

Port Otago manages interest rate hedging with Hedgebook



CUSTOMER

Port Otago Group

CHALLENGE

Port Otago and Chalmers Properties maintain a significant portfolio of interest rate swaps. Managing the calculation and reporting from spreadsheets was becoming increasingly complex and cumbersome.

SOLUTION

Hedgebook provides the ability for the Group Accountant to self-manage the portfolio, including monthly reporting and the provision of auditable compliance for half-year and annual reporting.

OUTCOME

A highly cost-effective solution to get auditable mark-to-market reporting and tracking of interest rate swaps, supporting required financial disclosure.

Actively managing interest rate swaps with Hedgebook

Port Otago is the primary export port for the lower South Island, New Zealand, providing container terminal services, bulk cargo handling and warehousing to support international trade. Port Otago's subsidiary, property investment company Chalmers Properties, manages a diverse property portfolio with a range of properties in Dunedin, Hamilton and Auckland. Both arms of the Port Otago Group actively manage debt using interest rate hedging.

An end to reliance on complex spreadsheets

According to Port Otago Group Accountant Malcolm Roberts, managing the company's portfolio of interest rate swaps in a spreadsheet had become increasingly difficult, given the quantity of derivatives combined with the compliance and reporting associated with these. "Chalmers Properties finances the growth in its property portfolio with a fair degree of hedged debt," he explains. "The Port Otago business also uses hedged debt to cover large infrastructure projects and investment in significant items of port property and plant, as well as other significant marine assets."

Manually managing the recording, recognition and compliance of the related interest rate swaps resulted in – in Malcolm's words – "a very complex and convoluted spreadsheet". Using the spreadsheet approach to achieve timely and accurate reporting, as well as achieve necessary compliance and disclosures, was becoming increasingly difficult. Something had to change.

"We were in search of a solution and although we cannot recall specifically how we stumbled across Hedgebook," says Malcolm, "I'm certainly glad we did."

Mark-to-market valuations on a monthly basis

Port Otago is now using Hedgebook on a regular basis as an ingrained part of its treasury management operations.

“For our external reporting at our half year in December and balance date in June, our process utilizing the Hedgebook reports and data is really efficient now and enables us to complete this body of work really expediently.”

Malcolm Roberts, Group Accountant,
Port Otago Group

“Our monthly treasury reporting includes mark-to-market on all our interest rate swaps,” explains Malcolm. “We also track the movement in floating interest rates in terms of those swaps, so we can maintain visibility of that also”.

“For our external reporting at our half year in December and balance date in June, our process utilizing the Hedgebook reports and data is really efficient now and enables us to complete this body of work really expediently”.

“Hedgebook has proven to be a fantastic product in terms of getting an up-to-date mark-to-market at any time. While we don't necessarily use it every day, if we do want to get a feel for where things are at on a daily basis – we can. It is incredibly easy to use and very timely in terms of information”.

Interest rate hedging made easy

Malcolm Roberts says Port Otago has found Hedgebook to be very cost effective. “There are vastly more expensive tools out there, but they aren't going to give us any better information than Hedgebook,” he says. “When we say the numbers are from Hedgebook, the auditors and other financial advisors immediately identify it as a trusted source.

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Malcolm Roberts, Group Accountant,
Port Otago Group

About Hedgebook

Hedgebook is an intuitive and easy-to-use treasury management system that helps treasurers and finance departments improve the way they record, report and proactively manage foreign exchange, interest rates and commodities risk. Simple and intuitive, Hedgebook provides real-time visibility and insights of hedge positions for better hedging decisions and eases the burden of management and compliance reporting.

For more information visit:
www.hedgebook.com

