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Report to the Policy and Finance Committee
from Greg Schollum, Chief Financial Officer

WRC Holdings Group – 2001 Financial Statements

1. Purpose

To receive the audited financial statements of WRC Holdings Ltd, Port Investments Ltd and Pringle House Ltd for the year ended 30 June 2001.

2. Background

On 18 September 2001 the Directors of WRC Holdings Ltd, Port Investments Ltd and Pringle House Ltd adopted the 2001 financial statements of the three companies. These financial statements are attached as **Attachments 1, 2 and 3** of this report.

All three companies have received unqualified audit reports from Audit New Zealand.

The financial statements of WRC Holdings Ltd include a provision for dividend which requires shareholder approval (refer to report 01.706 on this order paper).

The financial statements of the WRC Holdings Group, including CentrePort, have been consolidated into the Council's 2000/01 annual report due for adoption by the Council at its meeting on 11 October 2001.

3. Comment

The financial statements of Pringle House Ltd and Port Investments Ltd incorporate financial information of those companies only, whereas the WRC Holdings Ltd financial statements include both parent company and consolidated financial information. Although Port Investments Ltd is the immediate shareholder in CentrePort, there is no requirement to prepare consolidated financial statements at the Port Investments Ltd level, as long as the top company, WRC Holdings Ltd, prepares consolidated financial information.

4. Overview of Financial Statements

4.1 Pringle House Ltd

The financial statements of Pringle House Ltd reflect similar results to past years.

The net deficit of \$101,000 compares to a budgeted net surplus of \$138,000. The difference is largely explained by the unbudgeted write down in the value of the building of \$265,000. The Company's major asset remains the Regional Council Centre.

4.2 Port Investments Ltd

The financial statements of Port Investments Ltd show a net surplus for the year of \$1,106,000. The surplus is lower than last year due to higher interest costs being incurred on the advance from WRC Holdings Ltd.

However, the result represents a healthy surplus above the budgeted surplus of \$492,000. This was mainly due to higher than budget dividend income from CentrePort (\$616,000) as a consequence of the prudent assumption made within the Port Investments Ltd budget.

The financial statements include a dividend payable from Port Investments Ltd to WRC Holdings Ltd of \$1,100,000, being 100% of its 2000/01 profit.

4.3 WRC Holdings Ltd

The parent company's financial statements show a net surplus for the year of \$917,000.

The result represents a healthy surplus above the budgeted surplus of \$268,000, mainly due to a higher dividend than expected from Port Investments Ltd of \$731,000.

The parent company's financial statements include a dividend payable by WRC Holdings Ltd to Wellington Regional Council of \$900,000.

The consolidated financial statements which incorporate WRC Holdings Ltd, Pringle House Ltd, Port Investments Ltd and CentrePort Ltd show a net surplus in the Group of \$3,078,000. Clearly, the 2000/01 year has been a good year for the WRC Holdings Group with subsequent benefits flowing through to the Council. This is reflected in the actual performance against Statement of Corporate Intent targets (refer section 5 below).

5. Performance against the Statement of Corporate Intent

The WRC Holdings Group exceeded all of the Statement of Corporate Intent targets set for the 2000/01 year. The actual and target Statement of Corporate Intent numbers are as follows:

	Actual	Target
Net Profit Before Tax	\$7,183,000	\$6,657,000
Net Profit After Tax	\$4,528,000	\$4,112,000
Return on Total Assets	12.6%	12.2%
Return on Shareholder Equity	41.9%	27.3%
Dividend Stream	\$900,000	\$263,000

6. Communications

Copies of the audited financial statements will be sent to the companies' bankers as is required.

7. Recommendation

That the Committee recommend to Council that it:

- (1) *receive the report and note its contents.*
- (2) *receive the 2000/01 financial statements of Pringle House Ltd and Port Investments Ltd.*
- (3) *approve, as sole shareholder, the 2000/01 financial statements of WRC Holdings Ltd.*

GREG SCHOLLUM
Chief Financial Officer

Attachment 1: Pringle House Ltd - 2000/01 financial statements

Attachment 2: Port Investments Ltd – 2000/01 financial statements

Attachment 3: WRC Holdings Ltd – 2000/01 financial statements