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**Committee** Policy, Finance and Strategy  
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## CentrePort - Half Year Report

### 1. Purpose

To receive a summary of the half year report from CentrePort Ltd (see **Attachment 1** separately enclosed).

### 2. Background

On 26 February the CentrePort Board approved the attached half year report to 31 December 2003.

As Councillors are aware, the direct governance responsibilities over Council's CentrePort investment rest with the Directors of Port Investments Ltd (PIL). The Directors of PIL have considered the report and it is now brought before the Committee, as the Council is the ultimate shareholder.

As Councillors are also aware each six months we arrange for CentrePort to brief PIL Directors (where Councillors are invited to attend). No date has yet been set for this briefing, although I expect that it will be scheduled to take place during May, given the last briefing was held in November 2003. Thereafter, we will look to return to the traditional September/March timing.

### 3. Comment

#### 3.1 Results for the six months to 31 December 2003

The results for the six months to 31 December are disappointing compared with, both the same period last year and the Port Company's SCI target, as follows:

	6 months to 31/12/03	6 months to 31/12/02	12 month SCI target
Surplus after Tax	\$2.7m	\$3.7m	\$6.7m

Although the Port Company's second six months have historically been better than the first six months, I expect that CentrePort will struggle to meet its SCI targets for the full year to 30/6/04. This, in turn, will impact upon the ability of the WRC Holdings Group to meet its SOI targets to the Council. This fact was signalled as part of the Council's half year review on 19 February, with the dividend from WRC Holdings now forecast to be lower than budget. I understand that the lower profitability of CentrePort has been largely caused by reduced margins and abnormal costs, coupled with the full impact of the loss of the P & O big ships.

However, more recently the company has received some encouraging news with the establishment of a new weekly shipping service (MSC) out of Wellington. This is in addition to the announcement late last year by Maersk to add a fortnightly call to CentrePort. It is hoped that these shipping lines will be able to attract back the cargo lost to other ports arising from the P & O big ship decision.

In addition, as was signalled at the last CentrePort briefing on 13 November 2003, the company has secured a conditional agreement for a new property development (approx \$20 million) with a quality tenant which should help boost the continued growth of the property side of the business. Such revenue diversification is consistent with, both the wishes of the shareholders (as it lowers the overall risk profile of the company) and the long term vision for the use of CentrePort land. I understand that the proposed development is also consistent with the following principles prescribed by the shareholders during 2003:

- No speculative property developments
- No compromise to port operations
- No additional funding required from shareholders
- No alienation of land ownership unless otherwise approved by the shareholders

Unlike the earlier proposed development which was considered by the Council during August 2003, the latest proposed development was not large enough to require shareholder approval.

### **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 40:60. This will need to be monitored closely as the company further develops its proposed business park property initiative in the future.

## **4. Communications**

Communication of the half year result is a matter for CentrePort.

## **5. Recommendation**

*That the Committee recommends that the Council receive the report and note its contents.*

Report prepared by:

**Greg Schollum**  
Chief Financial Officer

**Attachment 1:** CentrePort Ltd – A summary of the Half Year Report December 2003  
(enclosed separately)