4. REPORT FROM CHRISTCHURCH CITY HOLDINGS LIMITED

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The purpose of this report is to provide information to the Council on recent activities of the Christchurch City Holdings Limited ('CCHL') group.

CHRISTCHURCH CITY HOLDINGS LTD ANNUAL REPORT

The annual report of CCHL for the year ended 30 June 2002 is tabled.

The consolidated net profit after tax was $49.2 million, compared with $232.4 million in the preceding year (the latter figure includes a gain on sale of Orion's North Island gas interests). Each of the subsidiary and associated companies performed well during the year, often in the face of difficult trading conditions. The results of these companies have been reported upon separately, both in this and previous reports.

The parent company's net profit after tax was $48.8 million (2001: $27.1 million). The principal reason for the improved profit was that CCHL received a special dividend of $17.5 million from Orion as part of a $175 million capital repatriation.

CCHL returned significant amounts of capital to the Council during the year. It paid a special, fully-imputed dividend to the Council of $135.8 million, funded from the proceeds of the Orion repatriation of its profits on the sale of its North Island gas interests, and also acquired the Council's shares in City Care Ltd and Selwyn Plantation Board Ltd at an independently-assessed market value of $39.4 million. Moreover, CCHL paid an additional fully-imputed special dividend of $18 million at the end of the financial year from surplus cash from previous repatriations.

CHRISTCHURCH INTERNATIONAL AIRPORT LIMITED ('CIAL') ANNUAL REPORT

CIAL have released their annual report (tabled) for the year ended 30 June. The company recorded a net profit of $14.2 million, up 5.3% over the previous year. This was a creditable result in the context of the challenging year that CIAL faced.

In the four months to October 2001, CIAL benefited from strong growth and a buoyant South Island economy. This abruptly ceased following the terrorist attacks of September 11, the collapse of Ansett Australia and Air New Zealand's resulting financial strife.

The demise of Ansett Australia dramatically affected Air New Zealand, and resulted in significant capacity reductions on trans-Tasman routes, with some sectors being cut by 50%. Additionally the use of smaller aircraft in place of larger ones was increased. These factors resulted in reductions in airfield revenue, concession income, departure fees and car park income.

However, the introduction of value-based airlines, such as Freedom Air, on the trans-Tasman routes, and the restructuring of Air New Zealand's domestic services, offers future growth potential for CIAL, particularly as a high proportion of its business is the lower yield, price-sensitive leisure market.

RED BUS LIMITED ('RBL') ANNUAL REPORT

RBL have released their annual report (tabled) for the year ended 30 June. The company earned a net profit after tax of $1.3 million, up nearly 20% on the previous year. This was a good result, reflecting strong growth in patronage and expansion of the business during the year, and was achieved despite additional debt and depreciation costs arising from the acquisition of new buses.

JADE STADIUM LIMITED ('JSL') ANNUAL REPORT

JSL have released their annual report (tabled) for the year ended 30 June 2002. The year under review saw the completion of the West Stand, with a corresponding increase in revenues, borrowing costs and depreciation expense.

The company recorded a net deficit for the year of $1.5 million (in line with expectations), compared with $1.2 million in the previous year. The depreciation expense for the year was $1.5 million.

Work on implementing a succession agreement between Victory Park Board, JSL and the Council continues, although progress is slower than anticipated.

CHRISTCHURCH CITY FACILITIES LIMITED ('CCFL') ANNUAL REPORT

CCFL have recently released their annual report (tabled) for the year ended 30 June 2002. The CCFL financial statements reflect a combination of:

- The results of the venue management activities performed by NCC (NZ) under contract – accounted for under the Facilities Operating Account ('FOA'); and
- The corporate revenues and expenses of CCFL itself.

The company recorded a net deficit for the year of $2.8 million, compared with a deficit of $3.0 million in the previous year. The deficit, which is more than accounted for by depreciation – a non-cash expense – is in accordance with expectations.

Operating revenue exceeded budget, with the main area of improvement being the Town Hall, which benefited from, among other factors, the number of conferences held at the Convention Centre.

ANNUAL GENERAL MEETINGS FOR NON-OPERATING LATEs

It is normal practice for the statutorily-required Annual General Meetings for those LATEs that either are non-operating, or are one step removed from the core operations of its subsidiaries or contractors, to be recorded by an entry in the Minute Book of the company. These LATEs are:

- Christchurch City Holdings Ltd
- Travis Finance Ltd
- Christchurch City Facilities Ltd

In order for this process to be completed, it is necessary for the Council, as shareholder of these LATEs, to attach the Council Seal to the relevant minute book entry of each company.

Recommendation:

1. That the annual reports of Christchurch City Holdings Ltd, Christchurch International Airport Ltd, Red Bus Ltd, Jade Stadium Ltd and Christchurch City Facilities Ltd for the year ended 30 June 2002 be received.

2. That the Council's seal be attached to a minute book entry of Christchurch City Holdings Ltd, Travis Finance Ltd and Christchurch City Facilities Ltd, in lieu of the holding of Annual General Meetings for these companies.