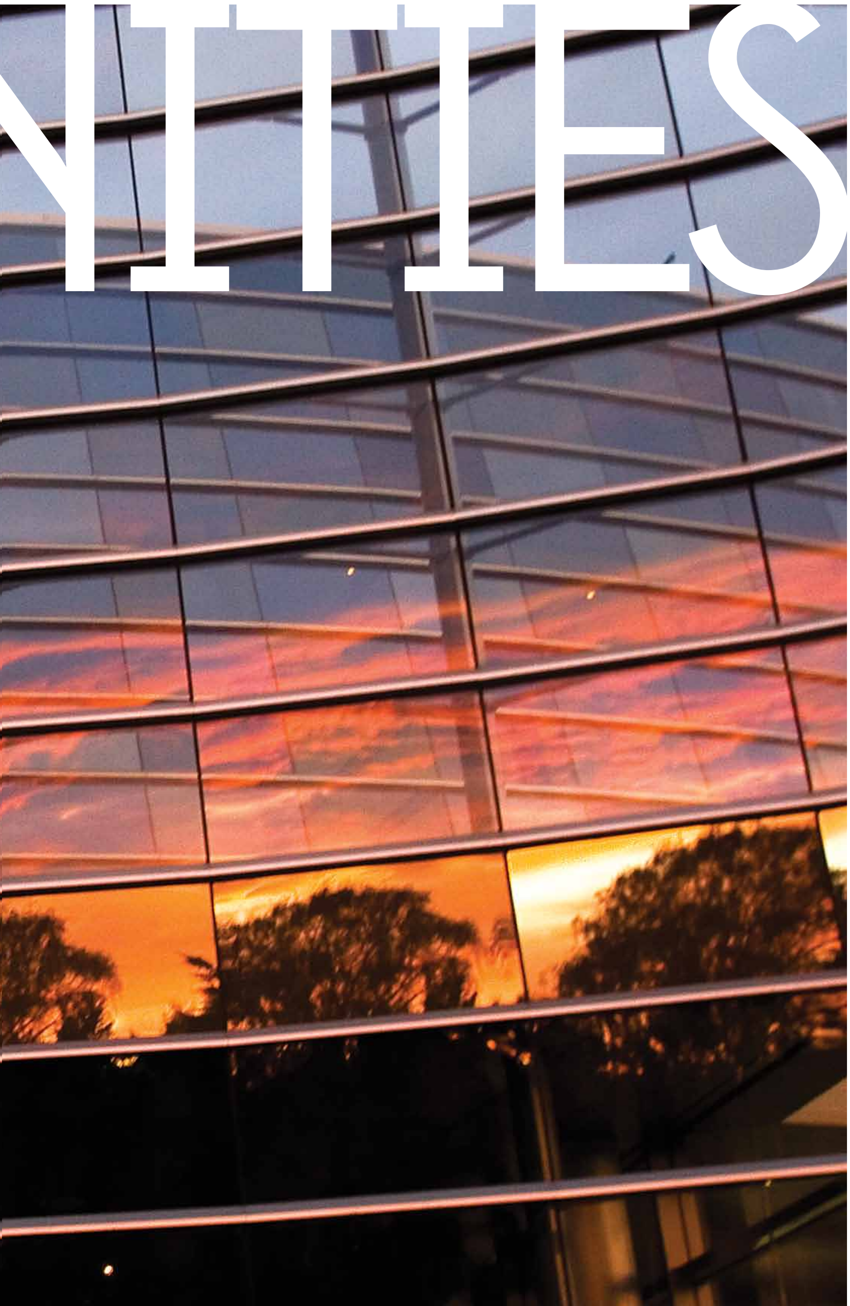
Christchurch City Holdings Limited is a wholly-owned subsidiary of Christchurch City Council.

cchl
Christchurch City Holdings

2013 ANNUAL REVIEW

ORION
CHRISTCHURCH AIRPORT
LYTTELTON PORT COMPANY
ENABLE SERVICES
CITY CARE
RED BUS
ECOCENTRAL

CCHL'S KEY PURPOSE IS TO INVEST IN AND PROMOTE THE ESTABLISHMENT OF KEY INFRASTRUCTURE IN CHRISTCHURCH AND CANTERBURY, AND THIS NOW EXTENDS TO ASSISTING THE COUNCIL IN THE REBUILD AND REDEVELOPMENT OF CHRISTCHURCH FOLLOWING THE CANTERBURY EARTHQUAKES.



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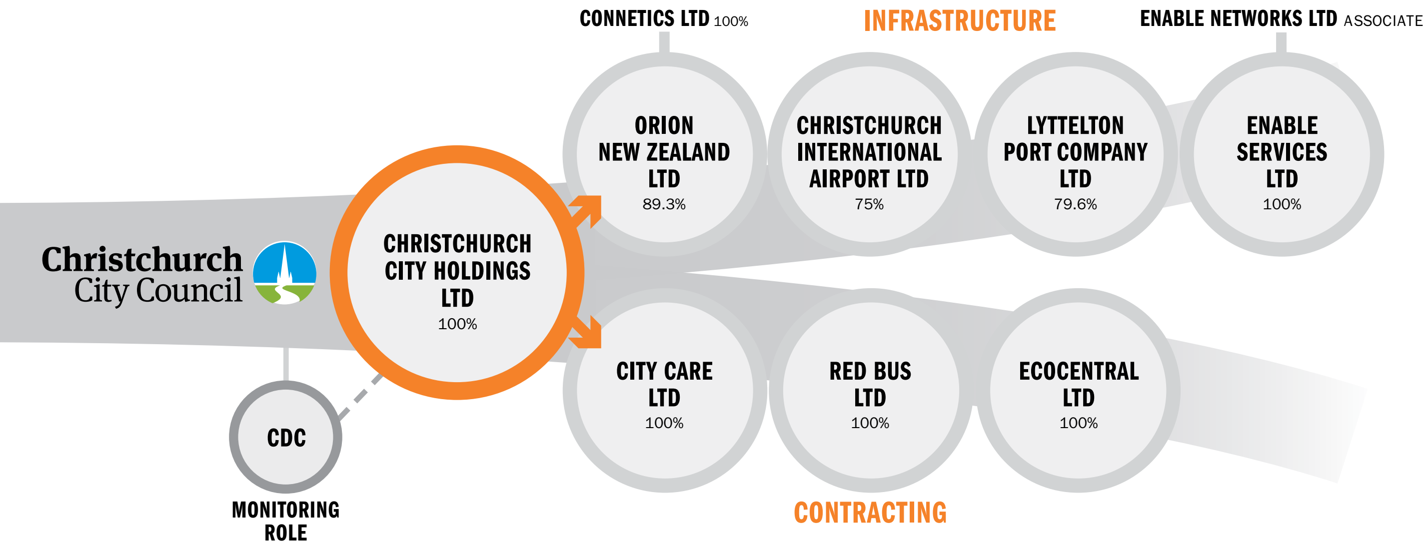


THE CCHL GROUP

CHRISTCHURCH CITY HOLDINGS LTD (CCHL) IS THE COMMERCIAL AND INVESTMENT ARM OF CHRISTCHURCH CITY COUNCIL.
THE COMPANY IS RESPONSIBLE FOR MANAGING THE COUNCIL'S INVESTMENT IN SEVEN FULLY OR PARTLY-OWNED TRADING COMPANIES – ORION NEW ZEALAND LTD, CHRISTCHURCH INTERNATIONAL AIRPORT LTD, LYTTELTON PORT COMPANY LTD, ENABLE SERVICES LTD, CITY CARE LTD, RED BUS LTD AND ECOCENTRAL LTD.
CCHL ALSO MONITORS THE CANTERBURY DEVELOPMENT CORPORATION ON BEHALF OF THE COUNCIL.

ABOUT CCHL

Investing in the City's infrastructure

CCHL's key purpose is to invest in and promote the establishment of key infrastructure in Christchurch and Canterbury, and this now extends to assisting the Council in the rebuild and redevelopment of Christchurch following the Canterbury earthquakes. CCHL will continue to invest in existing and new infrastructural assets such as the electricity distribution network, the airport, port, transport and high speed broadband.

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

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

Financial contribution

Christchurch City Council's decision in 1993 to retain its key infrastructural assets through the establishment of CCHL has created a public ownership model that is the envy of many councils nationwide. The model has enabled CCHL to make over $1 billion of capital and dividend payments to the Council since 1995, allowing major investments in community assets, while reducing the impact on rates from such investments.

Over the same period, the asset value of CCHL through its trading companies has grown from some $400m to $2.6bn. Total group equity has risen from $261m in 1995 to over $1.4bn today. This growth in both value and cash returns represents an average shareholder return to ratepayers of 14.3% per annum since 1995.

CCHL's dividend to the Council for the 2014 year is forecast at $46.0m.

Independent governance of trading companies

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

CCHL places a great deal of emphasis on ensuring the group has first class governance processes in place. Through a structured, independent process, CCHL recommends director appointments to subsidiary companies and monitors those companies on behalf of the Council. Further detail regarding the company's corporate governance polices is set out on page 25.

Accountability to the Council

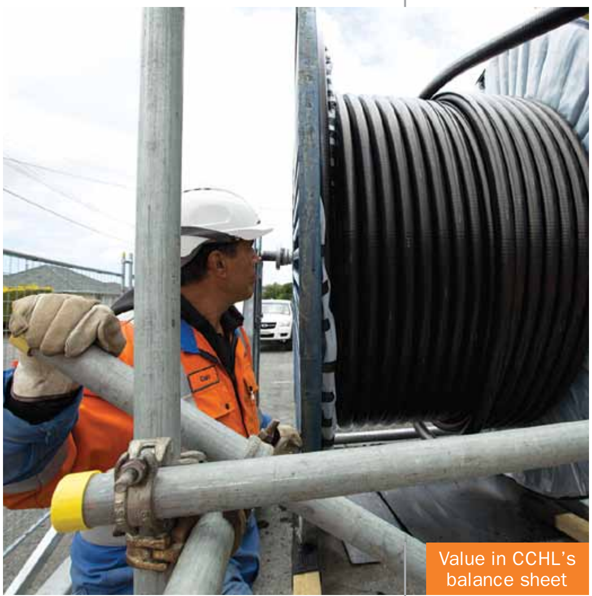
CCHL is accountable to the Council through a number of mechanisms, including:

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

THE CCHL GROUP SUBSIDIARIES

ORION NEW ZEALAND LTD

89.3% OWNED BY CHRISTCHURCH CITY HOLDINGS LTD



Value in CCHL's balance sheet

$664 MILLION

Quake-damaged underground cable is replaced in eastern Christchurch. Orion is working alongside the Stronger Christchurch Infrastructure Rebuild Team (SCIRT) on this eastern suburbs project repairing other underground services and roads along the same cable route.

Orion New Zealand Limited owns and operates one of the largest electricity distribution networks in New Zealand.

The network covers 8,000 square kilometres in central Canterbury between the Waimakariri and Rakaia rivers and from the Canterbury coast to Arthur's Pass.

This year Orion continued to work alongside its shareholders to recover from our region's biggest natural disaster.

Orion's network delivers electricity to around 190,000 homes and businesses. Electricity retailers pay Orion for the network delivery service and include this in their retail charges to homes and businesses.

More than 160 employees work directly for Orion, and most days a further 250 contractors help on the network. All of these people are critical to Orion's business as they plan, engineer, operate and control the network, manage finances and contracts, and give customers the best service they can.

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

CHRISTCHURCH INTERNATIONAL AIRPORT LTD

75% OWNED BY CHRISTCHURCH CITY HOLDINGS LTD

Value in CCHL's balance sheet

$534 MILLION

Christchurch Airport is the first in the country to introduce multi-lingual signage.

Christchurch International Airport Ltd (CIAL) owns and operates New Zealand's second largest airport. The company owns the airport terminal and airfields, as well as more than 800 hectares of land.

As the gateway for Christchurch and the South Island in the 2013 year, Christchurch Airport hosted 5.5 million passengers and 71,715 total commercial aircraft movements. An additional five million visitors come through the airport to greet and farewell those passengers, so, in effect, the population of Timaru enters the campus each day.

Christchurch Airport is the aerial gateway to the Antarctic with more than 100 direct flights each year. CIAL also owns the International Antarctic Centre.

In addition to the company's aeronautical foundations, CIAL continues to develop its extensive property portfolio. CIAL provides purpose-built facilities in close proximity to the airport to meet the need of businesses. Currently, this portfolio includes in excess of 130 leases. Major developments within this space include the development of Dakota Park, the freight and logistics precinct on the southern edge of the campus and the upcoming retail development of Spitfire Square.

LYTTELTON PORT COMPANY LTD

79.6% OWNED BY CHRISTCHURCH CITY HOLDINGS LTD

LPC staff enjoying the ribbon cutting celebration for the four new diesel electric straddle carriers.

Value in CCHL's balance sheet

$232 MILLION

Lyttelton Port of Christchurch (LPC) is New Zealand's third-largest deep-water port. It provides a vital link to international trade routes and plays a key role in the global transport network.

As the South Island's biggest port, handling over 350,000 TEUs* of containerised cargo a year, LPC is the preferred trade gateway for the exports and imports of Canterbury and beyond, and is essential to the region's businesses and consumers.

The Port caters for a diverse range of containerised, bulk and breakbulk cargoes and offers a full array of shipping services, 24 hours a day, 365 days a year.

At the Lyttelton Container Terminal, specialised cargo-handling and stevedoring services are provided for general and refrigerated containers (reefers). Located six kilometres from the main Port, CityDepot is LPC's inland port. It has the capacity to store up to 9,000 TEUs, and provides an extensive container repair, wash and storage facility in a centralised location.

LPC's coal facility is the largest in New Zealand and currently exports 2 million tonnes annually.

The company is by far the biggest employer in the Lyttelton Harbour basin, with almost 500 staff with a wide variety of skill sets and backgrounds.

LPC is listed on the New Zealand Stock Exchange.

ENABLE SERVICES LTD

100% OWNED BY CHRISTCHURCH CITY HOLDINGS LTD

ESL contractors deploying fibre broadband in a Christchurch suburb.

Value in CCHL's balance sheet

$34 MILLION

Enable Services Limited (ESL) is a leading infrastructure provider specialising in building and operating open access fibre networks. In May 2011, ESL entered into a partnership with the Government to provide fibre broadband services to Christchurch, and parts of Waimakariri and Selwyn – as part of the national ultra-fast broadband (UFB) initiative.

Prior to UFB, ESL built a 350 kilometre network that provided fibre broadband services to hundreds of businesses, and many schools and healthcare facilities.

The UFB partnership resulted in the creation of a new central/local government joint venture, Enable Networks Limited (ENL) to own and operate greater Christchurch's fibre broadband network. ESL accounts for its investment in ENL as an associated company. As the UFB build programme progresses the respective shareholdings of ESL and Crown Fibre Holdings will vary in line with their investment into ENL.

ESL is also contracted by ENL to build, operate and maintain the fibre broadband network that is being rolled out to 180,000 homes, schools and businesses in Christchurch, Rangiora, Kaiapoi, Woodend, Lincoln, Prebbleton and Rolleston.

*TEU – Twenty-foot equivalent unit is a unit of cargo capacity.

CITY CARE LTD

100% OWNED BY CHRISTCHURCH CITY HOLDINGS LTD

City Care workers repair a section of the Avon River bank.

Value in CCHL's balance sheet

$136 MILLION

City Care is a leading provider of construction, maintenance and management services across the built environment. The company has a national footprint with 16 offices and depots located throughout New Zealand.

The company delivers a one-stop-shop solution to its clients who benefit from improved efficiencies, economies of scale and reduced costs derived through strategic bundling of contracts. Through its industry-leading technology platforms and smart management systems, City Care is able to offer a level of service that sets it apart.

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

RED BUS LTD

100% OWNED BY CHRISTCHURCH CITY HOLDINGS LTD

Red Bus Rebuild Tour begins on Rolleston Avenue.

Value in CCHL's balance sheet

$23 MILLION

Red Bus operates a large passenger transport business in Canterbury with approximately 230 employees and 122 buses. The urban public transport services provided by Red Bus are predominantly operated under contract to Environment Canterbury (ECan), the planner and regulator for Canterbury public transport. The company also operates high quality charter services and commercial urban services that are not ratepayer subsidised.

Its modern urban and school bus fleet all have super low floors with single step entry, kneeling and wheelchair access to provide first class urban passenger services.

The company carried approximately 3.8m passengers and the bus fleet travelled 6.3m kilometres delivering an average of 10,000 passenger trips each day on services that operate 20 hours a day, 7 days a week.

Red Bus continues to be a recognised leader in urban driver training with 63% of drivers holding a National Certificate level driving qualification.

ECOCENTRAL LTD

100% OWNED BY CHRISTCHURCH CITY HOLDINGS LTD

Recovered appliances are tested for electrical safety prior to sale in the EcoShop.

Value in CCHL's balance sheet

$12 MILLION

EcoCentral Ltd oversees the processing of refuse and recycling collected from households and commercial premises throughout the Canterbury region.

The company works to reduce the amount of waste going to landfill and finds ways to ensure Christchurch is a leader in recycling.

EcoCentral Ltd manages:

- EcoSort, a large facility that receives all the 'Yellow Bin' recycling from Christchurch and surrounding areas where it is automatically sorted, baled and sold as reclaimed material. Material is sold either domestically or internationally to be made into new products.
- EcoDrop, three transfer stations for managing Christchurch's recycling and refuse for both domestic and commercial waste. Each station has a recycling centre, household hazardous waste drop off area and refuse areas for general waste, green waste and hardfill.
- EcoShop, on Blenheim Road, is the retail outlet for the recycled goods rescued from the EcoDrop transfer stations, thereby diverting material from landfill. Goods are inspected by workshop staff before they are sold on.

THE CCHL GROUP CONTINUES TO PLAY A VITAL ROLE IN THE RE-BUILD OF CHRISTCHURCH AND CANTERBURY FOLLOWING THE SERIES OF EARTHQUAKES THAT STRUCK THE REGION IN 2010 AND 2011. OVERALL THE GROUP

IS IN GOOD HEART AND IN STRONG FINANCIAL SHAPE, WITH SOME COMPANIES NOW EXPERIENCING IMPROVED PROFITABILITY AND GROWTH.

CHAIRMAN'S & CHIEF EXECUTIVE'S REPORT

CCHL remains ready to assist its 100% shareholder Christchurch City Council as it addresses the multitude of challenges in rebuilding Christchurch.

Financial

Group

The reported consolidated profit for the year was $70.7m. This compares favourably with the $63.6m forecast in last year's Statement of Intent (SoI), but is well down on the $97.3m recorded in the 2012 financial year. There were a number of one-off factors in both years that make a simple comparison of the results difficult.

The table, shown on the next page, adjusts the reported pre-tax group profits of 2013 and 2012, and the forecasts in last year's Statement of Intent, for the above-noted factors to arrive at an underlying profit figure.

A similar analysis in last year's annual review included costs arising from the earthquakes as a reconciling item. However, as time progresses, it is becoming increasingly subjective to separate out earthquake-related costs from normal trading, and hence such costs are no longer included.

The normalised profit before tax for the year has reduced by some $8.0m from the 2012 result, and is $8.7m lower than the SoI forecast.

CCHL GROUP UNDERLYING PROFIT

	Group 2013 $'000	Group 2012 $'000	SoI forecast $'000
Profit before tax for year as reported	**101,308**	**127,648**	**89,400**
Insurance proceeds recognised	(17,952)	(43,664)	(3,400)
Goodwill impairment	–	3,200	–
Gain on disposal of investments	(1,788)	(10)	–
Investment property (gains)/losses	(7,775)	(5,421)	(3,500)
	(27,515)	(45,895)	(6,900)
Underlying profit before tax	73,793	81,753	82,500

The principal reasons for the lower underlying profit before tax are a reduction in City Care Ltd's profitability for the 2013 year, arising in part from 'growing pains' as it develops into a much larger scale company. Partially offsetting this reduction were improvements in Orion New Zealand Ltd's and Lyttelton Port Company Ltd's underlying profitability. Also, in comparing against last year, there was a budgeted increase in Enable Services Ltd's losses as it ramps up its UFB broadband rollout.

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

Parent company

The parent company's net profit for the year of $44.0m was similar to the previous year's result of $44.7m. Included in the 2013 result, however, was a $13.1m gain recognised on the liquidation of Selwyn Plantation Board Ltd, with previously accumulated revaluation balances being transferred to profit.

CCHL's underlying profit was therefore lower than last year's result. The previous year's result included a catch up of a $6m dividend by Christchurch International Airport Ltd deferred from 2011, and 2013 also saw a reduction in dividends from Orion New Zealand Ltd and City Care Ltd.

Parent company reserves increased by $57m, arising primarily from a revaluation of the company's investment in Lyttelton Port Company Ltd as a result of an increase in its NZX share price, partially offset by the aforementioned transfer from reserves in relation to Selwyn Plantation Board Ltd.

The company paid an ordinary dividend to Christchurch City Council of $36.3m which, when combined with subvention receipts voluntarily foregone, equated to the budgeted $40.0m in CCHL's Statement of Intent.

Overall, the portfolio approach taken by CCHL with its range of investments has once again provided the underlying financial robustness required in times which, since the earthquake, have proven to be volatile. CCHL will continue to provide the financial certainty that the Council requires with regard to on-going and sustainable dividends.

Electricity network

Orion New Zealand Ltd has been moving into a transition phase from emergency earthquake response towards providing a platform for a secure and reliable electricity network for the benefit of the region. In the near future, this includes the installation of underground cables in eastern Christchurch to replace temporary overhead lines built after the February 2011 earthquake.

Much planning has gone into the rebuild of the network, with a number of options considered. The conclusion reached is that the network should be re-built to a similar standard to that required by the community prior to the earthquakes. This assumption is supported by feedback received from around the region.

Compared to capital expenditure plans before the earthquakes, Orion is now forecasting an additional $156m of expenditure.

To fund this rebuild, an application has been made to the Commerce Commission for a "customised price path". The Commerce Commission recently released its draft decision on Orion's application. The Commerce Commission is proposing a lower price increase than that sought by Orion and, at the time of writing, Orion is in the process of considering its response.

Airport

Christchurch International Airport Ltd achieved a creditable result for 2013, notwithstanding a reduction in passenger numbers which reflects the loss to the city of a large portion of its accommodation, convention facilities, tourism attractions and sports facilities following the earthquakes. The commercial and property sectors of the business performed particularly well.

The new terminal opened on 17 April 2013. It was completed on budget, although slightly behind schedule due mainly to disruptions caused by the earthquakes. It is generally considered by the airport's commercial partners and the travelling public alike to be an excellent state of the art facility and a fit for purpose, well designed, attractive "front door" to the city, the region and the South Island.

The company has continued to focus on growing the frequency of existing airline services and to seek specific targeted opportunities to grow capacity to lift the volume of international arrivals into the South Island.

The airport increased its aeronautical charges to airline customers from 1 December 2012, following a comprehensive and robust consultation with airline customers, in line with the requirements of the Airport Authorities Act 1966. The increases reflected the need to achieve a return on the investment in the new integrated terminal over a reduced number of flights, and the fact that existing airfield prices were not recovering the airport's efficient costs.

The company's property portfolio has continued to develop, particularly in Dakota Park. Planning for the new Spitfire Square retail development is well under way, with construction expected to start in late 2013.

Port

Despite significant earthquake damage, Lyttelton Port Company Ltd had another extremely successful trading year, with record container volumes and increases in most other trades. This reflects the underlying strength of the Canterbury economy.

The port made significant progress on key projects, including remediation of the container wharf at Cashin Quay, and wharf and seawall stabilisation. Insurance-related assessments and designs, as well as geotechnical investigations, were completed or progressed for the remediation of earthquake-damaged facilities. Land in the eastern Port was cleared for additional container-handling space, and extra yard area was provided at CityDepot.

The company has continued the Te Awaparahi Bay reclamation, to the east of Cashin Quay, with close to four hectares now completed. The reclamation continues to provide an environmentally sensible option for disposing of clean hard fill from city earthquake demolitions.

Insurance challenges remain complex but good progress was made during the year in all areas of material damage, business interruption and contract works.

While the company continues to work through its insurance issues, it remains focused on planning for the future. The company has made some significant investments in infrastructure and human capital throughout the year. Additionally, work proceeded on the Port's 30-year Remediation and Development Plan, which will be open to consultation with the wider community later in 2013.

Broadband

Enable Services Ltd's fibre broadband network deployment took on a real momentum during the year, with Halswell; large parts of Papanui, Bishopdale, Northcote, Casebrook and Redwood; some parts of Rolleston and Hei Hei; and a number of city's commercial areas being completed. Network deployment is also underway in more parts of northern Christchurch, and remaining parts of Rolleston and Lincoln.

The company's biggest challenge in the past year has been deploying the network at the required rate against its agreed plan with Enable Networks Ltd and Crown Fibre Holdings Ltd. The civil construction labour market in Christchurch remains very tight – meaning Enable's contractor, Transfield Services Ltd, has faced enormous challenges up-weighting civil construction resources in a timely manner.

The number of homes and businesses connected to the network has more than doubled from the previous year, more retail service providers are connecting customers to fibre broadband services in Christchurch than ever before, and the number of local homes and businesses that can access fibre broadband services has passed 31,000. The target for the current year is to increase this figure to 50,000.

Construction and maintenance

City Care Ltd experienced an extremely challenging 2012/13 year, in which it needed to gear up rapidly and significantly to prepare for a large number of earthquake-related projects. Its result of $2.8m was well below previous year forecasts, to a large extent reflecting the numerous unknowns and variables, such as the degree and timing of earthquake-related work, at the time the budgets were set. The company is confident that profitability levels will improve significantly from 2014 onwards.

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

As the company moved from the emergency response phase to recovery and rebuild, the investment made to boost resources saw the employment of more than 700 new staff and the acquisition of around $25m of new plant and equipment during the year.

City Care Ltd also launched its Building Construction division as part of the company's strategic development. The service aims to capitalise on the growth opportunities in the Canterbury region.

Public transport

Red Bus Ltd had another year of subdued trading, although patronage has continued to improve. The company's Red Zone Tours initiative, launched in July 2012, has proved to be successful, with 37,000 passengers carried during the year.

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

The company has continued to advocate for changes to the current regulatory and delivery model, and CCHL is supportive of its stance.

Recycling

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

Looking forward, proposals to enhance the customer experience at the EcoDrops are under development. Further focus on quality of both inputs and outputs at the EcoSort is expected to contribute to additional returns.

Selwyn Plantation Board Ltd

Selwyn Plantation Board Ltd, in which CCHL had a 39% stake, was put into liquidation in the 2013 financial year, following an orderly realisation of its forestry and land assets over a period of years. In total, and including an earlier repayment of share capital in 2011, total capital distributions received by CCHL from this investment were $29.9m – well in excess of its previous carrying value, and it represents a satisfactory outcome for CCHL.

The distribution proceeds have been applied to debt reduction.

District Energy Scheme

The Christchurch Agency for Energy (CAFE) recently undertook a study on the potential for the reticulation of hot water from boilers through streets, principally in the CBD, to provide heating for buildings in the city without the need for each building owner to develop individual solutions.

CCHL believes the scheme has the potential to deliver significant benefits for Christchurch and has undertaken its own investigation of the business case for such a scheme, including extensive consultation with stakeholders and market participants. We concluded that, to deliver full benefit, the scheme should also be capable of providing cooling for buildings, which could be done by utilising aquifer-derived water as a latent energy source for water-based heat-pumps.

While CCHL does not necessarily wish to invest in a district energy scheme, the company has sought expressions of interest from the market. The response has been positive and, at the time of printing, formal responses were shortly due to be received.

Once received, CCHL will evaluate them and decide on the next steps, in consultation with the Council.

Christchurch Engine Centre

As reported last year, CCHL and others have undertaken a restructuring of the previous arrangements that had been entered into by Christchurch City Council, CCHL and Christchurch Engine Centre in 2003. The purpose of the restructure was to facilitate a consolidation/expansion of Christchurch Engine Centre's facilities on the airport's campus. The previous equity investment by Christchurch City Council in Jet Engine Facility Ltd has been replaced by a US$17m loan by CCHL to Christchurch Engine Centre (of which NZ$6.8m had been drawn down as at balance date).

Christchurch Engine Centre is a significant export earner and employer in the region, as well as an important tenant for Christchurch International Airport Ltd.

Canterbury Development Corporation

The Canterbury Development Corporation (CDC) is owned by Christchurch City Council, and is not part of the CCHL group. However, at the request of the Council, CCHL assumed a monitoring role for this organisation in the 2013 financial year, and is in the process of developing appropriate performance indicators in conjunction with CDC.

CDC's role is to support, encourage and influence the economic success of the Greater Christchurch region. The organisation works with business, government agencies and private sector experts to drive exports and innovation, generate wealth and provide a great quality of life for people who live in Christchurch.

The main focus for the year was the revision, publication and launch of the updated Canterbury Economic Development Strategy (CEDS). CEDS outlines a clear vision for the economy of Christchurch: that in 2031 Christchurch is recognised as the best place for business, work, study and living in Australasia. It identifies five large-scale opportunities which have the potential to step-change the economy, and a number of development initiatives which are required to 'keep the city competitive' with other similar-sized cities and regions over the next 20 years.

Governance

The CCHL Board recognises that good governance is critical to the ongoing success of the group, and this continues to be a key focal point of its activities. The company is also working closely with the Institute of Directors in relation to the Aspiring Directors Award, with the aim of making two intern placements on subsidiary boards in the 2014 financial year and increasing this number over time.

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

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

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

Acknowledgements

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

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

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

Bruce Irvine *Chairman*

Bob Lineham *Chief Executive*

THE PURPOSE OF THIS SECTION IS TO PROVIDE A FINANCIAL OVERVIEW OF THE PARENT COMPANY AND GROUP, AND EXPLAIN MOVEMENTS IN THE FINANCIAL STATEMENTS BETWEEN 2013 AND 2012.

FINANCIAL OVERVIEW

THE FULL, AUDITED FINANCIAL STATEMENTS, THAT PROVIDE FURTHER INFORMATION ON THE MATTERS OUTLINED IN THIS SECTION, ARE AVAILABLE ON REQUEST OR CAN BE FOUND ON CCHL'S WEBSITE.

Overview

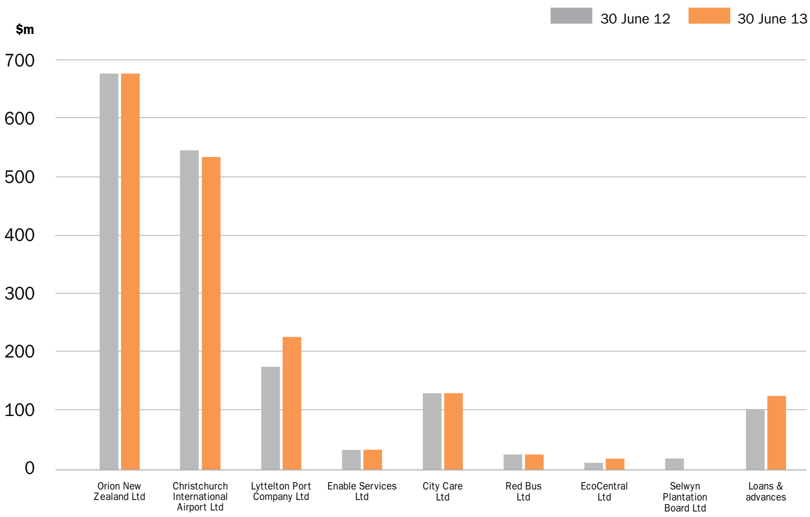
The CCHL parent company does not undertake trading operations in its own right. Its primary assets are its investments in its operating subsidiaries and associated companies, and advances to its subsidiaries and shareholder Christchurch City Council.

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

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

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

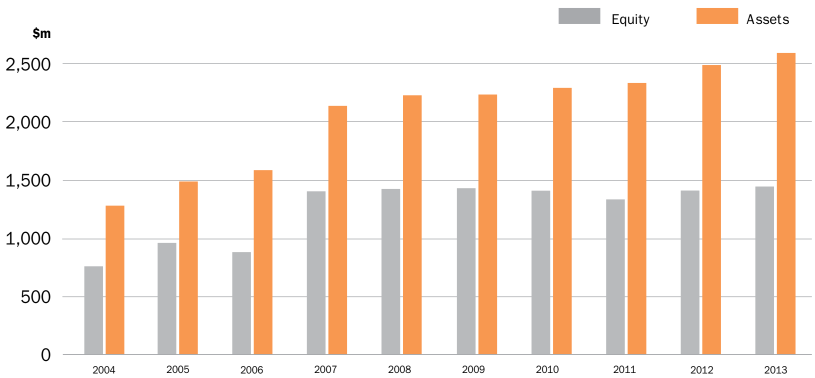
CCHL INVESTMENTS



Commentary on the 2013 valuations of these investments is provided further on in this review and in the separate financial statements.

The following chart shows the growth in group assets and equity over the last 10 years *(see 10 year summary, p.23, for further detail)*. This growth has been achieved in addition to the payment of $469m of dividends to the Council over the same period.

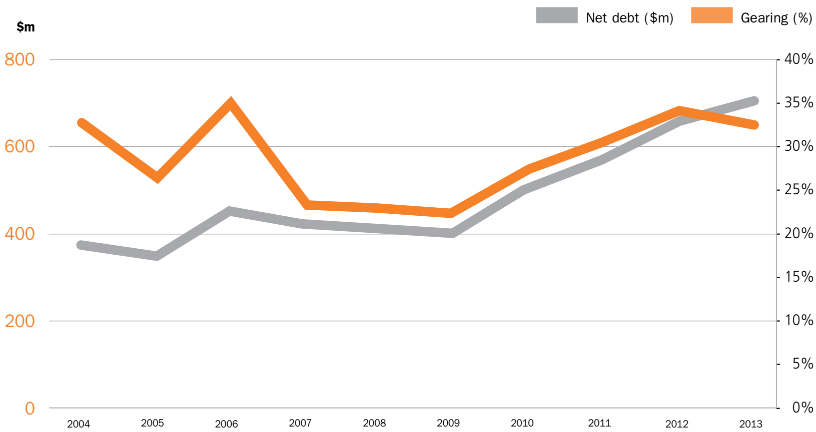
GROUP ASSETS & EQUITY – 10 YEAR SUMMARY



Equity fell in 2006 as a result of one-off adjustments when the group adopted international financial reporting standards. There was also a reduction in equity in the 2010 financial year following the payment of special dividends by CCHL to Christchurch City Council, and in 2011 as a result of asset devaluations by Orion New Zealand Ltd.

The following chart shows the level of the CCHL group's debt and gearing levels over the last 10 years *(see 10 year summary, p.23, for further detail)*.

GROUP DEBT LEVELS & GEARING



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

FINANCIAL OVERVIEW CONTD.

The following section provides an overview of the CCHL parent company's and group's financial results and position for the year ended 30 June 2013.

SUMMARISED STATEMENT OF COMPREHENSIVE INCOME

	Note	Group 2013 $'000	Group 2012 $'000	Parent 2013 $'000	Parent 2012 $'000
Operating and other revenue	*(i), (viii)*	945,372	893,679	42,379	54,744
Finance income		3,260	4,308	7,021	7,143
Other gains	*(ix)*	9,563	5,431	13,119	–
Total income		958,195	903,418	62,519	61,887
Depreciation and amortisation	*(ii)*	96,160	83,727	–	–
Finance costs		38,349	35,261	15,944	15,547
Other operating costs	*(iii)*	717,845	653,073	2,122	1,614
Other losses		2,168	2,789	533	–
Total operating expenses		854,522	774,850	18,599	17,161
Share of profits/(losses) of associates	*(iv)*	(2,365)	(920)	–	–
Profit before income tax expense		101,308	127,648	43,920	44,726
Income tax expense/(credit)	*(x)*	30,596	30,367	(91)	–
Profit for the year	*(v)*	70,712	97,281	44,011	44,726
Other comprehensive income					
Revaluation of assets	*(vi)*	27,585	29,322	–	–
Revaluation of investments	*(xi)*	–	–	50,573	85,658
Cash flow hedges	*(vii)*	18,067	(14,854)	6,299	(5,427)
Share of asset revaluations of associates		–	71	–	–
Income tax		3,448	(3,928)	–	–
Other comprehensive income		49,100	10,611	56,872	80,231
Total comprehensive income for the year		**119,812**	**107,892**	**100,883**	**124,957**

The following commentary provides explanations for significant movements between the 2013 and 2012 financial years. Further information is provided in the reviews of the individual companies set out elsewhere in this document.

Group

(i) Operating and other revenue

Group operating and other revenue has increased by $52m.
This principally reflects a $35m increase in Enable Services Ltd's revenue as it constructs the UFB network and sells it to joint venture company Enable Networks Ltd. Orion also recorded a $15m increase in revenue as its network continues to recover from the impact of the earthquakes.

(ii) Depreciation and amortisation

Depreciation and amortisation expense has increased by $12m. This is mainly attributable to increases in Orion New Zealand Ltd and Lyttelton Port Company Ltd as they embark on post-earthquake capital programmes.

(iii) Other operating costs

Other operating costs have increased by $65m, primarily as a result of the scaling up of Enable Networks Ltd's operations as it constructs the ultra fast broadband network. There were also cost increases in Orion New Zealand ltd, reflecting its increased activity as referred to previously and in City Care Ltd as its cost structure increases to reflect its increased scale of operations.

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

This line item primarily comprises the group's share of Enable Networks Ltd, in which 100% subsidiary Enable Services Ltd holds a 33% interest. Enable Networks Ltd is jointly-owned with Crown Fibre Holdings Ltd. Its losses have increased (in line with expectations) as the broadband roll out ramps up. It also includes the residual results of Selwyn Plantation Board Ltd prior to its liquidation.

(v) Profit for the year

The reported group profit for the period has decreased by some $26m, from $97m to $71m. The movement in the group result has been affected by a number of one-off items, in particular insurance recoveries and investment property revaluations.

After allowing for these items, the underlying group trading profitability has reduced – this is discussed further in the Chairman's/CEO's review.

(vi) Revaluation of assets

See comment (ii) on page 22.

(vii) Cash flow hedges

See comment (ii) on page 22.

Parent company

(viii) Operating and other revenue

The parent company's operating revenue decreased from $55m to $42m, mainly because of a lower dividend from Christchurch International Airport Ltd (the previous year included a catch up from a deferred interim dividend in 2011 due to the earthquakes) and lower dividends from Orion New Zealand Ltd and City Care Ltd.

(ix) Other gains

The $13.1m gain recognised by the parent company arises from the liquidation of associated company Selwyn Plantation Board and the distribution of its net assets to the shareholders.

(x) Income tax

The CCHL parent company normally incurs tax losses on an annual basis, as the majority of its income is in the form of fully-imputed or exempt dividends. These losses are made available to other profit-making companies within the group.
They are not recognised as an asset in the parent company accounts (the $91K relates to an adjustment from prior years).

(xi) Revaluation of investments in subsidiaries and associates

See comment (ii) on page 22.

SUMMARISED BALANCE SHEET

	Note	Group 2013 $'000	Group 2012 $'000	Parent 2013 $'000	Parent 2012 $'000
Current assets					
Cash and cash equivalents		(2,838)	5,442	1,774	13,110
Debtors, other receivables, prepayments	*(i)*	162,544	139,568	1,631	1,327
Other financial assets	*(ii), (vi)*	17,892	3,323	11,450	5,000
Non-current assets re-classified as held for sale		3,234	–	–	–
Inventories		16,810	17,205	–	–
Total current assets		197,642	165,538	14,855	19,437
Non-current assets					
Debtors, inventories and other receivables		8,200	9,177	–	–
Financial assets, associates and derivatives	*(vii)*	58,027	77,413	1,774,688	1,693,746
Property, plant & equipment, investment property	*(iii)*	2,246,550	2,150,386	–	–
Intangible assets and goodwill		53,391	51,223	–	–
Deferred tax assets		11,821	18,919	–	–
Total non-current assets		2,377,989	2,307,118	1,774,688	1,693,746
Total assets		2,575,631	2,472,656	1,789,543	1,713,183
Current liabilities					
Creditors and other payables		110,507	103,200	1,661	1,612
Borrowings	*(iv)*	113,197	170,430	88,000	102,000
Total current liabilities		223,704	273,630	89,661	103,612
Non-current liabilities					
Borrowings	*(iv)*	585,761	496,228	230,000	200,000
Deferred tax liabilities		284,547	284,833	–	–
Other non-current liabilities	*(v)*	31,240	45,304	7,723	11,970
Total non-current liabilities		901,548	826,365	237,723	211,970
Total liabilities		1,125,252	1,099,995	327,384	315,582
Net assets		1,450,379	1,372,661	1,462,159	1,397,601
Equity					
Capital and other equity instruments		71,435	71,435	71,435	71,435
Retained earnings and reserves		1,104,352	1,044,661	1,390,724	1,326,166
Non-controlling interests		274,592	256,565	–	–
Total equity		1,450,379	1,372,661	1,462,159	1,397,601

Group

(i) Debtors, other receivables, prepayments

This line item has increased by $23m, mainly reflecting an increase in Enable Services Ltd's trade debtors as its fibre network deployment expands.

(ii) Other financial assets

Other current financial assets have increased by some $15m. This line item principally relates to a loan receivable from Christchurch City Council by CCHL, which is now classified as current, as well as an increase in term deposits held by Red Bus Ltd following the receipt of insurance monies and the sale of surplus buses.

(iii) Property, plant and equipment, investment property

Group fixed assets have increased by $96m, mainly reflecting asset revaluations by Christchurch International Airport Ltd and the completion of its new terminal, increased capital expenditure by Orion New Zealand Ltd as it restores earthquake-damaged infrastructure, and by City Care Ltd as it builds capacity to handle its increased workload.

(iv) Current and non-current borrowings

Current borrowings have decreased by $57m, reflecting in the main a decrease in the level of Christchurch International Airport Ltd's short term funding following a $70m long term bond issue during the year.

Non-current borrowings have increased by $90m, as a result of the aforementioned bond issue by Christchurch International Airport Ltd, an increase in the CCHL parent company's debt to fund Enable Services Ltd's broadband project, and an increase in City Care Ltd's debt to fund its capital expenditure.

Total group debt has increased by $33m or 5% from the previous year.

(v) Other non-current liabilities

The main component of this line item is the liability recognised in respect of interest rate hedges held by the CCHL parent company and Christchurch International Airport Ltd. The liability has decreased from 2012, reflecting an increase in prevailing interest rates.

Parent company

(vi) Other financial assets

The increase principally relates to a loan receivable from Christchurch City Council by CCHL, which is now classified as current – see (ii) above.

(vii) Financial assets, associates and derivatives

The increase of $81m primarily relates to a $33m increase in lending to Enable Services Ltd to fund the broadband network deployment and an upwards movement in the value of Lyttelton Port Company Ltd.

SUMMARISED STATEMENT OF CASH FLOWS

	Note	Group 2013 $'000	Group 2012 $'000	Parent 2013 $'000	Parent 2012 $'000
Cash flows from operating activities					
Receipts from customers and other sources	*(i)*	902,008	844,752	3	102
Interest received		2,909	4,655	6,687	7,162
Dividends received	*(ii)*	–	–	42,377	65,455
Payments to suppliers and employees	*(i)*	(711,401)	(683,995)	(2,240)	(1,742)
Interest and other finance costs paid		(39,071)	(35,750)	(15,739)	(15,958)
Income tax paid		(17,812)	(8,599)	–	–
Other operating receipts and payments		(7,471)	(12,176)	–	–
Net cash provided by/(used in) operating activities		129,162	108,887	31,088	55,019
Cash flows from investing activities					
Payment for assets	*(iii)*	(156,844)	(169,467)	(8,123)	(659)
Repayment of advances/other	*(iv)*	3,342	13,432	5,044	13,550
Other investing receipts and payments	*(v)*	22,839	14,200	(19,021)	(14,500)
Net cash (used in)/provided by investing activities		(130,663)	(141,835)	(22,100)	(1,609)
Cash flows from financing activities					
Net borrowing/(repayment of borrowing)	*(vi)*	35,189	82,236	16,000	6,000
Dividends paid	*(vii)*	(41,968)	(60,714)	(36,324)	(52,774)
Net cash provided by/(used in) financing activities		(6,779)	21,522	(20,324)	(46,774)
Net increase in cash and cash equivalents		(8,280)	(11,426)	(11,336)	6,636
Cash and cash equivalents at beginning of year		5,442	16,868	13,110	6,474
Cash and cash equivalents at end of year		(2,838)	5,442	1,774	13,110

Group and parent

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

Both operating receipts and payments have increased over the previous financial year. This primarily reflects an increase in the operating cash flows of Orion New Zealand Ltd as its business continues to recover after the earthquakes, and the receipt by Lyttelton Port Company Ltd of insurance payments. The increase in payments to suppliers mainly reflects the scaling up of Enable Services Ltd's operations as it embarks on its UFB rollout.

(ii) Dividends received

The decrease in dividends received by the CCHL parent company reflects a timing difference in dividends received from Orion New Zealand Ltd – in 2011 Orion paid its interim dividend in July 2011 (after CCHL's balance date) rather than in June as normal, hence CCHL's cash flows for the 2012 year included the payment of this dividend as well as the normal payments relating to the 2012 year. Orion New Zealand Ltd also paid an additional dividend for 2012, and Christchurch International Airport Ltd paid an increased dividend in 2012 to catch up on a deferred dividend payment from 2011.

(iii) Payment for assets (group and parent)

Group payments for assets have decreased marginally by $12m. Most of this decrease is attributable to Christchurch International Airport Ltd (completion of the terminal redevelopment project) and Lyttelton Port Company Ltd (timing of earthquake expenditure), partially offset by increases in Orion New Zealand Ltd (capital expenditure as it rebuilds its electricity distribution network) and City Care Ltd (expansion of workload).

Parent company payments for assets in the 2013 financial year primarily relate to the acquisition of a further $3m of shares in Enable Services Ltd and $5m of shares in EcoCentral Ltd.

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

The 2012 year included proceeds from the repayment by Christchurch City Council to the CCHL parent company of $13m of advances.

(v) Other investing receipts and payments (group and parent)

This line item in relation to the group includes $11m of earthquake insurance proceeds by Orion New Zealand Ltd.

The parent company investing cash outflows primarily relate to advances made to Enable Services Ltd to fund the broadband rollout, partially offset by distributions of some $20m from the liquidation of Selwyn Plantation Board Ltd.

(vi) Net borrowing/repayment of borrowing

The net increase in borrowing is spread across most of the companies, except Lyttelton Port Company Ltd, which achieved a net repayment of debt for the 2013 year of $25m.

The parent company's increased borrowing was mainly a result of its funding of Enable Services Ltd's broadband rollout.

(vii) Dividends paid

The 2012 dividend paid figures for group and parent are higher mainly due to the CCHL parent final and special dividend for 2011 being paid just after balance date (i.e. In the 2012 financial year) rather than prior to balance date as is normally the case.

SUMMARISED STATEMENT OF CHANGES IN EQUITY

	Note	Group 2013 $'000	Group 2012 $'000	Parent 2013 $'000	Parent 2012 $'000
Equity at beginning of year		1,372,661	1,308,817	1,397,601	1,308,093
Profit for the period	*(i)*	70,712	97,281	44,011	44,726
Other comprehensive income	*(ii)*	49,100	10,611	56,872	80,231
Other movements		(125)	(659)	–	–
Dividends	*(iii)*	(41,969)	(43,389)	(36,325)	(35,449)
Equity at end of year		1,450,379	1,372,661	1,462,159	1,397,601

Group and parent

(i) Profit for the period

See page 17 and the Chairman's/Chief Executive's review for explanation of movements in group and parent company profit.

(ii) Other comprehensive income

Group

Other comprehensive income of the group, comprising asset revaluations and hedging movements, has increased by some $38m. The 2013 year includes some $18m of hedging gains credited to reserves, reflecting an increasing interest rate environment, whereas the previous year included some adverse hedging movements in both Christchurch International Airport Ltd and the CCHL parent company. Both years included asset revaluation gains by the airport.

Parent company

As at balance date, CCHL revalued its investment in Lyttelton Port Company Ltd on the basis of its closing share price, resulting in an uplift of some $69m. CCHL also recorded interest rate hedging gains of $6m. In 2012 revaluation gains in Lyttelton Port Company Ltd, Enable Services Ltd, City Care Ltd, Red Bus Ltd and EcoCentral Ltd resulted in an overall uplift in value of some $86m. This was partially offset by downwards movements in the value of interest rate swaps.

(iii) Dividends

The parent company paid a dividend to Christchurch City Council of $36.3m which, combined with subvention receipts voluntarily foregone, achieved the budgeted $40.0m in CCHL's Statement of Intent.

10 YEAR SUMMARY OF THE CCHL GROUP

	2004 Old GAAP $m	2005 Old GAAP $m	2006 NZ IFRS $m	2007 NZ IFRS $m	2008 NZ IFRS $m	2009 NZ IFRS $m	2010 NZ IFRS $m	2011 NZ IFRS $m	2012 NZ IFRS $m	2013 NZ IFRS $m
Financial performance and position										
Total revenue	387	449	492	501	524	592	595	750	903	958
Profit for the year	34	66	79	99	91	79	55	77	97	71
Total assets	1,286	1,496	1,592	2,156 [2]	2,219	2,211	2,286	2,321	2,473	2,576
Shareholders' equity	762	963	854	1,368	1,405	1,414	1,367 [3]	1,309 [4]	1,373	1,450
Payments to Christchurch City Council										
Dividends paid	65 [1]	30	47	30	33	37	114	43	35	36
Ratios										
Ratio of net debt to net debt plus equity	33%	27%	35%	23%	23%	22%	27%	30%	33%	33%
Return on average equity	4.6%	7.7%	9.3%	8.9%	6.6%	5.6%	4.0%	5.9%	7.3%	5.0%

Notes

1. In the 2004 financial year CCHL paid special dividends of $39m to Christchurch City Council, reflecting the receipt of an equivalent special dividend from Orion.
2. Group assets and equity increased significantly in the 2007 financial year, mainly as a result of asset revaluations by Christchurch International Airport Ltd and Orion New Zealand Ltd.
3. Group equity fell in the 2010 financial year, primarily as the result of the CCHL parent company paying a special dividend of $78m.
4. The reduction in group equity in 2011 was primarily the result of a downward revaluation of Orion's electricity distribution network.

Back row – left to right:
Tim Carter
Bill Dwyer
Andy Pearce
Bob Lineham *(Chief Executive)*
Barry Corbett

Front row – left to right:
Sarah Smith
Bruce Irvine *(Chairman)*
Bob Parker
Sue Wells

BOARD OF DIRECTORS

Bruce Irvine

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

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

Tim Carter

BE Hons, MEM

Tim Carter is a City Councillor, and was appointed to the CCHL Board in December 2010. Tim is also a director of Chelsea UK Investments Ltd.

Barry Corbett

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

Bill Dwyer

LL.B (Hons), B.Ed

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

Bob Parker

Bob Parker, the Mayor of Christchurch, became a director of CCHL in December 2007. He is also Chairman of the Canterbury Development Corporation Trust, Christchurch Agency for Energy Trust, and Civic Building Ltd, and a director of Vbase Ltd, Parker New Media Ltd and the Canterbury Museum Board.

Andy Pearce

BSc (Hons), MSc, Phd, FNZIM

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

Sarah Smith

BCom, CA, AF.Inst.D

Sarah Smith was appointed to the CCHL Board in November 2007. She is the Chairperson of Meteorological Service of NZ Ltd and Metra Information Ltd, and director of a number of other companies. Sarah is also a trustee of Ohinetahi Charitable Trust and Warren Architects Education Charitable Trust.

Sue Wells

BA

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

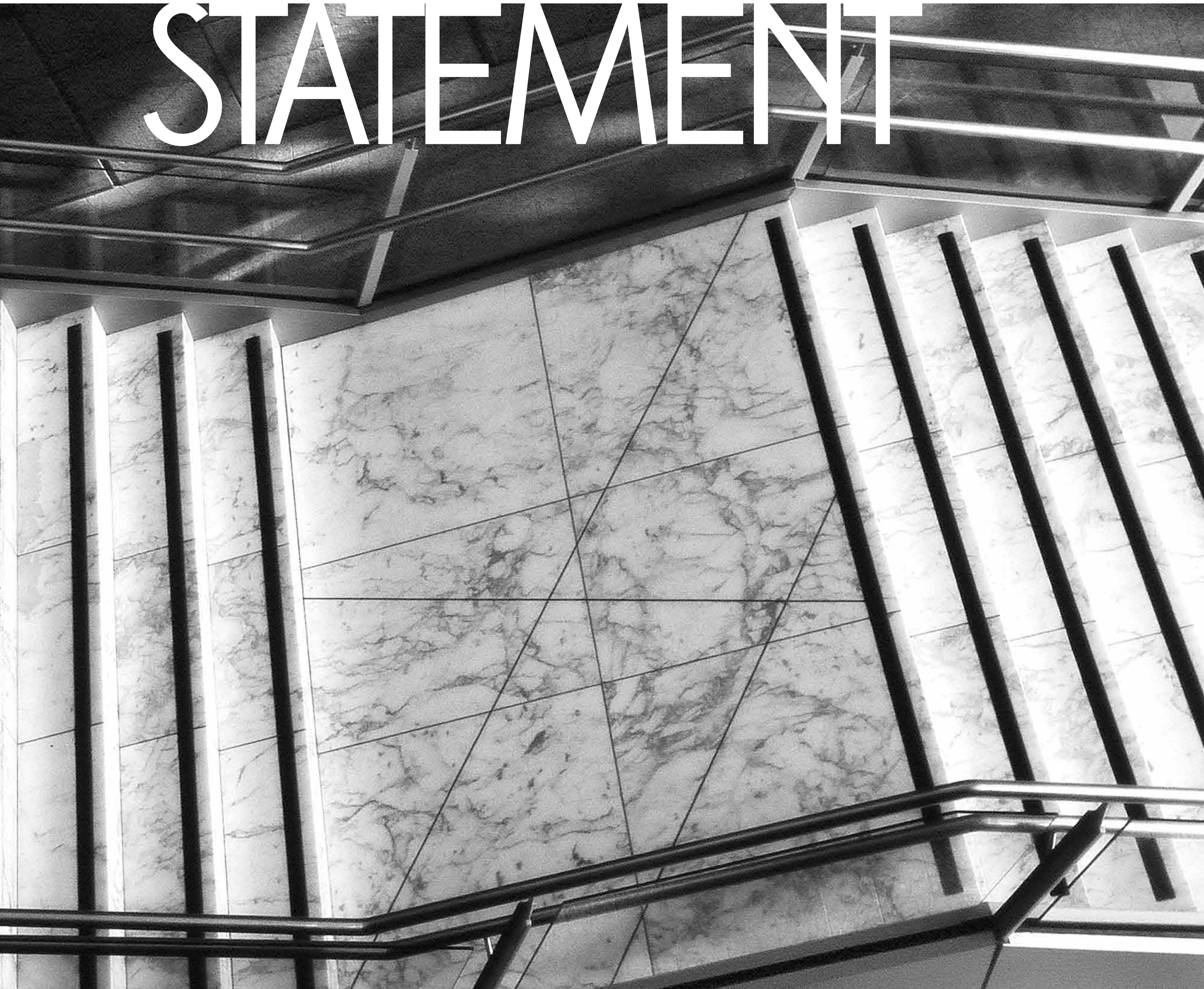
Bob Lineham

BCom, FCA, FNZIM, MinstD
(Chief Executive)

Bob Lineham has been the Chief Executive of CCHL since it was established in 1993. He is a director of Red Bus Ltd, and was a director of Civic Assurance until his retirement from that position in July 2013. Bob is also a member of the Canterbury District Health Board Quality, Finance, Audit and Risk Committee.

THIS STATEMENT GIVES READERS AN OVERVIEW OF THE COMPANY'S MAIN CORPORATE GOVERNANCE POLICIES, PRACTICES AND PROCESSES ADOPTED OR FOLLOWED BY THE CCHL BOARD.

CORPORATE GOVERNANCE STATEMENT



Role of the Board

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

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

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

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

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

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

Board relationship with shareholder

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

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

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

Conduct of Directors

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

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

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

Directors are entitled to have access, at all reasonable times, to all relevant company information and to management.

Directors are expected to strictly observe the provisions of the Companies Act 1993 applicable to the use and confidentiality of company information.

Board Chairperson

The shareholder appoints from among the directors a Chairperson.

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

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

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

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

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

Board committees

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

The purposes of the standing committees are as follows:

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

Board composition and mix

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

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

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

Directors' remuneration

The Board recommends to the shareholder at the time of the triennial Council elections the level of remuneration paid to directors.

Protocol on conflicts of interest

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

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

Board and director evaluations

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

Indemnities and insurance

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

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

The Chief Executive

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

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

Board – management relationship

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

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

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

The CEO:

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

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

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

89.3%

OWNED BY CHRISTCHURCH CITY HOLDINGS LIMITED

Thousands of people turned out for this year's lantern festival in Christchurch, sponsored by Orion. The Orion dragon lantern was displayed for the first time.

Orion and its contractors continue to work hard to keep the power on as the Canterbury region recovers from the seismic events of the past few years.

At the same time, the company is in a transition and planning phase – from emergency earthquake response towards a clearer picture of what the future might hold.

Orion expects this transition phase will last for another year. In that time the company will settle into new business premises in west Christchurch after its CBD office site was acquired by the Government as part of the Central Christchurch Recovery Plan's 'green frame'.

Orion will also replace underground cables in eastern Christchurch to restore resilience to the community's power supply.

As the company plans for the future, it intends to provide the platform of a secure and reliable electricity network essential for a strong Canterbury economy.

ORION NEW ZEALAND LTD

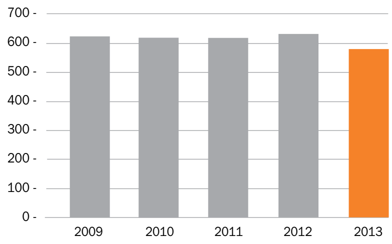
An Orion crew checks the electricity network after a snowstorm.

FIVE YEAR SUMMARY

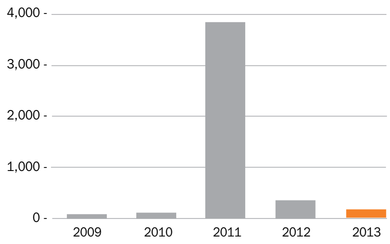
Orion New Zealand Ltd	2009 $m	2010 $m	2011 $m	2012 $m	2013 $m
Operating revenue	231.3	222.4	222.1	245.3	**260.9**
Profit for the year	49.9	46.8	28.4	54.2	**49.0**
Total assets	967.2	967.3	821.4	861.2	**888.8**
Shareholders' equity	697.4	706.2	599.6	619.9	**636.9**

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

ELECTRICITY MAXIMUM DEMAND *(MW)*



SAIDI *(Average customer minutes of interruption)*



Financial performance

Orion achieved a net profit of $49m, $5m below last year. This year's financial performance is not directly comparable with last year's. For example, last year's results included much of the company's emergency quake response efforts settlement revenues.

The company did well to control its expenses and its network delivery revenues have started to recover, the latter broadly in line with Orion's forecasts.

Orion paid $32m of fully imputed dividends to its shareholders, consistent with its statement of intent target.

The company is well underway on its objective to restore the resiliency and reliability of its network by 2019 and has a large capital expenditure programme to achieve that. This will see Orion's debt levels rise considerably over the next few years.

Network plans

The most important contribution Orion can make to boosting both community and business confidence in Christchurch is to keep the power on where it's needed, quickly respond if it goes out, and promptly provide accurate information during major power cuts.

The company needed to rethink how to configure its network and what to do to keep the power on, both now and in the future, as a result of the earthquakes.

In determining how to rebuild the network, Orion has considered many options this year. The balance struck between the different options is based on the assumption that the network should be rebuilt to a similar standard to that which the community required before the earthquakes. This assumption is supported by feedback received from around the region.

Compared to what Orion had forecast to spend before the earthquakes, capital expenditure in this decade is $156m greater now in total. These capital investments are long term and as such the recovery of these costs will typically be spread over 50 years.

Apply quake lessons

Orion's objective is to restore network resilience over eight years from 2011 to 2019 to the levels targeted before the quakes. In doing this, the company will implement lessons learnt from the quakes. For example, it will not place cables in parallel trenches near rivers, where the risk of damage from lateral spread is high. Additionally by diversifying cable routes, the risk of many cables failing at once will be reduced.

Review of electricity network reliability and prices

As an electricity network business, Orion is regulated under the Commerce Act. In February this year, after a period of public feedback, the company applied to the Commerce Commission for a post-earthquake review of its regulated prices and network reliability targets.

As well as proposing to target near pre-quake levels of electricity network reliability by 2019, Orion also proposed a price increase. The increase, spread over several years, would start on 1 April 2014. The increased prices would recover Orion's costs and provide the cash flow and certainty for it to continue to make sound investments in a strong, essential electricity network.

After a period of public consultation, the Commerce Commission will make its final decision in November this year.

Keep people safe

For Orion, 'safety' is more than just educating people about how to stay safe around our network. Christchurch depends on electricity for health and wellbeing more than, for example, Auckland does. Our winters are much colder, we have no reticulated natural gas, clean air regulation brings fewer solid fuel burners and quakes have damaged chimneys. Orion's awareness of electricity dependency for safety and wellbeing has informed its planning for years – a key reason the company was able to restore power so quickly after the quakes.

75%

OWNED BY CHRISTCHURCH CITY HOLDINGS LIMITED

One of the airport's award-winning air bridges, this one offering the sights, sounds and scents of a Canterbury sheep farm.

2013 marked the completion and opening of new terminal facilities for Christchurch International Airport Limited (CIAL). The new facilities significantly modernise the airport and represent the end of an extensive construction project first proposed in 2004. Significantly, given the seismic events during construction, and the effects of those, the project was completed on the budget set in 2009.

The finished terminal is a marked step up for Christchurch Airport. It is efficient and well-liked by all users, airside and landside. To coincide with opening, CIAL refreshed its brand with the launch of a new logo to reflect the role and strategic direction of the airport company – "bringing the world South". The new tagline was developed to position the South Island as a destination of choice for visitors to New Zealand.

CIAL's aeronautical revenues have remained constrained by the effects of the 2011 earthquake, but the company is beginning to see signs of recovery, particularly in the domestic market.

The revenue flows from CIAL's commercial and property operations continue to grow, with significant interest shown by potential tenants who find an airport location valuable for their business.

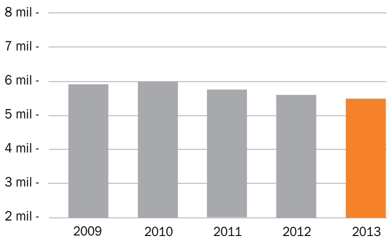
CHRISTCHURCH INTERNATIONAL AIRPORT LTD

Christchurch Airport completed its new $237M terminal in April and had it officially opened by Prime Minister John Key. It is the only airport in the country which can light up its exterior walls.

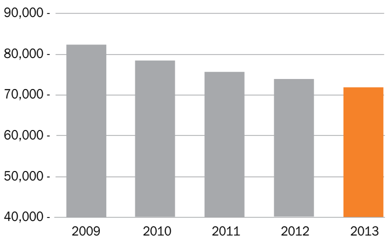
FIVE YEAR SUMMARY

Christchurch International Airport Ltd	2009 $m	2010 $m	2011 $m	2012 $m	2013 $m
Revenue	86.8	96.1	97.4	119.8	**125.2**
Profit for the year	14.7	(0.3)	21.8	19.6	**18.4**
Total assets	743.0	852.0	964.5	1,036.1	**1,085.9**
Shareholders' equity	560.1	570.1	601.1	618.0	**668.4**

TOTAL PASSENGERS



TOTAL AIRCRAFT MOVEMENTS



Financial performance

CIAL recorded a net profit after tax for the year of $18.4m, down 6.1% on the previous year. However, a comparison to the 2012 year is difficult due to a number of factors. These include the full funding cost of the new terminal now accounted as an expense, rather than capitalised to the project and a significantly higher depreciation cost in 2013 as a result of the company's investment in the new terminal.

A better comparison lies at the EBITDA level (excluding revaluation of investment properties and earthquake costs) where CIAL achieved a net surplus of $64.9m (last year $64.1m). Given the reduction in passenger numbers this is a satisfactory result.

The after tax result includes $6.4m from property revaluations (last year $6.1m). Strong emphasis again has been placed on containment of operating costs, which were $1.4m below budget.

Market growth and performance

During the year, domestic passenger volumes returned to positive growth trends (up 1.5%). A start to the rebuild of Christchurch has led to increasing demand for domestic seats to and from Christchurch. Both Air New Zealand and Jetstar added more capacity on their domestic Christchurch routes.

However, overall passenger numbers have continued to decline from the previous year (down 0.9%). This is a direct result of the Canterbury earthquakes and the loss to the city of a large portion of its accommodation, convention facilities, tourism attractions and sports facilities.

The continued decline in international passenger numbers (115,000 down on the previous twelve months) affected not only the aeronautical income for the company, but all other revenue streams, with the exception of property. Lower passenger numbers resulted in lower car park usage, concession spend and Antarctic Centre visits.

In September 2012, the Government provided "Open Skies" to any airline that may wish to serve Christchurch, ahead of any formal negotiations that may be required for access to the New Zealand market. Removing barriers to market entry assists decision making by foreign carriers considering services to Christchurch. CIAL believes the new Open Skies policy will deliver benefits to Christchurch during the five year period it is in existence.

In April 2013, Air New Zealand and partner Virgin Australia announced a significant first for the South Island, with the commencement of direct services between Christchurch and Perth. The new service will add approximately 23,900 seats into the Christchurch market.

Non-aeronautical revenue

CIAL has continued its revenue diversification programme during the year, in recognition of the need to reduce its reliance on the challenging and volatile nature of the aeronautical industry. Non-aeronautical revenue accounted for approximately 63% of CIAL's total revenue for the year.

Non-aeronautical revenue is derived by CIAL from a range of sources, including terminal retail, car parking, property rentals and property development, as well as commercial enterprises, including the Craddocks vehicle storage business and the International Antarctic Centre visitor attraction.

Growth in these areas, as well as a review of its ground transport operations, has resulted in a 6.4% increase in non-aeronautical revenue year on year.

Tourism promotion

CIAL is an active participant in the tourism industry and works hard to maximise the number of international and domestic visitors to the South Island, particularly international visitors flowing through Christchurch Airport. Two years ago CIAL launched its "South" initiative which aims to improve the international recognition of the whole South Island as a tourism destination.

Strong support has been received from the 13 Regional Tourism Organisations throughout the South Island. This has enabled the appointment of a "South" representative in mainland China. CIAL believes this will assist significantly in gaining additional South Island traffic from the principal Asian markets, particularly China.

In terms of total promotion and marketing spend, CIAL is the third largest private enterprise contributor to growing New Zealand's important tourism industry.

Looking ahead

Recovery of passenger throughput is very much dependent on the recovery of the city. Recent announcements by government and the city suggest the airport is likely to see substantial work towards that during the 2014 financial year.

CIAL is entering a new phase. It has stepped up its offerings significantly and is now set to embark on a vigorous programme to grow its aeronautical revenues, seeking new international connections and enhancements of existing services.

79.6%

OWNED BY CHRISTCHURCH CITY HOLDINGS LIMITED

A container ship visits the Lyttelton Container Terminal

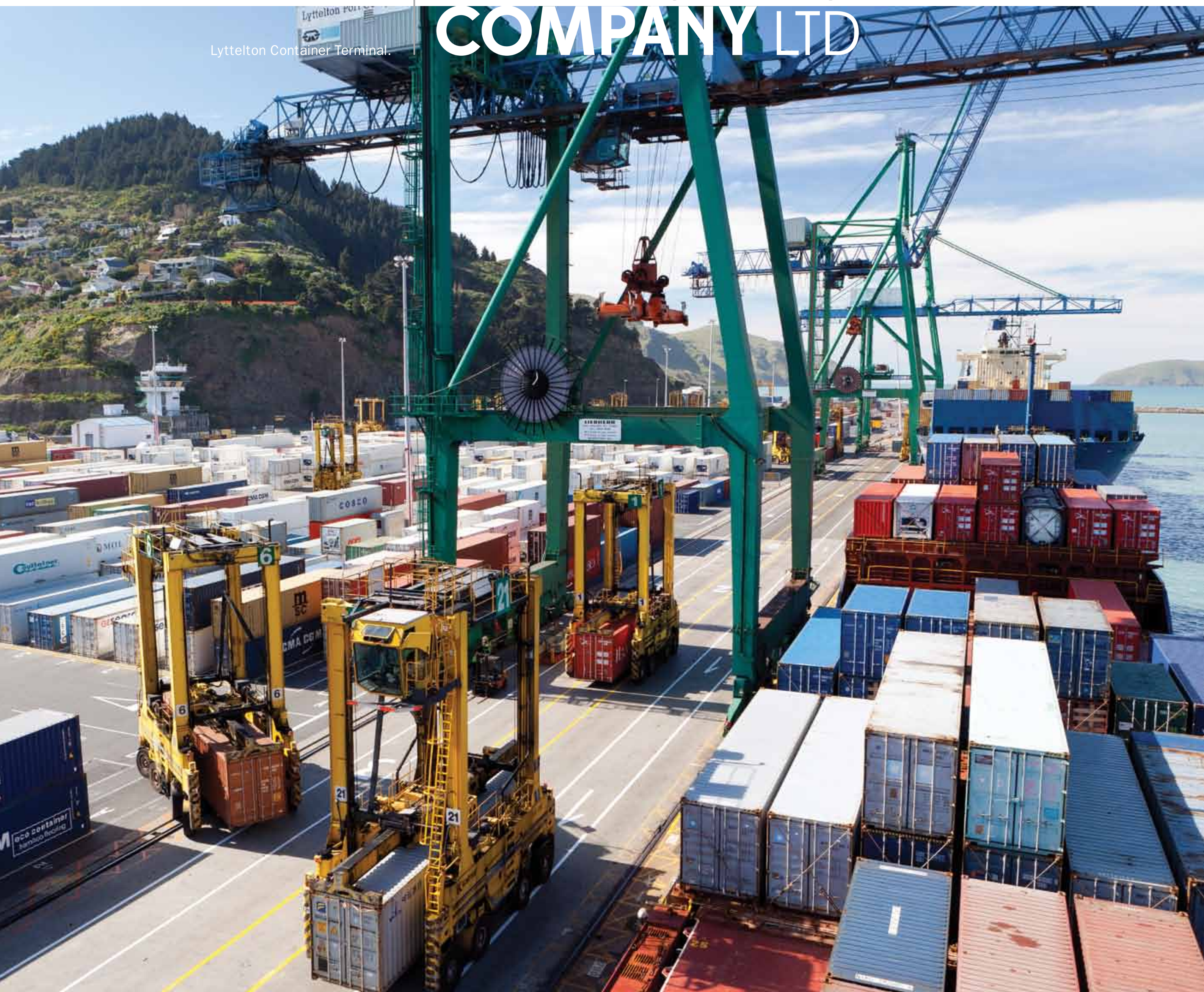
Lyttelton Port of Christchurch delivered another strong business performance, with a solid financial result and increased cargo volumes, as well as significant progress on earthquake remediation and planning for the Port's future.

Volumes in most trades rose, with containers reaching another record high, and new shipping services continuing to add Lyttelton as their South Island call.

While the company continues to work through its complex insurance issues, LPC remains focused on planning for the future. LPC has made some significant investments in people and infrastructure throughout the year. Additionally, work proceeded on the Port's 30-year Remediation and Development Plan.

The Port's sustained campaign to improve safety resulted in a significant drop in serious harm injuries. Lost-time injuries (LTIs) dropped 12.5% for the year. In addition, the health and safety system passed another robust, independent audit under the ACC Workplace Safety Management Programme, and the company maintained its Tertiary status.

LYTTELTON PORT COMPANY LTD

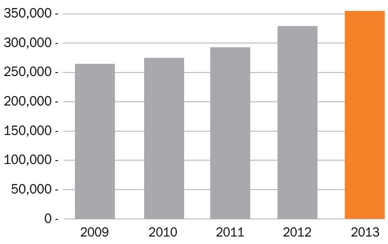


Lyttelton Container Terminal.

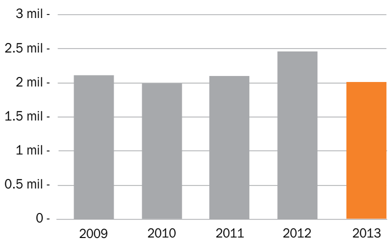
FIVE YEAR SUMMARY

	2009	2010	2011	2012	2013
Lyttelton Port Company Ltd	$m	$m	$m	$m	$m
Revenue	84.4	87.3	91.6	104.5	**110.7**
Profit for the year	10.1	9.0	24.1	17.2	**16.9**
Total assets	227.4	232.5	234.5	273.5	**270.7**
Shareholders' equity	129.9	133.8	155.2	172.0	**190.1**

TOTAL CONTAINER THROUGHPUT *(TEUs)*



COAL VOLUMES *(Tonnes)*



Insurance update

Insurance challenges remain complex but good progress was made during the year in all areas of Material Damage, Business Interruption and Contract Works. LPC has a full team working on insurance matters.

During the Year, LPC's insurers paid, as an indemnity progress payment under the Material Damage section of LPC's policy, a further $17.4m towards the physical loss and damage suffered by six of its key harbour structures as a result of the earthquakes. This brought the total progress payment at 30 June 2013 to $53.1m. In addition, $1.8m was paid against LPC's business interruption claim after the financial year end.

Financial performance

LPC delivered another solid financial result, with increased operating revenue from the rise in volumes, a decreased earthquake related spend, and receipt of insurance proceeds.

For the year to 30 June 2013, the statutory consolidated result, for which includes earthquake effects, was an after-tax profit of $16.9m. This compares with $17.2m for the 2012 year, a decrease of 1.7%.

The earthquake-adjusted profit after tax was $15.1m, down from $17.0m due to the company moving beyond its Business Interruption indemnity periods for the loss of its cruise ship revenues of approximately $2.2m.

Record trade results

Container volumes rose 4.5% to a record 351,217 TEUs (twenty-foot equivalent units). Volumes moved through Lyttelton Container Terminal rose 9.2% to 345,940 TEUs.

Increased dairy volumes from new and expanding facilities in Canterbury and on the West Coast are a key factor in export growth, while the post-quake Christchurch rebuild continues to drive imports.

CityDepot, the company's inland port located in Woolston, handled record numbers of empty containers, while record full containers transitioned through CityDepot on its Clandeboye rail service.

Dry bulk imports increased a total 11.2% to 649,365 tonnes, with a 42.4% rise in cement and a decrease of 7.4% in fertiliser. Log exports rose 30.9% to 369,657 tonnes, while fuel imports grew 8.7% to over 1.1 million tones. Vehicles, including machinery, heavy vehicles, and new and used cars, rose 24.6% to 35,568 units.

Coal export fell back 17.7% to just over 2 million tonnes as a result of Solid Energy's response to the extremely challenging global coal market, including the previously announced suspension of operations at Spring Creek Mine.

Preparing to move forward

Later in 2013 LPC will be ready to share its Reinstatement and Development Plan, which will provide the community, customers and other stakeholders with background information, and provide a structure for LPC's vision to enable and facilitate South Island trade. The Plan will substantially increase the social and economic benefits for Canterbury and the wider South Island.

After detailed assessments of quake-damaged assets, 25 reinstatement projects have been prioritised to be undertaken over the next six years at Cashin Quay, the Oil Berth and the Inner Harbour.

A total of 97 new people were employed during the year, primarily in container operations but also in the Programme Management Office, which is focused on the planning and analysis associated with the Reinstatement and Development Plan.

Te Awaparahi Bay reclamation

The Te Awaparahi Bay reclamation has now grown to over four hectares. At a time when the Port is squeezed for paved and hardstand space, the site is providing valuable storage for imported vehicles.

The reclamation, which is consented for 10 hectares, continues to provide an environmentally sensible option for disposing of clean hard fill from the city's earthquake demolitions.

Plant improvements

During the year, four new state-of-the-art diesel electric straddle carriers were assembled onsite and an additional four straddles were ordered. To handle growing container volumes, a further significant investment was made in a fourth ship-to-shore gantry crane. The new Liebherr container crane is expected to arrive in the latter half of 2014. The arrival is timed to coincide with the Cashin Quay berth reinstatement programme and Container Terminal development work

The container terminal operating system was also upgraded with the high-tech SPARCS N4 software and will provide a platform for future customer service enhancements.

Outlook

Looking forward, LPC is in a strong position to deliver ongoing business growth, while at the same time reinstating earthquake-damaged facilities and undertaking development projects to meet the demands of long-term growth.

The Port expects to see further increases in container volumes, as primary produce and other exports grow, and as imports for the Christchurch rebuild continue to flow in.

An exciting year lies ahead for LPC. New shipping services are adding Lyttelton as their South Island call, and the Company will move forward on its long-term Reinstatement and Development Plan. With a new course plotted, the company is well positioned for a successful future.

100%

OWNED BY CHRISTCHURCH CITY HOLDINGS LIMITED

CEO Steve Fuller enjoying a fibre broadband demonstration from Bryan Adams, one of the first residential customers.

2013 will be remembered as a landmark year in the provision of fibre broadband services to greater Christchurch, with the introduction of services to local homes and small businesses for the first time.

Launched in September 2012, this marked an important step towards realising fibre broadband's potential to impact the growth of the greater Christchurch community and influence the economic success of the region.

At year end, the number of homes and businesses connected to this local network has more than doubled from the previous year, more retail service providers are connecting customers to fibre broadband services in Christchurch than ever before, and the number of local homes and businesses that can access fibre broadband services has passed 31,000.

A fibre broadband network deployment plan for the next year has also been agreed that will see the number of homes and businesses that can connect to fibre broadband services go beyond 50,000.

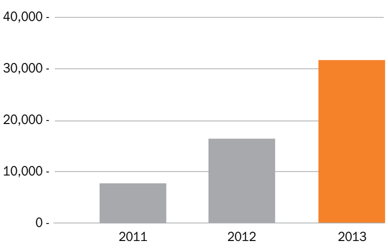
ENABLE SERVICES LTD

ESL planning to install fibre broadband in a new Christchurch home.

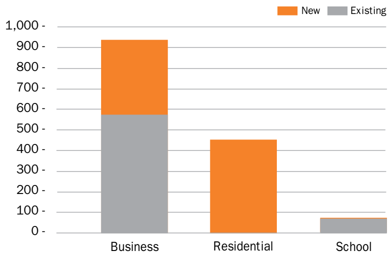
FIVE YEAR SUMMARY

Enable Services Ltd	2009 $m	2010 $m	2011 $m	2012 $m	2013 $m
Revenue	3.5	2.9	4.9	11.9	**46.4**
Profit (loss) for the year	1.4	0.4	0.5	(0.9)	**(3.7)**
Total assets	19.1	25.1	32.4	47.6	**83.4**
Shareholder's equity	16.2	19.7	23.1	22.3	**21.6**

TOTAL CUSTOMERS WITH FIBRE ACCESS



TOTAL CUSTOMERS CONNECTED



Financial performance

In the past year, ESL completed its transformation into a large-scale infrastructure construction and management business, and this is highlighted in the shift in its financial position.

Most notable is the significant increase in revenue year-on-year from $11.9m to $46.4m as the network build programme advances. The new revenue is largely made up of earnings from ENL to build the fibre broadband network and connect customers to it, and was passed on to ESL's subcontractors as expenses.

Overall ESL recorded a net loss of $3.7m, which is greater than the forecast loss of $0.3m. This reflected lower than anticipated EBITDA. Additionally the slower than planned rate of the network build programme resulted in ESL maintaining a greater shareholding in ENL, and hence absorbing a greater share of its losses.

ESL is making a long-term investment in ENL and expects to generate considerable long-term returns from this investment. Net loss is expected and manageable during the eight year build programme – due to conclude in 2019.

Increasing fibre broadband network coverage

In the past year, fibre broadband network deployment has been completed in Halswell; large parts of Papanui, Bishopdale, Northcote, Casebrook and Redwood; some parts of Rolleston and Hei Hei; and in a number of city's commercial areas. Network deployment is also underway in more parts of northern Christchurch, and remaining parts of Rolleston and Lincoln.

In addition, ESL has won contracts to deploy its fibre broadband services to 31 new housing subdivisions, amounting to 1,904 new properties – and has connected the first customers in these subdivisions.

ESL's biggest challenge in the past year has been deploying the network at the required rate against its agreed plan with ENL and Crown Fibre Holdings. The civil construction labour market in Christchurch remains very tight – meaning ESL's contractor, Transfield Services (New Zealand) Limited, has faced enormous challenges up-weighting civil construction resources in a timely manner.

Driving fibre broadband uptake

On 14 September 2012, mass-market fibre broadband services were launched to over 5,000 potential customers in Halswell – followed by launches in other areas as network was completed.

Five per cent of Halswell took up the opportunity to switch to fibre broadband in the first two months – a figure well above the national average. As coverage increased, so did uptake with total customer connections more than doubling in the financial year from 637 to 1,454 – including 64 schools connected to fibre broadband and most of the major health locations.

Critical to driving this uptake has been getting retail service providers focused on connecting their local customers to fibre broadband services. Snap was the first retail service provider to launch residential fibre broadband packages in Christchurch, followed by Orcon. Today 15 retail service providers are also offering business fibre broadband services over the network.

Looking ahead

Just as the 2013 financial year ended the network deployment plan up to July 2014 was announced. This plan includes making fibre broadband services available to 20,000 more businesses, schools and homes – including in parts of Waimakariri, and southern and eastern parts of Christchurch. As a result, over 50,000 total potential fibre broadband customers will have access by the middle of next calendar year.

Supporting more retail service providers to begin offering fibre broadband services to these potential customers will remain an important priority for the coming year, as will continuing to aggressively promote the benefits of fibre broadband to this market.

Working with Transfield to implement new deployment methods and to resolve the resourcing challenge is also a priority for the coming year. It is ESL's intention to be able to commit to deploying fibre broadband network to greater numbers in the plans that will cover years four and five.

ESL is confident of generating significantly higher fibre broadband uptake figures in the coming year – with the increased coverage and more retail service providers in market.

100%

OWNED BY CHRISTCHURCH CITY HOLDINGS LIMITED

City Care maintains a large proportion of New Zealand's parks and green spaces.

City Care experienced an extremely challenging 2012/13 year, in which the company needed to gear up rapidly and significantly to prepare for a large number of earthquake-related projects.

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

As the company moved from the emergency response phase to recovery and rebuild, the investment made to boost resources saw the employment of more than 700 new staff and the acquisition of around $25m of new plant and equipment during the year.

In 2013, City Care launched its Building Construction division as part of the company's strategic development. The service aims to capitalise on the growth opportunities in the Canterbury region.

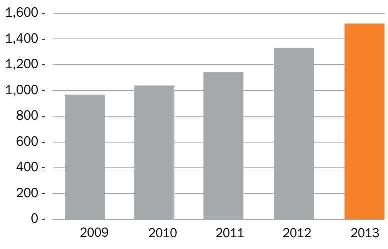
CITY CARE LTD

City Care's renowned tree services are now available direct to the public.

FIVE YEAR SUMMARY

City Care Ltd	2009 $m	2010 $m	2011 $m	2012 $m	2013 $m
Revenue	141.5	145.5	237.5	354.0	**351.1**
Profit for the year	3.7	4.0	11.3	16.5	**2.8**
Total assets	52.9	53.9	86.4	96.3	**118.3**
Shareholder's equity	29.6	31.8	37.6	46.2	**43.3**

STAFF NUMBERS



Financial performance

City Care reported a profit of $2.8m for the year, however this was lower than first predicted when budgets were set 18 months ago. These were set at a time when there were many unknowns and variables, such as the exact degree and timing of earthquake-related work.

City Care paid an annual dividend of $6.28m to CCHL.

Vertical construction market entry

In February 2013 City Care signalled its entry into the vertical construction industry with the launch of its Building Construction division. This development marked the achievement of a long-term company strategy to expand into a fifth sector of operation – after Parks, Water and Wastewater, Facilities Management and Civil Construction.

City Care's timely entry into the vertical construction sector has afforded the company considerable growth opportunities through diversifying into new markets, identifying new client prospects and pitching an enhanced bundle of complementary construction and maintenance service offerings to existing clients.

Significant contracts

Continuing City Care's strategy of growing new services and winning new clients, the company secured a number of construction and maintenance contracts during the year.

Watermark

Watermark, situated on the banks of the Avon River between the Antigua Street boatsheds and Montreal Street, was the first anchor project developed by CERA for the Christchurch rebuild. The work took three months to complete and has transformed this section of the river environment.

Christchurch Town Hall

City Care is working with Christchurch City Council to make the Christchurch Town Hall safe. Renowned for the unique qualities of its internal fixtures, as much as for its distinctive outward profile, the celebrated Class One Heritage Building presents some particular challenges.

The site's internal structures feature heritage-listed floorings, stairways, light fittings, cabinetry, seating, wall panelling and decorations as well as world-renowned acoustics. Every element within the contract has an associated operational methodology with each one individually approved by Christchurch City Council's heritage adviser.

Charteris Bay Water and Wastewater Scheme

City Care won the contract to construct and install a new water and wastewater system for Charteris Bay, Banks Peninsula. The new system will connect to the existing Diamond Harbour/Church Bay network.

The project will connect 188 Charteris Bay properties to the new public water and wastewater system through the installation of 5.8km of water pipe and 5.8km of wastewater pipe. The project scope comprises construction of a new central wastewater pump station, road trenching to allow pipe installation and installation of the individual property gravity connections and pressure wastewater systems.

Johns Road Four-Laning

As part of NZTA's ongoing improvements to State Highway 1, City Care began work on the section of Johns Road between Sawyers Arms and Harewood Roads, Christchurch in January 2012. This project involves widening the stretch of road to four lanes, constructing a central island and wire barrier safety fence, installing new lighting and carrying out improvements to the underlying infrastructure.

The project also encompasses the reconfiguration of the McLeans Island intersection to raise safety levels and undertaking significant landscaping work to enhance the area's natural environment.

Trimble building

The first project for City Care's new Building Construction division was a two-level 6,000m² building for Birmingham Drive Properties Ltd that will accommodate Trimble Navigation's New Zealand headquarters. This ground-breaking project has generated a large amount of public interest due to its use of post-tensioned Laminated Veneer Lumber (LVL).

In the post-earthquake environment, LVL technology has emerged as an attractive alternative to traditional concrete and steel building designs as its seismic-resilient properties meet or exceed current Building Code requirements.

The Trimble building captures the integration of all post-tensioned features in a large-scale project with the first LVL frame craned into place in early May.

Looking ahead

While the overall financial result for 2012/13 year was disappointing, City Care is in a good position moving forward, with an estimated $1.1 billion of work in hand up to 2020. The company has the necessary resources – both plant and people – to deliver its workload, and is confident of achieving the budgeted profit of $10.4m for the 2013/14 year.

City Care's long-term strategy is to focus on developing services to provide clients with an end-to-end service model. The company's ability to deliver genuine whole-of-life service solutions represents a significant competitive advantage.

100%

OWNED BY CHRISTCHURCH CITY HOLDINGS LIMITED

Red Bus take a group of Christchurch residents on a Quake Break.

Red Bus has continued to deliver safe and reliable public transport services to the Canterbury region in a challenging operating environment.

In December, Red Bus renegotiated provider contracts with Environment Canterbury (ECan), the planner and regulator for Canterbury public transport. The second phase post earthquake network changes resulted in a satisfactory outcome for both parties following substantial patronage losses after the February 2011 earthquakes. Operating margins continue at a low level compared to pre earthquake levels.

Passenger volumes continue to recover with 10.7% growth across urban contracts over the year with, 3,457,000 passenger trips in 2013. Full recovery to previous patronage levels is not expected to occur until the central city rebuild is well advanced, with a substantial recovery some years away.

In July 2012, the company launched the Red Zone Tours, guiding visitors through the city's cordoned Red Zone. The tours proved highly successful and offered 37,000 passengers a unique insight into post-earthquake Christchurch.

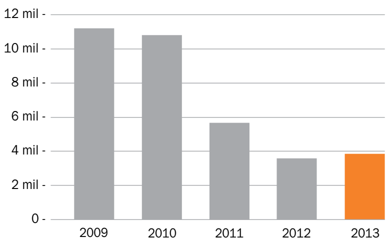
RED BUS LTD

Red Bus Rebuild Tour look through to New Regent Street.

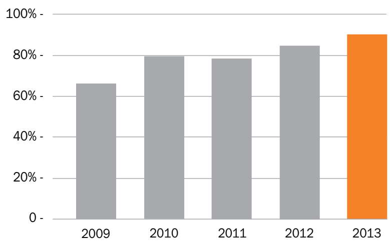
FIVE YEAR SUMMARY

Red Bus Ltd	2009 $m	2010 $m	2011 $m	2012 $m	2013 $m
Revenue	36.8	33.4	30.4	19.0	**17.2**
Profit/(loss) for the year	4.1	1.1	6.2	0.1	**(0.6)**
Total assets	44.5	53.2	51.9	47.7	**49.4**
Shareholder's equity	31.1	31.4	37.6	37.7	**39.2**

PASSENGERS CARRIED *(millions)*



FLEET STANDARD *(Euro 2 and above)*



Financial performance

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

Revenue has reduced marginally by $1.8m to $17.2m this year. However, the company has maintained positive operating cash flows during the year.

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

No dividend was paid to the CCHL during the year.

Highlights

During the 2012/2013 financial year, Red Bus:

- Continued to deliver reliable and professional passenger transport services despite the damaged transport network and its on going reconstruction.
- Launched the Red Zone Tours in July 2012 which proved highly successful.
- Developed the Rebuild Tour to replace the Red Zone Tour after the opening of the central city red zone.
- Achieved zero positive drug tests from the random drug testing programme.
- Participated in the Ronald McDonald House Christmas 'Fill the Bus' promotion. A red bus was filled with donations in excess of $25,000 for the cause.
- Ran the 'Rugby Express' to provide transport for rugby fans to the Crusaders and All Blacks games at AMI Stadium. Up to 2,000 people used the service each game.

Regulatory changes

The Governmental review of Public Transport legislation concluded in June 2013 with the repeal of the 2008 Public Transport Management Act and amendments to the Land Transport Act that herald in the new Public Transport Operating Model (PTOM). PTOM objectives intend Regional Councils and Operators to innovate and cooperate to improve long term value for money in public transport. Auckland will be the first city to implement PTOM within a new contract framework during 2014.

New Zealand Transport Agency's public operator safety rating is expected to be available in 2014. Red Bus believes that the rating system is a positive move and will encourage a rise in industry safety standards.

Outlook

ECan continues to develop a full recovery programme with proposals to significantly reduce services and restructure the services to meet the new transport demands. ECan's phase three recovery network changes are expected to occur in late 2014 to coincide with public transport roading and infrastructure project completion in the central city. Although urban patronage is growing there is considerable spare capacity within the current fleet. Urban revenue is expected to remain static in the short to medium term.

The core strategic issue for Christchurch public transport, other than network recovery, is determining its future regulatory and delivery structure. There is a unique opportunity to refocus the planning and delivery of public transport removing organisational duplication. The company's view is that the public transport delivery structure should integrate planning and delivery, and be driven by the Urban Development and Recovery Strategies with a strong customer focus on service standards and delivery.

Red Bus intends to retain a strong focus on enhancing operational efficiency, maintaining high customer service standards, growing in allied markets and protecting the asset base.

100%

OWNED BY CHRISTCHURCH CITY HOLDINGS LIMITED

Many new residents have found the EcoShop a great source of quality products for their Canterbury home

This year EcoCentral played a key role as a critical infrastructure asset supporting the rebuild and recovery of Christchurch. Whilst the strong New Zealand dollar and lower commodity prices for recyclable materials have once again affected demand for EcoCentral products and ultimately income, overall 2013 have returned a more positive result than the previous year.

The Canterbury rebuild continues to present opportunities for EcoCentral. As households temporarily or permanently relocate, EcoDrop and EcoShop offer solutions for those either wishing to offload excess items or purchase items to furnish their home.

Canterbury residents continue to participate in the 'three bin' kerbside recycling system and EcoCentral has seen a consistent volume of material through the EcoSort facility.

EcoCentral has continued to pay close attention to Health and Safety. In 2013, the number of reported incidents was a record low and the Company's ACC accreditation has been retained.

ECOCENTRAL LTD

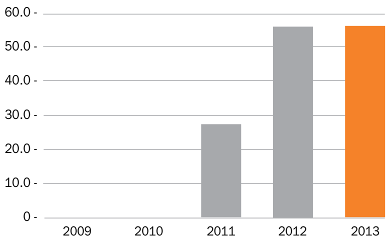
The EcoSort in action processing the superior recycling efforts of Canterbury.

FIVE YEAR SUMMARY

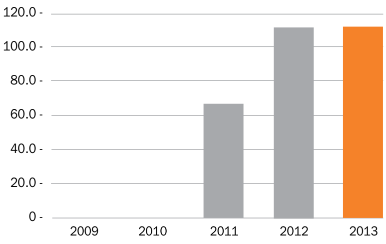
EcoCentral Ltd	2009 $m	2010 $m	2011 $m	2012 $m	2013 $m
Revenue	-	-	18.6	30.2	**32.9**
Profit for the year	-	-	0.8	(3.3)	**0.8**
Total assets	-	-	21.6	17.4	**18.2**
Shareholder's equity	-	-	1.9	(1.6)	**4.0**

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

ECOSORT VOLUMES* *(tonnes)*



DIVERTED FROM LANDFILL* *(tonnes)*



Financial performance

EcoCentral recorded a net profit after tax of $0.8m, compared with a loss of $3.3m in the previous year.

Total sales rose by 9% to $32.9m despite the challenging market conditions. Commodity prices for recovered recyclable material and the strong New Zealand dollar once again had a significant effect on revenue. To counter this, EcoCentral placed an additional focus on effective cost control across the three business units.

Efforts have also been made to review the company's relationships with the parties who purchase the various commodities EcoCentral sells. This has ensured better values and planning is underway to ensure improved commercial customer satisfaction. It is anticipated this will involve some further investment in plant replacement in the following year.

Refuse volumes increased slightly in 2013 owing to the continued participation of the 'three bin' system by Canterbury residents, earthquake related refuse and material from additional commercial activity.

Operations

EcoDrop

The three EcoDrop facilities have continued to be a strong source of revenue. The retention of the residential and commercial customers is an on going focus.

As many households have relocated or moved into temporary accommodation, the EcoDrop facilities have seen an increase in the quality and volume of product into the recycling areas. This had a flow on effect to the EcoShop. Hazardous household goods, asbestos and other items emerging from Red Zone properties have been directed to the facilities to ensure safe and efficient handling, minimising the environmental impact.

EcoSort

EcoSort have worked to manage the sustained volume of recyclables despite the challenges of some extreme weather coupled with tightened import regimes imposed by China earlier in the year. The company minimised the impact of these tightened regimes by maintaining high quality levels of product with few contaminants and securing alternate buyers.

Container access and shipping also presented some challenges throughout the year but were managed well with logistics and lateral thinking.

The EcoSort operation retained the volumes contracted through the Canterbury councils and there has been a focus on building volumes from alternative sources.

Earlier in the year, a new trommel screen was installed at the EcoSort facility. This screening machine will reduce the contamination and enhance the quality of glass products processed at the site.

Additionally, in June a new air classifier was installed to aid in the sorting of category '1' and '2' plastics. This machine will enhance the diversion of high-value plastic products. In the short term this will lead to an increase in the volume of waste, until residents are educated on what products can be recycled.

EcoShop

The efforts of EcoShop's leadership and team have enabled this division to return a considerably improved result on the previous year. This was aided by the high quality stock coming through the EcoDrop and the increased demand as many new Christchurch residents seek to completely furnish their temporary or permanent home inexpensively. Shoppers continue to queue at the Blenheim Road store before opening to be in first for the best products.

Looking ahead

EcoCentral is well poised for the new financial year to grow earnings, focus on cost control to improve margins, and to develop new opportunities while maintaining a strong emphasis on existing customers.

Additional volumes of recyclable material from areas other than metropolitan Christchurch have been sourced. Attention is now being applied to both product quality and the prices they achieve.

100%

OWNED BY CHRISTCHURCH CITY COUNCIL

Canterbury Development Corporation (CDC) chief executive Tom Hooper.

Canterbury Development Corporation (CDC) is based in Christchurch's Re:START Mall, Cashel Street. Its role is to support, encourage and influence the economic success of the Greater Christchurch region. The organisation works with business, government agencies and private sector experts to drive exports and innovation, generate wealth and provide a great quality of life for people who live in Christchurch.

Fundamental aims of CDC:

- **Be a 'Big Picture Thinker': Plan and forecast economic and workforce dynamics which accelerate the key productivity drivers in the region**
- **Drive regional economic growth for the benefit of the community**
- **Support business across four key sectors of the economy: International Education; Manufacturing; Technology; Agribusiness / Food and Beverage**
- **Help businesses with high-growth potential to get bigger and better, be more efficient, invest wisely and export**
- **Be a 'New Ideas Enabler' and the national leader in the commercialisation of innovation**
- **Complement and support national and local government aims and initiatives**

CANTERBURY DEVELOPMENT CORPORATION

CDC's vision for the economy of Christchurch is that in 2031 Christchurch is recognised as the best place for business, work, study and living in Australasia.

CDC's change of status

On 1 July 2012 the ownership of CDC was transferred to Christchurch City Council (CCC), via Canterbury Development Corporation Holdings or CDCH, from the CDC Trust. This was in response to earlier legal rulings to the effect that CDC's activities were not charitable as defined by the Charities Act 2006. A Memorandum of Understanding (MOU) between CCC, CDCH and CCHL was signed off in February this year. The MOU sets out the monitoring role of CCHL and reporting lines between the three entities. CDC continues to report monthly to CCC management against its levels of service and meets a minimum of twice-yearly with Council. CCHL monitors the performance of CDC on behalf of the Council and oversees the board appointment process and governance relationships.

Christchurch Economic Development Strategy

The main focus for CDC in the last financial year has been the revision and launch of the Christchurch Economic Development Strategy (CEDS). The original Strategy was revised in 2012 and takes in to account the considerable impact of the earthquakes and the continuing effects of the global financial crisis. The revision also involved improvements to the planning process, modelling and research base, the most significant change being to consider and include the region's agricultural economy. After extensive stakeholder consultation, the Strategy was formally endorsed by the CCC and launched in April this year. CEDS outlines a clear vision for the economy of Christchurch: that in 2031 Christchurch is recognised as the best place for business, work, study and living in Australasia. It identifies five large-scale opportunities which have the potential to step-change the economy: 'The Big Five.' In addition, it lists a number of development initiatives which are required to 'keep the city competitive' with other similar-sized cities and regions. Successful implementation of these projects has the potential to place GDP 54% higher than it is today, by 2031. CDC will lead or facilitate more than 30 of these 74 projects and will monitor the entire work programme through its recently-established Project Management Office. More than 70% of the economic development projects identified in CEDS are already underway.

Canterbury Regional Innovation System

The Canterbury Regional Innovation System (CRIS) Ltd is a wholly-owned subsidiary of CDC. CRIS was established to help local businesses and innovators get what they need to succeed. Co-funded by the Ministry for Business, Innovation and Employment (MBIE) and the CCC, it focuses on facilitating the successful commercialisation of innovation. This will be achieved through investments in start-up companies (in association with powerHouse Ventures) and through the development of commercialisation programmes with existing regional businesses and industry partners. The aim is to facilitate collaboration and engagement, promote knowledge 'spill-over' and advocate for innovation – the intention being to grow the momentum and volume of innovative ideas and initiatives, and assist them in reaching their potential.

cdc Leading Economic Development for the Christchurch City Council

Business & Sector Development

Canterbury Regional Partner Programme

From July 2012 to June 2013 the Canterbury Regional Partner Programme issued $509,763 in funding (333 individual vouchers) to assist in building management capability in high growth-potential businesses. In addition, 387 businesses received assessments and had actions or referrals identified as part of the assessment process, some of which were referred on for research and development assistance. Six agencies deliver the regional partner contract across Canterbury, and in Christchurch it is delivered by CDC and the Canterbury Employers' Chamber of Commerce (CECC).

PAANZ

The Precision Agriculture Association of New Zealand (PAANZ) was established this year to connect all participants in the Precision Agriculture value chain to one common organisation in an effort to increase the uptake of technologies and, ultimately, improve the productivity of the rural sector across the country. The organisation ran a successful launch event in Methven in April for 180 people and has attracted 10 paid-up Foundation Members in its first three months of operation. CDC helped launch PAANZ and is providing administration support.

Collaborate Canterbury

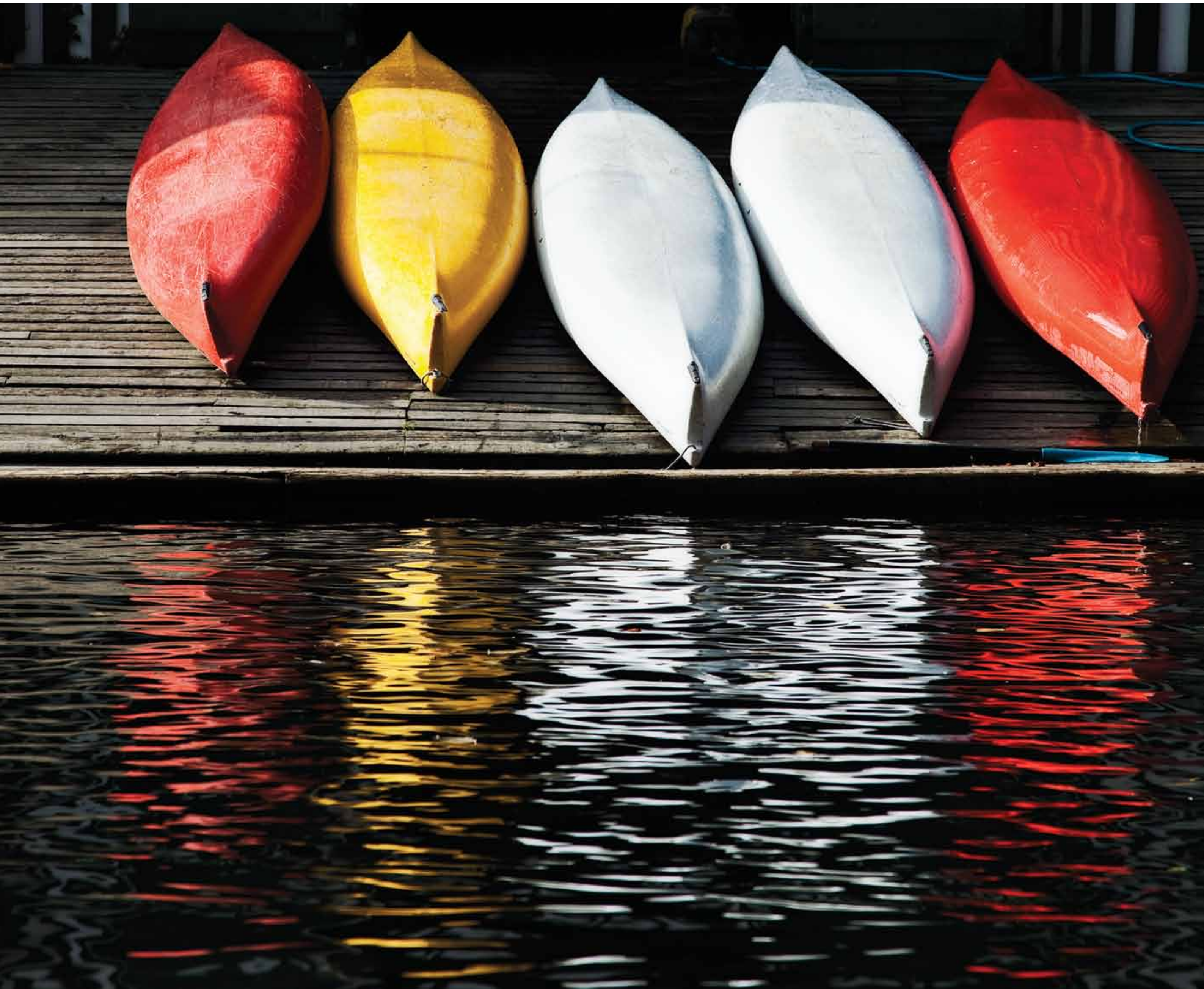
Collaborate Canterbury was established to provide advice about collaborative arrangements between companies and to facilitate connections between parties with expertise and products that are valuable for Christchurch's rebuild. It is jointly managed by CDC and CECC. 750 businesses have registered with the service and more than 200 companies have been matched.

Recover Canterbury

An example of successful public-private collaboration, Recover Canterbury was formed by CDC and CECC and supported by several government agencies. It operated for 26 months; had contact with 7000 businesses; distributed $6.1m in grants and loans to almost 400 businesses; and assisted in excess of 3000 businesses with direct advice, planning assistance and funding for capability building – all designed to overcome the effects of the earthquakes. An economic impact assessment (based on conservative assumptions) after 12 months of operation showed the benefits were 617 jobs saved and $39m retained in the economy.

CHRISTCHURCH CITY HOLDINGS LTD REMAINS READY TO ASSIST ITS 100% SHAREHOLDER CHRISTCHURCH CITY

COUNCIL AS IT ADDRESSES THE MULTITUDE OF CHALLENGES IN REBUILDING CHRISTCHURCH.



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B A Corbett
W J Dwyer
R J Parker
A J Pearce
S L Smith
S A Wells

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R Lineham *(Chief Executive)*
R Simmonds *(Chief Financial Officer)*
N Halstead *(Executive Officer)*

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Westpac Institutional Bank, Auckland
ANZ National Bank Ltd, Wellington

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Audit New Zealand,
on behalf of the
Auditor-General
Christchurch

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Photography on front, inside front cover, pages 2, 13, 23, 25 and 44, provided courtesy of Richard Simmonds, Chief Financial Officer of CCHL. (www.rsphotos.co.nz)

cchl
Christchurch City Holdings

www.cchl.co.nz