

Report 00.135

2 March 2000

File: CFO/9/1/1

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

WRC Holdings Group – Half Year Report

1. Purpose

To receive the financial statements of the WRC Holdings Group for the six months ended 31 December 1999.

2. Background

Each six months the Directors of WRC Holdings Ltd are required, per the Statement of Corporate Intent, to report their financial results to the shareholder (the Council).

As there is one Statement of Corporate Intent prepared for the consolidated group it is only the WRC Holdings Group financial statements which are legally required to be provided to the Council. However, to ensure transparency of operations of all Council owned companies the following half year financial statements are provided:

- WRC Holdings Ltd (consolidated and parent)
- Pringle House Ltd
- Port Investments Ltd
- CentrePort Ltd (refer to report 00.88)

All these financial statements are unaudited as is normal practice for interim financial statements.

3. Comment

3.1 WRC Holdings Ltd

The financial performance of the WRC Holdings Group significantly exceeds the SCI targets set at the start of the year, primarily as a result of the excellent half year result from CentrePort (refer to report 00.88). As Councillors are aware CentrePort is owned 77% by Port Investments Ltd which is in turn 100% owned by WRC Holdings Ltd. As a consequence WRC Holdings Ltd includes within its consolidated results both CentrePort and Port Investments Ltd (in addition of course to Pringle House Ltd).

WRC Holdings Group

Half Year Performance to 31 December 1999

	Actual Performance	SCI Target
Net profit before tax	\$5,640,000	\$3,589,000 (1)
Net profit after tax	\$3,757,000	\$2,221,000 (1)
Return on assets (annualised)	16.2%	11.2%
Return on equity (annualised)	33.3%	16.7%

(1) The SCI targets have been derived by taking 50% of the full year's targets.

This is good performance by the WRC Holdings Group and should enable the company to pay to the Council a dividend well above the \$850,000 included within the 1999/00 Statement of Corporate Intent. However, the exact amount of the dividend will depend very much on the second half year performance of CentrePort. (The second half-year result is not expected to be as good as the first half-year.)

The other factor which will affect what WRC Holdings Ltd can pass onto the Council is the level of dividend from Port Investments Ltd to WRC Holdings Ltd. Councillors will recall a previous discussion on the level of retained earnings within Port Investments Ltd (refer to report 99.724). The Port Investments Ltd Directors have indicated that they are likely to pay a dividend later this financial year equivalent to 100% of the current year profit, rather than the budgeted 75%. The level of retained earnings currently within Port Investments Ltd should be sufficient for the company's needs.

3.2 **Pringle House Ltd**

The half year financial statements of Pringle House (attached) essentially reflect business as usual for this company.

3.3 **Port Investments Ltd**

Port Investments Ltd has recorded a profit for the half year of approximately \$600,000 due primarily to a higher than planned interim dividend from CentrePort Ltd.

As noted in section 3.1 above, it is anticipated that the majority (if not all) of the 1999/00 year's profit will be able to be passed up to WRC Holdings Ltd by way of dividend. This in turn will enable WRC Holdings Ltd to pay a higher dividend to Council.

4. **Communications**

As the main driver of the favourable results of the WRC Holdings Group relate to CentrePort's results (which have already been well reported), no additional communication is considered necessary.

5. **Recommendation**

That the report be received and the contents noted.

GREG SCHOLLUM
Chief Financial Officer

Attachment 1: WRC Holdings Ltd – Half Year Report

Attachment 2: Pringle House Ltd – Half Year Report

Attachment 3: Port Investments Ltd – Half Year Report