

Report 99.612
18 October 1999
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Report to the Policy and Finance Committee
from Greg Schollum, Chief Financial Officer

CentrePort Ltd – 1999/00 Statement of Corporate Intent

1. Purpose

To receive the CentrePort 1999/00 Statement of Corporate Intent.

2. Background

On 3 August 1999 the Committee considered the draft 1999/00 Statement of Corporate Intent of CentrePort (refer to report 99.388).

In accordance with the existing governance framework the draft Statement of Corporate Intent was first reviewed by the Directors of Port Investments Ltd and comments on the SCI were provided to CentrePort accordingly. However, as the Council remains the ultimate shareholder, comments were also sought from the Policy and Finance Committee on 3 August 1999.

At the 3 August 1999 meeting the Policy and Finance Committee raised concerns over the potential future development of the Kaiwharawhara reclamation and the general matter of the transparency of CentrePort's regard for environmental issues.

These concerns were communicated to CentrePort by the Council Chairman on 4 August 1999 (refer to **Attachment 1**) and responded to on 8 September 1999 by CentrePort's Chief Executive (refer **Attachment 2**).

3. Comment

An updated version of the 1999/00 CentrePort Statement of Corporate Intent has now been received (refer **Attachment 3**). It has been considered by the Directors of Port Investments Ltd and found to be satisfactory.

CentrePort has made a number of changes to the draft SCI as a result of the concerns raised by both Port Investments Ltd Directors and the Council.

The main wording changes are:

- The addition of clause 2.6 “to operate in an environmentally responsible manner”
- The change in focus in clause 2.5 to emphasise “operational effectiveness” ahead of “the value of its property portfolio”
- The inclusion of shipping and logistical services into clause 2.2

To add weight to the addition of clause 2.6 in relation to environmental responsibility, CentrePort have also prepared a summary of the environmental management systems currently in place at the company (refer **Attachment 4**). The attached paper entitled “Environment Governance and Administration” should provide comfort that the Statement of Corporate Intent words do have substance.

There has also been a minor change to the figures included within the draft 1999/00 Statement of Corporate Intent as follows:

| | 1999/00 year Draft SCI | 1999/00 year Updated SCI |
|------------------|---------------------------------------|---|
| NPBT | \$8.74m | \$9.00m |
| NPAT | \$5.84m | \$6.00m |
| Return on Assets | 12.9% | 13.2% |
| Return on Equity | 10.8% | 11.2% |
| Dividend Stream | \$3.52m | \$3.52m |

As Councillors will note, CentrePort has revised upward slightly the profit figures projected for 1999/00. This reflects a slightly more positive view of the coming year by CentrePort Directors. However, the projected dividend stream has not been revised upwards as the dividend stream contained within the draft SCI was inadvertently set by CentrePort at too high a level. The dividend stream figure in the updated SCI represents the 1998/99 final dividend (at 50% of NPAT) plus the 1999/00 interim dividend (at 60% of NPAT) as agreed.

4. Communications

Not required.

5. Recommendation

That the report be received and the contents noted.

GREG SCHOLLUM
Chief Financial Officer

Attachment 1: Letter from the Chairman dated 4 August 1999

Attachment 2: Letter from the CentrePort Chief Executive dated 8 September 1999

Attachment 3: 1999/00 CentrePort Statement of Corporate Intent

Attachment 4: CentrePort Environmental Governance and Administration