



Report 05.355
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Committee Policy, Finance and Strategy
Author Barry Turfrey, Chief Financial Officer

2005/06 Statement of Intent - WRC Holdings Group

1. Purpose

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

2. Significance of Decision

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

3. Background

On 17 May 2005 the Committee considered the draft SOI of the WRC Holdings Group and resolved that Council:

- (1) *Receive the reports.*
- (2) *Note the contents of the report.*
- (3) *Receive the draft Statement of Intent of the WRC Holdings Group for 2005/06, and the immediately following two years.*
- (4) *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.*

There were no particular comments or recommendations to be passed to Directors.

The Committee may recall that at the time the draft 2005/06 SOI for the WRC Holdings Group was prepared, officers had to estimate figures for CentrePort based on the 2005/06 CentrePort SCI. This situation arose from different timing requirements between the Local Government Act 2002 and the Port Companies Act 1988.

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 14 June 2005 for release to the shareholder.

4. Comment

The revised SOI figures are as follows:

	2005/06 (\$000)	2006/07 (\$000)	2007/08 (\$000)
a. Net Profit Before Tax	6,963	7,385	9,146
b. Net Profit After Tax	4,437	4,831	6,039
c. Return on Total Assets	6.56%	6.48%	7.02%
d. Return on Shareholder Equity	4.08%	4.41%	5.47%
e. Dividend Stream	406	600	916

The numbers in the WRC Holdings Group SOI have changed due to:

- Changes in CentrePort's draft SCI numbers which have been incorporated. There is no change to the level of dividend income for 2005/06 and 2006/07, although it is projected to increase to \$4.0 million in 2007/08.
- Changes in assumed base interest rates. The base 90 day interest rate in 2005/06 is now assumed to be 7.0%.

The detailed budgets of Port Investments Ltd, Pringle House Ltd and WRC Holdings Limited have been adjusted accordingly.

The following table summarises changes from the draft SOI numbers presented:

	2005/06 \$000	2006/07 \$000	2007/08 \$000
Net Profit After Tax – final SOI	4,437	4,831	6,039
Net Profit After Tax – draft SOI	<u>4,657</u>	<u>5,264</u>	<u>5,264</u>
Increase/(Decrease)	(220)	433	775
Return on Total Assets – final SOI	6.56%	6.48%	7.02%
Return on Total Assets – draft SOI	<u>6.89%</u>	<u>7.31%</u>	<u>7.33%</u>
Increase/(Decrease)	(0.33)%	(0.83)%	(0.32)%

Return on Shareholder Equity – final SOI	4.08%	4.41%	5.47%
Return on Shareholder Equity – draft SOI	<u>4.44%</u>	<u>4.88%</u>	<u>4.69%</u>
Increase/(Decrease)	(0.36)%	0.47%	0.78%
Dividend Stream – final SOI	406	600	916
Dividend Stream – draft SOI	<u>607</u>	<u>514</u>	<u>5,147</u>
Increase/(Decrease)	(201)	86	402

The changes to the SOI numbers reflected in the table are due to the factors noted above.

The dividend stream to Greater Wellington has changed. The reduction in 2005/06 is largely due to the increase in interest rates and the increase in 2007/08 is due to the additional \$400,000 dividend income from CentrePort.

The final SOI now becomes the key accountability tool over the WRC Holdings Group performance during 2005/06.

5. Communications

No communications are necessary.

6. Recommendations

That the Committee recommend that Council:

- (1) **Receive the report**
- (2) **Note its contents.**

Report prepared by:

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Attachment 1: 2005/06 SOI – WRC Holdings Group