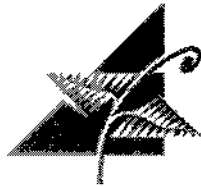

Waitakere City Holdings Limited

Statement of Intent

For the Three Years Commencing 1 July 2010



WAITAKERE CITY HOLDINGS LIMITED
A WHOLLY OWNED SUBSIDIARY OF
WAITAKERE CITY COUNCIL



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Waitakere City Holdings Limited

Statement of Intent for the Three Years Commencing 1 July 2010

Chairman's Comment

This Statement of Intent ("SOI") is prepared in accordance with S64 (1) of the Local Government Act 2002.

The SOI specifies for Waitakere City Holdings Limited ("WCHL"), and the Group of reporting entities currently comprising of Waitakere Properties Limited (WPL), Waitakere Enterprise Trust Board (WE), and Auckland Film Studios Limited (AFSL) (includes short form amalgamation of Prime West Management Limited, completed in December 2009) (see page 7 for diagram) the objectives, the nature and scope of the activities to be undertaken, and the performance targets and other measures by which the performance may be judged in relation to its objectives, amongst other requirements.

The process of negotiation and determination of an acceptable SOI is a public and legally required expression of the accountability relationship between the company and its sole shareholder, Waitakere City Council.

In accordance with legislation, this SOI is reviewed annually and covers a three-year period. It is noted that, through the process of amalgamating to one Auckland Council, Waitakere City Holdings has been identified for disestablishment by 1 November 2010, as it undertakes functions that will be undertaken directly by the new Auckland Council. The focus of activities and priorities for Waitakere City Holdings Limited is therefore on the final 4-month period of transition (July 2010 – October 2010).

- WPL will transfer across to the proposed Property Holdings CCO.
- WE will transfer across to the proposed Economic Development, Tourism and Events CCO.
- AFSL is likely to come under the jurisdiction of the proposed Council Investments CCO.

All entities are currently working to understand the implications of the proposed changes to the governance and longevity of their operations under the new Auckland Council and the updated legislative requirements of the Local Government (Tamaki Makaurau Reorganisation) Act 2009, the Local Government (Auckland Council) Act 2009 and the Local Government (Auckland Law Reform) Bill (to be enacted mid 2010). The priority for the Council, WCHL and its reporting entities, is to ensure a smooth transition across to the new governance structures and Council Controlled Organisations proposed.

The Council has previously examined its expectations of WCHL and its Group entities, and has advised how the Group entities (see appendix one for the definition of Group entities) can contribute to Council's strategic direction as follows:

General Principles

- All Council-controlled entities have a clearly defined purpose and are held accountable to Council and the community.
- That roles, accountabilities and responsibilities within the governance structure are clear and unambiguous.

- Performance targets are set and monitored on a timely basis.
 - A "no surprises" policy, reinforced with formal communication and sound risk management.
 - That Council operates effective governance of Council-controlled entities.
 - Proactive and cooperative response to information requirements of the Auckland Transition Agency, as work progresses to transition across to the new governance structures established for Auckland's Council Controlled Organisations (CCOs).
- Waitakere City Holdings Limited (WCHL)**
- Strong governance oversight of the Group entities.
 - Ensuring the Group entities deliver on Council's strategic goals.
 - Financial return or contribution to Council's overall budget.
 - Identifying new opportunities for contributing to the Council's strategic plan.
- Waitakere Enterprise Trust Board (WE)**
- Developing a strong innovative economy in Waitakere.
 - Growing and attracting businesses.
 - Developing a skilled and productive workforce.
- Waitakere Properties Limited (WPL)**
- Building communities, town centres and neighbourhoods.
 - Modelling innovative techniques in development, design, materials, devices, etc.
 - Minimising impacts on the natural environment.
 - Providing local jobs, using local contractors and products.
 - Maintaining safety of employees and citizens.
 - Company and project impacts on energy, waste, water and road use.
 - Financial return within agreed targets.

Council has undertaken a review of governance arrangements with respect to council controlled organisations and adopted a plan to strengthen WCHL governance. This included adoption of a Board Governance Charter, appointment of Councillors and independent directors, and update of the company constitution.

Auckland Film Studios Limited (previously two companies, Prime West Limited and Prime West Management Limited) manages Council's interests in the film studio properties located on Henderson Valley Road. Auckland Film Studios Limited owns and manages the land and buildings at Henderson Valley Studios and is a joint business venture between the Council and the private sector. Waitakere City Council holds 44.45% of the shareholding with the balance owned by private sector interests.

Council Organisations, Council Controlled Organisations (CCO) and Council Controlled Trading Organisations (CCTO)

The Council can set up organisations to undertake particular activities on their behalf or to acquire voting interests in an organisation outside the Council. The Council can also appoint a director or trustee to an outside organisation. These may include companies, partnerships, trusts, an arrangement for sharing profits, unions of interest, cooperative, joint venture or similar arrangement. Different reporting rules may apply depending on the trading nature of the organisation and the level of council ownership. Refer appendix one for definitions of a CCO and CCTO.

The Council has established a holding company WCHL with the Group of entities to help it achieve its goals for Waitakere. These organisations were set up to independently manage Council activities, or deliver specific services and developments on behalf of Waitakere residents.

Bryan Mogridge, Chairman

Waitakere City Holdings Limited

Waitakere City Holdings Limited

Statement of Intent for the Three Years Commencing 1 July 2010

Nature and Objectives

Nature and Scope of Activities

Mission Statement

WCHL is a wholly owned Council Controlled Trading Organisation of Waitakere City Council, which was formed on 1 July 1999. WCHL has the following mission to support the Council's strategic direction:

“to provide leadership and proactively support Council by investigating investment opportunities which have the potential to enhance employment opportunities or to stimulate economic growth; promoting investment in Waitakere; active business portfolio management ; seeking out opportunities for diversification of the Council's income streams; and identifying present and future infrastructure needs.

It is acknowledged that Council seeks more than a simple commercial return, and that there are particular strategic objectives associated with Council's ownership of the Waitakere City Holdings and Group entities, with which they must maintain an alignment.

Shareholder Role

WCHL holds on behalf of the Council:

- A shareholding investment in Waitakere Properties Limited (WPL) of \$2,300,000, representing 100% of WPL's share capital.

It is noted that investment in Auckland Film Studios (44.45%) is held directly by the Council (interests in the now-amalgamated Prime West Management Limited entity were held by WPL).

Activities that are to be undertaken by WCHL are:

- Negotiation of the annual statement of intent between Council as shareholder and WCHL.
- Negotiation of the individual annual statements of intent for the CCOs and CCTOs within the Group
- Monitoring performance of the subsidiary companies that WCHL owns.
- Advice to Council regarding potential Council Controlled Trading Organisation establishment opportunities.

- Endorse and recommend the appointment of WPL directors to Council and monitoring of the directors of WPL.
- Endorse and recommend the appointment of WE Trust Board members and Chairperson to Council and monitor of WE in accordance with the Trust Deed and funding agreement.
- Endorse and recommend the appointment of directors of other entities within the group to Council and monitor performance of those directors.
- Demonstration of leadership in this time of transition, ensuring that the ongoing interests and staff for Waitakere Enterprise, Waitakere Properties Limited and Auckland Film Studios are well protected and advocated.

The undertaking of any activity not provided for under this Statement of Intent requires the prior approval of Council, and specifically:

- No subsidiary companies or other legal entities are to be formed by WCHL without the prior approval of Council.
- No shares are to be acquired by WCHL without the prior approval of Council.
- No shares held by WCHL are to be sold or otherwise disposed of without the prior approval of Council.
- No material departure from the adopted SOI or material variation from the budgeted financial return without prior Council approval.

Council has delegated responsibility to the Finance and Operational Performance Committee to consider matters relevant to the governance and performance (of the Boards) of Council Controlled Organisations. The delegated authorities are to:

1. Review and endorse the WCHL Board Governance Charter (includes key accountabilities) and Constitution or any significant variations to such.
2. Review and endorse the SOI for WCHL or any significant departures or material variations to such.
3. Identify core and specialist competencies and skills, and the appropriate mix of those skills, required within the governing body of each organisation.
4. Fixing remuneration for and dealing with, and concluding all contractual matters with the directors of WCHL, including term of office.
5. Adopting a policy for fixing remuneration for and dealing with all contractual matters with the directors of governing bodies other than WCHL, including term of office.
6. Overseeing the recruitment process and determining appointments for WCHL and ensuring that same process is observed by WCHL when appointing to CCOs, CCTOs, and COs.

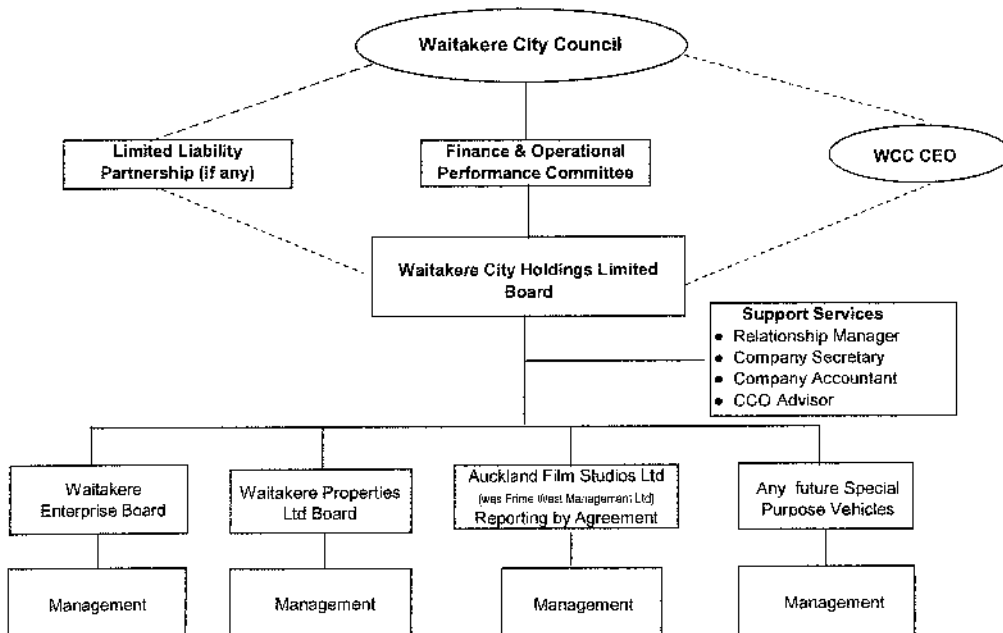
7. Setting key performance targets for directors of WCHL in accordance with the Board Governance Charter, Statement of Intent and performance agreement for that organisation.
8. Undertake periodic evaluation of the performance of WCHL against key performance targets.
9. Considering the quarterly performance reports for the Group of entities as presented by WCHL.
10. Review and advise Council on relevant matters requiring Council resolution.

Waitakere Enterprise Trust Board

WCHL oversees on behalf of Council the operations of the Board of Trustees of the Waitakere Enterprise Trust Board (WE) in accordance with the Trust Deed and annual funding agreement. Activities that are undertaken by WCHL on Council's behalf are:

- Significant issues are reported on a no surprises basis as urgently as practicable to WCHL.
- Review of formal quarterly performance reports from WE.
- Quarterly, Half Year and Full Year Reports on the performance of WE to Council, including commentary on opportunities for the development of services and functions and interaction with other Council initiatives.
- Advise Council on issues of WE strategic direction, ownership options and integration with other Council activities.
- Quarterly reporting to each meeting of the WCHL Board on an issues basis.

Waitakere City Holdings Limited Group Structure



Objectives of the Company

As required by Section 59 of the Local Government Act 2002, the principal objective of a council-controlled organisation (WCHL) is to:

- a) achieve the objectives of its shareholders, both commercial and non-commercial, as specified in the statement of intent; and
- b) be a good employer; and
- c) 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; *assist Council to giving effect to the Local Government Act 2002*; and
- d) if the council controlled organisation is a council controlled trading organisation, conduct its affairs in accordance with sound business practice.

The achievement of this also aligns with the intent of the Local Government Act and particularly for local authorities to play a broad role in promoting the social, economic, environmental, and cultural well-being of their communities, taking the sustainable development approach (Section 3). In taking a sustainable development approach, a local authority should take into account the social, economic and cultural well-being of the communities; the need to maintain and enhance the quality of the environment; and the reasonably foreseeable needs of future generations (Section 14).

Specific objectives of WCHL are:

- To ensure that CCOs and CCTOs operates economically and efficiently, and in accordance with an agreed SOI;
- To optimise the returns (both financial and non financial) and value received from the Group entities;
- To interact with the Council at political and management levels to provide expert advice, and to act as a sounding board, in relation to the broad range of commercial and economic activities in which the Council is engaged, or might consider becoming engaged;
- To reviewing periodic financial reporting by the Group entities and reporting to the Council;
- To undertake capital structure, capital adequacy and value for money reviews of the Group entities;
- To review SOI of CCOs and CCTOs ;
- To ensure that the performance measures within the Group entities are aligned with the strategic direction of the Council and that these are weighted towards the key strategies;

- To monitor the performance of each CCO and CCTO against their stated economic, environmental and social performance objectives established in their respective SOIs and against relevant benchmarks, ensuring alignment with Council's strategic objectives, and ensuring that each has proper governance policy and procedures in place;
- To recommend, through a robust and transparent process, Director and Chairman appointments to the Group entities ;
- To monitor business developments;
- Where appropriate, to assist the Group entities on relationship issues with the community;
- To keep the Council and the Chief Executive Officer informed on strategic issues facing the sectors within which the Group entities operate and understanding and directing the Group entities to meet key goals set by the Council;
- Where appropriate, to hold strategic discussions with the Group entities;
- To provide opportunities for the Group entities to network and discuss developments in governance practice;
- To report progress on achievement of the holding company's SOI and other goals agreed with the Council;
- Determine and report to FOP / Council each year the dividend distribution;
- To establish a framework of risk governance (including operational risks of any nature) that supports proactive management of key risks within the agreed risk appetite and tolerance;
- To ensure the operational policies and procedures reflect best practice and ensure it is adhered to;
- To encourage intra-group cooperation;
- To act as a responsible corporate citizen, including being a good employer;
- To take other initiatives at the request of the Council; and
- Ongoing review of existing and future functions of CCO's, CCTO's and Council activities and functions to ensure that there is no duplication of roles throughout. Identify where activities and functions are best delivered.

Nature and Objectives of CCOs and CCTOs

WPL is a Council Controlled Trading Organisation, WE is a Council Controlled Organisation and AFSL is a Council Organisation.

WPL and WE are subject to the provisions of the Local Government Act 2002, and must prepare and provide to their shareholders separate statements of intent. The SOIs outline the nature and objectives of these organisations, as well as their performance measures.

Procedure for the Acquisition of an Interest in Another Organisation

No transactions relating to increase or purchase of shares in subsidiary companies, joint ventures or existing companies are to be entered into, except pursuant to an express resolution of Council authorising such a transaction.

Management of Divestment Proposals

In addition to the references made within this document, each such director consenting to act has been provided with a letter of direction from Council that no sale, or other disposal, or pledge as security of all or any of the shareholding in Waitakere Properties Limited is to be entered into by WCHL, except pursuant to an express resolution of Council authorising such transaction.

Governance

In accordance with section 57 of Local Government Act 2002 local authorities are required to have in place a policy on the appointment of directors that sets out an objective and transparent process for:

- the identification and consideration of the skills, knowledge, and experience required of directors of a council organisation; and
- the appointment of directors to a council organisation; and
- the remuneration of directors of the council organisation.

Local authorities may appoint a person to be a director of a council organisation only if the person has, in the opinion of the local authority, the skills, knowledge, or experience to:

- guide the organisation, given the nature and scope of its activities; and
- contribute to the achievement of the objectives of the organisation.

Role of the Board

The WCHL Board aims to ensure that the business of the company is carried out in the best interests of the shareholders and with proper regard to corporate responsibility.

The primary role of the WCHL Board is to direct and supervise the management of the business affairs of the company including:

- Establishing goals and strategies consistent with Council strategies.
- Monitoring financial and non-financial performance of the Group entities.
- Monitoring performance of the Boards of CCTOs and CCOs.
- Ensuring that financial statements are true and fair and conform to law.
- Ensuring the Company and Boards within the Group entities adhere to high standards of ethics and corporate behaviour.
- Ensuring the Company has appropriate risk management/regulatory compliance policies and procedures in place.

- Familiarising itself with issues of concern to the shareholders and keep the shareholders informed on a timely basis through quarterly reporting and using the principle of no surprises.
- Evaluate economic, political, social and legal issues that may impact on the business of WCHL and the Group entities.
- In conjunction with Council the Chairperson will evaluate the performance of the WCHL Board, and Board's within the Group entities on a bi annual basis (it is noted that the WCHL Board was evaluated in 2009 and that, given the pending transition to one Auckland Council on 1 November 2010, formal board evaluations for WE, WPL or AFSL are not required at this point in time).

The Chairperson's role is to manage the board effectively, to provide leadership to the Board, to interface with the Council to monitor performance with respect to the Company's goals and objectives.

Risk Management

Each year, or more often when deemed necessary, the Board will ensure there is a formal evaluation of the Company's exposure to risk and satisfy itself that appropriate strategies are in place to manage or eliminate risk.

Alignment to Council's Strategies

Waitakere City Holdings Limited is required by Council to ensure that the objectives of its Group entities are aligned to the appropriate strategies of the Council. It will work with its Group entities to ensure that objectives are in alignment with the Council's strategies, that appropriate assessment frameworks are in place and to develop formal working relationships with Council and Council officers consistent with achieving those objectives.

Management and Staff Resources

WCHL will provide oversight of the Group of entities; it will not have an executive structure or employees. Support for WCHL will be provided by specialist staff seconded from Council for the purposes of company accounting and company secretary. Additional support will be provided for the three year term of the SOI from the Corporate and Business Services directorate.

In the normal course of events, day to day management of WE and WPL will be in the hands of Management within each entity.

Waitakere City Holdings Limited

Statement of Intent for the Three Years Commencing 1 July 2010

Performance Measures and Targets

STRATEGIC OBJECTIVE	PERFORMANCE MEASURE	PERFORMANCE TARGET
GOVERNANCE OF COUNCIL-OWNED ENTITIES WITH ACCOUNTABILITY TO THE COMMUNITY	Ensure that the financial targets and strategic direction of WCHL are in line with the requirements of Waitakere City Council.	WCHL company affairs are in order for clean and transparent disestablishment process from 1 November 2010.
	Ensure that Waitakere City Council is kept informed of all significant matters relating to its group entities.	<p>Quarterly reports to the Finance and Operational Performance Committee of Council. The quarterly report shall provide information that complies with the reporting requirements outlined in the SOI.</p> <p>Half-Yearly reporting to the new Auckland Council on the basis of the four months from July 2010 to October 2010.</p> <p>Major matters of urgency are reported to the Chair of the Finance and Operational Performance Committee of Council and Council's Chief Executive jointly on a "no surprises" basis with formal reporting undertaken as soon practical on the Board concluding its investigations and being in a position to report.</p>
	WCHL to establish a risk and governance framework to manage risks of any nature.	Risk and governance framework established to inform final transition to one Auckland Council and associated new CCOs.
ENSURE GROUP ENTITIES DELIVER ON COUNCIL'S STRATEGIC GOALS	Ensure that the Group entities have in place appropriate business plans.	Completion in conjunction with Council of a strategic directions document for the Group by 31 October 2010, to inform the final process of transition.
<i>Priorities of the new Auckland Council to be determined post-November 2010.</i>	Ensure that Group entity reporting is relevant and timely.	<p>CCO and CCTO SOIs to incorporate specific reporting requirements, including quarterly reporting of performance.</p> <p>The quarterly report shall provide</p>

STRATEGIC OBJECTIVE	PERFORMANCE MEASURE	PERFORMANCE TARGET
		<p>information that complies with the reporting requirements outlined in the SOI.</p> <p>CO reporting is in accordance agreed reporting requirements.</p>
	<p>Ensure that there are adequate processes for the identification, assessment and management of the risk exposures of CCO and CCTOs.</p>	<p>CCO and CCTO SOIs to incorporate specific statements regarding the processes for the management of risk exposures.</p> <p>Ensure CCOs and CCTOs have risk management policies in place that are aligned to the SOI.</p> <p>Ensure that CCOs and CCTOs are complying with the risk management policies.</p>
<p>SUPPORTING GROUP ENTITIES CONTRIBUTION TO A STRONG INNOVATIVE ECONOMY</p>	<p>Oversee the operations of the Group entities.</p>	<p>WHCL to audit work programmes and initiatives against identified criteria for contribution towards strong innovative economy.</p> <p>WCHL to undertake capital structure and capital adequacy reviews of the Group entities at intervals as agreed with FOP.</p>
<p>OPERATIONAL</p>	<p>To provide leadership and direction on strategic projects</p>	<p>Advocacy plan in place to assure future commitment, funding and delivery of key projects and initiatives by the new Auckland Council:</p> <ul style="list-style-type: none"> • Property Development function maintained for WPL. • Hobsonville Marine Precinct / Yard 37 Project (WPL). • Wilsher Village Redevelopment Project / Old New Lynn Hotel Site Redevelopment Projects (WPL). • Local service delivery maintained for WE. • Ongoing growth for film industry operations in Henderson (AFSL). <p>Robust business plans in place to support priority work programmes, initiatives and projects for the</p>

STRATEGIC OBJECTIVE PERFORMANCE MEASURE PERFORMANCE TARGET

	<p>Group entities, in advance of transition to Auckland Council on 1 November 2010:</p> <p>Ensure policies and procedures around strategic projects (including strategic property transactions) are reviewed and enhanced.</p> <p>Ensure WCHL policies and procedures align with the Council's strategic direction.</p> <p>Ensure operational plans for strategic projects are aligned to WCHL policies and procedures.</p> <p>To deliver on the Council's expectations within agreed terms of reference.</p>
<p>Operational policies and procedures reflect best practice.</p>	<p>Ensure operational policies and procedures for the group of entities are in place and reflect good practice.</p> <p>Ensure operational policies and procedures for the group of entities are adhered to.</p>
<p>Budget targets are achieved for WPL and WE</p>	<p>WPL operations – breakeven WE – breakeven</p>
<p>Funding sources for WCHL are investigated and agreed upon</p>	<p>Fund sources agreed upon.</p>

Waitakere City Holdings Limited

Statement of Intent for the Three Years Commencing 1 July 2010

Other Statutory Information

Ratio of Consolidated Shareholder's Funds to Total Assets

Shareholder's 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 Shareholder's Funds to Total Assets shall not be less than **50%** for the period covered by this Statement of Intent. There is no current intention to increase the level of consolidated debt for the 2010/2011 financial year without prior Council approval. The Directors will review the appropriateness of this target ratio annually.

Statement of Accounting Policies

1. Reporting entity

Waitakere City Holdings Limited (WCHL) is a Council Controlled Trading Organisation as defined by the Local Government Act 2002. WCHL is a reporting entity for the purposes of the Financial Reporting Act 1993. Financial statements for WCHL and consolidated financial statements are presented. The consolidated financial statements include WCHL, its subsidiaries and interests in associates. Details of the subsidiaries and associates are as follows: Waitakere Properties Ltd (WPL) (100% owned); Prime West Management Ltd (40% owned by Waitakere Properties Ltd). All subsidiaries and associates are incorporated in New Zealand. WCHL and WPL (the Group) are designated as public benefit entities for the purposes of New Zealand equivalents to International Reporting Standards (NZ IFRS).

2. Basis of preparation

Statement of compliance

The financial statements are prepared in accordance with Generally Accepted Accounting practice in New Zealand (NZ, GAPP), applying the Framework for Differential Reporting for entities adopting the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and its interpretations as appropriate to profit-orientated entities that qualify for and apply differential reporting concessions.

Measurement base

The financial statements are prepared on a historical cost basis, modified, where necessary, by the revaluation of financial instruments. The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$'000).

3. Significant accounting policies

Differential reporting concessions

The size of the organisation qualifies the Company under the New Zealand Institute of Chartered Accountants reporting framework. The criteria for qualification is any two of the following: total revenue not exceeding \$20.0 million; total assets not exceeding \$10 million; exceeding more than 50 full time employees. The Company presently meets all the criteria and qualifies for Differential Reporting exemptions as it has no public accountability as defined in the Financial Reporting Act 1993. All concessions have been taken advantage of except for: NZ IAS 7 Cash Flow Statements; NZ IAS 12 Income Taxes.

4. Significant accounting policies

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiary as at 30 June each year. Interests in associates are equity accounted and are not part of the consolidated Group. Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all inter-company balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full. Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group. Investments in subsidiaries held by the Group are accounted for at cost in the separate financial statements of the parent entity.

(b) Business combinations

The purchase method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the combination.

(c) Revenue recognition

Revenue is measured at the fair value of the amounts received or receivable net of rebates, and discounts. Revenue is recognised for the following significant revenue categories: revenue from the sale of goods is recognised in the income statement when ownership has been transferred to the buyer; dividends are recognised when the right to receive payment is established; interest income is recognised on a time-proportion basis using the effective interest method; rental income is recognised in the period that it relates.

(d) Leases

Finance leases

A finance lease is a lease that transfers to the lessees substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred. At the commencement of the lease term, the Group recognises finance leases as assets and liabilities in the Balance Sheet at the lower of the fair value of the leased item or the present

value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in the Income Statement. The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether the Group will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

(e) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposit held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the Balance Sheet.

(f) Trade and other receivables

Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the assets carrying amount and the present value of estimated future cash flows, discounted using the effective interest method.

(g) Financial assets

The Group classifies its financial assets into the following four categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and financial assets at fair value through equity. The classification depends upon the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates the designation at every reporting date. The four categories of financial assets are:

Financial assets at fair value through profit or loss

Assets designated at fair value through profit or loss are classified as financial assets if acquired principally for the purpose of selling in the short term or if so designated by the Group. Derivatives are also categorised as held for trading unless they are designated as hedges. Fair value through profit or loss financial assets are subsequently carried at fair value.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are carried at amortised cost using the effective interest rate method.

Held to maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold to maturity. Held to maturity investments are carried at amortised cost using the effective interest rate method.

Measurement of investments

Investments are initially recognised at fair value plus transaction costs unless they are carried at fair value through profit and loss, in which case the transaction costs are recognised in the Income Statement.

Measurement of short term deposits

Short term deposits and investment securities are valued at amortised cost, which is adjusted for any premium or discount paid or received upon the acquisition of securities. Discounts and premiums resulting from the acquisition of securities are amortised over the term of the security on a purchase yield basis.

Financial assets at fair value through equity

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. Available for sale financial assets are subsequently carried at fair value.

Measurement of shares

Shares in companies other than associates and subsidiaries are classified in this category and are recorded at fair value. An increase in the fair value of a shareholding is recognised directly in equity unless it offsets a previous decrease recognised in the Income Statement, in which case it is recognised in the Income Statement. A decrease in fair value is recognised in the Income Statement where it exceeds the increase previously recognised in equity.

(h) Investments in associates

The Group's investment in its associates is accounted for using the equity method of accounting in the consolidated financial statements and at cost in the parent. Associates are entities in which the Group has significant influence, but no control, over the operating and financial policies. The Group's share of the net surplus of associates is recognised as a component of operating revenue in the Income Statement, after adjusting for the amortisation of goodwill, if any, arising on acquisition and differences between the accounting policies of the Group and associates. The Group's share of other gains and losses of associates is recognised as a component of total recognised revenues and expenses in the statement of changes in equity. Dividends received from associates are credited to the carrying amount of the investment in associates. The unamortised balance of goodwill arising on acquisition is included in the carrying amount of the associate. If the Company's share of an associate equals or exceeds its interest in the associate, the Company discontinues recognising its share of further deficits. After the Company's interest is reduced to zero, additional deficits are provided for, and a liability is recognised, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate reports surpluses, the company will resume recognising its share of those surpluses only after its share of the surpluses equals the share of deficits not recognised.

(i) Property, plant and equipment

All classes of property, plant and equipment is shown at deemed cost or cost, less accumulated depreciation and impairment losses.

Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Group and the cost of the item can be measured reliably. In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the Income Statement. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to retained earnings.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Group and the cost of the item can be measured reliably.

Depreciation

Depreciation is provided on a straight-line basis for all property, plant and equipment at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. Depreciation is not provided on assets under construction until they are complete and available for use. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

- Motor vehicles 4 to 5 years
- Office furniture and equipment 2 to 10 years

The residual value and the useful life of assets are reviewed, and adjusted if applicable, at each financial year end.

(j) Intangible assets

Intangible assets comprise of computer software and software licenses. Acquired computer software and software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of two to three years. Cost associated with maintaining computer software are recognised as an expense when incurred.

(k) Impairment of non financial assets

Property, plant and equipment and intangible assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the

higher of an asset's fair value less costs to sell and value in use. Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the Group would, if deprived of the asset, replace its remaining future economic benefits or service potential. If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount and is recognised in the Income Statement.

(l) Trade and other payables

Trade and other payables are carried at amortised cost, but due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(m) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

(n) Employee entitlements

Employee benefits that the Group expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned up to, but not yet taken at balance date, retiring and long service leave entitlements expected to be settled within 12 months, and sick leave. The Group recognises a liability for sick leave to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that the Group anticipates it will be used by staff to cover those future absences.

(o) Critical accounting estimates and assumptions

In preparing the financial statements the Group has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The Group does not have any significant estimates and assumptions that would have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(p) Equity

Equity is the community's interest in the Group and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components:

- Share capital
- Retained earnings

(q) Goods and Services Tax (GST)

All items in the financial statements are exclusive of GST, with the exception of receivables and payables, which are stated as GST inclusive. Where GST is not recoverable as an input tax then it is recognised as part of the related asset or expense.

(r) Income tax

Income tax expense in relation to the surplus or deficit for the period comprises current tax and deferred tax. Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using rates that have been enacted or substantially enacted by balance date. Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised. Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit. Deferred tax is recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group can control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, using tax rates that have been enacted or substantially enacted by balance date. Current tax and deferred tax is charged or credited to the Income Statement, except when it relates to items charged or credited directly to equity, in which case the tax is dealt within equity.

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 dividend does not limit WCHL's ability to fund future capital expenditure requirements to both maintain and expand current operations and address issues relating to the company's debt structure;

and with the provisos that:

- the Directors are satisfied that the requirements of S4 of the Companies Act (the "solvency test") have been satisfied,

- the amount of the dividend does not exceed the amount of the profit after tax in the year to which the dividend relates, and
- the targeted ratio of Consolidated Shareholders' Funds to Total Assets is not breached.

It is envisaged that final distributions will be made in order to extract Council investment in advance of programmed disestablishment of Waitakere City Holdings Limited in 2010.

Information to be Provided to the Shareholder

WCHL will provide information which meets the requirements of the Companies Act 1993, the Local Government Act 2002, and the reporting requirements prescribed from time to time by the Institute of Chartered Accountants of New Zealand in order to enable the shareholders to make an informed assessment of the company's performance. The following information will be made available:

- 1) An annual Statement of Intent in accordance with S64 of the Local Government Act 2002 and any other information that the Directors deem appropriate.
- 2) Quarterly reporting to Council, including the half yearly report in accordance with S.66 and S.68 of the Local Government Act 2002 and the reporting requirements prescribed from time to time by the Companies Act 1993, the Institute of Chartered Accountants of New Zealand, and any other information that the Directors deem appropriate.
- 3) An annual report in accordance with S.67, S. 68 and S69 of the Local Government Act 2002 and the reporting requirements prescribed from time to time by the Institute of Chartered Accountants of New Zealand, and any other information that the Directors deem appropriate.
- 4) Any other information required by Council, upon receipt of a written request from Council through its Chief Executive.

Estimate of the Commercial Value of WCHL, WPL and WE

The value of WCHL, WPL and WE has been defined as the estimated value of Shareholders Funds as at 30 June 2010 comprising:

WCHL: \$3,815,000 (including WCHL's investment in WPL of \$2,300,000)

WE: \$() to be included in the final SOI once approved by the WE Board

The value ascribed to Shareholder's 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 Statement of Intent.

Audited results to 30 June 2009

	Revenue	Expenditure	Surplus/(deficit)	Net assets
WCHL	\$89,000	\$92,000	(\$3,000)	\$3,892,000 ¹
WPL operations 2	\$1,791,000	\$1,791,000	\$0	\$2,488,000

WE	\$2,936,000	\$2,960,000	(\$24,000)	\$465,000
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¹ This includes WCHL's investment in WPL of \$2,300,000

²WPL develops and manages properties under a formal trust deed arrangement. As at 30 June 2009 the Company administered properties to the value of \$26.3m and this balance is recognised in the financial statements of Waitakere City Council.

Draft Budgets for the year ending 30 June 2011 (Section to be updated once final information available).

	Revenue	Expenditure	Surplus/(deficit)
WCHL	To be updated \$42,000	To be updated \$124,100	To be updated (\$82,100)
WPL operations (excl. non-Trust project funding)	To be updated \$1,048,024	To be updated \$704,106	To be updated \$810,977
WE (WCC funding for expenditure)	To be updated 0	To be updated \$1,154,894	To be updated

Budget approved by the respective Boards.

Transactions between Related Parties and Compensation from Council

Transactions between Council, WCHL, and the group entities will be conducted in accordance with prevailing contracts and service agreements. Compensation for any services provided by WCHL to Council will be conducted in accordance with prevailing contracts and service agreements. While generally on a commercial basis, some advice will be provided without specific charge in accordance with the nature of the relationship.

Waitakere City Holdings Limited

Statement of Intent for the Three Years Commencing 1 July 2010

Directory

Registered Office

6 Henderson Valley Road
Henderson, WAITAKERE CITY

Bankers

Bank of New Zealand
Henderson, WAITAKERE CITY

Solicitors

Kensington Swan
AUCKLAND CITY

Auditors

Audit New Zealand on behalf of the
Controller and Auditor-General

Directors

Bryan Mogridge (Chairman)
Councillor Ross Clow
Councillor Linda Cooper

Postal Address

C/- Waitakere City Council
Private Bag 93-109
Henderson, WAITAKERE CITY

Telephone (09) 836-8000**Facsimile** (09) 836-8001**Company Secretary****Email** janet.mcdonaldt@waitakere.govt.nz**Website** <http://www.waitakere.govt.nz/OurPar/cityholdings.asp>

Appendix One

Definitions

Meaning of council-controlled organisation and council organisation

Section 6 of the Local Government Act 2002 (Act) provides definitions for: council-controlled organisations (CCO); council-controlled trading organisations (CCTO); and council organisations (CO). Within the group structure both WCHL and WPL are CCTOs, while WE is a CCO. Prime West is a CO. For the purposes of the Act, a CCTO also falls within the definition of a CCO.

Section 6 of the Local Government Act 2002

(1) In this Act, unless the context otherwise requires,—

council-controlled organisation means a council organisation that is—

- (a) a company—
 - (i) in which equity securities carrying 50% or more of the voting rights at a meeting of the shareholders of the company are—
 - (A) held by 1 or more local authorities; or
 - (B) controlled, directly or indirectly, by 1 or more local authorities; or
 - (ii) in which 1 or more local authorities have the right, directly or indirectly, to appoint 50% or more of the directors of the company; or
- (b) an entity in respect of which 1 or more local authorities have, whether or not jointly with other local authorities or persons,—
 - (i) control, directly or indirectly, of 50% or more of the votes at any meeting of the members or controlling body of the entity; or
 - (ii) the right, directly or indirectly, to appoint 50% or more of the trustees, directors, or managers (however described) of the entity

council-controlled trading organisation means a council-controlled organisation that operates a trading undertaking for the purpose of making a profit

council organisation means—

- (a) a company—
 - (i) in which equity securities carrying voting rights at a meeting of the shareholders of the company are—
 - (A) held by 1 or more local authorities; or
 - (B) controlled, directly or indirectly, by 1 or more local authorities; or
 - (ii) in which 1 or more local authorities have the right, directly or indirectly, to appoint 1 or more of the directors (however described) of the company; or
- (b) an entity in respect of which 1 or more local authorities have, whether or not jointly with other local authorities or persons,—
 - (i) control, directly or indirectly, of 1 or more of the votes at any meeting of the members or controlling body of the entity; or
 - (ii) the right, directly or indirectly, to appoint 1 or more of the trustees, directors, or managers (however described) of the entity.

(2) For the purposes of subsection (1), **entity** means any partnership, trust, arrangement for the sharing of profits, union of interest, co-operation, joint venture, or other similar arrangement; but does not include a company, or a committee or joint committee of a local authority.

(3) If a council organisation is not a company, references in this Act, in relation to the council organisation, to—

- (a) equity securities include any form of voting rights in that organisation; and

- (b) the directors and the board include trustees, managers, or office holders (however described in that organisation); and
- (c) shareholders include any partners, joint venture partners, members, or other persons holding equity securities in relation to that organisation; and
- (d) the constitution include any rules or other documents constituting that organisation or governing its activities; and
- (e) subsidiaries include any entity that would be a council-controlled organisation if the references to "local authority" or "local authorities" in subsection (1) read "council-controlled organisation" or "council-controlled organisations".

(4) The following entities are not council-controlled organisations:

- (a) an electricity company or electricity trust within the meaning of the Electricity Industry Reform Act 1998; or
- (b) an energy company within the meaning of the Energy Companies Act 1992; or
- (c) a port company or subsidiary of a port company within the meaning of the Port Companies Act 1988; or
- (ca) a company in which a port company (within the meaning of the Port Companies Act 1988) holds or controls 50% of the shares; or
- (d) [Repealed]
- (e) New Zealand Local Government Association Incorporated; or
- (f) New Zealand Local Government Insurance Corporation Limited and its subsidiaries; or
- (g) Watercare Services Limited and any subsidiary of Watercare Services Limited; or
- (h) a company or other organisation (as defined in subsection (2)) of which the New Zealand Local Government Association Incorporated has control directly or indirectly by whatever means; or
- (i) an organisation exempted under section 7.

(5) In this section, terms not defined in this Act, but defined in the Companies Act 1993, have the same meaning as in that Act.

Group of entities

For the purposes of this document the Group of entities currently consist of WPL, WE, and Prime West Management. In the future Council may establish new entities which fall within the Group of entities. The extent of reporting and compliance requirements by entities within the Group is dependant on the nature of the relationship, and will be agreed upon by WCHL and Council.

Statement of intent

Section 64 of the Act requires CCOs and CCTOs to prepare an annual statement of intent (SOI). Currently only WCHL, WPL and WE are required to prepare an SOI. In the future Council may establish new entities which fall within the definition of a CCO.

Limited liability partnerships

The Limited Partnership Act 2008 enables investors to set up limited liability partnerships (LLP). These partnerships give investors the benefit of a separate legal personality and limited liability protection, while preserving the tax and confidentiality advantages associated with partnerships. An LLP is managed by a general partner in whom the Council may or may not have an ownership stake. In the future, if the Council were to invest in an LLP, and wished to hold a stake in the general partner, the holding company (WCHL) would be the obvious vehicle of ownership of any interest in the general partner.

**TIMING FOR THE DISESTABLISHMENT OF
WAITAKERE CITY HOLDINGS LIMITED
(Implications of June versus November 2010)**

In the Auckland Transition Agency (ATA) Discussion Document on Council Controlled Organisations (CCOs), Waitakere City Holdings Limited (WCHL) has been identified as an entity for disestablishment on 1 November 2010, as it undertakes functions that will be undertaken by the new Auckland Council. The implications of possibly disestablishing this entity early, on 30 June 2010, are outlined below.

- Any decision to disestablish WCHL early would need to be approved by the ATA and brought to the particular attention of their CCO and Taxation Workstreams.

Disestablishment 30 June 2010	Disestablishment 1 November 2010
<p>Governance:</p> <ul style="list-style-type: none"> • Council decision to disestablish early will need to be confirmed by the ATA. • All formal reporting and direction for CCOs reverts as a direct function of Council officers and Finance and Operational Performance Committee. • Ongoing representation and advocacy by existing WCHL Board members is retained through alternative avenues. 	<ul style="list-style-type: none"> • No additional decision-making confirmation required of the ATA. • Formal reporting and direction for CCOs (including Letters of Direction for Waitakere Properties Limited) remains with WCHL until disestablishment is finalised. • Formal representation for CCOs continues via existing WCHL Board Membership and Board meetings.
<p>Reporting:</p> <ul style="list-style-type: none"> • No final SOI required for 2010/2011. • Standard 12 month annual report prepared for WCHL (July 2009 – June 2010) and disestablishment audit. 	<ul style="list-style-type: none"> • Final SOI required for 2010/2011. • 16-month annual report required for WCHL (July 2009 – October 2010). <p>or</p> <ul style="list-style-type: none"> • Standard 12 month annual report <u>plus</u> a report for the period July – October 2010 (deliver to “receiving entity”, by 31 December 2010).
<p>Finance:</p> <ul style="list-style-type: none"> • No need to develop 2010/2011 budget. • Savings in payment of Directors fees, insurances, bank fees and tax. • Early consideration on the priority use of capital assets extracted from WCHL (subject to ATA approval). • Taxation issues are resolved in advance of amalgamation (associated costs for external specialist advice). 	<ul style="list-style-type: none"> • Need to develop 2010/2011 budget. • Need to fund at least 4-months of Directors fees, insurances, bank fees and tax. • Auckland Council determines the mechanism, priority and use of capital assets extracted from WCHL. • Taxation issues to be addressed directly by the ATA Workstreams / new Auckland Council.
<p>Human Resources:</p> <ul style="list-style-type: none"> • WCHL does not employ staff direct. • Board Members provide advocacy and leadership via alternative roles. • Supporting resources for administration and financial advice will be focussed on disestablishment process and transition issues for Waitakere Enterprise, Waitakere Properties Limited and Auckland Film Studios Ltd. 	<ul style="list-style-type: none"> • Board Membership continues. • Existing resources continue to support the administration and reporting requirements of WCHL and reporting entities.

WAITAKERE PROPERTIES LIMITED

STATEMENT OF INTENT For The Three Years Commencing 1 JULY 2010

"To undertake and facilitate property development and property management in Waitakere creating economic value whilst facilitating strategic City objectives"

Prepared in accordance with requirements of the Local Government Act 2002.

1. Interpretation

In this Statement of Intent unless the context otherwise requires:

- 1.1 **Companies Act:** "Companies Act" means the Companies Act 1993;
- 1.2 **Local Government Act:** "Local Government Act" means the Local Government Act 2002;
- 1.3 **Constitution:** "Constitution" means the constitution of the company in accordance with Part V of the Companies Act 1993;
- 1.4 **Company:** "Company" means Waitakere Properties Limited;
- 1.5 **Council:** "Council" means the Waitakere City Council;
- 1.6 **Statement of Intent:** "Statement of Intent" means such statement as provided for in accordance with the requirements set out in section 64 of the Local Government Act 2002;
- 1.7 **Directors:** "Directors" means those people appointed in accordance with the Constitution of the Company;
- 1.8 **Shareholder:** "Shareholder" means the holder of the share capital issued by the Company;
- 1.9 **Trust Projects:** "Trust Projects" means property development activity undertaken under Declaration of Trust on behalf of the Waitakere City Council as beneficiary;
- 1.10 **Distribution:** "Distribution" means distribution to the Waitakere City Council of net proceeds from Trust Projects;
- 1.11 **Development Projects:** "Development Projects" means property development activity undertaken by Waitakere Properties Limited on own account;
- 1.12 **Project Returns:** "Project Returns" means those financial returns established by the Directors which are applicable to Development projects and consistent with developing Company value in accordance with acceptable Economic Value Added principles;
- 1.13 **Strategic City Objectives:** "Strategic City Objectives" means those objectives determined by the Council that are consistent with the development of a sustainable city.

2. Introduction

- 2.1 The Company meets the definition of a Council Controlled Trading Organisation as defined by section 6 of the Local Government Act and accordingly is required to prepare and deliver to the shareholder a completed Statement of Intent on or before 30 June each year.

A60

- 2.2 The Local Government Act also provides the opportunity for the shareholder to comment on a draft of the Statement of Intent. The Board of Directors of the Company will consider these comments, prior to finalisation.
- 2.3 This statement has been prepared in accordance with these requirements.
- 2.4 The company manages Trust Projects for Waitakere City Council and conducts most of its property operations in these Trust Projects. Other developments are undertaken on a contract basis with Council. The company primarily provides management and development services rather than directly conducting property activities on its own account.

3. Nature and Scope of Activities

- 3.1 The Company is incorporated as a limited liability company by the Waitakere City Council under the Companies Act. Waitakere City Council is the sole shareholder through its investment in Waitakere City Holdings Limited.
- 3.2 The Company provides property development, property management, project management and construction management services for the Trust Projects.

In this role the Company intends: -

- Providing Waitakere City Council with expertise in the identification, management and realisation of added value opportunities (Trust Projects) available from surplus Council properties and elsewhere in the City, in a commercial manner consistent with Council strategic City objectives.
 - Providing property consultancy services to Council.
 - Providing professional property management of assets held as Trust Projects for strategic or development reasons.
 - Acquiring property or access to property to undertake or facilitate Trust Projects consistent with the Company's and Council's objectives.
 - Identifying strategic properties suitable for acquisition by Council with the potential to facilitate the furtherance of Council economic environmental and/or social objectives, and committing options or making other arrangements so as to enable Council to consider and determine to proceed with acquisition on a defined basis and while minimising any exposure to risk.
 - Ensuring the trust projects meet the objectives outlined in the declaration of trust.
- 3.3 Activities associated with providing development management services include:
 - Purchase and / or acquisition of land and /or buildings.
 - Management of all processes necessary to complete the development of the land and the sale of developed land or buildings to customers.

- Entry into any joint venture, partnership, trust or contractual relationship necessary to facilitate the attainment of the objectives.
 - Construction of buildings having regard to a prudent risk approach
- 3.4 The operations of the Company are conducted from offices at Central one, Waitakere Central, 4 Henderson Valley Road, Henderson, Waitakere City.
- 3.5 The affairs of the Company are co-ordinated by the Chief Executive, supported by financial accounting services contracted from Waitakere Enterprise with professional consultancy and technical services engaged as required for individual Trust Projects. A Board of Directors, formed in accordance with the Local Government and Companies Act, governs the operations of the Company.
- 3.6 Development of Trust Projects is undertaken in terms of a Declaration of Trust and in accordance any Letter of Direction which details the specific requirements of the beneficiary in relation to any individual project.

4. Business Objectives

- 4.1 As a Council-Controlled Trading Organisation, the principal objectives of the Company are stated in section 59 of the Local Government Act 2002, specifically:
- To achieve the objectives of its shareholders, both commercial and non-commercial, as specified in this Statement of Intent.
 - To be a good employer.
 - To exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which it operates. This includes corporate sustainability practices.
 - To conduct its affairs in accordance with sound business practice and ensure operational policies and procedures reflect best commercial practice.
- 4.2 The Directors intend the Company to operate as a successful business, recognising that the primary property activities are undertaken as Trust Projects. As a provider of services to the Trust Projects and WCC it believes it has obligations that apply to a company operating in this environment: -
- To maintain such systems and procedures as necessary for the prudent and successful operation of the Company;
 - To ensure that the Trust Projects achieve the strategic outcomes stated in the Trust Deed and to take account, where practicable and commercial, key sustainable objectives and sustainable building practices **(including urban design and other associated objectives)**;
 - To achieve rates of return on the Trust Projects similar to other comparable developments, or to identify the cost of activities not undertaken on a strictly commercial basis;

A62

Waitakere Properties Limited

- To exercise opportunities that add value to the Company/Council and/or further the Company's/Council's objectives;
 - To build the value of the Waitakere Properties Limited brand; and
 - To manage the risks associated with the Trust Projects prudently in accordance with 12 below.
- 4.3 The Company will aim to maximise the value of the Trust Projects and/or the Company and therefore the value of the investment, by: -
- Anticipating and meeting the customer's needs;
 - Ensuring developments are of consistently high quality;
 - Providing customers with value for money;
 - Undertaking or encouraging development in a manner consistent strategic City objectives; and
 - Pursuing opportunities that advance the strategic City objectives.
- 4.4 The above represent the general values and objectives of the Company. Specific objectives relating to each property or project may be consistent with any concept plan approved by resolution of the Council or any Letter of Direction specific to that property/project or set out within the Declaration of Trust applicable.

5. Governance

Council Policy

In accordance with section 57 of Local Government Act 2002 local authorities are required to have in place a policy on the appointment of directors that sets out an objective and transparent process for:

- the identification and consideration of the skills, knowledge, and experience required of directors of a council organisation; and
- the appointment of directors to a council organisation; and
- the remuneration of directors of the council organisation.

Local authorities may only appoint a person to be a director of a council organisation only if the person has, in the opinion of the local authority, the skills, knowledge, or experience to:

- guide the organisation, given the nature and scope of its activities; and
- contribute to the achievement of the objectives of the organisation.

A63

Role of the Board

The Board aims to ensure that the business of the company is carried out in the best interests of the shareholder and with proper regard to corporate responsibility.

The primary role of the Board of Directors is to:

- Allocate any capital and resources to enable the company to achieve its goals in a manner that best serves the interests of the shareholder.
- Effectively represent and promote the interests of the shareholder with a view to adding long-term value to the company.
- Direct and supervise the management of the business affairs of the company including:
 - i. Establishing goals and strategies
 - ii. Establishing policies for strengthening the performance of the company
 - iii. Monitoring financial and non-financial performance
 - iv. Monitoring performance of management
 - v. Appointing the Chief Executive and any other officers engaged by the Company
 - vi. Deciding whatever steps are necessary to protect the company's financial position
 - vii. Ensuring that financial statements are true and fair and conform to law
 - viii. Ensuring the company adheres to high standards of ethics and corporate behaviour
 - ix. Ensuring the company has appropriate risk management/regulatory compliance policies in place.
- Satisfy itself that the company is achieving the respective company goals and is adhering to the terms of any Declaration of Trust and related Letter of Direction.
- Familiarise itself with issues of concern to the shareholders and keep the shareholders informed of a timely basis through quarterly reporting and using the principle of no surprises.
- Evaluate economic, political, social and legal issues that may impact on the business of the group.
- Align the companies strategies to effectively implement and promote the long term strategic direction of Council
- In conjunction with Council the Chairperson will evaluate the performance of the Board on an annual basis.
- In conjunction with Council the Chairperson of Waitakere City Holdings Limited will evaluate the performance of the Waitakere Properties Board Chair on an annual basis.

The Chairperson's role is to manage the board effectively, to provide leadership to the Board, to interface with the Chief Executive and to monitor performance with respect to the achievement of Trust Projects and the attainment of the Company's goals and objectives.

A64

6. Business Performance Targets and Other Performance Measures

SOI GOAL	SOI MEASUREMENT BASIS
<p><u>Commercial Return – WPL</u></p> <p>To sustain the economic base of the Company to ensure it is able to carry out the required functions for its shareholder.</p>	<ul style="list-style-type: none"> ➤ Achieving budgeted revenue and costs. ➤ Ensuring Net Profit After Tax (NPAT) target for company operations is breakeven or better.
<p><u>Commercial Return – Declaration of Trust</u></p> <p>To ensure that each Trust Project is delivered in a manner which optimises the commercial benefit and return to Council consistent with the attainment of economic, environmental and social objectives.</p>	<p>Aiming for financial returns in the Trust projects at levels consistent with good market practice, or if below this, consistent with the assessment framework detailed in Point 15 below or the acknowledgement in the Declaration of Trust or Letter of Direction that returns will be below market.</p>
<p><u>Sustainability</u></p>	<p>Aiming for leadership for commercially viable sustainability (including economically sustainability) in all trust development projects.</p> <p>Reporting annually against the agreed sustainability goals, including the increased cost of sustainability items.</p>
<p><u>Governance under Declaration of Trust</u></p> <p>To adhere to the terms of the Declaration of Trust and any related Letter of Direction for each Trust Project undertaken.</p>	<p>Agreeing the objectives for each project with the Council concurrently with the Company accepting responsibility for control and development activities for such landholding under Declaration of Trust. Where these objectives have not been agreed the Company will work with Council to develop agreed objectives by 30 June 2011.</p> <p>Keeping Council informed of progress in the Trust Accounts through key development stages including the concept plan stage, development plans, any significant construction expenditure, consistent with the Declaration of Trust.</p> <p>Adhering to the terms and conditions of any Letter of Direction which may be given by Council from time to time in relation to any landholding, including in relation to commercial</p>

SOI GOAL	SOI MEASUREMENT BASIS
<p>To be a good employer.</p>	<p>None</p> <ul style="list-style-type: none"> • <i>Ensure that requirements of Section 36 of the Local Government Act 2002 are met (i.e. good and safe working conditions provided, personnel development programmes in place).</i>
<p>To exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which it operates.</p>	<p>None</p> <ul style="list-style-type: none"> • <i>Deliver projects and programmes that are based on appropriate levels of engagement with local communities.</i>
<p>To conduct its affairs in accordance with sound business practice</p>	<p>None</p> <ul style="list-style-type: none"> • <i>Procurement policy is in place and adhered to.</i> • <i>Approved business case prepared and provided for all development projects and initiatives.</i>
<p>To manage the risks associated with the Trust Projects prudently in accordance with 12 below (Risk Analysis and Management Policy).</p>	<p>To report against any risks identified in a letter of direction or declaration of trust for each trust project</p>
<p>Anticipating and meeting the customer's needs</p>	<p>None</p> <ul style="list-style-type: none"> • <i>Operate on a "no surprises" basis, ensuring that Waitakere City Holdings Limited and the Council is provided with early advice on matters of urgency and significance (i.e. issues that may become of high public or political interest).</i>

7. Dividend and Distribution Policy

The Company's policy regarding dividends and other distributions 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 dividend or other distribution does not limit the Company's ability to fund future requirements (to both maintain and expand current operations in line with the Company's objectives).

and with the proviso that:

- The Directors are satisfied that the requirements of Sect.4 of the Companies Act (the "solvency test") have been satisfied;
- The amount of any dividend does not exceed the amount of the profit after tax in the year to which the distribution relates; and
- Total liabilities do not exceed 50% of total assets.

8. Information to be Provided to Shareholders

Although the Local Government Act 2002 only requires the company to report half yearly and annually to its shareholder, Council requires the company to report on a quarterly basis through its Finance & Operational Performance Committee.

The Company will provide information which meets the requirements of the Companies Act 1993, the Local Government Act 2002, and the reporting requirements prescribed from time to time by the Institute of Chartered Accountants of New Zealand, in order to enable the shareholders to make an informed assessment of the company's performance.

The following information will be made available:

- (a) An annual Statement of Intent in accordance with the Local Government Act 2002.
- (b) Quarterly reporting to Council, including the half yearly report shall be in accordance with Sect.66 of the Local Government Act and shall include any other information that the Directors deem appropriate.
- (c) An annual report in accordance with Secs 67, 68 and 69 of the Local Government Act 2002 and the reporting requirements prescribed from time to time by the Institute of Chartered Accountants of New Zealand, and any other information that the Directors deem appropriate.
- (d) Any other information required by Council, upon receipt of a written request from Council through its Chief Executive. The Local Government Act 2002 does not require the disclosure of sensitive information that may be properly withheld if a request for that information were made under the Local Government Official Information and Meetings Act 1987.
- (e) Prior written proposals as a basis for discussion and negotiation for:-
 - Any expansion of the Company's activities into new areas of business.
 - Any activity or arrangement related to property, subject to a specific Declaration of Trust, where the activity was not expressly approved by the Declaration of Trust or any Letter of Direction relating to that property, or is not consistent with any approved Concept Plan.
 - Any activity or arrangement involving the commitment of significant capital or (where "significant" equates to 50% of the value of Shareholder's Equity).

9. Statement of Accounting Policies

Annual Budget

To include the Company's budget figures of revenue, expenses and net profit for the next financial year.

Reporting Entity

The Company is registered under the Companies Act 1993. The Company is a Council Controlled Trading Organisation as defined in Sec.6 of the Local Government Act 2002. The Financial Statements have been prepared in accordance with the Financial Reporting Act 1993, Companies Act 1993 and the Local Government Act 2002. The Company is fully owned by Waitakere City Holdings Limited, a 100% subsidiary of Waitakere City Council.

Measurement Basis

The financial statements have been prepared on the historical cost basis.

Goods and Services Tax (G.S.T)

The Financial Statements have been prepared on a basis exclusive of Goods and Services Tax except for Debtors and Creditors which are inclusive of G.S.T.

Going Concern

Reliance is placed on the Company being a going concern.

Changes in Accounting Policy

There are no changes in accounting policy.

10. Other Matters Required By The Local Government Act

Ratio of Shareholder's Funds to Total Assets

Shareholder's 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 Shareholder's Funds to Total Assets shall not be less than 50% for the period covered by this Statement of Intent.

Estimate of the Commercial Value of the Company

The value of Waitakere Properties Limited has been defined as the value of the issued share capital as at 30 June 2005.

Procedure for the Acquisition of an Interest in Another Organisation

In order for the Company to meet its objectives, it may be necessary to initiate transactions relating to shares in subsidiary companies, joint ventures or existing companies. Any decision to initiate such transactions will be subject to approval by the Directors of the Company and to the extent that such transactions result in either a change in the essential nature of the business of the Company or involves significant resources or capital in excess of \$1,000,000, the approval of the Shareholder.

11. Capital Structure

The Company will operate with a debt to total assets ratio that is less than 50%, except where additional debt: -

- Is secured by charge against the property assets vested in the Company under Declaration of Trust; and
- The charging of such property assets is specifically approved under the particular Declaration of Trust and/or any related Letter of Direction; and
- The debt so charged in any case does not exceed 50% of the market value of the land and improvements vested under the particular Declaration of Trust.

Within these restrictions the Company may arrange funding from the financial sector as required subject to the prudent management of market rate, currency and credit risk.

12. Risk Analysis and Management Policy

The framework for managing and reporting on risk will follow the current standard AS/NZS 4360: 1999. Each year the Board will ensure there is a formal evaluation of the Company's exposure to risk and satisfy itself that appropriate strategies are in place to manage or eliminate risk.

In assessing and managing risks it is recognised that the shareholder, as a public entity, is risk averse and consequently the Board will manage both the Company and Trust Projects prudently to minimise risk and the potential for losses, subject to the requirement to attain strategic outcomes and objectives as agreed from time to time with Council. The shareholder recognises that the intent to facilitate particular strategic development goals and outcomes of significance to the City may justify in some instances the assumption by the Company of greater risk and an inherent potential for losses with respect to a given project than might otherwise be desirable.

The levels of return offered by the property industry reflect the generally high degree of risk associated with: -

- Extended development cycles.
- Relatively high investments associated with low volume turnovers.

Waitakere Properties Limited

- Exposure to external factors such as the legislative and regulatory framework, business cycles (interest rates), immigration etc.
- Exposure to consumer preferences not associated with quantifiable benefits / costs in the residential and business sectors.

Management and mitigation / control of risk will be undertaken by:

- Detailed financial feasibilities, including sensitivity analyses
- Product selection based on comprehensive research and informed opinion
- Knowledge of business cycles
- Cash flow management
- Staging of construction and provision of infrastructure
- Debt management in accordance with stated ratios
- Product diversification (type, price and location) where possible and appropriate
- Risk sharing where appropriate (joint ventures)
- Pre-leasing or pre-commitments by prospective tenants, purchasers and third parties
- Employment of expert project management skills
- Establishment of monitoring procedures

The above are the most critical aspects of risk management. Additional business risks in the form of business continuity, statutory compliance, financial management and control, professional indemnity, contractual protection, fire etc will be managed in the normal manner.

13. Trust Projects Funding & Accounting Structure

Projects undertaken in terms of the Declaration of Trust are to be funded and managed by the following criteria:

- Separately accounting for each project.
- Council will have access to all Trust Account revenue and expenditure information, as part of its internal audit function for the Company
- The Company will work with Council to assist it in ensuring that GAAP reporting for the projects is able to be integrated into Council's accounts.
- Accounting and funding of Projects through bank accounts that are common with the Council subject to financial limits set by Council, with direct control of signatories authorised by the Company.

- Detailing shortcomings when projects do not achieve established criteria and the reasons for undertaking such projects to the Shareholder and Council as Trust beneficiary through the quarterly reporting process.
- Distributing proceeds to Council from Trust Projects when such projects provide sustainable positive cash flow.
- Where possible, provide Council with draft budget information for the Trust Accounts in time for Council to make an appropriate annual plan provision. Note that this ties in to Council's funding commitment outlined below.

A Staged Trust Account Funding Process:-

- When a new trust project commences the company will be provided sufficient funds (to be agreed with Council) to undertake concept planning, option analysis and base feasibility studies. This work will be reported back to Council through the Board with a recommended path of action
- Following approval of the concept and allocation of stage two funding, the Company will undertake detailed concept and feasibility work and consenting documentation and lodgement, and will report back to Council at the conclusion of this stage.
- Final funding approval will be given for the project whereby the Company will commence development, construction, and leasing/sale of the project.

14 Development Projects – Strategic Outcomes

Development Projects shall satisfy some or all of the following strategic criteria: -

- Assist urban consolidation
- Contribute to town centre revitalisation, intensification and development
- Provide support to public transport initiatives and viability
- Promote employment generation
- Facilitate town centre development
- Provide key infrastructure
- Offer opportunities to leverage private sector investment
- Respond to the environment in an appropriate manner consistent with Eco-City objectives.
- Promote best practice urban design and sustainable building where practicable and commercial.

15 Development Projects – Assessment Criteria

Development projects shall be selected in accordance with the established risk management policy and subject to the following further criteria: -

Financial Criteria

Any development project contemplated by the Company which does not satisfy the requirements of Project Returns may be referred to the Shareholder for consideration on the following grounds: -

- Achieves delivery on strategic City objectives
- Achieves delivery of significant public good
- Achieves delivery as a pilot project which offers leadership to the private sector or lowers risks and uncertainties to the private sector in delivering strategic outcomes.
- Achieves buildings which display sustainable design and features
- Achieves best practice building or urban design.

Geographic Criteria

All development projects funded from share capital shall be located in Waitakere City.

16 Facilitating Strategic City Objectives

The shareholder wishes to ensure that activities of the Company facilitate strategic City objectives.

New projects for consideration are to be undertaken within two frameworks: an **assessment framework** and a working **relationship framework**. The assessment framework is to be utilised in determining whether a project “makes sense” for the company and the City to pursue and the relationship framework outlines how these projects are managed.

These frameworks encompass strategic property acquisitions and development, the proactive identification of opportunities for the Company and Council, and may actively seek to provide examples of innovative or leading edge development within approved development outcomes.

The Assessment Framework includes:-

- Social, environmental and economic issues relevant to the project.
- Financial criteria relevant to development project performance.

- Governance requirements specific to Company delivery on these objectives, relating to the representation, skill set and particular performance parameters associated with the objectives.
- Sustainable building criteria
- Financial structure which provides for the establishment and growth of capital which would be utilised in respect of projects which fit the assessment criteria

The Relationship Framework includes:

The role of the Company as an implementation tool to give effect to strategic objectives requires the establishment of best practice in public private partnering which the Company has an advisory role in the policy and planning phases undertaken by Council thus maximising the ability to implement the following objectives:.

- Recognising the commercial business relationship that secures best value from both entities and enables close cooperation whilst recognising the particular roles and functions of each.
- Providing a formal reporting relationship with Council to ensure that Councillors have an opportunity to interact with the Company and provide political direction.
- Enabling the Company to act in concert with the provision by Enterprise Waitakere of a service as an economic development agency, facilitating and where appropriate undertaking development supportive of economic and strategic objectives common to Enterprise Waitakere and Council.

17 Activities involving Public Authorities

The Company may provide services, as described in the section entitled "Nature and Scope of Activities", to the Council as part of its normal business activities. These services will generally be contracted and charged for on a commercial basis but some advice may be provided without specific charge in accordance with the nature of the relationship.

Subject to the assessment criteria contained in this Statement of Intent the Company may also enter into any contractual or commercial arrangement with any other territorial or regional authority as part of its normal business activities, payment for which will be the responsibility of the territorial or local authority concerned.



**WAITAKERE ENTERPRISE TRUST BOARD
(Trading as Waitakere Enterprise)**

STATEMENT OF INTENT

**For the four months commencing
1 July 2010
(plus the eight months from 1 November 2010 – 30 June 2011)**

Contents

	Page:
1. Interpretation	1
2. Introduction	1
3. Purpose Statement	2
4. Strategic Context	2
5. Objectives	3
6. Nature and Scope of Activities	3
7. Performance Targets and Measures	4
8. Governance	4
9. Accounting Policies	5
10. Financial Policies	6
11. Activities for Which the Board Seeks Compensation from Council	7
12. Risk Management	7
13. Information to be Provided to the Council	8
14. Relationship Framework	9
15. Central Government Business Assistance Review Implications Schedule One: Service Performance Objectives Schedule Two: Skilled and Productive Labour Force	

1. Interpretation

In this Statement of Intent unless the context otherwise requires:

- 1.1 Local Government Act: "Local Government Act" means the Local Government Act 2002;
- 1.2 Trust: "Trust" refers to the Waitakere Enterprise Trust Board trading as Waitakere Enterprise
- 1.3 Trust Deed: "Trust Deed" means the registered Trust Deed of the Waitakere Enterprise Trust Board;
- 1.4 Council: "Council" means the Waitakere City Council;
- 1.5 Statement of Intent: "Statement of Intent" means such statement as provided for in accordance with the requirements set out in section 64 of the Local Government Act 2002;
- 1.6 Trustees: "Trustees" means those people appointed to the Board by Waitakere City Council in accordance with the Trust Deed;
- 1.7 Shareholder: "Shareholder" means the Waitakere City Council;
- 1.8 Strategic City Objectives: "Strategic City Objectives" means those economic development and economic development related objectives adopted by the Council as part of the Long Term Community and Council Plan.

2. Introduction

- 2.1 The Trust meets the definition of a Council Controlled Organisation as defined by section 6 of the Local Government Act and is wholly owned by Waitakere City Council. Accordingly it is required to prepare and deliver to the shareholder a completed Statement of Intent on or before 30 June each year. The content of the Statement is specified in Schedule 8 of the Local Government Act 2002.
- 2.2 The Local Government Act also provides the opportunity for the shareholder to comment on a draft of the statement of intent. The trustees will consider these comments, prior to finalisation.
- 2.3 The Trust is subject to the transitional arrangements in accordance with the legislation governing the establishment of the Auckland Council and its CCO's and the concurrent termination of the existing local authorities in the Auckland Region and their CCO's. The Board will act pursuant to the provisions of the Local Government (Tamaki Makaurau Reorganisation) Act 2009, the Local Government (Auckland Council) Act 2009 and the Local Government (Auckland Law Reform) Bill.

- 2.4 This statement has been prepared in accordance with these requirements. As such, the primary focus is for the four months ending 31 October 2010. Notwithstanding this, it is the intent of this document to provide an appreciation of intent beyond this period to inform the development of the initial statement of intent for any receiving CCO within the new Auckland Council structure.

3. Purpose Statement

- 3.1 The purpose of Waitakere Enterprise is to accelerate the sustainable economic growth of Waitakere
- 3.2 Waitakere Enterprise is the economic development agency for Waitakere City. Waitakere Enterprise is focussed on sustainably growing the local economy. Waitakere Enterprise does this by growing and attracting business and developing a skilled and productive labour force.

4. Strategic Context

- 4.1 The Council's strategic direction for economic development is determined by the Waitakere Economic Wellbeing Strategy 2009. The aim of the Economic Wellbeing Strategy is to improve the standard of living of Waitakere's residents over the next 20 years. The Economic Wellbeing Strategy is one of seven strategies that comprise the Waitakere Strategic Framework.
- 4.2 A major goal underlying the Strategy is a desire to provide residents with a greater range and number of quality local jobs. The Council's strategic intent is to promote the profile of the City, and to create the conditions for a change in the perception of Waitakere as being a place of limited capacity in terms of economic activity.
- 4.3 Waitakere Enterprise's role as a Council-controlled organisation is to contribute to the achievement of the vision, objectives and outcomes of the Economic Wellbeing Strategy.
- 4.4 The vision of the Economic Wellbeing Strategy is:

Waitakere is home to innovative and sustainable economic activities which provide residents with a range of quality local jobs that improve communities' standard of living. All Waitakere people have opportunities to participate in and benefit from this dynamic local economy.

4.5 The strategic outcomes for the Economic Wellbeing Strategy are:

Place: Local economic growth is maximised by integrated planning, investment, and utilisation of land and infrastructure.

People: People have better educational and skill levels, are more engaged in productive work and enjoy a higher standard of living.

Enterprise Development: Enterprises are strengthened, capitalise on local unique characteristics, and demonstrate resilience, innovation, local commitment and environmental responsiveness.

Promotion: Waitakere has a great reputation that attracts businesses, visitors and worldwide attention, provides a competitive advantage and strengthens community pride.

Partnering: Waitakere's economic wellbeing is enhanced by effective collaboration between private and public agencies and by a policy and regulatory framework that encourages innovative and sustainable economic activities.

4.6 Waitakere Enterprise delivers programmes and initiatives that positively contribute to the following success measures:

Place

- Percentage increase in both the number of businesses, and the regional share of businesses located in Waitakere.
- Increase in the number of new businesses and employment in defined key employment areas.
- Increase in the number of new businesses and employment in rural areas.

People

- Percentage increase in median household income. Percentage increase in income for disadvantaged population groups.
- Percentage decrease in population with low incomes.
- Percentage decrease in youth not engaged in education, employment or training (NEET score).
- Percentage increase in educational attainment in compulsory and post-compulsory education.
- Percentage increase in adults with higher qualifications by ethnic group.

Enterprise Development

- Percentage increase in Waitakere share of regional GDP.
- Productivity (GDP per FTE) increases to national levels.
- Waitakere Enterprise achieves increased satisfaction ratings from business clients.

Profile

- Percentage increase in new business investment.
- Percentage increase in visitors (guest bed nights).
- Increase in positive perceptions of Waitakere as a business location.
- Improvement in Waitakere's eco city brand awareness.
- Improvement in residents' support of the Council with regard to the City's reputation and brand.
- Improvement in performance indicators of significant events.

Partnering

- Increase in businesses' perception of the Council as supportive of business.
- Increase in external funding from government agencies spent in Waitakere.
- Increase in number of formal partnering arrangements with the Council.

5. Objectives

5.1 As a Council-Controlled Organisation, the principle objectives of the Trust are stated in section 59 of the Local Government Act 2002, being:

- To achieve the objectives of its shareholders as specified in this Statement of Intent.
- To be a good employer.
- To exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which it operates.
- To conduct its affairs in accordance with sound business practice.

5.2 In addition, the Trust has adopted the following long term objective based on Council's population, workforce and job growth projections:

To reduce the percentage of Waitakere's workforce leaving the city each day to work from 56% to 40% by 2021

5.3 In order to monitor progress towards this objective, an interim target of reducing the percentage of Waitakere's workforce leaving the city each day to work from 56% to 45% by 2016 has been set.

6. Nature and Scope of Activities

- 6.1 The Trust undertakes activities to accelerate Waitakere City's sustainable economic growth and thereby contributing to the achievement of strategic City objectives

These activities include:

- Contribution to the development of Council's economic development related strategies
- Advocating the economic development needs of the City
- Providing support to Council-led economic development initiatives
- Identifying and working with individuals, government, businesses, industries and/or institutions who either want to grow in Waitakere or contribute to the sustainable economic growth of Waitakere.
- Promoting Waitakere as business investment location and providing a key client service to new investment opportunities from inside and outside the City
- Growing the number, size and performance of existing businesses
- Stimulating business networks
- Connecting capital constrained growth companies to sources of capital that will realise growth potential
- Supporting the growth of key strategic industries
- Facilitating and delivering education and skills development initiatives that meet local business's needs
- Providing foundation skill training and employment transition programmes for sustainable entry to the labour market
- Supporting community economic development initiatives

7. Performance Targets and Measures

A table of performance targets and measures is attached in Schedule One. These performance targets are presented according to each programme or initiative. The performance targets will be weighted as follows for each activity group :

Activity Group	Performance Weighting
Grow and Attract Business	
New Business Start-Ups	8%
Business Information, Training and Mentoring	12%
Business Strategy and Coaching	12%
Sustainable Business Practice	5%
Business Attraction, Expansion and Retention	15%
Business Networking and Awards	10%
Key Industry Support	8%
A Skilled and Productive Labour Force	
Foundation Skills	15%
Post-school Transition	10%
Educational Achievement and Alignment	5%

8. Governance

- 8.1 All Trustees are appointed by Council in accordance with the provisions of the Trust Deed and Council policy pursuant to section 57 of the Local Government Act 2002. In addition, the Board will act pursuant to the provisions of the Local Government (Tamaki Makaurau Reorganisation) Act 2009, the Local Government (Auckland Council) Act 2009 and the Local Government (Auckland Law Reform) Bill.
- 8.2 The Board aims to ensure that the business of the Trust is carried out in the best interest of the shareholder and with proper regard to corporate responsibility.
- 8.3 The primary role of the Board is to:
- Allocate capital and resources to enable the Trust to achieve its goals in a manner that best serves the interests of the shareholder as a whole.
 - Effectively represent and promote the interests of the shareholder with a view to adding long-term value.
 - Direct and supervise the management of the business affairs of the Trust including:
 - Establishing goals and strategies that effectively implement and promote the long term strategic direction of Council
 - Establishing policies for strengthening the performance of the Trust
 - Appointing the CEO
 - Monitoring the performance of management
 - Deciding whatever steps are necessary to protect the Trust's financial position
 - Ensuring that financial statements are true and fair and conform to law
 - Ensuring the Trust adheres to high standards of ethics and corporate behaviour
 - Ensuring the Trust has appropriate risk management/regulatory compliance policies in place.
 - Satisfy itself that the Trust is achieving it's goals.
 - Familiarise itself with issues of concern to the shareholder and keep the shareholder informed on a timely basis through quarterly reporting and using the principle of no surprises.
 - Evaluate economic, political, social and legal issues that may impact on the Trust.
- 8.4 The Chairperson's role is to manage the Board effectively, to provide

leadership to the Board and to interface with the Chief Executive Officer. The Chairperson's role includes completing an evaluation of the individual trustees and collective Board performance on an annual basis.

9. Accounting Policies

- 9.1 The Trust is a reporting entity under the Financial Reporting Act 1993 and its financial statements comply with that Act.
- 9.2 Financial statements are prepared in accordance with Generally Accepted Accounting Practice in New Zealand, applying the Framework for Differential Reporting for entities adopting the New Zealand equivalents to the International Financial Reporting Standards and its interpretations as appropriate to not for profit entities that qualify for and apply differential reporting concessions.
- 9.3 The measurement base adopted is that of historical cost.
- 9.4 Particular accounting policies which materially affect the measurement of the Trust's surplus or deficit from operations and financial position are:
- Revenue is recognised when earned.
 - All fixed assets are valued at historical cost. Depreciation is provided on a straight line basis at rates calculated to allocate the asset's cost, less estimated residual value over its estimated useful life.
 - Depreciation rates are:

Computer Hardware	33%
Computer Software	20%
Office Equipment	20%
Office Fittings	20%
 - The financial statements have been prepared on a basis exclusive of Goods and Services Tax. All items in the statement of financial position are stated net of Goods and Services Tax with the exception of receivables and payables which include Goods and Services Tax.
 - Provision is made in respect of the Board's liability for annual leave. Annual leave has been calculated on an actual entitlement basis at current rates of pay.

10. Financial Policies

- 10.1 The Trust is a non-profit entity and, for financial prudence, seeks to operate at a retained earnings of \$0-\$75 000 per annum. It is intended that direct transition costs to the Auckland Council will be met from reserves.
- 10.2 All surpluses generated from non-Council funded programmes are applied to advance the achievement of the strategic City objectives
- 10.3 The Board will act pursuant to the provisions of the Local Government (Tamaki Makaurau Reorganisation) Act 2009, the Local Government (Auckland Council) Act 2009 and the Local Government (Auckland Law Reform) Bill.
- 10.4 As a not-for-profit Charitable Trust, the matter of the ratio of shareholders funds to total assets does not apply

11. Activities for Which the Board Seeks Compensation from Council

- 11.1 The Trust will prepare a proposal for base funding to be considered under Council's normal budgeting processes. The resulting agreed compensation will be articulated through a four month funding agreement.
- 11.2 Specific activities to be undertaken will be articulated in a service agreement.
- 11.3 Any additional activity to that compensated for in the service agreement will require additional compensation agreed by the Trust and Council.

12. Risk Management

- 12.1 The framework for managing and reporting on risk will follow the current standard AS/NZS 4360: 1999.
- 12.2 Each year the Board will ensure there is a formal evaluation of the Trust's exposure to risk and satisfy itself that appropriate strategies are in place to manage or eliminate risk.
- 12.3 In assessing and managing risks it is recognised that the Board is risk adverse and consequently the Board will manage the Trust to minimise risk and the potential for losses.
- 12.4 The management mitigation/ control of risk will be undertaken through:-
- Detailed financial feasibility studies
 - Service selection based in comprehensive research and informed opinion.
 - Knowledge of business and political cycles
 - Cash flow management
 - Debt management where appropriate
 - Risk sharing where appropriate
 - Employment of expert management advice
 - Appointment of skilled and experience Trustees
 - Establishment of a risk management policy and monitoring procedures
- 12.5 Additional business risks in the form of Trust continuity, statutory compliance, financial management and control, professional indemnity etc will be managed in the normal manner and in accordance with the risk management policy.

13. Information to be Provided to the Council

- 13.1 The Trust will provide information which meets the requirements of the Charitable Trusts Act 1957, the Local Government Act 2002, and the Financial Reporting Act 1993 in order to enable the shareholders to make an informed assessment of the Trust's performance. In addition, the Board will act pursuant to the provisions of the Local Government (Tamaki Makaurau Reorganisation) Act 2009, the Local Government (Auckland Council) Act 2009 and the Local Government (Auckland Law Reform) Bill.

14. Relationship Principles

14.1 The Trust is committed to best practice in public partnering with Council. In particular, the Trust is committed to: -

- aligning to community and Council strategic goals and objectives
- contributing to strategy, policy and planning phases undertaken by Council
- advocating Waitakere's strategic economic development priorities both regionally and nationally
- engaging in national and regional initiatives that contribute to delivering on Waitakere's strategic economic development priorities
- contributing to the reputation of Waitakere City Council as a leader in local economic development
- providing intelligence to the Council on trends and issues in the business community
- represent Council positively in the business community
- be a 'business friendly' interface between Council and the business community
- welcoming Council staff to interact directly with the Trust to develop staff expertise in implementation thus promoting practical policy formation.
- a business relationship that secures best value from both entities and enables close cooperation whilst recognising the particular roles and functions of each.
- a formal reporting relationship with Council to ensure that Councillors have an opportunity to interact with the Trust and provide political direction.
- an open, responsive and collegial working relationship with Council officers at all levels including elected members, Chief executive, Directors and staff from any part of Council.
- acting in concert with Waitakere Properties Limited.
- acting in accordance with the governance structure established as a result of the CCO governance review
- acting in full co-operation with the Auckland Transition Agency to ensure the objectives of the Auckland governance reforms are successful, including continuity of service to the Waitakere business community.

Central Government Business Assistance Review Implications

Central government has undertaken a business assistance review and is in the process of confirming the funding structure from July 2010.

The implications for Waitakere Enterprise are significant – at risk are 2.8FTE positions in the business services area and at least part of the functions of 1FTE customer services representative.

Currently, central government funding is directed at the low-end of the business development market – BIZ Info, Enterprise Training foundation and start-up courses and BYOB are all fully funded by NZTE and MSD.

The central government does not see it as its role to provide support for capability development for all SMEs, or to subsidise this activity permanently. In the long term, it sees the current subsidies practice as damaging

As a result of the review central government will cease to fund the current BIZ service and Enterprise Training Programme from July 1, 2010. In its place will be a new-look business assistance package targeted firmly at growth-potential clients, particularly those with export potential.

Waitakere Enterprise will work with other local EDAs and the Chambers of Commerce to pitch for the regional partner role.

These changes means that we are recommending a shift in focus of local government funding from the current high growth arena to foundation (and to a lesser extent, start-up) business support.

The implications for the SOI is a change in programme structure – foundation information and activity will now be developed and delivered internally, rather than contracted.

The focus of high growth activity will now follow a commercial model.

A full report is available on request.



Waitakere Enterprise

**DRAFT Statement of Intent
July – October 2010**

PART ONE:

Business Assistance

Activity	Performance Objectives 1 July 2010 – 31 Oct 2010	Performance Objectives 1 July 2010 – 30 June 2011 (FULL YEAR)
<p>NEW BUSINESS START-UPS</p> <p>*Deliver an in-house 'Powerful Start' new business start up information and workshop programme</p> <p>*Deliver Work and Income Be Your Own Boss programme to transition beneficiaries to business or work</p>	<p>20 pax complete new business workshop series</p> <p>90% satisfaction rating</p> <p>12 participants complete the programme</p> <p>100% of those that complete the programme produce approved business plans or back to work plans</p>	<p>80 pax complete new business workshop series</p> <p>90% satisfaction rating</p> <p>50 participants complete the programme</p> <p>100% of those that complete the programme produce approved business plans or back to work plans</p>

* The future of this programme is not clear. At present there have been no public signals of change, however, other sources suggest that this programme may be altered or withdrawn in the next 12 months.

Note: items in grey text are programmes to be discontinued by central government. There suggested replacements sit below in black text.

Activity	Performance Objectives 1 July 2010 – 31 Oct 2010	Performance Objectives 1 July 2010 – 30 June 2011 (FULL YEAR)
BUSINESS INFORMATION, TRAINING AND MENTORING		
Deliver Biz Network Ltd's Biz Info Programme Develop Business Start up information pack and online support	This programme will not exist from 1 July 200 business information enquiries serviced 90% 'mystery shopper' satisfaction rating	This programme will not exist from 1 July 500 business information enquiries serviced 90% 'mystery shopper' satisfaction rating
Deliver New Zealand Trade and Enterprise's Enterprise Training Programme to provide foundation business skills	This programme will not exist from 1 July	This programme will not exist from 1 July
Develop business basics assessment, workshop and follow-up programme to provide foundation business skills to Waitakere businesses	40 Waitakere businesses participate in the new programme 60 business assessments 12 training workshops 90% satisfaction rating	100 Waitakere businesses participate in the new programme 160 business assessments 32 training workshops 90% satisfaction rating
Deliver Business Mentors New Zealand mentoring programme	20 matches made	50 matches made
Deliver advanced- level, business insights panel session series	4 seminars delivered Cumulative attendance of 80 individuals	10 seminars delivered Cumulative attendance of 80 individuals
Deliver the New Zealand Trade and Enterprise Escalator Programme	15 participants	45 participants
Host Tech NZ funding workshops	2 workshops 20 participants	4 workshops 50 participants

Activity	Performance Objectives 1 July 2010 – 31 Oct 2010	Performance Objectives 1 July 2010 – 30 June 2011 (FULL YEAR)
<p>1:1 BUSINESS COACHING</p> <p>Deliver 1:1 business coaching for high growth potential clients (Strategy Development Programme) on a fee-for-service basis</p>	<p>15 clients coached for a minimum of 10 hours</p> <p>Baseline data and FTE count monitored for each participant over time</p> <p>Programme is self-funding and is approved as a service for provision under NZIE's proposed Capability Coupon system</p>	<p>Currently no permanent resource to move forward with this initiative. Awaiting insight from NZIE Business Assistance Review on whether to progress.</p>

A93

Activity	Performance Objectives 1 July 2010 – 31 Oct 2010	Performance Objectives 1 July 2010 – 30 June 2011 (FULL YEAR)
<p>BUSINESS ATTRACTION, EXPANSION AND RETENTION</p> <p>Deliver a business attraction, expansion and retention service</p> <p>Deliver the Waitakere 'A-list' Key Client Management Service in partnership with Council</p> <p>Establish a venture capital service connected private equity to capital constrained growth businesses</p>	<p>10 active or completed client facilitations comprising business owners and/or developer/investor relationships</p> <p>50 jobs attracted, expanded or retained by clients</p> <p>42 A-list clients</p> <p>100% of Waitakere's A-list companies remain in Waitakere</p> <p>100% service level commitment on consents processing timeframes in accordance with the joint WE/WCC Service Level Agreement achieved</p> <p>80% client satisfaction</p> <p>Board established and proactively engaged in developing investor network</p> <p>Board driving deal flow mechanisms, systems and procedures</p> <p>WE facilitating Board initiatives</p>	<p>30 active or completed client facilitations comprising business owners and/or developer/investor relationships</p> <p>150 jobs attracted, expanded or retained by clients</p> <p>42 A-list clients</p> <p>100% of Waitakere's A-list companies remain in Waitakere</p> <p>100% service level commitment on consents processing timeframes in accordance with the joint WE/WCC Service Level Agreement achieved</p> <p>80% client satisfaction</p> <p>Initial proposals assessed and put through Fund process, Board continuing to drive deal flow mechanisms, systems and procedures</p> <p>WE facilitating Board initiatives</p>

A94

Activity	Performance Objectives 1 July 2010 – 31 Oct 2010	Performance Objectives 1 July 2010 – 31 Oct 2010
<p>BUSINESS EVENTS</p> <p>Deliver the 2010 Waitakere Business Awards programme</p> <p>Coordinate sponsorship, market and manage the Waitakere Business Club and Business After 5 events</p> <p>Establish higher-tier business networking event</p> <p>Deliver the West Women networking series</p>	<p>100 entries 600 attend Gala Dinner event \$75,000 unpaid/unsponsored media</p> <p>3 Business After 5 events Showcase diversity of Waitakere business locations/ industry via After 5 host selection RSVP per event averages 150 pax</p> <p>1-2 (depending on timing) Business Breakfast events Cumulative attendance of 200 – 400 Business Club membership growth to 2,500</p> <p>1 event Attract high growth and big business base Attendance 40 pax</p> <p>2 events Total cumulative RSVP 80</p>	<p>100 entries (for Oct '10 event) 600 attend Gala Dinner (Oct '10 event) \$75,000 unpaid/unsponsored media</p> <p>10 Business After 5 events Showcase diversity of Waitakere business locations/ industry via After 5 host selection RSVP per event averages 150 pax</p> <p>5 Business Breakfast events Cumulative attendance of 600 Business Club membership growth to 3,000</p> <p>3 events Attract high growth and big business base Attendance 120 pax</p> <p>6 events Total cumulative RSVP 150</p>

AAS

PART TWO:

Skilled and Productive Labour Force

A96

Activity	Performance Objectives 1 July 2010 – 31 Oct 2010	Performance Objectives 1 July 2010 – 31 Oct 2010
<p>FOUNDATION SKILLS</p> <p>Deliver foundation skills youth and ESOL programmes</p> <p>Deliver adult numeracy and literacy based programme</p> <p>Establish a workplace literacy service</p> <p>Establish a Pre-trade class with UNITEC and Trusts' funding</p> <p>Continue with moderation of scripts for NZPTC (Fiji)</p>	<p>80% average occupancy of 14 places and 60% achievement of positive destination outcomes for youth training</p> <p>14 places for Alternative Education secondary school students</p> <p>Maori and Pacific youth participation exceeds 50%</p> <p>80% average occupancy of 36 places and 60% achievement of positive destination outcomes for ESOL training</p> <p>3 clients serviced</p> <p>15 students with 80% positive outcome ratio (students path-wayed to UNITEC)</p> <p>MoU signed and moderation of 30 -100 scripts at levels 3 and 4</p>	<p>80% average occupancy of 14 places and 60% achievement of positive destination outcomes for youth training</p> <p>14 places for Alternative Education secondary school students</p> <p>Maori and Pacific youth participation exceeds 50%</p> <p>80% average occupancy of 36 places and 60% achievement of positive destination outcomes for ESOL training</p> <p>8 clients serviced</p> <p>15 students with 80% positive outcome ratio (students path-wayed to UNITEC)</p> <p>MoU signed and moderation of 30 -100 scripts at levels 3 and 4</p>

A97

Activity	Performance Objectives 1 July 2010 – 31 Oct 2010	Performance Objectives 1 July 2010 – 31 Oct 2010
<p>POST-SCHOOL TRANSITION</p> <p>Implement the Gateway programme in partnership with Waitakere Secondary Schools</p> <p>Run the Waitakere Job Fair</p>	<p>150 student placements during this period</p> <p>Average unit standard achievement exceeds the national average of 20</p> <p>Review 2009 Fair and continue at discretion of Careers Advisors and Career Services within schools: 20 companies and 5 schools participate</p> <p>Increase local employer awareness of programme, demonstrated by increase in breadth of 2010 school year placements</p>	<p>420 student placements during this period</p> <p>Average unit standard achievement exceeds the national average of 20</p> <p>20 companies and 5 schools participate</p>

A98

Activity	Performance Objectives 1 July 2010 – 31 Oct 2010	Performance Objectives 1 July 2010 – 31 Oct 2010
<p>EDUCATIONAL ACHIEVEMENT AND ALIGNMENT</p> <p>Support and champion the Waitakere Education Sector Trust and implementation of the Waitakere Learning Plan</p> <p>Provide a leadership role to the local PTE network, advocating alignment and relevance</p>	<p>Membership of the Waitakere Education Sector Trust</p> <p>Chair role of ESOL providers network maintained</p> <p>Youth providers network maintained</p>	<p>Membership of the Waitakere Education Sector Trust</p> <p>Chair role of ESOL providers network maintained</p> <p>Youth providers network maintained</p>

A99