

Report 14.473
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Committee Council
Author Mike Timmer, Treasurer/Acting Chief Financial Officer

WRC Holdings Limited Financial Statements for the year ended 30 June 2014

1. Purpose

To approve, as Shareholder, the audited financial statements of WRC Holdings Limited, for the year ending 30 June 2014.

2. Background

On 29 September 2014 the directors of WRC Holdings Limited considered and approved the 2013/14 financial statements.

The financial statements were provided by the Chair of WRC Holdings Limited to the Council on 30 September 2014 (**Attachment 2**).

The audited financial statements for WRC Holdings Ltd including the Audit report are attached (**Attachment 1**).

3. Comment

The financial statements of WRC Holdings Limited comprise Pringle House Limited, 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 Pringle House Limited (PHL)

PHL achieved a small profit for the year before tax and revaluations of \$15,000, compared to a budget of \$471,000.

The reason for the small profit was Council reduced the rent revenue to just cover costs after it vacated the Regional Council Centre in August 2014.

The net profit after tax and revaluation adjustments was a deficit of \$901,000, which included a downward valuation of \$650,000 for PHL, and a subvention payment of \$266,000 to Council.

Total equity ended the year at negative \$435,000 with Council providing a letter of support to PHL to enable PHL to remain a going concern from an accounting perspective.

4.2 Port Investments Limited (PIL)

PIL reported a net deficit for the year of \$698,000, compared to the budgeted surplus of \$1.935 million.

The result was less than budget by \$2.633 million due to a significantly reduced dividend receipt from CentrePort as a result of the Seddon earthquakes, with PIL only receiving \$962,000 of the \$3.808 million budgeted dividend.

A dividend of \$2,441,000 was paid to WRC Holdings Limited which related to the 2012/13 year.

4.3 Greater Wellington Rail Limited (GWRL)

GWRL reported a \$16.421 million loss against a budget loss of \$9.378 million.

The loss was driven by a higher level of depreciation than budgeted due to the reduced useful lives for the existing Ganz-Mavag trains, meaning a higher charge before they are disposed of.

Total assets of GWRL at 30 June 2014 were \$327 million compared to \$315 million at 30 June 2013. Equity grew by \$12 million to \$245 million reflecting the \$28.3m of share capital contributions for capital expenditure offset by the operating loss.

4.4 CentrePort Limited

CentrePort posted a \$15.1 million operating profit before tax, fair value adjustments, asset revaluations and earthquake related costs. This result was better than their Statement of Corporate Intent target of \$12.5 million.

CentrePort had land revaluations and fair value adjustments of \$6.3 million downwards compared to last year's \$4.7 million upward adjustments, with the bulk of this year's changes relating to the revaluation of land, offset by favourable derivative valuations.

The overall comprehensive income result after fair value adjustments and earthquake costs was a loss of \$4.46 million compared to last year's profit of \$16.3 million.

The impact from the Seddon earthquakes was significant with a reported cost to CentrePort of \$17.1m, with the three items being damage to the seawall, port paving and the BNZ building.

A dividend of \$1.25 million was recorded for the 2013/14 year, with a final dividend of \$1.25 million declared post balance date. This compares to the Statement of Corporate Intent dividend target of \$4.950 million.

Equity deteriorated to \$195.1 million (\$200.9 million at 30 June 2013) with an asset base of \$329.7 million.

Debt increased by \$4 million to \$114 million, with the gearing ratio (debt divided by the sum of debt plus equity) deteriorating to 39.5% from 38%, still well within their banking covenants.

4.5 WRC Holdings Limited

WRC Holdings Limited's parent reported a net profit for the year of \$2.18 million which compares to a budget surplus of \$3.1 million. The difference related entirely to an expected upward valuation of the Regional Council Centre, which did not eventuate.

A dividend of \$2.302 million was paid to Council which related to the 2012/13 year.

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

\$(000)	Actual 2014 \$000	Target 2014 \$000	Actual 2013 \$000
Net Surplus Before Tax	(27,757)	1,060	12,119
Net Surplus After Tax	(25,149)	1,500	10,278
Earnings before interest, tax & depreciation (EBITD)	7,121	30,942	47,356
Return on Total Assets	(2.7%)	1.6%	3.21%
Return on Equity (excluding revaluations)	(7.1%)	(0.4%)	3.08%
Shareholders Equity to Total assets	53.7%	50.8%	52.01%
Dividends \$000	2,302	2,329	

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

The lower *surplus before and after tax* compared to target is emanating from the following items which have been discussed in the above analysis:

- Cost arising from the Seddon earthquakes in relation to CentrePort's result.
- Adverse changes in fair value and asset revaluations in CentrePort, and Pringle House
- Higher depreciation charge in GWRL

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

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

Return on equity is negative and this again, is due to the net deficit.

Dividend: A dividend of \$2.302 million was paid during the year which related to the 2012/13 year.

A dividend was not declared for the 2013/14 year due to the significant lowered dividend from CentrePort. It is expected however, that a dividend will be declared before 30 June 2015 for the 2014/15 financial year provided CentrePort meets its 2014/15 Statement of Intent targets.

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.

8. Recommendations

That the Council:

- 1. Receives the report.*
- 2. Notes the content of the report.*
- 3. Approves, as sole shareholder, the 2013/14 financial statements of WRC Holdings Limited.*

Report prepared by:

Mike Timmer
Treasurer/Acting Chief
Financial Officer

Attachment 1: Audited WRC Holdings Ltd – 2013/14 Financial Statements
Attachment 2: Letter on the Annual Financial Statements for WRC Holdings