



Report 03.126
Date 12 March 2003
File CFO/21/3/1

Committee Policy, Finance and Strategy
Author Greg Schollum, Chief Financial Officer

CentrePort: Half Year Report

1. Purpose

To receive the CentrePort half year report for the period 1 July 2002 – 31 December 2002 (refer to **Attachment 1** which is enclosed separately).

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 a summary of the attached report from CentrePort on 27 February 2003. At that stage the CentrePort Board of Directors had yet to approve the attached half year report and had not announced the amount of the interim dividend.

Each six months CentrePort Directors provide a briefing for PIL Directors (where Councillors are invited to attend). This briefing was held on 12 March 2003.

3. Comment

3.1 Results for the six months to 31 December 2002

The Directors of CentrePort have reported that the company has performed strongly during the half year to 31 December 2002.

Cargo throughput grew 2% to reach a new record high and the Net Profit after Tax attributable to shareholders of \$3.7 million is ahead of the same period last year (\$3.3 million).

However, while the Port Directors are encouraged by the first six month period they are expecting a more difficult second six months as a result of the loss of the P & O big ships. This matter was discussed more fully at the briefing on 12 March.

The attached financial statements include a provision for dividend approximating 45% of YTD Net Profit After Tax. (the SCI provided for a dividend of 55% of net profit after tax for the whole year). This reflects the fact that the Port Directors expect a difficult second six months of the year.

3.2 Financial Position of CentrePort

The Port Company's balance sheet remains strong with a debt:equity ratio of 32:68. The SCI allows debt to rise to a maximum of 50:50 which represents significant further borrowing capacity.

While we would not wish to encourage CentrePort to gear up with too much debt (as this might affect Council's credit rating) clearly the Company has capacity to prudently take on more debt. This is important as there still looks to be some significant capital expenditure requirements over the next 2-3 years.

4. Communications

The CentrePort results are already in the public arena.

5. Recommendation

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

Report prepared by:

Greg Schollum
Chief Financial Officer

Attachment 1: CentrePort – Half Year Report