

Report to the Policy and Finance Committee
from Greg Schollum, Chief Financial Officer

Approval of Special Dividend

1. Purpose

To approve the payment of a special dividend of \$6 million by WRC Holdings Ltd to the Council.

2. Background

In report PE99.306, in relation to the WRC debt buyback, I indicated that the WRC Holdings Group had received a special dividend from CentrePort of approximately \$5.8 million. (Councillors will recall that this special dividend was associated with the conversion of CentrePort convertible notes into additional spare capital.)

My intention (as signalled in report PE 99.306) has always been to pass “up the chain” this dividend as follows:



However, in the meantime, while the necessary documentation was being prepared and approved (including reviewing the ability of both WRC Holdings Ltd and Port Investments Ltd to meet the solvency test pursuant to the 1993 Companies Act) Council's Treasury function has utilised the proceeds of the

\$5.8 million special dividend to repay debt (including approximately \$2.9 million to physically buy back WRC high yielding debt at 16%). This has been possible as Port Investments Ltd temporarily advanced the \$5.8 million to the Council.

On 26 August 1999 the Directors of Port Investments Ltd approved the payment of a special dividend of \$6 million to its shareholder, WRC Holdings Ltd.

I now wish to seek Council's approval for the special dividend to be passed up the chain from WRC Holdings Ltd to the Council (WRC Holdings Ltd's Constitution states that the Council, as shareholder, needs to give its approval prior to the Directors approving the dividend).

The Directors of WRC Holdings Ltd met on 26 August 1999 and are comfortable to sign off the dividend approval (including satisfaction of the solvency test) once the Council approves the payment of the dividend.

3. **Impact on WRC**

In the 1999/00 Annual Plan we assumed that the special dividend of \$5.8 million paid by CentrePort would be passed up the chain from Port Investments Ltd to the Council, and would be used by Council's Treasury function to repay debt.

In recognition of the delay in payment from July to October, and to ensure Port Investments Ltd doesn't build up too much retained earnings, I asked that the Directors approve a dividend of \$6 million rather than the \$5.8 million paid by CentrePort.

Therefore, the budgets which have been prepared assume the dividend will be paid and I now seek approval to allow this to occur.

4. **Communications**

Not required

5. **Recommendations**

(1) *That the report be received and the contents noted.*

- (2) *That the Committee recommend that the Council approve the payment by WRC Holdings Ltd of a special dividend of \$6 million (fully imputed) and authorise the affixing of the Council's Common Seal to the necessary documentation giving effect to that transaction.*

GREG SCHOLLUM
Chief Financial Officer