greater WELLINGTON
THE REGIONAL COUNCIL

Report	**03.138**
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Committee	**Policy, Finance and Strategy**
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WRC Holdings Group - Half Year Report

1. Purpose

To receive the financial results of the WRC Holdings Group of companies for the period 1 July 2002 to 31 December 2002.

2. Background

The WRC Holdings Group Statement of Corporate Intent (SCI) includes a requirement for the companies to report to the shareholder on the half year results. On 27 February 2003 the Directors of WRC Holdings Ltd, Pringle House and Port Investments Ltd received half yearly management reports for each company and approved their release to the Council.

The management reports are unaudited as is normal practice for interim financial reports.

The results of CentrePort are presented separately (refer to report 03.126 on this order paper).

3. YTD Results

The following table summarises the operating results of the three 100% owned WRC Holdings group of companies for the period ended 31 December 2002.

Net Surplus (Deficit) after Tax			
	Actual $000	Budget $000	Variance favourable (unfavourable) $000
Port Investments Ltd	(1,091)	206	(1,297)
Pringle House Ltd	305	84	221
WRC Holdings Ltd	(41)	(49)	8

3.1 Port Investments Ltd (PIL)

The financial statements of PIL show a net deficit of $1,091,000 for the six months to 31 December 2002. This net deficit represents an unfavourable variance of $1,297,000 compared to the budgeted result, primarily due to:

- CentrePort Ltd have not recognised a dividend payable to PIL for the first half year and as a result we are unable to recognise it in PIL's financial statements. The budget for PIL had assumed a dividend for the first half year of $1,385,000. This is essentially a timing difference as the interim dividend from CentrePort has been subsequently received.

- Interest rates on the $44,000,000 advanced from WRCHL to PIL have been lower than expected resulting in a $119,000 favourable interest expense variance for the half year.

3.2 Pringle House Ltd (PHL)

The financial statements of PHL show a net surplus of $305,000 for the six months to 31 December 2002. This net surplus represents a favourable variance of $221,000 compared to the budgeted result, primarily due to:

- Delays to planned refurbishment projects. The security system upgrade, which had been projected to occur in the first half of the year, is now expected to be completed in the second half of the financial year. The recarpeting work (which had been partly budgeted to occur in 2002/03 and partly in the following 2 years) is now also expected to be completed in the second half of the financial year. The net result is there is a $193,000 favourable budget variance on refurbishment projects for the six months.

- An unfavourable variance of $20,000 due to increases in PHL's insurance premiums.

- Other minor favourable variances in power, security and property management expenditure.

3.3 WRC Holdings Ltd (WRCHL)

The financial statements of WRCHL show an operating deficit of $41,000 which is very close to the budgeted deficit of $49,000.

4. Projected results for the WRC Holdings Group for the year to 30 June 2003

While no formal projections have been prepared by the companies, this section identifies the key factors likely to affect the full year's results of the WRC Holdings Group. The major variable factor in the projected results for PIL for the full year is the anticipated dividend from CentrePort Ltd. CentrePort Ltd have had a very good half year result to 31 December 2002 but have concerns over the loss of container volumes and consequential impact on revenue following the P & O decision. PIL is also expected to show a significant favourable interest variance for the full year on its $44,000,000 borrowings as interest rates are anticipated to remain lower than budget for the second half of the year.

Although the PHL refurbishment expenditure is currently behind budget (as noted in section 3.2 above) completion of the security system upgrade, recarpeting work and potentially repairs to the roof are likely to contribute to in an overspend in refurbishment expenditure by year end. PHL is also likely to have an unfavourable insurance variance for the full year although it is anticipated that this will be partly offset by savings in other areas.

5. Communications

There is nothing significant to communicate at this time.

6. Recommendations

That the Committee recommends that the Council receives the report and notes its contents.

Report prepared by:

Greg Schollum
Chief Financial Officer

Attachment 1: Port Investments Limited – Financial Statements for the six months ended 31 December 2002

Attachment 2: Pringle House Limited - Financial Statements for the six months ended 31 December 2002

Attachment 3: WRC Holdings Limited - Financial Statements for the six months ended 31 December 2002