



## **DRAFT STATEMENT OF INTENT**

### **WRC HOLDINGS GROUP**

**(Covering the period to 30 June 2008 and the following 2 years)**

#### **1. Scope of Draft Statement of Intent**

1.1 This draft statement of intent relates to WRC Holdings Limited (the company) and its subsidiary companies Pringle House Limited (PHL), Port Investments Limited (PIL), CentrePort Ltd (CentrePort), and recently formed Greater Wellington Rail Ltd (GWRL), Greater Wellington Transport Ltd (GWTL), Greater Wellington Infrastructure Ltd (GWIL) together the WRC Holdings Group (the group)

#### **2. Objectives of the group**

2.1 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 142-146 Wakefield Street, Wellington (known as the Regional Council Centre) on a cost effective basis.
- (c) Own Greater Wellington's interest in CentrePort Ltd, to maximise the commercial value of CentrePort to the shareholders and to protect the shareholders' investment, while maintaining CentrePort's strategic value to the economy of the region.
- (d) Own Greater Wellington's future investments in public transport infrastructure, namely rolling stock, stations and trolley bus wires.
- (e) Effectively manage any other investments held by the group in order to maximise the commercial value to the shareholders and to protect the shareholders' investment.

2.2 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.

2.3 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) Encourage CentrePort and Pringle House to be more energy efficient and make greater use of renewable energy.

2.4 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, cultural and community activities within the regions in which the group operates.
- (d) To help sustain the economy of the region.

### **3. Governance of the group**

3.1 The shareholder, Greater Wellington Regional Council, appoints the directors of the company in terms of the Council's approved process. Section 57 of the Local Government Act 2002 requires that directors have the skills, knowledge and experience to:

- guide the organisation, given the nature and scope of its activities and to;
- contribute to the achievement of the objectives of the organisation.

3.2 The shareholder also selects the directors of PHL, PIL GWRL, GWTL and GWIL and these are appointed by the company by way of a special resolution. This ensures a commonality of directors between WRCHL, PHL, PIL GWRL, GWTL and GWIL.

3.3 Any changes to the constitutions of the companies within the group are approved by the shareholder.

3.4 Greater Wellington monitors the performance of the group on a regular basis to evaluate its contribution to the achievement of its objectives, performance against the group's statement of intent and Greater Wellington's overall aims in accordance with section 65 (1) of the Local Government Act 2002.

3.5 The directors of the group monitor the performance of each company in the group at each board meeting.

#### **4. Nature and Scope of Activities to be Undertaken**

- 4.1 The company is the holding company for PHL, PIL GWRL, GWIL, GWTL, and indirectly, CentrePort.
- 4.2 The provision of commercial rental premises as owner and lessor of the Regional Council Centre, the building situated at 142-146 Wakefield Street, Wellington and the associated provision of property management services to Greater Wellington pursuant to any management agreements.
- 4.3 The provision of investment management services for Greater Wellington's strategic investment in CentrePort.
- 4.4 The ownership of Greater Wellington's investment in public transport infrastructure. These assets will be leased to Toll New Zealand for the provision of passenger rail services in the Greater Wellington region. The commercial terms and arrangements for these leases and other contracts (including the purchase of the rolling stock) have yet to be finalised.
- 4.5 The provision of investment management services for any other current and future investments held within the group.
- 4.6 The nature and scope of the group's activities will be reviewed regularly in consultation with the shareholders.

#### **5. Ratio of Consolidated Shareholders Funds to Total Assets**

- 5.1 Definition of terms:
  - (a) Consolidated shareholders funds are defined as the amount of paid up capital, plus retained earnings of the group, less any minority interests.
  - (b) Total assets are defined as all the recorded tangible and intangible assets of the group at their current value as determined in the group's statement of accounting policies in the most recent financial statements.
  - (c) Return on shareholders funds is calculated using net profit after tax while return on total assets is calculated using earnings before interest and tax.

#### **6. Accounting Policies**

- 6.1 The detailed accounting policies of the company will be consistent with the legal requirements of the Companies Act 1993, the Financial Reporting Act 1993 and the International Financial Reporting Standards.

## 7. Performance Targets

7.1 The following are the WRC Holdings Group's financial performance targets:

	<b>2007/08 (\$000)</b>	<b>2008/09 (\$000)</b>	<b>2009/10 (\$000)</b>
a. Net profit (deficit) before tax	5,119	5,393	1,114
b. Net profit (deficit) after tax	1,585	1,367	(2,954)
c. Return on total assets	4.06%	3.98%	2.22%
d. Return on shareholder equity	(0.23%)	(0.34%)	(1.65%)
e. Dividend stream	251	530	666

Definitions of key financial performance targets:

- (a) Net profit before tax
- (b) Net profit after tax, but before deduction of minority interest
- (c) Earnings before interest and tax as a percentage of average total assets
- (d) Net profit after tax (and after deduction of minority interest) as a percentage of average shareholder equity (excluding minority interest)
- (e) Dividends (interim and final) paid or payable to the shareholder

7.2 The following are the group's environmental performance targets:

- (a) CentrePort to comply with AS/NZS 14000: Environmental Management Standards.
- (b) CentrePort to promote the introduction into the district and regional coastal plans of the principles of NZ6809:1999 Acoustics – Port Noise Management and Land Use Planning.
- (c) The group to comply with all conditions under resource consents and permits held, and full adherence to the requirements of environmental law generally.
- (d) CentrePort to maintain an environment issues register of environmental complaints for monitoring and actioning purposes. The register to be reported to CPL's Health, Safety and Environment committee on a regular basis (meets at least 3 times per annum).

- (e) CentrePort Ltd will hold a minimum of three environmental consultative committee meetings in 2006/07 comprising CPL and effected stakeholders (customers, port users, local authorities and residential groups). The meetings provide a forum to identify and inform on a range of environmental port related matters.

7.3 The following are the group's social performance targets:

- (a) CentrePort to maintain 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.
- (b) CentrePort to maintain compliance with the International Ship & Port Security (ISPS) Code which promotes security against terrorism within the port environment.
- (c) CentrePort to undertake risk assessments and implement any mitigating procedures relating to the Port & Harbour Safety Code which promotes safety and excellence in marine operations.
- (d) To undertake a level of sponsorship appropriate to CentrePort.
- (e) To meet regularly with representative community groups of CentrePort.

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

## **8. Distribution of Profits to Shareholders**

- 8.1 The company policy on the provision of the net profits to be distributed to shareholders (after deductions for taxes and interest) will be reviewed by the board of the company from time to time, after taking account of the wishes of the shareholder, according to the future circumstances as they may exist and the successful achievements of the commercial objectives of the company.
- 8.2 The expectation is that the dividend paid by the company will be the maximum practical amount, and currently is expected to be 100% of after tax earnings, excluding unrealised gains/losses on investment property, depreciation/impairment of the Group's public transport infrastructure assets.

## 9. Information to be Reported

The company 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 Annual Report comprising:
  - A statement of accounting policies;
  - Audited consolidated financial statements for the year;
  - Explanatory notes thereon; and
  - A report from the directors which will include:
    - \* a review of operations
    - \* a summary of achievements measured against the performance targets included in sections 7.1 to 7.3
    - \* the maximum dividend (if any) recommended.
- (b) Within two months of the end of the first half of each financial year, produce a half yearly management report for each of the companies within the group comprising:
  - An abridged, unaudited statements of the financial performance and financial position with explanatory notes; and
  - A brief report on the company's operations for the half year.

**(The above reporting requirements are specified under Sections 66 and 67 of the Local Government Act 2002.)**

## 10. Procedures for the Purchase and Acquisition of Shares

- 10.1 The boards of directors of the company, PHL and PIL, GWRL, GWIL and GWTL will obtain the prior approval of Greater Wellington before any of those companies subscribes for, purchases or otherwise acquires shares in any company or other organisation, which is external to the group. (N.B: CentrePort is governed by a separate constitution.)
- 10.2 Section 60 of the Local Government Act 2002 requires that all decisions relating to the operation of the company must be made in accordance with its statement of intent and its constitution.

## **11. Compensation**

- 11.1 Councillors, who are also directors of the company, PHL, PIL, GWR, GWI and GWT will receive travelling expenses based on the rates applicable to members of the Council. Directors of those companies, who are not members of the Council, will receive directors' fees as approved by the Council from time to time.
- 11.2 The company will seek compensation by agreement from Greater Wellington 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 company to carry out on their behalf and which involves the supply of goods and services.

## **12. Value of Shareholder's Investment**

- 12.1 The commercial value of the Regional Council Centre will be determined annually by an independent property valuer in accordance with the company's accounting policies, and reported in the statement of financial position.
- 12.2 A re-assessment of the valuation of other investments will be undertaken as may be required from time to time by the directors or shareholders.

## **13. Other Areas**

### **13.1 Review of Statement of Intent**

The company shall approve by 1 March of each year a draft statement of intent for the consideration of shareholders.

The company must then consider any comments on the draft statement of intent that are made to it within two months of 1 March by the shareholders and deliver the completed statement of intent to the shareholders by 30 June.