THE REGIONAL COUNCIL

caring about you & your environment

Report 01.119
28 February 2001
File: CFO/21/3/1

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

CentrePort: Half Year Report

1. Purpose

To receive the CentrePort half year report for the period 1 July 2000 – 31 December 2000 (refer **Attachment 1**).

2. Background

As Councillors are aware the direct governance responsibilities over Council's CentrePort investment rest with the directors of Port Investments Ltd (PIL).

PIL Directors considered the attached report from CentrePort on 28 February 2001 and the CentrePort results have been incorporated into the WRC group results (refer to report 01.118).

Each six months CentrePort Directors provide a briefing for PIL Directors (where Councillors are invited to attend). At the time of writing this report no date has yet been set for the February/March 2001 briefing.

3. Comment

3.1 Results for the six months to 31 December 2000

Officers have had the benefit of a discussion with CentrePort Management on the six months results.

Essentially, it has been a difficult six months, particularly when compared with the record results achieved for the corresponding period last year.

This is primarily due to reduced revenue (arising from reduced volumes), not fully offset by reduced expenditure.

When compared with the 2000/01 SCI, net profit after tax is approximately $200,000 below the targeted level for the six month period.

The attached financial statements include a provision for dividend approximating 60% of YTD net profit after tax. (the SCI provided for a dividend of 60% of net profit after tax).

3.2 Forecast results to 30 June 2001

CentrePort is forecasting a net profit after tax close to the SCI target of $6,664,000.

The company is therefore expecting to recover much of the lost ground in the second six months.

3.3 Financial position of CentrePort

The Port Company's balance sheet remains strong with a debt:equity ratio of 29:71. The SCI allows debt to rise to a maximum of 50:50 which represents further borrowing capacity of approximately $30 million (assuming no further equity was called).

While we would not wish to encourage CentrePort to gear up with too much debt (as this might affect Council's credit rating) clearly they have capacity to prudently take on more debt. This is important as the capital expenditure requirements over the next 2-3 years look to be significant (mainly associated with the pending arrival of larger container ships and with implementation of the company's property development plan).

3.4 Future dividends – Next year's SCI

At the recent management briefing, CentrePort management have indicated that the company is getting uncomfortable with the 60% dividend percentage (given the upcoming capital expenditure requirements).

PIL Directors have indicated that they will want convincing that the 60% dividend rate should be reduced.

This issue is likely to be mentioned as part of the upcoming CentrePort briefing (date yet to be arranged).

4. Communications

The CentrePort results are expected to be in the public arena at the time of the Committee meeting.

5. Recommendation

That the Committee recommends that the Council receives the report and notes its contents.

GREG SCHOLLUM
Chief Financial Officer

Attachment 1: CentrePort – Half Year Report