



Investments overview

Greater Wellington has a significant portfolio of investments comprising:

- Liquid financial deposits
- Greater Wellington's treasury management function
- Administrative properties (eg, depots)
- Forestry and business units
- Equity investments in the WRC Holdings Group (including CentrePort Limited)
- Rail rolling stock and related transport infrastructure

Greater Wellington recognises that, as a responsible public authority, any investments held should be for the long-term benefit of the community, with any risk being appropriately managed. It also recognises that lower risk generally means lower returns.

From a risk management point of view, Greater Wellington is aware that its investment returns are exposed to the success or otherwise of its two main investments – the WRC Holdings Group (including CentrePort Limited) and its liquid financial deposits. At an appropriate future time, Greater Wellington believes it could continue to reduce its risk exposure by reducing its investment holdings and using the proceeds to repay debt. The timing of these divestments would be in accordance with Greater Wellington's objective to optimise the overall return to ratepayers.

It is important to appreciate that Greater Wellington's investments contribute approximately 11% to the total level of regional rates. In other words, regional rates would need to be 11% higher were it not for the contribution from Greater Wellington's investments.



Investments

Liquid financial deposits

Greater Wellington holds \$33 million in liquid financial deposits. This is part of the proceeds from selling its interest in CentrePort Limited to one of its wholly owned subsidiaries, Port Investments Limited. Greater Wellington regularly reviews the rationale for holding these liquid financial deposits, taking the following into account:

- General provisions of our treasury management policy, including Greater Wellington's attitude to risk and creditworthy counterparties
- Specific provisions of Greater Wellington's treasury management policy to hold sufficient deposits or have committed funds available for emergency events

Greater Wellington's treasury management function

Greater Wellington's treasury management activity is carried out centrally to maximise its ability to negotiate with financial institutions. As a result, Greater Wellington produces an internal surplus by on-lending those funds to activities that require debt finance. This allows the true cost of debt funding to be reflected in the appropriate areas. This surplus is then used to offset regional rates.

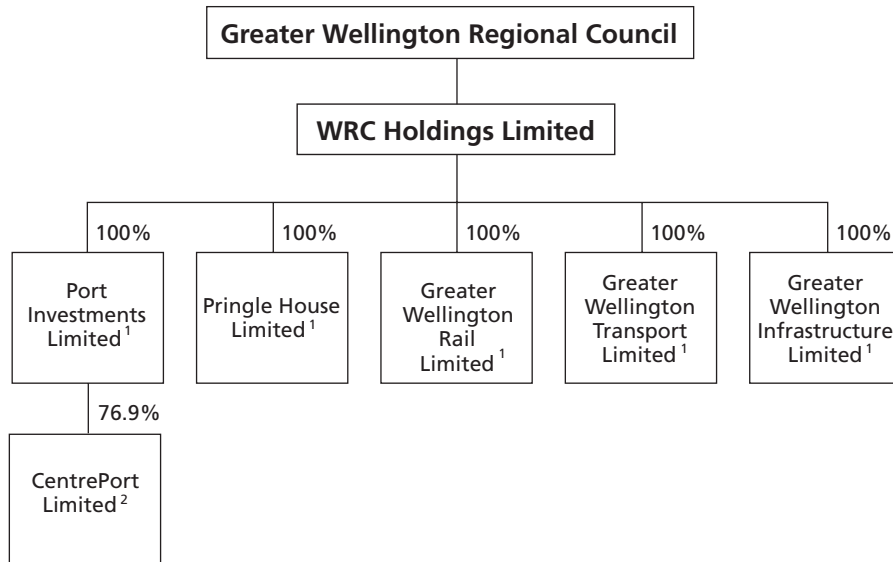
Administrative properties

Greater Wellington's ownership of its depots and the Masterton office building are grouped to form an investment category – Administrative Properties.

Forestry and business units

Greater Wellington and its predecessor organisations have been involved in forestry for many years, primarily for soil conservation and water quality purposes.

Greater Wellington currently holds 6,000 hectares of plantation and soil conservation reserve forests of which approximately 4,000 hectares are in the western or metropolitan part of the region, with the remaining 2,000 hectares in the Wairarapa. Greater Wellington's overall investment policy with regard to forestry is to maximise long-term returns while meeting soil conservation, water quality and recreational needs. This policy assumes that harvesting will be on a sustainable yield basis and maintained without any demand on regional rates.



The WRC Holdings Group structure is set up to:

- Impose commercial discipline on the Group’s activities and produce an appropriate return by ensuring appropriate debt/equity funding, and by requiring a commercial rate of return
- Separate Greater Wellington’s investment and commercial assets from its public good assets

The WRC Holdings Group is Greater Wellington’s prime investment vehicle and the main mechanism by which it will own and manage any additional equity investments should they be acquired in the future. Periodically, Greater Wellington reviews the structure to determine if it is still an appropriate vehicle for holding its investments.

In addition, Greater Wellington has minor equity interests in Civic Assurance and Airtel Limited. These investments are owned directly by Greater Wellington rather than via the WRC Holdings Group.

¹ A Council Controlled Trading Organisation in accordance with the *Local Government Act 2002*

² A Commercial Port Company pursuant to the *Port Companies Act 1988* and not a Council Controlled Organisation in accordance with the *Local Government Act 2002*



WRC Holdings Group – Statement of Intent

Objectives of the Group

The primary objectives of the Group shall be to:

- a) Operate as a successful, sustainable and responsible business
- b) Own and operate Greater Wellington's headquarters at 142 Wakefield Street, Wellington, (known as the Regional Council Centre) on a cost-effective basis
- c) Own Greater Wellington's interest in CentrePort Limited and maximise its commercial value to shareholders to protect their investment, while maintaining CentrePort's strategic value to the economy of the region
- d) Own Greater Wellington's investments in rail rolling stock
- e) Effectively manage any other investments held by the Group to maximise the commercial value to shareholders and protect their investment

The financial objectives of the Group shall be to:

- a) Where possible, provide a commercial return to shareholders
- b) Adopt policies that prudently manage risk and protect the investment of shareholders

The environmental objectives of the Group shall be to:

- a) Operate in an environmentally responsible and sustainable manner
- b) Minimise the impact of any of the Group's activities on the environment
- c) Raise awareness of environmental issues within the Group
- d) Ensure CentrePort and Pringle House are more energy efficient and make greater use of renewable energy

The social objectives of the Group shall be to:

- a) Be a leading organisation and a superior employer
- b) Provide a safe and healthy workplace
- c) Participate in development, and cultural and community activities within the regions in which the Group operates
- d) Help sustain the economy of the region



Performance targets

Financial	2008/09	2009/10	2010/11
Net profit/(deficit) before tax	\$4.5m	\$6.6m	\$6.2m
Net profit/(deficit) after tax ¹	\$1.5m	\$3.1m	\$2.8m
Return on total assets ²	3.7%	4.5%	3.6%
Return on shareholders' funds ³	(0.1%)	1.7%	0.7%
Dividends ⁴	\$0.2m	\$0.4m	\$0.4m

¹ Net profit after tax, but before deduction of minority interest

² Earnings before interest and tax as a percentage of average total assets

³ Net profit after tax (and after deduction of minority interest) as a percentage of average shareholder equity (excluding minority interest)

⁴ Dividends (interim and final) paid or payable to the shareholder

General

The group will, in consultation with shareholders, continue to develop performance targets in the environmental and social areas.

Note

The performance targets are those provided by the directors in the Draft Statement of Intent (SOI) for the 2008/09 financial year.

Board of Directors

Anne Blackburn

Peter Blades

Ian Buchanan

John Burke

Peter Glensor

Fran Wilde (Chair)

The Board of Directors is the same for each of the companies in the group.



CentrePort Limited – Statement of Corporate Intent

Objectives of the Company

The *primary objectives* of the Company shall be to:

- a) Operate as a successful, sustainable and responsible business
- b) Be customer focused and provide superior service
- c) Be the industry leader in transport logistics solutions

The *financial objectives* of the Company shall be to:

- a) Provide a commercial return to shareholders
- b) Adopt policies that prudently manage risk and protect the investment of shareholders

The *environmental objectives* of the Company shall be to:

- a) Operate in an environmentally responsible and sustainable manner
- b) Raise awareness of environmental issues within the Company

The *social objectives* of the Company shall be to:

- a) Be a learning organisation and superior employer
- b) Provide a safe and healthy workplace
- c) Participate in development, cultural and community activities within the regions in which the Company operates

Environmental objectives

- a) Comply with AS/NZS 14000: Environmental Management Standards
- b) Comply with Centreport's Noise Management Plan
- c) Comply with all conditions under resource consents and permits held, and to fully adhere to the requirements of environmental law generally
- d) Maintain an environmental issues register of environmental complaints for monitoring and actioning purposes. The register is to be reported to CentrePort Limited's Health, Safety and Environment Committee on a regular basis (meets at least three times per annum)
- e) CentrePort Limited will hold a minimum of three Health, Safety and Environment Committee meetings in 2008/09 comprising CentrePort Limited and affected stakeholders (customers, port users, councils and residential groups). The meetings provide a forum to identify and inform on a range of environmental port-related matters



CentrePort Limited – Statement of Corporate Intent (continued)

Social objectives

- a) Maintain tertiary level of compliance with the ACC Workplace Safety Management Practices Programme and the AS/NZS 4801: Occupational Health and Safety Management Systems
- b) Maintain compliance with the International Ship and Port Security (ISPS) Code which promotes security against terrorism within the port environment
- c) Undertake risk assessments and implement any mitigating procedures relating to the Port and Harbour Safety Code which promotes safety and excellence in marine operations
- d) Undertake an appropriate level of sponsorship
- e) Meet regularly with representative community groups

General

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

When developing property, the Board is to adhere to the following principles:

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

Note

The performance targets are those provided by the directors of CentrePort Limited in the Draft Statement of Corporate Intent (SCI) for the 2008/09 financial year.

Shareholders of CentrePort Limited

- Port Investments Limited – 76.9%
- Horizons Regional Council – 23.1%

Board of Directors

David Benham
Richard Janes
Jim Jefferies

Malcolm Johnson
Warren Larsen (Chair)
Mark Petersen



Investments

Prospective income statement

	2008/09 Plan \$000s	2008/09 LTCCP \$000s		2008/09 Plan \$000s	2008/09 LTCCP \$000s
INCOME STATEMENT					
Operating revenue	14,853	19,789			
Operating expenditure	8,451	13,341			
Earnings before interest	6,402	6,448			
Interest	(3,375)	(2,652)			
Operating surplus/(deficit)	9,777	9,100			
Less:					
Contribution to general rates	8,308	8,044			
Earnings retained	1,469	1,056			
OPERATING SURPLUS OF INDIVIDUAL INVESTMENTS					
Liquid financial deposits	2,591	2,926			
WRC Holdings	3,129	1,399			
Treasury management	4,386	4,133			
Forestry	(448)	803			
Business units and property	119	(161)			
Operating surplus	9,777	9,100			
NET CONTRIBUTION TO GENERAL RATES FROM INDIVIDUAL INVESTMENTS					
Liquid financial deposits	2,591	2,926			
WRC Holdings	624	1,071			
Treasury management	4,740	4,133			
Forestry	225	225			
Business units and property	128	(311)			
Total contribution to general rates	8,308	8,044			