



Report 04.103
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Committee Policy, Finance and Strategy
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WRC Holdings Group 2004/05 Draft Statement of Intent

1. Purpose

To receive the draft Statement of Intent (SOI) of the WRC Holdings Group for 2004/05 and the following two years (refer **Attachment 1**).

2. Background

WRC Holdings Ltd (WRCHL) and its 100% owned subsidiary companies, Pringle House Ltd (PHL) and Port Investments Ltd (PIL) are Council Controlled Trading Organisations (CCTO's) as defined under the Local Government Act 2002. These companies, together with CentrePort, form the WRC Holdings Group.

A single SOI can be prepared for the Group and provided to the shareholder under section 64 (5)(b) of the new Local Government Act. However, changes to the deadlines introduced through the Local Government Act 2002 have brought forward consideration of the draft SOI from August to March/April.

Pursuant to the Local Government Act 2002 a draft SOI for all CCTO's now needs to be provided to the Shareholder by 1 March covering the projected results for the financial year in which it is delivered and for each of the immediately following two financial years. The shareholder is required, as soon as practicable, to either agree to the Statement of Intent, or take all practicable steps to require the Statement of Intent to be modified.

The Local Government Act 2002 also requires WRC Holdings Ltd directors to consider any comments made by the Shareholder on the draft SOI before 1 May and to deliver the completed SOI to the Shareholder by 30 June.

Due to different timing requirements between the Local Government Act and the Port Companies Act, no updated information from CentrePort has been able to be included at this time. The Committee should note therefore that the information included for CentrePort is based on CentrePort's 2003/04 SCI.

However, CentrePort has committed to provide a draft SCI for 2004/05 by 31 May 2004 which will enable the WRC Holdings Group to consider the Port Company's draft SCI before finalisation of the WRC Holdings SOI in June 2004.

This should enable the WRC Holdings directors to finalise the SOI for the WRC Holdings Group, including projected information(albeit draft) from CentrePort.

3. Comment on the WRCHL Group Draft Statement of Intent

As noted in section 1 of this report the draft SOI for 2004/05 and the following two years is attached as **Attachment 1** of this report.

The Committee is asked to separately consider issues associated with:

- The words
- The numbers (the financial projections)

Now is the opportunity for the Committee to highlight any comments on the draft SOI.

3.1 The Words

The words in the draft SOI are largely similar to last year. However, the WRC Holdings directors have asked officers to incorporate some changes to take account of the feedback received on last year's SOI from Councillors, namely Councillor Barr. Such changes have been incorporated in the draft SOI attached.

3.2 The numbers (reflected in the SOI Performance Targets)

The detailed budgets included in this report assume a 55% dividend payout from CentrePort based on a Net Profit after Tax of \$6.5 million. However, as CentrePort have yet to provide an updated SCI (due to the timing problem created by legislation mentioned earlier in this report) it is likely that the numbers presented could change prior to finalisation of the SOI in June 2004.

The key financial projections contained within the draft SOI are as follows:

	2004/05 \$000	2005/06 \$000	2006/07 \$000
Net Profit Before Tax (NPBT)	7,243	7,125	7,118
Net Profit After Tax (NPAT)	4,569	4,548	4,537
Return on Total Assets	11.9%	12.7%	12.8%
Return on Shareholders Equity	16.7%	14.7%	13.2%
Dividend Stream	819	797	787

Contrasting these figures with last year's SOI, the changes in the key lines are as follows:

	2004/05 \$000	2005/06 \$000
NPBT (03/04 SOI)	7,477	7,343
NPBT (04/05 SOI)	7,243	7,125
Increase (Decrease)	(234)	(218)
Dividend Stream (03/04 SOI)	957	946
Dividend Stream (04/05 SOI)	819	797
Increase (Decrease)	(138)	(149)

These changes largely reflect the increase in projected interest rates.

4. Communications

The SOI process for the WRC Holdings Group is really a matter of machinery.

5. Recommendations

That the Committee recommend that the Council:

- (1) receive the report and note its contents.*
- (2) receive the draft Statement of Intent of the WRC Holdings Group for 2004/05, and the immediately following two years, and request that any comments or recommendations of the Council, as Shareholder, be forwarded to the Directors of WRC Holdings Ltd for their consideration prior to finalisation of the Statement of Intent in June 2004.*

Report prepared by:

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Attachment 1: WRC Holdings Group – Draft Statement of Intent 2004/05