

BULLER
Holdings Ltd

BULLER HOLDINGS LIMITED

STATEMENT OF INTENT

FOR THE YEAR ENDED 30 JUNE 2020

1. Preamble

Buller Holdings Limited (“Company”) was set up in September 2007 as a Council controlled trading organisation with WestReef Services Limited as its only subsidiary. Buller Recreation Limited (T/A the Pulse Energy Centre) was purchased from the Buller District Council in 2009 and Westport Harbour Limited in 2010. Westport Harbour Ltd was wound up as a company on or prior to 30th June 2018 as a result of a council resolution. The Buller District Council is the sole shareholder of Buller Holdings Limited.

The Company’s continued purpose is to provide a commercial focus in the governance and management of the Council's commercial assets, allowing for maximum returns on behalf of the ratepayers and benefits to the wider community.

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 SOI, 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 30th June 2020.

The Company will update its SOI annually and deliver a draft to shareholders before 1st March each year and a completed SOI by 30th 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 management of Buller District Council's commercial assets, allowing for maximum returns on behalf of ratepayers and benefits to the wider community.

Objectives

The principal objective of Buller Holdings Limited is to operate as a successful business while working for the benefit of shareholders. In pursuing this objective the company is guided by the following key principles.

(a) Financial Performance

The company is committed to operating the group as a successful business and achieving a competitive commercial rate of return on the investment while working for the benefit of the shareholders. It will be striving to minimise operating costs and manage the assets and liabilities in a prudent way. The definition of return on investment the company is broader than the financial

returns, but takes into account social, economic and environmental needs of the community.

(b) Service

The company recognises that the needs of its major customers are paramount and is committed to meeting those business needs. 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 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 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 leadership and communication.

(d) Safety and Environment

The company has a zero tolerance to safety and environmental incidents. The company undertakes to comply with all Health and Safety legislation requirements.

(e) Marketing

The company and each of its subsidiaries has developed a marketing plan with objectives, costs, timeline and KPI's to retain and obtain increased external and non-council profitable business.

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.

(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:

- Roads and bridges
- Response to Road and Civil Defence emergencies
- Parks and reserves (including associated facilities)
- Utility services (water and sewerage reticulation, waste water treatment, storm water collection)
- Solid and Liquid Waste Collection and Disposal
- Vehicle workshop repairs
- Transfer stations
- Recovery parks
- Roadside vegetation control
- Property maintenance
- Refuse collection
- Environmental & Back Country Projects

(b) Buller Recreation Limited

Buller Recreation Limited owns and operates the Pulse Energy Recreation Centre that was formally opened on 18th April 2009, and provides a range of leisure services to the district as summarized below:

- Recreational swimming and learn to swim programmes
- Aquatic sports events
- Indoor court sports competitions and events
- Fitness centre programmes and classes
- Outdoor turf sports
- Corporate, trade and social events

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, standards and agreed protocols as specified between Buller Holdings Limited and Buller District Council.

Role of the Board

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

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 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 Chief Executive.
- Appointing and annually assessing the performance of the Chief Executive
- 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 fairly presented and conform to 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.
- Approving and implementing the Business Plan and Statement of Intent of the Company, and
- Reviewing and approving the Company's capital investments and distributions

Board operations and membership

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

- The Board comprises up to 6 directors.
- Directors are appointed by the Buller District Council.

- The Board meets regularly 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 governance and management of the businesses. The role of the Chairman is to lead the Board to ensure that it carries out its governance role effectively, and to provide leadership and direction to the Chief Executive of the business on behalf of the Board.

5. Ratio of Shareholders 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 maximise distributions after meeting the financial needs of the company including future operations and capital expenditure. Directors should aim to deliver a minimum distribution as agreed in this Statement and as forecasted in the Statement of Intent.

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 appropriate accounting practices and in accordance with the Companies Act 1993, the Financial Reporting Act 2013, NZ Equivalents to International Financial Reporting Standards, and any other applicable laws and standards.

8. Information to be Reported

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

Statement of Intent

The Directors shall deliver to the shareholders a draft Statement of Intent by 1st March for comment by the shareholder. The Directors shall deliver to the shareholder a completed Statement of Intent by 30th June.

Quarterly Reports

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

- a. A revenue statement disclosing actual and budgeted revenue and expenditure with comparative figures for the previous equivalent period.
- b. A statement of financial position at the end of the half year.
- c. A statement of cashflows at the end of the half year.
- d. Key performance indicators.

- e. 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. A commentary on progress towards meeting proposed distributions to shareholders should be included.

Annual Report

The Directors shall deliver to the shareholders by 30th September an annual report and audited financial statements in respect to 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 and any recommendation as to a dividend.
- b. A revenue statement disclosing revenue and expenditure with comparative figures for the previous year.
- c. A statement of financial position at the end of the year.
- d. A statement of cashflows.
- e. An auditor's report on the above statements and the measurement of performance in relation to key performance targets.

9. Group Performance Targets

The performance of Buller Holdings Limited will be judged against the following measures and targets;

Objective	Key Performance Measure	Budget Targets		
		2020	2021	2022
Health & Safety	Medical Treatment Injury	Nil	Nil	Nil
	Serious harm accidents	Nil	Nil	Nil
	LTI Target	Nil	Nil	Nil
Operational	The board of directors will meet with the BDC, CCTO Committee on a formal basis: (per/year)	3.0	3.0	3.0
	The Buller Holdings Ltd Chief Executive will provide a formal and or informal report to Council as requested.	As requested		
	The Chief Executive of Buller Holdings Ltd will meet with the Chief Executive of Buller District Council when requested.	As requested		
Financial (Parent)	Revenue	\$488k	\$500k	\$505k
	Expenditure	\$482k	\$494k	\$499k
	Net Operating Surplus	\$6k	\$6k	\$6k
	Return on Revenue %	0%	0%	0%
	Ratio of Shareholders Funds to Total Assets	60%	60%	60%
Financial (Group) (000's)	Group Revenue	\$12,691	\$12,952	\$13,212
	Group Expenditure	\$11,937	\$12,163	\$12,397
	Group Operating Surplus	\$754	\$789	\$815
	Provision for capex	\$550k	\$550k	\$550k
	Return on Revenue	16%	15%	15%
	Forecasted distribution to Shareholders	\$1,400,000	\$1,000,000	\$1,000,000

Financial Performance

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

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.

10. Value of Shareholders Investment

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

11. New Investments

The Company's ability to subscribe for, purchase or otherwise acquire shares in any company or other organisation, or enter into a major transaction is governed by the provisions in the Company's constitution, standards and agreed protocols as specified in the Charter between BHL and BDC.

The company will consult with 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 approval will be required.

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 group entities that can be developed to benefit the company, BHL 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 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 Service Principles and Action policies.