

Christchurch
City Holdings
Limited



Offer of fixed rate five year bonds
Issued by Christchurch City Holdings Limited
Date: 16 November 2017

This document gives you important information about this investment to help you decide whether you want to invest. There is other useful information about this offer on <https://www.companiesoffice.govt.nz/disclose>.

Christchurch City Holdings Limited has prepared this document in accordance with the Financial Markets Conduct Act 2013. You can also seek advice from a financial adviser to help you to make an investment decision.



ARRANGER AND
JOINT LEAD MANAGER



JOINT LEAD MANAGER

Product Disclosure Statement

1. Key Information Summary

What is this?

This is an offer of unsecured, unsubordinated fixed rate bonds (**Bonds**). The Bonds are debt securities issued by Christchurch City Holdings Limited (**CCHL**). You give CCHL money, and in return CCHL promises to pay you interest and repay the money at the end of the term. If CCHL runs into financial trouble, you might lose some or all of the money you invested.

About CCHL Group

CCHL is the wholly owned commercial and investment arm of Christchurch City Council (**Council**). It holds shares directly in eight partly and wholly-owned trading companies. You should also read section 4 (*CCHL Group and what it does*).

Purpose of this offer

The key purpose of this offer is to diversify

CCHL's source of debt funding. The proceeds of the Offer will be used to fund special dividends to the Council but may also be used to repay existing CCHL borrowing. You should also read section 5 (*Purpose of the offer*).

KEY TERMS OF THE OFFER	
Issuer	Christchurch City Holdings Limited.
Description of the debt securities	Unsecured, unsubordinated, fixed rate bonds.
Term	5 years maturing on 6 December 2022 (<i>Maturity Date</i>).
Interest rate	<p>The Bonds will pay a fixed rate of interest until the Maturity Date.</p> <p>The Interest Rate will be determined on the Rate Set Date (being 29 November 2017) by CCHL in conjunction with the Joint Lead Managers and will be the sum of the Swap Rate on the Rate Set Date and the margin.</p> <p>The margin will be determined by CCHL in conjunction with the Joint Lead Managers following the Bookbuild on the Rate Set Date. A bookbuild is a process whereby a margin is determined by reference to bids from market participants for an allocation of Bonds at different margins. The Interest Rate will be announced via NZX on or about the Rate Set Date.</p> <p>The margin (and therefore the Interest Rate) will not be determined until after the Closing Date. However, an indicative margin range will be announced via NZX on or about the Opening Date.</p>
Interest payments	<p>Interest will be paid semi-annually in arrear in equal amounts on 6 June and 6 December of each year (or if that day is not a Business Day, the next Business Day) until and including the Maturity Date.</p> <p>The first Interest Payment Date will be 6 June 2018.</p>
Opening Date	27 November 2017.
Closing Date	2pm, 29 November 2017.
Minimum subscription amount	\$5,000 and multiples of \$1,000 thereafter.
Further payments, fees or charges	<p>Taxes may be deducted from interest payments on the Bonds. See section 9 (<i>Tax</i>) for further details.</p> <p>You are not required to pay brokerage or any other fees or charges to CCHL to purchase the Bonds. However, you may have to pay brokerage to the firm from whom you receive an allocation of Bonds.</p> <p>The Offer is subject to certain selling restrictions and you will be required to indemnify certain people if you breach those. See section 10 (<i>Selling restrictions</i>) for further details.</p>

No guarantee

CCHL is responsible for paying interest on, and repayment of, the Bonds. In addition, as at the date of this PDS, there is no guarantee of CCHL's obligations to Bondholders. See section 6 (*Key features of the Bonds*) for further details.

More information on the guarantee in

the Trust Deed is contained in section 6 (*Key features of the Bonds*).

How you can get your money out early

You have no right to require CCHL to redeem your Bonds before the Maturity Date. However, CCHL may be required to

repay the Bonds early if there is an Event of Default. You should also read section 6 (*Key features of the Bonds*).

CCHL intends to quote these Bonds on the NZX Debt Market. This means you may be able to sell them on the NZX Debt Market before the end of their term if there are interested buyers. If you sell your Bonds,

the price you get will vary depending on factors such as the financial condition of the CCHL Group and movements in the market interest rates. You may receive less than the full amount that you paid for them.

How the Bonds rank for repayment

The Bonds rank equally with CCHL's other unsecured and unsubordinated obligations. This means that if CCHL goes into liquidation:

- You will be repaid after all of CCHL's secured creditors and creditors preferred by law (e.g. IRD and employees) and prior charges permitted under the Trust Deed (if any).
- You will be repaid at the same time and to the same extent as all other unsecured and unsubordinated creditors of CCHL (including other Bondholders, the banks that lend money to CCHL, holders of other unsecured and unsubordinated bonds (including CCHL's Existing Bonds), trade creditors and suppliers).
- You will be repaid ahead of holders of subordinated debt (if any – currently there is none) and shareholders in CCHL.

More information on how the Bonds rank for repayment can be found in section 6 (*Key features of the Bonds*).

No security

The Bonds are not secured against any of CCHL's or the CCHL Group's assets.

Where you can find CCHL Group's financial information

The financial position and performance of the CCHL Group are essential to an assessment of CCHL's ability to meet its obligations under the Bonds. You should also read section 7 of the PDS (*CCHL Group's financial information*).

Key risks affecting this investment

Investments in debt securities have risks. A key risk is that CCHL does not meet its commitments to repay you or pay you interest (credit risk). Section 8 of the PDS (*Risks of investing*) discusses the main factors that give rise to the risk. You should consider if the credit risk of these debt securities is suitable for you.

The interest rate for these Bonds should also reflect the degree of credit risk. In general, higher returns are demanded by investors from businesses with higher risk of defaulting on their commitments. You need to decide whether the offer is fair.

CCHL considers that the most significant risk factors are:

A. Holding company structure – CCHL's principal assets are the shares it holds in its Operating Subsidiaries which hold the CCHL Group's operating and infrastructure assets. CCHL has no direct claim on these assets. In a liquidation of a subsidiary, the claims of each subsidiary's creditors would rank ahead of CCHL's claims as shareholder.

CCHL principally derives its revenue through dividends from Orion New Zealand Limited (**Orion**) and Christchurch International Airport Limited (**CIAL**). The financial position of Enable Services Limited (**ESL**) and Enable Networks Limited (**ENL**) (together the **Enable Group**) is also important to CCHL. CCHL's financial position could be significantly affected by an adverse event affecting these Operating Subsidiaries.

B. Loss of regulated revenue – A significant portion of Orion's and CIAL's revenue is regulated under the Commerce Act 1986. In addition, while the revenue earned by the Enable Group is not currently regulated, there is a proposal to introduce regulation.

Significant changes to regulatory settings may reduce the amount of dividends these subsidiaries are able to pay CCHL in future.

C. Localised infrastructure portfolio – The CCHL Group's assets are specialised infrastructure assets predominately located in Canterbury, making them vulnerable to localised events and events that have a localised effect (including seismic events) and reliant on customer demand. This is because the assets are specialised and cannot be used for other purposes. This is particularly relevant to CIAL, LPC and the Enable Group

This summary does not cover all of the risks of investing in the Bonds. You should also read section 8 of the PDS (*Risks of investing*).

What is CCHL's credit rating?

A credit rating is an independent opinion of the capability and willingness of an entity to repay its debts (in other words, its creditworthiness). It is not a guarantee that the financial product being offered is a safe investment. A credit rating should be considered alongside all other relevant information when making an investment decision.

CCHL has been rated by S&P Global Ratings, which gives ratings from AAA through to C, excluding ratings attaching to entities in default.

As at the date of this PDS, CCHL has a long-term credit rating of A+ (with Stable outlook).

As at the date of this PDS, CCHL has not received a credit rating for the Bonds. However, CCHL expects that S&P Global Ratings will assign the Bonds a credit rating prior to the Issue Date. CCHL expects that the initial credit rating assigned by S&P Global Ratings to the Bonds would be the same as CCHL's credit rating.

	CCHL'S CREDIT RATING A+ (STABLE)*							
Range of long-term credit ratings for S&P Global Ratings	AAA	AA	A	BBB	BB	B	CCC	CC to C
	Capacity to meet financial commitment				Vulnerability to non-payment			
Summary description of the rating	Extremely Strong	Very Strong	Strong	Adequate	Less vulnerable	More vulnerable	Currently vulnerable	Currently highly vulnerable
Approximate probability of default over a period of at least 5 years**	1 in 600	1 in 300	1 in 150	1 in 30	1 in 10	1 in 5	1 in 2	1 in 2

* S&P Global Ratings' ratings from 'AA' to 'CCC' may be modified by the addition of a plus (+) or a minus (-) sign to show relative standing within the major rating categories. CCHL's A rating has been modified by a (+).

** The approximate, median likelihood that an investor will not receive repayment on a five- year investment on time and in full based upon historical default rates published by S&P Global Ratings (source: Reserve Bank of New Zealand publication "Explaining Credit Ratings", dated November 2008).

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2. Key dates and Offer process

Opening Date	27 November 2017
Indicative Margin Announcement Date	27 November 2017
Closing Date	2pm, 29 November 2017
Rate Set Date	29 November 2017
Issue and Allotment Date	6 December 2017
Expected date of initial quotation and trading of the Bonds on the NZX Debt Market	7 December 2017
First Interest Payment Date	6 June 2018
Interest Payment Dates	6 June and 6 December in each year
Maturity Date	6 December 2022

The timetable is indicative only and subject to change.

CCHL may, in its absolute discretion and without notice, vary the timetable (including by opening or closing the Offer early, accepting late applications and extending the Closing Date). If the Closing Date is extended, the Rate Set Date, the

Issue Date, the expected date of initial quotation and trading of the Bonds on the NZX Debt Market, the Interest Payment Dates and the Maturity Date may also be extended. Any such changes will not affect the validity of any applications received.

CCHL reserves the right to cancel the Offer and the issue of the Bonds, in which case all application monies received will be refunded (without interest) as soon as practicable and, in any event within 5 Business Days of cancellation.



3. Terms of the Offer

Description of the Bonds	Unsecured, unsubordinated, fixed rate bonds.
Term	5 years maturing on 6 December 2022 (<i>Maturity Date</i>).
Offer amount	Up to \$100 million with the ability to accept oversubscriptions of up to \$50 million at CCHL's discretion.
Issue price	\$1.00 per Bond, being the principal amount of each Bond.
Interest rate	<p>The Bonds will pay a fixed rate of interest until the Maturity Date.</p> <p>The Interest Rate will be determined on the Rate Set Date (being 29 November 2017) by CCHL in conjunction with the Joint Lead Managers and will be the sum of the Swap Rate on the Rate Set Date and the margin.</p> <p>The margin will be determined by CCHL in conjunction with the Joint Lead Managers following the Bookbuild on the Rate Set Date. A bookbuild is a process whereby a margin is determined by reference to bids from market participants for an allocation of Bonds at different margins. The Interest Rate will be announced via NZX on or about the Rate Set Date.</p> <p>The margin (and therefore the Interest Rate) will not be determined until the Closing Date. However, an indicative margin range will be announced via NZX on or about the Opening Date.</p>
Interest payment dates	<p>Interest will be paid semi-annually in arrear in equal amounts on 6 June and 6 December of each year (or if that day is not a Business Day, the next Business Day) until and including the Maturity Date.</p> <p>The first Interest Payment Date will be 6 June 2018.</p>
Repayment of principal	CCHL will pay the subscription amount of the Bonds on the Maturity Date.
Interest payments and entitlements	<p>Payments of interest on Interest Payment Dates will be of equal semi-annual amounts.</p> <p>On Interest Payment Dates, interest will be paid to the person registered as the Bondholder as at the record date immediately preceding the relevant Interest Payment Date.</p> <p>The record date for the Interest Payment Dates is 5.00pm on the date that is 10 days before the relevant Interest Payment Date. If the record date falls on a day which is not a Business Day, the record date will be the immediately preceding Business Day.</p>
Opening Date	27 November 2017.
Closing Date	2pm, 29 November 2017.
Scaling	CCHL may scale applications at its discretion, but will not scale any application to below \$5,000 or to an amount that is not a multiple of \$1,000.
Refunds	<p>If CCHL does not accept your application (whether because of late receipt or otherwise) or accepts it in part, all or the relevant balance of your application money received will be repaid to you as soon as practicable and, in any event, within 5 Business Days of the Issue Date.</p> <p>No interest will be paid on refunds.</p>
Minimum subscription amount	\$5,000 and multiples of \$1,000 thereafter.
How to apply	<p>Application instructions are set out in section 14 (<i>How to apply</i>).</p> <p>CCHL reserves the right to refuse all or any part of any application for Bonds under the Offer without giving a reason.</p>
No underwriting	The Offer is not underwritten.
No guarantee	The Bonds are not guaranteed at the date of this PDS.

Quotation	<p>Application has been made to NZX for permission to quote the Bonds on the NZX Debt Market and all the requirements of NZX relating to that quotation that can be complied with on or before the date of distribution of this PDS have been complied with. However, the Bonds have not yet been approved for trading and NZX accepts no responsibility for any statement in this PDS. NZX is a licensed market operator, and the NZX Debt Market is a licensed market, under the Financial Markets Conduct Act 2013.</p> <p>NZX ticker code CCH010 has been reserved for the Bonds.</p>
Transfer restrictions	<p>You can transfer or sell your Bonds. But, CCHL may decline to accept or register a transfer of the Bonds if the transfer would result in the transferor or the transferee holding or continuing to hold Bonds with a Principal Amount of less than \$5,000 (if not zero) or if the transfer is not in multiples of \$1,000.</p>
NZX Approvals	<p>NZX has granted CCHL a waiver from NZX Listing Rule 5.2.3 to enable CCHL to apply for quotation on the NZX Debt Market even though the Bonds may not initially be held by at least 100 members of the public holding at least 25% of the Bonds issued. The waiver has been granted for a 6 month period from the date of quotation of the Bonds. The effect of the waiver from NZX Listing Rule 5.2.3 is that initially the Bonds may not be widely held and there may be reduced liquidity in the Bonds.</p> <p>NZX has also provided CCHL with approval under Listing Rule 11.1.5 to enable CCHL to decline to accept or register a transfer of the Bonds if the transfer would result in the transferor or the transferee holding or continuing to hold Bonds with a Principal Amount of less than \$5,000 (if not zero) or if the transfer is not in multiples of \$1,000. The effect of the approval under Listing Rule 11.1.5 is that the minimum holding amount in respect of the Bonds will be Bonds with an aggregate principal amount of not less than \$5,000 and multiples of \$1,000 over the minimum holding amount. CCHL may refuse a transfer if the transfer is not in multiples of \$1,000.</p>
Ranking of Bonds	<p>The Bonds rank equally with CCHL's other unsecured and unsubordinated obligations.</p> <p>More information on the ranking of the Bonds can be found in section 6 (<i>Key features of the Bonds</i>).</p>
Early redemption	<p>The Bonds cannot be redeemed prior to the Maturity Date, unless an Event of Default occurs (as described below).</p>
Events of Default	<p>If an Event of Default occurs and is continuing, the Supervisor may, in its discretion, and must immediately upon being directed to do so by an Extraordinary Resolution of Bondholders, declare the Bonds immediately due and payable.</p> <p>The Events of Default are set out in clause 17.1 of the Trust Deed (a copy of which is included on the Disclose Register) and are summarised in section 6 (<i>Key features of the Bonds</i>).</p>
Further Bonds	<p>CCHL may issue further bonds without the consent of Bondholders which may rank ahead of, equally with, or behind the Bonds.</p>
Further payments, fees or charges	<p>Taxes may be deducted from interest payments on the Bonds. See section 9 (<i>Tax</i>) for further details.</p> <p>The Offer is subject to certain selling restrictions and you will be required to indemnify certain people if you breach those. See section 10 (<i>Selling restrictions</i>) for further details.</p>
Brokerage	<p>You are not required to pay brokerage or any other fees or charges to CCHL to purchase the Bonds. However, you may have to pay brokerage to the firm from whom you receive an allocation of Bonds.</p>
No verification of the PDS by the Supervisor or the Joint Lead Managers	<p>None of the Supervisor, the Arranger or any Joint Lead Manager, nor their respective directors, employees, agents or advisers have independently verified the information contained in this PDS or the Disclose Register.</p>
Governing law	<p>New Zealand.</p>
Supervisor	<p>Public Trust.</p>
Securities Registrar	<p>Computershare Investor Services Limited.</p>

Trust Deed

The terms and conditions of the Bonds are set out in the Trust Deed, as supplemented by the Supplemental Trust Deed. Bondholders are bound by, and are deemed to have notice of, the Trust Deed and the Supplemental Trust Deed.

A copy of the Trust Deed and the Supplemental Trust Deed can be obtained from the Disclose Register at www.companiesoffice.govt.nz/disclose.

Trading your Bonds on the NZX Debt Market

CCHL intends to quote the Bonds on the NZX Debt Market. To be eligible to

trade your Bonds on the NZX Debt Market, you must have an account with a Primary Market Participant, a common shareholder number (CSN) and an authorisation code. If you do not have an account with a Primary Market Participant, you should be aware that opening an account can take a number of days depending on the Primary Market Participant's procedures.

If you do not have a CSN, you will be automatically assigned one. If you do not have an authorisation code, it is expected that you will be sent one by the Securities Registrar. If you have an account with a Primary Market Participant and have not received an authorisation code by the date

you want to trade your Bonds, your Primary Market Participant can arrange to obtain your authorisation code from the Securities Registrar. Your Primary Market Participant will be charged a fee for requesting your authorisation code from the Securities Registrar and may pass this cost on to you.

You may only transfer your Bonds in multiples of \$1,000 and after any transfer you and the transferee must each hold Bonds with an aggregate principal amount of at least \$5,000 (or no Bonds). You will likely have to pay brokerage on any transfer of Bonds you make through a Primary Market Participant.

4. CCHL Group and what it does

Overview of CCHL and its operations

CCHL is the commercial and investment arm of 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.

CCHL has eight direct Operating Subsidiaries, being Orion, CIAL, LPC, ESL, City Care Limited (**Citycare**), Red Bus Limited (**Red Bus**), EcoCentral Limited (**EcoCentral**) and Development Christchurch Limited (**DCL**). Six of these are 100% owned, the other two are majority owned by CCHL, being Orion (10.725% owned by Selwyn District Council) and CIAL (25% owned by the Crown).

CCHL's mission is to support the future growth of Christchurch by investing in key infrastructure assets that are commercially

viable and environmentally and socially sustainable. CCHL's approach is to work with the Council to identify infrastructure needs of the region not being filled by the private sector or existing Council operations. This led to the establishment of entities such as ESL and DCL. This approach has resulted in CCHL and the Council (through its ownership of CCHL) owning a valuable portfolio of trading companies with strategic assets.

Continuing with this approach may result in CCHL's portfolio changing over time to meet the Christchurch region's infrastructure needs. At the date of this PDS CCHL does not have any plans to sell its shareholdings in its existing companies.

CCHL does not itself hold any infrastructure assets. Rather, CCHL is a holding company with its principal assets

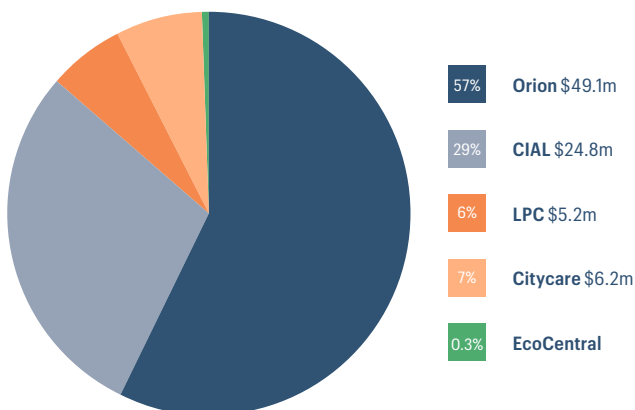
being the shares that it holds in its direct Operating Subsidiaries.

CCHL's main activities are monitoring the performance of its subsidiaries, through letters of expectation, regular reporting, and the appointment of Directors to its direct subsidiaries.

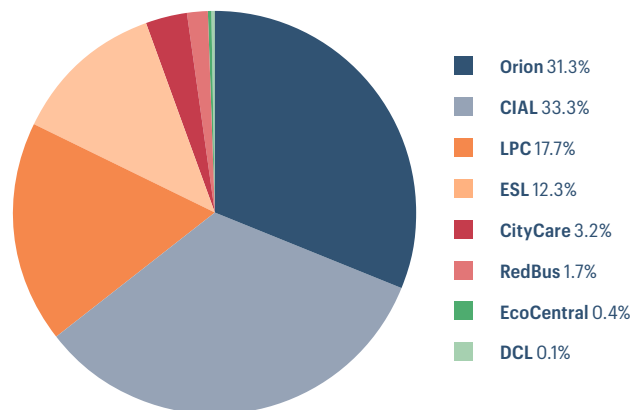
CCHL's primary source of income is dividend receipts from its direct Operating Subsidiaries. Its other source is interest income earned on loans advanced. During FY17 CCHL received dividends of \$85.5 million from five Operating Subsidiaries as per below. No dividends were received from ESL, Red Bus or DCL. Interest revenue totalled \$13.1 million.

As at 30 June 2017, CCHL's total carrying value of its investments in its subsidiaries was valued at \$2,587 million, split as follows.

CCHL Dividend Income FY 2017 \$m



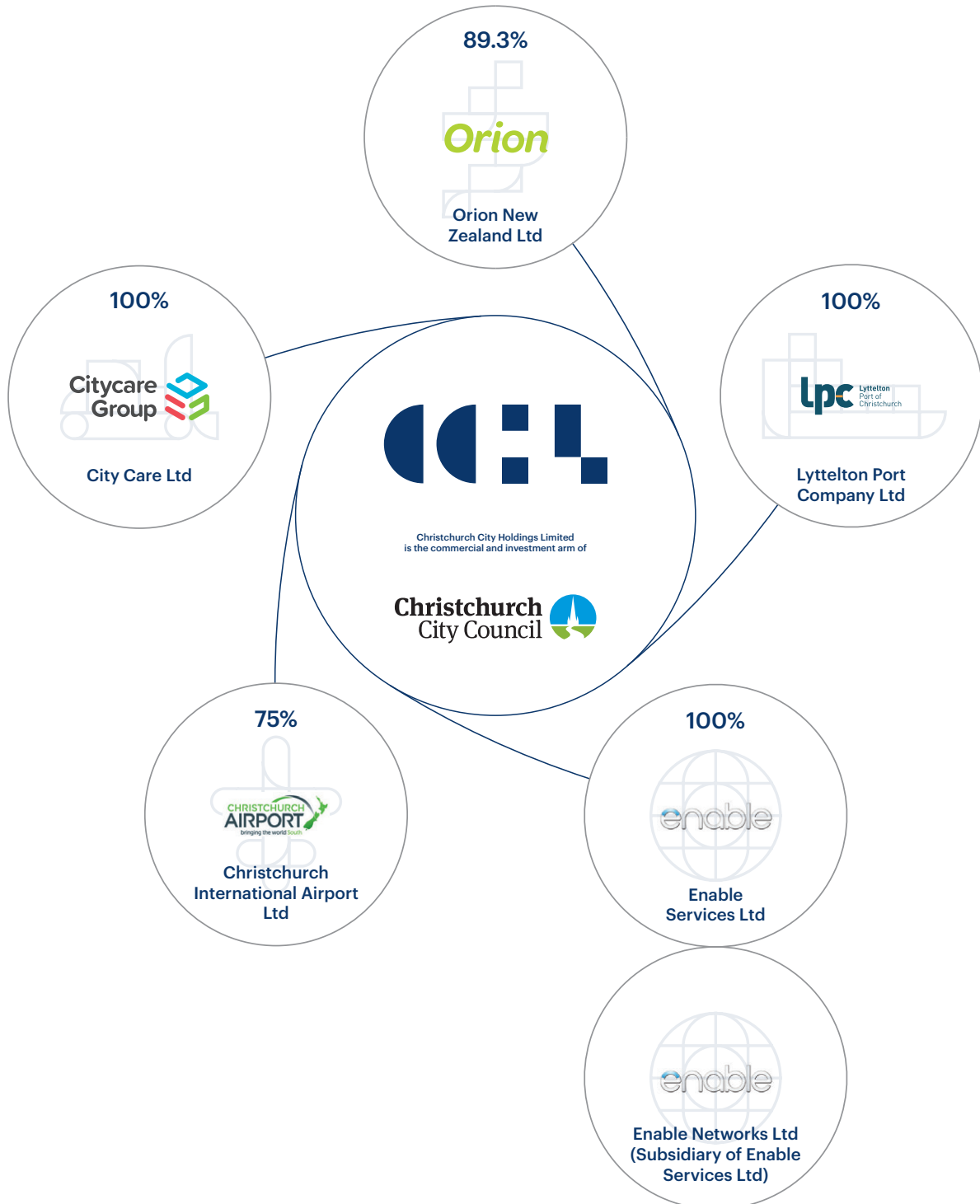
CCHL Investment Value FY 2017 %



Significant subsidiaries

CCHL has determined the following Operating Subsidiaries are significant to the Group due to their asset value, revenue and/or CCHL’s reliance on their dividend return: Orion, CIAL, LPC, ESL and its subsidiary ENL, and Citycare. All of these subsidiaries are incorporated in New Zealand (NZ) and no subsidiary guarantees CCHL’s obligations to Bondholders.

All financial information included in this section below is from the relevant entity’s audited financial statements for the relevant year. All entities have a 30 June balance date except Orion, which has a balance date of 31 March. Copies of the audited financial statements for each entity are in the most recent annual report for each entity on CCHL’s website, www.cchl.co.nz.



Orion

Orion

FINANCIAL HIGHLIGHTS (\$ MILLIONS)			
	31 March 2015	31 March 2016	31 March 2017
Revenue	334.1	307.3	309.7
Net Profit After Tax	82.6	53.4	51.8
Total Assets	1,083.9	1,122.0	1,156.7
Total Interest Bearing Debt	85.6	228.2	249.2
Shareholder Distributions	56.0	153.0	55.0
Equity	759.7	660.1	672.7

CCHL acquired its 89.275% stake in Orion from the Council in 1993. The remaining 10.725% is held by the Selwyn District Council. Orion originally carried out electricity retail and distribution activities, but sold its electricity retail activities following the energy industry reforms introduced in 1998.

Orion owns and operates the electricity distribution network between the Waimakariri and Rakaia rivers and from the Canterbury coast to Arthur's Pass. It has approximately 200,000 customer connections, and is NZ's third largest electricity distribution business (EDB) when compared on line revenue, asset size and system length (km).

Seventeen of the 29 EDBs in NZ are subject to price-quality control under Part 4 of the Commerce Act 1986. The purpose of price-quality regulation is to promote the long term interests of consumers in markets where there is little or no competition. Price-quality control aims to limit the prices that regulated businesses can charge, while requiring the quality of services to be maintained. The seventeen controlled EDBs have been subject to five-year default price-quality paths (DPPs).

Following the Christchurch earthquakes, Orion was granted a customised price quality path (CPP), which applies until March 2019. The Commerce Commission will reset Orion's price limit for one year in FY20 at the FY19 price limit, minus claw-back (recovery of a portion of Orion's pre-CPP earthquake costs) plus consumer price index (CPI). This will then align Orion's next five-year DPP reset with the five-year DPP resets for the other sixteen controlled EDBs for FY21 to FY25.

Price-quality regulation is particularly relevant to Orion, as 84% of Orion's group revenue in FY17 was regulated revenue received from electricity retailers, which pay Orion for electricity distribution services.

Orion also owns an electrical contracting business, Connetics Limited (**Connetics**). Connetics' results are consolidated into the Orion financials above. Connetics provides services to utility network operators, local authorities, developers and commercial/industrial customers.

Approximately 11% of Orion's group revenues in FY17 included non-regulated revenue via Connetics. Connetics has its own board of directors and senior management team. While CCHL does not consider Connetics to be a significant subsidiary in respect of its financial contribution to the CCHL Group, it is a strategically owned asset for Orion, as it undertakes approximately half of Orion's network fieldwork and it is an important part of Orion's emergency response capability.

Connetics employs approximately two thirds of the Orion group employees and comprises approximately 2% of the Orion group's operating assets.

Orion has undertaken a significant network resilience and reliability capex programme following the 2010/2011 Canterbury earthquakes. This programme will be substantively complete by the end of FY18. Orion's increased debt in FY16 and FY17 reflects this capex programme and the funding of a \$90 million share buy-back in FY16. Orion received its final \$29 million earthquake-related insurance settlement in FY15, boosting NPAT for that year.

On 13 February 2017, two fires started on the Port Hills near Christchurch. The fires caused significant costs and losses for third parties. In September 2017, a claim was filed against Orion by policy holders of Insurance Australia Group Limited (IAG) alleging that a failure of Orion's electricity equipment caused the fires. In October 2017, Orion filed a statement of defence denying the allegations and any liability. It is too early to determine whether these events will result in a financial liability for Orion. Orion insures for liability risks, in line with good industry practice.

Orion provided 57% of CCHL's dividend revenue in FY17.

CIAL



FINANCIAL HIGHLIGHTS (\$ MILLIONS)			
	30 June 2015	30 June 2016	30 June 2017
Revenue	177.4	182.7	213.5
Net Profit After Tax	39.3	43.1	64.6
Total Assets	1,212.8	1,260.6	1,347.0
Total Interest Bearing Debt	295.3	324.0	369.2
Shareholder Distributions	9.9	29.3	33.0
Equity	766.8	791.2	826.9

Christchurch Airport first opened as a commercial airport in 1939 as a division of the Council. CIAL was incorporated in 1988 to operate the airport business. Primarily, CIAL is responsible for the efficient and safe operation of the Airport, while aiming to provide the Airport's diversity of users with modern, appropriate and efficient facilities and services.

CCHL acquired its 75% stake in CIAL from the Council in 1995. The remaining 25% stake is held by the Crown.

The Airport is located 10 kilometres northwest of Christchurch city centre, on the western city development edge and is a critical piece of national and regional infrastructure. As the gateway for Christchurch and the South Island, the Airport is NZ's second largest airport based on passenger numbers and the busiest and most strategic air connection for South Island trade and tourism markets.

The core operations of the Airport comprise aeronautical services (including both the use of the airfield and the terminal). CIAL receives revenue from charges paid by aircraft operators for the use of runway and terminal facilities and the provision of associated services (check-in counters). This revenue source is influenced by passenger movements and is regulated income under Part 4 of the Commerce Act 1986. Since 2011, NZ's three largest airports, including CIAL, have been subject to Information Disclosure requirements under Part 4 of the Commerce Act 1986. An extensive information disclosure regime has been developed with the airports requiring them to comply with Input Methodologies the

LPC



Commerce Commission has determined for asset valuation, cost allocation, regulatory tax treatment and the cost of capital.

CIAL is also required by the Airport Authorities Act 1966 to reset prices for specific airport activities (including airfield and terminal services) at least once every five years. In setting prices CIAL must consult with its substantial customers, and the Commerce Commission reviews CIAL's price setting events (including consideration of CIAL's expected profits) through the information disclosure regime discussed above.

There are four airlines providing domestic services from the Airport and nine operating short and long-haul international services. Passenger numbers through the terminals for the financial year ended 30 June 2017 were 6.57m (2016: 6.3m).

CIAL has a land holding of approximately 1,000 hectares (including the Airport). While this land is held for airport purposes, land not needed for immediate aeronautical and terminal activity has been identified in CIAL's Master Plan for commercial property development. Business risk diversification through property growth underpins the long term competitive position of CIAL's aeronautical services and derisks CIAL against aviation volatility which can impact profitability.

CIAL's commercial property portfolio strategy is 'to be a Landlord' (i.e. CIAL does not develop and then sell property, but rather it is a long term landlord).

In FY17, 51.7% (FY16: 52.0%) of CIAL's operating revenue came from non-regulated sources, comprising mostly rental from commercial and retail leases located within the Airport terminal and across the greater airport campus, coupled with car parking and ground transport operations.

During FY17 a revaluation of investment properties of \$35.9 million (FY16: \$12.5 million) resulted in a higher NPAT result.

CIAL provided 29% of CCHL's dividend revenue in FY17.

FINANCIAL HIGHLIGHTS (\$ MILLIONS)			
	30 June 2015	30 June 2016	30 June 2017
Revenue	109.1	105.7	114.4
Net Profit After Tax	20.6	(59.8)	14.4
Total Assets	588.5	491.5	506.1
Total Interest Bearing Debt	0.0	0.0	0.0
Shareholder Distributions	22.2	2.6	5.2
Equity	531.7	469.1	478.4

The first port at Lyttelton was established in 1849. LPC was established in 1988 under the Port Companies Act 1988 to take over the Port's commercial role including the land, assets and facilities.

CCHL acquired the Council's shares in 1995, and in 1996 LPC was listed on the NZX main board, following the decision by Hurunui and Selwyn District Councils to sell their shares. The following year the other regional authorities followed suit, resulting in CCHL being the largest shareholder with 65%. CCHL continued to acquire shares over the years, until October 2014 when it acquired the remaining shares to achieve 100% ownership, and delisted LPC.

Lyttelton Port is the South Island's largest port by volume and the third largest container port in NZ processing over 400,000 TEUs (20-foot equivalent units) of containerised cargo in FY17 (its highest annual volume).

LPC's revenue is received from shipping and shipping related services, including stevedoring and cargo handling for a diverse range of cargo. It owns two Inland Ports which improve the Port's connectivity for South Island trade – CityDepot is located 6 kilometres from Lyttelton, and MidlandPort at Rolleston which provides a direct daily rail link with the Lyttelton Port.

All of the Port's wharves sustained damage from the 2010/2011 earthquakes. LPC settled its resulting insurance claim in 2013. In November 2015 the Lyttelton Port Recovery Plan was released, including LPC's vision for the recovery and enhancement of the Port. This was at the same time as the completion of the rebuild

of Cashin Quay 2, the Port's main container wharf.

LPC is now focused on future growth and intends to carry out a substantial capital expenditure programme over the next 10 years including the construction of a new administration building to be completed in December 2017, the opening of Te Ana Marina in early 2018 and the construction of a Cruise Berth. LPC also intends to undertake further land reclamation at Te Awaparahi Bay, extending on its current 10 hectares.

The NPAT loss of \$59.8 million in FY16 was driven by a net \$75.8 million asset impairment following the Directors' review of the cost of required capital projects not meeting the investment return despite maintaining strong earnings.

LPC provided 6% of CCHL's dividend revenue in FY17. In FY15 the distributions paid of \$22.2 million included a special dividend of \$20.5 million relating to the takeover offer by CCHL when it acquired the remaining 20.43% in the Port.

ESL and ENL



FINANCIAL HIGHLIGHTS (\$ MILLIONS)			
	30 June 2015	30 June 2016	30 June 2017
Revenue	74.4	75.2	36.3
Net Profit After Tax	(10)	3.3	(8.5)
Total Assets	191.5	343.3	424.7
Total Interest Bearing Debt	164.5	218.9	257.9
Shareholder Distributions	0.0	0.0	0.0
Equity	13.6	100.8	138.9

FY15 and FY16 are ESL only, FY17 is the Enable Group. Note that the debt figures do not make provision for the contingent liability that ESL and ENL have under the guarantee they have granted to Crown Infrastructure Partners Limited (previously called Crown Fibre Holdings) (CIP) in respect of CCHL's obligations to CIP. As at the date of this PDS, the amount of such contingent liability is \$127.3 million being the total amount owing by CCHL to CIP.

ESL was established in February 2007 by CCHL to investigate the opportunity of developing a fibre optic network covering key public and private business locations throughout greater Christchurch. ESL participated in the Government's partner selection process and, in conjunction with CIP, established ENL in May 2011. ESL was then awarded the Ultra-Fast Broadband contract to build and operate a fibre optic network for greater Christchurch.

The completed network will extend across greater Christchurch and to a number of towns in the Waimakariri and Selwyn Districts. The network build is currently scheduled for completion by December 2018, one year ahead of its contractual requirement of 31 December 2019.

50,106 customers were connected to the network as at 30 June 2017, an increase of 24,289 throughout the year, reflecting approximately 100 new customers connected per business day. This is well ahead of the predicted maximum connection growth rate of 70 customers per day when the network rollout commenced in 2011.

ENL was originally jointly owned by CIP and ESL.

Under these arrangements ESL commenced building the network and upon completion of network stages, these stages were then on-sold to ENL (for both cash and equity in ENL). Funding of the network build was supported by a subordinated loan from CCHL to ESL. In addition, until 29 June 2016, ENL's purchase of completed network stages was funded by CIP subscribing for additional shares in ENL as specified stages of the build were reached. ENL earned its revenue by selling connections to Retail Service Providers (RSPs) (which in turn charged the end user).

On 29 June 2016, CIP and Enable Group agreed to restructure these arrangements. As part of these arrangements, CIP, ESL, ENL and CCHL entered into a reorganisation agreement and the following occurred:

- CIP ceased to be a shareholder in ENL, transferring its shares in ENL to ESL;
- To fund ESL's purchase of CIP's shares in ENL and the on-going build of the network, CCHL entered into a loan agreement with CIP for an interest free facility of up to \$161.5 million which is repayable in May 2021. The on-going component of the loan is made available to CCHL in tranches once a specified stage of the network build is reached and can only be used by CCHL to subscribe for redeemable preference shares (RPS's) or ordinary shares in, or to provide subordinated loans to, ESL (which in turn may only use the proceeds to subscribe for redeemable shares or ordinary shares in, or provide subordinated loans to, ENL). See section 6 (*Key features of the Bonds*) for further details about the security for this loan.
- All staff of the Enable Group are now employed by ENL. RSP contracts remain with ENL.
- As ENL is now a subsidiary controlled by ESL, the ESL audited financial statements are consolidated for external reporting purposes.

The following arrangements remain unchanged by the reorganisation:

- ESL continues to build the network through its contract agreements, and then sells it to ENL.
- ESL continues to drawdown on its subordinated loan facility with CCHL to fund the network build.

As a result of the reorganisation, ESL now

holds all of the shares in ENL other than one Government share which is held by the Crown.

The Crown share does not entitle it to any voting rights or rights to receive dividends or share in any surplus assets of ENL, but it gives the Crown rights of control over ENL's business activities under certain conditions (as set out in ENL's constitution). In particular, many provisions in ENL's constitution cannot be amended without the consent of the Crown, including the permitted scope of ENL's business activities and the restrictions on who may own shares in ENL.

In addition, while CIP is no longer a shareholder in ENL, ENL needs the consent of CIP and/or the Crown Shareholder to carry out certain activities. However, this restriction is not considered to place a material limitation on ENL's business.

When the CIP loan agreement is due for repayment in May 2021, it is expected that ENL's financial position will allow the Enable Group to obtain third party funding so ESL can redeem CCHL's RPS's, providing CCHL with funds to repay the CIP loan.

As at the date of this PDS, CCHL has provided subordinated loans of \$257.9 million to ESL and holds 127.3m RPS's in ESL.

FY17 was the first full year of operation for the Enable Group after the reorganisation in June 2016. The FY17 numbers reflect the fully consolidated group results.

The Enable Group does not currently provide dividends to CCHL.

Citycare



FINANCIAL HIGHLIGHTS (\$ MILLIONS)			
	30 June 2015	30 June 2016	30 June 2017
Revenue	333.5	306.8	303.5
Net Profit After Tax	10.2	6.8	3.5
Total Assets	108.5	105.1	102.9
Total Interest Bearing Debt	8.6	6.6	6.9
Shareholder Distributions	5.7	4.1	6.2
Equity	55.7	58.9	56.3

Citycare was formed in 1999 to acquire the Works Operations Unit of the Council. At that time Citycare was a small, \$20 million, company operating solely in Christchurch, providing services to the Council only. CCHL acquired the shares in Citycare from the Council in 2002.

In 2002, Citycare entered into the Auckland market, through an acquisition. Since then the Citycare group has grown and matured into a leading national provider of construction, maintenance and management services for parks, public gardens, sports fields, cemeteries, waterways, coastal areas, buildings and public facilities, roading networks and water, wastewater and stormwater networks. Citycare provides these infrastructure services from 17 locations throughout the country.

In 2017 Citycare restructured into three sectors: Water, Property, and Civil, to better differentiate the specific specialist services each sector offers. This, together with a rebranding has provided a new strategic focus for Citycare.

The Stronger Christchurch Infrastructure Rebuild Team (SCIRT) programme, which Citycare was a participant of, was completed this year. As a result Citycare has focussed on winning new contracts to replace this work. Its significant win of the Auckland Council facilities contract in June 2017 was a good reflection of this.

Citycare provided 7% of CCHL's dividend revenue in FY17.

Other subsidiaries

The following companies also form part of the CCHL Group. However CCHL does not consider these companies to be material to CCHL's financial position.

Red Bus

Red Bus was established in 1991 after the transport industry was deregulated. CCHL acquired Red Bus from the Council in 1995. It operates urban and school bus routes within Christchurch city and tourism and coach services across the South Island.

Red Bus's primary revenue is from fixed income contracts for its urban routes with Environment Canterbury and is not driven by passenger numbers. In 2015 Red Bus established Red Travel, a division that provides coach and tourism services, initially supplying the local regional community.

In 2016, Red Travel was boosted by the acquisition of Aaron Travel, a tourism company with 10 coaches increasing the Red Travel fleet to 24 vehicles. The growth of Red Travel in combination with improved school contract margins and reduced costs has seen Red Bus return to profit in the last two financial years.

EcoCentral

In 1997, the Council established a charitable trust to sort plastics, paper and recycle whole bottles. In 2005 it won a contract to take over the transfer stations, and became Terranova. Meta NZ (a subsidiary of Terranova) took over responsibility for the recycling plants and won a contract to operate a materials recycling facility from the Council in 2009. The Council (through EcoCentral) then bought Meta's operations in 2009 and sold its shares in EcoCentral to CCHL in 2011.

EcoCentral manages the processing of household and commercial refuse and the automated sorting of recycling throughout Canterbury. Since the 2010/2011 Canterbury earthquakes EcoCentral has had strong revenue streams, mostly (73% in FY17) from user charges received at its three refuse centres. EcoCentral has a long term Council contract to operate the recycling plant which generates revenue from the sale of recycled products mostly to offshore markets. It also runs an EcoShop that sells secondhand goods to the local community.

EcoCentral provided 0.03% of CCHL's dividend revenue in FY17.

DCL

CCHL established DCL in July 2015 at the request of the Council to deliver on the Council's ambition to drive investment opportunities, encourage urban development, aid regeneration and engage the community in activities that will benefit Christchurch. In FY16 DCL invested in the Christchurch Adventure Park which opened in December 2016, but was forced to close in February 2017 due to damage sustained in the Port Hills fire.

DCL worked with the Council on the New Brighton urban redevelopment and produced a Land Development Strategy for Christchurch city which involves a framework for working with private partners to develop surplus Council land for specific regeneration outcomes.

DCL's current revenues are from the provision of services for the Council.

Others:

- CCHL(2) Limited, CCHL (4) Limited, CCHL (5) Limited and Christchurch City Networks Limited (these are wholly owned subsidiaries of CCHL and have not traded);
- Orion New Zealand Ventures Limited (a wholly owned subsidiary of Orion);
- CIAL Holdings Number 1 Limited, CIAL Holdings Number 2 Limited, CIAL Holdings Number 3 Limited, CIAL Holdings Number 4 Limited and CIAL Holdings Number 5 Limited (these are wholly owned subsidiaries of CIAL and have not traded);
- Curries Proprietary Limited and New Zealand Express (2005) Limited (these are wholly owned subsidiaries of LPC); and
- Apex Environmental Limited (this is a 57.13% owned subsidiary of Citycare).

Directors

Under CCHL's constitution, the Council, as the sole shareholder of CCHL, has the power to appoint and remove directors. At least two directors must be independent from the Council. Currently, the Board comprises eight directors – four Councillors and four independent directors.

Jeremy Smith BSc, BCom, LLB, CMinstD (Chair)

Appointed August 2016

Jeremy has broad experience in a variety of senior executive and corporate governance roles. He was a director and later Chair of Orion from August 2013 to 2016. He is also Chairman of Holmes Group Limited.

Lianne Dalziel LLB

Appointed December 2016

Lianne is the Mayor of Christchurch. Previously Lianne was a Member of Parliament, having served for 23 years.

Andrew Turner

Appointed December 2016

Andrew is the Deputy Mayor of Christchurch. Andrew's career prior to being elected on to the Council included the establishment and running of small and medium sized businesses. Andrew is a current Director of ChristchurchNZ Limited, ChristchurchNZ Holdings Limited, Otautahi Community Housing Development GP Limited and trustee on the Otautahi Community Housing Trust and the Rod Donald Banks Peninsula Trust.

Vicki Buck MA(Hons)

Appointed December 2013

Vicki is a City Councillor and has previously served as Mayor of Christchurch for 9 years. She has a background in education, climate change businesses and community initiatives. Vicki is a Director on Otautahi Community Housing Development GP Limited and is also a Trustee for the Otautahi Community Housing Trust.

Jamie Gough CMinstD

Appointed December 2013

Jamie is a City Councillor, Chair of Civic Building Limited and a director of Gough Corporation Holdings Limited and Gough Property Corporation Limited. Jamie has a commercial background in property, asset management and corporate governance.

Mary Devine ONZM, BCom, MBA, CMinstD

Appointed April 2017

Mary is Managing Director of Devine Consultancy Limited, and a Director of Meridian Energy, Briscoe Group, IAG New Zealand and Top Retail Limited. Mary is also a Board member of Christ's College Canterbury. She has particular expertise in corporate strategy, brand management and organisational design. She was awarded an ONZM for services to business.

Note: Top Retail Limited was placed in receivership on 7 September 2017 (while Mary was a director).

Alex Skinner CA, FCA (ICAEW), CMinstD

Appointed November 2016

Alex is a Chartered Accountant, retiring as a Partner of KPMG in 2016. He is currently the Chair of the Otautahi Community Housing Trust and Otautahi Community Housing Development GP Limited, and a Director for Anchorage Trustee Services Limited. Alex has gained broad commercial and governance experience having worked with many businesses across diverse industries.

Greg Campbell MBA, FNZIM

Appointed 15 November 2017

Greg is currently the Chief Executive of Ravensdown Limited and prior to that held several CEO roles. He is currently a Director on various Ravensdown related companies. Greg has strong governance and commercial skills and a deep operational understanding of business.

Senior Managers

CCHL's senior managers are as follows.

Paul Munro BCom, CA, CMinstD

Paul is the CEO of CCHL. Prior to his appointment in mid-2016, Paul had a 24 year career at Deloitte where he was a Corporate Finance Partner. Paul is a current Director for EA Networks, Central Plains Water Limited, Spanbild Holdings Limited and VBase Limited.

Leah Scales BCom, CA

Leah is the CFO of CCHL. Leah has experience in senior executive commercial roles across a number of sectors and has worked for Deloitte as a Business Solutions Manager providing accounting, tax, and strategic advice to a diverse range of clients.

5. Purpose of the Offer

A key purpose of the offer is 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.

In its FY18 Statement of Intent CCHL noted its intention to release \$280 million of capital over the next two years to the Council to support post-earthquake infrastructure investment.

The proceeds of the Offer (which could be up to \$150 million, including any

oversubscriptions accepted by CCHL) will be used to fund special dividends to the Council of up to \$140 million during CCHL's 2018 financial year. Any additional proceeds raised will be used by CCHL to refinance short term debt.

The use of the money raised under the Offer will not change depending on the total amount that is raised.

The offer is not underwritten.



6. Key features of the Bonds

A number of key features of the Bonds are described in section 3 (*Terms of the offer*). The other key features of the Bonds are described below.

In addition, the Bonds are governed by the Trust Deed. The Trust Deed appoints the Supervisor to represent the interests of all holders of the Bonds. The Supervisor supervises CCHL's performance of its

obligations under the Trust Deed and under the Financial Markets Conduct Act 2013.

A copy of the Trust Deed and the Supplemental Trust Deed are included on the Disclose Register.


Ranking

The Bonds constitute unsecured, unsubordinated debt obligations of CCHL.

On a liquidation of CCHL, amounts

owing to Bondholders rank equally with all other unsecured, unsubordinated obligations of CCHL.

The ranking of the Bonds on a liquidation of CCHL is summarised in the diagram below. The diagram is a summary of indicative amounts only and in the event of a liquidation of CCHL, the actual priority amounts may differ.

DIAGRAM SHOWING RANKING OF BONDS ON A LIQUIDATION OF CCHL			
	RANKING ON THE LIQUIDATION OF CCHL	LIABILITIES	INDICATIVE AMOUNT OF EXISTING LIABILITIES AND EQUITY OF CCHL AS AT 30 JUNE 2017 ADJUSTED FOR EXPECTED ISSUE PROCEEDS (\$ MILLIONS)
	Higher Ranking/ Earlier priority	Liabilities that rank in priority to the Bonds (A)	Secured liabilities \$Nil
			Liabilities preferred by law, including employee entitlements and IRD for certain unpaid taxes \$0.04
	Liabilities that rank equally with the Bonds (B)	Bonds (i.e. debt issued under this PDS)	\$150
		Other unsubordinated and unsecured liabilities that rank equally with the Bonds	\$699.4
	Lower Ranking/ Later priority	Liabilities that rank below the Bonds	Subordinated and unsecured liabilities \$Nil
	Equity	Shares, reserves and retained earnings \$2,178.1	

NOTES:

Liabilities that rank equally with or in priority to the Bonds

- A.** After the issue of the Bonds, further liabilities can be created by CCHL that rank in priority to, or equally with, the Bonds on a liquidation of CCHL. The circumstances in which this may occur are as follows:
- Liabilities owed to statutorily preferred creditors may arise (such as claims for liquidation costs, withholding taxes, GST, unpaid salaries and wages, holiday pay and bonuses). These liabilities will rank ahead of the Bonds. Any security interests created by CCHL that are permitted under the Trust Deed. See the section below under the heading "Negative pledge" for more information about security interest that may be created by CCHL.
 - Any subsequent series of unsubordinated bonds issued under the Trust Deed, and any unsecured borrowing obtained by CCHL would rank equally with the Bonds.
- B.** This assumes \$150 million of Bonds are issued under the Offer and the total amount of other outstanding debt remains at \$699.4 million. The final size of the Offer will not impact on the combined amounts of liabilities that rank equally with the Bonds set out in the table above except where the proceeds of the Offer exceed \$140 million. In this case the "other unsubordinated and unsecured liabilities that rank equally with the Bonds" specified in the table above will decrease by the amount by which the Offer proceeds exceed \$140 million, as any amounts raised under the Offer above \$140 million are expected to be applied towards refinancing existing debt.

Limited Restrictions on CCHL incurring further indebtedness

At any time after the Issue Date, CCHL could create new security interests or further liabilities that rank equally with, or in priority to, the Bonds in the event of a liquidation of CCHL. These further liabilities could, for example, be a new series of bonds issued under the Trust Deed or a new borrowing facility with a bank.

In practice, however, CCHL's ability to create either new security interests or new liabilities is constrained by two mechanisms that CCHL has agreed with the Supervisor in the Trust Deed, being a negative pledge and certain financial covenants. These mechanisms are on the same terms as the corresponding covenants that CCHL has agreed to in its Existing Capital Markets Programme and its bank facility. The negative pledge is also on substantially the same terms as the negative pledge under the CIP loan facility (see below for further details):

- **Negative Pledge:**

CCHL has agreed that it will *not* create any security over its assets.

This negative pledge is subject to certain exclusions, including;

- security interests created with the Supervisor's consent; and
- security interests in respect of which the aggregate principal amount of indebtedness so secured by all security interests permitted under this exclusion does not exceed 5% of CCHL's Total Tangible Assets at that time.

More information on the negative pledge and further details of the exceptions to the negative pledge is contained in clause 16.3 of the Trust Deed.

- **Financial Covenants**

CCHL has agreed that, for so long as any bonds issued under the Trust Deed (including the Bonds) are outstanding, unless the Supervisor otherwise agrees in writing:

- its Total Liabilities will not exceed 60% of its Total Tangible Assets;
- the ratio of EBIT to Interest and Financing Costs will not be less than 1.5:1; and
- Shareholders' Funds will not be less than \$500 million.

More information on the financial covenants and how they are calculated is contained in clause 16.1 of the Trust Deed.

Other key covenants in the Trust Deed

The Trust Deed also contains a restriction on the ability of CCHL to dispose of its assets and a requirement that CCHL has a certain amount of uncalled capital issued to the Council.

Restrictions on disposals of assets

CCHL must not, and must procure that any Guaranteeing Group Member does not, dispose of any assets which would have a material adverse effect on CCHL or the Guaranteeing Group.

There are exceptions to this restriction including exceptions to permit:

- disposals in the ordinary course of business on arms-length commercial terms; and
- disposals where the book value of the assets to be disposed and all assets previously disposed of under this exception in the 12 months preceding the date of the relevant disposal, does not exceed 10% of the CCHL Group's Total Tangible Assets at the beginning of the period.

See clause 16.2(c) of the Trust Deed for further details of the applicable exceptions.

Uncalled Capital

As at the date of this PDS, the amount of Council uncalled capital was \$1.3 billion, and there were no loans made by CCHL to the Council.

CCHL must ensure that its Total Liabilities do not exceed the aggregate of:

- the amount that is uncalled and unpaid in respect of shares in CCHL that are legally and beneficially owned by the Council; and
- the principal amount of all loans made by CCHL to the Council that are repayable within seven days of demand by CCHL of repayment.

CCHL must, if requested by the Supervisor (acting on the instructions of an Extraordinary Resolution of Bondholders), call up or request payment of all or any part of such uncalled capital or loans. Any such request can only be made by the Supervisor after the occurrence of an Event of Default.

The uncalled capital has been effected by the Council and CCHL entering into various agreements under which the Council has subscribed for RPS's in CCHL. These shares have been issued and the Council is required to pay the amount called by CCHL when so called. Amounts paid by the Council are available to all creditors of CCHL.

More information on the uncalled capital covenant is contained in clauses 16.2(a)

and (b) of the Trust Deed.

No Guarantee as at the date of this PDS

As at the date of this PDS no-one guarantees CCHL's obligations to Bondholders. In particular, the Council has not guaranteed, and is not permitted under the Local Government Act 2002 to guarantee, CCHL's obligations.

Unless the Supervisor agrees otherwise, CCHL must ensure that each Material Subsidiary becomes a Guaranteeing Group Member (that is being a subsidiary that guarantees CCHL's obligations), except that no Operating Subsidiary is required to be a Guaranteeing Group Member. Given that the Operating Subsidiaries comprise the majority of the subsidiaries in the CCHL Group, in practice, it is likely that only a limited number of members of the CCHL Group may become guarantors in the future.

Under the Trust Deed, each Guaranteeing Group Member jointly and severally guarantees the payment of all amounts owing or payable to the Supervisor. There are no limits on the obligations of any Guaranteeing Group Member in respect of the amounts owing under the Guarantee. The obligations of the Guaranteeing Group Members under the Guarantee are unsecured. The negative pledge and the restrictions on disposals of assets provisions described above will apply to any Guaranteeing Group Members.

More information on the Guarantee is contained in clauses 11 and 13 of the Trust Deed.

Events of Default

The Events of Default are contained in clause 17 of the Trust Deed. They include a failure by CCHL to make a payment on the Bonds, a material misrepresentation by CCHL, a breach of the financial covenants set out in the Trust Deed and insolvency events that affect CCHL.

If an Event of Default occurs and is continuing, the Supervisor may, in its discretion, and must immediately upon being directed to do so by an Extraordinary Resolution of Bondholders, declare the Principal Amount and any accrued interest on the Bonds immediately due and payable. If this occurred, CCHL would be obliged to repay you the Principal Amount of your Bonds and any outstanding interest due on your Bonds. The Supplemental Trust Deed sets out how the amount of any outstanding interest would be calculated in such an event.

More information on the Events of Default is contained in clause 17 of the Trust Deed.



Other relevant information about the Trust Deed

The Trust Deed also contains a number of standard provisions, including in relation to:

- the role of the Supervisor and the powers and duties of the Supervisor;
- the process for replacement of the Supervisor;
- the right of the Supervisor to be indemnified;
- the payment of fees, expenses and other amounts owing to the Supervisor (including that amounts owing to the Supervisor are, on a default, paid from the proceeds of enforcement before payments to Bondholders);
- the holding of Bondholder meetings; and
- the process for amending the Trust Deed.

You should read the Trust Deed for further information.

CCHL's Existing Bonds and Other Debt

As at the date of this PDS, CCHL has issued bonds under its Existing Capital Markets Programme, and has borrowed from the Council. The face value of these total borrowings is \$589.5 million. These borrowings rank equally with the Bonds issued under the Trust Deed and are subject to the terms contained in CCHL's Existing Capital Markets Programme.

CCHL does not intend to issue further bonds under its Existing Capital Markets Programme.

CCHL also has an unsecured \$100 million bank facility from Bank of New Zealand and Westpac New Zealand Limited under which no amounts have been drawn down at the date of this PDS.

The Existing Capital Markets Programme and the bank facility each include a negative pledge, financial covenants and covenants in relation to restrictions on disposals of assets and uncalled capital. These covenants are on the same terms as the corresponding covenants described above

in respect of the Bonds.

CCHL has a loan facility of up to \$161.5 million from CIP of which \$127.3 million is drawn down as at the date of this PDS. While CCHL's loan from CIP is a secured loan, CCHL itself has not granted any security to CIP although it has given CIP a negative pledge covenant that is effectively on the same terms as the negative pledge described above in respect of the Bonds. Security has, instead, been granted by ESL and ENL to CIP as follows:

- ESL and ENL have provided a guarantee and indemnity to CIP;
- ESL has granted CIP a security interest over its shares in ENL and its rights under any agreement to be paid money by ENL;
- ENL has granted CIP a security interest over all its assets (which includes its network).

On a liquidation of CCHL, CCHL's obligation to repay these loans would rank equally with CCHL's obligations to its unsecured creditors.



7. CCHL Group's financial information

This table provides selected financial information about the CCHL Group. Full financial statements are available on the offer register at www.companiesoffice.govt.nz/disclose. The CCHL Group's financial performance and position is critical to CCHL's ability to meet its obligations, including those owed to you.

If you do not understand this sort of financial information, you can seek professional advice.

No members of the CCHL Group (other than CCHL) are guarantors of the Bonds.

CCHL's financial position is reliant on the receipt of on-going dividends from its Operating Subsidiaries. CCHL's credit-

worthiness is therefore dependent on the financial performance and position of the consolidated CCHL Group.

SELECTED FINANCIAL INFORMATION AND RATIOS (GROUP, \$ MILLIONS)			
Selected financial information and ratios	30 June 2015	30 June 2016	30 June 2017
Revenues	1,078.0	1,037.9	1,037.9
EBITDA ¹	331.3	215.6	334.1
Net profit after tax	132.3	38.8	116.4
Net cash flows from operating activities	152.2	118.1	229.2
Cash and cash equivalents	89.8	1.9	14.7
Total assets	3,301.0	3,418.4	3,632.9
Total debt ²	852.5	1,112.7	1,307.5
Total liabilities	1,372.6	1,605.0	1,802.9
Equity	1,928.4	1,813.4	1,830.0
Debt/EBITDA ¹	2.6	5.2	3.9
Debt/EBITDA is an indicator of the degree to which an entity has borrowed against earnings. The higher the number, the greater the risk that the entity will not be able to pay off its debts.			
Interest Expense	50.5	52.8	55.6
EBITDA/ Interest Expense	6.6	4.1	6.0
EBITDA/Interest Expense is a measure of the ability of an entity to pay interest on borrowings. The lower the number, the greater the risk that the entity will not be able to pay interest.			
Total tangible assets ³	3,241.5	3,364.9	3,576.3
Total net tangible assets ⁴	1,868.9	1,759.9	1,773.4

¹ The EBITDA in the table above is prepared in accordance with the Financial Market Conduct Regulations 2014, and differs from the EBITDA in CCHL's financial statements. The difference relates to the inclusion of impairment and interest income in the calculations required by the regulations above.

A material non-cash impairment was recognised by LPC in FY16. This impairment resulted in EBITDA (as calculated under the Financial Market Conduct Regulations 2014) for FY16 being reduced, which in turn increased the Debt/EBITDA ratio and reduced the EBITDA/Interest expense ratio for FY16.

² Debt includes total interest bearing liabilities and the non-interest bearing loan from CIP.

³ Being total assets less total intangible assets and goodwill as determined in accordance with GAAP.

⁴ Being total tangible assets less total liabilities determined in accordance with GAAP.

Financial information for ENL

ENL became a subsidiary controlled by ESL on 29 June 2016. The table below shows selected financial information for ENL for FY15. This is set out below because ENL was not consolidated as part of the CCHL Group’s financial statements prior to 29 June 2016.

SELECTED FINANCIAL INFORMATION	30 JUNE 2015 (\$ MILLIONS)
Revenues	8.5
EBITDA	(4.4)
Net profit after tax	(6.1)
Net cash flows from operating activities	(2.8)
Cash and cash equivalents	0.1
Total assets	147.1
Total debt	28.1
Total liabilities	100.1
Equity	47.0
Interest Expense	1.3



Financial position of the issuer (CCHL)

The following table shows the financial position of CCHL (parent) as at 30 June 2017. This financial information is relevant given that none of CCHL’s subsidiaries guarantee CCHL’s obligations to Bondholders. Accordingly, it is important that investors consider CCHL’s financial position on a standalone basis.

SELECTED FINANCIAL INFORMATION	AS AT 30 JUNE 2017 (\$ MILLIONS)
Total assets	2,877.5
Total tangible assets	2,877.5
Total liabilities	699.4
Total net tangible assets	2,178.1





8. Risks of investing

This section 8 describes potential risks associated with an investment in the Bonds. Investors should carefully consider these risk factors (together with the other information in this PDS) before deciding to invest in the Bonds.

This summary does not cover all of the risks of investing in the Bonds, and does not take account of the personal circumstances, financial position, or investment requirements of any particular investor. Investors should consider the suitability of this sort of investment in light of their own risk profiles, investment objectives, and personal circumstances before making any investment decision.

General Risks

Your investment in the Bonds is subject to the following general risks:

- A.** the risk that CCHL becomes insolvent and is unable to meet its obligations under the Bonds, including the obligation to pay interest on and repay the principal amount of the Bonds; and
- B.** if an investor wishes to sell the Bonds before maturity, the risk that the investor is unable to find a buyer or that the amount received is less than the principal amount paid for the Bonds.

This may occur because of factors related to CCHL's creditworthiness, or because of other factors. These other factors may include the following:

- The fact that a trading market for the Bonds never develops, or if it develops is not very liquid. Although permission is expected to be granted to quote the Bonds on the NZX Debt Market, this does not guarantee any trading market in the Bonds.
- The level, direction and volatility of market interest rates. For example, if market interest rates go up, the market value of the Bonds would typically be expected to go down and vice versa.
- The fact that Bondholders seeking to sell relatively small or relatively large amounts of Bonds may not be able to do so at prices comparable to those available to other Bondholders.

Specific risks relating to CCHL's creditworthiness

This section describes key risks to CCHL's on-going credit-worthiness, which are

based on an assessment of the probability of a risk occurring and the potential impact of the risk if it did occur. These risks are based on the knowledge and assessment of the directors and management as at the date of this PDS and it is possible that their relative importance may change (or other risks emerge) over time.

CCHL's holding company structure

Description of risk

CCHL is a holding company. CCHL's principal assets are the shares it holds in its Operating Subsidiaries. The CCHL Group's assets are held by the Operating Subsidiaries, not CCHL. The Operating Subsidiaries have their own boards and management teams and are run independently from CCHL. This structure creates the following risks for Bondholders.

- Operating Subsidiaries can incur their own debt and other financial obligations without CCHL's consent (unless the transaction is a "major transaction" for the purposes of the Companies Act 1993). Higher indebtedness may increase an Operating Subsidiary's financial risk and impact on the amount of dividend that it is able to pay to CCHL.
 - Operating Subsidiaries may need funding from time to time to carry out their respective business activities or to meet their liabilities and other obligations (which they may not be able to obtain from third parties). While CCHL may have no legal obligation to do so, CCHL may provide financial assistance (such as the provision of loans) to Operating Subsidiaries so long as it does not result in CCHL breaching its financial covenants. For example CCHL has entered into a loan agreement with CIP for a facility of up to \$161.5 million relating to the business of the Enable Group which is repayable in May 2021. It is intended that this loan will be repaid by CCHL by redeeming the RPS's that it holds in ESL. If ESL is not in a financial position to redeem such shares at the relevant time, CCHL will itself need to fund this liability to CIP.
 - CCHL's claim, as shareholder, on the assets of any Operating Subsidiary in a liquidation of that Operating Subsidiary effectively ranks last. It would rank behind the claims of any creditors of the Operating Subsidiaries (whether secured or unsecured), including the claims of an Operating Subsidiary's own lenders. CCHL may make loans to Operating Subsidiaries from time to time. As at the date of this PDS, CCHL has made loans on a subordinated basis to two Operating Subsidiaries (being loans to ESL and EcoCentral). In a liquidation of either of these Operating Subsidiaries, the relevant Operating Subsidiaries' secured and unsecured creditors would rank ahead of any claim by CCHL as a creditor.
- CCHL's revenue principally comes from a small number of Operating Subsidiaries:
 - CCHL principally derives its revenue from, and therefore its financial position is reliant on, the on-going receipt of dividend income from its Operating Subsidiaries, principally Orion and CIAL. In FY17, 86% (FY16 91%) of CCHL's dividend revenue came from these two subsidiaries. This is unlikely to change in the near future.
 - Orion, CIAL, LPC and Enable Group represent approximately 95% of the CCHL Group's asset base as at 30 June 2017. This relative concentration of CCHL's investment portfolio increases the likelihood that its financial position may be significantly affected by an adverse event affecting either Orion or CIAL – in particular, changes to regulated revenue settings, the emergence of disruptive technologies or other changes to customer demand patterns (leading to asset redundancy), and the risk of disruption from localised events.
 - In addition, although ESL does not currently pay a dividend to CCHL, its future financial position is important. This is because CCHL needs to repay its \$161.5 million interest-free loan from CIP in May 2021 and intends to do so by redeeming the RPS's that it holds in ESL.

CCHL's assessment of nature and potential magnitude of the risk

This risk is inherent to holding company structures. There is reliance on the adequacy of each Operating Subsidiary's internal governance and CCHL's on-going monitoring and ability to influence developments that it considers undesirable. The risk is considered material to CCHL given its reliance on Orion and CIAL for its total dividend income, and on ESL obtaining future external funding.

If dividend income from the Operating Subsidiaries were to reduce substantially, this could potentially put CCHL in breach of the interest cover ratio financial covenant that it has agreed with its financiers and which is included in the Trust Deed. This interest cover ratio is set at 1.5 times, and calculated as earnings before interest and tax (EBIT)/interest and financing costs. As at 30 June 2017, CCHL's interest cover ratio was 3.98 times. This equates to a buffer of approximately \$59 million of EBIT above the minimum covenant level.

Mitigation strategies

Apart from the formal shareholder approval required for any major transactions under the Companies Act, CCHL mitigates this risk through four key mechanisms:

- Letters of Expectation – sent by CCHL to each Operating Subsidiary each year, setting out CCHL's shareholder expectations for the subsidiaries' scope of activity and financial performance.
- Statements of Intent (SOI) – each Operating Subsidiary is a Council-controlled trading organisation under the Local Government Act 2002, so must produce an annual SOI setting out its operational and financial intentions. Although SOIs are adopted by each subsidiary without requiring formal CCHL approval, they provide CCHL with the opportunity to review the subsidiary's intentions and raise any matters of concern in advance.
- Routine monitoring – each Operating Subsidiary provides formal quarterly reporting to CCHL for review, including details of operational performance and capital spending, and progress against SOI targets. Full financial statements are required semi-annually for consolidated reporting purposes, with audited financial reporting required annually. 3 year business plans are also provided annually.
- Appointment of directors – CCHL selects and appoints all directors to its subsidiaries following approval by

Council, except for Orion and CIAL where the minority shareholders have certain appointment rights. In addition CCHL has the ability to remove its appointed Operating Subsidiary directors as it sees fit.

Due to the significance of Orion and CIAL to the CCHL Group, and CCHL's obligation to repay its loan from CIP relating to the Enable Group, the remaining risks focus primarily on Orion, CIAL and ESL. In particular the following risks focus on events that may impact on the dividend revenue that these Operating Subsidiaries may pay to CCHL, the financial position of those subsidiaries or the value of those businesses.

Regulated return risk**Description of risk**

A significant proportion of Orion and CIAL's services are based on assets for which economic returns are subject to economic regulation under the Commerce Act 1986. The purpose of regulation is to promote the long-term interests of consumers in markets where there is little or no competition. Its impact is effectively to cap the economic rate of return which the operator can earn on the regulated assets. In FY17, 84% of Orion's revenue and 48% of CIAL's revenue came from these services. Orion is subject to price-quality regulation, where price-quality paths for regulated suppliers are set by the Commerce Commission for up to five years. CIAL is subject to Information Disclosure regulation, where the Commission's focus is on monitoring airport performance and ensuring there is transparency in pricing decisions.

Orion's next price reset is due in FY20 for one year (which will be Orion's FY19 prices, minus Customised Price Path claw-back plus CPI), followed by a full five year revenue reset to apply for FY21 to FY25.

The Commission's review of CIAL's recent price setting disclosure (following CIAL's recent setting of standard aeronautical prices) is currently underway with a final report planned for August 2018.

The revenue earned by ENL (which derives its revenue by selling connections to retailer service providers, which charge the end user for using the fibre-optic network), is not currently regulated. However, there is a Bill due for its first reading in Parliament which proposes a new regulatory framework that will from 1 January 2020 introduce new telecommunications regulation. Under the Bill as currently drafted, ENL could become

subject to price-quality regulation from January 2023 if its responsible Minister considers it necessary.

CCHL's assessment of nature and potential magnitude of the risk

Regulatory changes could reduce the level of revenue received by each of Orion, CIAL and ESL (due to the effect on ENL) and therefore impact on the level of dividends that these Operating Subsidiaries are able to pay to CCHL in the future, and potentially reduce the value of those businesses. In the case of ESL, it could also impact on its ability to repay its loan from CCHL and redeem CCHL's RPS's when requested by CCHL. In this event, CCHL would need to borrow to fund the repayment of the CIP loan.

The extent of this regulatory risk is difficult to quantify without full details of any specific changes, however Orion and CIAL have operated successfully in this environment.

Mitigation strategies

To mitigate this risk Orion and CIAL each actively engage with the Commerce Commission, with the aim of maintaining long-term revenues which are predictable and financially sustainable. ENL has also been working extensively with MBIE as it designed the new proposed regulatory framework. The operational and investment plans of Orion, CIAL and ENL are also designed to provide sufficient operating and financial flexibility to react to potential future regulatory changes if and when they arise.

Localised infrastructure portfolio risk**Description of risk**

The CCHL Group owns specialised infrastructure and operating assets that are predominately located in Canterbury, meaning that these assets are vulnerable to localised events or events that have a localised effect, such as seismic events. This is particularly relevant to CIAL, LPC and the Enable Group. In addition, because the assets are specialised and cannot be used for other purposes, these companies are dependent on customer demand or uptake to make revenue and their assets could become redundant if there was a material decrease in demand or uptake.

Enable Group: The Enable Group is currently loss making as it funds the cost of the network build and customer connections. ENL is reliant on growing its customer base to generate sufficient revenue so that ESL can externally refinance its debt to CCHL and redeem

the RPS's held by CCHL. This will in turn enable CCHL to repay the CIP loan in 2021. Ongoing demand or new uptake for ENL's ultra-fast broadband network could be materially impacted by new technology or alternative solutions provided by competitors, such as improved wireless internet technology, which presents an asset redundancy risk for the Enable Group.

CIAL: CIAL is reliant on passenger numbers, retail spend, freight volumes and property lease revenues. In particular:

- Historically the aviation industry changes rapidly as it reacts to economic and market changes. This highlights the potential volatility of CIAL's aeronautical revenues over time as these revenues are driven by passenger movements. In FY17 aeronautical services revenues made up to 48% of CIAL's total revenue.
- CIAL's passenger numbers were impacted significantly following the 2010/11 earthquakes due mainly to the impact on tourism numbers coming to the region. If another localised event caused a drop in overall passenger numbers by up to between 7 and 8%, as was evidenced during the period of the earthquakes, this would result in a decrease in aeronautical revenues of around \$6 million to \$7 million or around 3% of total operating revenues.
- Should CIAL's ability to attract new or maintain existing tenants diminish then this could impact on CIAL's property lease revenues and overall financial performance. CIAL's property lease income is around 17% of its total operating revenues spread across 147 leases. In addition, a decrease in passenger spend rates at the retail facilities in the airport could impact on CIAL's property rental returns as some rentals are linked to tenant revenue.
- Approximately 35% of CIAL's total operating revenue is from terminal retail, parking and ground transport services. Should there be a decrease in passenger numbers and/or freight volumes at the airport, this revenue stream could also be impacted.

LPC: Following the 2010/2011 earthquakes, much of LPC's infrastructure needed to be repaired or rebuilt. The Lyttelton Port Recovery Plan allows LPC to progress this redevelopment.

Due to the lead time in constructing wharf infrastructure, LPC may be required to build additional infrastructure based on its current expectations of future

demand for its services, but the actual future demand may differ from such expectations. As a result, the returns to LPC from such investment may be less than expected which in turn could result in asset impairment and impact on the dividends LPC can pay to CCHL.

This is particularly relevant because LPC intends to carry out a substantial capital expenditure programme over the next 10 years. For example, the level of return from the new cruise berth that LPC intends to construct as part of its capital expenditure programme will impact on whether this leads to an impairment once constructed, which may also impact on the level of dividends that LPC is able to pay CCHL.

This risk is enhanced by the fact that LPC's contracts with shippers and shipping lines are not generally long term contracts meaning that there is no certainty of demand when port infrastructure is built. This also means that LPC is reliant on decisions made by shippers and shipping lines (which actively exercise their choices as they control freight flows). The throughput of cargo at Lyttelton port is impacted by these decisions, which has a direct impact on LPC's revenue.

CCHL's assessment of nature and potential magnitude of the risk

A decrease in customer demand for the services of one or more of Orion, CIAL, LPC and Enable Group could materially impact on their current business models, the dividends received by CCHL from these Operating Subsidiaries (or in the case of ESL, its ability to redeem the RPS's that CCHL holds in ESL) and the value of these businesses. CCHL could potentially breach its financial covenants if the financial impact was sufficiently large.

Orion and CIAL are the most relevant for CCHL, as they generate the majority of CCHL's dividend income and represent a significant portion of CCHL's asset value.

As CCHL's key infrastructure assets are predominately located in Canterbury, they are therefore at risk of further localised events. While the timing and magnitude of the impact of such events on each CCHL Group member could vary, such events are likely to impact on CCHL's dividend revenue, the value of its subsidiaries' businesses, and potentially a further downgrade to CCHL's credit rating.

However, while the 2010/2011 Canterbury earthquakes materially impacted on the businesses of Orion, CIAL and LPC the earthquakes had a positive impact on the financial position of Citycare and EcoCentral. This resulted in CCHL's

dividend revenue from Orion, CIAL and LPC dropping from \$45 million in 2010, to a low of \$36 million in 2013 but during the same period Citycare increased its dividends by \$4.4 million. As a result CCHL's dividend revenue only dropped in total by \$5 million.

CCHL's credit rating from S&P Global Ratings was impacted by the Canterbury earthquakes. In 2010 CCHL held a AA+ rating. Following the 2010/2011 earthquakes CCHL was subject to a series of downgrades, with its lowest downgrade being A+ negative outlook.

Mitigation strategies

To mitigate this risk, each Operating Subsidiary's operational and investment planning includes an assessment of the changing patterns of customer demand and the potential investments that could be made to ensure that these can continue to be met.

However, external events that impact on demand cannot be controlled by the CCHL Group, and reliance is placed on maintaining sufficient financial headroom and operational flexibility to be able to react to such events as they occur by adjusting operating costs and investment plans, and where it is able to do so, resetting its pricing.

The CCHL Group has sought to mitigate the impact of natural disasters on its assets through significant investment to improve the resilience and robustness of the key infrastructure assets, and the implementation and maintenance of business recovery plans and insurance coverage. There is no assurance that such arrangements will fully protect CCHL from such risks.

9. Tax

If you are tax resident in New Zealand or otherwise receive payments of interest on the Bonds that are subject to the resident withholding tax rules, resident withholding tax (**RWT**) will be deducted from the interest payable to you under the Bonds, unless you provide CCHL with a valid certificate of exemption on or before the record date for the relevant payment. CCHL will deduct RWT at the default rate prescribed by law, unless you provide it with evidence that another rate applies to you.

If you are not a tax resident in New Zealand and the interest you receive is subject to the non-resident withholding tax rules you will have non-resident withholding tax deducted from interest that is payable under the Bonds. However, if CCHL is lawfully able to do so, it (or the Securities Registrar on its behalf) will, in

lieu of deducting non-resident withholding tax, pay the approved issuer levy in respect of interest that is payable under your Bonds and deduct and retain from your interest payments an amount equal to the amount of any approved issuer levy so paid. You may by notification to CCHL elect that non-resident withholding tax be deducted from your interest payments instead of the approved issuer levy.

If the approved issuer levy regime applies, CCHL will:

- if possible, apply the zero rate of approved issuer levy; and
- otherwise, pay approved issuer levy at the applicable rate.

The amount of any approved issuer levy paid will be deducted from payments to you.

If, in respect of any of your Bonds, CCHL becomes liable to make any payment of,

or on account of, tax payable by you, then you will be required to indemnify CCHL in respect of such liability. Any amounts paid by CCHL in relation to any such liability may be recovered from you by withholding the amount from further payments to you in respect of the Bonds. See clause 10 of the Trust Deed for further details.

There may be other tax consequences from acquiring or disposing of the Bonds.

The above generalised summary is based on the taxation laws in force in New Zealand as at the date of this PDS. Future changes to these or other laws may affect the tax consequences of an investment in the Bonds.

If you have any queries relating to the tax consequences of the investment, you should obtain professional advice on those consequences.

10. Selling restrictions

This PDS constitutes an offer of Bonds to institutional investors and members of the public who are resident in New Zealand and certain overseas institutional investors only.

CCHL has not taken and will not take any action which would permit a public offering of Bonds, or possession or distribution of any offering material in respect of the Bonds, in any country or jurisdiction where action for that purpose is required (other than New Zealand).

The Bonds may only be offered for sale or sold in a jurisdiction other than New Zealand in compliance with all applicable laws and regulations in any jurisdiction in which they are offered, sold or delivered.

Any information memorandum, disclosure statement, circular, advertisement or other offering material in respect of the Bonds may only be published, delivered or distributed in compliance with all applicable laws and regulations (including those of the country or jurisdiction in which the material is

published, delivered or distributed).

There are specific selling restrictions that apply to an offer of the Bonds in the United States of America, European Economic Area, Switzerland, the United Kingdom, Australia, Hong Kong, Japan, Singapore and Korea. These selling restrictions do not apply to an offer of the Bonds in New Zealand.

A copy of these selling restrictions can be found on the Disclose Register.

These selling restrictions may be modified or added to by CCHL and the Joint Lead Managers, including following a change in a relevant law, regulation or directive. Persons into whose hands this PDS comes are, and each Bondholder is, required by CCHL and the Joint Lead Managers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Bonds or have in their possession or distribute such offering material, in all cases at their own expense.

Indemnity

By subscribing for or otherwise acquiring any Bonds, you agree to indemnify, among others, CCHL, the Supervisor, the Arranger and the Joint Lead Managers and their respective directors, officers, employees and agents in respect of any loss, cost, liability or damages suffered as a result of any breach by you of the selling restrictions referred to in this section.



11. Who is involved?

	NAME	ROLE
Issuer	Christchurch City Holdings Limited	CCHL is the issuer of the Bonds and is responsible to you for repayment of the Bonds.
Supervisor	Public Trust	Holds certain covenants on trust for the benefit of the Bondholders, including the right to enforce CCHL's obligations under the Bonds.
Organising Participant	Westpac Banking Corporation (ABN 33 007 457 141) (acting through its New Zealand branch)	Responsible to the NZX in relation to the quotation of the Bonds.
Arranger	Westpac Banking Corporation (ABN 33 007 457 141) (acting through its New Zealand branch)	Provides advice and assistance to CCHL with arranging the Offer.
Joint Lead Managers	ANZ Bank New Zealand Limited and Westpac Banking Corporation (ABN 33 007 457 141) (acting through its New Zealand branch)	Provide advice and assistance to CCHL with the marketing and distribution of the Offer.
Financial Adviser	Northington Partners	Provides financial advisory services to CCHL in respect of the Offer.
Securities Registrar	Computershare Investor Services Limited	Maintains register of Bondholders.
Solicitors to Issuer	Chapman Tripp	Provides legal advice to CCHL in respect of the Offer.
Solicitors to Supervisor	Kensington Swan	Provides legal advice to the Supervisor in respect of the Offer.

12. How to complain

Complaints about the Bonds can be made to any one or more of the following:

Christchurch City Holdings Limited at
Level 2, 77 Hereford Street
Christchurch 8011
New Zealand

Phone +64 3 941 8475

The Supervisor at
Level 9, 34 Shortland Street
Auckland 1010
New Zealand

Phone 0800 371 471

The Supervisor is a member of an external, independent dispute resolution scheme operated by Financial Services Complaints Limited (FSCL) and approved by the Ministry of Consumer Affairs. If the Supervisor has not been able to resolve your issue, you can refer the matter to FSCL by emailing complaints@fscl.org.nz, or calling FSCL on 0800 347 257, or by completing the complaints form online at www.fscl.org.nz/complaints/complaint-form, or by writing to FSCL at PO Box, 5967, Wellington 6145 or by contacting the Early Assistance Officer, Financial Services Complaints Limited, Level 4, 101 Lambton Quay, Wellington 6011.

The scheme will not charge a fee to any complainant to investigate or resolve a complaint.

Complaints may be made to the Financial Markets Authority through their website www.fma.govt.nz.

13. Where you can find more information

Further information relating to CCHL and the Bonds is available on the online offer register maintained by the Companies Office known as 'Disclose'. The offer register can be accessed at www.companiesoffice.govt.nz/disclose. A copy of the information on that register is also available on request to the Registrar of Financial Service Providers (email: registrar@fspr.govt.nz).

The information contained on the Disclose Register includes financial

information relating to the CCHL Group, a copy of the Trust Deed, the Supplemental Trust Deed, a credit rating report from S&P Global Ratings in relation to CCHL, material contracts and other material information.

You are entitled to request from CCHL at any time:

- a copy of the most recently completed financial statements of the CCHL Group;
- a copy of the current Statement of

Intent for CCHL and each Operating Subsidiary;

- a copy of CCHL's and each Operating Subsidiary's most recent annual report;
- a copy of the Trust Deed and any Supplemental Trust Deed.

The first three of these are available on CCHL's website, www.cchl.co.nz.

Requests must be made in writing to the Chief Executive using the contact details set out in section 15 (*Contact information*).

14. How to apply

The Offer will be open to institutional investors and members of the public who are resident in New Zealand and certain overseas institutional investors.

There will be no public pool for the Bonds. All of the Bonds offered under the Offer (including any oversubscriptions) have been reserved for subscription by clients of the Joint Lead Managers, and other approved financial intermediaries,

invited to participate in the Bookbuild conducted by the Joint Lead Managers.

This means that if you want to apply for Bonds you must contact a Primary Market Participant or approved financial intermediary who has obtained an allocation. You can find a Primary Market Participant by visiting www.nzx.com/investing/find-a-participant.

The Primary Market Participant or approved financial intermediary will:

- provide you with a copy of this PDS (if you have not already received a copy);
- explain what you need to do to apply for Bonds; and
- explain what payments need to be made by you (and by when).

15. Contact information

ISSUER	CHRISTCHURCH CITY HOLDINGS LIMITED
Address:	Level 2, 77 Hereford Street Christchurch 8011, New Zealand
Telephone number:	+64 3 941 8475
SECURITIES REGISTRAR	COMPUTERSHARE INVESTOR SERVICES LIMITED
Address:	Level 2, 159 Hurstmere Road Takapuna, Auckland 0622, New Zealand
Telephone number:	+64 9 488 8777

Definitions

\$	NZ dollars	Extraordinary Resolution	A resolution approved by Bondholders holding not less than 75% of the aggregate Principal Amount of the Bonds who are entitled to vote and who vote on the resolution
Arranger	Westpac Banking Corporation (ABN 33 007 457 141) (acting through its New Zealand branch)	First Interest Payment Date	6 June 2018
Bookbuild	The process expected to take place on 29 November 2017 whereby certain parties lodge bids for Bonds and, on the basis of those bids, CCHL and the Joint Lead Managers determine the margin	FYXX	The financial year ended 30 June 20XX when used in relation to each member of the CCHL Group other than Orion in which case that term means the year ended 31 March 20XX
Bondholder or you	A person whose name is entered in the Register as a holder of a Bond	Guarantee	Is described in section 6, and means the guarantee contained in the Trust Deed that has been entered into by any guarantors (from time to time) in favour of the Supervisor
Bonds	The bonds constituted and issued pursuant to the Trust Deed and offered pursuant to this PDS	Guaranteeing Group Member	Each person that becomes a Guaranteeing Group Member under the Trust Deed from time to time. As at the date of this PDS, there are no Guaranteeing Group Members other than CCHL
Business Day	A day (other than a Saturday or Sunday) on which registered banks are generally open for business in Christchurch, Auckland and Wellington except that in the context of the Listing Rules it means a day on which the NZX Debt Market is open for trading	Interest and Financing Costs	In relation to the description of the financial covenants in section 6, has the meaning given to that term in the Trust Deed
CCHL	Christchurch City Holdings Limited, NZ company number 613388	Interest Payment Dates	6 June and 6 December, in each year (or if that day is not a Business Day, the next Business Day) until and including the Maturity Date, with the First Interest Payment Date being 6 June 2018
CCHL's Existing Bonds	The bonds issued by CCHL as at the date of this PDS under its Existing Capital Markets Programme	Interest Rate	The rate of interest per annum payable on the Principal Amount of the Bonds as announced by CCHL via NZX on or about the Rate Set Date
CCHL Group	CCHL and its subsidiaries	IRD	The NZ Inland Revenue Department
CIP	Crown Infrastructure Partners Limited (previously called Crown Fibre Holdings Limited), NZ company number 2346751	Issue Date	6 December 2017
CIAL	Christchurch International Airport Limited, NZ company number 376068	Joint Lead Managers	ANZ Bank New Zealand Limited and Westpac Banking Corporation (ABN 33 007 457 141) (acting through its New Zealand branch)
Citycare	City Care Limited, NZ company number 808897	Listing Rules	The NZX Main Board/Debt Market listing rules as amended from time to time
Closing Date	2pm, 29 November 2017	LPC	Lyttelton Port Company Limited, NZ company number 408061
Connetics	Connetics Limited, NZ company number 451142	Material Subsidiary (this definition relates to the Guarantee)	A subsidiary which is directly or indirectly wholly owned by CCHL, but excluding any subsidiary in respect of which both: (a) the EBIT for the subsidiary, is not greater than 1%, of the consolidated EBIT of the CCHL Group; and (b) the Total Tangible Assets of the subsidiary represent not more than 1% of the CCHL Group's Total Tangible Assets
Council	Christchurch City Council	Maturity Date	6 December 2022
DCL	Development Christchurch Limited, NZ company number 2082194	NPAT	Net profit after tax
Disclose Register	Means the online offer register maintained by the Companies Office known as 'Disclose'	NZ	New Zealand
EBIT	In relation to the description of the financial covenants in section 6, has the meaning given to that term in the Trust Deed	NZX	NZX Limited
EcoCentral	EcoCentral Limited, NZ company number 2146394	Offer	The offer of Bonds made by CCHL under this PDS
Enable Group	ESL and ENL	Opening Date	27 November 2017
ENL	Enable Networks Limited, NZ company number 3406812		
ESL	Enable Services Limited, NZ company number 1307400		
Events of Default	In relation to the Bonds, means each event set out in clause 17.1 of the Trust Deed		
Existing Capital Markets Programme	The capital markets programme of CCHL under which bonds and commercial paper were issued by CCHL prior to the date of this PDS		



Operating Subsidiary	Each of Orion, CIAL, LPC, ESL, ENL, Citycare, Red Bus, EcoCentral, DCL and Connetics and any other subsidiary that has as its principal activities the ownership or operation of infrastructure or utilities assets or other activities that are or would be considered operations or functions typically conducted or undertaken by the Council
Orion	Orion New Zealand Limited, NZ company number 404935
PDS	This product disclosure statement for the Offer dated 16 November 2017
Primary Market Participant	Has the meaning given to that term in the Listing Rules
Principal Amount	\$1.00 per Bond
Rate Set Date	29 November 2017
Red Bus	Red Bus Limited, NZ company number 512988
Register	The register in respect of the Bonds maintained by the Securities Registrar
Securities Registrar	Computershare Investor Services Limited
Shareholders Funds	In relation to the description of the financial covenants in section 6, has the meaning given to that term in the Trust Deed
Supervisor	Public Trust or such other supervisor as may hold office as supervisor under the Trust Deed from time to time

Supplemental Trust Deed	The Supplemental Trust Deed dated 15 November 2017 between CCHL and the Supervisor constituting and setting out the conditions of the Bonds (as amended or supplemented from time to time)
Swap Rate	The semi-annual mid-market swap rate for an interest rate swap of a term and start date matching the period from the Issue Date to the Maturity Date as calculated by the Joint Lead Managers in accordance with market convention with reference to Reuters page ICAPKIWISWAP1 on the Rate Set Date and expressed on a semi-annual basis, rounded to 2 decimal places, if necessary with 0.005 being rounded up
Total Liabilities	In relation to the description of the financial covenants in section 6, has the meaning given to that term in the Trust Deed
Total Tangible Assets	In relation to the description of the financial covenants, negative pledge and guarantee in section 6, has the meaning given to that term in the Trust Deed
Trust Deed	The Master Trust Deed dated 15 November 2017 between CCHL and the Supervisor pursuant to which certain bonds may be issued (as amended or supplemented from time to time), and where the context requires, includes the Supplemental Trust Deed

