

Additional Information to agenda item 14, Report 13.679:

WRC Holdings Group final Statement of Intent for the 3 years 2013/14 to 2015/16.

1. Purpose

To update the Council on the comments received from the WRC Holdings Group Directors on the final Statement of Intent (SOI) of WRC Holdings Limited.

2. Background

The Board of Directors of WRC Holdings received the SOI for the Group at its meeting on 20 June. Due to the timing of the Council and Holdings meetings there was insufficient time to provide feedback to the Council on any changes or comments the Directors had on the SOI.

As noted in the order paper on WRC Holdings SOI, officers would table any updates at the meeting.

3. Issues raised by WRC Holdings Board

The only issue of concern pertained to the financial performance targets on page 122 of your order papers.

The SOI financial performance indicators of WRC Holdings Group are heavily influenced in an adverse way by an operating loss emanating from Greater Wellington Rail Limited (GWRL).

This loss is related to depreciation expense in GWRL which is not funded by Council to GWRL. From an accounting perspective the loss will reduce the Equity in GWRL over time until such a point that it is wiped out and the assets will be depreciated to zero value – some 35 years hence.

Below is a revised table excluding the GWRL results from the WRC Holdings Group financial performance targets. The result better shows a normalised view of what is happening within the Group.

SOI Performance Indicators excl GWRL	2013/14	2014/15	2015/16
Earning before Interest & Tax	24,644	21,548	27,200
Net profit before tax (NPBT)	14,085	10,403	15,649
Net profit after tax (NPAT)	10,878	7,606	12,045
Return on average assets (EBIT)	6.7%	5.8%	7.1%
Return on shareholder equity (NPAT)	4.9%	2.6%	4.9%
Shareholders equity/Total assets	45.0%	46.7%	47.4%
Dividend distribution	2,329	1,841	2,179

EBIT = Earnings before interest & Tax

The noticeable anomaly in this table is the write down of Pringle House Ltd to zero value in the 2014/15 year (e.g. NPBT etc dip in 2014/15).

This is the plan assumption and is highly dependent upon the timing and actual sale proceeds received on the sale of Pringle House. The \$2,329 dividend in 2013/14 incorporates a special dividend of \$650k from CentrePort.

Mike Timmer
Treasurer and Acting Chief Financial Officer