

## 7. CHRISTCHURCH CITY HOLDINGS LIMITED - STATEMENTS OF INTENT FOR SUBSIDIARY COMPANIES



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<b>Officer responsible:</b>	As above
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### PURPOSE OF REPORT

1. The purpose of this report is to seek the approval of the Council of draft Statements of Intent received from Council subsidiary companies Christchurch City Facilities Ltd ('CCFL') and Jade Stadium Ltd ('JSL'), and CCHL associate company Selwyn Plantation Board Ltd ('SPBL'), and to briefly comment on their year to date results.
2. The Sols of Lyttelton Port Company Ltd and Transwaste Canterbury Ltd will be presented to the Council for approval at a later meeting.

### EXECUTIVE SUMMARY

#### Statements of Intent

3. The Council's subsidiary companies are required by statute to submit an annual Statement of Intent ('Sol') to their shareholders. An Sol must set out the entity's objectives and performance measures, as well as certain other information, and must be approved by the shareholder.
4. CCHL is required by the terms of its own constitution to forward the Sols of the trading companies to the Council for final approval. CCHL has, however, performed an initial review of these documents.
5. The draft Sols of all the above companies are attached.

### RECOMMENDATIONS

It is recommended:

1. That the Council approve the draft Sols of Christchurch City Facilities Ltd, Jade Stadium Ltd and Selwyn Plantation Board Ltd
2. That CCHL be authorised to approve any subsequent minor changes to these Sols arising from the business planning and budgeting processes of the subsidiary companies (any major changes will be brought back to the Council for approval).

## BACKGROUND ON CHRISTCHURCH CITY HOLDINGS LIMITED - STATEMENTS OF INTENT FOR SUBSIDIARY COMPANIES

6. The Local Government Act 2002 has imposed the following reporting and approval process for draft Sols. Schedule 8 of the Act provides:

**“2. Statements of Intent for council-controlled organisations**

*The board of a council-controlled organisation must deliver to its shareholders a draft statement of intent on or before 1 March each year.*

**3. Completion of Statements of Intent**

*The board must:*

- (a) *Consider any comments on the draft statement of intent that are made to it within 2 months of 1 March by the shareholders or by any of them; and*
- (b) *Deliver the completed statement of intent to the shareholders on or before 30 June each year.”*

7. Because of the timing requirements of the Act, only those CCTOs with March balance dates had completed their business planning and financial forecasts by the time they were required to submit their draft Sol. There is therefore a possibility that some CCTOs may seek to make changes to their draft Sol after they have been submitted to the Council but before the final Sol has been formally delivered to the shareholder.
8. If changes are made, and are considered to be material to the Council as ultimate shareholder, they will be brought back to the Council for further approval. If the changes are minor, it is recommended that CCHL be authorised to approve them.

## CHRISTCHURCH CITY FACILITIES LTD STATEMENT OF INTENT

9. The format of the CCFL Sol has changed to reflect the increasing integration of its operations with sister company JSL. The main changes are:
- Page 4 Amended introduction, and removal of an objective that is no longer applicable (to oversee the operations of NCC (New Zealand Ltd)).
- Page 5 New section on ownership, governance and management.
- Page 7 New section on nature and scope of activities.
- Page 8 Reference to the adoption of international financial reporting standards from the 2007 financial year onwards. The resulting revaluation of land and buildings will lead to higher depreciation charges and higher non-cash deficits than previously forecast.
- Page 9 Some new performance targets in respect of cultural event days, food and beverage spend per capita, occupancy percentages and event days.
10. Reference is made on page 11 to a valuation recently undertaken of the Council's investment in CCFL and its subsidiary companies (including Jet Engine Facility Ltd). The independently assessed fair value of the shares as at 30 June 2005 is \$92 million.
11. CCFL has had a successful half year to 31 December 2005, with revenues broadly consistent with the previous year (itself an exceptionally good year), although the large numbers of concerts held in the third quarter of the previous financial year were not repeated this year.

#### **JADE STADIUM LTD STATEMENT OF INTENT**

12. As noted above, the format of the JSL Sol has been amended in a manner consistent with CCFL's. The main changes are:
- Page 5 New section on ownership, governance and management.
  - Page 7 New section on nature and scope of activities.
  - Page 9 New performance targets include completion of feasibility and business case planning for redevelopment/expansion of east side stands, development of business plan for future cricket fixtures in Christchurch, winding up of Victory park Board by June 2007 and the securing of profitable and secure long term access agreements with the two anchor tenants CRFU and CCA.
13. The company has continued to operate successfully in the year to date, with revenue consistent with the previous year and a reduction in interest and depreciation costs. However, last year's result was significantly boosted by the All Blacks v Lions test in June 2005, and the full year is unlikely to match the overall result for the 2005 financial year.

#### **SELWYN PLANTATION BOARD LTD STATEMENT OF INTENT**

14. The main changes of significance in the Sol compared with the previous year are:
- Page 3 Updated paragraph included under "Nature and scope of activities" regarding the planned conversion of plains land to a form of pasture and/or cropping, and to allow for land disposal.
  - Page 3 New performance objectives to convert 800 hectares of land in 2006/07 and 400 in the following year.
15. Forestry trading conditions continue to be difficult, particularly as SPBL is only harvesting its plains forests (in line with its overall land conversion strategy) which yield lower grade and value logs. This, coupled with the high NZ/US exchange rate, high shipping rates and oversupplied log markets, has had a negative impact on revenues and profits. On the other hand, the land conversion process is going very well, with over 700 hectares in various stages of conversion.
16. As noted in CCHL's own Sol, the investment by CCHL in SPBL is not regarded as strategic, and options for divestment are being explored.