

WRC Holdings Limited Group

Statement of Intent

For the years ended 30 June 2020, 2021 and 2022

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1. Introduction

This Statement of Intent (SOI) is prepared in accordance with Section 64(1) of the Local Government Act 2002.

The SOI specifies for WRC Holdings Limited and its subsidiaries, the objectives, the nature and scope of the activities to be undertaken, and the performance targets and other measures by which the performance of the Group and individual companies may be judged in relation to their objectives, amongst other requirements.

The process of negotiation and determination of an acceptable SOI is a public and legally required expression of the accountability relationship between the Group and its Shareholder, Greater Wellington Regional Council.

The SOI is reviewed annually with the Council and covers a three year period.

2. Scope of Statement of Intent (SOI)

2.1 This SOI relates to WRC Holdings Group Limited and its subsidiary companies, Port Investments Limited (PIL), CentrePort Ltd (CentrePort), and Greater Wellington Rail Ltd. Together they make up WRC Holdings Group (the Group).

WRC Holdings is 100% owned by Greater Wellington Regional Council (the Regional Council).

WRC Holdings is an entity established under the Local Government Act 2002 (LGA). WRC Holdings Ltd and its wholly owned subsidiaries are Council Controlled Trading Organisations (CCTOs), and Council Controlled Organisations (CCOs) as defined under the LGA. CentrePort, a partly owned subsidiary, is not a CCTO as its activities are governed by the Port Companies Act 1988.

3. Reasons for the WRC Holdings Group

- Appropriate separation of management and governance;
- To determine appropriate strategies for the Group and its subsidiary companies;
- To impose commercial discipline on the Group's activities where applicable, produce an acceptable return to shareholders, and ensure an appropriate debt/equity ratio;

- To separate the Regional Council’s commercial assets from its public good assets, where appropriate¹;
- To provide a structure to allow external Directors with a commercial background to provide advice and expertise at the governance level;
- To minimise the risks and optimise the opportunities of owning commercial assets, such as rail rolling stock.

4. Objectives and Activities of the Group

4.1 Objectives

The core role of the Board of WRC Holdings Limited is to determine the Group’s strategy and monitor the Group’s investment in Rail infrastructure and Centreport, both of which service the region’s infrastructure needs and to ensure they deliver on the Group’s objectives as follows:

- a) Support the Regional Council’s strategic vision; operate successful, sustainable and responsible businesses.
- b) Manage its assets prudently.
- c) Where appropriate, provide a commercial return to Shareholders except in the case of GWRL which will provide agreed outcomes to the Regional Council.
- d) For GWRL, prudently manage and maintain the rail rolling stock and rail infrastructure (GWRL's Rail Assets) through a management service agreement entered into with the Regional Council, providing for asset management, accounting, advisory, secretarial and general administration services and in particular:
 - Ensure the Regional Council as its appointed agent carries out all services and activities, in relation to the GWRL's Rail Assets, that are reasonably necessary to enable the Regional Council to provide quality rail services to the public in accordance with the contractual obligations entered into with the current rail operator of the rail services and maintenance provider of GWRL's Rail Assets; and
 - Ensure GWRL complies with its responsibilities as a rail participant under the Railways Act 2005, current health and safety legislation and any other legislation affecting GWRL's Rail Assets and operations;
 - Ensure GWRC develops and maintains a systematic approach for the long-term management of GWRL’s public transport rail assets in a manner consistent with industry best practice.

¹ Note that whilst the business of owning and maintaining rolling stock is a commercial activity, the provision of public transport services is more of a public good activity.

- e) For CentrePort via Port Investments Limited to ensure Centreport:
- maximises the commercial value of CentrePort to the Shareholder and protect the Shareholder's investment, including land and property, while maintaining the strategic value to the economy of the region.
 - delivers competitive financial returns compared to industry benchmarks (port and comparable sectors).
 - adopts policies that prudently manage risk and protect the investment of stakeholders.
 - ensures that a recovery plan from the recent earthquakes is developed in consultation with stakeholders taking into account the strategic needs of the stakeholders and the region.
 - ensures resilience plans are featured in the recovery plan and the CentrePort's planning process takes a longer term view of opportunities for redevelopment of the port and for this work to be undertaken in collaboration with the regional council, local councils and other key stakeholders, and in consultation with the public.
 - Creates a zero-harm workplace and maintains compliance with the International Ship and Port Security Code
 - Adopt policies that prudently manage risks and protect the investment of its shareholders.
 - Exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate or encourage these when possible.
 - Conduct its affairs in accordance with sound business practice.
 - Achieve the objectives and performance targets of the Shareholder.

4.2 Activities of the Group

WRC Holdings Limited

WRC Holdings Limited is the holding company for PIL, GWRL and indirectly CentrePort.

It effectively manages any other investments held by the Group in order to maximise the commercial value to the Shareholder and to protect the Shareholder's investment.

WRCH acts as a diligent constructive and inquiring Shareholder, through its Board of Directors.

Greater Wellington Rail Limited

Assets

GWRL owns the Regional Council's investments in metro rail assets. These include the following rolling stock and infrastructure assets:

Rolling Stock:

- 18 - SW Carriages
- 6 - SE Carriages
- 1 - AG Luggage van
- 2 - Remote controlled electric Shunt crabs
- 83 - 2 Car Matangi units
- 1 – Matangi Driving Simulator

Infrastructure Assets:

- Thorndon electric multiple unit (EMU) depot and EMU train wash
- Metro wheel lathe and building
- 48 – Railway stations including shelters, furniture, CCTV, signage, fixtures and fittings - (excluding the main Wellington central station)
- 14 – Pedestrian over-bridges
- 11 – Pedestrian underpasses
- Various carparks, other station improvements and other ancillary rail related assets.

Greater Wellington Rail Limited is responsible for all aspects of asset management, procurement and stewardship, implemented through a management contract with the Regional Council. An asset management plan is in place which articulates a structured programme to minimise the life cycle costs of asset ownership while maintaining the desired levels of service and sustaining the assets.

Operational delivery of the services is the responsibility of the Regional Council delivered via a long term (expiry 2031) contract performance based “Partnering Contract” with Transdev Wellington Limited for rail services and rolling stock maintenance.

Transdev have subcontracted the rolling stock maintenance services to Hyundai-Rotem Company. Hyundai-Rotem were the manufacturers of the GWRL Matangi fleet.

GWRL has approximately a \$65 million capex programme over the next 3 years.

Strategic Context:

- a) To keep Wellington city and the Greater Wellington region moving, we need a public transport network that can carry more people to more places, every day of the week.
- b) Residents and visitors to the region currently make 38 million journeys a year on Metlink buses, trains and ferries, and with our growing population, this is set to increase to 42 million journeys by 2021.
- c) GWRC are making extensive improvements to the Metlink public transport network to deliver more frequent and reliable services to seamlessly connect the communities across our region to the places where they live, work and play.
- d) GWRC are working towards a world standard, low-emission public transport network to take the region into the future. We want to become a smarter, cleaner region, by encouraging more people to travel by bus, train and ferry, especially at peak times.
- e) GWRC have already made improvements to the Metlink rail service, which included a new fleet of modern electric trains, new stations, more park & rides, improved punctuality and better disruption and delay information, as well as extending the electric network up to Waikanae.
- f) The role of Greater Wellington Rail Limited is to manage, maintain, renew and provide the rolling stock, and rail station infrastructure assets to enable delivery of comfortable, reliable and punctual rail services to the residents of, and visitors to the Greater Wellington Region.

The rail services provide >38,000 daily peak journeys to and from the Wellington CBD (Equivalent to 44-50% mode share from Hutt Valley, Kapiti, Porirua into the CBD) and around 13.5m passenger journeys per annum

- g) On behalf of fare payers, ratepayers and taxpayers we are guardians of public assets with a replacement cost of approximately \$600 million.
- h) The rail services provided by our assets , support and promote Greater Wellington Regional Council's Strategic Community Outcomes:

Strong Economy - by enhancing the efficient movement of people and goods within the region

Connected Community – by providing a mass transit system that moves people efficiently and relieves congestion from our roads at peak times a by providing an essential service for people for whom, whether by choice or circumstance, private vehicle travel is not an option

Healthy Environment – by supporting the reduction of vehicle emissions from private vehicles and PT Vehicles

- i) Greater Wellington Rail Limited is committed to enhancing its assets within the rail network which is a critical part of our regions transport system. Rail will play a vital role in ensuring the region’s economic prosperity and meeting the transport needs now and in to the future.

Work plan 2019/20 year:

Key Activities & Initiatives	
Maintenance	Deliver train maintenance services, within approved budgets, through an operations and maintenance contract, while ensuring that train condition and performance is maintained throughout the assets life.
	Deliver rail station infrastructure cleaning and maintenance, within approved budgets, through various contracts ensuring asset condition does not deteriorate.
Renewal	Deliver rolling stock heavy maintenance renewals, within approved budgets, through an operations and maintenance contract, while ensuring that train availability and reliability targets are met.
	Deliver rail infrastructure asset renewals and like-for-like replacement programme, to improve overall asset condition and performance, in accordance with the asset investment priority framework
Security	Continue to expand the installation of CCTV cameras across all Metlink Park & Ride facilities, and upgrade original analogue equipment.
Park & Ride	Expand Park & Ride capacity, in accordance with the Park and Ride Strategy Framework (currently being developed)
Seismic Strengthening	Undertake seismic strengthening works on a number of earthquake prone pedestrian foot bridges and subways, in accordance with the agreed risk profile
Signage	Commence installation of new station entrance signage, which includes an electronic sign to indicate if trains are replaced by buses.
Bicycle Storage	Improve the provision of bicycle storage facilities at outer stations to mitigate growing conflict on services between peak customer capacity and cycle storage space.
Wellington Station Passenger Information System	Complete the renewal of the Passenger Information system (audio and visual) at Wellington Railway Station

Port Investments Limited

Port Investments Limited is an investment vehicle that owns 76.9% of CentrePort Limited.

The major usual activities of CentrePort, who produce their own Statement of Corporate Intent, similar to this SOI, are:

- Port infrastructure (land, wharves, buildings, equipment, utilities)
- Shipping and logistical services (pilotage, towage, berthage)
- Operational service (cargo handling, warehousing, facilities management, property management, security, emergency services)
- Integrated logistics solutions (networks, communications, partnerships)
- Property services (leasing management)
- Joint ventures (container repair, cleaning, packing, unpacking and storage).

Port Investments monitors the performance of CentrePort. This is achieved via a Statement of Corporate Intent (SCI), Letter of Expectation in terms of the SCI, Quarterly meetings with CentrePort's Chair and Management, and Chair and management briefings with the Regional Council's Chief Executive and Chair.

5. Financial and Operational Performance Targets

5.1 WRC Holdings Group

The following section covers the operating performance targets and the financial performance targets of the companies making up the WRC Holdings Group.

Operational performance targets

- a) WRC Holdings to act as a responsible and inquiring Shareholder.
- b) WRC Holdings to hold a meeting at least six times a year to review the operational and financial position of the companies and Group.
- c) WRC Holdings Group to report quarterly on the financial performance of WRC Holdings Group to Council.
- d) WRC Holdings Group to present quarterly on WRC Holding Group activities to Council and to keep Council informed of significant matters as they occur.
- e) Statement of Intent and Annual Accounts are in compliance with statutory requirements.

- f) That WRC Holdings Group identifies, mitigates and reports to Council on the impact of climate change on the performance and assets of each of its subsidiaries and on any reductions in emissions.

Financial performance targets

	WRC Holdings Limited		
	2019/20	2020/21	2021/22
Dividend distribution \$ 000s	2,523	3,134	3,020
Dividend distribution %	100%	100%	100%
Return on equity (1)	1.0%	1.1%	1.0%
Return on assets (2)	1.2%	1.4%	1.3%
Shareholders funds to total assets	84.7%	85.9%	86.7%

(1) Based on net surplus before tax divided by average equity, but excluding revaluation gains and losses.

(2) Based on earnings before interest and tax, divided by average assets

Return on equity is negative as WRC Holdings has costs with no offsetting revenue to cover them. Return on assets is positive as interest is calculated before interest costs.

Environment performance targets - Group

Operate in an environmentally and sustainable manner and realise opportunities to be more sustainable

Minimise the impact of any of the Group's activities on the environment

Develop a culture of awareness of environmental issues within the Group

Ensure regulatory compliance

Engage with stakeholders on environmental matters

Safety & Security performance targets – Group

To provide a safe and health workplace – zero harm that provides opportunities and skill to enhance our employees

Compliance with H&S standards and shipping and rail codes/legislation

Social performance targets – Group

To help sustain the economy of the region, with high quality port services to support international and costal trade and to collaboration with our partners

To participate in development, cultural and community activities within the region which the group operates

Contribute to the desired outcome of the Wellington Regional Strategy.

5.2 Greater Wellington Rail Limited

Operational performance targets

GWRL is accountable for delivery against measures and targets reviewed annually under this SOI, parallel measures listed in GWRC's Public Transport Asset Management Plan (AMP), and Greater Wellington Regional Councils 2018-2028 Long-term Plan (LTP).

Level of Service	Current	2019/20 Target	2020/21 Target	2021/22 Target
CUSTOMER SATISFACTION WITH RAIL ASSETS				
Percentage of passengers who are satisfied with their current trip	94%	≥92%	≥93%	≥93%
Percentage of customers who are satisfied with the cleanliness of the trains	95%	≥93%	≥93%	≥93%
Percentage of passengers who are satisfied with overall station	96%	≥91%	≥92%	≥92%
Percentage of passengers who are satisfied with the cleanliness of the station	92%	≥85%	≥90%	≥90%
Percentage of customers who feel safe while using the station facility	93%	≥89%	≥91%	≥91%
Percentage of passengers who are satisfied with the information at the station	88%	≥89%	≥91%	≥91%
ROLLING STOCK - ASSET MANAGEMENT				
Matangi - Mean distance between failure	37,706	≥40,000km	≥40,000km	≥40,000km
Carriage - Mean distance between failure	68,956	≥80,000km	≥80,000km	≥80,000km

Level of Service	Current	2019/20 Target	2020/21 Target	2021/22 Target
RAIL FIXED ASSET - ASSET MANAGEMENT				
Percentage of pedestrian bridges and subways which meet at least 67% of NBS earthquake rating	36%	52%	64%	72%
Percentage of stations with CCTV coverage	81%	98%	98%	98%
Average condition grade of:				
Station buildings and shelters:	2.3	≤2.5	≤2.5	≤2.5
Structures (pedestrian subways & bridges):	2.5	≤2.5	≤2.5	≤2.5
Park & Ride:	2.3	≤2.5	≤2.5	≤2.5
Percentage of assets in condition grade 4 (Poor) or worse				
Station buildings and shelters:	7%	6%	≤5%	≤5%
Structures (pedestrian subways & bridges):	2 %	8%	6%	≤5%
Park & Ride:	14%	20%	15%	10%

Financial performance targets

- a) Operating costs, and capital expenditure are maintained overall within budget

	2019/20 Target	2020/21 Target	2021/22 Target
Operating expenditure	\$39.7m	\$40.8m	\$43.3m
Capital Expenditure	\$20.6m	\$31.5m	\$18.8m
Shareholder's funds to total assets	83%	85%	86%

5.3 Port Investments Limited, Parent & Group including CentrePort

Operational performance targets

- a) Port Investments to act as a responsible and inquiring Shareholder of CentrePort.
- b) CentrePort to report at least four times a year to Port Investments Limited and for the Board to approve significant transactions of CentrePort as determined by the constitution.
- c) Performance indicators for CentrePort as noted below.
- d) Production of Annual Accounts is in compliance statutory requirements.

Financial performance targets

	Port Investments Limited		
	2019/20	2020/21	2021/22
Dividend distribution \$ 000s	2,649	3,250	3,131
Dividend distribution %	100%	100%	100%
Return on equity (1)	99.6%	122.2%	117.7%
Return on assets (2)	7.5%	9.0%	9.0%
Shareholders funds to total assets	5.3%	5.3%	5.3%

- (1) Based on net surplus before tax divided by average equity, but excluding revaluation gains and losses.
- (2) Based on earnings before interest and tax, divided by average assets

6. CentrePort Performance Targets

6.1 Financial Performance measures

Extract from CentrePort's 2019 – 2022 SCI.

The Group's performance is measured against the following ratios:

Measure		Forecast	Forecast	Forecast	Forecast
		FY19	FY20	FY21	FY22
Group EBITDA	\$m	28.5	21.2	23.2	26.9
Group EBIT	\$m	21.2	13.0	13.3	14.5
Underlying Net Profit Before Tax	\$m	21.4	17.4	17.6	16.8
Underlying Net Profit After Tax ('Underlying NPAT')	\$m	17.3	12.6	12.7	12.1
Dividend	\$m	4.0	5.0	6.0	6.0
Shareholders' Funds ('Equity) or Net Assets	\$m	248.3	449.2	455.9	461.9
Group EBIT Return on Assets	%	8.4%	3.4%	2.8%	3.0%
Underlying NPAT Return on Group Equity	%	7.2%	3.6%	2.8%	2.6%
Dividend Distribution as a %ge of Underlying NPAT	%	23.1%	39.8%	47.4%	49.7%
Underlying earnings (NPAT) per share	\$	0.74	0.54	0.54	0.52
Dividend per share	\$	0.17	0.21	0.26	0.26
Net Asset backing per share	\$	10.60	19.18	19.46	19.72

Definition of Terms:

Underlying net profit after tax ('Underlying NPAT)

Underlying net profit after tax excludes (i) fair value movements from cash flow hedges and investment property valuations, and (i) earthquake items.

Return on Assets for each business segment

i. Port

Earnings before interest and tax (EBIT) plus share of associate earnings divided by the average of total fixed assets and investments in Associates.

ii. Property

EBIT plus share of associate earnings divided by the value of investment properties plus investment in associates.

Return on Equity

Underlying net profit after tax divided by average equity.

Dividend Payout

Dividend as a percentage of underlying net profit after tax.

Underlying earnings per share

Underlying net profit after tax divided by the number of issued shares.

Dividend per share

Dividend divided by the number of issued shares.

Net Asset backing per share

Shareholders' Funds or Net Assets divided by number of issued shares.

The key risks to achieving the financial performance targets are:

- The assumed cargo volumes are not achieved resulting in lower revenue than forecast. In particular the forecast revenue assumes (i) that a fourth container service is secured in FY20, and (ii) continued growth in log volume over the forecast period.
- Port operating costs are higher than assumed resulting in lower underlying NPAT. Particularly, following completion of the business interruption indemnity period in November 2019.
- The port insurance claim is not settled in FY20 or is settled for a lower amount than forecast. This would significantly reduce the level of insurance income recognised in FY20.

6.2 Safety and Security

Objective	Performance measure	Performance target			
		FY20	FY21	FY22	
Create a zero harm workplace	Lost Time Injury Frequency (per 200,000 hours worked) FY19 Target ≤ 3.5	≤ 3.5	≤ 3.2	≤ 3.2	
	Lost Time Injury Severity (per 200,000 hours worked) FY19 Target ≤ 10	≤ 10	≤ 8	≤ 8	
	bSafe Reports (incident and near miss reports)	> 900	> 1,000	> 1,000	
	Site Inspections	> 120	> 120	> 120	
	Safety Interactions	> 120	> 120	> 120	
	Random Drug and Alcohol Testing (as a percentage of total employees)	> 40%	> 40%	> 40%	
	Comply with the AS/NZS 4801: Occupational Health and Safety Management Systems as per AS/NZS 4801 audit	Compliance with AS/NZS 4801	Compliance with AS/NZS 4801	Compliance with AS/NZS 4801	
	Health & Safety Policy reviewed annually against CentrePort's objectives and external benchmarks	Compliance with Policy	Compliance with Policy	Compliance with Policy	
	Maintain compliance with the Port & Harbour Safety Code (PHSC)	The requirements of the PHSC continue to be met	No breaches of the PHSC	No breaches of the PHSC	No breaches of the PHSC
		Risk assessments of new tasks or reviews post incident completed	All new task risk assessments and post incident reviews complete	All new task risk assessments and post incident reviews complete	All new task risk assessments and post incident reviews complete
Maintain compliance with the International Ship & Port Security (ISPS) Code	Compliance is maintained, all incidents are reported to MNZ and NZ Customs Service, and learning reviews are undertaken and recommendations implemented	Compliance maintained as per annual audit	Compliance maintained as per annual audit	Compliance maintained as per annual audit	

6.3 Environmental

Objective	Performance measure	Performance target		
		FY20	FY21	FY22
Ensure regulatory compliance	Compliance breaches	Zero	Zero	Zero
Minimise impact on the environment	System: consistency with ISO14001	Audit and second stage certification complete	Audit and third stage certification complete (full ISO14001 compliance)	Full ISO14001 compliance
	Incidents: number of registered environmental incidents (FY2015 baseline – 32)	Minimum 20% decrease from baseline	Minimum 25% decrease from baseline	Minimum 30% decrease from baseline
	Complaints: number of complaints from external stakeholders about environmental performance	Zero	Zero	Zero
Operate in a sustainable manner	Greenhouse gas emissions (quantity CO ₂ equivalent) Emissions measured in accordance with ISO 14064 –1:2006 and the Greenhouse Gas Protocol.	Meet targets identified in Emissions Management Plan	Meet targets identified in Emissions Management Plan	Meet targets identified in Emissions Management Plan
	Ozone depleting substances used (quantity methyl bromide released to atmosphere)	100% recapture	100% recapture	100% recapture
	Solid waste to landfill (quantity) including the potential for third party waste	Waste minimization integrated into Regeneration	Waste minimization integrated into Regeneration	Waste minimization integrated into Regeneration
Engage with stakeholders on environmental matters	Environmental Consultative Committee meeting frequency	At least 3 per annum	At least 3 per annum	At least 3 per annum
	Iwi engagement	Pre lodgement consultation undertaken for 100% of resource consent applications	Pre lodgement consultation undertaken for 100% of resource consent applications	Pre lodgement consultation undertaken for 100% of resource consent applications
	Transparency	Performance against targets reported in Annual Report	Performance against targets reported in Annual Report	Performance against targets reported in Annual Report

Objective	Performance measure	Performance target		
		FY20	FY21	FY22
	Transparency	Performance against targets reported in Annual Report	Performance against targets reported in Annual Report	Performance against targets reported in Annual Report
Develop a culture of awareness and responsibility	Board sub-committee (Health Safety and Environment) meeting frequency	At least 4 per annum	At least 4 per annum	At least 4 per annum
	Internal 'sustainability subcommittee' meeting frequency	Monthly	Monthly	Monthly

6.4 Social

Objective	Performance measure	Performance target		
		FY20	FY21	FY22
Being a respected and responsible employer	Conduct annual staff engagement survey and follow up actions.	Engagement survey conducted.	Engagement survey conducted.	Engagement survey conducted.
Building awareness of the value and contribution of CentrePort's activities to the regional economy.	Targeted engagement with key stakeholders directly and via channels.	Face-to-face meetings with key stakeholders/influencers	Face-to-face meetings with key stakeholders/influencers	Face-to-face meetings with key stakeholders/influencers
		Quarterly stakeholder update published	Quarterly stakeholder update published	Quarterly stakeholder update published
Participating in and encouraging selected community activities.	Community engagement strategy and policy developed to guide appropriate and effective investment in community activities.	Community engagement strategy and policy completed, adopted and implemented.	Community engagement as per strategy and policy (to be developed)	Community engagement as per strategy and policy (to be developed)
Consulting employees, stakeholders and the community, as appropriate.	Engage stakeholders / community on Regeneration Plan.	Regeneration Plan engagement plan finalised and implemented.	Engagement with stakeholders as per Regeneration Plan engagement plan.	Engagement with stakeholders as per Regeneration Plan engagement plan.

6.5 Regeneration

Objective	Performance measure	Performance target		
		FY20	FY21	FY22
Planning supports the appropriate regeneration and growth of the port	Planning completed on time and with input from key stakeholders	Port Regeneration Plan updated	Port Regeneration Plan updated	Port Regeneration Plan updated
	Demolition programme on target as contained in Medium Term Operating Plan	On target	On target	Complete
Management of the existing port infrastructure over the life of the asset	Natural hazard resilience programme developed	Commence works to Seaview Works and first ground resilience projects commenced	Continued ground resilience projects	Complete Seaview and continued ground resilience projects
	Restoration of buildings on target as contained in Medium Term Operating Plan	On target	n/a	n/a
	Traffic and pedestrian management solutions on target as contained in Medium Term Operating Plan	Medium Term solutions commenced	Medium Term solutions complete	n/a

7. Governance of the WRC Holdings Group

The Shareholder, the Regional Council, appoints the directors to WRC Holdings Ltd in terms of the Regional Council's approved process. Section 57 of the LGA 2002 requires that directors have the skills, knowledge and experience to:

- Guide the Group, given the nature and scope of its activities; and to
- Contribute to the achievement of the objectives of the Group.

The Shareholder also approves the directors of PIL and GWRL. These are appointed by WRC Holdings Ltd by way of a special resolution. There is a commonality of directors between WRC Holdings Ltd, PIL and GWRL.

The directors of CentrePort are able to be appointed by CPL Board, but required to be approved by the Shareholder at the next AGM.

Any changes to the constitutions of the Companies within the Group are to be approved by the Shareholder.

The Regional Council monitors the performance of the Group on a regular basis to evaluate its contribution to the achievement of its objectives, performance against the Group's Statement of Intent and the Regional Council's overall aims in accordance with section 65 (1) of the LGA 2002.

The Directors monitor the performance of each Company at each Board meeting.

The WRC Holdings board will take the opportunity to review its strategy and structure following Council completing its Long Term Plan and indications of its future aims in respect of WRC Holdings and its subsidiary companies. WRC Holdings will also standardise its governance systems and processes to align with good practice.

8. Financial Information

8.1 Prospective statement of comprehensive income

Year ended 30 June	2019/20	2020/21	2021/22
\$000	WRCH GROUP	WRCH GROUP	WRCH GROUP
<u>Prospective statement of comprehensive income</u>			
Grant from GWRC - Operating	13,099	13,676	14,350
Rental income	6,357	6,465	6,562
Interest income	4,548	4,332	2,350
Other revenue incl BI & loss of rents	83,180	83,013	88,951
Total revenue	107,184	107,485	112,212
Interest expense	1,060	1,281	1,414
Depreciation	28,290	30,401	34,572
Other expenditure	81,841	80,299	83,344
Earthquake related items	(193,369)	-	-
Revaluation (upward)	-	-	-
Total expenditure	(82,178)	111,980	119,330
Surplus/(deficit) before tax	189,362	(4,495)	(7,118)
Taxation expense (credit)	(752)	(844)	(1,546)
Total comprehensive income (NPAT)	190,114	(3,651)	(5,572)
Total comprehensive applicable to non-controlling interest	47,523	2,920	2,786
Total comprehensive income applicable to parent	142,591	(6,571)	(8,358)

8.2 Prospective statement of changes in Equity

As at 30 June	2019/20	2020/21	2021/22
\$000	WRCH GROUP	WRCH GROUP	WRCH GROUP
<u>Prospective statement of changes in equity</u>			
Opening equity	537,635	744,662	767,949
Shares to be issued during the year	20,590	31,458	18,842
Total comprehensive income for the year	190,114	(3,651)	(5,572)
Dividend to be paid - Equity holders	(2,523)	(3,134)	(3,020)
Dividend to be paid - Non controlling Interests	(1,154)	(1,385)	(1,385)
Closing Equity	744,662	767,949	776,814

8.3 Prospective statement of financial position

As at 30 June \$000	2019/20 WRCH GROUP	2020/21 WRCH GROUP	2021/22 WRCH GROUP
<u>Prospective statement of financial position</u>			
Opening equity	537,635	744,662	767,949
Opening equity non controlling interests	(57,297)	(103,665)	(105,200)
New equity	20,590	31,458	18,842
Total comprehensive income applicable to parent	142,591	(6,571)	(8,358)
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Dividends distributed	(2,523)	(3,134)	(3,020)
Closing Equity Non-controlling interest	103,666	105,200	106,601
Closing equity	744,662	767,949	776,814
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Equity applicable to parent	640,997	662,749	670,212
Non controlling interest	103,665	105,200	106,602
Closing equity	744,662	767,949	776,814
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Cash & cash equivalents	220,333	135,172	33,681
Current assets	22,166	23,071	24,022
Non current assets	594,861	697,479	800,746
Investments	71,892	71,892	71,892
Total assets	909,252	927,614	930,341
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Current liabilities	33,669	34,508	34,611
Borrowings	44,080	44,080	44,080
Non current liabilities	86,841	81,077	74,837
Total liabilities	164,590	159,665	153,527
Net assets	744,662	767,949	776,814
	<hr/>	<hr/>	<hr/>

8.4 Prospective statement of cash flows

Year ended 30 June \$000	2019/20 WRCH GROUP	2020/21 WRCH GROUP	2021/22 WRCH GROUP
<u>Prospective statement of cash flow</u>			
Cash flows from operations			
Receipts from operations Incl BI proceeds	125,542	125,925	135,355
Interest received	4,864	4,663	2,690
Payments to suppliers/employees	(102,322)	(103,701)	(110,046)
Taxes paid	(4,305)	(4,877)	(4,865)
Interest paid	(941)	(1,161)	(1,293)
Net cash from operating activities	18,837	20,850	21,842
Cash flows from investing activities			
Purchase of Fixed Assets - Rail	(20,473)	(31,458)	(18,842)
Development/EQ rebuild - Port and property	(73,078)	(101,561)	(118,998)
Material Damage insurance proceeds	193,369	-	-
Net cash from investing activities	99,818	(133,019)	(137,840)
Cash flows from financing activities			
Dividends paid	(3,307)	(4,292)	(4,519)
Issue of shares	20,590	31,458	18,842
Current Account movement	(417)	(157)	185
Net cash from financing activities	16,867	27,008	14,507
Net increase/(decrease) in cash & cash eqvts	135,522	(85,161)	(101,491)
Cash & cash equivalents at beginning of the year	84,810	220,332	135,171
Cash and cash equivalents at year end	220,332	135,171	33,680

Financial Statements commentary

The statement of comprehensive income (2019/2020- 2021/2022) is showing a large surplus in the 2020 year which is due to the proceeds from Insurance settlements at CentrePort.

The deficits before and after tax in the last two years relates to the profit from CentrePort being insufficient to offset the loss from GWRL due to GWRL running a deficit due to depreciation not being funded.

Interest income is declining as CentrePort runs down its cash from insurance proceeds and invest the funds in capital expenditure.

The depreciation increases as both CentrePort and GWRL are increasing their rebuild and capex programmes respectively.

The tax credit/income represents the difference between CentrePort paying tax and GWRL having a tax credit from deferred tax in GWRL.

Equity increases by \$239 million over the period (2018/19 to 2021/22). This results from equity injections from Council to fund GWRL capex (\$70 million) offset by a large profit from CentrePort in 2019/20 and GWRL deficits relating to its depreciation in the latter two years of the SOI and cumulated dividends paid of \$8.6 million.

Capital expenditure for the Group is significant at \$364 million. With Insurance receipts of \$193 million forecast for the 2019/20 year.

The large and reducing cash balances at the foot of the statement of cash flows represent funds CentrePort has on deposit from its insurance proceeds which will be used to funds its capital expenditure programme.

Performance targets

	2019/20 (\$000)	2020/21 (\$000)	2021/22 (\$000)
Net profit before tax	184,362	(4,495)	(7,118)
Net profit after tax	190,114	(3,651)	(5,572)
Earnings before interest, tax and depreciation.	218,712	27,187	28,868
Return on total assets	23.6%	(0.3%)	(0.6%)
Return on shareholder equity	33.9%	(0.6%)	(0.8%)
Shareholders equity to total assets	69.5%	71.0%	71.7%
Dividends	2,523	3,134	3,020

Definitions of key financial performance targets:

- a) Consolidated Shareholders funds are defined as the amount of paid up capital, plus retained earnings of the Group, less any non- controlling interest, utilising the average of the opening and closing balance.
- b) Total assets are defined as all of the recorded tangible and intangible assets of the Group at their average value, as determined in the Group’s statement of accounting policies in the most recent financial statements.
- c) Return on Shareholders equity is calculated using net profit after tax while return on total assets is calculated using earnings before interest and tax.

Comment

The financial performance and ratios of return on total assets and return on Shareholder’s equity are being impacted by the insurance proceeds at CentrePort in the 2019/20 year.

8.5 Statement of Accounting Policies

Accounting Policies

The financial statements are presented in accordance with the requirements of

the Companies Act 1993, the Financial Reporting Act 1993 and the Local Government Act 2002 and New Zealand Generally Accepted Accounting Practices (NZ GAAP).

These prospective financial statements are presented in accordance with Tier 1 PBE Accounting Standards, and comply with PBE Standards.

The detailed accounting policies are available in our most recent annual report as published on Greater Wellington Regional Council website. Refer to:

<http://www.gw.govt.nz/assets/2018-uploads/WRCHL-final-signed-account-with-audit-report-2018.pdf>

8.6 Assumptions in preparing the prospective financial statements

The prospective financial statements information contained in this SOI is based on assumptions that WRC Holding Group could reasonably expect to occur in the future based on information that was current at the time this SOI was prepared. Actual results are likely to vary from the information presented and variations could be material.

- The debt interest rate assumption for the WRC Holdings excluding CentrePort Limited is 2.38% for the 2019/20 year and 2.88% and 3.18% for the next two years respectively after all margin costs. Interest rate hedging is put in place from time to time (as all debt borrowed is at floating rate) to protect against interest rate variability. The borrowing margin is fixed till October 2021 and is assumed to remain at this level going forward.
- There will be no changes to key legislation affecting the Group activities.
- Asset lives are in accordance with the Group's Accounting Policies.

CentrePort forecasts

- That Insurance proceeds will be finalised in by November 2019 at the same time the Business Interruption Insurance cover expires.
- Revenue is forecasted to grow by 4% from FY20 to FY21 and 9.6% from FY21 to FY22.
- Depreciation is forecast to increase due to a \$294 million capex programme over the 3 year SCI period.
- Net Interest revenue declines over the forecast period as insurance proceeds are invested into capex.

8.7 Issues Facing the Group

CentrePort Limited

CentrePort prioritises making its workplace a safe and healthy environment. The company has a continuous improvement approach to its health and safety systems.

CentrePort's operations have rebounded from the impact of the 2016 Kaikoura earthquake. While there are on-going operational challenges, the company has returned to pre-quake volumes in most of its cargoes, with strong growth in several areas.

The company has made significant progress to settlement of the insurance claims. The property claim was settled in August 2017 and the company is continuing to progress the port insurance claim.

CentrePort is working with leading international and local consultants and technical experts to develop a Regeneration Plan for the port. The Regeneration Plan will guide decision making to ensure CentrePort builds resilience, continues to grow and achieves its potential as a world-class port and regional asset for central New Zealand.

CentrePort is working with partners and stakeholders as part of the Central New Zealand Supply Chain Group (GWRC, WCC, CentrePort, NZTA, KiwiRail/Interislander, and Strait NZ Bluebridge) on plans to develop a business case for a multi-user ferry terminal, which is an element of the Regeneration Plan.

CentrePort, in partnership with KiwiRail, provide the CentreRail service linking hubs located throughout the central region to the port in Wellington. CentrePort is expanding the capacity and range of services at some existing locations, along with developing expansion plans for the network of regional hubs for the benefit of exporters and imports throughout the region.

Greater Wellington Rail Limited

The current issues facing GWRL are:

Monitoring Transdev delivery of Rail Partnering Contract, with a focus on maintaining the condition of the assets through the term of the contract;

Supporting Transdev with their performance management of Hyundai-Rotem;

Continuing the rail fixed infrastructure improvement programme and managing the seismic risk identified in specific pedestrian bridges and subways;

Reviewing Waterloo Station structural options and redevelopment;

Managing the lifecycle of rolling stock assets utilised on the Wairarapa Line.

Port Investments Limited

PIL is an investment company for the Regional Council and holds the shares in CentrePort Ltd. PIL has a \$44,000,000 loan from WRC Holdings which, is serviced by CentrePort dividends.

PIL profitability is affected by the level of dividend from CentrePort and the interest cost on its debt.

At present the dividends from CentrePort are forecast for the next three years and interest rates are at historical lows.

9. Distribution of Profits to Shareholders

The dividend policy for each company will be reviewed by the Boards of each company from time to time, after taking account of the wishes of the Shareholder, the future circumstances and the successful achievements of the commercial objectives of each Company.

The expectation in terms of CentrePort is that the dividend will be the maximum practicable amount consistent with CentrePort's intention to increase asset values substantially through the reinvestment of profits.

The Directors of CentrePort have adopted a dividend policy that provides for dividends to be between 40% and 60% of underlying tax paid profit (excluding fair value changes). The target dividend pay-out ratio reflects free cash-flow after providing for capital expenditure plans and the Board's gearing targets.

In terms of the remainder of the WRC Holdings Group the expectation is that the dividends paid will be the maximum practical amount where appropriate. It is expected to be 100% of after tax earnings, excluding unrealised fair value adjustments.

10. Information to be Reported

The Group will maintain regular reporting to the Shareholder on the implementation of policies in accordance with statutory requirements and in particular will:

- a) Within three months after the end of each financial year, produce an audited set of financial statements that are consistent with International Financial Reporting Standards (IFRS). The Directors will also report on:
 - a summary of achievements measured against the performance targets
 - the dividend.

- b) Report to the Shareholder at least quarterly including the December half year result.
- c) Provide further financial information that meets Shareholder expectations (format and timetable to be agreed) on a regular basis.

11. Procedures for the Purchase and Acquisition of Shares

The Boards of WRC Holdings, PIL and GWRL will obtain the prior approval of the Regional Council before any of those companies subscribes for, purchases or otherwise acquires shares in any company or other organisation, which is external to the Group. NB: CentrePort is governed by a separate constitution.

GWRL subscribes for equity from WRCHL to cover capital expenditures, WRCHL in turn subscribes for equity from the Regional Council.

Section 60 of the Local Government Act 2002 requires that all decisions relating to the operation of the companies must be made in accordance with its SOI and its constitution.

12. Compensation

The non-Council Directors of WRC Holdings will receive remuneration and travel expenses as determined by Council from time to time.

Council Directors of WRCHL, PIL, and GWRL, will receive travelling expenses based on the rates applicable to members of the Council, and may receive remuneration in accordance with Council directives from time to time.

The WRCH Group of companies will seek compensation by agreement from the Regional Council for:

- a) Interest and financial costs relating to the provision of any inter-company loans, other financing arrangements and current account balances that may accrue.
- b) Any other function, duty or power they wish the Group to carry out on their behalf and which involves the supply of goods and services.

13. Value of Shareholder's Investment

The valuation of investments will be undertaken as may be required from time to time by the Directors or Shareholders. The level of equity is the best proxy.