



Report 04.698
Date 7 December 2004
File CFO/21/03/01

Committee Policy, Finance and Strategy Committee
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CentrePort Ltd - Results to 30 September 2004

1. Purpose

To consider the results of CentrePort for the first quarter of 2004/05.

2. Results for the three months to 30 September 2004

Year to date revenue and profitability are both tracking ahead of budget as can be seen from the following table:

Sept 2003 Actual	\$000	Sept 2004 Actual	Sept 2004 Budget	2004/05 Budget
10,107	Revenue	10,869	10,500	43,000
7,342	Expenditure	8,072	8,000	32,000
2,765	EBIT	2,797	2,500	11,000
330	Interest	381	330	1,900
2,435	Surplus before Taxation	2,416	2,170	9,100
796	Taxation Provision	797	716	3,003
1,639	Surplus after Taxation	1,619	1,454	6,097
27.4%	EBIT as % of Revenue	25.7%	23.8%	25.6%

The result is ahead of budget due to:

- Additional revenue (\$0.25 million) resulting from Auckland port strikes.
- Strong container volumes, up 15% on the previous year.

Finance costs were affected by higher interest rates and longer payment terms.

Margins remain tight as evidenced by the fall when compared with last year. This decrease in margin worth approximately \$170,000.

The latest forecast remains unchanged from the budget result of \$9.1 million (before tax).

The Statistics Building is slightly behind schedule due to the recent fatality. It is expected to be finished in November 2005 on budget. Around \$4 million of the \$22 million cost has been spent.

Union negotiations are in progress.

The loan facility has been increased to \$55 million from \$35 million.

3. Other Matters

3.1 Company Constitution

CentrePort's constitution permits it to enter into any transaction (or series of transactions) without the consent of the shareholder, not exceeding 20% of CentrePort's total assets.

Based on the financial statements as at 30 June 2003 the limit would have been \$19.6 million.

The revaluation of property at 30 June 2004 now increases the maximum amount to \$33.7 million. The completion of the Statistics Building will take this limit to around \$37 million. It may be timely for the shareholders to consider whether the limit of 20% is appropriate.

3.2 Borrowings

CentrePort currently has a \$55 million facility with Westpac. Under that facility if Greater Wellington and Horizons Regional Councils together hold less than 51% of CentrePort then this triggers an event of review. This permits Westpac (after 90 days) to terminate the facility.

While we do not guarantee the obligations of CentrePort, their bankers do take into account our shareholding. Similarly, Standard and Poor's (credit rating agency) do consider CentrePort in assessing our credit rating.

The issue will become more critical as CentrePort borrows more to develop their surplus land and other capital expenditure.

This matter and the 20% limit noted above should be considered together.

3.3 Next Steps

CentrePort needs a degree of flexibility to be able to operate, while the shareholder needs comfort that it will not be exposed to unacceptable risk.

Prior to making any decision on altering the Constitution etc, further work is required. This will entail reviewing CenterPort's long-term forecasts and further discussions with CentrePort and Horizons Regional Council.

It is intended that this work would be completed once CentrePort has finalised its business park plans in March 2005.

4. Communication

No communication is necessary.

5. Recommendation

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

Report prepared by:

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