



STATEMENT OF INTENT

WRC HOLDINGS GROUP (covering the period to 30 June 2005 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:

- (a) To operate as a successful, sustainable and responsible business.
- (b) To own and operate, via PHL, the Council's headquarters at 142-146 Wakefield Street, Wellington (known as the "Regional Council Centre") on a cost effective basis.
- (c) To own via PIL, the Council'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) To 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:

- (a) To provide a commercial return to shareholders.
- (b) To adopt policies that prudently manage risk and protect the investment of shareholders.

- 2.3 The ENVIRONMENTAL OBJECTIVES of the Group shall be:

- (a) To operate in an environmentally responsible and sustainable manner.

- (b) To minimise the impact of any of the Group's activities on the environment.
- (c) To raise awareness of environmental issues within the Group.
- d) To 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:

- (a) To provide a safe and healthy workplace.
- (b) To participate in development, cultural and community activities within the Regions in which the Group operates.
- (c) To help sustain the economy of the region.

3. Governance of the Group

3.1 The shareholder, the 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 The Council 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 the Council'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 the Council pursuant to any management agreements.
- 4.3 The provision of Investment Management services for Council'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 Company, less any minority interests.
- (b) Total Assets are defined as all the recorded tangible and intangible assets of the Company at their current value as determined in the Company's Statement of Accounting Policies in the most recent financial statements.

- 5.2 As at 30 June 2003 consolidated shareholders funds were 12.6% 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 and the Financial Reporting Act 1993.

7. Performance Targets

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

	2004/05 (\$000)	2005/06 (\$000)	2006/07 (\$000)
a. Net Profit Before Tax	7,243	7,125	7,118
b. Net Profit After Tax	4,569	4,548	4,537
c. Return on Total Assets	11.9%	12.7%	12.8%
d. Return on Shareholder Equity	16.7%	14.7%	13.2%
e. Dividend Stream	819	797	787

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 maintain current levels **of** accreditation to Centreport's internationally recognised management system (incorporating environmental standards) **CLIMB**.
- (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) Compliance with all conditions under resource consents and permits held, and full adherence to the requirements of environmental law generally.
- (d) CentrePort to complete a biosecurity management plan in order to protect the operational port capability to handle international shipping.

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

- (a) Centreport to maintain current levels of accreditation to Centreport's internationally recognised management system (incorporating health and safety standards) **CLIMB**.

- (b) CentrePort to maintain compliance with Lloyds Safe Ship Management for tugs and launches.
- (c) To ensure that all employee participation requirements under the new health and safety legislation are met.
- (d) CentrePort to investigate the feasibility of marine cluster opportunities, including a dry dock facility, and that special consideration be given to siting it at Seaview.
- (e) To undertake a level of sponsorship appropriate to Centreport.
- (f) To meet regularly with representative community groups of Centreport.
- (g) 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 the Council before any of those companies subscribes for, purchases or otherwise acquires shares in any company or other organisation, which is external to the Group. (NB: 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 the Council 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 2003 ~~was~~ \$13,355,000.
- 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.