



Report 03.141
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Committee Policy, Finance and Strategy
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WRC Holdings Group 2003/04 Draft Statement of Intent

1. Purpose

To receive the draft Statement of Intent (SOI) of the WRC Holdings Group for 2003/04 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 Organisations (CCO'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.

It has been our practice when considering the SOI for WRC Holdings to also consider the draft Statement of Corporate Intent (SCI) of CentrePort, prior to forwarding it on to the Council as ultimate shareholder. As CentrePort remains a Port company under the Port Companies Act, it is specifically excluded from the definition of a Council Controlled Organisation under the new Local Government Act, meaning SCI information from CentrePort is not legally required to be provided until the end of July. This is clearly not ideal.

Pursuant to the Local Government Act 2002 a draft SOI for all CCO'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 2002/03 SCI, although the expected net profit and dividend have been reduced in accordance with the information received from CentrePort late last year following the P & O decision.

We have been in discussions with CentrePort over the past couple of weeks and CentrePort management consider that they should be in a position to provide to PIL/WRC Holdings a draft CentrePort SCI for 2003/04 by 31 May 2003.

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

Depending on how well this arrangement works officers may need to amend the process to be followed in future years.

3. Comment on the WRCHL Group Draft Statement of Intent

As noted in section 1 of this report the draft SOI for 2003/04 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. The exception is that section 3 on Governance of the Group has been added as this is a new requirement of the Local Government Act 2002.

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 \$6.3 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 2003.

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

	2003/04 \$000	2004/05 \$000	2005/06 \$000
Net Profit Before Tax (NPBT)	6,905	6,924	6,823
Net Profit After Tax (NPAT)	4,440	4,357	4,346
Return on Total Assets	10.1%	10.5%	10.4%
Return on Shareholders Equity	18.6%	15.9%	14.2%
Dividend Stream	805	722	711

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

	2003/04 \$000	2004/05 \$000
NPBT (02/03 SOI)	8,319	8,747
NPBT (03/04 SOI)	6,905	6,924
Increase (Decrease)	(1,414)	(1,823)
Dividend Stream (02/03 SOI)	610	610
Dividend Stream (03/04 SOI)	805	722
Increase (Decrease)	195	112

These changes, particularly the relationship between the decrease in the Net Profit before Tax and the increased dividend stream, largely reflect the prudent assumption which was previously included within the budget (in relation to CentrePort profitability and dividend payout).

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 2003/04, 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 2003.*

Report prepared by:

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Attachment 1: WRC Holdings Group – Draft Statement of Intent 2003/04