



**Report** 06.579  
**Date** 10 October 2006  
**File** CFO/09/01/01

**Committee** Policy, Finance and Strategy  
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## WRC Holdings Limited - 2006 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 2006.

### 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 26 September 2006 the directors of WRC Holdings Ltd, Port Investments Ltd and Pringle House Ltd adopted the 2005/6 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 06.565 on this order paper).

The financial statements of the WRC Holdings Group, including CentrePort, have been consolidated into the Council's 2005/6 annual report due for adoption by the Council (refer report 06.567 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 before revaluations of \$281,000 compared with \$101,000 last year, and a budget of \$10,000.

Revenue of \$1,591,000 was up 3% on last year due to increases in rental and interest income. Operating expenses at \$939,000 were slightly down on last year (\$966,000) due to lower refurbishment expenditure.

Pringle House's main asset, the Regional Council Centre, increased in value by \$3,174,000.

Overall the Company made a surplus of \$2,557,000 (including revaluations) after deducting \$1,046,000 in deferred tax charges.

A dividend of \$281,000 representing 100% of the after tax surplus is payable this year.

### **5.2 Port Investments Ltd**

The financial statements of Port Investments Ltd show a net surplus for the year of \$229,000. The surplus is lower than the budget of \$515,000 primarily due to higher interest costs of \$175,000, and lower subvention payments from CentrePort of \$100,000.

Revenue at \$2,845,000 is in line with the previous year.

Tax credits of \$956,000 are higher than budget (\$1,056,000) but lower than last year (\$1,042,000). This results in a net surplus of \$229,000.

A dividend of \$229,000 is payable this year.

### **5.3 WRC Holdings Ltd**

The parent company's financial statements show a net surplus for the year of \$2,672,000, compared with the previous year of \$1,147,000 and a budget of \$406,000.

The increase in the value of subsidiaries of \$2,276,000 (2005; \$496,000) is the major reason for the increased surplus.

Interest income was ahead of last year (\$311,000) 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 \$395,000 (2005; \$650,000) to the Council, fully imputed.

## 6. Financial performance against the Statement of Intent

	<b>Actual 2006 \$000</b>	<b>Target 2006 \$000</b>	<b>Actual 2005 \$000</b>
Net Surplus Before Tax	6,077	6,963	4,104
Tax and subvention payments	(1,668)	(2,526)	(1,080)
	<u>4,409</u>	<u>4,437</u>	<u>3,024</u>
Increase in Investment Properties	10,825	-	14,399
Net Profit	<u>15,234</u>	<u>4,437</u>	<u>17,423</u>
Return on Total Assets	4.7%	6.6%	4.6%
Return on Equity (excluding revaluations)	5.2%	4.1%	2.6%
Return on Equity (including revaluations)	13.7%	4.1%	17.6%
Dividends \$000	395	406	651

The surplus before tax shows an improvement over last year but below the Statement of Intent.

The reasons for this are:

- Improved result in CentrePort due to the settlement of the Silver Fern litigation. A full year's rental from the Statistics building and the sale of CentrePort's interest in Medical Waste Ltd.
- An improved result in Pringle House Ltd as noted above.
- Higher interest rates and lower subvention payments than budgeted, reduced the actual result when compared with the Statement of Intent.

## 7. Communication

No communication is necessary.

## 8. Recommendations

*That the Committee recommends that Council*

1. **Receive** the report.
2. **Note** its contents.
3. **Receive** the 2005/6 financial statements of Pringle House Ltd and Port Investments Ltd.
4. **Approve**, as sole shareholder, the 2005/6 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 – 2005/6 financial statements

**Attachment 2:** Port Investments Ltd – 2005/6 financial statements

**Attachment 3:** WRC Holdings Ltd – 2005/6 financial statements