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# Waitakere City Holdings Limited

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## Statement of Intent

For the Three Years Commencing 1 July 2008

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 2008

### Chairman's Comment

This Statement of Intent ("SOI") is prepared in accordance with S64 of the Local Government Act 2002. The SOI specifies for the Waitakere City Holdings Limited ("WCHL") and its subsidiaries the objectives, the nature and scope of the activities to be undertaken, and the performance targets and other measures by which the performance of the group 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, the Waitakere City Council. Council has previously examined its expectations of WCHL and its subsidiaries, and has advised how the Group 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 and responsibilities within the governance structure are clear.
- A "no surprises" policy, reinforced with formal communication.
- That Council operates effective governance of Council-controlled entities.

#### **Waitakere City Holdings Limited**

- Governance of Council-controlled entities, in conjunction with Council's Finance and Operational Performance Committee, with accountability to the community.
- Ensuring the subsidiaries deliver on Council's strategic goals.
- Financial return or contribution to Council's overall budget.
- Identifying new opportunities for contributing to the strategic plan.
- Exercise a supervisory role over the Waitakere Enterprise Trust
- Supporting Waitakere Enterprise's contribution to a strong innovative economy.

#### **Waitakere Properties Limited**

- 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.

Two companies, Prime West Limited and Prime West Management Limited, have recently been formed to manage Councils interests in the film studio properties located on Henderson Valley Road. Prime West Limited owns the land and buildings at Henderson Valley Studios and is a joint venture between the Council and the private sector. Waitakere City Council holds 44% of the shareholding in Prime West Limited. Prime West Management Limited is a management company specifically set up to manage the operations of the Henderson Valley Studios. 40% of this Company is owned by Waitakere Properties Limited with the balance owned by private sector interests. It is the intention of the board of WCHL to petition the Council to move the ownership of Councils 44% shareholding in Prime West Limited into Waitakere City Holdings Limited through which it is felt, more effective governance can be exercised.

Council has also advised its commitment to partnership as the core platform of its strategic plan. Council has also resolved to review the purpose of WCHL and to consider aspects of its own operation (including the basis for evaluating tenders) in order to advance its strategic goals.

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. Identify core and specialist competencies and skills, and mix thereof, required within the governing body of each Council Controlled Organisation.
2. Fix remuneration for, deal with, and conclude all contractual matters with the directors, including their term of office.
3. Oversee the recruitment process and make recommendations for appointment to the Finance and Operational Performance Committee.
4. Set key result areas for directors in accordance with their contracts and Council Controlled Organisation statement of intent or performance agreement.
5. Undertake an annual evaluation of individual director and Board performance against key result areas.

The SOI is reviewed annually with the Council and covers a three-year period.

**Bryan Mogridge, Chairman**

Waitakere City Holdings Limited

# Waitakere City Holdings Limited

## Statement of Intent for the Three Years Commencing 1 July 2008

### 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 establish and efficiently direct an outstanding group of Council-controlled business activities which are aligned with Council’s strategic direction”*

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 Group, with which the Group must maintain an alignment.

##### **Shareholder Role**

WCHL holds on behalf of Council:

- A shareholding investment in Waitakere Properties Limited (WPL) of \$2,300,000, representing 100% of WPL’s share capital
- Waitakere Properties Limited in turn holds a 40% shareholding in Prime West Management Limited.

Activities that are to be undertaken by WCHL are:

- Negotiation of the individual annual statements of intent for the Council Controlled Trading Organisations that it owns (the subsidiary companies).
- Negotiation of the annual statement of intent between Council as shareholder and WCHL.

- Monitoring the performance of the subsidiary companies that WCHL owns.
- Advice to Council regarding potential Council Controlled Trading Organisation establishment opportunities.
- Appointment and monitoring of the directors of the subsidiary companies.

The undertaking of any activity not provided for under this statement of intent requires the prior approval of Council, specifically:

- No subsidiary companies 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.

The Board will also seek approval for any material departures from an adopted SOI and any material variation from budgeted financial return.

Over time, Council may form other Council Controlled Organisations from undertakings currently within the Council structure. WCHL is an obvious vehicle for holding the shares in these future enterprises, however, it remains Council's intention that the approach to the holding of other shares will be determined on a case-by-case basis. With the position that the directorate holds within the overall Council group it is anticipated that WCHL will assist Council in the identification and assessment of future opportunities.

### **Supervisory Role**

WCHL oversees on behalf of Council the operations of the Board of Trustees of the Waitakere Enterprise Trust Board ("Waitakere Enterprise"). Activities that are undertaken by WCHL on Council's behalf are:

- Informal briefings to each meeting of the WCHL Board on an issues basis.
- Review of formal quarterly performance reports from Waitakere Enterprise.
- Half Year and Full Year Reports on the performance of Waitakere Enterprise to Council, including commentary on opportunities for the development of services and functions and interaction with other Council initiatives.

- Comment appropriately to Council on issues of Waitakere Enterprise’s strategic direction, ownership options and integration with other Council activities.

The overall group structure is illustrated to the right. Prime West Limited is not shown in this diagram as the shareholding in it is held directly by the Council. It is the intention of the WCHL board to petition Council to transfer the ownership to WCHL (the broken line to Waitakere Enterprise indicates a supervisory role and the solid lines represent a shareholding/ownership role):

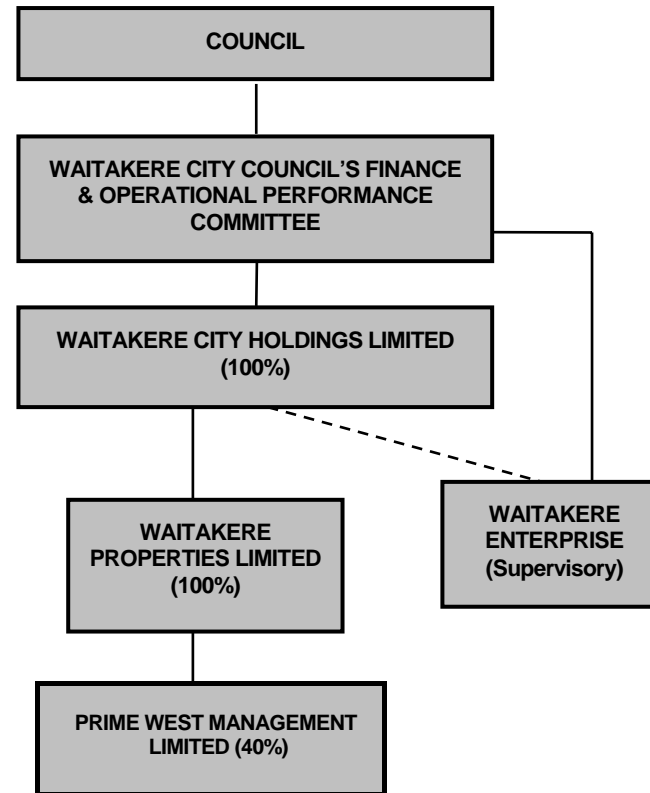
**Objectives of the Company**

As required by S59 of the Local Government Act 2002, the principal objective of WCHL is to:

- achieve the objectives of its shareholders, both commercial and non-commercial, as specified in the statement of intent; and
- being a good employer; and
- exhibiting 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; and
- if the council-controlled organisation is a council- controlled trading organisation, conduct its affairs in accordance with sound business practice

Specific objectives of WCHL are:

- To ensure that each subsidiary company operates economically and efficiently, and in accordance with an agreed statement of intent and to optimise the returns – both financial and non-financial – from, and the value of, the subsidiary companies within the parameters set by Council.
- To keep Council informed of matters of substance affecting the WCHL and the subsidiary companies and, insofar as it is practical and reasonable in the opinion of the directors, provide the opportunity for comment on such matters prior to taking any action.



- To ensure that there is regular and informative reporting of the financial and non-financial performance and risk exposures of WCHL and the subsidiary companies.
- To advise Council on establishment opportunities for council –controlled organisations.
- To act as a responsible corporate citizen, including being a good employer.
- To maintain and improve good governance by regularly and constructively appraising the performance of the subsidiary company directorates and maintaining an appropriate monitoring framework.

### Nature and Objectives of the Subsidiaries

WPL is a council-controlled trading organisation in its own right. The Waitakere Enterprise Trust Board (Waitakere Enterprise) is a council-controlled organisation. As such, these two entities are subject to the provisions of the Local Government Act 2002, and must prepare and provide to their shareholders separate statements of intent. The subsidiary statements, and that of Waitakere Enterprise, outline the nature and objectives of the three 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 is 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 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 Board of Directors is to direct and supervise the management of the business affairs of the company including:

- Establishing goals and strategies
- Monitoring financial and non-financial performance of subsidiaries
- Monitoring performance of the Boards of Subsidiaries
- Ensuring that financial statements are true and fair and conform to law
- Ensuring the company and its subsidiary Boards adhere to high standards of ethics and corporate behaviour
- Ensuring the company has appropriate risk management/regulatory compliance policies 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 the group.
- In conjunction with Council the Chairperson will evaluate the performance of the Board on an annual basis.

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 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 Councils Strategic Platforms

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

# Waitakere City Holdings Limited

## Statement of Intent for the Three Years Commencing 1 July 2008

### Performance Measures and Targets

STRATEGIC OBJECTIVE	PERFORMANCE MEASURE	PERFORMANCE TARGET
<b>GOVERNANCE OF COUNCIL-OWNED ENTITIES WITH ACCOUNTABILITY TO THE COMMUNITY</b>	Ensure that the financial targets and strategic direction of WCHL are in line with the requirements of Waitakere City Council.	A draft 2009/10 SOI for the holding company and the draft SOIs of its subsidiaries will be submitted to the Council no later than 1 March 2009.
	Ensure that Waitakere City Council is kept informed of all significant matters relating to its subsidiaries.	Quarterly reports to the Finance and Operational Performance Committee of Council.  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.
	Ensure that WCHL directors add value to the company, and that their conduct is according to generally accepted standards.	A formal evaluation of the WCHL governance structures and directorate completed in conjunction with Council by June 2009.
	Ensure that WCHL's procedures for the recommendation of directors for appointment to subsidiary directorates are open and in accordance with written policy.	That a Directors Policy be agreed with the Councils Finance and Operational Performance Committee and the adopted Policy be followed for any further director appointments made.
	Ensure timely advice to Councils Finance and Operational Performance Committee and Chief Executive on the performance of the Boards of the respective activities	Undertake an annual evaluation by the Holding Company, in conjunction Council officers, of the respective Boards.

STRATEGIC OBJECTIVE	PERFORMANCE MEASURE	PERFORMANCE TARGET	
<b>FINANCIAL RETURN OR CONTRIBUTION TO COUNCIL'S OVERALL BUDGET</b>	Ensure that WCHL returns a dividend to Waitakere City Council in accordance with the Council's budgets, and meets other financial targets.	No dividend is anticipated to be made to the Waitakere City Council over the next 3 years. 2008/2009 Nil 2009/2010 Nil 2010/2011 Nil	
	Ensure that the subsidiary companies return a minimum acceptable dividend.	WCHL is not anticipating receiving any income from subsidiaries over the next 3 years 2008/2009 Nil 2009/2010 Nil 2010/2011 Nil	
	<b>ENSURE SUBSIDIARIES DELIVER ON COUNCIL'S STRATEGIC GOALS</b>	Ensure that the subsidiaries have in place planning for the future.	Completion in conjunction with Council of a strategic directions document for the Group by 30 June 2009.
		Ensure that the subsidiary companies draft SOIs are received by WCHL and forwarded to the Council by statutory deadline..	Draft 2009/2010 SOIs are to be received by WCHL and forwarded to the Council by 1 March 2009.
Ensure that the final subsidiary company SOIs are appropriate, measurable, attainable and timely.		Review subsidiary SOIs with comments back to respective subsidiaries within 60 day statutory time frame.	

STRATEGIC OBJECTIVE	PERFORMANCE MEASURE	PERFORMANCE TARGET
	Ensure that the final subsidiary company SOIs are strategically aligned documents, while also being compatible with the strategic aims of Council.	<p>WCHL will direct the subsidiary companies to produce strategically aligned draft 2009/2010 SOIs.</p> <p>WCHL will assess the alignment of the SOIs with any specifically notified Council strategic directives.</p> <p>Objectives of Subsidiaries developed, in conjunction with Council and Council officers, to be aligned with appropriate Council strategic platforms.</p> <p>Comments back to subsidiaries within 60 day statutory time frame.</p>
	Ensure that subsidiary company reporting is relevant and timely.	Subsidiary company SOIs to incorporate specific reporting requirements, including quarterly reporting of performance.
	Ensure that there are adequate processes for the identification, assessment and management of the risk exposures of the subsidiary companies.	Subsidiary company SOIs to incorporate specific statements regarding the processes for the management of risk exposures.
<b>SUPPORTING ENTERPRISE WAITAKERE'S CONTRIBUTION TO A STRONG INNOVATIVE ECONOMY</b>	Oversee the operations of the Board of Trustees of Enterprise Waitakere.	WCHL will meet twice over the course of each financial year with the Board of Trustees to receive a formal update on operations.

# Waitakere City Holdings Limited

## Statement of Intent for the Three Years Commencing 1 July 2008

### 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 2008/2009 financial year without prior Shareholder approval. The Directors will review the appropriateness of this target ratio annually.

#### Accounting Policies

##### **Basis of Preparation**

Financial statements are prepared in accordance with the requirements of section 98 and Part 3 of schedule 10 of the Local Government Act 2002 which includes the requirement to comply with generally accepted accounting practice (NZ GAAP). Financial statements are prepared in accordance with NZ GAAP. They comply with NZ IFRS, and other applicable Financial Reporting Standards, as appropriate for public benefit entities. Financial statements are prepared on an historical cost basis. The accounting policies are applied consistently in the financial statements, except for any changes detailed in the Changes in Accounting Policies. Financial statements are presented in New Zealand dollars (functional currency) and all values are rounded to the nearest thousand dollars (\$'000).

##### **Accounting policies**

The following accounting policies which materially affect the measurement of results and financial position are applied:

##### **Basis of consolidation**

###### i) Subsidiaries

Subsidiaries are those entities controlled, directly or indirectly by WCHL. The financial statements of subsidiaries are included in the consolidated financial statements using the purchase method of consolidation. All significant inter-entity transactions are eliminated on consolidation.

###### ii) Associates

Associates are entities in which the Group has significant influence, but not control, over the operating and financial policies. The Group's share of the net surplus of associates is recognised as a component of operating profit 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 statements of movements 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.

#### **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.

#### **Revenue Recognition**

Revenue is recognised in the income statement when the transaction gives rise to an increase in the value of net assets, and that increase can be measured with reliability.

- 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.
- Revenue from the sale of goods and services is recognised in the Statement of Financial Performance when the significant risks and rewards of ownership have been transferred to the buyer
- Rental income is recognised in the period that it relates.

#### **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.

#### **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.

#### **Finance Leases**

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is actually transferred. At the commencement of the lease term, the Company recognises finance leases as assets and liabilities in the statement of financial position at lower of the fair value of the leased item or the present value of the minimum lease payments.

The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether the company 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. Lease incentives received are recognised in the statement of financial performance over the lease term as an integral part of the total lease expense.

#### **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 WCHL and 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.

#### **Investments**

##### **Categories of investments**

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 WCHL. Derivatives are also categorised as held for trading unless they are designated as hedges.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that WCHL has the positive intention and ability to hold to maturity. 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.

##### **Measurement of Investments**

Investments are initially recognised at fair value plus transactions costs for all financial assets not carried at fair value through profit and loss. Available for sale financial assets and fair value through profit or loss financial assets are subsequently carried at fair value. Loans and receivables and held to maturity investments are carried at amortised cost using the effective interest rate method.

#### **Shares**

Shares 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 Income Statement where it exceeds the increase previously recognised in equity.

#### **Financial Instruments**

The Group is party to financial instruments as part of its normal operations. The financial instruments include bank accounts, short term borrowings, receivables and payables. All financial instruments are recognised in the statement of financial position and all revenues and expenses in relation to financial instruments are recognised in the statement of financial performance. No derivative instruments have been employed by the Group.

#### **Investments in Subsidiaries and Associates**

Subsidiaries are all those entities (including special purpose entities) over which WCHL has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether WCHL controls another entity. Investments in subsidiaries and associates are stated at cost. The Company's share in the associate's surplus or deficits resulting from unrealised gains on transactions between the Company and its associates is eliminated.

#### **Property, Plant and Equipment**

Property, plant and equipment consists of:

*Operational assets* – These include Furniture & Fittings, Computer Equipment and Motor Vehicles.

*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 WCHL 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 WCHL 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. 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 & Equipment	2 to 10 years

#### **Depreciable Amount and Depreciation Period**

The residual value and the useful life of assets are reviewed at least at each financial year end and, if expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with NZ IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

#### **Impairment**

Impairment of assets is assessed annually. If the estimated recoverable amount of an asset is less than its carrying amount, the asset is written down to its estimated recoverable amount and an impairment loss is recognised in the Income Statement. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where the future economic benefits of an asset are not primarily dependent on an ability to generate net cash inflows, value in use is determined as the depreciated replacement cost of the asset.

#### **Intangible Assets**

Intangible assets comprise of computer software. 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 estimates useful lives of two to three years. Cost associated with maintaining computer software are recognised as an expense as incurred.

#### **Payables and Accruals**

Creditors and accruals are measured at cost which approximates to fair value.

#### **Employee Entitlements**

##### ***Short-term Benefits***

Employee benefits that WCHL 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 to, but not yet taken at balance date, retiring and long service leave entitlements expected to be settled within 12 months, and sick leave.

WCHL 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 WCHL anticipates it will be used by staff to cover those future absences.

##### ***Long term Benefits***

Entitlements that are payable beyond 12 months, such as long service leave and retiring leave, have been calculated on an actuarial basis.

### **Equity**

Equity is the community's interest in WCHL and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into a number of reserves.

The components of equity are:

- Retained earnings
- Share Capital

### **Statement of Cash Flows**

For the purpose of the Statement of Cash Flow, cash includes cash on hand; deposits held at call and are net of bank overdraft. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

*Operating activities* - include cash received from all income sources of the group and record the cash payments made for the supply of goods and services.

*Investing activities* - are those activities relating to the acquisition and disposal of non-current assets.

*Financing activities* - comprise activities that change the equity and debt capital structure of WCHL and group.

### **Changes in accounting policies**

There have been no changes in accounting policies except as required by the adoption of NZ IFRS.

### **Comparative figures**

The current year's figures are presented in accordance with classifications consistent with NZ IFRS. Prior year comparatives are restated where necessary to enable comparison with the current year figures including compliance with NZ IFRS.

### **Explanation to transition to NZ IFRS**

WCHL's financial statements for the year ended 30 June 2007 were the first financial statements that comply with NZ IFRS. WCHL will apply NZ IFRS 1 in preparing financial statements.

WCHL's transition date was 1 July 2005. WCHL prepared its opening NZ IFRS balance sheet at that date.

WCHL's NZ IFRS adoption date was 1 July 2006.

## **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.

### 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 the Company

The value of WCHL has been defined as the estimated value of Shareholders Funds as at 1 July 2008, being \$3,872,000

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.

### Transactions Between Related Parties and Compensation from Council

Transactions between Council, WCHL and the subsidiary companies 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 2008

### Directory

**Registered Office**

6 Henderson Valley Road  
Henderson, WAITAKERE CITY

**Bankers**

Bank of New Zealand  
Henderson, WAITAKERE CITY

**Solicitors**

KPMG Legal  
AUCKLAND CITY

**Auditors**

Audit New Zealand on behalf of the  
Controller and Auditor General

**Directors**

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