

# 1. Executive summary for Audit, Risk and Assurance Committee: Investment Management

## 1.1 Group overview

Business as usual activities and functions carried out by the Investment Management Group included:

- Investing surplus funds and contingency funds
- Managing Greater Wellington's debt portfolio and interest rate risk, ensuring adequate cash is available, relationships with bankers, rating agencies
- Monitoring CentrePort and completing the WRC Holdings group Statement of Intent and reporting to its Board
- Managing Greater Wellington's interest rate risk on the Stadium Debt and reviewing their Statement of Intent
- Coordinating Greater Wellington's risk management, coordination and management of the policy on project management
- Managing and coordinating Greater Wellington's Insurance programme.

## 1.2 Key results for the quarter

### 1.2.1 Achievements during the quarter

Project Management Policy and appended Guidelines & Procedures templates and draft reporting templates accepted by ELT. Proposed budgets finalised for Investment Management and proposed Interest budget struck for 2013/14. \$15 million of new fixed interest rate swaps entered into secure fixed funding costs for the years ahead.

### 1.2.2 Market rates and hedging – Changes during the quarter

The Official Cash Rate (OCR) remained unchanged at 2.50%. The 90 Day rate ranged from 2.45% to 2.65%, currently it is at 2.6%.

The 5 year interest rate swap ranged from 2.90% to 3.20% and is currently at 3.20%.

The 10 year swap ranged from 3.90% to 3.50% and is currently at 3.86%.

The price of Singapore Gas oil (Diesel) in NZ Dollars per barrels was:

|                 |       |
|-----------------|-------|
| 31 December 11  | \$158 |
| 31 March 12     | \$165 |
| 30 June 12      | \$150 |
| 30 September 12 | \$153 |
| 31 December 12  | \$151 |

The price of Diesel in New Zealand dollars remains relatively stable over the quarter at around \$150 per barrel and the outlook for Oil and the NZ dollar are both looking favourable.

The proportion of Diesel in the index, under which we pay the service providers, is approximately 15%, which leaves us with a relatively small risk exposure.

The valuation of swaps was \$8.13 million (\$8.45 million in June) negative in Greater Wellington and about \$519,000 (\$537,000 in June) negative for WRCH. The negative valuation is due to the 90 day bank bill rate being at 2.60%, compared to our average borrowing swap rate of about 5.09%. This position may change favourably going forward, if interest rates rise.

During the quarter we entered into two new swaps:

\$10m fixed swap February 2014 and ending in Feb 2021 at a rate of 3.785%

\$5m fixed swap June 2016 and ending June 2019 at a rate of 3.965%.

\$10m fixed swap added to existing swap for WRC Holdings extending out 1 year to September 2015 and reducing the existing cost from 4.15% down to 3.785%

We continue to look for opportunities to add some additional cover, and remain close to our Treasury Advisors target levels.

Our strategy has been to keep within the Treasury Management Policy and where possible to ensure any new swaps are set under 4%.

### 1.2.3 Investments

The \$33 million liquidity deposits were invested on average during the quarter at about 4.15%

The contingency funds for the Water and Flood Groups collectively amounting to \$22.7 million were invested at 3.91%, comparing favourably to the 90 day bill rate of around 2.60%.

Our high level of cash liquidity experienced last quarter has gone, as the final payments (excluding retentions) for the Matangi were made. The only funds we have on deposit result from investing surplus funds raised for that purpose.

### 1.2.4 Debt

The \$44 million of WRCH debt was rolled over at a margin of 13 points (0.13%). WRCH received \$69 million (\$56m last time) in bids and settled with a weighted average interest cost of 2.83% which is \$207,000 per annum cheaper than direct bank borrowing.

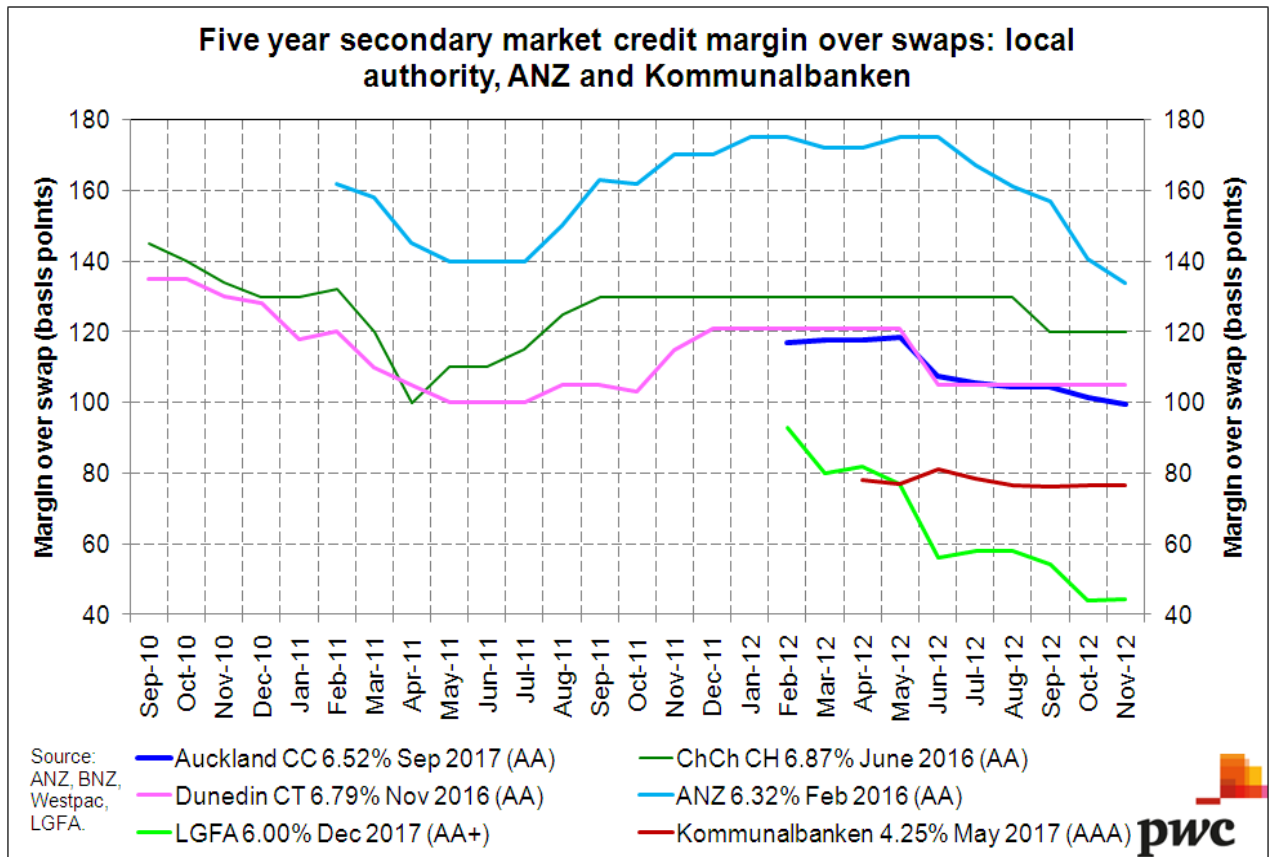
We had \$39 million of Commercial Paper issued at the end of December to fund the Matangi trains and other capital expenditures.

The Gross Debt Level of GWRC (incl. WRCH) per 31 December was \$239.3 million, after deducting money market and short term investments, as well as \$33 million Liquid Financial Deposits, but not contingency investments, the Net Debt is \$170.9 million. This is an increase of \$49.0 million when compared to 30 June 2012.

This increase in debt was funded by a reduction in our short term liquid funds and an increase in our commercial paper debt mainly to fund the final payments on the Matangi contract.

1.2.5 Local Government Funding Agency

The LGFA has had nine debt issuances since its inaugural issuance in February 2012. In December the LGFA issued \$75 million of bonds, bringing total issuance to \$1.535 billion. Demand was very strong, with bid-cover ratio of 4.3 times. The margin the LGFA is paying for their issuance maturing 15.12.2017 has declined from about 95BP in February 2012 to 46BP in their most recent issuance (see green line in graph below). This margin contraction compares very favourably when compared with other issuers.



The second opening of shareholding subscription to the LGFA went smoothly in December with 12 new Councils investing \$1.3m million in the LGFA. The existing shareholders relinquished (sold) part of their shareholding to achieve this, with paid up Equity Capital remaining at \$25 million. Our shareholding was reduced by \$134,021 from \$2 million to \$1,865,979, with the same amount of unpaid shares also sold.

The New shareholders are Gisborne DC, Hauraki DC, Horowhenua DC, Hutt CC, Kapiti Coast DC, Manawatu DC, Marlborough DC, Palmerston North CC, Thames-Coromandel DC, Waimakariri DC, Wanganui DC, and Whakatane DC, each contributed \$100,000 in paid up capital and \$100,000 in unpaid capital with Marlborough DC contributing \$200,000 in both instances.

The LGFA anticipates their full year operating result to be ahead of budget, with their December position showing a \$690,000 favourable position to budget on net profit.

#### 1.2.6 Insurance

Aon was contacted in early December and requested to review their fees for Insurance. These have increased significantly over the last two years and this is a direct result of dealing in the London market. We have taken advice from external parties as to what a fair fee is and we are currently working with Aon to come to a mutually satisfactory outcome.

A number of rail projects are underway to protect and reduce the risk of loss to our assets. The following projects have recently been undertaken:

- CCTV has now been installed in the Wellington Stabling Yard with some minor integration work still to be completed. Fenceline repairs have also been carried out in order to reduce the number of unauthorised entries.
- The installation of CCTV in the Upper Hutt Rail Stabling yard is almost complete and expected to be fully operational in February 2013.
- The installation of CCTV in the Paekakariki Rail Stabling yard is almost complete and expected to be fully operational in February 2013.
- CCTV cameras are being installed in the expanded Silverstream car park. Coverage will include the railway station and is expected to be fully operational in February 2013.
- The Tawa Station project is now well underway with the demolition of the original 1937 building and the construction of the new Tawa station building /shelter. The station and car park will have CCTV equipment installed with the platform and car park area expected to be fully operational in May 2013.
- A wider project has commenced to introduce a wireless radio network across the region which will allow CCTV data from stations and car parks to be transmitted back to the monitoring centre and nominated sites for viewing.

A report on the seismic rating of the Councils building stock and remedial work required to get them up to current code is underway and expected to be

finalised very soon. Both of these activities will ultimately lead to lesser risk for the Council and consequently insurance premiums should lessen, other things being equal.

#### 1.2.7 Risk Management

We have engaged Quantate to assist us to enhance the risk management process. This will involve developing some formalised procedure around risk management and will include ELT input. Quantate will also assist with updating the register with two new risk consequences (Environment and Health & Safety), and finally a review of the risks in the register at Group level and to refresh staff on the risk policy and processes. This process has been delayed due to the availability of staff at both Quantate and at GW.

#### 1.2.8 Project Management (PM)

After consultation with representatives from each group at GW the PM Policy and Guidelines were presented to ELT. This Policy was well received with some minor changes sought. The ELT was keen to see a roll out plan for the Policy to ensure the organisation becomes familiar with its requirements. Two presentations have been prepared, a high level one for managers and a detailed one for Group project managers.

#### 1.2.9 Council Controlled Organisations

We are in the process of closing down Greater Wellington Transport Limited and Greater Wellington Infrastructure Limited. The two companies have never been used and are no longer applicable. They incurred annual fees for both Audit and Taxation that will now be saved. We anticipate they will be struck off the company register in early February.

### 1.3 Looking ahead

The next quarters will focus on raising further debt and managing our interest rate risk.

Budgets and the SOI for the WRC Holding Group are currently in progress for delivery by the end of February.

Formalised Project Management will be rolled out to the organisation during the first quarter and reporting will begin soon after.

## 2. Group financial summary

### 2.1 Financial summary

Investment Management is showing a \$6.42 million surplus, which is \$13.3 million unfavourable to budget. The Grant Revenue from Transport which GW uses to purchase the shares in GWR has been budgeted for the first 6 month of the year, however, the share call is not expected to happen until later in the year when the bulk of the payments for the Matangi will have been made. This timing difference accounts for \$14.85 million of the variance. The surplus before non operating items is \$6.416 million, which is \$1.531 million above budget. Total income of \$10.984 million was \$1.531 million higher than budget and operating expenditure is running to budget.

### 2.2 Group consolidated financial statements

| Investment Management<br>Income Statement<br>6 months ending 31 December 2012 | YTD as at 31 December |                 |                   | Full Year         |                 |                   | Last Year           |                    |
|---|-----------------------|-----------------|-------------------|-------------------|-----------------|-------------------|---------------------|--------------------|
|   | Actual<br>\$000       | Budget<br>\$000 | Variance<br>\$000 | Forecast<br>\$000 | Budget<br>\$000 | Variance<br>\$000 | YTD Actual<br>\$000 | FY Actual<br>\$000 |
| Rates & Levies  | 1,338                 | 1,338           | -                 | 2,676             | 2,676           | -                 | 1,338               | 2,676              |
| Investment Revenue  | 2,608                 | 669             | 1,938             | 7,847             | 4,535           | 3,312             | 1,897               | 7,653              |
| Internal Debt Interest Recovery   | 6,935                 | 7,342           | (407)             | 14,893            | 14,685          | 208               | 5,689               | 11,898             |
| Internal Revenue  | 103                   | 103             | 0                 | 206               | 206             | -                 | 112                 | 223                |
| <b>TOTAL INCOME</b>   | <b>10,984</b>         | <b>9,453</b>    | <b>1,531</b>      | <b>25,622</b>     | <b>22,102</b>   | <b>3,520</b>      | <b>9,037</b>        | <b>22,452</b>      |
| less:   |                       |                 |                   |                   |                 |                   |                     |                    |
| Materials,Supplies & Services   | 44                    | 49              | 5                 | 96                | 114             | 17                | 24                  | 72                 |
| Travel & Transport Costs  | 0                     | 0               | -                 | 0                 | 0               | -                 | 0                   | 0                  |
| Contractor & Consultants  | 45                    | 89              | 44                | 248               | 178             | (70)              | 20                  | 106                |
| Internal Charges  | 201                   | 201             | 0                 | 402               | 402             | -                 | 196                 | 392                |
| <b>Total Direct Expenditure</b>   | <b>290</b>            | <b>339</b>      | <b>49</b>         | <b>746</b>        | <b>693</b>      | <b>(53)</b>       | <b>241</b>          | <b>570</b>         |
| External Finance Costs  | 3,785                 | 3,761           | (24)              | 7,933             | 8,124           | 191               | 3,616               | 7,231              |
| Bad Debts   | 0                     | 0               | -                 | 0                 | 0               | -                 | 0                   | 0                  |
| Internal Reserve Investment Cost  | 510                   | 451             | (60)              | 937               | 901             | (36)              | 434                 | 869                |
| Depreciation  | 12                    | 18              | 6                 | 36                | 36              | -                 | 13                  | 25                 |
| Loss(Gain) on Assets / Investments  | (29)                  | 0               | 29                | 0                 | 0               | -                 | 0                   | 0                  |
| <b>Total Indirect Expenditure</b>   | <b>4,278</b>          | <b>4,229</b>    | <b>(49)</b>       | <b>8,906</b>      | <b>9,060</b>    | <b>155</b>        | <b>4,063</b>        | <b>8,125</b>       |
| <b>TOTAL OPERATING EXPENDITURE</b>  | <b>4,568</b>          | <b>4,568</b>    | <b>0</b>          | <b>9,652</b>      | <b>9,754</b>    | <b>102</b>        | <b>4,304</b>        | <b>8,696</b>       |
| <b>OPERATING SURPLUS/(DEFICIT)</b>  | <b>6,416</b>          | <b>4,885</b>    | <b>1,531</b>      | <b>15,970</b>     | <b>12,348</b>   | <b>3,622</b>      | <b>4,734</b>        | <b>13,757</b>      |
| Unrealised Revaluation Gains / (Loss)   | 0                     | 0               | -                 | 981               | 981             | -                 | 0                   | (7,050)            |
| Grants and Subsidies - Revenue  | 3                     | 14,855          | (14,852)          | 14,855            | 14,855          | 0                 | 0                   | 3,958              |
| <b>Surplus / (Deficit) after non operating items</b>                          | <b>6,419</b>          | <b>19,739</b>   | <b>(13,321)</b>   | <b>31,806</b>     | <b>28,184</b>   | <b>3,622</b>      | <b>4,734</b>        | <b>10,665</b>      |

| Investment Management<br>Funding Statement<br>For the 6 months ending 31 December 2012 | YTD as at 31 December |                 |                   | Full Year         |                 |                   | Last Year           |                    |
|--|-----------------------|-----------------|-------------------|-------------------|-----------------|-------------------|---------------------|--------------------|
|  | Actual<br>\$000       | Budget<br>\$000 | Variance<br>\$000 | Forecast<br>\$000 | Budget<br>\$000 | Variance<br>\$000 | YTD Actual<br>\$000 | FY Actual<br>\$000 |
| Operating Surplus(Deficit)   | 6,419                 | 19,739          | (13,320)          | 31,806            | 28,183          | 3,623             | 4,735               | 10,665             |
| Add Back Depreciation  | 12                    | 18              | (6)               | 36                | 36              | -                 | 13                  | 25                 |
| Other Non Cash   | (29)                  | -               | (29)              | (981)             | (981)           | -                 | -                   | 7,050              |
| Net Asset Acquisitions   | (120)                 | -               | (120)             | (2,550)           | (100)           | (2,450)           | (206)               | (496)              |
| Net External Investment Movements  | (13,366)              | (7,427)         | (5,939)           | (14,721)          | (15,255)        | 534               | (25,100)            | (5,156)            |
| <b>NET FUNDING BEFORE DEBT &amp; RESERVE MOVES</b>                                     | <b>(7,084)</b>        | <b>12,330</b>   | <b>(19,414)</b>   | <b>13,590</b>     | <b>11,883</b>   | <b>1,707</b>      | <b>(20,558)</b>     | <b>12,088</b>      |
| Debt Additions / (decrease)  | 74,632                | (10,816)        | 85,448            | (15,813)          | (14,558)        | (1,255)           | 44,238              | 128,421            |
| Debt Repaid  | (41,210)              | 1,590           | (42,800)          | 15,979            | 13,249          | 2,730             | (23,857)            | (136,509)          |
| Net Reserves (Increase) / decrease   | (635)                 | (750)           | 115               | (1,940)           | (4,086)         | 2,146             | (976)               | 3,245              |
| <b>NET FUNDING SURPLUS (DEFICIT)</b>   | <b>25,703</b>         | <b>2,354</b>    | <b>23,349</b>     | <b>11,816</b>     | <b>6,488</b>    | <b>5,328</b>      | <b>(1,153)</b>      | <b>7,245</b>       |

| Investment Management<br>Capital Expenditure Statement<br>For the 6 months ending 31 December 2012 | YTD as at 31 December |                 |                   | Full Year         |                 |                   | Last Year           |                    |
|--|-----------------------|-----------------|-------------------|-------------------|-----------------|-------------------|---------------------|--------------------|
|  | Actual<br>\$000       | Budget<br>\$000 | Variance<br>\$000 | Forecast<br>\$000 | Budget<br>\$000 | Variance<br>\$000 | YTD Actual<br>\$000 | FY Actual<br>\$000 |
| Total Asset Acquisitions   | -                     | -               | -                 | -                 | -               | -                 | -                   | -                  |
| Capital Project Expenditure  | 120                   | -               | (120)             | 2,550             | 100             | (2,450)           | 205                 | 495                |
| Asset Disposal Cash Proceeds   | -                     | -               | -                 | -                 | -               | -                 | -                   | -                  |
| <b>Net Capital Expenditure</b>   | <b>120</b>            | <b>-</b>        | <b>(120)</b>      | <b>2,550</b>      | <b>100</b>      | <b>(2,450)</b>    | <b>205</b>          | <b>495</b>         |

### 2.3 Departmental financial summary and variance analysis

**Total income** is \$1.53 million above budget, which is due to \$1.938 million higher investment revenue. This is offset by \$407,000 lower interest recovery from internal debt, which is caused by slower capex spending by the business units.

Investment Revenue is \$1.938 million above budget. The main contributors are \$706,000 higher interest on money market investments, a \$1.0 million subvention revenue from CentrePort, as well as \$104,000 higher interest earned from liquid financial deposits. The swap costs relating to our \$10 million investment as part of the \$33 million of liquid financial deposits is \$85,000 below budget due to the reorganisation of the ANZ \$10 million bond investment.

The \$706,000 interest revenue from money markets is prefunding of the Matangi payments enabling us to benefit from investing the funds for short periods.

**Total direct expenditure** is \$49,000 below budget, mainly due to lower expenditure for contractors and consultants.

**Total indirect expenditure** is \$49,000 above budget.

External finance costs are \$24,000 below budget, reflecting the fact that capex spending and in turn internal debt draw downs are below budget. This is offset by the prefunding noted above.

Reserve interest costs were \$60,000 above budget, as the reserve opening balance was significantly higher than budgeted due to larger balances mainly in the transport area.

These unfavourable variances were offset by a \$29,000 gain which relates to the reorganisation of the ANZ \$10 million bond investments.

As a result of the above variances the operating surplus before non operating items is \$1.53 million above the budgeted amount of \$4.885 million.

**Capital expenditure** relates to the green star certification process based on the plans for the new Masterton office. The expenditure of \$120,000 is just above the \$100,000 budgeted for in the current year.

## 2.4 Forecast

The forecast is for a year end surplus of \$31.8 million, which is \$3.6 million above budget.

We are expecting \$3.3 million higher investment revenue. This is mainly due to \$2.14 million higher subvention revenue and dividend from CentrePort via WRC Holdings and a better operating result from Port Investments and Pringle House. Interest revenue from money market investments is \$830,000 and interest from liquid financial deposits is expected to be \$151,000 above budget. The cost for the investment swap is forecasted to be \$170,000 below budget.

Operating Expenditure is forecasted to be \$102,000 below budget, mainly due to \$191,000 lower interest costs but offset by prefunding of debt. Contractors and consultants will likely run higher than budget which mainly relates to the relocation costs of \$100,000 due to our shift to shed 39.

The forecasted capital expenditure is \$2.45 million above budget, which includes \$2.4 million capital expenditure for the move to shed 39.

## 3. Key performance indicators

### 3.1 Key performance indicators as at 31 December 2012

See attachment 2.

With the beginning of the new financial year, a slightly amended Treasury Management Policy governs the activities in Investment Management.

The benchmark limits for the Fixed Rate Debt Maturity Profile and the Funding and Liquidity were slightly amended. The borrowing limits have been changed and the following ratios apply now.

- 1) Net Interest Expense / Total Revenue < 20%
- 2) Net Debt / Total Revenue < 250%



### 3) Net interest / Annual Rates and Levies < 30%

As per 31 December we are fully compliant in all three ratios.

#### **Fixed Rate Debt Maturity profile**

There were no transactions which impacted the fixed rate cover directly. The fixed rate cover continued to decline from 76% in June to 69% in December, which is mainly due to an increase in the forecasted debt level one year out from the reporting date.

#### **Net External debt per Capita & Net External Debt/Rates & Levies**

Although not required under the new policy, we continued to calculate this ratio. The net external debt per capita increased from \$152 in September to \$216 at the end of December 2012. The \$28.54 million increase in net external debt since September, mainly due to payments for the Matangi trains, is the driver of this \$64 per capita increase. The net debt increase is also responsible for the increase in the “Net External Debt / Rates & Levies” ratio.

#### **Historical benchmark rate by APRM – no margin**

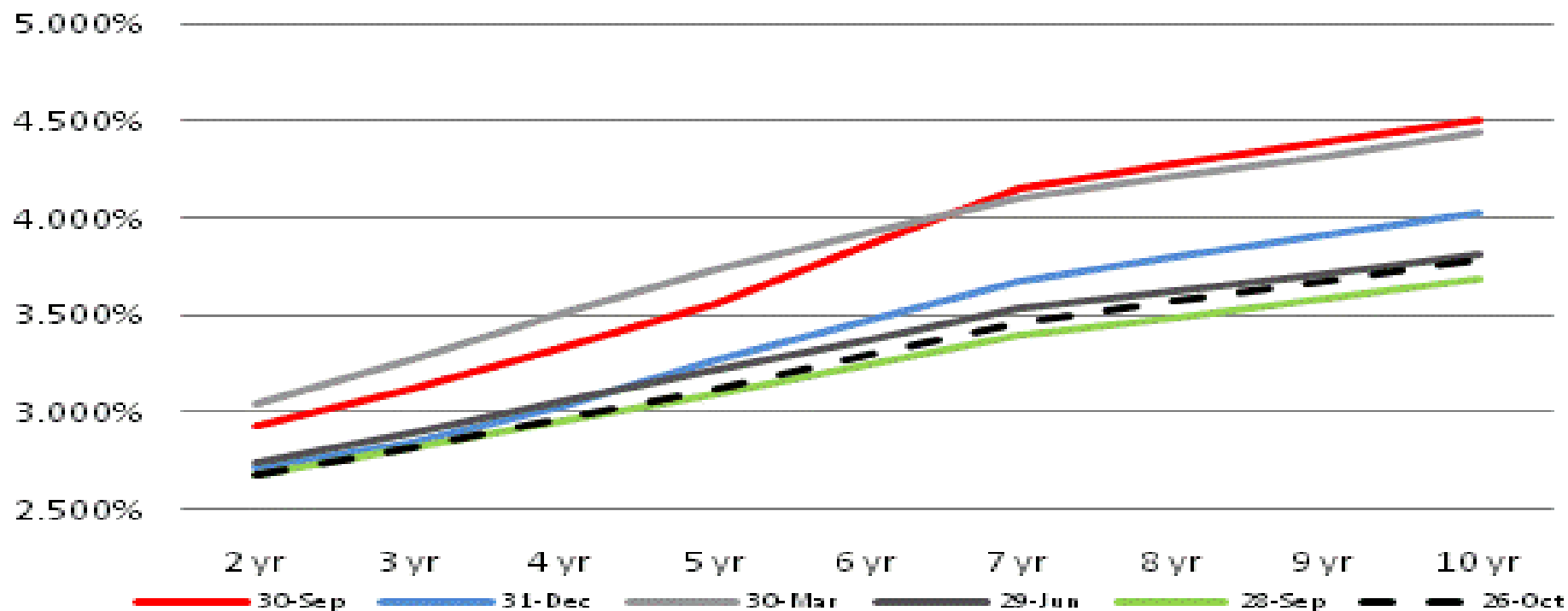
The APRM benchmark rate declined significantly from 4.26% to 3.96% during the quarter, a decline of 0.30%. During the same period Greater Wellington’s cost of funds decreased by 0.08% to 3.93%. During the quarter \$10 million of swaps started which have higher rates than market. However this effect was reduced by adding \$29 million commercial paper at very low rates, leading to an overall reduction of the cost of funds from 4.01% to 3.93%

A decline in historic swap rates is the main reason for the drop in the APRM Benchmark rate.

### **3.2 Historic key performance indicators**

See attachment 3.

## NZ Swap Curve Changes



Source: BNZ

**Key Performance Indicators**  
As at 31 December 12

|   | Benchmark/<br>Limits<br>Per TMP. | Actual<br>Dec-12 | Actual<br>Nov-12 | Actual<br>Oct-12 | Actual<br>Sep-12 | Actual<br>Aug-12 | Actual<br>Jul-12 | Benchmark/<br>Limits<br>Per TMP<br>up to 30.06.12 | Actual<br>Jun-12 | Actual<br>Mar-12 | Actual<br>Dec-11 | Actual<br>Sep-11 | Actual<br>Jun-11 | Actual<br>Jun-10 | Actual<br>Dec-09 | Actual<br>Jun-09 |
|---|----------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| <b>Debt - Interest Rate Risk Control limits</b>   |                                  |                  |                  |                  |                  |                  |                  |   |                  |                  |                  |                  |                  |                  |                  |                  |
| <b>Fixed net interest rate debt and swaps to the total forecasted debt in 12 month time</b> | <b>40% - 95%</b>                 | 69%              | 70%              | 72%              | 74%              | 76%              | 78%              | <b>40% - 95%</b>                                  | 76%              | 65%              | 69%              | 68%              | 69%              | 83%              | 97%              | 102%             |
| <b>Debt - Fixed Rate Maturity Profile Limits</b>  |                                  |                  |                  |                  |                  |                  |                  |   |                  |                  |                  |                  |                  |                  |                  |                  |
| 1 - 3 years   | <b>15 - 60%</b>                  | 20%              | 16%              | 23%              | 23%              | 20%              | 20%              | <b>15 - 60%</b>                                   | 20%              | 25%              | 25%              | 33%              | 19%              | 16%              | 20%              | 26%              |
| 3 - 5 years   | <b>15 - 60%</b>                  | 37%              | 37%              | 41%              | 41%              | 44%              | 44%              | <b>15 - 60%</b>                                   | 44%              | 28%              | 25%              | 15%              | 27%              | 25%              | 21%              | 4%               |
| > 5 years   | <b>0 - 60%</b>                   | 43%              | 46%              | 36%              | 36%              | 36%              | 36%              | <b>10 - 60%</b>                                   | 36%              | 47%              | 51%              | 52%              | 54%              | 59%              | 59%              | 70%              |
| <b>Funding and Liquidity risk</b>   |                                  |                  |                  |                  |                  |                  |                  |   |                  |                  |                  |                  |                  |                  |                  |                  |
| 0 - 3 years   | <b>15 - 60%</b>                  | 50%              | 49%              | 43%              | 41%              | 31%              | 28%              | <b>10 - 60%</b>                                   | 30%              | 22%              | 38%              | 38%              | 38%              | 28%              | 77%              | 86%              |
| 3 - 5 years   | <b>15 - 60%</b>                  | 35%              | 24%              | 27%              | 27%              | 35%              | 36%              | <b>20 - 60%</b>                                   | 32%              | 28%              | 18%              | 18%              | 18%              | 50%              | 1%               | 0%               |
| > 5 years   | <b>10 - 60%</b>                  | 16%              | 27%              | 31%              | 32%              | 34%              | 35%              | <b>15 - 60%</b>                                   | 37%              | 49%              | 44%              | 45%              | 44%              | 22%              | 22%              | 14%              |
| <b>Investing - Repricing liquid financial investments</b>                                   |                                  |                  |                  |                  |                  |                  |                  |   |                  |                  |                  |                  |                  |                  |                  |                  |
| 0 - 1 years   | <b>40 - 100%</b>                 | 100%             | 100%             | 100%             | 100%             | 100%             | 100%             | <b>40 - 100%</b>                                  | 100%             | 100%             | 100%             | 100%             | 100%             | 100%             | 87%              | 35%              |
| 1 - 3 years   | <b>0 - 60%</b>                   | 0%               | 0%               | 0%               | 0%               | 0%               | 0%               | <b>0 - 60%</b>                                    | 0%               | 0%               | 0%               | 0%               | 0%               | 0%               | 13%              | 65%              |
| 3 - 5 years   | <b>0 - 40%</b>                   | 0%               | 0%               | 0%               | 0%               | 0%               | 0%               | <b>0 - 40%</b>                                    | 0%               | 0%               | 0%               | 0%               | 0%               | 0%               | 0%               | 0%               |
| 5 - 10 years  | <b>0 - 20%</b>                   | 0%               | 0%               | 0%               | 0%               | 0%               | 0%               | <b>0 - 20%</b>                                    | 0%               | 0%               | 0%               | 0%               | 0%               | 0%               | 0%               | 0%               |
| <b>Borrowing Limit compliance under new treasury policy - starting 01.07.12</b>             |                                  |                  |                  |                  |                  |                  |                  |   |                  |                  |                  |                  |                  |                  |                  |                  |
| <b>Net Interest Expense / Total Revenue</b>   | < 20%                            | 2%               | 2%               | 1%               | 1%               | 1%               | 1%               | n / a   | 1%               | 1%               | 1%               | 1%               | 1%               |                  |                  |                  |
| <b>Net Debt / Total Revenue</b>   | < 250%                           | 47%              | 48%              | 43%              | 33%              | 24%              | 18%              | n / a   | 18%              | 22%              | 21%              | 17%              | 14%              |                  |                  |                  |
| <b>Net interest / Annual rates and levies</b>   | < 30%                            | 3%               | 3%               | 3%               | 3%               | 3%               | 3%               | n / a   | 3%               | 3%               | 2%               | 2%               | 3%               |                  |                  |                  |
| <b>Liquidity Ratio</b>  | > 110%                           | 143%             | 143%             | 138%             | 149%             | 145%             | 149%             | > 110%  | 152%             | 147%             | 139%             | 151%             | 162%             | 139%             | 144%             | 163%             |
| <b>Debt ratios under expired treasury policy</b>  |                                  |                  |                  |                  |                  |                  |                  |   |                  |                  |                  |                  |                  |                  |                  |                  |
| <b>Net External Debt per Capita</b>   | <b>\$400</b>                     | \$216            | \$218            | \$199            | \$152            | \$149            | \$113            | <b>\$400</b>                                      | \$113            | \$139            | \$135            | \$106            | \$85             | \$104            | \$82             | \$88             |
| <b>Net External Debt / Rates &amp; Levies</b>   | <b>210%</b>                      | 93%              | 93%              | 85%              | 65%              | 63%              | 48%              | <b>210%</b>                                       | 50%              | 62%              | 60%              | 47%              | 39%              | 48%              | 38%              | 41.4%            |
| <b>Net Interest Expense / Rates &amp; Levies</b>  | <b>25%</b>                       | 3%               | 3%               | 3%               | 3%               | 3%               | 3%               | <b>25%</b>  | 3%               | 3%               | 2%               | 2%               | 1%               | 0.7%             | 0.6%             | 0.8%             |
| <b>Historical benchmark Rate by APRM - no margin</b>  |                                  | 3.96%            | 4.12%            | 4.34%            | 4.26%            | 4.38%            | 4.51%            |   | 4.56%            | 4.77%            | 4.78%            | 5.06%            | 5.35%            | 5.82%            | 5.74%            | 6.05%            |
| <b>Cost of Funds (GW) - no margin, excl Govt loans</b>                                      |                                  | 3.93%            | n/a              | n/a              | 4.01%            | n/a              | n/a              |   | 4.31%            | 4.15%            | 4.05%            | 4.18%            | 4.74%            | 4.46%            | 4.07%            | 3.97%            |
| <b>Cost of Funds (GW) - incl margin, excl Govt loans</b>                                    |                                  | 4.44%            | 4.37%            | 4.48%            | 4.57%            | 4.54%            | 4.59%            |   | 4.95%            | 4.75%            | 4.77%            | 4.88%            | 5.42%            | 5.26%            | 4.72%            | 4.65%            |
| <b>Variance to Benchmark (Unfavourable)</b>   |                                  | 0.03%            | n/a              | n/a              | 0.25%            | n/a              | n/a              |   | 0.25%            | 0.62%            | 0.73%            | 0.88%            | 0.61%            | 1.36%            | 1.67%            | 2.08%            |

\*There was a phase in period of one year for compliance with the Treasury Risk Management Policy. Full compliance was required from 01.07.10 onwards.

## History of Key Performance Indicators

|  | Benchmark/<br>Limits<br>Per old TMP | Actual<br>Dec-12 | Actual<br>Sep-12 | Actual<br>Jun-12 | Actual<br>Mar-12 | Actual<br>Dec-11 | Actual<br>Jun-11 | Actual<br>Jun-10 | Actual<br>Jun-09 | Actual<br>Jun-08 | Actual<br>Jun-07 | Actual<br>Jun-06 | Actual<br>Jun-05 | Actual<br>Jun 04 | Actual<br>June 03 | Actual<br>June 02 | Actual<br>June 01 | Actual<br>June 00 |
|--|-------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Core Council</b>  |                                     |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                   |                   |                   |                   |
| Net External Debt per Capita                                   | \$400                               | \$216            | \$152            | \$113            | \$139            | \$135            | \$85             | \$104            | \$88             | \$55             | \$48             | \$11             | \$4              | \$11             | \$24              | \$49              | \$66              | \$83              |
| Net External Debt / Rates & Levies                             | 210%                                | 93%              | 65%              | 50%              | 62%              | 60%              | 39%              | 48%              | 41%              | 27%              | 26%              | 5.8%             | 2.0%             | 6.5%             | 13.9%             | 28.5%             | 38.8%             | 56.5%             |
| Net Interest Expense / Rates & Levies                          | 25%                                 | 3.1%             | 2.6%             | 2.6%             | 2.6%             | 2.4%             | 1.0%             | 0.7%             | 0.8%             | 0.2%             | 1.1%             | 0.3%             | 0.8%             | 2.4%             | 3.6%              | 5.1%              | 4.9%              | 7.4%              |
| Average Interest Rate on Debt (WACD)<br>(includes Crown Loans) |                                     | 4.0%             | 4.0%             | 4.2%             | 4.1%             | 4.2%             | 4.5%             | 4.4%             | 4.6%             | 6.0%             | 7.1%             | 7.5%             | 7.5%             | 7.2%             | 7.3%              | 7.7%              | 7.8%              | 7.8%              |