greater WELLINGTON
REGIONAL COUNCIL
Te Pane Matua Taiao

Report	12.478
Date	28 September 2012
File	CFO/09/02/02
Committee	Council
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WRC Holdings Limited Financial Statements for the year ending 30 June 2012

1. Purpose

To approve, as Shareholder, the audited financial statements of WRC Holdings Ltd, for the year ending 30 June 2012.

2. The decision-making process and significance

The matter requiring decision in this report has been considered by officers against the requirements of Part 6 of the Local Government Act 2002.

2.1 Significance of the decision

Officers have considered the significance of the matter, taking into account the Council's significance policy and decision-making guidelines. Due to the procedural nature of this decision officers recommend that the matter be considered to have low significance.

Officers do not consider that a formal record outlining consideration of the decision-making process is required in this instance.

3. Background

On 25 September 2012 the directors of WRC Holdings Ltd considered and approved the 2011/12 financial statements.

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

4. Comment

The financial statements of WRC Holdings Limited comprise Pringle House Limited, Port Investments Limited, Greater Wellington Rail Limited, Greater Wellington Transport Limited, Greater Wellington Infrastructure Limited and CentrePort Group 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 $970,000, compared to a budget of $925,000.

Expenditure was lower than budget primarily due to lower building repairs and maintenance costs.

A dividend of $163,000 will be paid to WRC Holdings and a subvention payment of $806,000 will be paid to Greater Wellington.

Pringle House was re-valued downwards for accounting purposes reflecting the seismic issues.

5.2 Port Investments Ltd (PIL)

PIL reported a net surplus for the year of $2,228,000, compared to the budgeted surplus of $2,223,000.

The result while on budget was made up of favourable lower finance costs of $289,000 on the $44,000,000 loan from WRC Holdings and higher dividend revenue of $538,0000 from CentrePort, offset by $840,000 unfavourable subvention receipts. The subvention receipts from CentrePort were received directly by Council rather than via PIL.

A dividend of $2,228,000 will be paid to WRC Holdings Ltd.

5.3 Greater Wellington Rail Limited (GWRL)

The accounting for GWRL was changed last financial year to a Public Benefit Entity (PBE).

A PBE requires that all grants (including grants for capital expenditure) are recognised through the Statement of Comprehensive Income.

As a result of this, GWRL produced a profit before tax of $103,000,000 for the year ended 30 June 2012, composed mainly of grants received from Greater Wellington to fund the Matangi Trains.

Profit after tax was $75,000,000 reflecting a deferred tax liability (accounting adjustment only) of $27,000,000, due to GWRL receiving revenue for the Matangi Trains. Over time this accounting entry will reverse as the assets are depreciated to nil.

Total Assets of GWRL at 30 June were $340,000,000 compared to $197,000,000 at 30 June 2011.

5.4 Greater Wellington Transport Limited and Greater Wellington Infrastructure Limited

For the period ended 30 June 2012 these companies had no transactions.

5.5 CentrePort Ltd

CentrePort achieved an underlying profit before tax and fair value adjustments of $16,451,000, an increase of $1,544,000 compared to $14,907,000 in 2011.

This compares to the Statement of Corporate Intent (SCI) of $15,300,000. A dividend of $5,250,000 was declared plus a supplementary dividend after balance date of $850,000.

CentrePort posted adverse fair value adjustments of $7.5 million on interest rate derivatives movements which will reverse in future years, and $11.6 million adjustments on property valuations predominately due to seismic related issues.

The increase in underling profit was attributed mainly to lower operating costs than budget.

The overall result after the fair value adjustments and tax was a loss of $5.9 million. Equity stood at $191 million ($202 million at 30 June 2011) with an asset base of $327 million.

5.6 WRC Holdings Ltd (WRCH)

WRCH achieved a net profit for the year of $2,254,000 before tax and fair value adjustments.

A dividend of $2,254,000 is to be paid to Greater Wellington.

Ordinary share capital was increased by $9,256,000 representing the equity contribution by Greater Wellington towards the purchase of the Matangi Trains.

6. WRC Group Financial performance - Statement of Intent (SOI)

$(000)	Actual 2012 $000	Target 2012 $000	Actual 2011 $000
Net Surplus Before Tax	119,728	129,701	50,277
Net Surplus After Tax	91,963	93,340	48,757
Earnings before interest, tax & depreciation (EBITD)	148,829	167,783	73,397
Return on Total Assets	19.9%	20.6%	11.6%
Return on Equity (excluding revaluations)	30.7%	34.4%	21.8%
Shareholders Equity to Total assets	46.9%	37.7%	39.6%
Dividends $000	2,254	2,304	1,204

The above table shows the SOI performance indicators against plan and presents last years results as a comparison.

The lower ***surplus before and after tax*** compared to target is emanating from predominately lower revenue in GWRL due to the timing of the capital expenditure on the Matangi trains, it is offset to a small extent by a better result to budget from CentrePort Limited.

Earnings before interest tax and depreciation (EBIT&D) is below budget due to depreciation costs being lower than budget in both CentrePort, GWRL, and interest costs being lower than budget in Port Investments.

Return on total assets (EBIT divided by Total Assets) is lower than budget. While the asset base has increased (at a slower pace than budget, due to slower capital spend on the Matangi and fair value adjustments), EBIT is proportionately lower leading to a lower return on total assets.

Return on equity is below budget as the net surplus after tax is lower than budget.

Shareholders funds to total asset is higher than budget due to a proportionately lower asset base than budget, mainly due to the timing of the purchase of the Matangi trains.

The dividend from WRC Holdings remains close to target it but has been influenced by the result from PIL.

7. Communication

No communication is necessary.

8. Recommendations

That the Council:

1. ***Receives*** *the report.*
2. ***Notes*** *the content of the report.*
3. ***Approves,*** *as sole shareholder, the 2011/12 financial statements of WRC Holdings Ltd.*

Report prepared by:	Report approved by:
Mike Timmer Treasurer	Bruce Simpson Chief Financial Officer

Attachment 1: WRC Holdings Ltd – 2011/12 financial statements

Attachment 2: Audit Report