



Report 07.674
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Committee Policy, Finance and Strategy
Author Richard Waddy, Manager Environmental Support

WRC Holdings Limited - 2007 Financial Statements

1. Purpose

To receive the audited financial statements of WRC Holdings Ltd, Port Investments Ltd, Pringle House Ltd, Greater Wellington Rail Ltd, Greater Wellington Transport Ltd and Greater Wellington Infrastructure Ltd for the year ended 30 June 2007.

2. Significance of the decision

The matters for decision 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 21 September 2007 the directors of WRC Holdings Ltd, Port Investments Ltd, Pringle House Ltd, Greater Wellington Rail Ltd, Greater Wellington Transport Ltd and Greater Wellington Infrastructure Ltd will consider the 2006/7 financial statements of the six companies. Once signed, these reports will be sent under separate cover as **Attachments 1-6**.

It is expected that all six companies will receive unqualified audit reports from Audit New Zealand.

The financial statements of the WRC Holdings Group, including CentrePort, have been consolidated into the Council's 2006/07 annual report due for adoption by the Council on 27 September.

Each set of financial statements has been prepared applying the International Financial Reporting Standards (IFRS).

4. Comment

The financial statements of Pringle House Ltd, Port Investments Ltd, Greater Wellington Rail Limited, Greater Wellington Transport Limited and Greater Wellington Infrastructure Limited, incorporate financial information of those companies only. The WRC Holdings Ltd financial statements include both parent company and consolidated financial information (including CentrePort's results). 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 WRC Holdings Ltd prepares consolidated financial information.

5. Overview of the financial results

5.1 Pringle House Ltd

Pringle House achieved a net surplus before revaluations of \$100,000 compared with \$281,000 last year, and a budget of \$196,000. The main reason for the reduced net surplus is due to the application of IFRS. The tax charge for both years is higher under IFRS due to the tax effect of unrealised gains.

Revenue of \$1,483,000 was up 1% on last year due to increases in rental and interest income. Operating expenses at \$702,000 were down on last year (\$817,000) due to lower refurbishment expenditure and rates.

Pringle House's main asset, the Regional Council Centre, increased in value by \$3,300,000.

Including this revaluation the Company made a surplus of \$2,728,000 after deducting \$752,000 for deferred tax.

A dividend of \$100,000 representing 100% of the after tax surplus (excluding revaluations) is payable this year.

5.2 Port Investments Ltd

The financial statements of Port Investments Ltd show a net surplus for the year of \$204,000. The surplus is lower than the budget of \$387,000 due to the lower subvention payments received from CentrePort. Subvention payments are down \$219,000 on budget.

Revenue at \$2,838,000 is in line with the previous year.

A dividend of \$204,000 is payable this year.

5.3 Greater Wellington Rail Limited (GWRL)

GWRL acquired four Wairarapa carriages as at 30 June 2007. Additional amounts have been accrued for the carriages on a percentage completed basis. As at 30 June 2007 GWRL had \$19.9 million in fixed assets/work in progress.

GWRL also spent \$2.4 million in the period in respect of the new Electric Multiple Units (EMUs). As the contract for the new EMUs was not signed at 30 June 2007 this expenditure could not be capitalised, and instead, it was expensed.

The Wairarapa carriages and the EMUs were funded by way of capital grants from Greater Wellington.

5.4 Greater Wellington Transport Limited and Greater Wellington Infrastructure Limited

For the period ended 30 June 2007 these companies had no transactions.

5.5 WRC Holdings Ltd

The parent company achieved a net surplus for the year of \$2,758,000, compared with the previous year of \$2,504,000 and a budget of \$463,000.

The increase in the value of subsidiaries of \$2,629,000 (2006: \$2,108,000) is the major reason for the increased surplus.

The operating surplus excluding this gain was \$128,000, lower than the budget of \$463,000. The main cause of the reduced operating surplus is lower than expected dividends from Port Investments Ltd and Pringle House Ltd as noted above.

The Company will pay a dividend of \$128,000 (2006: \$395,000) to the Council, fully imputed.

6. Financial performance against the Statement of Intent

	Actual 2007 \$000	Target 2007 \$000	Adjusted IFRS Actual 2006 \$000
Net Surplus Before Tax	9,516	4,896	7,535
Increase in Investment Properties	14,519	-	12,907
	<u>24,035</u>	<u>4,896</u>	<u>20,442</u>
Tax and subvention payments	(4,857)	(1,689)	(5,247)
Net Profit	<u>19,178</u>	<u>3,207</u>	<u>15,195</u>
Return on Total Assets	6.1%	4.6%	5.7%
Return on Equity (excluding revaluations)	4.3%	0.9%	2.5%
Return on Equity (including revaluations)	13.7%	-	12.7%
Dividends \$000	128	463	395

The surplus before tax shows an improved performance when compared with the Statement of Intent and the previous year. This was due to:

- An improved result from CentrePort's port operations, particularly with additional vessels from the Maersk line calling.
- An improved result in Pringle House due to revaluation gains.

Net surplus before tax is ahead of budget and last year. However, with the large increase in the value of total assets from \$258 million in 2006 to \$335 million in 2007, the return on assets and shareholder funds remains fairly constant.

The majority of the increase is due to property revaluations, some of which are not producing any income at this stage. Despite this increase the return on total assets and equity remains at a similar level to past years.

7. Communication

No communication is necessary.

8. Recommendations

That the Committee recommends that Council

1. **Receives** the report.
2. **Notes** its contents.
3. **Receives** the 2006/07 financial statements of Pringle House L td, Port Investments Ltd, Greater Wellington Rail Ltd, Greater Wellington Transport Ltd, Greater Wellington Infrastructure Ltd and WRC Holdings Ltd.
4. **Approves**, as sole shareholder, the 2006/07 financial statements of WRC Holdings Ltd.

Report prepared by:

Report approved by:

Richard Waddy
Manager, Environment
Support

Barry Turfrey
Chief Financial Officer

Attachment 1: Pringle House Ltd – 2006/07 financial statements (Sent under separate cover)

Attachment 2: Port Investments Ltd – 2006/07 financial statements (Sent under separate cover)

Attachment 3: WRC Holdings Ltd – 2006/07 financial statements (Sent under separate cover)

Attachment 4: Greater Wellington Rail Ltd - 2006/07 financial statements (Sent under separate cover)

Attachment 5: Greater Wellington Transport Ltd - 2006/07 financial statements (Sent under separate cover)

Attachment 6: Greater Wellington Infrastructure Ltd - 2006/07 financial statements (Sent under separate cover)