



Summary

Results of our 2019/20 audits of port companies

Our report discusses several common trends that our audits of port companies identified. We hope this report will prompt Parliament, the port companies, and the port companies' shareholders and other stakeholders to further discuss these trends.

Port companies face some major challenges, including their need to:

- make major capital investments when the financial returns from those investments are uncertain;
- continue to respond to international trends in freight and logistics; and
- balance the potentially conflicting objectives of shareholders and other stakeholders.

It is difficult to compare port companies' performance because of differences in their ownership, the size and scale of their operations, and the way they measure their assets.

Therefore, we encourage port companies to consistently apply fair value in the valuation of property, plant, and equipment. This will help provide up-to-date relevant financial information to shareholders and enable better comparison and transparency of port company financial performance.

As port companies look to the future, many are considering significant new investments. These might be to remain sustainable given international shipping trends or to cater for anticipated growth. There is considerable risk in these investments. Port companies need robust and realistic business cases to ensure that these investments deliver the benefits expected of them.

There is also a risk that, without a comprehensive supply chain strategy for the freight logistics sector, port companies will anticipate growth that competing port companies might have also factored into their business cases. Stranded assets, underperforming capital, and low returns or further asset write-downs are a likely consequence of this.

We encourage port company boards – and, where appropriate, their shareholders – to robustly assess the merits of significant capital investments before approving them. This is to ensure that the assumptions these investments are based on are realistic and are the best use of shareholder capital.

