

## 9. REPORT FROM CHRISTCHURCH CITY HOLDINGS LIMITED RR 10090

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Corporate Plan Output: Trading activities monitoring	

The purpose of this report is to provide information to the Council on recent activities of Christchurch City Holdings Limited ('CCHL'), and to make recommendations on certain matters arising.

### 1. CCHL PARENT COMPANY

#### 1.1 Statement of Corporate Intent

Circulated with this report is a draft Statement of Corporate Intent for CCHL. Generally, the format is similar to previous years, except for the following:

- As CCHL's role has developed, the Board considered it appropriate this year to update the stated objectives of the company. A new mission statement has also been introduced.
- The Statement of Service Performance has been significantly expanded to introduce a range of non-financial performance measures in addition to the existing financial targets.

**Recommendation:** That the attached SCI be approved by the Council.

#### 1.2 Standard & Poor's credit rating

Standard & Poor's have completed their periodic review of the Council's and CCHL's credit rating, and re-affirmed the long term 'AA' and short term A-1+ ratings, with a stable outlook.

#### 1.3 Valuation of shares in CCHL and subsidiaries

A report commissioned from Ernst & Young has valued the Council's shares in CCHL at just over \$1 billion, reflecting the increase in value of its subsidiary companies.

The following table summarises the values attributed to the individual subsidiaries, compared with their book value as at 30 June 1998:

CCHL's holdings in the subsidiary companies have also been separately valued, and the new valuations will be reflected in CCHL's annual report for the year ended 30 June 1999. This will result in a significant increase in shareholders' equity.

#### **1.4 Bond issue and financing arrangements**

CCHL will be re-financing its current debt in August with the issue of \$100 million of new bonds and \$20 million of commercial paper, under a \$350 million debt programme.

As separately reported to the Council in June, it is intended that CCHL will become the funding entity for the Council, issuing further bonds and commercial paper to on-lend to the Council as required.

Lending from CCHL to the Council will be secured by the issuance of uncalled capital, in the form of redeemable preference shares to match the Council's borrowing levels. Arrangements to put this in place are being finalised, in accordance with authority delegated to Council staff in June. While an earlier report from the Director of Finance advised that a debenture would also be put in place, this is now considered unnecessary.

Each loan amount will be separately documented under a general loan agreement between the Council and CCHL.

#### **1.5 Second interim dividend**

The CCHL Board has approved the payment of a second interim dividend to the Council of \$4.5 million, bringing total dividends paid in respect of the year ended 30 June 1999 to \$19.5 million.

A final dividend of \$0.55 million is expected to be paid on completion of the annual report. This will provide the Council with the amount originally budgeted of \$17.05 million, plus an additional \$3 million requested by the Council part way through the year to compensate for the late payment of capital repatriation funds.

## **2. ORION**

### **Annual Report**

The annual reports for Orion Group Limited and Orion New Zealand Limited were recently published. Key features of the results of Orion New Zealand Limited (the operating company) include:

- A post-tax audited result of \$144.2 million, including one-off net gains on the disposal of the electricity and gas retail operations;
- A net surplus, after adjusting for all abnormal items, of \$31.3 million, compared with \$30.2 million in the previous year;
- Special dividends paid of \$66 million, as part of the planned capital repatriation of \$150 million;
- Affirmation of the intention to return a further \$70 million of capital to shareholders, subject to satisfactory binding rulings from the Inland Revenue Department

A detailed commentary is provided in the Chairman's and Chief Executive's reviews in the Orion New Zealand annual report.

### 3. CHRISTCHURCH INTERNATIONAL AIRPORT LIMITED

#### **Crown Shares**

Further to earlier reports regarding the Council's strategy in relation to the possible sale by the Crown of its 25% shareholding in Christchurch International Airport Limited, significant progress was made in negotiations with the Crown and Ngai Tahu. This culminated in the Treasury agreeing to place the matter before three Ministers of the Crown for initial approval prior to submission to Cabinet.

It was therefore disappointing to be advised that the Ministers were not prepared to progress the matter prior to the election.

The Treasury officials were complimentary of the way in which CCHL and its advisers, Cameron & Co and ABN Amro, had approached the negotiations, and were keen to reactivate the process in the new year, depending on the outcome of the elections.

### 4. LYTTTELTON PORT COMPANY LIMITED

#### **Statement of Corporate Intent**

Circulated with this agenda is the draft Statement of Corporate Intent for Lyttelton Port Company ('LPC'), as required by that company's constitution. CCHL has discussed this, and LPC's underlying business issues, in detail with the LPC Board. While the content of the SCI is somewhat limited by legal and commercial constraints, it is consistent with previous years and CCHL recommends that it be approved by the Council.

**Recommendation:** That the attached SCI be approved by the Council.

5. **REDBUS LIMITED**

**Quarterly Report**

In accordance with revised reporting requirements, Redbus forwarded quarterly results for the three months ended 31 March 1999. These indicated a solid operating performance, although net profits were lower than last year due primarily to abnormal gains on the sale of assets in the prior year.

6. **SELWYN PLANTATION BOARD LIMITED**

**Annual Report**

Selwyn Plantation Board Limited ('SPBL') has completed its annual report for the year ended 31 March 1999, and this was approved at the Annual General meeting on 27 July.

The report shows the effect on SPBL of the cyclical downturn in the forestry industry, with reduced harvest levels and revenues. Nevertheless, the unharvested stands continue to grow and add to shareholder value, and management are continuing to pursue value-adding initiatives.