

# **PORTS OF AUCKLAND LIMITED**

**FINAL**

## **STATEMENT OF CORPORATE INTENT**

For the Period from 1 July 2009 to 30 June 2012

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## FINAL STATEMENT OF CORPORATE INTENT

For the Period from 1 July 2009 to 30 June 2012

### 1. Introduction

This Statement of Corporate Intent (SCI) is for Ports of Auckland Limited and its subsidiaries (referred to singularly or collectively as “Ports of Auckland” or “the Company”).

Ports of Auckland is a wholly owned subsidiary of Auckland Regional Holdings (referred to as “ARH” or “the Shareholder”).

This SCI covers the period from 1 July 2009 to 30 June 2012, and has been prepared in accordance with the terms under Section 9 of the Port Companies Act 1988.

### 2. Purpose

The purpose of this Statement of Corporate Intent (SCI) is to:

State publicly the activities and intentions of Ports of Auckland and the objectives to which those activities will contribute; and

Provide a basis for the accountability of the Board of Directors of Ports of Auckland to the Shareholder for the performance of the Company and its subsidiaries.

### 3. Vision

The Company will be the best Port Company in Australasia with world class performance.

### 4. Mission Statement

The Company will achieve its Vision by:

Enhancing the long term value of the business and ensuring its sustainability - *we will make an appropriate profit; we are here for the long term.*

Providing the best customer value proposition - *we will provide better value products and service than our competitors.*

### 5. Nature and Scope of Activities

Ports of Auckland owns and operates the Port of Auckland, New Zealand’s largest international container port, the regional Port of Onehunga and two Auckland inland ports.

Ports of Auckland provides the following services:

- (a) container terminal handling services which includes receipt, delivery, transit storage and shipment of a wide range of import and export cargos;
- (b) breakbulk and bulk cargo handling services;

- (c) marine services which include pilotage and towage services;
- (d) supply-chain management services via the both sea and land;
- (e) other port-related activities required to manage and operate an efficient and competitive port; and
- (f) services and facilities to support the cruise ship industry

## **6. Objectives**

### **6.1 *Principal Objective***

The principal objective of Ports of Auckland is to operate as a successful business. As a successful business, Ports of Auckland will strive to achieve targets set under its financial, customer, employment and environmental and social objectives.

### **6.2 *Economic Objectives***

We recognise the important impact the achievement of our Vision and Objectives has on the economic wellbeing of Auckland, the Region and New Zealand and we will:

- facilitate trade for the region's and nation's exporters and importers; and
- provide infrastructure and services to facilitate the cruise ship industry.

### **6.3 *Financial Objectives***

We will grow our business in a profitable manner and maintain or exceed a rate of return as agreed with our shareholder.

### **6.4 *Customer Objectives***

We will provide customers with unrivalled value.

### **6.5 *Employment Objectives***

We will develop excellent leadership and highly engaged staff.

### **6.6 *Environmental and Social Objectives***

We will be a respected and admired company, appropriately recognising the interests of all stakeholders.

## 7. Performance Targets and Other Measures

Everything we do manifests itself in our financial result. Therefore, the performance targets and other measures by which the performance of Ports of Auckland may be judged in relation to its objectives are:

Objectives	Key performance measures	Targets		
		FY09/10	FY10/11	FY11/12
<b>Economic</b>				
We recognise the important impact the achievement of our Vision and Objectives has on the economic wellbeing of Auckland, the Region and New Zealand	(1) Ports of Auckland will facilitate trade for the region's and nation's exporters and importers; and	100% compliance	100% compliance	100% compliance
	(2) Ports of Auckland will provide infrastructure and services to facilitate the cruise ship industry.	100% compliance	100% compliance	100% compliance
<b>Financial</b>	<i>(A) Operating / asset productivity measures</i>			
We will grow our business in a profitable manner and maintain or exceed a rate of return as agreed with our shareholder	(1) Net operating cash flow / Net operating assets	4%	5%	6%
	<i>(B) Returns to shareholders</i>			
	(1) Total return on Shareholder investment	5%	6%	7%
	(2) Annual increase in Shareholder investment NPV	2%	4%	4%
	<i>(C) Prudent balance sheet management</i>			
	(1) Interest coverage ratio	2.1 x	2.3 x	2.6 x
	(2) Total shareholders' funds <sup>1</sup> / total assets <sup>2</sup>	62%	63%	63%
<b>Customer</b>	Rate of improvement in crane moves per hour	5.4%	3.3%	2.5%
We will provide customers with unrivalled value	Truck turnaround time	< 30 min	< 30 min	< 30 min
<b>Employment</b>	Implement COMPASS engagement/culture survey process to set a benchmark for employee engagement	By 30 June 2010		
We will develop excellent leadership and highly engaged staff	Safety Taskforce meets 2-weekly and ensures rolling programme of safety improvements are completed as they fall due	100% compliance	100% compliance	100% compliance
	No lost-time injuries	0	0	0
<b>Environmental and social</b>	No harbour spills caused by POAL	0	0	0
We will be a respected and admired company, appropriately recognising the interests of all stakeholders	Community Reference Group meetings to provide forum for community feedback and dialogue re POAL's operations and development plans	Hold Quarterly meetings	Hold Quarterly meetings	Hold Quarterly meetings
	Target timeline for acknowledgment of complaints (eg noise, emissions complaints)	48 hrs	48 hrs	48 hrs
	Target detailed response timeframe to complaints (if required) (working days)	10	10	10

<sup>1</sup> Consolidated Shareholders' Funds comprise Contributed Equity (share capital), Reserves and Retained Earnings

<sup>2</sup> Total Assets comprise the Net Book Value of Current Assets, Investments and Property, Plant and Equipment as disclosed in Ports of Auckland's Balance Sheet

The near-term objectives and associated targets represent Ports of Auckland's concerted efforts to work towards enhanced long-term profitability and sustainability of its operations. To ensure our profitability and sustainability, Ports of Auckland's long-term strategy includes:

- (i) maximise margins with an appropriate pricing strategy aimed at optimising volume / price mix;
- (ii) achieve greater cost efficiency by reducing costs relative to volumes; and
- (iii) increase productivity through ongoing improvement in asset utilisation.

## **8. Dividend Policy**

Ports of Auckland notes the Shareholder's desire to receive dividends representing 75% of after-tax profits (excluding the tax-adjusted effect of: investment property revaluations, unrealised capital gains and losses, unrealised treasury gains and losses) and will use its best endeavours to accommodate that desire within the constraints imposed by the Directors' obligations to act in accordance with their statutory duties and in the best interests of the Company. It is accordingly able to estimate that the distributions will be at that level. Dividends will be paid in two instalments at the half year and year end.

## **9. Accounting Policies**

Ports of Auckland has adopted accounting policies that are consistent with the New Zealand International Financial Reporting Standards (NZ IFRS) and other standards issued by the New Zealand Institute of Chartered Accountants, and in accordance with the Companies Act 1993 and the Financial Reporting Act 1993 and any amendments thereto.

A full statement of the Company's accounting policies is set out in the audited annual Financial Statements.

## **10. Information to be provided to the Shareholder**

### ***10.1 Statutory Information Requirements***

#### **Annual Statement of Corporate Intent (SCI)**

By 31 December each year Ports of Auckland will provide the Shareholder with a draft SCI together with any other information it considers appropriate. The Board will respond to comments from the Shareholder on the draft SCI within three weeks after receipt of those comments and deliver the final SCI to the Shareholder for approval by 30 April each year.

#### **Half Yearly Report**

Within six weeks after the end of the first half of each financial year, the Company will deliver to the Shareholder its unaudited group consolidated financial statements prepared in accordance with the NZ IFRS and the Financial Reporting Act 1993.

Within eight weeks after the end of the first half of each financial year, the Company will deliver to the Shareholder its Half Yearly Report, including the unaudited group consolidated financial statements and performance commentary, together with such other information as the Board consider appropriate.

The report will include:

- Performance Commentary
- Income Statement
- Balance Sheet
- Cash Flow Statement
- Statement of Changes in Equity
- Notes to the Financial Statements
- Performance against the SCI Performance Targets and Other Measures.

### **Annual Report**

Within seven weeks after the end of each financial year, the Company will deliver to the Shareholder its audited annual group consolidated financial statements prepared in accordance with NZ IFRS and the Financial Reporting Act.

By 31 August of each year, Ports of Auckland will deliver to the Shareholder its Annual Report prepared in accordance with the reporting requirements of the Companies Act 1993, and will include the audited annual group consolidated financial statements and performance commentary, together with such other information as the Board consider appropriate.

The report will include:

- Performance Commentary,
- Income Statement,
- Balance Sheet,
- Cash Flow Statement,
- Statement of Changes in Equity,
- Notes to the Financial Statements,
- Performance against the SCI performance targets and other measures,
- Auditors' Report, and
- Economic Information on the Strategic Impact of the Company's Contribution to the Regional and National Economies.

## **10.2 Other Information Requirements**

### **Quarterly Reports**

Within four weeks after the end of the September and March quarters of each financial year, the Company will deliver to the Shareholder a quarterly report on the preceding quarter, consisting of the following:

- Financial update as at the end of the quarter showing progress against budget, including the ratio of return on investment (ROI),
- Progress against key performance indicators, SCI targets, and sustainable development measures,
- Commentary on progress on key issues affecting or likely to affect the business, and
- Any significant events that have arisen in the quarter.

Within six weeks after the end of each of the September and March quarters of the financial year, Ports of Auckland management will present to ARH management on the performance of the Company as well as progress on key issues affecting or likely to affect the business, and any significant events that have arisen.

Within four weeks after the end of the December and June quarters of each financial year, the Company will deliver to the Shareholder a quarterly report on the preceding quarter, consisting of the following:

- Progress against key performance indicators, SCI targets, and sustainable development measures,
- Commentary on progress on key issues affecting or likely to affect the business, and
- Any significant events that have arisen in the quarter.

Financial results for the December and June quarters will be incorporated in the Half Yearly Reports and the Annual Reports to be delivered to the Shareholder in accordance with timetables for those reports as stated above.

Within six weeks after the end of each of the December and June quarters of the financial year, the Ports of Auckland Board will meet with the ARH Board to discuss strategic issues will present to the Shareholder on the performance of Ports of Auckland as well as progress on key issues affecting or likely to affect the business, and any significant events that have arisen.

### **Strategic plan**

Ports of Auckland will prepare its updated strategic plan for the next 20-year period and present to the Shareholder by 30 April each year.

### **General Disclosure**

The Company will provide information to the Shareholder (including at appropriate times a productivity and efficiency index target and predictions as to the Port Operations EBIT improvements to be obtained by achievement of those targets) on an ongoing but confidential basis so as to ensure that the Shareholder is informed in a timely manner of significant events which relate to the Company and which may affect the Shareholder. All such information will be subject to a confidentiality deed.

### **Sustainable Development Reporting**

Ports of Auckland will adopt and include in its Annual Report a sustainable development report, including any information specified by the Shareholder in order to enable the Shareholder to prepare its Sustainability reporting.

### **Communication of Information**

The Company's primary line of communication, for all formal reports and ad hoc business matters, is direct to the Shareholder, Auckland Regional Holdings.

### **11. Procedure for Acquisition of Shares**

The Company's ability to subscribe for, purchase or otherwise acquire shares in any company or other organisation is governed by the provisions in the Ports of Auckland Constitution and the Companies Act 1993.

Any major share investment (other than operational investment) which is inconsistent with the approved 5 year strategic plan will be discussed with the Shareholder.

### **12. Compensatory Activities**

The Company will seek compensation for all non-commercial activities performed by it on behalf of local authorities.

### **13. Value of Shareholder's Investment**

The accounting book value of Shareholder's equity as at 31 December 2008 was \$384,687,000. (To be updated once 30 June 2009 financial statements are finalised).

The Directors' estimate of the commercial value of the shareholder's investment in POAL will be reported to ARH on a quarterly basis.

### **14. Any Other Matters Agreed by the Shareholder and the Board**

There are no other matters.