

BULLER HOLDINGS LIMITED

STATEMENT OF INTENT

YEAR ENDING 30 JUNE 2010

1. Preamble

Section 6 (1) of the Local Government Act 2002 ("Act"), provides that any company in which equity securities carrying 50% or more of the voting rights are held by one or more local authority is to be known as a council controlled organisation. In addition, any council controlled organisation that operates a trading undertaking for the purposes of making a profit is considered a council controlled trading organisation.

Buller Holdings Limited ("Company") is a 'council controlled trading organisation for the purposes of the Act and is therefore required to have a Statement of Intent (SOI) that complies with clause 9 of Schedule 8.

This SCI, prepared in terms of the Act and clause 22.1 of the Constitution of Buller Holdings Limited sets out the activities and intentions of the Company for the year ending 30 June 2010.

The Company will update its SOI annually and deliver a draft to shareholders before 1 March each year and a completed SOI by 30 June each year

2. Objective

Introduction

The strategic direction of the Company is guided by the vision, values and strategic objectives. These provide the framework for the Company to establish make plans and investment decisions. The following is an overview of these key planning components

Vision

Buller Holdings Limited will provide a commercial focus in the governance and administration of Buller District Council's commercial assets, allowing for maximum returns on behalf of ratepayers.

Objectives

The principal objective of Buller Holdings limited is to operate as a successful business. 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 rate of return on the investment in its businesses. It will be striving to minimize operating costs and manage the assets and liabilities in a prudent way.

(b) Service

The group recognizes that the needs of its major customers are paramount and is committed to meeting those business needs. It also recognizes the need to develop its customer base to ensure sustainability of the business in the future.

(c) Employee Relations

The group values its employees and will recruit and retain employees with the 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 group, together with its employees, will create a culture that recognizes 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 Buller Holdings Limited will be to provide a holding company structure for the ownership of selected Council assets and investments.

At the time of preparing this SOI, it is anticipated that from 1 July 2009, Westport Harbour Limited and the Solid Energy Centre will become wholly owned subsidiaries joining the existing wholly owned subsidiary WestReef Services Limited.

(a) WestReef Services Limited

The nature and scope of WestReef Services limited activities will be predominantly to provide contracting services for physical works in the Buller Region and the West Coast of the South Island. Its activities will include maintenance and construction services for:

- Road and bridges
- Response for Road and civil Defence emergencies
- Park 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.

(b) Westport Harbour Limited

Westport Harbour Limited will be involved in providing land, facilities, plant for receiving, delivery, stockpiling and shipment of a wide range of products and raw materials; the ownership of land and facilities necessary to maintain the company's commercial assets; and the provision of facilities associated with the repair and servicing of vessels.

Management of the Harbour assets and resources is currently delegated by way of a Management Contract to Buller Port Services Limited, a wholly owned subsidiary of Holcim Limited.

(c) Solid Energy Centre (incorporation name not yet decided).

The Solid Energy Centre is a sports and leisure complex due to be formally opened on 18 April 2009.

4. Corporate Governance

The Board of Directors of Buller Holdings Limited is responsible for the corporate governance of the Company. The term "corporate governance" encompasses the direction and control of the business by the Directors, and the accountability of Directors to shareholders and other stakeholders for the performance of the Company and compliance by the Company with laws and standards.

Role of the Board

The Board is responsible for the proper direction and control of the Company and Group on behalf of the shareholders. The principle objective of the Company is to operate a successful business.

The functions of the Board include:

- Ensuring that the Company and Group 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 and Group.
- 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 and Group's financial statements are true and fair and otherwise conform with law.
- Ensuring that the Group adheres to high standards of ethics and corporate behaviour.
- Ensuring that the Group has appropriate risk management and regulatory compliance policies in place.

Board operations and membership

The composition of the Board is determined in accordance with the following principles:

- The Board comprises a minimum of 4 and a maximum of 6 directors.
- Directors are appointed by the Buller District Council
- The present Board comprises of 6 Directors.

- The Board meets monthly and schedules additional meetings as required.
- Directors receive formal Board papers for consideration and all necessary information to enable participation in an informed discussion of all agenda items.

The Company constitution sets out policies and procedures on the operation of the Board including the appointment and removal of Directors. The Board supports the concept of separation of the role of Chairman from that of the General Manager. The role of the Chairman is to manage the Board effectively, to provide leadership to the Board, and to interface with the Manager.

5. Ratio of Consolidated Shareholder Funds to Total Assets

The ratio will be maintained at a minimum of 60% (net of any proposed dividend). Total assets are defined as the sum of all current and non current assets of the company including goodwill.

6. Distribution Policy

It is the company's intention to distribute 100% of its available after tax profits subject to requirements of the Companies Act and retaining sufficient funds to meet the financial needs of the company including future operations and capital expenditure. The source of this income will mainly be dividends received from subsidiary companies.

7. Accounting Policies

Buller Holdings Limited will adopt and adhere to accounting policies that are consistent with those of the Buller District Council and comply with generally accepted accounting practice including financial reporting standards issued by the Institute of Chartered Accountants of New Zealand, and in accordance with the Companies Act 1993, the Financial Reporting Act 1993, and International Financial Reporting Standards.

8. Information to be Reported

The Company will maintain regular reporting to the shareholders in accordance with statutory requirements, and, in particular, will:-

- Within 3 months after the end of the financial year provide to the shareholders audited annual financial statements in accordance with clauses 22.4 and 22.5 of the constitution.
- By the 16 November 2009, 16 February 2010 and 16 March 2010, an unaudited report containing the following information as a minimum in respect of the quarter under review.
 - i) A statement of group financial performance disclosing actual and budgeted revenue and expenditure with comparative figures for the previous equivalent period.
 - ii) A statement of group financial position at the end of the quarter
 - iii) A statement of group cashflows
 - iv) A commentary on the results of the quarter 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 and Group's financial performance, including an estimate of the financial result for the full year.
- Produce other information as may be agreed from time to time between the shareholders and the Company.

9. Group Performance Targets

Subsidiary Performance Measures and Targets

The performance objectives, measures and targets for each subsidiary are attached to this Statement of Intent. Formal reports by the company to the shareholder will include the outcomes against each measure for each subsidiary company.

Service Performance

- a. The board of directors will meet with the BDC Councillors on a formal basis three times a year and at other times by request.
- b. The General Manager will meet with the BDC CEO 6 times a year for a verbal update on issues and performance.

Financial Performance

The financial performance of the Group will be an aggregation of the results from the business that make up the structure including administration costs of the parent company. This aggregation will include surpluses after tax less any losses incurred.

The financial performance of the Group will be judged against the following measures:

	Budget 2009/10	Forecast 2010/11	Forecast 2011/12
	\$000's	\$000's	\$000's
Group Revenue	9015	9487	9510
NSBT (Net surplus)	(473)	(46)	4

(deficit)before Tax)			
Taxation – 30%	0	0	0
Dividends	0	0	0
Tax paid Return on Revenue	NIL	NIL	NIL

Important Note: The results for the group are significantly affected by the interest charges in respect to the Solid Energy Centre and losses by Westport Harbour Limited in the 2009/10 year. The renegotiation of port charges with Holcim NZ Limited will also impact the forecast results. It is also dependant on WestReef maintaining its profitability following retendering for the BDC Roding contract.

10. Value of Shareholders Investment

The value of the Shareholders investment will be not less than the carrying value of the investment in the Councils financial statements.

11. Procedure for Acquisition of Shares

The Company's ability to subscribe for, purchase or otherwise acquire shares in any company or other organization, or enter into a major transaction is governed by the provisions in the Company's constitution and the Companies Act 1993.

12. Role in the Buller District Council Group and Regional Economy

(a) Commercial Relationship

Buller Holdings Limited acknowledges that there may be commercial opportunities within, or in partnership with other Council entities that can be developed to benefit the company and the Buller Region.

(b) Growth of the Regional Economy

Buller Holdings Limited 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, Buller Holdings Limited has adopted the Council's Customer Services Principles and Action policies.

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