

Staff Report



To	City Council as Shareholders of Guelph Junction Railway Inc.
Date	Wednesday, July 22, 2020
Subject	Guelph Junction Railway 2019 Audited Financial Statements

Recommendation

That the Guelph Junction Railway Limited Audited Financial Statements for the year-ended December 31, 2019 be received for information.

Executive Summary

Purpose of Report

To present and review the 2019 Guelph Junction Railway Limited Audited Financial Statements.

Key Findings

Please refer to Attachment-1, which represents the audited financial statements of Guelph Junction Railway Limited for the year-ended December 31, 2019. KPMG LLP performed the audit in accordance with generally accepted auditing standards. KPMG LLP has expressed an unqualified or “clean” opinion that the statements present fairly, in all material respects, the financial position of Guelph Junction Railway Limited.

Guelph Junction Railway Limited had another strong financial year, reporting a net income of \$1,092,200, which contributes to an increase in the City’s investment in Guelph Junction Railway Limited to \$10.4 million as at December 31, 2019 (\$9.4 million at December 31, 2018).

Financial Implications

The governance and oversight of the City’s wholly-owned subsidiaries creates financial value to the City through equity gains and dividend returns.

Report

Accounting Treatment

Guelph Junction Railway Limited has prepared its financial statements in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board. The financial statements have been prepared on a historical cost basis.

Comment on 2019 Results

Guelph Junction Railway Limited (GJR) had another strong financial year reporting a net income of \$1,092,200 compared to \$740,600 in 2018, an increase of \$351,600 (47.5%) over 2018. The increase in net income relates to revenue increases for both freight and non-freight movement with an increase in revenue of \$720,000 (18.1%) over 2018. Expenses increased by \$370,000 (11.4%), with freight movement costs being the largest area of increase (\$355,000) as expected with the increase in freight movement revenue.

During 2019, GJR successfully paid off the remaining loans facilitated through the Royal Bank of Canada. The Board has approved management's recommendation to set aside the cash freed up from loan payments for two purposes: to make a one-time lump sum payment towards the current loan with the City that is due for renewal in 2020; and to set aside funds for the 2023 Speed River bridge project.

GJR declared a dividend to the City of \$80,000, equal to budget and based on the 2019 financial results. This was within the policy guideline of a dividend payout rate of 0-10% of net income. Due to the timing of when the dividend was approved, the 2019 dividend will be reflected in the 2020 financial statements.

The remaining cash generated in 2019 was reinvested back into the company through capital acquisitions of \$1.45 million. GJR operates in a capital-intensive industry with management focusing on reinvesting in capital infrastructure to ensure that GJR remains competitive in the future, meets legislative requirements, and operates in a safe and efficient manner.

GJR is committed to increasing its long-term value to the City and to the community. The focus for 2020 is to ensure that GJR continues to be a profitable and self-sustaining company into the future.

Financial Implications

The governance and oversight of the City's wholly-owned subsidiaries creates financial value to the City through equity gains and dividend returns.

Consultations

The Board of Directors for GJR met on May 12, 2020. The Company's auditor, Matt Betik of KPMG LLP attended the meeting. The audited financial statements were approved by the Board at this meeting.

Attachments

Attachment-1 2019 Audited Financial Statements

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