

Unaudited financial statements

The directors are pleased to present the unaudited financial statements of Christchurch City Holdings Ltd for the six months ended 31 December 2012



Director
20 February 2013



Director
20 February 2013

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Directory

Registered Office

53, Hereford Street
Christchurch

Directors

B R Irvine (Chairman)
T M P Carter
B A Corbett
W J Dwyer
R J Parker
A J Pearce
S L Smith
S A Wells

Bankers

Bank of New Zealand, Christchurch
Westpac Institutional Bank, Wellington
ANZ New Zealand Ltd, Wellington

Auditors

Audit New Zealand (on behalf of the
Controller and Auditor General)
Christchurch

Ownership

100% owned by Christchurch City Council

Chairman's review

Attached are the unaudited financial statements of the CCHL group and parent company for the six months ended 31 December 2012.

Financial

Group

The group recorded a profit for the six months ended 31 December 2012 of \$34.5 million, compared with \$31.3 million in the previous equivalent period.

Notwithstanding the earthquake damage that affected Orion New Zealand Ltd and Lyttelton Port Company Ltd (LPC) in particular, it is pleasing to note that the underlying trading performance of the group companies has remained strong. This is particularly satisfying given the disruption that most companies in the group have had to bear.

Parent

The parent company's profit for the period was \$16.0 million, compared with \$19.4 million recorded in the previous half year. The main reason for the lower profit is that the prior period included a catch up dividend from Christchurch International Airport Ltd following a deferral of dividends by that company after the earthquakes.

During the period, CCHL commenced an investigation into the business case for investment into a district heating system, which would involve the reticulation of hot water for heating purposes to large users in the central city. This investigation is likely to be completed in the first half of 2013.

CCHL also acquired a small number of additional shares in Lyttelton Port Company Ltd, increasing its holding from 79.51% to 79.56%.

Operations

Orion New Zealand Ltd

Orion recorded a profit for the period of \$27.2 million, compared with \$14.7 million in the previous equivalent period (and \$25.3 million in the period before that). The improvement primarily reflects an increase in electricity delivery revenues (the previous period covered the six months after the February 2011 earthquakes) and reduced network costs as emergency repairs decreased.

The company has continued to make good progress in recovering from the impacts of the earthquakes, but much remains to be done. Orion is currently working through a process with the Commerce Commission to seek price increases to facilitate the restoration of the network.

Christchurch International Airport Ltd

Christchurch International Airport Ltd ('CIAL') recorded a net profit for the six months to 31 December 2011 of \$7.4 million, compared with \$8.0 million in the previous period.

CIAL suffered minimal physical damage from the earthquakes and, despite a reduction in passenger numbers following the earthquakes and a rationalisation of some international services, CIAL has managed to increase revenues and maintain EBITDA levels, primarily as a result of a strong performance in its commercial and property activities.

The terminal expansion project is now near final completion, and is expected to be on budget. The company continues to develop its property portfolio, with its new 80-hectare freight and logistics precinct, Dakota Park, progressing well and planning well under way for the new Spitfire Square retail development. Opportunities for a backpacker development are also being explored.

The company continues to place a major emphasis on route development, with a view to attracting new long haul services into Christchurch.

Lyttelton Port Company Ltd

Lyttelton Port Company Ltd's result for the half year was a profit of \$3.3 million, compared with \$2.8 million in the previous equivalent period.

The port continued its growth in container volumes – up 2.1% on the previous period, with increases also recorded for bulk fuel (up 10%) and dry bulk imports (up 6%). Conversely, the contraction in Solid Energy's business saw coal volumes reduce by 20%.

The company has continued to work constructively with the insurers on its claims. Good progress is now being made in all areas; material damage, business interruption and contract works. Further details are provided in LPC's own interim report.

The Te Awaparahi Bay reclamation now over 3.5 hectares with 8,000 square metres of storage space available.

The inland port, CityDepot, continued to experience growth with high demand for dairy containers, and experienced additional rail volume through the rail siding all in conjunction with extended hours of service.

The port expects trade volumes to grow for the rest of the financial year, and is forecasting a full year earthquake-adjusted profit after tax of between \$13 million and \$15 million.

Enable Services Ltd

Enable Services Ltd recorded a net loss for the period of \$(3.4) million, compared with \$(0.4) million in the previous year. Operating losses have always been budgeted for the network construction period.

The first area of network construction – Halswell – is complete, and has been transferred to joint venture company Enable Networks Ltd (ENL). ENL is jointly owned by Enable Services Ltd and government entity Crown Fibre Holdings Ltd. Work is now well under way in Papanui, the next deployment area.

Excellent progress has also been made on the central office programme (a central office is essentially a small building housing a network exchange), with four (Halswell, Papanui, Riccarton & Hornby) all now operational, two completed pending user acceptance testing, two under construction, two finalised design, one in design and one in site negotiations.

Enable Services Ltd has also been very active in deploying network in greenfields sites. Following the earthquakes, subdivision activity has significantly increased, and the company is focusing on laying fibre at the optimum stage of the process.

City Care Ltd

City Care Ltd recorded a profit for the period of \$5.4 million, down from the \$9.7 million profit of the previous equivalent period. The previous period's result was exceptionally high as it included a very high volume of reactive emergency work following the 2011 earthquakes. By comparison, the equivalent 2010 result was \$2.1 million.

The company's national horizontal construction and national maintenance divisions are performing strongly, while volumes of water repair work and some sectors of construction work in Christchurch have taken longer to eventuate than originally forecast. The company will have an increasing volume of construction work as the city rebuild moves into full swing.

The company now has 1,400 full time equivalents on its payroll.

Red Bus Ltd

Red Bus Ltd has continued to experience difficult trading conditions following the earthquakes, and recorded a loss of \$(0.4) million, compared with a loss of \$(0.2) million in the previous period.

However, there were some positive aspects of the period, with the Red Zone bus tours proving to be very successful and the company successfully tendering for all of the Ministry of Education school contracts. Looking forward, results are expected to improve from the 2014 financial year onwards, although patronage is expected to remain subdued during the central city rebuild.

EcoCentral Ltd

EcoCentral Ltd's profit for the half year increased from \$0.3 million last year to \$0.6 million, reflecting strong trading at the EcoDrops (transfer stations) with consistent commercial and domestic flows. International prices obtained for recycled paper from the EcoSort recycling facility also rose, contributing to an improved result, and profits from the EcoShop also increased. Interest costs were lower due to a recapitalisation of the company by CCHL in 2012.

Selwyn Plantation Board Ltd

Selwyn Plantation Board Ltd, in which CCHL has a minority interest, has liquidated the large majority of its property assets with a view to winding up the company and returning capital to its shareholders. In January 2011, CCHL received a payment of \$10.2 million, and a final capital repayment is expected in the 2013 calendar year.

Outlook

We expect the group to continue its strong recovery from the impact of the earthquakes and to continue to grow profits both for reinvestment back into the development of the individual businesses, and to increase dividend payments to assist the City's rebuild programme.

Acknowledgments

I would like to acknowledge the excellent performance of each of the CCHL group companies. Their response to the difficult conditions following the earthquakes, and their continued focus on growing their businesses, has made an invaluable contribution to the City's recovery efforts.



Bruce Irvine
Chairman

Income statement

For the six months ended 31 December 2012

	6 months 31 Dec 12 Group \$'000	6 months 31 Dec 11 Group \$'000	Full year 30 Jun 12 Group \$'000	6 months 31 Dec 12 Parent \$'000	6 months 31 Dec 11 Parent \$'000	Full year 30 Jun 12 Parent \$'000
Operating and other revenue	457,988	422,002	893,679	21,020	23,461	54,744
Finance income	1,482	1,671	4,308	3,578	3,477	7,143
Other gains	3,976	131	5,431	270	845	-
Total income	463,446	423,804	903,418	24,868	27,783	61,887
Depreciation and amortisation	47,513	40,993	83,727	-	-	-
Finance costs	19,238	18,390	35,261	7,870	7,639	15,547
Personnel costs	108,826	92,149	190,795	293	301	552
Operating and other expenses	235,509	228,260	465,067	814	491	1,062
Total operating expenses	411,086	379,792	774,850	8,977	8,431	17,161
Share of (losses)/profits of associates	(822)	300	(920)	-	-	-
Profit before income tax expense	51,538	44,312	127,648	15,891	19,352	44,726
Income tax expense	17,025	13,028	30,367	(91)	-	-
Profit for the period	34,513	31,284	97,281	15,982	19,352	44,726
Attributable to:						
Owners of the parent	29,075	27,128	83,023	15,982	19,352	44,726
Non-controlling interests	5,438	4,156	14,258	-	-	-
	34,513	31,284	97,281	15,982	19,352	44,726

The accompanying notes form part of these financial statements

Statement of comprehensive income

For the six months ended 31 December 2012

	6 months 31 Dec 12 Group \$'000	6 months 31 Dec 11 Group \$'000	Full year 30 Jun 12 Group \$'000	6 months 31 Dec 12 Parent \$'000	6 months 31 Dec 11 Parent \$'000	Full year 30 Jun 12 Parent \$'000
Profit for the period	34,513	31,284	97,281	15,982	19,352	44,726
Other comprehensive income						
<i>Revaluation of assets</i>						
Revaluation of property, plant & equipment	-	-	29,322	-	-	-
	-	-	29,322	-	-	-
<i>Available-for-sale financial assets</i>						
Revaluation of investment in subsidiaries	-	-	-	-	(26,724)	85,658
	-	-	-	-	(26,724)	85,658
<i>Cash flow hedges</i>						
Effective portion of gains and losses on cash flow hedging instruments	791	(12,341)	(14,854)	196	(5,315)	(5,427)
Net change in cash flow hedges transferred to income statement	-	-	-	-	-	-
	791	(12,341)	(14,854)	196	(5,315)	(5,427)
<i>Other</i>						
Share of other comprehensive income of associates	-	-	71	-	-	-
	-	-	71	-	-	-
<i>Income tax</i>						
Income tax - other comprehensive income	-	-	(3,928)	-	-	-
	-	-	(3,928)	-	-	-
Other comprehensive income for the period net of tax	791	(12,341)	10,611	196	(32,039)	80,231
Total comprehensive income for the period net of tax	35,304	18,943	107,892	16,178	(12,687)	124,957
Total comprehensive income is attributable to:						
Owners of the parent	29,713	16,837	90,078	16,178	(12,687)	124,957
Non-controlling interests	5,591	2,106	17,814	-	-	-
	35,304	18,943	107,892	16,178	(12,687)	124,957

The accompanying notes form part of these financial statements

Statement of changes in equity

For the six months ended 31 December 2012

	6 months 31 Dec 12 Group \$'000	6 months 31 Dec 11 Group \$'000	Full year 30 Jun 12 Group \$'000	6 months 31 Dec 12 Parent \$'000	6 months 31 Dec 11 Parent \$'000	Full year 30 Jun 12 Parent \$'000
Opening equity	1,372,661	1,308,817	1,308,817	1,397,601	1,308,093	1,308,093
Total comprehensive income for the period	35,304	18,943	107,892	16,178	(12,687)	124,957
<i>Equity transactions</i>						
Dividends paid/payable	(22,817)	(18,500)	(43,389)	(20,000)	(14,000)	(35,449)
Adjustment to controlling and non- interests for share acquisitions	(91)	(338)	(659)	-	-	-
Closing equity	<u>1,385,057</u>	<u>1,308,922</u>	<u>1,372,661</u>	<u>1,393,779</u>	<u>1,281,406</u>	<u>1,397,601</u>

The accompanying notes form part of these financial statements

Balance sheet

As at 31 December 2012

	31 Dec 12	31 Dec 11	30 Jun 12	31 Dec 12	31 Dec 11	30 Jun 12
	Group	Group	Group	Parent	Parent	Parent
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current assets						
Cash and cash equivalents	35,683	13,945	5,442	16,633	14,058	13,110
Debtors and other receivables	134,807	97,795	132,521	1,369	1,687	1,231
Derivative financial instruments	311	(5)	252	-	-	-
Other financial assets	14,463	754	3,071	11,450	5,044	5,000
Prepayments	13,304	9,094	7,047	178	145	96
Inventories	17,897	14,978	17,205	-	-	-
Current tax assets	6,049	3,338	-	-	-	-
Non-current assets held for sale	-	29,573	-	-	-	-
Total current assets	<u>222,514</u>	<u>169,472</u>	<u>165,538</u>	<u>29,630</u>	<u>20,934</u>	<u>19,437</u>
Non-current assets						
Debtors and other receivables	2,625	1,070	49	-	-	-
Investments in associates	53,143	20,150	50,821	16,144	16,144	16,144
Other financial assets	14,502	38,486	26,592	1,689,199	1,569,905	1,677,602
Prepayments	9,062	8,983	9,128	-	-	-
Property, plant and equipment	2,051,511	2,001,684	2,013,491	-	-	-
Investment property	136,647	87,831	136,895	-	-	-
Intangible assets	12,602	11,501	12,321	-	-	-
Deferred tax assets	3,228	3,281	18,919	-	-	-
Goodwill	38,900	36,989	38,902	-	-	-
Total non-current assets	<u>2,322,220</u>	<u>2,209,975</u>	<u>2,307,118</u>	<u>1,705,343</u>	<u>1,586,049</u>	<u>1,693,746</u>
Total assets	2,544,734	2,379,447	2,472,656	1,734,973	1,606,983	1,713,183
Current liabilities						
Creditors and other payables	73,535	69,995	71,031	1,646	1,421	1,460
Borrowings	151,149	113,092	170,430	98,000	113,000	102,000
Derivative financial instruments	955	586	1,384	-	-	-
Employee entitlements	22,014	21,911	25,108	44	53	61
Current tax liabilities	16,339	11,967	3,992	-	-	91
Provisions and other	1,083	1,274	1,685	-	91	-
Total current liabilities	<u>265,075</u>	<u>218,825</u>	<u>273,630</u>	<u>99,690</u>	<u>114,565</u>	<u>103,612</u>
Non-current liabilities						
Borrowings	580,930	554,562	496,228	230,000	200,000	200,000
Derivative financial instruments	37,428	39,609	38,582	11,504	11,012	11,970
Employee entitlements	1,084	1,012	1,561	-	-	-
Deferred tax liabilities	271,956	251,412	284,833	-	-	-
Other	3,204	5,105	5,161	-	-	-
Total non-current liabilities	<u>894,602</u>	<u>851,700</u>	<u>826,365</u>	<u>241,504</u>	<u>211,012</u>	<u>211,970</u>
Total liabilities	1,159,677	1,070,525	1,099,995	341,194	325,577	315,582
Net assets	<u>1,385,057</u>	<u>1,308,922</u>	<u>1,372,661</u>	<u>1,393,779</u>	<u>1,281,406</u>	<u>1,397,601</u>
Equity						
Capital and other equity instruments	71,435	71,435	71,435	71,435	71,435	71,435
Reserves	281,753	263,709	281,112	1,038,086	925,620	1,037,890
Retained earnings	<u>772,607</u>	<u>729,126</u>	<u>763,549</u>	<u>284,258</u>	<u>284,351</u>	<u>288,276</u>
Parent entity interest	1,125,795	1,064,270	1,116,096	1,393,779	1,281,406	1,397,601
Non-controlling interests	259,262	244,652	256,565	-	-	-
Total equity	<u>1,385,057</u>	<u>1,308,922</u>	<u>1,372,661</u>	<u>1,393,779</u>	<u>1,281,406</u>	<u>1,397,601</u>

The accompanying notes form part of these financial statements

Cash flow statement

For the six months ended 31 December 2012

	6 months 31 Dec 12 Group \$'000	6 months 31 Dec 11 Group \$'000	Full year 30 Jun 12 Group \$'000	6 months 31 Dec 12 Parent \$'000	6 months 31 Dec 11 Parent \$'000	Full year 30 Jun 12 Parent \$'000
Cash flows from operating activities						
Receipts from customers and other sources	442,622	425,993	844,752	1	1	102
Interest received	1,134	1,589	4,655	3,252	3,337	7,162
Dividends received	-	-	-	21,019	34,174	65,455
Proceeds from insurance	1,670	182	-	-	-	-
Payments to suppliers and employees	(362,319)	(347,374)	(683,995)	(1,148)	(865)	(1,742)
Interest and other finance costs paid	(20,395)	(19,365)	(35,750)	(7,554)	(8,400)	(15,958)
Income tax paid	(8,746)	(7,993)	(8,599)	-	-	-
Subvention payments	-	-	(12,176)	-	-	-
Net cash provided by operating activities	53,966	53,032	108,887	15,570	28,247	55,019
Cash flows from investing activities						
Payment for investment securities	-	-	(2,300)	(5,091)	(338)	(659)
Proceeds from sale of investment securities	1,672	-	10	-	-	-
Proceeds from repayment of related party loans	44	-	12,550	5,044	-	13,550
Amounts advanced to related parties	-	-	-	(18,000)	(6,000)	(14,500)
Payment for property, plant and equipment	(77,717)	(102,425)	(146,278)	-	-	-
Proceeds from sale of property, plant and equipment	408	673	872	-	-	-
Proceeds from insurance	10,764	6	17,200	-	-	-
Payment for intangible assets	(973)	(853)	(3,473)	-	-	-
Payment for goodwill	-	-	(3,391)	-	-	-
Payment for investment properties	(46)	(389)	(14,025)	-	-	-
Other	-	(958)	(3,000)	-	-	-
Net cash used in investing activities	(65,848)	(103,946)	(141,835)	(18,047)	(6,338)	(1,609)
Cash flows from financing activities						
Proceeds from borrowing	114,475	88,003	86,614	26,000	17,000	6,000
Repayment of borrowings	(49,535)	(4,187)	(4,080)	-	-	-
Repayment of finance leases	-	-	(298)	-	-	-
Dividends paid	(20,000)	(31,325)	(52,774)	(20,000)	(31,325)	(52,774)
Dividends paid - non-controlling interests	(2,817)	(4,500)	(7,940)	-	-	-
Net cash used in financing activities	42,123	47,991	21,522	6,000	(14,325)	(46,774)
Net increase in cash and cash equivalents	30,241	(2,923)	(11,426)	3,523	7,584	6,636
Cash and cash equivalents at start of year	5,442	16,868	16,868	13,110	6,474	6,474
Cash and cash equivalents at end of year	35,683	13,945	5,442	16,633	14,058	13,110

The accompanying notes form part of these financial statements

Notes to the financial statements

Note 1. Reporting entity

Christchurch City Holdings Ltd ('CCHL') is a wholly-owned subsidiary of Christchurch City Council, formed for the purpose of holding investments in subsidiary organisations. The company was incorporated on 12 May 1993, and commenced operations on 14 May 1993.

CCHL is a reporting entity for the purposes of the Financial Reporting Act 1993 and its financial statements comply with that Act. The reporting currency used in the preparation of these financial statements is New Zealand dollars.

The consolidated financial statements comprise CCHL, its subsidiaries ("the group") and the group's interest in associates and joint ventures.

Note 2. Basis of preparation

The financial statements for the period ended 31 December 2012 are unaudited.

The financial statements have been prepared in accordance with New Zealand Equivalents to International Financial Reporting Standards 34, Interim Financial Reporting, as adopted by the New Zealand Institute of Chartered Accountants, and should be read in conjunction with the audited financial statements for the year ended 30 June 2012.

The balance date of all subsidiary companies, other than Orion New Zealand Ltd which has a balance date of 31 March, is 30 June. This interim report therefore includes the results of Orion New Zealand Ltd for the six months to 30 September 2012, and the results of other subsidiaries for the six months to 31 December 2012.

The accounting policies as published in the annual report for the year ended 30 June 2012 have been consistently applied in determining the earnings and cash flows for the six months ended 31 December 2012, and the financial position as at that date.

Note 3. Reconciliation of profit for the period with operating cash flows

	31 Dec 12 Group \$'000	31 Dec 11 Group \$'000	30 Jun 12 Group \$'000	31 Dec 12 Parent \$'000	31 Dec 11 Parent \$'000	30 Jun 12 Parent \$'000
Profit for the period	34,513	31,284	97,281	15,982	19,352	44,726
Add/(less) non-cash items						
Depreciation, amortisation and impairment	47,513	40,993	83,727	-	-	-
Donated and subsidised assets	(1,835)	(1,072)	(4,188)	-	-	-
(Gains)/losses in fair value of investment property	-	-	(5,421)	-	-	-
(Gains)/losses in fair value of derivative financial instruments	244	(266)	1,296	(270)	(845)	-
Share of associates' loss/(profit)	822	(300)	920	-	-	-
Net foreign exchange (gains)/losses	-	7	85	-	-	-
Deferred tax charged/(credited) to income	2,652	1,251	10,434	-	-	-
Gain on disposal of investment	(1,788)	-	-	-	-	-
Issue of shares in Enable Networks Ltd as consideration for network build	(3,144)	-	-	-	-	-
Other	(4,099)	5,549	(2,783)	-	-	-
	40,365	46,162	84,070	(270)	(845)	-
Add/(less) items classified as investing or financing activities						
Gain on disposal of non-current assets	9	(73)	1,483	-	-	-
Dividends payable at period end	-	17,325	17,325	-	-	17,325
Insurance proceeds	(10,764)	-	(17,200)	-	-	-
	(10,755)	17,252	1,608	-	-	17,325
Add/(less) movement in working capital items						
Current trade and other receivables	(2,310)	(3,109)	(37,811)	(137)	10,066	10,530
Current inventories	(692)	(1,925)	(4,152)	-	-	-
Current prepayments	(6,257)	(3,709)	(1,662)	(81)	(77)	(28)
Income tax receivable	(6,049)	(3,338)	-	-	-	91
Other current assets	24	717	693	-	-	-
Non-current receivables	(1,111)	(909)	22	-	-	-
Non-current prepayments	66	294	149	-	-	-
Other non-current assets	(1,465)	195	285	-	-	-
Current payables	2,504	(32,279)	(31,243)	187	(364)	(17,648)
Current provisions	(3,094)	(1,292)	(296)	(111)	15	-
Current employee benefits	-	-	2,110	-	-	23
Income tax payable	12,347	7,465	(510)	-	100	-
Other current liabilities	(602)	(475)	27	-	-	-
Non-current provisions	(1,561)	(1,325)	(74)	-	-	-
Non-current employee benefits	-	-	310	-	-	-
Other non-current liabilities	(1,957)	(1,976)	(1,920)	-	-	-
Net changes in net assets and liabilities	(10,157)	(41,666)	(74,072)	(142)	9,740	(7,032)
Net cash from operating activities	53,966	53,032	108,887	15,570	28,247	55,019

Note 4. Impact of seasonality on results

There are no material cyclicity impacts in the group.

Note 5. Contingent liabilities

The contingent liabilities of the group as disclosed in Note 40 of the annual report for the year ended 30 June 2012 are materially the same as at 31 December 2012.

Note 6. Events subsequent to balance date

There were no significant events subsequent to balance date requiring disclosure up to the date of authorisation of these financial statements.