ORION

CHRISTCHURCH AIRPORT

LYTTELTON PORT COMPANY

ENABLE SERVICES

CITY CARE

RED BUS

ECOCENTRAL

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

cchl Christchurch City Holdings

2014 ANNUAL report.

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 2014, 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 2 to 63, of Christchurch City Holdings Limited for the year ended 30 June 2014.

The Board of Directors of Christchurch City Holdings Limited authorises these financial statements for issue on 17 September 2014.

For and on behalf of the Board.

Bruce Irvine
Chairman
Christchurch

Sarah Smith
Director
Christchurch

CCHL Financial Statements FOR THE YEAR ENDED 30 JUNE 2014

CONTENTS

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Statement of Comprehensive Income FOR THE YEAR ENDED 30 JUNE 2014

	Note	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Operating and other revenue	*3*	1,330,673	945,372	48,177	42,379
Other gains	*5*	13,841	9,563	426	13,119
Total income		1,344,514	954,935	48,603	55,498
Depreciation, amortisation and impairment	*6*	99,643	96,160	–	–
Personnel costs	*8*	243,142	223,091	616	591
Other expenses	*9*	501,666	494,754	1,853	1,531
Other losses	5	3,752	2,168	–	533
Total operating expenses		848,203	816,173	2,469	2,655
Share of (losses)/profits of associates	*20*	(5,158)	(2,365)	–	–
Earnings before interest and tax		491,153	136,397	46,134	52,843
Finance income	*4*	8,159	3,260	9,662	7,021
Finance costs	*7*	44,511	38,349	18,708	15,944
Net finance costs		36,352	35,089	9,046	8,923
Profit before income tax expense		454,801	101,308	37,088	43,920
Income tax expense/(credit)	*12*	52,170	30,596	–	(91)
Profit for the year		402,631	70,712	37,088	44,011
Other comprehensive income					
Items that will not be recycled to profit or loss:					
Revaluation of assets		185,408	27,585	–	–
Items that may be recycled to profit or loss in future:					
Fair value through equity financial assets		–	–	117,809	50,573
Cash flow hedges		13,799	18,067	2,972	6,299
Share of other comprehensive income of associates		–	–	–	–
		199,207	45,652	120,781	56,872
Income tax relating to other comprehensive income		(48,674)	3,448	–	–
Other comprehensive income for the year, net of tax		150,533	49,100	120,781	56,872
Total comprehensive income for the year, net of tax		553,164	119,812	157,869	100,883
Profit for the year attributable to:					
Owners of the parent		323,234	57,393	37,088	44,011
Non-controlling interests		79,397	13,319	–	–
		402,631	70,712	37,088	44,011
Total comprehensive income attributable to:					
Owners of the parent		447,929	96,031	157,869	100,883
Non-controlling interests	*36*	105,235	23,781	–	–
		553,164	119,812	157,869	100,883

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

Balance Sheet AS AT 30 JUNE 2014

	Note	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Current assets					
Cash and cash equivalents	*13*	221,921	(2,838)	2,341	1,774
Debtors and other receivables	*14(a)*	143,958	152,463	1,763	1,434
Derivative financial instruments	*15(a)*	213	34	–	–
Other financial assets	*16(a)*	97,243	17,858	25,000	11,450
Prepayments	*17*	8,108	9,653	153	197
Inventories	*18(a)*	18,813	16,810	–	–
Current tax assets	*12(c)*	–	404	–	–
Non-current assets classified as held for sale	*19*	366	3,234	–	–
Other		59	24	–	–
Total current assets		490,681	197,642	29,257	14,855
Non-current assets					
Debtors and other receivables	*14(b)*	2,989	–	–	–
Investments in associates	*20*	37,245	34,599	–	–
Derivative financial instruments	*15(b)*	4,197	1,962	3,949	1,962
Other financial assets	*16(b)*	55,790	21,466	1,925,888	1,772,726
Prepayments	*17*	10,659	8,200	–	–
Inventories	*18(b)*	575	–	–	–
Property, plant and equipment	*22*	2,315,656	2,068,363	–	–
Investment property	*23*	193,175	178,187	–	–
Intangible assets	*24*	15,630	14,239	–	–
Deferred tax assets	*12(f)*	9,165	11,821	–	–
Goodwill	*25*	39,152	39,152	–	–
Other		4	–	4	–
Total non-current assets		2,684,237	2,377,989	1,929,841	1,774,688
Total assets		3,174,918	2,575,631	1,959,098	1,789,543
Current liabilities					
Creditors and other payables	*26*	91,803	82,340	2,387	1,537
Borrowings	*27(a)*	79,486	113,197	78,000	88,000
Provisions	*30(a)*	884	–	–	–
Derivative financial instruments	*15(c)*	1,336	1,277	113	82
Employee entitlements	*29(a)*	28,305	25,198	46	42
Current tax liabilities	*12(c)*	19,057	–	–	–
Other	*31(a)*	1,627	1,692	–	–
Total current liabilities		222,498	223,704	80,546	89,661
Non-current liabilities					
Borrowings	*27(b)*	649,379	585,761	306,500	230,000
Provisions	*30(b)*	1,200	–	–	–
Derivative financial instruments	*15(d)*	10,645	25,082	4,024	7,723
Employee entitlements	*29(b)*	1,882	2,000	–	–
Deferred tax liabilities	*12(f)*	340,690	284,547	–	–
Other	*31(b)*	3,191	4,158	–	–
Total non-current liabilities		1,006,987	901,548	310,524	237,723
Total liabilities		1,229,485	1,125,252	391,070	327,384
Net assets		1,945,433	1,450,379	1,568,028	1,462,159
Equity					
Capital and other equity instruments	*32*	71,435	71,435	71,435	71,435
Reserves	*34*	443,979	319,729	1,215,543	1,094,762
Retained earnings	*35*	1,056,351	784,623	281,050	295,962
Parent entity interests		1,571,765	1,175,787	1,568,028	1,462,159
Non-controlling interests	*36*	373,668	274,592	–	–
Total equity		1,945,433	1,450,379	1,568,028	1,462,159

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 2014

	Note	Share capital 32	Asset revaluation reserve 34	Hedging reserve 34	Retained earnings 35	Attributable to equity holders of parent	Non-controlling interests 36	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group								
Balance as at 1 July 2012		71,435	304,304	(23,192)	763,549	1,116,096	256,565	1,372,661
Profit for the year		–	–	–	57,393	57,393	13,319	70,712
Other comprehensive income for year (net of tax)		–	27,748	10,893	(3)	38,638	10,462	49,100
Transfers		–	(24)	–	24	–	–	–
Dividends paid or provided for	33	–	–	–	(36,325)	(36,325)	(5,644)	(41,969)
Adjustment to non-controlling interests for share acquisitions		–	–	–	(15)	(15)	(110)	(125)
Balance as at 30 June 2013		71,435	332,028	(12,299)	784,623	1,175,787	274,592	1,450,379
Profit for the year		–	–	–	323,234	323,234	79,397	402,631
Other comprehensive income for year (net of tax)		–	117,423	7,272	–	124,695	25,838	150,533
Disposal of revalued assets		–	(421)	–	421	–	–	–
Deferred tax transferred		–	(34)	–	34	–	–	–
Reversal of deferred tax on realisation of asset		–	10	–	(10)	–	–	–
Dividends paid or provided for	33	–	–	–	(52,000)	(52,000)	(5,704)	(57,704)
Adjustment to non-controlling interests for share acquisitions		–	–	–	49	49	(455)	(406)
Balance as at 30 June 2014		71,435	449,006	(5,027)	1,056,351	1,571,765	373,668	1,945,433

	Note	Share capital 32	Fair value through equity reserve 34	Hedging reserve 34	Retained earnings 35	Total
		$'000	$'000	$'000	$'000	$'000
Parent						
Balance as at 1 July 2012		71,435	1,050,576	(12,686)	288,276	1,397,601
Profit for the year		–	–	–	44,011	44,011
Other comprehensive income for year (net of tax)		–	50,573	6,299	–	56,872
Dividends paid or provided for	33	–	–	–	(36,325)	(36,325)
Balance as at 30 June 2013		71,435	1,101,149	(6,387)	295,962	1,462,159
Profit for the year		–	–	–	37,088	37,088
Other comprehensive income for year (net of tax)		–	117,809	2,972	–	120,781
Dividends paid or provided for	33	–	–	–	(52,000)	(52,000)
Balance as at 30 June 2014		71,435	1,218,958	(3,415)	281,050	1,568,028

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

Cash Flow Statement FOR THE YEAR ENDED 30 JUNE 2014

	Note	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Cash flows from operating activities					
Receipts from customers and other sources		947,552	884,614	2	3
Interest received		2,848	2,909	9,233	6,687
Dividends received		–	–	48,175	42,377
Proceeds from insurance		13,003	17,394	–	–
Payments to suppliers and employees		(764,370)	(711,401)	(2,349)	(2,240)
Interest and other finance costs paid		(41,591)	(39,071)	(17,834)	(15,739)
Income tax paid		(21,714)	(17,812)	–	–
Subvention payments		(1,081)	(7,471)	–	–
Net cash provided by/(used in) operating activities	*37*	134,647	129,162	37,227	31,088
Cash flows from investing activities					
Proceeds from sale of investment securities		–	1,818	–	–
Proceeds from return of capital of associated company		3	20,793	3	20,793
Payment for equity investment in subsidiaries/associates		(3,750)	–	(6,905)	(8,123)
Advances made		(20,208)	(6,814)	(15,208)	(6,814)
Proceeds from repayment of related party loans		11,450	44	18,450	5,044
Amounts advanced to related parties		(2,867)	–	(47,500)	(33,000)
Payment for property, plant and equipment		(133,411)	(146,874)	–	–
Proceeds from sale of property, plant and equipment		6,872	1,480	–	–
Proceeds from insurance		372,954	12,110	–	–
Payment for goodwill		–	(250)	–	–
Payment for intangible assets		(5,672)	(5,985)	–	–
Payment for investment properties		(14,569)	(3,735)	–	–
Proceeds from sale of investment properties		7,619	–	–	–
Maturity of/(investment in) term deposits		(87,324)	(3,250)	–	–
Net cash (used in)/provided by investing activities		131,097	(130,663)	(51,160)	(22,100)
Cash flows from financing activities					
Proceeds from borrowing		154,700	136,350	101,500	16,000
Repayment of borrowings		(137,681)	(100,515)	(35,000)	–
Repayment of finance leases		(44)	(334)	–	–
Capitalised bond issue costs/amortised borrowing costs		(256)	(312)	–	–
Dividends paid		(52,000)	(36,324)	(52,000)	(36,324)
Dividends paid – non-controlling interests		(5,704)	(5,644)	–	–
Net cash provided by/(used in) financing activities		(40,985)	(6,779)	14,500	(20,324)
Net decrease in cash and cash equivalents		224,759	(8,280)	567	(11,336)
Cash and cash equivalents at beginning of year		(2,838)	5,442	1,774	13,110
Cash and cash equivalents at end of year	*13*	221,921	(2,838)	2,341	1,774

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 2014

1. 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 2014. The financial statements were authorised for issue by the CCHL Board of directors on 17 September 2014.

(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 are prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments.

The reporting currency used in the preparation of these financial statements is New Zealand dollars, rounded to the nearest thousand unless otherwise stated.

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

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses, and the accompanying disclosures, and the disclosure of contingent liabilities. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Measurement of fair value

The Group measures financial instruments, such as derivatives, and non-financial assets such as investment properties and certain classes of property, plant and equipment, at fair value at each balance sheet date. The parent company measures its investments in subsidiaries, classified as 'fair value through equity' assets, at fair value.

Further information about the assumptions used in measuring fair values is included in Notes 16, 22, 23 and 40.

Judgements and estimation uncertainties

In addition to the measurement of fair values as outlined above, 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 2.

(iv) Impairment

The carrying amounts of the Group's assets, other than investment property (see Investments policy), trade and other receivables (see Trade and other receivables policy), inventories (see Inventories policy) and deferred tax assets (see Income tax policy), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill, other intangible assets that have an indefinite useful life and assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

Impairment losses are recognised through profit or loss. Impairment losses on revalued assets offset any balance in the asset revaluation reserve, with any remaining impairment loss being posted to profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

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.

Calculation of recoverable amount

The recoverable amount of the Group's investments in held-to-maturity securities and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

1. Statement of accounting policies continued

The recoverable amount of other assets is the greater of their market value less cost to sell and fair value.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss in respect of a held-to-maturity security or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as fair value through equity is not reversed through profit or loss. If the fair value of a debt instrument classified as fair value through equity increases and the increase can be objectively related to an event occurring after the impairment loss was recognised through profit or loss, the impairment loss is reversed, with the amount of the reversal recognised through profit or loss.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Other accounting policies

Accounting policies in relation to the following items are shown in the relevant Note, as follows:

	Note
Revenue	*3*
Income tax	*12*
Cash and cash equivalents	*13*
Debtors and other receivables	*14*
Derivative financial instruments	*15*
Subsidiaries and consolidation	*16*
Joint ventures	*16*
Classification of investments and financial assets	*16*
Inventory	*18*
Prepayments	*17*
Non-current assets held for sale	*19*
Associated companies	*20*
Property, plant and equipment	*22*
Investment property	*23*
Intangible assets	*24*
Goodwill	*25*
Creditors and other payables	*26*
Borrowings	*27*
Finance lease liabilities	*28*
Employee entitlements	*29*
Provisions	*30*
Share capital	*32*
Dividends	*33*
Operating lease payments	*38*
Fair value	*40*
Foreign currency	*40*

(v) New accounting standards and interpretations

The accounting policies detailed above have been applied in the preparation of these financial statements and have been consistently applied throughout the year.

The following new and amended New Zealand equivalents to International Financial Reporting Standards have been adopted as of 1 July 2013:

- NZ IAS 1 Presentation of Items of Other Comprehensive Income – Amendment to NZ IAS 1
- NZ IAS 19 Employee Benefits (Revised)
- NZ IAS 28 Investments in Associates and Joint Ventures
- Amendments to NZ IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
- NZ IFRS 10 Consolidated Financial Statements
- NZ IFRS 11 Joint Arrangements
- NZ IFRS 12 Disclosure of Interests in Other Entities
- NZ IFRS 13 Fair Value Measurement
- Annual Improvements NZ IFRS 2009 – 2011 Cycle.

Adoption of the above standards did not have a material impact on the financial statements of the Group.

NZ IFRS Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ending 30 June 2014 are listed below:

	Effective
• Amendments to NZ IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Liabilities	*FY15*
• NZ IFRS 9 Financial Instruments – Classification and Measurement	*FY16*
• Amendments to NZ IFRS 10, 11 and 12, and NZIAS 27 Investment Entities	*FY16*
• NZ IFRIC 21 Levies	*FY16*
• Amendments to NZ IAS 36 Recoverable Amount Disclosures for Non-Financial Assets	*FY16*
• Amendments to NZ IAS 39 Novation of Derivatives and Continuation of Hedge Accounting	*FY16*
• Annual Improvements NZ IFRS 2010-2012 and 2011-2013 cycles	*FY16*

The Group expects to adopt these new or amended standards and interpretations in the period that application of the standard is required. They are not expected to have a significant impact on the Group's financial statements.

Notes to the Financial Statements FOR THE YEAR ENDED 30 JUNE 2014

2. Critical judgements, estimates and assumptions

In the process of 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:

Consolidated

- Management of the subsidiary companies assess whether individual assets or groupings of related assets (which generate cash flows co-dependently) are impaired by estimating the future cash flows that those assets are expected to generate. Assumptions such as rates of expected revenue growth or decline, expected future margins and the selection of an appropriate discount rate for discounting future cash flows are required. A movement in the fair value of an asset is recorded through profit or loss or other comprehensive Income, depending on the asset classification.
- Management of the parent and subsidiary companies determine whether goodwill is impaired on at least an annual basis. This requires an estimation of the recoverable amount of its cash-generating units, using a value in use discounted cash flow methodology. This value is then compared with the existing book value of the assets combined with the goodwill allocated to those assets. If the value in use is higher, then there has been no impairment of goodwill.
- Management of the subsidiary companies determine useful lives for particular assets. In making this assessment, they make judgements about the expected length of service potential of the asset, the likelihood of the asset becoming obsolete as a result of technological advances and the likelihood of the company ceasing to use the asset in its business operations.
- 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:

- Orion New Zealand Ltd has estimated the impacts of the Canterbury earthquakes on the future cash flows of the business. These estimates contain some uncertainty. These estimates are relevant to the company's cyclical reviews and revaluations of the carrying value of the electricity distribution network.
- 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.
- Lyttelton Port Company Ltd has identified areas of estimation uncertainty in relation to the carrying value of land, building and harbour structures; depreciation rates and the estimation of useful lives; amortisation of intangible assets such as resource consents, easement and software, and the quantification of contingent liabilities.
- Enable Services Ltd's investment in Enable Networks Ltd represents an investment in a start-up infrastructure company. The investment is recognised as an investment in an associate and as such is not revalued in the financial statements. The company is required to assess the value of the investment for impairment. Assessment of the value of Enable Networks Ltd requires significant assumptions including levels of uptake, average rates of sales, operating cost levels, depreciation rates and financing costs.
- Enable Services Ltd is contracted to build the UFB network for Enable Networks Ltd 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.

Parent

- CCHL values its investments in subsidiary companies at fair value. This has a material impact on the amounts recognised in these financial statements and involves a significant amount of judgement. Independent valuers are commissioned to perform these valuations on a periodic basis, at intervals sufficient to ensure that the fair value of these investments does not differ materially from their carrying value. In intervening years, valuations are reviewed to determine whether there are any factors present that would indicate the possibility of a significant value change. If such factors are present, a full valuation is performed and reflected in the financial statements. The key assumptions used to determine the carrying value of CCHL investments in subsidiaries are outlined in Note 16.

	Note	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
3. Operating and other revenue					
Sale of goods		26,185	30,739	–	–
Rendering of services		640,807	630,601	2	2
Construction contract revenue		214,666	175,491	–	–
Donated and subsidised assets		–	4,406	–	–
Capital contributions		4,566	4,241	–	–
Electricity transmission rental rebates		4,102	7,081	–	–
Rental income from investment properties		13,566	12,279	–	–
Other rental revenue		57,273	52,208	–	–
Dividends from subsidiaries		–	–	48,175	42,377
Insurance receipts	*(i)*	357,732	17,952	–	–
Other		11,776	10,374	–	–
		1,330,673	945,372	48,177	42,379

(i) Insurance settlement

Lyttelton Port Company Limited (LPC) and its insurers (Vero, NZI and QBE) entered into a mediation process that concluded in mid December 2013. The outcome of that process was that all the various claims by LPC against its three insurers under its material damage, business interruption and contract works insurance policies, arising out of the September 2010, February 2011 and June 2011 earthquakes, were settled. The settlement involved the payment in aggregate by the three insurers of $438.3m (less payments already made) in full and final settlement of the claims against its insurers.

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. The stage of completion is assessed by reference to surveys of work performed. 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. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods or continuing management involvement with the goods.

(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 contact. 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.

	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
4. Finance income				
Interest income – bank deposits	5,680	1,172	283	448
Interest income – related party loans	1,590	1,767	8,792	6,567
Interest income – finance lease	1	4	–	–
Interest income – other	888	317	587	6
	8,159	3,260	9,662	7,021

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 2014

	Note	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
5. Other gains and losses					
Other gains					
Non-financial instruments					
Gains on disposal of fair value through equity investments		4	1,788	4	13,119
Gains on disposal of property, plant and equipment		3,306	–	–	–
Gains on revaluation of investment property	23	9,223	7,775	–	–
		12,533	9,563	4	13,119
Financial instruments					
Ineffectiveness on fair value hedges		–	–	8	–
Ineffectiveness on cash flow hedges		–	–	414	–
Financial assets fair value change		1,308	–	–	–
		1,308	–	422	–
		13,841	9,563	426	13,119
Other losses					
Non-financial instruments					
Losses on disposal of property, plant and equipment		–	81	–	–
Losses on assets written off		1,488	1,532	–	–
		1,488	1,613	–	–
Financial instruments					
Ineffectiveness on fair value hedges		(51)	4	–	–
Ineffectiveness on cash flow hedges		2,315	533	–	533
Financial assets fair value change		–	18	–	–
		2,264	555	–	533
		3,752	2,168	–	533
6. Depreciation, amortisation & impairment					
Depreciation of non-current assets	22	96,622	90,629	–	–
Amortisation of intangible assets	24	4,311	3,897	–	–
Impairment of property, plant & equipment	22	(1,290)	1,634	–	–
		99,643	96,160	–	–
7. Finance costs					
Interest expense					
Interest on bank borrowings		20,253	19,907	77	103
Interest on debt instruments		19,422	18,036	15,559	15,841
Interest on related party debt		3,052	–	3,052	–
Interest on finance leases		1,772	382	–	–
Other interest		12	24	20	–
		44,511	38,349	18,708	15,944
Interest capitalised					
Property, plant & equipment		(799)	2,572	–	–
8. Personnel costs					
Salaries and wages		236,679	217,630	607	585
Defined contribution plan employer contributions		2,684	2,391	9	6
Defined benefit plan employer contributions		127	109	–	–
Other		3,652	2,961	–	–
		243,142	223,091	616	591

	Note	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
9. Other expenses					
Audit fees	*11*	814	1,116	48	46
Directors' fees		1,959	2,067	246	328
Donations		120	79	82	–
Net foreign exchange (gains)/losses		(152)	(58)	–	–
Provision expenses		2,084	–	–	–
Minimum lease payments under operating leases		8,268	9,566	–	–
Provision of services and maintenance of assets		235,027	258,301	–	–
Consultancy and legal costs		7,075	8,524	399	274
Orion network maintenance and transmission expenses		89,841	84,863	–	–
Raw materials and consumables used		55,592	57,717	–	–
Other operating expenses		101,038	72,579	1,078	883
		501,666	494,754	1,853	1,531
10. Key management personnel compensation					
Short term benefits		523	601	523	601
Other benefits		–	–	–	–
		523	601	523	601
11. Remuneration of auditors					
Audit New Zealand					
Audit of the financial statements		638	633	48	46
Special audits required by regulators		93	350	–	–
Assurance related		3	4	–	–
		734	987	48	46
Other auditor – KPMG					
Audit of the financial statements		64	86	–	–
Other non-audit services		16	43	–	–
		80	129	–	–
Total	*9*	814	1,116	48	46

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 (2014 and 2013)
- annual assurance reviews of the company's information disclosures in accordance with the Electricity Distribution Information Disclosure Determination 2012 (2014 and 2013)
- an assurance review of certain parts of the information prepared by the company to comply with a Commerce Commission information request under s53ZD of the Commerce Act (2013)
- an assurance review of certain parts of the information prepared as part of the company's Customised Price Path proposal to the Commerce Commission (2013).

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.

KPMG

Other non-audit related services provided to Lyttelton Port Company Limited related to the provision of a staff secondment.

Notes to the Financial Statements FOR THE YEAR ENDED 30 JUNE 2014

12. Income taxes

12(a) Components of tax expense

	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Current tax expense/(income)	45,086	19,695	–	–
Adjustments to current tax of prior years	(782)	(1,197)	–	(91)
Deferred tax expense/(income)	7,900	12,098	–	–
Impairment of deferred tax asset	(34)	–	–	–
Total tax expense/(income)	52,170	30,596	–	(91)

12(b) Reconciliation of prima facie income tax

	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Profit before tax	454,801	101,308	37,088	43,920
Tax at statutory rate of 28%	127,344	28,366	10,385	12,298
Non-deductible expenses	1,630	1,566	–	–
Non-assessable income and deductible items	(80,194)	2,789	(10,743)	(15,296)
Deferred tax adjustment on buildings	2,336	–	–	–
Other	1,151	(957)	–	–
Assets no longer depreciable	–	(1,095)	–	–
Tax loss not recognised as deferred tax asset	–	–	358	2,907
(Over)/under provision of income tax in previous year	(97)	(73)	–	–
Total tax expense/(income)	52,170	30,596	–	(91)

The tax rate used in the above reconciliation is the corporate tax rate of 28% (2013: 28%) payable by New Zealand companies on taxable profits under New Zealand tax law.

Last year's parent company losses of $10.4m were not utilised within the Christchurch City Council group, and hence are carried forward for offset in future periods. The current year's tax loss of $1.3m (2013: $10.4m), together with brought forward losses, will be transferred to other entities within the Christchurch City Council group and the group tax payable balance has been reduced accordingly.

12(c) Current tax receivables/(payables)

	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Income tax	(19,057)	404	–	–
	(19,057)	404	–	–

12(d) Unrecognised tax losses

	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Tax losses	60	181	11,661	10,382
Tax effect	17	51	3,265	2,907

12(e) Imputation credits

The amount of imputation credits available for use in subsequent reporting periods by:

- the CCHL parent company is $12,374,000 ($2013: $16,163,000).
- the CCHL Group is $49,819,000 (2013: $43,332,000).

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

12. Income taxes continued

Taxable and deductible temporary differences arise from the following:

12(f) Deferred tax

	Opening balance	Recognised in: Profit/loss	Recognised in: Other comprehensive income	Closing balance
	$'000	$'000	$'000	$'000
Group				
30 June 2014				
Deferred tax liabilities:				
Cash flow hedges	–	–	–	–
Fair value hedges	56	367	669	1,092
Property, plant and equipment	266,597	18,009	44,001	328,607
Intangible assets	602	367	–	969
Insurance claim receivable	7,288	(7,288)	–	–
Other	10,004	18	–	10,022
	284,547	11,473	44,670	340,690
Deferred tax assets:				
Cash flow hedges	5,863	(1)	(3,932)	1,930
Provisions and employee entitlements	5,351	555	–	5,906
Doubtful debts and impairment losses	175	(89)	–	86
Tax losses	51	785	–	836
Other	381	26	–	407
	11,821	1,276	(3,932)	9,165
Net deferred tax liability/(asset)	272,726	10,197	48,602	331,525
Group				
30 June 2013				
Deferred tax liabilities:				
Cash flow hedges	–	–	–	–
Fair value hedges	–	56	–	56
Property, plant and equipment	268,602	6,533	(8,538)	266,597
Intangible assets	704	(102)	–	602
Insurance claim receivable	7,492	(204)	–	7,288
Other	8,035	1,969	–	10,004
	284,833	8,252	(8,538)	284,547
Deferred tax assets:				
Cash flow hedges	10,496	(6)	(4,627)	5,863
Fair value hedges	689	(232)	(457)	–
Provisions and employee entitlements	4,953	398	–	5,351
Doubtful debts and impairment losses	72	103	–	175
Tax losses	2,302	(2,251)	–	51
Other	407	(26)	–	381
	18,919	(2,014)	(5,084)	11,821
Net deferred tax liability/(asset)	265,914	10,266	(3,454)	272,726

Parent company

A deferred tax asset has not been recognised in the parent company for temporary differences of $0.12m (tax effect $0.03m) (2013: temporary differences of $5.8m (tax effect $1.6m)). These temporary differences have been recognised in the Group.

A deferred tax liability has not been recognised on taxable temporary differences relating to undistributed profits of subsidiaries and associates.

Notes to the Financial Statements FOR THE YEAR ENDED 30 JUNE 2014

12. Income taxes continued

Accounting policy – income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised through profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly-controlled entities to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, 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. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to 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.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

13. Cash and short term investments

	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Cash and cash equivalents denominated in:				
New Zealand dollars	220,531	(2,838)	2,341	1,774
Australian dollars	128	–	–	–
American dollars	1,262	–	–	–
	221,921	(2,838)	2,341	1,774

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, 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.

For the purpose of the statement of cash flows, bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents. Bank overdrafts are included within interest-bearing loans and borrowings in current liabilities on the balance sheet.

	Note	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
14. Debtors and other receivables					
14(a) Current asset portion					
Trade receivables (before impairment)	*14(c)*	63,981	68,514	8	155
Chargeable work in progress		72,929	53,850	–	–
Interest receivable		173	148	1,569	994
Construction contract receivables		1,425	–	–	–
Contract retentions		3,489	2,267	–	–
Finance lease receivable		–	25	–	–
GST receivable		–	–	14	13
Insurance receivables		–	27,684	–	–
Other		2,330	385	172	272
		144,327	152,873	1,763	1,434
Provision for impairment – trade receivables		(369)	(410)	–	–
		143,958	152,463	1,763	1,434
14(b) Non-current asset portion					
Construction contract receivables		2,989	–	–	–
Provision for impairment		–	–	–	–
		2,989	–	–	–
Total debtors and other receivables		146,947	152,463	1,763	1,434

Included in trade receivables are amounts due from the ultimate shareholder, Christchurch City Council, and from subsidiaries, as disclosed in Note 41.

An allowance has been made for estimated irrecoverable amounts from sales, determined by reference to past default experience. The net movement in the allowance was recognised in the profit or loss for the current financial year.

	Note	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
14(c) Credit risk – aging of receivables					
Gross receivables					
Not past due		54,503	53,761	8	155
Past due 0-30 days		6,052	8,135	–	–
Past due 31-60 days		2,068	3,804	–	–
Past due more than 60 days		1,358	2,814	–	–
	14(a)	63,981	68,514	8	155
Impairment					
Not past due		–	–	–	–
Past due 0-30 days		–	–	–	–
Past due 31-60 days		–	(2)	–	–
Past due more than 60 days		(369)	(408)	–	–
		(369)	(410)	–	–
Gross trade receivables		63,981	68,514	8	155
Individual impairment	*14(d)*	(369)	(410)	–	–
Collective impairment		–	–	–	–
Trade receivables (net)		63,612	68,104	8	155

Notes to the Financial Statements FOR THE YEAR ENDED 30 JUNE 2014

	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
14. Debtors and other receivables continued				
14(d) Movements in provision for impairment of receivables				
Balance at start of year	410	472	–	–
Provisions made during year	58	13	–	–
Provisions reversed during year	(78)	(45)	–	–
Receivables written off during year	(21)	(30)	–	–
Balance at end of year	369	410	–	–

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 at an operating unit level. 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. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

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.

	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
15. Derivative financial instruments				
15(a) Current asset portion				
Interest rate swaps – fair value hedges	105	–	–	–
Forward foreign exchange contracts – fair value hedges	108	34	–	–
	213	34	–	–
15(b) Non-current asset portion				
Interest rate swaps – fair value hedges	2,033	–	1,785	–
Interest rate swaps – cash flow hedges	2,164	1,962	2,164	1,962
	4,197	1,962	3,949	1,962
Total derivative financial instrument assets	4,410	1,996	3,949	1,962
15(c) Current liability portion				
Interest rate swaps – fair value hedges	67	–	–	–
Interest rate swaps – cash flow hedges	1,269	1,260	113	82
Forward foreign exchange contracts – cash flow hedges	–	17	–	–
	1,336	1,277	113	82
15(d) Non-current liability portion				
Interest rate swaps – fair value hedges	5,241	5,388	–	485
Interest rate swaps – cash flow hedges	5,404	19,694	4,024	7,238
	10,645	25,082	4,024	7,723
Total derivative financial instrument liabilities	11,981	26,359	4,137	7,805

15. Derivative financial instruments continued

Derivative financial instruments are used by the Group in the normal course of business in order to hedge exposure to fluctuations in interest, foreign currency rates and commodity prices.

Interest rate swap contracts

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on debt held. The fair value of interest rate swaps are based on market values of equivalent instruments at the reporting date and are disclosed below. The average interest rate is based on the outstanding balances at the start of the financial year.

Interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated and effective as cash flow hedges.

The following tables detail the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at reporting date:

15(e) Interest rate swap contracts

	2014	2013	2014	2013	2014	2013
	Average contracted fixed interest rate		Notional principal amount		Fair value	
			$'000	$'000	$'000	$'000
Group						
Floating for fixed contracts						
Less than 1 year	4.57%	5.04%	100,000	39,000	(1,035)	(1,260)
1 to 2 years	4.66%	4.79%	160,000	185,000	(409)	(6,273)
2 to 5 years	5.29%	4.82%	259,000	152,000	(7,329)	(5,876)
More than 5 years	4.38%	4.92%	165,000	247,000	3,887	(7,448)
			684,000	623,000	(4,886)	(20,857)
Fixed for floating contracts						
Less than 1 year	N/A	N/A	–	–	(196)	–
More than 5 years	N/A	N/A	96,725	81,814	(2,597)	(3,523)
			96,725	81,814	(2,793)	(3,523)
Parent						
Floating for fixed contracts						
Less than 1 year	4.99%	3.83%	30,000	9,000	(113)	(82)
1 to 2 years	4.92%	4.99%	30,000	30,000	(197)	(772)
2 to 5 years	5.59%	4.92%	100,000	30,000	(3,693)	(278)
More than 5 years	4.35%	5.06%	75,000	175,000	1,551	(4,689)
			235,000	244,000	(2,452)	(5,821)
Fixed for floating contracts						
More than 5 years	N/A	N/A	21,725	6,814	2,264	(22)
			21,725	6,814	2,264	(22)

The interest rate swap settlement dates coincide with the dates on which interest is payable on the underlying debt. The majority of swaps are matched directly against the appropriate loans and interest expense and as such are considered highly effective. They are settled on a net basis. The swaps are measured at fair value and all gains and losses attributable to the hedged risk are recognised in other comprehensive income and reclassified into profit or loss when the interest expense is recognised.

Forward currency contracts – cash flow hedges

The Group has entered into forward currency contracts to mitigate currency risk in relation to plant, equipment and inventory purchased from overseas. See Note 40(f).

Notes to the Financial Statements FOR THE YEAR ENDED 30 JUNE 2014

15. Derivative financial instruments continued

Accounting policy – derivative financial instruments

The Group uses derivative financial instruments to hedge its risks associated with interest rate, foreign exchange and commodity price fluctuations. In accordance with the treasury policies of the respective group entities, the Group does not hold or issue derivative financial instruments 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 carried at fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

The gain or loss on re-measurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see Hedging policy).

The fair value of interest rate swaps 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. The fair value of commodity contracts is determined using a discounted cash flow valuation technique using cash flow estimates based on observable and unobservable forward prices for the commodity.

Hedging

Derivatives are first recognised at fair value on the date a contract is entered into and are subsequently re-measured to their fair value. The method of recognising the resulting gain or loss 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: (i) hedges of exposure to variability in cash flows that is attributable either to a particular risk associated with a recognised asset or liability or to a forecast transaction and that could affect profit and loss (cash flow hedges); or (ii) hedges of the fair value of recognised assets or liabilities or an unrecognised firm commitment (fair value hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

(i) Cash flow hedge

To the extent that the hedge is effective, changes in the fair value of derivatives designated as hedging instruments in cash flow hedges are recognised in other comprehensive income and included within the cash flow hedge reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately through profit or loss.

Amounts accumulated in equity are recycled through profit or loss in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non financial asset (for example, inventory) or a non financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires or is sold or cancelled, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised through 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 statement of comprehensive income.

(ii) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded through profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

The Group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Group revokes the designation.

(iii) 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.

	Note	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
16. Other financial assets					
16(a) Current portion					
Loan to Christchurch International Airport Ltd	*(iv)*	–	–	25,000	–
Loan to Christchurch City Council	*(iv)*	–	11,450	–	11,450
Other loans		66	86	–	–
Term deposits		93,635	6,307	–	–
Other		3,542	15	–	–
Total current other financial assets		97,243	17,858	25,000	11,450
16(b) Non-current portion					
Shares held by CCHL in subsidiary companies	*(i) (ii) (iii)*	–	–	1,760,000	1,635,286
Other investments		15	–	–	–
		15	–	1,760,000	1,635,286
Interest-bearing loans to:					
Christchurch International Airport Ltd	*(iv)*	–	–	25,000	50,000
Enable Services Ltd	*(iv)*	–	–	100,000	52,500
Red Bus Ltd	*(iv)*	–	–	–	5,000
EcoCentral Ltd	*(iv)*	–	–	7,000	9,000
Total loans to subsidiaries		–	–	132,000	116,500
Loan to Christchurch City Council (parent)	*(iv)*	14,487	14,487	14,487	14,487
Loan to Enable Networks Ltd (associate)	*(v)*	16,441	–	–	–
Total loans to related parties		30,928	14,487	146,487	130,987
Other loans	*(vi)*	24,847	6,979	19,401	6,453
Total non-current loans		55,775	21,466	165,888	137,440
Total non-current other financial assets		55,790	21,466	1,925,888	1,772,726
Total other financial assets (current and non-current)		153,033	39,324	1,950,888	1,784,176

(i) Shares in subsidiary companies

CCHL's subsidiary investments, all of which were incorporated in New Zealand, as at 30 June were as follows:

Entity name	Short form name	Effective ownership 2014	Effective ownership 2013	Principal activity	Year end
Subsidiaries					
Orion New Zealand Ltd	Orion	89.3%	89.3%	Electricity network	31 March
Christchurch International Airport Ltd	CIAL	75.0%	75.0%	Airport	30 June
Lyttelton Port Company Ltd	LPC	79.7%	79.6%	Port	30 June
Enable Services Ltd	ESL	100%	100%	Broadband network	30 June
City Care Ltd	CCL	100%	100%	Contracting	30 June
Red Bus Ltd	RBL	100%	100%	Passenger transport	30 June
EcoCentral Ltd	ECL	100%	100%	Waste recycling	30 June
CCHL 3 Ltd	N/A	100%	100%	Dormant	30 June
CCHL 4 Ltd	N/A	100%	100%	Dormant	30 June
CCHL 5 Ltd	N/A	100%	100%	Dormant	30 June
CCHL 6 Ltd	N/A	100%	100%	Dormant	30 June
Christchurch City Networks Ltd	N/A	100%	100%	Dormant	30 June

Orion New Zealand Ltd's balance date of 31 March differs from the group balance date of 30 June. The principal reason for this is that the electricity industry, including the regulatory regime, in New Zealand is based on a universal 31 March balance date. Additionally, seasonal factors make it more appropriate for Orion to report at 31 March rather than 30 June. The costs and disadvantages associated with changing Orion's balance date would outweigh any benefits arising.

Notes to the Financial Statements FOR THE YEAR ENDED 30 JUNE 2014

16. Other financial assets continued

(ii) Non-controlling interests in subsidiary companies

The following note provides a summary of the results and position of the three largest subsidiaries, and the share of profits, other comprehensive income, net assets and dividends attributable to non-controlling interests (ie. interests other than CCHL).

	Orion	CIAL	LPC	Consol adjs	Total
	$'000	$'000	$'000	$'000	$'000
Non-controlling interest percentage	10.7%	25.0%	20.4%		
Revenue	269,670	139,923	478,081		
Net profit after tax	50,455	15,694	343,226		
Other comprehensive income (OCI)	79,636	67,670	1,861		
Total comprehensive income	130,091	83,364	345,087		
Profit allocated to non-controlling interests	5,411	3,924	70,062	–	79,397
OCI allocated to non-controlling interests	8,541	16,918	380	(1)	25,838
Current assets	24,558	13,557	343,909		
Non-current assets	1,017,131	1,164,020	253,557		
Current liabilities	44,905	41,779	27,986		
Non-current liabilities	263,788	390,565	36,359		
Net assets	732,996	745,233	533,121		
Carrying amount of non-controlling interests	78,614	186,308	108,825	(79)	373,668
Operating cash flows	85,548	42,083	24,571		
Investing cash flows	(52,343)	(34,542)	239,159		
Financing cash flows*	(33,951)	(6,817)	(32,516)		
	(746)	724	231,214		
* Includes dividends paid to non-controlling interests	(3,647)	(1,640)	(418)		

(iii) Valuation of shares in subsidiary companies

CCHL's investments in its subsidiary companies are stated at fair value in the parent company's balance sheet. Fair value is determined by independent valuation, with valuations performed by an independent, external valuer with sufficient regularity to ensure no investments are included at a valuation that is materially different from fair value. Further detail is provided below.

The following table summarises the valuation dates and methodology for each subsidiary:

Entity name	Last valuation	Prime valuation methodology	2014 $'000	2013 $'000
Orion New Zealand Ltd	June 2014	Discounted cash flow	753,000	663,800
Christchurch International Airport Ltd	June 2013	Discounted cash flow		
		Separate property portfolio valuation	534,200	534,200
Lyttelton Port Company Ltd	June 2014	Listed share price	260,800	231,786
Enable Services Ltd	June 2012	Net asset value (Enable Services Ltd)	40,900	34,400
		Discounted cash flow (Enable Networks Ltd)		
City Care Ltd	June 2012	Discounted cash flow	136,300	136,300
		Separate valuation of Springs Rd site		
Red Bus Ltd	June 2012	Net asset value	23,000	23,000
EcoCentral Ltd	June 2012	Discounted cash flow	11,800	11,800
Total investment in subsidiaries			1,760,000	1,635,286

The investments in all subsidiaries, other than Orion New Zealand Ltd and Lyttelton Port Company Ltd, were reviewed by independent valuers Ernst & Young as at 30 June 2014 to determine whether there were any significant indicators of material value change since their last full valuations at 30 June 2013 or 30 June 2012.

16. Other financial assets continued

To determine whether there had been any indicators of material change in value for 2014 for those subsidiaries not revalued in 2014, the following steps were undertaken:

- compare actual and current forecast performance with the 2013 forecasts
- review and discuss with management key changes in the business from 2013
- review, where applicable, the WACC calculation

The results of these reviews are set out in the following commentary.

The following section provides more detail about the valuation methodology for each company:

Orion New Zealand Ltd

The investment in Orion New Zealand Ltd was valued as at 30 June 2014 using the discounted cash flow methodology. The company's forecast cash flows for the next five years to 2019 were assessed, and discounted back to the valuation date, using a discount rate that reflected not only the time value of money but also risk associated with the business's future operations. Orion's weighted average cost of capital (WACC), assessed at 6.7% post-tax, was used to discount its future cash flows.

Orion's regulated Customised Price path (CPP) period also ends in 2019. A terminal cash flow, to allow for cash flows beyond 2019, was assessed and discounted back to the valuation date. In assessing the terminal value, allowance was made for a conservative price adjustment to enable Orion to maintain a market return on its assets and maintain its investment in the network, and a 2.5% growth rate.

The Commerce Commission has recently released draft policy document for public consultation. The document proposes that the regulatory pricing for post-tax WACC be reduced from the 75th percentile to the 67th percentile. If this change comes into effect it will reduce the value of the investment in Orion. For the purposes of the valuation, the impact of this change has been included. If the change does not eventuate, the assessed enterprise value of Orion would increase by some $43m and the value of CCHL's investment would increase by some $36m.

A sensitivity analysis of the impact of different assumptions on Orion's enterprise value is set out as follows:

Change in	Decrease ($m)	Increase ($m)
WACC (+ or – 0.25%)	(59)	67
Cash expenses (+ or – 10%)	(19)	19
Capital expenditure (+ or – 5%)	(74)	74

It is noted in relation to the sensitivity analysis that there is to a degree, a natural valuation hedge, as material changes in these variables may be compensated by a regulatory corrective price adjustment at a future price reset.

Christchurch International Airport Ltd

The investment in Christchurch International Airport Ltd was valued as at 30 June 2013 using a combination of methods – a discounted cash flow approach for the core airport operations (comprising the aeronautical land, sealed surfaces and infrastructure, and the terminal facilities), a net asset value approach for the airport's property portfolio assets and a cost basis for various recently-acquired trading activities including the International Antarctic Centre, the Wash and Craddocks.

Core airport operations

The company's forecast cash flows for the next ten years were assessed, and discounted back to the valuation date, using a discount rate that reflected not only the time value of money but also risk associated with the business's future operations. A terminal cash flow, to allow for cash flows beyond the explicit forecast period, was also assessed and discounted back to the valuation date. The company's weighted average cost of capital (WACC), assessed at 7.0% post-tax, was used to discount its future cash flows. A valuation cross-check, comparing the implied EBITDA multiple with other airport companies and with recent airport transactions, supported the discounted cash flow valuation of the core airport operations of $541m.

A sensitivity analysis of the impact of different assumptions on the value of Christchurch International Airport Ltd's core airport operations was performed as at 30 June 2013 as follows:

Change in	Increase ($m)	Decrease ($m)
Revenue (+ or – 5%)	120	(120)
WACC (+ or – 5%)	70	(55)
Capital expenditure (+ or – 5%)	45	(45)
Operating expenditure (+ or – 5%)	20	(20)

Property portfolio

The airport's property portfolio, which comprises land and buildings not associated with the core airport operations, the car parking building, and properties classified as investment properties, was valued on a net asset basis, on the grounds that:

- a ready market exists for property and hence direct valuation methods for individual assets are available;
- hypothetically these assets could be sold without materially affecting the core airport operations; and
- some assets are held for strategic purposes and hence their value under an earnings approach may be understated.

Christchurch International Airport Ltd had engaged an independent valuer to undertake the valuation of the property portfolio. Based on the valuation figures provided, the value of the property portfolio was assessed at $464m.

After deducting the company's net debt as at 30 June 2013, the value of CCHL's 75% shareholding was assessed at **$534.2m**.

2014 review

Revenue and EBITDA for 2014 were ahead of budget, while interest, depreciation and revaluations were all close to budget. The company had increased investment in property and infrastructure assets in surrounding areas to the core airport operations which had driven considerable improvements to both revenue and EBITDA.

The main change to the WACC calculation was an increase in the risk free rate from 3.5% to 4.6%. However it was considered that changes in risk free rate would flow into the level of aeronautical income acceptable to the regulator, hence such changes were unlikely to have a material impact of the value of the company's aeronautical assets.

Overall, it was concluded that, while there was likely to have been some improvement in the value of the company, the increase would not be material and hence it was appropriate for the carrying value of CCHL's investment to remain at **$534.2m**.

Notes to the Financial Statements FOR THE YEAR ENDED 30 JUNE 2014

16. Other financial assets continued

Lyttelton Port Company Ltd

The value of CCHL's investment in Lyttelton Port Company Ltd was based on the quoted price on the New Zealand Stock Exchange as at 30 June 2014 for shares in the company.

During the year, CCHL acquired a further 128,342 shares (2013: 60,917) in Lyttelton Port Company Ltd for consideration of $0.4m (2013: $0.1m), taking its ownership interest up to 79.70% (2013: 79.57%).

Subsequent to balance date, CCHL entered into a lock up agreement with Port Otago Ltd, which held 15.48% of the shares in Lyttelton Port Company Ltd at balance date, to acquire its shares at a price of $3.95 per share, on condition that Lyttelton Port Company Ltd also paid a dividend of 20 cents per share. CCHL then made a takeover offer to all shareholders on the same terms. Further information is provided in Note 42 – Events after the balance date.

Enable Services Ltd

The investment in Enable Services Ltd was valued as at 30 June 2012 using a two stage process. Enable Services Ltd is in the slightly unusual position of being both a shareholder in, and contractor to, associate company Enable Networks Ltd, which is partly owned by Crown Fibre Holdings Ltd and partly by Enable Services Ltd. Enable Services Ltd is contracted to build a fibre optic network for Enable Networks Ltd and sell it to Enable Networks Ltd. Enable Services Ltd receives funding from CCHL which it then invests in Enable Networks Ltd in the form of non-voting equity and notes. Enable Networks uses the proceeds from this funding to pay Enable Services Ltd for its contracting services. Hence Enable Services Ltd's major assets are construction work in progress and its investment in Enable Networks Ltd. Enable Networks Ltd also receives equity funding from Crown Fibre Holdings Ltd in the form of 'A' shares, which carry voting rights.

CCHL's investment in Enable Services Ltd has been valued on a net asset, going concern basis, reflecting the nature of that company. Included in the net assets of Enable Services Ltd is its investment in Enable Networks Ltd, which has been separately valued using the discounted cash flow methodology. The net asset valuation of Enable Services Ltd therefore incorporates the discounted cash flow valuation of Enable Networks Ltd.

Enable Networks Ltd's forecast cash flows for the next twenty years were assessed, and discounted back to the valuation date, using a discount rate that reflected not only the time value of money but also risk associated with the business's future operations. A terminal cash flow, to allow for cash flows beyond the explicit forecast period, was also assessed and discounted back to the valuation date.

The company's weighted average cost of capital, assessed at 10.0% post-tax, was used to discount its future cash flows.

From the resulting enterprise value was deducted the value attributed to Crown Fibre Holdings Ltd's 'A' shares and the single Government share to arrive at a mid-point value of Enable Services Ltd's interest in Enable Networks Ltd of $38.5m. To this was then added the other assets and liabilities of Enable Services Ltd (including $19.5m of debt) to arrive at an overall value for CCHL's investment in Enable Services Ltd of **$31.4m**.

A sensitivity analysis of the impact of different assumptions on Enable Networks Ltd's equity value was performed as at 30 June 2012 as follows:

Change in	Increase ($m)	Decrease ($m)
Revenue (+ or – 5%)	28	(28)
WACC – or + 5%)	26	(20)
Capital expenditure (– or + 5%)	13	(13)
Operating expenses (+ or – 5%)	6	(6)

2014 review

Updated forecasts for Enable Networks Ltd indicated a higher level of capital expenditure and a lower EBITDA over the next five years, but higher EBITDA levels over time. The start up nature of this company makes it difficult to determine accurate cash flow forecasts, which can and have varied widely over time. It has therefore been determined that a net asset value methodology is the more appropriate methodology for valuing ESL's and CCHL's shareholdings. Based on the current net asset value of Enable Networks Ltd and assuming no fair value adjustments, the equity held by Enable Services Ltd in Enable Networks Ltd was $46.8m.

On the basis of the above, the value of CCHL's investment in Enable Services Ltd may be slightly higher than the current carrying value of **$40.9m**, but the increase is not material enough to adjust.

City Care Ltd

The investment in City Care Ltd was valued as at 30 June 2012 using the discounted cash flow methodology. The company's forecast cash flows for the next five years were assessed, and discounted back to the valuation date, using a discount rate that reflected not only the time value of money but also risk associated with the business's future operations. A terminal cash flow, to allow for cash flows beyond the explicit forecast period, was also assessed and discounted back to the valuation date.

City Care Ltd's work volumes have increased significantly since the Canterbury earthquakes, and are expected to continue at a high level for a number of years. The company has also continued its successful expansion into the North Island. This has had a significant positive impact on the company's forecast cash flows, and its resultant value, although offset to an extent by increased capital expenditure and working capital requirements.

The company's weighted average cost of capital, assessed at 11.3% post-tax, was used to discount its future cash flows.

The company's land and asphalt plant at the Springs Road site was separately valued, based on an independent property valuation by Colliers International in June 2011.

After adjusting the enterprise value for surplus assets and net debt, the value of CCHL's equity investment in City Care Ltd was assessed at a mid-point of **$136.3m**.

A sensitivity analysis of the impact of different assumptions on City Care Ltd's enterprise value was performed as at 30 June 2012 as follows:

Change in	Increase ($m)	Decrease ($m)
Gross margin (+ or – 5%)	15.7	(15.5)
WACC (– or + 5%)	12.8	(11.2)
Capital expenditure (– or + 5%)	5.1	(4.9)

16. Other financial assets continued

2014 review

To determine whether there had been any indicators of material change in value for 2013, the current forecasts were compared with the 2012 forecasts, and the WACC calculation reviewed. While the current forecast performance was lower than the earlier forecasts, capital expenditure had declined quite significantly. Overall, it was concluded that there had been no material movement in the value of the company, and accordingly the carrying value of CCHL's investment in City Care Ltd of **$136.3m** has been retained.

Red Bus Ltd

The investment in Red Bus Ltd was valued as at 30 June 2012 using the realisation of assets methodology. The Christchurch market was significantly affected by the Canterbury earthquakes, with reduced traffic flow into the CBD, relocation of businesses to the suburbs, a decrease in population and a greater reliance on private motor vehicles. Moreover, the loss of contracts by Red Bus Ltd and the move by Environment Canterbury to impose gross contracts have significantly impacted the company's ability to rebuild profits. For these reasons, there is considered to be greater value at this stage in the assets of the company than in its short term earning potential.

In valuing the company on a net asset basis, account was taken of the likely selling costs and discounts if the assets were realised in an orderly manner. Allowance was also made for an incentive that a purchaser would require before undertaking the risk of an orderly realisation – assessed in this case at 20%. A notional liquidation or fire sale approach was considered inappropriate, as the company still has a strong balance sheet and is in no danger of being insolvent in the short to medium term.

Taking the above factors into account, the value of CCHL's equity investment in Red Bus Ltd as at 30 June 2012 was assessed at a mid-point of **$23.0m**.

2014 review

The company's net asset position as at 30 June 2014 was compared to the position at 30 June 2012, which indicated a potential increase in the value of CCHL's investment of some $3m to $4m. This is not considered to be a material movement and hence the existing value of CCHL's investment of **$23.0m** has been retained.

EcoCentral Ltd

The investment in EcoCentral Ltd was valued as at 30 June 2012 using the discounted cash flow methodology. The company's forecast cash flows for the next five years were assessed, and discounted back to the valuation date, using a discount rate that reflected not only the time value of money but also risk associated with the business's future operations. A terminal cash flow, to allow for cash flows beyond the explicit forecast period, was also assessed and discounted back to the valuation date. The company's weighted average cost of capital was assessed at 16.3%.

A sensitivity analysis of the impact of different assumptions on EcoCentral Ltd's equity value was performed as at 30 June 2012 as follows:

Change in	Increase ($m)	Decrease ($m)
Gross margin (+ or – 5%)	4.1	(4.1)
WACC (– or + 1%)	1.3	(1.1)
Capital expenditure (– or + 5%)	0.2	(0.2)

2014 review

A review of current forecasts compared with the 2012 forecasts indicated there may have been a non-material decline in value. Accordingly the carrying value of CCHL's equity investment in EcoCentral Ltd has been retained at **$11.8m**.

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. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

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.

Notes to the Financial Statements FOR THE YEAR ENDED 30 JUNE 2014

16. Other financial assets continued

Accounting policy *contd.*

Intra-group transactions, balances and unrealised gains on transactions are eliminated. Unrealised losses are also eliminated, unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries are changed where necessary to ensure consistency with the policies adopted by CCHL.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income and balance sheet.

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.

(iv) CCHL parent company advances to group entities

	Parent 2014 $'000	Parent 2013 $'000	Maturity	Fixed or floating	Interest rate basis
Christchurch City Council	14,487	25,937	Jun 2016	Fixed	CCHL bond, back to back
Christchurch International Airport Ltd	25,000	25,000	Feb 2015	Floating	3 month bank bill FRA + margin
(subordinated)	25,000	25,000	Oct 2016	Floating	3 month bank bill FRA + margin
	50,000	50,000			
Enable Services Ltd (subordinated)	100,000	52,500	Jun 2021	Floating	CCHL weighted av. cost + margin
Red Bus Ltd (subordinated)	–	5,000	Apr 2016	Floating	90 day bank bill rate + margin
EcoCentral Ltd (subordinated)	7,000	9,000	Apr 2016	Floating	90 day bank bill rate + margin
	171,487	142,437			

(v) Loans to Enable Networks Ltd

Enable Services Ltd has advanced $16.4m to associated company Enable Networks Ltd in the form of Senior Notes. Of this, $11.4m matures in 2021 and $5m in 2023. The average interest is 6.0% (2013: nil).

(vi) Other advances

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 40).

16. Other financial assets continued

Accounting policy – classification of investments and financial assets

Investments and financial assets in the scope of NZ IAS 39 Financial Instruments: Recognition and Measurement are categorised as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets (the latter category is referred to as fair value through equity in these financial statements – see (d) below). The classification depends on the purpose for which the investments were acquired or originated. Designation is re-evaluated at each reporting date, but there are restrictions on reclassifying to other categories.

The Group classifies its investments in the following categories:

(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. These are included in current assets, except for those with maturities greater than 12 months after balance date, which are classified as non-current.

(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. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held to maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

(d) Fair value through equity assets

Fair value through equity assets are non-derivative financial assets, principally equity securities, that are either designated in this category or do not qualify for inclusion in any other categories of financial assets. 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. The Group's fair value through equity assets include the investments in the Group's subsidiary and associated companies and certain other equity investments.

For the purposes of the parent company financial statements, CCHL's equity investments in its subsidiaries are classified as fair value through equity assets. They are measured at fair value, with valuations performed by an independent, external valuer with sufficient regularity to ensure no investments are included at a valuation that is materially different from fair value. The valuation changes are held in a revaluation reserve until the subsidiary is sold.

After initial recognition available-for sale financial assets are measured at fair value with gains or losses being recognised in other comprehensive income (reserves) until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in reserves is reclassified to profit or loss.

The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the reporting date. For investments with no active market, fair values are determined using valuation techniques. Such techniques include: discounted cash flow analysis; using recent arm's length market transactions; and reference to the current market value of another instrument that is substantially the same; making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum.

Reclassification of financial instruments at fair value through profit or loss

Financial assets that are no longer held for trading, other than those designated as fair value through profit or loss on initial recognition or derivatives, can be reclassified out of this category to the following categories:

(a) Loans and receivables – if the financial asset has fixed or determinable payments, are not quoted in an active market and contain no features which could cause the holder not to recover substantially all of its investment except through credit deterioration, and the intention is to hold them for the foreseeable future;

(b) Held to maturity – if the intention is to hold them to maturity and only in rare circumstances;

(c) Fair value through equity – only in rare circumstances.

Rare circumstances arise from a single event that is unusual and unlikely to recur in the near term.

Notes to the Financial Statements FOR THE YEAR ENDED 30 JUNE 2014

	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
17. Prepayments				
Current				
Prepayments	8,108	9,653	153	197
Non-current				
Prepayments	10,659)	8,200)	–	–

Accounting policy – 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. For example, maintenance dredging costs are recorded as a prepayment and expensed over the period of the benefit, which has been assessed as five years.

18. Inventory

	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
18(a) Current				
Inventory – raw materials and maintenance items	15,009	14,046	–	–
Inventory – finished goods	3,850	2,789	–	–
	18,859	16,835	–	–
Inventory – allowance for impairment	(46)	(25)	–	–
	18,813	16,810	–	–
18(b) Non-current				
Inventory – work in progress	575	–	–	–
	19,388	16,810	–	–

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

Accounting policy – 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.

The cost of other inventories 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.

19. Non-current assets classified as held for sale

	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Christchurch International Airport Ltd sundry buildings	–	3,234	–	–
Red Bus Ltd surplus buses	366	–	–	–
	366	3,234	–	–

Accounting policy – non-current assets held for sale

Non current assets (or disposal groups) are classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are not depreciated or amortised. For an asset or disposal group to be classified as held for sale, it must be available for immediate sale in its present condition and its sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non current asset (or disposal group) is recognised at the date of de-recognition.

19. Non-current assets classified as held for sale continued

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of comprehensive income and the assets and liabilities are presented separately on the face of the balance sheet.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

20. Associated companies

	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Balance at start of year	34,599	50,821	–	16,144
Further investment	7,804	6,726	–	–
Share of total recognised revenues and expenses	(5,158)	(2,047)	–	–
Share of revaluations	–	(106)	–	–
Revaluation of parent company interest	–	–	–	4,651
Proceeds from liquidation	–	(20,795)	–	(20,795)
	37,245	34,599	–	–
Summarised financial statements of associates				
Assets	92,362	54,187		
Liabilities	52,575	18,265		
Revenue	5,234	3,989		
Net profit/(loss)	(8,141)	(3,175)		

The following entities are equity-accounted by the CCHL Group:

Entity name	Effective ownership 2014	Effective ownership 2013	Principal activity	Year end
Enable Networks Ltd	49%	33%	Broadband network	30 June

There is no goodwill included in the carrying value of equity-accounted investees (2013: Nil).

Enable Services Ltd (ESL) entered an agreement with Crown Fibre Holdings Limited (CFH) and Enable Networks Limited (ENL) on 31 May 2011 relating to the construction, deployment and operation of the UFB network for the Christchurch area. ENL's principal place of business is Christchurch and is incorporated in New Zealand.

ESL has contractual obligations to build the UFB network and sell it to ENL for a fixed price. The build requirements are split into Communal Infrastructure which is the UFB network on public land to the edge of private boundaries. The End User Specific Infrastructure is the network built on private land connecting users from the boundary to their premise. The End User Specific Infrastructure is only built when a user requests connection.

Both Communal Infrastructure and End User Specific Infrastructure have two different components being Layer One which is the unlit fibre, and Layer Two which is the electronics required to light the fibre.

The agreement details how ENL is funded by CFH and ESL. The purchase of each part of the network is funded differently within ENL. The funding obligations on ESL to ENL are as follows:

A Shares

A shares have voting rights but do not receive dividends. ESL funds approximately 33% of the cost of the Layer One Communal Infrastructure in return for A shares in ENL as a non-cash transaction. Approximately 67% remaining is funded by CFH to ENL and paid on to the Company in cash.

B Shares

B shares have dividend rights but do not have voting rights. Where free cash flow in ENL is not sufficient to purchase UFB network, the Layer Two Communal Infrastructure, all End User Specific Infrastructure and working capital requirements in ENL are funded by ESL using a hierarchy of specified equity, then debt through note instruments to certain debt/equity ratios and if required through B shares. Where funding to ENL is provided through B shares the transaction occurs as a non-cash transaction in return for the relevant part of the Network or in return for cash in the case of working capital requirements. At 30 June 2014 $16.4m debt had been drawn down. (2013 : nil).

Notes to the Financial Statements FOR THE YEAR ENDED 30 JUNE 2014

20. Associated companies continued

In addition to these B shares ESL also received B shares for the sale of the existing fibre network to ENL in February 2012. These B shares are able to convert to A shares to the extent that ESL does not hold more than 49% of voting rights through A shares during the UFB network build period. At 30 June 2014: 25,371,310 (2013: nil) B shares for existing fibre network had been converted to A shares.

All A shares and B shares in ENL convert to ordinary shares 10 years from 31 May 2011.

Associate status

Although ESL holds the substantial majority of total shares issued in ENL, it only holds approximately 49% (2013 : 33%) of the voting shares and does not control ENL. It is deemed to hold significant influence over ENL through its holding of A and B shares and therefore accounts for ENL as an associate.

Accounting policy – associated companies

Associates are entities over which CCHL 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 parent's financial statements at fair value in accordance with NZ IAS 39 and in the consolidated financial statements using the equity method, after initially being recognised at cost.

CCHL's share of its associates' post acquisition profits or losses is recognised through profit or loss, and its share of post acquisition movements in reserves is recognised in reserves. The cumulative post acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent's statement of comprehensive income, while in the consolidated financial statements they reduce the carrying amount of the investment.

When CCHL's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, CCHL 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 CCHL'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.

21. Construction contracts and joint venture

	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
For contracts in progress at balance date:				
Contract costs incurred	323,382	238,220	–	–
Progress billings	257,334	195,472	–	–
Gross amounts due from customers	12,221	14,094	–	–
Advances received for contract work	–	420	–	–
Retentions included in progress billings	3,339	1,836	–	–

City Care Ltd

The company 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.

Enable Services Ltd

Enable Services Ltd has incurred unbilled costs to date under the network build contract with Enable Networks Ltd of $114.6m (2013: 66.4m), with no profit recognised. Construction contract work in progress is determined on a stage of completion basis. The company has received payment for UFB network stages to a total of $61.7m (2013: $20.1m). No payment in advance has been received nor are retentions held in relation to the contract at balance date.

22. Property, plant & equipment

	Freehold land	Buildings	Plant & equipment	Electricity distribution system	Specialised assets	Work in progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group							
Gross carrying amount							
Cost/valuation at 1 July 2012	401,893	347,059	316,669	786,876	325,239	107,247	2,284,983
Additions	6,666	1,820	36,315	45,504	7,180	–	97,485
Disposals	–	(5,603)	(19,463)	(2,149)	–	–	(27,215)
Re-classified as held for sale	–	(3,479)	–	–	–	–	(3,479)
Net movements in work in progress	–	–	–	–	–	(38,475)	(38,475)
Net revaluation increments/(decrements)	31,706	989	–	–	(6,832)	–	25,863
Transfers	(24,283)	46,339	2,434	–	42,541	–	67,031
Cost/valuation at 30 June 2013	415,982	387,125	335,955	830,231	368,128	68,772	2,406,193
Additions	3,619	11,882	39,847	61,135	19,137	–	135,620
Disposals	–	(1,953)	(7,285)	(4,510)	(257)	–	(14,005)
Re-classified as held for sale	–	–	(1,833)	–	–	–	(1,833)
Net movements in work in progress	–	–	–	–	–	28,004	28,004
Net revaluation increments/(decrements)	4,403	7,086	–	17,208	(5,598)	–	23,099
Transfers and other	(762)	2,172	3,382	(89)	14,893	(19,250)	346
Cost/valuation at 30 June 2014	423,242	406,312	370,066	903,975	396,303	77,526	2,577,424
Accumulated depreciation and impairment							
Accumulated depreciation/impairment at 1 July 2012	(10)	(33,806)	(159,213)	(28,058)	(50,405)	–	(271,492)
Disposals	–	5,601	17,764	551	–	–	23,916
Net adjustments from revaluation increments/(decrements)	–	–	–	–	1,722	–	1,722
Re-classified as held for sale	–	245	–	–	–	–	245
Impairment losses (charged)/credited to income statement	(1,634)	–	–	–	–	–	(1,634)
Depreciation expense	–	(19,877)	(23,765)	(29,277)	(17,710)	–	(90,629)
Transfers and other	–	151	(109)	–	–	–	42
Accumulated depreciation/impairment at 30 June 2013	(1,644)	(47,686)	(165,323)	(56,784)	(66,393)	–	(337,830)
Disposals	–	780	6,276	560	3	–	7,619
Net adjustments from revaluation increments/(decrements)	–	56,119	–	86,991	19,198	–	162,308
Re-classified as held for sale	–	–	1,467	–	–	–	1,467
Impairment losses (charged)/credited to income statement	1,610	(320)	–	–	–	–	1,290
Depreciation expense	(10)	(22,060)	(25,003)	(30,782)	(18,767)	–	(96,622)
Transfers and other	(16)	125	(123)	14	–	–	–
Accumulated depreciation/impairment at 30 June 2014	(60)	(13,042)	(182,706)	(1)	(65,959)	–	(261,768)
Carrying amount at 30 June 2013	414,338	339,439	170,632	773,447	301,735	68,772	2,068,363
Carrying amount at 30 June 2014	423,182	393,270	187,360	903,974	330,344	77,526	2,315,656

Notes to the Financial Statements FOR THE YEAR ENDED 30 JUNE 2014

22. Property, plant & equipment continued

Property, plant and equipment is summarised on the preceding page. Of the carrying amount of $2,316m as at 30 June 2014, $1,010m (2013: $855m) was attributable to Orion New Zealand Ltd and $957m (2013: $888m) to Christchurch International Airport Ltd – 85% in total (2013: 84%). The balance is held by the remaining subsidiaries – the parent company has no property, plant and equipment.

Orion New Zealand Ltd

Revaluation – electricity distribution network and substation buildings (the network)

The network was revalued to fair value of $904m as at 31 March 2014 in accordance with NZ IAS 16 – Property, Plant and Equipment, NZ IAS 36 – Impairment of Assets, and NZ IRFS 13 – Fair Value Measurement by independent valuer Ernst & Young Transaction Advisory Services Limited (the valuer). Including capital work in progress, this resulted in a total network valuation of $939m, and a $101m increase in the carrying value of the network on 31 March 2014.

The valuer used a discounted cash flow (DCF) methodology to calculate an enterprise value of $995m for the company. The valuer then subtracted $91m for the carrying values of non-network property, plant and equipment and working capital to determine the fair value for the network.

In the absence of an active market for the network, the valuer calculated fair value using significant unobservable inputs (Level 3, as defined in NZ IFRS 13). In order to ensure that its valuation was attributable to the existing network, the valuer:

- based its cash flow forecasts on the company's cash flow forecasts
- adjusted those cash flow forecasts to remove the impacts of expansionary growth on forecast future revenues, operating expenditure and capital expenditure.

The valuer's key valuation assumptions were that:

- network revenues will be consistent with the company'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 Commerce Commission continues to assess its post-tax regulatory cost of capital at its estimate of the 75th percentile
- the appropriate DCF discount rate is 6.7% post-tax.

The valuer 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%)[1]	N/A	(79)
Capital expenditure (– or + 5%)	24	(24)

[1] A 0.7% decrease in the Commerce Commission's post-tax regulatory cost of capital (from the 75th percentile to the 50th percentile estimate) would decrease the network's fair value by $79m, if it is applied to the company's network revenues from 1 April 2019 onwards. The Commission is investigating whether it should make such a change to the regulatory cost of capital.

Revaluation – land and non-substation buildings

Land and non-substation buildings were revalued to fair value as at 31 March 2014, in accordance with NZ IAS 16 – Property, Plant and Equipment, NZ IAS 36 – Impairment of Assets, and NZ IFRS 13 – Fair Value Measurement, by CBRE Ltd. The valuer used significant observable inputs (Level 2, as defined in NZ IFRS 13) and significant unobservable inputs (Level 3, as defined in NZ IFRS 13).

The valuer selected a representative sample of the company's substation sites and valued land at those sites using sales comparisons and unit metre frontage methodologies (Level 2), and compared these values with their respective rateable values. These comparisons were then used to develop standard site multipliers, which were applied to rateable land values for approximately 2,200 substation sites.

The valuer valued land at the company's two largest sub-stations using discounted cashflow and/or sales comparison approaches, reflecting the highest and best use for each (Level 3).

The company's head office land and building was valued using a market rental assessment and a capitalisation rate of 7.75% (Level 3), and the valuer concluded that the fair value of the company's head office building was $10.4m, confirming its carrying value. The valuer concluded that the fair value of the company's head office land was $3.6m confirming its carrying value (2013: impaired by $1.6m to a carrying value of $3.6m).

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 knowledgably, prudently, and without compulsion, but with the explicit assumption that the existing use of the asset is ignored.

22. Property, plant & equipment continued

Where a building is a specialised asset then it will be 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. Where appropriate, adjustments have been made to eliminate surplus assets, obsolescence and over design. The valuation methodology considers the asset inventory (description and quantity of assets), relevant optimisation, estimation of the current replacement cost and depreciation to reflect remaining life expectancy.

Revaluation

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

The valuation methodologies used in the revaluation as at 30 June 2014 were consistent with those used in the last valuation. Land was last revalued on 30 June 2013.

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%)	15	(15)
Properties	Cost estimate (– or + 5%)	9	(9)
Infrastructure/ sealed surfaces	Cost estimate (– or + 5%)	8	(8)
Buildings	Cost estimate (– or + 5%)	2	(2)
Terminal	Cost estimate (– or + 5%)	17	(17)
Car parking	Discount rate (– or + 5%)	5	(5)

Lyttelton Port Company Ltd

Net carrying value at 30 June 2014 was $249m (2013: $215m). The company's assets are carried at 2006 valuation (or cost for subsequent additions) less accumulated depreciation and impairment charges. During the course of the 2014 year company management assessed that there was no change in the useful economic lives of major items of property, plant and equipment (2013: Nil).

Enable Services Ltd, City Care Ltd, Red Bus Ltd and EcoCentral Ltd

The net carrying value of the property, plant and equipment of these companies at 30 June 2014 comprised less than 5% of total group assets. Assets of these companies are either independently revalued at regular intervals, or carried at cost less accumulated depreciation.

Accounting policy – property, plant and equipment

Land, buildings, electricity distribution network, airport sealed surfaces, car parking building and infrastructure assets (except for investment properties – refer to Note 23, 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.

Notes to the Financial Statements FOR THE YEAR ENDED 30 JUNE 2014

22. Property, plant & equipment continued

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

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

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

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

Assets to be depreciated include:

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

23. Investment property

	Note	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Balance at beginning of financial year		178,188	136,895	–	–
Transfer (to)/from property, plant & equipment		275	29,782	–	–
Additional capitalised expenditure		5,489	3,735	–	–
Net gain/(loss) from fair value adjustments	5	9,223	7,775	–	–
Balance at end of financial year		193,175	178,187	–	–

All of the Group's investment property is held by Christchurch International Airport Ltd (2013: $169.4m, and $8.8m by Orion New Zealand Ltd).

Included in the amount above is $10.5m 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.

During the year the company ended a ground lease with the tenant on the site identified for the Spitfire Square development. As a result of the lease agreement, compensation was required to be paid to the tenant equal to the value of the improvements they had constructed on the site. This one-off cost is required to be expensed to profit or loss under current accounting standard rules, but will be recouped in the next financial year when the fair value gain on the Spitfire Square development can be accurately assessed.

23. Investment property continued

Valuation of investment property

The valuation as at 30 June 2014 was completed by Crighton Anderson Property and Infrastructure Ltd, registered valuers and member of the New Zealand Property Institute. The basis of valuation is fair value, being the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

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

Principal assumptions used in establishing the valuations were:

- Average rental yield rate 9.49% (2013: 9.58%)
- Average market capitalisation rate 8.89% (2013: 9.78%)
- Weighted average lease term 4.40 years (2013: 4.74 years).

Accounting policy – investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties generate cash flow largely independent of other assets held by the Group.

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;
- The lessee uses services of the Group and those services are integral to the reasons for the lessee's occupancy of the property.

Properties 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 properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are measured at fair value, which is based on active market prices, adjusted if necessary, for any difference in the nature, location or condition of the specific asset at the reporting date. An external, independent valuer, having an appropriate recognised professional qualification and recent experience in the location and category of property being valued, values the portfolio every year. Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the year in which they arise.

Rental income from investment property is accounted for as described in the Revenue policy. (Note 3)

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

When an item of property, plant and equipment is transferred to investment property following a change in its use, any differences arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in other comprehensive income if it is a gain. Upon disposal the gain is transferred to retained earnings. Any loss arising in this manner is recognised immediately through profit or loss.

Notes to the Financial Statements FOR THE YEAR ENDED 30 JUNE 2014

24. Intangible assets

	Easements & resource consents	Software	Other	Total
	$'000	$'000	$000	$000
Group				
Gross carrying amount				
Gross carrying amount at 1 July 2012	1,579	33,898	2,652	38,129
Additions	441	5,715	–	6,156
Additions from internal developments	–	135	–	135
Transfers	–	(338)	–	(338)
Disposals	–	(5,831)	–	(5,831)
Gross carrying amount at 30 June 2013	2,020	33,579	2,652	38,251
Additions	621	4,746	–	5,367
Additions from internal developments	–	335	–	335
Disposals	–	(120)	–	(120)
Gross carrying amount at 30 June 2014	2,641	38,540	2,652	43,833
Accumulated amortisation and impairment				
Accumulated depreciation and impairment at 1 July 2012	(880)	(22,797)	(2,131)	(25,808)
Amortisation expense	(43)	(3,853)	(1)	(3,897)
Disposals	–	5,693	–	5,693
Accumulated depreciation and impairment at 30 June 2013	(923)	(20,957)	(2,132)	(24,012)
Amortisation expense	(44)	(4,266)	(1)	(4,311)
Disposals	–	120	–	120
Accumulated depreciation and impairment at 30 June 2014	(967)	(25,103)	(2,133)	(28,203)
Carrying amount				
Carrying amount at 30 June 2013	1,097	12,622	520	14,239
Carrying amount at 30 June 2014	1,674	13,437	519	15,630

Included in intangible assets is work in progress of $3.5m (2013: $1.0m).

The parent company has no intangible assets.

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 associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are 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. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised over their estimated useful lives (see (iv) below).

(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) Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates, and it meets the definition of, and recognition criteria for, an intangible asset. All other expenditure is expensed as incurred.

24. Intangible assets continued

(iv) 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 is not amortised, but is tested for impairment annually, and is carried at cost less accumulated impairment losses.

25. Goodwill

	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Gross carrying amount				
Balance at beginning of financial year	44,975	44,725	–	–
Additional amounts recognised from business combinations	–	250	–	–
Balance at end of financial year	44,975	44,975	–	–
Accumulated impairment losses				
Balance at beginning of financial year	(5,823)	(5,823)	–	–
Impairment losses for the year	–	–	–	–
Balance at end of financial year	(5,823)	(5,823)	–	–
Carrying amount				
At beginning of financial year	39,152	38,902	–	–
At end of financial year	39,152	39,152	–	–
Amount of goodwill allocated to cash-generating units:				
Orion New Zealand Ltd	2,648	2,648	–	–
Christchurch International Airport Ltd	5,131	5,131	–	–
Lyttelton Port Company Ltd	21,749	21,749	–	–
City Care Ltd	2,850	2,850	–	–
EcoCentral Ltd	6,774	6,774	–	–
	39,152	39,152	–	–

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised, but is subject to impairment testing on an annual basis or whenever there is an indication of impairment.

Impairment

NZ IAS 36 Impairment of Assets requires that an impairment charge be recognised when the book value of the asset exceeds its recoverable amount. Recoverable amount is the higher of the asset's net fair value less cost to sell, or its value in use. Value in use requires entities to make estimates of the future cash flows to be derived from the asset, and discount them using a pre-tax market rate that reflects current assessments of the time value of money and the risk specific to the asset. Assets are able to be grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups thereof (e.g. a plant or division). Such a group of assets is referred to as a cash generating unit (CGU) in the standard.

No impairment losses were determined to be required for the 2014 financial year (2013: Nil).

Goodwill on consolidation in respect of Orion New Zealand Ltd, Christchurch International Airport Ltd, City Care Ltd and EcoCentral Ltd is not considered to be impaired given that independent valuers Ernst & Young have valued all of these companies at least within the last two years, and reviewed those values as at 30 June 2014 (see Note 16). This review concluded that, where a full valuation had not been performed in 2014, there had no material change in the value of these assets.

The investment in Lyttelton Port Company Ltd was revalued at 30 June 2014 on the basis of its quoted NZX price ($3.20 per share). Subsequent to balance date, based on independent valuations, CCHL assessed a value of $3.95 per share for the purposes of its takeover offer.

Notes to the Financial Statements FOR THE YEAR ENDED 30 JUNE 2014

25. Goodwill continued

Accounting policy – goodwill

Goodwill acquired in a business combination is initially measured at cost of the business combination being the excess of the consideration transferred over the fair value of the Group's net identifiable assets acquired and liabilities assumed. If this consideration transferred is lower than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised in profit or loss.

In respect of acquisitions prior to the transition to NZ IFRS on 1 July 2005, goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous GAAP.

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). In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

26. Creditors and other payables

	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Trade payables and accrued expenses	82,200	73,831	207	131
GST payable	4,248	5,289	–	–
Interest payable	3,143	2,584	2,180	1,406
Retentions	2,048	420	–	–
Deposits held	164	216	–	–
	91,803	82,340	2,387	1,537

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value – i.e. the amount at which these liabilities are expected to be settled for.

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 and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are usually paid within 30 days of recognition.

27. Borrowings

27(a) Current portion

	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Unsecured:				
Commercial paper	53,000	88,000	53,000	88,000
Bonds and floating rate notes	25,000	–	25,000	–
Loans from external parties	–	25,000	–	–
Finance lease liabilities	1,486	153	–	–
	79,486	113,153	78,000	88,000
Secured:				
Finance lease liabilities	–	44	–	–
Total current portion of borrowings	79,486	113,197	78,000	88,000

27. Borrowings continued

	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
27(b) Non-current portion				
Unsecured:				
Bonds	189,777	141,353	70,000	70,000
Floating rate notes	135,000	160,000	135,000	160,000
Loans from external parties	188,800	210,600	–	–
Loans from related parties	101,500	–	101,500	–
Finance lease liabilities	15,612	5,488	–	–
	630,689	517,441	306,500	230,000
Secured:				
Loans from external parties	18,690	68,320	–	–
Total non-current portion of borrowings	649,379	585,761	306,500	230,000

Except as disclosed in Note 40, the carrying amount of the Group's current and non-current borrowings approximates their fair value – i.e. the amount at which these liabilities are expected to be settled for.

	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
27(c) Exposure to interest rate charges and contractual re-pricing dates				
6 months or less	403,978	519,128	220,000	248,000
6-12 months	–	–	–	–
1-5 years	103,610	108,477	70,000	70,000
Over 5 years	221,277	71,353	94,500	–
	728,865	698,958	384,500	318,000
27(d) Undrawn borrowing facilities				
Floating rate – expiring within one year	40,000	–	–	–
Floating rate – expiring beyond one year	267,510	385,900	150,000	150,000
Total undrawn borrowing facilities	307,510	385,900	150,000	150,000

CCHL parent company

CCHL's borrowings at 30 June 2014 comprised:

- Bonds and floating rate notes totalling $230m (2013: $230m) in six tranches ranging from $15m to $70m. These borrowings mature at various intervals until November 2019. Interest on floating rate bonds is based on bank bill rates plus the relevant issue margin, with a weighted average borrowing cost at balance date of 4.35% (2013: 3.66%). Bond coupon rates are at 6.87% (2013: 6.87%).
- Loans from Christchurch City Council of $101.5m (2013: Nil), with $71.5m maturing in May 2021 and $30.0m in April 2023. All but $7m of total loans are at fixed rate, based on LGFA borrowing rate plus Christchurch City Council margin. Weighted average borrowing cost is 5.49%.
- Commercial paper of $53m (2013: $97m). This is short term debt on a 90 day rollover period. The weighted average rate at balance date was 3.6% (2013: 3.1%);
- The company also has an undrawn $150m standby facility. This matures in December 2015.
- CCHL's weighted average cost of borrowing (post-hedging) at balance date was 5.68% (2013: 5.07%).

The borrowings have been put in place under a $650m debt issuance programme (increased from $350m during the 2013 financial year). The borrowings are unsecured, but the loan documentation imposes certain covenants and restrictions on CCHL. The company has entered into derivative contracts to hedge its exposure to interest rate fluctuations (refer Notes 15 and 40).

Orion New Zealand Ltd

Orion New Zealand Ltd's bank debt 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 2014 this rate (including margin) averaged 3.62% (2013: 3.28%). 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 2014

27. Borrowings continued

Christchurch International Airport Ltd

The company has a $205m (2013: $230m) funding facility with four banks, a subordinated loan of $50m (2013: $50m) from CCHL, and an overdraft facility of $1m ($2013: $1m).

The company completed a $50m bond issue in October 2013. The bonds have an interest rate of 6.25% and maturity of eight years. Costs of $0.26m directly related to the bond issue were capitalised and will be amortized over the duration of the bond. Total bond funding is $125m (2013:$75m). $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 and overdraft facilities are unsecured and supported by a negative pledge deed. Interest rates paid during the year, including offsetting interest rate swaps, ranged from 6.1% to 6.7% (2013: 5.8% to 6.2%). The bond constitutes direct, unsecured, unsubordinated obligations and ranks equally with all other unsecured, unsubordinated indebtedness.

Lyttelton Port Company Ltd

The company repaid all of its debt during the year from the proceeds of its insurance settlement. (2013: Total debt was $30.6m, and average effective interest rates were 6.9%).

Enable Services Ltd

Enable Services Ltd has entered into a subordinated loan agreement with CCHL. The loan is unsecured and interest is charged at a base rate plus a margin. At 30 June 2014 the rate was 5.83% (2013: 5.10%). The line of credit is for $220m (2013: $220m) of which Enable Services Ltd had drawn down $100.0m at balance date (2013: $52.5m).

City Care Ltd

Bank loans of $18.7m (2013: $37.7m) are secured by a debenture over the assets and undertakings of the company. The loans were made under a committed cash advance facility of $50m (2013: $50m). The facility is structured as a two year rolling facility with a current maturity date of 28 February 2016. Interest rates on the floating rate debt are based on bank bill rates plus a margin and averaged 3.75% for the year (2013: 3.6%).

The company was in compliance with its loan covenants at all times during the year.

Red Bus Ltd

The company had no debt as at 30 June 2014 (2013: $5.0m). Its bank overdraft facility (undrawn as at 30 June 2014 and 2013) is secured by a registered first and only debenture over the company's assets and undertaking. Red Bus Ltd also has a $5m loan facility with CCHL. This was undrawn as at balance date (2013: $5m).

EcoCentral Ltd

As at 30 June 2014 EcoCentral Ltd had borrowings of $7.0m (2013: $9.0m). These borrowings were made under a $15m facility with CCHL. Interest is charged on a floating rate basis plus an agreed margin, except where interest rate swaps have been entered into in which case the rate charged is the interest swap rate plus the agreed margin. The facility matures in April 2016.

Accounting policy – borrowings

Interest-bearing borrowings are recognised initially at fair value less directly attributable transaction costs. Subsequent to initial recognition, interest-bearing 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.

28. Finance lease liabilities

	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
No later than one year	3,700	579	–	–
Later than one year and not later than five years	8,786	2,045	–	–
Later than five years	29,934	8,938	–	–
Minimum lease payments*	42,420	11,562	–	–
Less future finance charges	(25,322)	(5,877)	–	–
Present value of minimum lease payments	17,098	5,685	–	–
Minimum future lease payments				
No later than one year	1,486	197	–	–
Later than one year and not later than five years	3,343	674	–	–
Later than five years	12,269	4,814	–	–
Total present value of minimum lease payments	17,098	5,685	–	–
Represented by				
Current portion	1,486	197	–	–
Non-current portion	15,612	5,488	–	–
	17,098	5,685	–	–

* Minimum future lease payments include the aggregate of all lease payments and any guaranteed residual.

The finance lease liability relates to agreements between Orion and Transpower New Zealand Limited (Transpower) for Transpower to construct assets at its local grid exit points. The agreements are for terms of between eight and 35 years. The company does not own the assets at the end of the lease term and there is no residual value. There is no security provided for the arrangements. The monthly payment amounts are reviewed annually by Transpower and the assessed risk-free portion of the lease interest rate may be adjusted.

Accounting policy – finance lease liabilities

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

As lessee

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.

29. Employee entitlements

	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
29(a) Current portion				
Accrued pay	4,979	4,219	–	–
Annual leave	18,606	16,706	46	42
Sick leave	193	175	–	–
Retirement and long service leave	1,261	1,647	–	–
Bonuses and other	3,266	2,451	–	–
	28,305	25,198	46	42
29(b) Non-current portion				
Retirement and long service leave	1,420	1,518	–	–
Bonuses and other	462	482	–	–
	1,882	2,000	–	–
Total employee entitlements	30,187	27,198	46	42

Notes to the Financial Statements FOR THE YEAR ENDED 30 JUNE 2014

29. Employee entitlements continued

Accounting policy – employee entitlements

The Group's employee compensation policy is generally based on Total Cash Remuneration: a single cash payment in compensation for work, where the employee is responsible for and able to individually decide how best to use their remuneration to meet their needs over time in the mix and type of benefits purchased.

Provision is made in respect of the Group's liability for the following short and long-term employee entitlements.

(i) Short-term 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.

Liabilities for accumulating short-term compensated absences (e.g., sick leave) are measured as the amount of unused entitlement accumulated at the pay period ending immediately prior to the balance sheet date, that the entity anticipates employees will use in future periods, in excess of the days that they will be entitled to in each of those periods.

(ii) Long-term entitlements

Provisions made 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.

30. Provisions

	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
30(a) Current portion				
SCIRT contract wash up and other provisions	884	–	–	–
30(b) Non-current portion				
SCIRT contract wash up and other provisions	1,200	–	–	–
Total provisions	2,084	–	–	–
30(c) Movements in provision				
Opening balance	–	–	–	–
Additional provisions made	2,084	–	–	–
Closing balance	2,084	–	–	–

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 2016. Any gain or loss would crystallise at the conclusion of the agreement. In addition the life to date revenue earned from the SCIRT alliance is subject to audit by the SCIRT auditors. With the SCIRT alliance programme of work having reached the 50% stage, City Care Ltd considers it appropriate to recognise a provision for the final gain/loss share, and for any possible adjustment arising from the audit process.

Accounting policy – provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive 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 a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

31. Other liabilities

	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
31(a) Current portion				
Deferred income	1,048	867	–	–
Income in advance	579	825	–	–
	1,627	1,692	–	–
31(b) Non-current portion				
Deferred income	1,903	2,769	–	–
Income in advance	1,288	1,389	–	–
	3,191	4,158	–	–
Total other liabilities	4,818	5,850	–	–

Deferred income

On 11 September 2002 shareholders of Lyttelton Port Company Ltd approved entry into a 15-year coal handling agreement with Solid Energy New Zealand Limited which provided for Lyttelton Port Company to receive a $13m prepayment of agreement charges. Should Lyttelton Port Company fail to meet its material obligations in respect of the agreement and Solid Energy exercises its right of termination then the company would be required to repay to Solid Energy a proportion of the value of its agreement charge prepayment up to a maximum of $13m. Deferred lease income received is recognised in the statement of comprehensive income on a straight line basis over the 15 year term of the agreement.

32. Capital and other equity instruments

	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Fully paid ordinary shares	71,434	71,434	71,434	71,434
Partly paid redeemable preference shares	1	1	1	1
	71,435	71,435	71,435	71,435

CCHL has on issue:

- 25,381,528 fully paid ordinary shares to Christchurch City Council. Fully paid ordinary shares carry one vote per share and carry the right to dividends.
- 650,139,000 (2013: 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.

There were no movements in shares during the year.

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). The gearing ratio at balance date is disclosed in Note 43.

The parent company is not subject to any externally-imposed capital requirements. However, it has provided certain covenants to its key lenders by way of a negative pledge deed that it will not create any security interest over its assets, except under certain agreed circumstances. The deed also imposes financial covenants from its lenders relating to equity levels and interest cover.

Accounting policy – share capital

(i) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

Notes to the Financial Statements FOR THE YEAR ENDED 30 JUNE 2014

32. Capital and other equity instruments continued

(ii) Preference share capital

Preference share capital is classified as equity if it is non-redeemable and any dividends are discretionary, or is redeemable but only at the company's option. Dividends on preference share capital classified as equity are recognised as distributions within equity.

Preference share capital is classified as a liability if it provides for mandatory redemption by the issuer for a specific amount at a specific date (or gives the holder the right to requires such redemption from the issuer), or if it gives the holder the right to put it back to the issuer for cash or another financial asset. Dividends thereon are recognised through profit or loss as interest expense.

(iii) Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a decrease in equity.

Repurchased shares are classified as treasury shares and presented as a deduction from total equity.

33. Dividends

	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Dividends declared on fully paid ordinary shares	52,000	36,325	52,000	36,325
Cents per share	205	143	205	143

Accounting policy – dividends

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

34. Reserves

	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Asset revaluation reserve	449,006	332,028	–	–
Fair value through equity reserve	–	–	1,218,958	1,101,149
Hedging reserve	(5,027)	(12,299)	(3,415)	(6,387)
	443,979	319,729	1,215,543	1,094,762
Asset revaluation reserve				
Balance at beginning of financial year	332,028	304,304	–	–
Gain/(loss) on revaluation of assets	154,600	21,417	–	–
Disposal of revalued assets	1	–	–	–
Tax associated with revaluation movements	(37,168)	6,336	–	–
Transfer to retained earnings	(455)	(29)	–	–
Balance at end of financial year	449,006	332,028	–	–
Fair value through equity reserve				
Balance at beginning of financial year	–	–	1,101,149	1,050,576
Gain/(loss) on revaluation of fair value through equity assets	–	–	117,809	63,692
Transfer to profit on liquidation of associated company	–	–	–	(13,119)
Balance at end of financial year	–	–	1,218,958	1,101,149
Hedging reserve				
Balance at beginning of financial year	(12,299)	(23,192)	(6,387)	(12,686)
Gain/(loss) recognised on cash flow hedges:				
Interest rate swaps	10,978	15,320	2,933	6,299
Forward foreign exchange contracts	208	(157)	–	–
Currency swaps	39	–	39	–
Income tax	(3,953)	(4,270)	–	–
Balance at end of financial year	(5,027)	(12,299)	(3,415)	(6,387)

34. Reserves continued

Nature and purpose of reserves

Asset revaluation reserve

The asset revaluation reserve is used to record increases and decreases in the fair value of land and buildings, the electricity distribution network and certain other specialised assets, to the extent that they offset one another.

Fair value through equity reserve

This reserve records movements in the fair value of fair value through equity assets. In the parent company's case, these assets are the investments in subsidiaries.

Hedging reserve

The hedging reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

	Group 2014 000	Group 2013 '000	Parent 2014 '000	Parent 2013 000
35. Retained earnings				
Balance at beginning of financial year	784,623	763,549	295,962	288,276
Net profit for the year	323,234	57,393	37,088	44,011
Dividends paid or provided for	(52,000)	(36,325)	(52,000)	(36,325)
Income tax transferred	(10)	(8)	–	–
Transfer from reserves	455	29	–	–
Adjustment to controlling interests on purchase of shares	49	(15)	–	–
Balance at end of financial year	1,056,351	784,623	281,050	295,962
36. Non-controlling interests				
Balance at beginning of financial year	274,592	256,565	–	–
Share of comprehensive income for the year	105,235	23,781	–	–
Dividends paid or provided for	(5,704)	(5,644)	–	–
Adjustment to non-controlling interests for share acquisitions	(455)	(110)	–	–
Balance at end of financial year	373,668	274,592	–	–

Further information regarding non-controlling interests is provided in Note 16(b)(ii).

Notes to the Financial Statements FOR THE YEAR ENDED 30 JUNE 2014

	Note	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
37. Reconciliation of profit to operating cash flows					
Profit for the year		402,631	70,712	37,088	44,011
Add/(less) non-cash items					
Depreciation, amortisation and impairment expense	6	99,643	96,160	–	–
Donated and subsidised assets	3	–	(4,406)	–	–
(Gains)/losses in fair value of investment property	23	(9,223)	(7,775)	–	–
(Gains)/losses in fair value of derivative financial instruments		956	555	(422)	533
Share of associates' losses	20	5,158	2,365	–	–
Net foreign exchange (gains)/losses	9	(152)	(58)	–	–
Deferred tax charged/(credited) to income	12(f)	10,197	10,266	–	–
Realisation of available for sale asset revaluation reserve		–	–	(1)	(13,119)
Shares in Enable Networks Ltd received as consideration for UFB network build		(17,826)	(6,726)	–	–
Other		(2,121)	(2,949)	1	1
		86,632	87,432	(422)	(12,585)
Add/(less) items classified as investing or financing activities					
(Gain)/loss on disposal of non-current assets		(1,822)	(175)	(4)	–
Movement in capital creditors		(14,790)	(1,943)	–	–
Insurance proceeds		(372,954)	(12,110)	–	–
		(389,566)	(14,228)	(4)	–
Add/(less) movement in working capital items					
Current trade and other receivables		8,505	(19,966)	(329)	(203)
Current inventories		(2,003)	395	–	–
Current prepayments		1,545	(2,606)	44	(101)
Income tax receivable		404	(404)	–	–
Other current assets		(35)	–	–	–
Non-current receivables		(2,989)	25	–	–
Non-current prepayments		(2,459)	928	–	–
Other non-current assets		(4)	24	(4)	–
Current payables		9,463	11,309	850	75
Current provisions		884	–	–	–
Current employee benefits		3,107	90	4	(18)
Income tax payable		19,057	(3,992)	–	(91)
Non-current inventories		(575)	–	–	–
Other current liabilities		(65)	7	–	–
Non-current provisions		1,200	–	–	–
Non-current employee benefits		(118)	439	–	–
Other non-current liabilities		(967)	(1,003)	–	–
Net changes in net assets and liabilities		34,950	(14,754)	565	(338)
Net cash from operating activities		134,647	129,162	37,227	31,088

38. Capital commitments & operating leases

	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Capital commitments				
Ultra fast broadband network	286,000	401,000		
Property, plant & equipment	71,542	9,507	–	–
Electricity distribution network	10,939	36,167	–	–
Intangible assets	1,882	535	–	–
	370,363	447,209	–	–
Non-cancellable operating leases as lessee				
No later than one year	7,851	6,935	61	–
Later than one year and not later than five years	13,758	13,862	242	–
Later than five years	3,870	5,080	–	–
	25,479	25,877	303	–
Non-cancellable operating leases as lessor				
No later than one year	56,223	54,217	–	–
Later than one year and not later than five years	171,340	202,681	–	–
Later than five years	132,665	146,842	–	–
	360,228	403,740	–	–

Capital commitments

Enable Services Ltd has entered into agreements to build, operate and maintain a UFB network on behalf of Enable Networks Ltd. The agreements require ESL to have built the UFB network past all priority premises (business, health, schools and government) by December 2015 and all premises to be passed by December 2019. Upon each stage of the network being completed and subject to that stage satisfactorily passing user acceptance testing Enable Networks Ltd will purchase that stage.

The actual number and placement of premises to be built is agreed in detail in Network Deployment Plan. In addition, the agreements require Enable Services Ltd to connect, on request, any entity within in the built UFB network. These connections are to be paid for by Enable Services Ltd at agreed rates. The actual profile and value of the connections is dependent on the actual profile of connections requested on the network.

As at 30 June 2014 the estimated cost of UFB network including connections, central office construction and other components of the network, to December 2021 is $403m. The total remaining after cash payments at balance date was $286m (2013 : $401m) expected cost.

The CCHL parent company has committed the necessary funding to Enable Services Ltd 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 payables

The CCHL parent company entered into a lease in May 2014 to lease office premises at 77 Hereford Street, Christchurch for a minimum five year period.

Operating lease receivables

Of the total lease receivables of $353m, $306m (87%) are attributable to Christchurch International Airport Ltd (2013: $347m). The company has a number of property leases that generate rental income. The leases are for terms between 1 month and 86 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 $47m (2013: $54m). 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". There were no contingent rents recognised as income in the year.

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.

Notes to the Financial Statements FOR THE YEAR ENDED 30 JUNE 2014

	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
39. Contingent liabilities & contingent assets				
39(a) Quantifiable contingent liabilities				
Performance bonds	52,432	56,780	42,500	45,000
Port noise mitigation	1,200	1,200	–	–
	53,632	57,980	42,500	45,000

Contract performance bonds

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

- CCHL $42.5m (2013: $45.0m);
- City Care Ltd $8.4m (2013: $9.9m);
- Red Bus Ltd $0.9m (2013: $0.9m); and
- Orion New Zealand Ltd $0.7m (2013: $1.0m).

CCHL entered into a $50m performance bond with ANZ bank in June 2011 in support of Enable Services Ltd's successful bid under the Government's Ultra Fast 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

The Network Infrastructure Project Agreement signed between Enable Services Ltd, Enable Networks Ltd, Crown Fibre Holdings Ltd and CCHL provides that, if Enable Services Ltd fails to achieve any milestone to which liquidated damages (LDs) apply on or before the applicable milestone Date, Enable Networks Ltd will be entitled to claim the LDs applicable to that milestone for each day (or part thereof) that any such milestone is not met. LDs are potentially payable to ENL on NDP1,NDP2,and some of NDP3 but to date this demand for LDs payment has not been made.

Orion New Zealand Ltd

The company has two contingent liabilities related to the sale of the company's former head office site in the Christchurch CBD to the Crown in September 2013. The amounts and timing of the resolution of these two potential issues cannot be reliably estimated. Accordingly $3.5m of the sale price is held in a solicitors' trust account pending resolution of these issues. The company is also subject to a claim from a contractor for work purported to have been done between 2005 and 2011 which the contractor alleges the company has not paid for. The claim is for approximately $0.5m. The company disputes the claim.

Lyttelton Port Company Ltd

The company has contingent liabilities in respect of potential commitments for noise mitigation measures. These could give rise to a maximum amount payable of $1.2m (2013: $1.2m) in total over the next seven years.

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 (see below). 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 as it is not possible to determine, from the terms of the scheme, the extent to which the deficit will affect future contributions by employers, as there is no prescribed basis for allocation.

39(b) Contingent assets

Orion New Zealand Ltd

The company has lodged several material damage and business interruption insurance claims in relation to damage and losses from the Canterbury earthquakes. In the 2014 financial year, the company recognised $nil (2013: $1.8m) of insurance cash settlement proceeds it has received from insurers as revenue. The company expects to reach agreement with insurers in the current financial year for most of the remaining parts of its earthquake claims. However the amounts and timing of these future cash settlement agreements cannot be reliably estimated.

Enable Services Ltd

Under the Network Delivery Alliance (NDA) agreement a set of accounts is prepared at the completion of each Network Deployment Plan (NDP). This contract has a fixed Gross Maximum Price which has been broken down into a budget for the project. NDP Actuals are compared to budgets to derive a Pain/Gain situation relating to that plan. If a Pain situation exists Transfield Services New Zealand Ltd (TSL) will refund any overspend on that stage to ESL. If a Gain situation exists ESL and TSL will share the Gain. At the time of signing the accounts this process was not completed. TSL has lodged a $22.5m performance bond with ESL under the Network Delivery Alliance agreement. (2013 : $47.5m).

The Group had no other material or significant contingent liabilities or assets as at 30 June 2014 or 30 June 2013.

40. Financial instruments

40(a) Classification of financial assets and liabilities

The following table classifies the Group's and company's financial assets and liabilities between the various categories set out in NZ IAS 39 and IFRS 7.

	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Financial assets				
Fair value through profit or loss – held for trading				
Derivative financial instrument assets	353	–	–	–
Derivatives that are hedge accounted				
Derivative financial instrument assets	4,057	1,996	3,949	1,962
Loans and receivables				
Cash and cash equivalents	221,921	(2,838)	2,341	1,774
Term deposits	93,635	6,307	–	–
Debtors and other receivables	146,947	152,463	1,763	1,434
Other financial assets				
– loans	24,913	7,065	19,401	6,453
– loans to related parties	30,928	25,937	171,487	142,437
– other	3,542	–	–	–
	521,886	188,934	194,992	152,098
Fair value through equity				
Other financial assets				
CCHL shares in subsidiaries	–	–	1,760,000	1,635,286
Unlisted shares and other	15	15	–	–
Total financial assets	526,311	190,945	1,958,941	1,789,346
Financial liabilities				
Fair value through profit or loss - held for trading				
Derivative financial instrument liabilities	447	1,419	–	–
Derivatives that are hedge accounted				
Derivative financial instrument liabilities	11,534	24,940	4,137	7,805
Financial liabilities at amortised cost				
Creditors and other payables	91,803	82,340	2,387	1,537
Borrowings	728,865	698,958	384,500	318,000
	820,668	781,298	386,887	319,537
Total financial liabilities	832,649	807,657	391,024	327,342

The parent company's investments in subsidiaries and associates are accounted for as fair value through equity, a category of assets that falls within the "available for sale" classification of NZ IAS 39. As noted in the statement of Accounting Policies, the CCHL board considers that "available for sale" is a misleading description, and hence the heading "fair value through equity" has been used in these financial statements.

40(b) Financial risk management objectives

The parent company and Group have a series of policies to manage the risk associated with financial instruments.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The use of financial derivatives is governed by the Group's policies, which provide written principles on the use of financial derivatives.

Notes to the Financial Statements FOR THE YEAR ENDED 30 JUNE 2014

40. Financial instruments continued

40(c) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the entity. Financial instruments that potentially subject the Group to concentrations of credit risk consist principally of cash and short-term investments, trade receivables, loans and interest rate swaps. The Group places its cash and short-term investments with high credit quality financial institutions and sovereign bodies and limits the amount of credit exposure to any one financial institution in accordance with the treasury policies of the respective group companies. The Group does not hold any credit derivatives to offset its credit exposure.

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 79% (2013: 70%) of trade receivables due from 10 customers, and continuously monitors its credit exposure. The majority of Lyttelton Port Company Ltd's customers are New Zealand based agents or branches of international shipping lines servicing New Zealand importers and exporters, and, as such, there are no concentrations of credit risk or geographical risk outside New Zealand. City Care Ltd also has a concentration of credit risk in respect of its transactions with SCIRT and ultimate shareholder Christchurch City Council with a combined 55% (2013: 60%) of its revenue derived from this source. Red Bus Ltd has a concentration of credit risk with Environment Canterbury, which provides 85% (2013: 81%) of the company's revenue. Notwithstanding this concentration of credit risk, all of these major customers are considered to be of high credit quality. Geographically there is no significant credit risk concentration for the Group outside New Zealand.

The Group manages its exposure to credit risk arising from trade receivables by performing credit evaluations on all significant customers requiring credit, wherever practicable, and continuously monitors the outstanding credit exposure to individual customers. With the exception of Orion New Zealand Ltd, which has generally required collateral security (such as bank letters of credit) from its electricity retailer customers against credit risk, the Group does not generally require collateral security from its customers. Recent changes to the Electricity Industry Participation Code significantly reduce the prudential securities that that electricity distribution businesses may require from their electricity retail customers (now restricted to entities with a credit rating of less than BBB-), and this has had the effect of reducing the security held by Orion New Zealand Ltd.

The carrying value is the maximum exposure to credit risk for bank balances, accounts receivable and interest rate swaps. No collateral is held in respect of these financial assets.

The Group has not renegotiated the terms of any financial assets which would result in the carrying amount no longer being past due or avoid a possible past due status other than trade receivables.

The following table summarises the status of receivables as at balance date:

	Note	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Maximum exposure to credit risk					
Cash at bank, term deposits and foreign currency		315,556	3,469	2,341	1,774
Debtors and other receivables		146,947	152,463	1,763	1,434
Loans		55,841	33,002	190,888	148,890
Derivative financial instrument assets		4,410	1,996	3,949	1,962
		522,754	190,930	198,941	154,060
Counterparties					
Cash at bank, term deposits and foreign currency	*AA*	275,556	3,469	2,341	1,774
	A	40,000	–	–	–
		315,556	3,469	2,341	1,774
Loans	*AA*	–	25,937	–	25,937
	A	14,487	–	14,487	–
	BBB	–	–	50,000	50,000
	Lower than BBB or unrated	41,354	7,065	126,401	72,953
		55,841	33,002	190,888	148,890
Derivative financial instrument assets	*AA*	4,410	1,996	3,949	1,962
		4,410	1,996	3,949	1,962

Further information on the ageing of debtors and movements in the impairment provision is provided in Note 14.

40. Financial instruments continued

40(d) Liquidity risk

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

In meeting its liquidity requirements, the Group manages its investments and borrowings in accordance with its written investment policies. 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 following tables analyse the parent company's and Group's contractual cash flows for its financial assets and liabilities into relevant maturity groupings based on the remaining period at year end to the contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows:

	Balance sheet	Contractual cash flows	Less than 1 year	1–2 years	2–5 years	5 years +
	$'000	$'000	$'000	$'000	$'000	$'000
Group 30 June 2014						
Financial liabilities						
Creditors and other payables	91,803	91,803	91,803	–	–	–
Net settled derivative liabilities	11,981	9,408	4,862	3,244	2,523	(1,221)
Commercial paper	53,000	53,000	53,000	–	–	–
Bonds and other fixed rate borrowing	189,777	249,300	11,797	88,784	13,975	134,744
Floating rate notes	160,000	189,967	33,636	36,940	88,599	30,792
Loans from external parties	207,490	226,808	8,857	167,444	50,507	–
Loans from group entities	101,500	145,134	5,531	5,775	17,317	116,511
Finance lease liabilities	17,098	42,420	3,700	2,357	6,429	29,934
	832,649	1,007,840	213,186	304,544	179,350	310,760
Financial assets						
Cash and cash equivalents	221,921	221,921	221,921	–	–	–
Term deposits	93,635	93,635	93,635	–	–	–
Debtors and other receivables	134,868	103,102	103,102	–	–	–
Related party receivables	12,079	12,079	12,079	–	–	–
Loans and advances	55,841	70,101	2,937	17,419	10,476	39,269
Net settled derivative assets	4,410	8,312	(17)	(119)	4,167	4,281
Other	3,542	3,542	3,542	–	–	–
	526,296	512,692	437,199	17,300	14,643	43,550
Group 30 June 2013						
Financial liabilities						
Creditors and other payables	82,340	82,340	82,340	–	–	–
Net settled derivative liabilities	26,359	21,283	10,007	7,435	3,715	126
Commercial paper	88,000	88,000	88,000	–	–	–
Bonds and other fixed rate borrowing	141,353	165,221	4,809	4,809	74,809	80,794
Floating rate notes	160,000	203,853	9,020	35,121	74,540	85,172
Loans from external parties	303,920	346,744	69,574	184,564	92,606	–
Finance lease liabilities	5,685	11,561	578	534	1,511	8,938
	807,657	919,002	264,328	232,463	247,181	175,030
Financial assets						
Cash and cash equivalents	(2,838)	(2,838)	(2,838)	–	–	–
Term deposits	6,307	6,307	6,307	–	–	–
Debtors and other receivables	126,004	126,541	126,541	–	–	–
Related party receivables	26,434	26,434	26,434	–	–	–
Loans and advances	33,002	38,361	13,045	1,228	16,254	7,834
Finance lease receivables	25	26	26	–	–	–
Net settled derivative assets	1,996	9,291	321	110	3,096	5,764
	190,930	204,122	169,836	1,338	19,350	13,598

Notes to the Financial Statements FOR THE YEAR ENDED 30 JUNE 2014

40. Financial instruments continued

40(d) Liquidity risk continued

	Balance sheet	Contractual cash flows	Less than 1 year	1–2 years	2–5 years	5 years +
	$'000	$'000	$'000	$'000	$'000	$'000
Parent 30 June 2014						
Financial liabilities						
Creditors and other payables	2,387	2,387	2,387	–	–	–
Net settled derivative liabilities	4,137	985	575	202	208	–
Commercial paper	53,000	53,000	53,000	–	–	–
Bonds and other fixed rate borrowing	70,000	79,618	4,809	74,809	–	–
Floating rate notes	160,000	189,967	33,636	36,940	88,599	30,792
Loans from group entities	101,500	145,134	5,531	5,775	17,317	116,511
	391,024	471,091	99,938	117,726	106,124	147,303
Financial assets						
Cash and cash equivalents	2,341	2,341	2,341	–	–	–
Debtors and other receivables	1,763	1,763	1,763	–	–	–
Net settled derivative assets	3,949	8,823	–	375	4,167	4,281
Loans and advances	33,888	39,079	1,512	15,994	1,526	20,047
Loan to subsidiaries	157,000	239,803	36,168	17,791	51,815	134,029
	198,941	291,809	41,784	34,160	57,508	158,357
Parent 30 June 2013						
Financial liabilities						
Creditors and other payables	1,537	1,537	1,537	–	–	–
Net settled derivative liabilities	7,805	1,806	909	423	474	–
Commercial paper	88,000	88,000	88,000	–	–	–
Bonds	70,000	84,427	4,809	4,809	74,809	–
Floating rate notes	160,000	203,853	9,020	35,121	74,540	85,172
	327,342	379,623	104,275	40,353	149,823	85,172
Financial assets						
Cash and cash equivalents	1,774	1,774	1,774	–	–	–
Debtors and other receivables	1,434	1,434	1,434	–	–	–
Net settled derivative assets	1,498	9,040	70	110	3,096	5,764
Loans and advances	32,854	37,749	12,959	1,126	15,830	7,834
Loans to subsidiaries	116,500	168,961	7,607	33,176	55,027	73,151
	154,060	218,958	23,844	34,412	73,953	86,749

40(e) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices. The parent company is exposed to equities securities price risk on its investment in Lyttelton Port Company Ltd, a company listed on the New Zealand Stock Exchange. The investment in Lyttelton Port Company Ltd is classified as a financial asset held at fair value through equity, and revalued annually on the basis of its quoted share price. A 10% movement in share price would increase/decrease the CCHL's parent company's equity by $26.1m (2013: $23.2m). While the share price can and does fluctuate, the investment is held as a long term asset with no current intention of sale, and such fluctuations do not impact on CCHL's profits.

40(f) Foreign currency 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 currency other than New Zealand dollars. These currencies are 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 parent company 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 (2013: Nil).

40. Financial instruments continued

40(f) Foreign currency risk continued

The following table summarises the Group's net exposure to foreign currency transactions:

		Group 2014 000	Group 2013 000	Parent 2014 000	Parent 2013 000
Net unhedged exposure:					
US dollar	USD	1,262	1,527	–	–
Australian dollar	AUD	128	(9)	–	–
Euro	Euro	–	252	–	–

The following table summarises the estimated impact on the Group's pre-tax profit and equity (excluding retained earnings) to reasonably possible changes in foreign exchange rates (a 10% variance either way):

	30 June 2014				30 June 2013			
Movement in exchange rates	**+10% Pre-tax profit**	**+10% Other compr. income**	**–10% Pre-tax profit**	**–10% Other compr. income**	**+10% Pre-tax profit**	**+10% Other compr. income**	**–10% Pre-tax profit**	**–10% Other compr. income**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Group								
Trade receivables	–	–	–	–	(18)	–	18	–
Foreign currency account (USD)	(1,724)	–	1,557	–	(50)	–	50	–
Derivatives	1,601	–	(1,434)	–	(1)	(293)	12	293
Sensitivity to foreign exchange risk	(123)	–	123	–	(69)	(293)	80	293
Parent								
Loans	(1,601)	–	1,434	–	(50)	–	50	–
Derivatives	1,601	–	(1,434)	–	50	–	(50)	–
Sensitivity to foreign exchange risk	–	–	–	–	–	–	–	–

Accounting policy – 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 and qualifying net investment 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. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to NZ dollars at rates ruling at the dates the fair value was determined.

40(g) Interest rate risk

The Group and parent company are 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.

At balance date the Group and parent company had a mix of financial assets and liabilities exposed to New Zealand fixed and variable interest rates as set out in the following tables. To the extent assets and liabilities exposed to variable interest rate risk are designated in cash flow hedges, they are classified as fixed.

Notes to the Financial Statements FOR THE YEAR ENDED 30 JUNE 2014

40. Financial instruments continued

40(g) Interest rate risk

	30 June 2014			30 June 2013		
	Fixed	Variable	Non-interest bearing	Fixed	Variable	Non-interest bearing
	$'000	$'000	$'000	$'000	$'000	$'000
Group						
Financial assets						
Cash and cash equivalents	221,908	–	13	–	(2,847)	9
Term deposits	93,635	–	–	6,307	–	–
Debtors and other receivables	–	–	134,868	–	–	126,004
Related party receivables	–	–	12,079	–	–	26,434
Loans and advances	50,604	5,237	–	32,765	237	–
Finance lease receivables	–	–	–	25	–	–
Derivatives	–	3,949	461	485	1,477	34
Solicitor's trust account	–	3,542	–	–	–	–
	366,147	12,728	147,421	39,582	(1,133)	152,481
Financial liabilities						
Commercial paper	–	(53,000)	–	(9,000)	(79,000)	–
Fixed rate borrowing	(189,777)	–	–	(141,353)	–	–
Floating rate notes	(80,000)	(80,000)	–	(80,000)	(80,000)	–
Loans from external parties	(185,000)	(22,490)	–	(235,000)	(68,920)	–
Loans from related entities	(94,500)	(7,000)	–	–	–	–
Finance lease liabilities	(48)	(17,050)	–	(111)	(5,574)	–
Derivatives	–	(11,981)	–	–	(26,359)	–
	(549,325)	(191,521)	–	(465,464)	(259,853)	–
	(183,178)	(178,793)	147,421	(425,882)	(260,986)	152,481
Parent						
Financial assets						
Cash and cash equivalents	2,341	–	–	–	1,774	–
Debtors and other receivables	–	–	1,763	–	–	1,434
Loans and advances	19,401	–	–	6,917	–	–
Related party loans – subsidiaries	11,500	145,500	–	9,000	107,500	–
Related party loans – CCC	14,250	237	–	25,700	237	–
Derivatives	–	3,949	–	–	1,498	–
	47,492	149,686	1,763	41,617	111,009	1,434
Financial liabilities						
Commercial paper	–	(53,000)	–	(9,000)	(79,000)	–
Fixed rate borrowing	(70,000)	–	–	(70,000)	–	–
Floating rate notes	(80,000)	(80,000)	–	(80,000)	(80,000)	–
Loans from CCC	(94,500)	(7,000)	–	–	–	–
Derivatives	–	–	–	–	(7,805)	–
	(244,500)	(140,000)	–	(159,000)	(166,805)	–
	(197,008)	9,686	1,763	(117,383)	(55,796)	1,434

40. Financial instruments continued

40(h) Interest rate sensitivity

In managing interest rate risks, the Group aims to reduce the impact of short term fluctuations on the Group's earnings. Over the longer term, however, changes in interest rates will affect reported profits.

The following table summarises the estimated impact of movements 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. It is considered that a reasonably possible movement in New Zealand interest rates is a 1% movement in either direction, and this is the range that has been used in the following sensitivity analysis:

	30 June 2014				30 June 2013			
Movement in interest rates	**1.00% Pre-tax profit**	**1.00% Other compr. income**	**–1.00% Pre-tax profit**	**–1.00% Other compr. income**	**1.00% Pre-tax profit**	**1.00% Other compr. income**	**–1.00% Pre-tax profit**	**–1.00% Other compr. income**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Group								
Cash and cash equivalents	(1)	–	1	–	(28)	–	28	–
Loans, receivables and other	52	–	(52)	–	2	–	(2)	–
Borrowings	(1,795)	–	1,795	–	(2,335)		2,335	–
Interest rate swap derivatives	581	6,712	(545)	(7,164)	696	6,643	(718)	(7,187)
Total sensitivity to interest rate risk	(1,163)	6,712	1,199	(7,164)	(1,665)	6,643	1,643	(7,187)
Parent								
Cash and cash equivalents	23	–	(23)	–	18	–	(18)	–
Loans, receivables and other	1,458	–	(1,458)	–	1,077	–	(1,077)	–
Borrowings	(1,400)	–	1,400	–	(1,668)	–	1,668	–
Interest rate swap derivatives	38	5,398	(2)	(5,847)	–	6,205	8	(6,748)
Total sensitivity to interest rate risk	119	5,398	(83)	(5,847)	(573)	6,205	581	(6,748)

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.

Notes to the Financial Statements FOR THE YEAR ENDED 30 JUNE 2014

40. Financial instruments continued

40(i) Fair value of assets and liabilities

The following tables summarise the Group's and parent company's assets and liabilities that are carried at fair value, as well as those assets and liabilities where fair value differs from carrying value. The tables categorises these assets and liabilities into a fair value hierarchy, as described in the accounting polices set out below the tables.

	30 June 2014				30 June 2013			
	Fair value	Level 1	Level 2	Level 3	Fair value	Level 1	Level 2	Level 3
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group								
Assets measured at fair value								
Derivative financial instruments	4,410	–	4,410	–	1,996	–	1,996	–
USD loan	19,401	–	19,401	–	6,453	–	6,453	–
Investments	15	–	–	15	15	–	–	15
Property, plant and equipment	1,972,497	–	35,580	1,936,917	N/A	N/A	N/A	N/A
Investment properties	193,175	–	–	193,175	N/A	N/A	N/A	N/A
	2,189,498	–	59,391	2,130,107	8,464	–	8,449	15
Liabilities measured at fair value								
Fixed rate bond	70,033	–	70,033	–	71,353	–	71,353	–
Derivative financial instruments	11,981	–	11,981	–	26,359	–	26,359	–
	82,014	–	82,014	–	97,712	–	97,712	–
Net assets/liabilities at fair value	**2,107,484**	**–**	**(22,623)**	**2,130,107**	**(89,248)**	**–**	**(89,263)**	**15**
Liabilities for which fair values are disclosed								
$70.0m bonds – 27 Jun 2016	73,582	–	–	73,582	76,787	–	–	76,787
$64.5m CCC Loan – 15 May 2021	67,722	–	–	67,722	–	–	–	–
$30.0m CCC Loan – 15 April 2023	31,615	–	–	31,615	–	–	–	–
	172,919	–	–	172,919	76,787	–	–	76,787

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 the company's substation sites.

The fair value of fixed rate debt has been determined by discounting cash flows from the instruments using a discount rate derived from relevant market inputs. The discount rates range between 5.41%-6.87% (2013: 6.87%).

40. Financial instruments continued

40(i) Fair value of assets and liabilities continued

	30 June 2014				30 June 2013			
	Fair value	Level 1	Level 2	Level 3	Fair value	Level 1	Level 2	Level 3
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Parent								
Assets measured at fair value								
Shares in subsidiaries	1,760,000	260,800	–	1,499,200	1,635,286	231,786	–	1,403,500
USD loan	19,401	–	19,401	–	6,453	–	6,453	–
Derivative financial instruments	3,949	–	3,949	–	1,962	–	1,962	–
	1,783,350	260,800	23,350	1,499,200	1,643,701	231,786	8,415	1,403,500
Liabilities measured at fair value								
Derivative financial instruments	4,137	–	4,137	–	7,805	–	7,805	–
Net assets/liabilities at fair value	1,779,213	260,800	19,213	1,499,200	1,635,896	231,786	610	1,403,500
Liabilities for which fair values are disclosed								
$70.0m bonds – 27 Jun 2016	73,582	–	–	73,582	76,787	–	–	76,787
$64.5m CCC Loan – 15 May 2021	67,722	–	–	67,722	–	–	–	–
$30.0m CCC Loan – 15 April 2023	31,615	–	–	31,615	–	–	–	–
	172,919	–	–	172,919	76,787	–	–	76,787

Transfer between categories

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

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

Accounting policy – fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability
- The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — The fair value is calculated using quoted prices in active markets. Quoted market price represents the fair value determined based on quoted market prices in active markets as at the reporting date without any deduction for transaction costs.
- Level 2 — The fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). Financial instruments that use valuation

Notes to the Financial Statements FOR THE YEAR ENDED 30 JUNE 2014

40. Financial instruments continued

40(i) Fair value of assets and liabilities continued

techniques with only observable market inputs include interest rate swaps and foreign exchange contracts not traded on a recognised exchange. The fair values are estimated using a discounted cash flow model from observed market rates using a Visual Risk software package. Visual Risk uses market rates i.e. BKBM and the market quoted swap rates to construct a zero curve. The zero curve is then used to calculate the forward rates and the discount factors which are used in the calculation of the fair value of the swaps and debt by discounting future cash flows. Rates between set dates are calculated using interpolation methodologies.

- Level 3 — The fair value is estimated using inputs for the asset or liability that are not based on observable market data. The fair values of unlisted investments that do not have an active market are based on market data that is not observable. Further information on the valuation techniques employed by the Group is provided in Note 16.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's boards and management teams determine the policies and procedures for both recurring fair value measurement, such as investment properties and (for CCHL) investments in subsidiaries, and for non-recurring measurement, such as assets held for distribution in discontinued operations.

External valuers are involved for valuation of significant assets, such as properties and investments held at fair value through equity. Involvement of external valuers is decided upon annually by the respective management teams of the Group. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

At each reporting date, the Group analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to relevant documentation. The Group, in conjunction with the valuers, also compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purposes of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of asset or liability and the level of the fair value hierarchy as explained above.

40(j) Reconciliation of movements in Level 3 assets

	Total Level 3	30 June 2014 Property, plant & equipment	Investment property	Other
	$'000	$'000	$'000	$'000
Group				
Opening carrying value	1,911,143	1,732,940	178,188	15
Additions	106,259	91,965	14,294	–
Disposals	(17,020)	(8,215)	(8,805)	–
Transfers	–	(275)	275	–
Fair value movements	194,846	185,623	9,223	–
Depreciation	(65,121)	(65,121)	–	–
Closing carrying value	2,130,107	1,936,917	193,175	15

	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Shares in subsidiaries and associates				
Opening carrying value	–	–	1,403,500	1,421,644
Shares acquired during the year	–	–	6,500	8,000
Capital repaid	–	–	–	(20,794)
Valuation movements	–	–	89,200	(5,350)
Closing carrying value	–	–	1,499,200	1,403,500

41. Related party disclosures

The parent entity in the group structure is CCHL, which is 100% owned by Christchurch City Council (CCC). The group structure is set out in Note 16.

The Group undertakes transactions with CCC and its related parties, all of which are carried out on a commercial basis. During the period, no material transactions were entered into with related parties except as disclosed below.

During the period, no transactions were entered into by CCHL with any of the company's directors other than the payment of directors' fees and the reimbursement of valid company-related expenses. 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.

No provisions were made for doubtful debts relating to the amount of outstanding balances (2013: Nil), and no bad or doubtful debts expense was recognised in relation to related parties during the period.

The Group paid directors' fees totalling $1,959,223 (2013: $2,066,895).

Key management personnel of the parent company did not purchase any goods and services from group companies during the period greater than $1,000 in total for any individual. All transactions were conducted on standard commercial terms.

Transactions between the CCHL Group and parent entity CCC

CCHL group entities entered into the following transactions with CCC as follows:

	2014	2013
	$'000	$'000
Dividends paid/payable to CCC	52,000	36,325
Interest received from CCC	1,233	1,768
Interest paid to CCC	3,052	–
Services provided to CCC	110,505	223,615
Services provided by CCC (including rent and rates)	10,613	16,737

CCHL group entities entered into the following subvention payments and loss offsets with CCC and other members of the CCC group:

	30 June 2014				30 June 2013			
Subvention payments	Paid to:				Paid to:			
	CCC	CCHL	Vbase group	CBL/ Tuam	CCC	CCHL	Vbase group	CBL/ Tuam
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Paid by:								
Christchurch International Airport Ltd	713	–	–	–	1,845	–	–	–
Enable Services Ltd	–	–	–	–	813	–	–	–
City Care Ltd	–	–	–	–	1,022	–	2,742	1,018
EcoCentral Ltd	368	–	–	–	31	–	–	–
	1,081	–	–	–	3,711	–	2,742	1,018
Tax loss offsets:	Offset with:				Offset with:			
Profits provided by:								
Christchurch International Airport Ltd	2,546	–	–	–	–	4,744	–	–
Enable Services Ltd	–	–	–	–	–	2,092	–	–
EcoCentral Ltd	1,316	–	–	–	–	2,628	–	–
City Care Ltd	–	–	–	–	–	78	7,051	2,619
	3,862	–	–	–	–	9,542	7,051	2,619

Notes to the Financial Statements FOR THE YEAR ENDED 30 JUNE 2014

41. Related party disclosures continued

The loss offsets in 2014 relate to the 2013 tax year (2013: relate to the 2012 tax year).

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

- The CCHL parent company has in the past made advances to CCC to fund CCC's ongoing borrowing requirements. The balance outstanding at 30 June 2013 was $14,487,000 (2013: $25,937,000), with $11,450,000 being repaid by CCC to CCHL during the year (2013: $44,000). The advances were made under a cash advance facility and are unsecured. Interest rates charged to CCC are based on the company's cost of borrowing plus a small margin.
- In the 2014 financial year, CCHL commenced borrowing from CCC to fund its core operations and the Enable UFB programme. A total of $101,500,000 was borrowed from CCC in the year, primarily on a fixed rate basis, with $71,500,000 maturing in May 2021 and $30,000,000 in April 2023. Interest rates are based on CCC's cost of borrowing plus a small margin.
- EcoCentral Ltd made payments of $17,557,000 in relation to the disposal of waste (2013: $15,238,000), to Transwaste Canterbury Ltd, a company in which the ultimate shareholder, CCC, has a 38.9% shareholding.

At balance date, balances owing by CCC to members of the CCHL Group totalled $10,496,000 (2013: $19,749,000). Included in these totals were City Care Ltd balances of $9,257,000 (2013: $18,513,000). Balances owing by members of the Group to CCC totalled $729,000 (2013: $2,213,000).

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 – $7,000 (2013: $62,000)
- Owing by Vbase Ltd – $27,000 (2013: $54,000)

Transactions between the parent company and subsidiaries

The following transactions were entered into between the CCHL parent company and members of the CCHL Group:

	Note	2014	2013
		$'000	$'000
Dividends received from subsidiaries		48,175	42,377
Interest received from subsidiaries		7,560	4,800
Advances to Enable Services Ltd	*16*	(47,500)	(33,000)
Loan repayment from Red Bus Ltd	*16*	5,000	–
Loan repayment from EcoCentral Ltd	*16*	2,000	5,000
Purchase of shares in EcoCentral Ltd	*16*	–	(5,000)
Purchase of shares in Enable Services Ltd		(6,500)	(3,000)

The CCHL parent company acquired a further 128,342 shares (2013: 60,917) in Lyttelton Port Company Ltd for consideration of $0.4m (2013: $0.1m), taking its ownership interest up to 79.70% (2013: 79.57%).

Transactions of the CCHL group with associates

Enable Services Ltd

During 2014, Enable Services Ltd sold UFB assets to its associate, Enable Networks Ltd, of $30.1m (2013: $16.8m), and received shares in ENL and cash as set out in Note 20.

Enable Services Ltd has received payment for stages from Enable Networks Ltd by way of Senior Notes issued in its favour of $16.4m. These notes mature in June 2021. $357k of interest was paid and payable in the current year.(2013:nil).

In addition, Enable Services Ltd provides support services to the associate under a management services agreement and an operations and maintenance agreement and other minor contract oncharges. Enable Services Ltd charged $7,813k (2013: $5,628k) during the period for these services. At balance date $1,705k (2013: $6,698k) excl GST was outstanding (included within debtors and other accruals), and is receivable under normal commercial terms.

Following the sale of the existing fibre network to Enable Networks Ltd, Enable Services Ltd purchases UFB product from Enable Networks Ltd in order to fulfil its remaining customer contracts. This is a transitional arrangement that will reduce as remaining Enable Services Ltd customer contracts expire. The total UFB product purchased from Enable Networks Ltd for the year was $ 1.1m (2013: $1.6m) with no balance payable at year end.

During the year Enable Services Ltd transferred seven Central Office land titles to Enable Networks Ltd. These assets are paid for under the Network Infrastructure Project Agreement as a component of each premise passed. At 30 June 2014 Enable Services Ltd had recognised this amount receivable from Enable Networks Ltd as a Deferred Purchase Receivable from Enable Networks Ltd of $2,388k (2013:nil).

41. Related party disclosures continued

Transactions of the CCHL group with other related parties

During the period Port Otago Limited (a shareholder in Lyttelton Port Company Ltd) provided services to the Group to the value of $2.1m (2013: $1.9m). These services were provided on an arm's length basis.

Transactions between CCHL directors (and entities in which they have an interest) and members of the CCHL Group

There were no transactions in the 2014 year between CCHL directors (and entities in which they have an interest) and members of the CCHL group, other than for minor transactions carried out on a commercial and arm's length basis.

Bill Dwyer, a director of CCHL, is a partner in Lane Neave Lawyers. In the 2014 year, the CCHL parent company paid $22,868 to Lane Neave Lawyers, and the CCHL Group $177,554 for legal services, all on commercial terms (2013: $1,513 and $179,828 respectively).

Balances between CCHL parent company and related parties at end of year

	Note	Loan balances 2014	Loan balances 2013	Debtor balances 2014	Debtor balances 2013
		$'000	$'000	$'000	$'000
Balances with related parties					
Christchurch City Council	*16*	14,487	25,937	8	155
Christchurch International Airport Ltd	*16*	50,000	50,000	509	454
Enable Services Ltd	*16*	100,000	52,500	968	337
Red Bus Ltd	*16*	–	5,000	–	39
EcoCentral Ltd	*16*	7,000	9,000	62	159
		171,487	142,437	1,547	1,144

42. Events after the balance sheet date

Subsequent to balance date, CCHL entered into a lock up agreement with Port Otago Ltd to acquire its 15.47% shareholding in Lyttelton Port Company Ltd at a price of $3.95 per share, conditional on Lyttelton Port Company Ltd paying a dividend of $0.20 per share. CCHL made an offer to the remaining shareholders on the same basis, and intends to exercise its right to compulsorily acquire any remaining shares. This offer commits, subject to the payment of the dividend by Lyttelton Port Company Ltd, CCHL to a gross payment of at least $82.0m (a net $65.7m after receipt of its share of the dividend).

The Group is unaware of any other significant events between the preparation and authorisation of these financial statements on 17 September 2014.

43. Performance against Statement of Intent targets

	Group Actual	Group Target	Parent Actual	Parent Target
Profit for the year	402,631	58,200	37,088	33,100
Net debt/net debt plus equity	20.7%	37.0%	19.6%	21.3%
Interest cover	11.0	2.5	2.5	2.4
Dividends to Christchurch City Council	N/A	N/A	52,000	46,000
Return on average equity	23.7%	4.1%	N/A	N/A

The Statement of Intent ('SoI') issued by CCHL last year in respect of the 2013/14 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 2014 with the financial targets contained within the SoI:

Group profit for the period and return on average equity

The Group's profitability and return on average equity are higher than budgeted, primarily as a result of the Lyttelton Port Company Ltd insurance settlement less other earthquake-related expenditure, which increased net profit by $321.8m.

Further information on the performance of the Group and the parent company is provided in the Annual Review.

Notes to the Financial Statements FOR THE YEAR ENDED 30 JUNE 2014

43. Performance against Statement of Intent targets continued

Parent company dividends

To assist the shareholder, CCHL paid an additional $6.0m dividend on top of its targeted dividend of $46.0m.

Parent company profit for the period

The CCHL parent company's profit for the period was higher than forecast, primarily as a result of higher than budgeted dividends from Orion New Zealand Ltd and City Care Ltd, partially offset by a lower than anticipated dividend from Lyttelton Port Company Ltd.

Parent company gearing ratio and interest cover

The parent company's gearing ratio and interest cover are broadly similar to SoI targets.

CCHL's performance against the non-financial performance measures set out in its SoI is described in the following Performance Statement.

Performance Statement

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 SoI for approval to CCC by 1 March 2014.	CCHL has periodically met with Councillors and Council management to ensure strategic directions are aligned. Achieved.
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 six written reports to the Council and held two seminars for Councillors. A further two seminars were arranged but were subsequently cancelled at the Council's request. 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 2013 and 2014 calendar years include the Board Charter, treasury policy, fraud policy and various governance and staff policies.	These policies were either reviewed and updated as required, or will be reviewed in the remainder of the 2014 calendar year.
4. Directors make an effective contribution to the CCHL board, and their conduct is in accordance with generally accepted standards.	The Chair conducts a formal biennial performance evaluation for each CCHL director with the next one being due in the 2013 calendar year. The Governance committee will review the training needs of individual CCHL directors, and ensure training is provided where required.	The Chairman conducted evaluations for all Board members in August 2013. 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.

43. Performance against Statement of Intent targets continued

GOVERNANCE continued

Objective	Performance target	Performance
6. Subsidiary and monitored companies complete, on a timely basis, Statements of Intent that meet best practice standards.	CCHL will engage with subsidiary and monitored companies prior to the 2014 SoI round regarding the structure and content of the group SoIs.	CCHL wrote to all subsidiaries in December 2013 requesting them to consider certain matters in their draft SoIs. It is considered the SoIs adequately reflect these matters.
	Subsidiary companies submit draft Statements of Intent to CCHL by 1 March 2014.	Achieved (one company a few days late)
	CCHL will review Statements of Intent and respond to the subsidiaries and make recommendations to CCC within six weeks of receipt.	Achieved.
7. Subsidiary and monitored companies that are CCTOs comply with the Local Government Act's requirements that their principal objectives be: • achieving the objectives of its shareholders as set out in the SoI; • being a good employer; • exhibiting a sense of social and environmental responsibility; and • conducting their affairs in accordance with sound business practice.	CCHL will review the companies' performance in the context of these statutorily required objectives.	The CCHL Board satisfactorily completed this review for the 2013 annual reports. This year's review will be performed on receipt of the published 2014 annual reports from each subsidiary.
8. CCHL maintains contact with subsidiary and monitored company boards, and remains aware of their strategic and business issues.	CCHL will endeavour to strengthen ties throughout the wider Council group, so that there is improved understanding of each other's key priorities and issues.	Networking functions have been held at director and management level to foster intra-group relationships.
	CCHL meets subsidiary and monitored company boards, or representatives thereof, on a formal basis at least two times in the 2014 financial year.	Two or more formal meetings held with six of the subsidiaries. One meeting held with the seventh, with a second meeting held in July 2014.
	CCHL receives an appropriate level of reporting from subsidiary and monitored company boards.	Achieved.

Notes to the Financial Statements FOR THE YEAR ENDED 30 JUNE 2014

43. Performance against Statement of Intent targets continued

GROUP STRATEGIC, FINANCIAL & 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 review the capital structure of each subsidiary company against external benchmarks on a rolling triennial basis.	The capital structure of the major subsidiaries was compared with external benchmarks, indicating average or below average gearing levels.
2. Subsidiary and monitored companies adopt strategies that are compatible with the strategic direction of CCHL and CCC.	CCHL will engage with subsidiary and monitored companies prior to the 2014 SoI round regarding key shareholder strategies and, subsequently, review their SoIs for compatibility with those strategies.	CCHL wrote to each subsidiary in December 2013 setting out the shareholder's expectations in relation to a number of matters, including dividend levels, communication, and health and safety reporting. It is considered that the SoIs addressed these adequately.
3. Subsidiary and monitored companies adopt strategies that contribute to regional growth.	CHL will encourage subsidiary and monitored 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.	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.
	CCHL will monitor the ongoing impact of the 2010 and 2011 earthquakes on its subsidiaries, and their progress in recovering and planning for the future.	CCHL has actively engaged with the subsidiaries regarding their earthquake recovery strategies.
	CCHL will work closely with Enable Services as it undertakes the rollout of the network under the Government's Ultra Fast Broadband initiative.	CCHL has worked closely with Enable during the year on a range of strategic, governance, contractual and valuation matters.
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 SoIs.	CCHL has actively encouraged subsidiaries to continue improving their environmental and social reporting. All SoIs now contain specific measurable targets, which will be reported against in the respective annual reports.
	CCHL will perform an annual review of the performance of the subsidiaries and monitored companies against their stated objectives and assess and report on the success of group sustainability initiatives.	The CCHL Board satisfactorily completed this review for the 2013 annual reports. This year's review will be performed on receipt of the published 2014 annual reports from each subsidiary.

43. Performance against Statement of Intent targets continued

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 2014 financial year that meets or exceeds budget, and achieves other budgeted key performance measures.	Achieved – CCHL paid an ordinary dividend of $52.0m – $6m higher than the budgeted amount. Performance against other targets is described in Note 43.
2. CCHL's capital structure is appropriate for the nature of its business.	CCHL will review 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 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.	Investment returns (both current and forecast) from the subsidiaries were reviewed and compared with expected equity returns derived from independently assessed WACCs. The review noted that some companies continued to be affected by the aftermath of the earthquakes, and hence equity returns were lower than would normally be expected, but over time returns were forecast to climb to expected levels.
4. CCHL's treasury management policies and practices are consistent with best practice.	CCHL's treasury management policy will be reviewed in the 2014 calendar year.	As there were no significant financial or structural changes during the year, the review of the treasury policy was deferred. The review will be completed in the 2015 financial year.

Statutory Information

Ownership

The company is owned 100% by Christchurch City Council.

Principal activities

The company's principal activity during the year was to operate as an investment company of Christchurch City 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 2014:

Director	Interests declared
Bruce Irvine *(Chairman)*	• Chairman – Heartland New Zealand Ltd • Director – Godfrey Hirst Ltd & 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 Art Gallery Trust • Trustee – Christchurch Symphony Trust
Vicki Buck	• Deputy Mayor – Christchurch City Council • Director – NZ Windfarms Ltd • Director – Think Inc Ltd • Trustee – Scorpio Family Trust
Bill Dwyer	• Partner – Lane Neave • Director – Veritas (2013) Ltd • Director – Veritas (2012) Ltd • Director – Veritas (2011) Ltd • Trustee – Wavertree Trust
Jamie Gough	• Councillor – Christchurch City Council • Director and shareholder – Gough Group (Gough Holdings Ltd/ Gough, Gough & Hamer Ltd) • Director and shareholder – Gough Corporation Holdings Ltd • Chairman – Vbase Ltd • Chairman – Civic Building Ltd • Trustee – Antony Gough Trust
Yani Johanson	• Councillor – Christchurch City Council • Trustee – Arts Centre Trust
Raf Manji	• Councillor – Christchurch City Council • Director – Sustento Ltd • Trustee – Manji Family Trust
Andy Pearce	• Chairman – Focus Genetics Management Ltd • Chairman – Hawke's Bay Regional Investment Company Ltd • Chairman – Regional Committee, Canterbury Water Management Strategy • Director – Bank of New Zealand • Director – Fauna Ltd • Director and Shareholder – Seon Pearce and Associates Ltd • Shareholder – Migco Pharmaceuticals Ltd
Sarah Smith	• Chair – Meteorological Service of New Zealand Ltd • Director – Cashel Properties Ltd • Director – Devon Chambers Ltd • Director – EcoCentral Ltd • Director – Lion Foundation • Director – Oxford Estates Ltd • Director – Sasco Holdings Ltd • Director – SLI Systems Ltd • Director – Wherescape Software Ltd • Trustee – Warren Architects Education Charitable Trust • Trustee – Ohinetahi Charitable Trust

The company has arranged director's 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 41 to the financial statements.

Directors

The following directors retired from the Board in December 2013:

– Tim Carter, Barry Corbett, Bob Parker, Sue Wells

The following directors were appointed to the Board in December 2013:

– Vicki Buck, Jamie Gough, Yani Johanson, Raf Manji

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 2014:

	Board meetings	Audit and risk management committee meetings	Governance and appointments committee meetings
Number of meetings	11	2	2
Bruce Irvine	11	*	2
Vicki Buck[1]	6	*	1
Tim Carter[2]	5	1	*
Barry Corbett[2]	5	*	1
Bill Dwyer	9	*	2
Jamie Gough[1]	6	1	*
Yani Johanson[1]	6	*	1
Raf Manji[1]	6	1	*
Bob Parker[2]	5	*	0
Andy Pearce	9	1	*
Sarah Smith	11	2	*
Sue Wells[2]	4	1	*

[1] Joined Board Dec 2013 *(maximum available Board meetings – 6)*
[2] Retired from Board Dec 2013 *(maximum available Board meetings – 5)*
* Not a member of this committee

Remuneration of directors

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

Parent company directors' fees	$
B Irvine	67,075
V Buck **	–
T Carter *	16,834
B Corbett *	16,834
W Dwyer	37,275
J Gough **	–
Y Johanson **	–
R Manji **	–
R Parker *	16,834
A Pearce	37,275
S Smith	37,275
S Wells *	16,834

* Retired December 2013
** Appointed December 2013

The Board has resolved that, with effect from December 2013, Councillor directors will not receive remuneration.

Loans to directors

There were no loans made to directors.

Subsidiary companies directors' fees

Orion New Zealand Ltd	$
C Boyce	89,000
M Andrews	22,000
G Gould	27,000
P Munro	52,000
J Smith	27,000
G Vazey	55,000

Christchurch International Airport Ltd	$
D McKenzie	84,260
P Carter	8,677
C Drayton	49,600
G Gould	41,000
A Lovatt	3,717
J Murray	43,000
C Paulsen	45,100

Lyttelton Port Company Ltd	$
T Burt	83,181
R Carr	44,625
L Crossen	45,750
R Fisher	23,438
A Grant	15,624
J Quinn	11,438
K Smith	49,125
B Wood	45,750

Enable Services Ltd	$
M Bowman	77,881
C Birkett	41,722
B Gamble	46,722
W Luff	41,722
O Scott	41,722
C Walsh	44,222

City Care Ltd	$
H Martyn	54,400
Jim Boult	14,488
M Devlin	41,643
A King	52,584
C Price	35,275
T Thornton	14,384
M Todd	38,738

Red Bus Ltd	$
P Rae	57,600
T Keenan	36,000
P Kiesanowski	19,200
R Lineham	–
R McRobie	9,600
T Mountford	28,800

EcoCentral Ltd	$
D Kerr	60,000
P Anderson	30,000
G Campbell	30,000
S Smith	30,000

Statutory Information

Donations

The parent company made donations of $82,000 to the Mayor's Welfare Fund during the year (2013: $Nil). Donations of $38,000 (2013: $79,000) were made by subsidiaries.

Dividends

The company has paid or provided fully-imputed dividends of $52,000,000.

Employee remuneration

Details of remuneration ranges for employees of the Group and parent company are:

$'000	Group 2014	Parent 2014
100-110	157	–
110-120	89	–
120-130	74	–
130-140	45	–
140-150	31	–
150-160	17	–
160-170	7	–
170-180	5	–
180-190	9	–
190-200	9	1
200-210	6	–
210-220	5	–
220-230	3	–
230-240	2	–
240-250	2	–
250-260	1	–
260-270	1	–
270-280	2	1
280-290	1	–
290-300	1	–
300-310	4	–
310-320	1	–
330-340	2	–
420-430	1	–
430-440	1	–
460-470	1	–
470-480	1	–
520-530	1	–
720-730	1	–
1230-1239	1	–

Use of company information

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

Auditors

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

REPORT OF THE Auditor General

Independent Auditor's Report

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

To the readers of Christchurch City Holdings Limited's and group's financial statements and performance information for the year ended 30 June 2014

The Auditor General is the auditor of Christchurch City Holdings Limited (the company) and 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 performance information of the company and group on her behalf.

We have audited:

- the financial statements of the company and group on pages 2 to 63, that comprise the balance sheet as at 30 June 2014, 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 company and group on pages 59 to 63.

Opinion

Financial statements and performance information

In our opinion:

- the financial statements of the company and group on pages 2 to 63:
- comply with generally accepted accounting practice in New Zealand; and
  - give a true and fair view of the company and group's:
    - financial position as at 30 June 2014; and
    - financial performance and cash flows for the year ended on that date; and
- the performance information of the company and group on pages 59 to 63:
  - complies with generally accepted accounting practice in New Zealand; and
  - give a true and fair view of the company and group's performance achievements measured against the performance targets adopted for the year ended 30 June 2014.

Other legal requirements

In accordance with the Financial Reporting Act 1993 we report that, in our opinion, proper accounting records have been kept by the company and group as far as appears from an examination of those records.

Our audit was completed on 17 September 2014. 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.

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 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 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 performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and performance information whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the company and group's financial statements and performance information that give a true and fair view of the matters to which they relate. We consider internal control 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 company and group's internal control.

REPORT OF THE Auditor General

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 adequacy of all disclosures in the financial statements and performance information; and
- the overall presentation of the financial statements and performance information.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and performance information. Also we did not evaluate the security and controls over the electronic publication of the financial statements and performance information.

In accordance with the Financial Reporting Act 1993, we report that we have obtained all the information and explanations we have required. 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 preparing financial statements and performance information that:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the company and group's financial position, financial performance and cash flows; and
- give a true and fair view of the company and group's performance information.

The Board of Directors is responsible for such internal control as it determines is necessary to enable the preparation of financial statements and 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 performance information, whether in printed or electronic form.

The Board of Directors' responsibilities arise from the Local Government Act 2002 and the Financial Reporting Act 1993.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and performance information and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and section 69 of the Local Government Act 2002.

Independence

When carrying out the audit, we followed the independence requirements of the AuditorGeneral, which incorporate the independence requirements of the External Reporting Board.

In addition to the audit, we carried out other audit and assurance engagements for subsidiary companies in compliance with regulatory requirements. These audit and assurance engagements, as described in note 11 on page 11, 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

Julian Tan
Audit New Zealand
On behalf of the Auditor General
Christchurch, New Zealand

Directory

Registered Office

77 Hereford Street
Christchurch

Directors

B R Irvine *(Chairman)*
V S Buck
W J Dwyer
J T Gough
Y Johanson
R A Manji
A J Pearce
S L Smith

Management Team

R Lineham *(Chief Executive)*
R Simmonds *(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

cchl
Christchurch City Holdings

www.cchl.co.nz