Christchurch City Holdings Limited

July 2017—June 2018

A WHOLLY OWNED SUBSIDIARY *of* CHRISTCHURCH CITY COUNCIL

Annual Report 2018

Cover Photo Tram in front of Christchurch Art Gallery

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City Care Ltd

Group Structure

Christchurch City Holdings Ltd (CCHL) is the commercial and investment arm of Christchurch City Council (the Council). It was incorporated on 12 May 1993 to act as the holding company for the Council's commercial investments. As a result, it is a council controlled organisation under the Local Government Act 2002.

The company is responsible for managing the Council's investment in eight 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, EcoCentral Ltd and Development Christchurch Ltd.

Six of these are 100% owned, the other two are majority owned by CCHL, being Orion (10.725% owned by Selwyn District Council) and Christchurch International Airport (25% owned by the Crown).

About CCHL

CCHL's key purpose is to invest in, and promote the establishment of key infrastructure, for the City.

Financial Contribution
Christchurch City Council's decision in 1993 to retain its key infrastructural assets through the establishment of CCHL has created a successful public ownership model. The model has enabled CCHL to make over $1.57 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 $4.02bn. Total group equity has risen from $261m in 1995 to over $2.11bn today (of which $1.6bn is attributable to Christchurch City Council as the 100% shareholder of CCHL).

CCHL is working closely with the Council to implement its capital release programme as outlined in its Long Term Plan.

CCHL's ordinary dividend to the Council for the 2019 year is forecast at $48.3m, plus special dividends of $143.2 mainly relating to the final component of the capital release programme.

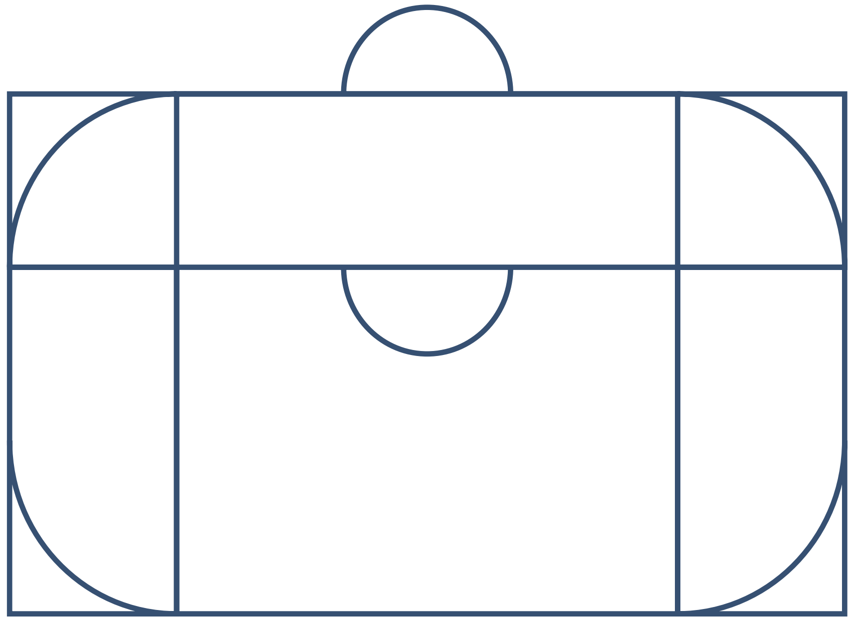
Independent Governance of Trading Companies
One reason for such a strong growth and return rate is the independent and commercial approach taken by the boards and management of the trading companies.

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 pages 16 and 17.

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 new director appointments to subsidiary companies
- Quarterly reporting to the Council; and
- Publication of six monthly and annual reports.

Chair/CEO Report



Christchurch City Holdings Ltd's (CCHL) mission is to support the future growth of Christchurch by investing in key infrastructure assets that are commercially viable and environmentally and socially sustainable.

CCHL's approach to work with the Council to identify infrastructure needs of the region not being filled by the private sector or existing Council operations has led to the establishment of entities like Enable Services Ltd (ESL), and more recently Development Christchurch Ltd (DCL). This approach has led to CCHL's 100% shareholder, Christchurch City Council (CCC), owning a valuable portfolio of trading assets.

2018 has seen the CCHL group continue to grow in value through the success of its major infrastructure assets, including the completion of core projects like ESL's fibre network, Orion New Zealand Ltd's (Orion) earthquake recovery programme, and further growth for Christchurch International Airport Ltd (CIAL). In addition CCHL has had to respond and adapt to: tough market conditions affecting its contracting company City Care Ltd (Citycare), the continued challenge of operating a public transport business; and the impact on global commodity prices which undermined the viability of the EcoCentral Ltd (ECO) business model.

CCHL entered the debt capital market this year with a $150m, 5 year fixed rate bond, as a means to fund its 2018 capital release commitment to its shareholder. As part of its financial strategy, becoming a debt issuer allows CCHL to diversify its funding programme. The capital release commitment would not be possible without the ongoing support of our subsidiaries, and their continued commitment to enhance dividend returns to their parent.

Group Result

The reported consolidated profit for the year was $135.7m, 16.6% higher than the $116.4m reported in 2017. The improved result includes a gain of $53m (FY 2017 $36m) in relation to investment properties held by CIAL.

Total operating revenue for the group was $1,043m compared to $997m in 2017. This 4.7% growth reflects gains of 2%-6% consistent across the group, except for ESL and ECO. ESL recorded a 33% increase in revenue in line with expectations as it moves its focus to customer connections now the fibre network build is complete. Eco was the only entity that recorded a reduction in revenue as the company was impacted by the global collapse of recycling commodity prices.

Other comprehensive income for the year of $170.5m mainly relate to the revaluation of assets at CIAL and ESL, which have driven the total comprehensive income for the year to $306.3m (FY 2017 $144.4m).

The group's net assets have increased by 6% from $1,802m in 2017 to $1,910m in 2018. This mainly reflects the value of the now complete ESL's fibre network build, and the value of the ongoing property development programme at CIAL which contributed to net debt for the group increasing by $323m for the year to 30 June 2018. Other factors driving the increase in net debt were the ongoing investment by Lyttelton Port Company Ltd (LPC) in the implementation of the Lyttelton Port Recovery Plan, reducing its cash reserves and significantly, the $140m to fund the capital release programme that CCHL is currently undertaking to support its parent, Christchurch City Council.

The 2018 group net profit after tax (NPAT) of $135.7m is significantly up on the Statement of Intent forecast of $80.7m. The most significant reason for this is CIAL's after tax profit up $44m on forecast, mainly driven by a pre-tax gain from the revaluation of their investment property of $53m as noted above. Orion and LPC also contributed to the improved group result with net profit results coming in $6.5m (Orion) and $3.2m (LPC) ahead of their targets. These factors helped offset the reduction in profit from Citycare.

Further information regarding the financial results and position of the group and parent company is provided in the "Financial overview" section on pages 13–15, and in the reviews of the individual companies on pages 20–35.

CCHL Parent

The parent company's net profit for the year of $72.9m compared with $71.0m in 2017.

Parent company reserves increased by $31m, primarily as a result of the revaluation of the company's investments. However the total carrying value of CCHL's main investments as at balance date is $2,681m compared to $2,587m in 2017 as a result of further equity being invested into ESL and DCL.

The company paid dividends to Christchurch City Council of $192.7m (FY2017: $113.7m) which included special dividends of $140m towards the overall capital release programme.

Electricity Network

Orion recorded another strong year in 2018. Orion is a consistent performer for the group, delivering $49.5m in distributions to CCHL this year.

Orion's NPAT of $53.3m is $6.5m ahead of target and $1.5m ahead of its previous years result. The improved result is mainly driven by below budget operating costs.

This year saw the completion of Orion's earthquake recovery programme, a year ahead of its 2019 target. This programme has delivered a revitalised and more resilient network. To add to this resilience, Connetics (Orion's contracting subsidiary) moved into their new custom built base at Waterloo Business Park.

Customer connections are over 201,000, an increase of 3,000 new customers in 2018, largely driven by new subdivisions. The revival of the Christchurch's central business district (CBD) has seen an increase of 18% in the amount of electricity Orion delivered to the CBD over the previous year.

During the year Orion continued to encourage the uptake of Electric vehicles by extending the public EV chargers around the region.

Airport

CIAL has produced another strong result, including delivering distributions of $29.4m to CCHL during 2018.

CIAL's NPAT of $88.7 million is up 37% on last year's result. This is due to strong growth in profitability as well as revaluation gains of $53 million (2017: $36m) reflecting the value of the significant investment in commercial property development over the last few years.

CIAL's results reflect the ongoing business focus on the core strategies targeting Planes, Passengers, Property, People, Planet and Protection.

Passenger numbers through the terminal have reached 6.87m, which have grown faster in the last year than any other airport in the South Island. International visitors grew by 8.5%, which outperformed overall international visitor arrivals for New Zealand as a whole, which grew by 3.9%.

Property development continues to grow strongly, with approximately $100m of new investment in property on the airport campus during the year. CIAL primarily develops property when tenants are confirmed and will continue to be a long term landlord, developing their vacant land in a way which services those wanting to be located by an airport. The delay to the completion of the Christchurch Airport Novotel construction is frustrating, however it is not expected to have any negative financial impacts on the airport.

CIAL sustainability initiatives were recognised during the year when CIAL was awarded the efficiency champion category of the Sustainable Business Networks Awards in recognition of reducing energy use and focusing on using cleaner energy sources.

Port

LPC continues to show growth, achieving another record year of annual container volumes (424,560 TEU's). Revenues have grown 7%, however the impact of increased costs relating to additional staff in the container terminal and the impact of the industrial action has resulted in NPAT being down $2m on last year's result. Notwithstanding that, the Port delivered $8.6m of distributions to CCHL.

LPC has achieved some significant non-financial milestones this year:

- Midland Port's success now takes 700 truck trips off the road route each week,
- completion of the walk-on floating 'Te Ana Marina'
- acquisition of a new $12.5m Liebherr crane
- opening of Waterfront House, the new home to the operations and administration staff on the Port site
- resource consents granted to permit dredging for the Harbour channel, and expansion of the container terminal land area at Te Awaparahi Bay.

LPC continues to progress the Lyttelton Port Recovery plan, so although they continue to maintain positive cash balances at year end, this capital is allocated to future capital projects.

LPC's partnership in the Whaka-Ora (Whakaraupō/Lyttelton Harbour Catchment Management Plan) reflects its commitment to restoring the ecological and cultural health of the Harbour as mahinga kai.

Broadband

ESL completed its communal network build across greater Christchurch bringing world-class fibre to more than 200,000 homes, schools and businesses. A record 77,000 (54% increase from last year) customers are now connected to the network. Not only is this a significant milestone for ESL and our region, it was achieved 18 months ahead of schedule.

For the year, ESL has achieved an increase of 53% in gross telecommunications revenue as a direct result of increasing demand for fibre broadband from the wider community.

The Enable Group is still to achieve a positive net profit (which is in line with forecast), however it continues to grow its EBIT (earnings before interest and tax) result from its business operations.

A positive customer experience continues to be a high priority for ESL as they move from a construction company to a customer services/asset management entity. ESL invested in its internal systems, process and training programmes, and delivered several initiatives to improve customer experiences when connecting to fibre broadband this year, resulting in an increase of 42% to its customer net promoter score.

Contracting

Citycare has had a challenging year as they manage the impact of a rapid downturn in the Canterbury construction market resulting in a requirement to downsize the business. This resulted in a very disappointing loss for the year of $0.4m, down from last year's net profit of $3.5m.

Despite the financial results, Citycare has had some positive contract wins during the year, with the commencement of its full facilities maintenance contract in Auckland South, and the acquisition of the facilities management and open spaces contract at Christchurch Airport.

Citycare are focussed to move on from this year's poor financial performance and build on the many positive operational and market indicators to bounce back strongly in 2019.

Citycare delivered distributions of $0.8m to CCHL, although this is also down on statement of intent target of $1.4m.

On a positive note, Citycare have made progress on its environmentally sustainable targets by replacing a number of their petrol powered vehicles and equipment with electric or low emitting equivalents including its first commercial grade electric mower and the first electric LDV transit van to be registered in New Zealand.

Public Transport

Red Bus Ltd (RBL) continues to remain profitable in a very challenging market environment. The year has seen the company return a small NPAT of $117k, compared to last year's result of $207k.

Whilst international visitor arrivals have continued to grow in the past year, there was a shift towards more free independent travellers which restricted the growth opportunities for the Red Travel business. Red Travel continues to adapt by offering services like the daily Kaikoura express service it launched this year.

The key highlight for the year was the commitment to purchase three zero-emission battery electric buses for RBL to use on the central city to Christchurch airport route. Whilst these buses will not go into service until early 2019, it underlines RBL commitment to improving customer service, reducing their environmental impact and adopting new technology to modernise their fleet.

RBL continues to lead the way in customer satisfaction in the urban public transport passenger surveys.

2019 will be a big year for RBL as Environment Canterbury will release its tender for all urban and school public transport services. With Red Bus's history and experience, its leading customer service, and its environmental focus RBL is well placed to perform strongly in the tender round and continue to play an important role in the delivery of Christchurch urban public transport services .

Recycling

The 2018 year was always going to be a challenging year for Eco, with the steady reduction of waste volumes in post-earthquake construction work and competition impacting the EcoDrop revenues. However the impact of the world-wide ban by China restricting importation of recyclable materials which impacted significantly the global commodity prices that Eco could obtain, was not anticipated.

In response to the drop in commodity prices, Eco has needed to renegotiate its contract terms with its customers (the main customer being Christchurch City Council) to ensure that the company continues to run a financially viable business for its recyclable products. CCHL has committed extra funding for the 2019 year to support the extra costs Council may need to incur, however new markets/initiatives for recycling products will need to be established to remain sustainable in the future.

Urban Development

DCL successfully completed the first stage of its New Brighton regeneration implementation plan with the opening of the beachside playground in December 2017. The next stage will be delivery of the Hot Pools with resource consent having been lodged, and construction anticipated to commence next year.

The Christchurch Adventure Park was re-opened in December 2017 after the devastating Port Hills fire which had a significant impact on the business and is now steadily growing its track offering.

2019 will see DCL continue to progress these key projects, including working with its preferred development partner to redevelop the site of the old convention centre (the Peterborough Quarter).

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.

CCHL has a governance and appointments 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.

This year, CCHL saw the retirement of the last of its long serving independent directors on its Board:

Sarah Smith. Sarah was appointed to the CCHL Board in 2007. She brought strong commercial and financial skills to the Board and was also appointed immediately as the Chair of the Audit and Risk Management Committee. In addition she was heavily involved in the introduction and success of the Director Intern programme.

We wish to take the opportunity to thank Sarah for her support and commitment to CCHL over the last 10 plus years, and wish her well for the future.

Sarah was replaced by Greg Campbell, Greg is currently the CEO of Ravensdown, and was previously a Director on CCHL company Eco.

During 2018 CCHL continued its aim of developing directors for the future through its Intern Director programme. Over the past 4 years this programme has seen 21 Interns gain significant board experience. We have now refined this program further with the roll out of our Associate Director programme to build on the success of the Intern programme. We look forward to the initial five Associate Directors commencing their roles as from the 2018 AGMs.

The quality of governance that results from this deliberate level of focus has been recognised by the business community in Christchurch, and by local authorities elsewhere in New Zealand. 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 provide support to the Christchurch community.

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

Jeremy Smith
Chair

Paul Munro
CEO

Financial Overview

The purpose of this section is to provide a financial overview of the CCHL group results.

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.

Investment Overview

CCHL Parent 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.

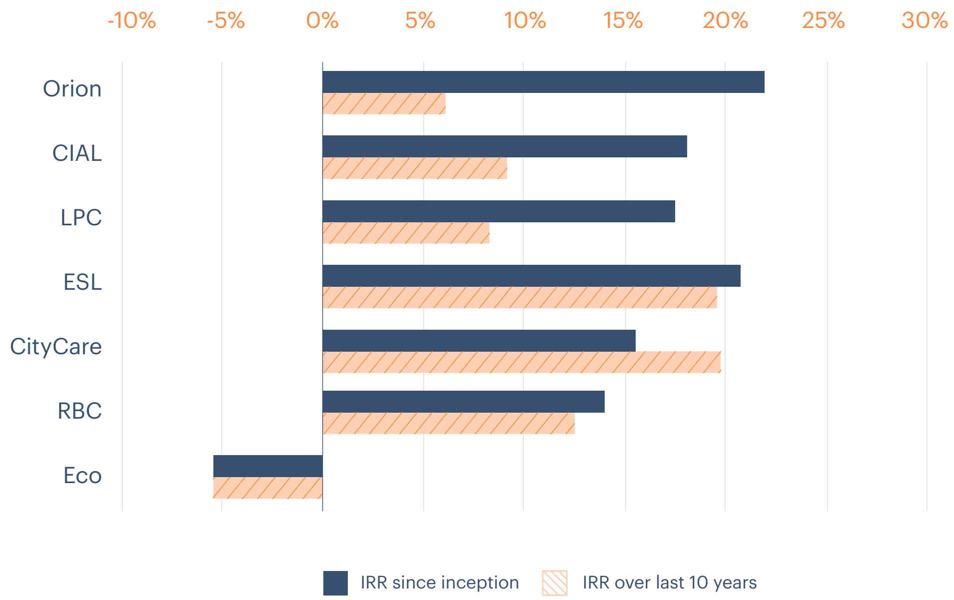
The subsidiary and associated companies are independent commercial businesses, and not subsidised in any way by CCHL or the Council.

The total carrying value of CCHL's main investments as at balance date is $2.682b compared to $2.587b in 2017.

Return on Investment

This chart shows what CCHL has earned on its investments - since CCHL acquired each investment and over the last 10 years.

The chart uses an annualised internal rate of return (IRR) methodology. This includes dividend received and changes in the value of each investment. The valuation of each investment is an important, but necessarily subjective, input in the IRR calculations. Nevertheless, CCHL believes that IRR is a good indicator of investment returns over long periods.



CCHL acquired its shares in Orion from CCC in 1993 and holds 89.275% of the total shares in the company. CCHL has benefitted from impressive returns from Orion. Orion achieved significant one-off gains when it sold its electricity retail activities in 1999. Since then, Orion's earnings have been relatively consistent with those of a regulated infrastructure company. Implementing its earthquake rebuild programme has been a strong focus for Orion over the last number of years, but now that this is complete, Orion will continue to invest in its network and therefore its capital maintenance programme remains strong. In 2018 Orion distributed $55m of dividends to its shareholders.

CCHL acquired its shares in the airport from CCC in 1995 and holds 75% of the total shares in the company. CCHL has benefitted from good returns from this investment. In the last few years the company has shown good growth as it focused the business on the core pillars of Planes, Passengers, People, Planet and Protection, resulting in growth in all aspects of the business but especially in its property development portfolio. In 2016 the Board of CIAL increased the dividend payout policy to 90% of NPAT (from 60%), which coupled with strong growth over the past three years has resulted in an improved return from this investment. In 2018 CIAL distributed $39m of dividends to its shareholders.

CCHL originally acquired shares in the LPC in 1995, however in 2015 acquired 100% of the shares and delisted the company. While LPC's physical assets suffered extensive damage from the earthquakes, the recovery has gone well, and LPC is now turning its focus to future growth, with significant investment being committed to a new Cruise berth and new core infrastructure. 2018 saw the completion of the new floating marina, Te Ana Marina, making the port more accessible to its local community. Strong growth in the last couple of years has seen LPC increase its distributions to its shareholder, with $8.6m paid in 2018.

ESL, won the Crown's ultra-fast broadband fibre roll-out contract for Christchurch in 2011. In 2018 it successfully completed its network build, 18 months ahead of schedule. ESL was always expected to make losses during the fibre network build period as expected with an investment into a long term infrastructure asset. Focus is now on the customer, connecting people so they can benefit from this world class asset, over 77,000 customers were connected by the end of 2018, with this expected to grow to more than double over the next three years.

CCHL acquired Citycare from CCC in 2002. Citycare has been a strong performer, over the past few years, mainly driven by the increased workloads post-quakes. However, since the completion of the SCIRT programme, and an industry tightening of the construction market, Citycare results have been down as it moves back to business as usual. Citycare is a national business, and 2018 saw it extend its holding in the Auckland space with a significant contract win. In addition they continue to consolidate their position as market leaders in the 3 Waters space. Due to the financial results over the last couple of years, the company only distributed $0.8m to its shareholder in 2018.

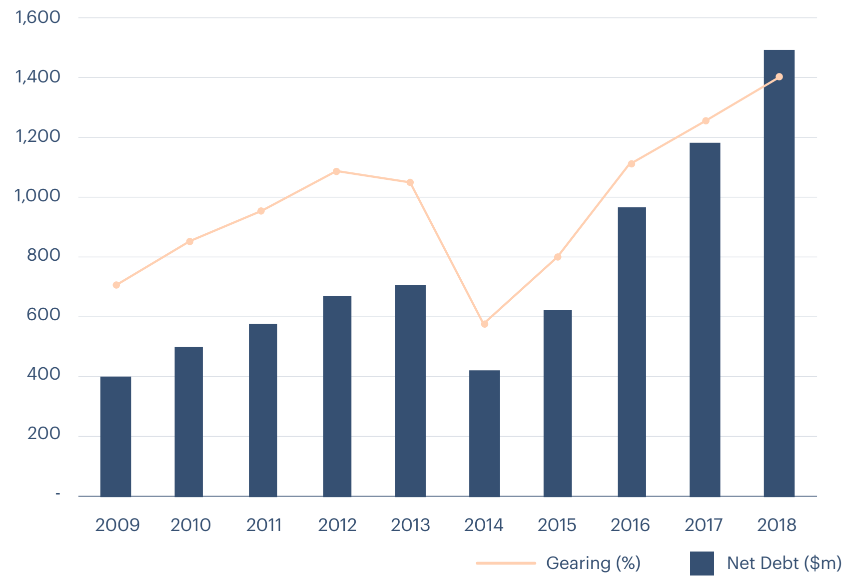
CCHL acquired RBL from CCC in 1995. RBL has performed steadily, but its recent earnings have reduced due to increased competition, post-quakes disruptions and reduced demand for public transport. In 2017, the company acquired tourism company Aaron Travel. This with the introduction of the Red Travel brand in 2015 has returned the company back to profit. This year Red Bus committed to the purchase of three fully electric buses for its airport/city route, recognising the move to a more sustainable future is essential.

Eco has only been in the CCHL group since 2011. Whilst the company has shown steady growth over the last six years with an increase at the Ecodrops due to the earthquakes, the peak of activity post-earthquake has been reached. 2018 was a very volatile year for EcoCentral with significant movements in global commodity prices from a high at the start of the year to an all-time low at the end. This impacted significantly on Eco's bottom line, resulting in Eco along with its main customer and ultimate owner, the CCC, working closely together to ensure Eco can continue to remain financially sustainable, whilst looking at new initiatives to enhance recovery of product and increase waste minimization.

CCHL established DCL in 2015 at the request of CCC to deliver on the city's ambition to enable investment, development and regeneration activities that will drive better inter-generational outcomes across the city. DCL current investments includes a share in the Christchurch Adventure Park, which re opened in December 2017, following the devastating February 2017 Port hills fires. A key focus for DCL is the regeneration of New Brighton, 2018 saw some major successes in that area with the opening of the new beachside playground, and the lodging of the resource consent for the Christchurch Hot pools, anticipated construction expected in this coming year.

Group Equity and Assets
The chart shows the growth in group assets and equity over the last 10 years. This growth has been achieved in addition to the payment of $802m of dividends to the Council over the same period.

Group Debt and Gearing
The chart shows the level of the CCHL group's debt and gearing levels over the last 10 years.



The increase in debt from 2014 to 2018 is largely the result of:

- the airport's ongoing property development programme,
- the continued expansion of ESL's broadband construction programme, including the purchase of the Crown Infrastructure Partners Ltd shareholding in Enable Networks Ltd,
- the increase in debt by Orion to fund the share buy-back and complete its earthquake recovery plan,
- increased debt by CCHL parent to fund the capital release to its shareholder, and
- the implementation of the Lyttelton Port Recovery Plan, noting this is currently funded by the insurance settlement received in early 2014, and affects net debt as it is reducing cash reserves.

Although Group debt levels are increasing they remain relatively low for a group that predominantly comprises stable infrastructure businesses, and interest cover ratios are correspondingly conservative.

Corporate Governance Statement

This statement gives readers an overview of the company's main corporate governance policies, practices and processes adopted or followed by the CCHL Board.

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 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, 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 by confirming that the following are established and overviewed:

- Company goals and strategies in place for achieving them;
- Policies for strengthening the performance of the company and subsidiaries;
- The role the company and its subsidiaries can play in the provision of essential infrastructure services for the region;
- The performance of subsidiaries;
- The company's financial position and the ability to meet its debts and other obligations when they fall due;
- The company's financial statements are true and fair and otherwise conform with law;
- The company adheres to high standards of ethics and corporate behaviour;
- The company has appropriate risk management/regulatory compliance policies;
- The company approves and implements its business plan and Statement of Intent (SoI), and
- The company reviews and approves it's capital investments and distributions.
- Health and Safety is top of mind for our company and subsidiaries.

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.

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 CCC 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. Information is communicated to CCC through periodic reports, occasional seminars and through both the annual report and the half yearly report.

The Board recommends to CCC the appointment of directors to subsidiary companies.

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 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 (Chair).

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

The Chair 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 them cause for major concern.

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

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

A Deputy Chair may fulfil the Chair'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 (ARMC) manages the efficiency and effectiveness of the external audit functions. The ARMC reviews the annual and half-yearly financial statements prior to their approval by the Board, the effectiveness of management information and systems and the financial role of management and policy. The ARMC also keeps under review risk management issues and practices of CCHL.
- The Governance & Appointments Committee 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 its shareholder, and in setting the company's strategy and seeing that it is implemented.

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

Gender diversity
CCHL has adopted a Diversity and Inclusion Policy, a copy of which can be found on the website.

As at balance date and the date of this report, the Board comprised three female directors out of a total of eight (2017: four out of eight). The Executive team comprises one male and one female, which is unchanged from the prior year.

Directors' Remuneration
The Board recommends to the shareholder on a triennial basis 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, the CEO and the CFO 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 Chair 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 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.

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; and
- Meets business plan and SoI targets set by the Board.

The CEO is expected to act within all specific authorities delegated to them by the Board.

Continuous disclosure obligations
Under the Financial Markets Conduct Act 2013 and the NZX Listing Rules, CCHL must (subject to certain exceptions) immediately disclose any "Material Information" to the NZX of which CCHL, its directors or senior managers become aware.

Material Information is any information which a reasonable person would expect (if available to the market) to have a material effect on the price of the Bonds.

Information is likely to be material if it is not generally available to the market and it relates to CCHL's ability to make interest payments to the holders of the Bonds, or repay the principal amount of the Bonds on maturity, and any information that relate to those factors.

Board of Directors

Jeremy Smith
Chair
BSc BCom LLB CMInstD

Jeremy was appointed to the CCHL Board in August 2016. He was a Director of Orion from August 2013 and Chairman from August 2014 to 2016. He is also Chairman of Holmes Group Limited. Jeremy has broad experience in a variety of senior executive and corporate governance roles. Jeremy was formerly Managing Director and then a Director of Holcim NZ Ltd. Prior to taking up a management career he practiced as a commercial lawyer.

Lianne Dalziel
Mayor | Director
LLB

Lianne was appointed to the CCHL Board in December 2016. Lianne is the Mayor of Christchurch. Previously Lianne was a Member of Parliament, having served for 23 years. She has served as a Director of the Canterbury Development Corporation and of Transition Holdings Ltd.

Vicki Buck
Director
MA (Hons)

Vicki was appointed to the CCHL board in December 2013. Vicki is a City Councillor and has previously served as Mayor of Christchurch for 9 years. She has a background in education, climate change businesses and community initiatives. Vicki is also a Trustee for the Otautahi Community Housing Trust.

Mary Devine
Director
ONZM, B.Com, MBA

Mary was appointed to the CCHL Board in April 2017. Mary was awarded an ONZM for services to business. Mary is currently Managing Director of Devine Consultancy Limited, and a Director of Meridian Energy, Briscoe Group, IAG New Zealand and Foodstuffs Limited. Mary is also a Board member of Christ's College Canterbury. Mary is a former CEO of Carter Group Limited, Managing Director of J.Ballantyne & Co Ltd and CEO of Australasian multi-channel retailer EziBuy. She has particular expertise in corporate strategy, brand management and organisational design.

Jamie Gough
Director
CMInstD

Jamie was appointed to the CCHL Board in December 2013. Jamie is a City Councillor, Chair of Civic Building Ltd and a Director of Gough Corporation Holdings Ltd and Gough Property Corporation Ltd. Jamie has a commercial background in property, asset management and corporate governance. He has also served as Chair of Vbase Ltd and as a Director of Gough Holdings Ltd, Jet Engine Facility Ltd and Canterbury Development Corporation Ltd.

Alex Skinner
Director
CA, FCA (ICAEW), CMInstD

Alex was appointed to the CCHL Board in November 2016. Alex's professional life has predominantly been in the CA environment, retiring as a Partner of KPMG in 2016. He is currently the Chair of the Otautahi Community Housing Trust and a Director for Anchorage Trustee Services Limited. Alex has gained broad commercial and governance experience having worked with many businesses across diverse industries, from the NZX, SOEs, local government, and government departments through to privately owned companies.

Greg Campbell
Director
MBA (Hons), FNZIM

Greg is currently the Chief Executive of Ravensdown Limited and prior to that held several senior roles such as CEO of Ngai Tahu Holdings, Cleanaway Ltd Australia, Managing Director Transpacfic Australia & New Zealand, and Managing Director Waste Management. Greg has also held a number of directorships across Iwi, Public, privately held and listed entities such as PGG Wrightsons.
He is currently a Director on various Ravensdown related companies. Greg has strong governance and commercial skills and a deep operational understanding of business.

Andrew Turner
Deputy Mayor | Director

Andrew was appointed to the CCHL Board in December 2016. Andrew is in his second term as Councillor for the Banks Peninsula ward, and was appointed Deputy Mayor of Christchurch in October 2016. Andrew's career prior to Council included the establishment and running of small and medium sized businesses. He has worked in business development roles in New Zealand and in developing and emerging markets overseas. Andrew is a Director of Transition Holdings Ltd, the Otautahi Community Housing Trust and the Rod Donald Banks Peninsula Trust.

Orion New Zealand Ltd

Orion New Zealand Ltd (Orion) owns and operates the electricity distribution network between Waimakariri and Rakaia rivers and from the Canterbury coast to Arthur's Pass. Providing power to around 201,000 homes and businesses.

89.3%
owned by Christchurch City Holdings Limited with Selwyn District Council owning the other 10.7%.

Orion, New Zealand's third largest electricity distribution company, has delivered another year of strong financial performance and continues to expand the footprint and resilience of its network to meet the needs of a growing region. The company delivered on its key performance targets, and completed its earthquake recovery programme a year ahead of schedule.

The 2018 year's highlights were:

- $182m electricity distribution revenue
- $53 profit after tax
- $55m fully-imputed dividends to community shareholders
- $671m shareholders' equity
- $1,180m group assets
- 3,000 new customers

Left page — Bree Scott, owner of Glamour Cake in Lyttelton

FIVE YEAR SUMMARY	2014 $M	2015 $M	2016 $M	2017 $M	2018 $M
Revenue	269.5	332.9	307.3	309.7	**321.9**
Net profit after tax	50.5	82.6	53.4	51.8	**53.3**
Distributions	34.0	56.0	153.0	55.0	**55.0**
Total assets	1,039.7	1,083.9	1,122.0	1,156.7	**1,180.2**
Shareholders' equity	733.0	759.7	660.1	672.7	**671.0**

Financial Performance
The strength and consistency of Orion's financial performance in the year to 31 March, 2018 has enabled it to again make a significant contribution to Christchurch and the wider region, paying its shareholders, CCHL and Selwyn District Council, $55m of fully-imputed dividends, $3m above its Statement of Intent (SOI) target.

Orion's $53m profit was $6m above its SOI target, driven largely by three factors:

- below budget operating expenses, partly due an absence of significant weather events
- below budget interest expense
- a change in accounting treatment with some project-related employee remuneration capitalised

These positive factors were partly offset by:

- lower than SOI network revenues due to a mild winter

To support its post-earthquake rebuild capital expenditure programme, the expansion of its customer base and capital expenditure for the construction of its subsidiary Connetics' new base at Waterloo Business Park, Orion increased its borrowings this year by $26m to $275m.

Orion's continued focus on resilience means the company's capital expenditure program remains strong and borrowings are expected to continue to increase as this expenditure will be funded by debt. Debt levels will remain well within prudent levels supported by total assets around $1.2 billion

Earthquake Recovery Complete
This year marks more than seven years since the Canterbury earthquakes and Orion's earthquake recovery programme is now largely complete, a year ahead of its 2019 target. Orion's work to restore and rebuild electricity services to earthquake damaged Christchurch has delivered a revitalised and more resilient network.

Customer Growth
This year Orion continued to see sustained customer growth particularly in the first half of the year. More than 3,000 additional customers connected to the network, driven by new subdivisions in Wigram, Prestons, Lincoln and Rolleston. Orion's network now serves more than 201,000 customers.

Central City
Christchurch's central business district (CBD) was a key area of focus for Orion again this year. As the revival of the city centre gathered pace, the company livened new retail developments, office blocks, parking buildings and entertainment venues in the Avon River Precinct. These new connections spurred an 18% increase in the amount of electricity Orion delivered to the city's heart from the previous year. Power consumption in the CBD now exceeds 50% of pre earthquake levels and with further development this growth is forecast to continue. Importantly, new, more energy efficient buildings are providing direct, sustainable benefits to the business and wider community.

Network Investment
Orion reduced the frequency and duration of power outages for the fourth consecutive year, and its reliability achievements rank in the top 20% of New Zealand lines companies.

Projects to improve reliability included:

- upgrading the infrastructure delivering power to Lyttelton
- re-housing its Lancaster substation 66kV switchgear inside a new building. This substation is one of three crucial feeders for the Christchurch CBD
- installing larger transformers with greater capacity in the Annat substation
- implementing its Rural Township Reliability Improvement Programme in Darfield, Hororata and Templeton, installing remotely controlled switches to deliver faster restoration times in the event of power outages
- installing 66kV cables under the new Southern Motorway at Rolleston

Future Focus
Orion has placed the better understanding of its customers' needs at the centre of its business so it can deliver an energy network that meets their expectations and enables customers to take advantage of new technologies.

Christchurch International Airport Ltd

Christchurch International Airport Limited (CIAL) recognises the importance of its role as the primary gateway for the South Island. To champion the South Island, the airport company's key focus areas are enhancing customer experience, being great kaitiaki and embracing innovation.

75%

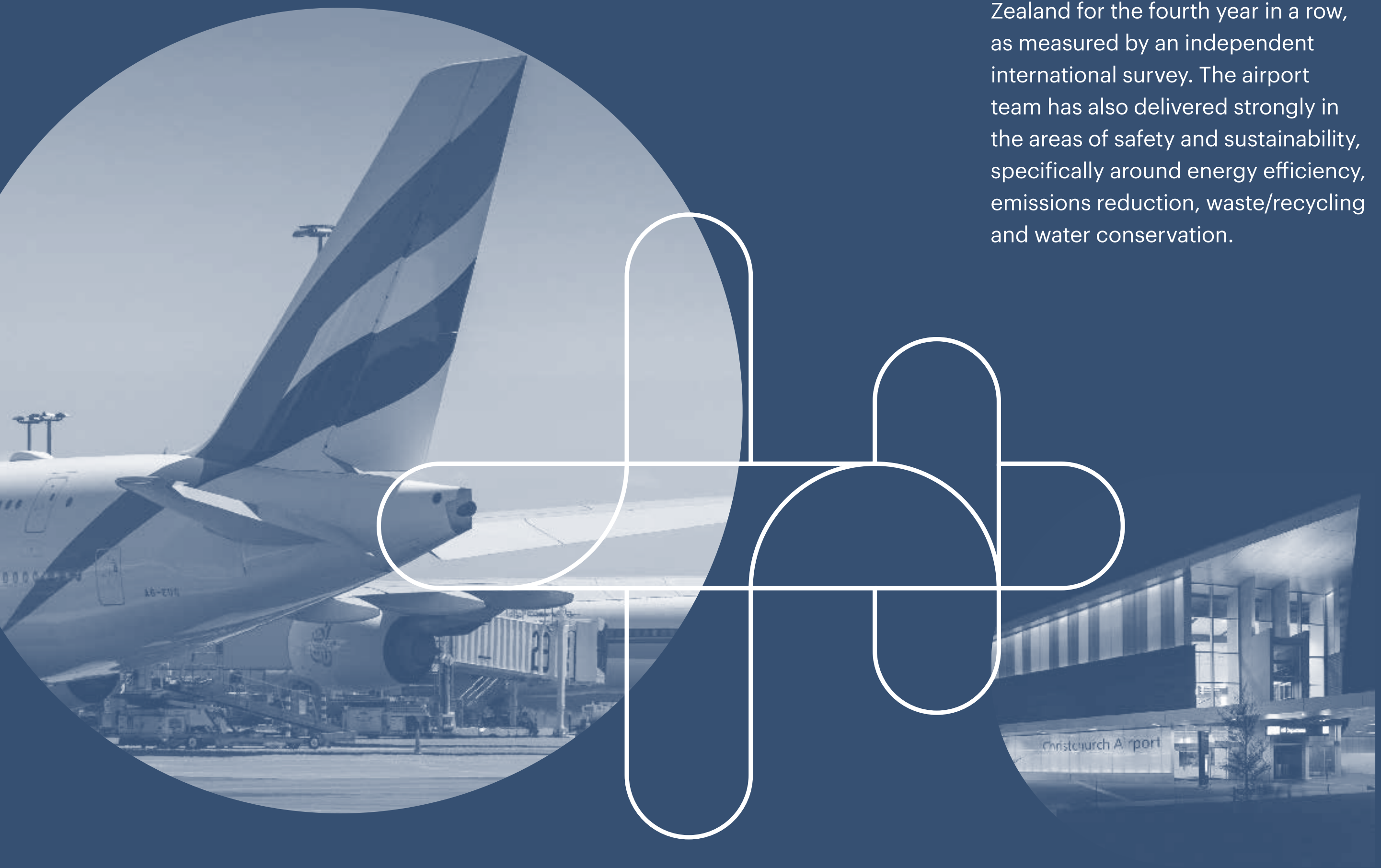
owned by Christchurch City Holdings Limited with the Minister of Finance owning 12.5% and the Minister of State-Owned Enterprises owning the remaining 12.5%

Christchurch International Airport Limited has, in FY18, seen the fruits of the strategy reset in 2014 and the ongoing efforts of its team begin to really show themselves in the numbers. This reflects the work airport staff have been doing across the business, city and South Island to Build a Stronger Business and Enhance Customer Journeys and Be Great Kaitiaki.

Financial Performance

NPAT was $88.7 million, up from $64.6 million in FY17 and $15.7 million in FY14 (the starting point of our current strategy). Declared dividends will, for the 2018 year, total $40.4 million, up 5.5% from $38.3 million the previous year ($7.6 million in FY14).

This result has been underpinned by Christchurch Airport maintaining the number one position for customer service across Australia and New Zealand for the fourth year in a row, as measured by an independent international survey. The airport team has also delivered strongly in the areas of safety and sustainability, specifically around energy efficiency, emissions reduction, waste/recycling and water conservation.



Left page — Emirates plane in front of the Christchurch airport terminal

Lower left — Christchurch Airport integrated terminal

FIVE YEAR SUMMARY	2014 $M	2015 $M	2016 $M	2017 $M	2018 $M
Revenue	139.9	177.4	182.7	213.5	**236.6**
Net profit after tax	15.7	39.3	43.1	64.6	**88.7**
Dividends	6.6	9.9	29.3	33.0	**39.3**
Total assets	1,176.7	1,212.8	1,260.6	1,347.0	**1,614.3**
Shareholders' equity	745.2	766.8	791.2	826.9	**1,023.3**

Business Focus

After the seismic events of 2011, Christchurch Airport was ready to face the post-earthquake reality of its wider operating environment.

The airport had made a major contribution to the city in the post-event emergency phase. However, while its assets had come through unharmed, its commercial reality was in stark contrast. By FY14 the airport had lost about 500,000 airline passengers p.a., had materially increased its invested capital in the form of a new terminal, and profitability was down at $15.7m on assets of around $1.2 billion.

Looking out to 2025, the company set the target of achieving three things simultaneously: Building a Stronger Business and Enhancing Customer Journeys and Being Great Kaitiaki (Safety, Social & Sustainability).

In the past four years, the company has focused on simplifying its business focus around the core pillars of Planes, Passengers, Property, People, Planet and Protection, and developed strategies that would ultimately build value for the airport, city and island.

Aeronautical

Passenger numbers at Christchurch have grown faster than any other airport in the South Island. For example, for every airline passenger added to Queenstown there has been 1.5 passengers added at Christchurch. The airport has partnered with Tourism New Zealand in many international markets to reintroduce Christchurch as the gateway to the South Island and is now growing faster than the national average from key international visitor markets.

In FY18, Christchurch Airport's international passenger arrivals grew by 8.5%, while overall arrivals for New Zealand grew by 3.9%. Key international markets where Christchurch grew faster than the nation were Australia (+7.8%), China (+25%), UK (+5.2%) and the United States (+11.8%). The United States was the most interesting figure because Christchurch doesn't have direct air connections with the US. These international arrivals came via Fiji and east coast Australia to arrive internationally at Christchurch.

Property Development

The airport team has been busy adding value to its property development on campus. It is important to note the company primarily develops property on a confirmed tenant basis. New development is targeted at lifting long term future revenues and building shareholder value.

In FY14, Christchurch Airport was developing circa $20 million p.a. in new investment property on campus. The strategy reset in FY14 has seen its property team lift this to now be circa $100 million p.a. on average. This is expected to settle back down closer to a longer term average of around $60 million p.a. from around 2020/21 onward. The new Novotel Christchurch Airport is part of this development activity and while it will be delivered late by the contractor, that is not expected to have negative financial impacts on the airport company.

Bond Issue

Development activity is being funded through a mixture of free cash flows and manageable increases in debt. To this end, Christchurch Airport has issued a number of long term bonds and in FY18 successfully completed its first listed bond issue, raising $100 million to repay some existing debt due to expire in late 2018 and fund near term capital investment. The bond was materially oversubscribed by the market, illustrating the market demand for funding Christchurch Airport.

This has all come together to lift the company's performance with EBITDAF (earnings before interest, tax, depreciation, amortisation and fair value adjustments) of $115.7m recorded in FY18, an amount that has risen $43.2m since FY14. This has driven up both dividends and the overall market value of the airport company. In turn, this has built shareholder cash flows from dividends and the market value of the equity in the airport company.

Lyttelton Port Company Ltd

Lyttelton Port Company Ltd (LPC) is the South Island's largest Port and Container Terminal, and the third largest container Port in the country processing over 400,000 TEUs (20-foot equivalent units) of containerised cargo.

100%
owned by Christchurch City Holdings Limited

In the last 12 months LPC has achieved major milestones which set the Port up to meet Canterbury's freight demands for the next thirty years.

Most critically, the Port obtained resource consents that will allow infrastructure development to efficiently manage the forecast doubling of Canterbury freight volumes in the next 15 years, consolidate its positon as the South Island's trade gateway and support Canterbury's growth and prosperity. The resource consents granted permit dredging of the Harbour shipping channel to deepen and extend it, as well as expansion of the Container Terminal land area at Te Awaparahi Bay.

These two developments are crucial for the Port to grow Canterbury's trade. The dredging programme means larger container ships, which have virtually doubled in size during the last 10 years, will be able to call at Lyttelton.

At the same time LPC will expand the reclamation by 24 hectares and construct a new 700 metre container wharf. A key focus of LPC's long term plans is to move its operations to the east, away from the local community. The additional reclamation also facilitates this shift.

In the past year LPC has also achieved record container volume and strong export and import growth. The Port had a 5.7% increase in containers, with 424,560 TEUs flowing through the Port compared to 401,711 in the previous year. Container volume would have been even higher but industrial action in March and April reduced TEUs by about 10,000.

LPC's MidlandPort, providing the first rail connection for container freight between Rolleston and Lyttelton, continues to go from strength to strength as it services the increasing production from Canterbury's heartland. Customer and container numbers are steadily growing and a third train service between Rolleston and the Port will start soon. Its most recent customer is Canterbury's largest warehousing and logistics operator, MOVE Logistics. It has also attracted container freight from leading exporters such as ANZCO, The Warehouse Group, Synlait Milk, and Talley's Group.

MidlandPort's train service takes 700 truck trips off the road route each week, producing cost efficiencies and reducing carbon emissions. It also provides Canterbury exporters with unmatched access to worldwide markets through the extensive shipping services available at Lyttelton Port. With sustainability becoming an increasing focus for many businesses, MidlandPort offers the efficient logistics to help customers meet ambitious carbon reduction goals. Establishing MidlandPort also reflects LPC's commitment to supporting the Greater Transport Statement.

Christchurch City Holdings Limited

Left page The Woolstore at Te Ana Marina

FIVE YEAR SUMMARY	2014 $M	2015 $M	2016 $M	2017 $M	2018 $M
Revenue	115.8	109.1	105.7	114.4	**122.2**
Net profit after tax	343.2	20.6	(59.8)	14.4	**12.2**
Dividends	2.0	22.2	2.6	5.2	**8.6**
Total assets	597.5	589.5	491.5	506.1	**513.5**
Shareholders' equity	533.1	531.7	469.1	478.4	**482.3**

So too, is the introduction of a Vehicle Booking System at LPC's other Inland Port, CityDepot in Woolston. By booking an arrival time slot on line, trucking companies now avoid queuing when they reach CityDepot, saving time and costs.

In April LPC completed the development of Canterbury's only walk-on floating marina, Te Ana Marina. This is the Company's first step toward regenerating the Inner Harbour as a vibrant community-focused destination with connections to the Lyttelton township. LPC owns and manages the 170-berth marina. 84% of the berths are already occupied and there is strong business interest in leasing the landside development as a hospitality hub.

In July construction started on the Port's new cruise berth. It is New Zealand's first ever custom-built cruise ship facility and will bring the world's largest cruise ships to Canterbury. This key infrastructure will support regional tourism growth and contribute to the local and national economy. The wharf was redesigned in recent months to reduce underwater noise levels during piling. A marine piling management plan is also in place to manage potential risks to Hector's dolphins. The cruise berth is expected to be completed for the 2020/2021 summer cruise season.

LPC's investment in world-class infrastructure continued with the addition of a new $12.5 million Liebherr crane which replaced the Port's oldest crane.

In December LPC's operations and administration staff moved into a state-of-the art facility, Waterfront House, which brought these teams together for the first time under one roof. The building's environment encourages closer working relationships, also enhancing morale. The new facility is part of LPC's committed presence in Lyttelton and its focus on providing staff with high quality amenities.

Financial Performance

LPC's revenues grew strongly in the year, being up by 7%. This was mainly driven by the Container Terminal and MidlandPort. Their overall profitability at EBITDA level was ahead of budget and on par with last year even though they experienced strike action in the later part of the year which impacted profitability.

A number of decisions were taken in the year which impacted year on year profitability but set the Port up well for the future. These included hiring additional staff in the Container Terminal to meet customer demand which, due to their nature, are a step change in cost. They have also invested more in their Health and Safety function. LPC experienced an increase in rail costs due to the success of MidlandPort and the rise in fuel prices were much more significant than anticipated.

At a macro level, both imports and exports increased significantly in the last financial year. Imports rose from $4.1 billion to $4.67 billion, while exports were $4.84 billion compared to $4.7 billion the previous year. There was also an increase in motor vehicles with 60,789 arriving, compared to 55,488 the previous year. Bulk fuels imports remained steady at 1.13 million tonnes, while log exports were 431,291 tonnes compared to 490,000 the previous 12 months.

Health and Safety

LPC has a strong focus on understanding critical risks and ensuring Health and Safety processes are embedded across the business. These include implementing Safe Work Method Statements and Job Safety Analysis as part of the overall Health and Safety framework. The focus has shifted from traditional Health and Safety performance measures towards lead indicators.

Looking Ahead

LPC's partnership in the Whaka-Ora (Whakaraupō/Lyttelton Harbour Catchment Management Plan) reflects its commitment to restoring the ecological and cultural health of the Harbour as mahinga kai. The Plan concentrates on four key areas - erosion and sedimentation, pollution, terrestrial indigenous biodiversity, and marine indigenous biodiversity. A suite of actions are underway to support continual progress toward a better future for the harbour.

LPC is integrating sustainability through every aspect of its business. It is a key focus as the Company future proofs operations to meet customer needs, continues to facilitate regional economic prosperity through trade, engages with the community and supports the health of the environment in which it operates.

Enable Services Ltd

Enable Services Ltd (ESL) is connecting local homes and businesses to a world-class fibre network. ESL owns the critical fibre infrastructure that is connecting our community with unlimited opportunity.

100%
owned by Christchurch City Holdings Limited

Connecting our Community With Unlimited Opportunity
Enable's vision is for our fibre network to be an essential enabler of an economically and socially vibrant, connected, innovative and globally competitive Christchurch.

Every local family, business, school, healthcare provider and community service provider that embraces fibre broadband is bringing us a step closer to realising this vision.

2018 was Enable's eleventh year of business and was another incredibly significant one, where ambitious goals were set - and exceeded.

Job Done – Network Build Completed
In May Enable completed its network build across greater Christchurch bringing world-class fibre to 200,000 homes, schools and businesses.

Working in a post-quake environment throughout the enormous six-and-a-half-year project brought a unique set of challenges. These challenges were overcome by working with innovation and continuously improving methods and processes with alliance partner, Broadspectrum; and collaborating and keeping open communication with Councils and infrastructure contractors. Enable delivered the network 18 months ahead of schedule, with a celebration event in May.

Record Demand for Fibre Broadband
The greater Christchurch community continues to demand fibre broadband well above forecast.

In the year, Enable connected 27,043 homes, businesses and schools to fibre broadband – 2,754 more than the year before, finishing the year with 77,149 total customers connected.

This translates into hundreds of thousands of people within our community making the most of the digital world – running businesses, delivering community services, learning, and living more connected lives.

Left page Enable Team connecting to our community

FIVE YEAR SUMMARY	2014 $M	2015 $M	2016 $M	2017 $M	2018 $M
Revenue	63.8	74.4	75.2	36.3	**48.5**
Net profit after tax	(7.5)	(10.0)	3.3	(8.5)	**(3.8)**
Dividends	-	-	-	-	**-**
Total assets	128.8	191.5	343.3	424.7	**523.5**
Shareholder's equity	20.6	13.6	100.8	138.9	**213.0**

Innovating on product and customer experience
Enable is committed to differentiating its fibre broadband services in the market. Enable introduced a market-leading wholesale price for its fastest residential fibre product – capable of delivering close to Gigabit speeds. It will also double the speed of its 100Mbps residential fibre broadband service to 200Mbps from 1 July 2018 – for the potential benefit of 45,000 customers.

Throughout the year Enable invested in its internal systems, process and training programmes, and delivered several initiatives to improve customer experience when connecting to fibre broadband – including a self-service appointment tool that has been used by over 7,000 customers in the latter part of the year.

Enable maintained its focus on customer experience achieving an industry-leading average net promoter score of 37, a 42% increase from the previous year of 26.

Community Contribution
Enable continued to invest in growth and innovation within our community that maximises the potential of connectivity as well as breaking down barriers to access this potential.

In the year Enable became a major sponsor of the Canterbury Employers' Chamber of Commerce and partnered with them to deliver the Enable Digital Series and became the inaugural sponsor of the Christchurch chapter of Future Leaders in Technology. Enable worked closely with CCC to provide a free Wi-Fi trial in Cathedral Square to align with Tech-week NZ and sponsored a range of community initiatives.

Financial Performance
The total value of the Enable UFB network asset grew to $476m – an increase of $98m against the previous year. Enable's total asset value of $523m compares favourably to total borrowings.

Total group operating revenue increased from $36m to $48m. This was a result of a significant growth in underlying telecommunications revenue – resulting directly from strong uptake of fibre broadband across the community.

Gross telecommunications revenue grew from $26m to $39m and the business generated EBITDA of $25m which exceeded the SOI target by $5m. The net trading loss of $4m was well ahead of target and total comprehensive income after tax was $21m.

Health, Safety and Wellness
Enable continued to emphasis Health, Safety and Wellness above all else through its clear vision - "we CARE for each other." Significant investment in cultural development across the business yielded a Total Recordable Injury Frequency Rate of 3.7 injuries per million hours work. This result was slightly above our target of 3.0 but was a significant improvement of 1.8 (33%) against last year.

The Year Ahead
In FY19 Enable will be solely focused on ensuring the greater Christchurch community maximises the potential of its world-class fibre broadband connectivity. The business continues to set strong growth goals, including ending the year with 104,000 customers connected to fibre broadband.

Enable will continue to be an industry leader in delivering outstanding customer experience to its internet service providers and community and will further engage with key stakeholders to grow its role in Christchurch's digital future.

Enable's people are central to its success. Developing them to realise Enable's purpose and values will continue to be a major focus.

Achieving financial sustainable and increasing business maturity is a key focus as Enable nears ongoing profitable.

City Care Ltd

City Care Ltd (Citycare) is a leading national provider of maintenance, management and construction services. Through 16 operational depots, including all main metro areas, they provide infrastructure services to over two million New Zealanders.

100%
owned by Christchurch City Holdings Limited

Having successfully re-energised and re-branded Citycare at the start of FY17, the new sector-led structure quickly helped to bring two significant pieces of work into the Citycare Property portfolio. In July 2017, Citycare was awarded a significant five-year term, Full Facilities Maintenance contract for the maintenance and management of all community-owned Facilities and Parks in Auckland South. Later that year, they also secured Christchurch International Airport's Facilities Management and Open Spaces Maintenance contract, taking on the incumbent delivery team in the process.

The focus for Citycare Water in FY18 has been to continue to consolidate its market position as the leading national 3 Waters maintenance provider. Citycare Water is focusing on the use of new technologies in enhancing network and asset performance. This includes industry-leading work in the IoT (Internet of Things) space, with proprietary developed sensor devices now providing accurate reliable data on water assets that translates into long-term maintenance cost savings, through being able to view asset behaviour in real-time that previously would have required a physical inspection.

Left page Citycare Community Guardians at work

FIVE YEAR SUMMARY	2014 $M	2015 $M	2016 $M	2017 $M	2018 $M
Revenue	350.8	333.5	306.8	303.5	312.5
Net profit after tax	12.9	10.2	6.8	3.5	(0.4)
Dividends	5.7	5.7	4.1	6.2	0.8
Total assets	110.4	108.5	105.1	102.9	113.2
Shareholder's equity	50.6	55.7	58.9	56.3	55.1

Market Downturn
In spite of the above successes, the Citycare business has endured a challenging FY18, following a rapid downturn in the Canterbury construction market, coupled with provisions made relating to one problematic project. As a consequence of this downturn and the additional costs associated with mitigating this situation (notably the initial rebrand and latterly redundancy costs), Citycare is reporting an after tax loss of $445k for the year, with annual revenue sitting at $313m.

Regardless of the state of the Canterbury market and the now very evident general malaise in the wider construction industry, this loss is unacceptable and both Citycare Board and Management have been working hard over the last six months to turn this situation around. This has included right-sizing the business, a company-wide cost saving exercise and a strong focus on fleet optimisation.

Looking Ahead
Citycare's focus is to move on from this financial performance and build on the many positive operational and market indicators to bounce back strongly in FY19.

FY18 Customer Satisfaction Survey and Employee Engagement Survey have both shown improvement on previous years' results, which is seen as evidence that Citycare has continued to perform well against current and ongoing contractual obligations. This is also a strong endorsement of the new sector-led model and supporting brand positioning and value proposition.

Citycare's We Discover. We Deliver. We Care. value set is also well-reflected in the customer feedback, noting three distinct emerging customer trends:

A wave of interest in AI technology and Big Data (which talks strongly to Citycare's continued investment in its EventManager multi-tenancy application suite and in use of the IoT to enhance productivity);

Contracts that are founded on much greater degrees of collaboration, from co-sourcing to alliance-style 'partner' relationships;

A bow-wave of interest in community connection and social procurement.

Noting this, the future will see progression of some exciting new initiatives aimed at capturing the spirit of these emerging trends and building on technology platforms and customer relationships to enhance productivity and reduce operating costs.

Citycare has a strong, secured pipeline of forward work as they move into the new financial year and is confident that the 'value add' innovation and social initiatives being introduced this year will help to again safely deliver the profitability achieved in the past.

Amplifying its Sustainability and Safety Position
FY19 will also see continued rigour around initiatives that reinforce their commitment to sustainability. During the past year Citycare made progress through:

- the replacement of petroleum-powered vehicles, plant and equipment with electric or low-emitting equivalents, including its first commercial grade electric mower, electric vans and the first LDV transit van to be registered in New Zealand;
- deployment of thermal weed control units for sensitive catchment areas;
- retiring a number of older vehicles from the Citycare fleet.

A relentless commitment and drive to improve its safety performance will also remain front and centre of the next year. This year has seen better definition and safety assurance measures around critical risks, which has assisted in the prevention of any serious injury to the 1400 staff in FY18. Citycare is confident that a sustained and balanced approach to addressing safety behaviour and safety compliance will continue to keep its people safe from harm.

Red Bus Ltd

Red Bus vision is to influence and grow passenger transport through world leading innovation. Currently Red Bus operate urban school bus routes within Christchurch city, and tourism and coach services across New Zealand.

100%
owned by Christchurch City Holdings Limited

Public Transport in the Spotlight
2018 saw public transport step into the spotlight with the Government's long term commitment to public transport strongly signalled in its latest Policy Statement on Land Transport. It is encouraging to see the Government take a clear position, recognising the need, and future of, public transport in New Zealand.

At a regional level, public transport sentiment was tested when Environment Canterbury's Long Term Plan was circulated for consultation with a proposal to cut bus routes, alongside other changes. It was encouraging to see the high level of support and engagement from the community, providing feedback and advocating for public transport services that meet the city's needs.

It is also pleasing to see the investment to protect core corridors with the construction of the bus priority corridor and super stops along Manchester Street and commitment to build a new bus priority corridor along Riccarton Road, a key transport route, to ensure the long-term viability of public transport.

Customers
Red Bus pride themselves on the passenger experience they strive to deliver to the thousands of passengers who choose to use Red Bus services every day. They are committed to safely delivering their passengers to their destinations. This commitment is reflected in an average score of 86.2 (85.2 Metro network average) in this year's Environment Canterbury's mystery shopper survey.

The high standards were also recognised by the renewal of a Qualmark Gold certification for their Red Travel brand and Akaroa Shuttle. Among the key contributors to this success was the sophisticated Telematics monitoring system - which provides real time feedback to drivers on their acceleration, braking, cornering and speed - and our Safe and Fuel Efficient Driver (SAFED) training for all drivers.

People
The local knowledge of Red Bus people and the positive workplace culture of Red Bus are vital to providing their customers with the best possible experience.

Red Bus are committed to ensuring their people go home safely each and every day. Providing a safe working environment is critical, and in this they are supported by an active Health and Safety committee with representation from all staff groups. This year Red Bus retained their tertiary level accreditation with ACC's Accredited Employers Programme. Their lost time injury rate was 13.6 events/million worked hours (4.3 in 2017) after a small number of slip and trip incidents late in the year.

Business
Red Bus recorded a 2.8% increase this year in urban passenger trips on our urban Metro services compared with a 0.5% gain in 2016/17. They see further growth potential in passenger trips now the majority of the central city's transport network is fully functioning and the city centre is well established.

Red Bus is in a sound position to consolidate, and consider how to best serve their customers now and into the future. A willingness to adapt and embrace new ideas is critical to meet the evolving expectations of their customers and ensuring long-term sustainability.

Red Travel's large modern coach fleet, combined with their well trained people, an unswerving commitment to customer safety and service, and strong operations and fleet management systems, make them well placed to serve the growing South Island travel market.

International visitor arrivals in New Zealand continued to grow in the past year, with 5.4% more tourists than in 2017. There was particularly strong growth in the Free Independent Traveller (FIT) market. Red Bus expect the tourism sector to remain buoyant with a shifting emphasis on the FIT market for the Red Travel brand. The Red Bus daily Kaikoura Express service launched this year also improves travel options for passengers between Christchurch and Kaikoura.

Financial Performance
Red Bus has remained profitable with a small operating after-tax paid profit of $117,000, ($207,000 in 2016/2017).

Revenue increased from $20.6m in 2016/2017 to $21.1m in 2017/2018 as a result of urban revenue growth through contract indexation.

Their balance sheet remains strong, with no long term debt and a sound cash position.

Future
In mid -2019, Environment Canterbury will release its tender for all urban and school public transport services. It has been approximately nine years since all services were put out for tender, making this tender a significant event for our city.

With Red Bus's history and experience of delivering passenger transport services since 1902 in Canterbury, coupled with their leading customer service, Red Bus is well placed to achieve good results through this tender process. Red Bus hope to retain and grow the services they are contracted to deliver for Environment Canterbury.

The continuing development in tourism offers confidence of more growth in the Red Travel division within the Canterbury region and across the South Island. A modern fleet, skilled people and strong customer relationships together form a superior service.

Red Bus recognise that there are technological, environmental and societal changes ahead for Canterbury as the city centre recovery continues and the Regional Passenger Transport Plan is revised this year.

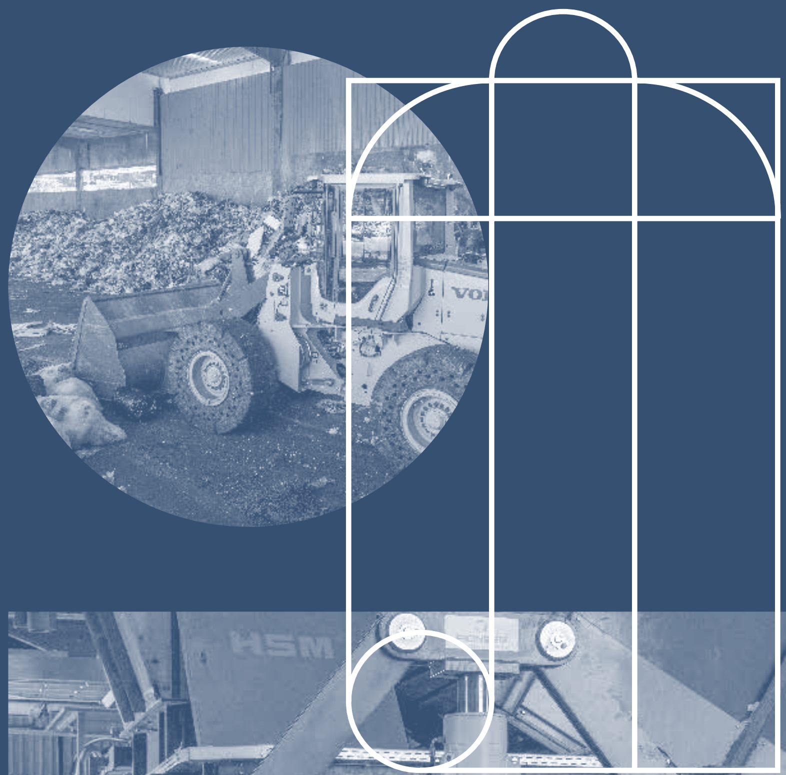
Left page Red Bus in Akaroa

FIVE YEAR SUMMARY	2014 $M	2015 $M	2016 $M	2017 $M	2018 $M
Revenue	17.4	18.3	19.1	20.6	21.1
Net profit after tax	(0.6)	-	0.1	0.2	0.1
Dividends	-	1.9	1.4	-	-
Total assets	44.0	42.0	43.2	43.5	43.4
Shareholder's equity	38.6	36.7	37.7	38.0	38.1

EcoCentral Ltd

EcoCentral Ltd is committed to reducing the amount of waste going to landfill, and helping Christchurch lead the way in recycling. EcoCentral manages the processing of household and commercial refuse and the automated sorting of recycling throughout the Canterbury region.

100%
owned by Christchurch City Holdings Limited



EcoCentral has emerged from a fairly volatile year, where there have been significant movements in global commodity prices, greatly benefitting the company in the first half of the year followed by a high degree of uncertainty and erosion of profit in the later part of the year. This, combined with increased competition for waste volumes, and changes in key personnel have made for a challenging year.

Left page EcoDrop and EcoSort in full action

FIVE YEAR SUMMARY	2014 $M	2015 $M	2016 $M	2017 $M	2018 $M
Revenue	35.7	38.8	37.6	37.9	**34.3**
Net profit after tax	0.9	2.0	1.6	0.9	**0.4**
Dividends	0.2	0.3	0.3	0.3	**0.3**
Total assets	17.4	16.3	15.9	16.3	**13.8**
Shareholder's equity	4.7	6.6	7.8	8.4	**8.5**

Financial Performance
The company returned a modest profit for the year. The high revenues that were generated over the first six months were eroded during the second six months due to the global collapse of recycling commodity prices. The expected dividend was paid and the Company continued to pay down its term debt.

EcoSort
The National Sword Policy was an initiative where China began to strictly enforce restrictions on the importation of recyclable materials. While the EcoSort wasn't previously exporting its recyclable materials to China, the markets that it was selling to were suddenly flooded with an oversupply of available product. The impact on commodity prices was particularly severe for mixed paper which dropped by over 85%. Previously this product had been contributing to over 60% of the Company's recyclable revenue.

In response to the disruption in the global markets for recyclables, EcoCentral has been working with the Christchurch City Council, and its other customers, to renegotiate its contract terms to ensure that the company continues to run a viable business model for recyclable products. The processing revenue from these renegotiations won't be reflected until the new financial year.

EcoDrops
The EcoDrops have continued to operate profitably throughout the year, however they have been impacted by a steady reduction in waste volumes due to a reduction in post earthquake construction work and an increase in competition. EcoCentral recognises the changing waste environment and has implemented initiatives during the year to respond to these changes and to strategically enhance its position in the market.

EcoShop
EcoCentral's retail division, the EcoShop, has returned a pleasing financial result for the year that was ahead of both budget and the previous year. The EcoShop's main function is to support the environment and the community by recovering product for resale and, hence, diverting it from the waste stream. It also aims to recoup its operating costs whilst continuing to support the partnership with Nurse Maude.

Health & Safety
EcoCentral has continued to have a strong focus on health and safety, with a high level of engagement of staff across all areas of the business. The company has maintained its tertiary accreditation with ACC, and accreditation to the gold standard of NZ4801. The culture and willingness of the team to learn and improve has continued to impress. There continues to be a high level of reporting of incidents and risks that allows the company to respond quickly to new trends when they arise.

The Team
The EcoCentral team have once again performed exceptionally well. Their customer focused frontline staff have continued to provide an outstanding friendly service to their customers. The management team's focus in supporting their staff and the business as a whole has been very evident. April 2018 saw the retirement of EcoCentral's CEO Judi Sefton who has worked tirelessly building a strong business over the last six years. While this has created a significant change for the business, Craig Downie (previously Operations Manager) has stepped into the gap to create a seamless transition.

Outlook
With the recent upheaval in global recycling EcoCentral will continue to operate efficiently while increasing its focus on innovation, to close the recycling loop and reduce its reliance on external dependencies. Several initiatives are being developed to enhance the recovery of product and increase waste minimization. Over the next 12 months there will be a continued focus on health and safety and ongoing training. EcoCentral will continue to be involved as a community centric business for the Canterbury community, employing local staff, and recovering and reusing local resources.

Development Christchurch Ltd

Development Christchurch Ltd (DCL)'s objective is to accelerate development activities in Christchurch's built environment to achieve positive social outcomes that lead to a prosperous economy.

100%
owned by Christchurch City Holdings Limited

Development Christchurch Limited (DCL) is an urban development agency that accelerates and unlocks development and investment opportunities that deliver exceptional social, economic and environmental outcomes for Christchurch's communities. In their second year of operations, DCL have consolidated themselves as an effective urban development agency. They have delivered a construction project quickly and within budget and extended their balance sheet by taking ownership of property from Council to add to their shareholding in the Christchurch Adventure Park (CAP).

Creating Change Through Urban Regeneration

Building on the DCL 2017 New Brighton Regeneration Implementation Plan, they have advanced the early stages of revitalising the seaside suburb. The New Brighton Regeneration Project includes the delivery of the Christchurch Hot Pools to complement the completed beachside playground, which was opened in December 2017. DCL's work has also involved working with property owners, businesses and wider community towards a goal of successfully revitalising New Brighton's commercial core, while incorporating improvements to public spaces, transport network changes and opportunities for residential development.

Success will require all the various aspects of the regeneration project, in particular the attraction of private investment to support the revitalisation of the commercial centre. DCL, with the support of the local community, is on track to transform New Brighton into a bustling seaside leisure destination for locals and visitors, which will make a valuable addition to the City. This year has seen confidence build on the back of the new playground opening and on the news that DCL has lodged resource consent for the Christchurch Hot Pools, where it is anticipated construction will get underway in the coming year.

A valuable initiative that was successfully delivered by DCL during the year was its Creating Momentum Regeneration Fund for New Brighton, which was a valuable mechanism to assist community and commercial entities undertake projects that contribute to regeneration.

This year saw the Bishopdale Regeneration Project get underway. A partnership approach to the regeneration of the area, which includes the development of short, medium and long term actions that focus on commercial activities, connectivity, movement, efficient land use and initiatives to create momentum. DCL is working closely with a landowners on the future of currently vacant tenancies, potential expansion of the existing supermarket and the further development of the Mall.

Left page — The New Brighton whale pool and Christchurch Adventure Park

FIVE YEAR SUMMARY	2014 $M	2015 $M	2016 $M	2017 $M	2018 $M
Revenue			0.3	4.3	**9.7**
Net profit after tax			(1.2)	0.2	**(0.3)**
Dividends			-	-	**-**
Total assets			2.7	3.1	**12.7**
Shareholder's equity			2.3	2.4	**11.9**

Unlocking development opportunities for others

An important role undertaken by DCL has been to lead the coordination of inbound investment to the city. A key challenge with this has been pairing investor appetite with easily executable opportunities that result in the sort of investment that Christchurch requires. DCL's role in this area has involved making introductions and 'sign posting' opportunities to investors.

DCL works with other organisations to ensure the city develops a consistent strategy and implementation approach in this area. The heart of its strategy is in articulating a clear vision and narrative for the City. This assists in creating a clear understanding of the sort of investment Christchurch seeks and how they expect to successfully attract it.

A good example of the successful attraction of investment is DCL's work to date with a preferred development partner for the site of the old convention centre (the Peterborough Quarter) and surrounding area. This development area provides an exciting opportunity to develop an exciting new urban form in this central city district, with a number of investors and developers working together, to create a mixed-use development that will contribute strongly to the growth and dynamism of our inner city.

The Christchurch Adventure Park (CAP) was re-opened in December 2017 after the devastating February 2017 Port Hills fires. The second half of the year has seen steady trading of the park, but a particularly wet winter caused challenges to the operation and expansion of riding trails. DCL assisted Council in putting in place a loan facility to provide additional assurance to the CAP during the recovery period.

During the year, DCL developed a toolbox of incentives to drive private sector investment in suburban commercial centres. This was informed by landowner and tenant interviews in three suburban centres; Linwood, Woolston and Lyttelton. Through this work they identified development opportunities in Lyttelton and have acted as the interface between Council and a developer to get a significant mixed use development in the heart of London Street underway. DCL continue to work in Lyttleton on development opportunities and with the Council and potential investors on the future use of the vacant school site.

Increased strategic capacity and capability for the Council

DCL's strong commercial focus and expertise, along with their commitment to quality proactive engagement with their communities and stakeholders, enhances the Council's capacity and capability as they provide professional services as required.

DCL's staff provided strategic advice to the Council on a variety of matters, including the implementation of the Suburban Centre Master Plans, central city car-parking, the Metro Sports Facility and Christchurch Adventure Park. They have also been heavily involved in supporting Council on other internal strategic and commercial issues and providing input into work being undertaken by Regenerate Christchurch as our skills complement their key work streams.

Looking forward

As DCL move into their third year of operation, the organisation will continue to work with the Council towards becoming financially self-sustaining through capitalisation of property where appropriate, whilst recycling capital where they can to accelerate urban development projects. DCL's work in New Brighton, Peterborough Quarter, and their early re-imagining of the Milton Street site present exciting opportunities for the City, and it is important for the City's future that they deliver their ambition for them.

Directors' Responsibilty Statement

Financial Statements
for the year ended 30 June 2018

These financial statements are for Christchurch City Holdings Group (Group), a group comprising Christchurch City Holdings Ltd and the entities over which it has control or joint control.

Christchurch City Holdings Ltd is registered in New Zealand under the Companies Act 1993.

The directors are responsible for ensuring that the Group financial statements present fairly in all material respects:

- the financial position as at 30 June 2018, and
- the financial performance and cash flows for the year ended 30 June 2018, and
- the statement of performance for the year ended 30 June 2018

The directors consider that the financial statements of the Group have been prepared using appropriate accounting policies, consistently applied and supported by reasonable judgments and estimates, and Comply with New Zealand equivalents to International Financial Reporting Standards (NZIFRS) and IFRS as appropriate for profit-oriented entities.

The directors consider that proper accounting records have been kept, which enable, with reasonable accuracy, the determination of the financial position of the Group.

The directors have pleasure in presenting the financial statements of the Group, set out on pages 38 to 82, of Christchurch City Holdings Limited for the year ended 30 June 2018.

The Board of Directors of Christchurch City Holdings Limited authorises these financial statements for issue on 12 September 2018.

For and on behalf of the Board

Jeremy Smith
Chair
Christchurch
12 September 2018

Alex Skinner
Director
Christchurch
12 September 2018

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

Statement of financial position

As at 30 June 2018

	NOTE	GROUP 2018 $'000	GROUP 2017 $'000	GROUP ADJUSTED 1/07/2016 $'000
Non-current assets				
Investments in entities using the equity method		639	153	347
Property, plant and equipment	4	3,285,126	2,892,317	2,717,620
Investment property	5	428,848	370,523	303,692
Loans and other financial assets	10(b)	25,411	28,040	29,091
Intangible assets	13,26	37,015	29,072	26,009
Inventory	11(d)	28,787	22,220	-
Debtors	11(a)	6,923	6,466	7,465
Total non-current assets		**3,812,749**	**3,348,791**	**3,084,224**
Current assets				
Cash and cash equivalents	12	11,590	14,740	1,851
Debtors	11(a)	113,612	104,713	119,549
Inventory	11(d)	18,102	18,313	29,897
Non-current assets held for sale		314	1,617	-
Loans and other financial assets	10(a)	63,636	117,218	155,509
Total current assets		**207,254**	**256,601**	**306,806**
Total assets		**4,020,003**	**3,605,392**	**3,391,030**
Non-current liabilities				
Borrowings	6	1,341,671	1,145,598	978,772
Net deferred tax liabilities	9(d)	347,351	309,692	302,874
Provisions and other liabilities	15	30,222	32,206	57,299
Total non-current liabilities		**1,719,244**	**1,487,496**	**1,338,945**
Current liabilities				
Borrowings	6	232,123	161,906	133,977
Creditors and other liabilities	14	109,990	106,038	88,036
Provisions and other liabilities	15	46,845	42,725	37,684
Current tax liabilities		1,744	4,741	6,507
Total current liabilities		**390,702**	**315,410**	**266,204**
Total liabilities		**2,109,946**	**1,802,906**	**1,605,149**
Net assets		**1,910,057**	**1,802,486**	**1,785,881**
Equity				
Capital and other equity instruments	20	81,784	71,435	71,435
Reserves		590,350	456,714	431,928
Retained earnings		913,530	998,968	1,017,515
Parent entity interests		**1,585,664**	**1,527,117**	**1,520,878**
Non-controlling interests	3	324,393	275,369	265,003
Total equity		**1,910,057**	**1,802,486**	**1,785,881**

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

Statement of comprehensive income

For the year ended 30 June 2018

	NOTE	GROUP 2018 $'000	GROUP 2017 $'000
Operating revenue	7(a)	1,043,351	996,914
Other income including revaluations of investment property	7(b)	56,958	40,946
Total revenue and gains		**1,100,309**	**1,037,860**
Operating expenses	8	726,336	700,006
Share of (losses)/profits of associates and joint ventures		610	(194)
Earnings before interest, tax, depreciation and amortisation		**374,583**	**337,660**
Depreciation	4	122,292	118,358
Impairment	4, 13	13,502	10,069
Amortisation	13	3,534	3,280
		139,328	**131,707**
Earnings before interest and tax		**235,255**	**205,953**
Finance income		7,150	6,556
Finance costs		62,832	55,628
		55,682	**49,072**
Net profit before tax		**179,573**	**156,881**
Income tax expense/(credit)	9	43,835	40,490
Net profit after tax		**135,738**	**116,391**
Other comprehensive income			
Items that will not be recycled to profit or loss:			
Revaluation of assets		203,534	14,720
Income tax effect		(30,947)	(2,486)
Revaluation of assets, net of income tax effect		**172,587**	**12,234**
Items that may be recycled to profit or loss in future:			
Cash flow hedges		(2,478)	23,007
Income tax effect		410	(7,204)
Cash flow hedges, net of income tax effect		**(2,068)**	**15,803**
Other comprehensive income for the year, net of tax		**170,519**	**28,037**
Total comprehensive income for the year, net of tax		**306,257**	**144,428**
Profit for the year attributable to:			
Owners of the parent		107,725	94,608
Non-controlling interests	3	28,013	21,783
		135,738	**116,391**
Total comprehensive income attributable to:			
Owners of the parent		241,519	119,924
Non-controlling interests	3	64,738	24,504
		306,257	**144,428**

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

Statement of changes in equity

For the year ended 30 June 2018

	Note	SHARE CAPITAL $'000	ASSET REVALUATION RESERVE $'000	HEDGING RESERVE $'000	RETAINED EARNINGS $'000	ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT $'000	NON-CONTROLLING INTERESTS $'000	Total $'000
	Note	**20**	**21**	**21**			**3**	
Balance as at 1 July 2016		71,435	463,011	(31,083)	1,045,004	**1,548,367**	265,003	**1,813,370**
Prior period adjustment	26	-	-	-	(27,489)	**(27,489)**	-	**(27,489)**
Opening balance restated for prior period adjustment	**26**	**71,435**	**463,011**	**(31,083)**	**1,017,515**	**1,520,878**	**265,003**	**1,785,881**
Profit for the year		-	-	-	94,608	**94,608**	21,783	116,391
Other comprehensive income for year:								
Revaluation of assets		-	13,671	-	-	**13,671**	1,049	**14,720**
Revaluation of derivative financial instruments		-	-	20,337	-	**20,337**	2,670	**23,007**
Tax associated with revaluation movements		-	(2,192)	(6,456)	(44)	**(8,692)**	(998)	**(9,690)**
Other comprehensive income for year		-	11,479	13,881	(44)	25,316	2,721	28,037
Total comprehensive income		-	11,479	13,881	94,564	119,924	24,504	144,428
Transfer on disposal of revalued assets		-	(573)	-	573	-	-	-
Dividends paid or provided for	20	-	-	-	(113,682)	**(113,682)**	(14,138)	**(127,820)**
Adjustment for share acquisitions		-	-	-	-	-	-	**-**
Other				(1)	(2)	**(3)**	-	**(3)**
Balance as at 30 June 2017		**71,435**	**473,917**	**(17,203)**	**998,968**	**1,527,117**	**275,369**	**1,802,486**
Profit for the year		-	-	-	107,725	**107,725**	28,013	**135,738**
Other comprehensive income for year:								
Revaluation of assets		-	161,280	-	-	**161,280**	42,254	**203,534**
Revaluation of derivative financial instruments		-	-	(2,110)	-	**(2,110)**	(368)	**(2,478)**
Tax associated with revaluation movements		-	(25,564)	250	(62)	**(25,376)**	(5,161)	**(30,537)**
Other comprehensive income for year		-	135,716	(1,860)	(62)	133,794	36,725	170,519
Total comprehensive income		-	135,716	(1,860)	107,663	**241,519**	64,738	**306,257**
Transfer on disposal of revalued assets		-	(220)	-	220	-	-	**-**
Dividends paid or provided for	20	-	-	-	(192,694)	**(192,694)**	(15,714)	**(208,408)**
Issue of shares		10,349	-	-	-	**10,349**	-	**10,349**
Other		-	-	-	(627)	**(627)**	-	**(627)**
Balance as at 30 June 2018		**81,784**	**609,413**	**(19,063)**	**913,530**	**1,585,664**	**324,393**	**1,910,057**

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

Statement of cash flows

For the year ended 30 June 2018

	NOTE	GROUP 2018 $'000	GROUP 2017 $'000
Cash flows from operating activities			
Receipts from customers and other sources		1,041,262	1,005,209
Interest received		8,141	3,393
Payments to suppliers and employees		(730,066)	(686,359)
Interest and other finance costs paid		(63,988)	(47,958)
Income tax paid		(30,653)	(37,082)
Subvention payments		(8,986)	(7,997)
Net cash provided by/(used in) operating activities	**23**	**215,710**	**229,206**
Cash flows from investing activities			
Proceeds from investment in subsidiaries/associates		-	495
Advances made to external parties		(530)	(589)
Payment for property, plant and equipment		(326,273)	(285,750)
Proceeds from sale of property, plant and equipment		3,946	1,880
Payment for intangible assets		(14,038)	(7,063)
Payment for investment properties		(4,624)	(30,905)
Proceeds from sale of investment properties		-	2,500
Payment for investment into bank deposits		(169,500)	(102,530)
Proceeds from bank deposits maturing		223,500	138,023
Net cash (used in)/provided by investing activities		**(287,519)**	**(283,939)**
Cash flows from financing activities			
Proceeds from borrowing		441,315	357,921
Repayment of borrowings		(173,590)	(161,292)
Repayment of finance leases		(1,007)	(1,187)
Proceeds from issue of shares	20	10,349	-
Dividends paid	20	(192,694)	(113,682)
Dividends paid - non-controlling interests		(15,714)	(14,138)
Net cash provided by/(used in) financing activities		**68,659**	**67,622**
Net (decrease)/increase in cash and cash equivalents		**(3,150)**	**12,889**
Cash and cash equivalents at beginning of year		14,740	1,851
Cash and cash equivalents at end of year	**12**	**11,590**	**14,740**

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

Notes to the financial statements

For the year ended 30 June 2018

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. CCHL is a registered company under the Companies Act 1993 incorporated on 12 May 1993, and commenced operations on 14 May 1993.

CCHL is an issuer for the purposes of the Financial Markets Conduct Act 2013 as its issued debt securities are listed on the New Zealand Debt Exchange (NZDX).

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

The financial statements of CCHL are for the year ended 30 June 2018. The financial statements were authorised for issue by the CCHL Board of Directors on 12 September 2018. The Board of Directors has the power to amend the financial statements after issue.

Basis of preparation

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP), comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS), other New Zealand accounting standards and with International Financial Reporting Standards (IFRS). For the purposes of complying with NZ GAAP the entity is a Tier 1 for-profit entity, and is reporting in accordance with Tier 1 for-profit accounting standards.

The financial statements have been prepared in accordance with the requirements of Part 7 of the Financial Markets Conduct Act 2013.

The accounting policies set out in these financial statements have been applied consistently to all periods presented in these financial statements.

The financial statements, in New Zealand dollars, are prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments.

The financial statements are prepared exclusive of GST with the exception of receivables and payables that are shown inclusive of GST. Where GST is not recoverable as an input tax it is recognised as part of the related asset or expense.

GROUP OWNERSHIP		SHAREHOLDERS			BALANCE DATE
Parent	**Business**				
Christchurch City Holdings Ltd	Holding Company	100%	Christchurch City Council		30 June
Subsidaries		**CCHL %**	**NCI Holder**	**NCI %**	
Orion New Zealand Ltd	Electricity network	89.275%	Selwyn District Council	10.725%	31 March
Christchurch International Airport Ltd	Airport	75.0%	Minister of Finance	12.5%	30 June
			Minister for State-Owned Enterprises	12.5%	
Lyttelton Port Company Ltd	Port	100%			30 June
Enable Services Ltd	Broadband network	100%			30 June
City Care Ltd	Contracting	100%			30 June
Red Bus Ltd	Passenger transport	100%			30 June
EcoCentral Ltd	Waste recycling	100%			30 June
Development Christchurch Ltd	Urban Development Agency	100%			30 June

Section 461(3) of the Financial Markets Conduct Act requires the reporting entity and all its subsidiaries to have the same balance date. As noted below, Orion New Zealand Ltd (Orion) and its subsidiary has a 31 March balance date. CCHL applied for and has received an exemption from this obligation from the Financial Markets Authority until 27 August 2023.

Accounting policy

Subsidiaries

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The financial statements of the subsidiaries (other than Orion New Zealand Ltd - see below) are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all inter-company balances and transactions, income and expenses and profit and losses resulting from intra-group transactions are eliminated in full.

Orion has a balance date of 31 March. When the balance dates between a subsidiary and group differ, NZ IFRS 10 require the subsidiary to prepare financial statements as at the group's balance date for consolidation, unless this is impracticable to do so. Orion is subject to distinct legislative and regulatory regimes governing electricity distribution businesses (EDBs).

Under the electricity industry regime, EDB's must demonstrate compliance with price-quality path requirements, and make extensive audited financial information disclosures assessed against a 12 month period ending on 31 March each year. It would be unduly burdensome, highly inefficient and therefore impractical for Orion and its subsidiaries to duplicate accounting and audit practices and resource to run two different balance dates for its financial and regulatory reporting. Consequently Orion's twelve month results to 31 March are consolidated into the Group's financial statements to 30 June, as they are within three months of the Group balance date. Adjustments are made to the 31 March information for effects of significant transactions or events that occur between 31 March and 30 June each year.

Subsidiaries are fully consolidated from the date on which control is transferred to CCHL and cease to be consolidated from the date control ceases. The purchase method of accounting is used to account for the consolidation of subsidiaries.

1. Significant changes in the period

Capital release programme

CCHL continues to work with its 100% shareholder Christchurch City Council, as it completes its capital works programme. During FY18, a $140m special dividend was paid as part of CCHL's commitment to support the capital release programme. The remaining capital release requirements from CCHL are $140m over the FY19 period.

2. Segment reporting

The reportable segments of the CCHL Group have been identified in accordance with NZ IFRS 8 'operating segments'. The Group's operating segments are identified on the basis of the nine significantly different businesses whose individual operating results are received on a quarterly basis by the Group chief operating decision maker (CCHL Board) to assess and monitor performance.

The nine reportable segments are as follows:

i) Orion New Zealand Ltd (Orion) – owns and operates the electricity distribution network in Christchurch and central Canterbury.

ii) Christchurch International Airport Ltd (CIAL) – operates predominantly in the business of providing airport facilities and services to airline and airport users at Christchurch International Airport.

iii) Lyttelton Port Company Ltd (LPC) – primarily involved in providing and managing port services and cargo handling facilities over three sites in the Canterbury region.

iv) Enable Services Ltd (ESL)–owns and operates the ultra-fast broadband fibre network across greater Christchurch and parts of Waimakariri and Selwyn Districts.

v) City Care Ltd (Citycare) – provides construction, maintenance and management services in the infrastructure sector throughout New Zealand.

vi) Red Bus Ltd (Red Bus) – provides transport services in the urban bus and tourism sector primarily in the Canterbury region.

vii) EcoCentral Ltd (EcoCentral) – manages the processing of refuse and sorting of recycling throughout Canterbury.

viii) Development Christchurch Ltd (DCL) – provides commercial and strategic support to Christchurch City Council to enable investment, development and regeneration activities for Christchurch City.

ix) Christchurch City Holdings Ltd (Parent) – does not trade in its own right, its primary assets are its investments in and advances to its operating subsidiaries.

The group has no significant reliance on any one customer. All group assets are domiciled and operated in New Zealand. The Group's revenue from external customers by geographical location are not allocated to operating segments as they are not reported at group level.

Segment reporting explanation:

1. Revenue from external customers reflects the revenue of each separate segment excluding revenue earned from other group entities.
2. Segment profit/(loss) represents the actual profit/(loss) of each segment.
3. The Parent total non-current assets and total assets includes the investment held in subsidiaries which have been measured at fair value as at 30 June 2018 per independent valuations completed by PricewaterhouseCoopers. Investments and advances to subsidiaries have been eliminated on consolidation and recognised in the 'other' column.
4. Capital expenditure and investments in the Parent total relates to equity investments made in subsidiaries during the period, which is then eliminated for the group total.
5. Intra-group transactions between segments have been eliminated on consolidation and recognised in the 'other' column.

2. (a) For the year ended 30 June 2018

For the year ended 30 June 2018	PARENT $'000	ORION $'000	CIAL $'000	LPC $'000	ESL $'000	CITYCARE $'000	RED BUS $'000	ECOCENTRAL $'000	DCL $'000	OTHER $'000	TOTAL $'000
Segment revenue	88,653	321,883	182,630	122,101	48,474	312,539	21,052	34,315	9,746	(98,042)	1,043,351
Inter-segment revenue	(88,653)	(3,634)	(53)	(6)	(2)	(5,164)	(1)	(529)	-	98,042	0
Revenue from external customers	-	318,249	182,577	122,095	48,472	307,375	21,051	33,786	9,746	-	1,043,351
Share of earnings of associate companies	-	-	-	-	-	(14)	-	-	624	-	610
Interest income	15,189	122	246	4,286	201	14	6	70	65	(13,049)	7,150
Interest expense	(28,385)	(10,442)	(23,442)	(122)	(13,064)	(365)	(2)	(59)	-	13,049	(62,832)
Depreciation and amortisation	(135)	(55,500)	(35,128)	(13,030)	(18,489)	(9,942)	(2,724)	(1,843)	(47)	(2,490)	(139,328)
Net realisations, revaluations and (impairments)	1,337	308	53,742	72	-	1,386	26	87	-	-	56,958
Taxation expense	-	(20,734)	(22,111)	(5,909)	1,623	148	(82)	(136)	(437)	3,803	(43,835)
Segment profit/(loss)	72,857	53,300	88,737	12,216	(3,782)	(445)	117	381	(303)	(87,340)	135,738
Investments in associates(accounted for by equity method)	-	-	-	-	-	139	-	-	500	-	639
Total non-current assets (excluding derivatives and deferred tax)	2,977,486	1,155,660	1,597,884	407,690	511,702	51,894	39,640	9,512	11,015	(2,950,285)	3,812,198
Total assets	2,986,939	1,183,438	1,620,942	515,756	523,986	114,689	43,602	14,069	12,683	(2,996,101)	4,020,003
Total liabilities	887,750	512,397	597,664	33,496	311,034	59,632	5,533	5,610	827	(303,997)	2,109,946
Additions to non-current assets	63,347	80,589	84,935	72,400	84,088	11,055	768	1,614	10,349	(64,210)	344,935

2. (b) For the year ended 30 June 2017

For the year ended 30 June 2017	PARENT $'000	ORION $'000	CIAL $'000	LPC $'000	ESL $'000	CITYCARE $'000	RED BUS $'000	ECOCENTRAL $'000	DCL $'000	OTHER $'000	TOTAL $'000
Segment revenue	85,460	309,123	177,199	114,424	36,272	303,547	20,568	37,879	4,317	(91,875)	996,914
Inter-segment revenue	(85,460)	(2,297)	(12)	(13)	(5)	(3,572)	-	(495)	-	91,854	0
Revenue from external customers	-	306,826	177,187	114,411	36,267	299,975	20,568	37,384	4,317	(21)	996,914
Share of earnings of associate companies	-	-	-	-	-	(194)	-	-	-	-	(194)
Interest income	13,161	53	272	5,195	181	53	28	46	22	(12,455)	6,556
Interest expense	(23,821)	(10,660)	(21,412)	(25)	(11,987)	(84)	(15)	(79)	-	12,455	(55,628)
Depreciation and amortisation	(16)	(54,220)	(36,525)	(13,552)	(14,223)	(9,367)	(2,480)	(2,758)	(31)	1,465	(131,707)
Net realisations, revaluations and (impairments)	-	2,688	35,930	303		1,896	119	10	-	-	40,946
Taxation expense	-	(19,412)	(21,113)	(4,640)	3,221	(1,399)	(96)	(724)	(66)	3,739	(40,490)
Segment profit/(loss)	71,010	51,770	64,590	14,447	(8,519)	3,539	207	902	166	(81,721)	116,391
Investments in associates(accounted for by equity method)	-	-	-	-	-	153	-	-	-		153
Total non-current assets (excluding derivatives and deferred tax)	2,870,636	1,132,901	1,328,883	347,399	405,018	49,818	41,688	9,869	2,214	(2,841,626)	3,346,800
Total assets	2,877,489	1,160,150	1,352,023	506,404	425,314	104,758	43,702	16,626	3,097	(2,884,171)	3,605,392
Total liabilities	699,408	487,409	525,123	27,976	286,427	48,456	5,749	8,212	660	(286,514)	1,802,906
Additions to non-current assets	46,613	70,160	85,655	55,398	94,346	10,338	6,754	818	243	(46,607)	323,718

Accounting policy

Segment Reporting

CCHL applies NZ IFRS 8 to its consolidated financial statements as it has a debt instrument traded in a public market. NZ IFRS 8's core principle is for an entity to disclose information to enable users to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates.

The Group's operating segments are identified on the basis of the nine significantly different businesses whose individual operating results are received on a quarterly basis by the Group chief operating decision maker (CCHL Board) to assess and monitor performance.

3. Non-controlling interests in subsidiary companies

Set out below is summarised financial information for each subsidiary that has non-controlling interests. At 30 June 2018, Orion New Zealand Ltd ('Orion') and Christchurch International Airport Ltd ('CIAL') were the only subsidiaries not 100%-owned by CCHL.

	30 JUNE 2018				30 JUNE 2017			
	ORION $'000	CIAL $'000	CONSOL ADJ'S $'000	TOTAL $'000	ORION $'000	CIAL $'000	CONSOL ADJ'S $'000	TOTAL $'000
Non-controlling interest (NCI)	10.7%	25.0%			10.7%	25.0%		
Revenue	322,191	236,372			311,811	213,129		
Net profit after tax	53,300	88,737			51,770	64,590		
Other comprehensive income (OCI)	-	146,901			15,831	4,094		
Total comprehensive income	53,300	235,638			67,601	68,684		
Profit allocated to NCI	**5,716**	**22,184**	**113**	**28,013**	**5,552**	**16,148**	**83**	**21,783**
OCI allocated to NCI	**-**	**36,725**	**1**	**36,725**	**1,698**	**1,024**	**0**	**2,721**
Current assets	24,383	16,419			23,202	18,165		
Non-current assets	1,159,055	1,604,523			1,136,948	1,333,858		
Current liabilities	98,162	28,583			81,396	53,347		
Non-current liabilities	414,235	569,081			406,013	471,776		
Net assets	**671,041**	**1,023,278**			**672,741**	**826,900**		
Carrying amount of NCI	**71,969**	**255,820**	**(3,396)**	**324,393**	**72,151**	**206,725**	**(3,507)**	**275,369**
Operating cash flows	109,239	80,975			100,415	75,014		
Investing cash flows	(78,628)	(83,827)			(66,680)	(85,552)		
Financing cash flows*	(29,307)	1,740			(33,537)	13,043		
	1,304	(1,112)			198	2,505		
* Includes dividends paid to NCI	(5,899)	(9,815)			(5,899)	(8,239)		

Accounting policy

Non-controlling interests

Non-controlling interests are allocated their share of net profit after tax in the statement of comprehensive income and are presented within equity in the consolidated balance sheet, separately from the equity of the owners of the parent.

Key Assets and Liabilities

4. Property, plant & equipment

Gross carrying amount	FREEHOLD LAND $'000	BUILDINGS $'000	PLANT & EQUIPMENT $'000	ELECTRICITY DISTRIBUTION SYSTEM $'000	AIRPORT INFRASTRUCTURE ASSETS $'000	HARBOUR STRUCTURES $'000	OPTICAL FIBRE NETWORK $'000	WORK IN PROGRESS $'000	TOTAL $'000
Cost/valuation at 1 July 2016	457,996	418,349	353,547	1,058,833	301,515	267,278	299,869	77,628	3,235,015
Additions	234	7,474	48,870	41,639	-	12,251	92,423	92,774	295,665
Additions through business combinations	-	-	2,083	-	-	-	-	-	2,083
Disposals	(33)	(495)	(13,724)	(2,309)	-	-	(1)	-	(16,562)
Re-classified as held for sale	(1,010)	-	(2,125)	-	-	-	-	-	(3,135)
Net movements in work in progress	-	-	(415)	-	-	-	-	23,676	23,261
Net revaluation increments/ (decrements)	10,585	(1,557)	-	(117,416)	(5,240)	-	-	-	(113,628)
Transfers	72	8,988	5,004	(47)	21,233	-	-	(63,366)	(28,116)
Cost/valuation at 30 June 2017	**467,844**	**432,759**	**393,240**	**980,700**	**317,508**	**279,529**	**392,291**	**130,712**	**3,394,583**
Additions	10,710	36,357	33,529	63,289	-	35,009	80,657	53,069	312,620
Additions through business combinations	-	-	-	-	-	-	-	-	-
Disposals	(43)	(161)	(15,918)	(2,386)	-	(809)	(1)	-	(19,318)
Re-classified as held for sale	-	-	(3,008)	-	-	-	-	-	(3,008)
Net movements in work in progress	-	-	-	-	-	-	-	(11,634)	(11,634)
Net revaluation increments/ (decrements)	88,929	(42,276)	-	-	19,489	-	3,907	-	70,049
Transfers	26,147	3,165	1,086	-	16,868	8,619	-	(30,398)	25,487
Cost/valuation at 30 June 2018	**593,587**	**429,844**	**408,929**	**1,041,603**	**353,865**	**322,348**	**476,854**	**141,749**	**3,768,779**
Accumulated depreciation and impairment									
Accumulated balance at 1 July 2016	(11,176)	(59,825)	(244,784)	(78,317)	-	(123,144)	(149)	-	(517,395)
Disposals	-	487	12,862	291	-	-	-	-	13,640
Re-classified as held for sale	-	1,725	-	125,097	1,527	-	-	-	128,349
Revaluation adjustments	-	-	1,518	-	-	-	-	-	1,518
Impairment losses	-	-	-	(9,035)	-	-	-	-	(9,035)
Depreciation expense	-	(23,609)	(27,705)	(38,053)	(10,273)	(5,014)	(13,704)	-	(118,358)
Transfers and other	-	(140)	(861)	16	-	-	-	-	(985)
Accumulated balance at 30 June 2017	**(11,176)**	**(81,362)**	**(258,970)**	**(1)**	**(8,746)**	**(128,158)**	**(13,853)**	**-**	**(502,266)**
Disposals	-	106	14,845	1,130	-	433	-	-	16,514
Revaluation adjustments	-	83,786	-	-	19,087	-	30,612	-	133,485
Re-classified as held for sale	-	-	2,707	-	-	-	-	-	2,707
Impairment losses	(3)	(30)	(130)	(10,849)	-	-	-	-	(11,012)
Depreciation expense	-	(23,911)	(26,032)	(38,845)	(10,307)	(5,592)	(17,605)	-	(122,292)
Transfers and other	-	(148)	1,548	-	(34)	(2,155)	-	-	(789)
Accumulated balance at 30 June 2018	**(11,179)**	**(21,559)**	**(266,032)**	**(48,565)**	**-**	**(135,472)**	**(846)**	**-**	**(483,653)**
Carrying amount at 30 June 2017	456,668	351,397	134,270	980,699	308,762	151,371	378,438	130,712	2,892,317
Carrying amount at 30 June 2018	**582,408**	**408,285**	**142,897**	**993,038**	**353,865**	**186,876**	**476,008**	**141,749**	**3,285,126**

Carrying amount significantly attributable to:	% OF GROUP	2018 $'000	2017 $'000
Orion New Zealand Ltd	35%	1,151,685	1,130,052
Christchurch International Airport Ltd	35%	1,158,952	948,707
Lyttelton Port Ltd	12%	391,090	336,347
Enable Services Ltd	15%	476,008	378,438
Other subsidiaries	3%	107,391	98,773
Total		**3,285,126**	**2,892,317**
% of Group Total		100%	100%

For assets that are revalued If these revalued assets had been measured using the cost model, the net carrying amount would be:	2018 $'000	2017 $'000
Freehold land	184,527	184,177
Buildings	220,531	221,314
Plant & Equipment	17,859	16,731
Electricity distribution system	949,738	928,351
Airport infrastructure assets	170,819	168,654
Optical fibre network	440,482	377,517
Total	1,983,956	1,896,744

Change to Asset Classes

In previous years we have reported Airport sealed surfaces, car parking building, car parks, harbour structures and the fibre network together as a specialised asset class. This year we have separated the 'specialised asset class' into three distinct asset classes as it was considered the nature and use of these assets are sufficiently different.

- Airport infrastructure assets – including airport sealed surfaces, car parking building, car parks and other infrastructure assets.
- Harbour Structures – Lyttelton Port specialised assets
- Optical Fibre network – Enable specialised assets

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

Financials

Orion New Zealand Ltd

Electricity distribution network

The electricity distribution network, including substation buildings, ('the network') was revalued to fair value of $980.7m as at 31 March 2017, by independent valuer Ernst & Young Transaction Advisory Services Limited (EY), in accordance with NZ IAS 16 – Property, Plant and Equipment, NZ IAS 36 – Impairment of Assets, and NZ IFRS 13 – Fair Value Measurement. EY has significant experience in undertaking valuations of unlisted entities and assets for unit pricing, accounting and commercial purposes.

Including capital work in progress, EY's valuation resulted in a total network valuation of $1,028m.

In the absence of an active market for the network, EY calculated fair value using significant unobservable inputs (level 3, as defined in NZ IFRS 13). EY used a discounted cash flow (DCF) methodology. EY based its cash flow forecasts on the company's cash flow forecasts and adjusted those forecasts to remove the impacts of expansionary growth on forecast future revenues, operating expenditure and capital expenditure.

EY's key valuation assumptions were that:

- network revenues will be consistent with the company's customised price-quality path (CPP) limit for the two years ending 31 March 2019
- for the year ended 31 March 2020, the company's price limit will be reset at the previous year's limit, minus claw-back, plus CPI
- for the five years ended 31 March 2025, the company's price limit will be reset to achieve returns of regulatory WACC on regulatory investment value
- non-expansionary 'infill' growth will be 0.1% per annum
- the appropriate DCF discount rate is 5.5% post-tax.

EY performed sensitivity analysis as follows:

- a capital expenditure increase/(decrease) of 5% would decrease/(increase) fair value by $33m/($39m)
- a discount rate increase/(decrease) of 0.3% would decrease/(increase) fair value by $55m/($62m)
- an increase/(decrease) in gross margin of 2.5% would increase/(decrease) fair value by $59m/($66m).

Orion considered that there were no indicators that the network carrying value as at 31 March 2018 was materially different from fair value as at that date.

In the year ended 31 March 2018, Orion impaired the carrying value of its electricity distribution network and substation buildings on the basis that capital contributions reduce the value of the company's regulatory asset base, and this in turn reduces the company's future revenues from future regulatory price resets. The company has recognised:

- $10.9m (2017: $9.9m) of capital contribution revenue during the year
- $10.9m (2017: $9.9m) of associated impairment expense during the year.

Land and non-substation buildings

Orion's land and non-substation buildings were revalued to fair value as at 31 March 2017, by Marius Ogg an independent valuer, in accordance with NZ IAS 16 – Property, Plant and Equipment, NZ IAS 36 – Impairment of Assets, and NZ IFRS 13 – Fair Value Measurement. Mr Ogg is a registered valuer and at the time was a director of CBRE Limited. Mr Ogg used significant observable inputs (level 2, as defined in NZ IFRS 13) and significant unobservable inputs (level 3, as defined in NZ IFRS 13).

Mr Ogg's valuations resulted in a total land and non-substation buildings valuation of $86m.

Mr Ogg:

- selected a representative sample of the company's substation sites and valued land at those sites using sales comparisons and unit metre frontage methodologies (level 2). Mr Ogg compared his values with their respective rateable values. He used these comparisons to develop standard site multipliers, which he applied to rateable land values for approximately 2,300 substation sites
- valued the company's head office land and building using a market rental assessment and a capitalisation rate of 7.5% (level 3)
- valued the company's Waterloo Road depot site using a sales comparison method, and the buildings under construction using a depreciated cost method (level 2).

Orion considered that there were no indicators that the company's carrying values for land and non-substation buildings were materially different to fair value as at that date.

Fair values for approximately 23% of the company's land and non-substation buildings (by value) were calculated using significant unobservable inputs (level 3, as defined in NZ IFRS 13).

Restrictions over title

There are no restrictions over the title of Orion's property, plant and equipment, nor is any property, plant and equipment pledged as security for liabilities.

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

Christchurch International Airport Ltd

The company's land, buildings, terminal facilities, car parking assets, and sealed surface and infrastructure assets are recorded at fair value and, in the absence of significant observable inputs, are classified as Level 3 within the fair value hierarchy as defined by NZ IFRS 13 – Fair Value Measurement. The methods of valuation applied by independent valuers are as follows:

Land

- Specialised assets: where there is no market based evidence of the sale of such land the value has been determined taking into account:
  - its existing zoning and use as an airport
  - benchmark selling prices for land in the local commercial, industrial, service, residential and rural markets
  - adjustments to reflect the unique features of the land which includes its size, location, titles, easements and services
  - the overall land use plan for Christchurch Airport.
- Commercial portfolio: with valuations taking reference to the wider market for sales evidence of land zoned for similar permitted activities, with adjustments made for the size, location and physical characteristics of these assets.

Buildings

At market value based on the estimated amount for which a property would exchange on the date of valuation between a willing buyer and willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgably, prudently, and without compulsion, but with the explicit assumption that the existing use of the asset is ignored.

Where a building is a specialised asset then it is valued at optimised depreciated replacement cost (ODRC). ODRC measures the minimum cost of replacing or replicating the service potential embodied in the assets with modern equivalent assets in the most efficient way practicable, given the service requirements, the age and condition of the existing assets and replacement in the normal course of business.

Terminal facilities

Terminal facilities are a specialised asset and are valued at optimised depreciated replacement cost.

Car parking assets

Car parking assets are valued using a discounted cash flow valuation approach, using a forecast ten year discount period and an allowance for an appropriate terminal value reflecting an estimate of their residual estimated life. The approach to the allocation of the car park valuation is to assess the ODRC based valuation of the car parking assets, and then apportion the additional value over and above this to the underlying land value.

Sealed surfaces and infrastructure assets

The ODRC approach is utilised to value sealed surfaces and infrastructure assets. The optimisation process minimises the cost of replacing the services offered, given the age and condition of the existing assets and recognising the incremental process (brownfield) associated with airport development. Costs reflect the replacement of current assets with modern equivalents, an optimised construction sequence and adjustment to allow for the difficulties associated with a "brownfield" environment. Adjustments have been made to eliminate surplus assets, obsolescence and over design. The valuation methodology considers the asset inventory (description and quantity of assets), relevant optimisation, estimation of the current replacement cost and depreciation to reflect remaining life expectancy.

Revaluation

On 30 June 2018 land, investment properties and car parking assets were revalued by independent valuers Crighton Anderson Property and Infrastructure Ltd trading as Colliers International Ltd. Sealed surfaces, infrastructure assets, terminal assets and specialised buildings were valued by independent valuers Opus International Limited as at 30 June 2018.

The result of the revaluations at 30 June were:

CIAL asset revaluation	2018 $'000	2017 $'000
Land	88,929	-
Buildings	2,657	-
Terminal	38,854	-
Sealed Surfaces	18,848	-
Infrastructure	739	-
Car parking	18,990	(3,714)
	169,015	**(3,714)**

The valuation methodologies used in the revaluation as at 30 June 2018 were consistent with those used in the last valuation.

Fair value hierarchy

Asset classification and description	Valuation approach	Key valuation assumptions	Fair value hierarchy level	Valuation sensitivity
Land Includes land used for airport activities and specialised aeronautical assets and for non-aeronautical purposes e.g. industrial, service, retail and land associated with the vehicle business.	Market value highest and best use approach, with an allowance being deducted to allow for services valued as infrastructure assets. Land included in car parking and Investment property categories are not included in this category.	Adopted rate per hectare of $600,000.	3	+/-$19 million (of a 5% change in adopted rate).
Infrastructure and Sealed Surfaces Infrastructure and sealed surfaces including site services.	Optimised depreciated replacement cost - the cost of constructing equivalent asset at current market based input cost rates, adjusted for the remaining useful life of the assets (depreciation) and the sub optimal usage of the assets in their current application (optimisation). These inputs are deemed unobservable.	*Sealed Surfaces* Unit costs of combined concrete and asphalt pavement construction sqm: Range of $133 – $271 with weighted average of $155 *Infrastructure* Unit costs of road and footpaths construction sqm: Range of $7 – $88 with weighted average of $39 Unit costs of water and drainage construction m: Range of $195 – $1,196 with weighted average of $516	3	+/- $11.5 million (of a 5% change of cost estimate).
Buildings Buildings for identified airport activities, including office space and storage that exist because of the airport activities.	Specialised buildings are valued by Optimised depreciated replacement cost derived from modern equivalent asset rate, as described for Infrastructure and Sealed Surfaces above. Buildings that are owned by CIAL that could be leased by a third party are valued on an income valuation approach similar to that used for Investment Properties.	Unit costs of construction sqm: Range of $483 – $3,037 with weighted average of $912	3	+/- $1.35 million (of a 5% change of cost estimate).
Terminal	Optimised depreciated replacement cost derived from modern equivalent asset rate, as described for Infrastructure and Sealed Surfaces above.	Unit costs of construction sqm: Range of $2,906 – $5,412 with weighted average of $4,111	3	+/- $15.96 million (of a 5% change of cost estimate).
Carparking Assets associated with car parking, taxi, shuttle and bus services (Including land).	Discounted cash flow valuation performed by independent valuers based on: • Internal management information such as forecast future revenues, costs and capital expenditure. • Assumptions such as the discount rate. These are based on management's judgement and arrived at in consultation with external experts. Both the internal management information and the discount rate are deemed to be unobservable inputs.	Revenue Growth per annum 0.5% and 1% for the 10 year cashflow period from year 11. Cost growth per annum 2% for the 10 year cashflow period and 1% from year 11. Discount rate 9.0% post tax, 10 year cash flow period and 8% from year 11.	3	+/- $7.0 million (of a 5% change in discount rate) +/- $6.0 million (of a change in growth rate to 0.5% for year 11 onwards).

Lyttelton Port Company Ltd

Net carrying value at 30 June 2018 was $390m (2017: $336m). Lyttelton Port Company Ltd's (LPC's) assets are carried at cost less accumulated depreciation and impairment charges. However an independent review of land value and completion of the new administration building during the year has indicated carrying value is consistent with fair value. During the year, LPC has commenced significant asset additions including the Cruise Berth.

There is no indicator of impairment in the year ended 30 June 2018.

Capital work in progress comprises all costs directly attributable to the construction of an asset including cost of materials, professional services, direct labour, finance costs and an appropriate allocation of overhead. Costs cease to be capitalised as soon as the asset, or a significant component of the asset, is in the location and condition necessary for it to be capable of operating in the manner intended by management. Capital work in progress included in the net carrying value $68m (2017: $52m).

Enable Services Ltd

Net carrying value at 30 June 2018 was $475m (2017: $378m). Property, plant and equipment includes the original fibre optic network owned by the Enable Group and the subsequent capital cost of deploying the UFB network covering all of Christchurch; Rolleston and Lincoln; and parts of Rangiora, Kaiapoi and Woodend. The UFB network assets are long term infrastructure assets with long term investment horizons.

UFB network Layer 1 assets comprise the physical fibre network assets which are essentially the unlit pipeline or pathway that the electronics use to transmit data, otherwise known as dark fibre. These assets include ducting and optical fibre.

UFB network Layer 2 assets comprise the electronics necessary to light the optical fibre or the means by which communication occurs down the Layer 1 pathway. These assets are located in Central Offices and in the premises of end users.

Central Offices include both building costs and setup costs – fire protection, security and backup generator assets.

The UFB network Layers 1 and 2 assets, together with the Central Offices (collectively described as UFB network assets), are owned by ESL's 100% subsidiary ENL. These UFB network assets were revalued to fair value as at 30 June 2018 by independent valuers Ernst & Young Transaction Advisory Services Limited (EY). EY are considered to have the appropriate qualifications and experience in the fair value measurement of such assets.

EY considered that the discounted cash flow (DCF) methodology was the most appropriate method of valuation, given that:

- long term cash flow forecasts were available
- there is a reasonable degree of predictability around the cash flows
- a potential buyer of these assets would primarily be interested in the future economic benefits they could generate.

The DCF methodology involved assessing:

- the future free cash flows of the business (excluding expansionary capital expenditure and related revenue)
- a terminal value for cash flows beyond the forecast period
- discounting the above cash flows using a discount rate based on weighted average cost of capital
- whether there were any surplus assets.

The estimated value of UFB network is $475m.

The sensitivity of the valuation of $475m to relevant factors is summarised as follows:

Movement in	Range	Upper Value ($m)	Lower Value ($m)
Peak connection %	+ or – 5.0%	$513	$432
WACC	+ or – 0.5%	$508	$446
Terminal growth rate	+ or – 0.5%	$490	$463

All property, plant and equipment is classified as Level 3 within the fair value hierarchy under NZ IFRS 13 – Fair Value Measurement. Assets are classified as Level 3 where one or more significant inputs into the determination of fair value are not based on observable market data. The Group had no other Level 1, Level 2 or Level 3 non-financial assets measured at fair value during the year.

At balance date, the Enable Group reviews the useful life and residual value of its UFB network assets. Assessing the appropriateness of useful life and residual value estimates of UFB network assets requires the Enable Group to consider a number of factors, such as the physical condition of the assets, expected period of use of the assets by the Enable Group, and expected disposal proceeds from the future sale of the assets.

An incorrect estimate of the useful life or residual value will impact on the depreciation expense recognised in the profit or loss, and the carrying amount of the asset in the statement of financial position. The Enable Group minimises the risk of this estimation uncertainty by:

- investing in high quality, class-leading assets and infrastructure
- physical inspections of assets; and
- asset replacement programmes in line with useful life expectations.

Crown Infrastructure Partners Ltd has a first ranking security over the Enable Group assets.

City Care Ltd, Red Bus Ltd, EcoCentral Ltd and Development Christchurch Ltd

The net carrying value of the property, plant and equipment of these companies at 30 June 2018 comprised less than 3% of total group assets. Assets of these companies are either independently revalued at regular intervals, or carried at cost less accumulated depreciation.

Accounting policy – property, plant and equipment

Land, buildings, electricity distribution network, airport infrastructure assets and the optical fibre network (except for investment properties refer note 5), are shown at fair value, based on valuations by external independent valuers, in accordance with NZ IAS 16 – Property, Plant and Equipment, NZ IAS 36 – Impairment of Assets, and NZ IFRS 13 – Fair Value Measurement. Harbour structures are held at cost less accumulated depreciation and impairment.

Airport sealed surfaces, car parking building, car parks and other infrastructure assets are aggregated and disclosed as airport infrastructure assets.

Valuations are performed with sufficient regularity to ensure that the fair value of the assets does not vary materially from their carrying value.

Any revaluation increase arising on the revaluation of these assets is credited to the asset revaluation reserve included in other comprehensive income, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense through profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of these assets is charged as an expense through profit or loss to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

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

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

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

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

Assets to be depreciated include:

Buildings/ Building fit-out/services	1-100 yrs	Ethernet communication equip.	5-12 yrs
Electricity distribution system	60 yrs	Buses	17-26 yrs
Car park	7-30 yrs	Vessels	5-25 yrs
Airport infrastructure and roads	15-70 yrs	Sealed surfaces (other than roads)	15-120 yrs
Office/computer equipment	3-9 yrs	Seawalls	100 yrs
Provision of unlit optical fibre	20-50 yrs	Harbour structures	3-50 yrs
Mobile plant incl. vehicles	5-16 yrs	Container cranes	30 yrs

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Capital work in progress is not depreciated until commissioned. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are recognised through profit or loss. When revalued assets are sold, any revaluation reserve relating to the particular asset is transferred to retained earnings.

Distinction between capital and revenue expenditure

Capital expenditure is defined as all expenditure incurred in the creation of a new asset and any expenditure that results in a significant restoration or increased service potential for existing assets. Constructed assets are included in property, plant and equipment as each becomes operational and available for use. Revenue expenditure is defined as expenditure that is incurred in the maintenance and operation of the property, plant and equipment of the Group.

5. Investment property

	NOTE	GROUP 2018 $'000	GROUP 2017 $'000
Balance at beginning of financial year		370,523	303,692
Transfer (to)/from property, plant & equipment		(25,974)	(6,464)
Additional capitalised expenditure		30,598	37,369
Net gain/(loss) from fair value adjustments	7	53,701	35,926
Balance at end of financial year		**428,848**	**370,523**

All of the Group's investment property is held by Christchurch International Airport Ltd. Included in the amount above is $6.1m (2017: $3.5m) relating to investment properties under construction, but sufficiently advanced to enable a fair value to be assessed by the independent valuer. These properties are carried at fair value on completion less estimated costs to complete.

Valuation of investment property

The valuation as at 30 June 2018 was completed by Crighton Anderson Property and Infrastructure Ltd, trading as Colliers International Ltd, registered valuers and member of the New Zealand Property Institute. The basis of valuation is fair value, being the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

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

Principal assumptions used in establishing the valuations were:

- Average rental yield rate 6.73% (2017: 7.68%)
- Average market capitalisation rate 7.23% (2017: 7.19%)
- Weighted average lease term 6.50 years (2017: 6.45 years).

Fair value hierarchy

Asset classification and description	Valuation approach	Key valuation assumptions	Fair value hierarchy level	Valuation sensitivity
Investment Properties are land and buildings which are owned to earn rental income, for capital appreciation or both.	The income based valuation approach is used.	Land is included when infrastructure services are available and future development is expected within the next 3 years	3	+/- $18.14 million (of a 5% change of capitalisation rate)

Accounting policy – investment property

Land is held by CIAL for long term and strategic purposes and is not held for resale. Investment properties are land and buildings where the building is built to maximise the return on land and buildings as an "interim use", are held for long term rental yield and are not occupied by the company. Investment property also includes property that is being constructed or developed for future use as investment property.

Properties leased to third parties under operating leases are generally classified as investment property unless:

- The occupants provide services that are integral to the operation of the company's business;
- The property is being held for future delivery of services.

Land where there are infrastructure services in place up to its boundary or there is a firm commitment to provide such infrastructure and the further development of that land is signalled within the next 3 years (being the current business planning cycle) is classified as investment property. Buildings that are held for a currently undetermined future use, or that are vacant but held to be leased out under one or more operating leases, are classified as investment properties.

The classification of properties is done at the lowest possible level. Thus, where part of a property is occupied by a party other than the company, consideration is given to whether that portion of the building could be classified as an investment property. Classification as an investment property will be indicated if the section of the building could be separately sold or leased under a finance lease. If the section of the property occupied by a party other than the company is unable to be sold or leased separately from the rest of the building, the building is assessed as a whole and will usually only be classified as investment property if the company occupies an insignificant portion of the total building.

Investment property is carried at fair value, based on discounted cash flow projections, as determined annually by external valuers. Gains or losses arising from a change in fair value are recorded in the Statement of Financial Performance.

Fair value measurement on property under construction is only applied if the fair value is considered to be reliably measurable.

If it is determined that the fair value of an investment property under construction is not reliably determinable but the company has an expectation that the fair value of the property will be reliably determinable when construction is complete, the investment property under construction will be measured at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier).

6. Borrowings and finance costs

6. (a) Group borrowings

	NOTE	CURRENT 2018 $'000	NON-CURRENT 2018 $'000	TOTAL 2018 $'000	CURRENT 2017 $'000	NON-CURRENT 2017 $'000	TOTAL 2017 $'000
Unsecured:							
Bonds and floating rate notes		50,000	467,062	517,062	-	266,151	266,151
Loans from external parties		52,700	344,000	396,700	65,000	364,000	429,000
Loans from related entities	22(a)(iii)	110,000	378,500	488,500	96,000	383,500	479,500
Finance lease liabilities	6(c)	975	11,236	12,211	897	12,329	13,226
		213,675	**1,200,798**	**1,414,473**	**161,897**	**1,025,980**	**1,187,877**
Secured:							
Loan from external parties		18,440	140,873	159,313	1	119,618	119,619
Finance lease liabilities	6(c)	8	-	8	8	-	8
		18,448	**140,873**	**159,321**	**9**	**119,618**	**119,627**
Total group borrowings		**232,123**	**1,341,671**	**1,573,794**	**161,906**	**1,145,598**	**1,307,504**

Except as disclosed in Note 24, the carrying amount of the Group's current and non-current borrowings approximates their fair value – ie. the amount at which these liabilities are expected to be settled for.

CHRISTCHURCH CITY HOLDINGS LTD NATURE OF DEBT	2018 $'000	AVG RATE	MATURITY	2017 $'000
Floating rate notes	90,000	5.85%	Nov 18-Feb 20	90,000
Short term loans - Christchurch City Council	110,000	2.53%	Jul 18-Sep 18	96,000
Long term loans - Christchurch City Council	378,500	4.50%	Jun 19-Apr 27	384,000
Fixed Rate Bond	150,000	3.40%	Dec-22	-
Crown Infrastructure Partners Ltd (CIP)	149,996	-	May-21	120,503
Undrawn bank facility	100,000	-	Dec 18-Dec 19	100,000

All borrowings other than the CIP Loan facility are unsecured and have been put in place under a $1.3bn (2018: $1.3bn) debt issuance programme. CCHL has issued uncalled capital of $1.3bn to support this programme (refer Note 20). The company has entered into derivative contracts to hedge its exposure to interest rate fluctuations (refer Note 24).

In November 2017, Christchurch City Holdings Ltd made an offer of unsecured, unsubordinated, fixed rate 5 year bonds to the debt capital markets. In the offer, CCHL sought up to $100 million with the ability to accept oversubscriptions of up to $50 million at CCHL's discretion. Following a successful offer period, on the 6th December 2017, CCHL issued $150m of unsecured, unsubordinated fixed rate 5 year bonds, maturing on 6 December 2022. The bonds were quoted on the NZX Debt Market on the same day.

A key purpose of the offer was to diversify CCHL's source of debt funding. Since June 2013, except for debt securities issued under its Existing Capital Markets Programme, CCHL has sourced all of its term borrowing requirements from the Council, which, to fund this, has in turn borrowed from the Local Government Funding Agency. Although CCHL expects this source of funding to remain available for the foreseeable future, CCHL considers it prudent to diversify its available sources of funding by issuing debt in its own name to complement its borrowing from the Council.

The proceeds of the bond Offer were used to fund special dividends to the Council of $140m during CCHL's 2018 financial year with the additional proceeds used to repay short term debt.

Further information in relation to the bond offer can be found in the Product Disclosure statement available on CCHL's website.

In its FY19 Statement of Intent CCHL noted its intention to release a further $140 million of capital over the next financial year to the Council to support post-earthquake infrastructure investment.

In June 2016, CCHL entered into a Loan Facility Agreement with Crown Infrastructure Partners Ltd (CIP) (previously known as Crown Fibre Holdings Ltd) as part of the reorganisation of Enable Services Ltd (ESL). The loan is drawn down as network stages/premises are completed, and is used to subscribe in redeemable preference shares in ESL. This interest free loan has been fair valued over the life of the loan, resulting in a fair value gain this year of $1.3m (2017: $.7m loss). The loan is secured over the assets of the Enable Group.

ORION NEW ZEALAND LTD NATURE OF DEBT	2018 $'000	AVG RATE	MATURITY	2017 $'000
Bank Loans	262,700	2.57%	Sep 18-Nov 22	236,000
Undrawn Bank Facility	47,300			54,000

All borrowings are unsecured, however a deed of negative pledge and guarantee requires the company to comply with certain covenants. The company has entered into derivative contracts to hedge its exposure to bank bill interest rate fluctuations.

CHRISTCHURCH INTERNATIONAL AIRPORT LTD NATURE OF DEBT	2018 $'000	AVG RATE	MATURITY	2017 $'000
Bank Facility	140,000	5.60%	2020-2022	193,000
Bond Funding	275,000	4.93%	2020-2027	175,000
Undrawn Bank Facility	80,000			102,000

All borrowings under the bank facility and overdraft facility are unsecured and supported by a negative pledge deed. The bond funding constitutes direct, unsecured, unsubordinated obligations and will rank equally with all other unsecured, unsubordinated indebtedness.

City Care Ltd
Bank loans of $18.4m (2017: $6.9m) are secured by a debenture over the assets and undertakings of the company, and made under a committed cash advance facility of $50m (2017: $50m). Average Interest rate 3.30% for the year (2017: 3.16%). Due to the financial performance for the year the company was in breach of its interest cover covenant at 30 June 2018. As a result the bank borrowings are reclassified to current liabilities. City Care's bankers (BNZ) have subsequently waived this breach on 2 August 2018.

Red Bus Ltd
The company has a currently undrawn bank revolving credit facility of $2m, interest rate of 4.74%.

Lyttelton Port Company Ltd, Enable Services Ltd, EcoCentral Ltd and Development Christchurch Ltd
These companies had no external debt as at 30 June 2018 (2017: Nil). Enable Services has a subordinated loan from CCHL of $271m (2017: $258m), EcoCentral has a subordinated loan from CCHL of $1.3m (2017: $2m).

Accounting policy – borrowings

Interest-bearing borrowings are recognised initially at fair value less directly attributable transaction costs. Subsequently borrowings are stated at amortised cost with any difference between cost and redemption value being recognised through profit or loss over the period of the borrowings on an effective interest basis.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

6. (b) Undrawn borrowing facilities

	GROUP 2018 $'000	GROUP 2017 $'000
Floating rate - expiring within one year	101,534	97,234
Floating rate - expiring beyond one year	267,560	204,100
Total undrawn borrowing facilities	**369,094**	**301,334**

6. (c) Finance lease liabilities

	GROUP 2018 $'000	GROUP 2017 $'000
No later than one year	2,084	2,085
Later than one year and not later than five years	6,243	7,590
Later than five years	19,576	20,528
Minimum lease payments	**27,903**	**30,203**
Less future finance charges	(15,684)	(16,969)
Present value of minimum lease payments	**12,219**	**13,234**

Minimum future lease payments

	GROUP 2018 $'000	GROUP 2017 $'000
No later than one year	983	905
Later than one year and not later than five years	2,943	3,808
Later than five years	8,293	8,521
Total present value of minimum lease payments	**12,219**	**13,234**

Represented by

	GROUP 2018 $'000	GROUP 2017 $'000
Current portion	983	905
Non-current portion	11,236	12,329
	12,219	**13,234**

The finance lease liability relates to agreements between Orion and Transpower New Zealand Ltd to install new assets at or near its local grid exit points. The agreements have remaining terms of between two and 30 years. Orion does not own the assets at the end of the lease term and there is no residual value or security provided.

6. (d) Changes in liabilities arising from financing activities

30 June 2018	OPENING 1 JULY 2017 $'000	CASH FLOWS $'000	CHANGES IN FAIR VALUE $'000	OTHER $'000	CLOSING 30 JUNE 2018 $'000
Current liabilities:					
External borrowings	65,000	56,140	-	(1)	121,139
Related party borrowings	96,001	14,000	-	-	110,001
Lease liabilities	905	78	-	-	983
Non-current liabilties:					
External borrowings	749,769	202,593	(506)	79	951,935
Related party borrowings	383,500	(5,000)	-	-	378,500
Lease liabilities	12,329	(1,093)	-	-	11,236
Derivative liabilities	30,242	-	274	-	30,516
Total liabilities from financing activities	1,337,746	266,718	(232)	78	1,604,310

30 June 2017	OPENING 1 JULY 2016 $'000	CASH FLOWS $'000	CHANGES IN FAIR VALUE $'000	OTHER $'000	CLOSING 30 JUNE 2017 $'000
Current liabilities:					
External borrowings	68,000	(3,000)	-	-	65,000
Related party borrowings	65,000	31,000	-	1	96,001
Lease liabilities	977	(70)	-	(2)	905
Non-current liabilties:					
External borrowings	641,340	108,629	(289)	89	749,769
Related party borrowings	323,500	60,000	-	-	383,500
Lease liabilities	13,932	(1,117)	-	(486)	12,329
Derivative liabilities	55,431	-	(25,189)	-	30,242
Total liabilities from financing activities	1,168,180	195,442	(25,478)	(398)	1,337,746

Accounting policy – Changes in liabilities from financing activities

NZ IAS7.44A requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The above disclosure reflects changes arising from cashflows and non-cash changes. This is a new disclosure this year.

Profit and Loss Information

7. Operating revenue and other income

7. (a) Operating revenue

	NOTE	GROUP 2018 $'000	GROUP 2017 $'000
Sale of goods		37,896	43,049
Rendering of services		719,233	681,513
Construction contract revenue		152,224	163,739
Capital contributions		10,882	9,856
Electricity transmission rental rebates		4,994	3,796
Rental income from investment properties		25,969	21,227
Other rental revenue		37,862	37,966
Gross telecommunications revenue		39,336	25,676
Other		14,955	10,092
		1,043,351	**996,914**

Gross telecommunications revenue is required to be disclosed in accordance with the information disclosure requirements under section 83 of the Telecommunications Act 2001.

7. (b) Other income including revaluation of investment property

	NOTE	GROUP 2018 $'000	GROUP 2017 $'000
Gains on disposal of property, plant and equipment		1,126	852
Gains on revaluation of investment property	5	53,701	35,926
Gain on revaluation of investment in associate		-	494
Gain from joint venture		450	1,650
Fair value through income statement financial assets fair value change		1,640	2,093
Ineffectiveness - fair value hedges		41	(69)
		56,958	**40,946**

Accounting policy – revenue

(i) Services rendered and goods sold

Revenue from services rendered is recognised through profit or loss in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to the proportion that costs incurred to date bear to the estimated total costs of the transaction. Revenue from the sale of goods is recognised through profit or loss when the significant risks and rewards of ownership have been transferred to the buyer.

(ii) Construction contracts

As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognised through profit or loss in proportion to the stage of completion of the contact. The stage of completion is assessed by reference to surveys of work performed. An expected loss on a contract is recognised immediately through profit or loss.

(iii) Rental income

Rental income from investment property is recognised through profit or loss on a straight-line basis over the term of the lease. Contingent rental income is recognised as income in the periods in which it is earned. Lease incentives granted are recognised as an integral part of the total rental income.

8. Operating costs

8. (a) Operating costs

	NOTE	GROUP 2018 $'000	GROUP 2017 $'000
Personnel costs:			
Salaries and wages		270,296	266,310
Defined contribution/benefit plan employer contributions		3,603	3,249
Other		2,633	2,069
		276,532	**271,628**
Other Costs:			
Audit fees	8(b)	1,028	933
Consultants and legal fees		13,113	10,932
Directors' fees		2,407	2,456
Donations		485	184
Net foreign exchange losses/(gains)		107	498
Provision expenses/(gains)		1,308	862
Minimum lease payments under operating leases		9,454	9,641
Orion network maintenance and transmission expenses		95,564	96,696
Raw materials and consumables used		51,348	46,609
Reduction in value of financial assets		1,424	-
Repairs and maintenance		8,549	7,258
Service contracts (including sub-contractors)		115,614	121,426
Investment property direct operating expenses		3,413	2,892
Other operating expenses		144,494	125,398
Losses on assets written off/disposed		1,344	1,465
Ineffectiveness - fair value hedges		152	462
Financial assets fair value change		-	666
		726,336	**700,006**

8. (b) Remuneration of auditors

	NOTE	GROUP 2018 $'000	GROUP 2017 $'000
Audit New Zealand			
Audit of the financial statements		786	729
Special audits required by regulators		101	87
Assurance related		4	4
		891	**820**
Other auditor - KPMG			
Audit of the financial statements		98	99
Other non-audit services		39	14
		137	**113**
Total	8	**1,028**	**933**

The auditor of Christchurch City Holdings Limited and the rest of the Group, excluding Lyttelton Port Company Ltd, is Audit New Zealand, on behalf of the Auditor-General. The auditor of Lyttelton Port Company Ltd is KPMG, on behalf of the Auditor-General.

Audit New Zealand
Other audit and assurance services principally comprised:

Orion New Zealand Limited

- annual assurance reviews of the company's annual customised price-quality path (CPP) compliance statement
- regulatory information disclosures

Christchurch International Airport Limited

- audit of the disclosure regulations
- review of compliance with bond conditions

Christchurch City Holdings Limited

- limited assurance engagement for Bond Trust Deed (not yet commenced)

9. Income and deferred taxes

9. (a) Components of tax expense

	NOTE	GROUP 2018 $'000	GROUP 2017 $'000
Current tax expense/(income)		39,703	42,366
Adjustments to current tax of prior years		(2,990)	996
Deferred tax expense/(income)	9(d)	7,122	(2,872)
Total tax expense		**43,835**	**40,490**

9. (b) Reconciliation of prima facie income tax:

	GROUP 2018 $'000	GROUP 2017 $'000
Profit before tax	179,573	156,881
Tax at statutory rate of 28%	50,280	43,927
Non-deductible expenses	1,133	1,517
Non-assessable income and deductible items	(8,082)	(3,177)
Other	681	(1,970)
(Over)/under provision of income tax in previous year	(177)	193
Total tax expense	**43,835**	**40,490**

This note provides an analysis of the group's income tax expense, and how the tax expense is affected by non-assessable and non-deductible items.

The tax rate used in the above reconciliation is the corporate tax rate of 28% (2017: 28%) payable by New Zealand companies on taxable profits under New Zealand tax law.

9. (c) Imputation credits

The amount of imputation credits available for use in subsequent reporting periods by the Group and the CCC Tax Consolidation Group (of which CCHL is a member) is $124.7m (2017: $101.6m).

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

9. (d) Deferred tax balances

	30 JUNE 2017				30 JUNE 2018		
	OPENING BALANCE $'000	PROFIT/ LOSS $'000	OTHER COMPRE-HENSIVE INCOME $'000	CLOSING BALANCE $'000	PROFIT/ LOSS $'000	OTHER COMPRE-HENSIVE INCOME $'000	CLOSING BALANCE $'000
Deferred tax liabilities:							
Cash flow/Fair value hedges	4,604	17	-	4,621	-	-	4,621
Property, plant and equipment	295,159	(8,058)	2,486	289,587	1,896	30,947	322,430
Intangible assets	481	5	-	486	(154)	-	332
Other	29,340	4,302	-	33,642	5,633	-	39,275
	329,584	**(3,734)**	**2,486**	**328,336**	**7,375**	**30,947**	**366,658**
Deferred tax assets:							
Cash flow/Fair value hedges	17,003	(586)	(7,204)	9,213	(85)	410	9,538
Provisions/employee entitlements	7,403	1,030	-	8,433	578	-	9,011
Doubtful debts/impairment losses	125	11	-	136	(13)	-	123
Tax losses	246	(212)	-	34	-	-	34
Other	1,933	(1,105)	-	828	(227)	-	601
	26,710	**(862)**	**(7,204)**	**18,644**	**253**	**410**	**19,307**
Net deferred tax liability/(asset)	**302,874**	**(2,872)**	**9,690**	**309,692**	**7,122**	**30,537**	**347,351**

Accounting policy – income tax

Income tax on the profit or loss for the year comprises current and deferred tax.

Current tax assets and liabilities are based on the current period's taxable income, plus adjustments to income tax payable for prior periods. Current tax is calculated rates and laws that are enacted or substantively enacted by balance date.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is calculated at tax rates that are expected to apply in the period when the liability is settled or the asset is realised, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Other Assets and Liabilities

10. Loans and other financial assets

10. (a) Current portion

	GROUP 2018 $'000	GROUP 2017 $'000
Other loans and investments	400	84
Forward foreign exchange contracts	260	-
Term deposits	63,000	117,000
Other	(24)	134
Total current other financial assets	**63,636**	**117,218**

10. (b) Non-current portion

	NOTE	GROUP 2018 $'000	GROUP 2017 $'000
Other loans and investments	10(c)	24,860	26,049
Interest rate swaps		551	1,991
Total non-current other financial assets		**25,411**	**28,040**
Total other financial assets (current and non-current)		**89,047**	**145,258**

10. (c) Other loans and investments

Loan to Christchurch Engine Centre

On 29 June 2012, CCHL entered into a loan agreement with Christchurch Engine Centre to advance up to US$17m, effectively replacing the Council's previous combined equity/debt investment in Jet Engine Facility Ltd. CCHL has entered into a cross currency interest rate swap to achieve a fixed interest rate on the US$ loan (Note 16).

11. Debtors, inventory and other assets

11. (a) Debtors

	NOTE	CURRENT $'000	NON-CURRENT $'000	TOTAL 2018 $'000	CURRENT $'000	NON-CURRENT $'000	TOTAL 2017 $'000
Trade receivables	12(b)	70,559	1,050	71,609	68,613	-	68,613
Provision for impairment		(495)	-	(495)	(709)	-	(709)
Chargeable work in progress		26,356	-	26,356	19,577	-	19,577
Prepayments		10,501	5,873	16,374	7,982	6,466	14,448
Interest receivable		631	-	631	1,651	-	1,651
Contract retentions		3,427	-	3,427	4,782	-	4,782
Other		2,633	-	2,633	2,817	-	2,817
		113,612	**6,923**	**120,535**	**104,713**	**6,466**	**111,179**

Included in trade receivables are amounts due from the ultimate shareholder, Christchurch City Council, as disclosed in Note 22.

11. (b) Credit risk - aging of receivables

	NOTE	GROUP 2018 $'000	GROUP 2017 $'000
Gross receivables			
Not past due		56,463	56,676
Past due 0-30 days		9,648	8,954
Past due 31-60 days		2,681	1,059
Past due more than 60 days		2,817	1,924
		71,609	**68,613**
Impairment			
Not past due		-	(2)
Past due more than 60 days		(495)	(707)
		(495)	**(709)**
Gross trade receivables		71,609	68,613
Individual impairment	11(c)	(487)	(685)
Collective impairment	11(c)	(8)	(24)
Trade receivables (net)		**71,114**	**67,904**

11. (c) Movements in provision for impairment of receivables

	NOTE	GROUP 2018 $'000	GROUP 2017 $'000
Balance at start of year		709	430
Provisions made during year		166	486
Provisions reversed during year		(334)	(171)
Receivables written off during year		(46)	(36)
Balance at end of year	11(b)	**495**	**709**

11. (d) Inventories

	GROUP 2018 $'000	GROUP 2017 $'000
Inventory - raw materials and maintenance items	13,247	13,808
Inventory - finished goods	5,110	4,699
Inventory - allowance for impairment	(255)	(194)
	18,102	18,313
Construction contracts WIP		
Construction contract work in progress	28,787	22,220

Certain inventories are subject to security interests created by retention of title clauses. Construction contract work in progress relates to the fibre network build, in the FY17 year this was treated as a current asset, this has now been corrected to reflect it was a non-current asset.

11. (e) Construction contracts

	GROUP 2018 $'000	GROUP 2017 $'000
For contracts in progress at balance date:		
Contract costs incurred	125,729	281,572
Progress billings	110,987	268,491
Gross amounts due from customers	15,880	16,226
Gross amounts due to customers	110	362
Retentions included in progress billings	285	-

Construction contract work in progress is primarily held by City Care Ltd. It is determined on a percentage of completion basis.

Accounting policies

Debtors and other receivables

Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Collectability of trade receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable.

Construction work in progress

Construction work in progress is stated at cost plus profit recognised to date (see Revenue policy) less a provision for foreseeable losses and less progress billings. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Prepayments

A prepayment is recognised where expenditure is incurred in the period and where the benefit of that expenditure will be recognised in future periods.

Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

12. Cash and cash equivalents

	GROUP 2018 $'000	GROUP 2017 $'000
Cash and cash equivalents denominated in:		
New Zealand dollars	11,381	14,675
Foreign currency	209	65
	11,590	**14,740**

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short term deposits are made for periods of between one day and three months, and earn interest at the respective short term deposit rates.

Accounting policy – cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits, and other short-term highly liquid investments with maturities of three months or less, and which are subject to an insignificant risk of changes in value.

13. Intangible assets

13. (a)	GOODWILL $'000	EASEMENTS & CONSENTS $'000	SOFTWARE AND OTHER $'000	TOTAL $'000
Gross carrying amount				
Gross carrying amount at 1 July 2016	44,265	12,268	46,795	103,328
Additions	325	3,624	3,496	7,445
Disposals	-	-	(429)	(429)
Gross carrying amount at 30 June 2017	44,590	15,892	49,862	110,344
Additions	-	6,257	7,782	14,039
Additions from internal developments	-	-	522	522
Disposals	(747)	(3,273)	(2,725)	(6,745)
Gross carrying amount at 30 June 2018	**43,843**	**18,876**	**55,441**	**118,160**
Accumulated amortisation and impairment				
Accumulated balance at 1 July 2016	(33,865)	(6,906)	(36,548)	(77,319)
Amortisation expense	-	(49)	(3,231)	(3,280)
Impairment	(1,034)	-	-	(1,034)
Disposals	-	-	361	361
Accumulated balance at 30 June 2017	(34,899)	(6,955)	(39,418)	(81,272)
Amortisation expense	-	(168)	(3,366)	(3,534)
Impairment	(2,490)	-	-	(2,490)
Disposals	747	2,694	2,710	6,151
Accumulated balance at 30 June 2018	**(36,642)**	**(4,429)**	**(40,074)**	**(81,145)**
Carrying amount				
Carrying amount at 30 June 2017	**9,691**	**8,937**	**10,444**	**29,072**
Carrying amount at 30 June 2018	**7,201**	**14,447**	**15,367**	**37,015**

Included in intangible assets is capital work in progress of $8.1m (2017: $9.4m).

Accounting policy – intangible assets

(i) Computer software

Acquired computer software licenses are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives.

Costs of developing or maintaining computer software programmes are recognised as an expense as incurred. Costs directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets and amortised over their estimated useful lives. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

(ii) Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (see below) and impairment losses (see Impairment policy).

(iii) Amortisation

An intangible asset with a finite useful life is amortised over the period of that life. The asset is reviewed annually for indicators of impairment, and tested for impairment if these indicators exist. The asset is carried at cost less accumulated amortisation and accumulated impairment losses. Estimated useful lives are:

Software	**2-10 years**
Resource consents	**5-10 years**
Patents, trademarks and licences	**10-20 years**

An intangible asset with an indefinite useful life, such as goodwill, is not amortised, but is tested for impairment annually, and is carried at cost less accumulated impairment losses.

13. (b) Amount of goodwill allocated to cash-generating units:

	GROUP 2018 $'000	GROUP 2017 $'000
Orion New Zealand Ltd	2,648	2,648
Christchurch International Airport Ltd	1,740	1,740
Enable Services Ltd	848	848
City Care Ltd	1,640	4,130
Red Bus Ltd	325	325
	7,201	**9,691**

Carrying goodwill of $4.8m (2017: $4.8m) originates from the subsidiary balance sheets, and is reviewed for impairment annually by each individual Board. CCHL Board have reviewed and accept the assessment of the individual subsidiaries and auditors that no impairment exists this year. Goodwill on consolidation of $2.4m (2017: $4.9m) is generated from goodwill on acquisition of our subsidiaries.

The CCHL Board have reviewed the carrying amount of each cash-generating unit and compared to the independent valuers' estimate of recoverable amount or value in use, and have determined in the case of City Care an impairment of goodwill on consolidation of $2.49m (2017: $0) should be taken.

A prior period adjustment for impairment of goodwill on consolidation has been made in relation to the carrying goodwill of LPC and EcoCentral for $27.5m relating to the 2016 financial year (Note 26).

Accounting policy – goodwill

Goodwill, representing the excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired, is recognised as an asset. After initial recognition, goodwill is measured at the amount recognised at acquisition date less any accumulated impairment losses.

Goodwill is allocated to cash-generating units and is tested annually for impairment (see Impairment policy Note 26).

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Recoverable amount is the higher of the asset's net fair value less costs of disposal, or its value in use. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the recoverable amount. Impairments are recognised immediately in profit or loss, and are not subsequently reversed.

14. Creditors and other payables

	GROUP 2018 $'000	GROUP 2017 $'000
Trade payables and accrued expenses	94,435	92,881
GST payable	4,878	3,128
Interest payable	6,855	6,756
Retentions	3,328	2,912
Deposits held	494	361
Other Payables	15,555	13,157
	109,990	**106,038**

The carrying value of creditors and other payables approximates their fair value.

Accounting policy – creditors and other payables

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid. The amounts are usually paid within 30 days of recognition.

15. Provisions and other liabilities

	CURRENT $'000	NON-CURRENT $'000	TOTAL 2018 $'000	CURRENT $'000	NON-CURRENT $'000	TOTAL 2017 $'000
Employee entitlements:						
Accrued pay	5,181	-	5,181	7,423	-	7,423
Annual leave	22,970	-	22,970	24,907	-	24,907
Bonuses and other	4,165	2,750	6,915	4,254	2,624	6,878
	32,316	**2,750**	**35,066**	**36,584**	**2,624**	**39,208**
Other provisions	831	-	831	830	-	830
Interest rate swaps	5,220	25,296	30,516	2,329	27,913	30,242
Deferred income and other	86	1,292	1,378	313	684	997
Income in advance	8,392	884	9,276	2,669	985	3,654
	46,845	**30,222**	**77,067**	**42,725**	**32,206**	**74,931**

Accounting policies

Provisions

A provision is recognised in the balance sheet when the Group has a present obligation as a result of a past event, and it is probable that an outflow of economic benefits, the amount of which can be reliably estimated, will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at an appropriate pre-tax rate.

Employee entitlements

Liabilities for annual leave and time off in lieu are accrued at the full amount owing at the pay period ending immediately prior to the balance sheet date.

Provisions in respect of employee benefits that are not expected be settled within 12 months, such as long service leave, are measured as the present value of the estimated future cash flows to be made by the Group in respect of services provided by employees up to reporting date taking into account years of service, years to entitlement and the likelihood of staff reaching the point of entitlement.

Areas of Judgement and Financial Risk

16. Areas of judgement and financial risk

16. (a) Critical judgements, estimates and assumptions

In preparing the financial statements, management has made estimates and assumptions about the future that affect the reported amounts of assets and liabilities at balance date, and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

In applying the Group's accounting policies, management has made the following judgements, estimates and assumptions that have had the most significant impact on the amounts recognised in these financial statements:

Valuation of property, plant and equipment and investment property (Note 4 and Note 5)
Management of most of the subsidiary companies use independent valuers to determine the fair value of certain assets. The valuation process requires the use of assumptions and estimates which are based on market conditions at the time. Any changes in market conditions subsequent to balance date will impact future valuations. A movement in the fair value of an asset is subsequently recorded within statement of comprehensive income, depending on the asset classification.

Impairment assessments are completed annually on various asset classes. An impairment assessment measures the recoverable amount of an asset based on projections and estimates of future cash flows specifically related to the asset. An impairment charge is recognised for any asset with a carrying value in excess of its recoverable amount.

In addition to the above factors, the following areas requiring critical judgements, estimates and assumptions that are specific to individual companies within the Group are as follows:

Classification of investment property (Note 5)
The identification by Christchurch International Airport Ltd of which components of property, plant & equipment are to be reclassified to investment property involves the use of judgement. A key factor for this classification is whether the property is used for aircraft-related activities. The classification has implications as to whether revaluation gains and losses are recognised through profit or loss or through other comprehensive income.

16. (b) Credit risk

	COUNTERPARTY CREDIT RATING	GROUP 2018 $'000	GROUP 2017 $'000
Cash and deposits	AA	74,566	111,874
Cash and deposits	A	-	20,000
Debtors and other receivables		104,088	96,389
Loans	Lower than BBB or unrated	25,260	24,133
Derivative financial instrument assets	AA	811	1,991
		204,725	**254,387**

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Group. Financial instruments that potentially subject the Group to concentrations of credit risk are summarised above. The Group places its cash and short-term investments with high credit quality financial institutions and limits the amount of credit exposure to any one financial institution in accordance with the treasury policies of the respective companies. The Group does not hold any credit derivatives to offset its credit exposure.

There is some concentration of credit risk at subsidiary level in relation to trade receivables, however all of these major customers are considered to be of high credit quality, and as such on a Group-wide basis, it is not considered that there is a significant risk of losses arising. Geographically there is no significant credit risk concentration for the Group outside New Zealand.

16. (c) Liquidity risk

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

In meeting its liquidity requirements, the Group manages its investments and borrowings in accordance with its written treasury policies, which include restrictions on the amount of debt maturing in any 12 month period and require sufficient approved financing facilities to cover a specified percentage over the anticipated peak debt over a rolling 12 month period. In general the Group generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has funding arrangements in place to cover potential shortfalls.

The Group's exposure to liquidity risk based on undiscounted contractual cash flows is as follows:

30 June 2018	BALANCE SHEET $'000	CONTRACTUAL CASH FLOWS $'000	LESS THAN 1 YEAR $'000	1-2 YEARS $'000	2-5 YEARS $'000	5 YEARS + $'000
Cash, cash equivalents and deposits	74,566	74,566	74,566	-	-	-
Debtors and other receivables	104,088	104,088	104,088	-	-	-
Loans and advances	25,260	30,775	1,154	5,049	1,853	22,719
Creditors and other payables	(109,990)	(109,990)	(109,990)	-	-	-
Derivative financial instruments	(29,705)	(59,499)	(21,314)	(10,073)	(16,757)	(11,355)
Borrowings - external	(1,073,075)	(1,241,161)	(199,771)	(235,853)	(640,347)	(165,190)
Borrowings - related parties	(488,500)	(576,810)	(128,714)	(69,603)	(243,606)	(134,887)
Finance lease liabilities	(12,219)	(27,902)	(2,084)	(2,079)	(4,163)	(19,576)
	(1,509,575)	(1,805,933)	(282,065)	(312,559)	(903,020)	(308,289)

30 June 2017	BALANCE SHEET $'000	CONTRACTUAL CASH FLOWS $'000	LESS THAN 1 YEAR $'000	1-2 YEARS $'000	2-5 YEARS $'000	5 YEARS + $'000
Cash, cash equivalents and deposits	131,874	131,874	131,874	-	-	-
Debtors and other receivables	96,389	96,390	96,390	-	-	-
Loans and advances	24,133	28,992	781	700	5,836	21,675
Creditors and other payables	(106,038)	(106,038)	(106,038)	-	-	-
Derivative financial instruments	(28,251)	(35,558)	(10,081)	(8,672)	(5,247)	(11,558)
Borrowings - external	(814,770)	(903,441)	(89,316)	(319,311)	(430,991)	(63,823)
Borrowings - related parties	(479,500)	(578,115)	(113,770)	(43,146)	(189,919)	(231,280)
Finance lease liabilities	(13,234)	(30,203)	(2,085)	(2,085)	(5,505)	(20,528)
	(1,189,397)	(1,396,099)	(92,245)	(372,514)	(625,826)	(305,514)

16. (d) Interest rate risk

The Group is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings, by the use of interest rate swaps, options and forward interest rate contracts (Note 16(f)).

At balance date the Group had a mix of financial assets and liabilities exposed to the re-pricing of interest rates as set out in the following tables. To the extent assets and liabilities exposed to variable interest rate risk are hedged, they are classified as fixed.

Interest rate re-pricing analysis

	CARRYING VALUE $'000	RE-PRICES < 1 YR $'000	1-2 YRS $'000	2-5 YRS $'000	> 5 YRS $'000
30 June 2018					
Cash and deposits	74,590	74,590	-	-	-
Loans and advances	25,260	400	-	-	24,860
Borrowings	(1,573,794)	(574,300)	(155,604)	(622,818)	(221,072)
	(1,473,943)	(499,310)	(155,604)	(622,818)	(196,212)
30 June 2017					
Cash and deposits	131,740	131,740	-	-	-
Loans and advances	24,133	84	-	-	24,049
Borrowings	(1,307,504)	(599,135)	(100,000)	(428,369)	(180,000)
	(1,151,631)	(467,312)	(100,000)	(428,369)	(155,951)

16. (e) Interest rate sensitivity

In managing interest rate risks, the Group aims to reduce the impact of short term fluctuations on earnings. Over the longer term, however, changes in interest rates will affect reported profits. The following table summarises the estimated impact of a 1% movement in interest rates on the Group's pre-tax profit and equity (excluding retained earnings), taking into account the effect of interest rate swaps.

	2018		2017	
	Profit/loss	Equity	Profit/loss	Equity
	$'000	$'000	$'000	$'000
100 basis point increase	1,439	12,845	(905)	12,545
100 basis point decrease	(1,599)	(13,537)	1,146	(14,163)

16. (f) Interest rate hedging activity

The Group uses interest rate swaps in the normal course of business to reduce its exposure to fluctuations in interest rates. The notional principal values and fair values of swaps held at balance date are summarised in the following table:

	NOTIONAL PRINCIPAL		FAIR VALUE	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Floating for fixed contracts				
Less than 1 year	278,000	162,000	(5,220)	(2,268)
1 to 2 years	200,000	381,000	(5,095)	(13,391)
2 to 5 years	377,000	222,000	(11,194)	(8,140)
More than 5 years	379,000	321,000	(10,238)	(5,581)
	1,234,000	1,086,000	(31,747)	(29,380)
Fixed for floating contracts				
Less than 1 year	-	-	-	-
2 to 5 years	75,000	75,000	1,294	1,567
More than 5 years	100,000	21,725	496	(377)
	175,000	96,725	1,790	1,190

16. (g) Foreign exchange risk

Foreign currency risk is the risk that the value of the Group's assets and liabilities or revenues and expenses will fluctuate due to changes in foreign exchange rates. The Group has some exposure to foreign currency risk as a result of transactions that are denominated in a foreign currency - primarily Australian dollars, US dollars and Euros. The Group's policy is to hedge any material foreign currency exposure, usually with forward exchange contracts.

The CCHL parent company has lent US$17m to Christchurch Engine Centre (see Note 10(c)). This asset is fully hedged to New Zealand Dollars using a cross-currency interest rate swap, which reduces the net currency exposure on this transaction to zero.

The Group has assessed that a reasonably possible change in foreign exchange rates (a 10% variance either way) would not have a significant impact on profit or equity.

16. (h) Commodity price and demand risk

EcoCentral Ltd's operations can be significantly impacted by fluctuations in commodity prices and international demand for certain of its products. This risk is mitigated to an extent by tendering and entering into supply contracts. Any residual risk is not considered material to the Group.

Accounting policies

Derivative financial instruments

The Group uses derivative financial instruments to hedge its risks associated with interest rate and foreign exchange fluctuations, and does not hold or issue them for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially and subsequently at fair value. Fair value is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

Hedging

The method of recognising movements in the fair value of derivatives depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either; fair value hedges (hedges of the fair value of recognised assets or liabilities or a firm commitment); or cash flow hedges (hedges of highly probable forecast transactions).

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the surplus or deficit together with any changes in the fair value of the hedged asset or liability.

Cash flow hedge

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recorded in other comprehensive revenue and expense in the hedging reserve. When the derivative is no longer on effective hedge or is sold or cancelled the cumulative gain or loss recognised to date on the derivative is recognised in profit or loss.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the surplus or deficit.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately through profit or loss.

Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling on the day of the transaction.

Foreign currency monetary assets and liabilities at the balance date are translated to NZ dollars at the rate ruling at that date. Foreign exchange differences arising on translation are recognised through profit or loss, except when deferred in equity as qualifying cash flow hedges.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Those that are stated at fair value are translated to NZ dollars at rates ruling at the dates the fair value was determined.

Unrecognised Items

17. Capital and operating lease commitments

17. (a) Capital commitments	NOTE	GROUP 2018 $'000	GROUP 2017 $'000
Ultra fast broadband network	(i)	41,850	144,250
Property, plant & equipment		126,178	65,041
Electricity distribution network		18,923	27,636
Investment property		16,611	14,319
Intangible assets		74	70
		203,636	**251,316**

17. (b) Non-cancellable operating leases as lessee	GROUP 2018 $'000	GROUP 2017 $'000
No later than one year	6,521	6,211
Later than one year and not later than five years	15,172	8,275
Later than five years	19,567	789
	41,260	**15,275**

Non-cancellable operating leases as lessor	GROUP 2018 $'000	GROUP 2017 $'000
No later than one year	43,898	65,276
Later than one year and not later than five years	137,040	186,595
Later than five years	113,338	152,863
	294,276	**404,734**

Capital commitments

(i) Ultra fast broadband network

Enable Services Ltd and Enable Networks Ltd (Enable Group) has entered into agreements to build, operate and maintain a UFB network. The Enable Group is required to build Communal Infrastructure and Central Offices, and to connect the network to relevant premises when an end user requests this from a retail service provider.

The Enable Group must pass at least 21,000 Premises (excluding Greenfield Premises) per annum, and to meet quarterly milestone targets.

The estimated cost of network connections through to December 2019 is $42m. The Group will use net operating cashflows and committed funding from CCHL to meet these obligations.

Operating lease receivables

Of the total lease receivables of $294m (2017: $405m), 81% are attributable to Christchurch International Airport Ltd. The company has a number of property leases that generate rental income. The leases are for terms between 1 month and 20 years, and the majority of the lease agreements are renewable at the end of the lease period at market rates.

Lyttelton Port Company Ltd has non-cancellable operating lease receivables of $42m (2017: $34m). The company leases a range of land, buildings and equipment to a number of customers. A number of leases include rights of renewal for further periods including "in perpetuity".

Accounting policy – operating leases

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

(i) As lessee

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

(ii) As lessor

Leases in which the Group retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as rental income.

18. Contingent liabilities and assets

18. (a) Quantifiable contingent liabilities - Performance Bonds

	GROUP 2018 $'000	GROUP 2017 $'000
Christchurch City Holdings Ltd	30,000	35,000
City Care Ltd	12,287	8,859
Orion New Zealand Ltd	828	400
Red Bus Ltd	870	950
	43,985	**45,209**

CCHL entered into a $50m performance bond with ANZ bank in June 2011 in support of Enable Services Ltd's obligations under the UltraFast Broadband initiative. This bond reduces by $5m each year and terminates in 2022.

None of the above companies expect to have these contingent liabilities called upon by external parties and hence no provision has been made.

Enable Services Ltd

The Enable Group has provided a guarantee on the Crown Infrastructure Partner's loan to CCHL. As at 30 June 2018 this loan amounted to $150m (2017: $120.5m)

Orion New Zealand Ltd

On 13 February 2017, two fires started on the Port Hills near Christchurch. The fires spread over 1,600 hectares on the Port Hills over several days.

On 30 January 2018, Fire and Emergency New Zealand:

- released its investigation reports into the causes of the fires, with an 'undetermined' cause for both
- stated that it believes that both fires were deliberately lit and that the matter is in the hands of the Police
- stated that its investigations are now closed and will only reopen if new evidence comes to light.

IAG Insurance on behalf of a number of its clients affected by the fires, has filed a claim in the High Court alleging that the company's electricity network caused the fires. The company has filed a statement of defence denying IAG's allegations and any liability. The company insures for liability risks, in line with good industry practice.

National Provident Defined Benefit Scheme

Some members of the Group are participating employers in the National Provident Defined Benefit Scheme (the scheme) which is a multi-employer defined benefit plan. In the unlikely event that the other participating employers ceased to participate in the scheme, the Group could be responsible for the entire deficit of the scheme. Similarly, if a number of employers ceased to participate in the scheme, the Group could be responsible for an increased share of the deficit. Because it is not possible to determine the extent to which any deficit will affect future contributions by employers, the Group participation in the Scheme is accounted for as if it were a defined contribution plan.

18. (b) Contingent assets

Lyttelton Port Company Ltd

On 29 June 2015, Lyttelton Port Company Ltd (LPC) filed a statement of claim against Aon Ltd in the High Court. The claim centres on Aon's responsibilities in relation to LPC's insurance policies during the Canterbury earthquakes. Aon filed its Statement of Defence, which refutes LPC's claims, on 4 August 2015. The LPC board is confident of its case, but they are unable to estimate the company's chance of success or the final amount which may be awarded.

The Group had no other material or significant contingent liabilities or assets as at 30 June 2018.

19. Events after the balance sheet date

The Group is unaware of any significant events between the preparation and authorisation of these financial statements on 12 September 2018.

Other Disclosures

20. Share capital and dividends

	GROUP 2018 $'000	GROUP 2017 $'000
Fully paid ordinary shares	81,783	71,434
Partly paid redeemable preference shares	1	1
	81,784	**71,435**
Dividends declared on fully paid ordinary shares	192,694	113,682
Cents per share	539	448

There was an issue of 10,349,000 shares made to Christchurch City Council this year. CCHL has on issue:

- 35,730,528 fully paid ordinary shares to Christchurch City Council, carrying one vote per share and the right to dividends.
- $1,300,139,000 (2017: $1,300,139,000) of redeemable preference shares, paid up to $1,390, to Christchurch City Council. No further calls have been made on these shares. Dividends are only payable to the extent that the shares are paid up. CCHL may elect to redeem the whole or any part of the shares. The shares do not carry any right to conversion into ordinary shares in CCHL. The shares have no par value.

Capital management

The Group's capital includes share capital, reserves and retained earnings. The Group's policy is to maintain a strong capital base so as to maintain public, shareholder, investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

Management monitors capital through the gearing ratio (net debt: net debt + equity) and a strong credit rating (currently A+/A-1 (stable outlook) from Standard & Poor's), although it is noted that the CCHL parent company's rating is largely determined by the Council's rating due to the close financial relationship between the two entities. The gearing ratio at balance date is disclosed in Note 27.

Accounting policy – dividends

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

21. Reserves

Revaluation reserve – property, plant and equipment

The revaluation reserve is used to record increments and decrements on the revaluation of non-current assets, as described in Note 4.

Cash flow hedges

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised in other comprehensive income, as described in Note 16.

22. Related party disclosures

The parent entity in the group structure is CCHL, which is 100% owned by Christchurch City Council (CCC). The Group undertakes transactions with CCC and its related parties, all of which are carried out on a commercial basis. No material transactions were entered into with related parties except as disclosed below.

22. (a) Transactions between CCHL group entities and Christchurch City Council(CCC)

22. (a) (i) Routine transactions

	GROUP 2018 $'000	GROUP 2017 $'000
Dividends paid/payable to CCC	192,694	113,682
Interest paid to CCC	17,689	16,064
Services provided to CCC	122,660	100,615
Services provided by CCC (including rent and rates)	27,537	15,452

22. (a) (ii) Subvention payments and loss offsets between CCHL group entities and CCC entities

Members of the CCC group, including the CCHL group of companies, are grouped for tax purposes. Some profit-making companies in the group reduce their tax liabilities by making subvention payments to, or offsetting their taxable profits with, entities within the group that generate tax losses, as summarised in the following table:

	30 JUNE 2018 PAID BY:						30 JUNE 2017 PAID BY:				
	CIAL $'000	LPC $'000	CCL $'000	ECL $'000	DCL $'000	RBL $'000	CIAL $'000	LPC $'000	CCL $'000	ECL $'000	RBL $'000
Subvention payments											
Paid to:											
CCC	3,201	2,627	1,664	920			2,316	1,921	2,524	606	
CCHL											
Enable Services Ltd		4,668						2,224			
Red Bus Ltd											
Vbase group											
CBL/Tuam Ltd/ChristchurchNZ	393	31			65	86	496				134
Total	**3,594**	**7,326**	**1,664**	**920**	**65**	**86**	**2,812**	**4,145**	**2,524**	**606**	**134**
Tax loss offsets:											
Losses provided by:			**OFFSET WITH:**						**OFFSET WITH:**		
CCC	8,232	6,754	4,280	2,367			5,956	4,941	6,490	1,559	
CCHL											
Enable Services Ltd		12,002						5,719			
Red Bus Ltd											
Vbase group											
CBL/Tuam Ltd/ChristchurchNZ	1,010	80			166	221	1,276				346
Total	**9,242**	**18,836**	**4,280**	**2,367**	**166**	**221**	**7,232**	**10,660**	**6,490**	**1,559**	**346**

CIAL = Christchurch International Airport Ltd
LPC = Lyttelton Port Company Ltd
CCL = City Care Ltd
ECL = EcoCentral Ltd
RBL = Red Bus Ltd
CBL = Civic Building Ltd

The loss offsets in 2018 relate to the 2017 tax year (2017: relate to the 2016 tax year).

22. (a) (iii) Other transactions between CCHL group entities and CCC entities

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

- CCHL borrows from CCC, based on the borrowing rate of CCC plus a margin. Current borrowing is $209.5m fixed, with the balance of $279m floating. Weighted average borrowing cost at balance date post hedging was 4.26% (2017: 4.50%).

BORROWING MATURITY	GROUP 2018 $'000	GROUP 2017 $'000
Short term < 3 months	85,000	96,000
1-2 years	77,000	25,000
3-5 years	206,500	148,500
6-8 years	54,500	164,500
9-10 years	65,500	45,500
	488,500	**479,500**

EcoCentral Ltd made payments of $16m in relation to the disposal of waste (2017: $17m), to Transwaste Canterbury Ltd, a company in which the ultimate shareholder, CCC, has a material shareholding.

BALANCES BETWEEN CCHL GROUP AND CCC	OWING BY CCC 2018 $'000	OWING BY CCC 2017 $'000	OWING TO CCC 2018 $'000	OWING TO CCC 2017 $'000
CCHL	-	-	67	61
Orion New Zealand Ltd	1,174	1,252	24	38
Christchurch International Airport Ltd	1	-	1	1
Lyttelton Port Company Ltd	-	3	3	28
Enable Services Ltd	10	-	14	14
City Care Ltd	15,090	8,064	241	196
Red Bus Ltd	1	-	-	-
EcoCentral Ltd	807	801	-	401
Development Christchurch Ltd	-	255	-	96
	17,083	**10,375**	**350**	**835**

22. (b) Transactions of the CCHL Group with other related parties

City Care Ltd made sales of $3m (2017: $39.6m) to its jointly-controlled operation, Stronger Christchurch Infrastructure Rebuild Team Joint Venture, and had an outstanding receivable balance of Nil at 30 June 2018 (2017: $0.09m).

22. (c) Key Management Personnel compensation

The compensation of the directors and executives of CCHL parent, being the key management personnel of the entity, was $0.755m (2017: $0.734m). This comprises all short term employee benefits.

23. Reconciliation of profit to net cash operating flows

	NOTE	GROUP 2018 $'000	GROUP 2017 $'000
Profit for the year		**135,738**	**116,391**
Add/(less) non-cash items			
Depreciation, amortisation and impairment expense		139,328	131,707
(Gains)/losses in fair value of investment property	5	(53,701)	(35,926)
(Gains)/losses in fair value of derivative financial instruments		(1,529)	(896)
Share of associates' losses		(610)	194
Net foreign exchange (gains)/losses		107	(27)
Deferred tax charged/(credited) to income	9(d)	7,122	(2,872)
Other		(2,403)	(631)
		88,314	**91,549**
Add/(less) items classified as investing or financing activities			
(Gain)/loss on disposal of non-current assets		218	119
Movement in capital creditors		4,025	(5,947)
Other		310	413
		4,553	**(5,415)**
Add/(less) movement in working capital items			
Debtors, inventory and other current assets		(8,688)	4,200
Non-curent receivables, prepayments and other		(7,024)	999
Creditors and other liabilities		3,952	18,111
Provisions and other liabilities		(4,267)	3,496
Current tax liabilities		(2,997)	(1,766)
Non-current provisions and other liabilities		6,129	1,641
		(12,895)	**26,681**
Net cash from operating activities		**215,710**	**229,206**

24. Classification of assets and liabilities

This note provides further information about the group's financial instruments, including:

- An overview of all financial instruments held by the group, and their classification
- Disaggregated information for those instruments that the directors consider to be most significant in the context of the group's operations
- Specific accounting policies where relevant
- Information about determining the fair value of the instruments, including judgements and estimation uncertainty involved.

The group's exposure to various risks associated with the financial instruments is discussed in Note 17.

24. (a) Classification of financial assets and liabilities

The group holds the following financial instruments.

	30 JUNE 2018	QUOTED PRICES IN ACTIVE MARKETS	SIGNIFICANT OBSERVABLE INPUTS	SIGNIFICANT UNOBSERVABLE INPUTS	30 JUNE 2017	QUOTED PRICES IN ACTIVE MARKETS	SIGNIFICANT OBSERVABLE INPUTS	SIGNIFICANT UNOBSERVABLE INPUTS
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
Fair value hedge derivatives								
Derivative financial instrument assets	551	-	551	-	1,991	-	1,991	-
Derivative financial instrument liabilities	(1,532)	-	(1,532)	-	(2,289)	-	(2,289)	-
Cash flow hedge derivatives								
Derivative financial instrument assets	260	-	260	-	-	-	-	-
Derivative financial instrument liabilities	(28,984)	(8)	(28,976)	-	(27,953)	(61)	(27,892)	-
Available-for-sale (or fair value through equity)								
Shares in other unlisted	-			-	2,000			2,000
Fair value through income statement upon initial recognition								
Borrowings	(177,177)	-	(177,177)	-	(76,300)	-	(76,300)	-
Total financial assets/(liabilities) at fair value	**(206,882)**	**(8)**	**(206,874)**	**-**	**(102,551)**	**(61)**	**(104,490)**	**2,000**
Financial assets/(liabilities) at amortised cost								
Cash and deposits	74,590				131,740			
Debtors and other receivables	104,088				96,389			
Loans	25,260				24,133			
Other	(24)				134			
Subtotal - assets	**203,914**				**252,396**			
Creditors and other payables	(109,990)				(106,038)			
Borrowings	(1,396,617)				(1,231,204)			
Subtotal - liabilities	**(1,506,607)**				**(1,337,242)**			
Net financial assets/(liabilities) at amortised cost	**(1,302,693)**				**(1,084,846)**			
Total financial assets and liabilities	**(1,509,575)**				**(1,187,397)**			

24. (b) Non-financial assets measured at fair value

	30 JUNE 2018	QUOTED PRICES IN ACTIVE MARKETS	SIGNIFICANT OBSERVABLE INPUTS	SIGNIFICANT UNOBSERVABLE INPUTS	30 JUNE 2017	QUOTED PRICES IN ACTIVE MARKETS	SIGNIFICANT OBSERVABLE INPUTS	SIGNIFICANT UNOBSERVABLE INPUTS
	CARRYING VALUE	Level 1	Level 2	Level 3	CARRYING VALUE	Level 1	Level 2	Level 3
Property, plant and equipment	2,715,617	-	80,685	2,634,932	2,412,711	-	66,507	2,346,204
Investment property	428,848	-	-	428,848	370,523	-	-	370,523
	3,144,465	**-**	**80,685**	**3,063,780**	**2,783,234**	**-**	**66,507**	**2,716,727**

Analysis of movements in Level 3 assets	30 JUNE 2018 TOTAL	P,P&E	INVESTMENT PROPERTY	30 JUNE 2017 TOTAL	P,P&E	INVESTMENT PROPERTY
Opening carrying value	2,716,727	2,346,204	370,523	2,557,274	2,253,582	303,692
Additions	168,607	138,009	30,598	190,368	152,999	37,369
Disposals	(1,276)	(1,276)	-	(2,056)	(2,056)	-
Transfer (to)/from investment property	-	25,974	(25,974)	-	6,464	(6,464)
Fair value movements	257,235	203,534	53,701	41,127	5,201	35,926
Depreciation	(88,962)	(88,962)	-	(84,388)	(84,388)	-
Reclassified assets and impairments	11,449	11,449	-	14,402	14,402	-
Closing carrying value	**3,063,780**	**2,634,932**	**428,848**	**2,716,727**	**2,346,204**	**370,523**

Fair value of assets and liabilities

The above tables classify the Group's assets and liabilities in accordance with NZ IFRS 13 as described in the accounting polices set out below.

The property, plant and equipment that is classified as Level 2 arises from the use by Orion's valuer of significant observable inputs – sales comparisons and unit metre frontage methodologies – in determining the fair value of land at substation sites. In addition they valued the company's Waterloo Road depot site using a sales comparison method and the buildings under construction using a depreciated cost method (level 2).

Fixed rate debt is recognised in the financial statements at amortised cost, except for $175m (2017: $75m) of debt held by Christchurch International Airport Ltd which is matched by two interest rate swap agreements in place with a notional amount of $100m and $75m (2017: $75m) whereby the company receives a fixed rate of interest of 4.13% and 5.15% respectively and pays interest at a variable rate on the notional amounts. The swap is being used to hedge the exposure to changes in the fair value of its 4.13% $100m bond and 5.15% $75m bond.

The CCHL parent company has total fixed rate debt held at amortised cost of $359.5m (2017: $305.5m). The fair value of this debt, determined by discounting cash flows from the instruments using a discount rate derived from relevant market inputs, at balance date was $385.7m (2017: $327.3m).

Transfer between categories

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

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

Financials

Accounting policy – fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, based on the highest and best use of that asset.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows:

- **Level 1:** The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period.
- **Level 2:** The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- **Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

Specific valuation techniques used to value financial instruments are described in the relevant notes. External valuers are involved for valuation of significant assets, such as properties and investments held at fair value through equity. Selection criteria for valuers include market knowledge, reputation, independence and whether professional standards are maintained.

Classification of investments and financial assets

The Group classifies its investments in the following categories in accordance with NZ IAS 39 Financial Instruments: Recognition and Measurement:

(a) Financial assets at fair value through profit or loss
A financial asset is classified at fair value through profit or loss if acquired principally for the purpose of selling in the short term with the intention of making a profit. Derivatives are also categorised as held for trading unless they are designated as effective hedging instruments. Gains or losses on financial assets held for trading are recognised in profit or loss.

(b) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired.

(c) Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold to maturity.

(d) Fair value through equity assets
Fair value through equity assets are non-derivative financial assets, principally equity securities. NZ IAS 39 uses the terminology "available for sale" for this class of assets – however, the CCHL Board considers that this is a misleading description given the nature of its business, and hence the term "fair value through equity" is used in these financial statements.

25. Statement of accounting policies

Impairment

The carrying amounts of the group's assets, other than inventory, investment property and deferred tax assets, are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists for an asset, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent of other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs. A cash-generating unit is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The recoverable amounts are the higher of fair value (less costs to sell) or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Goodwill is tested for impairment annually, and whenever there is an indication that it may be impaired. An impairment of goodwill is not subsequently reversed.

If a revalued asset is determined to be impaired, then the impairment is firstly applied against the revaluation reserve related to that asset, with any remaining impairment loss expensed in profit or loss. If the impairment loss is subsequently reversed, the reversal is firstly applied to profit or loss to the extent of previously expensed impairment losses relating to that asset, with any further increase taken to the revaluation reserve.

For assets which are not revalued, an impairment loss is expensed immediately in profit or loss. If an impairment loss is subsequently reversed, the carrying value of the asset is stated at not more than what its carrying value would have been had the earlier impairment not occurred.

When a decline in the fair value of a fair value through equity financial asset has been recognised directly in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in other comprehensive income is recognised through profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised through profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised through profit or loss.

Other accounting policies
All other accounting policies are shown in the relevant Note.

New accounting standards and interpretations
No new accounting standards or interpretations that became effective for the period had a material impact on the Group.

Those NZ IFRS Standards and Interpretations that have been issued or amended and which may have a significant impact on the Group, but are not yet effective and have not been early adopted by the Group for year ended 30 June 2018 are:

NZ IFRS 15 Revenue from Contracts with Customers will replace NZ IAS 11 Construction Contracts and NZ IAS 18 Revenue on 1 January 2018. The core principle of NZ IFRS 15 is that an entity recognises revenue to reflect the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Based on preliminary work performed by the Group it is unlikely it will have a material impact on the existing revenue recognition process. The Group will apply this standard from 1 July 2018.

NZ IFRS 9 Financial Instruments is effective for annual periods beginning on or after 1 January 2018. NZ IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities and relaxes the current NZ IAS 39 requirements for hedge accounting. The likely impact of this standard is currently being assessed. The Group believes it is unlikely to have a material impact on the Group's financial statements. The Group will apply the standard from 1 July 2018.

NZ IFRS 16 Leases is effective for annual periods beginning on or after 1 January 2019. NZ IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The new standard introduces a single lessee accounting model that brings all leases on balance sheet except low-value or short-term leases. The assessment to date has identified operating leases that are currently off balance sheet that will be brought on balance sheet under NZ IFRS 16 through the recognition of right-of-use assets and associated liabilities. This recognition will result in lease expenses being classified as a finance cost and amortised, as opposed to only operating costs. Many of the Group's leases have been identified as short-term or leases of low-value assets, and will qualify for an exemption from the new standard. The accounting requirements for lessors are substantially the same as those in NZ IAS 17.

The Group is yet to assess NZ IFRS 16's full impact. Based on preliminary work performed the Group believes it is unlikely to have a material impact on the Group's financial statements however, until further analysis to quantify the exact impact of NZIFRS 16 on the profit and loss and balance sheet of the group, it is not practical to provide a reasonable estimate of the effect of NZIFRS 16 until this detailed review has been completed. The Group will apply this standard from 1 July 2019.

Amendments to NZ IAS 40 Transfers of Investment Property clarifies the criteria for transfers to or from investment property. The Group is yet to assess NZ IAS 40's full impact. The Group believes it is unlikely to have a material impact on the Group's financial statements. The Group will apply the amendments to this standard from 1 July 2018.

26. Prior period adjustment

The Board of CCHL have reviewed the carrying value of Goodwill on Consolidation for each of our companies and have determined that:
EcoCentral – when comparing the carrying value of EcoCentral to its fair value less costs of disposal, the Goodwill on consolidation of $5.74m is overstated, and should have been fully impaired in the FY2016 and prior years.
LPC – when comparing the carrying value of LPC to its value in use, the Goodwill on consolidation of $21.749m is overstated, and should have been fully impaired in FY2016.

A prior period adjustment of $27.489m has been made in the Statement of Financial Position which reduces the opening balance of Goodwill and Retained earnings at 1 July 2016 in the 2017 comparatives.

Performance Statements and Other

27. Performance against Statement of Intent targets

The Statement of Intent ('SoI') issued by CCHL last year in respect of the 2017/18 financial year included a number of financial and non-financial performance measures. The following table compares the actual financial results for the year ended 30 June 2018 with the financial targets contained within the SoI:

FINANCIAL PERFORMANCE TARGETS	GROUP ACTUAL	GROUP TARGET
Net Profit after tax ($'000)	135,738	80,700
Net debt/net debt plus equity (%)	44.0%	48.0%
Interest cover (times)	3.7	3.0
Dividends to Christchurch City Council ($'000)	192,694	195,300
Return on average equity (%)	7.3%	4.6%

Group profit for the period and return on average equity
The Group's profitability and return on average equity are higher than SoI targets mainly due to:
- Christchurch International Airport Ltd's net profit was ahead of target by $44m, largely reflecting a greater than expected gain on the revaluation of investment properties.
- Orion New Zealand Ltd's net profit was ahead of target by $6.5m mainly due to below budget expenses.
- Lyttelton Port Ltd's net profit was ahead of target due to record container volumes and below budget expenses.
- The above factors offset the reduction in profit against target for CityCare.

Further information on the performance of the Group is provided in the review section of this annual report.

Dividends
CCHL declared a gross ordinary dividend of $55.3m, in line with SoI target, however in agreement with the Council, deducted $2.6m from the final dividend payment. This deduction was equivalent to the amount that CCHL would normally have received as a subvention payment from other members of the Group in return for making its tax losses available. CCHL elected to forego this subvention receipt to assist with Group tax planning.

In addition CCHL made a special dividend of $140m (2017: $70m) toward the Capital Release programme, bringing the total dividends paid for the year to $192.7m.

Non-financial performance targets - CCHL Parent
CCHL's performance against the non-financial performance measures set out in its SoI are described in the following tables.

Governance

	Objective	Performance target	Performance
1.	CCHL maintains a strategic direction that is consistent with that of 100% shareholder Christchurch City Council (CCC).	CCHL will submit a draft SoI for 2019/21 for approval to CCC by 1 March 2018.	**Achieved** – with subsequent feedback from the Council incorporated into the final document.
2.	CCHL keeps CCC informed of all significant matters relating to CCHL and its subsidiaries, within the constraints of commercial sensitivity.	Major matters of urgency are reported to CCC at the earliest opportunity.	**Achieved**
		CCHL will provide a quarterly report showing progress against SoI targets which will be submitted to the Strategy and Finance Committee.	**Achieved** – Sent to Council for each quarter and presented to Finance and Performance and Council.
		CCHL will attend Committee meetings and report as required.	**Achieved**
3.	Corporate governance procedures are appropriate, documented and reflect best practice.	The company's policies will be reviewed in accordance with a schedule approved by the Board.	**Achieved** – Independent review of treasury policy completed by Bancorp - Feb 2018. Approved by Audit and Risk Committee.
4.	Directors make an effective contribution to the CCHL board, and their conduct is in accordance with generally accepted standards.	The Chair will conduct a formal biennial performance evaluation for each CCHL director with the next one being scheduled in the 2018 calendar year.	**Achieved** – Informal Evaluation sessions between Chair and Directors held in October/ November 2017.
		The Governance committee will review the training needs of individual CCHL directors, and ensure training is provided where required.	**Achieved** – The Board has approved a policy on director training, and this was followed.
5.	CCHL's process for the selection and appointment of directors to the boards of subsidiary and monitored companies is rigorous and impartial.	The process followed for each appointment to a subsidiary or monitored company board is transparent, fully documented and in line with approved policies and procedures.	**Achieved** –Director appointments made during the year complied with Council/CCHL policies.
		CCHL will actively monitor board diversity (considering all relevant diversity perspectives/measures) across the CCHL Group.	**Achieved** –Diversity review commenced and reported to the August CCHL Board meeting. Diversity & Inclusion policy approved by the Board in October.

	Objective	Performance target	Performance
6.	Subsidiary and monitored companies complete, on a timely basis, Statements of Intent that meet best practice standards.	CCHL will issue letters of expectation to and engage with subsidiary and monitored companies prior to the 2018 SoI round regarding the structure and content of the group SoIs.	**Achieved** – CCHL wrote to all subsidiaries in December 2017 requesting them to consider certain matters in their draft SoIs. It is considered the SoIs adequately reflect these matters. A workshop was held with the Subsidiary CFO's to discuss the Letter of Expectations.
		CCHL will review the companies' performance in the context of its statutory obligations under the Local Government Act.	**Achieved** –All requirements under LGA were achieved on time.
7.	CCHL maintains contact with subsidiary company boards, and remains aware of their strategic and business issues.	CCHL receives a report noting progress against performance on a quarterly basis from its subsidiaries.	**Achieved**
		CCHL management will meet with subsidiary company management regularly to review current performance and strategic focus areas.	**Achieved** Subsidiaries present to CCHL board meetings: ONZ: AGM 15 August; May 2018; CIAL: 18 Oct 2017; AGM 19 Oct; LPC: 13 Sept 2017; AGM 11 Oct; ESL: 16 August 2017; AGM 24 Oct; CCL: AGM 27 Oct; May 2018; RBL: AGM 26 Oct; Feb 2018; ECL: AGM 16 Oct; April 2018; DCL: AGM 19 Dec; Mar 2018.

Group strategic, financial and sustainability objectives

	Objective	Performance target	Performance
1.	Meet Council's requirements for Capital Release in alignment with its Long Term Plan	CCHL will implement a capital release programme to release $140m to Council in each of the 2018 and 2019 financial years, subject to this capital release remaining consistent with Council requirements as reflected in Council's financial strategy and long term plans.	**Achieved** – $140m of Capital release paid to Council in FY2018.
2.	Subsidiary companies have sufficient (but not excessive) financial flexibility, whether through their own capital structures or through the availability of capital from CCHL, to undertake growth and investment initiatives.	CCHL will monitor the capital structure of each subsidiary company on an ongoing basis, and determine whether any change is required.	**Achieved** – Independent advisors engaged to produce the FY18 benchmarking report.
3.	Subsidiary and monitored companies adopt strategies that are compatible with the strategic direction of CCHL and CCC.	CCHL will actively engage with subsidiary companies to ensure they are strategically aligned with shareholder expectations.	**Achieved** – CCHL wrote to each subsidiary in December 2017 setting out the shareholder's expectations in relation to a number of matters, including dividend levels, communication, health and safety reporting, sustainability, innovation and support of Council's key outcomes. It is considered that the SoIs addressed these adequately.
4.	Subsidiary and monitored companies adopt strategies that contribute to regional growth.	CCHL will continue to work actively with its subsidiaries to ensure that (where appropriate) regional growth initiatives are included in their business strategies.	**Achieved** – CCHL maintains regular contact with its subsidiaries in particular it is working with LPC on the Cruise berth development, Enable on the fibre network rollout and DCL on its land transfer from Council.
5.	Subsidiary companies set and attain environmental, social and innovative performance objectives that are compatible with their activities, commercial nature and other objectives.	CCHL will engage with subsidiaries companies regarding the progressive development and inclusion of relevant and appropriate environmental, social and innovative objectives and performance targets in their respective SoIs.	**Achieved** – CCHL wrote to all subsidiaries in December 2017 requesting them to consider certain matters in their draft SoIs. It is considered the SoIs adequately reflect these matters. A workshop was held with the Subsidiary CFO's to discuss the Letter of Expectations.

CCHL Parent financial objectives

	Objective	Performance target	Performance
1.	CCHL financial and distribution performance meets the shareholder's expectations.	CCHL pays a dividend for the 2018 financial year that meets or exceeds budget, and achieves the other budgeted key performance measures set out in this SoI.	**Achieved** – CCHL paid an ordinary dividend of $55.3.m, less a deduction of $2.6m agreed with the Council in relation to subvention receipts voluntarily foregone by CCHL.
2.	CCHL's capital structure is appropriate for the nature of its business.	CCHL will monitor the level and composition of its debt facilities in the context of its funding commitments and the requirements of Capital from its shareholder.	**Achieved** – CCHL issued a 5 year $150m fixed rate bond in the Debt Capital Markets in December 2017. **Achieved** – CCHL continues to monitor its level and composition of debt facilities in line with its financial strategy.
3.	CCHL's investments provide an appropriate return in relation to their business risk, and against external benchmarks.	CCHL will periodically review the performance of its major subsidiary companies and other investments against external benchmarks, and assess the value of the investment in the individual company in relation to its inherent business risk and community benefits.	**Achieved** – Benchmarking review completed with independent advisors in March 2018.
4.	CCHL's treasury management policies and practices are consistent with best practice.	CCHL's treasury management policies are reviewed on an annual basis.	**Achieved** – Treasury policy reviewed by Bancorp in February 2018 and minor updates approved by the Audit and Risk Committee.

Non-financial performance targets - CCHL Group

The achievement of key significant non-financial performance measures for each of our significant subsidiaries (Orion, CIAL,LPC,ESL and CityCare) as set out in their SoI's are described in the following tables.

Orion

	Objective	Performance target	Performance
1.	Duration of supply interruptions per connected customer	SAIDI 82 SAIFI 1.0	SAIDI 79 – **Achieved** SAIFI 1.0 – **Achieved**
2.	Substantively complete our post-quake repair/recovery projects	Target – 31 March 2018	**Achieved** – In FY18 Orion completed the two remaining large recover projects, the repair of the Lancaster zone substations a new fit for purpose and resilient depot for Connetics.
3.	Environment	Keep annual (SF6) gas losses to the atmosphere from our network equipment below 1% per year	**Achieved**
4.	Health & Safety	No serious safety events impacting employees	**Not achieved –** Orion has three notifiable events during the year, resulting in 91 days of lost time. The three employees have fully recovered and have returned to work. The incidents were fully investigated and changes have been implemented.
5.	Community and employment	Achieve voluntary annual staff turnover of less than 5% for Orion and 10% for Connetics	**Not achieved** Orion 5.6% Connetics 12.2%

CIAL

	Objective	Performance target	Performance
1.	Passenger numbers	Domestic- 5,033,627 International - 1,660,951	**Achieved** Domestic - 5,111,454 International – 1,754,509
2.	Environment	Achieve a Bird Strike incidence rate of 3<4/10,000 aircraft movements on a 12-month rolling average basis in line with level set for airports of a similar scale.	**Not achieved –** For FY18, the strike rate was 7.6/10,000 movements. Existing wildlife management processes have been supplemented by the collaborative project noted below. CIAL has collaborated with Christchurch City Council, Environment Canterbury and Ngai Tahu to develop plans for the management of Canada Geese and Black-back Gulls in Christchurch. This has led to the coordinated management of critical populations and assisted with the conservation of species threatened by the population increases of the above species.
3.	Sustainability	Commission a new waste compaction a weighing system for the passenger terminal. Establish a Waste Working Group to deliver the objectives set by the Sustainability Strategy.	**Achieved –** CIAL review of infrastructure is now complete and will look to implement this in FY19. A terminal waste working group has been established. The purpose of this group is to share information and inform tenants of any new waste procedures. It also serves as a forum for recognising and rewarding members for their efforts.
4.	Health & Safety	Better than industry standard Lost time injury frequency rate, with ultimate target of Nil.	**Not achieved –** CIAL's LTIFR was 11.59 per 1 million hours worked. While still higher this is moving toward the industry average of 8.48. Continued focus on hazard/near miss reporting, targeted initiatives and the inclusion of Safety II principles in our safety strategy are underway to reduce the incidence of injury to our staff.

LPC

	Objective	Performance target	Performance
1.	Operational	Net Crane Rate - 32.9 (measured by MOT) Ship Rate - 64.8 (measured by MOT) Coal load out rate 25,000 (tonnes per day)	**Not achieved** Net Crane Rate – 29.8 Ship Rate - 61.3 **Achieved** Coal load out rate 25,155
2.	Environmental	Number of fully compliant independent consent audits >85%	**Achieved** 100%
3.	Health & Safety	Total recordable injury frequency rate (per 200,000 hours) – 6.0 Notifiable events - Nil	**Achieved** TRIFR – 3.9 1

ESL

	Objective	Performance target	Performance
1.	Operational	Number of connections (cumulative) 72,222	**Achieved** 77,149
2.	Core Network availability	>=99.999%	**Achieved** 100%
3.	Health & Safety	Total recordable injury frequency rate (per million hours) <3 Serious harm injuries - Nil	**Not achieved** TRIFR – 3.7 **Achieved** Nil

Citycare

	Objective	Performance target	Performance
1.	Environment Management	Trial 3 x electric mowers and 3 x electric vans/trucks	**Achieved**
2.	Operational	Win one new 'significant (>$5m) contract or client for the company	**Achieved**
3.	Health & Safety	5% reduction in Total recordable injury frequency rate from prior year	**Not achieved** – Whilst the 5% targeted reduction in TRIFR was not achieved CityCare continues to place the highest levels of attention to driving a 100% safe workplace culture and positively benchmarks their performance against similar organisations

Statutory Information

Ownership and principal activities

The company is owned 100% by Christchurch City Council. Its principal activity during the year was to operate as an investment company of the Council.

Directors' interests

The company maintains an interests register in which particulars of certain transactions and matters involving the directors are recorded. These are requirements under the Companies Act 1993. The following entries were recorded in the interests register during the year ended 30 June 2018:

Jeremy Smith

Director – *Farra Engineering Ltd*
Director – *Holmes Group Ltd*
Director – *Seamount Advisory Ltd*
Director – *Water Utilitiies Ashburton Ltd*
Director – *Barhill Chertsey Irrigation Ltd*
Director – *Graymont (NZ) Ltd*

Vicki Buck

Councillor, *CCC*
Director – Think Inc Ltd
Trustee – Scorpio Family Trust
Trustee – Otautahi Community Housing Trust
Director – Otautahi Community Housing Development GP Ltd

Lianne Dalziel

Mayor, *CCC*

Gregory Campbell – Appointed 16 November 2017

Director – *Ravensdown Aerowork Ltd*
Director – *Ravensdown Australian Holdings Ltd*
Director – *Ravensdown Growing Media Ltd*
Director – *Soil Fertility Services Ltd*
Director – *Spreading Waikato Ltd*
Director – *Cropmark Seeds Ltd*
Director – *NZ Phosphate Company Ltd*
Director – *Overseer Ltd*
Director – *Ravensdown Australia Properties Pty Ltd*
Director – *Ravensdown Fertiliser Australia Pty Ltd*

Alex Skinner

Trustee & Chair – *Otautahi Community Housing Trust*
Director – *Alex Skinner Ltd*
Trustee – *World Buskers Festival*
Director – *Anchorage Trustee Services Limited*
Trustee – *Dream, Believe, Succeed Foundation*
Director & Chair – *Otautahi Community Housing* Development GP Ltd
National Board Member – *Royal NZ Plunket Society*

Andrew Turner

Deputy Mayor, *CCC*
Director – *ChristchurchNZ*
Trustee – Otautahi Community Housing Trust
Trustee – *Banks Peninsula War Memorial Society*
Director & Shareholder – *Harbour Wind Limited*
Trustee – *Lyttelton Harbour Information Centre*
Trustee – *Lyttelton Returned Services Association*
Trustee – *Okains Bay Maori & Colonial Museum*
Director – *Otautahi Community Housing* Development GP Ltd
Shareholder – *Purple Cow Limited*
Trustee – *Rod Donald Banks Peninsula Trust*
Trustee – *The Christchurch Foundation*
Shareholder – Harbour Co-op

Mary Devine

Director – *Meridian Energy Limited*
Director – *IAG New Zealand Limited*
Director – *Briscoe Group Limited*
Director – *Foodstuffs Ltd*
Fellow – *Christ's College*

Sarah Smith – Resigned 16 November 2017

Director – *EcoCentral Ltd*

Director – *Sasco Holdings Ltd*

Trustee – *Warren Architects Education Charitable Trust*

Chair – *Ohinetahi Charitable Trust*

Director – *SLI Systems Ltd*

Director – *Lion Foundation*

Director – *Wherescape Software Ltd*

Chair – *Ngai Tahu Tourism*

Director – *Network Tasman Ltd*

Jamie Gough

Councillor, *CCC*

Director – *Gough Property Corporation Ltd*

Director – *Gough Corporation Holdings Ltd*

Chairman – *Civic Building Ltd*

Trustee – *Antony Gough Trust*

Shareholder – *The Terrace Carpark Ltd*

Shareholder – *Gough Group/Gough Gough & Hamer Ltd*

Shareholder – *The Russley Village Ltd*

The company has arranged directors' liability insurance for all directors, and indemnified all directors and the CEO and CFO through a Deed of Indemnity executed on 22 November 2006.

Transactions between CCHL and entities with whom certain directors are associated are described in Note 22 to the financial statements. No loans were made to directors.

Board and committee attendance

The Board and the two standing committees have a number of scheduled meetings each financial year. The following table is a summary of attendance for the company's financial year ended 30 June 2018:

	BOARD MEETINGS	AUDIT & RISK MANAGEMENT COMMITTEE MEETINGS	GOVERNANCE & APPOINTMENTS COMMITTEE MEETINGS
NUMBER OF MEETINGS	**10**	**3**	**7**
Jeremy Smith	9	*	7
Lianne Dalziel	7	*	*
Vicki Buck	10	*	7
Jamie Gough	10	*	6
Andrew Turner	10	3	*
Mary Devine	9	*	5
Alex Skinner	10	3	*
Greg Campbell (appt Nov 17)	6	2	*
Sarah Smith (resigned Nov 17)	4	1	*

** Not a member of this committee*

Remuneration of Directors

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

CHRISTCHURCH CITY HOLDINGS LTD	$	ORION NEW ZEALAND LTD	$	CHRISTCHURCH INTERNATIONAL AIRPORT LTD	$	LYTTELTON PORT COMPANY LTD	$	ENABLE SERVICES LTD	$
J Smith	80,650	J Austin	49,000	C Drayton	75,397	T Burt	89,232	B Gamble	88,200
A Skinner	40,325	N Crauford	49,000	P Reid	8,000	M Devlin	6,004	W Luff	50,536
M Devine	40,325	J McDonald	28,000	J Murray	52,000	D Elder	51,666	C Elliott	34,075
G Campbell	25,180	B Simpson	17,000	K Morrison	26,500	J Quinn	49,245	K Meads	49,685
S Smith	26,883	G Vazey	70,000	C Paulsen	54,035	M Johns	35,610	M Bowman	48,699
		B Gemmell	55,000	L Palomino Forbes	40,000	B Woods	52,877	O Scott	15,000
		N Miller	94,000	D McKenzie	28,285	G Gilfillan	50,455	C Walsh	30,013
				A Lovatt	18,804	W Dwyer	49,245	T Lusk	15,867

CITY CARE LTD	$	RED BUS LTD	$	ECOCENTRAL LTD	$	DEVELOPMENT CHRISTCHURCH LTD	$
G Leech	63,649	P Kiesanowski	61,465	D Kerr	63,000	W Dwyer	70,000
C Price	41,248	T Keenan	12,920	G Campbell	11,000	J Gregg	35,000
J Rolfe	39,373	R Lineham	34,697	S Smith	33,000	P Houghton	35,000
M Todd	43,465	E Farrell	24,214	S Horgan	34,000	F Mules	35,000
G Darlow	29,867	S Kunz	30,766	M Jordan	21,000	D Wright	35,000
P Hoogerwef	27,377						
M Devlin	15,131						
H Martyn	27,852						

Donations

CCHL made a donation of $61,300 to the Mayor's Welfare Fund during the year (2017: $71,701), and $100,000 to the Innovation and Sustainability Fund (2017: Imagination Station $71,701). Donations of $323,000 (2017: $41,000) were made by subsidiaries.

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

Employee Remuneration

The CEO of CCHL received a base salary of $357,700 and Kiwisaver employer contributions of 3% during the 2018 financial year.

Details of remuneration ranges for employees of the Group are:

SALARY BANDS >$100K	GROUP 2018
$'000	
100-110	224
110-120	142
120-130	110
130-140	67
140-150	55
150-160	31
160-170	20
170-180	21
180-190	9
190-200	11
200-210	13
210-220	7
220-230	10
230-240	2
240-250	4
250-260	3
260-270	3
270-280	2
280-290	3
300-310	3
320-330	2
330-340	2
340-350	2
350-360	3
360-370	2
400-410	1
410-420	1
420-430	2
470-480	1
570-580	1
640-650	1
830-840	1
880-890	1
930-940	1
	761

Use of company information

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

Auditors

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

Investor Relations

Investor Centre

CCHL's website, www.cchl.co.nz, enables Bondholders to view information about the Group, including SoIs, annual reports for CCHL and its subsidiaries and announcements.

Bondholder Interest Payments

Interest is paid semi-annually in June and December each year, until redemption.

Registrar

Computershare Investor Services Limited is the registrar with responsibility for administering and maintaining the Bond Register. Computershare can be contacted directly:

Computershare Investor Services Limited
Private Bag 92119
Auckland 1142
Level 2, 159 Hurstmere Road
Takapuna
Auckland 0622

Telephone: +64 9 488 8777
Email: enquiry@computershare.co.nz

Managing your Bondholding online

To view and update your bondholder details please visit www.investorcentre.com/nz.

Bondholder Distribution

In line with clause 10.4.5 of the NZX listing rules, the following table details the spread of bondholders within 2 months of the date of this report:

HOLDING RANGE	HOLDER COUNTER	HOLDING QUANTITY	HOLDING QUANTITY %
5,000 to 9,999	10	$54,000	0.036
10,000 to 49,999	114	$2,154,000	1.436
50,000 to 99,999	21	$1,241,000	0.827
100,000 to 499,999	14	$2,895,000	1.930
500,000 to 999,999	2	$1,000,000	0.667
1,000,000 to 9,999,999,999,999	9	$142,656,000	95.104
Total	170	$150,000,000	100.00

Independent Auditor's Report

Audit New Zealand
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of Christchurch City Holdings Limited Group's financial statements and performance information for the year ended 30 June 2018.

The Auditor General is the auditor of Christchurch City Holdings Limited Group (the group). The Auditor General has appointed me, Andy Burns, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the performance information of the group, on his behalf.

Opinion

We have audited:

- the financial statements of the group on pages 38 to 82, that comprise the statement of financial position as at 30 June 2018, the statement of financial performance, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the group on pages 83 to 90.

In our opinion:

- the financial statements present fairly, in all material respects the financial position of the group as at 30 June 2018, and their financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards; and
- the performance information presents fairly, in all material respects, the group's actual performance compared against the performance targets and other measures by which performance was judged in relation to the group's objectives for the year ended 30 June 2018.

Basis for opinion

We conducted our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report.

We are independent of the group in accordance with the Auditor-General's Auditing Standards, which incorporate Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In addition to this audit, we have carried out other audit and assurance engagements for the group. These audit and assurance engagements, as described in note 8(b) on pages 60 and 61, are compatible with those independence requirements.

Other than the audit we have no relationship with or interests in the Group.

Key audit matters

Key audit matters are those that, in our professional judgement, were of most significance in our audit of the financial statements and the performance information of the current period.

We summarise those matters below and how we addressed them in our audit of the financial statements and the performance information, as a whole.

Any comments we make on the findings of our audit should be read in that context and we do not provide a separate opinion on these matters.

Key audit matter	How did the audit address this matter
Carrying value of group, property, plant and equipment	
Revaluation of group property, plant and equipment The carrying value of group property, plant and equipment is $3.28 billion. Group property, plant and equipment is characterised by a large number of specialised service delivery and infrastructure assets, in addition to land and buildings. The valuation of these assets requires significant judgement due to uncertainties inherent in the valuation of these assets. The following significant group asset classes were revalued as at 30 June 2018: • Optical Fibre Network; • Airport Infrastructure Assets; • Freehold Land; and • Buildings Due to the varied nature of these asset classes, some are valued at optimised depreciated replacement cost, with others valued based on discounted cash flows or market based approaches. Note 4 to the financial statements provides information on the revaluations, including a summary of valuation approaches, key assumptions and sensitivity information. We consider this a key audit matter due to the significance of the carrying values to the financial statements and the judgements involved. These judgements include deciding the appropriate valuation methodologies and the assumptions used to determine fair value.	Our audit procedures included: We read the valuation reports and met with the valuers to discuss. We assessed the valuers' expertise for the work and their objectivity, including reading their terms of engagement and considering the existence of other engagements or relationships with the group. We obtained representations from the valuers that the valuation approaches are in accordance with accepted professional valuation standards. We confirmed our understanding of the valuation methodologies and key assumptions. We assessed them for compliance with the requirements of the applicable financial reporting standards (NZ IAS 16 Property, Plant, and Equipment and NZ IFRS 13 Fair Value Measurement) and evaluated their reasonableness based on our experience and knowledge of other specialised valuations in the public sector. We assessed the sensitivity of the valuations to changes in assumptions and confirmed that the significant assumptions and sensitivities were appropriately disclosed in the annual report. We obtained an understanding of the source data used for the valuations. We assessed the reliability of the source data and the risk of errors or omissions in that data. We reviewed the overall valuation changes and sought explanations from the valuers for any significant or unusual changes in value. We found that the valuations adopted by the group were supportable and used approaches consistent with our expectations for public sector specialised valuations.
Fair value assessment and impairment assessment of group property, plant and equipment The Group's Electricity Distribution System assets are the only significant asset class that applies the revaluation model, which was not revalued as at 30 June 2018. The asset class was last valued as at 31 March 2017. The carrying value of these assets is $993 million. The valuation is carried out by specialist valuers because of the complexity and significance of assumptions applied. The Group also holds significant Harbour Structures at cost less accumulated depreciation and impairment. The carrying value of these assets is $322 million.	Our audit procedures included: We enquired with management as to: • how it determined the carrying value of the Electricity Distribution System was not materially different from its fair value; and • its assessment of whether indicators of impairment were present for Harbour Structures. We reviewed the group's assessment of the carrying values of these asset classes. This included: • whether the assessment methods comply with the requirements of New Zealand Equivalents to International Financial Reporting Standards;

The group previously impaired Harbour Structure assets and has significant capital projects as part of the Lyttelton Port Recovery Plan. There is a risk that cash flows do not support the carrying amount of the Harbour Structures asset class and further impairment is required. Note 4 to the financial statements provides information on the most recent assessment of the carrying value of the Electricity Distribution System, and assessment of whether Harbour Structures were impaired. We consider this a key audit matter due to the significance of the carrying values to the financial statements and the judgements involved.	• whether assessment methods are appropriate and have been applied consistently; and • reviewing the underlying data on which the assessments are based and assumptions applied, and considering the sensitivity of changes to key assumptions. We found that the carrying value of the Electricity Distribution System assets is not materially different from fair value, and that no additional impairment was required for Harbour Structures.

Valuation of Investment Property

The group's investment property portfolio comprises industrial, commercial and retail investments in the area surrounding Christchurch International Airport. Investment properties are revalued annually by independent valuers. The value of the portfolio is $429 million as at 30 June 2018. The value of the portfolio continues to grow as available land is developed for further investment properties. Changes in use, as a result of development or changes in the business, can result in transfers of properties between investment property and property, plant and equipment. Note 5 to the financial statements provides information on the valuation and the movements in the investment property balance since the previous year. We consider this a key audit matter due to the significance of the carrying value and fair value gains, and because of the judgements involved in determining fair value.	Our audit procedures included: We reviewed any changes in use of properties and considered whether they are correctly classified as either investment property or property, plant and equipment. We read the valuation report and met with the valuer to discuss. We assessed the valuer's expertise for the work and their objectivity, including reading their terms of engagement and considering the existence of other engagements or relationships with the group. We obtained representations from the valuer that the valuation was in accordance with accepted professional valuation standards. We confirmed our understanding of the valuation methodology and key assumptions. We assessed them for compliance with the requirements of the applicable financial reporting standards (NZ IAS 40 Investment Property and NZ IFRS 13 Fair Value Measurement) and evaluated their reasonableness based on our experience and knowledge of other valuations in the public sector. We assessed the sensitivity of the valuations to changes in assumptions and confirmed that the significant assumptions and sensitivities were appropriately disclosed in the annual report. We obtained an understanding of the market data sources used by the valuer and the reliability of this data. We confirmed a sample of lease term information (such as current rental rates) back to the lease documents. We sample tested valuation calculations. We reviewed the overall valuation changes and sought explanations from the valuers for any significant or unusual changes in value. We found that the valuations adopted by the group were supportable and the valuation movement consistent with our expectations for market based valuations of investment property.

Other information
The directors are responsible on behalf of the group for the other information. The other information comprises the information included on pages 6 to35 and 91 to 102, of the annual report, but does not include the financial statements and the performance information and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibilities
The directors are responsible on behalf of the group for the preparation and fair presentation of the financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The directors are also responsible for preparing the performance information.

In preparing the financial statements and the performance information, the directors are responsible on behalf of the group for assessing the group and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

The directors' responsibilities arise from the Financial Markets Conduct Act 2013.

Auditor's responsibilities
Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of readers taken on the basis of these financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the appropriateness of the reported performance information within the group's framework for reporting its performance.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may

cause the group and the group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements and the performance information of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Our responsibilities arise from the Public Audit Act 2001.

Andy Burns
Audit New Zealand
On behalf of the Auditor General
Christchurch, New Zealand
12 September 2018

Ten Year Summary

YEAR ENDED 30 JUNE CCHL GROUP	2009 $m	2010 $m	2011 $m	2012 $m	2013 $m	2014 $m	2015 $m	2016 $m	2017 $m	2018 $m
Financial performance and position										
Total revenue	592	595	750	903	958	1,352	1,095	1,052	1,044	1,107
Profit for the period	79	55	77	97	71	403	132	39	116	136
Total assets	2,211	2,286	2,321	2,473	2,576	3,166	3,301	3,418	3,605	4,020
Shareholders' equity	1,414	1,367	1,309	1,373	1,450	1,945	1,928	1,813	1,830	1,910
Payments to Christchurch City Council										
Dividends paid	37	114	44	35	36	52	46	132	114	193
Ratios										
Ratio of net debt to net debt plus equity	22%	27%	30%	34%	33%	18%	25%	35%	39%	44%
Return on average equity	5.6%	4.0%	5.9%	7.3%	5.0%	23.7%	6.8%	2.1%	6.4%	7.3%

Directory

Registered Office
Level 2
77 Hereford Street
Christchurch

Directors
J B Smith (Chair)
L A Dalziel
V S Buck
M M Devine
J T Gough
A M G Skinner
A D Turner
G S Campbell
(Appointed 16 November 2017)
S L Smith
(resigned 15 November 2017)

Management team
P Munro – Chief Executive
L Scales – Chief Financial Officer
N Halstead – Executive Officer
S Ballard – Senior Analyst

Bankers
Bank of New Zealand, Christchurch
Westpac Institutional Bank, Auckland
ANZ Bank, Wellington

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

Contact Details
Christchurch City Holdings Limited
Level 2
77 Hereford Street
PO Box 73049, Christchurch 8154
Telephone: (03) 941 8475
Email: info@cchl.co.nz
Web site: www.cchl.co.nz

Supervisor
Public Trust
Level 9, 34 Shortland Street
Auckland 1010
Telephone:
Email cts.enquiry@publictrust.co.nz

Group contact details

Orion New Zealand Limited
565 Wairakei Rd
PO Box 13896 Christchurch 8141
Telephone: (03) 363 9898
Email: info@oriongroup.co.nz
Web site: www.oriongroup.co.nz

Christchurch International Airport Limited
Top floor, Car Park Building,
30 Durey Road
Memorial Avenue
PO Box 14001 Christchurch 8544
Telephone: (03) 358 5029
Web site:
www.christchurch-airport.co.nz

Lyttelton Port Company Limited
41, Chapmans Rd, Woolston
Private Bag 501, Lyttelton 8841
Telephone: (03) 328 8198
Web site: www.lpc.co.nz

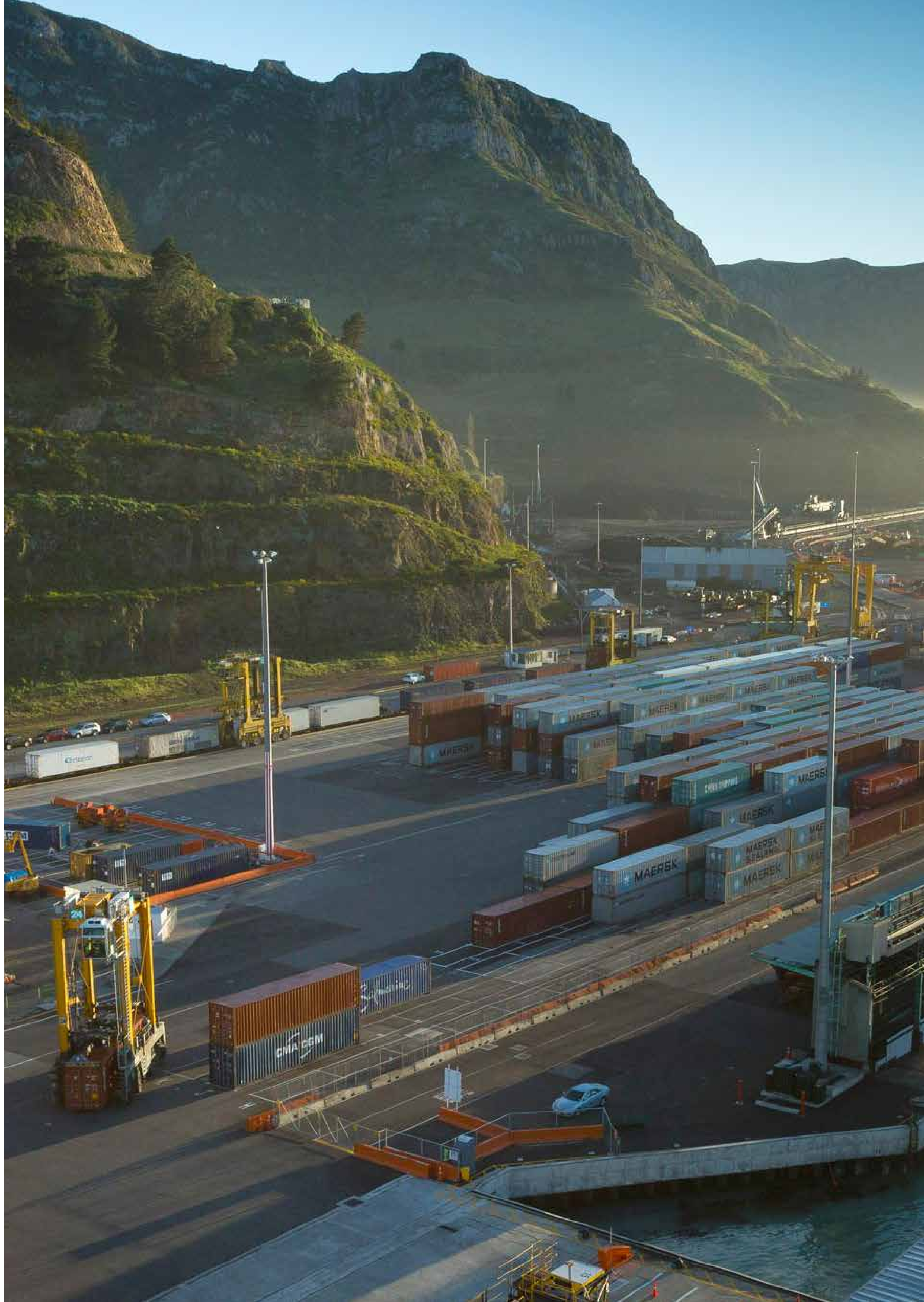
Enable Services Limited
Enable House, 2nd Floor
106 Wrights Road, Addington
PO Box 9228, Tower Junction, Christchurch
Telephone: (03) 363 2962
Email: support@enable.net.nz
Web site:
www.enablenetworks.co.nz

City Care Limited
226 Antigua Street
P O Box 7669 Christchurch
Telephone: (03) 941 7200
Web site: www.citycare.co.nz

Red Bus Limited
120 Ferry Road
P O Box 10 171, Christchurch
Telephone: (03) 379 4260
Web site: www.redbus.co.nz

EcoCentral Ltd
Level 1, Baigent Way, Middleton
PO Box 6320, Christchurch
Telephone: (03) 336 0080
Email: admin@ecocentral.co.nz
Web site: www.ecocentral.co.nz

Development Christchurch Ltd
Level 2, Building 2
181 High Street, PO Box 333
Christchurch 8140
Telephone: (03) 941 5992
Email: info@dcl.org.nz
Website: www.dcl.org.nz



Christchurch
City Holdings
Limited