

Report 99.610
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Report to the Policy and Finance Committee
from Greg Schollum, Chief Financial Officer

WRC Holdings Group – 1998/99 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 1999.

2. Background

On 29 September 1999 the Directors of WRC Holdings Ltd, Port Investments Ltd and Pringle House Ltd, adopted the 1998/99 financial statements. The financial statements for each of the three companies are attached as **Attachments 1, 2 and 3** of this report.

These financial statements will now be consolidated into the Council's 1998/99 annual report, due for adoption by the Council at its meeting on 23 November 1999.

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.

All three companies have received unqualified audit opinions.

4. **Performance against the Statement of Corporate Intent (SCI) Measures**

The WRC Holdings Ltd financial Statements include actual performance against the agreed SCI performance targets established at the start of the 1998/99 year.

However, given the change in the composition of the WRC Holdings group during 1998/99 (with Port Investments Ltd acquiring Council's 76.9% shareholding in CentrePort Ltd) the comparison against the SCI is a little meaningless. Nevertheless, it is included for compliance reasons.

5. **Overview of the Financial Statements**

5.1 **Pringle House Ltd**

The financial statements of Pringle House Ltd (refer **Attachment 1**) reflect similar results to past years.

The financial statements include a further write down in the value of the Regional Council Centre, largely as a result of the fact that the lease agreements with the tenants, including the Council, are one year closer to expiry.

The "super rental" (the excess of rental currently paid by tenants over and above the market) contribute to the current building valuation, but as the lease agreements get closer to expiry the extent of super rental reduces and therefore the property value also reduces. (The current lease agreements contain a clause which means tenants' rental paid cannot reduce simply because the market reduces.)

The company's major asset remains the Regional Council Centre. At 30 June 1999 Pringle House Ltd has equity of approximately \$5.5 million.

5.2 **Port Investments Ltd**

The financial statements of Port Investments Ltd show significantly different figures between the 1999 and 1998 years, as a result of the acquisition during the year of 76.9% of CentrePort. Port Investments Ltd now holds an investment in CentrePort on its balance sheet which it funded from borrowings from its parent company, WRC Holdings Ltd. Since 30 June 1999 the \$6 million dividend has been paid "up the chain" to WRC Holdings Ltd.

At 30 June 1999 Port Investments Ltd has equity of approximately \$1.5 million.

5.3 **WRC Holdings Ltd**

The financial statements of WRC Holdings Ltd include both parent company figures (WRC Holdings Ltd) and consolidated figures for the WRC Holdings Group incorporating:

- WRC Holdings Ltd
- Pringle House Ltd
- Port Investments Ltd
- CentrePort Ltd

The financial statements of WRC Holdings Ltd (Parent) reflect the impact of restructuring of the ownership of CentrePort with WRC Holdings borrowing \$40.8 million externally in order to on-lend to Port Investments Ltd. The parent company financial statements also reflect the passing “up the chain” to the Council of the \$6 million dividend received from Port Investments Ltd.

The consolidated financial statements of WRC Holdings Ltd incorporate the acquisition during the year by the Group of the Council’s 76.9% interest in CentrePort. As is normal accounting practice, CentrePort profits from the date of acquisition have been included within the 1998/99 Group financial statements. In future years a full year’s result from CentrePort will be included within the WRC Holdings Group financial statements.

Given the size of CentrePort in relation to the rest of the WRC Holdings Group, the Group financial statements are dominated by the impact of CentrePort.

6. **Communications**

Copies of the audited financial statements have already been sent to the companies’ bankers as is required.

As these financial results will be incorporated into the Council’s 1998/99 annual report, no other specific communication is required at this time.

7. **Recommendation**

That the report be received and the contents noted.

GREG SCHOLLUM
Chief Financial Officer

Attachment 1: Pringle House Ltd – 1998/99 financial statements

Attachment 2: Port Investments Ltd – 1998/99 financial statements

Attachment 3: WRC Holdings Ltd – 1998/99 financial statements