

MEDIA RELEASE

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CCHL companies respond well to adversity

The Christchurch City Holdings (CCHL) group and all its people had given a “tremendous response” to the earthquakes, but the next two years would be the most challenging in the group’s history, said the Chairman Mr Bruce Irvine.

Releasing CCHL’s annual report to 30 June 2011, Mr Irvine said there was no doubt it was going to be a tough couple of years before CCHL came out the other side with rebuilt and renewed infrastructure.

CCHL is the commercial and investment arm of the Christchurch City Council. CCHL (the parent) is responsible for managing the Council’s investment in eight fully or partly owned council-controlled trading organisations (the Group).

These are Orion New Zealand Ltd, Christchurch International Airport Ltd, Lyttelton Port Company Ltd, Enable Networks (Christchurch City Networks Ltd), City Care Ltd, Red Bus Ltd, EcoCentral Ltd and Selwyn Plantation Board Ltd.

CCHL’s reported consolidated profit for 2011 was \$77.3 million (\$55.0 million in 2010). CCHL paid an ordinary dividend of \$35.3 million to its owner Christchurch City Council that equated to the budgeted \$38 million after tax adjustments. In addition the company paid a fully imputed special dividend of \$8 million.

Because significant one-off factors in the financial year to 30 June 2011 once again made comparisons with the previous year’s financial results difficult, CCHL has illustrated what normalised profit is for 2010 and 2011 in the annual report.

After taking into account insurance receivables, physical asset impairments, repairs, cleanups, other earthquake costs and one-off tax adjustments, the CCHL group’s normalised 2011 profit was \$92.6 million (\$79.5 million).

The main contributors to the underlying improvement in the profit were the strong result from City Care and a lift in the Port’s trading volumes.

The value of the group’s total assets improved slightly to \$2.32 billion (\$2.29 billion) while total equity fell slightly to \$1.31 billion (\$1.36 billion).

Parent and group debt levels remained relatively low for a group comprising stable infrastructure business. The group net debt to net debt plus equity ratio at 30 June 2011 was 30.2% (27.0%), with

group net debt rising by \$62 million, prompted mainly by extra borrowing to support the airport terminal's redevelopment.

"The relatively low level of debt served the group well in absorbing the double financial blows of the aftermath of the Canterbury earthquakes and the current difficult economic climate," said Mr Irvine.

Insurance proceeds into some of the company's subsidiaries would boost their reported income over the next two years. These proceeds will be applied to rebuilding essential assets during the City's recovery, said Mr Irvine.

"I'm confident that in three years from now CCHL and its subsidiaries will have emerged from the trauma of the earthquakes even stronger and more profitable and making a substantial contribution to the Christchurch City Council's finances," said Mr Irvine.

While it was too early to accurately predict the effect of the earthquakes on CCHL's dividend-paying capacity, there was no doubt the 2012 and 2013 payments would be reduced.

"But by 2013 Orion will have replaced or upgraded much of its damaged electricity network, Christchurch International Airport will be an essentially new airport, and Lyttelton Port Company will be under way with a major programme of renewal," said Mr Irvine.

Of obvious concern was the effect reduced tourist numbers would have on the airport's earning capacity over the next two years.

"Like other major participants in the South Island's tourist industry the airport is investing heavily in promoting Christchurch, Canterbury and the South Island to tourists to help restore confidence in those markets," said Mr Irvine.

In the meantime, two CCHL subsidiaries – City Care and Enable – expect to be growing significantly.

"City Care is well-placed to capture for Christchurch City a significant share of the insurance-driven spending on infrastructure repair and renewal over the next two years. The company has already produced a very strong result for 2011 under very trying circumstances and this growth will continue due to its participation in the contractors' alliance.

"A real highlight of the year was Enable Networks winning the Government's ultra-fast broadband tender for Christchurch and surrounding urban areas. This will boost the economy by bringing significant improvements in high speed broadband facilities to the region and in the medium to long term will generate a significant dividend stream," said Mr Irvine.

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About Christchurch City Holdings Ltd

Christchurch City Holdings Limited is the 100%-owned infrastructure investment arm of Christchurch City Council. It is the majority shareholder of Orion New Zealand Limited, Christchurch International Airport Limited, Lyttelton Port Company Limited, Christchurch City Networks Limited (now Enable Services Ltd), City Care Limited and Red Bus Limited.