cchl CHRISTCHURCH CITY HOLDINGS LIMITED

Media Release

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Christchurch City Holdings grows underlying profit

Christchurch City Holdings Ltd (CCHL) reported an underlying profit before tax for the consolidated Group of $138.4m for the year to June, 2016, up 5.7% on last year's $130.9m.

Analysis of profit before tax

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

CCHL paid an ordinary dividend to Christchurch City Council of $132 million, which included a special dividend of $90 million towards the capital release programme. This compared with $46 million in 2015.

Bruce Irvine, chairman of CCHL, said that overall the Group was in good heart and in strong financial shape, with many of the companies now experiencing improved profitability and growth.

CCHL is the investment arm of Christchurch City Council. It owns or has majority holdings in Orion New Zealand Ltd, Christchurch International Airport Ltd, Lyttelton Port Company Ltd, Enable Services Ltd, City Care Ltd, Red Bus Ltd, EcoCentral Ltd and Development Christchurch Ltd. CCHL also monitors the Canterbury Development Corporation on behalf of the Council.

“The normalised profit before tax for Group for the 2016 financial year of $138 million is 16% ahead of the Statement of Intent target of $119 million,” Mr Irvine said.

“This improved performance reflects continued growth in the Christchurch International Airport performance on the back of continued growth in passenger numbers, and continued focus on productivity and cost control.”

The CCHL Group reported profit before tax of $55.3m includes an impairment expense recognised by Lyttelton Port Company (LPC) during 2016. As already advised by LPC , the company’s net asset position increased significantly in 2014 when insurance proceeds of $358m were received as income. The funds were to replace assets destroyed and damaged in the earthquakes.

“LPC invested significant capital to increase the resilience of the company’s infrastructure, although that investment did not, in isolation, increase operational earnings. The resulting discrepancy between earnings and net assets gave rise to the impairment,” Mr Irvine said.

Amongst the highlights for the financial year:

- Orion New Zealand recorded another strong year and delivered $136 million in distributions to CCHL including $80 million via a share buyback and a special dividend of $13 million.
- Christchurch International Airport’s net profit before tax of $57.5m was up 14% on the previous year. CIAL also recorded an overall record of 6.3 million passengers, an average of 17,000 per day.
- The completion of the acquisition of the Crown Fibre Holdings Ltd (CFH) shares in Enable Networks Ltd (ENL) by Enable Services Ltd (ESL). This essentially means that the Christchurch community now holds a 100% ownership stake in its fibre broadband network.

The report also highlighted other positive contributions from CCHL’s subsidiary companies. LPC had a significant year with the approval of the Lyttelton Port

Recovery Plan, the opening of MidlandPort, (the company's new Inland Port at Rolleston), plus the opening of the new Cashin Quay 2 wharf, which doubles the container berth capability. Through strong cashflows, City Care was able to purchase Apex Environmental Services, pay a dividend of $4.1 million and reduce debt. A key highlight for City Care during the year was the completion of the construction of the Margaret Mahy Family Playground (delivered with a joint venture partner).

With the purchase of eight mid-sized urban buses, Red Bus Ltd is now well equipped to match customer demand on many routes while also reducing operating costs with the smaller, more efficient, vehicles. EcoCentral continued to be profitable in an environment that has moved to post earthquake activities, allowing it to repay debt.

"Another highlight was the establishment of Development Christchurch. Earlier this year the City Council approached CCHL and asked it to invest in a company that would work with the Council to help progress and contribute to the region through development, investment and regeneration activities.

"While still in its early stages, DCL has already achieved a significant milestone by providing the commercial advice and engagement into the region's investment into the Christchurch Adventure Park.

"It was a strong year for CCHL with many positive indicators for the future. As part of its Long Term Plan, CCC has determined that it will need to raise a substantial amount of capital from CCHL through its capital release programme in order to keep its forecast debt within appropriate limits.

"This will keep the Group focused in the year ahead," Bruce Irvine said.

The annual report is available at: www.cchl.co.nz

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Further information:

Paul Munro, CEO Christchurch City Holdings Limited (03) 941 8411

Bruce Irvine, Chairman Christchurch City Holdings Limited (03) 377 1956

About CCHL: CCHL is the investment arm of Christchurch City Council. It owns or has majority holdings in major infrastructure including the electricity network (Orion New Zealand Ltd), transport, freight and logistics (Christchurch International Airport Ltd, Red Bus Ltd, Lyttelton Port Company Ltd), optical fibre network (Enable Services Ltd) and infrastructure, maintenance and services (City Care Ltd and Eco Central Ltd). The newly-established Development Christchurch Ltd also sits within the CCHL group and CCHL also monitors the Canterbury Development Corporation on behalf of the Council. www.cchl.co.nz