

BULLER HOLDINGS GROUP

STATEMENT OF INTENT

FOR THE YEAR ENDED 30 JUNE 2027

1. Preamble

Buller Holdings Limited (BHL) was set up in September 2007 as a Council controlled trading organisation with WestReef Services Limited (WSL) as its only subsidiary. Buller Recreation Limited (BRL) (trading as the Pulse Energy Centre) was purchased from the Buller District Council (BDC) in 2009 and Westport Harbour Limited in 2010. Westport Harbour Limited was wound up as a company in 2018 by Council resolution. BDC is the sole shareholder of BHL. Information on the parent (BHL) and subsidiaries - WSL, BRL and Group are included in this Statement of Intent.

Buller Holdings Limited

BHL's goal is to provide a commercial focus in the governance and management of the shareholder assets and proactively search for commercial opportunities that will allow for sustainable returns on behalf of the ratepayers and provide benefits to the wider community.

In 2023 The company purchased land to develop a workshop and administration area and lease it back to WSL at a commercial return. The projections for this project are included in this Statement of Intent (SOI).

BHL and subsidiaries are council-controlled organisations for the purposes of the Local Government Act (2002) and are required to have a Statement of Intent that complies with Schedule 8.

The SOI is prepared in terms of the Act and clause 22.1 of the Constitution of Buller Holdings Limited and sets out the activities and intentions of the Group of Companies for the year ending 30 June 2027.

The Group will update the SOI annually and deliver a draft to shareholders before 1 March each year and a completed SOI by 30 June each year.

WestReef Services Limited

WSL is the largest civil construction and maintenance company operating in the Buller District and is the BDC's preferred contractor.

The company is community and customer focused with the financial objective of achieving a competitive rate of return on investment. WSL ensures quality maintenance outputs and operation of the Council's infrastructure. The Company is committed to identifying, developing, and implementing opportunities for increasing external revenue to continue to provide benefits and dividends to the Buller ratepayers.

WSL also has a particular focus on staff well-being and on health and safety. WSL has both ISO 45001 and TSQ1 Health and Safety accreditation.

Buller Recreation Limited

BRL was established to purchase the Pulse Energy Recreation Centre from BDC and to fulfil a service contract with Council for the provision of recreation services to the Buller community.

BRL continues to enhance the quality of life for the community with high quality recreation facilities (in Westport & Reefton), services, and experiences.

Outlook

The general economic outlook for 2027 looks challenging due to the effects of the unrest in the Middle East. Interest rates and inflation are expected to increase in the short term. Civil construction outlook is uncertain with increases in costs driven by fuel increases and inflation. This type of environment is generally challenging for civil construction. WSL will remain focused on efficiency and cost control to manage operations as effectively as it can in this environment.

BRL continues to enjoy strong patronage for a community of our size, reflecting the value residents place on our facilities and services. Like many organisations, we are experiencing increased operating costs, including insurance, electricity, and wages. These pressures have contributed to higher deficits and have particularly affected the aquatic facility, which carries significant fixed costs. Despite this, BRL remains proactive in seeking opportunities to further grow patronage and diversify revenue streams. While these are nearing their natural limits within our community, user fees were adjusted in 2025 to support ongoing service delivery.

To ensure we can continue to provide high-quality recreation services, the recreation service fee is planned to increase to just over \$1 million in this SOI. This adjustment responds to inflation-driven cost increases and supports the long-term sustainability of BRL's offerings to the community.

For 2027 WSL will focus on the depot development and relocation project (capital estimates are included in this SOI). The Company will work closely with Council and remain responsive to all tendering and project opportunities as they arise.

BHL has provided for a \$1,100,000 distribution to the shareholder in 2027 provided it complies with the group distribution policy and is subject to meeting all budgeted revenue targets including from Council.

2. Objective

Introduction

The strategic direction of the Group is guided by the purpose, values, and strategic objectives. These provide the framework for each company to establish, make plans and investment decisions. The following is an overview of these key planning components.

Purpose

BHL will work collaboratively with BDC to enable their objectives and support long-term, community focused outcomes, through everything we deliver fund and enable.

Values

BHL's values guide how we act, engage, and behave. We strive to be community-driven, act with integrity and respect, share a common vision, value our people, and celebrate success.

Strategic Objectives

The principal strategy of the Group is to generate long-term community benefit through everything we deliver, fund and enable. In pursuing this strategic objective, the Group is guided by the following key principles.

(a) Relationships

Building strong and enduring relationships is essential to our success and our ability to deliver value across the group and wider community. We will strengthen connections with key partners, including BDC, clients, sponsors and supporters, through improved communication, collaboration, and trusted engagement. We will also pursue new partnerships, broaden our community engagement, and leverage relationships that align service delivery with sponsorship and community outcomes. These efforts will create shared value, support long-term financial sustainability, and position the organisation to respond effectively to emerging opportunities.

(b) Business Improvement

BHL will continue strengthening business capability through improved IT systems, better financial visibility, and ongoing optimisation of infrastructure, including depot development, fleet capacity, and facility maintenance. Strategic property planning, through rationalisation and targeted acquisitions, will support future service needs, while enhanced asset management and robust risk oversight will ensure organisational resilience. We will also pursue innovative funding and new commercial opportunities to deliver greater value to our Shareholder.

(c) Commercial Return/Benefit

BHL will pursue commercial opportunities that deliver sustainable returns to the Shareholder, focusing on tenders and contracts that provide strong margins or meaningful local benefit. This includes renewal of key contracts and securing new work. Alongside commercial performance, we remain committed to delivering high-quality, customer-focused services and programmes that support the wellbeing of our community. Through this balanced approach, we aim to create both commercial value and positive community outcomes.

(d) People, Capability & Capacity

BHL will continue to strengthen our people, capability, and capacity to support safe, effective, and sustainable operations across the group. Maintaining essential health and safety training and ensuring a strong, proactive safety culture remain core priorities. We will invest in developing management capability, building respectful and aligned leadership, and supporting succession planning in critical areas. Capacity will be increased to meet organisational growth, improve service delivery, and enhance stakeholder and community engagement. Clear and sustainable organisational structures, combined with improved investigative and operational skills, will ensure BHL and its subsidiaries are well equipped to deliver on their long-term strategic goals.

(e) Branding

BHL and its subsidiaries will strengthen our brand by delivering a clear and cohesive communication strategy that reflects our community-driven values and celebrates our people and achievements. We will embrace digital marketing to promote wellbeing and highlight the services and opportunities offered across the group. By actively showcasing the capabilities and successes of BHL and its subsidiaries to the Shareholder, business partners, and the wider community, we will enhance our visibility, reputation, and community connection.

3. Nature and Scope of Activities

The nature and scope of BHL is to provide a holding company structure for the ownership of selected Council assets and investments. Currently the scope of the subsidiaries are as follows:

(a) WestReef Services Limited

The nature and scope of WSL activities is to provide contracting services for physical works in the Buller region and the South Island. Its activities include maintenance and construction services for:

- Roads and bridges
- Response to Road and Civil Defence emergencies
- Parks and reserves (including associated facilities)

- Utility services (water and sewerage reticulation, wastewater treatment, storm water collection)
- Solid and Liquid Waste Collection and Disposal
- Vehicle workshop repairs
- Transfer stations
- Recreational parks
- Roadside vegetation control
- Property maintenance
- Refuse collection
- Environmental & Back Country Projects

(b) Buller Recreation Limited

BRL owns and operates the Pulse Energy Recreation Centre and provides a range of leisure services to the district in accordance with a Service Level agreement with Council, as summarised below:

- Recreational swimming and learn to swim programmes
- Aquatic sports events
- Indoor court sports competitions and events
- Fitness centre programmes and classes
- Outdoor turf sports
- Corporate, trade and social events
- Reefton community pool management

4. Corporate Governance

The Board of Directors of BHL and its subsidiaries are responsible for the corporate governance of the Group. The term “corporate governance” encompasses the direction and control of the business by the Directors, and the accountability of Directors to shareholders and other stakeholders for the performance of the Company and compliance by the Company with laws, standards and agreed protocols as specified between BHL and BDC.

Role of the Board

The Board is responsible for the proper direction and control of the Group on behalf of the shareholders. The principal objective of each company is to operate a successful business.

The functions of the Board include:

- Ensuring that each company’s goals are clearly established, updated annually and that strategies are in place for achieving the goals.
- Establishing policies for strengthening and enhancing the performance of the Group.

- Monitoring the performance of management relative to the established goals and plans, having delegated day-to-day management of the company to the Chief Executive.
- Appointing and annually assessing the performance of the Chief Executive.
- Ensuring that each company's financial position is fully protected to allow it to meet all debts and obligations as they fall due.
- Ensuring that each company and group's financial statements are fairly presented and conform to law.
- Ensuring that the group adheres to high standards of ethics and corporate behaviour.
- Ensuring that the group has appropriate risk management and regulatory compliance policies in place, including health and safety.
- Approving and implementing the BHL Strategy and Statement of Intent of the Group, and
- Reviewing and approving the Group capital investments and distribution.

Board operations and membership

The composition of the Board is determined in accordance with the following principles:

- The Board comprises of up to 6 directors.
- Directors are appointed by the BDC.
- The Board meets regularly, and schedules additional meetings as required. There are two sub committees, an Audit & Risk Committee, and a Health, Safety & Environment Committee.
- Directors receive formal Board papers for consideration and all necessary information to enable participation in an informed discussion of all agenda items.

The BHL constitution sets out policies and procedures on the operation of the Board including the appointment and removal of Directors.

The Board supports the concept of separation of governance and management of the businesses. The role of the Chairman is to lead the Board to ensure that it carries out its governance role effectively, and to provide leadership and direction to the Chief Executive of the business on behalf of the Board. The Board will evaluate its own performance annually.

5. Ratio of Shareholders Funds to Total Assets

The ratio will be maintained at a minimum of 45% (net of any proposed dividend). Total assets are defined as the sum of all current and non-current assets of each company respectively and the Group, including goodwill.

The Group will also maintain a maximum gearing ratio (as set out in the Treasury Policy) of 40% (measured as debt/ debt plus equity).

6. Distribution Policy

It is the intention to maximise distributions after meeting the financial needs of the Group, including future operations and capital expenditure. Directors should aim to deliver a minimum distribution as agreed in this Statement and as forecasted in the Statement of Intent. Taking this into account the maximum distribution should not exceed the Group gross taxable profit.

7. Accounting Policies

The BHL Group will adopt and adhere to accounting policies that are consistent with those of the BDC and comply with generally accepted accounting practice in accordance with the Companies Act 1993, the Financial Reporting Act 2013, NZ Equivalents to International Financial Reporting Standards, and any other applicable laws and standards.

8. Information to be Reported

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

Statement of Intent

The Directors shall deliver to the shareholders a draft Statement of Intent by 1 March for comments by the shareholder. The Directors shall deliver to the shareholder a completed Statement of Intent by 30 June.

Consolidated Quarterly Reports

The Directors shall deliver to the shareholders by 16 November, 23 February and 16 May an unaudited report containing the following information as a minimum in respect to the quarter under review.

- A revenue statement disclosing actual and budgeted revenue and expenditure with comparative figures for the previous equivalent period.
- A statement of financial position at the end of the half year.
- A statement of cashflows at the end of the half year.
- Key performance indicators.
- A commentary on the results for the quarter together with a report on the outlook for the remainder of the year with reference to any significant factors that are likely to influence the Group performance, including an estimate of the financial result for the full year. A commentary on progress towards meeting proposed distributions to shareholders should be included.

Annual Reports

The Directors shall deliver to the shareholders by 30 September annual reports and audited financial statements in respect to the financial year containing the following information as a minimum.

- 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 a dividend.
- A revenue statement disclosing revenue and expenditure with comparative figures for the previous year.
- A statement of financial position at the end of the year.
- A statement of cashflows.
- An auditor's report on the above statements and the measurement of performance in relation to key performance targets.

9. Group Performance Targets

The performance of Buller Holdings Limited will be judged against the following measures and targets:

Objective	Key Performance Indicators	Targets		
		2027	2028	2029
Health & Safety	Medical Treatment Injury	Nil	Nil	Nil
Operational	The board of directors will meet with the BDC Mayor and Chair Risk & Audit Committee on a formal Basis	3 times per year	3 times per year	3 times per year
Financial Parent (\$000)	Revenue	\$684	\$700	\$717
	Expenditure	\$682	\$697	\$714
	Net Operating Surplus	\$2	\$3	\$3
	Provision for Capex	\$0	\$0	\$0
	Ratio of Shareholders Funds to Total Assets	45%	45%	45%
Financial Group (\$000)	Group Consolidated Operating Surplus before Tax	\$1,756	\$1,955	\$2,066
	Provision for capex	\$2,545	\$3,047	\$3,755
	Forecast distribution to Shareholders	\$1,100	\$1,000	\$1,000
	Ratio of Shareholders Funds to Total Assets	45%	45%	45%
	Gearing Ratio (Debt to Debt plus Equity)	40%	40%	40%

The performance of WestReef Services Limited will be measured against the following targets:

Objective	Key Performance Indicators	Targets		
		2027	2028	2029
Health & Safety	Medical Treatment Injuries	Nil	Nil	Nil
	Notifiable Incident ICAM (investigated with recommendations actioned)	100%	100%	100%
	Total safety audits completed	>100	>100	>100
	ISO 45001 Accreditation	Maintain accreditation	Maintain accreditation	Maintain accreditation
Operational	Employee Satisfaction – Staff turnover excluding retirement, redundancy, and internal transfers.	Within the range of +/- 5% of the national benchmark	Within the range of +/- 5% of the national benchmark	Within the range of +/- 5% of the national benchmark
Employee Development & Satisfaction	Undertake staff satisfaction survey (every 2nd year)	Survey Completed	Nil	Survey Completed
Financial (\$000)	Revenue	\$19,374	\$19,820	\$20,315
	Expenditure	\$17,547	\$17,805	\$18,180
	Net Operating Surplus before Tax	\$1,827	\$2,015	\$2,135
	Provision for Capex	\$2,100	\$2,790	\$3,250
	Ratio of Shareholders Funds to Total Assets	45%	45%	45%
Environmental	Number of enforcement notices	Nil	Nil	Nil
Community	Support Minimum 25 community activities	25	25	25

The performance of Buller Recreation Limited will be measured against the following targets:

Objective	Key Performance Indicators	Targets		
		2027	2028	2029
Fitness membership	Average membership over 12-month period.	700	710	720
	Average retention rate over 12-month period	>75%	>80%	>85%
Aquatic centre usage	Average visits per month over 12 months	4,000	4,050	4,100
Safety	Medical Treatment Injuries	Nil	Nil	Nil
	Undertake client satisfaction survey every second year	Nil	Survey completed	Nil
	Undertake staff satisfaction survey every second year.	Survey completed	Nil	Survey completed
	Complete maintenance and replacement in accordance with AMP (monitor monthly)	Achieved	Achieved	Achieved
Financial Forecasts (\$000)	Revenue	\$901	\$921	\$944
	BDC recreation service level fee	\$1,030	\$1,054	\$1,080
	Expenditure	\$2,305	\$2,369	\$2,418
	Net operating surplus (deficit) before Tax	(\$374)	(\$384)	(\$394)
	Cash surplus/(deficit) (after adding back depreciation)	\$20	\$31	\$31
	Provision for capex (funded by Council)	\$445	\$257	\$505
	Ratio of Shareholders Funds to Total Assets	45%	45%	45%

Financial Performance

The financial performance of the Group will be an aggregation of the results from the businesses that make up the structure, including administration costs of the parent company. This aggregation will include surpluses after tax less losses incurred. Financial performance results will also be provided for all subsidiaries WSL and BRL.

Subsidiary Performance Measures and Targets

The performance objectives, measures and targets for each subsidiary are attached to this Statement of Intent. Formal reports by the Group to the shareholder will include the outcomes against each measure for each subsidiary company.

10. Value of Shareholders Investment

The value of the Shareholders' investment will be not less than the carrying value of the investment in the Council's financial statements.

11. Investments

The Group's ability to subscribe for, purchase or otherwise acquire shares in any company or other organisation, or enter into a major transaction is governed by the provisions in the Company's constitution, standards and agreed protocols as specified in the Charter between the Company and Council. This includes the requirement to meet appropriate commercial returns from the investment which are measured against BHL weighted average cost of capital (WACC).

The Directors will consult with the shareholders regarding purchasing a business or subscribing for shares in any company or other organisation where that investment is more than 25% of shareholders' funds as at the previous balance date. Where the investment is more than 50% of shareholders' funds, shareholder approval will be required. BDC has approved the purchase of land to be used for development of a depot. This capital expenditure was completed in the 2024 financial year.

Any significant decision of BHL and/or their subsidiaries affecting land or water, will consider the relationship of Māori and their culture and traditions with their ancestral land, water, sites, wāhi tapu, valued flora and fauna, and other taonga before it makes a decision that may significantly affect land or water. This is under s 60A Local Government Act 2002.

12. Role in the BDC Group and Regional Economy

a. Commercial Relationship

The Group acknowledges that there may be commercial opportunities within, or in partnership with other group entities that can be developed to benefit each company, the BHL Group and the Buller region.

b. Growth of the Regional Economy

Each company within the Group acknowledges that it has a role to play in promoting the growth of the Buller region by contributing to regional initiatives as a good corporate citizen.