



Report 05.566
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Committee Policy, Finance and Strategy
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WRC Holdings Limited - 2005 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 2005.

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 29 September 2005 the directors of WRC Holdings Ltd, Port Investments Ltd and Pringle House Ltd adopted the 2005 financial statements of the three companies. These financial statements are attached as **Attachments 1, 2 and 3** of this report.

All three companies have received unqualified audit reports from Audit New Zealand.

The financial statements of WRC Holdings Ltd include a provision for dividend which requires shareholder approval (refer report 05.565 on this order paper).

The financial statements of the WRC Holdings Group, including CentrePort, have been consolidated into the Council's 2004/05 annual report due for adoption by the Council (refer report 05.570 on this order paper).

4. 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

5. Overview Financial Statements

5.1 Pringle House Ltd

Pringle House achieved a net surplus after tax of \$597,000 for the year compared with the budget of \$165,000. Income of \$1,544,000 for the year was in line with the previous year and budget. Actual expenses were in line with the budget costs.

The net surplus before tax and revaluation was \$578,000, (Budget, \$547,000) last year \$547,000.

Subvention payments were ahead of budget and in line with last year at \$477,000 (budget \$382,000).

Net surplus after tax of \$579,000 is well up on budget (\$165,000) due to an increase in the value of Regional Council Centre of \$496,000.

A dividend of \$101,413 is payable this year.

5.2 Port Investments Ltd

The financial statements of Port Investments Ltd show a net surplus for the year of \$654,000. The surplus is lower than the budget of \$781,000 primarily due to the higher interest costs of \$305,000, partly offset by increased dividends/subvention payments from CentrePort, \$151,000.

Compared with the previous year the higher level of dividends from CentrePort, \$569,000 was partly offset by higher interest costs, \$514,000.

A dividend of \$653,577 is payable this year.

5.3 WRC Holdings Ltd

The parent company's financial statements show a net surplus for the year of \$1,147,000, compared with the previous year of \$1,014,000 and a budget of \$819,000.

Interest income was ahead of budget (\$309,000) due to higher interest rates, but this was offset by lower dividends from Port Investments Ltd.

The Company is proposing to pay a dividend of \$650,987 (2004, \$322,772) to the Council, fully imputed.

6. Financial performance against the Statement of Intent

	Actual 2005 \$000	Target 2005 \$000	Actual 2004 \$000
Net Surplus Before Tax	7,153	6,645	5,178
Asset Write Down	(3,049)	-	-
Tax and subvention payments	(1,080)	(2,476)	(1,890)
	<u>3,024</u>	<u>4,169</u>	<u>3,288</u>
Increase in Investment Properties	14,399	-	28,127
Net Profit	17,423	4,169	31,415
Increase in Revaluations Properties	-	-	40,581
Total	<u>17,423</u>	<u>4,169</u>	<u>71,996</u>
Return on Total Assets	4.6%	7.6%	6.6%
Return on Shareholders Funds	17.6%	16.1%	58.7%
Dividends \$000	651	819	323

The surplus before tax shows an improved performance when compared with the Statement of Intent and last year. This improvement has been driven largely by CentrePort. There are two main reasons for this;

- a) Restructuring costs in the previous year.
- b) Increased volumes in 2005.

CentrePort has also increased the value of its investment properties by \$14.4 million.

Net surplus before tax is ahead of budget and last year. However, with the large increase in the value of total assets from \$106 million in 2003 to \$208 million in 2005, the return on assets and shareholder funds remains fairly constant.

7. **Communication**

Copies of the audited financial statements will be sent to the companies' bankers as is required. No other communication is considered necessary.

8. **Recommendations**

That the Committee recommends that Council

1. ***Receive** the report.*
2. ***Note** its contents.*
3. ***Receive** the 2004/05 financial statements of Pringle House Ltd and Port Investments Ltd.*
4. ***Approve**, as sole shareholder, the 2004/05 financial statements of WRC Holdings Ltd.*

Report prepared by:

Barry Turfrey
Chief Financial Officer

Attachment 1: Pringle House Ltd – 2004/05 financial statements
Attachment 2: Port Investments Ltd – 2004/05 financial statements
Attachment 3: WRC Holdings Ltd – 2004/05 financial statements