7. CHRISTCHURCH CITY HOLDINGS LIMITED STATEMENT OF CORPORATE INTENT

RR 8099

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Corporate Plan Output: Trading Activities Monitoring	

Christchurch City Holdings Limited is pleased to submit for approval by the Council a draft Statement of Corporate Intent ("SCI") for the year commencing 1 July 1998 (attached).

The Committee's attention is drawn to the following matters:

- The 1997/98 consolidated and parent company results have not yet been completed, and the figures contained in the SCI represent current best estimates. They will be updated prior to finalisation of the SCI.

- Similarly, final details are still awaited from Lyttelton Port Company Limited regarding details of the valuation of its assets. Again these will be inserted prior to finalisation of the SCI.

- In the meantime, 1997 figures have been used in respect of the above where no current information is available.

- The 1997/98 group result is boosted by a one-off capital receipt by Southpower's subsidiary, Enerco, of $13 million from Natural Gas Corporation Limited.

- The parent company result reflects the receipt of a special $15 million dividend from Lyttelton Port Company Limited, and a $9 million special dividend from Southpower (representing an advance payment on the capital repatriation referred to below). The former dividend has been paid on to the Council in the same year, whereas the latter will be returned to the Council in the 1998/99 year as part of the overall repatriation.

- While a capital repatriation of $131 million has been agreed with Southpower, the precise method by which the balance of it will be achieved and the way in which it will be remitted to the Council have not yet been finalised. For the purposes of the budgeted parent company figures and ratios, it has been assumed that it will be done by a combination of repayment of the mandatory convertible notes and a return of share capital, and that the transfer of funds from CCHL to the Council will be achieved by a return of share capital.

- The planned capital repatriation has a significant impact on CCHL's budgeted financial ratios.

- There is the potential for significant variation in the 1998/99 result depending on nature and extent of any actions taken by Southpower as a result of the recent passing of the Electricity Industry Reform Act, which requires the separation and eventual divestment of either its lines or retail business.

- The budget for 1998/99 assumes a revaluation of CCHL's investment in the Southpower group. Again the quantum of this revaluation, and its consequent impact on CCHL's financial ratios, will be significantly affected by the matters noted above.

- The budgeted dividend from CCHL to the Council for 1998/99 is $17 million (excluding any special payments arising from the Southpower capital repatriation). This includes a $4.8 million dividend out of reserves which have accumulated over previous years. This is a continuation of CCHL's policy of smoothing returns to the Council. No further payments out of reserves have been budgeted, although CCHL is continuing its policy of retaining approximately $3 million in reserve as a buffer against fluctuating income.

- For the purposes of the budgeted 1998/99 dividend from CCHL to the Council referred to above, any proceeds from the Southpower capital repatriation (including the $9 million advance payment declared as a dividend from Southpower for the 1997/98 year) have been excluded, as these will be dealt with separately once arrangements have been finalised.

At the request of the Committee, the Company Secretary, Bob Lineham, will make a brief presentation to the present meeting, outlining the key features of this year's results.

Recommendation: That the draft Statement of Corporate Intent for CCHL be approved subject to the following additional objective being included:

- Taking other initiatives at the request of the Council.