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(Please note that "Information Only" reports do not require Equality Impact Assessments, Legal or Finance Comments as no decision is being taken)



**Portsmouth**  
CITY COUNCIL

**Title of meeting:** Leader with responsibilities for Planning, Regeneration and Economic Development

**Subject:** MMD (Shipping Services) Ltd and Portsmouth International Port Trading Results and Capital Outturn Report 2016/17

**Date of meeting:** 21 November 2017

**Report by:** Port Director

**Wards affected:** All

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**1. Requested by**

1.1 Director of Finance and Information Service & Section 151 Officer.

**2. Purpose**

2.1 To highlight the salient points for both the trading results of MMD (Shipping Services) Ltd and Portsmouth International Port for the year ending 31 March 2017, and their capital programmes.

**3. Revenue Position Summary**

3.1 MMD's trading results for 2015/16 and 2016/17 are summarised in Table 1:

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**Table 1: MMD (Shipping Services) Ltd Trading Results 2015/16 & 2016/17**

	2015/16	2016/17	Variance
	£000	£000	£000
Turnover	(14,735)	(15,512)	(777)
Cost of Sales	10,005	8,686	(1,319)
<b>Gross Profit</b>	<b>(4,730)</b>	<b>(6,826)</b>	<b>(2,096)</b>
Administrative Expenses	6,415	6,639	224
Other Operating Income	(1,934)	(241)	1,693
<b>Operating (Profit)</b>	<b>(249)</b>	<b>(428)</b>	<b>(179)</b>
Interest	207	215	8
<b>Net (Profit) on Ordinary Activities Before Tax</b>	<b>(42)</b>	<b>(213)</b>	<b>(171)</b>
Taxation	0	0	
<b>Net (Profit) for the Year</b>	<b>(42)</b>	<b>(213)</b>	<b>(171)</b>

- 3.2 The 2016/17 results were a profit of £0.2m which doesn't include a revenue grant from Portsmouth City Council. This compares to a revenue grant received from Portsmouth City Council of £1.5m in 2015/16.
- 3.3 The Port's trading results for 2015/16 and 2016/17 are summarised in Table 2 below:

**Table 2: Portsmouth International Port Trading Results 2015/16 & 2016/17**

	2015/16	2016/17	Variance
	£000	£000	£000
Turnover	(14,137)	(14,892)	(755)
Expenditure	8,082	8,136	54
<b>Trading Surplus</b>	<b>(6,055)</b>	<b>(6,756)</b>	<b>(701)</b>
Capital Charges	3,450	2,504	(946)
Insurances	229	197	(32)
IAS 19	513	468	(45)
Support Service Charges	395	376	(19)
Employee Benefit Accrual	27	19	(8)
Interest	(2)	30	32
<b>Net (Profit) for the Year</b>	<b>(1,443)</b>	<b>(3,162)</b>	<b>(1,719)</b>

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3.4 The combined financial position of MMD and the Port is summarised in Table 3 below:

**Table 3: Combined Trading Results 2015/16 and 2016/17**

	2015/16	2016/17	Variance
	£000	£000	£000
Turnover / Other Operating Income	(30,806)	(30,645)	161
Total Cost	29,321	27,270	(2,051)
<b>Net (Profit)</b>	<b>(1,485)</b>	<b>(3,375)</b>	<b>(1,890)</b>

3.5 MMD and the Port produced a combined income of £30.7m and a net profit of £3.4m in 2016/17. Net profit in 2016/17 was £1.9m higher than in 2015/16.

3.6 Overall, in 2016/17, MMD contributed £1.5m to Portsmouth City Council in amounts payable to the council including Rent, Rates, Pilotage and Port Dues. This meant that by retaining MMD the City Council's overall financial position was £1.7m better than if MMD ceased to exist.

3.7 The Port's 2016/17 net profit of £3.2m was £1.7m more than the £1.4m generated in 2015/16.

3.8 The below sections analyse the financial results in greater detail.

#### **4. MMD (Shipping Services) Ltd Trading Results**

##### **4.1 Stevedoring**

4.1.1 Sales in 2016/17 were higher than in 2015/16. The increase was primarily due to a new Fyffes / Maersk service which increased dues by £0.8m. Sales were also up because of two additional Moroccan boats per week during the season.

4.1.2 Gross profit stood at 55% in 2016/17, which compares to 53% in 2015/16.

4.1.3 Site Facility costs were lower in 2016/17 mainly due to a rates rebate of £330,000.

##### **4.2 Haulage**

4.2.1 MMD terminated its agreement with Gregory Distribution (GDL) on the 31 August 2016 and re-let the haulage concession to NV Transport. NV took over GDL's transport activities including existing staff. The new distribution service allows MMD to develop a solution for a wide range of customers. The basis of the agreement results in a rental of around £60,000 per annum.

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## **5. Portsmouth International Port Trading Results**

### **5.1 Turnover**

5.1.1 Overall the Port's turnover in 2016/17 was £0.8m higher than in 2015/16. The increase in income reflects an increase in Operational Dues as a result of a new operator agreement.

### **5.2 Expenditure**

5.2.1 Expenditure (including capital charges and other corporate costs) in 2016/17 was £1m lower than in 2015/16.

5.2.2 A key reason for the reduction in expenditure was because of lower capital charges in 2016/17, reflecting a smaller reduction in the value of the port assets compared to 2015/16. Repairs and Maintenance costs were £160,000 lower in 2016/17 due to a different programme of works. Dredging was undertaken in 2016/17 which increased costs by £190,000.

## **6. MMD (Shipping Services) Ltd Capital Position**

6.1 During 2016/17 MMD invested £100,000 in container software. The company also purchased two tug master units and six trailers for £77,000. A Shunt Motor was obtained for Crane 6 at a cost of £40,000.

6.2 MMD's forklift fleet leases expired towards the end of 2016. The company plans to purchase the fleet during 2017/18.

## **7. Portsmouth International Port Capital Position**

7.1 Capital expenditure in 2016/17 totalled £1.5m. The majority of this spend was attributable to the demolition of a navigation hazard, which has allowed the port to accept larger ships. Another significant area of capital expenditure related to the replacement of a linkspan, the structure that allows vehicles to move on and off ferries.

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**8. Statistics**

8.1 Table 4 below summarises unit due numbers for MMD for 2015/16 and 2016/17.

**Table 4: MMD (Shipping Services) Ltd Tonnage Dues**

	<b>2015/16</b>	<b>2016/17</b>	<b>Variance</b>	<b>Variance</b>
	<b>Number</b>	<b>Number</b>	<b>Number</b>	<b>%</b>
Tonnes	873,977	906,768	32,791	3.75

8.2 The table highlights that tonnage dues in 2016/17 were 3.75% higher than in 2015/16.

8.3 Health & Safety continues to be prioritised. Accident days in 2016/17 stood at 275 days compared to 323 days in 2015/16.

8.4 Table 5 below summarises unit due numbers for Portsmouth International Port for 2015/16 and 2016/17.

**Table 5: Portsmouth International Port Unit Dues**

	<b>2015/16</b>	<b>2016/17</b>	<b>Variance</b>	<b>Variance</b>
	<b>Number</b>	<b>Number</b>	<b>Number</b>	<b>%</b>
Passengers	2,030,021	2,032,908	2,887	0.14
Vehicle Units	672,378	690,812	18,434	2.74
Freight Units	255,366	246,571	(8,795)	(3.44)
Ships	2,777	2,896	119	4.29

8.5 The table highlights that with the exception of freight units, activity in 2016/17 was higher than activity in 2015/16.

**9. Forecast 2017/18**

9.1 Investment at MMD is ongoing and the company is actively developing new business opportunities. With the continued change to more containerised traffic in 2018/19 and 2019/20 for AEL and Geest respectively, MMD's Board consider the prospects to be positive.

9.2 Portsmouth International Port's profit is forecast to be higher in 2017/18 compared to 2016/17, largely due to a new operator agreement. The Port functions as a multi-user port, and actively looks to attract new business.

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Signed by (Director)

**Background list of documents: Section 100D of the Local Government Act 1972**

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location