



MAINTENANCE & CONSTRUCTION SERVICES

**DRAFT STATEMENT OF INTENT**

**Year Ending 30 June 2010**

# Statement of Intent

Year Ending 30 June 2010



## 1 Preamble

This Statement of Intent (“SOI”) is prepared in accordance with section 64 (1) of the Local Government Act 2002.

The SOI specifies for WestReef Services Limited (“WestReef”) the objectives, the nature and scope of activities to be undertaken, and the performance targets and other measures by which the performance of the company may be judged.

WestReef is a wholly owned subsidiary of Buller Holdings Limited (“BHL”) which in turn is the holding company for commercial activities of the Buller District Council.

The Directors review the SOI in February each year and then discuss with BHL, and the Council to ensure it continues to meet the needs and objectives of the shareholder before adoption.

Westreef is a council controlled trading organization for the purposes of the Local Government Act 2002.

## 2 Objective

The principal objective of WestReef is to operate a profitable, sustainable and innovative business and to maintain a strong market presence in all areas of construction and maintenance of infrastructure and amenity assets including those owned by the Council. In pursuing these objectives the Company is guided by the following key principles.

### (a) Financial Performance

The company is committed to operating as a successful business and achieving a competitive commercial rate of return on BHL’s investment in the business. It will be striving to minimise operating costs and manage its assets and liabilities in a prudent way.

It is committed to growing its revenues and profitability by expanding the business from within or purchasing other related businesses.

## **(b) Service**

The company recognises that the needs of the Council, as its major customer, are paramount and is committed to meeting its contractual obligations.

The general objectives of the company include responsible social and environmental approaches to all aspects of the business, and to ensure it complies with all legal requirements.

It also recognises the need to develop its customer base to ensure sustainability of the business in the future.

## **(c) Employee Relations**

The company values its employees and will recruit and retain employees with skills necessary to run the business and will provide opportunities for staff training and development.

It will ensure that employees are fairly treated and provided with good and safe working conditions.

The Company, together with its employees, will create a culture that recognises the importance of being competitive, the value of delivering a high quality of customer service and the mutual benefit of continued employment. This will involve effective internal communications.

## **3 Nature and Scope of Activities**

The nature and scope of WestReef activities will be predominantly to provide contracting services for the construction and maintenance of infrastructure and amenity assets on the West Coast of the South Island of New Zealand.

Its activities will include maintenance and construction services for:

- Roads and bridges
- Response to Road and Civil Defence emergencies
- Parks and reserves (including associated facilities)
- Utility services (water and sewerage reticulation)
- Rural Fire emergency response
- Vehicle workshop repairs
- Landfill sites
- Roadside vegetation control
- Property maintenance
- Refuse collection and kerbside recycling

The Directors will consider opportunities from time to time with regard to other types of activities or expanding the geographic region of delivery to other regions of the South Island.

## 4 Corporate Governance

The Board of WestReef is responsible for the corporate governance of the company and operates under a comprehensive Code of Governance.

The present Board comprises 5 directors appointed by the Council. There are no formally constituted committees of the Board.

The Board formally reviews its performance annually.

### Role of the Board

The Board is responsible for the proper direction and control of the company on behalf of the shareholder.

The functions of the Board include:

- Ensuring that the company goals are clearly established, updated annually and that strategies are in place for achieving the goals.
- Establishing policies for strengthening and enhancing the performance of the company.
- Monitoring the performance of management relative to the established goals and plans, having delegated day-to-day management of the company to the manager.
- Appointing and annually assessing the performance of the manager.
- Ensuring that the company's financial position is fully protected so as to allow it to meet all debts and obligations as they fall due.
- Ensuring that the company's financial statements are true and fair and otherwise conform to law.
- Ensuring that the company adheres to high standards of ethics and corporate behavior.
- Ensuring that the company has appropriate risk management and regulatory compliance policies in place.

## 5. Performance Targets

The performance measures and targets are:

### Financial Performance

- a. To achieve a post tax operating profit of at least 10% on gross revenue (before any subvention payment) .  
**Target 10%**
- b. To achieve a post tax operating profit of at least 20% on BHL's investment (\$2,363,860) (before any subvention payment).  
**Target 20%**
- c. To grow revenues by expansion or purchase other businesses.  
**Grow gross revenue by 10%.**

### Service Performance

- a. To renew its TQS1 certification as required.  
**Renewal**
- b. To conduct a focus group meeting with the community to obtain feed back on service performance.  
**To be conducted in the 2010 calendar year.**
- c. Meeting with major client, BDC engineers, to obtain feedback on specific contract performance.  
**Meet monthly.**
- d. Support activities involved with the social and environmental development in the community.  
**Support six activities.**

### Employee Relations

- a. Engage in policies that will assist in retaining staff.  
**Staff Turnover to be less than 15% annually excluding retirement.**
- b. Ensure succession plans are put in place for all senior management positions.  
**Succession plans in place.**
- c. Hold staff meetings to ensure effective communication with all staff.  
**Meetings to be held weekly with minutes kept.**
- d. Maintain a zero tolerance to loss time incidents.  
**LTI's to be zero.**

## 6 Financial Forecasts

|  | <b>BUDGET</b>    | <b>FORECAST</b>  | <b>FORECAST</b>  |
|--|------------------|------------------|------------------|
|  | <b>2009/2010</b> | <b>2010/2011</b> | <b>2011/2012</b> |
|  | <b>\$000's</b>   | <b>\$000's</b>   | <b>\$000's</b>   |
| <b>Revenue</b>                           | <b>5500</b>      | <b>5500</b>      | 5500             |
| <b>NSBT (Net Surplus Before Tax)</b>     | 785              | 785              | <b>785</b>       |
| <b>Taxation – 30%</b>                    | 235              | 235              | 235              |
| <b>Dividends</b>                         | 550              | 550              | <b>550</b>       |
|  |                  |                  |                  |
| <b>Tax Paid Return on Revenue</b>        | 10%              | 10%              | 10%              |
| <b>Tax Paid Return on BHL Investment</b> | 23.3%            | 23.3%            | 23.3%            |

**IMPORTANT NOTE:** The above forecasts have been based on and are directly related to the company being awarded both the BDC Road Maintenance Contract and the TNZ Vegetation Contract and are provisional subject to completion of the annual budgeting process. Potential subvention payments are not included.

## 7 Ratio of Shareholders Funds to Total Assets

- a) The ratio will be maintained at a minimum of 60% (net of proposed dividends).
- b) Shareholders funds are defined as the paid up capital, revaluation reserve, plus any tax paid profits earned and less any dividends distributed to shareholders. They include undistributed profits that have been accumulated in accounts known as either "Revenue Reserves" or "Capital Reserves".
- c) Total assets are defined as the sum of all current and non current assets the company.

## 8 Directors Estimate of the Company Value

The Directors estimate of the company value is not less than shareholders funds.

## 9 Reporting to Shareholders

The following information will be available to shareholders based on an annual balance date of 30<sup>th</sup> June.

**a) Statement of Intent**

The Directors shall deliver to the shareholders a draft Statement of Intent by 1<sup>st</sup> March for comment by the shareholder. The Directors shall deliver to the shareholder a completed Statement of Intent by 31<sup>st</sup> May.

**b) Quarterly Reports**

The Directors shall deliver to the shareholders by 16 November 2008, February and May 2009 an un-audited report containing the following information as a minimum in respect to the quarter under review.

- i) A revenue statement disclosing actual and budgeted revenue and expenditure with comparative figures for the previous equivalent period.
- ii) A statement of financial position at the end of the half year.
- iii) A statement of cashflows at the end of the half year.
- iv) Key performance indicators.
- v) A commentary on the results for the quarter together with a report on the outlook for the remainder of the year 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 full year.

**c) Annual Report**

The Directors shall deliver to the shareholders by 30 September an annual report and audited financial statements in respect to the financial year containing the following information as a minimum.

- i) 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 a dividend.
- ii) A revenue statement disclosing revenue and expenditure with comparative figures for the previous year.
- iii) A statement of financial position at the end of the year.
- iv) A statement of cashflows.
- v) An auditor's report on the above statements and the measurement of performance in relation to performance targets.

## **10 Accounting Policies**

WestReef has adopted accounting policies that are consistent with New Zealand International Financial Reporting Standards, generally accepted accounting practice and the policies adopted by BHL and the Buller District Council.

## **11 Distribution Policy**

It is the company's intention to distribute 100% of its profits after tax to BHL subject to the requirements of the Companies Act 1993 with regard to the solvency test and meeting the financial needs of the company including future operations and capital expenditure. This may be done by way of subvention payment or dividends after discussion with the shareholder.

## **12 New Investments**

The company will contact the shareholders with regard to purchasing a business or subscribing for shares in any company or other organisation where that investment is more than 25% of shareholders funds as at the previous balance date. Where the investment is more than 50% of shareholders funds, shareholder and Council approval will be required.

## **13 Role in the Buller District Council Group and Regional Economy**

### **(a) Commercial Relationship**

WestReef acknowledges, as a wholly owned subsidiary of BHL, that there may be commercial opportunities within, or in partnership with other group entities that can be developed to benefit WestReef, BHL and the Buller region.

### **(b) Growth of the Regional Economy**

WestReef acknowledges that it has a role to play in promoting the growth of the Buller region by attracting and retaining staff and contributing to regional initiatives as a good corporate citizen.

### **(c) Customer Service Principles**

As part of the Buller District Council Group, WestReef has adopted the Council's Customer Service Principles and Action policies.