



Statement of Intent
For the Year Ending 30 June 2024

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1. INTRODUCTION

This Statement of Intent (Sol) is prepared in accordance with Section 64(1) of the Local Government Act 2002.

The Sol specifies for Gisborne Holdings Limited (GHL or the Company) 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 Company may be judged in relation to its objectives, amongst other requirements.

The Sol is a public and legally required document, reviewed and agreed upon annually with the Shareholder, Gisborne District Council (GDC), covering a three-year period. This Sol covers the period from 1 July 2023 to 30 June 2026.

2. COMPANY MISSION

Using our unique commercial position, skills and relationship with GDC to make Tairāwhiti a better place.

GHL is the commercial partner of GDC and the region's investment partner. Our mission is to provide commercial solutions to regional issues that other entities may find challenging to invest in, maintaining a best-for-region approach.

3. COMPANY OBJECTIVES

GHL's objective is to support the Council's strategic visions outlined in GDC plans (such as the LTP and Spatial Plan 2050) in our investments while providing an economic return for GHL. We will consistently maintain a best-for-region approach in everything that we do.

4. NATURE & SCOPE OF ACTIVITIES

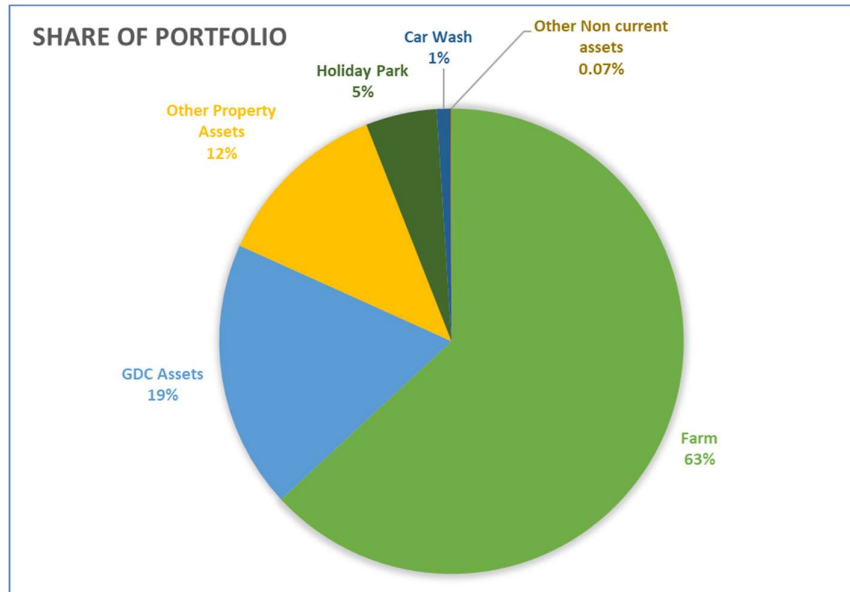
GHL is a wholly-owned council-controlled trading organisation of GDC. The company is run commercially and receives no funding from GDC.

GHL will:

- Grow assets to broaden its asset base, with a strong preference for productive investments in Tairāwhiti, intending to provide a diversified and growing income stream for GHL and, in turn, Council.
- Own and manage the investment assets and liabilities transferred to it by Council occasionally.
- Encourage and facilitate divisions to increase shareholder value and regional prosperity through growth, investment, and dividend payments.
- Ensure it acts in a manner aligned with GDC's Purpose Statement and agreed principles.
- Invest in equity investments providing long-term commercial returns and providing a regional benefit.
- Invest in assets providing long-term commercial returns and also provide a regional benefit.
- Ensure that best practice governance procedures are applied to the investments under GHL's ownership.
- Monitor the performance of each division against their stated economic, environmental, and social performance objectives and against relevant benchmarks, ensure that they have proper governance procedures in place, and promote sustainable business practices.
- Advise Council on strategic issues relating to its investments, including, but not limited to, ownership structures, capital structures and rates of return.
- Perform financial, custodial, and other functions required by Council, which may include:
 - Enabling diversification of the Region's income streams for the benefit of ratepayers.
 - Enhancing Council's capability to manage an active investment policy.

Currently, GHL's assets consist of:

- Commercial Property & Projects – manages a large and diverse portfolio of commercial, tenant-occupied rentals, farmland, and forestry property. This division is also responsible for project managing all the company's developments.
- Tauwharepare Farms & Livestock – farm and forestry operations at Tolaga Bay covering some 11,500 hectares, of which 4,200 is considered effective, with the remainder in forestry blocks and Protected Management Area's (PMA's).
- Waikanae Beach Top 10 Holiday Park – the region's largest accommodation provider, serving the tourism sector.
- Wash'n Go – easy-pay cashless auto and self-wash facility.



5. CLIMATE CHANGE

GHL will start the process of aligning to GDC's Climate Change Strategy 2050.

GHL will begin to measure its environmental impact in its operations.

GHL will include the environmental impact in any future investments/ projects and look to operate in a way that reduces carbon emissions where possible.

GHL will assess any climate change risk and mitigate this risk where possible.

6. CORPORATE GOVERNANCE

Board Role and Responsibility

While GHL is under the Service review and developing of the new five-year Strategic Plan, the Chair is operating as managing Director. However, when there is an appointed CE, the Board will then delegate to the Chief Executive the day-to-day leadership and management of the Company.

Statement of Intent (SOI)

GHL, as a Council Controlled Trade Organisation (CCTO) must prepare an SOI in accordance with Section 64(1) of the Local Government Act 2002.

The Board

The Company's Constitution provides that the Board will consist of a maximum of nine Directors (unless the Shareholder determines otherwise). Currently, the Board comprises five Directors.

Directors retire and are eligible for re-appointment by rotation in accordance with the company's constitution. GDC's Board Appointments and Remuneration Policy (October 2018) further defines appointment tenures and re-

appointment eligibility criteria. The names of directors due for retirement or re-appointment are provided to GDC by 31 March each year prior to the date of appointment or re-appointment.
The Board meets regularly as required.

Alignment with the Gisborne District Council Group

The Board or a Director may act in a manner they believe to be in the best interest of the Council, even when it may not be in the best interests of GHL. This is in accordance with the Constitution, section **12.4**.

Board Performance Review

Internal reviews will be led by the Chair. The reviews will not be less than biennial.

Finance and Audit Committee

The Board has established a Finance and Audit Committee to oversee the Company's financial reporting processes, internal control systems, and external audit processes.

7. RISK MANAGEMENT

The Board and Management are committed to growing GHL to increase returns to GDC. They will continue to act prudently.

GHL will proactively manage all risks, including strategic, financial, operational, and reputational risks (including the risk of fraud and corruption).

GHL will report to and appear before the GDC Audit and Risk Committee as requested to report on risk management activities, the effectiveness of risk management processes, etc.

GHL will also proactively report on all significant risks and issues and their management to ensure no surprises, transparency and that the significant risks are appropriately managed.

8. REPORTING TO SHAREHOLDERS

GHL will comply with all the reporting requirements under the Local Government Act 2002 and provide further information requested by the Shareholder.

Statement of Intent (SOI)

In accordance with Section 64(1) of the Local Government Act 2002, the Company will submit to the Shareholder a draft SOI by 1 March for the coming financial year. The SOI sets the objectives, activities, intentions, financial and performance targets.

Annual Report

GHL will submit an Annual Report to the Shareholder in accordance with Section 67 (Annual report), Section 68 (Content of reports on operations of council-controlled organisations), Section 69 (Financial statements and auditors report) and Section 71 (Protection from disclosure of sensitive information) of the Local Government Act 2002.

Interim Report

GHL will provide a half-yearly report to the Shareholder in accordance with Section 66 (Half-yearly report) and Section 71 (Protection from disclosure of sensitive information) of the Local Government Act 2002. The half-yearly report is required to comply with NZIAS34 - Interim Financial Reporting requirements.

No Surprises

Through attendance at the Finance and Performance Committee meetings, the company will work collaboratively with its Shareholder to ensure a "no surprises" relationship regarding any significant shareholder matters, to the extent possible in the context of commercial sensitivity and confidential agreements. Insofar as it is practical and reasonable in the directors' opinion, the company will provide the opportunity to comment on such matters before taking any action.

Engagement

Engagement required ranges from informing and consulting to seeking approval based upon the Director's assessment of:

- a) Decisions that potentially affect all or a large part of the Gisborne district.
- b) Decisions that potentially adversely affect a specific community, including the Maori community.
- c) Decisions which relate to matters that are of wide public interest.
- d) Decisions which impact the Council's financial strategy, delivery of the Long-Term Plan and intended levels of service (unless the impact is minor or has been agreed upon by the Council through the Sol process).
- e) Decisions which will expose the Council to an increased level of risk.

Any matter requiring Council approval will be submitted formally through a written report to the Finance and Performance Committee to align with Council's reporting calendar and the associated deadlines.

GHL will report to GDC on CCTO establishment opportunities and other investment opportunities that can enhance the region's economic well-being and provide an adequate return. The company will also contribute to the best-for-region project in collaboration with Gisborne District Council and Trust Tairāwhiti within reasonable commercial return expectations.

9. RELATED PARTY TRANSACTIONS

Transactions between GHL and subsidiary companies with GDC will be conducted on a wholly commercial basis, and compensation for any services provided by GHL to GDC will be conducted on a wholly commercial basis.

Assets transferred to GHL from GDC will be transferred at an independently assessed market value.

10. FINANCIAL

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 75% for the period covered by this Sol. The appropriateness of this target ratio will be reviewed annually by the Directors.

Financial Targets

	FY24	FY25	FY26
EBIT (Earnings Before Interest & Tax)	\$0.6m	\$2.3m	\$7.6m
NPAT (Net Profit After Tax)	(\$0.1m)	\$1.3m	\$5.7m
Debt/ (Debt + Equity)	14%	10%	10%
Net Assets to Total Assets	82%	92%	92%
Interest cover	4	4	4
ROE (Return on Equity)	-0.1%	1%	4.3%
ROA (Return on Assets)	-0.1%	1%	4.6%

EBIT & NPAT

The Sol period shows an increase in EBIT & NPAT in year three linked to the reshaping of GHL's portfolio.

Debt management

If opportunities to borrow from the Local Government Funding Agency (LGFA) arose, GHL would ensure its Treasury Management Policy and Lending Policy Covenants aligned with Council's policy where applicable. In addition, quarterly written reports would be submitted to GDC's Audit and Risk Committee, showing conformance to the policy.

Dividend payment

The Board will determine the dividends payable after considering the Company's funding requirements and the requirement to meet the solvency test under the provisions of the Companies Act 1993.

The Directors have had PWC model the GHL business, and they have considered the dividend policy and, having regard for the current financial position and the investment over the forecast period, PWC consider a 50% of operating cash flow to be sustainable.

Estimate Commercial Value of the Company

The Directors estimate the commercial value of the shareholders' investment in GHL to be no less than the shareholders' funds.

The value ascribed to shareholders' funds will be that stated in the annual Statement of the Financial Position of the company as at the end of the financial year preceding each SOI.

Major Transactions

The Directors will obtain prior approval, by Gisborne District Council resolution, for any major transaction. Major transactions are:

1. Sale of land.
2. Formation of a subsidiary company or joint venture.
3. Transactions for acquiring or disposing of fixed assets, carbon credits, investments and shares where the value exceeds \$5m. This does not include ongoing asset renewals, which are in accordance with the Asset Management Plan. This also excluded regular livestock sales or forestry harvesting decisions in line with normal farm management practices.
4. Long-term (15+ years) lessee agreements.
5. Any transaction or dealing in relation to a strategic asset*:
 - a. Reducing control over the asset.
 - b. Reducing or materially affecting the value of the asset.
 - c. Granting any legal interest in the asset to a third party.
 - d. Affecting the CCTO's or Council's ownership of the asset.
 - e. Any long-term (15+ years including any renewals) contracts for developing or operating a strategic asset.

* GHL defines strategic assets as per the Local Government Act 2002.

Accounting Policies

GHL will adopt accounting policies consistent with New Zealand International Financial Reporting Standards, generally accepted accounting practice and the policies adopted by the Gisborne District Council's Group.

11. TARGETS

Performance targets relate to the year represented by this Statement of Intent.

Activity	Objective	Measure
Property Portfolio	Assets are maintained/upgraded in a timely, cost-effective manner.	Management and Maintenance plans are reviewed annually to ensure maintenance work is undertaken and priorities reassessed as required.
Managed Portfolio	Generate commercial returns across the portfolio sufficient to protect and grow the capital base and contribute towards funding Council's operating costs.	Gross return of >= 6% per annum. Minimum cash yield >= 2% per annum.
Customer Satisfaction	Customers are satisfied with the service provided by the park staff and the facilities provided.	Positive Net Promotor Score (NPS) based on an annual customer survey.
Governance	Communicate with the shareholder on a 'no surprises' basis.	Major matters of urgency are reported to Council at the earliest opportunity.
Environmental	Reduce company-wide GHG emissions.	Measure emissions to establish starting point.
Health & Safety	Maximise safety across all divisions.	Health and Safety Calendar is reviewed annually and adhered to. The Annual Improvement Plan is agreed upon annually.
Employee	Measure staff satisfaction.	Completing staff satisfaction survey.