



STATEMENT OF INTENT

2011/2012

Contents

A.	Objectives of the Company	3
B.	Board's Approach to Governance of the Company	4
C.	The Nature and Scope of the Activities to Be Undertaken By the Group	5
D.	The Ratio of Consolidated Shareholders' Funds to Total Assets, And the Definitions of Those Terms	6
E.	The Accounting Policies of The Group	6
F.	The Performance Targets and Other Measures by Which the Performance of the Company May Be Judged In Relation To Its Objectives	7
G.	An Estimate of the Amount or Proportion of Accumulated Profits and Capital Reserves That Is Intended To Be Distributed To the Shareholders	8
H.	The Procedures to Be Followed Before the Company Subscribes For, Purchases, or Otherwise Acquires Shares in Any Company or Other Organisation	9
I.	Any Activities for Which the Board Seeks Compensation from Any Local Authority (Whether Or Not the Local Authority Has Agreed To Provide the Compensation)	9
J.	The Board's Estimate Of The Commercial Value Of The Shareholders' Investment In The Company And The Manner In Which, And The Times At Which, That Value Is To Be Reassessed (To The Extent That Is Appropriate Given The Organisational Form Of The CCO)	9
K.	Any Other Matters That Are Agreed By the Shareholders and the Board.	10
L.	Urbanplus Registered Office and Contact Details for key Officers.	10

Purpose

The purpose of this statement of intent is to:

- a. state publicly the activities and intentions of this council-controlled trading organisation for the year and the objectives to which those activities will contribute;
- b. provide an opportunity for shareholders to influence the direction of the organisation; and
- c. provide a basis for the accountability of the directors to their shareholders for the performance of the organisation.

This Statement of Intent covers the year 1 July 2011 to 30 June 2012 and the following two financial years and has been prepared in accordance with Section 64 (1) of the Local Government Act 2002.

A. Objectives of the Company

Section 59 of the Local Government Act 2002 provides:

59 Principal objective of council-controlled organisation

- (1) The principal objective of a council-controlled organisation 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; and
 - (d) if the council-controlled organisation is a council-controlled trading organisation, conduct its affairs in accordance with sound business practice.
- (2) In subsection 1.b., good employer has the same meaning as in clause 36 of Schedule 7.

In addition to the statutory objective, the objectives of the Company are:

- 1.1. to provide for the long term a growing portfolio of rental housing for the elderly and the socially disadvantaged consistent with, and to give effect to, the Council's housing policy;
- 1.2. to develop the housing portfolio in a manner which increases its property values;
- 1.3. to ensure that the housing portfolio for the elderly and the socially disadvantaged is appropriate for the changing needs of the community in terms of the objectives outlined in the Council's housing policy;
- 1.4. to operate as a successful and profitable undertaking;

- 1.5. to purchase, develop, lease or sell the development property portfolio in a manner which maximises its value at a level of risk appropriate for the investment of funds;
- 1.6. to manage Council's property assets in accordance with Council's policies (as applicable) and levels of service determined under contract with the Council;
- 1.7. to comply with all legislative and regulatory provisions relating to its operations and performance;
- 1.8. to ensure all assets owned by it are maintained to the best applicable standards;
- 1.9. to maintain an effective business continuance plan;
- 1.10. to maintain a register of current Council policies relevant to its business and operations.

These objectives will be monitored and where in conflict, these objectives will be pursued giving greater weight to the interests of maximising value to the shareholders provided that in relation to the provision of social housing, value to the shareholders include will include the consideration of social value.

B. Board's Approach to Governance of the Company

1. This council-controlled organisation is a company registered under the Companies Act 1993 and is governed by the requirements of that Act and the Local Government Act 2002. It also has responsibilities under the general law including the Resource Management Act 1991.
2. The Board will require the unanimous approval of all Board members (except where members are conflicted and so absent from voting) for:
 - 2.1. employment of staff and creation of new positions outside of resolved budget limits;
 - 2.2. extraordinary transactions (entering into any contract or transaction except in the ordinary course of business);
 - 2.3. delegation of Directors' powers to any person;
 - 2.4. major transactions (entering into any major transaction);
 - 2.5. disputes (commencing or settling any litigation, arbitration or other proceedings which are significant or material to the Company's business)
 - 2.6. borrowings in a manner that materially alters the Company's banking arrangements, advancing of credit (other than normal trade credit) exceeding \$5,000 to any person except for making

- deposits with bankers, or giving of guarantees or indemnities to secure any person's liabilities or obligations;
- 2.7. sale of assets (sell or dispose of fixed assets for a total price per transaction exceeding \$100,000 or a series of transactions aggregated exceeds \$300,000); and
 - 2.8. capital expenditure (other than in the ordinary course of doing business) at a total cost to the Company, per transaction, exceeding \$100,000 or a series of transactions aggregated exceeds \$300,000.
3. The Board will require the agreement of the shareholder for:
- 3.1. any changes to the constitution;
 - 3.2. any increases in capital and the issue of further securities, share buybacks and financial assistance;
 - 3.3. any alteration of rights attaching to shares;
 - 3.4. any arrangement, dissolution, reorganisation, liquidation, merger or amalgamation of the Company; and
 - 3.5. any "major transactions" as that term is defined in the Companies Act 1993.
 - 3.6. any short term reduction in the rental housing stock of more than 30 units for the purposes of any redevelopment project.

C. The Nature and Scope of the Activities to Be Undertaken By the Group

The principal objective of the Company is:

1. to own and operate a portfolio of rental housing to provide community housing for the elderly and socially disadvantaged in accordance with normal commercial guidelines and the housing policy of the Council.
2. to develop property in preparation for sale or lease, which are declared surplus to the needs of the Hutt City Council and which provide an appropriate return for the costs and risks of development.
3. to manage property and building assets of the Hutt City Council in accordance with the Council's policies (as applicable) and the terms and conditions of the contract for services agreed between the company and the Council.
4. to otherwise become involved in property-related transactions on a commercial basis that support the Shareholders' vision for the future development of the city

D. The Ratio of Consolidated Shareholders' Funds to Total Assets, And the Definitions of Those Terms

1. The target ratio for consolidated shareholders' funds to total assets is at least 50%. Consolidated shareholders' funds comprise share capital and accumulated reserves. Total assets comprise all tangible assets of the Company, the main component being housing and undeveloped land.

E. The Accounting Policies of The Group

1. The Financial Statements will comply with generally accepted accounting practice in New Zealand (NZ GAAP). They will comply with NZ IFRS and other applicable Financial Reporting Standards. The company will be run as a Public Benefit Entity. Financial statements will also comply with the Local Government Act 2002.
2. **General Accounting Policies** - Accounting policies adopted will be consistent with the New Zealand equivalent of International Financial Reporting Standards (NZ IFRS) issued by the Institute of Chartered Accountants of New Zealand.
3. **Particular Accounting Policies** -Recognition of Income - Revenue will be recognised when an invoice is raised after service is provided. Other transactions that comply with the definition of "Revenue" in the Statement of Concepts issued by the Institute of Chartered Accountants of New Zealand will also be recognised as revenue.
4. **Goods and Services Tax** -The financial statements will be prepared on a GST exclusive basis.
5. **Cash and cash equivalents** - Cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short term highly liquid investments with original maturities of three months or less and bank overdrafts
6. **Accounts Receivable** - Accounts receivable will be stated at net realisable value.
7. **Inventories** - Inventories will be stated at the lower of cost or net realisable value.
8. **Investments** – Investments will be stated at fair value.
9. **Property plant and equipment** -Property plant and equipment is shown at cost, less accumulated depreciation and impairment losses.
10. **Consolidation** - The purchase method will be applied to prepare the Consolidated Financial Statements (if required).
11. **Leases** - Cost of operating leases (if any) will be recognised as expenditure over the term of the lease.

12. **Borrowing** - Borrowing is recognised in the balance sheet on a fair value basis.
13. **Taxation** - The income tax expense will be calculated after allowance for permanent differences and any group loss offsets.

F. The Performance Targets and Other Measures by Which the Performance of the Company May Be Judged In Relation To Its Objectives

1. That the Company will meet the following measures:

Property Management

- 1.1. Net capital and operational expenditure within budget.
- 1.2. Achieve a gross return of 20% on expenses.
- 1.3. Resident satisfaction with public halls greater than or equal to peer average, subject to Council funding.
- 1.4. Resident satisfaction with public toilets greater than or equal to peer average within 5 years, subject to Council funding.
- 1.5. Tenant satisfaction with Council-owned community buildings greater than or equal to 90%
- 1.6. Council satisfaction with building management 90%.

Rental Housing

- 1.7. Net capital and operational expenditure within budget.
- 1.8. A gross return of 5% before interest and depreciation expenses.
- 1.9. Tenant satisfaction with the provision of the company's rental housing greater than or equal to 90%.
- 1.10. Percentage of total housing units occupied by elderly/socially disadvantaged greater than or equal to 85%.

Property Development

- 1.11. Net capital and operational expenditure within budget.
- 1.12. A minimum return in any one year of not less than 5% with an average over 3 years of not less than 10% on the value of assets held for development.

G. An Estimate of the Amount or Proportion of Accumulated Profits and Capital Reserves That Is Intended To Be Distributed To the Shareholders

1. There is no intention to pay a dividend in the 2011/2012 financial year or succeeding years.

THE KIND OF INFORMATION TO BE PROVIDED TO THE SHAREHOLDERS BY THE COMPANY DURING THE COURSE OF THOSE FINANCIAL YEARS, INCLUDING THE INFORMATION TO BE INCLUDED IN EACH HALF-YEARLY REPORT (AND, IN PARTICULAR, WHAT PROSPECTIVE FINANCIAL INFORMATION IS REQUIRED AND HOW IT IS TO BE PRESENTED)

1. In each year the Company shall comply with the reporting requirements specified for Council Controlled Trading Organisations under the Local Government Act 2002 and the Companies Act 1993 and regulations.
2. In particular, it shall provide:
 - 2.1. Annually report, within two months after the end of each financial year, which will include:
 - 2.1.1. A Statement of Intent detailing all matters required under the Local Government Act 2002;
 - 2.1.2. An annual budget for the coming financial year, broken out by the three major areas of operation; Rental Housing, Land Development and Property Management, including the assets employed and debt attributable to each area’;
 - 2.1.3. A report on the operations of the Company to enable an informed assessment of its performance including a comparison against budget and the Statement of Intent.
 - 2.1.4. Financial statements comprising the statement of financial position, profit and loss statement and cash flow statement.
 - 2.1.5. A business plan indicating the nature of property development it proposes to undertake and the range of investment and estimated return it proposes to achieve
 - 2.1.6. An assessment of the current market for rental housings and the appropriateness of the current housing portfolio to met the needs of the elderly and socially disadvantaged.
 - 2.2. Six-Monthly, within two-months of the end of the six month reporting period
 - 2.2.1. A report on the operations of the Company by the three major areas of operation to enable an informed assessment of its performance including a comparison against budget and the Statement of Intent.

2.2.2. Financial statements comprising the statement of financial position, profit and loss statement and cash flow statement.

2.2.3. Progress on activities outlined in the agreed business plan.

2.3. A quarterly report on operations within two months after the end of the quarter, including:

2.3.1. A schedule of commitments and contracts entered into including leases, and contracts for property development work to be undertaken.

H. The Procedures to Be Followed Before the Company Subscribes For, Purchases, or Otherwise Acquires Shares in Any Company or Other Organisation

Subscriptions for shares in any other Company or interest in any other organisation will require approval from the shareholders.

I. Any Activities for Which the Board Seeks Compensation from Any Local Authority (Whether Or Not the Local Authority Has Agreed To Provide the Compensation)

It is not anticipated that the Company will seek compensation from any local authority otherwise than in the context of normal commercial contractual relationships.

NB. If a council-controlled organisation has undertaken to obtain or has obtained compensation from its shareholders in respect of any activity, this undertaking or the amount of compensation obtained will be recorded in:

- a. the annual report of the council-controlled organisation; and
- b. the annual report of the local authority.

J. The Board's Estimate Of The Commercial Value Of The Shareholders' Investment In The Company And The Manner In Which, And The Times At Which, That Value Is To Be Reassessed (To The Extent That Is Appropriate Given The Organisational Form Of The CCO)

The Board will conduct an assessment of the value of shareholder's investment in the company. The assessment will be based on the net asset value shown in the company's annual report and updated as appropriate in line with the companies' status as a public benefit entity. The net shareholder's investment in the company is to remain at the 30 June 2009 level, ie \$11 million.

K. Any Other Matters That Are Agreed By the Shareholders and the Board.

There are no other matters.

L. Urbanplus Registered Office and Contact Details for key Officers.

Registered office : 30 Laings Road, Lower Hutt.

Contact details for both Chairman and Chief Executive are:

Private Bag 31912, Lower Hutt, phone 04 569 0720