



Report 08.697  
Date 22 September 2008  
File CFO/09/02/02

Committee Council  
Author Mike Timmer, Treasurer

## WRC Holdings Limited - 2008 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 2008.

### 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 17 September 2008 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 considered and approved the 2007/08 financial statements of the six companies.

The audited financial statements for these companies are attached (refer **Attachments 1-6**).

### 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 (PHL)**

PHL achieved a net surplus before tax, subvention payments and revaluations of \$1,205,000 compared with a \$781,000 last year, and a budget of \$857,000.

Revenue of \$1,868,000 was up 25% on last year due to increases in rental and interest income. Operating expenses also grew, but only by 5% and off a smaller base.

PHL's main asset, the Regional Council Centre, decreased in value by \$285,000 following the yearly valuation.

Overall PHL made a surplus of \$223,000 (including revaluations) after deducting \$334,000 in deferred tax and a \$1,031,000 subvention payment to Greater Wellington.

A dividend of \$173,000 representing 100% of the after tax surplus has been approved.

### **5.2 Port Investments Ltd (PIL)**

PIL recorded a net deficit for the year of \$86,000, this compares with the budgeted surplus of \$393,000. The decreased result is due mainly to higher interest costs on its \$44 million loan from its parent company.

There is no dividend to be paid this year.

### **5.3 Greater Wellington Rail Limited (GWRL)**

GWRL received \$2,440,000 in grants from Greater Wellington to cover their operating expenses, resulting in an operating deficit of \$105,000 compared with a break even budget. The deficit represents expenditure that cannot be capitalised.

Asset additions during the year were \$14.4 million.

### **5.4 Greater Wellington Transport Limited and Greater Wellington Infrastructure Limited**

For the period ended 30 June 2008 these companies had no transactions.

### **5.5 WRC Holdings Ltd (WRCHL)**

The parent company's financial statements show a net surplus for the year of \$111,000, compared with the budget deficit of \$1,080,000.

The budget included an impairment of investments of \$1,431,000 in respect of GWRL. This impairment did not eventuate as funding was via capital grants as opposed to share capital.

WRCHL has approved a fully imputed dividend to the Council of \$63,872.

## 6. Financial performance against the Statement of Intent

	Actual 2008 \$000	Target 2008 \$000	Actual 2007 \$000
Net Surplus Before Tax	8,266	4,926	9,516
Increase (Decrease) in value of Investment Properties	(830)	-	14,519
	<u>7,436</u>	<u>4,926</u>	<u>24,035</u>
Tax and subvention payments	(4,231)	(3,122)	(4,857)
Net Profit	<u>3,205</u>	<u>1,803</u>	<u>19,175</u>
Return on Total Assets	4.8%	3.8%	6.1%
Return on Equity (excluding revaluations)	3.4%	-0.1%	4.3%
Return on Equity (including revaluations)	1.3%	-0.1%	13.7%
Dividends \$000	64	251	128

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

- An improved result from CentrePort's port operations, mainly due to higher volumes and improved margins.
- An improved result in Pringle House due to higher rentals, no depreciation charge but partly offset by an asset write down.

Net surplus before tax, while better than budget, is down on last year. The deterioration is primarily due to the accounting rules which require the revaluations of both property and financial instruments through the Income Statement. Last year there was a gain of \$14,519,000. If these are removed then the underlying profit before interest tax has improved by \$2,145,000.

Return on total assets has improved against budget but not to the extent evidenced by the increase in net profit, due to the increase in the value of total assets from \$258 million in 2007 to \$390 million in 2008. This is due primarily to the construction of new assets by CentrePort.

Dividends are down on budget due to higher interest rates than budget in Port Investments, resulting in no dividend from Port Investments.

Pringle House has paid a dividend of \$173,000 and a subvention payment of \$1,031,000 to the Council.

## **7. Communication**

No communication is necessary.

## **8. Recommendations**

*That the Council*

- 1. **Receives** the report.*
- 2. **Notes** its contents.*
- 3. **Receives** the 2007/08 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 2007/08 financial statements of WRC Holdings Ltd.*

Report prepared by:

Report approved by:

**Mike Timmer**  
Treasurer

**Barry Turfrey**  
Chief Financial Officer

**Attachment 1:** Pringle House Ltd – 2007/08 financial statements

**Attachment 2:** Port Investments Ltd – 2007/08 financial statements

**Attachment 3:** WRC Holdings Ltd – 2007/08 financial statements

**Attachment 4:** Greater Wellington Rail Ltd - 2007/08 financial statements

**Attachment 5:** Greater Wellington Transport Ltd - 2007/08 financial statements

**Attachment 6:** Greater Wellington Infrastructure Ltd - 2007/08 financial statements