

Report 15.351  
Date 16 July 2015  
File M/30/03/01

Committee Council  
Author Mike Timmer, Treasurer

## **WRC Holdings Statement of Intent covering the years ended 30 June 2016, 2017 and 2018**

### **1. Purpose**

To receive the final Statement of Intent (SOI) of WRC Holdings Limited.

### **2. Background**

The final SOI was approved by the Board of WRC Holdings Limited after its meeting on 29 June 2015 and delivered to the Council Chair before 30 June 2015.

The final SOI has been updated with CentrePort's final Statement of Corporate Intent.

The changes to the SOI from the draft Council received in March can be divided into two categories, the words and the numbers.

#### **2.1 Changes to the words**

The following notable alterations have been made to the SOI.

##### **Section 3.1 – Activities of the Group – Pringle House Limited (PHL)**

The section notes PHL is subject to a confidential sale and purchase agreement. The financials have not been amended from the draft SOI and assume the Regional Council Centre is sold and at a price which leaves no equity in PHL.

Should there be an equity balance after paying debt then this will be either met by Council or paid back to Council after the necessary taxation adjustments are made. Consistent with this and finalising taxation advice, the company with the approval of the Directors is likely to be wound up.

##### **Section 5 - CentrePort Performance Targets**

The environmental performance targets have been updated with the table at the end of the Environmental section, consistent with our requests of CentrePort.

## Section 8.1 – Issues facing the Group

This section has been completed by CentrePort and provides a view as to the issues facing CentrePort.

There are other alterations but they are minor e.g. section 7.4 on the Financial commentary has been updated to reflect the minor changes in the financials.

## 2.2 Changes to the numbers

### Greater Wellington Rail Limited

The fixed asset spend has been updated to reflect the currently planned project timing and in particular the purchase of the next 35 Matangi units and the retrofitting of the existing units.

There have been minor changes to expenses to better reflect current information. The biggest change is in the depreciation and this change has a material impact on the surplus/deficit before and after tax. The change in depreciation reflects the timing of capital expenditures. Given its nature, being a non cash item, it has no impact on dividends or debt levels.

This loss from the depreciation continues to impact the Group's results.

### Performance Targets

	2015/16 (\$000)	2016/17 (\$000)	2017/18 (\$000)
Surplus (loss) before tax - Final	586	(2,410)	(1,559)
<i>Surplus (loss) before tax – Draft</i>	<i>(1,640)</i>	<i>(1,945)</i>	<i>(1,589)</i>
Surplus (loss) after tax- Final	2,170	(115)	525
<i>Surplus (loss) after tax – Draft</i>	<i>530</i>	<i>219</i>	<i>503</i>
Earnings before interest, tax & depn- Final	32,955	35,243	37,621
<i>Earnings before interest, tax &amp; depn – Draft</i>	<i>33,322</i>	<i>35,244</i>	<i>37,621</i>
Return on total assets – Final	1.4%	1.0%	1.2%
<i>Return on total assets- Draft</i>	<i>1.2%</i>	<i>1.1%</i>	<i>1.2%</i>
Return on shareholder equity - Final	(0.3%)	(0.7%)	(0.7%)
<i>Return on shareholder equity – Draft</i>	<i>(0.7%)</i>	<i>(0.7%)</i>	<i>(0.7%)</i>
Shareholders equity to total assets - Final	58.9%	62.5%	63.0%
<i>Shareholders equity to total assets – Draft</i>	<i>59.0%</i>	<i>62.0%</i>	<i>62.5%</i>
Dividends – Final	2,557	2,722	3,023

<i>Dividends- Draft</i>	2,555	2,722	3,023
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As expected, the above numbers are heavily influenced by the loss after tax emanating from GWRL, i.e. \$10.8 million, \$13.7 million and \$14.2 million over the 3 years respectively. This relates to GWRL depreciation expense which is not funded by Council, and acts to reduce the equity in GWRL over time commensurate with the reduced value of the assets in GWRL.

The major change between the draft and the final is emanating from changes in the depreciation in GWRL as this was revised down by \$2.2 million, \$0.4 million for the 2015/16 and 2016/17 years respectively. This relates to the timing of the capital expenditure programme.

The other indicators show some small changes reflecting the operation result changes in 2015/16 and 2016/17 otherwise the numbers remain substantially unaltered, especially the dividend.

Taking out the operating result of GWRL from the above WRC Group numbers, the results and the financial ratios are notably different.

	2015/16	2016/17	2017/18
	<b>WRC Group - Excluding GWRL</b>		
<b>Net profit before tax (NPBT)</b>	<b>15,664</b>	<b>16,743</b>	<b>18,320</b>
<b>Return on average assets (EBIT)</b>	<b>7.3%</b>	<b>7.7%</b>	<b>7.9%</b>
<b>Return on shareholder equity (NPAT)</b>	<b>5.9%</b>	<b>5.8%</b>	<b>6.0%</b>
<b>Shareholders equity/Total assets</b>	<b>46.3%</b>	<b>47.6%</b>	<b>48.6%</b>
<b>Dividend distribution</b>	<b>2,557</b>	<b>2,722</b>	<b>3,023</b>

You are referred to the individual company financial performance targets contained in **Attachment 1**, Section 4 of the SOI, which show the detailed financial performance targets behind these consolidated numbers and **Attachment 2**, which contains the detailed financial statements.

### **3. The decision-making process and significance**

No decision is being sought.

#### **3.1 Significance of the decision**

Part 6 requires Greater Wellington Regional Council to consider the significant

#### **3.2 Engagement**

No engagement on this matter is necessary.

### **4. Recommendations**

*That the Council:*

1. *Receives the report.*
2. *Notes the content of the report*

Report prepared by:

**Mike Timmer**  
Treasurer

Report approved by:

**David Humm**  
Chief Financial Officer

**Attachment 1:** Final WRC Holdings Group Statement of Intent

**Attachment 2:** Port Investments Ltd - Operating Budget 2015/25, Greater Wellington Rail Ltd - Operating Budget 2015/25, WRC Holdings Limited - Operating Budget 2015/25  
Pringle House Ltd- Operating Forecast 2014/15.