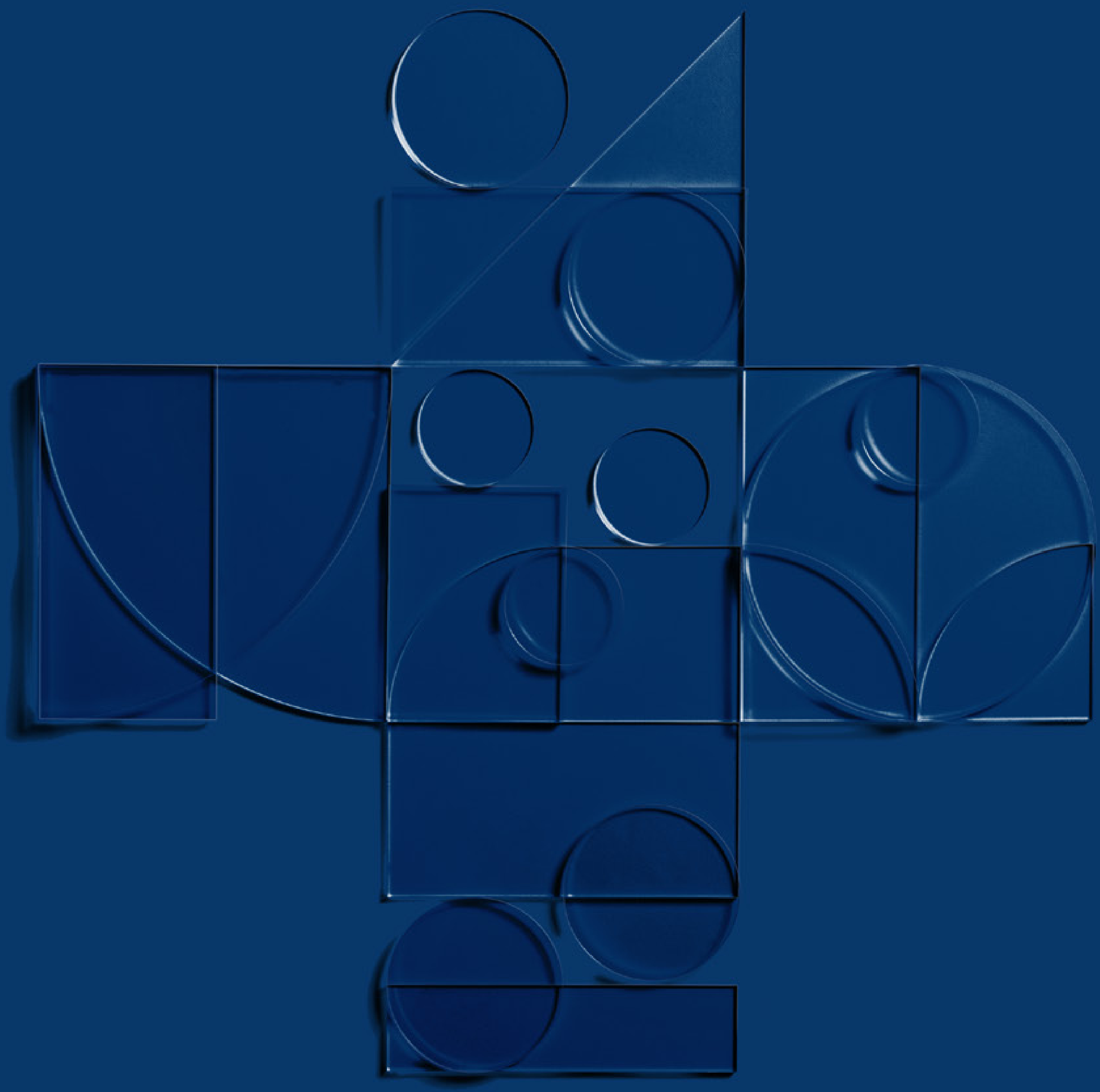
Christchurch City Holdings Limited

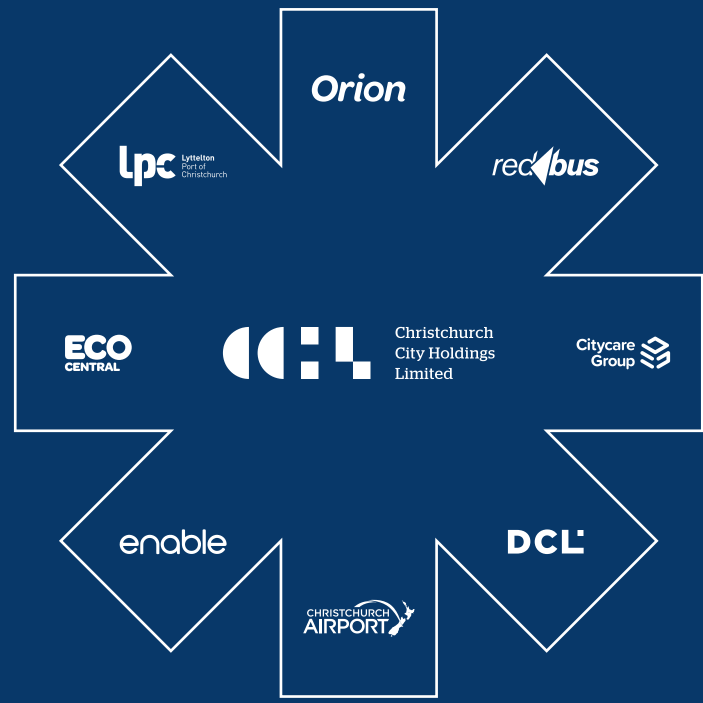
July 2018—June 2019

A WHOLLY OWNED SUBSIDIARY of CHRISTCHURCH CITY COUNCIL

Annual Report 2019



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 CCHL Group is made up of eight 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 the CCHL subsidiaries are 100% owned, the other two are majority owned, being Orion (10.725% owned by Selwyn District Council) and Christchurch International Airport (25% owned by the Crown).

204,000
customer connections to the electricity network

6,931,441
passengers handled through the airport

437,413
TEU's containers handled through the port

101,271
customers connected to the fibre network

1,276
employees working for Citycare throughout New Zealand

89,974
tonnes of recycled product diverted from waste

5,899,609
kms driven by our buses and coaches

212,502
visitors through the Christchurch Adventure Park

Jeremy Smith—Chair CCHL and
Lianne Dalziel—Mayor and Councillor Director CCHL.

On behalf of the CCHL Board, I'm pleased to present the Group's 2019 Annual Report.

This year we have taken a different approach to the way we are presenting our Annual Report. To reflect the wider strength, aims and contribution of the CCHL Group, this year we wanted to highlight not only the financial performance of the Group, but also the broader successes and benefits that the Group provides to its ultimate owners, the residents of Christchurch.

This approach is part of a broader assessment of the way we communicate what we do. This has included a review of our purpose, which has been updated to recognise our responsibility to our community – not only now but for future generations.

By being good kaitiaki, CCHL's purpose is to make a positive difference to our community by ensuring the city's major investments provide commercial returns and at the same time provide leadership in the areas that matter to the wellbeing of our residents and our environment.

As we highlight in this document the purpose of the CCHL Group goes beyond financial sustainability. The members of the Group are leaders in areas that will allow Christchurch to grow economically and sustainably, while using the strength of the Group to provide a wide range of returns to our city—economic, social and environmental—that allow our community to prosper, enjoy greater wellbeing and have a stronger sense of pride in the place they call home.

In order to measure our activities against these aims, we have established five strategic pillars: Kaitiakitanga, Mana, Financial, Sustainability and People. How we are tracking against each of these pillars, which are underpinned by our current and future investments in commercial infrastructure and strategic contracting companies, is set out in this Annual Report.

This year has seen the CCHL Group make progress not just financially, but also in terms of the growth and development of our people, our contribution to the protection and enhancement of our local environment and the level to which we were able to engage with our wider community. Highlights from some of these areas have been included in features from our individual companies.

I am pleased to say 2019 has been a successful year for the CCHL Group. The Board is extremely proud to deliver this 2019 Annual Report, in particular because it highlights the dedication and commitment of our three-thousand plus strong team in serving the people of Christchurch and Canterbury.

Jeremy Smith
Chair

Contents

Kaitiakitanga

Since its establishment in 1995, the group of locally-owned asset and infrastructure companies which form the Christchurch City Holdings Limited Group has delivered more than $2 billion of profits to the local economy. This includes direct cash contributions of more than $1.76 billion to its owners—the people of Christchurch—through capital and dividend payments to the Christchurch City Council.

Over the last financial year, the CCHL Group has generated more than $1.08 billion of local economic activity, employed over 3,180 people and made more than $360 million of investments in infrastructure and services used by the people of Christchurch and Canterbury.

But beyond the financial headlines, the CCHL Group has also made a broad range of contributions to the wellbeing of the community, the lives of residents, and the protection and enhancement of the local environment. From the introduction of the city's first e-buses, to the region's first autonomous passenger vehicles; revitalising whole neighbourhoods to mobilising thousands of volunteers to clean up their local parks and rivers; the protection of native marine wildlife to offering a new perspective on how we view the stars, the CCHL Group has led, enabled and connected local people in ways that are impossible to measure in a purely financial sense.

Intergenerational guardians

The contributions the CCHL Group has made to the city reflect the broader purpose of the organisation. By being good kaitiaki, CCHL's purpose is: to make a positive difference to our community by ensuring the city's major investments provide commercial returns and at the same time provide leadership in the areas that matter to the wellbeing of our residents and our environment.

Viewing the CCHL Group as intergenerational guardians—not only for the city's commercial assets but also in the role it plays in the wider community and environment—has been a key measure of the Group's performance. In particular, the CCHL Group looks beyond the financial stability and strength of the Group to understand its impact on the wider region. It also emphasises transparency, accountability and trust across the Group, which has underpinned the way the CCHL Group plans, designs and delivers its services.

This is especially reflected in the CCHL Group's focus on people—its staff, customers and community of owners—and the benefits financial sustainability can bring to local residents. It is also evident in the Group's approach to environmental sustainability, highlighted in the actions the Group takes to protect and enhance the environment, as well as the leadership position it takes on social responsibility.

CIAL trials autonomous vehicles

Christchurch Airport is uniquely placed to pilot new and innovative technologies. This was evident this year, when the airport company was given the opportunity to trial the world's largest 3D printed autonomous vehicle.

Known as Ohmio Lift, the pilot vehicle is fully electric, features innovative safety technology and uses artificial intelligence to ensure continuous machine learning and navigational improvements. Developed and made by HMI Technologies, Ohmio has been designed to operate at low speeds, making it suitable to run in low-risk transport environments like airports.

The pilot vehicle was also 3D printed—taking about six days to make in 13 interlocking parts. The new autonomous smart shuttle offered rides to members of the public, before further testing on private roads within the airport campus.

Orion switches on new power supply to Lyttelton

Homes and businesses based in Lyttelton, Corsair Bay and Cass Bay were given a significant boost to their power supply this year. In July, Orion completed a complex programme of work to upgrade the power network that feeds this community, providing residents through the tunnel with a stronger, more resilient supply of electricity.

The region has a history of lengthy power outages due to the sole supply of power being brought via lines over the Port Hills, which were often vulnerable to weather, vegetation and pests. Over the last three years, Orion upgraded this network to improve its reliability.

The final stage was recently completed with the installation of a new 11kV electricity cable in the ventilation duct above the Lyttelton Road Tunnel. The 2.2km cable—the longest continuous cable in Orion's history—connects Lyttelton's electricity grid at Orion's Dublin Street substation.

With the cable installed underground and through the tunnel, there is now a reliable alternative to keeping the lights on when outages occur.

Strategic capabilities
By working together, and harnessing the strategic advantages of a combined organisation of this size, the CCHL Group has also been able to greatly increase the value of its contribution to the city and community. From shared leadership and professional development, to the ability to access lower-cost finance, the CCHL Group has focused on providing greater efficiency and improved resources to enhance what each company can deliver to the local economy.

This strategic approach has also enabled CCHL members to make decisions with more wide-reaching benefits, such as the establishment of alternative fuel fleets, emissions reductions initiatives and the use of new technologies, which would not be possible without the strength of the Group and its commitment to making a broader impact.

Representing our community
The achievements of the Group have been supported by the strength of CCHL's governance. The CCHL Board combines the benefits of community representation through its Council members and independent professional governance. The result is a highly effective leadership that reflects not only the financial imperatives of the Group, but the wider view of a range of activity designed to support community wellbeing.

DCL adds major milestone to the New Brighton Regeneration Project
Over the last year, DCL has been working closely with Christchurch City Council to accelerate and unlock development opportunities in the New Brighton area. The aim is to deliver positive social, economic and environmental outcomes for the local community and wider city.

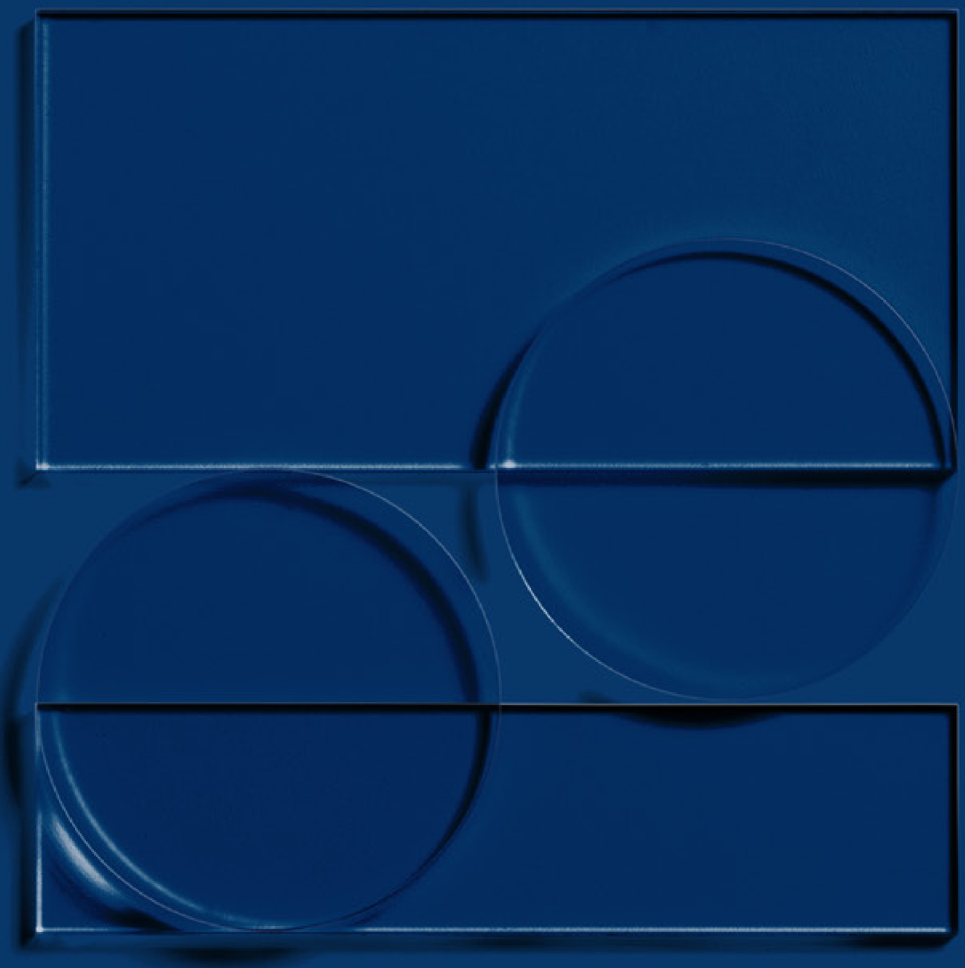
In March 2019, the development company added another major milestone to its New Brighton Regeneration Project portfolio with the construction of a brand-new hot pools complex. The complex will extend approximately 100 metres along Marine Parade and sit on 1900 square metres of land, transforming New Brighton into a seaside leisure and recreation destination for visitors and locals.

The hot pool complex has long-been advocated for by the people of New Brighton, and will kick-start the village's revitalisation—drawing people into the town centre and supporting the wider New Brighton Regeneration Project, which includes a beachside playground, improvements to public spaces, transport and car parking as well as residential development.

In total, five hot salt water pools will range in temperature from 40°C to 28°C. There will also be a fitness pool and a small circular plunge pool at 12°C. The pools will be split into four zones, including passive therapeutic, fitness, family passive and family active zones. There will also be two buildings either side of the pools housing changing rooms, a steam room and sauna, toilets, a plant room and café.

The hot pool complex is scheduled for completion within the first quarter of 2020.

Mana



As the intergenerational guardian of the city's strategic assets, CCHL takes a long-term view of the infrastructure owned by the people of Christchurch, and how its management underpins future economic growth and development. It also considers how the operation of these assets contributes to wider benefits for the community, while helping the city address key challenges—such as climate change—over the coming decades.

Opportunities to flourish

The Group not only recognises the need to create the right infrastructure to support the city's growth but also the necessity of supporting an environment in which local people and businesses can flourish.

Enable, for example, partners with the Canterbury Employers' Chamber of Commerce to deliver the Enable Digital Series aimed at educating and inspiring local businesses to take full advantage of digital technology. The organisation also sponsors the Chamber's Next Gen Series, which provides an education and networking forum for future business leaders, as well as the Christchurch chapter of Future Leaders in Technology, a national industry programme aimed at providing development and networking opportunities to future leaders in the technology sector run by the Telecommunications Users Association of New Zealand.

The opportunities available within the CCHL Group also support the growth of the city's skill base and human capital. Providing a broad range of opportunities across a wide range of disciplines, the CCHL Group supports the professional development and training of hundreds of local people each year.

Fostering growth and development

In particular, the CCHL Group plays an important role in attracting investment into the city and enhancing its reputation as an innovative, sustainable and liveable city. Where possible, in areas as diverse as Citycare's development of real-time sensors connected as part of the Internet of Things, to Christchurch Airport's trial of 3D-printed autonomous passenger vehicles, the Group is empowered to explore potentially transformational technologies. Over the longer term, these innovations are likely to generate more opportunities for investment and growth, while supporting the development of the local technology sector and complementary businesses.

The CCHL Group also connects the city to the world. Through the gateways provided by Lyttelton Port and Christchurch Airport for national and international visitors and freight and the virtual connections offered by Enable's fibre network, the CCHL Group ensures the city—and the wider region—is open and accessible for business, can share knowledge, build strong educational links and foster social engagement from around the country and across the world.

In supporting these connections, the CCHL Group is focused on constant product innovation, to ensure businesses and communities enjoy the benefits of the latest technology. Enable, for example, offers the lowest priced gigabit residential fibre broadband in the country. As a result, 24,500 households are now connected to a 200Mbps fibre broadband service and an additional 7,000 have gigabit fibre broadband.

Orion is also setting ambitious targets to ensure it continues to be in-step with customers' needs in a world undergoing unprecedented change in the energy sector. The organisation has established an aspirational programme, Our Powerful Future, designed to position it for continued success through to 2025 and beyond. This includes leading sustainability in our region, growing industry's people capability even further and ensuring Orion's network is future-ready and continuing to build trust within the community. At its core, Orion is ever mindful of its day-to-day commitment to provide a safe, reliable and resilient power service to the community.

Collaboration key to SOFIA open day

NASA's Stratospheric Observatory for Infrared Astronomy, or SOFIA, had its sixth visit to Christchurch Airport this year—attracting considerable interest from the city, across the country and around the world.

This year, CIAL worked alongside NASA and a host of other organisations to provide residents with the opportunity to tour the fascinating Boeing 747. The complex exercise required extensive collaboration between a number of key organisations and industries, including the US Embassy (Wellington), the US Antarctic Programme, the Antarctic Office of Christchurch, the Royal New Zealand Air Force, Aviation Security, the Civil Aviation Authority, the New Zealand Police, Airport Fire Service, St John, the New Zealand Air Training Corp, Air New Zealand, Z Energy, BP and the NASA-SOFIA crew.

While the open day took place in July, the cold weather failed to curb the enthusiasm and excitement of thousands of residents who registered for the free event. People flew to Christchurch from Wellington, Auckland, Australia and even Scandinavia to take advantage of the rare opportunity to see this world-famous aircraft.

Sharing potential

Within the broader team, the leadership group—made up of more than 60 experienced senior managers and 58 experienced Directors—has worked hard to build the Group's reputation for leadership, professionalism, efficiency and diversity. Where possible, leaders work together to identify opportunities for the sharing of knowledge, identification of shared opportunity and development of synergies between the organisations. These include regular CEO and CFO forums, Board Chair and Audit Chair sessions, and the recent addition, emerging technology and innovations group.

Each of these activities underscores the key benefits for the city of the CCHL Group's scale and scope. The CCHL Group underpins Christchurch's ability to evolve and respond to the challenges of the new Century, while testing, exploring and innovating in a way that benefits the local economy and the wider community. Ultimately, this provides the ability to target greater investment in the region, generate more employment, education and development opportunities for local people, and support more research and investment into social and environmental programmes.

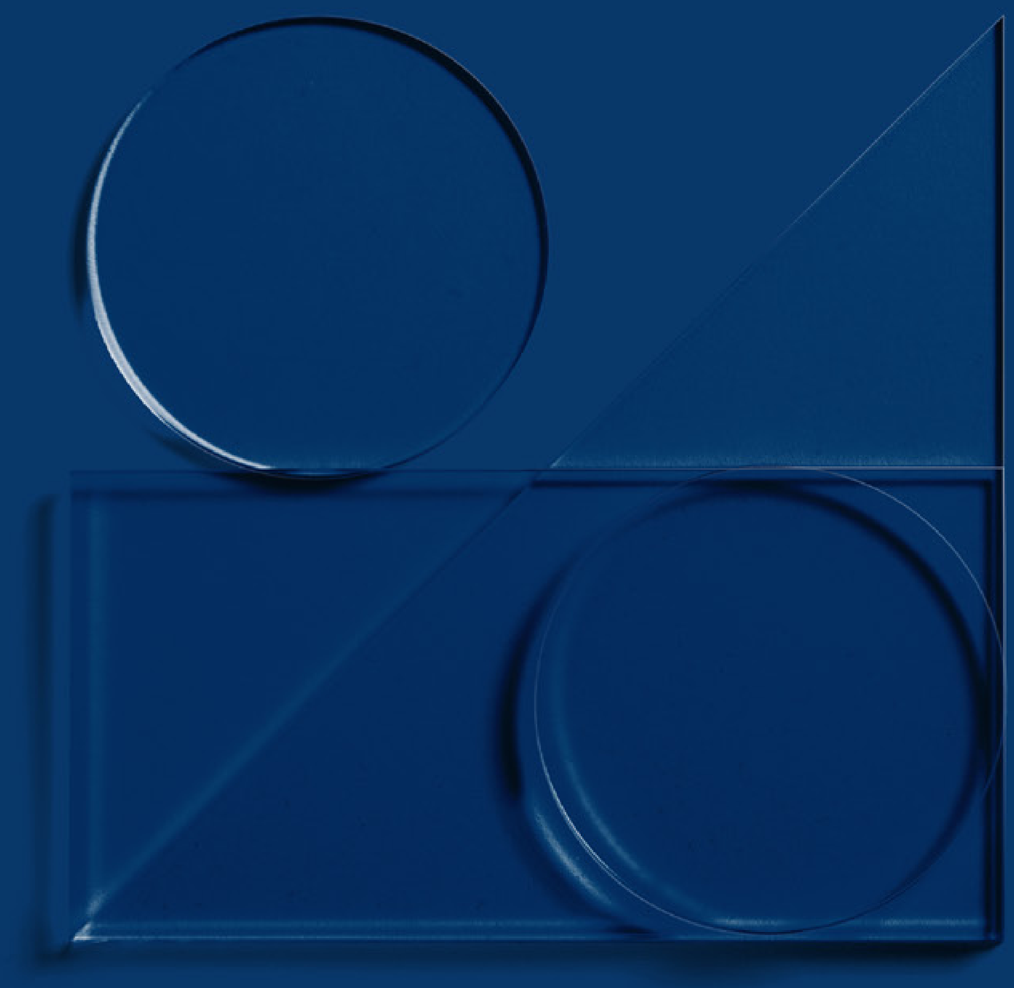
EcoCentral launches ClearWeigh

Over the last 12 months, EcoCentral invested in upgrading its recycling machinery to incorporate ClearWeigh technology, to better sort and manage the waste it receives.

This investment was largely driven by the impact of the National Sword Policy in China—a strict regulation on the imports of solid wastes as raw materials. The policy currently bans various plastic, paper and solid waste, including plastics such as PET, PE, PVC and PS.

The new technology uses number plate recognition cameras to link vehicles to user accounts—speeding up the process and increasing the accuracy of the information EcoCentral captures to improve its services. The upgraded weighing system is used at each transfer station and recycling sort plant, and automatically transfers data from each site to a central database for reporting and administrative purposes.

Financial



Christchurch City Council's decision in 1993 to retain its key commercial infrastructural assets through the establishment of CCHL has created a successful public ownership model. The model has enabled CCHL to make over $1.76 billion of capital and dividend payments to the Council since 1995, allowing major investments in community assets, while reducing the impact on rates.

Over the same period, the asset value of CCHL through its trading companies has grown from some $400m to $4.25bn. Total Group equity has risen from $261m in 1995 to over $1.84bn today (of which $1.5bn is attributable to Christchurch City Council as the 100% shareholder of CCHL).

Group Result 2019

The reported consolidated profit for the year was $132.1m, compared to $135.7m reported in 2018. Whilst the 2018 NPAT result did include significant fair value gains on the Christchurch International Airport Ltd (Christchurch Airport) investment properties of $53.7m (pre-tax) compared to this year's $13m, this year the Group result was impacted by one off significant other income gains received by Lyttelton Port Company Ltd (LPC).

Total operating revenue for the Group was $1,078m in FY19 compared to $1,038m FY18. This result reflects year on year growth at operating revenue level by the four large companies of the Group. Most significant was Enable Services who recorded a 21% increase in revenue in line with expectations as it continues to drive customer connections to its network.

Whilst Group assets have increased to $4,252m from $4,021m, due mainly to the continued property development programme by Christchurch Airport, and the implementation of the Lyttelton Port Recovery Plan by LPC, overall Group net assets have decreased by 3% from $1,910m in FY2018 to $1,848m in FY2019. The impact is reflective of increased net debt of $324m across the Group, which includes debt raised by CCHL Parent to fund the final component of the $140m capital release programme to our shareholder.

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

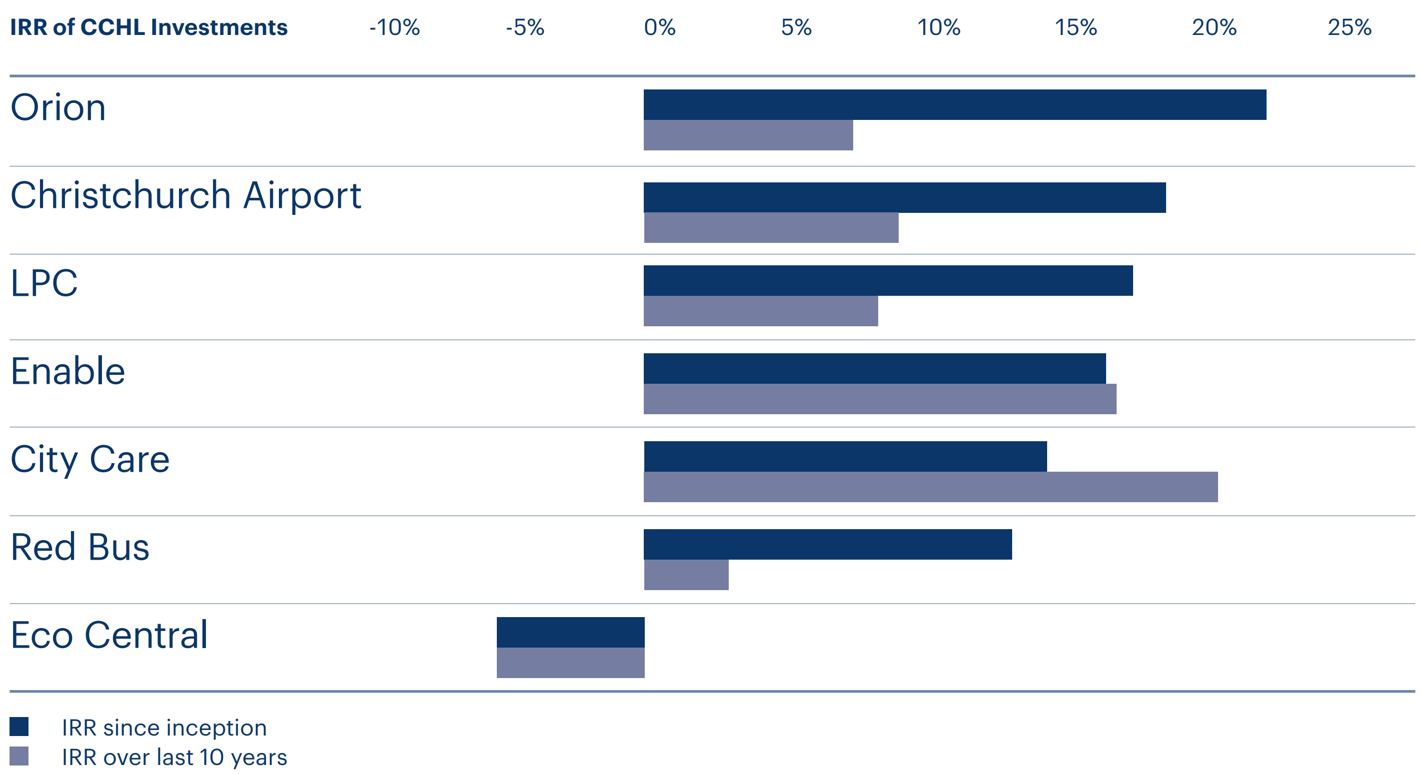
CCHL Parent records investments in subsidiaries at fair value, and reviews them annually for material changes in value. The Board considers that recording assets at fair value rather than historical cost ensures greater accountability for its custodianship of these investments.

The total carrying value of CCHL's main investments as at balance date is $2.78b compared to $2.68b in 2018.

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.



Orion New Zealand Ltd

Orion New Zealand Ltd (Orion) owns and operates the electricity distribution network between the Waimakariri and Rakaia rivers and from the Canterbury coast to Arthur's Pass, providing power to around 204,000 homes and businesses.

CCHL acquired its shares in Orion from CCC in 1993 and holds 89.275% of the total shares in the company. Orion's earnings have been relatively consistent with those of a regulated infrastructure company. The financial sustainability that Orion provides has benefited our local community substantially over the 26 years of ownership with more than $1.4b of distributions delivered to their shareholders.

2019 realised a $48m NPAT, down slightly on last year's result mainly due to a milder winter. Orion continues to invest in the network, with a strong focus on customer and community needs, reporting a capital expenditure programme of $78m this year, to meet the demands of growth and network resilience. In 2019 Orion connected 3,000 more customers to its network, and returned $53m of dividends to its shareholders.

Enable Services Ltd

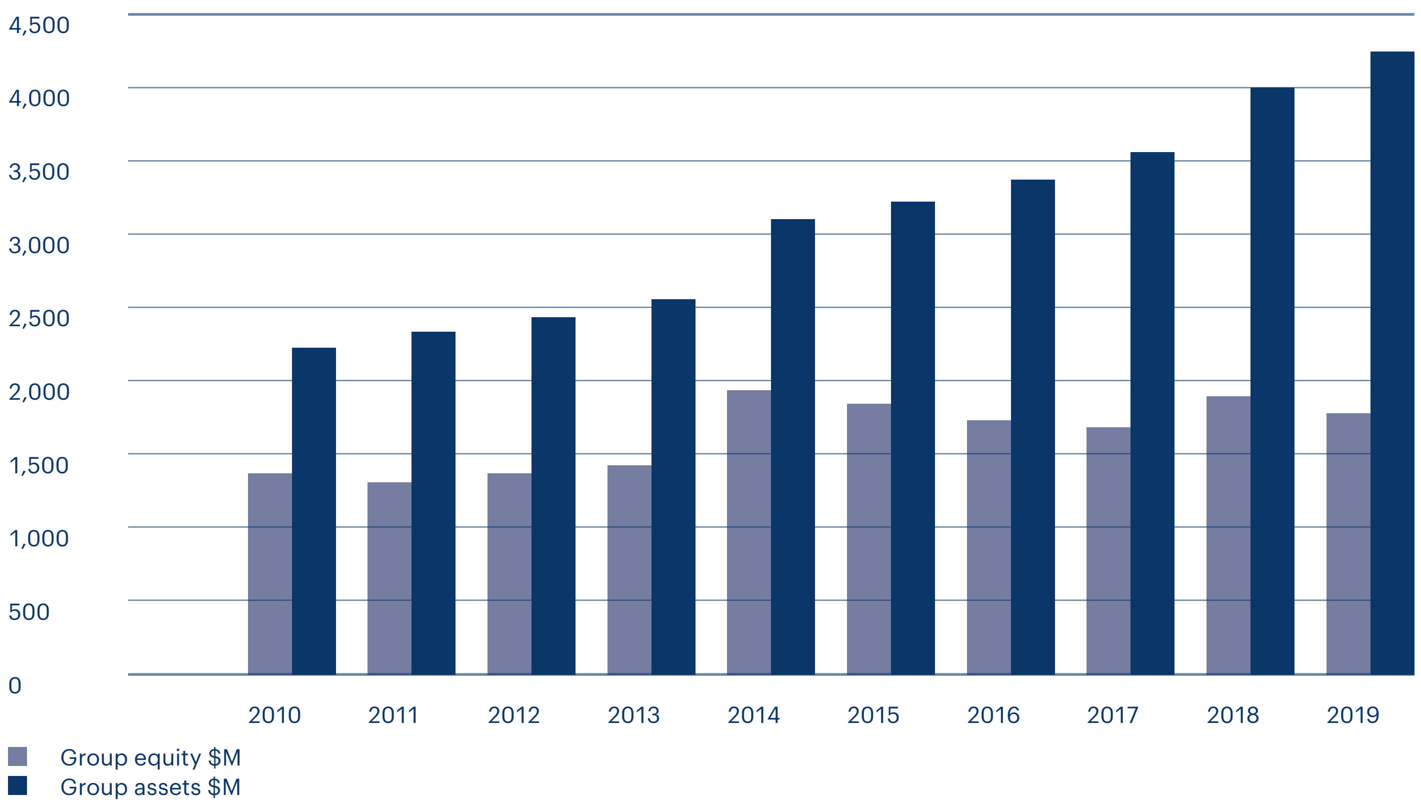
Enable Services Ltd (Enable) is connecting local homes and businesses to a world-class fibre network. Enable owns the critical fibre infrastructure that is connecting our community with unlimited opportunity.

CCHL owns 100% of Enable Services Ltd. Enable was originally started in 2007 when CCHL saw the need for Christchurch to be at the forefront of connectivity. In 2011, Enable won the Crown's ultra-fast broadband fibre roll-out contract for Christchurch. Since then it has focused on building an extensive fibre network, with the communal network build being successfully completed in 2018, 18 months ahead of schedule.

In 2019 Enable achieved two more impressive achievements, with cumulative connections to the network numbering over 100,000 customers and achieving NPAT positive status for the first time, ahead of plan. The 2019 year result reflected NPAT of $11m compared to a $4m loss in 2018. Whilst no distributions have been made to the shareholders this year, this is in line with expectations as Enable continues to focus on its "climb the mountain" strategy of attaining more customers whilst keeping Christchurch residents and businesses connected to the world.

Group equity and assets

This 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 $954m of dividends to the Council over the same period.



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 437,000 TEUs (20-foot equivalent units) of containerised cargo.

CCHL originally acquired shares in 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 2011 earthquakes, the recovery has gone well, and LPC is now turning its focus to future growth, with significant investment being committed to new core infrastructure.

2019 saw the commencement of construction of the dedicated cruise berth, dredging of the harbour to allow bigger ships and further reclamation of land. Over the last year LPC invested $146m in capital projects. Financially LPC recorded a strong result in 2019, however the NPAT of $42.17m cannot be compared with the FY18 result as it included significant other income one-off gains. Notwithstanding this, it has been a year of strong import and export growth, and record performance, with import volumes handled by Lyttelton growing to $4.75 billion, and a significant increase in export volumes of 16%, to $5.63 billion, a lift of nearly $800 million. In 2019 LPC distributed $7m to its shareholder.

Christchurch International Airport Ltd

Christchurch International Airport Ltd (Christchurch Airport) owns and operates the Christchurch Airport, including the extensive land holdings around the airport, which has become a hub of local economic activity in its own right with over 7000 people working on the campus each day.

CCHL acquired its shares in the airport from CCC in 1995 and holds 75% of the total shares in the company. Another financially sustainable business in the Group, CCHL has benefitted from good returns from this investment. In the last few years the company has successfully 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.

2019 realised a $57.5m NPAT, compared to $88.7m in 2018. However, last year's result was positively impacted by the fair value gains on the airport's investment properties. Excluding these gains, Christchurch Airport recorded another record year in FY19, with underlying profit before tax of $66.9m compared to $57.2m in 2018. Over the last two years, Christchurch Airport grew faster than the national average in key international markets reflecting the success of the airport's international marketing programme 'South'. In 2019, Christchurch Airport handled 6.93m passengers through the airport and returned $44.8m of dividends to its shareholders.

Citycare making a difference through data

The ability to collect, analyse and use the data from millions of infrastructure assets across New Zealand is transforming the services Citycare provides.

Citycare's multi-tenancy asset and event management system, EventManager, is currently integrated into over 20 customer platforms, managing and recording data on more than seven million assets from the largely underground 3 Waters network to property and parks facilities around the country and two million related events across New Zealand.

But the next stage in internet-connected technology will help deliver a step-change in the services Citycare can offer its customers. To realise the potential of the Internet of Things (IoT), which will bring millions of devices online providing a constant stream of information, Citycare has been designing and developing an array of low-cost, network-enabled sensors.

Capturing a wide range of information in near real-time—such as when bins and sumps are full, when drains are about to overflow, when grass has grown to a cuttable length or even when water chlorination levels change—these small, battery-operated sensors will enable Citycare to respond quickly and efficiently to needs of its clients and the wider community.

During the financial year, Citycare has been putting these devices through their paces in a number of proof-of-concept scenarios to ensure they are sufficiently robust, reliable and well-suited to the often-demanding physical environments they need to withstand.

Using these sensors and the data-insights they provide, alongside the extensive knowledge of Citycare's field service technicians will give the organisation a strong point of difference in providing what it calls 'IoT as a Service'. After successful testing, Citycare IoT as a Service is now ready to be rolled out across the county.

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.

CCHL owns 100% of City Care and acquired it from CCC in 2002. Unlike the rest of the Group, Citycare provides services around the whole of New Zealand. Since 2010 Citycare has shown strong growth, but has struggled for consistent profitability in the last couple of years since the completion of the SCIRT programme, and an industry tightening of the construction market. The 2019 results was a net loss after tax of $0.724m compared to a loss of $0.445m in 2018.

This result is largely attributed to losses incurred in the civil sector business, which has been reviewed during the year and will move forward as a more focused primarily local operation. The other two sectors, Citycare Water and Property continue to deliver profitable performances, with Citycare Water re-winning significant contracts during the year growing its reputation as a specialist partner in the maintenance of the country's water infrastructure. Due to the financial results over the last couple of years, the company has not paid any distribution to its shareholder in 2019.

Red Bus Ltd

Red Bus Ltd (Red Bus) operates public transport and school bus routes within Christchurch city, and tourism and coach services across the South Island.

CCHL owns 100% of Red Bus and acquired it from CCC in 1995. Red Bus believes an effective public transport system is critical to supporting a thriving, liveable, more sustainable city. Whilst Red Bus's recent earnings have reduced over the years due to post-quakes disruptions and reduced demand for public transport, during 2019 Red Bus focused on the immenent tender for urban contracts in Canterbury with the aim of achieving more commercial returns and more sustainable public transport options for the city.

The 2019 financial loss of $5.3m was primarily the result of a write down of the carrying value of the urban bus fleet, reflective of a reduction in the useful life expectation of these diesel buses. Red Bus and CCHL are committed to a sustainable future in its public transport fleet.

Development Christchurch 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.

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. A key focus for DCL is the regeneration of New Brighton.

2019 saw another major success in that area with the commencement of the construction of the Christchurch Hot Pools. The financial results for 2019 reflect the consolidation of the acquisition of the Christchurch Adventure Park, which DCL are now a 54.73% owner following the reinvestment of the call on the CCC bank guarantee as equity. This injection was fundamental in keeping the park operational as it recovers from the devastating fires in 2017.

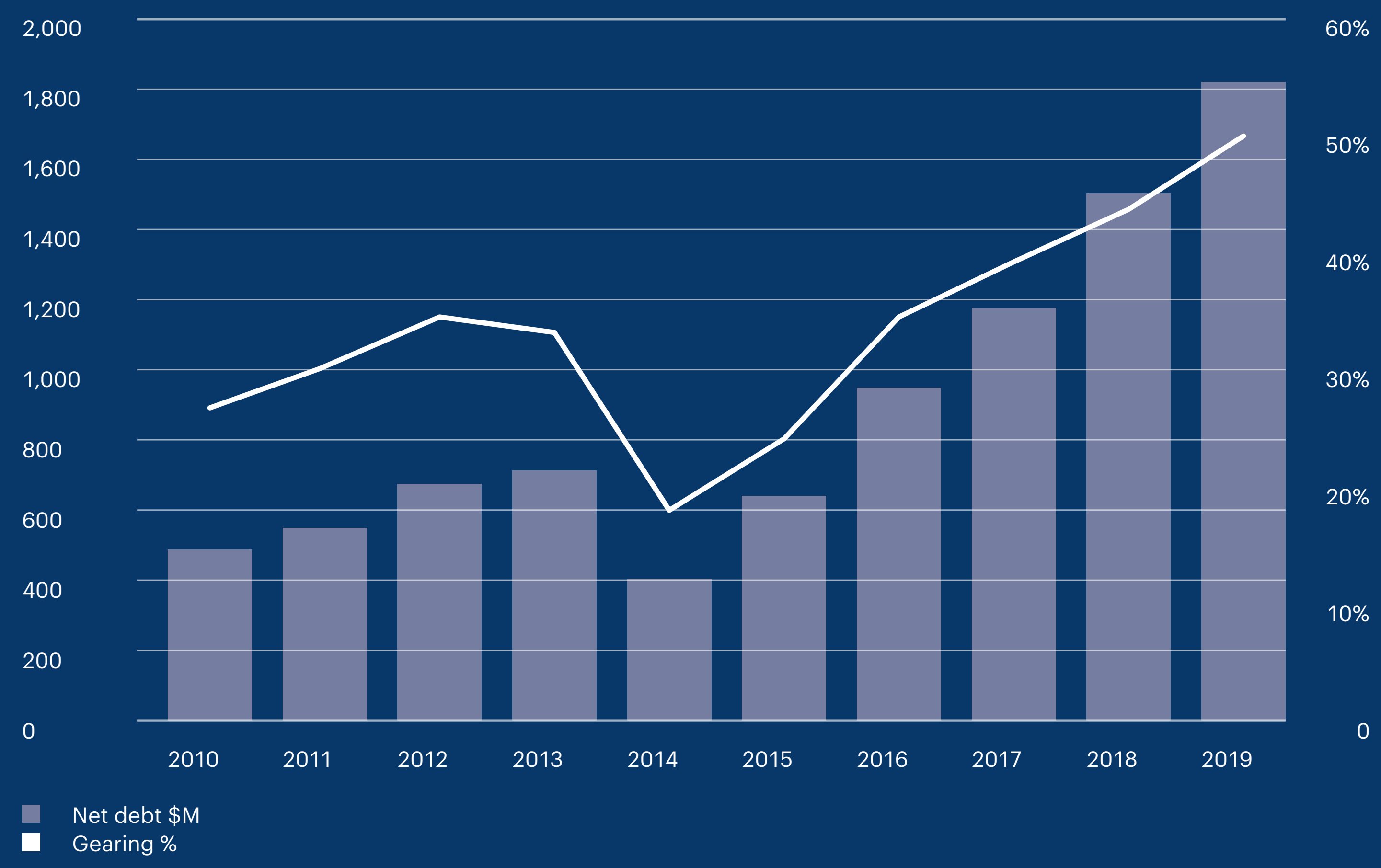
EcoCentral Ltd

EcoCentral Ltd (EcoCentral) manages the processing of household and commercial refuse and the automated sorting of recycling throughout the Canterbury region.

CCHL owns 100% of EcoCentral, which has been part of the CCHL group since 2011. EcoCentral's focus is to encourage sustainable resource use and provide facilities for the diversion of waste from landfill where that waste can be converted into reusable resources, in a commercially viable manner, with minimal environmental impact.

2019 was another challenging year for the waste and recycling sector internationally with commodity prices remaining very low for recycled product. As a result of a focus on quality, EcoCentral has managed to continue to export its product, but at very reduced prices compared to previous years. This has resulted in EcoCentral having to charge processing fees to its main customer, CCC to continue this very important community service. Albeit in a challenging environment, EcoCentral has maintained a positive NPAT of $1.1m compared to last year's $.3m and distributed $.25m of dividends to its shareholder.

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 2019 is largely the result of:

- the airport's ongoing property development programme
- the continued expansion of Enables's broadband construction programme, including the purchase of the Crown Infrastructure Partners Ltd shareholding in Enable Networks Ltd in 2016
- the increase in debt by Orion to fund the share buy-back and complete its earthquake recovery plan
- increased debt by CCHL parent of $350m to fund the majority of the capital release programme to its shareholder and
- the implementation of the Lyttelton Port Recovery Plan.

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.

Sustainability

The CCHL Group recognises it has a responsibility to not only minimise the impact of its operations on the environment but show leadership in responding to the challenges the city and region faces in the coming decades.

This has meant taking a concerted approach across each organisation to engaging in sustainable practices, investing in more efficient processes and technologies, collaborating with partners and developing community-led initiatives.

Measuring and managing performance

Across the Group, each organisation is responding in a wide range of ways to reduce their emissions and measure their environmental performance.

Christchurch Airport's Green Transition Plan (GTP) is a comprehensive plan to put it in the top 10 airports in the world when it comes to carbon, energy, waste and water. The company has established a basket of 24 airports across the world to benchmark itself against, and has committed to measuring and publicly stating its Scope 1, 2 & 3 $CO2$ emissions. Measured against the best airports in Australia and New Zealand, Christchurch Airport has demonstrated above average performance across a range of criteria. It is also comparing very well globally, where it is ahead of the world-leading Nordic airports in some areas, such as management of energy, waste and water.

Citycare has exceeded its FY19 cross-business Greenhouse Gas emissions target, with a 2.29% reduction. A large part of this achievement can be attributed to an emphasis on the management of its extensive fleet, which includes looking to introduce hybrid or electric vehicles where replacements are needed, as well as buying new electric hand tools when retiring old equipment.

Through the continued use of telematics, smaller buses, reducing waste and fuel use as well as other business improvements, Red Bus has reduced its carbon footprint per kilometre by 7.2% since 2015. Recognising that driver behaviour contributes significantly to energy efficiency and therefore cost savings and environmental benefits, Red Bus uses telematics technology to provide drivers with real time feedback on heavy braking, acceleration, speeding, cornering and excessive idling. This not only means lower fuel consumption and maintenance but also results in a smoother bus ride for customers.

Impacts of plastic pollution measured in new Lyttelton trial

With more than 15 trillion pieces of microplastic found in the world's oceans, Lyttelton Port Company has partnered with scientists to investigate the impact land-based plastic activities have on New Zealand's marine environment.

Coined AIM² (Aotearoa Impacts and Mitigation of Microplastics), the new project is the first comprehensive research programme to investigate the impact microplastics have on New Zealand's unique environment.

In partnership with scientists from the Institute of Environmental Science and Research (ESR), LPC has deployed plastic samples in the water from the pontoon at the company's Waterfront House to see what settles and grows on them, which chemical pollutants concentrate up on them, and the changes that occur to the plastic itself.

Currently, two types of common plastics—nylon and polyethylene—are being trialled. These plastics are often found in the marine environment in the form of ropes, cable ties and plastic bags. The trial is part of a five-year MBIE funded project investigating microplastics and the impact they currently have on New Zealand's unique ecosystem.

As well as measuring the impact these plastics have on the environment, LPC and ESR are also looking at the bacteria and fungi that could degrade and break down the plastic, in the hope of finding a solution to the global plastic pollution problem.

Fostering partnerships

As well as using the latest technology, the CCHL Group seeks to engage with communities and develop innovative partnerships to support its sustainability programmes.

EcoCentral recognises that community engagement is very important to its operation. Local people have a strong influence on what gets placed in the kerbside bins for collection, while also enjoying the benefits of reusing unwanted goods and purchasing goods at a reasonable price.

EcoCentral also makes a special effort to support other community organisations that provide support in the region with the SPCA, local fire brigades, the CDHB, rest homes and Corrections—just a few of the groups they have worked with to lend a hand to others.

For LPC, even a small idea can turn into a great collaborative solution. Since the end of 2018, LPC has been driving a new initiative to recycle used Personal Protective Equipment (PPE). Around 250 items of PPE, including shirts, jackets and boots, have been donated to the Christchurch City Mission for use in a programme that helps people in need to join the construction workforce. LPC's initiative means participants don't have to fund the cost of PPE—an added expense many can't afford and a potential barrier for them entering the workforce.

Supporting community engagement

The CCHL Group has also been able to provide a platform for the wider community to respond to the environmental challenges Christchurch faces.

This year marks 20 years of LPC supporting the Ōtamahua/Quail Island Ecological Restoration Trust, who are dedicated to restoring the island's native habitat. Since the Trust was formed in 1998, over 95,000 trees have been planted, and native birds are beginning to return to the historic island. LPC has been involved with the Trust since 1999, providing both financial and in-kind assistance to support the exceptional work the organisation undertakes.

LPC also works with the Banks Peninsula Conservation Trust (BPCT), Enviroschools groups and local residents on restoring the 17ha Port Saddle in Lyttelton. The partnership between the Port and the BPCT is focused on removing weeds and pests and restoring habitat of the Port Saddle through planting native trees. In 2009 and 2010, BPCT released 72 tui on Banks Peninsula. Recent monitoring suggests the population is growing and spreading, with tui seen in Lyttelton for the first time in 40 years.

Creating the foundation for change

The Group is also making significant infrastructure investments that will help the community make long-term improvements for the future.

To help improve access to electricity as an alternative fuel for the region, Orion is creating a new network of public chargers. By the end of the FY20, Orion aims to have ten more public chargers installed around Canterbury in mainly rural areas, bringing the total network to 50 Orion-supported public chargers located strategically throughout central Canterbury. Orion hopes this helps Cantabrians and travellers through the region feel confident they are never far from a location to recharge their vehicle, and overcomes 'range anxiety.'

By showing leadership across the Group, devising new ways to engage and support the community and drive behavioural change, the CCHL Group is making a significant contribution to Canterbury's climate change response, while ensuring future generations can enjoy the lifestyle and environment that have made the region so special.

Citycare enabling the spirit of community guardianship

Students, volunteers and local communities have been empowered to plant trees, clean-up public spaces and protect waterways in their neighbourhoods, thanks to an innovative partnership model co-designed by Citycare and Student Volunteer Army founder, Sam Johnson.

The Community Guardians programme is designed to build on a unique collaboration that emerged in the aftermath of the Canterbury earthquakes. In response to the enormous clean-up effort required in the hardest-hit areas of the city, Citycare worked alongside the Student Volunteer Army to offer practical experience, provide safety direction and the use of specialised equipment.

The Community Guardians model has been developed to build on that spirit, while embracing and supporting the passion and knowledge offered by local schools, groups and communities. For Citycare, the programme also provides an opportunity to build a more connected and engaging model for maintaining open spaces and waterways—one that works alongside and in support of local community action and activity.

Since its 2018 launch, more than 2,000 Community Guardians have provided over 15,000 community-oriented volunteer hours for a wide range of events, from small scale local working-bees right up to large scale events mobilising more than 1000 volunteers. Predominantly built around tree planting, waterway clean-ups and graffiti removal activities, events have included the Big Give (over 800 guardians repairing pathways and tidying up out at Godley Head) and Connect the Community (which saw over 300 volunteers working on clean-up projects at Rawhiti Domain, the Old School and South Brighton Reserve)

The Community Guardians brand has also been used to create a community-centric, primary school education programme (Schoolkit) that includes annual participation in community-led initiatives by over 32,000 primary school children from a thousand classes nationwide.

Red Bus launches first fully electric passenger transport service

Christchurch residents could be among the first in New Zealand to have access to a fully electric bus network thanks to Red Bus' investment in three Alexander Dennis Limited (ADL)/BYD battery-powered buses.

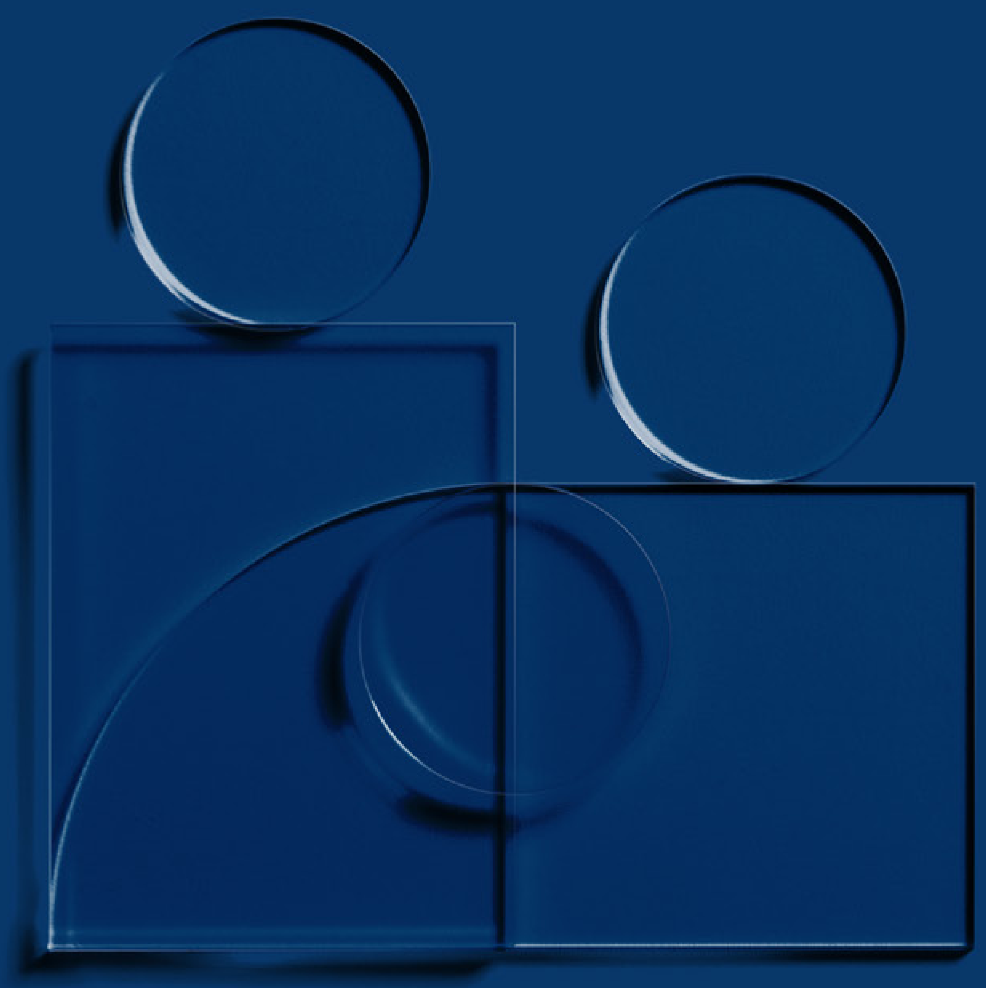
To meet Environment Canterbury's Regional Passenger Transport Plan to transition to a zero-emission public transport fleet by 2030, Red Bus partnered with Orion to understand the network infrastructure requirements and feasibility of a fully-electric fleet.

During 2018, Red Bus ordered three zero-emission battery electric ADL Enviro200EV buses to deliver a fully electric bus service between the City Centre and Christchurch International Airport. The company also took the opportunity to run a six-week, in-service trial of a prototype battery electric bus supplied by CRRC Corporation.

The ADL Enviro200EV electric buses built by British company Alexander Dennis with proven battery technology and drive system from BYD in China have the capacity to run 250km on a single charge and operate all day without recharging.

This brand-new electric bus service was officially launched on June 28. A public open day was held at the Christchurch Bus Interchange — with more than 600 people taking a free trip to experience the electric buses first hand. The full electric Airport to City service commenced on July 1.

People



With more than 3,180 staff employed by the Group, and over 10,000 additional people working in areas directly related to its operation, the CCHL Group is one of the largest contributors to employment in the region.

People are a significant focus for the Group and its individual organisations. In particular, an emphasis on generating local employment opportunities and attracting talent to the region has seen the group introduce a raft of programmes designed to build strong organisational culture and regional capability.

Creating a culture
Throughout the CCHL Group, health and safety has been a critical element in creating a culture where people are able to work safely and enjoy positive mental and physical health.

For Enable, this is reflected in their Health, Safety and Wellness vision of "we CARE for each other", which remains a central focus of all the business' activities and is emphasised through the organisational culture. To benchmark the success of its approach, Enable conducted 9,691 site audits and safety interactions. This demonstrated Enable's total recordable injury frequency rate was just 3.5 injuries per million hours worked.

EcoCentral has taken a broad view of health and safety, undertaking a campaign to embed wellness into its culture and look after staff both mentally and physically. Health and safety committees have been empowered to seek out and engage with wellness organisations who can contribute to overall business health. This has given staff a chance to influence and lead the business' approach to keeping employee's minds and bodies sound for both work and home life.

Ensuring people can work safely and the community can be secure in their use of electricity in a healthy sustainable environment are key priorities for Orion. Work undertaken by the organisation to improve safety outcomes this year ranged from extensive auditing of processes and procedures and a focus on managing fatigue, to practical measures like installing portable defibrillators infield response vehicles and running a health and safety refresher course for everyone in Orion New Zealand Ltd.

This year, LPC implemented its new Health and Safety Policy and Framework. The policy and framework are part of a move from traditional rules-based approaches, to engaging people and putting them at the heart of health and safety solutions.

Significant focus has also been put on critical risk control assurance work, which has included 'Bowtie Workshops' analysing key critical risks, helping teams identify the critical controls and engineering solutions to improve or add hard controls. LPC's teams have implemented a Working at Heights Standard, a new Risk Matrix, a revised approach to Job Safety Analysis, and increased focus on managing workplace exposure. The Port has also established a PCBU (person conducting a business or undertaking) framework to assist PCBU's managing health and safety requirements.

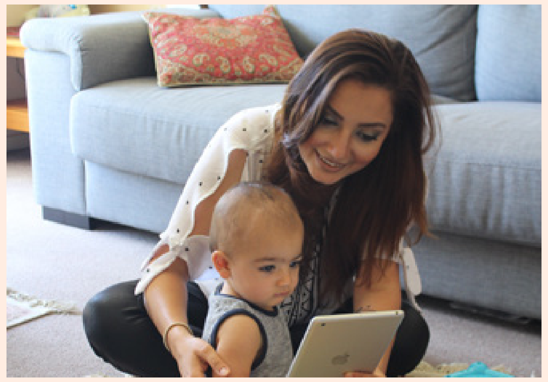
Valuing contributions
The CCHL Group organisations have also focused on providing new opportunities for local people, while ensuring they are respected and rewarded for their efforts.

Red Bus employs nearly 250 staff, with an average 8 years of service, working across the business in operations, driving, workshop and administration. During the year, the organisation provided new employment opportunities to over 50 Christchurch residents. Red Bus also continues to move towards the establishment of the living wage for all employees, with 97% of staff earning at this level by the end of the 2019.

Citycare continues to make good progress on their strategy to enable their directly employed staff to achieve the living wage across its 1,300-strong workforce. Ecocentral has the Living Wage as a target for its workforce, with over two-thirds of its 99 directly employed staff currently earning above that level.

Independent governance of trading companies
The strength of the CCHL model 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.



Enable connects 100,000 Cantabrians
In June 2019, Enable celebrated connecting 100,000 customers to its fibre broadband network—making it the largest wholesale fixed broadband service provider in Canterbury.

Enable first launched its fibre broadband service in Halswell in September 2012. Within two and half years, Enable had reached more than 10,000 customers.

Today, five out of every 10 home and business broadband customers (in the region's coverage areas) are connected to Enable's fibre broadband network. This includes 90,777 homes, 10,494 businesses and other organisations, as well as 166 local schools. These customers are using Enable's services to do all the things they want online—like running their businesses, learning and researching, connecting with friends and family, and enjoying a range of entertainment services.

Enable is also working with some of the largest subdivisions and property developments in Christchurch to become the preferred partner for community network connectivity. A majority of these developments can be found in the Selwyn District and western parts of Christchurch, with additional large pockets in the Waimakariri District and Christchurch North.

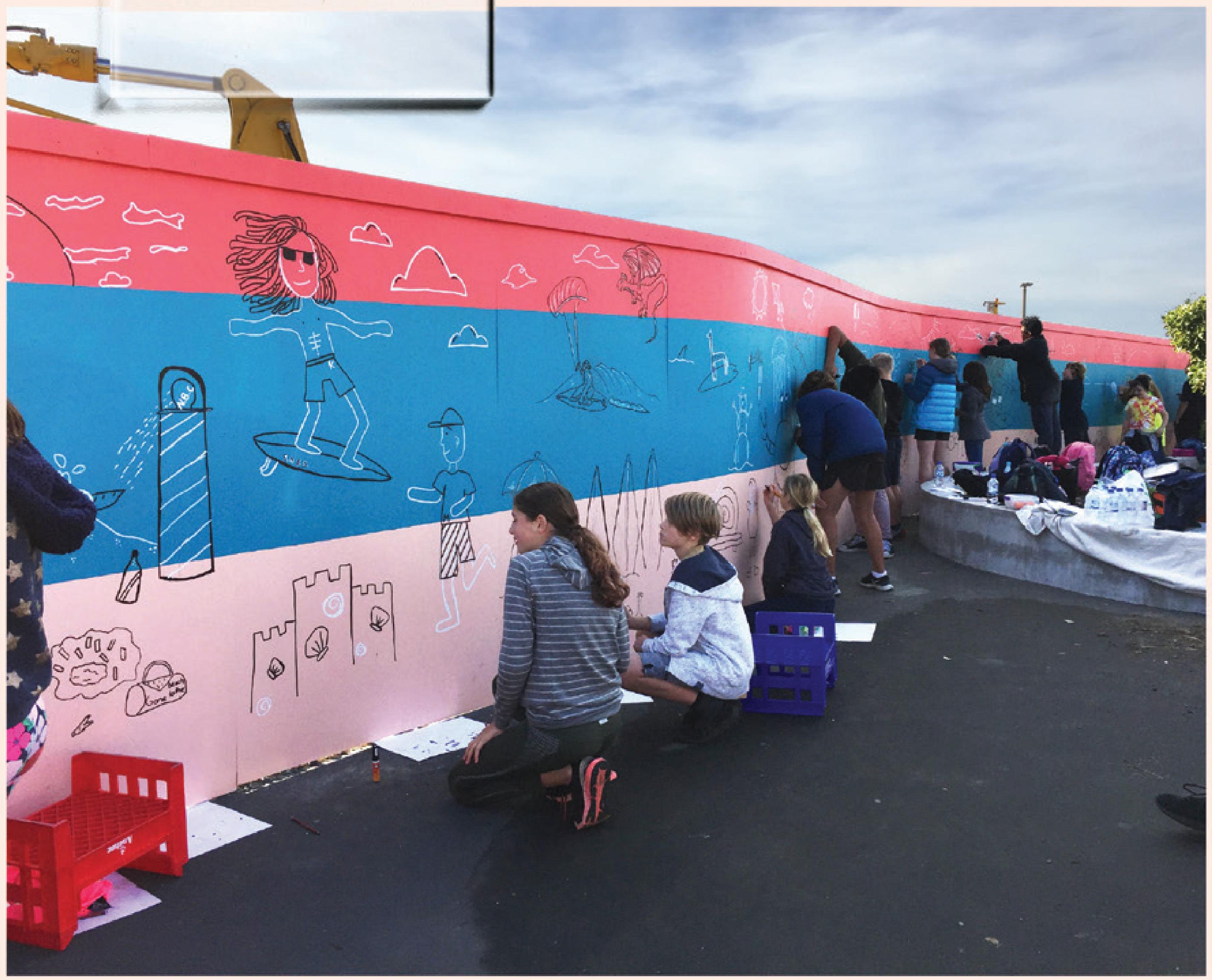
New Brighton ReActivated
Another exciting DCL initiative saw New Brighton chosen as the host venue for Re: ACTIVATE 2018—a unique opportunity for local and emerging artists to have their public artwork ideas become a reality and produced on a large-scale by SCAPE Public Art.

The aim of Re: ACTIVATE 2018: New Brighton was to contribute visual art pieces to the regeneration of spaces in New Brighton, providing more unique offerings in the beach-side neighbourhood for both locals and tourists to enjoy.

In the lead up to Re: ACTIVATE, DCL worked with SCAPE Public Art and the Council to call on local and emerging artists over the age of 18 to submit their artwork designs for the New Brighton basketball court and ramp wall on the foreshore.

The chosen abstract artworks took inspiration from the forces of nature that strongly impact the coastline suburb. The wall mural, Low Pressure High Pressure by Josh O'Rourke, is a painted watercolour blend of seafoam colours with the original concrete surface exposed to form globular rings, while FORCES by Nathan Ingram electrifies the surface of a basketball half court, hoop and backboard. The geometric designs and bold colours represent the Māori concept of 'forces of nature' that define the unique character of New Brighton.

Thanks to these young, local artists, areas that were once grey, dull and colourless are now bright, welcoming and beautiful.



Developing skills for the future

The CCHL Group is focused on building the next generation of talent, to give Christchurch access to a pool of people who are properly equipped and trained for the modern workforce.

Connetics, the wholly owned subsidiary of Orion, is developing its own highly-specialised industry talent. To ensure it has the best people to meet the needs of an industry undergoing an era of change, Connetics has a strong emphasis on recruiting, training and upskilling staff so it is well placed for the opportunities that lie ahead.

As at the end of January, the organisation had 74 staff involved in training. This included cadets working towards their engineering qualification, estimators completing their Quantity Surveying qualifications, lighting design engineers undertaking their certificate in Science and Technology and internal assessors obtaining their qualification. Integral to growing its expert workforce, the company has a comprehensive apprenticeship programme and is committed to having 10% of its workforce in apprenticeship training at any one time. Highlighting the calibre of the programme, it has retained all its apprentices over the past three years, who range in age from 17 to 30 years.

Fostering leadership

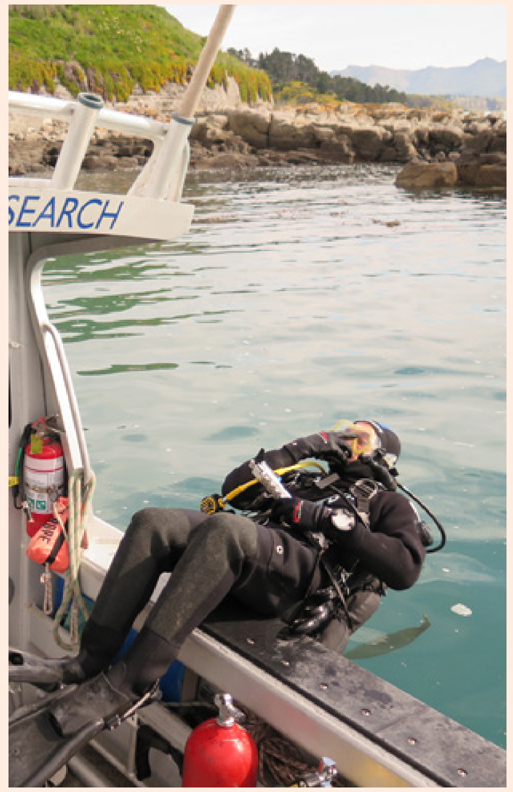
The CCHL Group is also committed to growing leaders for the city. From senior management to governance, CCHL is using the opportunities afforded by the whole Group to extend and develop both its own leadership capability and the skills of the next generation of the community's leaders.

The CCHL Associate Director Programme offers emerging directors the opportunity to develop their boardroom experience. Participants are assigned to a board within the CCHL Group for a year, supported by mentoring and professional development opportunities.

The programme underscores the CCHL Group's commitment to the future growth of Christchurch, by expanding governance capability in the region and creating a strong pool of talented directors. The Associate Director programme's inception in 2018 has continued to build on the successful predecessor Intern Director programme which CCHL founded in 2014. Across both programmes, 26 individuals have been placed on boards, and 18 of these individuals have gone on to be appointed to full Governance roles including 5 appointed directly within the CCHL Group or associated companies.

By putting the focus on the skills, experiences and wellbeing of people throughout the CCHL Group, and on the businesses, communities and groups they interact with, the group has been able to build strong relationships and positive cultures. These help ensure Christchurch is seen as a great place to live and work, with opportunities for growth and development in a supportive, health and engaging environment.

Leighton Evans—Associate Director CCHL and
Claire Evans—Director CCHL, Intern Director LPC 2014-2016.



LPC puts all ears and eyes on Hector's dolphins

Lyttelton Port Company is observing the activity of Hector's dolphins—employing highly trained marine mammal observers and innovative underwater hearing devices—to protect the species from human activity and better understand the impact the port has on local marine life.

Working with Styles Group—which has been using underwater devices to eavesdrop on Hector's dolphin clicks at eight monitoring sites in Lyttelton Harbour since January 2017—LPC, researchers and independent marine mammal biologists are able to understand when the animals feed, migrate and what they do at night.

In addition to the CPOD acoustic recording devices, which record dolphin clicks, the scientists leading the study have deployed autonomous underwater recorders called SoundTraps. These underwater microphones record all of the underwater noise in the inner and outer harbour—whether it's caused by piling, dredging, ships, pleasure boating, or even shrimps, wind and rain.

These devices are in four locations throughout the harbour and provide enough information for independent marine mammal biologists at Cawthron Institute to assess the impacts of port noise on Hector's dolphins. Currently, port noise and other human marine activity can interfere with the dolphins' biological signals, which they use to find food or avoid predators.

LPC is also working with Blue Planet Marine to train five staff members to be marine mammal observers, and meet the requirements of their Marine Mammal Management Plan.

Marine mammal observers are highly trained, and use binoculars, a clinometer and five different smartphone apps to calculate the distance of Hector's dolphins from piling work and other port activity. If the dolphins come too close, the operation's activities must stop until the mammals leave, or have not been sighted for 30 minutes. LPC will use marine mammal observers to protect the marine life during the Cruise Berth construction project in Lyttelton.

Directors' Responsibility Statement

Financial Statements
For The Year Ended 30 June 2019

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 2019, and
- the financial performance and cash flows for the year ended 30 June 2019, and
- the statement of performance for the year ended 30 June 2019

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 42 to 91, of the Christchurch City Holdings Limited annual report for the year ended 30 June 2019.

The Board of Directors of Christchurch City Holdings Limited authorises these financial statements for issue on 20 September 2019.

For and on behalf of the Board

Jeremy Smith
Chair

20 September 2019

Alex Skinner
Director

20 September 2019

Table of Contents

Statement of financial position

As at 30 June 2019

	NOTE	2019 $'000	2018 $'000
Non-current assets			
Investments in entities using the equity method		—	639
Property, plant and equipment	4	3,532,133	3,285,126
Investment property	5	491,202	428,848
Loans and other financial assets	10(B)	28,798	25,411
Intangible assets	13	41,969	37,015
Inventory	11(D)	11,139	28,787
Debtors	11(A)	6,510	6,923
Total non-current assets		**4,111,751**	**3,812,749**
Current assets			
Cash and cash equivalents	12	8,767	11,590
Debtors	11(A)	111,874	114,937
Inventory	11(D)	17,618	18,102
Non-current assets held for sale		—	314
Loans and other financial assets	10(A)	2,475	63,636
Total current assets		**140,734**	**208,579**
Total assets		**4,252,485**	**4,021,328**
Non-current liabilities			
Borrowings	6	1,570,269	1,341,671
Net deferred tax liabilities	9(D)	329,167	347,351
Provisions and other liabilities	15	73,948	30,222
Total non-current liabilities		**1,973,384**	**1,719,244**
Current liabilities			
Borrowings	6	263,185	232,123
Creditors and other payables	14	119,747	109,990
Provisions and other liabilities	15	46,819	48,170
Current tax liabilities		1,468	1,744
Total current liabilities		**431,219**	**392,027**
Total liabilities		**2,404,603**	**2,111,271**
Net assets		**1,847,882**	**1,910,057**
Equity			
Share capital	20	86,779	81,784
Reserves		588,821	590,350
Retained earnings		838,053	913,530
Parent entity interests		**1,513,653**	**1,585,664**
Non-controlling interests	3	334,229	324,393
Total equity		**1,847,882**	**1,910,057**

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 2019

	NOTE	2019 $'000	2018 $'000
Operating revenue	7(A)	1,078,200	1,038,340
Other income including revaluations of investment property	7(B)	16,761	56,958
Total revenue and gains		**1,094,961**	**1,095,298**
Operating expenses	8	713,892	721,325
Share of profits/(losses) of associates and joint ventures		1,010	610
Earnings before interest, tax, depreciation and amortisation		**382,079**	**374,583**
Depreciation	4	128,892	122,292
Impairment	4, 13	12,203	13,502
Amortisation	13	4,631	3,534
		145,726	139,328
Earnings before interest and tax		**236,353**	**235,255**
Finance income		4,122	7,150
Finance costs		69,430	62,832
		65,308	55,682
Net profit before tax		**171,045**	**179,573**
Income tax expense	9	38,933	43,835
Net proft after tax		**132,112**	**135,738**
Other comprehensive income			
Items that will not be recycled to profit or loss:			
Revaluation of assets		27,924	203,534
Income tax effect		—	(30,947)
Revaluation of assets, net of income tax effect		**27,924**	**172,587**
Items that may be recycled to profit or loss in future:			
Cash flow hedges		(36,127)	(2,478)
Income tax effect		10,980	410
Cash flow hedges, net of income tax effect		**(25,147)**	**(2,068)**
Other comprehensive income for the year, net of tax		**2,777**	**170,519**
Total comprehensive income for the year, net of tax		**134,889**	**306,257**
Profit for the year attributable to:			
Owners of the parent		113,092	107,725
Non—controlling interests	3	19,020	28,013
		132,112	**135,738**
Total comprehensive income attributable to:			
Owners of the parent		111,844	241,519
Non—controlling interests	3	23,045	64,738
		134,889	**306,257**

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 2019

	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 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)
Adjustment for share acquisitions		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**
Profit for the year		—	—	—	113,092	**113,092**	19,020	132,112
Other comprehensive income for year:								
Revaluation of assets		—	20,943	—	—	**20,943**	6,981	27,924
Revaluation of derivative financial instruments		—	—	(32,021)	—	**(32,021)**	(4,106)	(36,127)
Tax associated with revaluation movements		—	109	9,830	(109)	**9,830**	1,150	10,980
Other comprehensive income for year		**—**	**21,052**	**(22,191)**	**(109)**	**(1,248)**	**4,025**	**2,777**
Total comprehensive income		**—**	**21,052**	**(22,191)**	**112,983**	**111,844**	**23,045**	**134,889**
Transfer on disposal of revalued assets		—	(390)	—	390	**—**	—	—
Dividends paid or provided for	20	—	—	—	(188,300)	**(188,300)**	(16,892)	(205,192)
Issue of shares	20	4,995	—	—	—	**4,995**	—	4,995
Other		—	—	—	(550)	**(550)**	3,683	3,133
Balance as at 30 June 2019		**86,779**	**630,075**	**(41,254)**	**838,053**	**1,513,653**	**334,229**	**1,847,882**

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 2019

	NOTE	2019 $'000	2018 $'000
Cash flows from operating activities			
Receipts from customers and other sources		1,073,867	1,041,262
Interest received		4,718	8,141
Payments to suppliers and employees		(712,224)	(730,066)
Interest and other finance costs paid		(69,523)	(63,988)
Income tax paid		(39,787)	(30,653)
Subvention payments		(6,486)	(8,986)
Net cash provided by/(used in) operating activities	23	**250,565**	**215,710**
Cash flows from investing activities			
Proceeds from investment in subsidiaries/associates		218	—
Payment for equity investment in associates		(3,252)	—
Advances made to external parties		—	(530)
Payment for property, plant and equipment		(309,872)	(326,273)
Proceeds from sale of property, plant and equipment		1,805	3,946
Payment for intangible assets		(14,775)	(14,038)
Payment for investment properties		(49,221)	(4,624)
Payment for investment into bank deposits		(113,829)	(169,500)
Proceeds from bank deposits maturing		175,000	223,500
Other		3,573	—
Net cash (used in)/provided by investing activities		**(310,353)**	**(287,519)**
Cash flows from financing activities			
Proceeds from borrowing		815,206	441,315
Repayment of borrowings		(556,948)	(173,590)
Repayment of finance leases		(1,107)	(1,007)
Proceeds from issue of shares	20	4,995	10,349
Dividends paid	20	(188,300)	(192,694)
Dividends paid—non—controlling interests		(16,881)	(15,714)
Net cash provided by/(used in) financing activities		**56,965**	**68,659**
Net (decrease)/increase in cash and cash equivalents		**(2,823)**	**(3,150)**
Cash and cash equivalents at beginning of year		**11,590**	**14,740**
Cash and cash equivalents at end of year	12	**8,767**	**11,590**

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

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 2019. The financial statements were authorised for issue by the CCHL Board of Directors on 20 September 2019. 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 except for the impact of the two new standards as explained in Note 25 on page 90. The change in accounting policies are made in accordance with the standards transitional provisions.

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**				
Christchuch 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 above, 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) 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 FY19, a final $140m special dividend was paid as part of CCHL's commitment to support the capital release programme.

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 2019 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 2019

	Parent $'000	Orion $'000	CIAL $'000	LPC $'000	ESL $'000	CityCare $'000	RedBus $'000	EcoCentral $'000	DCL $'000	Other $'000	Total $'000
Segment revenue	85,547	325,200	187,347	166,708	58,768	298,883	20,760	35,306	6,589	(106,908)	1,078,200
Inter-segment revenue	(85,547)	(1,401)	(136)	(3)	(16)	(19,314)	—	(491)	—	106,908	—
Revenue from external customers	**—**	**323,799**	**187,211**	**166,705**	**58,752**	**279,569**	**20,760**	**34,815**	**6,589**	**—**	**1,078,200**
Share of earnings of associate companies	—	—	—	—	—	(139)	—	—	1,149	—	1,010
Interest income	16,580	109	102	859	68	166	14	61	50	(13,887)	4,122
Interest expense	(33,021)	(11,627)	(23,031)	(1,076)	(13,951)	(567)	—	(29)	(15)	13,887	(69,430)
Depreciation and amortisation	(24)	(51,714)	(35,520)	(16,046)	(20,471)	(9,006)	(9,030)	(1,958)	(1,957)	—	(145,726)
Net realisations and revaluations and impairment	2,703	421	13,159	249	—	179	35	15	—	—	16,761
Taxation expense	—	(18,249)	(22,529)	(4,945)	7,025	327	1,850	(440)	655	(2,627)	(38,933)
Segment profit/(loss)	68,540	47,863	57,472	42,170	10,830	(724)	(5,311)	1,130	(1,684)	(88,174)	132,112
Investments in associates (accounted for by equity method)	—	—	—	—	—	—	—	—	—	—	—
Total Non-current assets (excluding derivatives and deferred tax)	3,097,371	1,181,218	1,708,416	543,716	539,650	47,003	32,536	8,296	19,511	(3,072,713)	4,105,004
Total assets	3,106,066	1,212,577	1,741,207	585,528	556,230	106,278	37,568	14,286	21,740	(3,128,995)	4,252,485
Total liabilities	1,049,161	546,673	689,189	68,624	328,242	51,899	4,809	4,924	3,487	(342,405)	2,404,603
Additions to Non-current assets	9,517	72,433	93,161	150,500	48,420	4,592	1,959	744	4,401	(9,201)	376,526

2 B For the year ended 30 June 2018

	Parent $'000	Orion $'000	CIAL $'000	LPC $'000	ESL $'000	CityCare $'000	RedBus $'000	EcoCentral $'000	DCL $'000	Other $'000	Total $'000
Segment revenue	88,653	321,883	177,619	122,101	48,474	312,539	21,052	34,315	9,746	(98,042)	1,038,340
Inter-segment revenue	(88,653)	(3,634)	(53)	(6)	(2)	(5,164)	(1)	(529)	—	98,042	—
Revenue from external customers	**—**	**318,249**	**177,566**	**122,095**	**48,472**	**307,375**	**21,051**	**33,786**	**9,746**	**—**	**1,038,340**
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 and revaluations and impairment	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

Accounting policy:

Segment reporting
CCHL applies NZ IFRS 8 to its consolidated financial statements as it has fixed rate bonds 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.

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 2019, Orion New Zealand Ltd ('Orion') and Christchurch International Airport Ltd ('CIAL') were the only subsidiaries not 100%-owned by CCHL.

	30 JUNE 2019				30 JUNE 2018			
	Orion $'000	CIAL $'000	adjs $'000	Total $'000	Orion $'000	CIAL $'000	adjs $'000	Total $'000
Non—controlling interest (NCI)	10.7%	25.0%			10.7%	25.0%		
Revenue	325,621	200,506			322,191	236,372		
Net profit after tax	47,863	57,472			53,300	88,737		
Other comprehensive income (OCI)	—	16,099			—	146,901		
Total comprehensive income	**47,863**	**73,571**			**53,300**	**235,638**		
Profit allocated to NCI	**5,133**	**14,368**	**(481)**	**19,020**	**5,716**	**22,184**	**113**	**28,013**
OCI allocated to NCI	**—**	**4,025**	**(0)**	**4,025**	**—**	**36,725**	**1**	**36,725**
Current assets	27,346	15,827			24,383	16,419		
Non-current assets	1,185,231	1,725,380			1,159,055	1,604,523		
Current liabilities	49,187	152,727			98,162	28,583		
Non-current liabilities	497,486	536,462			414,235	569,081		
Net assets	**665,904**	**1,052,018**			**671,041**	**1,023,278**		
Carrying amount of NCI	**71,418**	**263,005**	**(194)**	**334,229**	**71,969**	**255,820**	**(3,396)**	**324,393**
Operating cash flows	97,056	80,616			109,239	80,975		
Investing cash flows	(71,715)	(93,096)			(78,628)	(83,827)		
Financing cash flows*	(25,207)	11,169			(29,307)	1,740		
	134	(1,311)			1,304	(1,112)		
* Includes dividends paid to NCI	(5,684)	(11,208)			(5,899)	(9,815)		

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

	Land	Buildings	Plant & equipment	Electricity distribution system	Airport infrastructure assets	Harbour structures	Optical fibre network	Work in progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Gross carrying amount									
Cost/valuation at 1 July 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
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**
Additions	21,055	4,719	50,143	64,395	—	83,403	60,033	51,741	335,489
Disposals	—	(2,132)	(15,970)	(3,420)	(4)	(2,546)	(7)	—	(24,079)
Re—classified from held for sale	—	—	1,843	—	—	—	—	—	1,843
Net movements in work in progress	—	—	179	—	—	—	—	6,536	6,715
Net revaluation increments/(decrements)	—	—	—	—	26,637	—	—	—	26,637
Transfers	(9,740)	1,935	17,372	—	11,793	(4,561)	—	(563)	16,236
Cost/valuation at 30 June 2019	**604,902**	**434,366**	**462,496**	**1,102,578**	**392,291**	**398,644**	**536,880**	**199,463**	**4,131,620**
Accumulated depreciation and impairment									
Accumulated balance at 1 July 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
Re—classified as held for sale	—	83,786	—	—	19,087	—	30,612	—	133,485
Revaluation adjustments	—	—	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)**
Disposals	—	1,942	15,075	2,100	—	2,650	6	—	21,773
Revaluation adjustments	—	—	—	—	1,287	—	—	—	1,287
Re—classified from held for sale	—	—	(1,689)	—	—	—	—	—	(1,689)
Impairment losses	—	—	(4,370)	(5,500)	—	—	—	—	(9,870)
Depreciation expense	—	(24,284)	(29,721)	(39,833)	(11,226)	(4,918)	(18,910)	—	(128,892)
Transfers and other	(464)	726	612	—	—	683	—	—	1,557
Accumulated balance at 30 June 2019	**(11,643)**	**(43,175)**	**(286,125)**	**(91,798)**	**(9,939)**	**(137,057)**	**(19,750)**	**—**	**(599,487)**
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 at 30 June 2019	**593,259**	**391,191**	**176,371**	**1,010,780**	**382,352**	**261,587**	**517,130**	**199,463**	**3,532,133**

4

Carrying amount significantly attributable to:	% OF GROUP	2019 $'000	2018 $'000
Orion New Zealand Ltd	33%	1,177,293	1,151,685
Christchurch International Airport Ltd	34%	1,208,026	1,158,952
Lyttelton Port Ltd	15%	524,751	391,090
Enable Services Ltd	15%	529,734	476,008
Other subsidiaries	3%	92,329	107,391
Total		**3,532,133**	**3,285,126**

For assets that are revalued:	2019 $'000	2018 $'000
If these revalued assets had been measured using the cost model, the net carrying amount would be:		
Freehold land	185,048	184,527
Buildings	207,508	220,531
Plant & Equipment	18,617	17,859
Electricity distribution system	982,914	949,738
Airport infrastructure assets	168,530	170,819
Optical fibre network	481,873	440,482
Total	**2,044,490**	**1,983,956**

Orion New Zealand Ltd

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 IRFS 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 or 31 March 2019 was materially different from fair value as at the valuation date.

In the year ended 31 March 2019, the company 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:

- $4.9m (2018: $10.9m) of capital contribution revenue during the year
- $5.5m (2018: $10.9m) 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, 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 Orion'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 Orion's head office land and building using a market rental assessment and a capitalisation rate of 7.5% (level 3)
- valued Orion'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 as at 31 March 2018 or 31 March 2019 were materially different to fair value as at the valuation date.

Fair values for approximately 23% of Orion'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 the Orion's group property, plant and equipment, nor is any property, plant and equipment pledged as security for liabilities.

Christchurch International Airport Ltd

CIAL'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 ODRC.

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. Where appropriate, 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 2019 car parking assets were revalued by independent valuers Crighton Anderson Property and Infrastructure Ltd trading as Colliers International Ltd. Land was also revalued in 2018. 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 are as per table below:

CIAL asset revaluation	2019 $'000	2018 $'000
Land	–	88,929
Buildings	–	2,655
Terminal	–	38,854
Sealed Surfaces	–	18,848
Infrastructure	–	739
Car parking	27,924	18,990
	27,924	**169,015**

The valuation methodologies used in the revaluation as at 30 June 2019 were consistent with those used in the last valuation.

Fair Value Hierachy

ASSET CLASSIFICATION AND DESCRIPTION	VALUATION APPROACH	KEY VALUATION ASSUMPTIONS	FAIR VALUE HIERARCHY LEVEL	VALUATION SENSITIVITY
Land including 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 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 sqm: Range of $195 – $1,196 with weighted average of $516	3	+/— $11.5 million (of a 5% change of cost estimate).
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).
Car parking 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 0.5% for the 10 year cashflow period from year 11. Cost growth per annum 2% for the 10 year cashflow period and 2% from year 11. Discount rate 7.5% post tax, 10 year cash flow period and 7.5% from year 11.	3	+/— $8.0 million (of a 5% change in discount rate). +/— $0.5million (of a change in growth rate to 0% or 1.0% for year 11 onwards).

Net carrying value at 30 June 2019 was $524.8m (2018: $391m). Due to the specialised nature of the entity, all the Port assets are deemed as being inextricably linked and are therefore treated as a single cash generating unit (CGU) for valuation and impairment purposes. LPC's assets are carried at cost less accumulated depreciation and impairment charges. The assets in the CGU have been split across the asset classes as follows:

	LAND $'000	BUILDINGS $'000	PLANT & EQUIPMENT $'000	HARBOUR STRUCTURES $'000	CGU TOTAL $'000
2019	120,313	28,130	114,721	261,587	524,751
2018	99,627	25,896	78,691	186,876	391,090

LPC have prepared a value in use valuation using internal cash flow projections and received external expert valuation assistance to assist with their impairment assessment. The forecasts and valuation contain a number of assumptions around future growth, profitability, capital expenditure and discount rates. Using the base case assumptions, the estimated recoverable amount of the CGU exceeded the carrying amount by approximately $7 million. The Directors have considered and have concluded there is no impairment of the LPC net assets at 30 June 2019 at the CGU carrying value.

THE KEY ASSUMPTIONS IN THE VALUE IN USE CALCULATION INCLUDE:	%
Discount Rate	6.42
Terminal Growth Rate	1.50
EBITDA Percentage at Terminal Cash Flows	36.80

Changes in any of the valuation assumptions could have a material impact on the valuation of LPC and cause the Director’s to re-assess their assumptions around impairment in the future. The valuation is particularly sensitive to discount rate, terminal growth rate and EBITDA assumptions. The table below shows the sensitivity in those rates on the valuation.

VALUATION SENSITIVITY TABLE	VALUATION HEADROOM ABOVE $M	VALUATION HEADROOM BELOW $M
Discount Rate (-0.5%, +0.5%)	81	(53)
Terminal Growth Rate (+0.5%, -0.5%)	62	(38)
EBITDA (+20%,-20%)	43	(32)

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 $168m (2018: $68m).

Enable Services Ltd

Net carrying value at 30 June 2019 was $530m (2018: $505m). 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.

Using this methodology, the mid-point enterprise value of ENL at 30 June 2018 was assessed at $495m. Working capital and non-network assets of $20m was deducted to arrive at the estimated value of the UFB network assets at 30 June 2018 of $475m. The current book value of $530m reflects this value plus the net effect of additions and disposals at cost, and depreciation in the 2019 financial year.

The carrying value of property, plant and equipment as at 30 June 2019 approximates fair value, supported by the current business plan, financial forecast and performance of the Group remain consistent with the forecast underpinning the 2018 valuation. The 30 June 2019 carrying value is considered appropriate.

The sensitivity of the 2018 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 2019 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	17–20 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	2019 $'000	2018 $'000
Balance at beginning of financial year		428,848	370,523
Transfer (to)/from property, plant & equipment		—	(25,974)
Additional capitalised expenditure		49,221	30,598
Net gain/(loss) from fair value adjustments	7	13,133	53,701
Balance at end of financial year		**491,202**	**428,848**

All of the Group's investment property is held by Christchurch International Airport Ltd. Included in the amount above is $33m (2018: $6.1m) relating to investment properties under construction.

Valuation of investment property
The valuation as at 30 June 2019 and 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 6.61% (2018: 6.73%)
- Average market capitalisation rate 7.13% (2018: 7.23%)
- Weighted average lease term 6.00 years (2018: 6.50 years).

Fair Value Hierachy

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	+ $19.6 million / — $17.8 million (of a 5% change of capitalisation rate)

Accounting policy

investment property
Land is held by the company 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 valuation methodologies using direct sales comparison or a direct capitalisation of rental income using market comparison of capitalisation rates, supported by a discounted cashflow approach. These values are 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 financial costs

6 A Group Borrowings	NOTE	2019 CURRENT $'000	2019 NON-CURRENT $'000	2019 TOTAL $'000	2018 CURRENT $'000	2018 NON-CURRENT $'000	2018 TOTAL $'000
Unsecured:							
Bonds and floating rate notes		115,502	646,548	762,050	50,000	467,062	517,062
Loans from external parties		40,000	301,600	341,600	52,700	344,000	396,700
Loans from related entities	22(A3)	94,000	434,500	528,500	110,000	378,500	488,500
Finance lease liabilities	6(C)	1,080	10,020	11,100	975	11,236	12,211
		250,582	**1,392,668**	**1,643,250**	**213,675**	**1,200,798**	**1,414,473**
Secured:							
Loan from external parties		12,600	177,601	190,201	18,440	140,873	159,313
Finance lease liabilities	6(C)	3	—	3	8	—	8
		12,603	**177,601**	**190,204**	**18,448**	**140,873**	**159,321**
Total group borrowings		**263,185**	**1,570,269**	**1,833,454**	**232,123**	**1,341,671**	**1,573,794**

Except as disclosed in Note 24, the carrying amount of the Group's current and Non-current borrowings approximates their fair value.

Christchurch City Holdings Ltd

Nature of debt	2019 $'000	AVG RATE	MATURITY	2018 $'000
Floating rate notes	40,000	5.85%	Nov19–Feb 20	90,000
Short term loans — Christchurch City Council	27,000	2.53%	Jul-19	110,000
Long term loans — Christchurch City Council	501,500	4.50%	Nov 19–Apr 27	378,500
Fixed Rate Bonds	300,000	3.40%	Dec 22–Nov 24	150,000
Crown Infrastructure Partners Ltd (CIP)	142,601	—	May-21	140,873
Undrawn bank facility	100,000	—	Dec 19&Oct 20	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 2018, Christchurch City Holdings Ltd made an offer of unsecured, unsubordinated, fixed rate 6 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 27th November 2018, CCHL issued $150m of unsecured, unsubordinated fixed rate 6 year bonds, maturing on 27th November 2024. 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 2019 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 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 $2.5m (2018: $1.3m gain). The loan is secured over the assets of the Enable Group.

Orion New Zealand Ltd

Nature of debt	2019 $'000	AVG RATE	MATURITY	2018 $'000
Bank loans	151,600	2.58%	2020—2022	262,700
US Private Placement floating rate notes	140,000	3.44%	2028—2030	—
Undrawn bank facility	58,400			47,300

All bank loans are unsecured, however a deed of negative pledge and guarantee requires the company to comply with certain covenants. The US Private Placement floating rate notes are also unsecured. The Note Purchase agreement with the US investors has terms which are substantially similar to those in the negative pledge deed referred to above. The company has entered into derivative contracts to hedge its exposure to bank bill interest rate fluctuations.

Christchurch International Airport Ltd

Nature of debt	2019 $'000	AVG RATE	MATURITY	2018 $'000
Bank facility	190,000	6.04%	2020—2022	134,000
Bond funding	282,050	4.34%	2020—2027	277,063
Undrawn bank facility	30,000			80,000

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.

Lyttelton Port Company Ltd

Nature of debt	2019 $'000	AVG RATE	MATURITY	2018 $'000
Bank facility	35,000		Apr—23	—
Undrawn bank facility	197,000		Apr 21— Dec 22	102,000

All borrowings under the bank facility and overdraft facility are unsecured and supported by a negative pledge deed.

City Care Ltd
Bank loans of $12.6m (2018: $18.4m) are secured by a debenture over the assets and undertakings of the company, and made under a committed cash advance facility of $50m (2018: $50m). Average interest rate 3.26% for the year (2018: 3.3%). Due to the financial performance of the business, there was a covenant breach at June 2019 (also at June 2018). The company's bankers, Bank of New Zealand, waived the breach on 18 June 2019 (2018 waiver dated 2 August 2018).

Red Bus Ltd
The company has a currently undrawn bank revolving credit facility in excess of $2m, interest rate of 4.64%.

Enable Services Ltd, EcoCentral Ltd and Development Christchurch Ltd
These companies had no external debt as at 30 June 2019 (2018: Nil). Enable Services has a subordinated loan from CCHL of $291m (2018: $271m), EcoCentral had a subordinated loan from CCHL which was fully repaid during 2019 (2018: $1.3m). During the year DCL received a loan of $1.2m from CCHL (2018: Nil)

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

	2019 $'000	2018 $'000
Floating rate—expiring within one year	89,400	101,534
Floating rate—expiring beyond one year	333,400	267,560
Total undrawn borrowing facilities	**422,800**	**369,094**

6 C Finance lease liabilities

	2019 $'000	2018 $'000
No later than one year	2,056	2,084
Later than one year and not later than five years	5,019	6,243
Later than five years	18,591	19,576
Minimum lease payments	25,666	27,903
Less future finance charges	(14,563)	(15,684)
Present value of minimum lease payments	**11,103**	**12,219**
Minimum future lease payments		
No later than one year	1,083	983
Later than one year and not later than five years	2,011	2,943
Later than five years	8,009	8,293
Total present value of minimum lease payments	**11,103**	**12,219**
Represented by		
Current portion	1,083	983
Non-current portion	10,020	11,236
	11,103	**12,219**

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.

Accounting policy

Finance Lease Liabilities
Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

6 D Changes in liabilities arising from financing activities

2019	OPENING 1 JULY 2018 $'000	CASH FLOWS $'000	CHANGES IN FAIR VALUE $'000	OTHER $'000	CLOSING 30 JUNE 2019 $'000
Current liabilities:					
External borrowings	121,139	47,564	(646)	44	168,101
Related party borrowings	110,001	(16,000)	—	—	94,001
Lease liabilities	983	(980)	—	1,080	1,083
Non-current liabilties:					
External borrowings	951,935	170,702	3,077	35	1,125,749
Related party borrowings	378,500	56,000	—	—	434,500
Lease liabilities	11,236	(135)	—	(1,081)	10,020
Derivative liabilities	30,516	—	39,538	2,162	72,216
Total liabilities from financing activities	**1,604,310**	**257,151**	**41,969**	**2,240**	**1,905,670**

2018	OPENING 1 JULY 2017 $'000	CASH FLOWS $'000	CHANGES IN FAIR VALUE $'000	OTHER $'000	CLOSING 30 JUNE 2018 $'000
Current liabilties:					
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**

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.

Profit and Loss Information

7 Operating revenue and other income

7 A Disaggregation of revenue

2019	Orion $'000	CIAL $'000	LPC $'000	ESL $'000	CityCare $'000	RedBus $'000	EcoCentral $'000	DCL $'000	Intragroup $'000	Total $'000
Revenue from contracts with customers:										
Electricity Distribution	264,726	—	—	—	—	—	—	—	(1,401)	263,325
Airport Services	—	109,838	—	—	—	—	—	—	(136)	109,702
Port Services	—	—	129,108	—	—	—	—	—	(3)	129,105
Gross telecommunications revenue	—	—	—	54,566	—	—	—	—	(16)	54,550
Construction contract revenue	—	—	—	—	89,574	—	—	2,606	—	92,180
Contracting	45,433	—	—	—	201,325	—	—	—	(19,314)	227,444
Bus and Coach Services	—	—	—	—	—	20,619	—	—	—	20,619
Waste and recycling services	—	—	—	—	—	—	25,513	—	(491)	25,022
Sale of goods	12,544	—	—	2,486	7,984	—	9,793	—	—	32,807
Total revenue from contracts with customers	**322,703**	**109,838**	**129,108**	**57,052**	**298,883**	**20,619**	**35,306**	**2,606**	**(21,361)**	**954,754**
Other operating revenue:										
Rent and Lease income	—	69,350	—	—	—	118	—	77	—	69,545
Other	2,497	8,159	37,600	1,716	—	23	—	3,906	—	53,901
Total other operating revenue	**2,497**	**77,509**	**37,600**	**1,716**	**—**	**141**	**—**	**3,983**	**—**	**123,446**
Segment revenue	**325,200**	**187,347**	**166,708**	**58,768**	**298,883**	**20,760**	**35,306**	**6,589**	**(21,361)**	**1,078,200**

2018	Orion $'000	CIAL $'000	LPC $'000	ESL $'000	CityCare $'000	RedBus $'000	EcoCentral $'000	DCL $'000	Intragroup $'000	Total $'000
Revenue from contracts with customers:										
Electricity Distribution	267,486	—	—	—	—	—	—	—	(3,634)	263,852
Airport Services	—	102,379	—	—	—	—	—	—	(53)	102,326
Port Services	—	—	122,101	—	—	—	—	—	—	122,101
Gross telecommunications revenue	—	—	—	39,336	—	—	—	—	(2)	39,334
Construction contract revenue	—	—	—	—	105,865	—	—	5,856	—	111,721
Contracting	40,503	—	—	—	197,794	—	—	—	(5,164)	233,133
Bus and Coach Services	—	—	—	—	—	20,943	—	—	—	20,943
Waste and recycling services	—	—	—	—	—	—	25,318	—	(1)	25,317
Sale of goods	10,345	—	—	6,628	8,880	—	8,997	—	(529)	34,321
Total revenue from contracts with customers	**318,334**	**102,379**	**122,101**	**45,964**	**312,539**	**20,943**	**34,315**	**5,856**	**(9,383)**	**953,048**
Other operating revenue:										
Rent and Lease income	—	68,173	—	—	—	94	—	—	(6)	68,261
Other	3,549	7,067	—	2,510	—	15	—	3,890	—	17,031
Total other operating revenue	**3,549**	**75,240**	**—**	**2,510**	**—**	**109**	**—**	**3,890**	**(6)**	**85,292**
Segment revenue	**321,883**	**177,619**	**122,101**	**48,474**	**312,539**	**21,052**	**34,315**	**9,746**	**(9,389)**	**1,038,340**

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

	NOTES	2019 $'000	2018 $'000
Gains on disposal of property, plant and equipment		707	1,126
Gains on revaluation of investment property	5	13,133	53,701
Gain on revaluation of investment in associate		218	—
Gain from joint venture		—	450
Fair value through income statement financial assets fair value change		2,703	1,640
Ineffectiveness — fair value hedges		—	41
		16,761	**56,958**

Accounting policy

Airport and port services
Services are provided on demand and the transaction price recognised as revenue based on their stand-alone selling price. The stand-alone selling price is based on published prices, and calculated on a price per unit of the service. Revenue is recognised over time as the customer simultaneously obtains the benefits from the service as its being performed. Where applicable separate incentive or rebate agreements are signed with individual customers and associated adjustments are made to the transaction prices recognised as revenue. These charges are invoiced monthly in arrears and payment is generally expected within 30 days.

Electricity Distribution revenue
Electricity delivery service revenue relates to the provision of electricity distribution services to both electricity retailers and directly contracted customers. Electricity retailer delivery services are performed on a daily basis and considered as a series of distinct services provided over time. Prices are regulated and retailers are charged through a combination of fixed charges and variable charges based on the quantities delivered. Revenue is recognised over time using an output method based on the actual quantity of delivery services provided on a daily basis.

For directly contracted customers, the group has determined that the individual construction contracts and individual delivery service agreements were negotiated as a package with a single commercial objective, to provide the required delivery capacity to the customer. This performance obligation has been assessed as being satisfied over time based on the duration of the contractual arrangement. The contract term is the period during which the parties have present and enforceable rights and obligations. A term of ten years has been determined based on the requirements of the contract and the company's business practice. The transaction price includes both the initial upfront customer contributions and subsequent delivery charges based on an estimate of quantities delivered. Revenue is recognised over time based on an output method, as the performance obligation is satisfied on a straight line basis over the term of the contract.

Customer contribution revenue relates to contributions received from customers (other than delivery service customers who are directly contracted) towards the cost of new connections and network extensions. The customer's supply of electricity is contracted separately, interposed through a retailer, and is therefore considered a separate commercial arrangement. Pricing is fixed and contributions are paid in advance for new connections. Capital contributions are recognised as revenue at the point in time of livening the connection to the network. Capital contributions that are refundable to customers are treated as a contract liability until cancelled or applied. Delivery charges for the current month are billed around the 10th of the month for payment on the 20th of that month.

Gross Telecommunications revenue
The Group recognises telecommunications revenue as it provides services to its customers, based on published fixed charges. Billings are made on a monthly basis. Unbilled revenues from the billing cycle date to the end of each month are recognised as revenue during the month the service is provided. Revenue from installations and connections is recognised upon completion of the installation or connection. These charges are invoiced monthly in arrears and payment is generally expected within 30 days.

Construction contract and contracting revenue
Where maintenance contracts involve various different activities and services that are highly inter-related they are treated as one performance obligation, otherwise separate performance obligations are identified. The transaction price is allocated across each service or performance obligation based on the individual stand-alone selling prices. Revenue from maintenance services is recognised over time relative to the proportion of work that has been performed under the contract. The input method is used to estimate the proportion of work performed. An assessment is completed at balance date to ensure the revenue recognised under the input method fairly depicts the transfer of goods or services to the customer

For construction contracts the construction of each individual piece of infrastructure is normally assessed as one performance obligation. Where contracts are entered into for several projects the total transaction price is allocated across each project based on stand-alone selling prices.

Revenue from construction contracts is recognised over time as our work enhances an asset that the customer controls. An output method based on a statement of work provided to the customer is used to determine the amount of revenue to be recognised at each reporting date. Any amount recognised as a contract asset is reclassified to trade receivables at the point at which the group has an enforceable right to consideration. If a payment received exceeds the revenue recognised, the Group recognises a contract liability for the difference.

Bus and coach services
Contract revenues mainly relate to Environment Canterbury bus contracts. Revenues are recognised as the services are provided over the length of the contract, and based on a transactional price which is defined in the terms of the contract. The transaction price is calculated based on the total consideration expected to be received in relation to the performance of the contract, net of variable consideration.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

Charter and private hire predominantly relates to charter work for both schools with extracurricular activities and third parties with general transportation needs. Revenue is recognised over the period in which the charter/private hire is provided to the customer.

Any payment received in advance of the services being provided is recognised as a contract liability and is released as the related revenue is recognised. Revenue for urban contracts are prepared as buyer-credited invoices and paid by last day of that month, all other invoices are issued monthly in arrears and payment is generally expected within 30 days.

Waste and recycling services
The company operates three refuse stations and a materials recovery facility for the processing of recyclable products. Revenue for the processing of waste and recyclables is recognised when the product or waste is received by the company. The company's performance obligations for each customer are satisfied at the time of delivery as no further work or processing is required, the quantity and quality of the goods has been determined and the price is fixed.

Sale of goods revenue
Revenue from goods sold is recognised at a point in time when the control of the goods has transferred to the customer. Revenue is determined based on standalone selling prices for each unit sold. Payment for each transaction is due immediately.

Rental and lease income
Rent and Lease income is recognised on a straight-line basis over the term of the lease where the group is the lessor.

8 Operating costs

8 A Operating costs

	NOTES	2019 $'000	2018 $'000
Personal Costs:			
Salaries and wages		268,869	270,296
Defined contribution/benefit plan employer contributions		3,796	3,603
Other		2,608	2,633
		275,273	**276,532**
Other Costs:			
Audit fees	8(B)	1,157	1,028
Consultants and legal fees		15,102	13,113
Directors' fees		2,543	2,407
Donations		348	485
Net foreign exchange losses/(gains)		19	107
Provision expenses/(gains)		1,671	1,308
Minimum lease payments under operating leases		9,930	9,454
Orion network maintenance and transmission expenses		98,270	95,564
Raw materials and consumables used		49,200	51,348
Reduction in value of financial assets		—	1,424
Repairs and maintenance		9,027	8,549
Service contracts (including sub-contractors)		117,215	115,614
Investment property direct operating expenses		4,275	3,413
Other operating expenses		124,410	144,494
Losses on assets written off/disposed		1,470	1,344
Ineffectiveness - cash flow hedges		88	—
Ineffectiveness - fair value hedges		15	152
Loss from joint venture		899	—
Financial assets fair value change		2,980	—
		713,892	**726,336**

8 B Remuneration of auditors

	NOTES	2019 $'000	2018 $'000
Audit New Zealand			
Audit of the financial statements		884	786
Special audits required by regulators		112	101
Assurance related		42	4
		1,038	**891**
Other auditors			
Audit of the financial statements - KPMG		92	98
Other non-audit services - KPMG		24	39
Other non-audit services - PWC		3	
		119	**137**
Total	8(A)	**1,157**	**1,028**

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
- agreed upon procedure relating to interim financial statements

Enable Services Ltd
- assurance engagement of specified disclosure information, required under section 83 of the Telecommunications Act 2001
- assurance engagement required under the LFC Information Disclosure Determination 2018

9 Income and deferred taxes

9 A Components of tax expense

	NOTES	2019 $'000	2018 $'000
Current tax expense/(income)		46,306	39,703
Adjustments to current tax of prior years		(305)	(2,990)
Deferred tax expense/(income)	9(d)	(7,068)	7,122
Total tax expense/(income)		**38,933**	**43,835**

9 B Components of tax expense

	2019 $'000	2018 $'000
Profit before tax	**171,045**	**179,573**
Tax at statutory rate of 28%	47,893	50,280
Non-deductible expenses	1,763	1,133
Non-assessable income and deductible items	(1,272)	(8,082)
Tax loss not recognised as deferred tax asset	(1,420)	—
Previously unrecognised and unused tax losses now recognised as deferred tax assets	(7,574)	—
Other	(911)	681
(Over)/under provision of income tax in previous year	454	(177)
Total tax expense/(income)	**38,933**	**43,835**

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 $164m (2018: $124.7m).

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 2018				30 JUNE 2019			
	OPENING BALANCE $'000	PROFIT /LOSS $'000	OTHER COMPREHEN-SIVE INCOME $'000	CLOSING BALANCE $'000	PROFIT /LOSS $'000	OTHER COMPREHEN-SIVE INCOME $'000	OTHER ADJUSTMENTS $'000	CLOSING BALANCE $'000
Deferred tax liabilities:								
Cash flow/Fair value hedges	4,621	—	—	4,621	—	—		4,621
Property, plant and equipment	289,587	1,896	30,947	322,430	(4,195)	—		318,235
Intangible assets	486	(154)	—	332	65	—		397
Other	33,642	5,633	—	39,275	5,042	—		44,317
	328,336	**7,375**	**30,947**	**366,658**	**912**	**—**		**367,570**
Deferred tax assets:								
Cash flow/Fair value hedges	9,213	(85)	410	9,538	834	10,980		21,352
Provisions/employee entitlements	8,433	578	—	9,011	(1,418)	—	21	7,614
Doubtful debts/impairment losses	136	(13)	—	123	(51)	—	115	187
Tax losses	34	—	—	34	8,795	—		8,829
Other	828	(227)	—	601	(180)	—		421
	18,644	**253**	**410**	**19,307**	**7,980**	**10,980**	**136**	**38,403**
Net deferred tax liability/(asset)	**309,692**	**7,122**	**30,537**	**347,351**	**(7,068)**	**(10,980)**	**(136)**	**329,167**

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 based on 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 Amortised cost and other financial assets

10 A Current portion

	NOTES	2019 $'000	2018 $'000
Other loans and investments		—	400
Interest rate swaps		646	—
Forward foreign exchange contracts		—	260
Term deposits		1,829	63,000
Other		—	(24)
Total current other financial assets		**2,475**	**63,636**

10 B Non-current portion

	NOTES	2019 $'000	2018 $'000
Non-current portion			
Other loans and investments	10(C)	22,051	24,860
Interest rate swaps		6,747	551
Total non-current other financial assets		**28,798**	**25,411**
Total other financial assets (current and non-current)		**31,273**	**89,047**

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). An agreed repayment of US$3m was made during the 2019 year. The loan is assessed to have low credit risk at each reporting date based on Group's internal assessment. As such, the Group assumes that the credit risk on this financial instrument has not increased significantly since initial recognition as permitted by NZ IFRS 9 and recognises 12-months ECL for the asset. No material provision has been made.

11 Debtors, inventory, and other assets

11 A Debtors and other assets

	NOTE	2019 CURRENT $'000	2019 NON-CURRENT $'000	2019 TOTAL $'000	2018 CURRENT $'000	2018 NON-CURRENT $'000	2018 TOTAL $'000
Trade receivables — other		1,521	—	1,521	1,724	—	1,724
Trade receivables — contracted		71,826	1,098	72,924	68,835	1,050	69,885
	11(B)	**73,347**	**1,098**	**74,445**	**70,559**	**1,050**	**71,609**
Provision for impairment — other		(19)	—	(19)	(54)	—	(54)
Provision for impairment - contracted		(385)	—	(385)	(441)	—	(441)
	11(B)	**(404)**	**—**	**(404)**	**(495)**	**—**	**(495)**
Contract assets	11(E)	22,420	—	22,420	27,681	—	27,681
Prepayments		11,800	5,374	17,174	10,501	5,873	16,374
Interest receivable		11	—	11	631	—	631
Contract retentions		3,385	—	3,385	3,427	—	3,427
Other		1,315	38	1,353	2,633	—	2,633
		111,874	**6,510**	**118,384**	**114,937**	**6,923**	**121,860**

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

	NOTES	2019 $'000	2018 $'000
Gross receivables			
Not past due		61,009	56,463
Past due 0-30 days		9,279	9,648
Past due 31-60 days		1,685	2,681
Past due more than 60 days		2,472	2,817
		74,445	**71,609**
Impairment			
Not past due		(6)	—
Past due 0-30 days		(4)	—
Past due more than 60 days		(394)	(495)
		(404)	**(495)**
Gross trade receivables		74,445	71,609
Individual impairment	11(C)	(177)	(487)
Collective impairment	11(C)	(227)	(8)
Trade receivables (net)		**74,041**	**71,114**

The following table details the risk profile of trade receivables based on the Group's provision matrix. As the Group's historical credit loss experience show different loss patterns for different reporting segments, the provision for loss allowance based on past due status is further distinguished by Group's segments.

30 JUN 19	NOT PAST DUE	PAST DUE 0-30 DAYS	PAST DUE 31-60 DAYS	PAST DUE MORE THAN 60 DAYS	TOTAL
Expected credit loss rate	0.02%–.2%	.02%–2.0%	.02%–3.0%	.02%–90%	—
Estimated total gross carrying amount at default	43,041	7,124	1,017	1,570	52,752
Lifetime ECL	38	25	15	149	227

11 C Movements in expected credit loss of receivables

	NOTES	2019 $'000	2018 $'000
Balance at start of year		495	709
Expected credit loss made during year		121	166
Expected credit loss reversed during year		(207)	(334)
Receivables written off during year		(5)	(46)
Balance at end of year	11(B)	**404**	**495**

11 D Inventories

	2019 $'000	2018 $'000
Current:		
Inventory — raw materials and maintenance items	12,185	13,247
Inventory — finished goods	5,736	5,110
Inventory — allowance for impairment	(303)	(255)
	17,618	**18,102**
Non-current:		
Inventory — finished goods/WIP	11,549	28,787
Inventory — allowance for impairment	(410)	—
	11,139	**28,787**
Total Inventories	**28,757**	**46,889**

Certain inventories are subject to security interests created by retention of title clauses.

11 E Contract Assets and Contract Liabilities

	NOTES	2019 $'000	2018 $'000
Contract assets	11(A)	22,420	27,861
Contract liabilities	15	5,615	3,531
Revenue recognised in the period from:			
Amounts included in the contract liability at the beginning of the period		3,506	2,797
Performance obligations satisfied in previous periods		—	—
Performance obligations that are unsatisfied (or partially unsatisfied)			
Revenue to recognise during FY 2020		9,649	N/A
Costs to obtain contracts			
Current		33	28
Non-current		38	44
Amortisation (a straight–line basis over the period of construction)		43	38

Contract assets and liabilities are held by Orion New Zealand Ltd and City Care Ltd. All performance obligations that are unsatisfied (or partially unsatisfied) for City Care Ltd are part of a contract that have an original duration of one year or less, therefore as permitted under NZ IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed. As permitted under the transitional provisions in NZ IFRS 15, the transaction price allocated to unsatisfied performance obligations as of 30 June 2018 is not disclosed.

Accounting policy

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.

The average credit period on sales of goods is 60 days. No interest is charged on outstanding trade receivables.

The Group always measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group has recognised a loss allowance of 100% against all receivables over 120 days past due because historical experience has indicated that these receivables are generally not recoverable.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The expected loss rates are based on the payment profiles of sales over a period of 24 months before 30 June 2019.

In the prior year, an impairment provision was recognised when there was objective evidence that the Group would not be able to collect the receivables.

Contract assets and liabilities
Contract assets are initially recognised at fair value. They are subsequently adjusted for credit impairment loss. The Group will recognise a contract asset for work performed where they do not have an unconditional right to consideration. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point which the Group has an unconditional right to consideration. If the payment received exceeds the revenue recognised to date then the Group recognises a contract liability for the difference. There is not considered to be a significant financing component in construction contracts with customers as the period between the recognition of revenue and receipt of payment is always less than one year.The Group measure the loss allowance on amounts due from customers at an amount equal to lifetime ECL, taking into account the historical default experience and the future prospects of the construction industry. None of the amounts due from customers at the end of the reporting period is past due.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for the amounts due from customers under construction contracts.

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

Cash and cash equivalents denominated in:	2019 $'000	2018 $'000
New Zealand dollars	8,755	11,381
Foreign dollars	12	209
	8,767	**11,590**

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 & Other $'000	Total $'000
Gross carrying amount				
Gross carrying amount at 1 July 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
Additions	1,743	1,021	7,498	10,262
Additions from internal developments	—	—	522	522
Disposals	—	—	(1,399)	(1,399)
Gross carrying amount at 30 June 2019	**45,586**	**19,897**	**62,062**	**127,545**
Accumulated amortisation and impairment				
Accumulated balance at 1 July 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)
Amortisation expense	—	(106)	(4,525)	(4,631)
Impairment	(2,068)	—	(265)	(2,333)
Disposals	—	1,138	1,395	2,533
Accumulated balance at 30 June 2019	**(38,710)**	**(3,397)**	**(43,469)**	**(85,576)**
Carrying amount at 30 June 2018	**7,201**	**14,447**	**15,367**	**37,015**
Carrying amount at 30 June 2019	**6,876**	**16,500**	**18,593**	**41,969**

Included in intangible assets is capital work in progress of $19.7m (2018: $8.1m).

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/Impairment
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**	2019 $'000	2018 $'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	1,640
Red Bus Ltd	—	325
	6,876	**7,201**

Carrying goodwill of $4.5m (2018: $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 that no impairment exists this year. Goodwill on consolidation of $2.4m (2018: $2.4m) 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 no impairment exists.

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 25).

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

	2019 $'000	2018 $'000
Trade payables	62,315	60,699
GST payable	2,522	4,878
Interest payable	7,243	6,855
Retentions	3,323	3,328
Deposits held	1,672	494
Accrued expenses	42,132	33,736
Other Payables	540	—
	119,747	**109,990**

The carrying value of creditors and other payables approximates their fair value. Included in trade payables are amounts owing to the ultimate shareholder, Christchurch City Council, as disclosed in Note 22.

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

	NOTES	2019 CURRENT $'000	2019 NON-CURRENT $'000	2019 TOTAL $'000	2018 CURRENT $'000	2018 NON-CURRENT $'000	2018 TOTAL $'000
Accrued pay		4,711	—	4,711	5,181	—	5,181
Annual leave		22,054	—	22,054	22,970	—	22,970
Bonuses and other		4,404	2,722	7,126	4,165	2,750	6,915
Total employee entitlements		**31,169**	**2,722**	**33,891**	**32,316**	**2,750**	**35,066**
Other provisions		1,525	—	1,525	831	—	831
Interest rate swaps		2,934	69,282	72,216	5,220	25,296	30,516
Deferred income and other		70	1,161	1,231	86	1,292	1,378
Contract Liability	11(E)	5,615	—	5,615	3,531	—	3,531
Income in advance		5,506	783	6,289	6,186	884	7,070
		46,819	**73,948**	**120,767**	**48,170**	**30,222**	**78,392**

Accounting policy

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.
The assets of Lyttelton Port Company have been deemed as being inextricably linked and are therefore treated as a single cash generating unit (CGU) for valuation and impairment purposes. A value in use assessment of the CGU has been prepared by the company and used to assist in the assessment of impairment as detailed on page 55.

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 2019 $'000	GROUP 2018 $'000
Cash and deposits	AA	10,596	74,566
Debtors and other receivables		100,975	104,088
Loans	Lower than BBB or unrated	22,051	25,260
Derivative financial instrument assets	AA	7,393	811
		141,015	**204,725**

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:

	BALANCE SHEET $'000	CONTRACTUAL CASH FLOWS $'000	< 1 YEAR $'000	1–2 YEAR $'000	2–5 YEAR $'000	5 YEARS + $'000
30 June 2019						
Cash, cash equivalents and deposits	10,596	10,596	10,596	—	—	—
Debtors and other receivables	100,975	100,975	99,877	1,098	—	—
Loans and advances	22,051	24,911	27	82	10,244	14,558
Creditors and other payables	(119,747)	(119,747)	(119,747)	—	—	—
Derivative financial instruments	(64,823)	(66,124)	(5,982)	(16,680)	(21,522)	(21,940)
Borrowings — external	(1,293,851)	(1,530,788)	(204,644)	(496,214)	(450,742)	(379,188)
Borrowings — related parties	(528,500)	(590,644)	(111,492)	(169,856)	(191,377)	(117,919)
Finance lease liabilities	(11,103)	(25,666)	(2,056)	(1,963)	(3,056)	(18,591)
	(1,884,402)	**(2,196,487)**	**(333,421)**	**(683,533)**	**(656,453)**	**(523,080)**
30 June 2018						
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	(27,179)	(56,973)	(18,788)	(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)**

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 YEAR $'000	1–2 YEAR $'000	2–5 YEAR $'000	5 YEARS + $'000
30 June 2019					
Cash and deposits	10,596	10,596	—	—	—
Loans and advances	22,051	22,051	—	—	—
Borrowings	(1,833,454)	(419,105)	(383,121)	(484,228)	(547,000)
	(1,800,806)	**(386,458)**	**(383,121)**	**(484,228)**	**(547,000)**
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)**

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 PROFIT/LOSS $'000	2018 EQUITY $'000	2019 PROFIT/LOSS $'000	2019 EQUITY $'000
100 basis point increase	937	16,726	1,439	12,845
100 basis point decrease	(1,156)	(18,105)	(1,599)	(13,537)

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:

	AVG CONTRACTED FIXED INTEREST RATE 2019 %	2018 %	NOTIONAL PRINCIPAL 2019 $'000	2018 $'000	FAIR VALUE 2019 $'000	2018 $'000
Floating for fixed contracts						
Less than 1 year	3.40%	4.55%	149,000	278,000	(2,758)	(5,220)
1 to 2 years	3.46%	3.40%	261,000	200,000	(6,361)	(5,095)
2 to 5 years	3.56%	3.55%	350,000	377,000	(24,303)	(11,194)
More than 5 years	3.57%	4.24%	411,000	379,000	(36,737)	(10,238)
			1,171,000	**1,234,000**	**(70,159)**	**(31,747)**
Fixed for floating contracts						
Less than 1 year	5.20%	—	75,000	—	646	—
2 to 5 years	4.10%	5.20%	100,000	75,000	6,747	1,294
More than 5 years	2.95%	4.10%	22,051	100,000	(1,629)	496
Total			**1,368,051**	**1,409,000**	**(64,395)**	**(29,957)**

The following tables shows the amount of debt being hedged by interest rate swaps plus the various related figures that impact on the statement of financial position and statement of comprehensive income.

Hedged items 30 June 2019	Nominal amount of the hedged item assets/ (liabilities)	Change in value used for calculating hedge ineffectiveness	Balance in cash flow hedge reserve for continuing hedges	Balance in cash flow hedge reserve arising from hedging relationships for which hedge accounting is no longer applied	Due to hedged item affecting P/L
Variable rate borrowings	(1,044,000)	(13,768)	56,273	—	—

Hedging instruments 30 June 2019	Current period hedging gains (losses) recognised in OCI	Amount of hedge ineffective-ness recognised in profit or loss (P/L)	Line item in P/L in which hedge ineffective-ness is	Due to hedged future cash flows being no longer expected to occur (i)	Line item in P/L in which reclassification adjustment is include
Interest rate swaps	(35,810)	(106)	Other income/losses	—	N/A

16 G Derivative financial instruments

	2019		2018	
FAIR VALUE OF TOTAL DERIVATIVES ANALYSED AS:	**NOTIONAL PRINCIPAL**	**INTEREST RATE SWAPS**	**NOTIONAL PRINCIPAL**	**INTEREST RATE SWAPS**
Current assets				
Derivatives not designated as hedging instruments	—	—	—	—
Derivatives designated as hedging instruments	75,000	646	—	—
	75,000	**646**	—	—
Non-current assets				
Derivatives not designated as hedging instruments	—	—	40,000	187
Derivatives designated as hedging instruments	100,000	6,747	175,000	2,890
	100,000	**6,747**	**215,000**	**3,077**
Current liabilities				
Derivatives not designated as hedging instruments	40,000	191	100,000	897
Derivatives designated as hedging instruments	109,000	2,567	178,000	4,323
	149,000	**2,758**	**278,000**	**5,220**
Non-current liabilities				
Derivatives not designated as hedging instruments	180,000	4,133	110,000	635
Derivatives designated as hedging instruments	864,051	64,897	806,000	27,179
	1,044,051	**69,030**	**916,000**	**27,814**
Total	**1,368,051**	**(64,395)**	**1,409,000**	**(29,957)**

16 H 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$14m (2018: 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 I 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 derivatives only for economic hedging purposes and not as speculative investments. All derivatives meet the hedge accounting criteria, so they are initially recognised at fair value on the date they are entered into, and are subsequently re-measured to their fair value at balance date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a cash flow hedge or a fair value hedge under IFRS 9.

At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments, to ensure that an economic relationship exists between the hedged item and hedging instrument.

The Group enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. The Group may not hedge 100% of its borrowings, therefore the hedged item may by identified as a proportion of an outstanding borrowing up to the notional amount of the swap.

Hedge ineffectiveness for interest rate swaps may occur due to the credit value/debit value adjustment on the interest rate swaps which is not matched by the loan, and differences in critical terms between the interest rate swaps and loans.

Fair value hedge
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Statement of comprehensive income together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Group only applies fair value hedge accounting for hedging fixed interest risk on borrowings. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the Statement of comprehensive income within "Other income, or losses".

Changes in the fair value of the hedged fixed rate borrowings attributable to interest rate movements are also recognised in the Statement of comprehensive income within "Other income, or losses".

Cash flow hedge
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately as other income or loss in the Statement of comprehensive income. Amounts accumulated in other comprehensive income are recycled in the Statement of comprehensive income in the periods when the hedged item will affect profit or loss (for instance when the forecast transaction that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non financial asset (for example, asset purchase) or a non financial liability, the gains and losses previously deferred in other comprehensive income are transferred from other comprehensive income and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income and is recognised when the forecast transaction is ultimately recognised in the Statement of comprehensive income or is capitalised on the recognition of a non-financial asset. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the Statement of comprehensive income.

Derivatives that do not qualify for hedge accounting
In the event that a derivative does not qualify for hedge accounting or for which hedge accounting has not been adopted, changes in its fair value would be recognised immediately in the Statement comprehensive income as other income 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.

17 Captial and operating lease commitments

17 A Capital commitments	NOTES	2019 $'000	2018 $'000
Ultra fast broadband network	(i)	14,450	41,850
Property, plant & equipment		113,452	126,178
Electricity distribution network		17,757	18,923
Investment property		27,064	16,611
Intangible assets		636	74
		173,359	**203,636**
17 B Non-cancellable operating leases as lessee			
No later than one year		8,065	6,521
Later than one year and not later than five years		21,022	15,172
Later than five years		18,279	19,567
		47,366	**41,260**
Non-cancellable operating leases as lessor			
No later than one year		67,564	43,898
Later than one year and not later than five years		223,560	137,040
Later than five years		154,198	113,338
		445,322	**294,276**

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 estimated cost of network connections through to December 2019 is $14m. 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 $445m (2018: $294m), 87% 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 $57m (2018: $42m). 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	2019 $'000	2018 $'000
Christchurch City Holdings Ltd	25,000	30,000
City Care Ltd	11,999	12,287
Orion New Zealand Ltd	2,140	828
Red Bus Ltd	100	870
	39,239	**43,985**

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 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 2019 this loan amounted to $154m (2018: $150m)

Orion New Zealand Ltd
On 13 February 2017, two fires started on the Port Hills near Christchurch and eventually spread to over 1,600 hectares. On 30 January 2018, Fire and Emergency New Zealand released its reports into the causes of the fires, with an official 'undetermined' cause for both fires, but it believes that both were deliberately lit and that its investigations will only reopen if new evidence comes to light. IAG Insurance, on behalf of a number of its clients, has filed a statement of claim in the High Court with two key claims that the company's electricity network caused the first fire on Early Valley Road, that in turn caused 'in excess of $3.8m' of losses for its clients. The company has filed a statement of defence in the High Court denying IAG's claims and any liability. A court date has been set for August 2020. 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

The Group had no other material or significant contingent liabilities or assets as at 30 June 2019.

19 Events after the balance sheet date

The Group is aware of the following significant events between balance date and authorisation of these financial statements on 20 September 2019.

In September 2019:

- the Council agreed to increase the uncalled capital of CCHL by $200 million as part of an intra group funding facility for the wider CCHL group of companies.
- CCHL agreed to issue 7,365,000 ordinary shares to the Council and agreed to acquire 7,365,000 of shares in Development Christchurch Ltd to facilitate the transfer of the Council owned Milton Street property to Development Christchurch Limited. Settlement of this transfer is expected in November 2019.

20 Share capital and dividends

	2019 $'000	2018 $'000
Fully paid ordinary shares	86,778	81,783
Partly paid redeemable preference shares	1	1
	86,779	**81,784**
Dividends declared on fully paid ordinary shares	188,300	192,694
Cents per share	462	539

There was an issue of 4,995,000 shares for $4,995,000 made to Christchurch City Council this year. CCHL has on issue:

- 40,725,528 (2018: 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 (2018: $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 (positive 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 26.

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.

Hedging reserve
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)	2019 $'000	2018 $'000
22 A1 Routine transactions		
Dividends paid/payable to CCC	188,300	192,694
Interest paid to CCC	18,633	17,689
Services provided to CCC	106,386	122,660
Services provided by CCC (including rent and rates)	18,742	27,537

22 A2 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:

	2019						2018					
	CIAL $'000	LPC $'000	CCL $'000	ECL $'000	DCL $'000	RBL $'000	CIAL $'000	LPC $'000	CCL $'000	ECL $'000	DCL $'000	RBL $'000
Subvention payments	PAID BY:						PAID BY:					
Paid to:												
CCC	2,280	3,429		261	363	153	3,201	2,627	1,664	920		
CCHL												
Enable Services Ltd		2,000						4,668				
Red Bus Ltd												
Vbase group												
CBL/Tuam Ltd/ ChristchurchNZ	—	—					393	31			65	86
	2,280	**5,429**	**—**	**261**	**363**	**153**	**3,594**	**7,326**	**1,664**	**920**	**65**	**86**
Tax loss offsets:												
Losses provided by:	OFFSET WITH:						OFFSET WITH:					
CCC	5,863	8,816		672	934	393	8,232	6,754	4,280	2,367		
CCHL												
Enable Services Ltd		5,143						12,002				
Red Bus Ltd												
Vbase group												
CBL/Tuam Ltd/ ChristchurchNZ							1,010	80			166	221
	5,863	**13,959**	**—**	**672**	**934**	**393**	**9,242**	**18,836**	**4,280**	**2,367**	**166**	**221**

CIAL Christchurch International Airport Ltd
LPC Lyttelton Port Company Ltd
CCL City Care Ltd
ECL EcoCentral Ltd
RBL Red Bus Ltd
DCL Development Christchurch Ltd

The loss offsets in 2019 relate to the 2018 tax year (2018: relate to the 2017 tax year).

22 A3 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 $236.5m fixed, with the balance of $292m floating. Weighted average borrowing cost at balance date pre hedging was 3.42% (2018: 3.65%).

Borrowing maturity	2019 $'000	2018 $'000
Short term < 3 months	27,000	85,000
3 months—2 years	221,500	77,000
3—5 years	169,000	206,500
6—8 years	111,000	54,500
9—10 years	—	65,500
	528,500	**488,500**

EcoCentral Ltd made payments of $16m in relation to the disposal of waste (2018: $16m), to Transwaste Canterbury Ltd, a company in which the ultimate shareholder, CCC, has a material shareholding.

22 B Balances between CCHL group and CCC

	OWING BY CCC 2019 $'000	OWING BY CCC 2018 $'000	OWING TO CCC 2019 $'000	OWING TO CCC 2018 $'000
CCHL	—	—	74	67
Orion New Zealand Ltd	1,684	1,174	9	24
Christchurch International Airport Ltd	—	1	74	1
Lyttelton Port Company Ltd	—	—	75	3
Enable Services Ltd	2	10	13	14
City Care Ltd	9,382	15,090	40	241
Red Bus Ltd	63	1	—	—
EcoCentral Ltd	1,047	807	222	—
	12,178	**17,083**	**507**	**350**

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 $0.78m (2018: $0.76m). This comprises all short term employee benefits.

23 Reconciliation of profit to net cash operating flows

	NOTES	2019 $'000	2018 $'000
Profit for the year		**132,112**	**135,738**
Add/(less) non-cash items			
Depreciation, amortisation and impairment expense		145,726	139,328
(Gains)/losses in fair value of investment property	5	(13,133)	(53,701)
(Gains)/losses in fair value of derivative financial instruments		1,279	(1,529)
Share of associates' losses		(1,010)	(610)
Net foreign exchange (gains)/losses		19	107
Deferred tax charged/(credited) to income	10(D)	(7,068)	7,122
Other		(4,272)	(2,403)
		121,541	**88,314**
Add/(less) items classified as investing or financing activities			
(Gain)/loss on disposal of non-current assets		545	218
Movement in capital creditors		(15,854)	4,025
Other		(918)	310
		(16,227)	**4,553**
Add/(less) movement in working capital items			
Debtors, inventory and other current assets		2,450	(8,688)
Non-curent receivables, prepayments and other		(787)	(7,024)
Creditors and other liabilities		9,746	3,952
Provisions and other liabilities		(453)	(4,267)
Current tax liabilities		(270)	(2,997)
Non-current provisions and other liabilities		2,453	6,129
		13,139	**(12,895)**
Net cash from operating activities		**250,565**	**215,710**

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 16. The group holds the following financial instruments.

24 A Classification of financial assets and liabilities

	30 JUNE 2019 $'000	QUOTED PRICES IN ACTIVE MARKETS LEVEL 1 $'000	SIGNIFICANT OBSERVABLE INPUTS LEVEL 2 $'000	SIGNIFICANT UNOBSERVABLE INPUT LEVEL 3 $'000	30 JUNE 2018 $'000	QUOTED PRICES IN ACTIVE MARKETS LEVEL 1 $'000	SIGNIFICANT OBSERVABLE INPUTS LEVEL 2 $'000	SIGNIFICANT UNOBSERVABLE INPUT LEVEL 3 $'000
Fair value hedge derivatives								
Derivative financial instrument assets	—	—	—	—	551	—	551	—
Derivative financial instrument liabilities	(4,324)	—	(4,324)	—	(1,532)	—	(1,532)	—
Cash flow hedge derivatives								
Derivative financial instrument assets	7,393	—	7,393	—	2,786	—	2,786	—
Derivative financial instrument liabilities	(67,892)	—	(67,892)	—	(28,984)	(8)	(28,976)	—
Total financial assets/(liabilities) at fair value	**(64,823)**	—	**(64,823)**	—	**(27,179)**	**(8)**	**(27,171)**	—
Financial assets/(liabilities) at amortised cost								
Cash and deposits	10,596				74,590			
Debtors and other receivables	100,975				104,088			
Loans	22,051				25,260			
Other	—				(24)			
Subtotal — assets	**133,622**				**203,914**			
Creditors and other payables	(119,747)				(109,990)			
Borrowings	(1,833,454)				(1,573,794)			
Subtotal — liabilities	**(1,953,201)**				**(1,683,784)**			
Net financial assets/(liabilities) at amortised cost	(1,819,579)				(1,479,870)			
Total financial assets and liabilities	**(1,884,402)**				**(1,507,049)**			

24 B Non-financial assets measured at fair value

	30 JUNE 2019 CARRING VALUE $'000	QUOTED PRICES IN ACTIVE MARKETS LEVEL 1 $'000	SIGNIFICANT OBSERVABLE INPUTS LEVEL 2 $'000	SIGNIFICANT UNOBSERVABLE INPUT LEVEL 3 $'000	30 JUNE 2018 CARRING VALUE $'000	QUOTED PRICES IN ACTIVE MARKETS LEVEL 1 $'000	SIGNIFICANT OBSERVABLE INPUTS LEVEL 2 $'000	SIGNIFICANT UNOBSERVABLE INPUT LEVEL 3 $'000
Property, plant and equipment	2,750,407	—	80,823	2,669,584	2,715,617	—	80,685	2,634,932
Investment property	491,202	—	—	491,202	428,848	—	—	428,848
	3,241,609	**—**	**80,823**	**3,160,786**	**3,144,465**	**—**	**80,685**	**3,063,780**

Analysis of movements in Level 3 assets

	30 JUNE 2019 TOTAL $'000	P,P&E $'000	INVESTMENT PROPERTY $'000	30 JUNE 2018 TOTAL $'000	P,P&E $'000	INVESTMENT PROPERTY $'000
Opening carrying value	3,063,780	2,634,932	428,848	2,716,727	2,346,204	370,523
Additions	135,525	86,304	49,221	168,607	138,009	30,598
Disposals	(1,350)	(1,350)	—	(1,276)	(1,276)	—
Transfer (to)/from investment property	—	—	—	—	25,974	(25,974)
Fair value movements	41,057	27,924	13,133	257,235	203,534	53,701
Depreciation	(72,726)	(72,726)	—	(88,962)	(88,962)	—
Reclassified assets and impairments	(5,500)	(5,500)	—	11,449	11,449	—
Closing carrying value	**3,160,786**	**2,669,584**	**491,202**	**3,063,780**	**2,634,932**	**428,848**

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 (2018: $175m) 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 (2018: $175m) 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 accumulated fair value hedge adjustments made on the carrying amount of these bonds total $7.1m (2018: $2.2m), resulting in total carrying value of the fair valued hedged debt of $182m (2018: $177m).

The CCHL parent company has total fixed rate debt held at amortised cost of $509.5m (2018: $359.5m). 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 $552.9m (2018: $385.7m).

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.

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
Debt instruments that meet the following conditions are measured subsequently at amortised cost:
- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):
- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL). Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:
- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

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.

25

New accounting standards and interpretations
The following new accounting standards became effective during the period.

NZ IFRS 15 Revenue from Contracts with Customers has replaced NZ IAS 11 Construction Contracts and NZ IAS 18 Revenue from annual periods beginning on or after 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.

The Group has adopted this standard from 1 July 2018 using the modified retrospective approach and has taken advantage of all the applicable practical expedients possible primarily regarding to NZ IFRS 15 para 121 and B16. Under this approach, the comparative periods presented is not restated but the cumulative effect of applying this standard is applied to the opening balance of retained earnings. The Group elect to apply NZ IFRS 15 retrospectively only to contracts that are not completed at the date of initial application which is 1 July 2018.

The Group and its subsidiaries used the five-step model to develop an impact assessment framework to assess the impact of NZ IFRS 15 on its revenue transactions. The results of NZ IFRS 15 assessment framework and contract reviews indicated that the impact of applying NZ IFRS 15 on financial statements was not material for the Group and there was no adjustment to retained earnings or material impact on the timing of revenue recognition on application of the new rules at 1 July 2018.

On adoption of NZ IFRS 15, the Group has revised its accounting policies for revenue recognition (where applicable) which are disclosed in note 7. A number of additional disclosures required by NZ IFRS 15 are also included, refer to note 7 and 11.

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 Group has adopted NZ IFRS 9 and the related consequential amendments to other NZ IFRS Standards on 1 July 2018. As permitted by the transitional provisions of NZ IFRS 9, the Group elected not to restate comparative figures. Any adjustments at the date of transition is recognised in the opening retained earnings and other reserves of the current period. Additionally, the Group adopted consequential amendments to NZ IFRS 7 Financial Instruments: Disclosures that were applied to the disclosures for the year ended June 2019. Details of these new requirements as well as their impact on the financial statements are described below.

(i) Classification and measurement of financial assets
Under NZ IFRS 9, all the financial assets are measured at amortised cost, fair value through profit or loss or fair value through OCI on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The Group's financial assets include cash and cash equivalents, trade and other receivable, contract asset under NZ IFRS 15 and other debtors. These financial assets are continued to be measured at amortised cost as they meet the conditions under NZ IFRS 9.

(ii) Impairment of financial assets
The new impairment model requires the recognition of impairment provisions based on expected credit losses ('ECL'). It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under NZ IFRS 15, lease receivables, loan commitments and certain financial guarantee contracts.

The introduction of new impairment model has an impact on the Group's trade receivables, contract assets and loans. For trade receivables and contract assets, the company applies a simplified model of recognising lifetime expected credit losses as these items do not have a significant financing component. Based on the assessment undertaken, the Group made no material adjustment on transition.

(iii) Hedge accounting
The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about the Group's risk management activities have also been introduced in note 16.

In accordance with NZ IFRS 9's transitional provisions for hedge accounting, the Group has applied the NZ IFRS 9 hedge accounting requirements prospectively from the date of initial application on 1 July 2018. The Group's qualifying hedging relationships in place as at 1 July 2018 also qualify for hedge accounting in accordance with NZ IFRS 9 and were therefore regarded as continuing hedging relationships. No rebalancing of any of the hedging relationships was necessary on 1 July 2018. As the critical terms of the hedging instruments match those of their corresponding hedged items, all hedging relationships continue to be effective under NZ IFRS 9's effectiveness assessment requirements. The Group has also not designated any hedging relationships under NZ IFRS 9 that would not have met the qualifying hedge accounting criteria under NZ IAS 39.

Apart from the enhanced disclosure requirements, the application of the NZ IFRS 9 hedge accounting requirements has had no other impact on the results and financial position of the Group for the current and/or prior years. Please refer to note 16 for detailed disclosures regarding the Group's risk management activities.

There is no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit and loss and the Group does not have any such liabilities. The de-recognition rules have been transferred from NZ IAS 39 and have not been changed.

All financial assets (other than derivatives) that were categorised as loans and receivables under NZ IAS 39 are now categorised as amortised cost under NZ IFRS 9. No adjustments arose on transition to NZ IFRS 9.

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 2019 are:

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.

Performance Statement

26 Performance against Statement of Intent targets

The Statement of Intent ('SoI') issued by CCHL last year in respect of the 2018/19 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 2019 with the financial targets contained within the SoI:

Financial performance targets	2019 ACTUAL $'000	2019 TARGET $'000
Net Profit after tax ($'000)	132,112	86,000
Net debt/net debt plus equity (%)	49.7%	54.0%
Interest cover (times)	3.4	2.7
Dividends to Christchurch City Council ($'000)	188,300	191,500
Return on average equity (%)	7.0%	5.1%

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 $7.8m, largely reflecting a greater than expected gain on the revaluation of investment properties.
- Lyttelton Port Ltd's net profit was impacted by one off significant other income gains.
- Enable Services Ltd results were impacted by a recognition of $7.6m of deferred tax losses.
- The above factors offset the reduction in profit against target for CityCare, and Red Bus.

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 $48.3m, in line with SoI target.

In addition CCHL made a special dividend of $140m (2018: $140m) toward the Capital Release programme, bringing the total dividends paid for the year to $188.3m. The additional special dividend of $3.2m was held over to FY20 at the request of Council.

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 table

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 2020/21 for approval to CCC by 1 March 2019.	**Achieved**
2	CCHL keeps CCC informed of all significant matters relating to CCHL and its subsidiaries, within the constraints of commercial sensitivity and NZX listing requirements	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 agreed Council 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	CCHL manages its continuous disclosure requirements for NZX effectively	Matters of material impact are disclosed in line with CCHL framework for continuous disclosure.	**Achieved** All NZX disclosure requirements completed on time
4	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** All policy reviews completed
5	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 2019 calendar year.	**Achieved** Diversity of thought scorecard applied and reported to the CCHL Board in October 2018. Board effectiveness review completed in May 2019.
		The Governance committee will review the training needs of individual CCHL directors, and facilitate training where required.	**Achieved** Completed in May 2019
6	CCHL's process for the selection and appointment of directors to the boards of subsidiary companies is rigorous and impartial and is aligned with governance best practice including supporting diversity of thought around the board table.	The process followed for each appointment to a subsidiary 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** Monitored as regular governance appointment processes
7	Subsidiary companies complete, on a timely basis, Statements of Intent that meet best practice standards and comply with the Local Government Act's requirements	CCHL will issue letters of expectation to and engage with subsidiary companies prior to the 2019 SoI round regarding the structure and content of the group SoIs.	**Achieved** CCHL wrote to all subsidiaries in November 2018 requesting them to consider certain matters in their draft SoIs. 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 statutorily obligations under the Local Government Act	**Achieved** All requirements under LGA were achieved on time.

Governance

	OBJECTIVE	PERFORMANCE TARGET	PERFORMANCE
8	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. CCHL management will meet with subsidiary company management regularly to review current performance and strategic focus areas.	**Achieved** All quarterly reports received and CEO/CFO meetings completed

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 complete its capital release programme with a final $140m to Council in 2019 subject to this capital release remaining consistent with Council requirements as reflected in Council's financial strategy and long term plan.	**Achieved** $140m of Capital release paid to Council in FY2019.
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 FY19 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 2018 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 ongoing strategic engagement with subsidiary boards and management in particular LPC, Red Bus, and City Care.
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** Specifically referenced in draft LoE to subsidiaries for 2020-2022 SoI period.

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 2019 financial year that meets or exceeds budget, and achieves the other budgeted key performance measures set out in their SoI.	**Achieved** CCHL paid an ordinary dividend of $48.3.m. The Special dividend of $140m was paid, which was $3.2m less than SoI at the request of Council to postpone payment till 2020. Performance against other targets is described in Note 26.
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 6 year $150m fixed rate bond in the Debt Capital Markets in November 2018. 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 2019.
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 2019 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 New Zealand Ltd

	OBJECTIVE	PERFORMANCE TARGET	PERFORMANCE
1	Duration of supply interruptions per connected customer	SAIDI: 73 SAIFI: 0.9	SAIDI: 76, **Not achieved** SAIFI: 0.8, **Achieved**
2	Install a new 11kV feed to Lyttelton	Target – 31 March 2019	**Substantially Achieved** By March 19 the preparation works were complete, cable install was completed in May 19
3	Environment	Keep annual (SF6) gas losses to the atmosphere from our network equipment below .8% per year	**Achieved** FY19 were less than .2%
4	Health & Safety	No serious safety events impacting employees	**Not achieved** Orion has six notifiable events during the year, resulting in 20 days of lost time. 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	**Achieved** Orion 4.5% Connetics 7.1%

Christchurch International Airport Ltd

	OBJECTIVE	PERFORMANCE TARGET	PERFORMANCE
1	Passenger numbers	Domestic: 5,238,957 International: 1,819,275	**Not achieved** Domestic: 5,164,504 International: 1,766,937
2	Environment	Achieve a Bird Strike incidence rate of <4/10,000 aircraft movements on a 12-month rolling average basis in line with level set for airports of a similar scale	**Achieved** Strike rate as at 17/06/2019 is 1.92/10,000 Movements, down from 5.93 for CY18. The tracking phase of the Masters project with UC monitoring Canada Geese movements is underway. After five months of tracking most birds remain in the general area they were first captured.
3	Sustainability- Waste	Work with airlines to achieve greater recycling of waste off aircraft.	**Achieved** Preliminary work on a Transitional Waste Facility (TWF) has been peer reviewed and budget estimates developed for a business case in FY20.
		Achieve 52.5% diversion rate.	**Not achieved** Our current diversion rate is 46.2%. The collapse of the global commodities market has led to a philosophy change around recycling. Efforts have shifted away from better sorting mixed recycling (typically plastics) to minimising waste and focusing on isolating more organic waste – which is typically the heaviest waste stream (extra cost in general waste) that can be reused locally with some level of assurance.
4	Health & Safety	Year on year improvements in our annual culture and engagement survey for health, safety and wellbeing.	**Not achieved** FY19 (2018): overall 80% FY18 (2017): overall 82% A very positive result; slight decrease likely a result of HSW question composition change with different provider.

Lyttelton Port Company Ltd

	OBJECTIVE	PERFORMANCE TARGET	PERFORMANCE
1	Operational	Gross Crane rate: 27 (containers per hour per crane)	**Not achieved** Net Crane Rate: 24.1
		Ship Rate: 65 (TEU per hour per ship)	**Not achieved** Ship Rate: 61.4
		Coal load out rate: 25,000 (tonnes per day)	**Achieved** Coal load out rate: 26,229
2	Environmental	Straddle Fleet that is an electric/ diesel hybrid – 50%	**Achieved** 57%
3	Health & Safety	Total recordable injury frequency rate (per 200,000 hours) – 7.1	**Achieved** 3.36

Enable Services Ltd

	OBJECTIVE	PERFORMANCE TARGET	PERFORMANCE
1	Operational	Number of connections (cumulative) 104,000	**Not achieved** 101,271
2	Core Network availability	>=99.999%	**Not achieved** 99.990%
3	Health & Safety	Total recordable injury frequency rate (per million hours) <2.5	**Not Achieved** TRIFR: 3.5
		Serious harm injuries: Nil	**Achieved** Nil

City Care Ltd

	OBJECTIVE	PERFORMANCE TARGET	PERFORMANCE
1	Environment Management	Replace 10 vehicles with hybrid or EV	**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** re-instatement of the Workfit programme across the business is already showing improvements to this frequency rate.

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' interest

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 2019:

Jeremy Smith	(Chair)
Director	Farra Engineering Ltd
Director	Holmes Group Ltd
Director	Seamount Advisory Ltd
Director	Barhill Chertsey Irrigation Ltd
Director	Graymont (NZ) Ltd
Director	Graymont Ltd (Canada) & Asia Pacific Subsidiaries
Vicki Buck	
Councillor	CCC
Director	Think Inc Ltd
Trustee	Scorpio Family Trust
Trustee	Otautahi Community Housing Trust
Director	Otautahi Community Housing Development GP Ltd
Director	Accessible Properties
Lianne Dalziel	
Mayor	CCC
Gregory Campbell	
Director	Ravensdown Aerowork Ltd
Director	Ravensdown Australian Holdings Ltd
Director	Soil Fertility Services Ltd
Director	NZ Phosphate Company Ltd
Director	Overseer Ltd
Director	Ravensdown Australia Properties Pty Ltd
Director	Ravensdown Fertiliser Australia Pty Ltd
James Gough	
Councillor	CCC
Director	Gough Property Corporation Ltd
Director	Gough Corporation Holdings Ltd
Chair	Civic Building Ltd
Trustee	Antony Gough Trust
Director	The Terrace Carpark Ltd
Director	The Terrace on Avon Ltd
Shareholder	Gough Group/Gough Gough & Hamer Ltd
Shareholder	The Russley Village Ltd
Director & Shareholder	Countrywide Residential (2018) Ltd
Alex Skinner	
Trustee & Chair	Otautahi Community Housing Trust
Director & Chair	Otautahi Community Housing Development GP Ltd
Director	Alex Skinner Ltd
Director	Anchorage Trustee Services Limited
Trustee	Dream, Believe, Succeed Foundation
Director	Effectus 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
Claire Evans	(Appointed 5 August 2019)
Director	Canterbury Linen Services Ltd
Trustee	Emergency Care Foundation
Trustee	Christchurch Symphony Trust
Director	SCC Investment Ltd
Director	Case Holdings Ltd
Trustee	Evans & Walton Family Trusts
Director	Veritas – various companies under Lane Neave
Mary Devine	(Resigned 30 June 2019)
Director	Meridian Energy Limited
Director	Foodstuffs South Island Ltd and Foodstuffs NZ Ltd
Managing Director	Hallenstein Glassons
Fellow	Christ's College

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 2019:

	BOARD MEETINGS	AUDIT AND RISK MANAGEMENT COMMITTEE MEETINGS	GOVERNANCE AND APPOINTMENTS COMMITTEE MEETINGS
NUMBER OF MEETINGS	**10**	**4**	**7**
Jeremy Smith	9	*	7
Lianne Dalziel	10	*	*
Vicki Buck	9	*	7
James Gough	7	*	5
Andrew Turner	8	3	*
Mary Devine	9	*	7
Alex Skinner	10	4	*
Greg Campbell	10	3	*

** 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:

ORION NEW ZEALAND LTD	$
J Taylor	48,000
J Austin	50,000
N Crauford	50,000
J McDonald	61,000
G Vazey	108,000
B Gemmell	56,000
N Miller	1,000

CHRISTCHURCH INTERNATIONAL AIRPORT LTD	$
C Drayton	94,340
P Reid	48,020
J Murray	53,020
K Morrison	53,020
C Paulsen	53,020
S Ottrey	16,007

LYTTELTON PORT COMPANY LTD	$
M Devlin	77,185
D Elder	53,306
J Quinn	50,086
M Johns	50,850
B Woods	55,421
G Gilfillan	51,188
W Dwyer	49,961
T Burt	25,238

ENABLE SERVICES LTD	$
M Bowman	69,590
B Gamble	69,590
W Luff	52,680
C Elliott	52,180
K Meads	56,180
S Weenink	28,688
M Rushworth	24,590
M Petrie	4,099

CITY CARE LTD	$
G Leech	74,668
C Price	41,066
J Rolfe	39,200
M Todd	44,800
G Darlow	44,800
P Hoogerwef	41,066

RED BUS LTD	$
B Jamieson	50,000
P Kiesanowski	47,233
T King	26,667
J McDonald	32,355
L Scales	26,664
R Lineham	13,285
E Farrell	12,107
S Kunz	10,300

ECOCENTRAL LTD	$
D Kerr	63,000
S Smith	31,500
S Horgan	34,650
M Jordan	31,500

DEVELOPMENT CHRISTCHURCH LTD	$
W Dwyer	70,840
J Gregg	35,840
P Houghton	35,840
F Mules	35,840
D Wright	35,840

CHRISTCHURCH CITY HOLDINGS LTD	$
J Smith	80,650
A Skinner	40,325
M Devine	40,325
G Campbell	40,325

Donations

CCHL made a donation of $61,300 to the Mayor's Welfare Fund during the year (2018: $61,300), and $100,000 to the Innovation and Sustainability Fund (2018:$100,000). Donations of $187,000 (2018: $323,000) were made by subsidiaries.

Employee remuneration

The CEO of CCHL received a base salary of $365,570 and Kiwisaver employer contributions of 3% during the 2019 financial year.

Details of remuneration ranges for employees of the Group are:

Salary Bands $'000	**GROUP 2019**
100–110	214
110–120	175
120–130	118
130–140	92
140–150	55
150–160	38
160–170	32
170–180	15
180–190	10
190–200	6
200–210	7
210–220	10
220–230	4
230–240	3
240–250	5
250–260	3
260–270	4
270–280	2
280–290	2
290–300	4
300–310	1
320–330	4
330–340	2
340–350	1
350–360	1
370–380	1
390–400	1
420–430	1
430–440	2
470–480	1
570–580	1
670–680	1
830–840	1
890–900	1
950–960	1
	819

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.

Independent Auditor's Report

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

To the readers of Christchurch City Holdings Limited consolidated financial statements and performance information for the year ended 30 June 2019.

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 consolidated financial statements and the performance information of the group, on his behalf.

Opinion
We have audited:

- the consolidated financial statements of the group on pages 42 to 91 that comprise the statement of financial position as at 30 June 2019, 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 92 to 98.

In our opinion:

- the consolidated financial statements present fairly, in all material respects the financial position of the group as at 30 June 2019, 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 2019.

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 8B on pages 65 and 66, 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.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTER	HOW DID THE AUDIT ADDRESS THIS MATTER
Fair value assessment of group property, plant and equipment	
The carrying value of group property, plant and equipment is $3.53 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 that apply the revaluation model, were not revalued as at 30 June 2019: • electricity distribution system; • optical fibre network; • airport infrastructure assets; • freehold land; and • buildings. The Electricity Distribution System asset class was last revalued as at 31 March 2017, the other asset classes were last revalued as at 30 June 2018. 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. The valuations are carried out by specialist valuers because of the complexity and significance of assumptions applied. Note 4 to the consolidated financial statements provides information on the most recent revaluations. In years where a revaluation is not undertaken, management needs to be able to demonstrate that the asset classes are held at an amount that is not materially different to fair value. We consider this a key audit matter due to the significance of the carrying values to the financial statements and the judgements involved.	Our audit procedures included: We enquired with management as to how it determined the carrying value of the asset class was not materially different from its fair value. We reviewed the group’s assessment of the carrying values of these asset classes. This included: • considering whether the assessment methods comply with the requirements of New Zealand Equivalents to International Financial Reporting Standards; • considering whether the assessment methods applied to each asset class are appropriate; • reviewing the underlying data on which the assessments are based and assumptions applied, testing calculations and considering the sensitivity of changes to key assumptions; and • Where price indices were used, confirming that the indices are appropriate, and confirming movements to published indices. Where market information was used assessing the appropriateness of that market information. Where discounted cash flows are used confirming forecasts are robust, and discount rates are appropriate. Where the fair value assessment was undertaken through the use of an independent valuer: • 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; and • we read the valuer’s assessment of the changes in fair value from their previous assessment, and met with the valuers to discuss. We found that the carrying value of the asset classes accounted for under the revaluation model are not materially different from fair value.
Impairment assessment of group property, plant and equipment	
The Group holds significant property, plant and equipment in respect of Lyttelton Port Company at cost less accumulated depreciation and impairment. The carrying value of these assets is $524.75 million. The assets are considered a single cash generating unit as assets are inextricably linked, and do not derive cash flows independently of each other. The assets were previously impaired at 30 June 2016 and any further impairment or impairment reversal would impact on the Group’s net profit for the year. The port is undertaking significant capital expenditure as part of its recovery plan following the Canterbury Earthquakes. There is a risk that cash flows do not support the carrying amount of the port cash generating unit. If the required rate of return on these assets is not achieved, further impairment could be required. At year end, the group identified indicators of impairment for this cash generating unit and undertook a formal impairment assessment. Note 4 on page 55 to the consolidated financial statements provides information on the value in use assessment of whether the port cash generating unit. No impairment was recognised for the year ended 30 June 2019. We consider this a key audit matter due to the significance of the carrying values to the financial statements, the sensitivity of the value in use to key assumptions, and the judgements involved.	Our audit procedures included: We enquired with management as to its assessment of whether indicators of impairment were present for the port cash generating unit. We reviewed the value in use calculation, including: • reviewing the underlying data on which the assessment is based and confirming assumptions applied were reasonable; and • confirming discounted cash flow forecasts are robust, and discount rates and growth factors applied are appropriate. We noted that changes in valuation assumptions could have a material impact on the value in use calculation. We reviewed the group’s disclosure about the value in use calculation, the key assumptions in the calculation and the sensitivities to these assumptions. We are satisfied that these are appropriately disclosed in the annual report. We found the value in use and impairment assessment reasonable.

KEY AUDIT MATTER	HOW DID THE AUDIT ADDRESS THIS MATTER
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 $491.2 million as at 30 June 2019. 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 consolidated financial statement 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. 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 3 to 41, 99 to 102, and 107 to 109 of the annual report, but does not include the consolidated financial statements and the performance information and our auditor’s report thereon.

Our opinion on the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements and the performance information, the directors are responsible on behalf of the group for assessing 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 and 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements and the performance information, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements of the group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 consolidated 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

20 September 2019

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 (2018: three 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 three 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.

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:

	CH010		CH020		COMBINED	
Holding Range	**Holder Count**	**Holding Quantity**	**Holder Count**	**Holding Quantity**	**Holder Count**	**Holding Quantity**
5,000 to 9,999	10	54,000	5	32,000	15	86,000
10,000 to 49,999	115	2,231,000	20	421,000	135	2,652,000
50,000 to 99,999	22	1,305,000	9	610,000	31	1,915,000
100,000 to 499,999	18	3,138,000	6	1,335,000	24	4,473,000
500,000 to 999,999	5	2,626,000	2	1,179,000	7	3,805,000
1,000,000 to 9,999,999,999,999	9	140,646,000	5	146,423,000	14	287,069,000
Total	**179**	**150,000,000**	**47**	**150,000,000**	**226**	**300,000,000**

Directory

Registered Office
Level 1, 151 Cambridge Terrace,
Christchurch

Directors
J B Smith (Chair)
L A Dalziel
V S Buck
C A Evans (Appointed 5 August 2019)
J T Gough
A M G Skinner
A D Turner
G S Campbell
M M Devine (Resigned 30 June 2019)

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

Christchurch City Holdings Limited	Level 1, 151 Cambridge Terrace P O Box 1151, Christchurch 8140
Phone:	(03) 941 8475
Email:	info@cchl.co.nz
Website:	www.cchl.co.nz
Supervisor	Public Trust Level 9, 34 Shortland Street Auckland 1010
Email:	cts.enquiry@publictrust.co.nz
Orion New Zealand Limited	565 Wairakei Rd P O Box 13896 Christchurch 8141
Phone:	(03) 363 9898
Email:	info@oriongroup.co.nz
Website:	www.oriongroup.co.nz
Christchurch International Airport Limited	Top floor, Car Park Building, 30 Durey Road Memorial Avenue P O Box 14001 Christchurch 8544
Phone:	(03) 358 5029
Website:	www.christchurch-airport.co.nz
Lyttelton Port Company Limited	41 Chapmans Rd, Woolston, Private Bag 501, Lyttelton 8841
Phone:	(03) 328 8198
Website:	www.lpc.co.nz
Enable Services Limited	Enable House, 2nd Floor 106 Wrights Road, Addington P O Box 9228, Tower Junction, Christchurch
Phone:	(03) 363 2962
Email:	support@enable.net.nz
Website:	www.enablenetworks.co.nz
City Care Limited	226 Antigua Street P O Box 7669 Christchurch
Phone:	(03) 941 7200
Website:	www.citycare.co.nz
Development Christchurch Ltd	Level 2, Building 2 181 High Street, PO Box 333 Christchurch 8140
Phone:	(03) 941 5992
Email:	info@dcl.org.nz
Website:	www.dcl.org.nz
EcoCentral Ltd	Level 1, Baigent Way, Middleton P O Box 6320, Christchurch
Phone:	(03) 336 0080
Email:	admin@ecocentral.co.nz
Website:	www.ecocentral.co.nz
Red Bus Limited	120 Ferry Road P O Box 10 171, Christchurch
Phone:	(03) 379 4260
Website:	www.redbus.co.nz

Christchurch
City Holdings
Limited