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

WRC Holdings Group – Directorships

1. Purpose

To seek approval of the committee to extend the existing directorships of WRC Holdings Ltd, Port Investments Ltd and Pringle House Ltd until 28 February 2002 to allow sufficient time for the new Council to properly consider the composition of the company boards.

2. Background

The Council's three 100% owned companies WRC Holdings Ltd, Port Investments Ltd and Pringle House Ltd all currently have the same board of directors as follows:

Stuart Macaskill (Company Chairman)
Margaret Shields
Euan McQueen
Jim Rowe
Alison Lawson

The current composition of the boards of the three companies is therefore as follows:

- 3 Elected representatives
- 2 External appointees

(NB: A minimum of two external appointees is required on every LATE)

This means that the Council effectively controls the majority of the boards of each company.

With the Local Body Election coming up in October it is now timely to consider how Council's companies will operate in the period immediately following the election.

3. What is the legal position in relation to Directorships?

The constitutions of the three companies govern how directors are appointed and removed from office.

The constitutions of all three companies provide that directors vacate office if, as shareholder representatives, they cease to be a member of the Council. The effect of that clause in the constitution means that as soon as any Councillor who is a director, ceases to be a Councillor they automatically cease to be a director as well.

4. What is the likely situation post the October election?

Both Councillor Macaskill and Councillor McQueen have indicated that they do not intend to stand for re-election in October. This means that after the election the maximum possible number of Councillors on the boards of the three companies will be one – Councillor Shields (on the basis that Councillor Shields is re-elected).

Unless the constitutions of the companies are varied the maximum number of Directors, post the October election will be 3:

- 1 Councillor
- 2 External Appointees

This will mean the companies will not be able to operate as the constitutions of all 3 companies require a minimum number of four directors.

Another associated issue is the chairmanship of the boards. When the matter was last considered the Council decided that it was prudent to have the Council Chairperson as the Chairperson of the Board of each company. Again this will be a matter that needs to be dealt with subsequent to the election of the Council Chairperson.

5. Proposed Solution

In order to provide the new Council with sufficient time following the October 2001 election to properly consider the matter of directorships of Council

companies, officers are recommending that the current director appointments including the current chairmanship of the companies should continue until 28 February 2002.

The Council will then be able to give the matter of directorships due consideration including the appropriateness of the continuation of the two current external directors. It will also enable the new Council Chairperson to focus on Council matters in the period immediately following the election.

This will require a temporary change to the constitutions of WRC Holdings Ltd, Pringle House Ltd and Port Investments Ltd, to allow those Councillors who are not re-elected to remain as directors on the company boards for a specific period of time.

6. Recommendations

That the Policy and Finance Committee recommend that the Council:

- (1) Receive the report and note its contents.*
- (2) As sole shareholder of WRC Holdings Limited (“WRC Holdings”), resolve as a special resolution that notwithstanding clause 25.5, and clause 7.2 of the Schedule of WRC Holdings’ constitution, and by way of amendment to those clauses of the constitution, that Stuart Macaskill, Margaret Shields and Euan McQueen remain in office as directors, and in the case of Stuart Macaskill as chairperson, of WRC Holdings, until 28 February 2002.*
- (3) Note that WRC Holdings, as sole shareholder of Pringle House Limited (“Pringle”) and Port Investments Limited (“PIL”), will need to pass a special resolution that, notwithstanding clause 25.5 of the constitutions of each of Pringle and PIL, and by way of amendment to each of those constitutions, that Stuart Macaskill, Margaret Shields and Euan McQueen shall remain in office as directors, and in the case of Stuart Macaskill as chairperson, of each of Pringle and PIL, until 28 February 2002.*

GREG SCHOLLUM
Chief Financial Officer