

A G E N D A

Executive Committee Meeting

Council Chambers
Monday 5 September 2016
commencing at 3.00 pm

Cr. M.S. Dawson (**Chairperson**)
His Worship the Mayor, M.T. Havill
Deputy Mayor Cr. P.M. Cox
Cr. J.H. Butzbach, Cr. D.G. Hope,
Cr. L.J. Martin, Cr. M.D. Montagu,
Cr A. P. Thompson, Cr. C.A. van Beek

NOTICE IS HEREBY GIVEN THAT A MEETING OF THE EXECUTIVE COMMITTEE WILL BE HELD IN THE COUNCIL CHAMBERS, 36 WELD STREET, HOKITIKA, ON MONDAY 5 SEPTEMBER 2016 COMMENCING AT 3.00 PM

COUNCIL VISION

Westland District Council will facilitate the development of communities within its district through delivery of sound infrastructure, policy and regulation.

This will be achieved by:

- Involving the community and stakeholders.
- Delivering core services that meet community expectations and demonstrate value and quality.
- Proudly promoting, protecting and leveraging our historic, environmental, cultural and natural resource base to enhance lifestyle and opportunity for future generations.

Purpose:

The Council is required to give effect to the purpose of local government as prescribed by section 10 of the Local Government Act 2002. That purpose is:

- (a) To enable democratic local decision-making and action, by and on behalf of, communities; and
- (b) To meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses

1. MEMBERS PRESENT AND APOLOGIES:

1.1 Apologies

1.2 Interest Register

2. CONFIRMATION OF MINUTES:

2.1 Confirmation of Minutes of Executive Committee Meeting

2.1.1 Minutes of the Executive Committee Meeting – 16 March 2016

3. MATTERS TO BE CONSIDERED IN THE ‘PUBLIC EXCLUDED SECTION’

Resolutions to exclude the public: Section 48, Local Government Official Information and Meetings Act 1987.

Council is required to move that the public be excluded from the following parts of the proceedings of this meeting, namely:

3.1 Confidential Minutes.

3.2 Chief Executive’s Performance Review

GENERAL SUBJECT OF THE MATTER TO BE CONSIDERED		REASON FOR PASSING THIS RESOLUTION IN RELATION TO THE MATTER	GROUND(S) UNDER SECTION 48(1) FOR THE PASSING OF THIS RESOLUTION
1.	Confidential Minutes	To protect the privacy of individuals/organisations under Section 7(2)(a).	48(1)(a)(i) & (d)
2.	Chief Executive’s Performance Review	To protect the privacy of individuals/organisations under Section 7(2)(a).	48(1)(a)(i) & (d)

4. PUBLIC FORUM

The public forum section will commence at the start of the meeting.

5. **BUSINESS:**

- 5.1 **Executive Committee Workplan 2016-2017** *(Pages 15 - 16)*
- 5.2 **Insurances 2016-17** *(Pages 17 - 87)*
- 5.3 **Interest Rate Swaps** *(Pages 88 - 103)*
- 5.4 **Westland Holdings Limited: Updated Constitution and Code of Conduct**
(Pages 104 - 138)
- 5.5 **Westland Holdings Limited: Statement of Intent 1 July 2016** *(Pages 139 - 191)*

TERMS OF REFERENCE FOR THE EXECUTIVE COMMITTEE

REPORTING TO: Council

CONSTITUTION: Cr Dawson (Chairperson)
All other Elected Members

MEETING FREQUENCY: As required.

QUORUM: Chairperson and any three members.

OBJECTIVE:

1. To enable Council to carry out its statutory and contractual responsibilities as employer of the Chief Executive.
2. To implement Council policies and processes for the selection, appointment and remuneration of directors to Council Controlled Organisations and trustees to Council Organisations.
3. To maintain an on-going liaison with Boards of Directors of Council-Controlled Organisations in regard to Council's interest as a shareholder.
4. To undertake the role of Audit Committee.
5. To undertake the role of Risk Management Committee.
6. To determine matters within the authority of Council where the urgency of those matters precludes an Extraordinary Meeting of the full Council.

SCOPE OF ACTIVITY:

Employment of Chief Executive

1. All matters arising under Section 42 and Clauses 33, 34, 35 and 36 of Schedule 7 of the Local Government Act 2002.
2. All matters arising from Council's employment agreement with the Chief Executive, including but not limited to the conduct of performance reviews and remuneration reviews.

Appointment of Directors and Trustees

3. All matters pertaining to the selection, appointment and remuneration of directors to Council-controlled organisations and trustees to Council organisations, in accordance with Council's Policy on Appointment and Remuneration of Directors.

Audit and Risk

4. All matters pertaining to good practice for Audit and Risk, including consideration of the following matters.

(a) Internal Control Framework

- i. Review whether management's approach to maintaining an effective internal control framework is sound and effective.
- ii. Review whether management has taken steps to embed a culture that is committed to probity and ethical behaviour.
- iii. Review whether there are appropriate systems, processes and controls in place prevent, detect and effectively investigate fraud.

(b) Internal Reporting

- i. Consider the processes for ensuring the completeness and quality of financial and operational information being provided to the Council.
- ii. Seek advice periodically from internal and external auditors regarding the completeness and quality of financial and operational information that is provided to the Council.

(c) External Reporting and Accountability

- i. Agree the appropriateness of the Council's existing accounting policies and principles and any proposed change.
- ii. Enquire of internal and external auditors for any information that affects the quality and clarity of the Council's financial statements and statements of service performance, and assess whether appropriate action has been taken by management in response to the above.
- iii. Satisfy itself that the financial statements and statements of service performance are supported by appropriate management signoff on the statements and on the adequacy of the systems of internal control (i.e. letters

of representation), and recommend signing of the financial statements by the Chief Executive/Mayor and adoption of the Annual Report or Long Term Plan.

- iv. Confirm that processes are in place to ensure that financial information included in the entity's Annual Report and Long Term Plan is consistent with the signed financial statements.

(d) Risk Management

- i. Review whether management has in place a current and comprehensive risk management framework and associated procedures for effective identification and management of the Council's significant risks.
- ii. Review Council's annual insurance renewal and ensure the appropriateness of the level of self-insured risk.
- iii. Consider whether appropriate action is being taken by Management to mitigate Council's significant risks.

(e) Internal Audit

- i. Review and approve the internal audit coverage and annual work plans, ensuring these plans are based on the Council's risk profile.
- ii. Review the adequacy of management's implementation of internal audit recommendations.
- iii. Review the internal audit charter to ensure appropriate organisational structures, authority, access, independence, resourcing and reporting arrangements are in place.

(f) External Audit

- i. At the start of each audit, confirm the terms of the engagement, including the nature and scope of the audit, timetable and fees, with the external auditor.
- ii. Receive the external audit report(s) and review action to be taken by management on significant issues and audit recommendations raised within.
- iii. Conduct a members-only session (i.e. without any management present) with external audit to discuss any matters that the auditors wish to bring to the Committee's attention and/or any issues of independence.

- iv. Consider any recommendation by management that the Office of the Auditor-General replace the external auditor.

(g) Compliance with Legislation, Standards and Good Practice Guidelines

- i. Review the effectiveness of the system for monitoring the Council's compliance with laws (including governance legislation, regulations and associated government policies), with Council's own standards, and Good Practice Guidelines as applicable.

Emergency Powers

- 5. All matters within the authority of Council, other than those reserved to Council under s.48 and Sch. 7 of the Local Government Act 2002.

POWER TO ACT:

Employment of Chief Executive

- (a) To decide all matters arising under s.42 and Cl. 33, 34, 35 and 36 of Sch. 7 of the Local Government Act 2002 and all matters arising from Council's employment agreement with the Chief Executive, except for:
 - (i) The appointment of a Chief Executive; and
 - (ii) The re-appointment of a Chief Executive for a second term under Cl. 34 Sch. 7 of the Local Government Act 2002; and
 - (iii) The termination of employment of the Chief Executive.
- (b) In undertaking performance reviews, whilst the process for undertaking the review is at the Committees discretion; the Committee must:
 - (i) Seek the views of all Councillors, prior to assessing the Chief Executives performance review.
 - (ii) Seek the advice of an independent employment advisor, at least annually, on good practice, in undertaking a review.
- (c) In undertaking a remuneration review the Committee must seek the advice of an independent employment advisor, on good practice, in undertaking a review.

Appointment of Directors and Trustees

- (d) All matters pertaining to the selection, appointment and remuneration of directors to Council Controlled Organisations and trustees to Council Organisations, except for the appointments of directors and trustees.
- (e) All matters are to be in accordance with Council adopted policy on Appointment and Remuneration of Directors.

Emergency Powers

- (f) To decide all matters within the authority of Council where urgency precludes convening an Extraordinary meeting of the full Council, except for those matters reserved to Council under s.48 and Sch. 7 of the Local Government Act 2002.

Other

- (g) Approve Executive Committee meeting minutes.
- (h) Appoint sub committees with written terms of reference, resolved by the Committee.

POWER TO RECOMMEND

Employment of Chief Executive

- (a) The appointment of the Chief Executive;
- (b) The re-appointment of a Chief Executive for a second term under Cl. 34 Sch. 7 of the Local Government Act 2002.
- (c) The termination of employment of the Chief Executive.

Appointment of Directors and Trustees

- (d) Appointees for directors to Council Controlled organisations and trustees to Council organisations that meet the requirements of s.57 of the Local Government Act 2002.

Council Controlled Organisations

- (e) Any matters pertaining to Council's interest as a shareholder in Council Controlled Organisations, including:
 - i. Consideration of Statements of Intent

- ii. Review of six monthly and annual performance against the statements of intent.
- iii. Consideration of major transactions.
- iv. Consideration of major transactions, acquisitions and disposals.

Adopted by Council on 28 November 2013
Amended and Readopted by Council on 27 February 2014
Amended and Readopted by Council on 26 March 2015



Executive Committee Minutes

MINUTES OF A MEETING OF THE EXECUTIVE COMMITTEE OF THE WESTLAND DISTRICT COUNCIL, HELD IN THE COUNCIL CHAMBERS, 36 WELD STREET, HOKITIKA ON WEDNESDAY 16 MARCH 2016 COMMENCING AT 9.00 AM

1. MEMBERS PRESENT, APOLOGIES AND INTEREST REGISTER

His Worship the Mayor, M.T. Havill

Cr. M.S. Dawson (**Chairperson**)

Deputy Mayor P.M. Cox

Cr M.D. Montagu, Cr A.P. Thompson, Cr C.A. van Beek

1.1 Apologies

Cr J.H. Butzbach

Cr D.G. Hope

Cr L.J. Martin

Moved Cr M.S Dawson, seconded Deputy Mayor Cox and **Resolved** that the apologies from Cr Butzbach, Cr D.G. Hope and Cr Martin be received and accepted.

Staff in Attendance

G. Borg, Group Manager: Corporate Services; R Reid, Business Support Officer;

1.2 Interest Register

The Interest Register was circulated and no amendments were noted.

2. **CONFIRMATION OF MINUTES**

2.1 **Confirmation of Minutes of Executive Committee Meeting**

2.1.1 **Minutes of the Executive Committee Meeting – 09 September 2015**

Moved Deputy Mayor Cox, seconded Cr Dawson and **Resolved** that the Minutes of the Executive Committee Meeting held on the 09 September 2015 be received as a true and correct record of the meeting, subject to the following amendments:

Item 1.1 – Apologies

“Moved His Worship the Mayor, seconded Deputy Mayor Cox and **Resolved** that the apologies from Cr C.A. van Beek and Cr D.G. Hope be received and accepted.

3. **PUBLIC FORUM**

The following members of the public attended the Public Forum Section of the meeting:

Vaughan Bradley attended the Public Forum Section of the meeting to give a presentation on the Renton Building, with Kay Lyes in support.

Mr Bradley asked Westland District Council to support a proposal that aims to delay demolition of the building. Discussions were held, regarding this proposal.

4. **BUSINESS:**

4.1 **Audit Management Report 30 June 2015**

The Group Manager: Corporate Services spoke to this report and noted that Council will absorb the recommendations made in the report into the development of its internal control framework.

Cr van Beek thanked the Group Manager: Corporate Services for the time and effort that has been put into the report.

Cr Dawson also congratulated the Group Manager: Corporate Services and his team on their efforts with regards to this report but noted that Council expected the next report be finalised within the scheduled time frame.

The following items were discussed:

- Financial sustainability
- Rates Review
- Assets Missed and Found
- Level of Transparency
- Building Insurance
- Independent Review
- Risk Management
- Financial Stability of Council

Moved Cr Montagu, seconded Cr van Beek and **Resolved** that the 'Audit Management Report 30 June 2015' be received.

4.2 Executive Committee Work Plan

The Group Manager; Corporate Services spoke to this item.

The Group Manager: Corporate Services suggested that the next Executive Committee Meeting be scheduled for March, and suggested that there would be a requirement for three to five meetings this calendar year.

5. MATTERS TO BE CONSIDERED IN THE 'PUBLIC EXCLUDED SECTION'

Moved Deputy Mayor Cox, seconded Mayor Havill and **Resolved** that Council exclude the public in accordance with Section 48, Local Government Official Information and Meetings Act 1987 at 5.22 pm.

Council is required to move that the public be excluded from the following parts of the proceedings of this meeting, namely:

5.1 Confidential Minutes

The general subject of the matters to be considered while the public are excluded, the reason for passing this resolution in relation to each matter and the specific grounds under Section 48(1)(a) and (d) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

Item No.	Minutes/ Report of	General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under Section 48(1) for the passing of this resolution
1.	Minutes	Confidential Minutes – 11 August 2015	Good reasons to withhold exists under Section 7.	48(1)(a)(i) & (d)

This resolution is made in reliance on Section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or 7 of that Act which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public are as follows:

No.	Item	Section
5.1	Protection of privacy of natural persons/organisations.	Section 7(2)(a)

Moved Cr Thompson, seconded Mayor Havill and **Resolved** that the business conducted in the “Public Excluded Section” be confirmed and the public be readmitted at 9:51am.

MEETING CLOSED AT 9:51 AM

Confirmed by:

Cr Mark Dawson
Chair

Date

EXECUTIVE COMMITTEE ROLLING WORK PLAN

Item	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17
External Audit	Audit Management Report 2014/15 Meet Audit Director				Interim Audit 2015/16			Interim Audit Management Report 2015/16 Audit Annual Report 2015/16	Audit Annual Report 2015/16		Audit Management Report 2015/16 Meet Audit Director	
Financial Reporting		Review Council Monthly Reporting Pack			Review Annual Plan 2016/17				Review Annual Report 2015/16			
CE Performance Review		6-Month PR						Annual PR				
CCO's	WHL AGM 2014/15	Half Year Reports 2015/16 Draft Statements of Intent 2016/17	Codes of Conduct Constitutions		Final Statements of Intent 2016/17			Full Year Reports 2015/16		WHL AGM 2015/16		
Insurance			Valuation Information LAPP decision		Renewal							
Risk Management Framework	Risk Management Workshop – Reporting and Decision Making		Review Risk Management Policies & Procedures Update on Health & Safety		Review Risk Register					Review Risk Register		

EXECUTIVE COMMITTEE ROLLING WORK PLAN

			Legislation									
Internal Control Framework	Review Current Policies and set Action Plan		Update		Update – Internal Audit			Update			Update	

Report



DATE: 5 September 2016

TO: Executive Committee

FROM: Group Manager: Corporate Services

INSURANCES 2016-17

1 SUMMARY

- 1.1 The purpose of this report is to present the Committee with the proposal for Council's insurance renewal for the year ending 30 June 2017.
- 1.2 Council seeks to meet its obligations under the Local Government Act 2002 and the achievement of the District Vision adopted by the Council in September 2014, which will be set out in the next Long Term Plan 2015-25. These are stated on Page 2 of this agenda.
- 1.3 This matter arises because insurance, as a component of risk management is contained in the Committee's Terms of Reference, section 4(d)iii.
- 1.4 This report concludes by recommending that the Committee endorses the insurance arrangements proposed to Council.

2 BACKGROUND

- 2.1 In 2015 Council formed a shared service arrangement with the other West Coast councils for the purchase of material damage, indemnity and liability insurances. Following a competitive evaluation process the LASS appointed Aon as its collective broker.
- 2.2 Until now insurance for subterranean assets was only available through the Local Authority Protection Programme (LAPP).

3 CURRENT SITUATION

- 3.1 Council's budget for insurance for the year ended 30 June 2017 is \$289,165.
- 3.2 The renewal proposal from Aon for material damage, indemnity and liability insurances is attached as **Appendix 1**, along with a list of insured assets attached as **Appendix 2**. The latter is the same list as for 2015-16, with updated fair value information.
- 3.3 The total proposed for these insurances is \$177,111.63.
- 3.4 Council is currently completing a comprehensive asset valuation and condition review. The result of this will inform future insurance renewal decisions.
- 3.5 For the liability policies the same levels as 2015-16 have been proposed.
- 3.6 Aon have also quoted for Council to join the Manawatu-Wanganui LASS for underground infrastructure cover. This offers similar cover to LAPP, in that 40% of any claim above the excess is covered by the scheme, with the remaining 60% theoretically covered through provisions of the Ministry of Civil Defence and Emergency Management. A schedule of assets is attached as **Appendix 3**.
- 3.7 LAPP is a discretionary trust. The quoted renewal contribution for 2016-17 is \$81,300, with a deductible of \$400,000. A synopsis entitled 'LAPP State of Play – May 2016' is attached as **Appendix 4**.
- 3.8 The MWLASS infrastructure insurance is a contractual arrangement. Aon have provided a quote of \$66,000 and an excess of \$250,000. Proposed policy wording is attached as **Appendix 5**.
- 3.9 As at 30 June 2016 the provisional fair value of Council's fixed assets is \$434 million. The combined insurance proposals provide cover for approximately one third of the asset base, being primarily 3 waters assets, buildings, contents and vehicles.
- 3.10 The remaining assets, self-insured by Council, are roads, bridges and land.

4 RECOMMENDATIONS

- A) **THAT** the Committee recommends that Council approves the renewal of material damage, liability and indemnity insurances as proposed by Aon for \$177,111.63 excluding GST, attached as **Appendix 1**.
- B) **THAT** the Committee recommends that Council approves the quotation from Aon to join the MWLASS for underground infrastructure insurance for \$66,000 excluding GST, with terms per the contract attached as **Appendix 5**.

Gary Borg
Group Manager: Corporate Services

Appendix 1: Aon Renewal Summary 2016-17
Appendix 2: Material Damage Premium Calculation 2016-17
Appendix 3: WDC underground asset valuations
Appendix 4: LAPP State of Play – May 2016
Appendix 5: MWLASS Contract Wording



Renewal Summary

2016-2017



AON



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If your complaint is not satisfactorily resolved, you should contact Aon's National Complaints Manager on (09) 362 9000 or put your complaint in writing to:

National Complaints Manager

Aon New Zealand

PO Box 1184

Shortland Street

Auckland 1140

If you are not satisfied with the outcome determined by the National Complaints Manager, you may contact Financial Services Complaints Limited by calling 0800 347 257.



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Introduction

Firstly, we would like to thank Gary at Westland District Council (WDC) who provided the required information to allow the renewal process to be completed. We are pleased to present to you a summary of renewal terms negotiated with insurance markets in respect of WDC's insurance programme for the period 30 June 2016 to 30 June 2017.

The following pages outline a summary of the renewal outcome with commentary around the results and the changing New Zealand market.

Executive Summary

- **Material Damage**

After a significant 40% reduction in rates seen in 2015/2016, this year we have managed to negotiate a further 5.4% from last year. We have also obtained the Insurer's agreement to reduce the current Natural Disaster Deductible down as follows:

Pre-1935 Buildings	2015 – 10% of sum insured	2016 – 5% of sum insured
Post-1935 Buildings	2015 – 5% of sum insured	2016 – 2.5% of sum insured

The following table shows past two years sums insured and insurer premiums paid.

	2015	2016
Sum Insured	\$43,928,638	\$49,002,475
Insurer Premium	\$96,638.41	\$103,345.37

Whilst the actual premium for the 2016-17 year hasn't decreased in line with the rating reduction, this is due to an 11.6% increase in the declared values.

- **Commercial Motor**

The Motor Vehicle policy experienced a reduction in rate last year from 2% to 1.75%. This is a very competitive rate and as such, the renewal rate has remained unchanged from last year. Excesses remain the same as 1% of sum insured, subject to a minimum of \$500, plus underage as applicable.

A summary of the past 2 years sums insured, premiums and rates follow.

	2015	2016
Sum Insured	\$358,309	\$358,309
Insurer Rates	1.75%	1.75%
Insurer Premium	\$6,270.41	\$6,270.41



- **Crime**

This was put in place with QBE last year and has again been offered on the same basis as per last year's sums insured and excess levels.

	2015	2016
Sum Insured	\$500,000	\$500,000
Excess	\$5,000	\$5,000
Premium	\$4,500	\$4,500

- **General Liability**

This was placed last year on the following basis: NZI 40% (Lead), QBE 40% and Zurich 20%. The line-up this year has changed in respect of the NZ Council programme and now placed with NZI 40% (Lead), Zurich 30% and AIG 30%.

Cover has been offered on the same basis as per last year.

	2015	2016
Sum Insured	\$5,000,000	\$5,000,000
Excess	\$2,000	\$2,000
Premium	\$3,642.19	\$3,642.19

- **Professional Indemnity**

This was placed last year on the following basis: NZI 40% (Lead), QBE 40% and Zurich 20%. The line-up this year has changed in respect of the Council programme and now placed with NZI 40% (Lead), Zurich 30% and AIG 30%.

Cover has been offered on the same basis as per last year.

	2015	2016
Sum Insured	\$5,000,000	\$5,000,000
Excess	\$10,000	\$10,000
Premium	\$12,141	\$12,141

- **Statutory Liability and Employers Liability**

The Insurer's remain status quo in respect of these policies, being NZI 60% & QBE 40% in line with the rest of the Councils. Cover has been offered on the same basis as per last year's sums insured and excess levels.

	2015	2016
Statutory Liability Limit	\$1,000,000	\$1,000,000
Employers Liability Limit	\$500,000	\$500,000
Excess	\$2,000	\$2,000
Premium	\$1,734	\$1,734



- **D&O Liability – Westland Holdings Limited**

The policy remains status quo in respect of Limits and Deductible levels.

	2015	2016
Limit of Indemnity	\$5,000,000	\$5,000,000
Excess	\$5,000	\$5,000
Premium	\$2,775	\$2,775

- **Airport Owner/Operator Liability**

This policy has been renewed with Tokio Marine Kiln in line with the rest of the Council's Aviation Liability policies. Cover has been offered on the sums insured as per last year, however a slight reduction in premium has been negotiated with the Insurer.

	2015	2016
Limit of Indemnity	\$20,000,000	\$20,000,000
Excess	\$2,500	\$2,500
Premium	\$1,250	\$1,175



Insurance Market Overview

Overview

Major points of interest in the New Zealand insurance market include:

- Property pricing levelling out and the market is showing signs that it's getting close to the bottom of the cycle. Rate reductions on property and business interruption risks are slowing down;
- Property and business interruption policy terms and conditions remain largely unchanged although there is some flexibility available in natural disaster deductibles, depending on property type and location. Client-specific enhancements to coverage in the corporate sector are also possible. Insurers remain focused on ensuring policy wordings reflect their reinsurance arrangements;
- Non-property classes of insurance are competitive with interest in low risk liability products and short-tail motor business;
- An increasing need to consider the insurance ramifications of new and proposed legislation including the updated Health and Safety regulations which came into force on April 4 2016. The higher level of FMA activity (investigations and prosecutions), has also precipitated a review of the terms of cover afforded under Statutory Liability policies;
- Market changes include the adoption of the Chubb Insurance name by ACE Insurance following their global acquisition of Chubb in 2015/16 and an increase in specialist underwriting agencies targeting niche areas of the market;
- Insurers are generally forecasting modest profit growth subject to the proviso that no significant natural peril disasters occur before balance date.

The market has moved on from the global and NZ natural catastrophes experienced in recent years. New reinsurance capacity that entered the market post-Christchurch coupled with relatively low natural hazard losses drove significant rate declines in the property insurance segment. It is now apparent however that this strong competition has started to affect insurer's profit margins with both Suncorp (Vero) and IAG (NZI) reporting lower than expected profits for the 6 months to 31/12/15. Both companies (whose combined share of the NZ insurance market exceeds 65%), have indicated a desire to end wholesale price reductions in property insurance. It remains to be seen if their competitors adopt a similar stance.

Overall the market is healthy and quality risks continue to be attractive to insurers, however the provision of detailed risk and underwriting information remains important and preparation for insurance renewals should commence well in advance and be communicated effectively to ensure the best possible pricing and terms can be achieved.

Many corporate clients are seeing value in benchmarking their risk information against their local and international peers. Aon, through its proprietary Global Risk and Information Platform (GRIP) is able to assist in producing comprehensive benchmarking reports that enable companies and boards of directors to measure the suitability of their risk transfer programme.

We encourage clients to review their business risks and define what insurance is required to ensure their objectives are achieved.



Emerging Risks/ Considerations

Cyber Risks

There is a growing incidence of cyber events including hacking and denial of service losses, privacy breaches and data security issues.

Cyber insurance continues to gather awareness in the market with multiple recent data breaches hitting the headlines. The far-reaching ramifications of the loss of personal data and loss of corporate data and information, such as intellectual property and proprietary information, can in the hands of a competitor or an extortionist severely disadvantage business.

There are several insurance solutions now on the market (local and London options) which provide risk transfer solutions to address protection needs in these areas.

Insurer responses and covers vary, being nuanced to address different coverage drivers, and expert advice is required to select the most appropriate policy.

Workplace Health and Safety Reform and Statutory Liability

The Government has undertaken a significant reform of New Zealand's workplace health and safety system. The reform package is aimed at reducing New Zealand's workplace injury and death toll by 25 per cent by 2020. 'Working Safer' requires leadership and action from business, workers and Government to achieve this goal.

The Health and Safety at Work Act 2015 replaces the current health and safety legislation and came into force on 4 April 2016.

The Health & Safety at Work Act creates a due diligence duty so that those in governance roles must proactively manage workplace health and safety. Directors and officers will be required to exercise due diligence to ensure that the PCBU complies with its duties.

Officers are defined as any person who occupies a position in relation to the business or undertaking that allows the person to exercise significant influence over the management of the business or undertaking (senior governance roles).

Failure to comply with a due diligence duty could result in prosecution and a fine, the maximum level of which would be determined by whether or not the director's or officer's failure exposed a person to a risk of death or serious injury or illness.

With this increased scrutiny, it will become more important than ever to arrange appropriate insurance that will take on the responsibility for managing and funding an effective defence. Whilst Health and Safety fines cannot be insured, insurance can still provide valuable cover for legal costs of defence and reparations. We recommend Statutory Liability policies be reviewed to ensure optimal cover and appropriate limits of indemnity.



Premium Comparison

The following is a comparison of the Insurer premiums for the past two years on all lines.

Policy	2015	2016
Material Damage		
Premium	\$ 96,638.41	\$ 103,345.37
EQC	\$ 8,713.55	\$ 8,085.00
Fire Service Levy	\$ 21,521.69	\$ 23,309.52
Commercial Motor	\$ 6,270.41	\$ 6,270.41
Fire Service Levy	\$ 133.76	\$ 133.76
Statutory Liability	\$ 1,387.50	\$ 1,387.50
Employers Liability	\$ 346.88	\$ 346.88
General Liability	\$ 3,642.19	\$ 3,642.19
Professional Indemnity	\$ 12,141.00	\$ 12,141.00
Airport Liability	\$ 1,250.00	\$ 1,175.00
D&O Liability – Westland Holdings	\$ 2,775.00	\$ 2,775.00
Crime	\$ 4,500.00	\$ 4,500.00
Aon Management Fee	\$ 10,000.00	\$ 10,000.00
TOTAL	\$169,320.39	\$ 177,111.63

Note:

All premiums have been provided as per what you paid last year, irrespective of increases in sums insured, etc. this year.



Material Damage

Insured	<p>Westland District Council and/or associated and/or subsidiary companies for their respective rights and interests</p> <p>Also including:</p> <ul style="list-style-type: none"> a) Any Council Controlled organisation and/or Subsidiary Companies unless excluded; b) Any committee or any community board lawfully established by such Local Authority or Council Controlled Organisation; c) Any pension fund, social club or sports club or similar entity formed and undertaken with the consent of such Local Authority or Council Controlled Organisation; d) In respect of Property Insured under this Policy as provided for under property in the course of installation, construction, erection or testing, the Insured is extended to include contractors and sub-contractors to the extent required by any such written contract 		
Period of Insurance	From:	4:00pm	30 June 2016
	To:	4:00pm	30 June 2017
Covering	<p>Including, but not limited to all tangible and personal property of every type and description either:</p> <ul style="list-style-type: none"> • owned in whole or in part by the Insured. • and/or the interest of the Insured in property of others held on commission. • and/or on consignment and/or for which they have assumed or may assume liability. • and/or property of others which the Insured has agreed to insure whether held by the Insured or by others. • and/or property for which the Insured is legally liable all while located anywhere in New Zealand. 		
Sums Insured	Buildings – Insured for Replacement Value	\$	42,673,815
	Buildings – Insured for Indemnity Value	\$	3,226,076
	Plant/Contents – Insured for Replacement Value	\$	5,587,459
	Plant/Contents – Insured for Indemnity Value	\$	143,500
	Stock	\$	30,000
	<i>Note: Property schedule forms part of the policy</i>		
Underwriter	NZI, a business division of IAG NZ Limited		100%



Limit of Indemnity	Alterations and Additions to Buildings	\$	1,000,000
	Capital Additions		
	any one situation	\$	1,000,000
	annual limit	\$	1,000,000
	Demolition & Removal of Debris (any one loss)	\$	Included
	Employee Tools	\$	10,000
	Hazardous Substance Emergencies	\$	100,000
	Money:		
	during business hours	\$	100,000
	outside business hours	\$	5,000
	Subsidence / Landslip	\$	1,000,000
	Theft		Full Cover
	Property in transit (full cover)	\$	100,000
	Refrigerated / frozen goods	\$	25,000
	Stolen keys	\$	25,000

Deductibles	All claims, except	\$	10,000
	Residential Dwellings	\$	5,000
	Weather Perils	\$	25,000

Natural Disaster

The excess for Earthquake, Tsunami, Volcanic Eruption, and Hydrothermal Activity, or fire following any of these is as follows:

Post-1935 Risks

2.5% of the Site Sum Insured

Pre-1935 Risks

5% of the site Sum Insured

In all cases, the minimum Site Sum Insured deductible is \$2,500 or any different amount shown in the Schedule.

Endorsements

If any buildings of any age are identified as EPB's, then Indemnity Value Basis of Settlement will apply in all cases. If NBS % details of all pre-1935 buildings are unknown at the time of renewal, then coverage is to be limited to an IV basis of settlement only. If NBS is 34% or more, then current Basis of Settlement will apply.

NOTE:

The Museum & Carnegie Complex will remain insured on an Indemnity Value basis until a DEE or IEP is done which shows the building has a NBS of 34% or more.

Jackson Wharf will also remain insured on an Indemnity Value basis – same sum insured as last year.



Commercial Motor Vehicle

Insured	Westland District Council and/or associated and/or subsidiary companies for their respective rights and interests Also including: <div><div>a.</div><div>Any Council Controlled organisation and/or Subsidiary Companies unless excluded;</div></div> <div><div>b.</div><div>Any committee or any community board lawfully established by such Local Authority or Council Controlled Organisation;</div></div> <div><div>c.</div><div>Any pension fund, social club or sports club or similar entity formed and undertaken with the consent of such Local Authority or Council Controlled Organisation.</div></div>		
Period of Insurance	From:	4:00pm	30 June 2016
	To:	4:00pm	30 June 2017
Covering	Including, but not limited to: <u>Section 1</u> <div><div>•</div><div>All vehicles, mobile plant and auxiliary equipment of every description, either owned, used, leased, lent, borrowed, hired or under the Insured's care.</div></div> <div><div>•</div><div>Loss of personal effects and/or damage to clothing of any passenger.</div></div> <u>Section 2</u> <div><div>•</div><div>Any liabilities causing damage, bodily injury or financial loss to third parties arising from or in connection with the Insured's use of any vehicle.</div></div>		
Sums Insured	<u>Section 1</u> As per Schedule\$358,309 <u>Section 2</u> (per insured event)\$10,000,000		
Deductibles	<u>Section 1</u> Each and every claim\$500 Plus Underage deductible (additional to above) : drivers under 21 years of age\$1,000 drivers aged 21 years and under 25 years\$500 Hoists (additional to above)\$500 Windscreens, window glass and/or sunroof glassNil Fire, Illegal Conversion or TheftNil <u>Section 2</u> All claimsNil		
Underwriter	NZI, a business division of IAG NZ Limited		100%



Public Liability

Insured	Westland District Council, Westland Holdings Limited and/or associated and/or subsidiary companies for their respective rights and interests		
Period of Insurance	From:	4:00pm 30 June 2016	
	To:	4:00pm 30 June 2017	
Business Activities	Local Authority		
Limit of Indemnity	Public Liability – any one occurrence		\$5,000,000
	Products Liability – any one occurrence & in the aggregate		\$5,000,000
Deductible	\$2,000 any one occurrence		
Territory & Jurisdiction	Worldwide, excluding North America		
Extensions	Forest & Rural Fires Act		\$1,000,000
Endorsements	<ul style="list-style-type: none"> • Business Advice or Service Exclusion • Aviation Exclusion • Westroads Limited & Hokitika Airport Exclusion 		
Underwriters	NZI Liability, a business division of IAG NZ Limited (Lead)		40%
	Zurich New Zealand Limited		30%
	AIG Insurance New Zealand Limited		30%



Professional Indemnity

Insured	Westland District Council, Westland Holdings Limited and/or associated and/or subsidiary companies for their respective rights and interests		
Period of Insurance	From:	4:00pm	30 June 2016
	To:	4:00pm	30 June 2017
Business Activities	Local Authority		
Limit of Indemnity	\$5,000,000 any one claim and \$10,000,000 in the policy aggregate		
Deductible	\$10,000 each and every claim costs exclusive		
Territory & Jurisdiction	New Zealand		
Policy Extensions	Breach of Professional Duty Defamation Loss of Documents Cover to Employees Fair Trading Act Fraud and Dishonesty Prior Corporate Automatic Reinstatement		
Retroactive Date	Unlimited		
Endorsements	Building Defects Exclusion Asbestos Exclusion Terrorism Exclusion		
Underwriters	NZI Liability, a business division of IAG NZ Limited (Lead)		40%
	Zurich New Zealand Limited		30%
	AIG Insurance New Zealand Limited		30%



Crime

Insured	Westland District Council and/or associated and/or subsidiary companies for their respective rights and interests Also including: a) Any Council Controlled organisation and/or Subsidiary Companies unless excluded; b) Any committee or any community board lawfully established by such Local Authority or Council Controlled Organisation; c) Any pension fund, social club or sports club or similar entity formed and undertaken with the consent of such Local Authority or Council Controlled Organisation	
Covering	Provides protection against theft or embezzlement by employees	
Business	Local Authority	
Period of Insurance	From 30 June 2016 to 30 June 2017 Both days at 4.00 p.m. Local Standard Time	
Territorial Limit	New Zealand	
Retroactive Date	Unlimited	
Limit of Liability	\$500,000 any one loss or series of losses arising from any one event and in the annual aggregate	
Deductibles	\$5,000 each and every event	
Underwriter	QBE Insurance (Australia) Limited	100%



Statutory Liability

Insured	West Coast Regional Council and/or subsidiary companies and/or associated companies and joint ventures for their respective rights and interests		
Business	Any activity now or hereafter carried on by the Insured, including but not limited to: <ul style="list-style-type: none"> • Local Authority 		
Covering	Defence Costs, Fines & Penalties arising from unintentional breaches of the Insured Acts. Excluded Acts <ul style="list-style-type: none"> • Arms Act 1983 • Aviation Crime Act 1972 • Crime Act 1961 • Proceeds of Crimes Act 1961 • Summary Offences Act 1981 • Real Estate Agents Act 2008 • Transport Act 1962 • Transport (Vehicle and Driver Registration and Licensing) Act 1986 		
Period of Insurance	30 June 2016 to 30 June 2017, at 4pm NZ		
Territory & Jurisdiction	New Zealand		
Limit of Liability	Loss Limit – any one claim and in the policy aggregate	\$	500,000
	Defence Costs – any one claim and in the policy aggregate	\$	500,000
Deductibles	Each and every claim inclusive of costs and expenses	\$	2,000
Endorsements	Legal Costs and Expenses in Addition		
Retroactive Date	Unlimited, including known circumstances		
Underwriter	NZI Liability, a business division of IAG NZ Ltd (Lead)		60%
	QBE Insurance (Australia) Limited		40%



Employers Liability

Insured	Westland Regional Council, it's Directors & Officers and/or subsidiary companies and/or associated companies for their respective rights and interests		
Business	Any activity now or hereafter carried on by the Insured, including but not limited to: <ul style="list-style-type: none"> • Local Authority 		
Covering	Liability arising out of claims made by Employees for injuries outside the scope of Accident Compensation Legislation		
Period of Insurance	30 June 2016 to 30 June 2017, at 4pm NZ		
Territory & Jurisdiction	New Zealand		
Limit of Liability	Loss Limit – any one claim and in the policy aggregate	\$	500,000
	Defence Costs – any one claim and in the policy aggregate	\$	500,000
Deductibles	Each and every claim inclusive of costs and expenses.	\$	2,000
Endorsement	Legal Costs and Expenses in Addition		
Retroactive Date	Unlimited, excluding known circumstances		
Underwriter	NZI Liability, a business division of IAG NZ Ltd (Lead)		60%
	QBE Insurance (Australial) Limited		40%



Directors & Officers Liability

Insured	Directors & Officers of Westland Holdings Limited and/or subsidiary companies and/or associated companies and joint ventures for their respective rights and interests		
Covering	<ul style="list-style-type: none"> • Indemnity to each Insured Person for Loss arising from a Wrongful Act for which they do not receive indemnity from the named Company • Indemnity to the named Company for Loss for which it grants indemnity to any Insured Person as permitted or required by law • First made against any Insured Person and notified during the Period of Insurance or subsequent Discovery Period 		
Period of Insurance	30 June 2016 to 30 June 2017 Both days at 4.00 p.m. Local Standard Time		
Territory & Jurisdiction	New Zealand		
Limit of Liability	Limit of Indemnity – in the annual aggregate	\$	4,000,000
	Defence Costs Limit of Indemnity – in the annual aggregate	\$	1,000,000
	<i>Including costs and expenses plus GST</i>		
Deductibles	Each and every claim inclusive of costs and expenses in respect of any one Insured Person	\$	Nil
	Each and every claim inclusive of costs and expenses in respect of Company Indemnification	\$	5,000
Special Conditions/Endorsements	<ul style="list-style-type: none"> • Prospectus Liability Exclusion • Total Shareholder Exclusion • Proposal Form Exclusion • Terrorism and War Exclusions 		
Retroactive Date	Unlimited, excluding known circumstances		
Underwriter	QBE Insurance (Australia) Limited		100%



Airport Owners & Operators Liability

Insured	Westland District Council and/or subsidiary companies and/or associated companies and joint ventures for their respective rights and interests		
Business	Any activity now or hereafter carried on by the Insured, including but not limited to: <ul style="list-style-type: none"> • Airport Operators and Owners 		
Period of Insurance	30 June 2016 to 30 June 2017 Both days at 4.00 p.m. Local Standard Time		
Premises	Hokitika Airport, Westland, New Zealand		
Limit of Liability	Limit of Indemnity – any one claim <i>Including costs and expenses plus GST</i>	\$	20,000,000
Deductibles	Each and every claim in respect of Property Damage	\$	2,500
Underwriter	Tokio Marine Kiln		100%



Classes of Insurance Available

This is a list of some of the more common classes of insurances offered to businesses in New Zealand. We suggest that you review the list from time to time in the light of changing needs and circumstances, and discuss any uninsured risks for which insurance may be available, with your Aon Broker. The list is not exhaustive, and if you know of any other uninsured risks, please contact us and we will advise you whether insurance is available.

Tick indicates the classes of insurance you have elected to take ☒

PROPERTY & BUSINESS INTERRUPTION

Business Interruption	Covers loss of income and increased costs resulting from damage to assets; sometimes referred to as "Loss of Profits" or "Consequential Loss" insurance. Can include a number of optional extensions, including Gross Rentals, Book Debts, & Severance or Redundancy payments.	<input type="checkbox"/>
Computer	Covers computers and computer media against a wider variety of risks than those covered under a Material Damage policy	<input type="checkbox"/>
Computer Consequential Loss	Covers financial losses and extra costs, including data reconstruction, following damage covered under a computer policy	<input type="checkbox"/>
Contract Works and Advanced Loss of Profits	Covers physical loss or damage and, as an option, to cover public liability arising in connection with a contract works. Cover can include loss of future income where completion of a construction project is delayed by damage.	<input checked="" type="checkbox"/>
Fidelity/ Crime	Covers theft by employees; this risk is commonly excluded from cover under Material Damage insurance. Computer Crime policies can extend a traditional Fidelity policy to include Fraudulent activity from a number of sources and systems.	<input checked="" type="checkbox"/>
Machinery Breakdown including Boiler Explosion	Covers breakdown risks, boilers and other pressure vessels against risk of explosion (such risks are commonly excluded from cover under Material Damage insurance)	<input type="checkbox"/>
Machinery Business Interruption	Covers loss of income and increased costs resulting from damage by a peril insured under a Machinery policy. Works as a partner to the Machinery Breakdown policy.	<input type="checkbox"/>
Material Damage	A general form of policy to cover loss of buildings, plant and stock	<input checked="" type="checkbox"/>
Money	Covers cash & other forms of money against loss or damage whilst it is at your premises or in transit. Small limits can often be included under a Material Damage policy.	<input checked="" type="checkbox"/>
Natural Disaster Excess Buydown	Provides an opportunity to reduce the Natural Disaster Excess applicable under a Material Damage and/or Business Interruption policy	<input type="checkbox"/>
Terrorism	This risk is commonly excluded from cover under Material Damage insurance	<input type="checkbox"/>

TRANSPORT

Aviation Hull	Covers aircraft against physical loss or damage	<input type="checkbox"/>
Aviation Liabilities	Covers Public Liability arising out of the use of aircraft (Public Liability insurance does not normally cover liability arising out of the use of aircraft)	<input checked="" type="checkbox"/>
Charterers Liability (Aviation/Marine Hull)	Protection tailored to meet the conditions of a Marine or Aviation charter agreement for hull and/or liabilities	<input type="checkbox"/>
Marine Cargo	Covers shipments of goods by land, sea or air	<input type="checkbox"/>
Marine Hulls	Covers watercraft against physical loss or damage	<input type="checkbox"/>
Marine Liabilities	Covers Public Liability arising out of the use of watercraft	<input type="checkbox"/>
Motor Vehicle	Covers direct loss or damage to vehicles & Public Liability (third party liability) in connection to the vehicles	<input checked="" type="checkbox"/>

AGRICULTURAL & BLOODSTOCK

Farm	Covers can be included for your Farm Assets Farm Business Interruption, Liabilities and Farm Vehicles	<input type="checkbox"/>
Forestry	Covers forests against specified perils; including but not limited to Fire and Lightning. Optional extensions are available.	<input type="checkbox"/>

LIABILITY

Bailees Liability	Covers liability for damage to property held under bailment, or in your custody and/or control	<input checked="" type="checkbox"/>
Directors & Officers Liability	Covers Directors & Officers against liability they might incur in carrying out the duties of a company director or officer. The insurance will also reimburse the company where it has already indemnified its directors for any such liability; cover includes associated defence costs.	<input checked="" type="checkbox"/>
Employers Liability	Covers the employer company's liability for injury to employees that falls outside the scope of ACC; cover includes associated defence costs	<input checked="" type="checkbox"/>



LIABILITY (continued)		
Employment Disputes Liability	Covers damages and costs arising out of certain employment related disputes such as wrongful termination, harassment and discrimination; cover includes associated defence costs	<input type="checkbox"/>
Environmental Impairment	A special form of pollution liability insurance	<input type="checkbox"/>
Exemplary Damages (Also called Punitive Damages)	Covers damages arising out of bodily injury in New Zealand where the law otherwise prevents legal action for compensatory damages	<input checked="" type="checkbox"/>
Extra Territorial Workers Compensation	Covers liabilities where employees are injured outside their normal country or state of employment and are not covered by the relevant statutory policy	<input type="checkbox"/>
Forest & Rural Fires Act	For costs imposed by statutory authorities under legislation	<input checked="" type="checkbox"/>
Legal Expenses	Covers legal expenses incurred in civil action	<input type="checkbox"/>
Liability Consequential Loss	To partially cover loss of gross profit and increased costs arising from an event that also gives rise to a valid claim on a liability policy; this limited form of cover is only available where the liability insurance is provided by the same insurer	<input type="checkbox"/>
Libel & Slander/Defamation	Covers legal liability arising out of defamatory remarks made in either written or oral form; cover includes associated defence costs	<input type="checkbox"/>
Private Legal Aid	Covers private persons and their families for private legal aid costs for defending a variety of criminal, traffic & civil actions	<input type="checkbox"/>
Product Guarantee	Covers liability for correcting defects in products or for replacing defective products	<input type="checkbox"/>
Product Liability	Covers liability arising for damage arising out of products supplied; cover includes associated defence costs	<input checked="" type="checkbox"/>
Product Recall	Covers liability for the cost of recalling products which are defective or suspected of being defective	<input type="checkbox"/>
Professional Indemnity &/or Errors & Omissions	Covers legal liability incurred by giving negligent advice or through a breach of professional duty; cover includes associated defence costs	<input checked="" type="checkbox"/>
Prospectus Liability	Covers the Company, its directors and senior executives for liabilities arising from the issue of a prospectus, information memorandum or other sale/purchase documents. This liability is generally excluded from Directors & Officers Liability policies unless they are specifically extended to cover it. Cover includes associated defence costs.	<input type="checkbox"/>
Public Liability (General Liability or Broadform Liability)	Covers general liability for damage or injury happening in connection with the business; cover includes associated defence costs	<input checked="" type="checkbox"/>
Statutory Liability	Covers fines or penalties imposed for unintentional breaches of certain statutes; cover includes associated costs	<input checked="" type="checkbox"/>
Trustees Indemnity	Covers Trustees for personal liability arising from a breach of their fiduciary duties and to reimburse the trust when it has provided an indemnity to the trustees; cover includes associated defence costs	<input type="checkbox"/>
HUMAN RESOURCE		
Employee Benefits	Includes a variety of special forms of insurance including life insurance, long term disability, salary continuance, medical expenses and superannuation	<input type="checkbox"/>
Key Person	To provide cash benefits to the company in the event of death or disablement of key personnel	<input type="checkbox"/>
Personal Accident	To provide cash benefits in the event of death or disablement following accident to insured person	<input type="checkbox"/>
TECHNOLOGY		
Cyber Risk	Covers Liability and expenses incurred as a result of unauthorised use or access to an organisation's computer systems and software. Can also include cover for liability costs and expenses arising from network outages, transmission of viruses, computer theft and extortion.	<input type="checkbox"/>
Intellectual Property Pursuit	Covers legal expenses to enforce intellectual property rights that are infringed by a Third Party	<input type="checkbox"/>
Media Liability/Internet Liability	Covers advertising injury, defamation, breach of third party intellectual property through operating on the internet or via email; includes liability to third parties from inadvertent transmission of viruses	<input type="checkbox"/>
MISCELLANEOUS		
Accidental & Malicious Product Damage/Tamper	Crisis Management providing cover for Product Recall, Restoration Costs, Loss of Income and Incident Response Costs (following product tamper)	<input type="checkbox"/>
Bonds	Financial devices (rather than insurance policies) designed to avoid the need to provide a bond in cash	<input type="checkbox"/>
Credit Insurance & Trade Debtors	Covers risk of trade debtors failing to pay debts due to their insolvency or protracted default	<input type="checkbox"/>
Extortion	Includes kidnap, ransom and product tampering insurance	<input type="checkbox"/>
Political Risk	Covers confiscation, expropriation or nationalisation of overseas assets and contracts; can also include cover against frustration or repudiation of a contract	<input type="checkbox"/>
Travel	Covers baggage, medical costs and other travel related risks	<input type="checkbox"/>



Insurer Ratings

Insurance (Prudential Supervision) Act 2010

In accordance with the Insurance (Prudential Supervision) Act 2010, Insurers' Financial Strength ratings are as follows:

COMPANY	RATING	RATING AGENCY
Chubb Insurance New Zealand Limited	AA-	Standard & Poor's
AIG Insurance New Zealand Limited	A	Standard & Poor's
Allianz Australia Insurance Limited (including GT Insurance, Club Marine, Euler Hermes Trade Credit, CPF)	AA-	Standard & Poor's
Atradius Insurance NV	A	AM Best
Civic Assurance/NZ Local Government	B+	AM Best
Dual New Zealand Limited (Certain Underwriters at Lloyds of London)	A+	Standard & Poor's
Lloyds	A+	Standard & Poor's
Lumley – a Business Division of IAG NZ Limited	AA-	Standard & Poor's
Mitsui Sumitomo Insurance Co	A+	Standard & Poor's
NZI – a Business Division of IAG NZ Limited (including NZI Marine, National Auto Club, Swann, CPF)	AA-	Standard & Poor's
QBE Insurance (Australia) Limited	A+	Standard & Poor's
Sunderland Marine	A	Standard & Poor's
The New India Assurance Co	A-	AM Best
Tokio Marine & Nichido Fire Insurance Co	A+	Standard & Poor's
TOWER Insurance Limited	A-	AM Best
Vero Insurance New Zealand Limited (including Vero Liability, Vero Specialist Risks, Vero Marine, CPF)	A+	Standard & Poor's
Zurich Australian Insurance Limited	A+	Standard & Poor's
CPF (Client Placement Facility) NZI 51%, Vero 39%, Allianz 10%		

Special Notes

1. In respect of Allianz Australia Insurance Limited

An overseas policyholder preference applies. Under Australian law, if Allianz Australia Insurance Limited is wound up, its assets in Australia must be applied to its Australian liabilities before they can be applied to overseas liabilities. To this extent, New Zealand policyholders may not be able to rely on Allianz Australia Insurance Limited's Australian assets to satisfy New Zealand liabilities.

2. In respect of QBE Insurance (Australia) Limited

QBE Insurance (Australia) Limited ("QBE") has a policy of holding actual capital in excess of regulatory capital requirements. In the event that QBE is wound up, the claims of New Zealand policyholders will be paid out of the assets of QBE New Zealand, and possibly other countries, except for Australia. Australian Law requires that on a winding up of QBE the assets of the company in Australia are to be used to pay its liabilities in Australia before liabilities outside of Australia.

3. In respect of Zurich Australian Insurance Limited (ZAIL)

An overseas policyholder preference applies. Under Australian law, if ZAIL is wound up, its assets in Australia must be applied to its Australian liabilities before they can be applied to overseas liabilities. To this extent, New Zealand policyholders may not be able to rely on ZAIL's Australian assets to satisfy New Zealand liabilities.

STANDARD & POOR'S		AM BEST		FITCH	
AAA	Extremely Strong	A++ & A+	Superior	AAA	Exceptionally Strong
AA	Very Strong				
A	Strong	A & A-	Excellent	All AA Class	Very strong
BBB	Good				
BB	Marginal	B++ & B+	Good	All A Class	Strong
B	Weak				
CCC	Very Weak	B & B-	Adequate	All BBB Class	Good
CC	Extremely Weak				
SD	Selective Default	C++ & C+	Fair	All BB Class	Moderately Weak
D	Default				
R	Regulatory Supervision	C & C-	Marginal	All B Class	Weak
NR	Not Rated	D	Very Vulnerable	All C Class	Very Weak
		E	Under Supervision	All D Class	Distressed
		F	In Receivership	NR	Fitch does not rate the issuer or issue in question

Aon New Zealand cannot guarantee the solvency of an insurer, but if you require any further information on these companies or their financial statements, please do not hesitate to ask.



Aon Remuneration

We strive to establish a professional relationship with you that is open and satisfactory to both parties. You must feel that you are receiving quality advice, service and access to resources commensurate with the remuneration paid. The level of remuneration must reflect the future structure of the combined insurance programme. It provides for the considerable knowledge and value that we bring to the table, and the work that comes with the setting up and maintenance of a complex insurance programme.

Service Fee

Our approach is to make an informed judgement about the workload, professional responsibility, results required and our long-term objectives. Our fees are set such that both parties are content – Westland District Council is satisfied they are getting good value and that Aon is allowed to make a reasonable profit on our endeavours.

Our remuneration is based on the estimated time that we believe is required to provide the services to manage your Insurance Programme, which is increasing every year. We confirm that Aon act for Westland District Council not as agent for any insurers. We will receive no commissions, contingency commissions (volume bonus and/or profit share) or other inducements from insurers unless specifically agreed by Westland District Council. Our proposed remuneration for 2016/2017 is outlined below:

Service/Description	Annual Remuneration (Excl GST)
Annual Broking, Placement & Servicing	Annual Fee of \$10,000

Our Broking services may include:

- Negotiation with insurers for placement and renewal of your insurance programme.
- Confirmation of placement of your insurance programme.
- Processing of premium invoices and payment of premiums, duties and levies in respect of insurance covers placed by Aon New Zealand on your instructions.
- Providing an on-going review of your risk exposures both insured and self-insured.
- Meetings as required to progress the service programme with updated status reports to review all outstanding issues, claims statistics, broker and insurer performance.
- Provision of regular technical and general newsletters, updating you on changes in legislation, market conditions and other exposures.
- Collation, recording, negotiation and settlement of routine claims.
- Provision of insurance certificates of currency as/when required.
- On-going maintenance of the insurance programme, alterations to cover, policy limits and values.
- Issuing of policy documents from all insurers on all classes of insurance.
- Collation of information for the 2016-2017 renewal and negotiation with insurers.

The following services or charges are not included in the remuneration outlined above and may subject to separate negotiation and agreement:

- Services from other Aon Divisions i.e. Risk Consulting, Aon Consulting
- Any other service which is not covered under this proposal
- Reasonable reimbursable disbursements such as travel and accommodation
- Premium Instalment Contracts
- Major one-off projects (e.g. construction) or acquisitions and/or new policies



Other Aon Services

Business Risk Management	Aon have engineers/analysts who provide advice to clients in the design and implementation of risk management programmes, business continuity, emergency response planning, security audits and legislative compliance.
Professional Risks	Aon have a designated team of specialists to provide support to our clients on any professional risk issue.
Loss Control Services	Aon provides loss control inspections services to assist by providing recommendations on how to safeguard businesses and also in providing quality Underwriting information to assist in marketing risks to insurers.
Aon Sprinkler Certification	Whenever a construction or alteration involving sprinklers is made, these require Certification. We are ISO accredited to undertake this work. We can also assist by giving advice to Building Consent Authorities in regard to sprinkler systems as part of the BCA process.
Aon Sprinkler Inspection	Aon's sprinkler inspection specialists conduct on-going biennial sprinkler inspection surveys as required by the building standards and New Zealand's Building Act.
Valuation Services	Aon has in-house qualified valuation experts providing building, land, plant, machinery and infrastructure valuations across New Zealand. We are the only broker in New Zealand with this capacity.
Aviation	Aon has the leading specialist Aviation Division that provides a comprehensive range of Risk and Insurance solutions to our NZ General Aviation clients. Our relationships and synergy with Aon's Aviation Divisions in Australia, London and the USA ensures unparalleled access to all available Global markets.
KiwiSaver Management	The Aon KiwiSaver Scheme is a registered KiwiSaver scheme that enables employers to simplify their obligations while offering members a wide choice of retirement investment saving options from leading fund managers. You can select the Aon KiwiSaver Scheme as your preferred KiwiSaver scheme for employees that do not make their own choice.
Construction Specialists	Aon have a specialist Construction Division which becomes involved in construction related issues and those contracts requiring specialist input, contract vetting or principal controlled construction projects.
Superannuation Funds Administration	Aon Hewitt have a successful superannuation funds management administration division that provides flexible superannuation options to employers and individuals.
Management of Workplace Injuries	WorkAon is a specialist Aon division with over 50 staff represented in 15 offices. This division works with clients to reduce their ACC costs resulting from workplace accidents. WorkAon manages the entire ACC process for 50 of the top 120 New Zealand companies participating in the ACC Partnership Programme. Aon's average total workplace accident claim involving weekly compensation is \$2,550 compared to the ACC average claim cost of \$15,190.

Terms of Business

You agree that Aon's Terms of Business apply to the provision of services by us. These are located at www.aon.co.nz/terms. Some key terms include:

- Our obligation to perform our service competently, with reasonable care, skill and integrity;
- Your obligation to supply us with all material information and facts in relation to the provision of our services. Relevant information includes all information and facts that may be material to an insurers' assessment of a risk for which you have asked us to arrange insurance cover;
- Our disclosure of remuneration. Aon may receive consideration from insurers, banks and/or finance companies with whom they place insurance and associated services, on your behalf. Minimum service and administration fees may apply;
- Limitation of liability. Among other things, to the extent permitted by law, our aggregate liability in respect of any claim howsoever arising is limited to NZ\$5million or such other amount as may be expressly agreed between us in writing. To the extent permitted by law, we are also not to be liable for any consequential, incidental, indirect or special damage or loss of any kind;
- Our obligation to hold your personal information in accordance with the Privacy Act 1993. It will be necessary for us to pass your information on to insurers and other product or service providers which may provide us with additional support in connection with our provision of our services. Unless you instruct us not to do so, we may also contact you in connection with other products or services we feel may be of interest or benefit to you.

Payment of Premiums

Premiums are payable on invoice. Aon reserves the right to receive interest and charge interest, collection costs and legal fees incurred in recovering overdue accounts. Part payment of your invoice will not amount to full and final settlement unless we have agreed to this in writing. Premium funding arrangements may be available through your Aon broker.

Making a Complaint

Please contact your Aon client relationship manager or your local Aon office by telephone, email or in writing if you have any complaint in respect to Aon. If your Aon client relationship manager is not able to resolve your complaint, it will be referred to Aon's complaint manager for an independent review in accordance with Aon's internal complaint and dispute resolution procedures. Alternatively, you can contact Aon's complaint manager directly on 09 362 9000 or you can email details of your complaint to us in writing at nzfeedback@aon.co.nz

If your complaint remains unresolved, or if you are dissatisfied with Aon's response to your complaint, you may refer the matter to Financial Services Complaints Limited by emailing info@fscl.org.nz or calling 0800 347257.

Appendix 2

Material Damage Premium Calculation 2016-17

	Name	Address	Town	Comments	Basis	Last Valuation	Replacement Value at last Valuation	Inflation years	Inflation Factor p.a.	Replacement Cost + Inflation	DRC Indemnity Value	FSL IV	Demolition at last valuation	Demolition with Inflation	Total Sum Insured Replacement	Total Sum Insured Indemnity		Premium	EQC	FSL	TOTAL	No. Units			
54	Museum and Carnegie Complex	Hamilton Street	Hokitika		I	2015	\$2,881,900	1	2.5%	\$2,953,948	\$1,800,000	\$1,800,000	\$78,000	\$79,950		\$1,879,950		\$	4,135.89	\$	-	\$	1,368.00	\$	5,503.89
55	Band Room	Hamilton Street	Hokitika		I	2015	\$244,450	1	2.5%	\$250,561	\$36,000	\$36,000	\$3,000	\$3,075		\$39,075		\$	85.97	\$	-	\$	27.36	\$	113.33
Total Pre 1935 - Commercial							\$0			\$0	\$1,836,000	\$1,836,000	\$81,000	\$83,025	\$0	\$1,919,025									
Total Pre 1935 - Residential																									
2	Hannahs Clearing Fire Station	5 Muturua Road, Hannahs Clearing	Hannahs Clearing		R	2015	\$118,650	1	2.6%	\$121,735	\$21,236	\$21,236	\$5,000	\$5,130	\$126,865		\$	279.10	\$	-	\$	16.14	\$	295.24	
4	Okuru Hall	Cnr Johnston Cres & Jackson Bay Rd	Okuru		I	2015	\$538,150	1	2.5%	\$551,604	\$142,065	\$142,065	\$19,000	\$19,475	\$161,540		\$	355.39	\$	-	\$	107.97	\$	463.36	
6	Haast Hall	9 Puaerua Road	Haast		I	2015	\$800,800	1	2.5%	\$820,820	\$328,375	\$328,375	\$29,000	\$29,725	\$358,100		\$	787.82	\$	-	\$	249.57	\$	1,037.39	
11	Fox Depot	25 Sullivan Road	Fox		X																				
16	Franz Josef Refuse	State Highway 6	Franz Josef		X																				
17	Whataroa Depot	8 Whataroa Flat Road	Whataroa		R	2015	\$30,200	1	2.5%	\$30,955	\$18,487	\$18,487	\$2,000	\$2,050	\$33,005		\$	72.61	\$	-	\$	14.05	\$	86.66	
20	Whataroa Tractor Shed	Whataroa Domain	Whataroa		I	2015	\$73,800	1	2.5%	\$75,645	\$75,645	\$75,645	\$2,000	\$2,050	\$77,695		\$	170.93	\$	-	\$	57.49	\$	228.42	
24	Harhari RSA	90 State Highway (Harhari)	Harhari		I	2015	\$230,050	1	2.5%	\$235,801	\$52,935	\$52,935	\$6,000	\$6,150	\$39,085		\$	129.99	\$	-	\$	40.23	\$	170.22	
27	Waiaha Hall	Waiaha Road	Waiaha	WDPL	I	2015	\$646,700	1	2.5%	\$662,268	\$85,000	\$85,000	\$9,000	\$9,225	\$94,225		\$	207.30	\$	-	\$	64.60	\$	271.90	
29	Ross Toilets	Moorhouse Street	Ross		I	2015	\$135,500	1	2.5%	\$138,888	\$43,000	\$43,000	\$2,000	\$2,050	\$45,050		\$	99.11	\$	-	\$	32.68	\$	131.79	
30	Ross Playcentre	Monteth Street	Ross	managed by WDPL	R	2015	\$304,200	1	2.5%	\$311,805	\$106,058	\$106,058	\$6,000	\$6,150	\$317,955		\$	699.50	\$	-	\$	80.60	\$	780.10	
31	Ross Pool complex	Monteth Street	Ross		R	2015	\$1,282,200	1	2.5%	\$1,314,255	\$309,798	\$309,798	\$36,000	\$36,900	\$1,351,155		\$	2,972.54	\$	-	\$	235.45	\$	3,207.99	
33	Kokaitahi Pavilion	Upper Kokaitahi Road	Kokaitahi		I	2015	\$236,210	1	2.5%	\$236,211	\$40,000	\$40,000	\$5,000	\$5,125	\$45,125		\$	99.28	\$	-	\$	30.40	\$	129.68	
52	Custom House, Countess Display and Tambo Shipreck	Gibson Quay	Hokitika		I	2015	\$388,650	1	2.5%	\$398,366	\$100,000	\$100,000	\$4,000	\$4,100	\$104,100		\$	229.02	\$	-	\$	76.00	\$	305.02	
32	Kokaitahi - Kowhiring Hall	Corner Kokaitahi and Ford Road	Kokaitahi		I	2015	\$1,383,650	1	2.5%	\$1,418,241	\$620,495	\$620,495	\$27,000	\$27,675	\$648,170		\$	1,425.97	\$	-	\$	471.58	\$	1,897.55	
93	Nurses Dwelling Harhari	429 Peterson Road	Harhari	managed by WDPL	R	2015	\$274,900	1	2.5%	\$281,773	\$111,169	\$111,169	\$7,000	\$7,175	\$288,948	0	\$	540.68	\$	165.00	\$	83.60	\$	789.28	1
Total 1936 - 1965 - Commercial							\$1,735,250			\$1,778,750	\$1,487,515	\$1,943,093	\$103,000	\$155,805	\$1,828,980	\$1,593,090									
Total 1936 - 1965 - Residential							\$274,900			\$281,773	\$111,169		\$7,000		\$288,948	0	\$								
19	Whataroa Hall	57 Scally Road	Whataroa	Not owned by WDC	I	2011	\$620,000	5	2.5%	\$701,473	\$200,000	\$200,000	\$17,000	\$19,234		\$	482.31	\$	-	\$	-	\$	152.00	\$	634.31
26	Ross Memorial Hall	Moorhouse Street	Ross		I	2015	\$1,036,850	1	2.5%	\$1,062,771	\$581,535	\$581,535	\$18,000	\$18,450	\$599,985		\$	1,319.97	\$	-	\$	441.97	\$	1,761.93	
34	Kokaitahi Fire Station	Upper Kokaitahi Road	Kokaitahi		R	2015	\$89,550	1	2.5%	\$91,280	\$72,843	\$72,843	\$2,000	\$2,050	\$73,339		\$	161.35	\$	-	\$	55.44	\$	216.78	
46	Tuckers Flat Pump Station	Hau Hau Road	Hokitika	RV OK if Pumps & Building?	R	2014	\$70,000	2	2.5%	\$73,544	\$45,500	\$45,500	\$2,000	\$2,101	\$75,645		\$	166.42	\$	-	\$	34.58	\$	201.00	
49	Council offices	Corner Sewell & Weld Street	Hokitika		R	2015	\$598,570	1	2.6%	\$614,138	\$344,120	\$344,120	\$181,712	\$186,437	\$63,277.65		\$	1,352.08	\$	-	\$	2,615.37	\$	16,536.45	
56	Cass Square Grandstand, Pavilion and Changing Rooms	Bealey Street	Hokitika		I	2015	\$779,100	1	2.5%	\$798,578	\$218,477	\$218,477	\$17,000	\$17,425	\$235,902		\$	518.98	\$	-	\$	166.04	\$	685.03	
57	Pump Station - pumps & shed	Fitzherbert/Stafford Street	Hokitika	RV ok	R	2014	\$250,000	2	4.2%	\$271,441	\$6,250	\$6,250	\$3,000	\$3,257	\$274,698		\$	604.34	\$	-	\$	4.75	\$	609.09	
58	Pump Station - chamber	Fitzherbert/Stafford Street	Hokitika	RV ok	R	2014	\$105,000	2	4.2%	\$114,005	\$2,625	\$2,625	\$1,000	\$1,075	\$116,177		\$	255.59	\$	-	\$	2.00	\$	257.58	
59	Tractor Shed	Cemetery, Spencer Street	Hokitika	Replacement value too low	R	2015	\$90,850	1	2.5%	\$93,121	\$1,850	\$1,850	\$3,000	\$3,075	\$96,196		\$	211.63	\$	-	\$	1.41	\$	213.04	
90	Fox Depot Dwelling	23 Sullivan Road	Fox	Westroads	R	2013	\$200,000	3	2.5%	\$215,378	\$125,000	\$125,000	\$6,000	\$6,461	\$221,839		\$	383.05	\$	165.00	\$	83.60	\$	641.65	1
91	Nurses Dwelling Fox	2 State Highway (Fox)	Fox	Managed WDPL	R	2015	\$220,500	1	2.5%	\$226,013	\$144,686	\$144,686	\$7,000	\$7,175	\$233,188		\$	418.01	\$	165.00	\$	83.60	\$	666.61	1
95	Hokitika Pensioner Flats	205 Revell Street	Hokitika	6 flats (managed WDPL)	R	2015	\$639,900	1	2.5%	\$654,975	\$196,972	\$196,972	\$14,000	\$14,360	\$669,325		\$	902.52	\$	990.00	\$	501.60	\$	2,394.12	6
96	Hokitika Pensioner Flats	199 Revell Street	Hokitika	4 flats (managed WDPL)	R	2015	\$449,200	1	2.5%	\$460,430	\$117,813	\$117,813	\$10,000	\$10,250	\$470,680		\$	655.50	\$	660.00	\$	334.40	\$	1,649.90	4
97	Hokitika Pensioner Flats	97 Tannock Street	Hokitika	10 flats (managed WDPL)	R	2015	\$902,000	1	2.5%	\$924,550	\$473,008	\$473,008	\$22,000	\$22,550	\$947,100		\$	1,133.62	\$	1,650.00	\$	836.00	\$	3,619.62	10
Total 1966 - 1976 - Commercial							\$6,571,100			\$6,764,728	\$1,000,012	\$4,570,450	\$52,000	\$254,201	\$6,963,820	\$1,055,121									
Total 1966 - 1976 - Residential							\$2,410,700			\$2,481,346	\$1,057,479		\$59,000		\$2,542,132	\$0									
5	Haast Depot	Adair Road	Haast	Westroads	R	2013	\$150,000	3	2.5%	\$161,534	\$52,000	\$52,000	\$11,000	\$11,846	\$173,379		\$	381.43	\$	-	\$	47.12	\$	428.55	
38	Heritage Park	Airport Drive	Hokitika Airport	5 buildings plus large sheds on site	I	2015	\$711,100	1	2.5%	\$728,878	\$160,000	\$160,000	\$14,000	\$14,350	\$174,358		\$	383.57	\$	-	\$	121.60	\$	905.17	
39	Fish and Game	Airport Drive	Hokitika Airport	Owned HAL	R	2013	\$280,000	3	2.5%	\$301,529	\$77,000	\$77,000	\$6,000	\$6,461	\$307,991		\$	677.58	\$	-	\$	58.52	\$	736.10	
40	WDPL Headquarters	Airport Drive	Hokitika Airport	Owned HAL	R	2013	\$110,000	3	2.5%	\$118,458	\$43,000	\$43,000	\$2,000	\$2,154	\$120,612		\$	265.35	\$	-	\$	32.68	\$	298.03	
43	Control Tower	Airport Drive	Hokitika Airport	Hokitika Airport Owned	R	2013	\$210,000	3	2.5%	\$226,147	\$82,000	\$82,000	\$3,000	\$3,231	\$229,378		\$	504.63	\$	-	\$	62.32	\$	566.95	
44	Airport Terminal	Airport Drive	Hokitika Airport	Hokitika Airport Owned	R	2013	\$1,375,000	3	2.5%	\$1,480,725	\$165,000	\$165,000	\$36,000	\$38,768	\$1,519,493		\$	3,342.88	\$	-	\$	125.40	\$	3,468.28	
45	Airport Fire Shed	Airport Drive	Hokitika Airport	Hokitika Airport Owned	R	2013	\$65,000	3	2.5%	\$69,998	\$35,000	\$35,000	\$2,000	\$2,154	\$72,152		\$	158.73	\$	-	\$	26.60	\$	185.33	
48	Hokitika Swimming Pool Complex	Weld Street	Hokitika		R	2015	\$3,312,450	1	2.5%	\$3,395,261	\$741,166	\$741,166	\$84,000	\$86,100	\$3,481,361		\$	7,658.99	\$	-	\$	563.29	\$	8,222.28	
50	Countdown Garage	Railway Terrace	Hokitika		R	2015	\$41,750	1	2.5%	\$42,784	\$25,000	\$25,000	\$2,000	\$2,050	\$44,844		\$	96.86	\$	-	\$	19.00	\$	117.66	
62	Pump Station	Bealey Street	Hokitika	\$200,000																					

	Name	Address	Town	Comments	Basis	Last Valuation	Replacement Value at last Valuation	Inflation years	Inflation Factor p.a.	Replacement Cost + Inflation	DRC Indemnity Value	FSL IV	Demolition at last valuation	Demolition with Inflation	Total Sum Insured Replacement	Total Sum Insured Indemnity		Premium	EQC	FSL	TOTAL	No. Units		
23	Hanhai Toilets	Hanhai domain	Whataora	Demolished 2015	X	2015	\$0	1	2.5%	\$0	\$0	\$0	\$0	\$0										
42	Fox moth Replica Building	Airport Drive	Hokitika Airport	Recharge HAL	I	2013	\$130,000	3	2.5%	\$139,996	\$105,000	\$105,000	\$3,000	\$3,231		\$189,231		\$	238.11	\$	-	\$	317.91	
92	Pavilion	Whataora Domain	Whataora	Not WDPL	R	2015	\$415,300	1	2.5%	\$425,683	\$160,000	\$160,000	\$4,000	\$4,100	\$429,783		\$	945.52	\$	-	\$	1,067.12		
94	Ross Pensioner Flats	26 Gibson Street	Ross	4 flats (managed WDPL)	R	2015	\$541,200	1	2.5%	\$554,730	\$251,978	\$251,978	\$14,000	\$14,350	\$569,080		\$	871.98	\$	660.00	\$	1,866.38	4	
1992 - 2003- Commercial							\$1,494,150			\$1,550,969	\$105,000	\$1,178,850	\$3,000	\$93,103	\$1,508,565	\$108,231								
1992-2003 - Residential							\$956,500			\$980,413	\$411,978		\$18,000		\$998,863	\$0								
1	Jackson Wharf	Jackson Bay	Jackson Bay		I	2015	\$2,453,100	1	2.5%	\$2,514,428	\$1,040,000	\$1,040,000	\$142,000	\$146,650		\$1,185,550		\$	2,608.21	\$	-	\$	3,398.61	
7	Haast Fire Station	9 Pauareka Road	Haast		R	2015	\$93,950	1	2.5%	\$96,299	\$95,000	\$95,000	\$4,000	\$4,100	\$100,399		\$	220.88	\$	-	\$	293.08		
13	Fox Toilets	State Highway 6	Fox		R	2015	\$51,500	1	2.5%	\$52,788	\$86,332	\$86,332	\$3,000	\$3,075	\$55,863		\$	122.90	\$	-	\$	188.51		
15	Franz Toilets	State Highway 6	Franz Josef		R	2015	\$324,900	1	2.5%	\$333,023	\$98,520	\$98,520	\$3,000	\$3,075	\$336,098		\$	739.41	\$	-	\$	814.29		
22	Guy Mercedes Display	Haahai Domain	Hanhai		I	2015	\$77,890	1	2.5%	\$79,796	\$43,350	\$43,350	\$4,000	\$4,100		\$47,450		\$	104.39	\$	-	\$	137.34	
47	Hokitika Water Treatment Plant	Shallow Rush Road	Hokitika		R	2015	\$6,500,000	1	4.2%	\$6,773,000	\$6,500,000	\$6,500,000	\$103,000	\$107,326	\$6,880,326		\$	15,136.72	\$	-	\$	20,076.72		
53	Hokitika Beach Toilets	Beach Street	Hokitika		R	2015	\$134,150	1	2.5%	\$137,504	\$85,501	\$85,501	\$3,000	\$3,075	\$140,579		\$	309.27	\$	-	\$	374.25		
60	Hokitika Refuse Station Shed 1	Hau Hau Road	Hokitika		R	2015	\$264,300	1	2.5%	\$270,908	\$33,607	\$33,607	\$5,000	\$5,125	\$276,033		\$	607.27	\$	-	\$	632.81		
61	Pavilion & Toilets	Seddon Street	Kumara		R	2015	\$315,050	1	2.5%	\$322,926	\$108,122	\$108,122	\$8,000	\$8,200	\$331,126		\$	728.48	\$	-	\$	810.65		
ADDITIONS 2014																								
	Pump Station	Hoffman St	Hokitika	\$200,000	R	2015	\$197,208	1	4.2%	\$205,481	\$95,317	\$95,317	\$20,000	\$20,840	\$226,331		\$	487.93	\$	-	\$	570.37		
	Pump Station	Robinson St	Hokitika	\$200,000	R	2015	\$197,208	1	4.2%	\$205,481	\$125,542	\$125,542	\$20,000	\$20,840	\$226,331		\$	487.93	\$	-	\$	594.10		
	Pump Station	Jolie St	Hokitika	RV ok	R	2015	\$60,000	1	4.2%	\$62,520	\$60,000	\$11,500	\$20,000	\$20,840	\$83,360		\$	183.39	\$	-	\$	192.13		
	Pump Station	Cement Lead Rd	Hokitika	RV ok	R	2015	\$30,000	1	4.2%	\$31,260	\$750	\$750	\$20,000	\$20,840	\$52,100		\$	114.82	\$	-	\$	115.19		
	Water Treatment Plant	Park Terrace	Ross	Includes building & contents. RV ok	R	2015	\$700,000	1	4.2%	\$729,400	\$490,426	\$490,426	\$20,000	\$20,840	\$750,240		\$	1,650.53	\$	-	\$	2,023.25		
	Paris & Reserves Equipment	Whole district	All		R	2014	\$100,000	2	2.5%	\$105,063	\$100,000	\$100,000	\$5,000	\$5,253	\$110,316		\$	242.69	\$	-	\$	318.69		
	Pump Station	Franz	Franz	This is for bore & booster pump that is no longer used.	X	2015	\$78,000	1	4.2%	\$81,276	\$78,000	\$78,000	\$20,000	\$20,840										
2004 - Onwards- Commercial							\$8,968,266			\$9,325,671	\$1,083,350	\$8,992,966	\$146,000	\$413,919	\$9,569,100	\$1,233,000								
2004 - Onwards - Residential																								
Grand Total - Commercial							\$34,101,583			\$36,006,760	\$6,000,377	\$23,680,419	\$420,000	\$1,234,482	\$36,652,197	\$6,435,076		\$	96,028.53	\$	-	\$	114,078.85	0
Grand Total - Residential							\$5,626,500			\$5,777,541	\$1,915,626		\$134,000		\$5,915,202	\$0		\$	7,250.84	\$	8,085.00	\$	19,432.24	49
ALL WASTEWATER TREATMENT PLANTS ARE MISSING															SUB-TOTAL		\$	103,279.37	\$	8,085.00	\$	22,146.72	\$	133,511.09
															Museum Stock	\$5,000	\$	11.00	\$		\$	3.80	\$	14.80
															iSite Stock	\$15,000	\$	33.00	\$		\$	11.40	\$	44.40
															Hokitika Pool Stock	\$10,000	\$	22.00	\$		\$	7.60	\$	29.60
															Capital Additions Extension		\$	-	\$		\$	760.00	\$	760.00
															Contract Works Extension		\$	-	\$		\$	380.00	\$	380.00
															TOTAL ANNUAL PREMIUM		\$	103,345.37	\$	8,085.00	\$	23,309.52	\$	134,739.89
POSSIBLY UNDER A DIFFERENT INSURANCE???																								

Appendix 3

WDC underground asset valuations

Council	City/Town/Region	Post Code	Cresta Zone	Service	Asset Description	Length (m)	Number of Devices	% Ductile/Non Ductile Pipe Material	2013 Replacement Value	2014 Replacement Value	2015 Replacement Value	2016 Replacement Value	Not Currently on Aon programme	2015 Total value	2016 Total Value
Westland District Council	Arahura	7882	14	Water Supply	Headworks, distribution, reticulation	2,851					\$328,092.83	\$365,014.90			
Westland District Council	Fox Glacier	7886	14	Water Supply	Headworks, distribution, reticulation	8,984					\$2,309,440.93	\$2,362,760.21			
Westland District Council	Franz Josef Glacier	7886	14	Water Supply	Headworks, distribution, reticulation	10,681					\$4,281,550.47	\$4,608,999.48			
Westland District Council	Haast	7886	14	Water Supply	Headworks, distribution, reticulation	4,996					\$1,744,714.18	\$2,230,544.37			
Westland District Council	Hari Hari	7884	14	Water Supply	Headworks, distribution, reticulation	15,323					\$3,037,289.08	\$3,127,130.69			
Westland District Council	Hokitika	7810	14	Water Supply	Headworks, distribution, reticulation	58,221					\$7,629,472.21	\$8,246,375.71			
Westland District Council	Kaniere	7811	14	Water Supply	Headworks, distribution, reticulation	31,531					\$18,988,800.65	\$22,750,954.36			
Westland District Council	Kumara	7832	14	Water Supply	Headworks, distribution, reticulation	8,273					\$1,547,398.12	\$1,646,100.54			
Westland District Council	Ross	7812	14	Water Supply	Headworks, distribution, reticulation	9,975					\$2,591,168.90	\$2,604,754.88			
Westland District Council	Whataroa	7886	14	Water Supply	Headworks, distribution, reticulation	5,681					\$896,208.64	\$928,833.24			
Westland District Council	Rural	7886	14	Water Supply	Headworks, distribution, reticulation	16,724					\$928,382.59	\$1,037,611.40			
Westland District Council	Fox Glacier	7886	14	Wastewater	Reticulation/Treatment	4,795					\$2,336,476.87	\$2,697,647.00			
Westland District Council	FranzJosef	7886	14	Wastewater	Reticulation/Treatment	6,855					\$3,163,919.34	\$3,537,628.00			
Westland District Council	Haast	7886	14	Wastewater	Reticulation/Treatment	3,548					\$1,526,443.59	\$1,840,286.00			
Westland District Council	Hokitika	7810	14	Wastewater	Reticulation/Treatment	49,891					\$14,826,692.61	\$15,299,142.00			
Westland District Council	Kaniere	7811	14	Wastewater	Reticulation/Treatment	10,139					\$2,551,663.32	\$2,859,004.00			
Westland District Council	District	7810	14	Stormwater	Stormwater Systems	40,570					\$14,941,832.70	\$15,237,242.46			
Westland District Council	Hokitika	7810	14	River Management	Stop Bank	2,000					\$0.00	\$632,718.00			
Westland District Council	Franz Josef	7886	14	River Management	Stop Bank	1,500					\$0.00	\$493,450.65			
						292,538					\$83,629,547.03	\$92,506,197.89	\$0.00	\$83,629,547.03	\$92,506,197.89



LAPP State of Play – May 2016

Background to LAPP

Central Government established the New Zealand Civil Defence Emergency Management Plan in 1993. It forced increased financial responsibility for local authorities for the recovery of infrastructure assets damaged by natural disaster events. Central Government intentionally made their 60% financial support contingent on local authorities making appropriate provisions to cover the remaining 40% of recovery costs. The Central Government Guide to the National Civil Defence Emergency Management Plan includes provisions:

- Setting out the obligations of both central government and local authorities in respect of essential services infrastructure and emergency response costs i.e., Central Government and each local authority will share loss or damage on a predetermined basis after the deduction of underlying deductibles to be borne by each local authority. The split is 60% Central Government, 40% Local Authority.
- To encourage local authorities to provide their own protection, the Central Government 60% contribution will not be available unless a local authority has adequately protected itself for its 40% responsibility through such means as reserve funds, effective insurance, lines of credit or participation in a mutual fund. Membership of the LAPP Disaster Fund meets this criterion.

The Guide to the National Civil Defence Emergency Management Plan 2015 (the Guide) sets out the arrangements, roles, and responsibilities of agencies for the national management, or support to local management, of emergencies. The Guide was last updated on 1 December 2015, but the 60/40 split is under review (see page 4).

The New Zealand Local Authority Protection Programme Disaster Fund (LAPP) was constituted under a trust deed to cater for subscribing local authority members and their 40% obligation for restoration of essential services infrastructure under the Central Government Disaster Recovery Plan. The trust deed was last updated in December 2007. The six trustees of LAPP are appointed from within local government: two are appointed by Civic, two by SOLGM and two by LGNZ. Civic is LAPP's administration manager and Risk Management Partners Pty Ltd is LAPP's contracted risk manager. The Fund is registered as a charitable trust under the Charitable Trust Act 1957.

The fund launched on 1 July 1993 with 46 members, peaked in 2008 at 58 members, and currently sits at 32 local authorities out of a potential 78. Membership is voluntary, with non-members of LAPP self-insuring or buying insurance via their broker through the London market, an option that until a few years ago was not available. In the five years since the LAPP Fund was reduced to zero by the Canterbury earthquake events, the Fund has re-built to approximately \$20m. This combined with the Fund's reinsurance program and central government support provides full protection for members for infrastructure damage for a \$125m event (\$50m for the members' 40% share) with one reinstatement.

The estimate in March 2012 of LAPP claims costs (payable under treaty limits) for the Canterbury earthquakes are shown below. Note that these figures are inclusive of any original deductible amounts payable by the two council members and equate to 40% of the estimated total damage:

Council Member	Darfield (Sep 2010)	Lyttelton (Feb 2011)
Waimakariri District Council (WDC)	17,000,000	700,000
Christchurch City Council (CCC)	<u>180,700,000</u>	<u>267,800,000</u>
TOTAL	197,700,000	268,500,000

It was considered that these estimates were not going to decrease and were likely to increase and the claims were settled at the full extent of the LAPP reinsurance programme for the 2010-2011 fund year, i.e., \$109,000,000 for each of the two events less loss adjusting expenses, giving a total paid in claims of approximately \$216,000,000.

Setting of Contributions

Member contributions are determined using the value and type of assets covered and on estimates for their locality of the principal risks they might be exposed to such as earthquake, flood, volcanic and tsunami using adjustments for soil types (for liquefaction risk and shaking intensities) and so forth. The calculations are done by Melville Jessup Weaver (MJW), consulting actuaries.

Reinsurance Structure for 2015-16 and Proposed for 2016-17

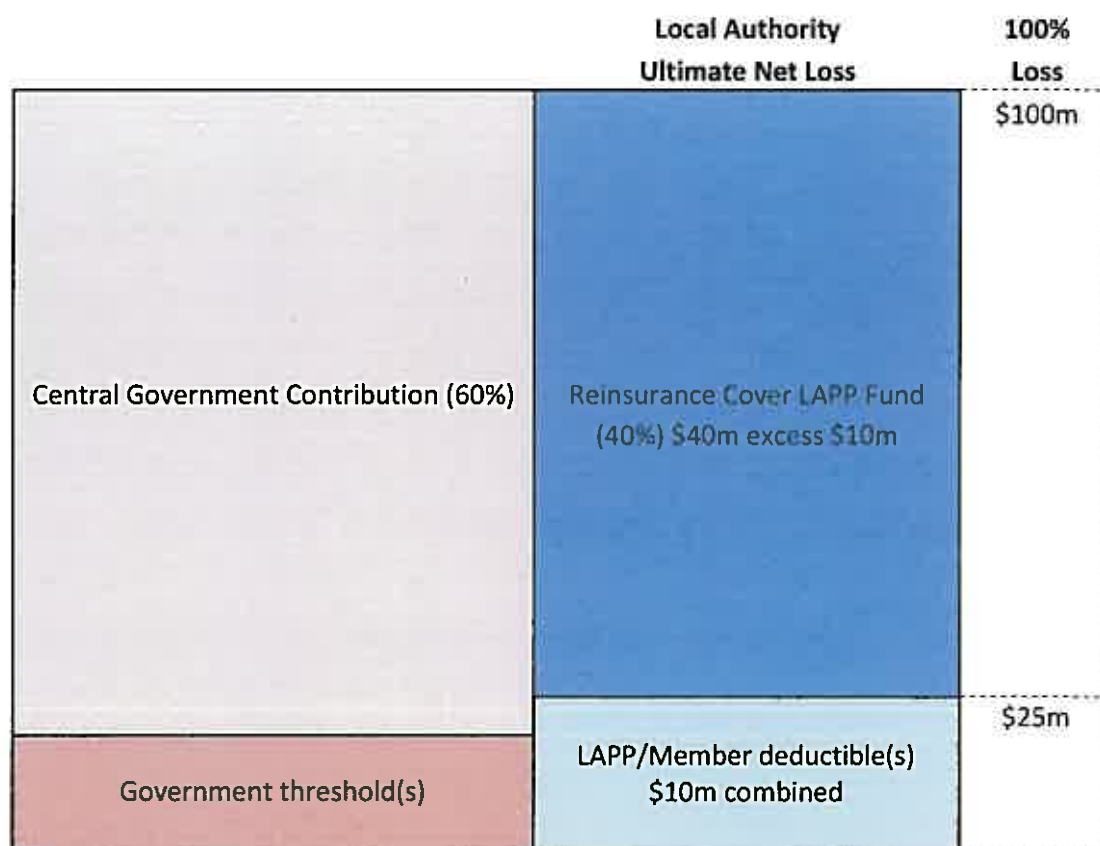


Diagram not to scale

Risk Management

It is a condition of LAPP membership that Fund members submit themselves to loss control audits or surveys as may be reasonably required by the LAPP Trustees. As an example advice and recommendations were made to affected members following the major flood events of 1998 and 2002, and Canterbury earthquakes of 2011.

LAPP works with its members to identify and quantify exposures and to establish Probable Maximum Losses (PMLs), both for individual members and on a regional and national basis. Significant work in this respect has been undertaken in conjunction with the Institute of Geological and Nuclear Sciences (GNS), the National Institute of Water and Atmospheric Research (NIWA) and with the Christchurch and Wellington Lifeline Groups. GNS was also commissioned to undertake a study on the impact of flooding on stopbanks and river control systems, work which had previously not been done in New Zealand. During 2002, they completed a study for the Fund on earthquake risk to council owned infrastructural assets in Wellington and Christchurch. During 2008 GNS completed a study of volcanic risk and this year they completed a study of Tsunami risk, both were the first time these hazards had been studied in depth in New Zealand with respect to the assets of interest to LAPP.

The asset management plans of each member authority are physically inspected against their asset declarations to the Fund Administrators by the Fund Risk Managers at least every four years. In intervening years, the asset registers of each member are generally updated and new reinstatement valuations are submitted by council staff.

Possible Changes to the 60/40 Split

A draft paper was released by Treasury in March 2016 suggesting the 60/40 central/local government split that currently applies at a relatively low threshold (being 0/100 below that threshold) be amended to 20/80 using a relatively high threshold such as a 1 in 1000 year earthquake PML. A "60-40 Discussion Document" from Treasury is expected to be released before the end of May 2016.

The current discussion will not affect LAPP's members' needs for 2016-17 and probably not for a couple of years after that. However, it will in the future have a big effect on LAPP if LAPP's members are going to require 100% cover for their below-ground assets rather than 40%. These include:

- Whereas LAPP was once targeting a disaster fund of \$40m, it would now need \$100m. The need for insurance for non-members of LAPP and for self-insurance for members of LAPP (through the LAPP fund) will increase by 150%.
- LAPP's current reinsurance deductible of \$25m per event is a realistic limit for LAPP as LAPP only needs to find 40% of this amount, being \$10m, to fund the reinsurance deductible. This changes if the cover LAPP's members are looking for is 100% rather than 40%. One would expect, at least initially, that LAPP would be looking for a lower reinsurance event deductible.
- To cover 100% rather than 40%, LAPP will require more reinsurance anyway.
- Assuming the cost to councils of covering their below-ground infrastructure is going to be approximately 2.5 times greater, there should be a lot more attention given by councils as to the most efficient way of financing this.

If council's are going to be required to cover 100% rather than 40%, some councils may want to consider spreading that cover between LAPP, top-up insurance, and top-up self-insurance. The latter will lead to more debate about the merits of leaving headroom in a council's borrowing programme.

Purpose of LAPP

LAPP has two purposes: assisting members understand their below-ground assets risks and providing an alternative solution for financing those risks.

LAPP was set up when the understanding of the risks to below-ground assets was poor and not entirely by coincidence insurance for below-ground assets was not available. In 1993 there was very little below-ground claims data for underwriting and no insurers or reinsurers offering cover. An initial purpose of LAPP therefore was to better understand the risks and LAPP undoubtedly has been very successful in this area. Below-ground assets in 1993 were significantly under-valued (and possibly with some councils still are), there was no appreciation of matters such as '*demand surge*' and '*very highly liquefiable soils*', and no data on relevant fragility ratios (which measure the percentage of damage to a chosen class of asset for a given event).

LAPP's other role is providing a risk-financing tool – a mutual disaster fund. The alternatives to LAPP are: 'do nothing', build your own disaster fund (reserve), or buy insurance. Some comments:

- Unless the risks are very small, 'doing nothing' is not recommended and building your own disaster fund is not only an inefficient use of capital, it only works if disasters come when the disaster fund (or the re-built disaster fund) is ready, and life doesn't work like that.
- Typically 50% of insurance premiums are not used for paying claims, and for LAPP-type business in a hard market it could run to as high as 85% that will not be used for paying claims. MJW estimates that over 70% of LAPP's 2016-17 reinsurance premium will be for non-claims costs.
- LAPP's administration costs including risk management advice will be approximately 15% of annual contributions for 2016-17 and 13% of all of LAPP's income. If the 40/60 split becomes 100/0, the 15% figure will drop to under 6% and that figure will drop to less than 3% as the Fund moves out of its re-build stage. Insurance companies cannot match this expense ratio: their profits alone average 10% of premium income.
- Over time, buying insurance equates to renting capital with other benefits bundled in such as having someone to handle the claims process. (The latter can also be a disadvantage.) There is an opportunity cost to councils in using their own capital, but because LAPP keeps the interest on the capital and it is tax free, the opportunity cost is relatively small.
- LAPP on a collective basis forces a degree of pre-funding of the inevitable disasters. This is a good discipline, because when a disaster happens there are always unfunded expenses.
- LAPP in one financial year is structured to be able to deal with two very large catastrophic claims or one large claim and several small ones. The chances of more than two large claims happening in a single year are remote; when it happened in 2010-11 it was a 1 in 5,000 year event. Albeit at a price, there is always the ability to buy additional cover or an extra reinstatement and/or lower deductible if needed.
- Through LAPP, the intellectual property of managing the risk is with councils, not a third party.
- If the next fifteen years of claims experience is bad, it will be bad for LAPP and its members, bad for the insurers, and bad for the insurers' policyholders. If it is good, LAPP members rather than the insurance companies will be the winners. The claims will come eventually of course, but timing is everything as claims-free years are giving LAPP the time it needs to deepen its resilience even further.

The Charitable Purposes of the LAPP Fund are:

- To assist New Zealand local government to carry out its responsibilities under central government's disaster recovery policies and plans; and
- To provide funds for Members for the purpose of reinstatement of lost or damaged Infrastructure as a result of Damaging Events; and
- To facilitate effective programmes to enable New Zealand local government to identify and manage risks to their Infrastructure by minimising and reducing the exposure, limiting the risks and diminishing the potential for loss or damage; and
- To provide Members with the capacity for self-help to recover from consequences of Damaging Events; and
- To do anything else which the Trustees may think is conducive or incidental to the attainment of the above charitable purposes.

There are no non-charitable purposes for the Fund.

Moving Forward

The Trustees have confirmed members' contributions and deductibles for the 2016-17 year.

Invoices for the 2016-17 contributions have been sent to the existing members.

To reward the loyalty of LAPP's existing 32 members, LAPP's expected investment income for the 2016-17 year is being used to give existing members a 10% discount.

The structure for the 2016-17 fund year is the same as 2015-16; protection for two events of up to \$125m each, meaning that two lots of \$50m (40%) can be fully funded from LAPP after allowing for members' deductibles.

LAPP's actuaries assuming the current LAPP membership have calculated that the probability in 2016-17 of claims to LAPP exceeding \$15m after adjusting for reinsurance recoveries is 0.1%.

LAPP's fund as at 1 July 2016 will be over \$20m.

LAPP has also reduced its twelve months' notice period for withdrawal to two months' notice. This is because this was having the perverse effect of members giving notice who in reality had no intention of leaving.

Tim Sole
CEO, Civic Assurance
LAPP Fund Administrator
DDI: 04-978-1254

Contract of Insurance

***Insured: MANAWATU–WANGANUI LOCAL
AUTHORITY SHARED SERVICES***

Policy No: WF1500332

Period: 30 June 2015 to 1 November 2016

Type: Natural Catastrophe

Limit: Primary NZD70,000,000



Aon UK Limited

Registered Office: 8 Devonshire Square | London | EC2M 4PL | United Kingdom
Registered in London No. 210725 | VAT Registration No. 480 8401 48
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Aon UK Limited is authorised and regulated by the Financial Conduct Authority.

Introduction

The attached document is the Insurer agreed Contract of Insurance which is being sent to you electronically.

This Contract of Insurance document replaces the traditional London policy and will be the only evidence of cover issued in accordance with the heading “Insurer Contract Documentation” in the Risk Details (Part I).

This approach is part of the overall London market drive towards achieving contract certainty at or before inception, with full documentation being issued as soon as possible.

The document includes Contract Administration and Advisory Sections between the Insurer and Broker which are used to facilitate the administration of the placement (Part IV).

Please review this document carefully which we trust that you will find to be in good order, but in the event of any queries, please do not hesitate to contact us to discuss.

Contents

Part I Risk Details

Part II Contract Wording and Endorsements
 Supplemental Clauses

Part III Information

Part I:

Risk Details

Policy Number: WF1500332

RISK DETAILS**UNIQUE
MARKET****REFERENCE:**

B0823WF1500332

INSURED:

Manawatu-Wanganui Local Authority Shared Services Limited
consisting of:

Wanganui District Council, Horizons Regional Council, Ruapehu District Council, Tararua District Council, Central Hawkes Bay District Council, Hawkes's Bay Regional Council and Queenstown Lakes District Council and/or associated and/or subsidiary companies and/or Council Controlled Organisations, Body(ies) Corporate (s) for their respective rights and interests and/or as may be agreed.

Insured's Address:

Manawatu-Wanganui Local Authority Shared Services
Private Bag 11025.
Manawatu Mail Centre
Palmerston North
New Zealand

PERIOD:

From: 30 June 2015
To: 01 November 2016

Both days at 4pm Local Standard Time at the location of the property insured.

TYPE:

Physical loss and Business Interruption caused by a Natural Catastrophe Event including: Earthquake, Natural Landslip, Flood, Tsunami, Tornado, Windstorm, Volcanic Eruption, Hydrothermal & Geothermal Activity and Subterranean Fire.

INTEREST:

Real and Personal Property of every kind and description, including but not limited to pipes and other underground assets, being the property of the Insured or the property of others in which they have an insurable interest or for which they have received instructions to insure including personal effects and tools of officers and employees of the Insured whilst located within the territorial limits defined in the policy.

PROGRAMME**LIMIT OF LIABILITY:**

NZD125,000,000 combined limit for an event involving more than one Council for any one loss or series of losses arising out of any one event (as detailed in Section 1 – Schedule D. Limit of Liability) and is subject to one automatic reinstatement at Nil charge (as detailed in Section 2 – Property Damage – D Valuation) both sections are within the Natural Catastrophe Insurance Policy in Part II Contract Wording and Endorsements.

Policy Number: WF1500332

LIMIT(S) OF LIABILITY:

NZD 70,000,000 each and every loss.

In excess of Deductibles and limited by Sublimits detailed herein.

SUB LIMIT(S) OF LIABILITY:

The liability of the Insurer(s) shall be further limited in respect of any one loss or series of losses arising out of any one event at any one Situation as set out hereunder and it is understood and agreed that such Sub Limit(s) shall not increase the liability of the Insurer(s) beyond the Limit(s) of Liability expressed in Part I Risk Details. Sub Limits apply in excess of underlying deductibles. The Sub limits below are applicable on an each loss or series of continuous, repeated or related losses arising out of any one event basis unless otherwise stated.

Wanganui District Council	NZD	100,000,000
Queenstown Lake District Council	NZD	70,000,000
Hawkes Bay Regional Council	NZD	60,000,000
Horizons Regional Council	NZD	30,000,000
Central Hawkes Bay Regional Council	NZD	25,000,000
Tararua District Council	NZD	20,000,000
Ruapehu District Council	NZD	12,500,000
Contract Works	NZD	2,000,000
Capital Additions	NZD	2,000,000
Expediting Expenses	NZD	2,500,000
Additional Increased Cost of Working	NZD	5,000,000
Claims Preparation Costs	NZD	1,500,000

INDEMNITY PERIOD: 24 Months**DEDUCTIBLE(S):**

Horizons Regional Council	NZD	3,000,000	Each & Every loss
Hawkes Bay Regional Council	NZD	1,500,000	Each & Every loss
Queenstown Lake District Council	NZD	1,000,000	Each & Every loss
Wanganui District Council	NZD	500,000	Each & Every loss
Wanganui District Council – Flood only	NZD	1,500,000	Each & Every loss
All Other Councils	NZD	250,000	Each & Every loss

SITUATION: Anywhere in New Zealand but principally cresta zones 4,5,7,8,9 & 15

Policy Number: WF1500332

CONDITIONS: As fully detailed in Part II – Contract Wording and Endorsements

Underwriters agree to additions or deletions which are +/- 5% of Inception TIV being informed to all Underwriters as evidenced by email sent from Aon UK Limited. Agreement will be deemed as being Email response to Aon UK Limited noting receipt of this email. The Formal endorsement for the additions or deletions to be agreed by Slip Leader and Agreement Parties at mid-year; being 8/1/16 and year end being 01/07/16 with all monetary adjustments to be paid by 01/07/16 and 31/08/16 accordingly. Additions or deletions which are more than +/- 5% of Inception TIV will be endorsed as soon as possible from the time Aon UK Limited have been advised.

SUPPLEMENTAL CLAUSES: Electronic Data Endorsement B - NMA2915.
Sanction Limitation and Exclusion Clause - LMA3100

CHOICE OF LAW AND JURISDICTION: Overseas Jurisdiction Clause

It is hereby agreed that:

- (1) this insurance shall be governed by the law of the Country named below whose Courts shall have jurisdiction in any dispute arising hereunder; and
- (2) any summons, notice or process to be served upon the Underwriters for the purpose of instituting any legal proceedings against them in connection with this insurance may be served upon the person(s) nominated below who have authority to accept service on their behalf.

23/7/64
NMA1483

Name and address of whom suit will be served:
Scott Galloway (Lloyd's General Representative). C/- Hazleton Law, Level 3, 101 Molesworth Street, PO Box 5639, Wellington, New Zealand.

This insurance shall be governed by and construed in accordance with the law of New Zealand and each party agrees to submit to the exclusive jurisdiction of the Courts of New Zealand.

PREMIUM: NZD As agreed (100%) Annual.

Policy Number: WF1500332

**PREMIUM PAYMENT
TERMS:****PREMIUM PAYMENT CLAUSE**

Notwithstanding any provision to the contrary within this contract or any endorsement hereto, in respect of non payment of premium only the following clause will apply.

The (Re)Insured undertakes that premium will be paid in full to (Re)Insurers within 90 days of inception of this contract (or, in respect of instalment premiums, when due).

If the premium due under this contract has not been so paid to (Re)Insurers by the 90th day from the inception of this contract (and, in respect of instalment premiums, by the date they are due) (Re)Insurers shall have the right to cancel this contract by notifying the (Re)Insured via the broker in writing. In the event of cancellation, premium is due to (Re)Insurers on a pro rata basis for the period that (Re)Insurers are on risk but the full contract premium shall be payable to (Re)Insurers in the event of a loss or occurrence prior to the date of termination which gives rise to a valid claim under this contract.

It is agreed that (Re)Insurers shall give not less than 30 days prior notice of cancellation to the (Re)Insured via the broker. If premium due is paid in full to (Re)Insurers before the notice period expires, notice of cancellation shall automatically be revoked. If not, the contract shall automatically terminate at the end of the notice period.

If any provision of this clause is found by any court or administrative body of competent jurisdiction to be invalid or unenforceable, such invalidity or unenforceability will not affect the other provisions of this clause which will remain in full force and effect.

**30/09/08
LSW3001**

**TAXES PAYABLE BY
THE REINSURED AND
ADMINISTERED BY
INSURERS:**

None.

**RECORDING,
TRANSMITTING &
STORING
INFORMATION:**

Aon Limited may retain risk and claim data / information / documents electronically, and where this is done these documents shall be regarded with the same Legal effect as the original documents.

**INSURER CONTRACT
DOCUMENTATION:**

This document details the contract terms entered into by the Insurer(s), and constitutes the contract document.

Part II:

Contract Wording and Endorsements

Supplemental Clauses

Policy Number: WF1500332

As per leading Co-Insurer's Policy Wording agreed by Lloyd's Syndicate LIB 4472 on Aon Policy Number WF1500332.)

Which contains the following:

- Radioactive contamination exclusion
- War exclusion
- Terrorism exclusion
- Mold, Mildew and Fungus exclusion
- Fraudulent Claims Clause.

Policy Number: WF1500332

PROPERTY DAMAGE

NATURAL CATASTROPHE INSURANCE POLICY

SECTION 1 - SCHEDULE**A. Name of Insured and Mailing Address**

Manawatu-Wanganui Local Authority Shared Services Limited consisting of:

Wanganui District Council, Horizons Regional Council, Ruapehu District Council, Tararua District Council, Central Hawkes Bay District Council, Hawkes's Bay Regional Council, and Queenstown Lakes District Council and/or associated and/or subsidiary companies and/or Council Controlled Organisations, Body(ies) Corporate (s) for their respective rights and interests and/or as may be agreed.

Mailing Address:

Manawatu–Wanganui Local Authority Shared Services
Private Bag 11025.
Manawatu Mail Centre
Palmerston North
New Zealand

B. Policy Period and Premium

In consideration of the initial annual premium stated in Part I – Risk Details this policy attaches and insures from 30th June 2015, to 1st November 2016 beginning and ending at 4.00 P.M. local standard time at the location of property involved.

C. Territorial Scope

Various locations in New Zealand only.

D. Limit of Liability

The Insurer(s) maximum limit of liability in a single occurrence regardless of the number of Locations or coverages involved will not exceed the Policy limit of liability of NZD125,000,000, except as follows. When a limit of liability for a Location or other specified property is shown, such limit will be the maximum amount payable for any loss or damage arising from physical loss or damage at such Location or involving such other specified property.

If a lesser limit of liability is stated below, the lesser limit will apply. The limits of liability stated below are part of and not in addition to the Policy limit of liability.

When a limit of liability is shown as applying in the Aggregate During Any Policy Year, the Insurer(s) maximum limit of liability will not exceed such limit during any policy year regardless of the number of locations and coverages involved.

Sub-Limits of Liability

The liability of the Insurer(s) shall be further limited in respect of any one loss or series of losses arising out of any one event at any one Situation as set out hereunder and it is understood and agreed that such Sub Limit(s) shall not increase the liability of the Insurer(s) beyond the Limit(s) of Liability expressed in Part I Risk Details. Sub Limits apply in excess of underlying deductibles. The Sub limits below are applicable on an each loss or series of continuous, repeated or related losses arising out of any one event basis unless otherwise stated.

Wanganui District Council	NZD	100,000,000
Queenstown Lake District Council	NZD	70,000,000
Hawkes Bay Regional Council	NZD	60,000,000
Horizons Regional Council	NZD	30,000,000
Central Hawkes Bay Regional Council	NZD	25,000,000
Tararua District Council	NZD	20,000,000
Raupehu District Council	NZD	12,500,000
Contract Works	NZD	2,000,000
Capital Additions	NZD	2,000,000
Expediting Expenses	NZD	2,500,000
Additional Increased Cost of Working	NZD	5,000,000
Claims Preparation Costs	NZD	1,500,000

C. Deductibles

In each case of loss covered by this Policy, the Insurer(s) will be liable only if the Insured sustains a loss in a single occurrence greater than the applicable deductible specified below, and only for its share of that greater amount.

Unless otherwise stated below:

- i. When this Policy insures more than one location, the deductible will apply against the total loss covered by this Policy in any one occurrence.
- ii. If two or more deductibles provided in this Policy apply to a single occurrence, the total to be deducted will not exceed the largest deductible applicable, unless otherwise provided.

Horizons Regional Council	NZD	3,000,000	Each & Every loss
Hawkes Bay Regional Council	NZD	1,500,000	Each & Every loss
Queenstown Lake District Council	NZD	1,000,000	Each & Every loss
Wanganui District Council	NZD	500,000	Each & Every loss
Wanganui District Council – Flood only	NZD	1,500,000	Each & Every loss
All Other Councils	NZD	250,000	Each & Every loss

Policy Number: WF1500332

D. Notification of Claims

Aon New Zealand,
1st Floor, Aon
Cnr Tristram & Thackery Streets
PO Box 1281
Hamilton 3240
New Zealand

E. Nominated Loss Adjuster

It is hereby understood and agreed that each and every loss will be adjusted by Godfrey's Chartered Loss Adjuster's, unless otherwise agreed by the Insured and the Insurer(s).

Godfreys
Level 9
187 Featherston Street
Wellington 6011
P O Box 25 516
Featherston Street
Wellington 6146

F. Indemnity Period

24 months, Deferral of Indemnity Period Endorsement to apply

Policy Number: WF1500332

SECTION 2 - PROPERTY DAMAGE

A. **INSURING CLAUSE**

In Consideration of the Insured named in the Schedule hereto paying the premium to the Insurer(s).

The Insurer(s) agree (subject to the Conditions contained herein or endorsed or otherwise expressed hereon) that if the property insured or any part of such property be destroyed or damaged by Natural Catastrophe Event including: Earthquake, Natural Landslip, Flood, Tsunami, Tornado, Windstorm, Volcanic Eruption, Hydrothermal & Geothermal Activity and Subterranean Fire at any time during the period of insurance stated in the Schedule, Insurer(s) will pay or make good to the Insured the value of the property at the time of the happening of its destruction or the amount of such damage thereto to an amount not exceeding in respect of each item the sum expressed in the said Schedule to be insured thereon or in the whole the total sum insured hereby or such sum or sums as may be substituted by memorandum hereon or attached hereto signed by or on behalf of the Insurer(s) but not exceeding in any case the amount of the insurable interest therein of the Insured at the time of the happening of such destruction or damage by Natural Catastrophe Event including: Earthquake, Natural Landslip, Flood, Tsunami, Tornado, Windstorm, Volcanic Eruption, Hydrothermal & Geothermal Activity and Subterranean Fire (except those perils excluded).

An occurrence shall mean a loss or series of losses arising out of one event occurring during the period of this Policy.

For the purposes of this Policy, all physical loss, destruction or damage resulting from Natural Catastrophe Event including: Earthquake, Natural Landslip, Flood, Tsunami, Tornado, Windstorm, Volcanic Eruption, Hydrothermal & Geothermal Activity and Subterranean Fire occurring during each period of 72 consecutive hours shall be considered as one event whether the peril insured is continuous or sporadic in its sweep and scope and irrespective of whether the physical loss destruction or damage was due to the same condition or not. Each event shall be deemed to commence on the first happening of any physical loss, destruction or damage from the perils insured not within the period of previous event.

However, where it can be established that physical loss, destruction or damage has occurred from the same event over period in excess of 72 consecutive hours, only one deductible shall be applicable to all physical loss, destruction or damage resulting therefrom.

B. EXCLUSIONS***RISKS NOT COVERED***

This policy does not insure against:

1. a. Physical loss, destruction of or damage to the Property Insured; or
 - b. Any legal liability of whatsoever nature;

directly or indirectly caused by or contributed to by or arising from:

 - (i) ionizing radiation or contamination by radioactivity from any nuclear waste or from the combustion of nuclear fuel

For the purpose of this exclusion only, "combustion" shall include any self-sustaining process of nuclear fission

 - (ii) nuclear weapons materials
2. Physical loss, destruction of or damage to the Property Insured
 - a. directly or indirectly occasioned by or happening through or connected with war, invasion, act of foreign enemy, hostilities (whether war be declared or not), civil war, rebellion, revolution, insurrection, military or usurped power
 - b. resulting from confiscation, nationalization, requisition or damage to property or under the order of any Government or Public or Local Authority

Notwithstanding the provisions of Perils of Exclusion 2(b), the Insurer(s) shall be liable for loss, destruction of or damage to, or the cost of removal of, sound property at the Premises for the purpose of preventing or diminishing imminent damage by, or inhibiting the spread of, fire or any other peril insured against under this Policy
3. Loss, damage or increased cost caused by enforcement of any ordinance or law regulating the use, reconstruction, repair or demolition of any property insured hereunder, NOR any loss, damage, costs, expenses, fine or penalty which is incurred or sustained by or imposed on the Insured at the order of any governmental agency, court or other authority arising from any cause whatsoever.
4. Loss, damage, cost or expense of whatsoever nature directly or indirectly caused by, resulting from or in connection with the actual or threatened malicious use of pathogenic or poisonous biological or chemical materials regardless of any other cause or event contributing concurrently or in any other sequence thereto.

5. Loss, damage, cost or expense of whatsoever nature directly or indirectly caused by, resulting from or in connection with any act of terrorism regardless of any other cause or event contributing concurrently or in any other sequence to the loss.

For the purpose of this exclusion an act of terrorism means an act, including but not limited to the use of force or violence and/or the threat thereof, of any person or group(s) of persons, whether acting alone or on behalf of or in connection with any organisation(s) or government(s), committed for political, religious, ideological or similar purposes including the intention to influence any government and/or to put the public, or any section of the public, in fear.

This Policy also excludes loss, damage, cost or expense of whatsoever nature directly or indirectly caused by, resulting from or in connection with any action taken in controlling, preventing, suppressing or in any way relating to any act of terrorism.

If Insurers allege that by reason of this exclusion, any loss, damage, cost or expense is not covered by this insurance the burden of proving the contrary shall be upon the Insured.

In the event any portion of this exclusion is found to be invalid or unenforceable, the remainder shall remain in full force and effect.

PROPERTY NOT COVERED

This policy does not insure:

1. Land, however this exclusion shall not apply to the cost of reclaiming, restoring or repairing land improvements. Land improvements as described hereunder include, but are not limited to, any alteration to the natural condition of the land by grading, landscaping, earthen dikes or dams, as well as additions to land such as roadways, quarries, pavements and other such facilities. Land improvements do not include landfill(s).

Exclusion 1 does not apply to pipes and underground assets. This Policy includes cover for pipes and other underground assets.

2. Currency, money, gold bullion, evidence of debt, except accounts receivable as defined in the policy, notes or securities except as otherwise defined in this policy.
3. Growing crops, standing timber to be used for industrial processes, and live animals not used for research. This exclusion will not apply to the tied trees and willow trees flood protection assets covered under this placement.
4. Contraband or property in the course of illegal transportation or trade.
5. Satellites and spacecraft before or after time of launch.
6. Offshore property – This exclusion will not apply to water outfall pipes.
7. Motor vehicles licensed for highway use not otherwise insured and when not on the Insured's premises; except this policy will insure the Insured's owned motor vehicles and the Insured's liability for motor vehicles of others while on insured premises.

C. ADDITIONAL COVERAGES
1. Automatic Acquisitions

This policy insures property at any location rented, leased, purchased or acquired by the Insured after the inception date of this policy for a period of ninety (90) days from the date of such acquisition of such location, or until agreement is reached that the location will not be covered by this policy, whichever is sooner. This policy does not insure property at such newly acquired locations that are proved to be insured in whole or in part by any other insurance policy. If such property is not reported to the Insurer(s) after ninety (90) days of acquisition, it will not be covered by this Policy.

Upon expiry of the ninety (90) day period, the terms and Conditions of coverage of any such acquisition are to be agreed by the Insurer(s).

2. Land and water contaminant or pollutant cleanup, removal and disposal

This Policy covers the reasonable and necessary cost for the cleanup, removal and disposal of contaminants or pollutants from uninsured property consisting of land, water or any other substance in or on land at the location of the Insured if the release, discharge or dispersal of contaminants or pollutants is a result of physical loss, destruction or damage to insured property.

This policy does not cover the cost to cleanup, remove, and dispose of contaminants or pollutants from such property:

- ii. at any property insured under Automatic Acquisitions or Errors and Omissions coverage provided by this Policy.
- iii. when the Insured fails to give written notice of loss to the Company within 180 days after inception of the loss.

3. Debris Removal

This Policy covers the reasonable and necessary costs incurred to remove debris that remains as a result of physical loss, destruction or damage insured by this Policy.

This Additional Coverage does not cover the costs of removal of:

- i. contaminated uninsured property; or
- ii. the contaminant in or on uninsured property,

whether or not the contamination results from insured physical loss or damage. Contamination includes, but is not limited to, the presence of pollution or hazardous material.

4. Decontamination and Cost of Cleanup Expense

If insured property is contaminated as a result of physical loss, destruction or damage insured by this Policy and there is in force at the time of the loss any law or ordinance regulating contamination, including but not limited to the presence of pollution or hazardous material, then this Policy covers, as a direct result of enforcement of such law or ordinance, the increased cost of decontamination and/or removal of such contaminated insured property in a manner to satisfy such law or ordinance. This Additional Coverage applies only to that part of insured property so contaminated as a direct result of insured physical loss, destruction or damage.

The Company is not liable for the costs required for removing contaminated uninsured property nor the contaminant therein or thereon, whether or not the contamination results from an insured event.

5. Preservation and Protection of Property

This Policy covers:

- i. Reasonable and necessary costs incurred for actions to temporarily protect or preserve insured property, provided such actions are necessary due to actual, or to prevent immediately impending, insured physical loss or damage to such insured property.
- ii. Reasonable and necessary:
 - Fire department fire fighting charges imposed as a result of responding to a fire in, on or exposing the insured property;
 - a. Costs incurred of restoring and recharging fire protection systems following an insured loss; and
 - b. Costs incurred for the water used for fighting a fire in, on or exposing the insured property.

This additional coverage is subject to the deductible provisions that would have applied had the physical loss or damage occurred.

6. Expediting Costs

This Policy covers the reasonable and necessary costs incurred to pay for the temporary repair of insured damage to insured property and to expedite the permanent repair or replacement of such damaged property.

This Additional Coverage does not cover costs:

- 1) recoverable elsewhere in this Policy; or
- 2) of permanent repair or replacement of damaged property.

7. Property in the Incidental Course of Construction or Erection

This Policy covers physical loss or damage to property or structures in the incidental course of construction or erection, and materials or supplies in connection with all such property in the incidental course of construction or erection at the insured location.

D. VALUATION

1. Reinstatement or Replacement

The basis upon which the amount payable is to be calculated shall be the cost of reinstatement of the damaged property insured at the time of its reinstatement, subject to the following Provisions and subject also to the terms, Conditions and Limit(s) of Liability of this Policy.

- i. Where property is lost or destroyed: in the case of a building, the rebuilding thereof or in the case of property other than a building, the replacement thereof by similar property: in either case in a condition equal to, but not better or more extensive than, its condition when new.
- ii. Where property is damaged: the repair of the damage and the restoration of the damaged portion of the property to a condition substantially the same as, but not better or more extensive than, its condition when new.

Provisions

- i. The work of rebuilding, replacing, repairing or restoring as the case may be (which may be carried out upon any other site(s) and in any manner suitable to the requirements of the Insured, but subject to the liability of the Insurer(s) not being thereby increased), must be commenced and carried out with reasonable dispatch, failing which the Insurer(s) shall not be liable to make any payment greater than the indemnity value of the damaged property at the time of the happening of the damage.
- ii. When any property insured to which this memorandum applies is damaged in part only, the liability of the Insurer(s) shall not exceed the sum representing the cost which the Insurer(s) could have been called upon to pay for reinstatement if such property had been wholly destroyed.
- iii. No payment beyond the amount which would have been payable under this Policy if this memorandum had not been incorporated herein shall be made until a sum equal to the cost of reinstatement shall have been actually incurred; provided that where the Insured reinstates or replaces any lost or destroyed property at a cost which is less than the cost of reinstatement (as defined) but greater than the value of such property at the time of happening of its loss or destruction, then the cost so incurred shall be deemed to be the cost of reinstatement.
- iv. All other applicable insurance covering the property effected by or on behalf of the Insured shall be on a similar reinstatement basis.
- v. Co-insurance or average shall not be applied to the amount recoverable under this memorandum.

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- iv. It is noted that for the perils listed under Type in Part I Risk Details, the limit of liability will be subject to one automatic reinstatement. Any subsequent reinstatement(s) will require an application in writing to reinstate following the damage, upon which consideration to reinstate will be undertaken and a reinstatement premium charged at pro-rata of the 2015/2016 renewal premium for time and limit.

Options

The Insured may at its option elect to either reinstate or replace the property damaged or destroyed, or any part thereof or receive payment for the amount of the loss or damage. The Insurers shall be bound to reinstate exactly and completely, but only as circumstances permit and in reasonably sufficient manner, and in no case shall the Insurers be bound to expend more in reinstatement than it would have cost to reinstate such property as it was at the time of the occurrence of such loss or damage. In any event Insurers shall not be liable for more than the sum insured as stated in the schedule.

2. Extra Cost of Reinstatement

This Policy extends to include the extra cost of reinstatement (including demolition or dismantling) of damaged property necessarily incurred to comply with the requirements of any Act of Parliament or Regulation made thereunder or any By-Law or Regulation of any Municipal or other Statutory Authority; subject to the following Provisions and subject also to the terms, Conditions and Limit(s) or Sub Limits of Liability of this Policy.

Provisions

- i. The work of reinstatement (which may be carried out wholly or partially upon any other site(s), if the requirements of the aforesaid Act, Regulation or By-Law so necessitate, subject to the liability of the Insurer(s) not being thereby increased), must be commenced and carried out with reasonable dispatch, failing which the Insurer(s) shall not be liable to make any payment beyond the amount which would have been payable under this Policy if this memorandum had not been incorporated herein.
- ii. The amount recoverable shall not include the additional cost incurred in complying with any such Act, Regulation, By-Law or requirement with which the Insured had been required to comply prior to the happening of the damage.
- iii. Co-insurance or average shall not be applied to the amount recoverable under this memorandum.
- iv. All other applicable insurances covering the property affected by or on behalf of the Insured shall be on similar basis.

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- v. If the cost of reinstatement of damaged property insured is less than fifty percent (50%) of that which would have been the cost of reinstatement if such property had been destroyed, the amount recoverable hereunder shall be limited to:
 - a. the extra cost necessarily incurred in reinstating only that portion damaged; or
 - b. whilst applying to such property insured, the Sub Limit stated herein,

Whichever is the greater. In the event of a Sub Limit not being stated in this Policy the Insurer(s) liability shall be limited to the amount as described in sub-paragraph (a) of this provision.

E. Increase in Cost of Working/Additional Increase in Cost of Working

1. Coverage Provided

The insurance under this specification is limited to (a) Increase in Cost of Working and (b) Additional Increase in Cost of Working and the amount payable as indemnity there under shall be:

- i. In respect of Increase in Cost of Working the additional expenditure necessarily and reasonably incurred for the sole purpose of avoiding or diminishing the reduction in Turnover which but for that expenditure would have taken place during the Indemnity Period in consequence of the physical loss or damage but not exceeding the sum produced by applying the Rate of Gross Profit to the amount of the reduction thereby avoided;
- ii. In respect of Additional Increase in Cost of Working: the Additional Increase in Cost of Working (in excess of the amount payable under paragraph (b)) necessarily incurred during the Indemnity Period in consequence of the physical loss or damage for the sole purpose of avoiding or diminishing a reduction in TURNOVER or resuming or maintaining the Business;

2. Definitions

i. Indemnity Period

The period beginning with the occurrence of the physical loss or damage and ending not later than the INDEMNITY Period (as stated in the Schedule) thereafter during which the results of the Business shall be affected in consequence of the physical loss or damage.

ii. Turnover

The money paid or payable to the Insured for goods sold and delivered and for services rendered in course of the Business at the Insured Location.

iii. Gross Profit

The amount by which

- (1) the sum of the amount of the Turnover and the amounts of the closing stock and work in progress shall exceed
- (2) the sum of the amounts of the opening stock and work in progress and the amount of the uninsured working expenses.

Note - The amount of the opening and closing stocks and work in progress shall be arrived at in accordance with the Insured's normal accountancy methods, due provision being made for depreciation.

v. Rate of Gross Profit

<p>The rate of Gross Profits earned on the Turnover during the financial year immediately before the date of the damage</p>	<p>) to which such adjustments shall be made as may be necessary to provide for the trend of the Business and circumstances affecting the Business either before or after the Damage or which would have affected the Business had the Damage not occurred so that the figures thus adjusted shall represent as nearly as may be reasonably practicable the result which but for the Damage would have been obtained during the relative period after the Damage.</p>
<p>Standard Turnover The Turnover during that period in the Twelve (12) months immediately before the date of the Damage which corresponds with the Indemnity Period</p>	<p>)</p>

It is understood and agreed that references to 'Damage' within this clause are read to mean 'physical loss or damage'.

vi. Turnover

The money paid or payable to the Insured for goods sold and delivered and for services rendered in course of the Business at the Insured Location.

v. Business

Business shall mean all activities undertaken, or intended to be undertaken, by the Insured at an Insured Location or anywhere else within the Territorial Scope of this Policy.

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SECTION 4 - GENERAL CONDITIONS (APPLICABLE TO ALL SECTIONS)

A. Sum Insured

This Policy shall not cover more than the sum(s) stated in the schedule or more than the aggregate amount(s) as stated in the schedule and if applicable in respect of specified causes.

B. Due Diligence

The Insured shall use due diligence and do and concur in doing all things reasonable to avoid or diminish any loss of or damage to the property insured.

C. Errors and Omissions

No inadvertent error, inadvertent omission or inadvertent failure in making reports or other data hereunder shall prejudice the Insured's right of recovery, but shall be corrected when discovered. It is further understood and agreed that any error in name or description of locations, or values of projects insured or to be insured by this policy shall not invalidate or reduce the policy limit of liability, or otherwise prejudice any recovery under this policy.

D. Receipts

No payment in respect of any premium shall be deemed to be payment to the Insurer(s) unless a printed form of receipt for the same signed by an official or duly appointed Agent of the Insurer(s) shall have been given to the Insured.

E. Other Insurance

The Policy does not insure:

1. Any loss or damage, or any property which is more specifically insured elsewhere nor
2. any loss or damage, or any property which but for the existence of this policy would be insured elsewhere

except, where such amounts insured elsewhere are less than the applicable limit or sub limit insured by this Policy, this Policy insures for the difference between the amounts insured elsewhere and the applicable limit or sub limit of this Policy, subject always to this Policy's deductible.

F. Inspection

The Insurer(s) shall be permitted, but not obligated to inspect the Insured's property at any time. Neither the Insurer(s) right to make inspections nor the making thereof nor any report thereon shall constitute an undertaking, on behalf of or for the benefit of the Insured or others, to determine or warrant such property is safe.

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G. Assignment

Assignment or transfer of this Policy shall not be valid except with the written consent of Insurer(s).

H. Cancellation Provision

The Policy may be cancelled by the Insured at any time by written notice or by surrender of this Policy giving 30 days notice of cancellation. The mailing of such notice as aforesaid shall be sufficient proof of notice and this Insurance shall terminate at the date and hour specified in such notice.

If this Insurance shall be cancelled by the Insured, the Insurer(s) retain pro-rata premium for the time the Policy has been in force.

Payment or tender of any unearned premium by the Insurer(s) shall not be a condition precedent to the effectiveness of cancellation but such payment shall be made as soon as practicable.

If the period of limitation relating to the giving of notice is prohibited or made void by any law controlling the construction thereof, such period shall be deemed to be amended so as to be equal to the minimum period of limitation permitted by such law.

I. Forfeiture

If a claim that is made in any respect fraudulent, or if any false declaration be made or used in support thereof, or if any fraudulent means or devices are used by the Insured or any one acting on his behalf to obtain any benefit under this Policy, or if the loss or damage be occasioned by the willful act, or with the connivance of the Insured; or if the claim be made and rejected and an action or suit be not commenced within one year after such rejection, or (in case of any arbitration taking place in pursuance of the Arbitration Condition of this Policy) within one year after the arbitrator or arbitrators or umpire shall have made their award, all benefits under this Policy shall be forfeited.

J. Subrogation and Subrogation Waiver

If the Insurer(s) become liable for any payment under this Policy in respect of loss or damage, the Insurer(s) shall be subrogated, to the extent of such payment, to all the rights and remedies of the Insured against any party in respect of such loss or damage and shall be entitled at their own expense to sue in the name of the Insured. The Insured shall give to the Insurer(s) all such assistance in his power as the Insurer(s) may require to secure their rights and remedies and at the Insurer(s) request, shall execute all documents necessary to enable the Insurer(s) effectively to bring suit in the name of the Insured including the execution and delivery of the customary form of loan receipt.

The Insurer(s) hereon agree that this insurance shall not be invalidated should the Insured waive in writing, prior to loss affected thereby, any or all rights of recovery against any party for loss or damage occurring to the property described herein. The Insurer(s) expressly waive subrogation against any subsidiary, parent, associated or affiliated company of the Assured.

K. Salvage and Recoveries

All salvages, recoveries and payments recovered or received subsequent to a loss settlement under this Policy shall be applied as if recovered or received prior to the said settlement and all necessary adjustments shall be made by the parties hereto.

L. Arbitration

If the Insured and the Insurer(s) fail to agree in whole or in part regarding any aspect of this Policy, each party shall, within Thirty (30) days after the demand in writing by either party, appoint a competent and disinterested arbitrator and the two chosen shall before commencing the arbitration select a competent and disinterested umpire. The arbitrators together shall determine such matters in which the Insured and the Underwriters shall so fail to agree and shall make an award thereon, and if they fail to agree, they will submit their differences to the umpire and the award in writing of any two, duly verified, shall determine the same.

The parties to such arbitration shall pay the arbitrators respectively appointed by them and bear equally the expenses of the arbitration and the charges of the umpire.

M. Jurisdiction, Law and Practice

This Policy shall be governed by the Laws of New Zealand and except for the Arbitration Clause shall be subject to the exclusive jurisdiction of the Courts of New Zealand.

N. Claims Procedure

On the happening of any damage giving rise to or likely to give rise to a claim under this Policy, the Insured shall forthwith give notice thereof in writing to the Insurer(s) or the Insurer(s) agreed intermediary as per the schedule and shall (when reasonably practicable) deliver the Insurer(s) a claim, in writing containing as particular an account as may be reasonably practicable of the several articles or portions of property Damaged and of the amount of Damage thereto, having regard to their value at the time of the Damage, together with details of any other insurances on any property hereby insured.

The Insured shall use due diligence and do and concur in doing all things reasonably practicable to minimize any interruption of or interference with the Business or to avoid or diminish the loss and shall also deliver to the Insurer(s) a statement in writing of any claim certified by the Insured's auditor, with all particulars and details reasonably practicable of the loss and shall produce and furnish all books of accounts and other business books, invoices, vouchers and all other documents, proofs, information, explanations and other evidences and facilities as may reasonably be required for investigation and verification of the claim together with (if demanded) a statutory declaration of the truth of the claim and of any matters connected therewith.

Should non-compliance with any part of this condition prejudices the interests of the Insurer(s) then the amount of any benefit under this Policy shall be reduced by the amount that fairly represents the extent to which the Insurer(s) interest have been prejudiced by that non-compliance.

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O. Professional Claims Preparation Fees

It is understood that this Policy covers such reasonable professional fees as may be payable by the Insured, and such other reasonable expenses necessarily incurred by the Insured and not otherwise recoverable, for preparation, negotiation and settlement of claims under this Policy and the Insurer(s) shall indemnify the Insured for such reasonable fees and expenses.

ENDORSEMENT NO. 1**Mold, Mildew and Fungus**

- i. Except as set forth in item 2. below, this policy does not insure any loss, damage, claim, cost, expense, or other sum directly or indirectly arising out of or relating to mold, mildew or fungus of any type, nature or description.
- ii. This policy only insures physical loss, destruction or damage to insured property by mold, mildew or fungus that directly results from physical loss, destruction or damage to property insured by this policy during the policy period by a peril insured by this Policy.

This coverage is subject to all other limitations in the policy and, in addition, to each of the following specific limitations:

The said property must otherwise be insured under this policy for physical loss, destruction or damage.

- a. The Insured must report to the Insurer(s) the existence and cost of the physical loss, destruction or damage by mold, mildew or fungus as soon as practicable, but no later than twelve (12) months after the peril insured first caused any physical loss or damage to insured property during the policy period. This policy does not insure any physical loss, destruction or damage by mold, mildew or fungus first reported to the Company after that twelve (12) month period.
- b. Regardless of circumstances or other policy provisions, the maximum amount insured and payable under this policy for all mold, mildew or fungus caused by or resulting from an insured peril is as per the limit stated in the Schedule of this policy.

Policy Number: WF1500332

ENDORSEMENT NO. 2
Deferral of Indemnity Period

The Insured may elect to defer the commencement of the Indemnity Period after Damage occurs on the following basis:

- (a) the Insured must notify the Insurer (in writing or by electronic means) within 90 days of the Damage occurring of the Insured's intention to defer the commencement of the Indemnity Period, and
- (b) the deferred Indemnity Period must commence:
 - i. no later than the number of months specified in the schedule as the Indemnity Period, or
 - ii. within 12 months of the date the Damage occurred,
 whichever is the earlier otherwise this option to defer expires, and
- (c) the Indemnity Period cannot be deferred if the Insurers have already paid or agreed to pay a claim under any Insured Item or Interest under this Business Interruption Section/Policy (other than for Rewriting of Records or Claims Preparation Costs under the Insureds Material Damage Section/Policy) resulting from that Damage.
- (d) If the Insured defers the commencement of the Indemnity Period then, the Insured must notify the Insurers (in writing or by electronic means) of the actual date on which the Insured elects the Indemnity Period to commence as soon as possible, and no later than 30 days after that actual date.

Amendment to definition of indemnity period

The definition of *indemnity period* in this business interruption section/ Policy is deleted and replaced by the following:

The *indemnity period* means the continuous period beginning with:

- a) the date of *occurrence* of the *damage*; or
- b) the date to which the Insured has deferred the commencement of the *indemnity period* in accordance with this endorsement;

and ending not later than the expiry of the number of months shown on the *schedule* during which the results of the *business* are affected in consequence of the *damage*.

Policy Number: WF1500332

Supplemental Clauses

Policy Number: WF1500332

The following clause(s) attach to and form part of the contract.

ELECTRONIC DATA ENDORSEMENT B

1. Electronic Data Exclusion

Notwithstanding any provision to the contrary within the Policy or any endorsement thereto, it is understood and agreed as follows:

- (a) This Policy does not insure loss, damage, destruction, distortion, erasure, corruption or alteration of ELECTRONIC DATA from any cause whatsoever (including but not limited to COMPUTER VIRUS) or loss of use, reduction in functionality, cost, expense of whatsoever nature resulting therefrom, regardless of any other cause or event contributing concurrently or in any other sequence to the loss.

ELECTRONIC DATA means facts, concepts and information converted to a form useable for communications, interpretation or processing by electronic and electromechanical data processing or electronically controlled equipment and includes programmes, software and other coded instructions for the processing and manipulation of data or the direction and manipulation of such equipment.

COMPUTER VIRUS means a set of corrupting, harmful or otherwise unauthorised instructions or code including a set of maliciously introduced unauthorised instructions or code, programmatic or otherwise, that propagate themselves through a computer system or network of whatsoever nature. COMPUTER VIRUS includes but is not limited to 'Trojan Horses', 'worms' and 'time or logic bombs'.

- (b) However, in the event that a peril listed below results from any of the matters described in paragraph (a) above, this Policy, subject to all its terms, conditions and exclusions, will cover physical damage occurring during the Policy period to property insured by this Policy directly caused by such listed peril.

Listed Perils:

Fire
Explosion

2. Electronic Data Processing Media Valuation

Notwithstanding any provision to the contrary within the Policy or any endorsement thereto, it is understood and agreed as follows:

Should electronic data processing media insured by this Policy suffer physical loss or damage insured by this Policy, then the basis of valuation shall be the cost of the blank media plus the costs of copying the ELECTRONIC DATA from back-up or from originals of a previous generation. These costs will not include research and engineering nor any costs of recreating, gathering or assembling such ELECTRONIC DATA. If the media is not repaired, replaced or restored the basis of valuation shall be the cost of the blank media. However this Policy does not insure any amount pertaining to the value of such ELECTRONIC DATA to the Assured or any other party, even if such ELECTRONIC DATA cannot be recreated, gathered or assembled.

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Policy Number: WF1500332

SANCTION LIMITATION AND EXCLUSION CLAUSE

No (re)insurer shall be deemed to provide cover and no (re)insurer shall be liable to pay any claim or provide any benefit hereunder to the extent that the provision of such cover, payment of such claim or provision of such benefit would expose that (re)insurer to any sanction, prohibition or restriction under United Nations resolutions or the trade or economic sanctions, laws or regulations of the European Union, United Kingdom or United States of America.

15/09/10
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Policy Number: WF1500332

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Part III:

Information

Policy Number: WF1500332

INFORMATION
Total Insured Values:**Declared Values per Entity:**

Wanganui District Council	NZD	683,406,022
Horizons Regional Council	NZD	259,996,258
Queenstown Lake District Council	NZD	462,042,415
Hawke's Bay Regional Council	NZD	183,474,850
Central Hawkes Bay District Council	NZD	157,550,774
Tararua District Council	NZD	118,850,895
Ruapehu District Council	NZD	112,114,550
Total	NZD	1,977,435,764

All as per Schedule of Values provided to Insurers.

Claims History (1993 to 1 June 2015)

February 2004 Flood	NZD	12,090,267
January 2014 Eketahuna Earthquake	NZD	786,805
June 2015 Wanganui Flood	NZD	4,500,000*
*Still being quantified		

The Insured's Business:

Territorial Local Authority, Council Controlled Organisation and associated organisations, Ownership and/or occupation of infrastructure assets.

Report



DATE: 5 September 2016

TO: Executive Committee

FROM: Group Manager: Corporate Services

INTEREST RATE SWAPS

1 SUMMARY

- 1.1 The purpose of this report is to provide information to the Committee concerning its balance sheet position in respect of its swap portfolio as at 30 June 2016.
- 1.2 Council seeks to meet its obligations under the Local Government Act 2002 and the achievement of the District Vision adopted by the Council in September 2014, which will be set out in the next Long Term Plan 2015-25. These are stated on Page 2 of this agenda.
- 1.3 This matter is the result of a request from Council at the Ordinary Council Meeting of August 2016, and is within the Committee's Terms of Reference as part of risk management.
- 1.4 This report concludes by recommending that the Committee receives the information provided by Council's treasury advisors, attached as **Appendices 1 & 2**.

2 BACKGROUND

- 2.1 Council manages interest rate risk by entering swap contracts as part of its Liability Management Policy.
- 2.2 A Treasury Advisory Group was formed in November 2013 to support this.

3 CURRENT SITUATION

- 3.1 Council's gross debt at 30 June 2016 was forecast to be \$17.6m

- 3.2 Council has approved borrowing facilities of \$24 million
- 3.3 Council uses a combination of floating and fixed rate debt to manage interest rate risk, maintain liquidity and provide for flexibility within its treasury management.
- 3.4 Council uses swaps as part of this strategy to protect against increases in interest rates and hence financing costs. As at 30 June 2016 and had swap contracts placed to a value of \$12.5 million.
- 3.5 Council's financial report for 30 June 2016 forecast a loss on swaps for the year of \$385,595. This is fair value adjustment (unrealised loss) and represents the difference between the market value and notional value of the contracts. A similar loss was reported for the year ended 30 June 2015.
- 3.6 Council's treasury advisors have provided a memorandum explaining the background to this position, attached as **Appendix 1**. Council also receives regular market commentary. A typical example is attached as **Appendix 2**.

4 RECOMMENDATION

- A) **THAT** the Committee receives the information concerning interest rate swaps contained in **Appendices 1 and 2**.

Gary Borg
Group Manager: Corporate Services

Appendix 1: Memorandum: Interest rate swap commentary.
Appendix 2: Strategy and Tactics, New Zealand Interest Rates



Memo

To: Gary Borg, Group Manager: Corporate Services, Westland District Council

From: Brett Johanson, Partner, PwC

Date: 29 August 2016

Subject: Interest rate swap commentary

The purpose of this memo is to provide Westland District Council with an explanation as to why Council's interest rate swap portfolio has a forecast \$386,000 loss.

1.0 Liability Management Policy

The management of Council's treasury activity, including swaps and debt, is guided by the Liability Management Policy. The purpose of the policy is to provide a framework under which Council operates its investment and borrowing activities.

Key parts of the policy in respect of borrowing are:

- Council's borrowing limits are set
- The mechanisms Council may use to issue debt are specified
- How Council manages interest rate risk is discussed and limits set
- How Council manages liquidity risk is discussed and limits set
- How Council manages counterparty credit risk is discussed and limits set

The Policy is consistent with the local government sector Liability Management Policies. The guidance and limits in the interest rate risk management section of the Policy are designed to prudentially manage these risks, including the provision of reasonable certainty of interest costs over the term of Council's 10-Year Plans. This takes into consideration the prudential obligations under the Local Government Act to ratepayers in safeguarding inter-generational assets and associated liabilities.

For Westland District Council, to meet policy limits at least 50%, and up to 100%, of floating rate debt needs to be at a fixed interest rate. This is primarily managed through the use of swaps however, it can also be managed at certain times with fixed rate debt and/or interest rate option products.

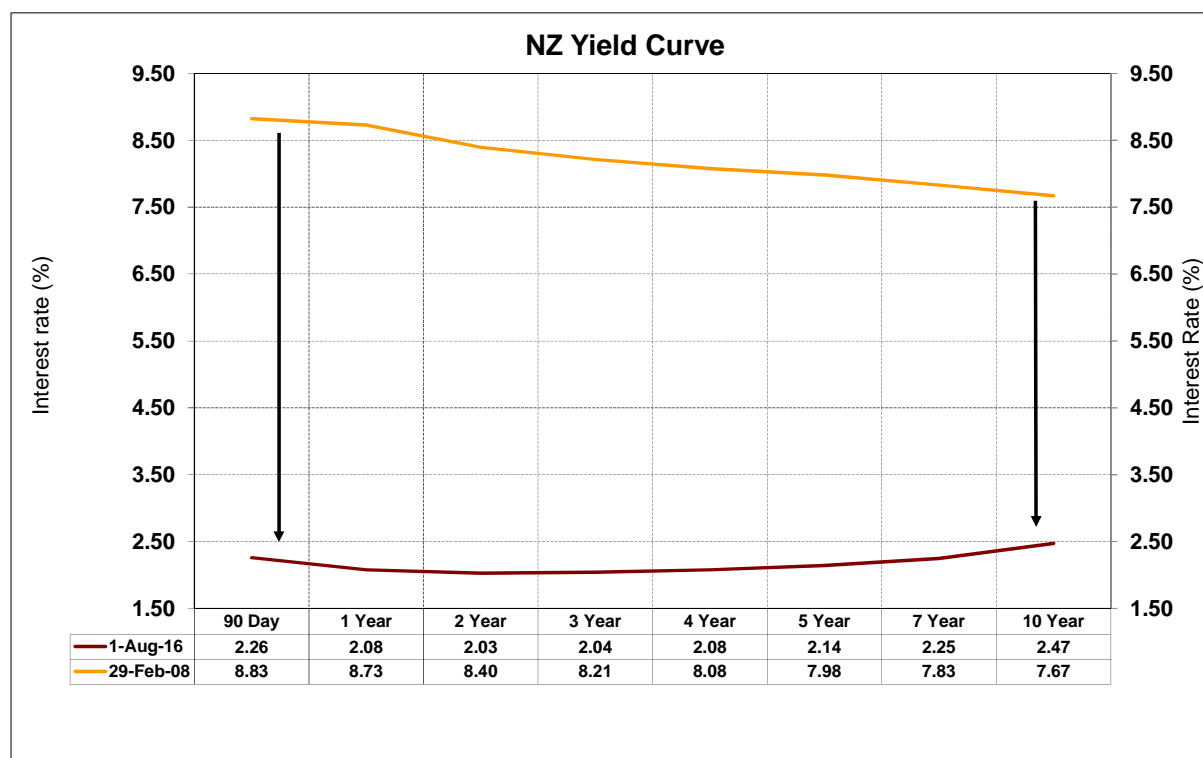
2.0 Interest rate swaps

Interest rate swaps are agreements to exchange interest rate cash flows on a nominal amount for an agreed period of time. Council is generally borrowing at a floating interest rate and therefore is primarily entering into swaps to exchange floating interest rates for fixed interest rates to meet policy limits and provide certainty of wholesale interest costs.

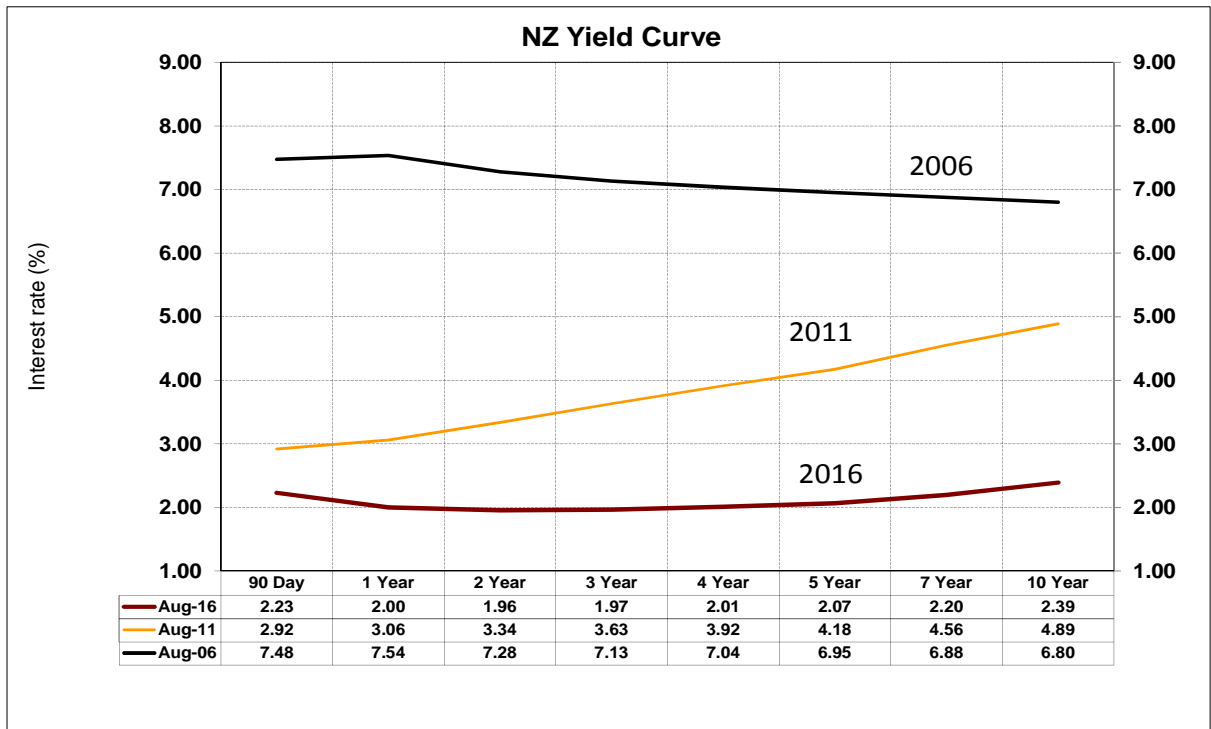
The use of interest rate swaps to enter fixed rate hedging is preferred to issuing fixed rate debt and currently, Council has used swaps to the extent that 67% of floating rate debt is at a fixed rate of interest. This currently gives certainty of interest costs over a weighted average term of 2.1 years.

Accounting standards require that swaps are re-valued at current market interest rates. Revaluations will result in either an unrealised gain (if interest rates have risen) or an unrealised loss (if interest rates have declined). The unrealised period gains and losses are recorded as an income or expense and the accumulated change in valuation as a balance sheet asset or liability.

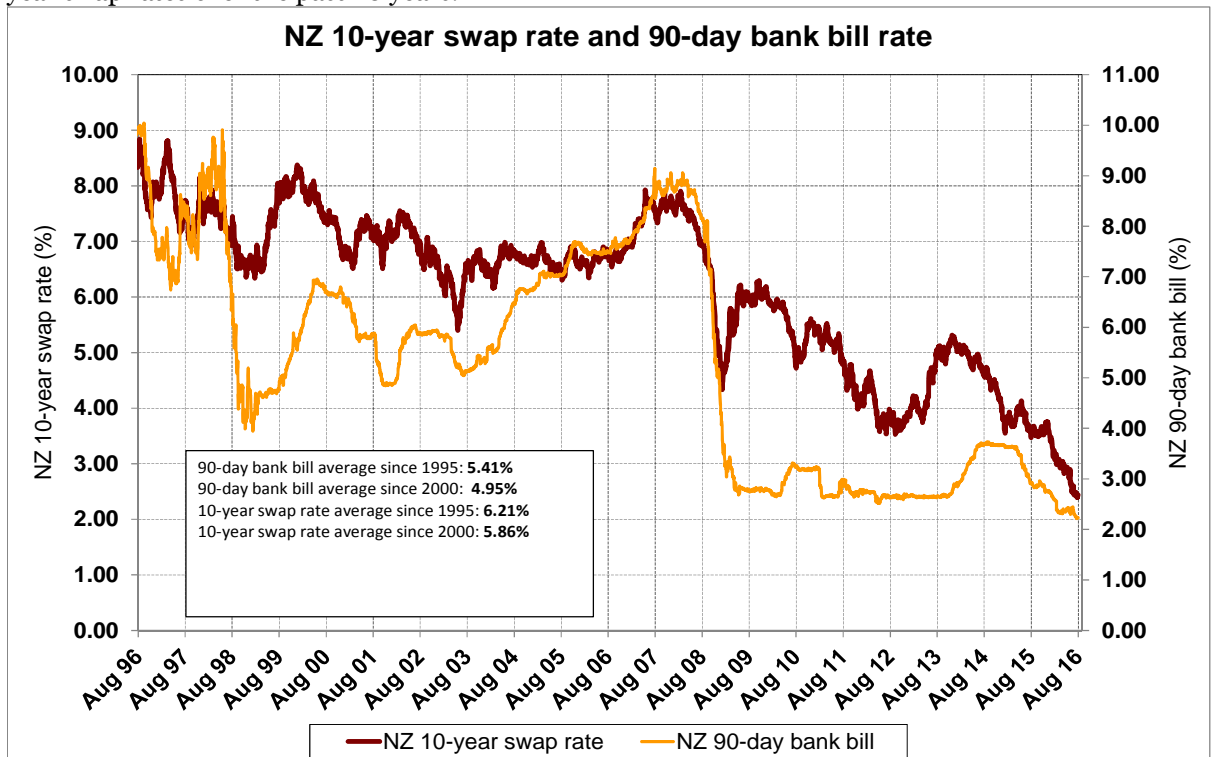
Interest rates around the world have been declining resulting in Council currently reporting the \$386,000 of unrealised period loss from interest rate swap revaluations. This unrealised loss represents the present value of interest payment obligations over the remaining life of Council's swap contracts, less the present value of the payment obligations at current market interest rates. Since 2008, New Zealand's swap yield curve has moved significantly lower, in line with global interest rates.



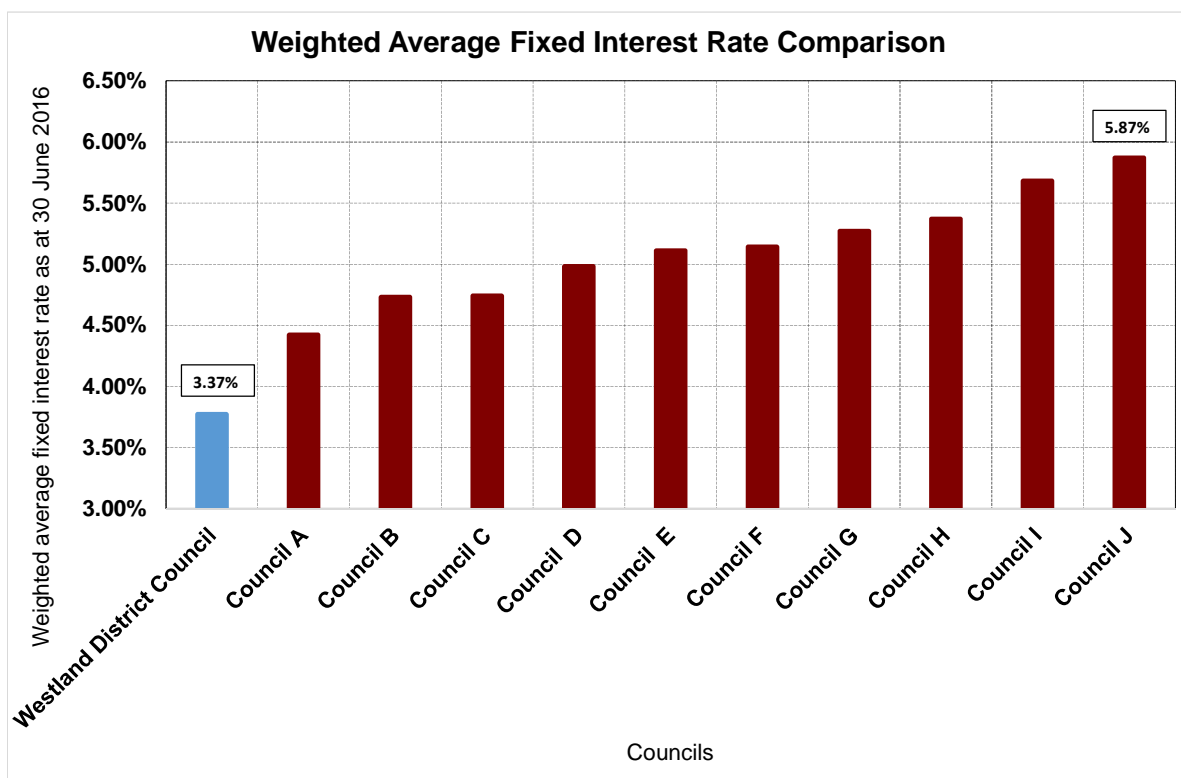
Interest rates in New Zealand are heavily influenced by global interest rates. Global interest rates have declined as central banks have significantly reduced rates to stimulate growth and inflation. For example, overnight interest rates in Europe are -0.4% and in the U.S, 0.25%. The chart below illustrates the shape of the New Zealand yield curve over the past ten years. It is observed that all swap terms have moved close to 5.0% lower from 2006.



In terms of history, the current swap yield curve is at record lows. Below is 90-day bank bill and 10-year swap rates over the past 20 years.



The chart below shows Westland District Council's weighted average fixed interest rate alongside 10 other councils, in total representing over half of the local government debt on issue. As can be seen, the weighted average hedge rates range from the lowest of 3.77% to the highest of 5.87%, with Council having the lowest weighted average hedge rate.



While Council's hedged position has resulted in an unrealised net liability as noted above, the same is applicable to other councils and corporate borrowers, domestically and globally.



This memo is subject to the engagement letter dated 8 March 2013 and the following restrictions. It is a memo addressed to you Westland District Council. This memo should not be reproduced or supplied to any other party without first obtaining our (PwC New Zealand) written consent. We accept no responsibility for any reliance that may be placed on our memo should it be used for any purpose other than that set out below and in any event we will accept no liability to any party other than you in respect of its contents. In the course of our work we have not verified any of the information provided to us by you, nor have we carried out anything in the nature of an audit. Accordingly, we express no opinion on the reliability, accuracy or completeness of the information provided to us and upon which we have relied. The statements and opinions contained in this memo are based on data obtained from the financial markets and are so contained in good faith and in the belief that such statements, opinions and data are not false or misleading. In preparing this memo, we have relied upon information which we believe to be reliable and accurate. We reserve the right (but will be under no obligation) to review our assessment and if we consider it necessary, to revise our opinion in the light of any information existing at the date of this memo which becomes known to us after that date. This memo must be read in its entirety. Individual sections of this report could be misleading if considered in isolation from each other.

Strategy and Tactics New Zealand Interest Rates

22 June 2015



Rate Table

	90d	3x6	2yr	5yr	10yr
Current	3.25	3.08	3.15	3.40	3.88
1 week ago	3.30	3.17	3.21	3.57	4.06
1 month ago	3.30	3.32	3.40	3.65	3.96

Our central view

- Economic growth expected to remain firm in 2015; however drivers of growth are beginning to diverge across the economy. Rural economy increasingly under pressure while cities perform well.
- New Zealand economic data remains reasonably strong outside of the dairy sector. However, diverging growth trends are becoming increasingly evident.
- Inflation expected to be at cyclical low-point of 0.1% in Q1 2015. Rebound in oil prices and weaker currency to provide inflation boost in near-term.*
- Recent rise in long-term interest rates reflects pricing-out of unsustainable and unrealistic expectations by investors.
- Ultimately higher short-term US market interest rates in 2015, however pace of interest rate increases will be gradual.

Risks to central view

- Downside risk:** US economic growth underwhelms and Federal Reserve remains on-hold or raises interest rates much slower than currently expected.

- Downside risk:** Commodity prices remain suppressed and cause the OCR to fall further than expected (*occurring*).
- Upside risk:** Stronger US economic data results in upside pressure to core consumer price inflation and interest rates rise suddenly.
- Upside risk:** Strong NZ economy and weaker NZD/USD exchange rate create more inflation than RBNZ expects, requiring OCR interest rate increases than is currently priced-in.

Borrower hedging recommendations (generic)

- Fixed-Floating Master Limit;** *maintain current hedging percentages. New clients: be at midpoints of policy.*
- 1 to 3 years sub-limit;** Minimums of policy. *Where practical, consider intra-bucket extensions to improve interest cost cash-flow and extend duration.*
- 3 to 5 years sub-limit;** Balance.
- 5 to 10 years sub-limit;** *Duration extensions through forward-starting swaps not recommended. Maintain maximums with new swaps below 4.00%.*

Investor hedging recommendations (generic)

- Portfolio duration at minimums of policy.

Please note:

This market report is confidential to our clients and must not be forwarded to third parties outside your company.

Summary

New Zealand short-term swap rates have fallen over the past week following the release of weaker than expected Q1 GDP growth data in New Zealand, more dovish-than-hoped comments from the US Federal Reserve and significant uncertainty towards the Greek debt negotiations.

With New Zealand GDP indicating meagre growth of +0.2% in Q1, the year-on-year pace of growth fell from 3.5% to 2.6%. Following the cut in June, we believe the GDP data will cause the RBNZ to cut the OCR again in July rather than delaying to September. Importantly for the RBNZ, the drop in the annual growth rate from 3.5% in Q4 2014 has lowered GDP growth below the “natural rate” at which the RBNZ believes creates inflation. Accordingly, with inflation below the target, there is a rationale to cut interest rates again.

With a full 50bps of further cuts already priced-in, short-term swap rates continue to provide attractive opportunities for swap extensions in 1-3 year bucket. Whether or not these cuts do occur, the market is already priced for them, providing the opportunity to take advantage and reduce interest cost cash-flows through 6-12 month extensions.

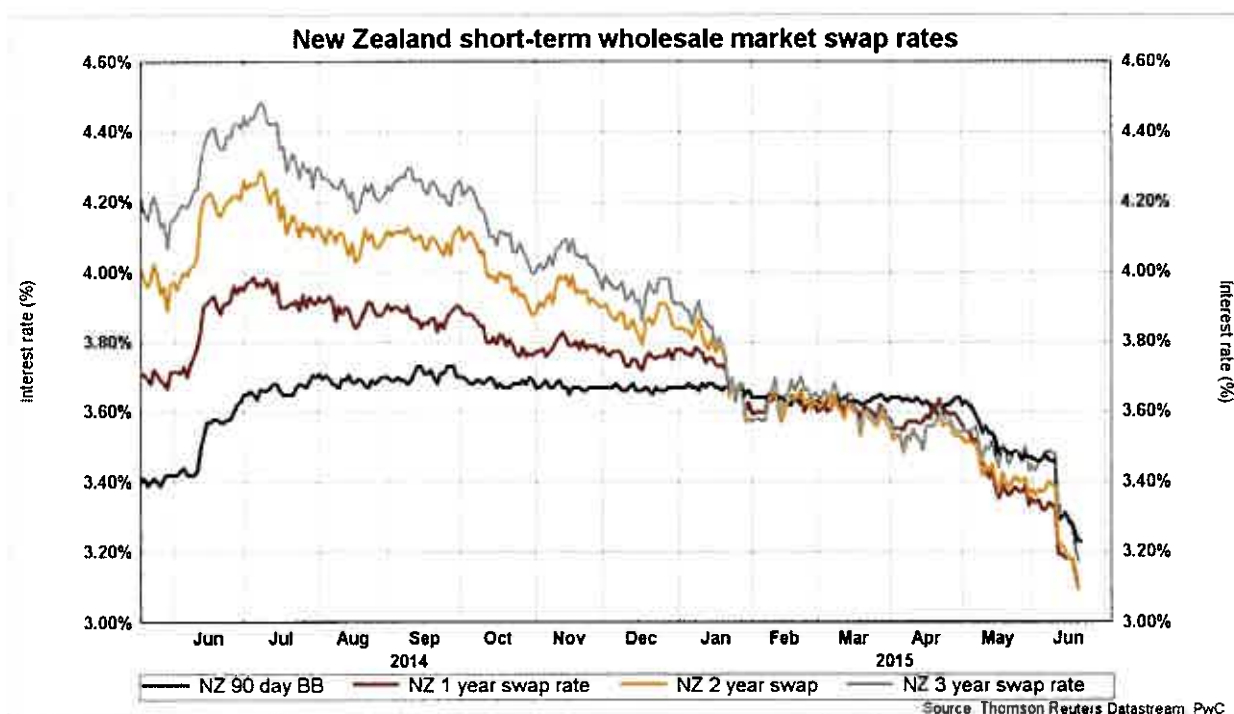
Short-term interest rates

Surprise GDP reading sees short-term swap rates move lower

New Zealand short-term swap rates have continued to move lower in the last week, following weaker-than-anticipated Q1 GDP growth. Following the RBNZ's move to an easing bias in June, the weaker GDP data has considerably increased the likelihood of a follow-up OCR cut in late July. Short-term swap rates have moved lower to 'price in' this outlook, as well as pricing a full third OCR cut by April 2016.

While we do expect one more 25bp cut this year, we are not convinced that the RBNZ will cut the OCR as low as 2.75%. Q2 inflation data, the evolution of commodity prices and wage inflation / employment will shape this outlook. We expect that Q2 inflation data will show that the 0.1%yoy in Q1 was the low point in the inflation cycle. However, the pace at which the inflation increases will be the most important driver.

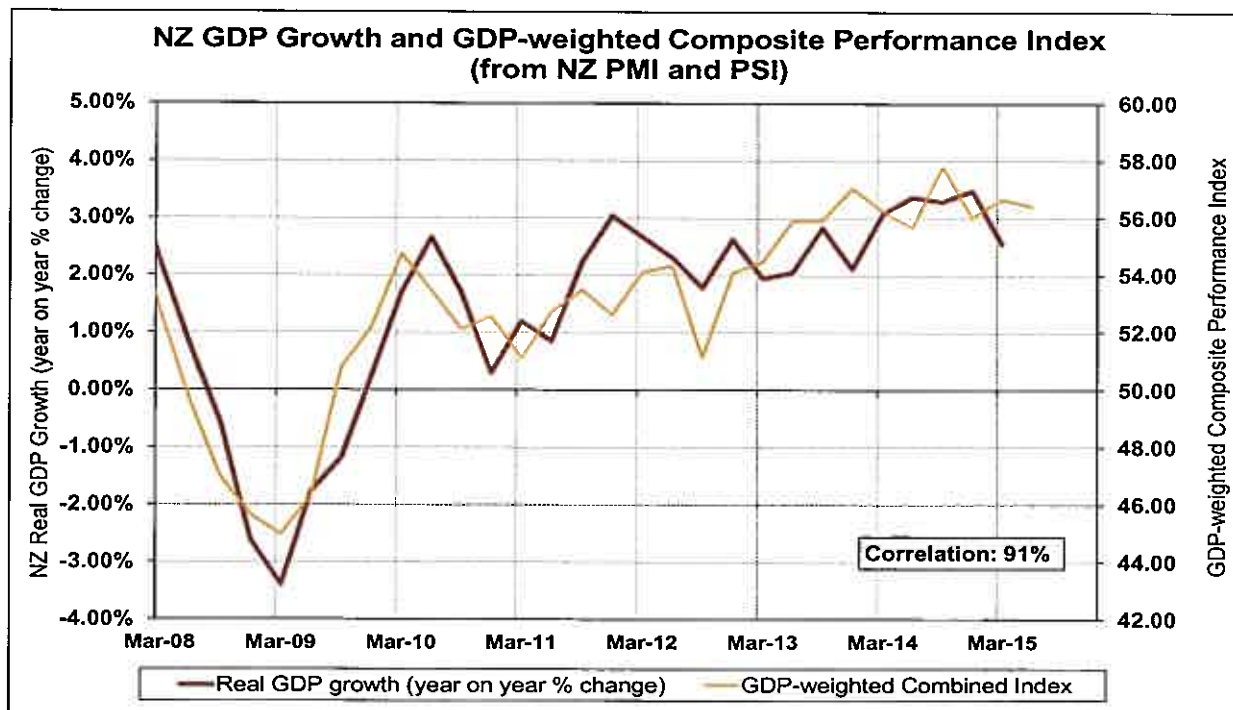
With a full 50bps of further cuts priced-in, short-term swap rates continue to provide attractive opportunities for swap extensions in 1-3 year bucket. Whether or not these cuts do occur, the market is already priced for them, providing the opportunity to take advantage and reduce interest cost cash-flows through 6-12 month extensions.



Weaker Q1 GDP makes July OCR cut probable

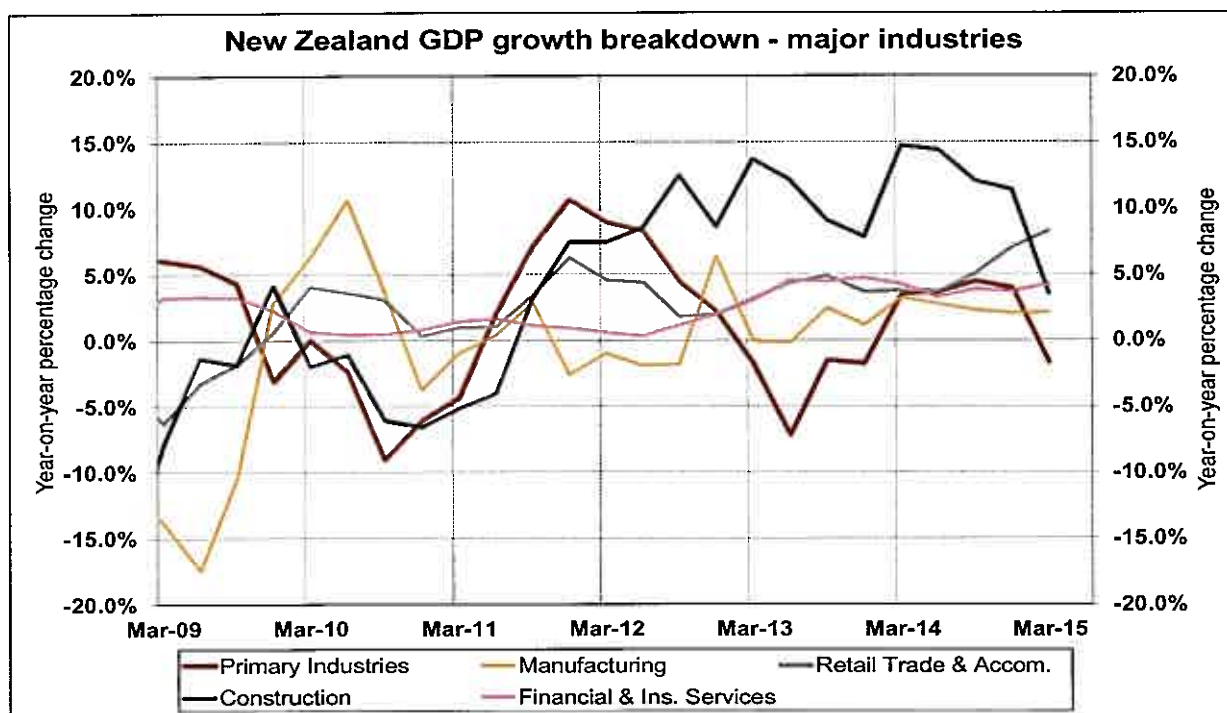
The New Zealand economy expanded by 0.2%qoq in the first quarter of this year, well below expectations of both the market and RBNZ (each around 0.6%qoq). The year-on-year pace of growth fell from 3.5% to 2.6%. Despite strong retail sales growth in Q1, the GDP reading was weighed down by the primary industries, which contracted by 2.9%qoq. Drier conditions at the start of the year appear to have caused softer growth in the agricultural sector. Weaker construction activity also contributed to the lower reading; as did surprisingly weak business investment.

The sharply lower growth comes as somewhat of a surprise given economic lead indicators had suggested the New Zealand economy performed reasonably well in the first quarter. These lead indicators included retail sales of 7.6%yoy and elevated levels of consumer and business confidence in Q1. The manufacturing and services activity measures were also strong and supportive of +3.0% GDP growth (refer chart below). Indeed, the combined services and manufacturing activity index rose from 56.0 to 56.9 in May as a strong service sector (weighted of around 80%) helped to boost nationwide activity during the month.



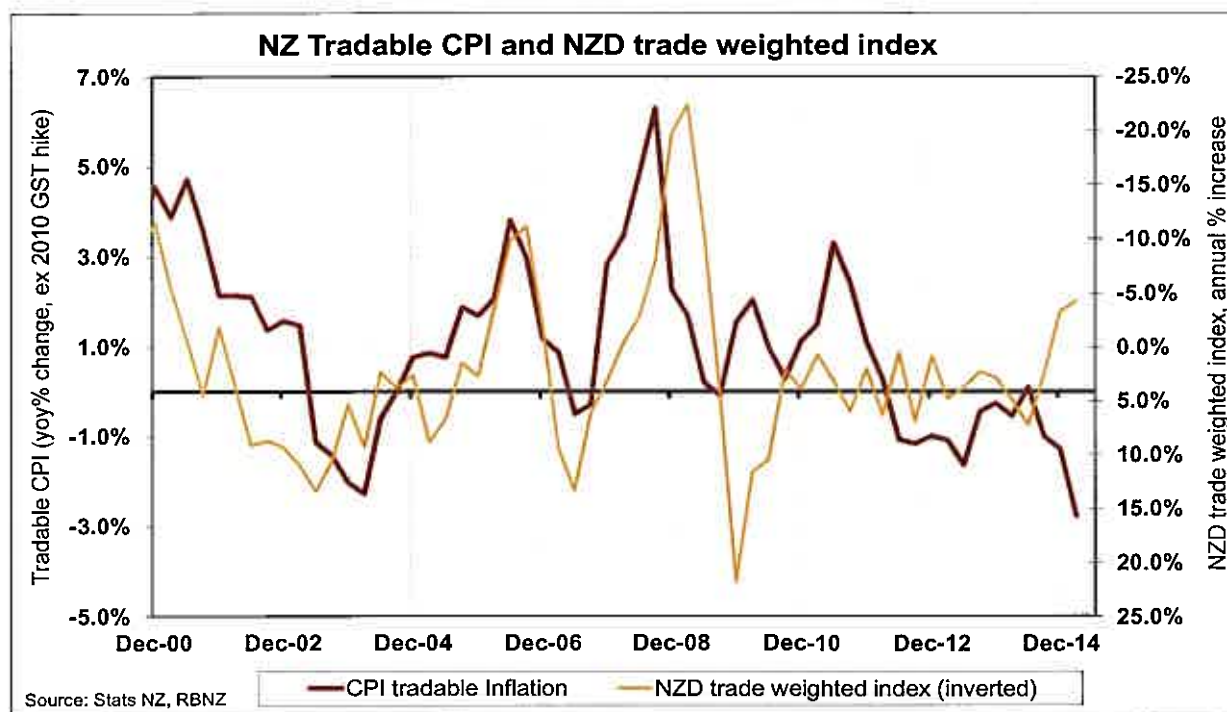
Notwithstanding the above indicators, Q1 GDP growth was subdued due to soft construction and primary industry activities in Q1 (see chart over the page). Looking ahead to Q2, we expect that several of the poor performing sectors in Q1 will “bounce back” as seasonal fluctuations are partially reversed. Furthermore, construction activity appears to be suffering from delays and capacity constraints rather than any outright weakness and we do not believe that the Canterbury rebuild is “peaking” as some commentators have suggested. Instead, there was a significant increase in activity during 2014 and we do not have the capacity to sufficiently maintain this pace of expansion.

In regards to the New Zealand economy and RBNZ policy going forward, we believe the GDP data will cause the RBNZ to cut the OCR again in July rather than delaying to September. Importantly for the RBNZ, the drop in the annual growth rate from 3.5% in Q4 2014 has lowered GDP growth below the “natural rate” at which the RBNZ believes creates inflation. Accordingly, with inflation below the target, there is a rationale to cut again. The market is currently pricing an 80% probability of this occurring as well as pricing in another cut by April next year (for a total of 75bps of cuts in 12 months).



Lower TWI and higher domestic fuel prices supportive of higher tradable inflation

One reason why we believe the RBNZ will feel comfortable with the inflation outlook is the impact of a significantly weaker NZ dollar. The NZD trade-weighted index (TWI) has fallen from 80 to 70 since April. Coupled with this is the rise in domestic oil prices, which alone will contribute a +0.4 percentage point increase to the headline Q2 inflation number following the recent spike in petrol prices. While tradable inflation (i.e. imported inflation) is currently negative, the drop in the NZD implies that a reversal higher is expected later this year. The potential for a surprise rise in non-tradable inflation would therefore quickly cause New Zealand inflation to jump higher from its lows in Q1 if these two factors occurred at the same time.

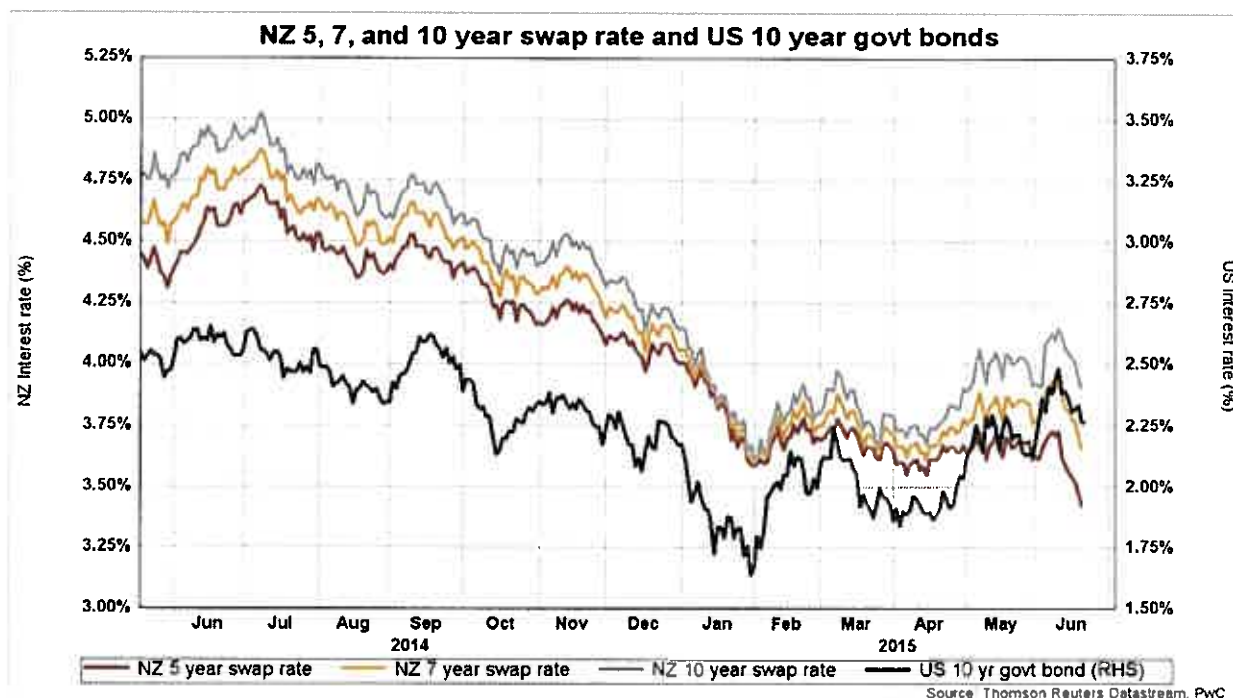


On par, we do not expect that inflation will remain at these historically low levels for much longer. However, there is a long way to go for the RBNZ to be near its 2% target and thus we do expect another OCR cut, most likely in July unless inflation data are much stronger than they expect on 16 July.

Long-term interest rates

New Zealand long-term swap rates fall only marginally following RBNZ

New Zealand long-term swap rates have moved significantly lower in the past fortnight, with the 10 year swap rate moving from 4.06% to 3.88%. New Zealand swap rates have moved sharply lower following the Q1 GDP data as well as dovish comments from the Federal Reserve, which caused long-term interest rates to fall. Considerable uncertainty around the Greek bailout situation is also weighing on market sentiment and causing strong for safe-haven bonds, bidding up prices and reducing yields. Looking ahead, there are a number of important US economic data releases this week, with focus equally shared by the situation in Greece. We expect US economic data to remain firm, and a last-minute deal to be reached with Greece. However this could include a debt write-off / default and create further fears of a Greek exit from the Eurozone. Near-term risks to long-term interest rates are therefore mixed.



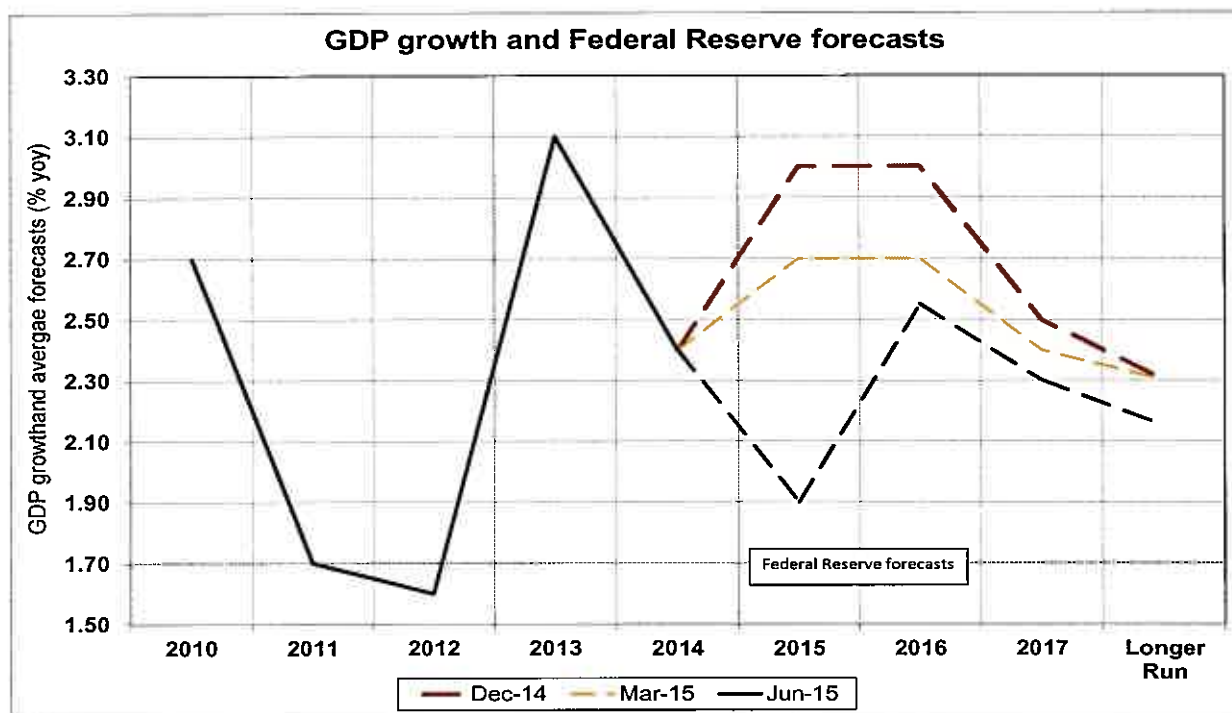
FOMC more dovish than expected; 2015 rate hikes still likely

The Federal Reserve's statement of economics projections saw further downward revisions to GDP forecasts, the third time in as many meetings. The figures showed the most material downgrade to 2015 growth (forecast to be 1.90%, down from 2.70% in March), leaving markets less convinced that the Federal Reserve will begin lifting interest rates in 2015. Further, Fed Chairwoman Janet Yellen asserted that more 'decisive evidence' that 'moderate economic growth will be sustained' is required before lifting interest rates. Following the meeting, bond yields fell back below 2.30%. We are wary of reading too much into central bank forecasts, given the frequency at which these can change (see first chart over page). It is increasingly clear that US data were impacted by the harsher winter (particularly in the North East) and a quick rebound in data may cause Fed members to revise these forecasts higher at the next quarterly release (September 17).

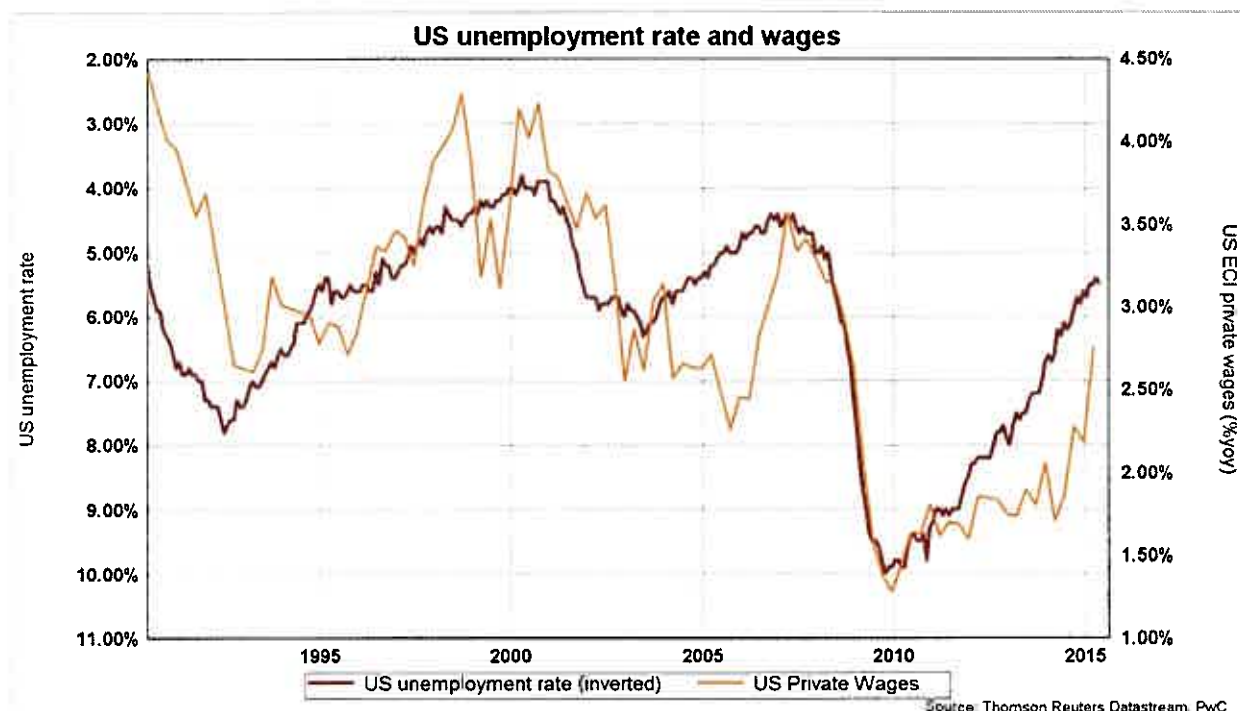
Despite more dovish tones from the Federal Reserve, US economic developments over recent weeks have reinforced our expectation for US interest rates to increase in the months ahead (September remains our 'base case'). First, soft retail sales data in December 2014, through to February 2015 have since reversed, with

significant improvements seen in March and May data. The recovery in consumption activity supports the view that winter-related weakness in data was temporary and not the structural issue previously feared.

The next supporting factor for 2015 rate hikes is the return to strength of non-farm payrolls growth, after softness in April figures. On-going strength in jobs growth has seen the unemployment rate fall from 6.2% in February 2014, to 5.5% currently. If historical relationships are to hold, wage growth is still 'catching up' (see second chart over page) and the further employment growth expected will place additional upward pressure on wages.



A sustained recovery in wages is a key metric required by the Federal Reserve, ahead of an interest rate increase. However, we expect that if the recent trend continues over the coming months, the Federal Reserve will take comfort and begin to lift interest rates from September onward.



Greek-exit from the Eurozone still a real risk

With the above in mind, we continue to expect that long-term swap rates will increase over the second half of 2015. However, as previously indicated, financial market sentiment is at risk if the situation in Greece deteriorates materially. In the case that a default or even Greek-exit was to occur, bond yields would be expected to fall, albeit temporarily as markets assess the wider implications for the European and global economy.

The failure of Greek and Eurozone officials to negotiate a resolution deal has placed markets on watch, with the emergency summit with Eurozone leaders taking place tonight (NZT time). Key issues surrounding the talks have been Greece's refusal to administer larger pension cuts and raise the value-added-tax component on energy bills (key election issues that would likely see the current Government voted out). Last week, estimates emerged that over EUR3bn of deposits left Greek banks, indicating markets awareness of how close to the edge Greece is to defaulting on its loan payments.

While it is possible that the bailout will be extended (for the third time), the upcoming EUR1.6bn payment to the International Monetary Fund (due June 30th) looks increasingly unachievable. We remain wary of the negative market impacts of a Greece default and/or exit from the Eurozone. However, for the time being, Greek and Eurozone officials will continue to battle toward a solution.

Recommendations

Following a period of sharply lower long-term interest rates, most borrower clients should now be reasonably well positioned with only "nice to do" hedging strategies still outstanding. The recent steepening in the New Zealand swap curve has made these strategies less attractive, with clients instead recommended to focus on the shorter-end of the swap curve for duration extension and blended swap rate / cash-flow benefits. However, swap rates do remain at very attractive levels relative to history and thus any client short of hedging should contact us for specific advice. Any new hedging in the 5 years plus time band is recommended to target the 5-7 year area of the curve, given that swaps beyond 7 years are becoming increasingly more costly.

Likely trading range next month

NZ 90 day bank bills	3.15 per cent. – 3.40 per cent.	Bias: →
NZ 3 year swap rate	3.20 per cent. – 3.40 per cent.	Bias: →
NZ 10 year swap rate	3.90 per cent. – 4.20 per cent.	Bias: → / ↑
US 10 year government bonds	2.20 per cent. – 2.50 per cent.	Bias: → / ↑

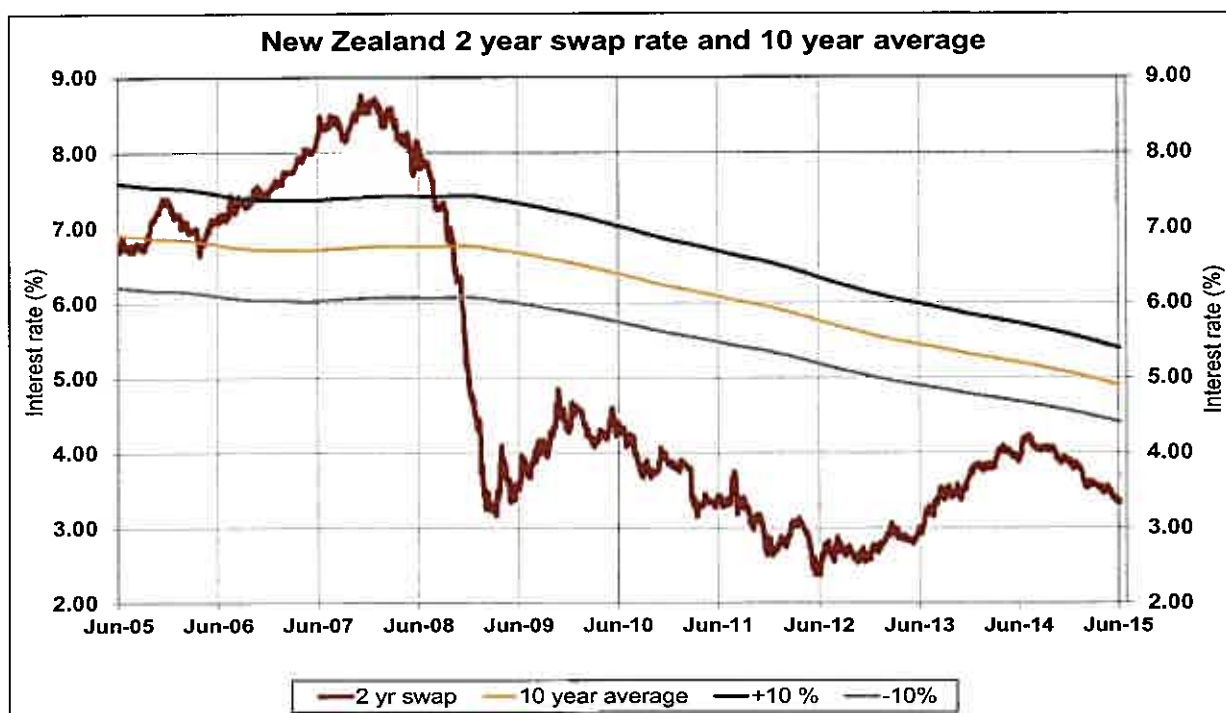
Likely trading range next six months

NZ 90 day bank bills	3.15 per cent. – 3.50 per cent.	Bias: →
NZ 3 year swap rate	3.20 per cent. – 3.50 per cent.	Bias: →
NZ 10 year swap rate	3.90 per cent. – 4.40 per cent.	Bias: → / ↑
US 10 year government bonds	2.20 per cent. – 2.75 per cent.	Bias: → / ↑

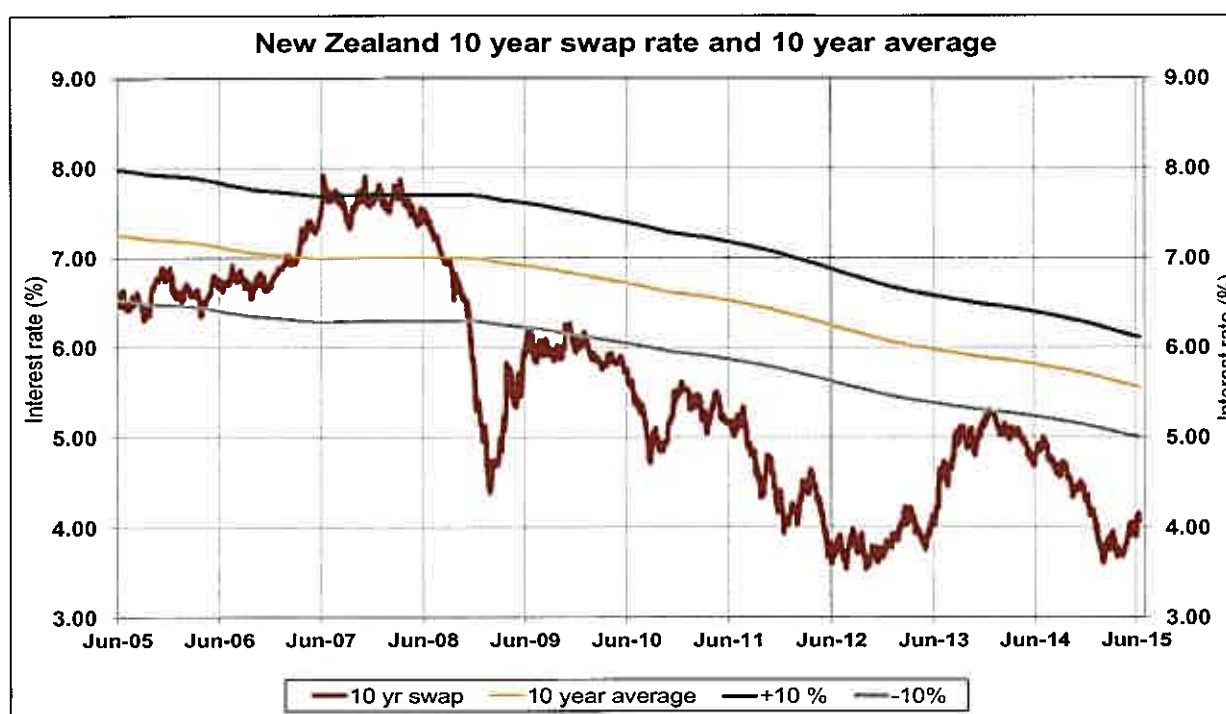
Upcoming key economic data releases

Date (NZT)	Statistic	Previous	Consensus forecasts (Bloomberg)	Impact on rates ↓↑
23/6	US home sales MoM (May)	-3.30%	4.80%	→
24/6	US manufacturing PMI (June)	54.0	54.1	→
26/6	US personal spending (May)	0.0%	0.7%	→
	NZ Trade balance (May)	123M	-50M	→
27/6	US consumer confidence (Jun)	94.6	94.6	→

At 3.15% the NZ 2 year swap rate is currently 36% below the 10-year rolling average of 4.90%.



At 3.88% the NZ 10 year swap rate is currently 30% below the 10-year rolling average of 5.56%.



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The purpose of the report is to document our current financial market views and generic hedging recommendations. The statements and opinions contained in this report are based on data obtained from the financial markets and are so contained in good faith and in the belief that such statements, opinions and data are not false or misleading. In preparing this report, we have relied upon information which we believe to be reliable and accurate. We reserve the right (but will be under no obligation) to review our assessment and if we consider it necessary, to revise our opinion in the light of any information existing at the date of this report which becomes known to us after that date. This report must be read in its entirety. Individual sections of this report could be misleading if considered in isolation from each other.

Report



DATE: 5 September 2016

TO: Executive Committee

FROM: Group Manager: Corporate Services

WESTLAND HOLDINGS LIMITED: UPDATED CONSTITUTION AND CODE OF CONDUCT

1 SUMMARY

- 1.1 The purpose of this report is to present the proposed updated Constitution for Westland Holdings Ltd (WHL) along with the Board Charter and Code of Conduct.
- 1.2 Council seeks to meet its obligations under the Local Government Act 2002 and the achievement of the District Vision adopted by the Council in September 2014, which will be set out in the next Long Term Plan 2015-25. These are stated on Page 2 of this agenda.
- 1.3 This matter is implicit in the Committee's Terms of Reference under Objective 3 and under Power to Recommend, section e.
- 1.4 This report concludes by recommending that the Committee recommends that Council adopts the updated constitution for WHL, attached as **Appendix 1** and receives the Board Charter and Code of Conduct attached as **Appendix 2**.

2 BACKGROUND

- 2.1 WHL's existing constitution was lodged with Companies Office in July 2002 and contains language and statutory references that have latterly been superseded.
- 2.2 During a review of the structure of Council's Group of Subsidiaries in 2014/15 certain inconsistencies and ambiguities were identified among the companies' constitutions, statements of intent and Council policies.

- 2.3 Council adopted a Policy on Appointment and Remuneration of Directors in June 2015.
- 2.4 The Board of Directors was refreshed in February 2016.

3 CURRENT SITUATION

- 3.1 The Board of Directors has completed a phase of familiarisation and is now undertaking strategic planning.
- 3.2 The update to the constitution is largely administrative since the purpose of the company is unchanged. The update will facilitate greater consistency among the governance documents that support the company's mandate and its relationship with Council.
- 3.3 The Board has written a Charter and Code of Conduct to give effect to Council's policy intentions and support its relationship as primary interface with the shareholder and as governance body for the subsidiaries.

4 RECOMMENDATIONS

- A) **THAT** the Committee recommends that Council adopts the updated Constitution for WHL, attached as **Appendix 1**.
- B) **THAT** the Committee receives the WHL Board Charter and Code of Conduct, attached as **Appendix 2**.

Gary Borg
Group Manager: Corporate Services

Appendix 1: Updated Constitution of Westland Holdings Limited.

Appendix 2: Westland Holdings Ltd Board Charter and Code of Conduct

20 JUNE 2016

**CONSTITUTION OF
WESTLAND HOLDINGS LIMITED**

This is a certified true copy of the Constitution of Westland Holdings Limited and was adopted by the shareholders of Westland Holdings Limited by special resolution.

Director

CONSTITUTION OF WESTLAND HOLDINGS LIMITED

1. STATUS, DEFINITIONS AND INTERPRETATION

Registration

- 1.1 The Company is registered under the Companies Act 1993 and is regulated by the Act and this constitution.

Powers and capacity

- 1.2 This constitution contains no provision restricting the capacity of the Company to carry on or undertake any business or activity or restricting the rights, powers or privileges necessary to carry on any business or activity.

Definitions

- 1.3 In this constitution, the following words and expressions have the meanings set out next to them:

"Act"	means the Companies Act 1993.
"Board"	means the directors numbering not less than the required quorum acting as the Board of directors of the Company and where one director is a quorum it means that director.
"Company"	means Westland Holdings Limited.
"council-controlled organisation"	has the same meaning as in section 6 of the Local Government Act.
"director"	means a person appointed and continuing in office for the time being, in accordance with this constitution, as a director of the Company.
"dividend"	means a distribution by the Company other than a distribution to which section 59 (acquisition of Company's own shares) or section 76 (financial assistance in acquisition of Company's shares) of the Act applies.
"local authority"	has the same meaning ascribed to that term in section 5 of the Local Government Act.
"Local Government Act"	means the Local Government Act 2002.
"majority"	means more than 50%.
"ordinary resolution"	means a resolution of shareholders approved by a simple majority of the votes of those shareholders entitled to vote and voting on the question.
"special meeting"	means any – meeting (other than an annual meeting) of shareholders entitled to vote on an issue, called at any time by the Board or by any other person who by this constitution is entitled to call meetings of shareholders.

"special resolution"	means a resolution of shareholders approved by a majority of 75 percent of the votes of those shareholders entitled to vote and voting on the question.
"Statement of Intent"	means a statement that meets the requirements of Schedule 8 of the Local Government Act.
"Working Day"	means a day of the week other than— <ul style="list-style-type: none"> (a) Saturday, Sunday, Good Friday, Easter Monday, Anzac Day, the Sovereign's birthday, Labour Day, and Waitangi Day; and (b) if Waitangi Day or Anzac Day falls on a Saturday or a Sunday, the following Monday; and (c) a day in the period commencing with 25 December in any year and ending with 2 January in the following year; and (d) if 1 January in any year falls on a Friday, the following Monday; and (e) if 1 January in any year falls on a Saturday or a Sunday, the following Monday and Tuesday.

Interpretation

1.4

- a. Words importing the singular number include the plural number and vice versa.
- b. A reference to a person includes any firm, Company or other body corporate.
- c. Subject to the above, expressions contained in this constitution bear the same meaning as in the Act, at the date on which this constitution becomes binding on the Company.
- d. A reference to a clause means a clause of this constitution.
- e. The clause headings are included for the purposes of convenience and do not affect the construction of this constitution.

2. SHARE ISSUES

Rights and powers

2.1

- a. At incorporation or re-registration the Company has not issued shares in different classes or with rights different to those standard rights set out in Section 36(1) of the Act.
- b. This constitution does not set out types of shares that the Board may, or may not, issue without shareholder approval.
- c. Any requirement of the Act that shares issued or proposed to be issued:

- i. be offered first to the holders of existing shares issued; or
- ii. be made subject to approval of a special resolution of an interest group;

is, to the extent permitted by the Act, negated or modified in accordance with the terms on which those shares were issued.

- d. This constitution does not modify the requirement of the Act that new shares be offered first to existing shareholders so as to maintain the existing voting or distribution rights, or both of those holders.

Issue of Shares

2.2

- a. Unless otherwise specified, all shares issued shall be issued for the consideration of one New Zealand dollar (\$1.00).
- b. This constitution does not further restrict the ability of the Board to issue shares, at any time to any person, and in any number the Board thinks fit.

Disposal of unwanted new shares

- 2.3 New shares offered to shareholders and not accepted within the prescribed time may be disposed of by the Board in such manner as the Board thinks most beneficial to the Company.

3. CALLS ON SHARES

Board may make calls

3.1

- a. The Board may make such calls as the Board thinks fit on the shareholders in respect of any moneys unpaid on their shares and not by the conditions of issue made payable at a fixed time or times.
- b. Shareholders must comply with the terms of payment set out in the Board resolution.
- c. A call may be revoked or postponed by the Board.

Notice of call

3.2

- a. Notice and particulars of call must be given to the holder of those shares at the time the call is made.
- b. The Company is not required to give notice and particulars of call to a subsequent holder of those shares.

Liability

3.3

- a. The joint holders of a share are jointly and severally liable to pay all calls in respect of those shares.
- b. The liability for a call which has become due and payable attaches to the holder of those shares and not a prior holder of the shares.

Interest and Expenses

- 3.4 If a call is not paid, the person from whom the sum is due must pay:
- a. all interest on that sum from the day payment was due to the day of actual payment at such rate as the Board may determine;
 - b. all expenses which the Company has or may incur by reason of non-payment of the call.

The Board may waive payment of all or part of that interest or expense.

Instalments

- 3.5 Any sum which by the terms of issue of a share becomes payable on issue or at any fixed time will, for all purposes, be deemed to be a call duly made and payable at the time at which by the terms of issue it becomes payable. In case of non-payment all the relevant provisions of this constitution relating to payment of interest and expenses, forfeiture, or otherwise will apply as if the sum had become payable by a call duly made and notified.

Different amounts

- 3.6 The Board may, on the issue of shares, differentiate between the holders as to the amount of calls to be paid and the times of payment.

4. SUSPENSION OF RIGHT TO DISTRIBUTIONS, LIEN AND FORFEITURE**Notice of Suspension of Rights to Distributions**

- 4.1 If a shareholder fails to pay any call or instalment of a call on the day payment is due, the Board may, at any time after that date, while any part of the call or instalment payable by the shareholder remains unpaid, suspend payment of any distributions payable to the shareholder until so much of the call or instalment as is unpaid together with any interest and expenses pursuant to clause 3.4 (Interest and Expenses) have been paid to the Company in full.

Application of Suspended Distributions

- 4.2 All distributions which would have been payable in respect of shares which are subject to a suspension of the right to dividends or distributions must be withheld and applied by the Company to reduce the amount owing under the call, including amounts owing under clause 3.4 (Interest and Expenses).

Liability not Discharged by Suspension of Right to Distributions on Transfer of Shares

- 4.3 A shareholder whose shares have the right to distributions suspended remains liable to the Company for all money owing under the call. That liability is not extinguished by a transfer of the shares subject to the suspension to a third party.

Lifting of Suspension of Right to Distributions

- 4.4 When the total distributions withheld and applied under clause 4.2 (Application of Suspended Dividends) equal the total amount owing under the call, including amounts owing under clause 3.4, (Interest and Expenses) the suspension of the right to distributions will be lifted and all rights to be paid dividends on the shares will resume.

Liens

4.5

- a. The Company has a first and paramount lien on every share registered in the name of a shareholder (whether solely or jointly with others) and on the proceeds of sale of those shares, for:
 - i. all money (whether presently payable or not) payable in respect of shares held by the shareholder; and
 - ii. all other money presently payable by the shareholder to the Company; and
 - iii. such amounts (if any) as the Company may be required to pay under any statute or regulation in respect of shares of a deceased or other shareholder,

whether the period for the payment, fulfilment or discharge respectively has actually arrived or not.
- b. The lien extends to all distributions from time to time declared in respect of the shares.

Sale on Exercise of Lien

4.6

The Company may sell, in such manner as the Board thinks fit, any shares on which the Company has a lien. No sale may be made unless:

- a. a sum in respect of which the lien exists is due and payable; and
- b. until the expiration of 14 days after a notice which requires payment of the amount owing in respect of which the lien exists, has been given to the registered shareholder at the time or the person entitled to that share by reason of the registered shareholder's death or bankruptcy.

Application of Proceeds of Sale

4.7

The net proceeds of the sale of any shares sold for the purpose of enforcing a lien must be applied in or towards satisfaction of any unpaid calls, instalments or any other money payable by the shareholder in respect of which the lien existed. The residue, if any, must be paid to the former shareholder.

Certificate that Power of Sale has Arisen

4.8

A certificate signed by a director stating that the power of sale provided in clause 4 of this constitution has arisen and is exercisable by the Company under this constitution will be conclusive evidence of the facts stated in the certificate.

Giving Effect to Sale

4.9

In order to give effect to any sale enforcing the lien in the exercise of the powers given to it under clause 4.6 (Sale on Exercise of Lien) the Board may authorise any person to execute a transfer of the shares to the purchaser. The purchaser will be registered as the shareholder of the shares which are transferred, and will not be bound to see to the application of the purchase money. The purchaser's title to the shares will not be effected by any irregularity or invalidity in the proceedings in reference to the sale. The remedy of any person aggrieved by the sale will be in damages only and against the Company exclusively. If the certificate for the shares is not delivered to the Company the Board may issue a new certificate distinguishing it as the Board thinks fit from the certificate not delivered.

5. DISTRIBUTIONS TO SHAREHOLDERS**5.1 The Board may authorise distributions.**

The Board may authorise a distribution by the Company to shareholders in accordance with the Act.

Dividends on shares not fully paid up to be paid pro rata**5.2**

- a. All dividends on shares not fully paid up must be authorised and paid in proportion to the amount paid to the Company in satisfaction of the liability of the shareholder to the Company in respect of the shares. This provision does not apply where shares have been issued with special rights as to dividends.
- b. No amount paid or credited as paid on a share in advance of calls is to be treated for these purposes as paid on the share. All dividends are to be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid, but if any share is issued on terms providing that it ranks for dividend as from a particular date that share ranks for dividend accordingly.

Payment by cheque or warrant**5.3**

- a. Any dividend, interest, or other money payable in cash in respect of shares may be paid by cheque sent through the post to the registered address of the holder, or in the case of joint holders, to the registered address of that one of the joint holders who is first named in the share register or to such person and to such address as the holder or joint holders may in writing direct.
- b. Every such cheque must be made payable to the order of the person to whom it is sent. Any one of 2 or more joint holders may give effectual receipts for any dividends, bonuses, or other money payable in respect of shares held by them as joint holders.

No interest**5.4 No dividend bears interest against the Company.****Unclaimed dividends****5.5**

- a. All dividends unclaimed for 1 year after having been authorised may be invested or otherwise made use of by the Board for the benefit of the Company until claimed. All dividends unclaimed for 5 years after having been declared may be forfeited by the Board for the benefit of the Company.
- b. The Board may, however, annul any such forfeiture and agree to pay a claimant who produces, to the Board's satisfaction, evidence of entitlement to the amount due to such claimant, unless in the opinion of the Board such payment would embarrass the Company.

6. COMPANY PURCHASING OWN SHARES**Acquisition of Company's own shares****6.1 The Company may make an offer and purchase shares issued by it in accordance with the Act.****Company may not hold its own shares uncanceled**

- 6.2 The Company may not hold its own shares uncanceled.

Redemption of shares

- 6.3 If the Company issues redeemable shares, the Company may redeem those shares in accordance with their terms of issue.

7. TRANSFERABILITY OF SHARES: PRE-EMPTIVE RIGHTS ON TRANSFER

Pre-Emptive Rights on Transfers

- 7.1 Except as provided in clause 7.12 (Transfer Approved by Special Resolution) of this constitution no shares may be sold or transferred by any shareholder, liquidator, official assignee or personal representative of any shareholder, unless and until the rights of pre-emption conferred in this constitution have been exhausted.

Transfer Notice

- 7.2 Except as provided in clause 7.12 (Transfer Approved by Special Resolution) every person ("the Proposing Transferor") who wishes to transfer any legal or beneficial interest in shares in the capital of the Company must comply with the following procedure:
- a. Written notice must be given to the Board of the proposed transfer of shares ("the Transfer Notice").
 - b. The Transfer Notice must specify:
 - i. The shares which are proposed to be transferred.
 - ii. The price which the Proposing Transferor considers to be the value of those shares ("the Specified Price").
 - c. If the Transfer Notice refers to more than one share it is deemed to be a signed Transfer Notice for all the shares proposed to be transferred. The Proposing Transferor has no obligation to sell or transfer only part of the shares specified in the Transfer Notice.

The Duty of the Board on Receiving a Transfer Notice

- 7.3 The Transfer Notice appoints the Board as the Proposing Transferor's agent for the sale of the shares subject to clause 7.4 (Pre-Emptive Rights) to any other shareholder(s) or to person(s) nominated by the Board in accordance with clause 7.5 (Obligation to Sell to Purchasers), either at the Specified Price or, at the option of the purchasing shareholder(s) or person(s), at the Fair Value to be fixed in accordance with clause 7.6 (Determination of Fair Value).

Pre-Emptive Rights

- 7.4 Unless the shareholders decide otherwise by Special Resolution the shares must be dealt with by the Board as follows:
- a. The shares must first be offered to the shareholders other than the Proposing Transferor as near as possible in proportion to the number of shares held by them in the Company, excluding the shares offered in the Transfer Notice. The offer must:
 - i. limit the period of time (being not less than 14 nor more than 21 days) within which if the offer is not accepted it will be deemed to be declined; and

- ii. contain a notification that any shareholder who wishes to purchase shares in excess of that proportion must state in that shareholder's reply to the Board the number of excess shares that shareholder wishes to purchase;
 - iii. state the Specified Price and require any shareholder who wishes to purchase shares to state either that shareholder will purchase shares at the Specified Price or that person disputes that the Specified Price is the Fair Value;
 - iv. state the time for payment for the shares being not later than 15 Working Days after the later of acceptance of the Specified Price or determination of Fair Value for the shares (as the case may be).
- b. If the shareholders do not claim their proportions the unclaimed shares must be used for satisfying the claims in excess (if any). If there are insufficient unclaimed shares to satisfy the claims in excess then the unclaimed shares are to be divided among the shareholders claiming excess shares in the same proportion as the original offer of shares under this clause 7.4 above.
 - c. If, following the preceding procedure, any shares have not been accepted then the Board may offer them to third persons whom the Board is prepared to register as shareholders.

Obligation to Sell to Purchasers

7.5

- a. If the Board within the space of 30 days after being served with a Transfer Notice finds person(s) willing to purchase the shares ("the Transferee" or "the Transferees") then the Board must within such period give notice to the Proposing Transferor and, subject to the Board's right to delay or refuse registration of the transfer of the shares, the Proposing Transferor is bound subject to clauses 7.7 and 7.8 (Power to Revoke) to transfer the shares to those person(s) upon payment of the Specified Price or Fair Value determined in accordance with clause 7.6 (Determination of Fair Value).
- b. The Board may deduct any money owed to the Company by the Proposing Transferor from the Specified Price or Fair Value.

Determination of Fair Value

7.6

- a. **Independent Valuer** - If there is a dispute between the Proposing Transferor and any one or more transferees as to the Fair Value of the shares the Fair Value is to be determined by an independent chartered accountant ("the Valuer") to be agreed upon by the Board and the Proposing Transferor. If they fail to agree the Valuer is to be nominated by the chief presiding officer for the time being of the Canterbury Branch of the Institute of Chartered Accountants of New Zealand.
- b. **Certificate** - The Valuer must certify in writing the sum which in the Valuer's opinion is the Fair Value of the shares and must give notice in writing to the parties of the sum so certified.
- c. **Fair Value** - Fair Value means the price that would be paid for the shares by a willing purchaser under no compulsion to purchase from a willing seller under no compulsion to sell where the seller and the purchaser have comparable knowledge and bargaining power and having due regard to:
 - i. all the assets and liabilities (including contingent liabilities) of the Company;
 - ii. the provisions of this constitution and any relevant agreement made between the shareholders;

- iii. the amount of any bona fide offer for the purchase of the shares received by the Proposing Transferor.
- d. **Valuer to Act as Expert** - In certifying as to the Fair Value of the shares the Valuer is deemed to be acting as an expert and not as an arbitrator and accordingly the Arbitration Act 1996 and its amendments do not apply. The costs of the Valuer are to be borne by the Company.
- e. **Information and Representations to be Provided** - The Board must provide to the Valuer such information and give such representations as the Valuer may require in order for the Valuer to determine the Fair Value of the shares.
- f. **Opportunity for Submissions** - The Valuer must before certifying the Fair Value of the shares give the Proposing Transferor and the Transferees a reasonable opportunity to make submissions in relation to that determination.
- g. **Procedure and Timetable** - The Valuer may set a procedure and timetable for determining the Fair Value of the shares. Such procedure and timetable must be strictly adhered to by the parties.

Power to Revoke Transfer Notice: Proposing Transferor

7.7

- a. If the Fair Value is more than 10% less than the Specified Price then, at any time within 7 days of receiving actual written notice of the Fair Value, the Proposing Transferor may revoke the Transfer Notice by written notice to the Board.
- b. If the Proposing Transferor fails to revoke the Transfer Notice within the required 7 day period it remains in full force and effect.

Power to Revoke Agreement to Purchase Shares: Transferee

7.8

- a. At any time within 7 days of receiving actual written notice of the Fair Value if:
 - i. the Fair Value is more than 10% less than the Specified Price; and
 - ii. the Proposing Transferor does not agree within those 7 days to reduce the Specified Price to the Fair Value;

then the Transferee is entitled by written notice to the Board to withdraw the Transferee's prior agreement to purchase the shares.
- b. If the Transferee fails to revoke the agreement to purchase within the required 7 day period it remains in full force and effect.

Failure to Transfer Shares

7.9

- a. If, after becoming bound under clause 7.5 (Obligation to Sell to Purchasers), the Proposing Transferor does not transfer the shares the Board may execute a transfer or transfers of the shares on behalf of the Proposing Transferor.
- b. The Board may receive the purchase money and must immediately enter the name or names of the Transferee or Transferees in the share register as the holder or holders of the shares and must hold the purchase money in trust for the Proposing Transferor subject to any debt owed by the Proposing Transferor to the Company.

- c. The Board's receipt is a good discharge to the Transferee or Transferees for the purchase price and no question can be raised as to the title of the Transferee or Transferees to the shares after they are registered in the share register as their holders.

Permitted Transfer: Exhaustion of Pre-emptive Rights

- 7.10 If the pre-emptive rights procedure has been completed and the Board has not been able to find shareholder(s) or person(s) to purchase the shares in accordance with that procedure then, on condition that the Proposing Transferor has not revoked the Transfer Notice, the Proposing Transferor may at any time within 90 days after such completion transfer all the shares (but not some of them) to any person(s) at a price not lower than the Specified Price or the Fair Value (if the Fair Value has been determined).

Corporate Shareholders

- 7.11 Where a corporation is a shareholder ("the Corporate Shareholder") then, if any one or more of the following events occurs, whether by one or by a series of transactions completed after the date at which the Corporate Shareholder was first entered in the share register, the Corporate Shareholder must give the Company a Transfer Notice in accordance with Clause 7.2 (Transfer Notice):
 - a. The transfer of the legal or beneficial ownership of, or of any interest in, any shares in the Corporate Shareholder or any holding Company of the Corporate Shareholder which:
 - i. Alters the beneficial ownership of 50% or more of the shares in either corporation; or
 - ii. Alters the beneficial ownership of shares carrying 50% or more of the voting rights at any shareholders' meeting of either corporation; or
 - iii. Alters the beneficial ownership of shares in either corporation allowing the holder of the shares to appoint a director or directors having 50% or more of the voting rights at any directors' meeting; or
 - iv. Alters the beneficial ownership of shares carrying an entitlement to receive 50% or more of any dividend or distribution declared by either corporation.
 - b. The happening of any event by which the control of the Corporate Shareholder, or any holding Company of the Corporate Shareholder is altered.

If the Corporate Shareholder fails to give a Transfer Notice any director of the Company may give a Transfer Notice on its behalf, and the provisions of clause 7.2 (Transfer Notice) apply to such Transfer Notice with the exception that the Specified Price is the Fair Value determined in accordance with this clause 7. The obligations imposed on Corporate shareholders by this clause are not capable of being waived by lapse of time or by acquiescence or knowledge, whether actual or constructive, of any other shareholder.

Transfer Approved by Special Resolution

- 7.12 Any Share may be transferred by a Shareholder to any person if the transfer is approved by a Special Resolution of Shareholders. The restrictions contained in clauses 7.1 to 7.11 and 8.1g (Director's Right to Refuse Registration) shall not apply to any transfer authorised by this clause 7.12.

Bankruptcy of a Shareholder

- 7.13
 - a. Where a shareholder becomes bankrupt, the assignee of the shareholder's estate, not later than 60 days after the adjudication of that shareholder as a bankrupt, must give a

Transfer Notice in respect of all the shares held by the assignee and the provisions of this clause 7 relating to pre-emptive rights on transfer will then apply with the exception that the Transfer Notice cannot be revoked.

- b. If the Transfer Notice is not given within the required 60 day period then the Transfer Notice is deemed to have been given with the exception that the Specified Price is the Fair Value determined in accordance with this clause 7.
- c. Where 2 or more persons are jointly entitled to any share in consequence of bankruptcy of the registered holder they are deemed to be the joint holders of the share.

8. REGISTRATION OF SHARE TRANSFERS

Directors' right to refuse registration

8.1 Subject to compliance with the provisions of section 84 of the Act, the Board may refuse or delay the registration of any transfer of any share to any person whether an existing shareholder or not:

- a. if so required by law;
- b. if registration would impose on the transferee a liability to the Company and the transferee has not signed the transfer;
- c. if a holder of any such share has failed to pay on due date any amount payable on such share either in terms of its issue or in accordance with the constitution (including any call made in relation to such share);
- d. if the transferee is an infant or a person of unsound mind;
- e. if the transfer is in respect of more than one class of shares;
- f. if the transfer is not accompanied by such proof as the directors reasonably require of the right of the transferor to make the transfer;
- g. if the directors acting in good faith decide in their sole discretion that registration of the transfer would not be in the best interests of the Company or any of its shareholders.

Directors must refuse registration

8.2 The Board must refuse registration of any transfer of any share if:

- a. the pre-emptive provisions contained in clause 7 have not been complied with;
- b. the provisions of any agreement between shareholders relating to the transfer of shares in respect of which the Board has notice have not been complied with in respect of the transfer of those shares.

9. SHAREHOLDERS RIGHTS AND OBLIGATIONS

Meetings of Shareholders

9.1 The provisions of Schedule 1 to this constitution shall govern proceedings at meetings of shareholders.

10. DIRECTORS

Limits on Board's Power to Manage the Company

- 10.1 This constitution contains no provision limiting the power of the Board to manage the business or affairs of the Company.

Number of directors

- 10.2 The minimum and maximum number of directors may be determined from time to time by the Board, and unless so determined, the minimum number is three and the maximum number is 10.
- 10.3 At any given time, no more than 1 director may be:
- a. a member of any local authority (which for avoidance of doubt, includes Councillors and Mayors); or
 - b. a persons employed by any local authority.

Appointment by shareholders

- 10.4
- a. The directors of the Company are such person or persons as may from time to time be appointed either by the shareholders by ordinary resolution or by notice in writing to the Company signed by the holder or holders of a majority of the shares in the capital of the Company but so that the total number of directors must not at any time exceed the maximum number, if any, fixed pursuant to clause 10.2 (Number of Directors).
 - b. Any shareholder will be entitled to appoint from time to time the number of Directors (rounded to the nearest whole number or, where there is no nearest whole number, rounded down) that represents the same proportion of the number of Directors determined under clause 10.2, as the proportion which the percentage of voting rights to which the appointing shareholder is then entitled bears to the then total number of voting rights attaching to the shares of the Company.
 - c. Every director holds office subject to the provisions of this constitution and may at any time be removed from office by ordinary resolution of the shareholders or by notice in writing to the Company signed by the holder or holders of a majority of the shares in the capital of the Company.
 - d. Directors may be appointed individually or together unless the shareholders by ordinary resolution require any director's appointment to be voted on individually.

Alternate directors

- 10.5
- a. Each director has the power from time to time to nominate any person not already a director and who is acceptable to the majority of other directors, to act as an alternate director in his or her place. An alternate director can be appointed either for a specified period or generally during the absence from time to time of such director. A director can remove an alternate director that director has nominated.
 - b. Unless otherwise provided for by the terms of his or her appointment, an alternate director has the same rights, powers and privileges (including the right to receive notice of meetings of directors but excluding the power to appoint an alternative director) and will discharge all the duties of and must be subject to the same provisions as the director in whose place he or she acts.
 - c. An alternate director cannot be remunerated otherwise than out of the remuneration of the director in whose place he or she acts and automatically vacates office if and when the director in whose place he or she acts vacates office.

- d. Any notice appointing or removing an alternate director may be given by delivering it or by sending it through the post or by facsimile or email to the Company and is effective as from the time of its receipt in accordance with clause 14.

Proceedings of the Board

- 10.6 The provisions of the Schedule 3 of the Act are deleted and replaced as set out in Schedule 2 of this constitution.

Directors' indemnity

- 10.7 The Company is expressly authorised to indemnify and insure any director or employee to the extent permitted by the Act.

Vacation of Office

- 10.8 The office of a Director will be vacated if the Director:
 - a. dies;
 - b. becomes a mentally disordered person within the meaning of the Mental Health (Compulsory Assessment and Treatment) Act 1992;
 - c. becomes disqualified from being a Director pursuant to s 151 of the Act.

Director's Resignation Procedure

- 10.9 A Director may resign office by delivering a signed written notice of resignation in writing to the address for service of the Company. The notice is effective when it is received at the address or at a later time specified in the notice.

Director's Remuneration and Other Benefits

- 10.10 The Board will not exercise any of the powers contained in or implied by s 161 of the Act without the prior written approval of the shareholders.

11. DUTIES OF DIRECTORS AND BOARD

Statement of Intent

- 11.1 The business of the Company should be managed by the Board in accordance with the Statement of Intent.

Interest of Shareholders

- 11.2 For the purposes of s 131(2) of the Act but subject to the Statement of Intent each Director of the Company is expressly permitted to act in a manner which he or she believes is in the best interests of the shareholders even though it may not be in the best interests of the Company.

12. INTERESTED DIRECTORS

Directors must Disclose their Interest

- 12.1 As soon as a Director becomes aware of the fact that he or she is interested in a transaction or proposed transaction with the Company, then unless the Act provides otherwise or all entitled

persons have agreed to or concur in the Company entering into the transaction, that Director must cause to be entered in the Interests Register, and disclosed to the Board:

- a. the nature and monetary value of his or her interest (if the monetary value of the interest is able to be quantified); or
- b. the nature and extent of his or her interest (if the monetary value of the interest cannot be quantified).

General Disclosure in Certain Cases will Suffice

12.2 For the purposes of clause 12.1 a general notice entered in the Interests Register and disclosed to the Board to the effect that a Director:

- a. is a shareholder, Director, officer, or trustee of another named Company or other person; and
- b. is to be regarded as interested in any transaction which may, after the date of the entry or disclosure, be entered into with that other Company or person, will be a sufficient disclosure of that interest in relation to such transaction.

Failure to Disclose Does Not Affect Validity of Transaction

12.3 Any failure by a Director comply with clause 12.1 does not affect the validity of a transaction entered into by the Company or the Director. However, the transaction may be avoided under clause 12.4.

Company May Avoid Transaction if Director Interested

12.4 Where the Company enters into a transaction in which a Director is interested, the Company, if it is permitted to do so by the Act, may avoid that transaction in accordance with the Act. However, if all entitled persons have agreed to or concur in the Company entering into such a transaction then this clause will not apply.

Interested Director May Not Vote

12.5 A Director of the Company who is interested in a transaction entered into, or to be entered into by the Company may not (subject to clauses 12.5.a and b) vote on a matter relating to the transaction, but may:

- a. vote on any matter to which clause 10.6 applies;
- b. attend a meeting of Directors at which a matter relating to the transaction arises, and be included among the Directors present at the meeting for the purpose of quorum;
- c. sign a document relating to the transaction on behalf of the Company; and
- d. do anything else as a Director in relation to the transaction, as if he or she were not interested in the transaction.

12.6 The shareholders may by Ordinary Resolution suspend or relax the prohibition on interested Directors voting to any extent in respect of any particular transaction.

13. ACCOUNTS

Availability of Information

13.1 In addition to complying with the provisions of the Act the Company will also comply with s.74 of the Local Government Act.

Statement of Intent

- 13.2 In each financial year of the Company the Directors will deliver to its shareholders a Statement of Intent in accordance with s.64 of the Local Government Act.

Accounts to be Prepared

- 13.3 Within 2 months after the end of the first half of each financial year of the Company the Directors will deliver to its shareholders a report of the Company's operations during that half year. Such half year report will include the information required by the Statement of Intent to be included.

Reports to be Delivered to Members

- 13.4 Within 3 months after the end of each financial year of the Company the Directors will deliver to the shareholders and make available to the public:
- a. a report of the operations of the Company and those of its subsidiaries during the financial year; and
 - b. audited consolidated financial statements for the financial year in respect of the Company and its subsidiaries; and
 - c. an auditor's report on:
 - i. those financial statements; and
 - ii. the performance targets and other measures by which performance has been judged in relation to the objectives contained in the Statement of Intent; and

Contents of Operations Report

- 13.5 Every report under clause 13.4 will:
- a. contain such information as is necessary to enable an informed assessment of the operations of the Company and its subsidiaries including:
 - i. a comparison of the performance of the Company and its subsidiaries with any relevant Statement of Intent; and
 - ii. an explanation of any material variances between that performance and the Statement of Intent; and
 - iii. any other information required to be included by its Statement of Intent.
 - b. state the dividend (if any) recommended to be payable by the Company in respect of its equity securities (other than fixed interest securities) for the financial year to which the report relates.

Contents of Financial Statements

- 13.6 The audited consolidated financial statements under clause 13.4.b must be prepared in accordance with generally accepted accounting practice and the applicable financial reporting standards relating to the financial year.

Auditor

- 13.7 In accordance with section 70 of the local Government Act the Auditor-General will be the auditor of the Company

14. NOTICES

Service

A notice may be served by the Company upon any director or shareholder either personally or by posting it by fast post in a prepaid envelope or package addressed to such director or shareholder at such person's last known address or by delivery to a document exchange or by email or by facsimile to the facsimile telephone number of such director or shareholder or by email to an electronic address used by the director or shareholder.

Time of service by facsimile

- 14.1 A notice served by facsimile is deemed to have been served on the Working Day following completion of its transmission.

Time of service by post

- 14.2 A notice sent by post or delivered to a document exchange is deemed to have been served:
- a. In the case of a person whose last known address is in New Zealand, at the end of 3 Working Days after the envelope or package containing the same was duly posted or delivered in New Zealand; and
 - b. In the case of a person whose last known address is outside New Zealand, at the expiration of 7 days after the envelope or package containing the same was duly posted by fast post in New Zealand.

Time of service by email

- 14.3 A notice served by email is deemed to have been served on the Working Day following the day on which it was sent.

Proof of service

- 14.4 In proving service by post or delivery to a document exchange it is sufficient to prove that the envelope or package containing the notice was properly addressed and posted or delivered with all attached postal or delivery charges paid. In proving service by facsimile, it is sufficient to prove that the document was properly addressed and sent by facsimile. In proving service by email, it is sufficient to prove that the email was properly addressed and properly sent to that email address. Notwithstanding a document is not deemed to be served or sent or delivered to a person if that person proves that, through no fault of the person's part, the document was not received within the time specified.

Service on joint holders

- 14.5 A notice may be given by the Company to the joint holders of a share by giving the notice to the joint holder first named in the share register in respect of the share.

Service on representatives

- 14.6 A notice may be given by the Company to the person or persons entitled to a share in consequence of the death or bankruptcy of a shareholder by addressing it to such person or persons by name or by title or by any appropriate description, at the address, if any, within New Zealand supplied for the purpose by the person or persons claiming to be so entitled, or (until such an address has been so supplied) by giving the notice in any manner in which it might have been given if the death or bankruptcy had not occurred.

15. LIQUIDATION**Distribution of surplus assets****15.1**

- a. Subject to the terms of issue of any shares in the Company and to clause 15.2 (Distribution in Specie), upon the liquidation of the Company the assets, if any, remaining after payment of the debts and liabilities of the Company and the costs of liquidation ("the surplus assets") will be distributed among the shareholders in proportion to their shareholding.
- b. The holders of shares not fully paid up must receive only a proportionate share of their entitlement being an amount which is in proportion to the amount paid to the Company in satisfaction of the liability of the shareholder to the Company in respect of the shares either under the constitution of the Company or pursuant to the terms of issue of the shares.

Distribution in specie**15.2**

- a. Upon a liquidation of the Company, the liquidator, with the sanction of an ordinary resolution of shareholders and any other sanction required by law, may divide amongst the shareholders in kind the whole or any part of the assets of the Company (whether they consist of property of the same kind or not) and may for that purpose set such value as the liquidator deems fair upon any property to be so divided and may determine how the division is to be carried out as between the shareholders or different classes of shareholders.
- b. The liquidator may, with the same sanction, vest the whole or any part of any such assets in trustees upon such trusts for the benefit of the shareholders as the liquidator thinks fit, but so that no shareholder will be compelled to accept any shares or other securities in relation to which there is any liability.

16. REMOVAL FROM THE NEW ZEALAND REGISTER**Directors may apply for removal****16.1** In the event that:

- a. The Company has ceased to carry on business, has discharged in full its liabilities to all its known creditors, and has distributed its surplus assets in accordance with its constitution and the Act; or
- b. The Company has no surplus assets after paying its debts in full or in part, and no creditor has applied to the Court under section 241 of the Act for an order putting the Company into liquidation;

the Board of directors may in the prescribed form request the Registrar to remove the Company from the New Zealand register.

17. METHOD OF CONTRACTING

17.1 A contract or other enforceable obligation may be entered into by the Company as follows:

- a. An obligation which, if entered into by a natural person, would by law, be required to be by deed, may be entered into on behalf of the Company in writing signed under the name of the Company by:
 - i. two or more directors of the Company;
 - ii. if there is only one director by that director whose signature must be witnessed;
 - iii. a director or other person or class of persons appointed by the Board whose signature or signatures must be witnessed;
 - iv. one or more attorneys appointed by the Company in accordance with section 181 of the Act.

SCHEDULE 1**PROCEEDINGS AT MEETINGS OF SHAREHOLDERS****1. CHAIRPERSON****Chairperson to be Chairperson of the Board**

- 1.1 If the shareholders have appointed or the directors have elected a chairperson of the Board, and the chairperson of the Board is present at a meeting of shareholders, he or she must chair the meeting.

Election of Chairperson

- 1.2 If no chairperson of the Board has been appointed or elected, or if at any meeting of shareholders the chairperson of the Board is not present within 15 minutes of the time appointed for the commencement of the meeting, the directors present may elect one of their number to be chairperson of the meeting. If at any meeting no director is willing to act as chairperson, or if no director is present within 15 minutes of the time appointed for holding the meeting, the shareholders present must choose one of their number to be chairperson of the meeting.

2. NOTICE OF MEETINGS**Notice in writing**

- 2.1 Written notice of the time and place of a meeting of shareholders must be sent to every shareholder entitled to receive notice of the meeting and to every director and, if required, an auditor of the Company not less than 10 working days before the meeting.

Contents of notice

- 2.2 The notice must state:
- a. The nature of the business to be transacted at the meeting in sufficient detail to enable a shareholder to form a reasoned judgment in relation to it; and
 - b. The text of any special resolution to be submitted to the meeting.

Irregularities in notice

- 2.3 An irregularity in a notice of a meeting is waived if all the shareholders entitled to attend and vote at the meeting attend the meeting without protest as to the irregularity, or if all such shareholders agree to the waiver.

Adjournment

- 2.4 The chairperson may, and if so directed by the meeting must, adjourn the meeting from time to time and from place to place, but no business can be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. When a meeting is adjourned for 30 days or more, notice of the adjourned meeting must be given as in the case of an original meeting. Except as so provided, it is not necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.

Accidental omission to give notice

- 2.5 The accidental omission to give a notice of a meeting to, or the non-receipt of a notice of a meeting by, any person entitled to receive notice does not invalidate the proceedings at that meeting.

3. METHODS OF HOLDING MEETINGS

- 3.1 A meeting of shareholders may be held either:
- a. By a number of shareholders, who constitute a quorum, being assembled together at the place, date, and time appointed for the meeting; or
 - b. By means of audio, or audio and visual, communication by which all shareholders participating and constituting a quorum, can simultaneously hear each other throughout the meeting.

4. QUORUM

Necessity for quorum

- 4.1 Subject to subclause 4.3 of this clause, no business may be transacted at a meeting of shareholders if a quorum is not present.

Numbers for quorum

- 4.2 A quorum for a meeting of shareholders is present if shareholders or their proxies are present who are between them able to exercise a majority of the votes to be cast on the business to be transacted by the meeting.

No quorum

- 4.3 If a quorum is not present within 30 minutes after the time appointed for the meeting:
- a. In the case of a meeting called under section 121(b) of the Act, the meeting is dissolved;
 - b. In the case of any other meeting, the meeting is adjourned to the same day in the following week at the same time and place, or to such other date, time, and place as the directors may appoint, and, subject to the constitution of the Company, if, at the adjourned meeting, a quorum is not present within 30 minutes after the time appointed for the meeting, the shareholders or their proxies present are a quorum.

5. VOTING

Voting method

- 5.1 In the case of a meeting of shareholders held under clause 3.1a of this Schedule, unless a poll is demanded, voting at the meeting shall be by whichever of the following methods is determined by the chairperson of the meeting:
- a. Voting by voice; or
 - b. voting by show of hands.

Voting method - audio, audio/visual

- 5.2 In the case of a meeting of shareholders held under clause 3.1b of this Schedule, unless a poll is demanded, voting at the meeting shall be by the shareholders signifying individually their assent or dissent by voice.

Evidence that resolution carried

- 5.3 A declaration by the chairperson of the meeting that a resolution is carried by the requisite majority is conclusive evidence of that fact unless a poll is demanded in accordance with subclause 5.4 of this clause.

Who may demand poll

- 5.4 At a meeting of shareholders a poll may be demanded by:
- a. Not less than 5 shareholders having the right to vote at the meeting; or
 - b. A shareholder or shareholders representing not less than 10 percent of the total voting rights of all shareholders having the right to vote at the meeting; or
 - c. By a shareholder or shareholders holding shares in the Company that confer a right to vote at the meeting and on which the aggregate amount paid up is not less than 10 percent of the total amount paid up on all shares that confer that right.

When poll may be demanded

- 5.5 A poll may be demanded either before or after the vote is taken on a resolution.

Counting of votes

- 5.6 If a poll is taken, votes must be counted according to the votes attached to the shares of each shareholder present in person or by proxy and voting.

Equality of votes

- 5.7 In the case of an equality of votes, whether voting is by voice or show of hands or poll, the chairperson of the meeting is not entitled to a second or casting vote.

Proxy holder may demand poll

- 5.8 For the purposes of this clause, the instrument appointing a proxy to vote at a meeting of a Company confers authority to demand or join in demanding a poll and a demand by a person as proxy for a shareholder has the same effect as a demand by the shareholder.

Voting entitlement

- 5.9 Subject to any rights or restrictions for the time being attached to any class of shares, every shareholder present in person or by proxy and voting by voice or on a show of hands has one vote.

Chairperson may demand poll

- 5.10 The chairperson may demand a poll on a resolution, either before or after a vote on such resolution, by voice or on show of hands.

Withdrawal of demand

- 5.11 The demand for a poll may be withdrawn.

Poll to be taken as chairperson directs

- 5.12 Except as provided in subclause 5.13, if a poll is duly demanded it must be taken in such manner as the chairperson directs, and the result of the poll will be deemed to be the resolution of the meeting at which the poll was demanded.

Poll on election of chairperson

- 5.13 A poll demanded on the election of a chairperson or on a question of adjournment must be taken forthwith. A poll demanded on any other question may be taken at such time and place as the chairperson of the meeting directs, and any business other than that upon which a poll has been demanded may be proceeded with pending the taking of the poll.

6. PROXIES**Right to vote by proxy**

- 6.1 A shareholder may exercise the right to vote either by being present in person or by proxy.

Right of proxy to attend

- 6.2 A proxy for a shareholder is entitled to attend and be heard at a meeting of shareholders as if the proxy were the shareholder.

Appointment of proxy

- 6.3 A proxy must be appointed by notice in writing signed by the shareholder and the notice must state whether the appointment is for a particular meeting or a specified term not exceeding 12 months.

Proxy form to be sent with Notice of Meeting

- 6.4 A proxy form must be sent with each notice calling a meeting of the Company.

Proxy form

- 6.5 An instrument appointing a proxy must be in the following form or a form as near thereto as circumstances admit:

**WESTLAND HOLDINGS LIMITED
INSTRUMENT APPOINTING A PROXY**

I/We _____
 of _____
 being a member of _____ **WESTLAND HOLDINGS LIMITED**
 hereby appoint _____ [print name of proxy]
 of _____
 or failing him/her _____ of _____
 as my/our proxy to vote for me/us on my/our behalf at the _____ the Annual/Special Meeting
 of the Company to be held at _____ on _____ commencing
 at _____ am/pm [or all meetings of the Company held within 12 months of the date of this proxy]
 and at any adjournment of any such meeting.

Signed on _____ <Year> _____
 [Usual signature/s]"

- 6.6 Where it is wished to give shareholders an opportunity of voting for or against a resolution, the instrument appointing a proxy must be in the following form or a form as near to it as circumstances admit:

**WESTLAND HOLDINGS LIMITED
INSTRUMENT APPOINTING A PROXY**

I/We _____
of _____
being a member of _____ **WESTLAND HOLDINGS LIMITED**
hereby appoint _____ [print name of proxy]
of _____
or failing him/her _____ of _____
as my/our proxy to vote for me/us on my/our behalf at the _____ the Annual/Special Meeting
of the Company to be held at _____ on _____ commencing at
_____ am/pm and at any adjournment of any such meeting.

I/We direct my/our proxy to vote in the following manner

Resolutions	Vote with a tick	
	For	Against
1. _____	—	—
2. _____	—	—

Signed on _____ <Year> _____
[Usual signature/s]"

Validity of Vote

- 6.7 A vote given in accordance with the terms of an instrument of proxy is valid notwithstanding the previous death or insanity of the appointor or revocation of the proxy or revocation of the authority under which the proxy was executed, or the transfer of any share in respect of which the proxy is given, if no notice in writing of such death, insanity, revocation or transfer has been received by the Company before the start of the meeting or adjourned meeting at which the proxy is used.

Deposit of Proxy

- 6.8 The instrument appointing a proxy and a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority must be deposited at the registered office of the Company or at such other place within New Zealand as is specified for that purpose in the notice convening the meeting not less than 48 hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll, not less than 24 hours before the time appointed for the taking of the poll. If it is not, the instrument of proxy is invalid.

7. POSTAL VOTES

- 7.1 A shareholder may not exercise the right to vote at a meeting by casting a postal vote.

8. MINUTES

Minutes must be kept

- 8.1 The Board must ensure that minutes are kept of all proceedings at meetings of shareholders.

Evidence

- 8.2 Minutes which have been signed correct by the chairperson of the meeting are prima facie evidence of the proceedings.

9. SHAREHOLDER PROPOSALS**Notice of matter for discussion or resolution**

- 9.1 A shareholder may give written notice to the Board of a matter the shareholder proposes to raise for discussion or resolution at the next meeting of shareholders at which the shareholder is entitled to vote.

Notice of shareholder proposal at Company's expense

- 9.2 If the notice is received by the Board not less than 20 working days before the last day on which notice of the relevant meeting of shareholders is required to be given by the Board, the Board must, at the expense of the Company, give notice of the shareholder proposal and the text of any proposed resolution to all shareholders entitled to receive notice of the meeting.

Notice of shareholder proposal at shareholder's expense

- 9.3 If the notice is received by the Board not less than 5 working days and not more than 20 working days before the last day on which notice of the relevant meeting of shareholders is required to be given by the Board, the Board must, at the expense of the shareholder, give notice of the shareholder proposal and the text of any proposed resolution to all shareholders entitled to receive notice of the meeting.

Notice of late shareholder proposal to be given if practicable

- 9.4 If the notice is received by the Board less than 5 working days before the last day on which notice of the relevant meeting of shareholders is required to be given by the Board, the Board may, if practicable, and at the expense of the shareholder, give notice of the shareholder proposal and the text of any proposed resolution to all shareholders entitled to receive notice of the meeting.

Proposing shareholder's written statement

- 9.5 If the directors intend that shareholders may vote on the proposal by proxy or by postal vote, they must give the proposing shareholder the right to include in or with the notice given by the Board a statement of not more than 1000 words prepared by the proposing shareholder in support of the proposal, together with the name and address of the proposing shareholder.

Limits on obligation to include statement

- 9.6 The Board is not required to include in or with the notice given by the Board a statement prepared by a shareholder which the directors consider to be defamatory, frivolous, or vexatious.

Payment by shareholder of costs

- 9.7 Where the costs of giving notice of the shareholder proposal and the text of any proposed resolution are required to be met by the proposing shareholder, the proposing shareholder must, on giving notice to the Board, deposit with the Company or tender to the Company a sum sufficient to meet those costs.

10. CORPORATIONS MAY ACT BY REPRESENTATIVES

- 10.1 A body corporate which is a shareholder may appoint a representative to attend a meeting of shareholders on its behalf in the same manner as that in which it could appoint a proxy.

11. VOTES OF JOINT HOLDERS

- 11.1 Where 2 or more persons are registered as the holder of a share, the vote of the person named first in the share register and voting on a matter must be accepted to the exclusion of the votes of the other joint holders.

12. LOSS OF VOTING RIGHTS IF CALLS UNPAID

- 12.1 Subject to the constitution of the Company, if a sum due to the Company in respect of a share has not been paid, that share may not be voted at a shareholder's meeting other than a meeting of an interest group.

13. RESOLUTIONS IN LIEU OF MEETING

- 13.1 A shareholders' resolution in lieu of meeting authorised by section 122 of the Act may consist of several documents in like form, each signed by one or more shareholders. A facsimile of any such signed resolution is as valid and effectual as the original signed document with effect from completion of its transmission.

14. OTHER PROCEEDINGS

- 14.1 Except as provided in this Schedule, and subject to the constitution of the Company, a meeting of shareholders may regulate its own procedure.

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SCHEDULE 2

PROCEEDINGS OF THE BOARD

1. CHAIRPERSON

Election of chairperson

- 1.1 The shareholders may appoint, but in the event of it not doing so, the directors may elect one of their number as chairperson of the Board.

Terms of office

- 1.2 The director elected as chairperson holds that office until he or she dies or resigns or the directors elect a chairperson in his or her place.

Election of chairperson for particular meetings

- 1.3 If no chairperson is elected, or if at a meeting of the Board the chairperson is not present within 5 minutes after the time appointed for the commencement of the meeting, the directors present may choose one of their number to be chairperson of the meeting.

2. NOTICE OF MEETING

Convening meetings

- 2.1 A director or, if requested by a director to do so, an employee of the Company may convene a meeting of the Board by giving notice in accordance with this clause.

Period of notice

- 2.2 Not less than 2 Working Days' notice of a meeting of the Board must be given to every director who is in New Zealand, and the notice must include the date, time and place of the meeting and the matters to be discussed.

Irregularity in notice

- 2.3 An irregularity in the notice of the meeting is waived if all directors attend the meeting without protest as to the irregularity or if all directors entitled to receive notice of the meeting agree to the waiver.

Means of giving notice

- 2.4 Notice of a meeting may be given by any means, including by telephone or email. Notice given by a letter addressed to a director at his or her last known residential address will be deemed to have been given 3 Working Days following the day the letter is posted.

3. METHOD OF HOLDING MEETINGS

- 3.1 A meeting of the Board may be held either:
- a. by a number of directors sufficient to form a quorum being assembled together at the place, date and time appointed for the meeting; or

- b. by means of audio, or audio and visual communication by which all the directors participating in the meeting and constituting a quorum can simultaneously hear each other throughout the meeting.

4. QUORUM

Number constituting quorum

- 4.1 A quorum for a meeting of the Board is a majority of the directors.

No business without quorum

- 4.2 No business may be transacted at a meeting of directors if a quorum is not present.

Alternate director may be included

- 4.3 In accordance with clause 10.5 of this constitution an alternate director present at a meeting may be included for the purpose of establishing a quorum.

5. VOTING

Number of votes

- 5.1 Every director has one vote.

Chairperson does not have casting vote

- 5.2 The chairperson does not have a casting vote.

Majority

- 5.3 A resolution of the Board is passed if it is agreed to by all directors present without dissent or if a majority of the votes cast on it are in favour of it.

Presumption as to voting

- 5.4 A director present at a meeting of the Board is presumed to have agreed to, and to have voted in favour of a resolution of the Board, unless he or she expressly dissents from, or votes against the resolution at the meeting.

Alternate director may vote

- 5.5 An alternate director may attend and vote at meetings of the Board in accordance with and subject to clause 10.5a of this constitution if the director that has appointed the alternate director is absent from the meeting.

6. MINUTES

- 6.1 The Board must ensure minutes are kept of all proceedings at meetings of the Board.

7. RESOLUTIONS

Written resolution

- 7.1 A resolution in writing, signed or assented to by a majority of directors then entitled to receive notice of a Board meeting, is as valid and effective as if it had been passed at a meeting of the Board duly convened and held.

Forms of resolution

- 7.2 Any such resolution may consist of several documents (including facsimile or other similar means of communication) in like form each signed or assented to by one or more directors.

Resolution to be kept in minute book

- 7.3 A copy of any such resolution must be entered in the minute book of Board proceedings.

8. NO NOTICE TO DIRECTORS OUTSIDE NEW ZEALAND

- 8.1 It is not necessary to give notice of a meeting of the Board to any director for the time being absent from New Zealand but if a director is resident outside New Zealand, or to the knowledge of the Company is temporarily absent from New Zealand and the director has appointed an alternate director under the provisions of this constitution, notice must (subject to clause 10.5b of this constitution) be given to the alternate director.

9. CONTINUING DIRECTORS

- 9.1 The continuing directors will continue to comprise the Board notwithstanding any vacancy in the number of directors but if their number is reduced below the number fixed by or pursuant to this constitution as the minimum number of directors, the continuing directors will comprise the Board only for the purpose of increasing the number of directors to the minimum number or for summoning a special meeting of the Company.

10. OTHER PROCEEDINGS

- 10.1 Except as provided in this Schedule the Board may regulate its own procedure.



BOARD CHARTER AND CODE OF CONDUCT

1 PURPOSE

This charter and code of conduct sets out the roles and responsibilities of the Board of Westland Holdings Ltd. The conduct of the Board is also governed by the Company's constitution. It should be regarded as the minimum expectation for performance. Conduct which fails to comply with this charter and code may result in removal from the Board.

2 INTERPRETATION

In this Document:

- *Act* means the Companies Act 1993
- *Board* means the Board of Directors of the Company
- *Business* means the business of the Company
- *Chair* means the Chair of the Board
- *Company* means Westland Holdings Limited
- *Directors* means members of the Board
- *Shareholder* means the Shareholder of the Company, namely Westland District Council Ltd.

3 BOARD GOVERNANCE PROCESS

Role of the Board

The Board is appointed by the Shareholder, and is responsible for the direction and control of the Company's activities. The primary objective of the Board is to build long-term Shareholder value with due regard to other stakeholder interests.

The Board's relationship with the Shareholder

The Board will familiarise itself with issues of concern to the Shareholder. The Board will regularly evaluate economic, political, social and legal issues and any other relevant external matters that may influence or affect the development of the business or the interests of the Shareholder and, if thought appropriate, will consult with the Shareholder.

The Board's relationship with other stakeholders

The Board will familiarise itself with issues of concern to all relevant stakeholders. The Board recognises that the Company's long-term survival and prosperity are closely intertwined with the environments and markets within which it operates and the extent to which the Company is seen as a responsible corporate citizen.

Board committees

The Board may from time to time establish committees of the Board to assist it in carrying out its responsibilities. The Board may establish ad hoc committees from time to time to consider matters of special importance or to exercise the delegated authority of the Board.

The Board will determine the membership and composition of the Board committees, having regard to workload, skills and experience. Each committee shall adopt its own charter to be approved by the Board, setting out matters relevant to its composition, responsibilities and conduct.

Independent professional advice

Any Director is entitled to obtain independent professional advice relating to the affairs of the Company or to his or her responsibilities as a Director. If a Director considers such advice is

necessary the Director shall first discuss it with the Chair and, having done so, shall be free to proceed.

Subject to the prior approval of the Chair, the cost of the advice will be reimbursed by the company but the Director will ensure, so far as is practicable, that this cost is reasonable.

Board and Director evaluations

At two yearly intervals, the Board will critically evaluate its own performance, and review its own processes and procedures to ensure they assist the Board in effectively fulfilling its role. The process to be followed will be agreed by the Board but should normally evaluate the Board as whole, individual Directors, and the Chair.

Evaluation of individual Directors shall be confidential to that Director and the Chair. The Chair will discuss the results with each Director individually. The Board's overall results and that of the Chair shall be discussed and reviewed by the Board.

4 BOARD PROCEDURE

The Board meeting agenda will be set by the Chair in consultation with the other Directors. Any Director is entitled to request an item go on the meeting agenda.

The Board will normally hold meetings at least quarterly and will hold additional meetings as required. At each normal meeting the Company's interests' register will be updated as necessary.

Draft minutes of each Board meeting shall be prepared promptly following the meeting for review by the Chair. The draft minutes shall be circulated prior to the next Board meeting with final review, approval by the Board and signing by the Chair.

The Chair will act as facilitator at meetings of the Board to ensure that appropriate discussion takes place that relevant opinion among Directors is forthcoming and that no Director dominates discussion. The Chair will ensure that discussions result in logical and understandable outcomes.

Should the Chair be absent, the Chair, under normal circumstances, would appoint someone to run the meeting in their absence. Otherwise, the Directors of the Board present at the meeting have authority to choose one of their Directors to chair that particular meeting.

Directors will use their best endeavours to attend Board meetings and to prepare thoroughly. Directors are expected to participate fully, frankly and constructively in Board discussions and other activities and to bring the benefit of their particular knowledge, skills and abilities to the Board table. Directors unable to attend a meeting will advise the Chair at the earliest date possible.

Board discussion will be open and constructive, recognising that genuinely-held differences of opinion can, in such circumstances, bring greater clarity and lead to better decisions. The Chair will seek a consensus in the Board but may, where considered necessary, call for a vote. All discussions and their record will remain confidential unless there is a specific direction from the Board to the contrary, or disclosure is required by legal or regulatory requirements.

5 BOARD CONDUCT

The conduct of Directors will be consistent with their duties and responsibilities to the Company and, indirectly, to the Shareholder. Directors will always act within any limitations imposed by the Board on its activities, and will not speak on behalf of the Company without approval from the Chair or Board.

Conflicts of interest

Directors must act in the best interests of the Company and avoid situations where their personal interests or relationships interfere with acting in good faith on behalf of the Company. Directors may not engage in activities that are in conflict with the interests of the Company or the Shareholder, or that may negatively impact the reputation of the Company or the Shareholder.

Directors generally should not provide business or professional services of an ongoing nature to the company because a conflict of interest (actual or perceived) may be created. Notwithstanding the general rule, for the purpose of a special assignment, the Company may engage the services of any Director having special expertise in the particular field, or engage the services of a Director's organisation. In this case the terms of engagement shall be competitive, clearly recorded and all legal requirements for disclosure of the engagement properly observed.

Gifts or honoraria

It is not permissible to offer or accept gifts, gratuities, excessive favours or personal rewards intended to influence the Company's decisions or activities. It is permissible to accept gifts of a nominal value in recognition of work well done, and these must be recorded in writing in a gift register. Directors, if representing the Board, must turn over to the Company any honoraria they receive.

Other appointments

Any Director may accept other appointments so long as the appointment is not in conflict with the Business and does not detrimentally affect the Director's performance as a Director. All appointments must first be discussed with the Chair, or the Shareholder if concerning the Chair, before being accepted.

Confidentiality

Directors are expected to strictly observe the provisions of the Act applicable to the use and confidentiality of Company information, and must maintain the highest standards of confidentiality regarding any information obtained directly or indirectly through their involvement with the Company. Directors must avoid inadvertent disclosure of confidential information through casual or public discussion, which may be overheard or misinterpreted.

I have read this Code of Conduct and agree to follow it during my tenure as a Director.

Name _____

Date _____

Signed _____

Report



DATE: 5 September 2016

TO: Executive Committee

FROM: Group Manager: Corporate Services

WESTLAND HOLDINGS LIMITED: STATEMENT OF INTENT 1 JULY 2016

1 SUMMARY

- 1.1 The purpose of this report is to present the Westland Holdings Ltd (WHL) Statement of Intent (SI) for the 3 years commencing 1 July 2016.
- 1.2 Council seeks to meet its obligations under the Local Government Act 2002 and the achievement of the District Vision adopted by the Council in September 2014, which will be set out in the next Long Term Plan 2015-25. These are stated on Page 2 of this agenda.
- 1.3 The review of this report is specified in the Committee's Terms of Reference, under Power to Recommend, section e(i).
- 1.4 This report concludes by recommending that the Committee recommends that Council approves Westland Holdings Ltd Statement of Intent for the 3 years commencing 1 July 2016, attached as **Appendix 1**.

2 BACKGROUND

- 2.1 The statutory provisions concerning a SI are contained in Schedule 8 of the Local Government Act 2002.
- 2.2 Sch. 8(1) outlines the purpose of the SI, being to:
 - 2.2.1 state publicly the activities and intentions of a council-controlled organisation for the year and the objectives to which those activities will contribute; and
 - 2.2.2 provide an opportunity for shareholders to influence the direction of the organisation; and
 - 2.2.3 provide a basis for the accountability of the directors to their shareholders for the performance of the organisation

- 2.3 Sch. 8.3(b) requires that the board of a council-controlled organisation must deliver to its shareholders deliver the completed statement of intent to the shareholders on or before 30 June each year.

3 CURRENT SITUATION

- 3.1 The WHL SI for the 3 years commencing 1 July 2016 was received on 8 August 2016.
- 3.2 The content of the SI meets the requirements of the Act.
- 3.3 The subsidiary company Statements of Intent are attached for information.
- 3.4 This review provides the Committee, on behalf of Council as shareholder, the opportunity to agree a performance monitoring framework. The SIs will inform the CCOs' Annual Reports for the year ended 30 June 2016.

4 RECOMMENDATION

- A) **THAT** the Committee recommends that Council approves the Westland Holdings Ltd Statement of Intent for the 3 years commencing 1 July 2016, attached as **Appendix 1**.

Gary Borg
Group Manager: Corporate Services

- Appendix 1:** Westland Holdings Ltd Statement of Intent for the 3 years commencing 1 July 2016.
- Appendix 2:** Westland District Property Ltd Statement of Intent for the 3 years commencing 1 July 2016.
- Appendix 3:** Westroads Ltd Statement of Intent for the 3 years commencing 1 July 2016.
- Appendix 4:** Hokitika Airport Ltd Statement of Intent for the 3 years commencing 1 July 2016.



WESTLAND HOLDINGS LIMITED

**HOKITIKA AIRPORT LIMITED
WESTROADS LIMITED
WESTLAND DISTRICT PROPERTY LIMITED**

STATEMENT OF INTENT FOR THE THREE YEARS COMMENCING 1 JULY 2016

1. INTRODUCTION
2. COMPANY MISSION
3. THE OBJECTIVES OF THE COMPANY
4. GOVERNANCE APPROACH
5. NATURE AND SCOPE OF ACTIVITIES
6. SHAREHOLDING
7. ACCOUNTING POLICIES
8. PERFORMANCE TARGETS
9. DISTRIBUTION
10. REPORTING TO SHAREHOLDERS
11. ACQUISITION PROCEDURES
12. COMPENSATION
13. ESTIMATED VALUE OF INVESTMENT
14. OTHER MATTERS

WESTLAND HOLDINGS LIMITED

1. INTRODUCTION

This Statement of Intent (“SI”) is prepared in accordance with Section 64 and Schedule 8 of the Local Government Act 2002.

The SI specifies for Westland Holdings Limited (“WHL”) and its subsidiaries the objectives, the nature and scope of the activities to be undertaken, and the performance targets and other measures by which the performance of the group may be judged in relation to its objectives, amongst other requirements.

The process of negotiation and determination of an acceptable SI is a public and legally required expression of the accountability relationship between the company and its sole shareholder, the Westland District Council (“WDC”). The SI is reviewed annually with the WDC and covers a three year period commencing 1 July 2016.

2. COMPANY MISSION

Investing in, and promoting the establishment of, key infrastructure assets in a commercially viable manner to assist the development of Westland as a world-class destination as stated in Council’s Vision. WHL delivers the objective of “Having inspirational leadership.”

Westland Holdings Limited supports the Westland District Council’s “Vision of Westland” that it will, by 2030, be a world class tourist destination and have industries and businesses leading through innovation and service. This will be achieved by:

- Involving the community and stakeholders
- Having inspirational leadership
- Having expanded development opportunities
- Having top class infrastructure for all communities
- Living the ‘100% Pure New Zealand’ brand

Westland Holdings Ltd. Contributes to Westland’s vision by:

- Delivering sound policy & regulation
- Delivering core services that meet community expectations & demonstrate value and quality
- Proudly promote, protect & leverage our historic, environmental, cultural & natural resources base to enhance lifestyle and opportunity for future generations

3. THE OBJECTIVES OF THE COMPANY LGA Schedule 8, 9 (1) (a)

In addition to the requirements of section 59 of the Local Government Act 2002, the principal objectives of WHL are:

- I. To monitor the performance of each subsidiary company.
- II. To ensure that each subsidiary company has in place active and effective health and safety policies and procedures which provide a safe operating environment for all employees, contractors and affected parties.
- III. To ensure that each subsidiary company operates economically and efficiently, and in accordance with an agreed SI, and to optimize the returns from, and the value of, the subsidiary companies within the parameters set by WDC.
- IV. To ensure, insofar as it is lawfully able and commercially practicable, that the SI of each of the subsidiary companies reflect the policies and objectives of WDC.
- V. To keep WDC informed of matters of substance affecting WHL and the subsidiary companies and, insofar as it is practical and reasonable in the opinion of the directors, provide the opportunity for comment on such matters prior to taking any action.
- VI. To ensure that there is regular and informative reporting of the financial and non-financial performance and risk exposures of WHL and the subsidiary companies.
- VII. To report to WDC on CCO establishment opportunities, and other investment opportunities that have the potential to enhance the economic well-being of the region, and provide an adequate return.
- VIII. To maintain and improve good governance by regularly and constructively appraising the performance of the subsidiary company directorates, maintaining an appropriate monitoring framework and informing WDC prior to the appointments of new directors.
- IX. To support Westland District Council to review or create policies relevant to the Company.

4. GOVERNANCE APPROACH. LGA Schedule 8, 9 (1) (b)

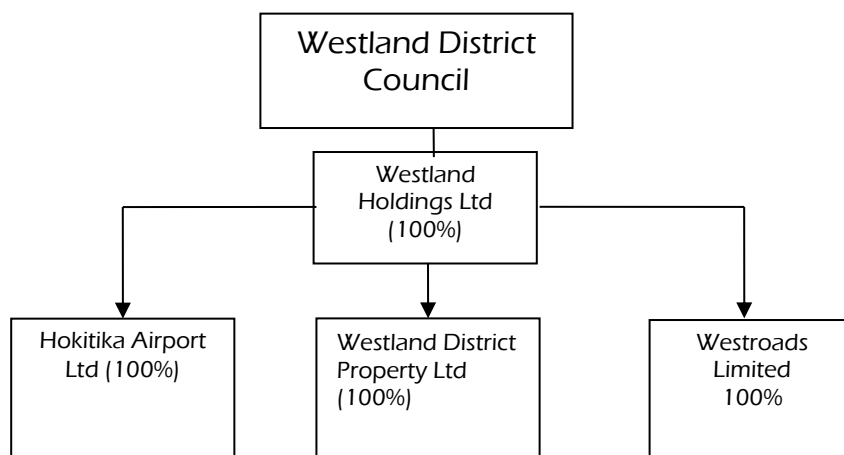
WHL seeks to govern the group in a way that will ensure it:

- achieves the objectives of its shareholders, both commercial and non-commercial, and as detailed specifically in (3) above ; and
- is a good employer in accordance with S:36(2) of schedule 7 of the Local Government Act 2002 and
- complies with the companies constitution in all manners of governance
- exhibits a sense of social responsibility by having regard to the interests of the community in which it operates.
- exhibits a sense of environmental responsibility by having regard to the interests of the community in which it operates.

5. NATURE AND SCOPE OF ACTIVITIES LGA Schedule 8, 9 (1) (c)

Westland Holdings Limited (WHL) is a wholly-owned council-controlled organization (“CCO”) of WDC, which was formed on 24 July 2002. WHL is the governance link between Council and its trading entities. The company is responsible for ensuring the trading organisations meet their statutory, commercial and public obligations as defined in their annual Statements of Intent. These are reviewed by WHL on behalf of Council, with reference to the objectives determined in the Long Term Plan, along with each company’s individual strategy. The presence of a holding company is intended to facilitate objective governance, whilst enabling the trading organisations to operate on commercial principles. The Board is constituted by five directors appointed by Council.

The group structure is as follows:



The current Directors of WDHL are:

- Graeme King (Chair)
- Quentin Hix
- Gabrielle Wall
- Kaye McNabb
- Simon Bastion

Activities that are to be undertaken by WHL are:

- Negotiation of the individual annual SIs for the CCOs that it owns (the subsidiary companies).
- Negotiation of the annual SI between WDC as shareholder and WHL.
- Monitoring the performance of the subsidiary companies that WHL owns.
- Advice to WDC regarding potential CCO establishment opportunities.
- Maintaining a Register of Potential Directors including public advertising.
- Appointment and monitoring of the directors of the subsidiary companies.
- Hosting an annual shareholders' meeting.

Westroads Ltd

Westroads Limited main activity is that of a general contractor based in Hokitika and Greymouth (Westroads Greymouth Ltd) as well as depots and staff throughout South Westland. It also operates a crushed metal plant in Greymouth. In 2014 it purchased Trenching Dynamix Ltd, a specialist buried horizontal infrastructure installation company based in Christchurch.

Hokitika Airport Ltd

Hokitika Airport Limited was formed in December 2001 and commenced operation on 1 July 2002. Its principal activity is the operation of Hokitika Airport which is the principal airport on the West Coast. The main operator, Air New Zealand, uses the airport for daily flights to Christchurch for passengers to link to other destinations. HAL also operates a heliport in Franz Josef. The Company is controlled by three Directors.

Westland District Property Ltd

Westland District Property Limited (WDPL) manages some of Council's property portfolio; which has both commercial and public benefit elements. The former involves properties for sale, licenses to occupy and mining rights. The latter is the management of Pensioner Housing, Hokitika Swimming Pool and Jackson Bay Wharf. The Company is controlled by three Directors.

6. SHAREHOLDING. LGA Schedule 8, 9 (1) (d)

- A shareholding investment in Hokitika Airport Limited ("HAL") of \$2,718,000 representing 100% of HAL's share capital.
- A shareholding investment in Westroads Limited ("WL") of \$3,350,000 representing 100% of WL's share capital.

- A shareholding investment in Westland District Property Limited (“WDPL”) of \$2,627,000 representing 100% of WDPL’s share capital.

a) Ratio of Shareholders’ funds to total assets.

Shareholders’ funds are defined as the sum of the amount of share capital on issue, retained earnings/accumulated losses, revenue and capital reserves. Total assets are defined as the sum of the net book value of current assets, investments, fixed assets, and intangible assets as disclosed in the company’s Statement of Financial Position, prepared in accordance with the accounting policies adopted by the Directors.

The target ratio of shareholders’ funds to total assets shall not be less than 50% for the period covered by this SI. The appropriateness of this target ratio will be reviewed annually by the Directors.

7. ACCOUNTING POLICIES. LGA Schedule 8, 9 (1) (e)

The financial statements of WHL are prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP). They comply with the New Zealand International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards as appropriate.

The group changed its accounting policies on 1 July 2006 to comply with NZ IFRS.

The Reporting Entity for Accounting and Reporting purposes is Westland Holdings Ltd. The company has a balance date of 30th June.

8. PERFORMANCE TARGETS OF WESTLAND HOLDINGS LIMITED FOR THE THREE YEARS COMMENCING 1 JULY 2016 - LGA Schedule 8, 9 (1) (f)

The following performance targets have been set for the 2016/17 financial year, and the two years following:

RELATIONSHIP WITH WDC, AND OTHER GOVERNANCE ISSUES:

Objective	Performance Target
1 To ensure that the financial targets and strategic direction of WHL are in line with the requirements of WDC.	<p>A draft SI for WHL will be submitted for approval to WDC by 1 March each year.</p> <p>A completed SI will be submitted to WDC by 30 June each year.</p>

- 2 To ensure that WDC is kept informed of all significant matters relating to its subsidiaries on a “no surprises” basis.

At least two progress reports be made to WDC in the financial year (in addition to reporting on specific issues), with at least one presentation made to Councillors. Reports will include financial and non-financial performance.

Major matters of urgency are reported to the appropriate Council Committee or the CE of WDC within three days.

- 3 To ensure that WHL directors add value to the company and that their conduct is according to generally accepted standards.

The Chair will initiate an independent formal evaluation of the WHL directorate biennially; the first was undertaken in the 2013/14 year.

The Company will review the training needs of individual WHL directors, and ensure training is provided where required.

- 4 WHL’s process for the selection and appointment of directors to the boards of subsidiaries is rigorous and impartial.

The process followed for each appointment to a subsidiary board is transparent, fully documented and reported to WDC as per the company constitution and in line with WDC Policies.

FINANCIAL

Objective

- 5 To ensure that WHL returns a dividend to WDC in accordance with WDC’s budgets, and meets other financial targets.
- 6 To ensure that the subsidiary companies return a minimum acceptable dividend as per the SI of the subsidiary companies.

Performance Target

WHL negotiates with WDC to pay an achievable distribution for the 2016/17 financial year prior to finalising WDC’s budget.

WHL meets its budgeted level of distribution income of \$500,000 for the 2016/17 financial year.

SPECIFIC SUBSIDIARY MANAGEMENT AND SUPERVISORY FUNCTIONS:

Objective	Performance Target
7 To ensure that WHL's procedure for appointment to subsidiary directorates are open and in accordance with written policy.	That the adopted Directors Policy be followed for any director appointments made.
8 To ensure that the draft subsidiary company SI's are received on a timely basis for review and comment.	Draft SI's are to be received by 14 February from the subsidiary companies.
9 To ensure that the final subsidiary company SI's are appropriate, measurable, attainable and timely.	Comment on the draft SI's within the statutory timeframe of 30 April each year.
10 To ensure that the final subsidiary company SI's are commercially focused documents, while also being compatible with the strategic aims of WDC to prudently manage these long term community investments.	WHL will direct the subsidiary companies to produce commercially focused draft SI's that are cognizant of their responsibilities to the social and environmental needs of the communities of Westland. WHL will assess the alignment of the SI's with any specifically notified WDC strategic directive.
11 To ensure that the subsidiary company reporting is relevant and timely.	Subsidiary company SI's to incorporate specific reporting requirements in accordance with legislation and accepted practice. All activity reports and formal reporting will be done through the Chairman of WHL and the CE of WDC.

RISK MANAGEMENT PROCESSES:

Objective	Performance Target
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12 To ensure that there are adequate processes for the identification, assessment and management of the risk exposures of the subsidiary companies.

Subsidiary company SI's to incorporate specific statements regarding the processes for the management of risk exposures, including reputational risk.

To ensure that subsidiary companies do not make decisions that could have significant implications for future Council funding.

Long term investment assessment is carried out for any new projects. These must be assessed and approved by Council prior to initiating significant projects.

9. DISTRIBUTION POLICY LGA Schedule 8, 9 (1) (g)

Profit retention and dividend policy will be determined from year to year by the Directors in accordance with operational results, financial prospects, and the circumstances prevailing, with the objectives of ensuring that:

- The amount of the distribution does not limit WHL's ability to fund future capital expenditure requirements to both maintain and expand current operations and address issues relating to the company's debt structure; and with the provisos that:
 - i. The Directors are satisfied that the requirements of section 4 of the Companies Act (the "solvency test") have been satisfied,
 - ii. The amount of the distribution does not exceed the amount of the net profit after tax, plus cash held in reserves, in the year to which the distribution relates, and
 - iii. Total liabilities do not exceed 50% of the total assets.

WHL will endeavor to make distributions of \$500,000 in the 2016/17 year.

10. REPORTING TO SHAREHOLDERS. LGA Schedule 8, 9 (1) (h)

WHL will provide the following information in order to enable the shareholders to make an informed assessment of the Company's performance.

- a) An annual SI in accordance with Schedule 8 of the Local Government Act 2002 Draft delivered by 1st March, Shareholders comments returned by 1st May, completed Statement of Intent after consideration of Shareholders comments delivered by 30 June and made available to public one month following delivery to shareholders.

- b) A half-yearly financial report in accordance with Section 66, 67 and 71 of the Local Government Act 2002 and the reporting requirements prescribed from time to time by the Companies Act 1993, the Institute of Chartered Accountants of New Zealand, and any other information that the Directors deem appropriate. Delivered to shareholders no later than 28th February
- c) An annual report in accordance with Section 67 and 71 of the Local Government Act 2002 and the GAAP reporting requirements prescribed from time to time by the Institute of Chartered Accountant of New Zealand, and any other information that the Directors deem appropriate. To be delivered to shareholders by 30th September and no later than 20 days prior to the company's AGM
- d) An annual Shareholders meeting to be held by 31st December each year with not less than 10 days' notice to shareholders.

11. ACQUISITION PROCEDURES LGA Schedule 8, 9 (1) (i)

If the Directors believe they should invest in or otherwise acquire any interest in any other organisation they shall obtain the prior approval of the shareholders by special resolution unless the total cost is less than \$5000.00. In this case prior approval is not required but shareholders will be advised within 10 working days.

The undertaking of any activity not provided for under this SI requires the prior approval of WDC, specifically:

- No subsidiary companies are to be formed by WHL without the prior approval of WDC.
- No shares are to be acquired by WHL or the subsidiaries without the prior approval of WDC.
- No shares held by WHL or the subsidiaries are to be sold or otherwise disposed of without the prior approval of WDC.

Over time, WDC may form other CCOs within the WHL structure. WHL is an obvious vehicle for holding the shares in these enterprises; however it remains WDC's intention that the directors' approach to the holding of other shares will be determined on a case-by-case basis. With the position that the directorate holds, within the overall WDC group, it is anticipated that WHL will assist WDC in the identification and assessment of future opportunities.

12. COMPENSATION. LGA Schedule 8, 9 (1) (j)

Currently there are no activities for which compensation will be sought from WDC

13. ESTIMATE OF THE COMMERCIAL VALUE OF THE COMPANY LGA Schedule 8, 9 (1) (k)

The value of WHL has been defined as the estimated value of shareholders' funds as at 30 June 2016

This value is estimated to be \$12,800.000

The value ascribed to shareholders' funds will be that stated in the annual Statement of Financial Position of the company as at the end of the financial year preceding each SI.

14. OTHER MATTERS LGA Schedule 8, 9 (1) (I)

WHL's directors are appointed by the shareholders to govern and direct WHL's activities. The shareholders expect this responsibility to include such areas of stewardship as:

- Commercial performance
- Non-commercial performance
- Business plans and budgets
- Corporate policies
- Financial and distribution policies
- Management oversight and development
- Delegations or authority
- Identification and management of business risks
- Identification and management of business opportunities
- Internal control systems
- Integrity of management information systems
- Relationships with stakeholders and external parties
- Compliance with relevant law
- Reports to shareholders

WESTLAND DISTRICT PROPERTY LIMITED

STATEMENT OF INTENT

FOR THREE YEARS COMMENCING 1 JULY 2016

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1. Introduction

This Statement of Intent (SOI) is prepared in accordance with Section 64 and Schedule 8 of the Local Government Act 2002.

The SOI for Westland District Property Limited (WDPL) specifies the objectives, the nature and scope of the activities to be undertaken, the performance targets and other measures by which the performance of the Company will be judged in relation to its objectives, amongst other requirements.

The process of negotiation and determination of an acceptable SOI is a public and legally required expression of the accountability relationship between Westland District Property Limited and its sole shareholder Westland Holdings Limited, which is 100% owned by the Westland District Council. The SOI is reviewed annually in association with the Holding Company.

2. Company Mission Statement

The Westland District Property Company's mission is: "to manage the ownership and operation of property activities in a commercial and strategic manner".

The Board supports the Westland District Council's Vision for Westland which is: "Westland District Council will facilitate the development of communities within its district through sound infrastructure, policy and regulation.

This will be achieved by:

- Involving the community and stakeholders¹.
- Delivery core services that meet community expectations and demonstrate value and quality.
- Proudly promoting, protecting and leveraging our historic, environmental and natural resource base to enhance lifestyle and opportunity for future generations."

Westland District Property Ltd contributes to this vision by:

- Involving the community and stakeholders
- Delivery core services that meet community expectations and demonstrate value and quality, ie Hokitika Swimming Pool, Aged Care Provision.
- Proudly promoting, protecting and leveraging our historic, environmental and natural resource base to enhance lifestyle and opportunity for future generations.

3. The Objectives of the Company

As required by Section 59 of the Local Government Act 2002, the principal objectives of Westland District Property Limited are to:

- Achieve the objectives of its shareholders, both commercial and non-commercial as specified in the SOI.
- Be a good employer in accordance with Section 36(2) of Schedule 7 of the Local Government Act 2002.

¹ In this context a stakeholder is defined as a person, group or enterprise affected by or having an interest in its operations, such as the employees, customers, local community, etc

- Exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate or encourage social and environmental interests when able to do so.
- Conduct its affairs in accordance with sound business practice.

4. Governance

The Directors of Westland District Property Limited are appointed to govern and direct the company's activities. The directors' role includes:

- a. Strategic Governance
- b. Financial Management
- c. Management Performance Review
- d. Relationships with stakeholders and external parties
- e. Being a good employer

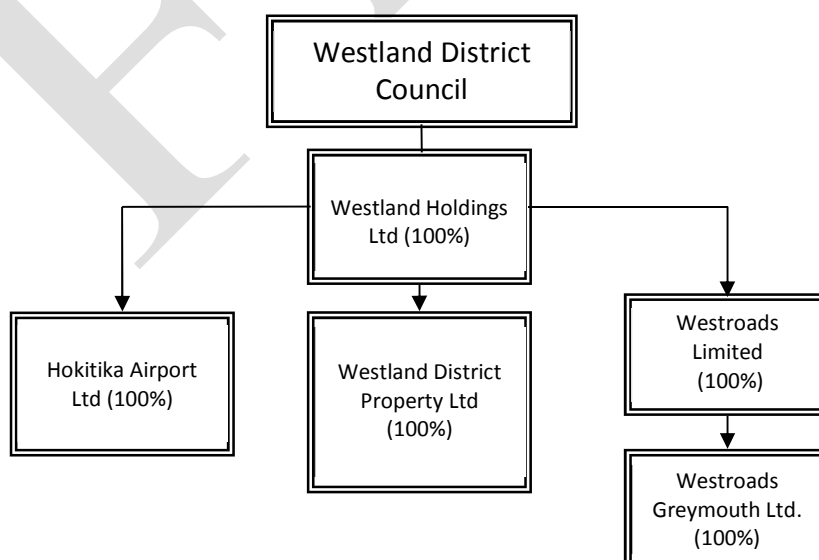
The Company is governed by a three member board of directors:

1. Graeme Purches (Chair)
2. Les Singer
3. Currently vacant

The Board was only appointed for a term of up to one year while Council and Westland Holdings Ltd undertook a strategic review of the group structure. In February 2015 Council resolved to retain the status quo and will need to address the vacant position on the Board of Westland District Property Ltd

5. Nature and Scope of Activities

The group structure is:



The primary nature and scope of activities for the Company are to:

1. Maintain a strategic and commercial focus while managing the Company property portfolio.
2. To cost effectively manage Councils strategic assets; ie, Hokitika Swimming Pool, Jackson Bay Wharf and aged care facilities.
3. Evaluate prospects for further development of aged care facilities.
4. In line with Council Policy manage the activities on unformed legal road.
5. In partnership with Westroads develop a strategy for the development and sale of sections at Kaniere Road known as Kaniere Estate.
6. To seek project management opportunities.
7. To explore new opportunities in property management and development with WDC, other CCOs and the wider market

6. Performance Targets

Financial (as per 2012 – 2022 LTCCP)

The Company will report annually to shareholders on the following performance indicators:

- (a) The ratio of net profit before taxation and revaluations (before extraordinary items) to average shareholder funds within a range of 1% and 6% for the year commencing 2015/2016
- (b) The ratio of net profit before taxation and revaluations to average total assets (including any revaluation) of 1% for the year commencing 2015/2016
- (c) Compliance with statutory and regulatory requirements enabling Westland District Property Limited, Westland Holdings Limited and Westland District Council to comply with the Local Government Act 2002, Health & Safety & Employment Act 1992 (with amendments), the Companies Act 1993 (with amendments) and the Financial Reporting Act 1993 (with amendments).

Non-Financial

Service performance measures:

- (a) Aged Care occupancy:
Target: annual percentage occupancy to be no less than 95%.
- (b) Swimming pool:
Target: annual total admissions to be +- 5% those of the previous year. Note: 2014/2015 admissions = 19,666
- (c) Baches on Road Reserve:
Target: annual number of licenses to occupy to be greater than 70.
- (d) Jacksons Bay Wharf:
Target: annual percentage of commercial fishing vessels who use the wharf with Licenses to occupy = 90%
- (e) Leasehold properties:
Target: annual percentage of leasehold properties available for lease = 80%
- (f) Tenant satisfaction:
Target: Tenant satisfaction with the provision of the company's aged care rental housing greater than or equal to 90%.
- (g) Time loss through injury

Target: Loss Time Injuries will be 0

7. Shareholders' Funds to Total Assets

- The ratio of shareholder funds to total assets shall be greater than 60 percent.
- Shareholder funds are defined as the paid up capital, plus any tax paid profits earned, and less any dividends distributed to shareholders. They include undistributed profits which have been accumulated in accounts known as Revenue or Capital Reserves.
- Total assets are defined as the sum of all current assets, fixed assets, intangible assets and investments of the Company.

8. Distribution Policy

Distributions will be paid, either by way of dividends to Westland Holdings Limited or subvention payment to Westland District Council, as agreed with Westland Holdings Limited.

The degree of profit retention/distribution will be agreed annually with Westland Holdings Limited, and included in the annual Statement of Intent, subject to the following criteria:

A subvention payment is defined as a payment based on a dollar for a dollar of tax loss.

- The amount of any distribution takes into account Westland District Property Limited's ability to fund future capital expenditure requirements, to maintain and expand its operations, or to address matters related to the debt structure of the Company.
- Total liabilities do not exceed 30% of the total assets without the approval of Westland Holdings Ltd.

9. Capital Expenditure

Capital expenditure will generally be related to the development of existing land and property but will also be considered from time to time in relation to strategic asset developments or acquisitions for the benefit of Westland District and the Company.

The approval of Westland Holdings Limited must be obtained for any significant purchases or asset developments, including the funding mechanism for the purchase or development, in excess of \$500,000. This figure is to be calculated based on the complete cost of a particular project, even if the expenditure is spread over more than one year and comprises multiple transactions.

10. Acquisition of Other Interests

The Company will not subscribe for, purchase, or otherwise acquire shares in any company or other organization without first being authorized to do so by a special resolution of shareholders.

11. Commercial Value of Shareholders Investment

The Directors estimate that the commercial value of the shareholders' investment in Westland District Property Limited will be represented by the opening balance of shareholders' funds. The Directors will advise the shareholders on an annual basis if they believe the value to differ materially from this amount

The value of the investment will be reassessed every three years by evaluating movement in asset values. In particular changes to land and improvements as recorded on the tri-annual government valuations.

The Directors may elect to revalue land improvements and investments on an annual basis in line with current Audit New Zealand policy.

12. Risk Management

The Company shall complete and document a risk management analysis together with strategies for mitigation of these risks.

The Company shall adopt and regularly review a communications policy. (Adopted 12 June 2013.)

The Company shall work with WDC to agree on formal communication protocols to improve communication with Council's elected representatives, relevant staff and stakeholders.

A formal Fraud Policy will be documented and all Directors and staff are to be aware of this policy. (Adopted 10 September 2013.)

13. Reporting to Shareholders

The following information will be available to shareholders based on an annual balance date of 30 June:

13.1 Draft Statement of Intent

On or before the 14th February of each year, the Directors shall deliver to the shareholders a Draft Statement of Intent, with tracked changes, in accordance with the requirements of Clause 9 Schedule 8 of the Local Government Act 2002.

13.2 Completed Statement of Intent

On or before the 15th of June each year, the Directors shall deliver to the shareholders a Final Statement of Intent in accordance with Clause 9 Schedule 8 of the Local Government Act 2002.

13.3 Half Yearly Financial Report

Within two months after the end of the first half of each financial year, i.e. 28 February, the Directors shall deliver to the shareholders an unaudited report containing the following information:

- a) A Revenue Statement disclosing actual and budgeted revenue and expenditure and comparative figures for the same period in the previous year.
- b) A Statement of Financial Position at the end of the half year i.e. 31 December.
- c) A Statement of cash flows.
- d) A commentary on the results for the six months together with a report on the outlook for the second six months with reference to any significant factors that is likely to have an effect on the Company's performance. This commentary is to also include an estimate of the financial result for the year under review.
- e) A copy of the Audit New Zealand management report for the previous year.
- f) A non-financial performance report.

13.4 Quarterly Report

Between the annual report and half yearly report WDPL will:

- a) Deliver to WHL a quarterly copy of the management accounts.

13.5 Annual Report

By 30 September each year, the Directors shall deliver to the shareholders an annual report and audited financial statements in respect of the financial year ending on the preceding 30 June, containing the following information as a minimum:

- a) A Directors' report including a summary of the financial results, a review of operations, a comparison of performance in relation to objectives and any recommendation as to dividend.
- b) A revenue statement disclosing actual and budgeted revenue and expenditure, and comparative figures in second and subsequent annual reports.
- c) A statement of financial position at the end of the year.
- d) A statement of cash flows.
- e) An auditor's report on the above statements and the measurement of performance in relation to objectives.
- f) A non-financial performance report.

13.6 Annual Budget

An annual budget shall be provided in particular terms for the coming financial year and in general terms for the following two years, at such a time to enable it to be included within the Draft Annual Plan for the Westland District Council. This budget shall accompany the half yearly financial report.

14. Accounting Policies

The financial statements of Westland District Property Limited will be prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with New Zealand generally accepted accounting policies to the extent that is practicable without disclosing commercially sensitive information that, in the view of the Directors, would be of value to competitors. (See Appendix for Accounting Policy details.)

15. Commercial Value of Shareholders Investment

The commercial value of the shareholders, being Westland Holdings Limited, investment in Westland District Property Limited is estimated at \$2,575,000 and this value will be verified by way of external valuation.

16. Sale of Goods/Services to Local Authority

It is not considered likely that Westland District Property Limited will carry out any activities for which the Board will seek compensation from Westland District Council, Westland Holdings Limited or its subsidiaries, other than that related to the sale, rental or leasing of property owned or managed by the Company. Any compensation received and details of the undertaking will be reported in the annual report of Westland Holdings Limited as well as the annual report of Westland District Council.

Any commercial activities carried out for and or by Westland District Property Limited in relation to Westland District Council, Westland Holdings Limited or its subsidiaries will be at market rates and will be reported in the annual report of Westland Holdings Limited as well as the annual reports of Westland District Council and/or its subsidiaries.

17. Financial Forecasts

Assumptions:

- 1) That the transfer of ownership of further assets as originally intended will **not** be completed and as a consequence there will be result in no increase in capital. This assumption means that the company is not in a position to make meaningful returns, as it was set up and as a consequence incurred overheads that were in anticipation of a larger asset base

	Budget	Forecast	Forecast
	2016/2017	2017/2018	2018/2019
Gross Revenue	1,027,624	1,050,000	1,100,000
Cash Operating Expenditure	982,067	990,000	995,000
Depreciation	42,000	42,000	42,000
Trading Profit/(Loss) before Taxation	3,557	18,000	63,000
Subvention Payment		-	-
Net Profit/Loss before Taxation	3,557	18,000	63,000
Taxation	996	5,040	17,640
Dividend			
Earnings Retained	2,561	12,960	45,360
Shareholder Funds	1,685,000	1,687,561	1,700,521
Retained Earnings	2,561	12,960	45,360
Closing Shareholder Funds	1,687,561	1,700,521	1,745,881
Pretax Return on Shareholder Funds	0.21%	1.06%	3.66%

Appendix

Accounting Policy Details

Basis of Preparation

a. Statement of compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZIFRS") and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities.

b. Measurement base

The financial statements have been prepared on a historical cost basis except for the revaluation of investment property.

c. Functional and presentation currency

These financial statements are presented in New Zealand dollars (\$), which is the Company's functional currency. All financial information presented has been rounded to the nearest thousand.

d. Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The only material judgment or estimate applied in these financial statements is that the company expects to recover the cost of its investment in development land.

Significant Accounting Policies

Accounting policies set out below are to be applied consistently to all periods presented in the financial statements. The following particular accounting policies which materially affect the measurement of financial results and financial position are to be applied:

a. Investment Property

Properties leased to third parties under operating leases are classified as investment property.

Investment property is measured initially at its cost, including transaction costs. After initial recognition, all investment property is measured at fair value as determined annually by an independent valuer. Gains or losses arising from a change in the fair value of investment property are recognised in the surplus or deficit.

b. Property, Plant & Equipment

i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

iii) Depreciation

Depreciation is recognised in the profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

c. Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any objective evidence of impairment.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the profit or loss.

i) Impairment of receivables

The recoverable amount of the Company's investments in receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

Impairment losses on an individual basis are determined by an evaluation of the exposures on an instrument by instrument basis. All individual instruments that are considered significant are subject to this approach.

For trade receivables which are not significant on an individual basis, collective impairment is assessed on a portfolio basis based on numbers of days overdue, and taking into account the historical loss experience in portfolios with a similar amount of days overdue.

ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, being property plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in the profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

d. Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Inventories include development properties that are being developed for sale. These properties are measured at the lower of cost and net realisable value and the cost includes development costs to date.

e. Financial instruments

The Company categorises its financial assets as loans and receivables, and its financial liabilities as being at amortised cost (trade and other payables).

i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. The company's loans and receivables comprise: cash and cash equivalents, and trade and other receivables.

Loans and receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less impairment.

ii) Trade and other payables

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

iii) **Cash & cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits.

iv) **Trade & other receivables**

Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

v) **Borrowings**

Borrowings are initially recognised at their fair value net of transaction costs, and subsequently measured at amortised cost using the effective interest method.

f. **Goods and services tax (GST)**

All items in the financial statements are exclusive of goods and services tax (GST) with the exception of receivables and payables which are stated with GST included. Where GST is irrecoverable as an input tax then it is recognised as part of the related asset or expense.

g. **Leased assets**

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised on the Company's balance sheet.

h. **Provisions**

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

i. **Revenue**

i) **Leases**

Lease income from property is recognised in the profit or loss on a straight-line basis over the term of the lease.

ii) **Services**

Revenue from services rendered is recognised in the profit or loss in proportion to the stage of completion of the transaction at the reporting date.

j. **Lease payments**

Payments made under operating leases are recognised in the profit or loss on a straight-line basis over the term of the lease.

k. **Income tax expense**

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit or loss except to the extent that it relates to items recognised directly in other comprehensive income or equity, in which case it is recognised in other comprehensive income or equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.



WESTROADS LIMITED

DRAFT STATEMENT OF INTENT 2016/17

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1. **INTRODUCTION**

This Statement of Intent is prepared in accordance with Section 64 and Schedule 8 of the Local Government Act 2002.

Westroads Ltd is a council controlled organisation for the purposes of the Local Government Act 2002 and is registered under the Companies Act 1993.

Westroads Ltd is a wholly owned subsidiary of Westland Holdings Ltd. It has one subsidiary company, Westroads Greymouth Ltd.

This Statement of Intent covers the 3 year period commencing 1 July 2016.

2. **COMPANY MISSION STATEMENT**

To deliver a competitively priced and superior service to our clients, while returning an above average rate of return to our shareholders by promoting a culture whereby quality and client requirements are paramount and input from staff is actively encouraged.

Westroads Limited supports the Westland District Council's "Vision of Westland" that it will, by 2030, be a world class tourist destination and have industries and businesses leading through innovation and service. This will be achieved by:

- Involving the community and stakeholders
- Having inspirational leadership
- Having expanded development opportunities
- Having top class infrastructure for all communities
- Living the '100% Pure New Zealand' brand

Westroads Limited contributes to the Council's vision by assisting with having top class infrastructure for all communities.

3. **THE OBJECTIVES OF THE COMPANY**

The principal objective of Westroads Ltd is to operate as a successful business. This will be achieved by:

- a. Carrying out its business in an efficient, effective and profitable manner.
- b. Managing all assets and liabilities on a prudent basis.
- c. Meeting the market requirements in terms of quality, excellence in service and pricing on a commercially competitive basis.
- d. Ensuring the Health & Safety of its staff at all times.
- e. Acting as an environmentally conscious Company.

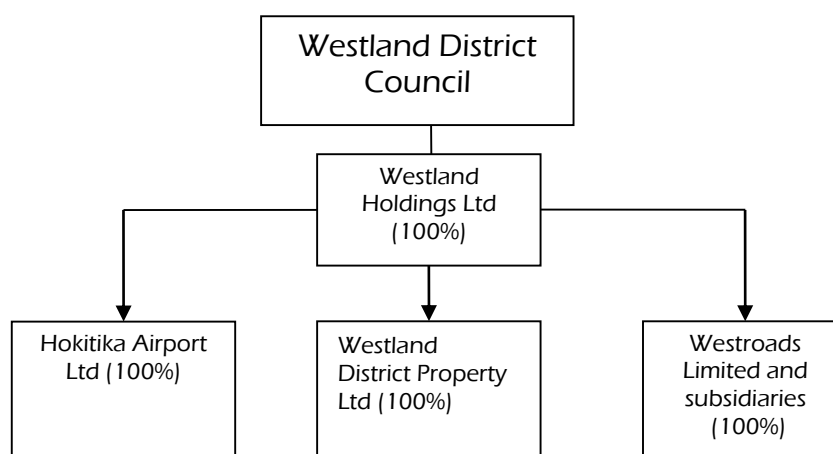
- f. Acting in the best interests of the shareholder

Other primary objectives of Westroads Ltd are:

- a. Returning a distribution to shareholders that makes a significant contribution to Westland District Council's budgeted distributions from its CCTO's.
- b. Maintaining a significant presence in Westland including employing locals and having equipment available throughout the district.
- c. To be successful in bidding for contestable contracts tendered by Westland District Council.

4. **NATURE AND SCOPE OF ACTIVITIES**

The group structure is as follows:



The nature of Westroads Ltd activities will be that of a general contractor and a trading organisation offering goods and services for sale and plant and equipment for hire. Its activities will include:

- a. Drainage, sewerage and water services - operation, installation, maintenance and repairs.
- b. Roads and footpaths, bridges, driveways and car parks - their construction, maintenance, marking, signing, repair and cleaning.
- c. Property maintenance and repairs and construction including plumbing, carpentry, joinery, painting and drainlaying.
- d. Environmental services including refuse collection, litter collection, landfill operation, recycling, vegetation control, rural fire suppression, street cleaning and safety.

- e. Vehicle and equipment management services including maintenance workshops and assorted engineering services.
- f. The supply of goods, materials, services and equipment for sale or hire.
- g. Landscaping services including maintaining reserves, general horticultural, silviculture services and household rubbish maintenance and services.
- h. The manufacture and supply of crushed metal and aggregate.
- j. Any other relevant activity as determined by the Directors from time to time.

5. **GOVERNANCE**

The company is governed by a four member board of directors' chaired by Peter Cuff. Additional directors are:

Durham Havill
Maurice Fahey
Bryce Thomson

The director's role includes

- a. Strategic Governance
- b. Financial Management
- c. Management Performance Review
- d. Overseeing Tender Prices for Major Tenders

The board has a director rotation policy in place whereby 1 director retires each year in rotation. Directors are able to make themselves available for re-appointment.

Board evaluation will be conducted annually and facilitated by the Chair. Directors will consider training requirements annually to ensure that professional standards are adhered to.

6.1 **PERFORMANCE TARGETS**

- The ratio of net profit before taxation and revaluations (before extraordinary items) to average shareholder funds shall be at least 12% for the 3 years commencing 1 July 2016.
- A return of an annual dividend to the shareholder within a range of 40-70% of the company's net profit after tax, after adjusting for returns to shareholders via subvention payment.
- Compliance with statutory and regulatory requirements enabling Westroads Ltd, Westland Holdings Ltd and Westland District Council to comply with the Local Government Act.

6.2 **SOCIAL PERFORMANCE**

We are committed to:

- Attracting and retaining the best people for our organisation.
- Maintaining a high level of transparent and effective communication with our shareholder.
- Being an asset to the community through returns to the Shareholder, Westland District Council.
- Being an asset to the community by supporting local community initiatives.
- Providing employment in the district and ensuring the community receives competitive prices for work done.

Our people and communities:

- We utilise a wide range of training schemes via the industry training organisation's to continuously extend the skills of our staff, and ensure that they are up to date with professional and technical current practice. Performance reviews are undertaken for all management and staff on an annual basis.
- We are committed to work together to ensure safe and sustainable working conditions for our employees. The company provides inoculations for employees and monitors hearing, eyesight, and lung functions to ensure we have a healthy staff.
- Protective equipment is issued and required to be worn by all staff.

MEASURING OUR PERFORMANCE

1. Use Employee Safety statistics to monitor work place safety such as:-
 - Number of full day time off workplace accidents and incidents
 - Number of incidents notifiable to Department of Labour
 - Number of near miss incidents and changes made as a result
 - Continue to Promote Zero harm – Safety first
2. Training Expenditure
3. Number of Full Time Equivalent Employees
4. Staff Turnover Rates
5. Monitor reasons for Staff turnover.

7. **RATIO OF CONSOLIDATED SHAREHOLDERS' FUNDS TO TOTAL ASSETS**

The ratio of consolidated shareholder funds to total assets shall be greater than 50 per cent.

Shareholders' funds are defined as the paid up capital, plus any tax paid profits earned and less any dividends distributed to shareholders. They include undistributed profits which have been accumulated in accounts known as either "Revenue Reserves" or "Capital Reserves".

Total assets are defined as the sum of all current assets, fixed assets, intangible assets and investments of the company.

8. DISTRIBUTION POLICY

Distributions will be paid, either by way of Dividends to Westland Holdings Limited or subvention payment to Westland District Council in accordance with the annual Statement of Intent, as agreed with Westland Holdings Limited

The degree of profit retention/distribution will be agreed annually with Westland Holdings Limited and, subject to the following criteria:

- Westroads Ltd. will utilise Group losses to the maximum extent available and pay for the use of the losses at the current tax rate by way of a subvention payment.
- The amount of any distribution shall take into account Westroad Ltd's ability to fund future capital expenditure requirements, to maintain and expand its operations, to meet its obligations under the Companies Act 1993 and to address matters related to the debt structure of the company.

9. CAPITAL EXPENDITURE

The boards policy is to replace plant & equipment on a wear and tear basis, with major items being submitted to the board for approval. Additional capital expenditure is approved by the board following a submission by management.

The approval of Westland Holdings Limited must be obtained for any significant purchases or developments in excess of \$750,000 for any one project, including the funding mechanism for the purchase or development.

10. PROCEDURES FOR ACQUISITION OF OTHER INTERESTS

The company will not subscribe for, purchase, or otherwise acquire shares in any Company or other organisation without first being authorised to do so by special resolution of shareholders and Council.

11. COMMERCIAL VALUE OF SHAREHOLDERS INVESTMENT

The Directors estimate that the commercial value of the shareholders' investment in Westroads Ltd will be represented by the opening balance of shareholders' funds. The Directors will advise the shareholders on an annual basis if they believe the value to differ materially from this amount.

The value of the investment will be reassessed every three years by evaluating movement in asset values, in particular changes in land and improvements as recorded on the tri-annual government valuations.

12. **RISK MITIGATION**

The company shall develop a risk assessment methodology and document a risk management analysis together with strategies for mitigation of these risks.

A formal Fraud Policy will be documented and all Directors and staff are to be aware of this policy.

13. **REPORTING TO SHAREHOLDERS**

The following information will be available to shareholders based on an annual balance date of 30 June.

13.1 **Draft Statement of Intent**

On or before 14th February each year, the Directors shall deliver to the shareholders a Draft Statement of Intent with tracked changes which fulfils the requirements of clause 9 of schedule 8 of the Local Government Act 2002.

13.2 **Completed Statement of Intent**

On or before 15th June each year, the Directors shall deliver to the shareholders a Final Statement of Intent.

13.3 **Half Yearly Report**

On or before 28th February each year, the Directors shall deliver to the shareholders an unaudited report containing the following information as a minimum in respect of the half year under review:

- a. A revenue statement disclosing actual and budgeted revenue and expenditure, and comparative figures in second and subsequent half yearly reports.
- b. A statement of financial position at the end of the half year.
- c. A statement of cash flows.
- d. A commentary on the results for the first six months together with a report on the outlook for the second six months with reference to any significant factors that are likely to have an effect on the company's performance, including an estimate of the financial result for the year based on that outlook.
- e. A report on non financial performance measures.
- f. A copy of the Audit New Zealand management report for the previous year.

13.4 Annual Report

By 30 September each year, the Directors shall deliver to the shareholders an annual report and audited financial statements in respect of the financial year ending on the preceeding 30 June, containing the following information as a minimum:

- a. A Directors' report including a summary of the financial results, a review of operations, a comparison of performance in relation to objectives and any recommendation as to dividend.
- b. A revenue statement disclosing actual and budgeted revenue and expenditure, and comparative figures in second and subsequent annual reports.
- c. A statement of financial position at the end of the year.
- d. A statement of cash flows
- e. A report on non financial performance measures
- f. An auditor's report on the above statements and the measurement of performance in relation to objectives.

13.5 Annual Budget

An annual budget shall be provided for the coming financial year the following two years, at such a time to enable it to be included within the Draft Annual Plan for the Westland District Council.

13.6 Quarterly Report

A quarterly report containing financial information as agreed between Westroads Ltd and Westland Holdings Ltd shall be supplied between the half year report and the annual report.

14. ACCOUNTING POLICIES

REPORTING ENTITY

Westroads Limited is registered under the Companies Act 1993 and is domiciled in New Zealand. Westroads Limited is ultimately owned by Westland District Council.

The company is a Council Controlled Trading Organisation as defined in Section 6(1) of the Local Government Act 2002.

The financial statements of the Company have been prepared in accordance with the requirements of the Companies Act 1993, the Financial Reporting Act 2013 and the Local Government Act 2002.

14.1 BASIS OF PREPARATION

Statement of Compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP") and Tier 2 POE Accounting Standards. They comply with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime ("NZIFRS RDR") and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities.

The financial statements were approved by the board of directors on 13 November 2015

Measurement Base

The financial statements have been prepared on a historical cost basis except for land and buildings which are revalued every three years. The next revaluation is due in June 2017

Functional and presentation currency

These financial statements are presented in New Zealand dollars (\$), which is the Company's functional currency. All financial information presented has been rounded to the nearest thousand.

Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

Note 9 – Depreciation and estimated useful lives of property, plant and equipment

Note 14 – Employee entitlements

CHANGES IN ACCOUNTING POLICIES

There has been no changes in accounting policies during the year ended 30 June 2015.

SIGNIFICANT ACCOUNTING POLICIES

Accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The following particular accounting policies which materially affect the measurement of financial results and financial position have been applied:

PROPERTY, PLANT & EQUIPMENT

Recognition and measurement

With the exception of land and buildings, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land and buildings are measured at revalued amount less subsequent depreciation.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

	2014/2015	2013/2014
buildings	25-50 years	25-50 years
plant and equipment	2-15 years	2-15 years
office furniture & equipment	2-15 years	2-15years

Revaluation

Land and buildings are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value and at least every three years. All other asset classes are carried at depreciated historical cost.

The carrying values of revalued assets are assessed annually to ensure that they do not differ materially from the assets' fair values. If there is a material difference, then the off-cycle asset classes are revalued.

Revaluations of property, plant, and equipment are accounted for on a class-of-asset basis.

The net revaluation results are credited or debited to other comprehensive income and are accumulated to an asset revaluation reserve in equity for that class of asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive income but is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive income.

INTANGIBLE ASSETS

Indefinite useful lives

Goodwill represents the excess of the purchase consideration over the fair value of the identifiable assets of the acquiree and is included in intangible assets. If the value of goodwill is lower than the net fair value, the difference will be recognised in the surplus or deficit.

Definite useful lives

Mining licences that are acquired by the Company, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is recognised in the profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. There is no remaining useful lives for the mining licences.

INVENTORIES

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Metal inventory cost is calculated on a discounted sale value basis, as an approximation of weighted average cost. In the case of development land inventory, cost includes any development costs to date. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

CONSTRUCTION WORK IN PROGRESS

Construction work in progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Company's contract activities based on normal operating capacity.

Construction work in progress is presented as part of trade and other receivables in the balance sheet. If payments received from customers exceed the income recognised, then the difference is presented as deferred income in the balance sheet.

IMPAIRMENT

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any objective evidence of impairment.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the profit or loss.

Impairment of receivables

The recoverable amount of the Company's investments in receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

Impairment losses on an individual basis are determined by an evaluation of the exposures on an instrument by instrument basis. All individual instruments that are considered significant are subject to this approach.

For trade receivables which are not significant on an individual basis, collective impairment is assessed on a portfolio basis based on numbers of days overdue, and taking into account the historical loss experience in portfolios with a similar amount of days overdue.

Non-financial assets

The carrying amounts of the Company's non-financial assets, being property, plant and equipment and mining licences, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in the profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

FINANCIAL INSTRUMENTS

The Company categorises its financial assets as loans and receivables, and its financial liabilities as being at amortised cost.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. The company's loans and receivables comprise: cash and cash equivalents, and trade and other receivables.

Loans and receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less impairment.

Financial liabilities

Financial liabilities comprise: trade and other payables, borrowings, and advances. Borrowings are initially recognised at their fair value net of transaction costs, and subsequently measured at amortised cost using the effective interest method.

Interest-bearing borrowings

Interest-bearing borrowings are classified as other non-derivative financial instruments.

Trade and other payables

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

GOODS AND SERVICES TAX (GST)

All items in the financial statements are exclusive of goods and services tax (GST) with the exception of receivables and payables which are stated with GST included. Where GST is irrecoverable as an input tax then it is recognised as part of the related asset or expense.

EMPLOYEE BENEFITS**Defined contribution plans**

Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss when they are due.

Other long-term employee benefits

The Company's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted.

Termination benefits

Termination benefits are recognised as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the Company has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

LEASED ASSETS

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases. The leased assets are not recognised on the Company's balance sheet.

PROVISIONS

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

REVENUE

Goods sold

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

Transfers of risks and rewards vary depending on the individual terms of the contract of sale. For sales of materials, transfer usually occurs when the product is dispatched to the customer.

Services

Revenue from services rendered is recognised in the profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

Construction contracts

As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognised in the profit or loss in proportion to the stage of completion of the contract. Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably.

The stage of completion is assessed by reference to surveys of work performed. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

LEASE PAYMENTS

Payments made under operating leases are recognised in the profit or loss on a straight-line basis over the term of the lease.

INCOME TAX EXPENSE

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit or loss except to the extent that it relates to items recognised directly in other comprehensive income or equity, in which case it is recognised in other comprehensive income or equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

CASH & CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short term-highly liquid investments with original maturities of three months or less, and bank overdrafts.

Bank overdrafts are shown in current liabilities in the statement of financial position.

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The amendments to the following standards and interpretations are not expected to have a significant impact on the company's operations:

NZ IFRS 9: Financial Instruments – Classification and Measurement (effective for the financial year ending 30 June 2016).

15. SALES OF GOODS/SERVICES TO LOCAL AUTHORITIES

The company will provide goods and services to the Westland District Council as part of its normal business activities. These goods and services shall be charged for on a commercial basis.

16. FINANCIAL FORECASTS (\$000s)**CONSOLIDATED**

	Budget 2016/17	Forecast 2017/18	Forecast 2018/19
Gross Revenue	24,158	24,424	25,645
Cost of Sales	18,008	18,206	19,116
Gross Profit	6,151	6,218	6,529
Other Income	142	142	142
Administrative expenses	5,173	5,173	5,432
Finance costs	194	191	189
Net Profit Before Tax	925	995	1,050
Tax Expense	119	153	182
Subvention Payments	320	295	270
Net Profit for the Year	486	547	598
Other comprehensive income	Nil	Nil	Nil
Total comprehensive income for the year	486	547	598
Other Performance Targets			
Dividends	153	189	220
Earnings Retained	333	358	378
Closing Shareholder's Funds	7,714	8,072	8,450
Pre Tax & Subvention Return on Ave Shareholder's Funds	11.99%	12.33%	12.43%

Subventions payments to be paid instead of dividends



STATEMENT OF INTENT

**FOR THE THREE YEARS COMMENCING
1 JULY 2016**

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1. **INTRODUCTION**

- 1.1 This Statement of Intent is prepared in accordance with Section 64 and Schedule 8 of the Local Government Act 2002.
- 1.2 Hokitika Airport Ltd is a council controlled organization for the purposes of the Local Government Act 2002 and is registered under the Companies Act 1993.
- 1.3 This statement sets out the objectives and scope of activities proposed to be carried out by Hokitika Airport Limited in the 3 year period commencing 1st July 2016.

2. **COMPANY MISSION STATEMENT**

To maximise opportunities for the development of commercial and tourism based aviation in Westland and the promotion of Westland as a destination.

Hokitika Airport Limited supports the Westland District Council's "Vision of Westland" that it will, by 2030, be a world class tourist destination and have industries and businesses leading through innovation and service. This will be achieved by:

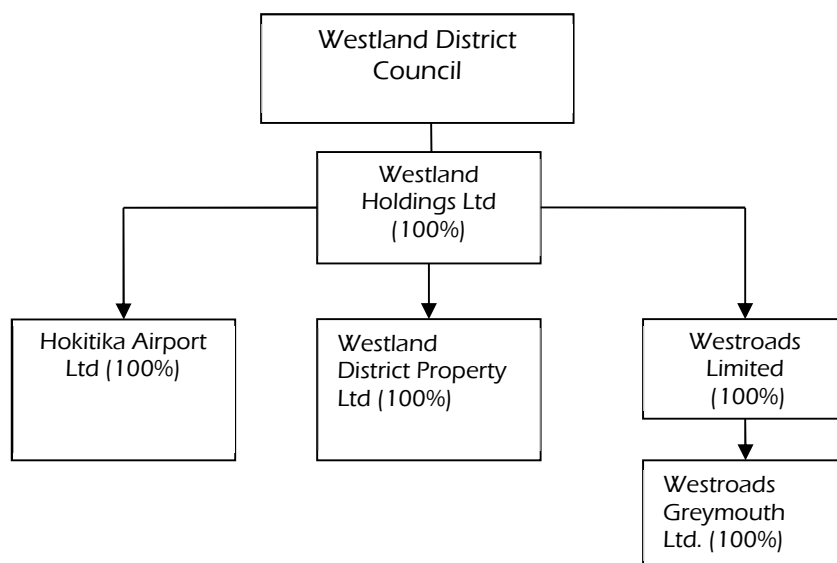
- Involving the community and stakeholders
- Having inspirational leadership
- Having expanded development opportunities
- Having top class infrastructure for all communities
- Living the '100% Pure New Zealand' brand

3. **THE OBJECTIVES OF THE COMPANY**

- 3.1 The Directors will maintain and improve airport services to a high standard and enhance airport facilities whilst continuing to operate the Company as a commercially successful business. To achieve this, the company intends to:-
 - (a) Maintain the value of the shareholders' investment.
 - (b) Provide quality, efficient and cost-effective services on a commercially competitive basis.
 - (c) Ensure that pricing strategies are market sensitive and on a commercial basis.
 - (d) Strive to minimise operating costs.
 - (e) Maintain a high level of safety and security in its operations.
 - (f) Manage its financial assets and liabilities on a prudent basis.
 - (g) Act with social responsibility.
 - (h) Be a good employer.
 - (i) Grow and diversify revenue streams from business development.
 - (j) Operate the Hokitika Airport and Franz Josef Heliport sustainably.
 - (k) Continue to protect Hokitika Airport and Franz Josef Heliport for growth of business.

4. **NATURE AND SCOPE OF ACTIVITIES**

The group structure is:



- 4.1 The primary nature and scope of activities for the Company is to operate, manage and develop facilities in Westland. These activities include:
- (a) The provision, maintenance, upgrading and extension of services and facilities for the landing and take-off of aircraft and the training of pilots, having regard to statutory and regulatory requirements of the Civil Aviation Authority of New Zealand.
 - (b) The provision and maintenance of facilities for the Airport Company and general businesses located at airports and helipads.
 - (c) The management of airport land holdings.
 - (d) The provision and leasing of secure storage facilities at Hokitika Airport
- 4.2 To continue the development of the Glacier Country Aerodrome Reserve to provide a safe helipad facility and explore opportunities for further enhancements to the area.
- 4.3 To offer services to other local airports, airfields and seaports.
- 4.4 The development and management of facilities that will support Westland District Council's vision for Westland, with the promotion of Westland as a destination.
- 4.5 To become involved in strategic projects which will benefit the District, as opportunities arise.

5. GOVERNANCE

The Company is governed by a board of up to three directors chaired by Linda Robinson. The director's role includes:

- Strategic Governance
- Financial Management
- Contractor Performance Review

Directors retire at the Annual General Meeting and can make themselves available for re-appointment, generally on a three year term.

The directors are:

Les Singer 2016

Linda Robinson 2017
Marcel Fekkes 2017

Board evaluation will be conducted annually and facilitated by the Chair. Directors will consider training requirements annually to ensure that professional standards are adhered to.

6. **PERFORMANCE TARGETS**

The Company will report to shareholders on the following performance indicators:

- a) The ratio of net profit before taxation and revaluations (before extraordinary items) to average shareholder funds within a range of 0.5% to 5%.
- b) The ratio of net profit before taxation and revaluations to average total assets (including any revaluation) within the range of 0.5% to 5%.
- c) Compliance with statutory and regulatory requirements enabling Hokitika Airport Limited, Westland Holdings Limited and Westland District Council to comply with the Local Government Act 2002.
- d) HAL will endeavour to achieve the highest storage occupancy as possible

7. **SHAREHOLDERS FUNDS TO TOTAL ASSETS**

The ratio of shareholder funds to total assets shall be greater than 70%.

Shareholder funds are defined as the paid up capital, plus any tax paid profits earned and less any dividends distributed to shareholders. They include undistributed profits which have been accumulated in accounts known as either Revenue or Capital Reserves.

Total assets are defined as the sum of all current assets, fixed assets, intangible assets and investments of the Company.

8. **DISTRIBUTION POLICY**

The degree of profit retention/distribution will be agreed annually with Westland Holdings Limited, and included in the annual Statement of Intent.

The amount of any distribution takes into account Hokitika Airport Limited's ability to fund agreed future capital expenditure requirements, to maintain and expand its operations, or to address matters related to the debt structure of the Company.

Total liabilities do not exceed 30% of the total assets without the approval of Westland Holdings Limited.

9. **CAPITAL EXPENDITURE**

Capital expenditure will maintain, enhance and develop facilities controlled by Hokitika Airport Limited in accordance with the objectives of the company.

The approval of Westland Holdings Limited must be obtained for any significant purchases or developments in excess of \$500,000 for any one project including the funding mechanism for the purchase or development. This figure to be calculated based

on the complete cost of a particular project even if the expenditure is spread over more than one year and comprises multiple transactions.

10. **ACQUISITION OF OTHER INTERESTS**

The company will not subscribe for, purchase, or otherwise acquire shares in any company or other organisation without first being authorised to do so by special resolution of Westland Holdings Ltd and Westland District Council.

11. **COMMERCIAL VALUE OF SHAREHOLDERS INVESTMENT**

The Directors estimate that the commercial value of the shareholders' investment in Hokitika Airport Ltd will be represented by the opening balance of shareholders' funds. The Directors will advise the shareholders on an annual basis if they believe the value to differ materially from this amount.

The value of the investment will be reassessed every three years by evaluating movement in asset values, in particular changes in land and improvements as recorded on the tri-annual government valuations.

12. **RISK MANAGEMENT**

The company shall develop a risk assessment methodology and document a risk management analysis together with strategies for mitigation of these risks.

13. **REPORTING TO SHAREHOLDERS**

The following information will be available to shareholders based on an annual balance date of 30 June.

13.1 **Draft Statement of Intent – By 14th February**

On or before 14th February each year, the Directors shall deliver to the shareholders a Draft Statement of Intent with tracked changes which fulfils the requirements of clause 9 of schedule 8 of the Local Government Act 2002. Westland Holdings Limited will report to Hokitika Airport Limited comments on the Draft Statement of Intent by 30th April each year.

13.2 **Completed Statement of Intent – By 15th June**

On or before 15th June each year, the Directors shall deliver to the shareholders a Final Statement of Intent.

13.3 **Half Yearly Report - by 28th February**

On or before 28th February each year, the Directors shall deliver to the shareholders an unaudited Half Yearly Report containing the following information as a minimum in respect of the half year under review:

- a. A revenue statement disclosing actual and budgeted revenue and expenditure, and comparative figures in second and subsequent half yearly reports.
- b. A statement of financial position at 31st December.
- c. A statement of cash flows.

- d. A commentary on the results for the first six months together with a report on the outlook for the second six months with reference to any significant factors that are likely to have an effect on the Company's performance, including an estimate of the financial result for the year based on that outlook.
- e. The Westland Holdings Limited board will receive a copy of the Management Report from Audit NZ from the previous year.
- f. A non-financial performance report.

13.4 Annual Report - by 15th September

On or before 15th September each year, the Directors shall deliver to the shareholders an Annual Report and audited financial statements in respect of the financial year, containing the following information as a minimum:

- a. A Directors' report including a summary of the financial results, a review of operations, a comparison of performance in relation to objectives.
- b. A revenue statement disclosing actual and budgeted revenue and expenditure, and comparative figures in second and subsequent annual reports.
- c. A statement of financial position at the end of the year.
- d. A statement of cash flows
- e. An auditor's report on the above statements and the measurement of performance in relation to objectives.

13.5 Annual Budget

An annual budget shall be provided in particular terms for the coming financial year and in general terms for the following two years, at such a time to enable it to be included within the Draft Annual Plan for the Westland District Council. This budget shall accompany the half yearly financial report.

13.6 Quarterly Report

Between the annual report and half yearly report WDPL will

- (a) Deliver to WHL a quarterly copy of the management accounts.

14. ACCOUNTING POLICIES

The financial statements of Hokitika Airport Limited will be prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with New Zealand generally accepted accounting policies to the extent that is practicable without disclosing commercially sensitive information that, in the view of the Directors, would be of value to competitors.

15. SALE OF GOODS/SERVICES TO LOCAL AUTHORITY

The company may provide goods and services to the Westland District Council as part of its normal business activities. These goods and services shall be charged for on a commercial basis.

16. **FINANCIAL FORECASTS (\$000s)**

	Budget 2016/17	Forecast 2017/18	Forecast 2018/19
Gross Revenue	608	615	615
Cost of Sales	414	423	433
Gross Profit	194	192	182
Other Income	0	0	0
Finance Costs	16	16	16
Depreciation	110	110	110
Subvention Payment	0	0	0
Net Profit/Loss before Taxation	68	66	56
Taxation	19	18	16
Net Profit/Loss after Taxation	49	47	40
Other Comprehensive Income	0	0	0
Total Comprehensive Income	49	47	40
Dividends	0	0	0
Earnings Retained	143	190	230
Closing Shareholder's Funds	2861	2908	2948
Tax Paid Return on Ave Shareholder's Funds	1.7%	1.6%	1.4%