corporation Holdings Ltd
Director	– 69 Worcester Boulevard Ltd
Chairman	– Civic Building Ltd
Trustee	– Antony Gough Trust
Shareholder	– The Terrace Carpark
Shareholder	– Gough Group/Gough Gough & Hamer Ltd

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

Transactions between CCHL and entities with whom certain directors are associated are described in Note 24 to the financial statements. No loans were made to directors.

## Directors

Raj Manji resigned as a director in January 2016, there were no other changes of directors in the year.

## Board and Committee Attendance

The Board and the two standing committees have a number of scheduled meetings each financial year. The following table is a summary of attendance for the company's financial year ended 30 June 2016:

	Board meetings	Audit & risk management committee meetings	Governance & appointments committee meetings
<b>Number of meetings</b>	<b>12</b>	<b>3</b>	<b>2</b>
Bruce Irvine	12	*	2
Vicki Buck	12	*	2
Bill Dwyer	12	*	2
Jamie Gough	10	1	*(1)
Yani Johanson	12	*	2
Raf Manji	5	1	*
Andy Pearce	10	3	*
Sarah Smith	11	3	*(1)

\* Not a member of this committee (attended)

# Statutory Information CONTD.

## Remuneration of Directors

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

### CCHL parent \$

B Irvine	67,075
V Buck	-
W Dwyer	37,275
J Gough	-
Y Johanson	-
R Manji	-
A Pearce	37,275
S Smith	37,275

### Orion New Zealand Ltd \$

J Smith	91,000
J Austin	47,000
N Crauford	47,000
P Munro	53,000
B Simpson	44,000
G Vazey	65,000

### Christchurch International Airport Ltd \$

D Mackenzie	87,253
C Drayton	51,625
A Lovatt	46,625
J Murray	48,725
L Palomino Forbes	45,725
C Paulsen	49,625

### Lyttelton Port Company Ltd \$

T Burt	86,811
R Carr	46,105
L Crossen	5,714
J Quinn	50,558
K Smith	50,754
B Wood	48,331
G Gilfillan	19,258
W Dwyer	39,365

### Enable Services Ltd \$

M Bowman	80,427
C Birkett	44,294
B Gamble	47,681
W Luff	42,574
O Scott	42,574
C Walsh	45,127

### City Care Ltd \$

H Martyn	75,611
M Devlin	45,808
G Leech	36,646
C Price	40,311
J Rolfe	36,646
M Todd	40,311

### Red Bus Ltd \$

P Kieranowski	59,067
T Keenan	37,333
R Lineham	-
T Mountford	33,867

### EcoCentral Ltd \$

D Kerr	62,000
P Anderson	10,000
G Campbell	31,000
S Smith	31,000
S Horgan	21,000

### Development Christchurch Ltd \$

W Dwyer	26,740
J Gregg	1,726
P Houghton	1,726
F Mules	1,726
D Wright	1,726

## Donations

The CCHL made a donation of \$57,189 to the Mayor's Welfare Fund during the year (2015: \$149,100), and \$74,550 to the Imagination Station. Donations of \$37,000 (2015: \$52,000) were made by subsidiaries.

## Dividends

The company has paid or provided fully-imputed dividends of \$101,990,611. In addition the company has paid an un-imputed dividend of \$30,000,000.

## Use of Company Information

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

## Employee Remuneration

Details of remuneration ranges for employees of the Group and parent company are:

Salary bands \$'000	Group 2016
100-110	168
110-120	101
120-130	81
130-140	54
140-150	42
150-160	28
160-170	15
170-180	13
180-190	8
190-200	11
200-210	9
210-220	5
220-230	3
230-240	7
240-250	4
250-260	4
260-270	2
270-280	2
300-310	7
310-320	2
320-330	2
330-340	1
340-350	1
360-370	1
370-380	1
380-390	1
460-470	1
470-480	1
480-490	1
570-580	1
580-590	1
630-640	1
710-720	1
910-920	1
	581

## Auditors

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

# REPORT OF THE Auditor-General

AUDIT NEW ZEALAND

Mana Arotake Aotearoa

## Independent Auditor's Report

### To the readers of Christchurch City Holdings Limited Group's financial statements and performance information for the year ended 30 June 2016

The Auditor-General is the auditor of Christchurch City Holdings Limited Group (the Group). The Auditor-General has appointed me, Julian Tan, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the performance information of the Group, consisting of Christchurch City Holdings Limited and its subsidiaries and other controlled entities, on her behalf.

### Opinion on the financial statements and the performance information

We have audited:

- the financial statements of the Group on pages 40 to 96, that comprise the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the Group on pages 91 to 96.

In our opinion:

- the financial statements of the Group:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2016; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to International Financial Reporting Standards.
- the performance information of the Group presents fairly, in all material respects, the Group's actual performance, compared against the performance targets and other measures by which performance was judged in relation to the Group's objectives for the year ended 30 June 2016.

### Impairment of Lyttelton Port Company Limited's assets

Without modifying our opinion, we draw attention to Notes 1 and 5 to the financial statements that describe the basis for the Group's recognition of an impairment expense of \$99.5 million for the year ended 30 June 2016, relating to Lyttelton Port Company Limited (the Port Company).

The carrying amount of the Port Company's assets exceeded their recoverable amount at 30 June 2016, on the basis of an assessment of the Port Company's expected future cash flows. The assessment had regard to the Lyttelton Port Recovery Plan, and the Port Company's Statement of Corporate Intent, which commit the Port Company to future capital expenditure. The impairment has arisen because the return generated by replacing destroyed assets, and some of the capital expenditure that the Directors of the Port Company consider is necessary for the future of the Port, does not meet the investment return established by the Directors of the Port Company.

Our audit was completed on 14 September 2016. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities, and explain our independence.

## REPORT OF THE Auditor-General CONTD.

### **Basis of opinion**

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and the performance information are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and the performance information. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and in the performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and the performance information, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Group's financial statements and performance information in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the appropriateness of the reported performance information within the Group's framework for reporting performance;
- the adequacy of the disclosures in the financial statements and in the performance information; and
- the overall presentation of the financial statements and the performance information.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and the performance information. Also, we did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

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

### **Responsibilities of the Board of Directors**

The Board of Directors is responsible for the preparation and fair presentation of financial statements for the Group that comply with generally accepted accounting practice in New Zealand and New Zealand equivalents to International Financial Reporting Standards. The Board of Directors is also responsible for preparation of the performance information for the Group.

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

The Board of Directors is responsible for such internal control as it determines is necessary to enable the preparation of financial statements and the performance information that are free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for the publication of the financial statements and the performance information, whether in printed or electronic form.



## REPORT OF THE Auditor-General CONTD.

### **Responsibilities of the Auditor**

We are responsible for expressing an independent opinion on the financial statements and the performance information and reporting that opinion to you based on our audit. Our responsibility arises from the Public Audit Act 2001.

### **Independence**

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

In addition to the audit, we have carried out other audit and assurance engagements for subsidiary companies in compliance with regulatory requirements. These audit and assurance engagements, as described in Note 9(a) on pages 61 and 62, are compatible with those independence requirements.

Other than the audit and the other audit and assurance engagements, we have no relationship with or interests in the company or any of its subsidiaries.



**Julian Tan**  
Audit New Zealand  
On behalf of the Auditor-General  
Christchurch, New Zealand

# 10 year summary

	2007 \$m	2008 \$m	2009 \$m	2010 \$m	2011 \$m	2012 \$m	2013 \$m	2014 \$m	2015 \$m	2016 \$m
<b>Financial performance and position</b>										
Total revenue	501	524	592	595	750	903	958	1,352	1,095	1,052
Profit for the period	99	91	79	55	77	97	71	403	132	39
Total assets	2,156	2,219	2,211	2,286	2,321	2,473	2,576	3,166	3,301	3,418
Shareholders' equity	1,368	1,405	1,414	1,367	1,309	1,373	1,450	1,945	1,928	1,813
<b>Payments to Christchurch City Council</b>										
Dividends paid	30	33	37	114	44	35	36	52	46	132
<b>Ratios</b>										
Ratio of net debt to net debt plus equity	23%	23%	22%	27%	30%	33%	33%	18%	25%	35%
Return on average equity	8.9%	6.6%	5.6%	4.0%	5.9%	7.3%	5.0%	23.7%	6.8%	2.1%

# CCHL DIRECTORY & GROUP

## Contacts

### Christchurch City Holdings Limited

77 Hereford Street. PO Box 73049, Christchurch 8154  
Telephone: (03) 941 8475  
Email: [info@cchl.co.nz](mailto:info@cchl.co.nz)  
Website: [www.cchl.co.nz](http://www.cchl.co.nz)

### Orion New Zealand Limited

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

### Christchurch International Airport Limited

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

### Lyttelton Port Company Limited

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

### Enable Services Limited

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

### City Care Limited

226 Antigua Street. PO Box 7669, Christchurch  
Telephone: (03) 941 7200  
Website: [www.citycare.co.nz](http://www.citycare.co.nz)

### Red Bus Limited

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

### EcoCentral Ltd

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

### Development Christchurch Ltd

Level 1, 3M Building, 82 Peterborough Street, Christchurch 8013  
Telephone: (03) 941 5992  
Email: [info@dcl.org.nz](mailto:info@dcl.org.nz)  
Website: [www.dcl.org.nz](http://www.dcl.org.nz)

## Directory

### Registered Office

77 Hereford Street  
Christchurch

### Directors

B R Irvine (*Chairman*)  
VS Buck  
W J Dwyer  
JT Gough  
Y Johanson  
A J Pearce  
S L Smith  
RA Manji (*resigned January 2016*)

### Management Team

R Lineham (*Chief Executive*)  
(*retired June 2016*)  
P Munro (*Chief Executive*)  
(*appointed 1 August 2016*)  
L Scales (*Chief Financial Officer*)  
N Halstead (*Executive Officer*)

### Bankers

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

### Auditors

Audit New Zealand on behalf of the  
Auditor-General  
Christchurch



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