



STATEMENT OF INTENT

WRC HOLDINGS GROUP

(covering the period to 30 June 2006 and the following 2 years)

1. Scope of Statement of Intent

- 1.1 This statement of intent relates to WRC Holdings **Limited** (the company) and its subsidiary companies Pringle House Limited (PHL), Port Investments Limited (**PIL**) and Centreport Ltd (Centreport), 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) 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) 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 and PIL and these are appointed by the company by way of **a** special resolution. **This** ensures a commonality of directors between WRCHL, PHL **and** PIL.

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 **on** a quarterly basis.

4. Nature and Scope of Activities to be Undertaken

- 4.1 The company **is** the holding company for PHL, PIL 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 provision **of** investment management services for any other current and future investments held within the **group**.
- 4.5 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 p u p** , 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.

- 5.2 **As** at 30 June 2004 consolidated shareholders **funds** were **7.5%** of total assets.

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 generally accepted accounting practice.

7. Performance Targets

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

	2005/06 (\$000)	2006/07 (\$000)	2007/08 (\$000)
a. Net profit before tax	6,963	7,385	9,146
b. Net profit after tax	4,437	4,831	6,039
c. Return on total assets	6.56%	6.48%	7.02%
d. Return on shareholder equity	4.08%	4.41%	5.47%
e. Dividend stream	406	600	916

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) Centreport to complete a noise management plan to support proposed changes to the noise provisions within the district and regional coastal plans.
- (d) The group to comply with all conditions under resource consents and permits held, and full adherence to the requirements of environmental law generally.

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.
- (f) **To** hold more port tours **for** community groups.

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.

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, 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, and PIL, 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 value of shareholders funds (excluding minority interest) in the company as at 30 June 2004 was \$68,345,000.

12.2 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.

12.3 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.