

Attachment 9



Chief Executive's Report – January 2005

3.2.2 Mangawhai EcoCare

As reported to the workshop on Wednesday 19 January. There is agreement on all issues except one, between Simon Engineering Australia and the Council's negotiation team. Simon Engineering Australia advise that they are prepared to sign the Project Deed and consider agreement on the one remaining issue, which relates to the final design of the treatment plant building, will be quickly reached.

However, as you may be aware through the press Simon Engineering Australia's parent company, Henry, Walker, Eltin has been undergoing a refinancing programme. They have a new investor who is making a significant investment in the company subject to a "due diligence" process. Because of this process Simon Engineering Australia is unable to sign the project deed but have to wait for the completion of the due diligence process or for the project to be released from the project.

The worst case scenario we have been given is that we will have to wait for the completion of the due diligence process and its adoption by the Board of the investor. This could take until mid-March. However, we are hoping for an early release of the project from the due diligence process.

A successful completion of the due diligence process seems likely and this will provide Council with great surety as to the financial strength of Henry, Walker, Eltin which is guaranteeing Simon Engineering Australia's performance.

Council will recall that Henry, Walker, Eltin and Simon Engineering Australia have recently had a major change in management. In the few months the new management team has been involved there has been a complete review and renegotiation of the project, a repeat of the previous negotiation which took the old management team in excess of two years. The negotiation has been robust and I am confident will have removed our earlier concerns about difficulties during the construction and operation phases.

We remain in close contact with Simon Engineering Australia and their financiers, ABN Amro. ABN Amro have indicated they are happy with the current situation.