



Westland
properties

WESTLAND DISTRICT PROPERTY LIMITED

STATEMENT OF INTENT

**FOR THE THREE YEARS COMMENCING
1 JULY 2013**

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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, for Westland District Property Limited (WPL), 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 SI 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 owned 100% by Westland District Council. The SI is reviewed annually in association with the Holding Company and covers a three year period beginning 1 July 2013.

2. COMPANY MISSION STATEMENT

To manage the ownership and operation of property activities in a commercial and strategic manner. To maximize the return and to become involved in strategic projects which will benefit the Westland District, as opportunities arise.

The Board has adopted a philosophy of being Business friendly.

The Board supports the Westland District Council's Vision for Westland. Westland District Council's Vision for Westland that it will, by 2030, be a world class tourist destination and have industries and business leading through innovation and service. We will achieve this 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 District Property Ltd. contributes to Council's vision by -

- Involving the community and stakeholders
- Having expanded development opportunities

3. THE OBJECTIVES OF THE COMPANY

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

- Achieve the objectives of its shareholders, both commercial and non-commercial as specified in the SI.
- Be a good employer in accordance with Section 36(2) of Schedule 7 of the Local Government Act 2002.
- 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 these when able to do so.
- Conduct its affairs in accordance with sound business practice.

Specific objectives of Westland District Property Limited are:

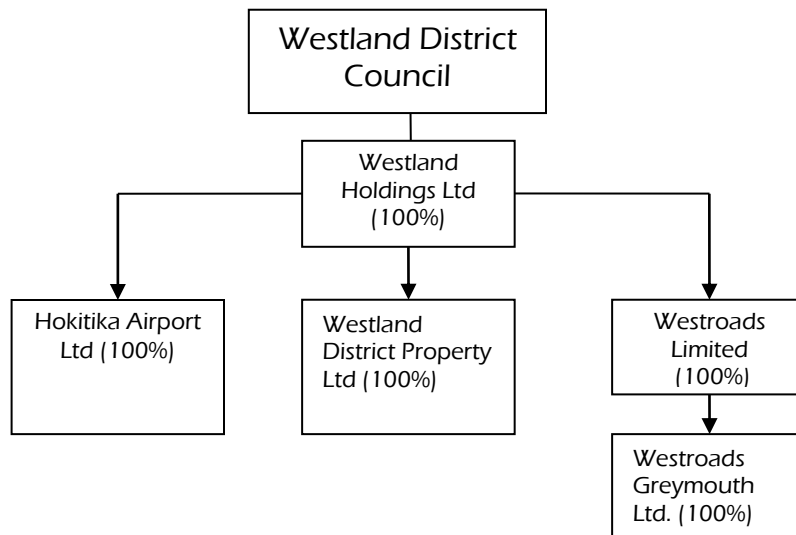
- Provide Westland District Council an opportunity to comment on key decision points related to the Haast Hollyford highway.
- To facilitate the construction of a retirement village and to expand Westland's commitment to housing for the elderly.
- To maintain a commercial focus in the management of the property portfolio particularly those assets that have commercial value or potential.
- To manage, with a commercial focus, the strategic assets: Jackson Bay Wharf, Pensioner Housing and the Hokitika swimming pool complex.
- To carry out management of baches and other activities where road reserve is involved, in line with adopted Council policy.
- To strategically manage the Company's existing property portfolio.
- To be involved in strategic investment throughout the District.
- To enhance the value of the shareholder investment.
- Strive to minimise operational costs and maximise the returns.
- Ensure that there is regular and informative reporting of the financial and non-financial performance.

Westland District Property Limited achieves the following Community Outcome in Westland District Council's Long Term Council Community Plan;

ECONOMY: A thriving, resilient and innovative economy creating opportunities for growth and employment.

4. NATURE AND SCOPE OF ACTIVITIES

The group structure is:



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

- To manage the property portfolio that is owned by the Company.
- To manage land and any further transfers of land for management purposes (NOTE: requires Council Approval for any Change In Use or ownership) in a commercial manner, to obtain the maximum commercial returns from the property assets.
- To facilitate the construction of the Haast Hollyford highway.
- To facilitate the construction of a retirement village and to expand the Company's commitment to housing for the elderly.
- To identify strategic developments and to pursue these opportunities where considered appropriate.
- Continue to negotiate commercial returns on mining licenses on properties managed by WDPL on Council's behalf.
- To manage, with a commercial focus, the strategic assets of Jackson Bay Wharf, Westland's Pensioner Housing and the Hokitika swimming pool complex.
- To carry out management of baches, and other activities where unformed legal road is involved, in line with adopted Council policy.

- To carry out the management of activities on unformed legal road, where a commercial return is possible. These include, but are not limited to: goldmining, forestry, water.
- To obtain the approval of Westland District Council and Westland Holdings Limited for any changes of use, status or ownership, including the development or disposal of any property or those assets identified as strategic assets.
- To develop a communications policy.
- To keep Council, through Westland Holdings Limited, informed of matters consistent with the communications policy.
- To meet any prior obligations made by Westland District Council to the community.
- To facilitate the bringing together of commercial and community groups to share and celebrate their expertise and success in growing Westland in line with Council's 2030 vision.

5. 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

The Company is governed by a three member board of directors chaired by Graeme Purches. Additional directors are:

- Les Singer
- Durham Havill

The Board has been appointed for a term of up to one year while Council and Westland Holdings Ltd undertake a strategic review of the group structure.

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 annually:

- (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 2013/2014.
- (b) The ratio of net profit before taxation and revaluations to average total assets (including any revaluation) within the range of .5% to 5% for 2013/2014.
- (c) A return on property transferred for management purposes greater than that obtained by Council for the 2009/2010 year.
- (d) 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.

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 40% 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 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 developments in excess of \$500,000 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 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 a communications policy.

The Company shall work with WDC to improve communications 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.

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 financial report.

13.5 Annual Report

By 15 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.

13.7 Direct Reporting

Weekly operational reports to Councillors are to cease immediately.

14. HAAST/HOLLYFORD ROAD PROJECT

- Continue to further develop the opportunities that currently exist to advance the possibility of accessing and developing the Haast to Hollyford road.
- To facilitate the construction of the Haast Hollyford highway.
- Council will be updated and involved at critical stages in the development of the project.
- WDPL will complete, to Council's satisfaction, a statement of proposal prior to Council undertaking a special consultative procedure for the formation of any new company.
- WDPL will prepare a full business case for the Haast to Hollyford project outlining the risks and opportunities the project has for the Company, Group, Council and Westland communities. This business case will:
 - Make reference to reports already commissioned by Council and WDPL.
 - Outline financial implications to the Company, Group, and Council, and sensitivity analyses on the figures.
 - Address the wider implications to the District including economic development as well as social, environmental and reputational implications, both positive and negative.
 - Allow up to three months for the business case to be peer reviewed.
 - The Company will not invest further resources beyond preparing the business case and establishing the HHHL company, without Council first resolving to do so.

15. 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.

16. COMMERCIAL VALUE OF SHAREHOLDERS INVESTMENT

The commercial value of the shareholders, being Westland Holdings Limited, investment in Westland District Property Limited is estimated at \$2,645,000 and this value will be verified by way of external valuation.

17.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.

18. FINANCIAL FORECASTS

ASSUMPTIONS:

- 1) That the transfer of ownership of strategic assets will not be completed on the 1st of July 2013 and result in an increase in capital.
- 2) Costs incurred on the Haast Hollyford road project will be expensed.
- 3) Costs incurred on the elderly housing project will be expensed.

	Forecast	Forecast	Forecast
	2013/2014	2014/2015	2015/2016
Gross Revenue	900,000	1,000,000	1,100,000
Cash Operating Expenditure	780,000	858,000	943,000
Depreciation	10,000	10,000	10,000
Trading Profit/(Loss) before Taxation	110,000	132,000	147,000
Subvention Payment	-	-	-
Net Profit/Loss before Taxation	110,000	132,000	147,000
Taxation	30,800	36,960	41,160
Dividend			
Earnings Retained	79,200	95,040	105,840
Shareholder Funds	2,627,000	2,706,200	2,880,440
Retained Earnings	79,200	174,240	280,080
Closing Shareholder Funds	2,706,200	2,880,440	3,160,520
Tax Paid Return on Shareholder Funds	3%	6.43%	9.72%