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Report to the Policy, Finance and Strategy Committee
from Kerry Saywell, Treasurer

CentrePort Ltd – 2002/03 Draft Statement of Corporate Intent

1. **Purpose**

To receive the CentrePort draft Statement of Corporate Intent (SCI) for 2002/03, and the following two years.

2. **Background**

As required by the Port Companies Act 1988, CentrePort provided its shareholders with a draft SCI by 31 July (refer **attachment 1**). The Act requires the port company directors to consider any comments made by the shareholders on the draft SCI before 31 August and to deliver the completed SCI to shareholders by 30 September.

The draft SCI has already been considered by the Directors of Port Investments Limited on 25 July 2002. Feedback provided to CentrePort by the Directors of Port Investments Ltd is attached as **attachment 2**.

The SCI is now brought before the Policy, Finance and Strategy Committee to seek any additional comment from Councillors, as the Council is the ultimate shareholder.

3. **Comment**

The Committee is asked to separately consider issues associated with:

- the words;
- the numbers.

3.1 The Words

Last year the CentrePort SCI was amended to incorporate the “triple bottom line” flavour which was already evident in the company’s annual report. While this was acknowledged at the time by PIL directors and Councillors as a positive step forward it was recognised that further development of the SCI in future years would be desirable.

The 2002/03 draft SCI reflects a continuation of the triple bottom line flavour with the company taking further steps to clarify the nature of its commitment to shareholders (in financial and other terms).

Changes made to the SCI wording compared with the 2001/02 SCI are detailed below:

Para 1.1 (b)	Wording changed to incorporate “transport related operations”.
Para 1.2 (b)	Wording changed to reflect the fact that risk is to be “prudently managed” rather than “minimised”.
Para 5.3 (a)	The level of accreditation to be maintained has been added.
Para 5.3 (b)	A new performance target has been added.
Para 5.4 (a)	The level of accreditation to be maintained has been added.
Para 5.4 (b)	A new performance target has been added.
Para 6.2	The company has added new words in relation to the 60% dividend payout: <ul style="list-style-type: none"> – It has been effectively caveated by reference to major capital expenditure and investment requirements. – The dates for dividend payments have been included.
Para 10.1	The value of equity has yet to be updated.
Para 11.1 (c)	A new section has been added to reflect the increasing significance of property.

Overall, these changes are seen as positive in terms of monitoring the Council’s investment in CentrePort.

As referred to above, the Directors of Port Investments Ltd (PIL) are generally supportive of the changes in wording made to the draft SCI when compared to last year's SCI. However, the Directors are not comfortable with the wording in clause 6.2 which puts all the discretion over the level of dividend paid with CentrePort. PIL have therefore requested that the wording in clause 6.2 is amended before the SCI is finalised (refer **Attachment 2**). The proposed amendment suggested by PIL Directors would mean that a 60% dividend would be paid unless a lesser percentage is required by CentrePort (for major capital expenditure or investment) *and agreed to by the shareholders*. In other words, it reflects the fact that consultation would be undertaken with shareholders at the time.

The final wording of clause 6.2 will need to be agreed with CentrePort before the draft SCI is finalised in September.

The other minor amendment to clause 11.1d sought by PIL Directors has been agreed to by CentrePort and is incorporated into the draft SCI attached.

3.2 The Numbers

In terms of the numbers, they are of course generated by the Port Company.

The projected profits of CentrePort, as contained in the latest SCI, are slightly up on projections contained within last year's SCI as follows:

	2002/03	2003/04
	year	year
NPAT (last year's SCI)	\$6.8M	\$6.9M
NPAT (this year's SCI)	<u>\$7.1M</u>	<u>\$7.3M</u>
Increase	<u>\$0.3M</u>	<u>\$0.4M</u>

The increase in profit projections for 2002/03 and 2003/04 are consistent with the broad level of profitability over the last few years.

While the level of profitability is up slightly on last year's SCI a key change made by CentrePort to the numbers this year has been to project a dividend payout which is less than 60% (refer to the discussion in section 3.1 above). In 2002/03 the dividend level noted in the draft SCI equates to a dividend payout of 52%. In other words, CentrePort has determined that the dividend should be reduced below 60% in 2002/03 due to capital expenditure requirements.

4. Communications

Communication will be required with CentrePort once the Committee has considered the draft SCI.

5. Recommendations

That the Policy, Finance and Strategy Committee recommend that the Council:

- (1) Receive the report and note its contents.*
- (2) Receive the draft Statement of Corporate Intent of CentrePort for 2002/03, and the immediately following two years, and request that any comments or recommendations for change be forwarded to the Directors of CentrePort for their consideration.*

Prepared by:

Approved by:

KERRY SAYWELL
Treasurer

GREG SCHOLLUM
Chief Financial Officer

Attachment 1: CentrePort – Draft Statement of Corporate Intent 2002/03

**Attachment 2: Letter to Chairman, CentrePort from the Chairperson of PIL dated
31 July 2002**