wrc
holdings group

WRC Holdings Group
Updated Statement of Intent

(Covering the years to 30 June 2012, 2013 and 2014)

Feb 2012

Contents

1. Scope of Statement of Intent (SOI)

1.1 This SOI relates to WRC Holdings Limited and its subsidiary companies Pringle House Limited (PHL), Port Investments Limited (PIL), CentrePort Ltd (CentrePort), Greater Wellington Rail Ltd (GWRL), Greater Wellington Transport Limited (GWTL), and Greater Wellington Infrastructure Limited (GWIL). Together they make up WRC Holdings Group (the Group).

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

WRC Holdings is an entity established under the Local Government Act 2002 (LGA). WRC Holdings and its wholly owned subsidiaries are Council Controlled Trading Organisations (CCTO) 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.

2. Reasons for the WRC Holdings Group

- To impose commercial discipline on the Group's activities and produce an appropriate return to shareholders and ensuring appropriate debt/equity ratio.
- To separate Greater Wellington's commercial assets from its public good assets[1].
- To provide a structure to allow external directors with a commercial background to provide advice and expertise.
- To minimise the risks of owning commercial assets such as rail rolling stock.

3. Objectives and Activities of the Group

3.1 Objectives

The primary objectives of the Group are to:

a) Support Greater Wellington's strategic vision; operate successful, sustainable and responsible businesses.

b) Manage its assets prudently.

c) Where appropriate, provide a commercial return to shareholders.

d) Adopt policies that prudently manage risks and protect the investment of its shareholders.

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

3.2 Activities of the Group

WRC Holdings Limited

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

Effectively manages any other investments held by the Group in order to maximise the commercial value to the shareholders and to protect the shareholder's investment.

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

Pringle House Limited

It owns and operates the Regional Council Centre at 142-146 Wakefield Street, Wellington. The building is leased out on commercial terms to Greater Wellington, Vector and Chartis.

The management of the building is undertaken by Greater Wellington's property consultants, Jigsaw Property Ltd.

The building consists of 6,545 square metres over 9 floors with 88 % being leased to Greater Wellington and with the balance leased to Vector and Chartis.

Greater Wellington Rail Limited

Owns Greater Wellington's investments in rail rolling stock and other rail related assets (such as stations, overbridges and underpasses), which includes the following rolling stock:

18 - SW Carriages
6 - SE Carriages
1 - AG Luggage van
1 – Two Car DM 216 English Electric unit
48 – Two Car Matangi units, once production completed.

In 2008 a contract was entered into with Rotem Mitsui for the supply of 96 Matangi electric multiple units (EMUs), composed of 48 two car units.
The units are being delivered in stages which commenced in 2010. The last unit expected to be delivered in mid 2012.

Greater Wellington Rail Limited is in the process of acquiring further rail assets from KiwiRail and from Greater Wellington. The intention is to coral all of Greater Wellingtons rail assets into the one entity to improve the overall asset management.

The final commercial deal has not been agreed at the point of preparing this SOI, however it is envisaged that the following assets will be transferred from KiwiRail to Greater Wellington Rail Limited:

44 - Ganz Mavag units (these are made up of 2 or 3 car sets),
35 - English Electric units (2 belong to Ferrymead Museum)

48 – Railway stations - excluding the main Wellington central station
Various overbridges and underpasses supporting the network.

Assets to be transferred from Greater Wellington to Greater Wellington Rail Limited:

2 – Railway stations - Waterloo and Petone
Various car parks, station improvements and other ancillary rail related assets.

Greater Wellington Rail Limited will be responsible for all aspects of asset management, with the majority of the activities carried out by Greater Wellington staff, supported by a management contract.

Greater Wellington intends to spend in the vicinity of $80 million over the next four years to upgrade and refurbish the Ganz Mavag units.

The English Electric units will be gradually retired as the new Matangi and the upgraded Ganz Mavag come into service. This will increase the amount of rolling stock compared to that currently in use.

Port Investments Limited

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

The major 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 (development, leasing management)
- Joint ventures (coldstore, container repair, cleaning, packing, unpacking and storage).

Port Investments monitors the performance of CentrePort through the board of PIL.

4. Environmental, Social & Financial Performance Targets

4.1 WRC Holdings Group (excluding CentrePort)

4.1.1 Environment

(a) Operate in an environmentally sustainable manner.

(b) Minimise the impact of any of the Group's activities on the environment.

(c) Raise awareness of environmental issues within the Group.

4.1.2 Social

(a) Provide a safe and healthy workplace.

(b) Participate in development, cultural and community activities within the regions in which the Group operates.

(c) To help sustain the economy of the region.

4.1.3 WRC Holdings Limited

(a) WRC Holdings to act as a responsible and inquiring shareholder and to hold a meeting at least six times a year to review the operation and financial position of the company.

(Revised)

	WRC Holdings Limited		
	2011/12	**2012/13**	**2013/14**
Dividend distribution $ 000s	2,304	2,380	2,497
Dividend distribution %	100%	100%	100%
Return on equity (1)	5.1%	3.5%	3.2%
Return on assets (2)	4.8%	4.0%	7.5%

	WRC Holdings Limited		
	2011/12	**2012/13**	**2013/14**
Dividend distribution $ 000s	2,304	2,380	2,497
Dividend distribution %	100%	100%	100%
Return on equity (1)	2.2%	-0.7%	-2.5%
Return on assets (2)	3.4%	1.6%	1.0%

(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

4.1.4 Pringle House Limited

(a) Maintains a regular maintenance programme.

(b) Ensures the Regional Council Centre is insured at competitive rates.

(c) Ensures the Regional Council Centre meets the requirements of the Building Act.

(d) Ensures the Regional Council Centre provides a rental at competitive market rates with residual income after expenses paid as a dividend to the shareholder.

(e) Ensures Pringle House Limited operates in an energy efficient manner.

(f) Financial performance indicators.

	Pringle House Limited		
	2011/12	**2012/13**	**2013/14**
Dividend distribution $ 000s	196	201	191
Dividend distribution %	100%	100%	100%
Return on equity (1)	12.3%	12.7%	12.2%
Return on assets (2)	7.1%	7.4%	7.1%

(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

4.1.5 Greater Wellington Rail Limited

(a) Purchase of the Matangi units is in accordance with the contract with Rotem Mitsui.

(b) Rail assets are maintained in accordance with maintenance schedules.

(c) Rail assets are insured at competitive rates utilising best practice methodology.

(d) Financial performance indicators.

(Revised)

	Greater Wellington Rail Limited		
	2011/12	**2012/13**	**2013/14**
Dividend distribution $ 000s	-	-	-
Dividend distribution %			
Return on equity (1)	57.07%	(0.54%)	(2.22%)
Return on assets (2)	43.03%	(0.41%)	(1.70%)

	Greater Wellington Rail Limited		
	2011/12	2012/13	2013/14
Dividend distribution $ 000s	-	-	-
Dividend distribution %			
Return on equity (1)	(3.85%)	(5.19%)	(7.00%)
Return on assets (2)	(0.55%)	(0.99%)	(1.41%)

(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

4.1.6 Port Investments Limited, Parent & Group including CentrePort

(a) Port Investments to act as a responsible and inquiring shareholder of CentrePort. 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.

(b) Performance indicators for CentrePort as noted in WRC Holding Group SOI.

(c) Financial performance indicators.

	Port Investments Limited		
	2011/12	2012/13	2013/14
Dividend distribution $ 000s	2,223	2,296	2,423
Dividend distribution %	100.0%	100.0%	100.0%
Return on equity (1)	58.6%	55.7%	61.1%
Return on assets (2)	7.1%	7.2%	7.6%

(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

CentrePort performance targets

Financial

Measure	Target 2012	Target 2013	Target 2014
Net Profit Before Tax ($m)	15.3	15.4	16.5
Net Profit After Tax ($m)	11.2	11.3	12.1
Return on Total Assets	8.1%	8.1%	8.1%
Return on Port Assets	9.8%	9.8%	9.8%
Return on Property Assets	6.6%	6.5%	6.4%
Return on Equity	7.9%	7.7%	8.0%
Dividend Distribution as a Percentage of NPAT	40 - 60%	40 - 60%	40 - 60%
Dividend ($m)	4.5 [1]	4.5 [1]	4.8 [1]
Interest Cover Ratio	3.5	3.6	4.1
Gearing Ratio	38%	39%	39%

Environment

a) Develop and maintain a formal environmental management system consistent with the standards specified in AS/NZS ISO 14001: 2004.

b) Formally review, at least annually, the company's compliance with all environmental legislation, district and regional plans and conditions of resource consents held.

c) Maintain a sustainability programme with measurable performance criteria covering, as a minimum, the monitoring of waste and greenhouse gas emissions.

d) Undertake the monitoring of environmental discharges in accordance with implemented management plans in the areas of:

   - Port Noise
   - Stormwater discharges to the Coastal Marine Area
   - Fumigants associated with the pest treatment of cargoes.

e) Monitor compliance of the use of Methyl Bromide for the fumigation of log shipments and work collaboratively with Greater Wellington and Crown agencies to investigate alternative fumigation options.

f) Maintain an environment issues register of environmental complaints and issues for monitoring and actioning purposes. The register to be reported to CentrePort's Health, Safety and Environmental Committee on a regular basis (meets 4 times per annum).

g) Measure CentrePort's carbon footprint on an average tonnage and ship call basis, benchmark the footprint against similar entities, and develop a plan to reduce that footprint to zero.

h) CentrePort Ltd will hold a minimum of three Environmental Consultative Committee meetings in 2011/12 comprising CentrePort Ltd and affected stakeholders (customers, port users, local authorities, Iwi and residential groups). The meetings provide a forum to identify and inform on a range of environmental port related matters.

CentrePort will report achievement against these targets as part of its annual report including specific initiatives to enhance the environment in which it operates.

Social

a) Contribute to the desired outcome of the Wellington Regional Strategy through:

   i. The provision of workplace opportunities and skills enhancements of our employees.

ii. Ensuring the regional economy is connected by the provision of high quality port services to support international and coastal trade.

iii. Supporting the regional community by investing in community sponsorship.

b) Maintain the tertiary level of compliance with the ACC Workplace Safety Management Practices Programme and comply with the AS/NZS 4801: Occupational Health and Safety Management Systems.

c) Annual review of Health and Safety Policy.

d) Maintain compliance with the International Ship & Port Security (ISPS) Code which promotes security against terrorism within the port environment.

e) Undertake risk assessments and implement any mitigating procedures relating to the Port & Harbour Safety Code which promotes safety and excellence in marine operations.

f) To meet regularly with representative community groups.

General

a) The company will, in consultation with the shareholders, continue to develop performance targets in the environmental and social areas, in order to be able to maintain triple bottom line reporting in accordance with best practice.

b) When developing ‘property held for development’ the Board is to adhere to the following principles:

- Properties may be developed without the building being fully pre-let so long as tenancy risk is managed prudently.
- Property developments must not compromise port operations.
- Developments are to be undertaken only if they are able to be funded without additional capital from shareholders.
- Definition of terms.

Management of tenancy risk means that each single property investment has committed rental income (via executed lease contracts) that is sufficient to meet forecast interest costs on (i) the cost of the site development related to the development and (ii) the cost of the construction of the development AND the vacant net lettable area of the proposed development is no greater than 25%.

4.1.7 Greater Wellington Transport Limited

Greater Wellington Transport Limited is a dormant company there are no performance objectives applicable other than the preparation of the annual statutory accounts.

This company has an exemption under section 6(4)(i) of the Local Government Act not to produce an SOI. This was granted by Greater Wellington in

February 2011 and is up for review before February 2014 in terms of section 7 (6) of the Act.

4.1.8 Greater Wellington Infrastructure Limited

Greater Wellington Infrastructure Limited is a dormant company there are no performance objectives applicable other than the preparation of the annual statutory accounts.

This company has an exemption under section 6(4)(i) of the Local Government Act not to produce an SOI. This was granted by Greater Wellington in February 2011 and is up for review before February 2014 in terms of section 7 (6) of the Act.

5. Governance of the Group

5.1 The shareholder, Greater Wellington, appoints the directors to WRC Holdings Ltd in terms of Greater Wellington'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 PHL, PIL and GWRL. These are appointed by WRC Holdings Ltd by way of a special resolution. There is a commonality of directors between WRCHL, PHL, PIL and GWRL.
- The directors of CentrePort are appointed by PIL and Horizons Regional Council.

5.2 Any changes to the constitutions of the companies within the Group are to be approved by the shareholder.

5.3 Greater Wellington 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 Greater Wellington's overall aims in accordance with section 65 (1) of the LGA 2002.

5.4 The directors monitor the performance of each company at each board meeting.

6. Financial Information

6.1 Prospective statement of comprehensive income

(Revised)

WRC Holdings Group
Statement of intent (SOI)

Year ended 30 June	20011/12	20012/13	20013/14
$000	**WRCH GROUP**	**WRCH GROUP**	**WRCH GROUP**
Prospective statement of comprehensive income			
Grant from GWRC	139,790	28,313	26,129
Rental income	5,306	6,181	6,908
Interest income	96	112	120
Other revenue	76,138	77,973	79,753
Total revenue	221,330	112,579	112,910
Interest expense	14,963	15,147	14,694
Depreciation	23,045	28,918	32,444
Other expenditure	53,622	55,939	56,883
Total expenditure	91,629	100,004	104,020
Surplus/(deficit) before tax	**129,701**	**12,575**	**8,889**
Taxation expense	36,360	3,457	2,434
Total comprehensive income (NPAT)	**93,340**	**9,118**	**6,455**
Total comprehensive applicable to non-controlling interest	2,591	2,619	2,797
Total comprehensive income applicable to parent	**90,749**	**6,499**	**3,658**

WRC Holdings Group
Statement of intent (SOI)

Year ended 30 June	20011/12	20012/13	20013/14
$000	**WRCH GROUP**	**WRCH GROUP**	**WRCH GROUP**
Prospective statement of comprehensive income			
Grant from GWRC	14,483	18,392	19,445
Rental income	5,306	6,181	6,908
Interest income	96	112	120
Other revenue	76,138	77,973	79,753
Total revenue	96,022	102,658	106,225
Interest expense	14,963	15,147	14,694
Depreciation	14,813	20,285	23,805
Other expenditure	53,622	55,939	56,883
Total expenditure	83,397	91,371	95,381
Surplus/(deficit) before tax	**12,625**	**11,287**	**10,844**
Taxation expense	3,932	3,860	4,129
Total comprehensive income (NPAT)	**8,692**	**7,427**	**6,715**
Total comprehensive applicable to non-controlling interest	2,591	2,619	2,797
Total comprehensive income applicable to parent	**6,101**	**4,808**	**3,918**

6.2 Prospective statement of financial position

(Revised)

As at 30 June $000	20011/12 WRCH GROUP	20012/13 WRCH GROUP	20013/14 WRCH GROUP
Prospective statement of financial position			
Opening equity	318,960	441,413	454,928
Opening equity non controling interests	(47,700)	(48,819)	(49,957)
New equity	34,330	9,737	9,080
Total comprehensive income appliciable to parent	90,749	6,499	3,658
	396,340	408,831	417,710
Mandatory Convertible Note increase	(1,875)	(1,922)	(1,970)
Dividends distributed	(2,304)	(2,380)	(2,497)
Closing Equity Non-controlling interest	49,253	50,400	51,646
Closing equity	**441,413**	**454,928**	**464,888**
Equity applicable to parent	392,594	404,971	413,696
Non-controlling interest	48,819	49,957	51,192
Closing equity	**441,413**	**454,928**	**464,888**
Current assets	25,336	25,204	25,121
Non current assets	761,279	789,533	799,324
Total assets	**786,615**	**814,737**	**824,444**
Current liabilities	24,968	25,148	25,559
Non currrent liabilities	320,234	334,661	333,998
Total liabilities	**345,202**	**359,810**	**359,556**
Net assets	**441,413**	**454,928**	**464,888**

As at 30 June $000	20011/12 WRCH GROUP	20012/13 WRCH GROUP	20013/14 WRCH GROUP
Prospective statement of financial position			
Opening equity	191,391	228,633	240,457
Opening equity non controling interests	(47,700)	(48,819)	(49,957)
New equity	33,767	9,737	9,080
Total comprehensive income appliciable to parent	6,101	4,808	3,918
	183,560	194,360	203,499
Mandatory Convertible Note increase	(1,875)	(1,922)	(1,970)
Dividends distributed	(2,304)	(2,380)	(2,497)
Closing Equity Non-controlling interest	49,253	50,400	51,646
Closing equity	**228,633**	**240,457**	**250,677**
Equity applicable to parent	179,814	190,500	199,485
Non-controlling interest	48,819	49,957	51,192
Closing equity	**228,633**	**240,457**	**250,677**
Current assets	14,228	14,096	14,013
Non current assets	693,387	730,274	748,703
Total assets	**707,614**	**744,370**	**762,716**
Current liabilities	22,333	22,514	22,924
Non currrent liabilities	456,647	481,398	489,114
Total liabilities	**478,981**	**503,912**	**512,038**
Net assets	**228,634**	**240,458**	**250,678**

6.3 Prospective statement of changes in equity

(Revised)

As at 30 June $000	20011/12 WRCH GROUP	20012/13 WRCH GROUP	20013/14 WRCH GROUP
Prospective statement of changes in equity			
Opening equity	318,960	441,413	454,928
Shares to be issued during the year	34,330	9,737	9,080
Total comprehensive income for the year	93,340	9,118	6,455
Mandatory Convertible Note increase	(1,875)	(1,922)	(1,970)
Dividend to be paid - Equity holders	(2,304)	(2,380)	(2,497)
Dividend to be paid - Non controlling Interests	(1,038)	(1,038)	(1,108)
Closing Equity	**441,413**	**454,928**	**464,888**
Total comprehensive income attributed to:			
Equity holders - Parent	90,749	6,499	3,658
Non - controlling interest	2,591	2,619	2,797
Total comprehensive income for the year	**93,340**	**9,118**	**6,455**

As at 30 June $000	20011/12 WRCH GROUP	20012/13 WRCH GROUP	20013/14 WRCH GROUP
Prospective statement of changes in equity			
Opening equity	191,391	228,633	240,457
Shares to be issued during the year	33,767	9,737	9,080
Total comprehensive income for the year	8,692	7,427	6,715
Mandatory Convertible Note increase	(1,875)	(1,922)	(1,970)
Dividend to be paid - Equity holders	(2,304)	(2,380)	(2,497)
Dividend to be paid - Non controlling Interests	(1,038)	(1,038)	(1,108)
Closing Equity	**228,633**	**240,457**	**250,677**
Total comprehensive income attributed to:			
Equity holders - Parent	6,101	4,808	3,918
Non - controlling interest	2,591	2,619	2,797
Total comprehensive income for the year	**8,692**	**7,427**	**6,715**

6.4 Prospective statement of cash flows

(Revised)

Year ended 30 June $000	20011/12 WRCH GROUP	20012/13 WRCH GROUP	20013/14 WRCH GROUP
Prospective statement of cashflow			
Cashflows from operations			
Receips from operations	76,231	78,064	78,917
Payments to suppliers/employees	(41,786)	(42,542)	(40,675)
Taxes paid	(4,034)	(4,085)	(4,767)
Interest paid	(14,765)	(14,949)	(14,968)
Net cash from operating activities	15,647	16,488	18,507
Cashflow from investing activities			
Purchase of fixed assets	(10,609)	(26,893)	(18,300)
Proceeds from issue of mandatory convertible notes	75,000		
Net cash from investing activities	64,391	(26,893)	(18,300)
Cashflows from financing activities			
Loans	(77,404)	12,908	2,876
Dividends paid	(1,231)	(1,038)	(1,623)
Issue of shares	34,330	9,737	9,080
Current Acccount movement	(35,723)	(11,203)	(10,540)
Net cash from financing activities	(80,028)	10,405	(207)
		-	-
Net increase/(decrease) in cash & cash eqvts	10	(1)	-
Cash & cash equivalents at beginning of the year	276	286	286
		-	-
Cash and cash equivalents at year end	**286**	**286**	**286**

Year ended 30 June $000	20011/12 WRCH GROUP	20012/13 WRCH GROUP	20013/14 WRCH GROUP
Prospective statement of cashflow			
Cashflows from operations			
Receips from operations	76,231	78,064	78,917
Interest received	-	-	-
Dividends received	-	-	-
Payments to suppliers/employees	(41,786)	(42,542)	(40,675)
Taxes paid	(4,034)	(4,085)	(4,767)
Interest paid	(14,765)	(14,949)	(14,968)
Net cash from operating activities	15,647	16,488	18,507
Cashflow from investing activities			
Purchase of fixed assets	(10,609)	(26,893)	(18,300)
Proceeds from issue of mandatory convertible notes	75,000		
Interest capitalised	-	-	-
Purchase of shares	-	-	-
Disposal of subsidaries	-	-	-
	-	-	-
Net cash from investing activities	64,391	(26,893)	(18,300)
Cashflows from financing activities			
Loans	(77,404)	12,908	2,876
Dividends paid	(1,231)	(1,038)	(1,623)
Issue of shares	33,767	9,737	9,080
Current Acccount movement	(35,160)	(11,203)	(10,540)
Net cash from financing activities	(80,028)	10,405	(207)
		-	-
Net increase/(decrease) in cash & cash eqvts	10	(1)	-
Cash & cash equivalents at beginning of the year	276	286	286
		-	-
Cash and cash equivalents at year end	**286**	**286**	**286**

6.5 Financial commentary

(Revised)

The prospective statement of comprehensive income shows revenue declining from $221 million in 2011/12 to around $113m million in the later two years.

This is mainly due to GWRL capital grant for the Rail rolling stock.

If GWRL is taken out of the consolidation. The underlying result before tax shows a steady increase from $13.8m in 2011/12, increasing to $14.0m, and $14.9m in the succeeding years.

The depreciation increase is driven from GWRL as the trains come into service.

The mandatory convertible note increase in the prospective statement of changes in equity refers to the deferred part sale arrangements of CentrePort's

Harbour Quays. This actual equity movement reflects the offset of inflation increase on the note liability.

The prospective statement of cashflow shows a $75 million entry in 2011/12 which is the proceeds from the sale the mandatory convertible notes. They will be used to retire debt and ultimately are extinguished and converted to Equity in 12 years time.

The large current account movement in the cash flow refers to the fact that the transactions between the companies are transacted via the current accounts and not via the bank account; consequently there are no cash movements.

6.6 Performance targets

(Revised)

	2011/12 ($000)	**2012/13 ($000)**	**2013/14 ($000)**
Surplus before tax	129,701	12,575	8,889
Surplus after tax	93,340	9,118	6,455
Earnings before interest, tax and depreciation.	167,783	56,2610	55,197
Return on total assets	20.6%	3.5%	2.9%
Return on shareholder equity	34.4%	1.6%	0.9%
Shareholders equity to total assets	37.7%	49.8%	49.9%
Dividends	2,304	2,380	2,497

	2011/12 ($000)	**2012/13 ($000)**	**2013/14 ($000)**
Surplus before tax	12,625	11,287	10,844
Surplus after tax	8,692	7,427	6,715
Earnings before interest, tax and depreciation.	42,475	46,340	48,513
Return on total assets	4.17%	3.64%	3.39%
Return on shareholder equity	3.87%	2.60%	2.01%
Shareholders equity to total assets	23.84%	25.50%	25.88%
Dividends	2,304	2,380	2,497

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.

6.7 Statement of Accounting Policies

Statement of Compliance

The "Group" consists of WRC Holdings Ltd, its wholly owned subsidiaries, Pringle House Ltd, Port Investments Ltd, Greater Wellington Rail Ltd, Greater Wellington Transport Ltd, Greater Wellington Infrastructure Ltd and its 76.9% subsidiary CentrePort Ltd, together with its subsidiaries.

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).

The Group financial statements comply with FRS 42 (Financial Reporting Standards No 42 – Prospective Financial Statements).

Basis of Preparation

The prospective financial statements have been prepared on the basis of historical cost except for the revaluation of Operational Port Freehold Land, Investment Properties (Developed Investment Properties, Land Available for Development and Assets Held for Sale) and financial instruments as outlined below.

Cost is based on the fair value of the consideration given in exchange for assets.

The going concern concept has been adopted in the preparation of these financial statements.

(Revised)

For the purposes of financial reporting, WRC Holdings is designated as a public benefit entity. The subsidiary companies comprise Pringle House Limited, Port Investments Limited, Greater Wellington Rail Limited, Greater Wellington Transport Limited, Greater Wellington Infrastructure Limited and CentrePort Limited. All subsidiaries, except Greater Wellington Rail Limited, are designated as profit-oriented entities. Greater Wellington Rail is designated as a public benefit entity.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

These prospective financial statements contain no actual operating results.

The Board is responsible for the prospective statements presented, including the assumptions underlying the prospective financial statements and all other disclosures.

The Group does not intend to update these financial statements during the year. The next planned update of the prospective financial statements is the 2011/14 Statement of Intent.

The Board authorises the issuance of these financial statements on 16 June 2010 and as subsequently amended.

Specific Accounting Policies

The specific accounting policies adopted in the preparation of these financial statements, which materially affect the measurement of the prospective statement of comprehensive income, prospective statement of movements in equity, prospective statement of financial position and prospective cash flows are set out below:

Basis of Consolidation

The Group financial statements include WRC Holdings Ltd and its subsidiaries. The subsidiaries are accounted for using the purchase method which involves adding together corresponding assets, liabilities, revenues and expenses on a line by line basis. The associate companies are accounted for on an equity accounting basis, which shows the share of surplus/deficits in the Group's statement of comprehensive income and share of post acquisition increases/decreases in net assets in the Group's balance sheet.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair value of the identifiable net assets acquired exceeds the cost of acquisition, the difference is credited to the statement of comprehensive income in the period of acquisition.

The consolidated financial statements include the information and results of each subsidiary from the date on which the company obtains control and until such time as the company ceases to control such subsidiary.

All significant inter-company transactions are eliminated on consolidation.

Prospective Statement of Cash Flows

The following are the definitions used in the statement of cash flows:

(a) Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts.

(b) Investing activities are those activities relating to the acquisition and disposal of Property, Plant and Equipment, Investment Property, Intangible Assets and Joint Ventures. Investments include securities not falling within the definition of cash.

(c) Financing activities are those activities that result in the changes in size and composition of the capital structure of the Group. This includes both equity and debt not falling within the definition of cash. Dividends paid in relation to capital structure are included in financing activities.

(d) Operating activities include all transactions and other events that are not investing or financing activities.

(e) Goods and Services Tax (GST) is accounted for on an accruals basis consistent with the statement of comprehensive income.

(f) Current Account movements refer to the inter-company transactions of the subsidiary which are not transacted via the bank accounts.

Revenue

Revenue shown in the statement of comprehensive income comprises the amounts received and receivable by the Group for services provided to customers in the ordinary course of business based on the stage of completion of the contract at balance sheet date.

Grants for asset purchases are initially recognised in the balance sheet as deferred income and only recognised in the statement of comprehensive income over periods necessary to match them with the related use over the life of the asset.

Other grants and contributions from territorial local authorities are recognised in the statement of comprehensive income when eligibility has been established by the grantor.

Income is stated exclusive of GST collected from customers.

Interest and dividend income are recognised on an accrual basis.

Property, Plant and Equipment

The Group has six classes of Property, Plant and Equipment:

Freehold land

Buildings, wharves and paving

Cranes and floating plant

Plant, vehicles and equipment

Rail rolling stock

Other assets.

Operational port freehold land and Pringle House is stated at valuation determined every three years by an independent registered valuer. The basis of valuation is fair value which is determined by reference to the assets highest and best use as determined by an independent valuer.

The fair value of land is recognised in the financial statements of the Group and reviewed at the end of each reporting period to ensure that the carrying value of land is not materially different from its fair value. Any revaluation increase of operational port land is recognised in other comprehensive income and accumulated as a separate component of equity in the properties revaluation reserve, except to the extent it reverses a previous revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit and loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation is charged to the profit and loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

The remaining Property, Plant & Equipment acquired by CentrePort on 1 October 1988 are recorded at cost less accumulated depreciation and impairment, based on a business valuation carried out in accordance with the Company plan under Section 21 of the Port Companies Act 1988. Subsequent purchases of remaining Property, Plant & Equipment are recorded at cost. Cost represents the value of the consideration given to acquire the assets and the value of other directly attributable costs that have been incurred in bringing the assets to the location and condition necessary for their intended service. All these Property Plant & Equipment are depreciated excluding land.

Investment Properties

Investment properties, which is property held to earn rentals and/or for capital appreciation, is measured at its fair value at the reporting date. Gains or losses arising from changes in fair value of investment property are included in profit or loss in the period in which they arise.

The Group has three classes of investment properties:

- Developed Investment Properties
- Land Available for Development
- Investment Property Held for Sale.

Leased Assets

Group entities lease certain land, buildings, wharves and plant. Leases are finance leases wherever the terms of the lease transfer substantially all the risk and rewards of ownership to the lessee. All other leases are classified as operating leases. All leases held by the Group are classified as operating leases.

Consolidated entity as lessee:

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Consolidated entity as lessor:

Operating leases relate to subleases of surplus of properties leased by the company for its own operation use, with lease terms between 1 and 12 years, with an option to extend for a further period between 1 to 6 years. All operating lease contracts contain market review clauses in the event that the Group exercises its option to renew. The lessee does not have an option to purchase the property at expiry of the lease period.

Lease incentives:

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Assets held for sale

Assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Assets held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Intangibles

Software is a finite life intangible and is recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight line basis over their estimated useful lives between 1 and 5 years. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

Impairment of assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidation entity estimates the recoverable amount of the cash-generating using to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount off an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the statement of comprehensive income immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had not impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in the statement of comprehensive income immediately, unless the relevant assets is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

Depreciation

There is no depreciation on capital works in progress and operational port land or investment properties, (developed investment properties, land available for development and assets held for sale). Depreciation on all other property plant and equipment is charged on a straight line basis so as to write off the cost of the assets to their estimated residual value over their expected economic lives. The expected economic lives are as follows:

Buildings, wharves and paving	10 to 50 years
Cranes and floating plant	4 to 20 years
Plant, vehicles and equipment	2 to 20 years
Rail rolling stock	5 to 35 years
Other assets	0 to 20 years

The economic useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

Borrowing Costs

Borrowing costs directly attributable to capital construction are capitalised as part of the cost of those assets. All other borrowing costs are recognised as an expense in the period in which they are incurred.

Investments

Investments in subsidiaries are valued annually at the lower of cost and net asset backing. The change in valuation is recognised in the statement of comprehensive income.

Investments in associates are stated at the fair market value of the net tangible assets at acquisition plus the share of post-acquisition increases in reserves.

Investment properties are revalued annually to net current value. The change in valuation is recognised in the statement of comprehensive income. There is not any depreciation on investment properties.

Other investments are stated at the lower of cost and fair value.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposit held at call with banks, other short term highly liquid investments with original maturities of three months or less.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Provision has been made for obsolescence where applicable. Apart from fuel stocks, inventories are held for maintenance purposes only.

Income Taxation

Current Tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable). Tax assets and liabilities are offset only when the Group has a legally enforceable right to set off the recognised amounts, and intends to settle on a net basis.

Deferred Tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the statement of comprehensive income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Goods and Services Tax (GST)

The Group is part of the Wellington Regional Council GST Group. All items in the financial statements are exclusive of GST, with the exception of CentrePort's receivables and payables, which are consolidated inclusive of GST.

Cash flows are included in the cash flow statement on a net basis for GST purposes. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

Where GST is not recoverable as an input tax it is recognised as part of the related asset or expense.

Employee Entitlements

A provision for employee entitlements is recognised as a liability in respect of benefits earned by employees but not yet paid at balance date. Employee benefits include salaries, wages, annual leave and long service leave. Where the services that gave rise to the employee benefits are expected to be paid for within twelve months of balance date, the provision is the estimated amount expected to be paid by the Group. The provision for other employee benefits is stated at the present value of the future cash outflows expected to be incurred.

The present value is determined by discounting the future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liabilities.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Provision for Dividends

Dividends are recognised in the period that they are authorised and approved.

Financial Instruments

As part of normal operations, the Group is party to financial instruments with risk to meet operational needs. These financial instruments include bank overdraft facilities, interest rate swap agreements and forward foreign exchange contracts. Interest rate swap agreements are used within predetermined policies and limits in order to manage interest rate exposure.

Loans and receivables

Cash and cash equivalents, trade receivables, loans, and other receivables are recorded at amortised cost using the effective interest method less impairment.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the instrument or a shorter period, where appropriate, to the net carrying amount of the financial assets or financial liability

Financial liabilities

Payables

Trade payables and other accounts payable are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services and are subsequently recorded at amortised cost using the effective interest method.

Borrowings

Borrowings are recorded initially at fair value, net of transaction costs.

Subsequent to initial recognition, borrowings are measured at amortised costs with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the borrowing using the effective interest rate method.

Derivative financial instruments

The consolidated entity enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including forward foreign exchange contracts, interest rate swaps and cross currency swaps.

Derivatives are initially recognised at cost on the date a derivative contract is entered into, which is equivalent to fair value, and are subsequently re-measured to fair value at each reporting date. Changes in fair value of derivative instruments that do not qualify for hedge accounting are recognised immediately in statement of comprehensive income.

Financial instruments issued by the company

Equity instruments

Equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Dividends

Dividends are classified as expenses or as distributions of profit consistent with the statement of financial position classification of the related equity instrument.

Foreign Currency Transactions

Transactions in foreign currency are converted at the rate of exchange ruling at the date of the transaction. At balance date, foreign monetary assets and liabilities are translated at the closing rate and exchange variations arising from these transactions are recognised in the statement of comprehensive income.

Joint Ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control that is when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in the Group financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with NZ IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Under the equity method, investments in joint ventures are carried in the balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the joint venture, less any impairment in the value of individual investments. Losses of a joint venture in excess of the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the joint venture recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the statement of comprehensive income.

Interests in jointly controlled entities are recognised in the parent company's financial statements using the cost method.

6.8 Assumptions in preparing the prospective financial statements

The prospective financial statements information contained in this SOI is based on assumptions that WRC Holding Group reasonable expected to occur at 15 June 2011. Actual results are likely to vary from the information presented and variations could be material.

- No revaluations of property, plant and equipment is projected, as this would not have a material effect on the prospective financial statements.

- Greater Wellington Rail Limited is taking over various rail assets from KiwiRail. The transfer of these assets will be for one dollar and the assets will be valued to fair value on 30 June 2011. The SOI has not attempted to make any accounting entries to reflect this transaction due to uncertainty around the finalisation of the asset values and the contract for sale and purchase.

- The plan includes the partial sell down of CentrePorts's Harbour Quays property development. The approval of this sell down is subject to both Greater Wellington Rail limited Board and Greater Wellington approval.

- The debt interest rate assumption for the WRC Holdings excluding CentrePort Limited is 4.70% for the 2011/12 year and 5.00% and 5.25% for the next two years respectively. Significant interest rate hedging is in place to mitigate against interest rate variability.

- There will be no changes to key legislation affecting the Group activities.
- Asset lives are in accordance with the groups accounting policies.
- The purchase of the Matangi units and the subsequent grant and equity contribution from Greater Wellington to pay for these is subject to variation in timing of delivery of the trains by Rotem Mitsui.
- The repairs to rolling stock, while scheduled in most instances, are subject to variation due to unforeseen events and the delivery schedule of the Matangi units.

7. Issues facing the Group

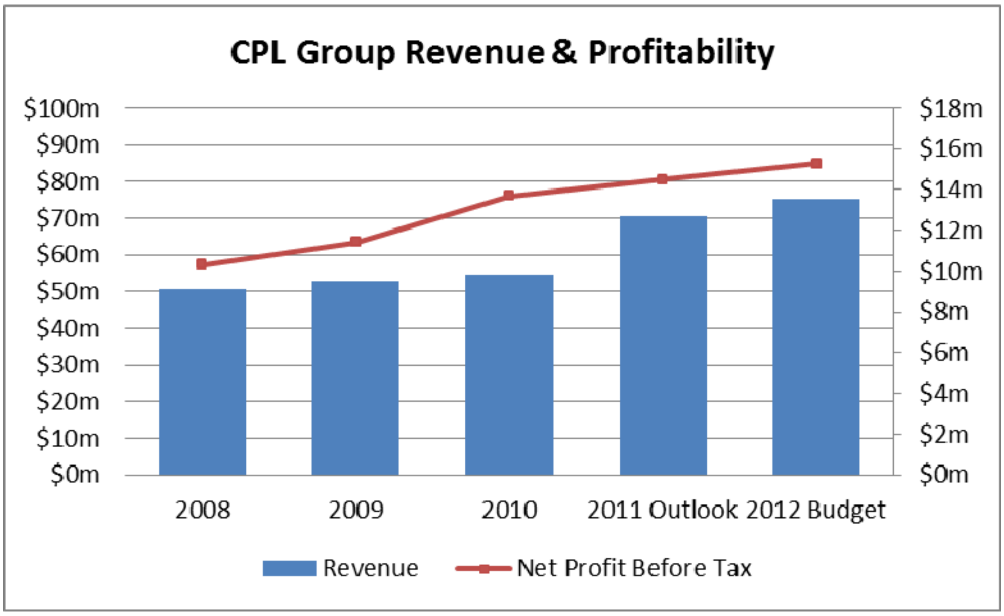
7.1 CentrePort Ltd

7.1.1 Economic Environment

The global landscape remains uncertain. There is an emerging view that the US recovery is on track (albeit slowly) but Europe Sovereign debt concerns continue. Current weakness in the New Zealand economy is forecast to improve in 2012 and beyond helped by buoyant Australian and Asian economies and reconstruction activity generated by the Canterbury earthquakes.

7.1.2 Port Activities

- Forecast financial performance for the port sector reflects modest growth expectations built on the forecast out-turn for the 2010/11 financial year.
- Notwithstanding a profit uplift for the 2010/11 financial year, risks remain to CentrePort from a high $NZ, current weakness in the NZ economy and shipping line consolidations and/or route reconfigurations.
- Insurance and fuel cost pressures are evident in cost of sales growth and negate some of the recent gains from cost optimisation initiatives. The company is looking at opportunities to manage these cost increases.
- The benefits of the strategy are evident in 2012 forecasts as improved port profitability from volume and price increases contribute to a 9% increase in post-tax profitability. Key features of forecast port performance in 2012 are:
- Demonstrates tangible progress towards CentrePort’s 2015 targets in a challenging environment



- Budget is 'balanced' by including capability investments for the future and resources to progress our safety and environmental goals.

- Accommodates cost pressures for insurance and fuel.

- Financial health is improving, ie, BBB- to BBB+.

- Potential risks on the horizon:
  Global and domestic economic uncertainty
  Costs of insurance
  Supply shortage of vehicle imports from Japan.

7.1.3 Property Portfolio

CentrePort owns and is developing Harbour Quays, a commercial property business park.

CentrePort is currently engaged in a process to restructure the Group balance sheet. This is planned to be achieved through the recycling of capital through the introduction of third party equity via a proposed sell-down of three Harbour Quays buildings. This transaction requires shareholder approval and is the subject of a separate business case currently before shareholders.

The impact of the New Zealand recession on rental income growth has been factored into revenue forecasts and will reduce short term demand for further property development opportunities.

7.1.4 Debt

CentrePort's 30 June 2011 debt is forecast to be $185 million being $18 million below debt facility levels of $203 million. The proposed partial sell-down of three Harbour Quays buildings will immediately reduce debt to $110 million, create debt headroom, meet capital structure targets which CentrePort believes will yield an indicative "BBB" rating (or better) and provide funds to grow the business. Successful completion of this transaction is a major strategic initiative for the company.

7.2 Pringle House Limited

The major issues facing Pringle House are:

- Volatility in the valuation of the building directly impacts the financial statements with any valuation change being reported through the Statement of comprehensive income.

- Ongoing maintenance of the Regional Council Centre which is 24 years old this year, having been built in 1987.

- The lease to Vector on level 7 is up for renewal in February 2012. Vector have indicated they will require more space and have the option to end their lease at this time. Vector currently occupy 9.5% of the lettable area of the building.

7.3 Greater Wellington Rail Limited

Greater Wellington is in negotiations with the Government and KiwiRail to enter to arrangements whereby GWRL would take ownership of all the metropolitan rail rolling stock and rail stations (excluding the main Wellington station). Details on how the transfer will occur and the financing arrangements are currently being drafted and are yet to be agreed at the time of writing this SOI.

All assets from KiwiRail will be transferred for one dollar. The main rail rolling stock, ie, Ganz-Mavag (GM) will be refurbished by Greater Wellington Rail Limited.

The funding of the GM will be via debt raised by Greater Wellington with principal and debt servicing shared by the NZ Transport Agency and Greater Wellington on an indicative ratio of 60% / 40% respectively.

GWRL would be funded by grant and equity injection in the same ratio as above 60% / 40% respectively by Greater Wellington to cover the cost of the refurbishment estimated to be in the vicinity of $80 million.

For the purpose of this SOI we have not included the impacts of this asset transfer. The assets will be transferred effectively at zero cost but will need to be valued for accounting purposes, and depreciated over future accounting periods.

The replacement of the Ganz Mavag trains and eventually the Matangi units will be the subject of current and future strategic work to be undertaken.

The Matangi project is currently underway and the current issues facing Greater Wellington Rail from this are:

- Ensuring the Matangi are built and arrive in New Zealand as per contractual specifications.

- Ensuring that the budget is not exceeded.

- Ensuring the Matangi units are delivered in the time frame as allowed for under the contract, and if later to negotiate suitable compensation for Greater Wellington Rail.

7.4 Port Investments Limited

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

The dividend from CentrePort finances the $44,000,000 loan, consequently the dividend stream from CentrePort and the interest cost from the loan should, at worst, be the same.

8. 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 as they may exist 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. Dividend levels will be reviewed by the Board each year, and agreed with the shareholder. The forecast dividend for the 2011/12 financial year is $4.725 million.

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) effective from the 2010/11 financial year. The target dividend payout 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 Group the expectation is that the dividends paid will be the maximum practical amount. It is expected to be 100% of after tax earnings, excluding unrealised fair value adjustments.

9. Information to be Reported

The Group will maintain regular reporting to the shareholders 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 review of operations
- a summary of achievements measured against the performance targets
- the dividend.

(b) Report to the shareholder each quarter.

(c) Provide further financial information that meets shareholder expectations (format and timetable to be agreed) on a regular basis.

10. Procedures for the Purchase and Acquisition of Shares

10.1 The Boards of WRC Holdings, PHL, PIL, GWRL, GWTL, GWIL, will obtain the prior approval of Greater Wellington 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. (N.B: CentrePort is governed by a separate constitution.)

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

11. Compensation

11.1 The Chair of WRC Holdings will receive an annual remuneration of $19,000. Councillors, who are also directors of WRCHL, PHL, PIL, and GWRL, will receive travelling expenses based on the rates applicable to members of the Council. Directors of those companies, who are not members of the Council, will receive directors' fees as approved by the Council from time to time.

11.2 The WRCH Group of companies will seek compensation by agreement from Greater Wellington Regional Council for:

(a) Rental and tenancy expenses with regard to the occupation of the Regional Council Centre.

(b) Interest and financial costs relating to the provision of any inter-company loans, other financing arrangements and current account balances that may accrue.

(c) 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.

12. Value of Shareholder's Investment

12.1 The commercial value of the Regional Council Centre will be determined annually by an independent property valuer in accordance with the company's accounting policies, and reported in the statement of financial position.

12.2 A re-assessment of the valuation of other investments will be undertaken as may be required from time to time by the directors or shareholders.