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**Committee** Policy, Finance and Strategy  
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## WRC Holdings Group 2005/06 Draft Statement of Intent

### 1. Purpose

To receive the draft Statement of Intent (SOI) of the WRC Holdings Group for 2005/06 and the following two years (refer **Attachment 1**).

### 2. Significance of Decision

The matters in this report do not trigger the Significance Policy at the Council or otherwise trigger section 76 (3) (b) of the Local Government Act 2002.

### 3. 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 Local Government Act. Pursuant to the Act a draft SOI for all CCTO's 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, 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 2004/05 SCI.

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

This should enable the WRC Holdings directors to finalise the SOI for the WRC Holdings Group, including projected information(albeit draft) from CentrePort at their meeting on 14 June.

#### **4. Comment on the WRCHL Group Draft Statement of Intent**

As noted in section 1 of this report the draft SOI for 2005/06 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)

##### **3.1 The words**

The words in the 2005/06 SOI are largely based on the final SOI for 2004/05. The draft SOI has also been updated to reflect changes incorporated into the final 2004/05 SCI for CentrePort.

##### **3.2 The numbers (reflected in the SOI Performance Targets)**

The detailed budgets included in this report assume a \$3.6 million total dividend payout from CentrePort. However, as CentrePort have yet to provide an updated SCI, it is likely that the numbers presented will change prior to finalisation of the SOI being finalised in June 2005.

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

	<b>2005/06 \$000</b>	<b>2006/07 \$000</b>	<b>2007/08 \$000</b>
Net Profit Before Tax (NPBT)	7,562	8,407	8,406
Net Profit After Tax (NPAT)	4,657	5,264	5,264
Return on Total Assets	6.9%	7.3%	7.3%
Return on Shareholders Equity	4.4%	4.9%	4.7%
Dividend Stream	607	514	514

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

	<b>2005/06 \$000</b>	<b>2006/07 \$000</b>
Net Profit Before Tax (04/05 SOI)	7,572	8,610
Net Profit Before Tax (05/06 SOI)	7,562	8,407
<b>Increase (Decrease)</b>	<b>(10)</b>	<b>(203)</b>
Dividends (2004/05 SOI)	797	787
Dividends (2005/06 SOI)	607	514
<b>Increase (Decrease)</b>	<b>(190)</b>	<b>(273)</b>

These changes largely reflect an increase in projected interest rates and assumptions around the level of subvention payment made by Pringle House Ltd, directly to Greater Wellington.

## **5. Communications**

No communication is necessary at this stage.

## **6. 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 2005/06, 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 2005.*

Report prepared by:

Report approved by:

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Treasury and Planning  
Manager

**Barry Turfrey**  
Chief Financial Officer

**Attachment 1: WRC Holdings Group – Draft Statement of Intent 2005/06**