WRC Holdings Group Statement of Intent

(Covering the years to 30 June 2016, 2017 and 2018)

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1. Scope of Statement of Intent (SOI)

1.1 This SOI relates to WRC Holdings Group Limited and its subsidiary companies Pringle House Limited (PHL), Port Investments Limited (PIL), CentrePort Ltd (CentrePort), 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 and its wholly owned subsidiaries are Council Controlled Trading Organisations (CCTO's), and Council Controlled Organisations (CCO's) 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

- Appropriate separation of management and governance
- To impose commercial discipline on the Group's activities and produce an appropriate return to shareholders and ensure an appropriate debt/equity ratio.
- To separate the Regional Council's commercial assets from its public good assets, where appropriate[1].
- 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.

3. Objectives and Activities of the Group

3.1 Objectives

The primary objectives of the Group shall be to:

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.

[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.

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

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

PHL owns and operates the Regional Council Centre at 142-146 Wakefield Street, Wellington. The building is currently vacant and is earthquake prone. The plan assumes that Pringle House is disposed of in the 2014/15 year and to this end the Council has entered into a confidential sale and purchase agreement.

Consistent with the draft SOI the sale price assumes the assets and liabilities of the company will be met out of the proceeds.

Greater Wellington Rail Limited

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
48 - 2 Car Matangi units
27 - 2 Car Ganz Mavag units

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.

The bulk of the above infrastructure assets were taken over from KiwiRail in June 2011 for $1 consideration with the balance of $5.3 million being transferred from the Regional Council to GWRL in June 2012.

Greater Wellington Rail Limited is responsible for all aspects of asset management and stewardship, implemented through a management contract with the Regional Council. An asset management plan has been developed 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 directly and is currently delivered via separate maintenance and operating contracts with KiwiRail.

A major procurement process is underway to select an Operator to deliver the rail services and maintain the rolling stock for up to 15 years under a new "Performance Based Partnering Contract".

The Regional Council has budgeted to spend $170 million in total to replace the Ganz Mavag units with a second tranche of 35 Matangi units. The expenditure commenced in 2014/15 year and will be completed by 2016/17. This also includes an upgrade to some components of the existing Matangi to realise whole of life savings and improve the operational flexibility, efficiency and safety.

These 35 new Matangi units are expected to be introduced into service over the period middle 2015 to late 2016. 15 Ganz Mavag units have been withdrawn from service and have been sold. The remaining 27 Ganz Mavag units are being retained in operational service until the introduction of the second tranche of Matangi Trains.

Other planned expenditure on rail assets includes $18 million over three years for renewal work and like for like replacement of rail related infrastructure. This includes up to $2 million spend on security enhancements to protect infrastructure and rolling stock assets from vandalism and tagging leading to lower risk and insurance premiums. A further $3 million is expected to be spent on park and ride development.

A further $23 million is planned to be spent on Matangi and SW & SE heavy maintenance overhauls and extending the life of the SE and SW carriages.

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.

4. Financial and Operational Performance Targets

4.1.1 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. The performance targets for CentrePort are included as information only as CentrePort is part of Port Investments Limited.

4.1.2 WRC Holdings Limited

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 operation and financial position of the company and Group.

Financial performance targets

	WRC Holdings Limited		
	2015/16	**2016/17**	**2017/18**
Dividend distribution $ 000s	2,557	2,722	3,023
Dividend distribution %	100%	100%	100%
Return on equity (1)	1.6%	1.2%	1.2%
Return on assets (2)	2.2%	1.7%	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

4.1.3 Pringle House Limited

Operational & Financial performance targets

These targets have been removed due to the impending sale of the Regional Council Centre.

It is intended pending finalising the taxation for PHL that the company after Directors approval is wound up.

4.1.4 Greater Wellington Rail Limited

Operational performance targets [2]

Long Term Plan

Average condition ratings for rolling stock:

- Electric multiple unit (EMU) fleet – – ≤2.50
- Carriage fleet – – ≤2.50

Average condition ratings for stations (buildings and shelters) – ≤2.5

Average condition rating for car parks – ≤2.5

Asset management plan

Rail assets are maintained in accordance with the maintenance schedules

Mean distance between failure (MDBF):

	2015/16 (km)	2016/17 (km)	2017/18 (km)
Matangi fleet	35,000	37,500	40,000
Ganz fleet	8,500	n/a	n/a
Carriage fleet	45,000	45,000	45,000

Other measurable targets

Deliver the second tranche of Matangi trains and M1 retrofit programme in accordance with the supply contract.

Deliver train maintenance services within approved budgets through a contract with KiwiRail ensuring that train availability and reliability targets are met.

Deliver infrastructure cleaning, maintenance and security services within approved budgets through various contracts ensuring asset condition does not deteriorate.

Implement year four of the five year renewals and like for like replacement programme in accordance with the asset investment priority framework.

[2] The scoring grades for rail assets are on a scale of 1-5, with 1 being excellent and 5 being extremely poor

Maximise leasing and advertising revenue streams (within overall Council policy)

Financial performance targets

	Greater Wellington Rail Limited		
	2015/16	**2016/17**	**2017/18**
Dividend distribution $ 000s	-	-	-
Dividend distribution %	-	-	-
Return on equity (1)	(4.6%)	(4.9%)	(5.1%)
Return on assets (2)	(3.7%)	(4.2%)	(4.3%)

(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

4.1.5 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.

Financial performance targets

	Port Investments Limited		
	2015/16	**2016/17**	**2017/18**
Dividend distribution $ 000s	2,741	2,910	3,217
Dividend distribution %	100.0%	100.0%	100.0%
Return on equity (1)	104.5%	110.9%	122.6%
Return on assets (2)	9.5%	10.1%	6.5%

(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

5. CentrePort Performance Targets

Extract from CentrePort's 2015/16 – 2017/18 Statement of Intent (SOI).

SOI 3 year - Financial Performance measures

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

Measure		Outlook FY15	Forecast FY16	Forecast FY17	Forecast FY18
Group EBIT plus JV & Associate Earnings ('Group EBIT')	$m	23.1	24.5	26.4	28.3
Port EBIT plus JV & Associate Earnings ('Port EBIT')	$m	16.4	17.8	19.9	20.8
Property EBIT plus JV & Associate Earnings ('Property EBIT')	$m	6.7	6.7	6.5	7.6
Underlying Net Profit Before Tax	$m	15.0	16.4	17.6	19.3
Underlying Net Profit After Tax ('Underlying NPAT')	$m	12.6	13.7	14.5	15.8
Dividend	$m	5.6	6.1	6.5	7.1
Shareholders' Funds ('Equity) or Net Assets	$m	197.5	206.5	216.0	226.1
Number of issued shares	000	23,425	23,425	23,425	23,425
Group EBIT Return on Assets	%	7.2%	7.4%	7.7%	8.0%
Port EBIT Return on Port Assets	%	7.8%	8.2%	8.9%	8.9%
Property EBIT Return on Property Assets	%	5.9%	5.8%	5.6%	6.3%
Property EBIT Return on Improved Property Assets	%	*7.1%*	*7.0%*	*6.5%*	*7.0%*
Underlying NPAT Return on Group Equity	%	6.4%	6.8%	6.9%	7.1%
Dividend Distribution as a %ge of Underlying NPAT	%	45%	45%	45%	45%
Underlying earnings (NPAT) per share	$	0.54	0.58	0.62	0.67
Dividend per share	$	0.24	0.26	0.28	0.30
Net Asset backing per share	$	8.43	8.82	9.22	9.65

Definition of Terms:

- Return on Assets for each business segment
  - Port

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

    EBIT plus share of associate earnings divided by the value of investment properties plus investment in associates. This calculation is performed separately on the value of developed investment properties and the total portfolio.
- Return on Equity

  Underlying net profit after tax* divided by average equity.

- Dividend

  Dividend as a percentage of underlying net profit after tax*
- Underlying earnings per share

  Underlying net profit after tax* divided by number of shares issued.
- Dividend per share

  Dividend divided by number of shares.
- Net Asset backing per share

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

* 'Underlying NPAT (net profit after tax)' excludes the fair value movements from cash flow hedges and investment property valuations reported through the income statement.

References to FY are to Financial Years ended 30 June. For example, FY15 means financial year ended 30 June 2015.

SOI - 3 year - Financial Health measures

The Group's financial health is measured against the following ratios:

Financial Health	Target	Outlook	Forecast	Forecast	Forecast
		FY15	FY16	FY17	FY18
Current Assets ($m)	n/a	10.3	10.7	10.8	10.8
Current Liabilities ($m)	n/a	11.8	11.9	11.9	11.9
Total Assets ($m)	n/a	338.4	345.3	358.3	377.3
Shareholders Funds - Equity ($m)	n/a	197.5	206.5	216.0	226.1
Debt ($m)	n/a	128.3	125.5	128.5	129.4
Equity Ratio	> 45%	58%	60%	60%	60%
Gearing	< 50%	39%	38%	37%	36%
Interest cover	> 2.5 times	3.2 times	3.8 times	3.7 times	4.0 times
Solvency Ratio	> 0.6	0.88	0.90	0.91	0.91

Definition of Terms:

- Shareholders' Funds (or equity) is defined as the total issued capital plus the balance of undistributed profits and all revenue and capital reserves less any minority interests of the parent company, CentrePort Limited, and its subsidiaries ("the Group").
- Total Assets are defined as all the recorded tangible and intangible assets of the Group at their current value as determined by the Group's Accounting Policies.
- Equity Ratio is Shareholders' Funds divided by Total Assets
- Debt is the sum of Interest Bearing Debt (Borrowings) and Financial Liabilities arising from financial instruments
- Gearing is the ratio of Debt to Debt plus Equity (Shareholders Funds)

- Interest cover is the ratio of free funds from operations to interest expense. It is measured as Earnings before interest, tax depreciation and amortisation ('EBITDA') plus dividends received from investments in associates and joint ventures divided by the Interest Expense.
- The Solvency Ratio is Current Assets divided by Current Liabilities.

Safety and Security performance targets

a) Year on year improvement towards zero harm.

b) Implementation of the five year Health & Safety action plan.

c) 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.

d) Annual review of Health and Safety Policy and Plan.

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

Environmental performance targets

Date: FY= Full Year

Ensure regulatory compliance

a.	Obtain resource consents for shipping channel deepening	FY2016
b.	Review Port Noise Management Plan	FY2016
c.	Develop a port wide stormwater management plan	FY2016
d.	Review Fumigation Operating Procedures (including Recapture and 'Persons in Charge of Site' procedures)	FY2016
e.	Participate in current Regional Plan Review	FY2016 - 2017
f.	Review Hazardous Substances Management Plan	FY2017
g.	Review third party operator performance	FY2017
h.	Participate in other relevant statutory plan or policy change processes	Ongoing
i.	Undertake annual compliance review	Ongoing
j.	Obtain and maintain resource consents for infrastructure projects	Ongoing

Minimise risk to the environment

a.	Review Environmental Management Plan risk assessment	FY2016
b.	Review Environment & Sustainability Policy and Performance Targets	FY2017
c.	Environmental Management System - audit and certify (ISO14001) using staged approach	FY2017-2019

d.	Maintain 'Environmental Issues Register'	Ongoing

Realise opportunities to be more sustainable

k.	Undertake energy efficiency projects (phased programme)	FY2016-2019
l.	Develop waste monitoring procedures	FY2017
m.	Develop management plan for greenhouse gas emissions (including reduction targets)	FY2017
n.	Identify strategic opportunities for 'environmental offsetting' to support port development objectives	FY2018

Stakeholder engagement

a.	Maintain regular meetings of the Environmental Consultative Committee (and review transparency)	Ongoing
b.	Communicate environmental objectives and performance	Ongoing
c.	Integrate environmental performance into CentrePort's external reporting (e.g. Annual Report)	Ongoing

Develop a culture of awareness and responsibility

a.	Maintain regular internal communication on environmental matters	Ongoing
b.	Integrate environmental matters into leadership and other programmes	FY2016

The performance targets for the environmental targets are:

Objective	Performance measure	Performance target		
		FY16	*FY17*	*FY18*
Ensure regulatory compliance	Compliance breaches	Zero	Zero	Zero
1. Minimise risk to the environment	System: consistency with ISO14001	Review of port wide risk assessment complete	Audit and first stage certification[1] complete	Audit and second stage certification complete
	Incidents: number of registered environmental incidents	Decrease from previous year	Decrease from previous year	Decrease from previous year
	Complaints: number of	Zero	Zero	Zero

	complaints from external stakeholders about environmental performance			
Realise opportunities to be more sustainable	Greenhouse gas emissions (quantity CO_2equivalent)	Verified annual emissions inventory complete	Emissions reduction plan and targets complete	Reduction target to be advised Verified annual emissions inventory complete
	Ozone depleting substances used (quantity methyl bromide released to atmosphere)	100% use of recapture technology for container fumigation	100% use of recapture technology for container fumigation	100% use of recapture technology for container fumigation
	Solid waste to landfill (quantity)	No target	Waste monitoring system (and reduction plan) developed	Reduction target to be advised
Improve stakeholder relations	Environmental Consultative Committee meeting frequency	At least 3 per annum	At least 3 per annum	At least 3 per annum
	Iwi engagement	Pre lodgment consultation undertaken for 100% of resource consent applications	Pre lodgment consultation undertaken for 100% of resource consent applications	Pre lodgment 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
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 sub committee' meeting frequency	At least 3 per annum	At least 3 per annum	At least 3 per annum

Notes:

1. Based on a three stage certification process to achieve ISO 14001 (using EnviroMark or similar)

Social performance targets

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 and engaging community activities.

iv. To meet regularly with representative community groups

General performance targets

Other specific areas of focus over FY16-18 are:

a) The company will, in consultation with the shareholders, continue to develop performance targets in the financial, environmental and social areas.

b) CentrePort will report achievement against the above targets in the quarterly reports to shareholders and the annual report. The report will include specific initiatives to enhance the environment in which we operate.

c) When developing 'property held for development' the Board is to adhere to the following principles:

a. Properties may be developed without the building being fully pre-let so long as tenancy risk is managed prudently.

b. Property developments must not compromise port operations.

c. Developments are to be undertaken only if they are able to be funded without additional capital from shareholders.

d. Development construction contracts are to be negotiated on a guaranteed maximum price or lump sum basis.

Definition of terms regarding property:

Management of tenancy risk means that each single property investment has committed rental income (via development and 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%.

6. Governance of the WRC Holdings Group

6.1 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 PHL, 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, PHL, PIL and GWRL.

The directors of CentrePort are appointed by PIL and Horizons Regional Council.

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

6.3 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.

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

7. Financial Information

7.1 Prospective statement of comprehensive income

Year ended 30 June	2015/16	2016/17	2017/18
$000	**WRCH GROUP**	**WRCH GROUP**	**WRCH GROUP**
Prospective statement of comprehensive income			
Dividends & Equity Earnings	6,943	6,954	7,255
Grant from GWRC - Operating	14,652	14,716	14,073
Rental income	5,745	7,128	7,951
Interest income	206	225	234
Other revenue	72,707	79,572	86,877
Total revenue	100,253	108,596	116,391
Interest expense	10,147	10,944	11,273
Depreciation	22,222	26,709	27,907
Other expenditure	68,737	74,793	80,209
Revaluation (upward)	(1,440)	(1,440)	(1,440)
Total expenditure	99,666	111,006	117,950
Surplus/(deficit) before tax	**586**	**(2,410)**	**(1,559)**
Taxation expense (credit)	(1,583)	(2,295)	(2,084)
Total comprehensive income (NPAT)	**2,170**	**(115)**	**525**
Total comprehensive applicable to non-controlling interest	3,493	3,675	3,972
Total comprehensive income applicable to parent	**(1,323)**	**(3,790)**	**(3,447)**

7.2 Prospective statement of financial position

As at 30 June $000	2015/16 WRCH GROUP	2016/17 WRCH GROUP	2017/18 WRCH GROUP
Prospective statement of financial position			
Opening equity	421,477	559,305	564,969
Opening equity non controling interests	(45,580)	(47,665)	(49,840)
New equity	139,623	10,002	22,157
Total comprehensive income appliciable to parent	(1,323)	(3,790)	(3,447)
	514,197	517,851	533,839
Dividends distributed	(2,557)	(2,722)	(3,023)
Closing Equity Non-controlling interest	47,665	49,840	52,185
Closing equity	**559,305**	**564,969**	**583,001**
Equity applicable to parent	511,640	515,129	530,816
Non-controlling interest	47,665	49,840	52,185
Closing equity	**559,305**	**564,969**	**583,001**
Current assets	41,718	42,181	42,931
Non current assets	693,844	696,487	709,987
Investments	83,369	84,438	84,701
Total assets	**818,931**	**823,106**	**837,619**
Current liabilities	21,652	21,990	22,605
Borrow ings	116,200	121,200	124,100
Non currrent liabilities	121,775	114,946	107,913
Total liabilities	**259,626**	**258,136**	**254,618**
Net assets	**559,305**	**564,969**	**583,001**

7.3 Prospective statement of changes in equity

As at 30 June $000	2015/16 WRCH GROUP	2016/17 WRCH GROUP	2017/18 WRCH GROUP
Prospective statement of changes in equity			
Opening equity	421,477	559,305	564,969
Shares to be issued during the year	139,623	10,002	22,157
Total comprehensive income for the year	2,170	(115)	525
Dividend to be paid - Equity holders	(2,557)	(2,722)	(3,023)
Dividend to be paid - Non controlling Interests	(1,408)	(1,500)	(1,627)
Closing Equity	**559,305**	**564,969**	**583,001**
Total comprehensive income attributed to:			
Equity holders - Parent	(1,323)	(3,790)	(3,447)
Non - controlling interest	3,493	3,675	3,972
Total comprehensive income for the year	**2,170**	**(115)**	**525**

7.4 Prospective statement of cash flows

Year ended 30 June $000	2015/16 WRCH GROUP	2016/17 WRCH GROUP	2017/18 WRCH GROUP
Prospective statement of cashflow			
Cashflows from operations			
Receips from operations	92,911	101,487	108,975
Interest received	87	92	95
Dividends received	6,098	5,887	6,992
Payments to suppliers/employees	(68,239)	(74,568)	(79,980)
Taxes paid	(2,781)	(3,096)	(3,508)
Interest paid	(10,006)	(10,803)	(11,088)
Net cash from operating activities	18,070	18,999	21,486
Cashflow from investing activities			
Purchase of Fixed Assets - Rail	(139,623)	(10,002)	(22,157)
Purchase of Fixed Assets - Port	(13,448)	(16,800)	(16,500)
Purchase of Fixed Assets - Property	(3,980)	(7,226)	(2,750)
Proceeds sale of Property	4,675	4,675	-
Net cash from investing activities	(152,376)	(29,353)	(41,407)
Cashflows from financing activities			
Borrowings	(800)	5,000	2,900
Dividends paid	(1,600)	(1,654)	(1,838)
Issue of shares	139,623	10,002	22,157
Current Acccount movement	(2,674)	(2,870)	(3,161)
Net cash from financing activities	134,549	10,478	20,058
Net increase/(decrease) in cash & cash eqvts	243	124	137
Cash & cash equivalents at beginning of the year	1,933	2,176	2,300
Cash and cash equivalents at year end	**2,176**	**2,300**	**2,437**

Financial Statements commentary

The prospective statement of comprehensive income shows revenue growing over the forecast period. This is stemming predominately from other revenue i.e. Port revenues from CentrePort. Rental income increases markedly in 2016/17 and is due to the 35 new Matangi trains beginning to earn rent. This rent is paid by the operator and charged back to Council, it is required to be done this way to correctly account for the use of the assets from a taxation perspective.

Grants from GWRC to cover operating costs reduce in 2017/18 and reflects lower expenditure on train maintenance in that year.

Interest expense increases due to slightly higher interest rates over time and higher levels of debt in CentrePort.

The depreciation increases as CentrePort increases its capex programme and new capital expenditure GWRL.

The other expenditure increase is driven mainly by CentrePort and relates to the revenue increases, and to a lesser extent by rising cost from GWRL.

The revaluations relate to CentrePort revaluing their derivatives from previous devaluations as they are used.

The credit from tax refers to the movement (reduction) in deferred tax emanating from GWRL.

Equity increases by $162 million over the period, and is due to $172 million of new equity injections from the Regional Council into WRC Holdings to fund the purchase of GWRL assets. This is offset by $8.3 million of dividend payments and a net operating loss position from GWRL emanating predominately from the depreciation as it is not funded.

The deficits before tax in 2016/17 and 2017/18 are driven by $10.8 million and $13.7 million losses respectively in GWRL (depreciation not funded) and is not fully offset by the profit from CentrePort. In 2015/16 there is a lower level of depreciation in GWRL than in the out years and enables a small group profit.

Note the depreciation from GWRL amounting to $15.1 million, $19.2 million and $20 million for the three forecasted years respectively is adversely impacting the profitability of the Group as it is not funded.

The financial ratios of return on total assets and return on shareholder’s equity are being distorted by the operational losses from GWRL and by the fact that the equity being injected into WRC Holdings & GWRL for the 35 new Matangi trains is not generating a return.

Performance targets

	2015/16 ($000)	2016/17 ($000)	2017/18 ($000)
Surplus before tax	586	(2,410)	(1,559)
Surplus after tax	2,170	(115)	525
Earnings before interest, tax and depreciation.	32,955	35,243	37,621
Return on total assets	1.4%	1.0%	1.2%
Return on shareholder equity	(0.3%)	(0.7%)	(0.7%)
Shareholders equity to total assets	58.9%	62.5%	63.0%
Dividends	2,557	2,722	3,023

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.

7.5 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, 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).

These prospective financial statements are prepared in accordance with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS),

as appropriate for public benefit oriented entities.

Unless otherwise stated, all amounts are rounded to $000 and are expressed in New Zealand currency.

Statement of accounting policies

(a) Basis of preparation

The financial statements have been prepared on the basis of historical cost except for the revaluation of operational port freehold land, investment properties and financial instruments as outlined below.

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

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, 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.

Specific accounting policies

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

(b) Critical Accounting Estimates and Judgements

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Property, Plant & Equipment and Investment Property

Port operational land was revalued to fair value at 31 December 2013. Investment Property has been revalued to fair value at 30 June 2014.

The Board and management have undertaken a process to determine what constitutes Investment Property and what constitutes Property, Plant & Equipment. There is an element of judgement in this. There is a developed Port plan, and those items of land that are considered integral to the operations of the Port have been included in Operational Port Land. Land held specifically for capital appreciation or to derive rental income have been classified as Investment Property.

CentrePort estimates the extent of future infrastructure costs that will be incurred to create investment property sites at Harbour Quays. These future costs have been taken into account when determining the fair value of investment property.

Joint Control of Harbour Quays Special Purpose Vehicles (SPVs)

Harbour Quays A1 Limited, Harbour Quays D4 Limited and Harbour Quays F1F2 Limited (the SPVs) as joint ventures of the Group although the SPVs are wholly owned by CentrePort Properties Limited, a subsidiary of the Parent. The SPVs have issued mandatory convertible notes to the Accident Compensation Corporation (ACC). These notes provide the ACC with joint control over the SPVs. The SPVs are therefore joint ventures of the Group.

(c) Basis of consolidation

The Group financial statements include WRC Holdings Ltd and its subsidiaries. Control is achieved when the Parent is exposed, or has rights, to variance returns from its involvement with the investee and has the ability to affect those returns through is power over the investee. Specifically, the Parent controls an investee if and only if the Parent has all of the following:

• power over the investee (i.e. existing rights that give it the current ability to direct and relevant activities of the investee);

• exposure, or rights, to variable returns from its involvement with the investee; and

• the ability to use its power over the investee to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Changes in the Group's Ownership Interests in Existing Subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the

Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of consideration received and the fair value of any returned interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs).

Consolidation of a subsidiary begins when the Parent obtains control over the subsidiary and ceases when the Parent loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Company gains control until the date when the Parent ceased to control the subsidiary.

Interests in Joint Ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results, assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in a joint venture is initially recognised in the consolidated balance sheet at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture.

An investment is accounted for using the equity method from the date on which the investee becomes a joint venture.

The requirements of NZ IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a joint venture. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with NZ IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with NZ IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with a joint venture of the Group, profit and

losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interest in the joint venture that are not related to the Group.

All intra-group transactions are eliminated on consolidation. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

(d) Statement of Cash Flows

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

(i) Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within cash.

(ii) 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.

(iii) 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.

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

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

(e) Revenue recognition

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.

(i) Rendering of services

Revenues from services are recognised in the accounting period in which the services have been rendered.

(ii) Rental Income

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

(iii) Dividend and Interest Revenue

Dividend revenue from investments is recognised on a receivable basis. Interest

revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(f) Property, Plant and Equipment

The Group has eight classes of Property, Plant and Equipment

Freehold land
Buildings
Wharves and paving
Cranes and floating plant
Plant, vehicles and equipment
Rail Infrastructure
Rail rolling stock
Work in Progress

Operational port freehold land is stated at valuation determined every three years by an independent registered valuer. This class of asset was revalued in December 2013. 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 operational port freehold 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 the statement of comprehensive income, in which case the increase is credited to the statement of comprehensive to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation is charged to the statement of comprehensive income to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of port operational land.

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.

Greater Wellington Rail public transport rail station infrastructural assets and its Ganz Mavag rolling stock were valued by Bayleys at depreciated replacement cost at 30 June 2014.

There is no depreciation on capital works in progress and on land or investment

properties. 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	10 to 50 years
Wharves and paving	10 to 50 years
Cranes and floating plant	4 to 30 years
Plant, vehicles and equipment	2 to 20 years
Rail rolling stock	5 to 35 years
Rail Infrastructure	5 to 50 years
Other assets	0 to 20 years
Capital work in progress	Not depreciated

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

(g) 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 Under Development

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

(h) 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 properties (excluding land) leased 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 (excluding land) contain market review clauses. An operating lease relating to land has a term of 125 years. The lessee does not have an option to purchase the property or land at

expiry of the lease period.

Lease incentive

In the event that lease incentives are provided to lessees to enter into operating leases, such incentives are recognised a reduction of rental income on a straight line basis.

(i) Assets held for sale

Assets are classified as held for sale if it is intended that their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Assets held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

(j) 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.

(k) 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 of 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.

(l) 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.

(m) Investments in subsidiaries and associates

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.

(n) 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 3 months or less.

(o) 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.

(p) Income tax

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.

(q) 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.

(r) Provision for employee entitlements

A provision for employee entitlements is recognised as a liability in respect of benefits earned by employees but not yet received at balance date when it is probable that settlement will be required and they are capable of being measured reliably. Employee benefits include salaries, wages, annual leave, sick leave and long service leave. Where the services that gave rise to the employee benefits are expected to be settled within twelve months of balance date, the provision is the estimated amount expected to be paid by the Group. The provision for employee benefits not expected to be settled within twelve months are measured at the present value of the estimated future cash outflows expected to be incurred.

(s) 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.

(t) Provision for dividends

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

(u) Financial Assets and Liabilities

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, forward foreign exchange contracts and an option to extend the term of the mandatory convertible notes. Interest rate swap agreements are used within predetermined policies and limits in order to manage interest rate exposure.

Investments are recognised and derecognised on trade date where purchase and sale of an investment is under a contract whose terms require delivery of the investments within the timeframe established by the market concerned, and are initially at fair value, plus transactions costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at

fair value.

In the Parent financial statements subsequent to initial recognition, investments in subsidiaries and joint ventures are measured at cost.

Financial assets are classified into the following specified categories: financial assets ‘at fair value through profit or loss’, and ‘loans and receivables’. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

(i) Financial assets at fair value through statement of comprehensive income

The Group has classified certain derivative instruments as financial assets at fair value through the statement of comprehensive income.

(ii) 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 liabilities.

Financial liabilities are classified as either fair value through profit or loss, or at amortised cost. Financial liabilities at amortised cost include trade and other payables and borrowings.

Trade and other 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.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to

offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(v) Derivative Financial Instruments classified at Fair Value through the Statement of Comprehensive Income

Derivative Financial Instruments classified at Fair Value through the Statement of Comprehensive Income

The Group 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 agreements.

Derivatives are initially recognised fair value on the day a derivative contarct is entered in to 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 the statement of comprehensive income.

Cash settlement of derivatives adjusts the line in the statement of comprehensive income to which the cash settlement relates.

(w) 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.

(x) Standards, amendments, and interpretations effective in the current period

The Group has adopted NZ IFRS13 – Fair Value Measurement with a date of initial application 1 July 2013. NZ IFRS13 provides a single source of guidance on how fair value is measured and replaces the fair value measurement guidance which was previously dispersed throughout the suite of NZ IFRS standards. NZ IFRS 13 applies when fair value measurement is permitted or required by other NZ IFRS standards.

It replaces and expands the disclosure requirements about fair value measurements in other NZ IFRS. In accordance with the transitional provisions of the Standard, the Group has applied the new fair value disclosures prospectively and has not provided comparative information. The adoption of NZ IFRS13 has no material impact on the financial statements of the Group.

In May 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures were issued including NZ IFRS 10 Consolidated Financial Statements, NZ IFRS 11 Joint Arrangements, NZ IFRS 12 Disclosures of Interests in Other Entities, NZ IAS 27 (as revised in 2011) Separate Financial

Statements, and NZ IAS 28 (as revised in 2011) Investments in Associates and Joint Ventures. These standards are effective for annual periods beginning on or after 1 January 2013. The Group has applied these five standards since the year ended 30 June 2012, in advance of their effective dates.

The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a Tier Strategy) developed by the External Reporting Board (XRB). Under this Accounting Standards Framework, the Company is classified as a Tier 1 reporting entity and it will be required to apply full Public Benefit Entity Accounting Standards (PAS). These standards have been developed by the XRB based on current International Public Sector Accounting Standards. The effective date for the new standards for public sector entities is for reporting periods beginning on or after 1 July 2014 and were published in May 2013. This means the Company will transition to the new standards in preparing its 30 June 2015 financial statements.

Due to the change in the Accounting Standards Framework for public benefit entities, it is expected that all new NZ IFRS and amendments to existing NZ IFRS will not be applicable to public benefit entities. Therefore, the XRB has effectively frozen the financial reporting requirements for public benefit entities up until the new Accounting Standard Framework is effective. Accordingly, no disclosure has been made about new or amended NZ IFRS that exclude public benefit entities from their scope.

The Group anticipates that these standards will have no material impact on the financial statements in the period of initial application. It is likely that the changes arising from this framework will affect the disclosures required in the financial statements. However, it is not practicable to provide a reasonable estimate until a detail review has been completed.

7.6 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 reasonable expected 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.

- No revaluations of property, plant and equipment is projected, as this would not have a material effect on the prospective financial statements.
- The debt interest rate assumption for the WRC Holdings excluding CentrePort Limited is 4.4% for the 2015/16 year and 4.78% and 5.0% 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 however, the borrowing margin is subject to market movements.

- There will be no changes to key legislation affecting the Group activities.

- Asset lives are in accordance with the Group's Accounting Policies.

- The purchase of the second tranche of 35 Matangi units and the subsequent equity contribution from the Council to pay for these is subject to variation in the timing of delivery of the trains by Hyundai-Rotem.

- The Regional Council Centre is assumed sold at June 2015, The sale price is set at level such that all assets and liability of PHL are met and thus the company ends up with zero equity. This is done for simplicity and actual sale price could vary significantly from this assumption.

- That the Council will continue to provide financial support to meet on-going costs. These are recorded as rental in the financial statements of PHL.

7.7 Issues Facing the Group

7.8 CentrePort Limited

Economy

Moderate economic growth is forecast for New Zealand in the forecast period FY16-18 driven mainly by domestic demand especially in urban housing.

Key economic forecasts (The Treasury NZ Economic update April 2015) for NZ in the forecast period are:

March years	2015A	2016f	2017f	2018f
NZ GDP (Production)	3.3%	3.1%	2.8%	2.8%
CPI Annual Inflation	0.2%	1.4%	2.1%	2.0%

Global GDP growth is expected to be weaker over the forecast period and in our major trading partners of Australia and China. China's GDP is expected to stabilise at 7.0%, lower than historical rates. Volume exports to China are expected to continue to increase in agricultural and forestry products albeit at lower commodity prices.

CentrePort is well positioned to meet growth in global demand for NZ's exports in these sectors through its investment in transport services across central New Zealand and it's on port and harbour investment program.

CentrePort is also active in the Commercial Property sector owning and leasing a range of commercial properties located in the Harbour Quays precinct adjacent to the Port. This operates as a supporting investment to generate cashflow for Port investment and grow shareholder value.

CentrePort Properties Limited is progressing plans to continue to develop Harbour Quays, enhancing connection with Wellington's waterfront and adding further amenities for the benefit of the city.

Financial Forecasts

Following 9% revenue growth in 2015, CentrePort Limited is forecasting annual revenue growth averaging close 9.5%% p.a. in the forecast years 2016-18 from Port Operations. This is from continuing growth in log exports and containers trade through the Port supported by stable trade across the rest of its diverse portfolio.

Property revenues are forecast to grow at 2.5% p.a. during this period.

CentrePort's consolidated underlying net profit after tax ('NPAT') (excluding the after tax effect of earthquake related items and fair value adjustments on financial instruments and investment properties) is forecast to grow an average of $1.1m per annum from $12.5m in 2015 to $15.8m in 2018.

The 2016-18 forecasts have provided for an indicative dividend calculated at 45% of underlying NPAT. In declaring the dividend to be paid each year, the Directors will take into account the financial health of the business and will consider the company's gearing and compliance with banking covenants.

Capital Expenditure

CentrePort Group's capital expenditure forecasts for 2016-18 reflects development of Port land for growth; deepening the shipping channel; upgrade and maintenance of the Port and commercial property developments designed to build amenity and connect with the Wellington Waterfront and enhance the value of existing investments..

Gearing (debt to debt plus equity) remains within target levels (<40%).

7.9 Pringle House Limited

The Regional Council Centre is presently under a confidential sale and purchase agreement.

7.10 Greater Wellington Rail Limited

The current issues facing GWRL are:

- Commissioning the Matangi 2 fleet into service and completing the Matangi 1 modifications and retrofit programme
- Appointing and transitioning a rolling stock maintainer under the process to award the new performance based metro service operator and rolling stock maintenance Partnering Contract
- Disposing of the non-operational Ganz Mavags
- Completing the Upper Hutt Station replacement project
- Continuing the rail fixed infrastructure improvement programme
- Developing park and ride facilities on recently acquired GWRC land
- Continuing insurance related security improvement programme.

7.11 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 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.

The profitability of PIL is a function of the dividends received from CentrePort and the level of interest cost to service the loan.

CentrePort has indicated a return to normalised dividend payments after the reduced dividends stemming from the financial impacts from the Seddon earthquakes.

Subvention payments have previously been received directly by PIL but future projections are now forecast to be paid directly to the ultimate shareholder, the Regional Council.

This has the impact of reducing the profitability of the WRC Holdings Group, but the ultimate shareholder is unaffected.

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. The forecast dividend for the 3 years is $6.1, $6.5 and $7.1 million for the three years respectively.

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 pay-out ratio reflects free cash-flow after providing for capital expenditure plans and the Board's gearing targets.

The current plan has the pay-out ratio at 45%

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 8 times per year 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.

10. Procedures for the Purchase and Acquisition of Shares

11.1 The Boards of WRC Holdings, PHL, PIL, 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. (N.B: CentrePort is governed by a separate constitution.)

11.2 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

12.1 The Chair of WRC Holdings will receive an annual remuneration of $9,400 which will be reviewed from time to time. 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 and reviewed by the Council from time to time.

12.2 The WRCH Group of companies will seek compensation by agreement from the 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

13.1 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.

13.2 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.