



Report **04.364**
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Committee **Policy, Finance and Strategy**
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2004/05 Statement of Intent - WRC Holdings Group

1. Purpose

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

2. Background

On 4 March 2004 the Committee considered the draft SOI of the WRC Holdings Group and resolved that 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.*

As a result of consideration of the draft SOI for WRC Holdings the Council specifically requested that the Directors see if objective 2.1 (c) could be simplified.

The Committee may recall that at the time the draft 2004/05 SOI for the WRC Holdings Group was prepared, officers had to estimate figures for CentrePort based on the 2003/04 CentrePort SCI. This situation arose from different timing requirements between the Local Government Act 2002 and the Port Companies Act 1988.

This issue was identified last year and in an attempt to address it, the final 2003/04 SCI for CentrePort included a requirement that “the Company shall provide to the shareholders in May of each year a Draft Statement of Corporate Intent for the consideration of shareholders, with the intent that the statement will be finalised in September”.

That information has since been received from CentrePort and has been incorporated into the final SOI for the WRC Holdings Group (attached as **Attachment 1**) which was approved by the WRC Holdings directors on 17 June 2004 for release to the shareholder.

3. Comment

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 final SOI differ to those in the draft SOI (refer **Attachment 2**) as the WRC Holdings Directors have incorporated updated wording from the CentrePort draft SCI for 2004/05. In addition, objectives 2.1 (b) and 2.1 (c) have been simplified a little in response to the request by the Council. Significant wording changes are as follow:

- Para 2.4 (a) new, based on CentrePort draft SCI for 2004/05
- Para 7.2 (a) amended, based on CentrePort draft SCI for 2004/05
- Para 7.2 (d) amended, based on CentrePort draft SCI for 2004/05
- Para 7.3 (a) amended, based on CentrePort draft SCI for 2004/05
- Para 7.3 (b) amended, based on CentrePort draft SCI for 2004/05
- Para 7.3 (c) amended, based on CentrePort draft SCI for 2004/05

[old Para 7.3 (d) deleted based on CentrePort draft SCI for 2004/05]

3.2 The Numbers

The revised SOI figures are as follows:

	2004/05 (\$000)	2005/06 (\$000)	2006/07 (\$000)
a. Net Profit Before Tax	6,645	7,572	8,610
b. Net Profit After Tax	4,169	4,847	5,537
c. Return on Total Assets	7.63%	7.59%	8.23%
d. Return on Shareholder Equity	16.05%	16.89%	17.17%
e. Dividend Stream	819	797	787

The numbers in the WRC Holdings Group SOI have changed due to changes in CentrePort's draft SCI.

The following table summarises changes from the draft SOI numbers presented to the Committee in March 2004:

	2004/05 \$000	2005/06 \$000	2006/07 \$000
Net Profit After Tax – final SOI	4,169	4,847	5,537
Net Profit After Tax – draft SOI	<u>4,569</u>	<u>4,548</u>	<u>4,537</u>
Increase/(Decrease)	(401)	299	1,000
Return on Total Assets – final SOI	7.63%	7.59%	8.23%
Return on Total Assets – draft SOI	<u>11.85%</u>	<u>12.72%</u>	<u>12.75%</u>
Increase/(Decrease)	(4.22)%	(5.13)%	(4.52)%
Return on Shareholder Equity – final SOI	16.05%	16.89%	17.17%
Return on Shareholder Equity – draft SOI	<u>16.65%</u>	<u>14.73%</u>	<u>13.24%</u>
Increase/(Decrease)	(0.60)%	2.15%	3.93%
Dividend Stream – final SOI	819	797	787
Dividend Stream – draft SOI	<u>819</u>	<u>797</u>	<u>787</u>
Increase/(Decrease)	0	0	0

Incorporation into the numbers of the new Department of Statistics property development at CentrePort has increased the Group's projected assets and debt. This is the major reason for the decrease in the projected % return on total asset figures (e.g. a reduction of 4.22% in 2004/05). The return on asset figure is projected to recover a little in 2006/07. The Committee should also be aware that it is probable that CentrePort will revalue its land holdings as at 30 June 2004. This will lead to a further increase in the level of the Group assets and shareholders funds. However, we have been unable to incorporate these numbers into our forecasts as we don't yet have enough certainty over the extent of changes to be made.

There is no change in the forecast level of dividend distribution included in the draft SOI considered by the Committee on 4 March 2004.

4. Comment

The final SOI now becomes the key accountability tool over the WRC Holdings Group performance during 2004/05.

5. Communications

Not required.

6. Recommendations

That the Committee recommend that Council receive the report and note its contents.

Report prepared by:

Greg Schollum
Chief Financial Officer

Attachment 1: 2004/05 SOI – WRC Holdings Group

Attachment 2: 2004/05 Draft SOI - WRC Holdings Group