10. REPORT FROM CHRISTCHURCH CITY HOLDINGS LIMITED RR 10891

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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 any matters arising.

1. **CCHL PARENT COMPANY**

1.1 Annual Report – Year Ended 30 June 1999

The audit of CCHL's consolidated and parent company accounts for the year ended 30 June 1999 is now complete.

The consolidated net profit after tax for the 1998/99 year was $146.3 million. This result includes one-off gains in the Orion group of $112.9 million, principally arising from the divestment of its electricity and gas retailing operations. The adjusted profit of $33.4 million from continuing operations compares favourably with the previous year's adjusted result of $29.8 million ($41.2 million after abnormal gains).

The parent company's net profit after tax of $91.0 million was significantly boosted by the payment of a special dividend by Orion Group Limited, forming part of its previously-announced capital repatriation to shareholders. CCHL's share of this special dividend was $57.8 million. CCHL also received improved dividends from the other subsidiary companies, including a special $1 million dividend from Red Bus Limited.

The company also benefited from a low interest rate environment during the year, with financing costs reducing from $11.0 million last year to $7.3 million.

CCHL has declared total dividends for the year of $50.05 million, payable to its shareholder Christchurch City Council. This includes a $30 million special dividend paid from the proceeds of a special dividend received from Orion as part of its capital repatriation to shareholders.

1.2 Re-financing

At balance date, CCHL had $120 million of debt outstanding. Of this, $44 million was in the form of bonds that matured on 2 July 1999, and the balance of $76 million in the form of commercial paper issued under a Note Issuance Facility.

Since balance date, CCHL has issued $100 million of new bonds, in two tranches of $50 million each and with an average coupon rate of around 7%. One tranche matures after three years and the other after seven. It was not necessary for CCHL to re-finance the entire $120 million outstanding at balance date, as it was able to utilise large temporary holdings of cash to reduce debt on an interim basis. However, when the repatriation of capital from CCHL to the Council takes place later in this financial year, CCHL's borrowings are forecast to increase to $120 million again.

Total borrowing by CCHL is supported by the issuance of uncalled capital, in the form of redeemable preference shares to match the future borrowing programme in accordance with authority delegated to Council staff in June.

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. Some legal issues to allow this are currently being addressed.

2. CHRISTCHURCH INTERNATIONAL AIRPORT LIMITED

2.1 Annual Report

The company had a successful year, significantly exceeding forecasts made at the beginning of the period. Net profit after tax was $12.2 million, up 11.3% from the previous year. This pleasing result was based on a 6.5% increase in international passenger numbers, and the increasing significance of revenue from the company's property and other commercial activities.

2.2 Directors

At the company's AGM on 4 October, Messrs Leeming, Mann, and O'Rourke retired by rotation, and were duly re-elected. Mr Syd Bradley was appointed as a new director, as previously approved by the Council. The two Crown appointees, Mrs S Sheldon and Mr I Jamieson, retired, and were replaced by Mr Barry Thomas and Mr David Lyall.

The company has declared a final dividend of 7.2 cents per share making a total dividend for CCHL for the year of $5.44 million.

3. **LYTTELTON PORT COMPANY LIMITED**

3.1 **Annual Report**

The company recorded a satisfactory trading result, buoyed in particular by improved volumes in containers, coal and imported vehicles. The company was successful in controlling costs, and the net profit after taxation of $13.2 million was a 2% increase over the previous year. This improvement was achieved despite an increase in interest costs arising from additional borrowing.

The company has declared a final dividend of 4.55 cents per share making a total dividend payable to CCHL for the year of $4.86 million.

The company's annual meeting has been set down for Friday 8 October 1999. At this meeting Susan MacCormack will replace Mr Oscar Alpers who has resigned as a Director. Her appointment was approved by the Council in early 1999.

4. **REDBUS LIMITED**

Annual Report

The company recorded a net profit after tax of $2.5 million, up 45% on the previous year, including an unrealised gain on revaluation of the bus fleet of $1 million. Even after adjusting for this and other one-off items, the result is considered very satisfactory, given that the 1998 result also included significant one-off gains on the sale of surplus vehicles and of the Diesel Service Centre to Blackwells.

The company has declared total dividends of $1.7 million for the year including a special dividend of $1 million.

5. **SELWYN PLANTATION BOARD LIMITED**

No specific matters to report.

Recommendation: That the information be received.