



Invercargill City Forests Ltd

INVERCARGILL CITY FORESTS LIMITED

STATEMENT OF INTENT FOR THE FINANCIAL YEAR ENDING 2021

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INTRODUCTION

This Statement of Intent is presented by the Directors pursuant to the requirements of the Local Government Act and sets out the Board's overall intentions and objectives for the Company for the financial year ended 30 June 2021 and the two succeeding financial years.

CORE BUSINESS

The company is primarily involved in forestry activity through the ownership, harvesting and trading in forests throughout New Zealand.

During May 2019, Invercargill City Holdings Limited (the parent) resolved to instruct Invercargill City Forests Limited to sell all forestry interests. Invercargill City Forests Limited has engaged an agent to facilitate the sale. Invercargill City Forests Limited has subsequently entered into an agreement for sale subject to the satisfaction of the Overseas Investment Office requirements of the purchaser.

COMMERCIAL OBJECTIVES

The key aim of the company for the year ended 30 June 2021 is to complete the sale, and repay all outstanding debt.

Whilst undertaking the above, the company intends to:

1. Ensure that Health and Safety Policies are maintained in line with best practice, adhered to and a resulting strong culture is embedded.
2. Manage its operations in a progressive and commercial manner, such that the value of all assets is maximised.
3. Keep Invercargill City Holdings Limited informed of matters of substance affecting the group.
4. Ensure regular reporting of results to Invercargill City Holdings Limited.
5. Act generally as a responsible corporate citizen.
6. Work closely with Invercargill City Holdings Limited to provide assurance that all activities undertaken are done so in compliance with the relevant legislative requirements applicable to that activity.
7. Work closely with Invercargill City Holdings Limited to enable Invercargill City Holdings Limited to enable strategic divestment and restructure of assets in line with shareholder objectives, while mitigating risk.
8. Work closely with Invercargill City Holdings Limited to provide assurance that any forest harvesting and activity will add shareholder value.

NATURE AND SCOPE OF ACTIVITIES

The nature of Invercargill City Forests Limited activities are those of a forestry operation namely undertaking forestry acquisitions, sales, planting, silviculture, harvesting and marketing noting that it has resolved to sell the entire estate.

PERFORMANCE TARGETS

OUTLOOK 2020/21

It is assumed that all assets will be divested of within the financial year ending 30 June 2021.

An estate management program is allowed for which ensures that all obligations of the company as vendor under any sales agreement are satisfied.

PERFORMANCE TARGETS

The company will complete the sale of the forestry estate.

PROPOSED DISTRIBUTIONS

The company's priority in the forthcoming year is to take all actions necessary to ensure the sale of the forestry estate and return surplus funds to Invercargill City Holdings Limited.

INFORMATION TO BE REPORTED

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

DRAFT STATEMENT OF INTENT

On or before 1 March each year the Directors will deliver to the shareholder a Draft Statement of Intent that fulfils the requirements of Section 64 of the Local Government Act 2002.

COMPLETED STATEMENT OF INTENT

On or before 30 June each year the Directors shall deliver to the shareholder a completed Statement of Intent which fulfils the requirements of Section 64 of the Local Government Act 2002.

HALF YEARLY REPORT

Within two months after the end of the first half of each financial year the Directors shall deliver to the shareholders an unaudited report containing the following information as a minimum in respect of the half-year under review:

- A revenue statement disclosing actual revenue and expenditure with comparative figures from the previous half yearly report.
- A statement of financial position at the end of the half year.
- A statement of cash flows.

- A commentary on the results for the first six months together with a report on the outlook for the second six months with reference to any significant factors that are likely to have an effect on Invercargill City Forests Limited performance including an estimate of the financial result for the year based on that outlook.

ANNUAL REPORT

Within three months after the end of each financial year the Directors shall deliver to the shareholders an annual report and audited financial statements in respect of that 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 dividend.
- A revenue statement disclosing actual revenue and expenditure and comparative figures.
- A statement of financial position at the end of the year.
- A statement of cash flows.
- An Auditors report on the above statements and on the measurement of performance in relation to objectives.

BOARD'S ESTIMATE OF THE VALUE OF SHAREHOLDER'S FUNDS

The Directors estimate the commercial value of the shareholder's investment in the group to be at least the value of the shareholder's equity reported in the financial statement and Statement of Intent.

Each year as part of the financial reporting process the Board considers its investments for signs of impairment. Presently there are no signs of impairment.

GOVERNANCE

The Directors of Invercargill City Forests Limited are appointed by Invercargill City Holdings Limited to oversee the governance of the company and will act in accordance with the guidelines set by the Shareholder.

The day to day management of the company is delegated to the management team and the forestry consultant.

The directors are responsible for the governance practices of Invercargill City Forests Limited. This statement sets out the main practices that were in operation throughout the financial year, except where otherwise indicated.

BOARD OF DIRECTORS

The board carries out its responsibilities according to the following mandate:

- The number of directors on the board should be no fewer than two and no more than five.
- Directors should possess a broad range of skills, qualifications and experience.
- The board meets regularly.
- All available information relating to items to be discussed at a meeting of the board is provided to each non-conflicted director prior to that meeting.

The board consists of five directors.

The primary responsibilities of the board include:

- Ensuring that Health and Safety Policies are adopted that reflect best practice.
- Ensuring that the Company 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 Company.
- Monitoring the performance of management relative to the established goals and plans, having delegated day-to-day management of the company to the Management Team.
- Ensuring that the Company's financial position is fully protected so as to allow it to meet all debts and obligations as they fall due.
- Ensuring that the Company adheres to high standards of ethics and behaviour.
- Reviewing and approving the Company's capital investments and distributions
- Ensuring preparation of the annual and half-year financial statements.
- Establishing the long-term goals of Invercargill City Forests Limited and strategic plans to achieve those goals.
- Reviewing and adopting annual budgets for the financial performance of Invercargill City Forests Limited and monitoring results on a monthly basis.
- Managing risk by ensuring that Invercargill City Forests Limited has implemented adequate systems of internal controls together with appropriate monitoring of compliance activities, and
- Working with management to create shareholder value.

Invercargill City Forests Limited has a commitment to the highest standards of behaviour and accountability in carrying out its duties and responsibilities, including:

- Responsibilities to shareholder
- Relations with customers and suppliers
- Employment practices, and
- Responsibilities to the community

RISK MANAGEMENT

The board is also responsible for Invercargill City Forests Limited's system of internal controls. The board constantly monitors the operational, health and safety and financial aspects of Invercargill City Forests Limited's activities, the board considers the recommendations and advice of external auditors and other external advisers on the operational, health and safety and financial risks that face Invercargill City Forests Limited.

The board ensures that recommendations made by the auditors and other external advisers are investigated and, where considered necessary, appropriate action is taken to ensure that Invercargill City Forests Limited has an appropriate internal control environment in place to manage the key risks identified.

In addition, the board investigates ways of enhancing existing risk management strategies, including appropriate segregation of duties, the employment and training of suitably qualified and experienced personnel.

STATEMENT OF ACCOUNTING POLICIES

Invercargill City Forests Limited's accounting policies are consistent with the accounting policies recognised by the External Reporting Board ('XRB').

The accounting policies which materially affect the measurement and reporting of financial performance and financial position have been applied on a basis consistent with those used in previous years.

The accounting policies are listed in full in our most recent annual report.