

Report 15.540  
Date 27 October 2015  
File CFO/09/02/02-v1

Committee Council  
Author Mike Timmer, Treasurer

## WRC Holdings Limited Financial Statements for the year ended 30 June 2015

### 1. Purpose

To approve, as Shareholder, the audited financial statements of WRC Holdings Limited, for the year ending 30 June 2015.

### 2. Background

On 29 September 2015 the directors of WRC Holdings Limited considered and approved the 2014/15 financial statements.

The financial statements were provided by the Chair of WRC Holdings Limited to the Council on 30 September 2015 (**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 profit for the year before tax and revaluations of \$1.93 million compared to breakeven budget.

The profit stems from the sale of the Regional Council Centre over and above last year's valuation.

Total equity ended the year at \$1.5 million up from negative equity last year of \$435,000. The Regional Centre was sold on 31<sup>st</sup> August 2015.

The Company will be wound up and we are presently working on the most tax efficient method to wind it up and deal with the excess fund.

#### **4.2 Port Investments Limited (PIL)**

PIL reported a profit for the year of \$3.4m million, compared to the budgeted surplus of \$2.375 million before tax.

The favourable result to budget of \$1.045 million is due an additional post 30 June 2014 balance date dividend declared by CentrePort. This is in contrast to last financial year where the dividend was reduced due to the impacts from the Seddon earthquakes.

A dividend of \$2,461,000 was declared for the 2014/15 year and compares to a dividend of paid of \$2,441,000 last year, both to WRC Holdings Limited.

#### **4.3 Greater Wellington Rail Limited (GWRL)**

GWRL reported a \$15.644 million loss against a budget loss of \$14.539 million before tax.

The loss was driven by a higher level of depreciation than budgeted due property plant equipment valuations not updated in time for the budgeting process.

Total assets of GWRL at 30 June 2015 were \$332 million compared to \$327 million at 30 June 2014. Equity grew by \$10 million to \$256 million reflecting the \$23.4m of share capital contributions for capital expenditure offset by the operating loss and taxation.

#### **4.4 CentrePort Limited**

CentrePort posted a \$14.5 million operating profit before tax, and fair value adjustments, asset revaluations and earthquake related costs. This result was worse than their Statement of Corporate Intent target of \$15.0 million and related primarily to lower port revenues.

Nevertheless the result after tax of \$14.1 million was significantly up on the budget of \$12.9 million due to a taxation adjustment.

The overall comprehensive income result after fair value adjustments and earthquake costs was a profit of \$13.666 million compared to last year's loss of \$4.460 million, the latter stemming from costs related to the Seddon earthquakes.

A dividend of \$6.850 million was recorded for the 2014/15 year, with a final dividend of \$0.7 million (2014: \$1,250 million) declared post balance date. This compares to the Statement of Corporate Intent dividend target of \$5.60 million.

Equity improved to \$201.9 million (\$195.2 million at 30 June 2014) with an asset base of \$326.7 million (2014: \$329.7 million).

Debt decreased by \$12 million to \$102 million, with the gearing ratio (debt divided by the sum of debt plus equity) improving to 36.2% from 39%. The reduction in this was due to the sale of land at Seaview used to repay debt and higher levels of equity.

#### 4.5 WRC Holdings Limited

WRC Holdings Limited's parent reported a net profit for the year of \$2.23 million which compares to a budget surplus of \$2.4 million. The difference related to revaluation of swaps in place.

A dividend of \$2.360 million was declared for Council.

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

\$(000)	Actual 2015 \$000	Target 2015 \$000	Actual 2014 \$000
Net Surplus Before Tax	(2,421)	16	(27,757)
Net Surplus After Tax	720	2,114	(25,149)
Earnings before interest, tax & depreciation (EBITD)	29,682	32,209	7,121
Return on Total Assets	1.16%	1.60%	(2.70)%
Return on Equity (excluding revaluations)	0.2%	0.3%	(7.10)%
Shareholders Equity to Total assets	56.0%	55.7%	53.7%
Dividends \$000	2,360	2,275	2,302

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 lower levels of revenue from CentrePort and higher level of depreciation in Greater Wellington compared to budgets.

**Net Surplus after tax** is as above offset by a taxation credit in CentrePort relating to the deductibility of the seawall expenditure, previously treated as operational expenditure, but now treated as capital expenditure.

**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 lower this due to the net surplus before tax.

*Dividend:* A dividend of \$2.360 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.

## **9. Recommendations**

*That the Council:*

1. *Receives the report.*
2. *Notes the content of the report.*
3. *Receives, as sole shareholder, the 2014/15 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 – 2014/15 Financial Statements

Attachment 2: Letter to Council Chairman – WRC Holdings Limited Annual Report 2015