

Report 99.388
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Report to the Policy and Finance Committee
from Greg Schollum, Chief Financial Officer

1999/2000 Statement of Corporate Intent – CentrePort Ltd

1. Purpose

To receive the draft 1999/00 Statement of Corporate Intent of CentrePort Ltd. (N.B: the figures attached to this report have been incorporated into the Statement of Corporate Intent of the WRC Holdings Group.)

2. Background

By 31 July each year the Port Company is required, pursuant to the Port Companies Act 1988, to prepare a draft Statement of Corporate Intent which covers the projected financial results for the ensuing three years. (“the financial year in which it is delivered and each of the immediately following two financial years”.)

Section 10 of the Port Companies Act 1988 requires the Port Company directors to consider any comments made by the shareholder before 31 August on the draft Statement of Corporate Intent and to deliver the completed Statement of Corporate Intent to shareholders by 30 September. The delivery of the completed Statement of Corporate Intent has usually coincided with the briefing of Councillors by the Port Company directors. Such a briefing of Port Investments Ltd directors and Councillors has yet to be scheduled but it will be scheduled to occur before 30 September 1999.

In accordance with the existing governance structure, the draft Statement of Corporate Intent has been reviewed by the Directors of Port Investments Ltd and feedback has been provided to CentrePort directors (refer **Attachment 2**). Comment is now also sought from Councillors as the Council is the ultimate shareholder.

3. Comment

3.1 General Matters

The draft Statement of Corporate Intent for 1999/00 and the immediately following two years is attached as **Attachment 1** to this report.

The wording of the draft Statement of Corporate Intent is modelled on that used in previous years with the addition of section 2.5 in relation to the property plan. (See comments made by Port Investments Ltd directors in **Attachment 2.**) Also the dividend percentage has been increased from 50% to 60% of NPAT. The figures indicate improving profit expectations over the three year period, but at a slower rate than was contained in the 1998/99 Statement of Corporate Intent.

3.2 Convertible Notes

As the convertible notes converted into additional share capital on 28 June 1999, the impact of convertible notes has been correctly excluded from the attached Statement of Corporate Intent.

3.3 Comparison of 1999/00 SCI with 1998/99 SCI

Contrasting the financial projections contained within the draft 1999/00 Statement of Corporate Intent with those contained in the 1998/99 Statement of Corporate Intent highlights broadly similar levels of profit expectations for the two years as noted in the following table:

	1999/00 year \$ million	2000/01 year \$ million
Net profit after tax per 98/99 SCI	\$5.90 m	\$6.50 m
Net profit after tax per 99/00 SCI	\$5.84 m	\$6.18 m
Difference	(\$0.06 m)	(\$0.32 m)
Dividend cashflow per 98/99 SCI	\$2.71 m	\$3.10 m
Dividend cashflow per 99/00 SCI	\$3.52 m	\$3.61 m
Difference	\$0.81 m	\$0.51 m

3.3.1 Net Profit After Tax

There has been little overall change in CentrePort's profit expectations for the 1999/00 year. However, the Port Company directors have revised downwards their profit expectations for the 2000/01 year. As we did not budget on the basis of the \$6.5 m NPAT figure the revision downwards has no material impact on Council's budget. (refer 3.3.2 below)

3.3.2 Dividend Cashflow

The increased dividend cashflow contained in CentrePort's latest SCI is primarily due to the increase in the dividend payout percentage from 50% to 60%. In 1999/00 Port Investments Ltd has budgeted for dividends from CentrePort on the basis of 60% of \$5.5 million (this means that there is a small buffer against reduced Port Company profitability). In future years Port Investments Ltd has budgeted on the basis of 50% of \$5.5 million as CentrePort directors have signalled that they wish to revisit the 60% as part of agreeing each year's SCI. (This again builds in some conservatism into our budgeting in future years.) The fact that the dividend percentage is now 60% means the directors of CentrePort will have to clearly demonstrate why it should not be 60% (i.e. 60% is now the default position). The dividend percentage from CentrePort will need to be reviewed as part of the next LTFS process prior to finalisation of Council's next three years of hard numbers.

4. Recommendations

- (1) *That the report be received and the contents noted.*
- (2) *That the draft Statement of Corporate Intent of CentrePort Ltd for 1999/00 and the immediately following two years, be received and officers forward any comments or recommendations to the CentrePort directors for their consideration.*

GREG SCHOLLUM
Chief Financial Officer

Attachment 1: CentrePort Ltd - Draft Statement of Corporate Intent 1999/00

Attachment 2: Letter dated 23/7/99 from the Chairman of Port Investments Ltd to CentrePort Ltd Directors