

Report 16.434
Date 9 September 2016
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Committee Council
Author Mike Timmer, Treasurer

WRC Holdings Limited Financial Statements for the year ended 30 June 2016

1. Purpose

To receive, as Shareholder, the audited financial statements of WRC Holdings Limited, for the year ending 30 June 2016.

2. Background

On 27 September 2016 the directors of WRC Holdings Limited will consider the 2015/16 financial statements.

The audited financial statements for WRC Holdings Limited are attached (**Attachment 1**).

3. Comment

The financial statements of WRC Holdings Limited comprise Port Investments Limited, Greater Wellington Rail Limited, and CentrePort Limited Group. The financial statements include both parent company and consolidated financial information.

4. Overview of the financial results

4.1 Port Investments Limited (PIL)

PIL reported a profit for the year of \$3.8 million, compared to the budgeted surplus of \$2.7 million before tax.

The favourable result to budget of \$1.1 million is due an additional post 30 June 2015 balance date dividend declared by CentrePort Ltd, and lower interest costs on PIL's \$44 million debt.

A dividend of \$3,691,000 was declared for the 2015/16 year and compares to a dividend of \$2,461,000 paid last year, both to WRC Holdings Limited.

4.2 Greater Wellington Rail Limited (GWRL)

The financial result after tax is showing a deficit of \$33.7 million.

All costs, except depreciation, asset revaluations and the like are met from grants from GWRC and other revenue, so GWRC breaks even in cash terms.

The residual costs of depreciation amounting to \$17 million, an inventory adjustment of \$5 million relating to the write off of the Ganz Mavag parts, and a deferred tax change of \$12 million, make up the \$34 million deficit.

The balance sheet has seen equity increase by \$77 million, which is composed of \$111 million of equity contributed by WRC Holdings Ltd to purchase the second tranche of Matangi units and infrastructure capex, offset by an operating loss of \$34 million.

Total assets have increased by \$97 million, reflecting the capex additions noted above less an allowance for depreciation during the year.

4.3 CentrePort Limited

CentrePort posted a \$14.5 million operating profit before tax, and fair value adjustments, asset revaluations and after earthquake related costs.

This result is better than its Statement of Corporate Intent target of \$13.9 million and related primarily to the gain on sale of the Burnham land.

Nevertheless the result after tax of \$17.9 million was significantly up on the budget of \$15.1 million due to the above asset gain but also as result of net valuation gains, property valuation gains being offset by derivatives losses.

A dividend of \$6.8 million was recorded for the 2015/16 year, with a final dividend of \$0.7 million (2015: \$0.7 million) declared post balance date. This compares to the Statement of Corporate Intent dividend target of \$6.1 million.

Equity improved to \$213.1 million (\$201.9 million at 30 June 2015) with an asset base of \$345.8 million (2014: \$326.7 million).

4.4 WRC Holdings Limited

WRC Holdings Limited, as parent, reported a net profit for the year of \$5.1 million, which compares to a budget surplus of \$2.5 million. The difference relates to an additional dividend from PIL and lower interest costs due to lower floating interest rates.

A dividend of \$3.578 million was declared for Council.

5. WRC Holdings Limited Group Financial performance - Statement of Intent (SOI)

\$(000)	Actual 2016 \$000	Target 2016 \$000	Actual 2015 \$000
Net Surplus Before Tax	(5,039)	586	(2,421)
Net Surplus After Tax	(17,365)	2,170	720
Earnings before interest, tax & depreciation (EBITD)	26,933	32,955	29,682
Return on Total Assets	0.46%	1.40%	1.16%
Return on Equity (excluding revaluations)	(4.1)%	(0.3)%	0.20%
Shareholders Equity to Total assets	56.3%	58.9%	56.0%
Dividends \$000	3,578	2,557	2,360

The above table shows the SOI performance indicators against plan, with last year's result as a comparison.

Surplus before tax is lower than target and is emanating from an unbudgeted write off in GWRL relating to the Ganz Mavag inventory.

Net Surplus after tax is as above plus an unbudgeted deferred taxation adjustment in GWRL relating to the new Matangi trains. This is an accounting book entry recognising the difference in depreciation between tax depreciation and accounting depreciation.

Earnings before interest tax and depreciation (EBITD) is below budget for the same reason as noted above for surplus before tax.

Return on total assets (EBIT divided by Total Assets) is lower than budget and again, is as per above.

Return on equity is lower this due to the net surplus before tax.

Dividend: A dividend of \$3.578 million was declared for the year.

6. Communication

No communication is necessary.

7. 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.

7.1 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.

7.2 Engagement

Due to its procedural nature and low significance, no engagement on this matter has been undertaken.

8. Recommendations

That the Council:

- 1. Receives the report.*
- 2. Notes the content of the report.*
- 3. Receives, as sole shareholder, the 2015/16 financial statements of WRC Holdings Limited.*

Report prepared by:

Report approved by:

Mike Timmer
Treasurer

Dave Humm
GM Corporate Services/CFO

Attachment 1: Audited WRC Holdings Ltd – 2015/16 Financial Statements