



Report 10.569
Date 22 September 2010
File CFO/09/02/02

Committee Council
Author Mike Timmer, Treasurer

WRC Holdings Limited Financial Statements for year ending 30 June 2010

1. Purpose

To approve, as Shareholder, the audited financial statements of WRC Holdings Ltd, for the year ended 30 June 2010.

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 22 September 2010 the directors of WRC Holdings Ltd, considered and approved the 2009/10 financial statements.

The audited financial statements for WRC Holdings Ltd are attached (refer **Attachments 1**) along with a copy of the Audit Report (refer **Attachment 2**).

4. Comment

The financial statements comprise Pringle House Ltd, Port Investments Ltd, Greater Wellington Rail Limited, Greater Wellington Transport Limited, Greater Wellington Infrastructure Limited and CentrePort Limited. The financial statements include both parent company and consolidated financial information.

5. Overview of the financial results

5.1 Pringle House Ltd (PHL)

Pringle House achieved a net surplus for the year before tax and revaluations of \$1,222,000, compared to the budget of \$1,098,000.

Operating expenditure was lower than budget, due to the timing of some projects, insurance (the budget was set before premiums were finalised) and property management fees.

A dividend of \$202,120 is to be paid to WRC Holdings and a subvention payment of \$1,009,224 is to be paid to Greater Wellington.

5.2 Port Investments Ltd (PIL)

PIL reported a net surplus for the year of \$2,113,000, compared to the budgeted surplus of \$1,712,000.

The improved result against budget is almost entirely due to the lower interest costs on the \$44 million loan from WRC Holdings Ltd.

A dividend of \$1,200,000 is to be paid to WRC Holdings Ltd, with the balance retained in PIL, increasing retained earnings to \$2,360,000.

5.3 Greater Wellington Rail Limited (GWRL)

GWRL received \$4,935,000 in grants from Greater Wellington to cover their operating expenses, resulting in a break even position.

Fixed assets now total over \$60,698,000, an increase of \$9,534,000 during the year, representing payments on the Matangi EMU trains.

5.4 Greater Wellington Transport Limited and Greater Wellington Infrastructure Limited

For the period ended 30 June 2010 these companies had no transactions.

5.5 CentrePort Ltd

CentrePort achieved an underlying profit before tax of \$13,697,000, an increase of \$2,323,000 compared to 2009, which was \$11,374,000. Revenue was \$64,497,000, up \$9,325,000 on the previous year, reflecting the increase in rental income from the BNZ building. Operating expenditure increased by \$4,759,000 to \$38,199,000. The result exceeded the statement of corporate intent target of \$8,700,000. The improved performance was due to revenue growth, cost containment and a low interest rate environment. During the year BNZ Harbour Quays was completed and the development of Customhouse has largely been completed.

5.6 WRC Holdings Ltd (WRCHL)

WRCH achieved a net deficit for the year of \$2,895,000 before tax. The deficit is mainly due to a devaluation of the investment in Pringle House of \$3,225,000. Excluding that devaluation WRCH made a profit of \$400,000.

The interest expense from borrowing is lower than budgeted due to lower interest rates and margin paid on the debt. This is offset by a lower interest income from PIL.

A dividend of \$1,195,620 million is proposed to be paid to Greater Wellington.

Ordinary share capital increased by \$1,263,690 representing the 10% component of the Matangi project funded by Greater Wellington.

6. Financial performance against the Statement of Intent

	Actual 2010 \$000	Target 2010 \$000	Actual 2009 \$000
Net Surplus Before Tax	12,846	7,758	10,468
Net Surplus After Tax	10,242	3,793	(3,885)
Earnings before interest, tax and depreciation	27,352	28,246	25,565
Return on Total Assets	3.8%	3.7%	4.5%
Return on Equity (excluding revaluations)	11.1%	1.4%	6.1%
Return on Equity (including revaluations)	4.9%	1.4%	(3.0%)
Dividends \$000	1,195	1,249	1,659

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

- An improved result from CentrePort's port operations, mainly due to higher volumes and improved margins.
- An improved result in PIL due to lower interest costs.

The return on equity has increased accordingly when compared to last year, while the return on assets has been impacted by an increase in total assets.

7. Communication

No communication is necessary.

8. Recommendations

That the Council:

- 1. Receives the report.*
- 2. Notes its contents.*
- 3. Approves, as sole shareholder, the 2009/10 financial statements of WRC Holdings Ltd.*

Report prepared by:

Report approved by:

Mike Timmer
Treasurer

Barry Turfrey
Chief Financial Officer

Attachment 1: WRC Holdings Ltd – 2009/10 financial statements

Attachment 2: Audit Report