



STATEMENT OF INTENT

For the year ending 30 June 2024

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1. Introduction

WRC Holdings (Holdings) is a Council-Controlled Trading Organisation owned by Greater Wellington Regional Council. It was established to manage Council's commercial investments.

This Statement of Intent (SOI) for 2023/24 to 2025/26 is prepared in accordance with Section 64 and Schedule 8 of the Local Government Act 2002.

The SOI sets out the performance measures, targets, objectives, and activities of Holdings and forms a major part of the companies' accountability relationship with its shareholder, Greater Wellington Regional Council (Council).

Council issued a Statement of Expectations to Holdings in December 2022 as prescribed in section 64b of the Local Government Act 2002. This statement has been considered when completing the SOI.

The group SOI includes information for Greater Wellington Rail Limited (GWRL).

2. Objectives of the Group

The primary objective of Holdings is to support Council's strategic priorities and operate a successful, sustainable, and responsible business while managing its assets prudently. This is achieved by separating Council's investment and commercial assets from its public good assets.

The core role of Holdings is to impose commercial discipline on the Group's activities and generate a commercial rate of return (where appropriate) and manage within agreed levels of debt to equity.

In relation to GWRL, the key objectives are to prudently manage and maintain the rail rolling stock and rail infrastructure (GWRL's Rail Assets) through a management service agreement entered into with the Council, providing for asset management, accounting, advisory, secretarial and general administration services. In particular, making sure that:

- the Council as its appointed agent carries out all services and activities, in relation to the GWRL's Rail Assets, that are reasonably necessary to enable the Council to provide quality rail services to the public in accordance with the contractual obligations entered into with the then current rail operator of the rail services and maintenance provider of GWRL's Rail Assets;
- GWRL complies with its responsibilities as a rail participant under the Railways Act 2005, the current health and safety legislation and any other legislation affecting the GWRL's Rail Assets and operations; and
- GWRC develops and maintains a systematic approach for the long-term management of GWRL's public transport rail assets in a manner consistent with industry best practice.

3. Statement of Strategic Intent for CentrePort

In responding to the challenge of the port regeneration and developing responses to the governance of the group, Holdings created a Statement of Strategic Intent with regards to CentrePort. This was developed in late 2019 and provides five key strategic elements for Holdings when considering the activity and performance of the port.

Objective area	Intent
Strategic	Secure Port Development As Enabler of Regional Economic Growth
Strategic	Strategic Asset to Promote Community Benefits
Financial	Optimise Return on Council Capital
Financial	Secure Capital for Port Investment and Future Growth
Strategic	Deliver Open Access to Service Operations to all Port Users and Other Stakeholders

4. Governance

Holdings is governed by a board of seven directors all of whom are appointed by the shareholder. Council has a policy on the appointment and remuneration of directors as specified in Section 57 of the Local Government Act 2002. All director remuneration is set by Council. Holdings provides directors and officer's liability insurance cover at its own expense.

Holdings provides a structure that allows independent external directors with commercial backgrounds to provide advice and expertise at the governance level. The current directors of Holdings / GWRL are:

Director	Appointed	Current term expiry
Chris Kirk-Burnnand (Chair)	November 2019	December 2025
David Bassett	November 2022	December 2025
David Lee	November 2022	December 2025
Thomas Nash	November 2022	December 2025
Nick Leggett *	October 2017	December 2023
Helen Mexted*	June 2019	September 2023
Nancy Ward *	June 2019	September 2023

*Independent Directors

The Holdings Board meets regularly to conduct the business of the organisation. Holdings reports on its activities to the shareholder through quarterly reports, annual reports and through the SOI process. The Holdings structure is illustrated in Figure 1.

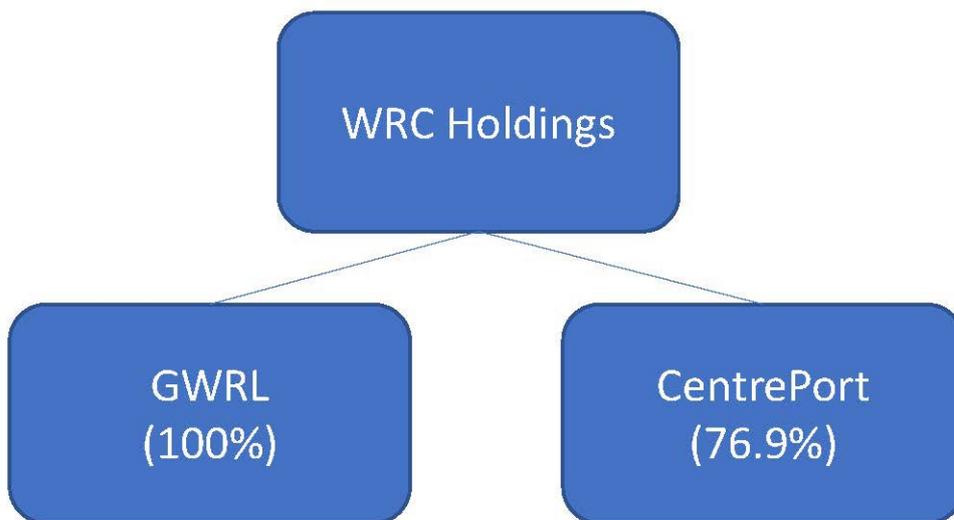


Figure 1

GWRL

Council approves the directors of GWRL, who are appointed by special resolution of Holdings. Holdings and GWRL share the same directors.

CentrePort Limited

Holdings own 76.9% of the shareholding in CentrePort Limited. The remaining shareholding is held by MWRH Limited.

All CentrePort directors are independent and external of Council. CentrePort directors are appointed in accordance with the Port Companies Act 1988 and the company constitution.

5. Health, Safety and Wellbeing

GWRL

The Holdings board takes an active interest in the ongoing maintenance program for the stewardship of railway assets including rolling stock maintenance and station asset safety. These form regular reporting items and performance measures, in addition to board activities and site visits.

CentrePort Limited

As a major employer in the Wellington region, CentrePort continues to focus on the identification and effective management of critical risk and reducing serious harm. A culture of engagement around Health, Safety and Wellbeing is created through active worker consultation and participation in Health, Safety and Wellbeing matters. Specific wellbeing initiatives are delivered and are detailed in CentrePort’s own Statement of Corporate Intent.

The Holdings board takes an active and engaged role in the health and safety of employees and customers at all its sites and operations and has an annual health and safety work program.

6. Slope Remediation

Slopes on the Wellington Metro Rail Network are owned and maintained by KiwiRail. GWRL are aware of ongoing issues with slope stability across the network and the potential damage to GWRL rolling stock that may result from trains hitting slips. This also creates health and safety risks for passenger and crew, and service continuity risk (rolling stock availability).

The GWRL Board has requested that they work with Council to ensure concentrated pressure be applied for increased funding for slope remediation under the Wellington Metro upgrade agreement, so this risk is mitigated as far as reasonably practicable. GWRL will continue to work with Council and others on this issue.

7. Reporting Framework

The Holdings Board will provide quarterly reports to Council, which will include reporting against the performance measures, a summary of the activities and a strategic overview of the coming quarter for the board.

In addition, the board will provide statutory reporting including the delivery of a half-yearly report by 28 February 2024, an annual report for the year by 30 September 2024 and a draft Statement of Intent by 1 March 2024.

The board will continue to report on matters that arise outside of these reporting timeframes on a no-surprises basis.

8. Relationship with Mana Whenua

As well as complementing cultural awareness through the organisations that we hold shareholdings in, including cultural competency and te reo Māori training, the Holdings board will continue to look for opportunities to deliver on Te Whāriki - the Māori Outcomes Framework. The Holdings Board acknowledges these opportunities are limited given its narrow role as an asset owner but will continue to pursue and develop opportunities as they arise.

9. Carbon Neutrality

CentrePort has a target of net zero emissions by 2040, with a 30% reduction in emissions from 2019 to 2030. There are ongoing investments into low carbon vehicles and plant with ongoing work to embed the zero emissions target into the regeneration plans. Holdings commits to reporting on the progress towards net zero to Council over the 2023/2024 reporting year.

The delivery of Rail Passenger Services is focused on improving customer satisfaction, leading to driving mode shift from private motor vehicle to Public Transport, and hence reducing overall transport emissions for the region. New procurement of rolling stock will seek low or zero emission vehicles to minimise emissions.

GWRL

10. Nature and Scope of Activities

GWRL is responsible for asset management, procurement, and stewardship through a management contract with Council. Operational delivery of the service is the responsibility of Council via a long-term performance-based contract with Transdev Wellington.

GWRL owns the investment on metro rail assets. These include the following rolling stock and infrastructure assets:

Rolling Stock

- 18 SW Carriages
- 6 SE Carriages
- 1 AG Luggage Van
- 2 Remote controlled electric Shunt crabs
- 83 2 Car Matangi units
- 1 Matangi driving simulator.

Infrastructure Assets

- Thorndon electric multiple unit (EMU) depot and EMU train wash Metro wheel lathe and building
- 48 Railway stations
- 14 Pedestrian over-bridges
- 11 Pedestrian underpasses
- A range of carparks, station improvements and ancillary rail related assets.

Key Activities and Initiatives	
Maintenance	Deliver train maintenance services, within approved budgets, through an operations and maintenance contract, while ensuring that train condition and performance is maintained, to deliver required level of service, throughout the assets life.
	Deliver rail station infrastructure cleaning and maintenance, within approved budgets, through various contracts ensuring assets are able to deliver the required level of service throughout the assets' life.
Renewal	Deliver rolling stock heavy maintenance renewals, within approved budgets, through an operations and maintenance contract, while ensuring that train availability and reliability targets are met.
	Deliver rail infrastructure asset renewals and like-for-like replacement and improvement programme, to ensure the assets are able to meet the required level of service throughout the asset's life.

Seismic strengthening	Undertake seismic strengthening works on a number of earthquake prone subways, and station buildings, in accordance with the multi-year programme to ensure all structures have at least 67% seismic strength of the New Building Standard.
Procurement of rolling stock (Lower North Island Rail Integrated Mobility)	Procurement of 18 x 4-car low emissions multiple units to replace near life expired carriage fleet and provide improved rail connectivity between Wellington and regional centres Masterton and Palmerston North.
Accessibility	Develop understanding of the extent of changes required for GWRL Assets during the development of the Council's Accessibility Action Plan. In the interim, continue to ensure that accessibility is at the heart of decision making.
Additional assets	Maintain oversight and awareness of potential expanding asset portfolio.

11. Non-financial performance targets

Operational performance targets for GWRL are set within the context of the strategic targets and objectives of GWRC's Long Term Plan 2021-2031 and associated GWRL Asset Management Plan.

Level of Service	Current	2023/24 Target	Target (by end of 2021-31 LTP)
CUSTOMER SATISFACTION WITH RAIL ASSETS			
Percentage of passengers who are satisfied with their current trip	96%	≥93%	≥93%
Percentage of customers who are satisfied with the condition of the station	93%	94%	≥96%
Percentage of customers who are satisfied with the inside temperature of vehicles	95%	≥93%	≥93%
Percentage of passengers who are satisfied with the condition of the vehicle fleet	97%	94%	≥96%
Percentage of passengers who are satisfied with overall station	96%	≥92%	≥92%
Percentage of passengers who are satisfied with the cleanliness of the station	92%	≥91%	≥92%

Percentage of passengers who are satisfied with provision of shelter from weather at shelter/station	85%	≥84%	≥85%
Percentage of customers who are satisfied with their personal safety at station	93%	≥93%	≥95%
Percentage of passengers who are satisfied with information about service delays or disruptions	67%	≥73%	≥75%
ROLLING STOCK - ASSET MANAGEMENT			
Matangi - Mean distance between failure	50,262	≥40,000km	≥40,000km
Carriage - Mean distance between failure	73,352	≥80,000km	≥80,000km

Level of Service	Current	2023/24 Target
RAIL FIXED ASSET - ASSET MANAGEMENT		
Percentage of pedestrian bridges and subways which meet at least 67% of NBS earthquake rating	75%	100%
Percentage of stations with CCTV coverage	96%	96%
Average condition grade of:		
Station buildings and shelters:	1.5	≤2.5
Structures (pedestrian subways & bridges):	2.4	≤2.5
Park & Ride:	2.1	≤2.5
Percentage of assets in condition grade 4 (Poor) or worse		
Station buildings and shelters:	2.3%	≤5%
Structures (pedestrian subways & bridges):	5.4%	≤8%
Park & Ride:	4.8%	≤8%

12. Financial information

a. Shareholders' Funds to Assets

2023/2024	2024/2025	2025/2026
81.92%	83.88%	87.85%

Definition of Terms:

- Shareholders' Funds (or equity) is defined as the total issued capital plus the balance of undistributed profits and capital reserves
- Total Assets are defined as all the recorded current and non-current assets of the Group at their current value as determined by the Group's Accounting Policies.

b. Prospective statement of comprehensive income

Year ended 30 June	2023/24	2024/25	2025/26
\$000	GWRL	GWRL	GWRL
Grant income from Council	16,033	16,342	16,665
Rental income	7,185	7,487	7,517
Other revenue	73	76	78
Total revenue	23,291	23,905	24,261
Depreciation & amortisation	44,224	62,329	65,277
Other expenditure	23,202	23,816	24,167
Interest expense	89	89	89
Total expenditure	67,515	86,233	89,534
Surplus/(deficit) before tax	(44,224)	(62,329)	(65,273)
Taxation expense (credit)	(5,169)	(5,340)	(5,489)
Total comprehensive income	(39,055)	(56,989)	(59,784)

c. Prospective statement of financial position

As at 30 June	2023/24	2024/25	2025/26
\$000	GWRL	GWRL	GWRL
<u>Prospective statement of financial position</u>			
Opening equity	419,699	406,671	490,746
New equity	26,027	141,064	248,281
Total comprehensive income	(39,055)	(56,989)	(59,784)
Closing equity	406,671	490,746	679,243
Equity applicable to parent	406,671	490,746	679,243
Closing equity	406,671	490,746	679,243
Current assets	717	805	860
Non-current assets	494,835	573,571	756,574
Total assets	495,552	574,375	757,434
Current liabilities	3,342	3,430	3,481
Non-current liabilities	85,538	80,199	74,709
Total liabilities	88,880	83,629	78,190
Net assets	406,671	490,746	679,243

d. Prospective statement of changes in equity

As at 30 June	2023/24	2024/25	2025/26
\$000	GWRL	GWRL	GWRL
<u>Prospective statement of changes in equity</u>			
Opening equity	419,699	406,671	490,746
Shares to be issued during the year	26,027	141,064	248,281
Total comprehensive income for the year	(39,055)	(56,989)	(59,784)
Closing Equity	406,671	490,746	679,243

e. Prospective statement of cash flow from operations

As at 30 June	2023/24	2024/25	2025/26
\$000	GWRL	GWRL	GWRL
<u>Prospective statement of cash flow from operations</u>			
Receipts from operations	23,291	23,905	24,261
Payments to suppliers/employees	(22,943)	(23,728)	(24,117)
Interest paid	(89)	(89)	(89)
Net cash from operating activities	259	88	55
Cash flows from investing activities			
Purchase of Fixed Assets - Rail	(26,027)	(141,064)	(248,281)
Net cash from investing activities	(26,027)	(141,064)	(248,281)
Cash flows from financing activities			
Issue of shares	26,027	141,064	248,281
Current Account movement	(259)	(88)	(55)
Net cash from financing activities	25,768	140,976	248,226
Net increase/(decrease) in cash & cash equivalents	-	-	-
Cash & cash equivalents at beginning of the year	0	0	0
Cash and cash equivalents at year end	0	0	0

f. Financial Statements commentary

- The statement of comprehensive income for the three-year period 2023/2024 to 2025/2026 shows deficits before tax due to depreciation and interest not being funded by Greater Wellington.

- The depreciation increases over the said period reflects the advancement of the capex programme.
- The taxation expense represents a credit from GWRL’s deferred tax position.
- Equity increases by approximately \$260 million over the said period as a result of WRC Holdings equity injections of approximately \$415 million to fund GWRL capital programme. This is offset by the net deficits of approximately \$155 million.
- Capital expenditure is significant at approximately \$415 million, mainly due to Wairarapa Carriage Rolling Stock including Depot design & build maintenance \$265 million, Rail station upgrades \$39 million, Matangi overhauls & refurbishments \$19 million and Waterloo Railway station renewals \$13 million.
- The Government has agreed to provide 90% of the funding for 18 four-car, tri-mode trains, and associated infrastructure, for the Wairarapa and Manawatū rail lines. This will now go into the procurement stage and the capital programme reflects this purchase.

g. Performance targets

Year ended 30 June	2023/24	2024/25	2025/26
\$000	GWRL	GWRL	GWRL
Operating expenditure	67,515	86,233	89,534
Capital expenditure	26,027	141,064	248,281
Shareholders equity/Total assets	81.92%	83.88%	87.85%

h. Statement of Accounting Policies

The financial statements are presented in accordance with the requirements of the Companies Act 1993, the Financial Reporting Act 1993 and the Local Government Act 2002 and New Zealand Generally Accepted Accounting Practices (NZ GAAP).

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

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

i. Assumptions in preparing the prospective financial statements

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

There will be no changes to key legislation affecting the company’s activities.

Asset lives are in accordance with the company’s Accounting Policies.

WRC Holdings

13. Nature and Scope of Activities

WRC Holdings is the holding company for investment in GWRL and CentrePort.

CentrePort produces a Statement of Corporate Intent as required by the Port Companies Act 1988. CentrePort's activities include the ownership and operation of port infrastructure, shipping and logistical services and operational services related to the port facility. WRC Holdings monitors the performance of CentrePort through regular reporting and presentations, and has issued its own Statement of Expectations to CentrePort for the 2023-2024 year. Operational performance measures for CentrePort are set out in CentrePort's Statement of Corporate Intent, which are published on CentrePort's website.

Key activities for WRC Holdings in the 2023-2024 year include:

- progressing the investigation of strategic and ownership options for CentrePort and reporting back to Council on this
- an increased focus on maximising financial returns to the Council
- providing advice, as appropriate, to Council on any new public transport assets from a holding company perspective
- supporting, as appropriate, the implementation of the Regional Economic Development Plan and Let's Get Wellington Moving.

14. Non-financial performance targets

Objective	Activity	Target
Support Council's strategic priorities	Review and approve WRC Holdings Group Statement of Intent (SOI) for consistency with Council's strategic direction	<ul style="list-style-type: none"> • Review draft Holdings SOI by 1 March each year • Approve Holdings SOI by 30 June each year
	Review and provide comments on the draft CentrePort Statement of Corporate Intent (SCI) to ensure consistency with Council's strategic direction	<ul style="list-style-type: none"> • Review draft SCI and provide comments by 1 May each year
	Set expectations through annual Statement of Expectation letter to CentrePort	<ul style="list-style-type: none"> • Send Statement of Expectations to CentrePort by 31 December each year
	Consult with the shareholder in a timely manner on Holdings Group strategic or operational	<ul style="list-style-type: none"> • All such matters escalated to the Council in a timely manner

Objective	Activity	Target
	matters which could compromise the Council's community outcomes	<ul style="list-style-type: none"> • Holdings to provide briefings to Councillors on matters of significance as required
	Substantive matters, including those likely to generate media coverage, are reported to Council	<ul style="list-style-type: none"> • Matters of this nature should be reported to Council by the Holdings Board as soon as practicable
Operate a successful, sustainable, and responsible business	Monitor performance of WRC Holdings Group companies to ensure financial returns are optimised	<ul style="list-style-type: none"> • WRC Holdings Board monitor Holdings Group companies' progress against their SOI targets quarterly • WRC Holdings receives a quarterly report from CentrePort on its financial and non-financial performance
Prudently manage and maintain the rail rolling stock and rail infrastructure (GWRL's Rail Assets)	Monitor the management of rail assets and risk to ensure GWRL's assets are fit-for-purpose	<ul style="list-style-type: none"> • WRC Holdings Board review quarterly risk reporting for GWRL • WRC Holdings Board receives the GWRL Annual Business Plan by 30 June each year • WRC Holdings Board receives the GWRL Asset Management Plan by 30 September each year

15. Financial information

a. Shareholder Funds to Assets

2023/2024	2024/2025	2025/2026
80.00%	82.28%	84.53%

Definition of Terms:

- Shareholder equity is defined as the amount of paid up capital, plus retained earnings utilising the average of the opening and closing balance.
- Total Assets are defined as all the recorded current and non-current assets at their current value as determined in the most recent financial statements.

b. Prospective statement of comprehensive income

Year ended 30 June	2023/24	2024/25	2025/26
\$000	WRCH GROUP	WRCH GROUP	WRCH GROUP
Grant income	16,033	16,342	16,665
Port Income	111,043	116,498	124,166
Rental income	7,532	7,784	7,517
Interest income	5,206	2,711	1,511
Other revenue	73	76	339
Total revenue	139,887	143,410	150,199
Interest expense	3,434	3,109	2,873
Depreciation & amortisation	57,393	76,147	80,328
Port expenditure	85,929	85,552	88,492
Other expenditure	23,631	24,135	24,493
Total expenditure	170,388	188,943	196,187
Surplus/(deficit) before tax	(30,500)	(45,533)	(445,988)
Taxation expense (credit)	(767)	(394)	(257)
Total comprehensive income	(29,733)	(45,139)	(45,731)
Comprehensive income applicable to non-controlling interest	2,774	3,264	3,728
Total comprehensive income applicable to parent	(32,507)	(48,403)	(49,459)

c. Prospective statement of financial position

As at 30 June	2023/24	2024/25	2025/26
\$000	WRCH GROUP	WRCH GROUP	WRCH GROUP
Prospective statement of financial position			
Opening equity	847,204	839,698	931,008
Opening equity non-controlling interests	(107,397)	(108,671)	(110,320)
New equity	26,027	141,064	248,281
Total comprehensive income applicable to parent	(32,507)	(48,403)	(49,459)
	733,327	823,688	1,019,510
Dividends distributed	(2,300)	(3,000)	(3,600)
Closing Equity Non-controlling interest	108,671	110,320	112,317
Closing equity	839,698	931,008	1,128,227
Equity applicable to parent	731,027	820,688	1,015,911
Non-controlling interest	108,671	110,320	112,316
Closing equity	839,698	931,008	1,128,227

Cash & cash equivalents	73,335	60,513	60,818
Current assets	45,965	47,052	47,128
Non-current assets	835,325	931,166	1,124,344
Investment property	62,840	62,840	62,840
Investments	13,992	18,902	20,482
Total assets	1,031,458	1,120,472	1,315,611
Current liabilities	22,240	25,436	28,997
Borrowings	44,000	44,000	44,000
Non-current liabilities	125,520	120,029	114,388
Total liabilities	191,760	189,465	187,385
Net assets	839,698	931,008	1,128,227

d. Prospective statement of changes in equity

As at 30 June	2023/24	2024/25	2025/26
\$000	WRCH GROUP	WRCH GROUP	WRCH GROUP
<u>Prospective statement of changes in equity</u>			
Opening equity	847,204	839,698	931,008
Shares to be issued during the year	26,027	141,064	248,281
Total comprehensive income for the year	(29,733)	(45,139)	(45,731)
Dividend to be paid - Equity holders	(2,300)	(3,000)	(3,600)
Dividend to be paid - Non controlling Interests	(1,500)	(1,615)	(1,731)
Closing Equity	839,698	931,008	1,128,227
Total comprehensive income attributed to:			
Equity holders - Parent	(32,507)	(48,403)	(49,459)
Non - controlling interest	2,774	3,264	3,728
Total comprehensive income for the year	(29,733)	(45,139)	(45,731)

e. Prospective statement of cash flow

As at 30 June	2023/24	2024/25	2025/26
\$000	WRCH GROUP	WRCH GROUP	WRCH GROUP
<u>Prospective statement of cash flow</u>			
Cash flows from operations			
Receipts from operations	136,189	141,904	149,826
Interest received	5,553	3,008	1,772
Dividends received	700	1,015	1,120
Payments to suppliers/employees	(111,525)	(111,336)	(114,816)
Taxes paid	(5,030)	(7,390)	(5,030)
Interest paid	(3,434)	(749)	(2,784)

Net cash from operating activities	22,453	26,452	30,088
Cash flows from investing activities			
Purchase of Fixed Assets - Rail	(26,027)	(141,064)	(248,281)
Development - Port and property	(45,960)	(35,209)	(25,010)
Net cash from investing activities	(71,987)	(176,273)	(273,291)
Cash flows from financing activities			
Borrowings	1,000	1,000	1,000
Dividends paid	(3,800)	(4,615)	(5,331)
Issue of shares	26,027	141,064	248,281
Current Account movement	(420)	(86)	(76)
Lease Payments	(366)	(366)	(366)
Net cash from financing activities	22,441	136,996	243,507
Net increase/(decrease) in cash & cash equivalents	(27,093)	(12,736)	304
Cash & cash equivalents at beginning of the year	100,428	73,336	60,514
Cash and cash equivalents at year end	73,336	60,511	60,818

f. Financial Statements commentary

- The statement of comprehensive income for the three-year period 2023/24 to 2025/26 shows deficits before tax relating to the surplus from Centre Port being insufficient to offset the deficit from GWRL. GWRL has deficits due to depreciation and interest not being funded by Greater Wellington.
- Interest income shows a declining trend as Centre Port invests cash from insurance proceeds to fund capital expenditure.
- Interest expense decreases over the years reflecting the reduction in the interest rates.
- The depreciation increases as both Centre Port and GWRL invest in their rebuild and capex programmes respectively.
- The taxation expense reflects the difference between Centre Port paying tax and GWRL having a tax credit from deferred tax.
- Greater Wellington Regional Council, WRC holdings Limited and Greater Wellington Rail Limited (The Group) have entered into a tax loss sharing agreement with Centre Port Limited whereby the group can offset their tax losses against Centre Port's profits resulting in subvention payments to the group.
- Equity increases by approximately \$281 million over the period 2023/24 to 2025/26 mainly due to Council equity injections to fund GWRL capex of approximately \$415 million partially offset by cumulative dividends of approximately \$13 million and cumulative losses of approximately \$121 million.

- Capital expenditure for the Group is significant at approximately \$522 million, mainly due to GWRL capex programme \$415 million (Wairarapa Carriage Rolling Stock including Depot design & build maintenance \$265 million, Rail station upgrades \$39 million, Matangi overhauls & refurbishments \$19 million, Waterloo Railway station renewals \$13 million) and the Port rebuild \$107 million.
- The Government has agreed to provide 90% of the funding for 18 four-car, tri-mode trains, and associated infrastructure, for the Wairarapa and Manawatū rail lines. This will now go into the procurement stage and the capital programme reflects this purchase.
- The statement of cash flows shows a reducing trend reflecting the investment of surplus funds in the Centre Port capital expenditure programme.

g. Financial Performance targets

Year ended 30 June	2023/24	2024/25	2025/26
\$000	WRCH GROUP	WRCH GROUP	WRCH GROUP
Earnings before Interest Tax & depreciation	25,121	31,013	35,702
Surplus/(deficit) before tax	(30,500)	(45,533)	(45,998)
Surplus/(deficit) after tax	(29,733)	(45,139)	(45,731)
Return on average assets (EBIT) - Performance indicator	-3.1%	-4.2%	-3.7%
Return on shareholder equity (NPAT)	-3.5%	-4.8%	-4.1%
Shareholders equity/Total assets	80.00%	82.28%	84.53%
Dividend distribution	2,300	3,000	3,600

- Shareholder equity is 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.
- Total assets are defined as all of the recorded current and non-current assets of the Group as determined in the most recent financial statements.
- Average assets is determined utilising the average of the opening and closing balance.
- Return on Shareholder's equity is calculated using net profit after tax while return on average assets is calculated using earnings before interest and tax.

h. Statement of Accounting Policies

The financial statements are presented in accordance with the requirements of the Companies Act 1993, the Financial Reporting Act 1993 and the Local Government Act 2002 and New Zealand Generally Accepted Accounting Practices (NZ GAAP).

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

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

i. Assumptions in preparing the prospective financial statements

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

The debt interest rate assumption for the WRC Holdings excluding Centre Port Limited is 5.94% for 2023/24, 5.16% for 2024/25 and 4.63% for the 2025/26 financial years after all margin costs. Interest rate hedging is put in place from time to time (as all debt borrowed is at floating rate) to protect against interest rate variability. The borrowing margin is fixed and is assumed to remain at this level going forward.

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

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

16. Attachment – Statement of Expectations from Council provided December 2022

19 December 2022

Chris Kirk-Burnnand
Chair, WRC Holdings Limited
chris.kb@gw.govt.nz

Dear Chris

WRC Holdings Limited - Statement of Expectations 2023/24

This letter sets out a statement of our expectations, as the shareholder in WRC Holdings Limited (WRCHL), as you begin drafting the Statement of Intent (SOI) for 2023/24 to 2025/26. Our statement of expectations, as prescribed in section 64B of the Local Government Act, specifies the relationship we expect to have with you over the period and our general expectations of the Holdings group.

The draft SOI is due to Council by 1 March 2023. We will then consider this document and provide feedback by 1 May 2023 to allow the document to be finalised before 30 June 2023.

In addition to our existing and enduring expectations that include meeting best practice governance standards, a 'no surprises' policy, legislative compliance, a focus on health and safety, and robust processes at a governance level to identify and manage risks, we have set out our specific expectations for the SOI for 2023/24 to 2025/26.

Long Term Plan 2021-31

Council has adopted a Long Term Plan which includes four strategic priorities. These should also act as a guide for the Holdings group in developing its SOI. These are:

- Responding to the climate emergency
- Improving outcomes for mana whenua and Māori
- Adapting and responding to the impacts of COVID-19
- Aligning with Government direction

Mana whenua

Te Whāriki, the Māori Outcomes Framework looks to proactively engage mana whenua in decision making, and incorporate te ao Māori and mātauranga Māori perspectives, so we can achieve the best outcomes for Māori across all aspects of our region. We are supportive of these overarching principles being reflected throughout our company and investment portfolio and reflected in performance measures.

Financial considerations

The Long Term Plan also anticipates a continued revenue stream from dividend payments and these need to continue to be factored into the SOI.

We also ask that WRCHL work together with Council to look into the possibility of using subvention payments in the 2023/24 year.

Performance reporting

We expect that WRCHL will review and strengthen its performance measures in its 2023/24 SOI.

Council will require quarterly reports from WRCHL to ensure we have a good understanding of performance against the SOI. These reports should also focus on strategic issues facing the Holdings group and how these are being managed.

Strategic Ownership Objectives

WRCHL own a significant portion of investment on behalf of Council. The Holdings Board have previously considered their ownership and strategic objectives and we wish for further work in this area to be undertaken. It is important that the Council and Holdings companies' strategic objectives align. We would like WRCHL to investigate options in this area, consult and report back to Council during the 2023/24 year.

Health and Safety

The health, safety and wellbeing of our workforce and residents are key issues for Council as shareholder. We would like to see continued clarity that the Holdings group is aware of and managing its key critical risks, and that any assurance needed from other parties is satisfactory. Health and safety should remain a key focus of the board work programme.

Regional Economic Development Plan

Where appropriate, Holdings should look to support and align to Councils regional projects, including the implementation of the Regional Economic Development Plan.

Let's Get Wellington Moving

Mass Rapid Transit will provide higher-quality public transport and more reliable travel choices. Please work with stakeholders to support the work underway to progress Let's Get Wellington Moving.

If you have any need for clarification on the above matters, then please feel free to contact me at the soonest opportunity.

In accordance with section 64B of the Local Government Act 2002, this letter will be published on Greater Wellington's website.

We look forward to receiving your draft SOI by 1 March 2023.

Yours sincerely

Daran Ponter
Chair - Wellington Regional Council
Daran.Ponter@gw.govt.nz