

The Treasury

Solid Energy Information Release

March 2013

Release Document

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Certain information in this document has been withheld under one or more of the following sections of the Official Information Act, as applicable:

- [1] 9(2)(a) - to protect the privacy of natural persons, including deceased people
- [2] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information, or who is the subject of the information
- [3] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [4] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [5] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice
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- [7] 9(2)(ba)(i) - to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied
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In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.



THE TREASURY

Kaitohutohu Kaupapa Rawa

Date: 20 March 2012

To: Minister of Finance
Minister for SOEs
Associate Minister of Finance (Hon Joyce)

Aide Memoire: Updated financial forecasts from the Mixed Ownership Companies

On 13 March State Owned Enterprises, including the Mixed Ownership Companies, supplied updated financial forecasts to the Treasury. These forecasts were requested as an input into Treasury's preliminary Budget fiscal forecasts for the Crown. [5]

This note sets out the changes in the forecasts from the companies, and explains why those changes have happened.

Changes in forecast Net Profit after Tax (i.e. operating balance impacts)

\$m	2011/12	2012/13	2013/14	2014/15	2015/16
[2],[5]					

Changes in forecast Underlying Profit (i.e. OBEGAL impacts)

\$m	2011/12	2012/13	2013/14	2014/15	2015/16
[2],[5]					

Changes in forecast Dividends

\$m	2011/12	2012/13	2013/14	2014/15	2015/16
[2],[5]					

[8]

[8]

Solid Energy

Solid Energy proactively contacted Treasury late last week to advise us of the significant changes in its forecasts. Solid Energy advised that:

“The financial results in 2013 and 2014 are significantly down on the previous version due to assumed average lower international pricing – as we discussed this is caused by both a slump in USD coal prices and an increase in the NZD / USD FX assumption. Assumed sales volumes in the 2013 year are also down. The reduced operating cashflows means dividend forecasts have needed to be cut from [2],[5] to [2],[5] to maintain reasonable gearing levels. Capex levels are very tight.

Profitability across the following years is also down as we have reviewed our internal view of International coal prices.

Due to the current global economic environment there is more uncertainty than usual around this forecast. These forecasts were based on changes to high level drivers only. We are now moving into our detailed planning round where we will be able to drill into these numbers and provide a greater level of certainty.”

[8]

[8]

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