

Report 12.128
Date 24 April 2012
File CFO/09/05/01

Committee Council
Author Mike Timmer, Treasurer

Increase in Share Capital – WRC Holdings and Greater Wellington Rail Limited

1. Purpose

To seek Council approval for an increase in the share capital of WRC Holdings Ltd.

2. The decision-making process and significance

The matters requiring decision in this report has been considered by officers against the requirements of Part 6 of the Local Government Act 2002 (the Act).

2.1 Significance of the decision

Part 6 of the Act requires Council to consider the significance of the decision. The term ‘significant’ has a statutory definition set out in the Act.

Officers have considered the significance of the matter, taking into account the Council's significance policy and decision-making guidelines. Officers recommend that the matter be considered to have low significance.

Officers do not consider that a formal record outlining consideration of the decision-making process is required in this instance.

3. Background

The Directors approved an increase in share capital in both WRC Holdings and Greater Wellington Rail of 22.17 million \$1 shares in April 2008 to fund the non Government portion of the Matangi purchase price.

The purchase was to be funded 90% by the Crown and 10% by Greater Wellington Regional Council (Greater Wellington). The 10% local share was to be funded by borrowings.

Over the last 4 years Greater Wellington has advanced funds received from the Crown for the Matangi project to GWRL by way of capital grant, with the

balance being funded by the above mentioned share capital, from funds borrowed by Greater Wellington.

The quantum of the Government funding has reduced since the project has started, meaning a greater contribution is now sourced from Greater Wellington via share capital.

Current calculations have the Government providing \$206.4 million of the total forecasted project cost of \$235.8 million. This leaves \$29.40 million to be funded by Greater Wellington via a share capital. This compares to the initial share capital \$22.17 million.

4. Number of shares

The Matangi project requires additional share capital of \$7.23 million (\$29.40 million less \$22.17 million already issued).

It is proposed that GWRL issues up to 8 million ordinary shares valued at \$1 each to WRC Holdings and WRC Holdings will also issue 8 million ordinary shares valued at \$1 each to its shareholder, Greater Wellington.

5. Timing of the issue of shares

The Matangi project is spread over this year (2011/12) and next financial year (2012/13). Therefore, the shares will be issued on an uncalled (not paid) basis until such time as the monies are required to meet GWRL's obligations. Thus, the shares will be paid for progressively over this period.

A call will be made in late June on the uncalled shares once the final figures for the year ended 30 June are known with greater accuracy.

6. The process

The Directors of GWRL must approve the issue of shares to its shareholder WRC Holdings via a Directors' Written Resolution. This was done at the 24 April board meeting (Report 12.131).

WRC Holdings, as the sole entitled person¹ and shareholder in GWRL, must also consent to the issue of shares by GWRL via an Entitled Person's Agreement. This was also completed on 24 April 2012. The Directors of WRC Holdings Limited then approved the issue of an equivalent number of shares to its shareholder, Greater Wellington via a Directors' Written Resolution. This also was approved on 24 April 2012.

Greater Wellington, as the sole entitled person and shareholder in WRC Holdings, must consent to the issue of shares by WRC Holdings, which is formally confirmed by signing an Entitled Person's Agreement which is **Attachment 1**.

¹ An entitled person means a shareholder and any person upon whom the constitution of a company confers any of the rights and powers of a shareholder. We have reviewed the constitutions of WRC Holdings Limited and Greater Wellington Rail Limited and confirm that no other persons have been conferred any of the rights and powers of a shareholder.

7. Communication

No communications are required.

8. Recommendations

That the Council:

1. ***Receives*** the report.
2. ***Notes*** the content of the report.
3. ***Notes*** that WRC Holdings Ltd's sole entitled person and, Shareholder, Greater Wellington Regional Council, must consent to the issue of shares by WRC Holdings Ltd.
4. ***Approves*** the issue of 8 million shares valued at \$1 each shares in WRC Holdings Limited by the signing of ***Attachment 1***, being the Agreement of the sole shareholder and entitled person of the Company pursuant to section 107 of the Companies Act 1993.
5. ***Authorises*** Councillors Wilde and Lamason to sign the Entitled Persons' Agreement on behalf of the Council.
6. ***Requests*** that the Chair of the Council confirms the consent and approvals referred to in this report, in writing to WRC Holdings Limited.
7. ***Authorises*** the Chief Financial Officer of Greater Wellington Regional Council to pay the necessary funds to WRC Holdings limited when the shares are called by the directors of WRC Holdings Limited, up to the maximum of 8 million shares.

Report prepared by:

Report approved by:

Mike Timmer
Treasurer

Bruce Simpson
Chief Financial Officer

Attachment 1: Entitled Person's Agreement – pursuant to s107 of the Companies Act 1993