



Westland HOLDINGS

WESTLAND HOLDINGS LIMITED

**Destination Westland Limited
Westroads Limited**

STATEMENT OF INTENT FOR THE THREE YEARS COMMENCING 1 JULY 2019

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1. INTRODUCTION

This Statement of Intent (“SOI”) for Westland Holdings Limited (“WHL” or “the Company”) is prepared in accordance with Section 64 and Schedule 8 of the Local Government Act 2002.

This SOI specifies the objectives, the nature and scope of the activities to be undertaken, and the performance targets and other measures by which the performance of WHL and its subsidiaries Destination Westland Limited and Westroads Limited (collectively referred to as “the Group”) may be judged in relation to its objectives, amongst other requirements.

The negotiation and determination of an accepted SOI is a public and legally required expression of the accountability relationship between the Company and its sole shareholder, the Westland District Council (“WDC” or “the Council”). The SOI is reviewed annually with the Council and covers a three-year period commencing 1 July 2019.

WHL supports the vision of the Westland District Council, expressed as:

“We work with the people of Westland to grow and protect our communities, our economy and our unique natural environment.”

2. COMPANY MISSION

Westland Holdings Limited primary mission is to support the Council’s Vision for Westland as outlined above.

3 THE OBJECTIVES OF THE COMPANY

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

- Monitor the performance of each of its subsidiary companies;
- 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;
- Ensure that each subsidiary company operates economically and efficiently, in accordance with an agreed SOI, to optimize the returns from each subsidiary as well as the value of each subsidiary within the operating parameters determined by the Council;
- Ensure, within any legal or commercial constraints, that the SOI of each of the subsidiary companies reflect the policies and objectives of the Council;

- Keep the WDC informed of matters of substance affecting WHL and the subsidiary companies and, as much as is considered practical and reasonable in the opinion of the directors of WHL, to provide the WDC an opportunity for comment on such matters prior to taking any action;
- Ensure that there is regular and informative reporting of the financial and non-financial performance and risk exposures of WHL and the subsidiary companies;
- Report to WDC on establishment opportunities for the subsidiary companies, and other investment opportunities that have the potential to enhance the economic well-being of the region and to provide an adequate return;
- 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 appointment of new directors and,
- Support the Council in reviewing or creating policies relevant to the Company, or to the Group.

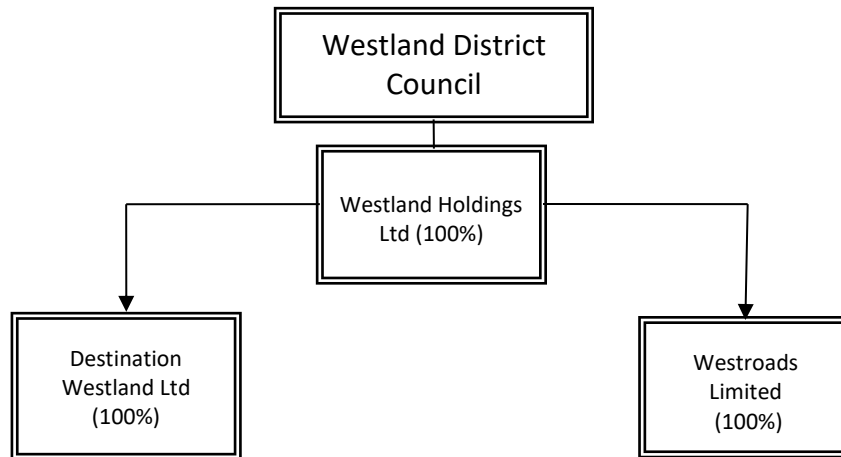
4. GOVERNANCE APPROACH

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

- Achieves the objectives of its shareholder, both commercial and non-commercial, as detailed specifically in Section 3.3;
- Is a good employer in accordance with S:36(2) of schedule 7 of the Local Government Act 2002;
- Exhibits a sense of social responsibility by having regard to the interests of the community in which it operates; and
- 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

WHL is a wholly-owned, council-controlled organization (“CCO”) of WDC, which was formed on 24 July 2002. WHL is the controlling entity that provides objective governance of the various operating subsidiaries on behalf of WDC. The Group structure is, as follows:



The current Directors of WDHL are:

- Albert Brantley (Chair)
- Joanne Conroy
- Christopher Gourley
- Chris Rea

6. SHAREHOLDING

WHL, on behalf of the Council, holds the following investments in the subsidiary companies:

- A shareholding investment in Destination Westland (DWL) of \$4,629,000, representing 100% of DWL share capital; and
- A shareholding investment in Westroads Limited (“WRL”) of \$9,289,000, representing 100% of WRL’s share capital.

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 SOI. The appropriateness of this target ratio will be reviewed annually by the Directors.

7. ACCOUNTING POLICIES

The financial statements of the Company and its subsidiary companies are 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

The Reporting Entity for Accounting and Reporting purposes for the Company is Westland Holdings Limited. The Company has a balance date of 30 June.

WHL is expected to comply with the Accounting Policies adopted by its shareholder, the Westland District Council as they may be varied from time to time. The WDC Policies are outlined in its Annual Report for the period ending 30 June 2018.

8. PERFORMANCE TARGETS

The following performance targets have been set for the 2019/2020 financial year, and the two years following:

Relationship with WDC/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	A draft SOI for WHL will be submitted for approval to WDC by 1 March each year.
	A completed SOI will be submitted to WDC by 30 June each year.
2 To ensure that WDC is kept informed of all significant matters relating to its subsidiaries on a “no surprises” basis	Regular reporting of performance to the Finance and Risk Committee of the WDC will be done on a quarterly basis. More regular reporting may be required to ensure no surprises to WDC.
	Full year and half year reporting to WDC will be provided within 60 days after 31 December and 30 June of each year.
	Quarterly operational and financial briefings provided to WDC in the financial year will be supplemented with specific presentations made to Councilors.

Major matters of urgency are reported to the appropriate Council Committee or the Chief Executive 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 such review will be undertaken in the latter half of the 2019 calendar 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. Any appointments will be made in accordance with the WDC's Policy for Director Appointments.

Financial Objectives and Performance Measures

Objective

Performance Target

- 5 To ensure that WHL returns a dividend to WDC in accordance with WDC's budgets and meets other financial targets.

WHL will agree with WDC on an achievable distribution for the 2018/19 financial year as part of the Council's requirement to approve the SOI for WHL. This estimated dividend receivable by WHL will be agreed with each CCO on an annual basis prior to finalising WDC's budget.

It is proposed that the dividend level payable by WHL for the 2019/20 Year be set at \$200,000. It is estimated that the dividend for each year thereafter be set at \$250,000.

- 6 To ensure that the subsidiary companies return a minimum acceptable dividend as per the SOI of the subsidiary companies.

WHL meets its budgeted level of dividend payable of \$250,000 for the 2019/20 financial year. In addition, another \$250,000 is targeted for

distribution to WDC by way of Subvention Payments from the CCO's.

Specific Subsidiary Management and Supervisory Functions

Objective

Performance Target

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| 7 | To ensure that WHL's procedure for appointment to subsidiary directorates are open and in accordance with written policy. | That the adopted WDC Directors Policy be followed for any director appointments made. |
| 8 | To ensure that the draft subsidiary company SOI's are received on a timely basis for review and comment. | Draft SOI's are to be received by 14 February from the subsidiary companies, and finalised by 1 June for each year covered by this SOI. |
| 9 | To ensure that the final subsidiary company SOI's are appropriate, measurable, attainable and timely. | Comment on the draft SOI's within the statutory timeframe of 30 April each year, and ensure specific and measurable targets are included as Performance Objectives. |
| 10 | To ensure that the final subsidiary company SOI'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 SOI's that are consistent with their responsibilities to the social and environmental needs of the communities of Westland, as well as their commercial responsibilities.

WHL will assess the alignment of the SOI's with any specifically notified WDC strategic directive. |
| 11 | To ensure that the subsidiary company reporting is relevant and timely. | Subsidiary company SOI's will incorporate specific reporting requirements in accordance with legislation and accepted practice. |

Subsidiary companies will also be required to provide quarterly operational and financial briefings to WHL in sufficient detail to allow WHL to fulfill its reporting obligations to the WDC.

All activity reports and formal reporting will be done through the Chairman of WHL and the Chief Executive of WDC.

Risk Management Processes

Objective

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

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

Performance Target

Subsidiary company SOI's will incorporate specific statements regarding the processes for the management of risk exposures, including health and safety and reputational risk.

Long term investment assessment is carried out for any new projects of a size and nature that requires WHL approval. Significant projects and their sources of funding must also be assessed and approved by Council prior to initiating the projects.

Specific Activities to be Undertaken by WHL

- Negotiation of the individual annual SOIs for the CCOs that it owns on behalf of the Westland District Council (the subsidiary companies).
- Negotiation of the annual SOI between WDC as shareholder and WHL.
- Monitoring the performance of the subsidiary companies that WHL owns.
- Advice to WDC regarding potential CCO establishment or development opportunities.
- Maintaining a Register of Potential Directors for WHL and the subsidiary companies, including public advertising, as required.
- Appointment and monitoring of the directors of the subsidiary companies.
- Hosting an annual shareholders' meeting.

Specific Activities Not Permitted to WHL

- 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, the directors' approach to the holding of other shares will be determined on a case-by-case basis in consultation with Council. It is anticipated that WHL will assist WDC in the identification and assessment of such future opportunities.

9. DISTRIBUTION POLICY

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 of subsidiary companies to both maintain and expand current operations, nor to address issues relating to the Company’s debt structure. In determining any distribution, the following must be considered:
 - 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 \$250,000 in the 2019/20 year.

10. REPORTING TO SHAREHOLDERS

WHL will provide the following information in order to enable the WDC, as the shareholder of WHL, to make an informed assessment of the Company’s performance:

- a) An annual Draft SOI in accordance with Schedule 8 of the Local Government Act 2002, delivered by the 1st of March, with WDC comments returned by the 1st of May and a completed SOI after consideration of Shareholders comments delivered by 30 June. The Final Statement of Intent of WHL will be made available to the public one month following delivery to the WDC.
- b) A half-yearly financial and progress report or presentation to Council that details the financial performance and progress of the Company and its subsidiaries. This report shall be delivered to Council 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. The annual report is to be delivered to the WDC by the 30th of September and no later than 20 days prior to the Company’s AGM
- d) An annual Shareholders meeting is to be held by the 31st of December each year with not less than 10 days’ notice to the WDC.

11 ACQUISITION PROCEDURES

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 WDC as shareholder by special resolution unless the total cost is less than \$500,000.

In this case prior approval is not required, but the Shareholder will be advised within 10 working days.

12 COMPENSATION

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

13 ESTIMATED COMMERCIAL VALUE OF WHL

The value of WHL has been defined as the estimated value of Shareholders' funds as at 30 June 2018.

This value is estimated to be \$13,868,000.

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 SOI.

14 OTHER MATTERS

WHL's directors are appointed by the Shareholders to govern and direct WHL's activities, and to oversee the governance and performance of the WDC's council-controlled organisations. The Shareholders expect this responsibility to include such areas of stewardship as:

- Commercial performance
- Non-commercial performance
- Preparation and review of 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 shareholder