



**Report** 04.592  
**Date** 30 September 2004  
**File** CFO/21/3/1

**Committee** Policy, Finance and Strategy  
**Author** Barry Turfrey, Chief Financial Officer

## CentrePort Annual Report - 2003/04

### 1. Purpose

To receive the 2003/04 financial statements of CentrePort Ltd (refer **Attachment 1**).

### 2. Background

The CentrePort financial statements were approved by the Directors of CentrePort on 26 August 2004 and an unqualified audit opinion has been issued on those financial statements.

Councillors should have already received the published version of 2004 CentrePort Annual Report with the Councillors' Bulletin.

### 3. Comment

#### 3.1 Financial Result

	<b>Actual 2004 \$000</b>	<b>Actual 2003 \$000</b>
Revenue	40,196	41,167
Net Profit Before Tax	7,493	8,845
Net Profit After Tax	5,199	6,270
Total Assets	168,653	97,834

The lower revenues reflect the sale of the stevedoring business (\$2 million) partly offset by a 9% increase in cargo volumes to a total of 10.3 million tonnes.

Land and some buildings held by CentrePort has been revalued upwards by \$67.1 million and separated into the following categories:

- Land required for port use
- Undeveloped investment property
- Developed investment property

Two new services provided by Maersk Zealand and Mediterranean Shipping Company have been added.

CentrePort has reached agreement to develop new building for Statistics New Zealand in its Business Park at a cost of \$22 million due for completion in late 2005.

The company is continuing with its restructuring with a number of changes at the senior level. Of the ten senior managers at CentrePort in June 2003, six have left or are leaving.

CentrePort has achieved a net profit before tax of \$7.5 million, down some \$1.3 million on the previous year.

The main reason reasons for the decrease are:

	<b>\$ million</b>
<b>Net Profit Before Tax</b>	<b>8.9</b>
Higher insurance costs	(0.4)
Lower tug hire	(0.3)
Write off of fixed assets	(0.6)
Reduction in restructuring costs	0.9
Increase in legal, electricity and rates	(0.2)
Repositioning costs	(0.8)
<b>Net Profit Before Tax 2004</b>	<b>7.5</b>

The repositioning costs of \$0.8 million represent the additional staff and consultants costs resulting from the restructuring. They are separate and in addition to the redundancy/restructuring costs of \$0.8 million incurred in 2004.

Total restructuring costs for 2003 and 2004, including repositioning costs, total some \$3.3 million.

The CentrePort directors have approved dividends of \$2.9m on a net profit after tax of \$5.2m, which approximates the 55% payout contained within the 2003/04 Statement of Corporate Intent.

### **3.2 Performance compared with Statement of Corporate Intent (SCI) targets**

	<b>Actual 2004 \$000</b>	<b>SCI 2004 \$000</b>
Net Profit Before Tax	\$7,493	\$10,060
Net Profit After Tax	\$5,199	\$6,740
Return on Assets	8.7%	11.8%
Return on Shareholders Funds	7.9%	10.2%
Dividends	\$2,860	\$3,710
Dividend Payout	55%	55%

The actual results are below the SCI targets, reflecting the restructuring costs, higher fixed costs (insurance, electricity) and lower margins.

In respect of 2004/05 the target is \$9.1m. In theory the elimination of the one off type costs (restructuring costs, write offs) coupled with the existing margins make this an achievable target.

The dividend payout percentage is in line with the SCI.

### **3.3 Shareholder briefing**

Directors will get an opportunity to hear from CentrePort Directors on both the past year's results and future prospects at the upcoming briefing during October/November.

## **4. Communications**

CentrePort has recently released its 2003/04 results.

## **5. Recommendation**

*That the Committee recommend to Council that it receive the report and note its contents.*

Report prepared by:

**Barry Turfrey**  
Chief Financial Officer

**Attachment 1:** 2003/04 Financial Statements of CentrePort Ltd