WESTLAND HOLDINGS LIMITED

Destination Westland Limited
Westroads Limited

STATEMENT OF INTENT FOR THE THREE YEARS COMMENCING 1 JULY 2018

Contents

1. INTRODUCTION

This Statement of Intent ("SI") is prepared in accordance with Section 64 and Schedule 8 of the Local Government Act 2002.

The SI specifies for Westland Holdings Limited ("WHL") 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 SI is a public and legally required expression of the accountability relationship between the company and its sole shareholder, the Westland District Council ("WDC"). The SI is reviewed annually with the WDC and covers a three-year period commencing 1 July 2018.

WHL supports the vision of the Westland District Council: "We work with the people of Westland to grow and protect our communities, our economy and our unique natural environment."

2. COMPANY MISSION

Westland Holdings Limited supports Westland District Council's Vision of Westland, that "*they work with our communities, our economy and our unique natural environment.*"

3 THE OBJECTIVES OF THE COMPANY **LGA Schedule 8, 9 (1) (a)**

In addition to the requirements of section 59 of the Local Government Act 2002, the principal objectives of WHL are:

1. To monitor the performance of each subsidiary company.

2. To ensure that each subsidiary company has in place active and effective health and safety policies and procedures which provide a safe operating environment for all employees, contractors and affected parties.

3. To ensure that each subsidiary company operates economically and efficiently, and in accordance with an agreed SI, and to optimize the returns from, and the value of, the subsidiary companies within the parameters set by WDC.

4. To ensure, insofar as it is lawfully able and commercially practicable, that the SI of each of the subsidiary companies reflect the policies and objectives of WDC.

5. To keep WDC informed of matters of substance affecting WHL 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.

6. To ensure that there is regular and informative reporting of the financial and non-financial performance and risk exposures of WHL and the subsidiary companies.

7. To report to WDC on CCO establishment opportunities, and other investment opportunities that have the potential to enhance the economic well-being of the region and provide an adequate return.

8. To maintain and improve good governance by regularly and constructively appraising the performance of the subsidiary company directorates, maintaining an appropriate monitoring framework and informing WDC prior to the appointment of new directors.

9. To support Westland District Council to review or create policies relevant to the Company.

4. GOVERNANCE APPROACH LGA Schedule 8, 9 (1) (b)

WHL seeks to govern the group in a way that will ensure it:

- achieves the objectives of its shareholders, both commercial and non-commercial, and as detailed specifically in (3) above; and

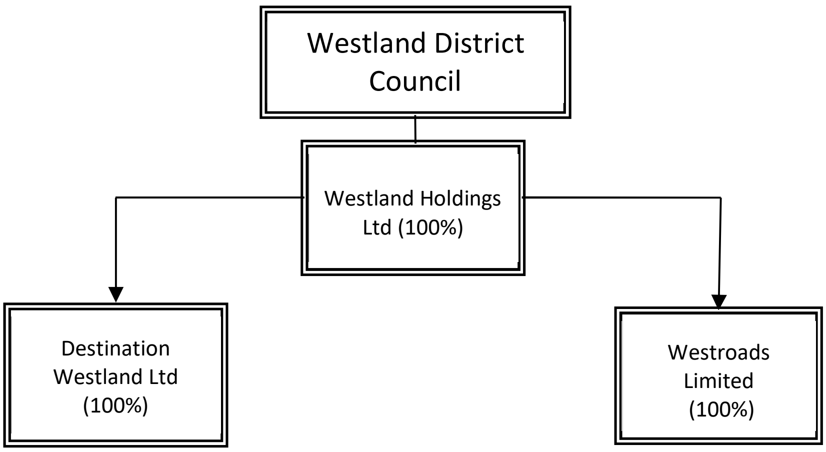
- is a good employer in accordance with S:36(2) of schedule 7 of the Local Government Act 2002 and

- exhibits a sense of social responsibility by having regard to the interests of the community in which it operates.

- exhibits a sense of environmental responsibility by having regard to the interests of the community in which it operates.

5. NATURE AND SCOPE OF ACTIVITIES LGA Schedule 8, 9 (1) (c)

WHL is a wholly-owned council-controlled organization ("CCO") of WDC, which was formed on 24 July 2002. WHL is the controlling entity that provides objective governance of the operating subsidiaries on behalf of WDC. The group structure is as follows:



The current Directors of WDHL are:

- Albert Brantley (Chair)
- Joanne Conroy
- Chris Rea

6. SHAREHOLDING LGA Schedule 8, 9 (1) (d)

- A shareholding investment in Destination Westland (DWL) of $4,629,000 representing 100% of DWL share capital.

- A shareholding investment in Westroads Limited ("WL") of $9,289,000 representing 100% of WL's share capital.

a) Ratio of Shareholders' funds to total assets.

Shareholders' 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 shareholders' funds to total assets shall not be less than 50% for the period covered by this SI. The appropriateness of this target ratio will be reviewed annually by the Directors.

7. ACCOUNTING POLICIES LGA Schedule 8, 9 (1) (e)

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZIFRS") and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities

The Reporting Entity for Accounting and Reporting purposes is Westland Holdings Ltd. The company has a balance date of 30th June.

8. PERFORMANCE TARGETS LGA Schedule 8, 9 (1) (f)

The following performance targets have been set for the 2018/2019 financial year, and the two years following:

RELATIONSHIP WITH WDC, AND OTHER GOVERNANCE ISSUES:

	Objective	Performance Target
1	To ensure that the financial targets and strategic direction of WHL are in line with the requirements of WDC.	A draft SI for WHL will be submitted for approval to WDC by 1 March each year. A completed SI will be submitted to WDC by 30 June each year.

Full and half year reporting to WDC.

Regular reporting of performance to the Finance and Risk Committee on at least a quarterly basis. More regular reporting may be required to ensure no surprises to WDC.

Reporting should consist of unique activities identified separately rather than being bundled into general activity groups.

	Objective	Performance Target
2	To ensure that WDC is kept informed of all significant matters relating to its subsidiaries on a "no surprises" basis.	At least two progress reports be made between to WDC in the financial year (in addition to reporting on specific issues), with at least one presentation made to Councilors. Reports will include financial and non-financial performance. Major matters of urgency are reported to the appropriate Council Committee or the CE of WDC within three days.
3	To ensure that WHL directors add value to the company and that their conduct is according to generally accepted standards.	The Chair will initiate an independent formal evaluation of the WHL directorate biennially, the first was undertaken in the 2013/14 year. The Company will review the training needs of individual WHL directors, and ensure training is provided where required.
4	WHL's process for the selection and appointment of directors to the boards of subsidiaries is rigorous and impartial.	The process followed for each appointment to a subsidiary board is transparent, fully documented and reported to WDC.

FINANCIAL

	Objective	Performance Target
5	To ensure that WHL returns a dividend to WDC in accordance with	WHL negotiates with WDC to pay an achievable distribution for the

	WDC's budgets and meets other financial targets.	2018/19 financial year prior to finalising WDC's budget.
6	To ensure that the subsidiary companies return a minimum acceptable dividend as per the SI of the subsidiary companies.	WHL meets its budgeted level of distribution income of $600,000 for the 2018/19 financial year.

SPECIFIC SUBSIDIARY MANAGEMENT AND SUPERVISORY FUNCTIONS:

	Objective	Performance Target
7	To ensure that WHL's procedure for appointment to subsidiary directorates are open and in accordance with written policy.	That the adopted Directors Policy be followed for any director appointments made.
8	To ensure that the draft subsidiary company SI's are received on a timely basis for review and comment.	Draft SI's are to be received by 14 February from the subsidiary companies.
9	To ensure that the final subsidiary company SI's are appropriate, measurable, attainable and timely.	Comment on the draft SI's within the statutory timeframe of 30 April each year.
10	To ensure that the final subsidiary company SI's are commercially focused documents, while also being compatible with the strategic aims of WDC to prudently manage these long-term community investments.	WHL will direct the subsidiary companies to produce commercially focused draft SI's that are cognizant of their responsibilities to the social and environmental needs of the communities of Westland. WHL will assess the alignment of the SI's with any specifically notified WDC strategic directive.
11	To ensure that the subsidiary company reporting is relevant and timely.	Subsidiary company SI's to incorporate specific reporting requirements in accordance with legislation and accepted practice. All activity reports and formal reporting will be done through the Chairman of WHL and the CE of WDC.

RISK MANAGEMENT PROCESSES:

	Objective	Performance Target
12	To ensure that there are adequate processes for the identification, assessment and management of the risk exposures of the subsidiary companies.	Subsidiary company SI's to incorporate specific statements regarding the processes for the management of risk exposures, including reputational risk.
	To ensure that subsidiary companies do not make decisions that could have significant implications for future Council funding.	Long term investment assessment is carried out for any new projects. These must be assessed and approved by Council prior to initiating significant projects.

Activities that are to be undertaken by WHL are:

- Negotiation of the individual annual SIs for the CCOs that it owns (the subsidiary companies).
- Negotiation of the annual SI between WDC as shareholder and WHL.
- Monitoring the performance of the subsidiary companies that WHL owns.
- Advice to WDC regarding potential CCO establishment opportunities.
- Maintaining a Register of Potential Directors including public advertising.
- Appointment and monitoring of the directors of the subsidiary companies.
- Hosting an annual shareholders' meeting.

The undertaking of any activity not provided for under this SI requires the prior approval of WDC, specifically:

- No subsidiary companies are to be formed by WHL without the prior approval of WDC.
- No shares are to be acquired by WHL or the subsidiaries without the prior approval of WDC.
- No shares held by WHL or the subsidiaries are to be sold or otherwise disposed of without the prior approval of WDC.

Over time, WDC may form other CCOs within the WHL structure. WHL is an obvious vehicle for holding the shares in these enterprises; however, it remains WDC's intention that the directors' 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 WDC group, it is anticipated that WHL will assist WDC in the identification and assessment of future opportunities.

9. DISTRIBUTION POLICY **LGA Schedule 8, 9 (1) (g)**

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 distribution does not limit WHL'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:

  i. The Directors are satisfied that the requirements of section 4 of the Companies Act (the "solvency test") have been satisfied,

  ii. The amount of the distribution does not exceed the amount of the net profit after tax, plus cash held in reserves, in the year to which the distribution relates, and

  iii. Total liabilities do not exceed 50% of the total assets.

WHL will endeavor to make distributions of $600,000 in the 2018/19 year.

10. REPORTING TO SHAREHOLDERS **LGA Schedule 8, 9 (1) (h)**

WHL will provide the following information in order to enable the shareholders to make an informed assessment of the Company's performance.

a) An annual SI in accordance with Schedule 8 of the Local Government Act 2002 Draft delivered by 1st March, Shareholders comments returned by 1st May, completed Statement of Intent after consideration of Shareholders comments delivered by 30 June and made available to public one month following delivery to shareholders.

b) A half-yearly financial and progress report in accordance with Section 66, 67 and 71 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. Delivered to shareholders no later than 28th February.

c) An annual report in accordance with Section 67 and 71 of the Local Government Act 2002 and the GAAP reporting requirements prescribed from time to time by the Institute of Chartered Accountant of New Zealand, and any other information that the Directors deem appropriate. To be delivered to shareholders by 30th September and no later than 20 days prior to the company's AGM

d) An annual Shareholders meeting to be held by 31st December each year with not less than 10 days' notice to shareholders.

11 ACQUISITION PROCEDURES **LGA Schedule 8, 9 (1) (i)**

If the Directors believe they should invest in or otherwise acquire any interest in any other organisation they shall obtain the prior approval of the shareholders by special resolution unless the total cost is less than $500,000. In this case prior approval is not required but shareholders will be advised within 10 working days.

12 COMPENSATION **LGA Schedule 8, 9 (1) (j)**

Currently there are no activities for which compensation will be sought from WDC

13 ESTIMATE COMMERCIAL VALUE OF WHL **LGA Schedule 8, 9 (1) (k)**

The value of WHL has been defined as the estimated value of shareholders' funds as at 30 June 2018.

This value is estimated to be $13,868,000.

The value ascribed to shareholders' 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 SI.

14 OTHER MATTERS **LGA Schedule 8, 9 (1) (l)**

WHL's directors are appointed by the shareholders to govern and direct WHL's activities. The shareholders expect this responsibility to include such areas of stewardship as:

- Commercial performance
- Non-commercial performance
- Business plans and budgets
- Corporate policies
- Financial and distribution policies
- Management oversight and development
- Delegations or authority
- Identification and management of business risks
- Identification and management of business opportunities
- Internal control systems
- Integrity of management information systems
- Relationships with stakeholders and external parties
- Compliance with relevant law
- Reports to shareholders

DESTINATION WESTLAND LIMITED
STATEMENT OF INTENT

FOR THREE YEARS COMMENCING 1 JULY 2018

Contents

Introduction

This Statement of Intent (SOI) is prepared in accordance with Section 64 and Schedule 8 of the Local Government Act 2002 and outlines the overall objectives and forecasts for Destination Westland for the three years from 2018.

1. Company Mission Statement

To manage and grow council's aviation, property assets and services; and develop other commercial opportunities for the maximum benefit of Westland Ratepayers.

2. The Objectives of the Company

Commercial

a. Research and develop new opportunities
b. Provide quality, efficient and cost-effective services on a commercially competitive basis.
c. Conduct business in a professional manner in accordance with the mandate and constraints given by council in this SOI.

Development

d. Grow and diversify revenue streams from existing activities.
e. Seek out opportunities for new revenue streams.
f. Be enabling for partnership in new activities.
g. Enhance the value of the shareholders' investment.

Safety

a. To make safety an essential component of all we do.
b. To further develop and maintain safe working practices
c. To promote safety training and awareness as a key principle.

Community

a. Be a good employer
b. Consider social and environmental impacts in decision making.
c. Promote social well-being and community support.
d. To respect, protect and enhance our historical and cultural heritage for the community of Westland.

3. Governance

The Directors of Destination Westland are appointed to govern and direct the company's activities, and have the following roles:

1. Strategic vision and governance.
2. Develop strategy implementation plans with management, to ensure consistency with vision and governance objectives.
3. Financial planning and management to achieve strategic and governance objectives.
4. Company management performance monitoring and review.

5. Manage relationships with shareholders, stakeholders and external parties at a governance level.

The company is governed by a Board of four directors appointed by Council:

- Ian Hustwick (Chair)
- Pauline Cox
- Richard Benton
- Latham Martin

The Board was initially appointed on 1 January 2017 for the period until the AGM in October 2017, at which they were reappointed.

4. Structure and Activities

The company structure is outlined in appendix B

1. Aviation
   a. Compliance with the appropriate CAA rules and regulations.
   b. Health and Safety plans for designated aviation areas are adhered to.
   c. Management of the Hokitika Airport and associated infrastructure.
   d. Management of the Glacier Country Heliport and associated infrastructure.
   e. Consider the role of Hokitika Airport in civil defence.

2. Facilities
   a. Manage, maintain and grow WDC Strategic Assets as per the Management Agreement.
   b. Manage, maintain and grow the company's assets

3. Property
   a. Manage and monitor all company leases and licenses
   b. Seek opportunities for Portfolio development
   c. Establish and implement a scheduled maintenance programme for Council and Company properties.
   d. Manage the non-aviation activities at Hokitika Airport

4. Events
   a. Manage and enhance existing events.

Development Activities

1. Aviation
   a. Seek and enable expansion of commercial and tourism aviation activities at Hokitika Airport.
   b. Consider improvements to airport facilities to enhance the customer experience.
   c. Seek and enable expansion of activities at Glacier Country Heliport
   d. Investigate and consult on the formation of a heliport at Fox Glacier

e. Investigate additional aviation related activities both in content and location in Westland.
f. Develop a new Hokitika Airport Master Plan which clearly defines the future growth and expansion of the airport asset

2. Facilities
   a. Investigate elderly housing opportunities.
   b. Consider and accept further appropriate council assets for management
   c. Look for new or partnership opportunities to enhance the facilities available to Westland ratepayers.

3. Property
   a. Investigate opportunities for expansion of revenue generation from property.
   b. Seek opportunities to increase occupations on unformed legal road.
   c. Investigate gravel extraction from Westland rivers for revenue and river control.
   d. Implement asset management plans for all property assets.
   e. Consider further appropriate council service activities for management.
   f. Expand the non-aviation commercial activities at Hokitika Airport.

4. Events
   a. Identify and evaluate other event opportunities.

5. Performance Targets

The Company will report annually to shareholders on the following performance indicators:

Financial performance measures:

a. The ratio of net profit before taxation and revaluations (before extraordinary items) to average shareholder funds within a range of 1% and 6% for the year commencing 2018/2019
b. The ratio of net profit before taxation and revaluations to average total assets (including any revaluation) of 1% for the year commencing 2018/2019
c. Compliance with statutory and regulatory requirements enabling Destination Westland, Westland Holdings Limited and Westland District Council to comply with the Local Government Act 2002, Health & Safety & Employment Act 1992 (with amendments), the Companies Act 1993 (with amendments) and the Financial Reporting Act 1993 (with amendments).

Non-Financial Service performance measures:

a. Aged Care occupancy:
   Target: annual percentage occupancy to be no less than 95%.
b. Swimming pool:
   Target: annual total admissions to be within 5% those of the previous year. Note: 2017/2018 admissions = 16,849 (as at 15 June 2018)
c. Baches on Road Reserve:
   Target: annual number of licenses to occupy to be greater than 70.
d. Jacksons Bay Wharf:

Target: annual percentage of commercial fishing vessels who use the wharf with Licenses to occupy = 90%

e. Leasehold properties:
Target: annual percentage of leasehold properties available for lease = 80%
f. Tenant satisfaction:
Target: Tenant satisfaction with the provision of the company's aged care rental housing greater than or equal to 90%.
g. Time loss through injury
Target: Loss Time Injuries will be 0
h. Annual CAA audit and findings
Target: Nil findings
i. Aircraft Movement statistics
Target: within 5% of previous year (2016/2017) 3,929
j. Passenger numbers through terminal.
Target: within 5% of previous year (2016/2017) 39,806 Pax

6. Shareholders' Funds to Total Assets

- The ratio of shareholder funds to total assets shall be greater than 60 percent.
- Shareholder funds are defined as the paid-up capital, plus any tax paid profits earned, and less any dividends distributed to shareholders. They include undistributed profits which have been accumulated in accounts known as Revenue or Capital Reserves.
- Total assets are defined as the sum of all current assets, fixed assets, intangible assets and investments of the Company.

7. Distribution Policy

Distributions will be paid, either by way of dividends to Westland Holdings Limited or subvention payment to Westland District Council, as agreed with Westland Holdings Limited.

The degree of profit retention/distribution will be agreed annually with Westland Holdings Limited, and included in the annual Statement of Intent, subject to the following criteria:

A subvention payment is defined as a payment based on a dollar for a dollar of tax loss.

- The amount of any distribution considers Destination Westland Limited's ability to fund future capital expenditure requirements, to maintain and expand its operations, or to address matters related to the debt structure of the Company.
- Total liabilities not to exceed 30% of the total assets without the approval of Westland Holdings Ltd.

8. Capital Expenditure

Capital expenditure will generally be related to the development of existing land and property but will also be considered from time to time in relation to strategic asset developments or acquisitions for the benefit of Westland District and the Company.

The approval of Westland Holdings Limited must be obtained for any significant purchases or asset developments, including the funding mechanism for the purchase or development, in excess of $500,000. This figure is to be calculated based on the complete cost of a project, even if the expenditure is spread over more than one year and comprises multiple transactions.

9. Acquisition of Other Interests

The Company will not subscribe for, purchase, or otherwise acquire shares in any company or other organization without first being authorized to do so by a special resolution of shareholders.

10. Sale and Disposal of Assets

The Company will not sell or dispose of any company assets exceeding $20,000 in value without first being authorized to do so by a special resolution of shareholders.

11. Commercial Value of Shareholders Investment

The Directors estimate that the commercial value of the shareholders' investment in Destination Westland Limited will be represented by the opening balance of shareholders' funds. The Directors will advise the shareholders on an annual basis if they believe the value to differ materially from this amount

The value of the investment will be reassessed every three years by evaluating movement in asset values. Changes to land and improvements as recorded on the tri-annual government valuations.

The Directors may elect to revalue land improvements and investments on an annual basis in line with current Audit New Zealand policy.

12. Risk Management

The Company shall complete and document a risk management analysis together with strategies for mitigation of these risks.

The Company shall adopt and regularly review a communications policy. (Adopted 12 June 2013 and reviewed in February 2018.)

The Company shall work with WDC to agree on formal communication protocols to improve communication with Council's elected representatives, relevant staff and stakeholders.

A formal Fraud Policy will be documented, and all Directors and staff are to be aware of this policy. (Adopted 10 September 2013 and reviewed in December 2016 and February 2018.)

13. Reporting to Shareholders

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

13.1 Draft Statement of Intent

On or before the 14th February of each year, the Directors shall deliver to the shareholders a Draft Statement of Intent, with tracked changes, in accordance with the requirements of Clause 9 Schedule 8 of the Local Government Act 2002.

13.2 Completed Statement of Intent

On or before the 15th of June each year, the Directors shall deliver to the shareholders a Final Statement of Intent in accordance with Clause 9 Schedule 8 of the Local Government Act 2002.

13.3 Half Yearly Financial Report

Within two months after the end of the first half of each financial year, i.e. 28 February, the Directors shall deliver to the shareholders an unaudited report containing the following information:

a) A Revenue Statement disclosing actual and budgeted revenue and expenditure and comparative figures for the same period in the previous year.
b) A Statement of Financial Position at the end of the half year i.e. 31 December.
c) A commentary on the results for the six months together with a report on the outlook for the second six months with reference to any significant factors that is likely to have an effect on the Company's performance. This commentary is to also include an estimate of the financial result for the year under review.
d) A copy of the Audit New Zealand management report for the previous year.
e) A non-financial performance report.

13.4 Quarterly Report

Between the annual report and half yearly report Destination Westland will:

a) Deliver to WHL a quarterly copy of the management accounts.

13.5 Annual Report

By 30 September each year, the Directors shall deliver to the shareholders an annual report and audited financial statements in respect of the financial year ending on the preceding 30 June, containing the following information as a minimum:

a) A Directors' report including a summary of the financial results, a review of operations, a comparison of performance in relation to objectives and any recommendation as to dividend.
b) A revenue statement disclosing actual and budgeted revenue and expenditure, and comparative figures in second and subsequent annual reports.
c) A statement of financial position at the end of the year.
d) A statement of cash flows.
e) An auditor's report on the above statements and the measurement of performance in relation to objectives.
f) A non-financial performance report.

13.6 Annual Budget

An annual budget shall be provided in particular terms for the coming financial year and in general terms for the following two years, at such a time to enable it to be included within the Draft Annual Plan for the Westland District Council. This budget shall accompany the half yearly financial report.

14. Accounting Policies

The financial statements of Destination Westland Limited will be prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with New Zealand generally accepted accounting policies to the extent that is practicable without disclosing commercially sensitive information that, in the view of the Directors, would be of value to competitors. (See Appendix A for Accounting Policy details.)

15. Commercial Value of Shareholders Investment

The commercial value of the shareholders, being Westland Holdings Limited, investment in Destination Westland Limited is estimated at $4,400,000 and this value will be verified by way of external valuation.

16. Sale of Goods/Services to Local Authority

It is considered likely that Destination Westland Limited will carry out some activities for which the Board will seek compensation from Westland District Council, Westland Holdings Limited or its subsidiaries. These charges could be related to the sale, rental or leasing of property owned or managed by the Company or by Council or any other services as required. Any compensation received and details of the undertaking will be reported in the annual report of Westland Holdings Limited as well as the annual report of Westland District Council.

Any commercial activities carried out for and or by Destination Westland Limited in relation to Westland District Council, Westland Holdings Limited or its subsidiaries will be at market rates.

17. Financial Forecasts

Budget under discussion.

	Forecast	Forecast	Forecast
	2018/2019	2019/2020	2020/2021
Gross Revenue	3,280,490	3,674,149	4,115,047
Cash Operating Expenditure	3,117,940	3,445,324	3,807,083
Depreciation	154,000	154,000	154,000
Trading Profit/(Loss) before Taxation	8,550	74,825	153,964
Subvention Payment			
Net Profit/Loss before Taxation	8,550	74,825	153,964
Taxation	2,394	20,951	43,110
Dividend			
Shareholder Funds	4,417,000	4,423,156	4,477,030
Retained Earnings	6,156	53,874	110,854
Closing Shareholder Funds	4,423,156	4,477,030	4,587,884
Pretax Return on Shareholder Funds	.194%	1.692%	3.439%

Appendix A

Accounting Policy Details

Basis of Preparation

a. Statement of compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZIFRS") and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities.

b. Measurement base

The financial statements have been prepared on a historical cost basis except for the revaluation of investment property.

c. Functional and presentation currency

These financial statements are presented in New Zealand dollars ($), which is the Company's functional currency. All financial information presented has been rounded to the nearest thousand.

d. Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The only material judgment or estimate applied in these financial statements is that the company expects to recover the cost of its investment in development land.

Significant Accounting Policies

Accounting policies set out below are to be applied consistently to all periods presented in the financial statements. The following particular accounting policies which materially affect the measurement of financial results and financial position are to be applied:

a. Investment Property

Properties leased to third parties under operating leases are classified as investment property.

Investment property is measured initially at its cost, including transaction costs. After initial recognition, all investment property is measured at fair value as determined annually by an independent valuer. Gains or losses arising from a change in the fair value of investment property are recognised in the surplus or deficit.

b. Property, Plant & Equipment

i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

iii) Depreciation

Depreciation is recognised in the profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

c. Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any objective evidence of impairment.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the profit or loss.

i) Impairment of receivables

The recoverable amount of the Company's investments in receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

Impairment losses on an individual basis are determined by an evaluation of the exposures on an instrument by instrument basis. All individual instruments that are considered significant are subject to this approach.

For trade receivables which are not significant on an individual basis, collective impairment is assessed on a portfolio basis based on numbers of days overdue, and taking into account the historical loss experience in portfolios with a similar amount of days overdue.

ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, being property plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in the profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

d. Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Inventories include development properties that are being developed for sale. These properties are measured at the lower of cost and net realisable value and the cost includes development costs to date.

e. Financial instruments

The Company categorizes its financial assets as loans and receivables, and its financial liabilities as being at amortised cost (trade and other payables).

i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. The company's loans and receivables comprise: cash and cash equivalents, and trade and other receivables.

Loans and receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less impairment.

ii) **Trade and other payables**

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

iii) **Cash & cash equivalents**
Cash and cash equivalents comprise cash balances and call deposits.

iv) **Trade & 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.

v) **Borrowings**
Borrowings are initially recognised at their fair value net of transaction costs, and subsequently measured at amortised cost using the effective interest method.

f. Goods and services tax (GST)

All items in the financial statements are exclusive of goods and services tax (GST) with the exception of receivables and payables which are stated with GST included. Where GST is irrecoverable as an input tax then it is recognised as part of the related asset or expense.

g. Leased assets

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised on the Company's balance sheet.

h. Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

i. Revenue

i) Leases
Lease income from property is recognised in the profit or loss on a straight-line basis over the term of the lease.

ii) Services
Revenue from services rendered is recognised in the profit or loss in proportion to the stage of completion of the transaction at the reporting date.

j. Lease payments

Payments made under operating leases are recognised in the profit or loss on a straight-line basis over the term of the lease.

k. Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit or loss except to the extent that it relates to items recognised directly in other comprehensive income or equity, in which case it is recognised in other comprehensive income or equity.

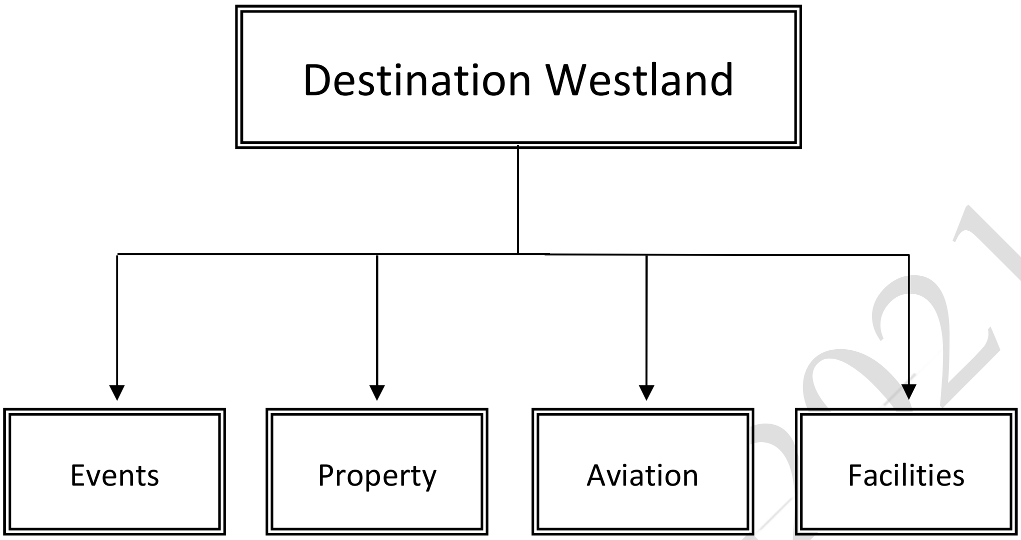
Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

Appendix B

Company Structure



Group Structure